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CHINA IN CENTRAL ASIA

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CHINA IN CENTRAL ASIA:
OPPORTUNITIES AND RISKS OF EMERGING CHINESE HEGEMONY FOR
REGIONAL STATES

A Master's Thesis

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To My Family

CHINA IN CENTRAL ASIA:
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REGIONAL STATES

The Graduate School of Economics and Social Sciences
of
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ABSTRACT

CHINA IN CENTRAL ASIA: OPPORTUNITIES AND RISKS OF EMERGING CHINESE HEGEMONY FOR REGIONAL STATES

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This thesis aims to analyze the opportunities and risks of the emerging Chinese hegemony in Central Asia for the five regional states namely Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan with a special focus on the Belt and Road Initiative (BRI). The Chinese hegemony in the region is a novel and ongoing process that is a consequence of the interplay between three necessary but not sufficient factors that are China's rise, absence of other great powers, and Central Asian needs. Framing the opportunities and risks in three main categories of politics, economy, and security, this thesis argues that closer political economic partnership with China in its current hegemonic fashion benefit Central Asian republics in the short-run while it bears significant risks in the long-run. In each category, this thesis offers analyses of a wide array of issues that are either present on the ground or have high likelihood to emerge in the near future. The opportunities range from multivector foreign policy to development finance while the risks include social unrest, trade asymmetry, and militarization of the BRI.

Keywords: China, Central Asia, Hegemony, Development, Belt and Road Initiative (BRI)

ÖZET

ORTA ASYA'DA ÇİN: OLUŞAN ÇİN HEGEMONYASININ BÖLGE ÜLKELERİ AÇISINDAN FIRSATLARI VE RİSKLERİ

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Bu tez Orta Asya'da oluşmakta olan Çin Hegemonyasının beş bölge devleti olan Kazakistan, Kırgızistan, Tacikistan, Türkmenistan ve Özbekistan açısından fırsatlarını ve risklerini özellikle Bir Kuşak Bir Yol Girişimi'ne de odaklanarak analiz etmeyi amaçlamaktadır. Bölgede yeni ve halihazırda devam eden bir süreç olan Çin Hegemonyası üç gerekli ama yeterli olmayan ana faktörün, yani Çin'in yükselişi, diğer büyük güçlerin namevcudiyeti ve Orta Asya'nın ihtiyaçlarının bir araya gelmesi sonucu ortaya çıkmıştır. Bu tez, fırsatları ve riskleri politika, ekonomi ve güvenlik başlıkları altında üç ana kategoride sınıflandırarak Çin ile yakın politik ekonomik ortaklığın mevcut şeklinde devam etmesi durumunda Orta Asya cumhuriyetlerine kısa vadede faydalar sağlarken uzun vadede ciddi riskler barındırdığını ileri sürmektedir. Tezin sınıflandırdığı her kategoride, halihazırda mevcut veya yakın gelecekte gerçekleşmesi kuvvetle muhtemel hususlar üzerinde analizler sunulmuştur. Fırsatlar çok vektörlü dış politikadan kalkınma finansmanına kadar uzanırken riskler arasında toplumsal huzursuzluk, asimetrik ticaret ve Kuşak-Yol Girişimi'nin silahlandırılması bulunmaktadır.

Anahtar Kelimeler: Çin, Orta Asya, Kalkınma, Hegemonya, Bir Kuşak Bir Yol Girişimi

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CHAPTER I

INTRODUCTION

The rising Chinese hegemony in Central Asia is a new and multifaceted phenomenon that is a product of continuous interplay between multiple variables operating at both domestic and international stages. Modern Chinese-Central Asian relations emerged in the wake of the Soviet Union's collapse in 1991 when five regional republics gained their independence. The early Chinese engagement in the region was modest and the diplomatic ties were mostly confined to the renegotiation of former border disputes until the formation of the Shanghai Cooperation Organisation (SCO) in 2001 (Cooley, 2012; Laurelle and Peyrouse, 2012). The bilateral trade between China and the five republics along with Chinese investment in the region was low in volume and mostly done by local petty traders (Laurelle and Peyrouse, 2009; Zhaparov, 2009). These three-decades-long relations however have gained a hegemonic structure since China's announcement of the Belt and Road Initiative (BRI) in today's Nursultan in late 2013.

For China, Central Asia represents virgin steppes that need to be stepped in for the unimpeded rise of modern China through the realization of the economic and strategic goals of the country (Rolland, 2017; Calder, 2019; Hillman, 2020). For Central Asia, China is first and foremost a given, a mighty neighbor that they should learn to live with (Laurelle and Peyrouse, 2009). In the meantime, one should note that the term Central Asia corresponds

more to a region with a common culture, history, and geography rather than representing a rigid analytical unit with convergent political and economic structures (Laurelle and Peyrouse, 2012). Thus, the opportunities and risks that emerged due to the Chinese hegemony vary across the region's five republics despite the presence of some common denominators.

This thesis argues that closer economic and political partnership with China in its current hegemonic fashion benefit Central Asian republics in the short-run while it bears significant risks in the long-run. The framing and analysis of the opportunities and risks presented by the emergent Chinese regional hegemony in Central Asia follows three main categories of politics, economy, and security. Chapter II provides a conceptual basis, description, and causes of the phenomenon of China's hegemony in Central Asia. I argue that the convergence between three necessary but insufficient causes has crafted this phenomenon. The first is China's own rise to the position of great power, though it is still an ongoing process. The second is the relative absence of other great powers in Central Asia that are willing, or able to prevent intense Chinese engagement. Finally, the Central Asian states' own willingness to accommodate China due to their need for infrastructure, and development.

Following Onega's (2020) definitions of great power and grand strategy, we can safely say that China is -although a rising one- a full-fledged great power, and the BRI is Beijing's grand strategy. China, without accomplishing a dramatic economic growth that fosters its financial, diplomatic, and military instruments, could not have pursued its wider strategic and economic interests in the region that eventually led to a hegemonic structure (Vogel, 2011; Kroeber, 2016; Rolland, 2017; Calder, 2019). The overarching argument is that the quantity and quality of China's economic growth have turned the country's direction towards Eurasian inland. China's abundant financial resources, institutional tools that are tailored for state-led

economic action, and infrastructure-driven development model have incentivized the leadership to march westwards, beyond the borders (Rolland, 2017; Calder, 2019). China's rise however is necessary but not sufficient on its own. Beijing's unchallenged position due to the absence or inability of rivaling great powers in Central Asia at least for a decade is another necessary but not sufficient condition (Kaczmarek, 2016; Trenin, 2017; Köstem, 2019; Hillman, 2020; Gabuev, 2021). On their part, Central Asian states are not simple pawns that are unable to navigate their own interests when dealing with their powerful neighbors (Zakaria, 1991; Cooley, 2012; Contessi, 2018). Their accommodating attitude towards China due to their need of development and necessary financing presents the third necessary but insufficient condition of the Chinese hegemony to emerge.

Having provided the framing and analysis, the thesis then proceeds to Chapter III where the opportunities presented by the Chinese hegemony for the five Central Asian republics are discussed following three main lines of (1) politics, (2) economy, and (3) security.

From the geopolitical perspective, China's entry into Central Asia offered the region an alternative set of patronage out of the traditional Russian political influence (Aris, 2004; Cooley, 2012) Two major opportunities have emerged for the Central Asian states as a result of their closer engagement with China, namely (1) multivectoralism, and (2) globalization. Being neither balancing nor bandwagoning in a neorealist sense, multivectoralism is a co-alignment with different great powers in the international system (Contessi, 2018). In such an environment, smaller states would be potentially able to engage with alternative bigger states to secure their sovereignty and maximize their material gains in an environment where

multiple great powers compete for influence (Allison, 2004; Wohlforth, 2004; Khanna, 2008; Lake, 2009a; Aris, 2010; Cooley, 2012; Contessi, 2015).

When it comes to globalization, China appears to be a more promising alternative for globalization than Russia, thanks to the country's sophisticated global political and economic ties in terms of both width and depth (Khodzhaev, 2009; Contessi, 2015). Since their independence, Central Asian states could not break their isolation from the rest of the world for many reasons (Laurelle and Peyrouse, 2009; Cooley, 2012; Hillman, 2020). China, in this respect, offers the Central Asian states a channel to globalization not only because China has extensive resources and a large global network, but more than that, China has the strongest will to engage Central Asia (Rolland, 2017).

Economic opportunities show themselves through three fields of (1) infrastructure, (2) development finance, and (3) trade. As developing states, infrastructure building is essential for the Central Asian states to realize their potential for growth. Infrastructure's role however is not confined merely to economic development, but also it is a key component of statecraft (Contessi, 2018). As landlocked states, Central Asian states are vulnerable to the neighboring states' geographical gatekeeping (Hanks, 2009; Aris, 2010).

Central Asia has been among the least favorable places for business to attract investment and loans due to poor physical, institutional, economic, and social conditions (Cooley, 2016, EBRD, 2019). This chronic problems leads us to China's role as the region's risk-appetite principal provider of development assistance since the 2008 global financial crisis and at an elevated phase since the initiation of the BRI in 2013 (Barma et al., 2009; Hurley et al., 2019; Hillman, 2020). Yet, as a consequence of China's entry into the Central

Asian political economic sphere, the rivalry -and cooperation- between Chinese and Western financial institutions has heightened, and the line between Western neoliberalism and Chinese state capitalism has increasingly blurred (Katada & Liao, 2020; Skalamera Groce & Köstem, 2021). As a window of opportunity, policy changes of both the Chinese financial institutions and the Western Multilateral Development Banks (MDB) potentially benefit Central Asian states as they can now broker the best possible deals tied to more suitable conditions.

As another key component of the economic opportunities, closer trade partnership with China offers the Central Asian states an array of opportunities for two interrelated reasons. First, China is on both sides of demand and supply of goods thanks to its huge domestic market and efficient production capacity. Second, related to the discussion of globalization, increased connectivity provided by China's sophisticated domestic transportation network and proposed projects along the BRI routes offer Central Asia a wider access to the vibrant markets of East Asia, Europe, Middle East, and Southeast Asia (Contessi, 2015).

The opportunities in the security sphere are framed in four categories of (1) interstate cooperation under the SCO, (2) joint military exercises, (3) military aid, and (4) military sales. The SCO framework has provided the Central Asian members with China's assistance at both regional and domestic levels. At the regional level, they have been provided with information, equipment, training, and finance along with political backing against the threats of terrorism, smuggling, and other forms of organized crimes (Ambrosio, 2008; Cooley, 2012). At the domestic level, the accumulated resources and experience have strengthened the state security apparatus. However, one should note the blurred line between counterterrorism and crackdown on non-violent political opposition in Central Asian states.

In terms of joint military exercises, China has conducted both bilateral and multilateral (SCO Peace Missions) exercises with the Central Asian states since 2003 with the participation of a total of 5,000 personnel (Boland, 2010; Zhang, 2018). The military exercises provide the participant countries -including China- with combat experience, introduction of new military equipment, power calculation, and overall learning from more experienced armies particularly that of Russia (Pantucci, 2019). China has been granting funding and equipment to Central Asia since around the 1990s. Although the exact amount of the total resources granted is unknown, it is arguably no less than tens of million dollars and the aid mostly included communication devices, night-vision devices, office furniture, clothing, and some unspecified machinery (Peyrouse, 2010; Pantucci, 2019). Military sales are another key component of the security opportunities provided by China. Despite Russia's dominance in Central Asian military imports, China fills Russia's gaps particularly in high-tech equipment and sometimes challenges it in the fields of missile systems, drones, and transport aircraft (Pantucci, 2010; Jardine & Lemon, 2020).

Despite all the opportunities discussed, as the Central Asian state's dependence on China increases, this hegemonic structuring has taken a unidirectional shape in favor of Beijing. Proceeding to Chapter III, the risks on behalf of the five Central Asian republics in three interrelated categories of (1) politics, (2) economy, and (3) security. Without offering a normative judgment, I argue that these risks do not necessarily emerge because of what is to be intended -by both parties-, but because of how things are to be done.

Three sets of risks manifest themselves in the political sphere, which are namely (1) foreign policy convergence, (2) corruption, and (3) social unrest. Although it is still hard to estimate the extent, there are some signs of convergence between China and its closest

economic partners as a part of Beijing's informal conditionalities in exchange for its loans and investment (Barma et al., 2009; Cooley, 2016). In turn, Central Asian countries may find themselves tacitly supporting China's foreign policy agenda including some disputed issues that are both irrelevant and risky for their own foreign policies (Barma et al., 2009; Liao & McDowell, 2016; Fu, 2018).

Corruption is another pillar of the political risks as close political economic alignment with Beijing exacerbates existing governance challenges in Central Asia (Cooley, 2016; Hillman, 2020). The newly emerged corruption cases stem from both the inherent nature of large scale infrastructure building and the Chinese agents' opaque and poorly institutionalized way of doing business (Stansbury, 2005). In the end, informal networks of middlemen navigate the projects and often use them as sources of personal income while generated public goods always remain less than intended for both Central Asian states and China (Hillman, 2020).

The likely outcome of these mismanagement schemes would be social unrest which deserves discussion under a separate category. The argument shared by both Chinese and Central Asian leaders suggests that physical infrastructure generates economic development that in turn grants political stability (Cooley, 2016). Yet, without necessary regulatory and supervisory bodies, the sheer funneling of financial capital into construction ironically leads to social unrest and political instability (Samad & Abbas, 2020). In Central Asia, carelessly delivered capital triggers two existing lines of conflict; Sinophobia, and local ethnic and socio-economic divisions (Cooley, 2016; van der Kley and Yau, 2021).

In the economic sphere, risks show themselves in the areas of (1) infrastructure, (2) development finance, and (3) trade. The physical infrastructure is particularly attractive to many politicians around the developing world due to its visibility and its function of being a short-term solution to unemployment and domestic production (Funaiolo & Hillman, 2018). However, infrastructure projects can often turn into disasters that consume more value than they generate. The infrastructure building even if it is done in the best conditions bears some inherent challenges in itself. Most large scale infrastructure projects end up costing higher than expected, taking longer time than expected, and delivering fewer benefits than expected (Ansar et al., 2016; Flybjerg, 2014). Among the all, construction, transportation, and resource extraction are the top sectors that involve extensive corruption on which the BRI -and the larger Chinese outward investment portfolio- has almost exclusively concentrated (Koch & Valiyev, 2015; Hillman, 2020).

In terms of development finance, the risk emerges again because of misnavigated Chinese finance, poor project planning, and non-transparent agreements that lead to debt default. Thus far as a usual practice, Chinese institutions do not proceed foreign lending processes transparently or systematically. Chinese officials usually announce only the total amount of pledged loans and investment along with country-level distribution in the larger BRI portfolio (Hurley et al., 2019). And when a debtor country asks for help to alleviate its debt, Beijing offers an ad hoc debt relief package designed for that individual case which does not necessarily produce positive outcomes on behalf of the debtor state (Hurley et al, 2019; Hillman, 2020).

In terms of trade, the influx of Chinese consumer goods is a double-edged sword for the Central Asian economies. Regardless of the country-level variations, Central Asia's main

export items to China are fossil fuels, minerals, rare metals, and agricultural products in exchange for Chinese consumer goods, machinery, and chemicals. This nature of bilateral trade poses two main threats to the Central Asian economies. First, the restrictive production structure based on raw materials hinders potential diversification of the economies that in turn leave them vulnerable to fluctuations in the global energy prices (Corden, 1984; Sakal, 2015). Second, it undermines the region's industrialization efforts but also eliminates a handful of existing industries that were mostly left from the Soviet era (Laurelle and Peyrouse, 2009).

As Chinese money spreads across the globe, the Chinese government is pressured by the need to formulate strategies to protect its citizens and properties (Duchatel et al., 2014; Rolland, 2017; Hillman, 2020). As the immediate beneficiaries of Chinese engagement abroad, Chinese state-owned enterprises (SOE) are also the immediate targets of security threats outside Chinese borders. In the last section of Chapter IV, three fields will be discussed, namely (1) permanent military presence, (2) direct military intervention, and (3) private security companies. Since many countries along the BRI are hardly capable of protecting massive Chinese infrastructure and Chinese citizens, Beijing has started to exploit options on the table including opening up overseas military bases (e.g. Djibouti), brokering bilateral deals to permanently deploy its special forces in specific locations (e.g. Tajikistan), stationing its UN peacekeeping forces near conflict zones where Chinese projects sprawl (e.g. Mali), and hiring of Chinese private security companies (PSC) across the BRI countries (Duchatel, 2019; Pantucci, 2019). These indications in both Central Asia and beyond heighten the risk of militarization of the region when coupled with the previously discussed geopolitical and economic factors.

1.1 Hegemony

Since this research relies more on narrative description of hegemony and its effects than on hypothesis testing, this thesis makes no claim to offer an analysis based on an in-depth theoretical perspective. The main reason of this way of proceeding is to catalogue opportunities and risks, and to showcase what their abstract main points translate themselves into practice. It must also be noted that the Chinese hegemony in Central Asia is emerging than being entrenched although some hegemonic elements in the classical sense has already emerged. In other words, it is a power transition process or a temporal co-hegemony between Russia and China in which China has already exercised some hegemonic practices. China still falls short to compete with Russia in the region in terms of military means and post-colonial political influence. Yet, China's economic leadership in terms of means and performance accompanied by the compliance of the regional governments pave the country's way to the regional hegemony.

In spite of the significance of the concept of hegemony for the discipline of International Relations (IR), there is not an discipline-wide agreement on the definition and analytical framework to study hegemony (Antoniades, 2018, p. 595). Consequently, comparing the conceptualizations of different approaches to hegemony and their implications on theory and practice has not been an easy scholarly effort. In the most basic sense, the term hegemony refers to the existence of a dominant state -or a group of states- within the international system (Rosamond, 2020). However, the dominance in question implies a great degree of control and influence or a great capacity of coercion over the less powerful units in the international system; yet, the term does not imply a direct or official control like annexation or colonialism (Antoniades, 2018, p. 597).

The first line of approaches to hegemony that mainly follow the neorealist paradigm can be termed as the conventional approach. In this approach, hegemony mainly refers to the disproportionality of power in the international system on favor of a dominant state (Gilpin, 1981). In this respect, the hegemon state has the ability to exercise control and design over both the behaviors of sub-units, and the structure of the system itself (Doyle, 1986, p. 19-48). The power according to the conventional approach lies predominantly on measurable material capabilities such as military power, economic power, diplomatic power and the quality of government, natural resources, geography, population size and quality, and technological capacity (Morgenthau, 1965). Sharing the basic assumptions of the realist strand of the hegemonic stability theory (HST), Ikenberry and Kupchan added the maintenance aspect to the definition of hegemony by arguing that the characteristics of hegemonic power must include military capabilities, control over raw materials, markets and capital, and competitive advantages in highly valued goods (1990, p. 287-288). Early contributors of the HST argue that a hegemony ends with the collapse or decline of its hegemon (Kindleberger 1973, p. 288 - 306; Gilpin, 1981, p. 129 - 139). In this respect, hegemony is based on a hegemon's ability to maintain and reproduce its superiority through top-down initiatives powered by material capabilities.

On the other side, the neoliberal line of approaches on hegemony, or regimes and international institutions developed in the late 1980s on most part as a criticism to the conventional neorealist stance. The neoliberal approach suggest that international regimes have their own power to affect world politics, and ability to shape behaviors of their sub-units without a hegemonic power although they may be created by it (Antoniades, 2018, p. 598). Keohane (1984) argues that an international system -or hegemony- can maintain its functions through international institutions even in the case when the hegemon that crafted it collapsed

or declined. In this respect, presence of a hegemon is a necessary condition for the creation of a hegemony, yet, the hegemony itself can sustain itself in the absence of the hegemon. Neoliberal institutionalist regime theory focuses on the capacity of institutions to resolve problems such as uncertainty, imperfect information, high transaction costs, enforcement, and provision of public goods even in the face of a declining hegemonic power (Keohane, 1982, pp. 325 - 55). The most prominent example of this theory is that the international regimes built by the US leadership has persisted even in the period when the postwar US supremacy was in decline (Krasner, 1976; Keohane, 1984; Ikenberry, 2009). In this respect, what neoliberalist approach focuses on is the underlying mechanisms of hegemony rather than the subject of hegemony itself.

Finally the critical IR scholarship's approach on hegemony that often relates to the constructivist IR school generally takes a different stance usually with different conceptualization and methodology. This approach translated Gramsci's (1971) conceptualisation of class-oriented political control in the domestic context into the international system. Gramsci (1971) argues that there are two types of political control as (1) domination based on coercion, and (2) hegemony based on consent. In hegemony, the ruling elite transforms its own values and interests into a kind of common sense that needs to be embedded by all societal groups to gain consent for its domination. Following these lines, the neo-Gramscian scholarship argues that the international hegemony is a social, economic, and political structure beyond national borders where domination is secured with consent through universal norms, institutions and mechanisms created by the global elite (Cox, 1993, pp. 61 - 62). In this sense, the main contribution of the critical IR scholarship might be its system-level analysis beyond the conceptual borders of the nation state as they argue the source of hegemony is not necessarily a powerful state but social forces that operate across borders.

While acknowledging the necessity of material power, Cox (1993, p. 52) argues that hegemony is a combination of consent and coercion, in which its consensual aspect prevails and coercion is applied only as the last resort. In other words, consent of sub-units through creation of shared values and commonsense is necessary for a crude power to be translated into a hegemony. In this respect, a hegemony declines when a counter-hegemonic project rises to provide new norms and values (Gill and Mittelman, 2001; Morton, 2007). Apart from this Gramscian approach, more orthodox Marxist approaches focus more on the coercion aspect than ideational aspect of hegemony (Worth, 2015, pp. 63 - 85).

Although communicates in certain aspects, the rising Chinese hegemony in Central Asia however has not been fully encompassed by either of these three mainstream approaches yet. In most part, the problem lies in the novelty of China's hegemonic power in its near abroad. Since the discipline of IR is largely event-driven, the scrutinies of Chinese foreign political behavior, the nature of the asymmetric relations Beijing develops with its partners, and the responses to Chinese activism are yet to be complete. Further, maybe more importantly, the political culture and international practices of China can often present themselves as anomalies in the established IR theoretical paradigms. In this sense, moving beyond, or mixing together the existing theoretical perspectives might be more useful to conceptualize the emerging *hegemony with Chinese characteristics*.

Schenoni's categorization of approaches on hegemony within the IR discipline provides a theoretical location as a starting point for the scrutiny of defining Chinese hegemony. Schenoni (2019, p. 1) divides elements of hegemony in three categories as (1) hegemonic capabilities, (2) hegemonic performance, and (3) hegemonic compliance. In this categorization, capabilities refer to material powers of the hegemon, performance refers to

deliberate action of the hegemon to provide public goods and regulate the system, and finally compliance refers to responses of sub-units and the level of legitimacy assumed by the hegemon (pp. 4 -8). Within these three clusters of approaches, Lake's (1988) account , which stands in the intersection of performance and compliance provides the most relevant analytical tools to define and analyze the Chinese hegemony in Central Asia. Moving from Kindleberger's (1973, p. 292) identification of five functions to be performed by the stabilizing power, Lake has identified the elements of stability in simpler terms as (1) provision of a medium of exchange, (2) provision of sufficient liquidity, and (3) protection of basic property rights (1988, pp. 33 - 35; 1993, p. 462). As a branch of the hegemonic stability theory (HST), Lake develops the leadership theory, in which he argues that a leader must provide stability of the international economic infrastructure by provision of the three necessary elements of stability (1993, p. 462). Furthermore, he argues that the existence a hegemonic relation is not necessarily observable, the domination of the hegemon can be seen in the specific practices of the subordinates such as participation in intergovernmental organizations, compliance with treaties, official visits and mentions in public speeches (Lake, 2009, p. 201).

Lake's (1993; 2009) definition of hegemony -or leadership- provides a relatively closer theoretical perspective to conceptualize the emerging Chinese hegemony in Central Asia. While Russia still enjoys an unmatched military domination in the region and maintains an unnegligible economic role, China has taken over its economic leadership by providing elements of stability that are largely built upon unofficial -and often unobservable- transactional ties. Moreover, China has gained a fair level of compliance from the regional governments due to its economic leadership and upholding of certain political norms such as neo-Westphalianism especially in the aftermath of the 2008 global financial crisis (Barma et

al., 2009, p. 538). In sum, while falling short in military capabilities, China is gradually taking on the overall hegemonic role in Central Asia by fulfilling the performance, and compliance elements of hegemony.

1.2 Methodology

In the broader sense, this thesis offers qualitative research that explores a contemporary phenomenon in a contextual setting where variables and theory bases are yet to be crystallized (Creswell, 2009). Under this paradigm, I then applied the case study approach in order to explore the effects of a broader phenomenon, which is China's rise as a regional hegemon in Central Asia. Robson (1993) defines a case study as a research strategy for an empirical investigation of a phenomenon in its real-life context employing multiple sources of evidence (p. 146). In particular, an *embedded single-case study* design has been employed, guided by Yin's (2018) definition, as it suggests that it involves more than one analytical level so that adequate attention could be given to sub-unit(s). In our case, a regional level analysis explores the broader unit, which is the overall hegemonic structure that emerges among China and the five Central Asian republics, while a state-level analysis focuses on each states' role as sub-units. In order to reveal causation between the phenomenon and the effects, the process tracing method or tool has been utilized to scrutinize causal mechanisms beneath the chain of events on the surface. Collier (2011) argues that process tracing is an analytical tool that scrutinizes diagnostic evidence to draw descriptions and reveal causality between events or phenomena (p. 824). In order to reveal causality between China's engagement in five Central Asian states and the outcomes it generated, I will investigate diagnostic pieces of evidence that establish a causal chain along the sequence of events. In particular, *explaining-outcome process tracing* tool has been applied based on Beach and Pedersen's (2013) guidance, which suggests it is an iterative strategy that aims to trace

complex systematic and case-specific causal mechanisms that generated the outcome (p. 19). The *explaining-outcome process tracing* also allows utilizing a combination of both deduction and induction in order to build the best possible explanation of an outcome (Beach and Pedersen, 2013). While this study needs to utilize established theoretical frameworks in a deductive manner in order to systematically analyze scattered pieces of evidence, the unexplored or blurred patterns on the ground mandates an inductive inquiry. Indeed, while China's increasing interaction with its neighborhood and beyond recently drew significant attention, the literature, especially of conceptual studies, are yet to be matured. In particular, an emerging hegemonic structure in Central Asia is a new, understudied, and important phenomenon that requires new and sophisticated conceptualizations. This is the foremost reason why I find it valuable -if not imperative- to use both deductive and inductive lenses in this inquiry.

The aim of this study necessitates qualitative research since I navigate within a set of data of various kinds from different sources that depict the type and level of engagement between the countries under question. More importantly, the topic I stand out to examine is relatively a new one in which concepts and phenomena are yet to be thoroughly understood. Such a topic mandates exploring the context, interpreting various forms of data, and identifying key variables to examine in the first place, in order to test existing theories or to build new ones. In the end, such an inquiry will inevitably be a holistic account to a certain degree. As Creswell argues (2009), qualitative research involves reporting multiple perspectives, identifying multiple factors so that the study can depict a complex picture of the problem or issue under question (p. 176).

Moreover, the case study approach suits my research since it provides me sufficient flexibility to analyze a current real-life context using different forms of data from multiple sources while setting necessary spatial and temporal boundaries. Correspondingly with case study rationales, I would like to provide an in-depth description of a social phenomenon, and to explain how it works (Yin, 2018). Accordingly, I see value in applying *embedded single-case study* since the context in question requires a two-level analysis. While collectively comprising a holistic conceptual context, the countries in question (China, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan) have some divergent material and ideational possessions, even if we take out China. Thus, although most of the attention was devoted to the first level (regional), a specific examination was spared to the second level or sub-units (states) as well.

In addition, process tracing is the most convenient analytical tool for this thesis with regard to the purpose of this study and the kind of data -and their sources- (as will be stated below) utilized. As stated before, the purpose of my thesis is to demonstrate the effects of China's engagement in five Central Asian republics through various economic and political channels. Process tracing helps me to scrutinize causal links between China's rise as a regional hegemon and threats/opportunities that the Central Asian republics currently face through various intervening variables in economic and security spheres. Specifically, *explaining-outcome process tracing* corresponds to the overall design of this study (Beach and Pedersen, 2013). As stated above, when the context in question is considered, both inductive and deductive analyses are necessary to examine China's engagement in Central Asia in a hegemonic fashion is a new phenomenon that hardly allows the use of either deductive or inductive analysis separately. Thus, I see value in searching for diagnostic

pieces of evidence in both bottom-up and top-down directions when revealing causal chains in this research.

In terms of data collection, I benefited primarily from documents of both qualitative and quantitative forms. Such documents include academic papers and books, official documents, reports from NGOs, and news reports. These documents illustrate data regarding bilateral trade volumes, amounts of foreign investment, amounts and sources of sovereign debts, contents of official statements, and diplomatic deals derived from sources such as government authorities, multilateral banks, academic literature, and news agencies.

Finally, limitations and strategies to respond to them must be underlined beforehand. There are two highly effective limitations that hamper this research's validity and accuracy. Firstly, available data that show the type and volume of bilateral transactions between the Chinese government or corporate bodies and their Central Asian counterparts are limited. Secondly, with varying degrees, assessing public opinion in Central Asian republics is difficult. These are the main obstacles that all previous studies conducted on/in Central Asia have faced and frequently stressed (Laurelle and Peyrouse, 2009; Cooley, 2012; Hurley et al., 2018; Hillman, 2020). To overcome these challenges, I employ data and conclusions derived from cases of Southeast Asian and African states where intense cooperation with China has been observed. Empirical findings that reveal that China's policies and business transactions follow recurring patterns in states that share similar economic and governance structures with those of Central Asia, can complement the shortcomings stated above.

The next chapter is dedicated to the conceptualization of hegemony and then applying this concept to China's position with regards to Central Asia. A preliminary region-level

descriptive analysis, then, is needed to demonstrate the level of engagement between China and Central Asian states that form a hegemonic structure rather than an ordinary inter-state juxtaposition. After setting the conceptual stage, two subsequent empirical chapters will discuss the outcomes of this regional hegemony with the help of empirical data from various sources. Using a state-level analysis, events that identify opportunities and threats for five Central Asian states will be classified under two spheres; economy and security. In order to avoid conceptual confusion, distinctions between the interests of elites and the general public will be indicated when assessing opportunities and threats.

CHAPTER II

CHINA'S RISE AS A REGIONAL HEGEMON

China's regional hegemony in Central Asia is a multifaceted phenomenon that is underway as a product of the interplay between multiple variables operating at both domestic and international levels. This chapter is devoted to provide a conceptual basis, and a description of the phenomenon called China's regional hegemony in Central Asia. I argue that the convergence between three necessary, but not sufficient causes has crafted this phenomenon. The first is China's own rise to the position of great power, though it is still an ongoing process. The second is the relative absence of other great powers in Central Asia that are willing, or able to prevent intense Chinese engagement. Finally, the Central Asian states' own willingness to accommodate China due to their desperate need for infrastructure.

It is needless to say that without accomplishing a stunning economic growth that feeds financial, diplomatic, and military instruments, China could not have pursued its interests in the region as an imminent hegemon. However, China's own rise in the international system is a necessary but not sufficient condition on its own. From a geopolitical perspective, China's increasingly unchallenged position in Central Asia is another key factor that paved the way for its hegemonic status. If one looks at the map with a little knowledge of history, one can see that Russia is second to none for being able to block China's march into Central Asia. However, Russia's insufficient economic resources coupled

with its increasingly asymmetrical interdependence with China and its deteriorating relations with the West leaves the country with limited options to undermine or substitute Chinese designs in the region (Kaczmarek, 2016; Hillman, 2020). The United States, on the other hand, has pursued its interests in the region only temporarily in accordance with its operations in Afghanistan (Cooley, 2012). Moreover, as will be discussed later in this chapter, US policymakers could not adapt to Central Asia's bizarre political climate and corrupt transaction practices. Coupled with the ineffectiveness of other major powers such as the European Union, Japan, and India to exert influence in the region, the relative absence of great power rivalry paved China's way to hegemony (Laurelle and Peyrouse, 2012). However, this is again a necessary but not sufficient condition. Last but not least, Central Asian states are not simple pawns when dealing with their powerful neighbors. Without their accommodation, China would have struggled to penetrate into the Eurasian heartland pursuing its regional, if not global, ambitions (Zakaria, 1991; Cooley, 2012). As a landlocked region with authoritarian governments and poor infrastructure, Central Asian states struggle to attract financial resources to address their developmental needs (Cooley, 2016; Contessi, 2018). Like pieces of a jigsaw puzzle, interests of China and Central Asian states intertwined at this point, as China is willing to move westward, to invest predominantly in infrastructure-building and to provide loans for risky ventures, what has been rolled out before China was nothing but the red carpet thus far.

The rest of the chapter will analyze China's regional hegemony in detail focusing on each component stated above. Having laid out China's rise, absence of great power rivalry, and Central Asian needs, Central Asia's position in the eyes of Beijing will be discussed with a particular focus on the Belt and Road Initiative (BRI).

2.1 China's Rise

Needless to say, China's hegemonic role in Central Asia could not have been realized without the country's own rise to great power status. Although historically China had mostly enjoyed the hegemonic status in political, economic, and cultural domains in East Asia, the country has been suffering from severe backwardness until recent decades (Kissinger, 2011). Since 1949, China has begun to gain -or regain- the great power status and today, Beijing enjoys the position of a full-fledged great power (Onea, 2020). China's great material potential stemming from its vast land with abundant resources, and the world's largest population living on it, has only been unleashed in recent decades following a series of key policy initiatives. Although China's rise is a broader -and multifaceted- phenomenon in the literature of Political Science and International Relations, this chapter examines its domestic political economic drivers and recent consequences, in order to remain within the scope of this thesis.

The overarching argument of this section is that the quantity and quality of China's economic growth have turned the country's direction towards Eurasian inland. China's abundant financial resources, institutional tools that are tailored for state-led economic action, and infrastructure-driven development model have incentivized the leadership to march westwards, beyond the borders (Calder, 2019). Along with the economic rationales, particularly the excess capacity of construction and steel industries, there are also powerful geostrategic considerations expressed by the military officials and intelligentsia advocating the country's westward expansion (Rolland, 2017, Calder, 2019). Thus, in this section, Deng Xiaoping's Four Modernizations of 1978, amendments in tax policies in 1994, development of construction and steel sectors, structuring of SOEs, and internal security concerns will be

discussed in order to situate China's self-growth in the broader causal chain of its emerging hegemony in Central Asia.

A set of critical domestic transformations under the Chinese Communist Party (CCP) rule had transformed China from a static modest economy into an industrialized export giant within four decades from the late 1970s to the late 2010s. The December 1978 CCP meetings marked Deng Xiaoping's radical policy changes under the banner of Four Modernizations, which had eventually transformed the country from a socialist economy to a capitalist one in the following decades (Moise, 2008; Vogel, 2011). The Four Modernizations is a set of broad national objectives orchestrated by Deng to develop four key sectors of the economy that were defined as strategic, which are agriculture, industry, national defense, and science/technology (Moise, 2008). Cumulatively, the Four Modernizations can be seen as the grand strategy of China at the time that tailored policies and legislations accordingly in the decades to come. With an astonishing speed, this remarkable transformation bore fruit within just three decades, China's gross domestic product (GDP) rose from twelfth largest (\$191.149 billion) in 1980 to the second (\$6.087 trillion) by 2010 representing over a thirty-fold growth (The World Bank, 2022b). In 2007, three decades after southeastern provinces of Guangdong and Fujian were granted special economic status, China's total exports had reached more than \$1 trillion annually, a hundred-fold increase from less than \$10 billion in 1978 (Calder, 2019, p. 102).

According to Calder (2019), four characters of the Chinese economy are crucial, with implications transcending beyond China. The first is the country's economic magnitude. China is the world's second-largest economy in nominal terms and the largest in terms of purchasing power parity (PPP) that continues to grow by 6 percent annually on average (p.

105). Second, China's fiscal situation is good in terms of its level of public debt (47.8 % of GDP) and the amount of foreign exchange reserves it has (p. 105-106). Third, China raises tax revenues more effectively than other major economies in most part thanks to its authoritarian political system (p. 105-106). Last but not least, China has a sophisticated set of institutions tailored to operate a state-led economy that most major economies had abandoned such as state-controlled fiscal investment mechanisms and savings programs (p. 106). When taken into account collectively, the Chinese government has, and is able to generate, more financial resources than any other country to deploy at home and abroad.

Many developed economies including the US and Japan have pursued industrial policies, especially in the sectors related to national security (Hiraoka, 1998; Noland and Pack, 2002). However, what makes China's industrial policy distinctive is its emphasis on infrastructure development on a massive scale, now transcending its borders (Rolland, 2017). Even before Xi Jinping came to power and the BRI was initiated, this pattern was taking shape. Public works spending has always been a valued policy in order to accelerate domestic demand through infrastructure building in transportation and energy areas (Zhan et al, 2017). In harmony with Deng Xiaoping's Four Modernizations, the construction of roads, railroads, and power grids fostered the smooth functioning of the country's export-driven economy (Moise, 2008; Vogel, 2011).

A series of tax reforms starting from 1994 gave momentum to the sectors related to infrastructure-building, especially the construction and steel industries (Kroeber, 2016). Financially supported by both the central and local governments, firms operating in construction, steel and related sectors, which are SOEs, have developed excess capacities over time without much fear of loss (Rolland, 2017). Coupled with the party's and the army's

political/strategic considerations -and directives, these oversized heavy industries started to overflow beyond national borders (Rolland, 2017; Calder, 2019).

Kroeber's (2016) study on China's economic transformation reveals a critical causal relation between China's tax policies and the rise of the country's construction sector. In 1994, a dramatic change in the tax policy authorized the central government to conduct most tax collections, except revenues from land rentals, however, the local governments remained responsible to provide the most of social welfare spendings (p. 115-118). This tax reform, in turn, pushed local governments into a real estate-oriented development strategy in order to generate the highest revenue as quickly as possible that is required to satisfy local needs (Karrar, 2009). The demand for real estate gave a powerful incentive to build infrastructure that could inflate local land prices. Beyond the local jurisdictions, the central government was also called for expanding infrastructure spending. As the most significant consequence, the 1994 tax reform cemented the construction-oriented economic growth and paved the way for China's gigantic construction sector (Calder, 2019). In the wake of the 2008 global financial crisis, public spending on construction has spurred once again as the government launched a half a trillion dollar worth infrastructure-driven stimulus program, and peaked up since the announcement of the BRI in 2013 (Rolland, 2017, p. 95; Calder, 2019, p. 108).

Defined as a strategic industry by Deng Xiaoping's Four Modernizations, the steel industry in China steadily grew for four decades to the point of overcapacity today (Karrar, 2009; Calder, 2019). Steel producers, that were SOEs, have been provided with subsidies by the national government, while local governments provided cheap land and energy as catalysts. Along with the construction, the steel industry has been seen as another source of generous revenue for local governments, since the tax reforms in 1994 mentioned above.

Given the lucrative investment, large scale employment, and its utility for infrastructure building that steel production offers, local governments were zealous to host steel producers in their own jurisdictions, often in competition with each other (Karrar, 2009, p. 57-60). In the end, China's steel industry has inflated, eventually accumulated excess capacity in a political economic environment that reassures immunity against potential risks of overexpansion (Calder, 2019, p. 108-109). As of 2005, China is a net exporter of crude steel (Steel Export Report: China, 2020). When Deng Xiaoping came to power in 1978, China produced steel amounting to only 4.4 % (31.8 million tons) of the global total. Since 1996, China has produced the largest amounts of steel that has now reached 52.9 % (1,032.8 million tons) or more than a half of the global total by 2021 (World Steel Association, 2022).

During the first two decades since Deng's initiation of reforms, China's rapid growth was predominantly export-led and concentrated on coastal provinces in the east (Vogel, 2011). In the initial periods of reforms, foreign multinational firms operated as the key players of overall economic growth, which controlled more than half of China's total exports. However, gradually, the role of these foreign firms have relatively declined after the mid-2000s as China's growth sphere expanded through inlands and its own national champions gained confidence (Calder, 2019).

Throughout the decades of reforms, SOEs have been dominant in the overall economic activity, despite steady expansion of private firms and collectives. More importantly, strategically important sectors such as shipping, rail transport, energy, and telecommunications were exclusively dominated by the SOEs (Calder, 2019; Hillman, 2020). Although the Chinese economy has shifted from socialism to capitalism, it has always maintained state control that translated mostly in industrialist policies (Nolan, 2014). The

Chinese government has been pursuing a mixed strategy that allows the Chinese economy to both exploit market dynamism and to protect strategic or politically sensitive sectors (p. 763). In technology-intensive sectors for instance, the government increased demands on foreign companies or applied discriminatory procurement practices in order to build up and protect its own national champions (Nolan, 2014; Calder, 2019).

In accordance with the overall state-led economic structure, the so-called national champions or large SOEs are organized as arms of the Chinese state, in their both domestic and overseas engagements (Bremmer, 2008; 2010; McNally, 2012). The CCP government offers SOEs, and also large private firms lucrative arrangements in return for their loyalty to its political agenda. Such arrangements include protection against foreign competition in the Chinese market, which is among the largest in the world, subsidies, and soft loans when needed (Bremmer, 2010; Nolan, 2014). The firms then expected to act upon the government's instructions, to invest in designated sectors in designated places both within and outside China regardless of their profitability (Bremmer, 2010, p. 5). All in all, China's national champions -both SOEs and private firms- are encouraged to trade off doing business in prosperity and safety with conformity to the government's agenda.

Although limited, there are also large and successful national champions that are actually private enterprises such as Alibaba. However, the CCP leadership has mastered a variety of tools to ensure their loyalty to the party agenda. Calder (2019) describes three common tactics utilized by the government. The first one is offering protection against foreign competition, especially introduced to newly-established companies. The second is providing subsidies, especially with sectors engaged in high value added production such as electronics, telecommunications, information technologies, etc. The third common tactic is

exploiting or manipulating corporate vulnerabilities such as selective use of anti-corruption regulations or clouding shareholding structures (p. 111).

The overall consequence of China's state-led development model, and related institutions and regulations, has been the emergence of an industrialist and continentalist tendency in the Chinese political economy (Rolland, 2017; Calder, 2019). Economic growth through public spending has always been a preferred strategy for the Chinese leadership. Yet, the Jiang era saw a distinct reorientation towards infrastructure-building and a shift towards the western interior due to internal security concerns. In 1999, then President Jiang Zemin announced his western development strategy in order to address potential social unrest due to rising income differentials between coastal provinces in the east and the western interior (Calder, 2019, p. 115). The underlying rationale was centered around infrastructure-building, the more infrastructure would generate more income, which in return would allay risks of class or ethnicity-based conflicts (Zhan et al, 2017; Rolland, 2017). Besides heavy industries and interior local governments, the western development strategy had strong support from the PLA and the CCP elites, both enjoying relatively more political power in interior provinces than in more market-oriented coastal provinces (Calder, 2019, p. 115). His successor Hu Jintao, who had served in backward interior provinces including Gansu, Guizhou, and Tibet maintained Jiang's strategy during his term in office from 2002 to 2012 (p. 116). His \$586 billion domestic stimulus plan in 2008 to alleviate the effects of the global financial crisis was predominantly focused on inland infrastructure-building (Barboza, 2008). Following this line, Xi Jinping's initiation of the BRI in 2013 was the most recent, and the most ambitious, instance of a preexisted continuum.

Naturally, China's national armed forces or the People's Liberation Army (PLA) has always been supporting improved domestic infrastructure that links the country's remote areas both with each other and Beijing on national security grounds (Calder, 2019, p. 110). Moreover, China's rising geo-economic might in its immediate neighborhood offers strategic opportunities for the PLA due to increased continental and maritime connectivity in recent years (Calder, 2019, p. 110; Rolland, 2017, p. 2). More than that, however, what was seen as alarming has shaped the most profound arguments of the PLA in favor of westward expansion. As will be discussed later in this chapter, the increased tension with the US throughout the last decade, urged the Chinese leadership to come up with solutions that would appear in the Central Asian steppes.

All in all, this section examined how government-led political economic reforms have transformed China from a light-industrial maritime economy of the late 1980s into a heavy-industrial economic powerhouse with continental interests in the wake of the BRI. Since Deng Xiaoping's initiation of a series of epochal political economic reforms, China has accumulated immense economic power in service of the CCP leadership. As discussed above, China's economic might in terms of both quantity and quality, is the most necessary but not sufficient factor that contributes to its hegemonic role in Central Asia. In this section, I demonstrated the size and type of the key variables of the Chinese economy. The sheer size of its GDP, foreign exchange reserves, and the number of giant companies do not automatically translate into a concentrated power exposure without domestic institutions and procedures that turn them into the government's instruments. Thus, the country's development policies, related regulations, power relations between the central and local governments, and the relationship between the government and businesses are examined as well.

The following sub-section will discuss the most recent and extraversive outcome of China's growth model, the Belt and Road Initiative (BRI). Since the BRI is the most concrete instrument of Chinese engagement in Central Asia, and beyond, it is important to devote particular attention to its characteristics and underlying rationales.

2.1.1 The Belt and Road Initiative

Factually, the Belt and Road Initiative is a long-term global development program, announced in late 2013 by President Xi at his two speeches in Astana and Jakarta, respectively (World Bank, 2018). Of its two branches, the belt represents the *Silk Road Economic Belt*, or the Eurasian land corridor, while the road represents *21st Century Maritime Silk Road*. By 2021, 138 countries have joined the BRI by signing a memorandum of understanding (MoU). When China is included, 139 BRI partner countries account for nearly 40% of global GDP, and 63% of the world's population (Sacks, 2021). The initiative aims development through accelerated economic integration of countries by infrastructure-building. Officially, five areas of connectivity have been defined as the BRI's priorities, which are: policy coordination, infrastructure connectivity, unimpeded trade, financial integration, and people-to-people communication (EBRD, 2020).

According to a Refinitive report in 2019, the BRI incorporated 2,631 projects with a total value of \$3.7 trillion. Of which, 574 projects -or 22% of the total- have been completed. Sectoral figures show that the largest number of projects are in the transportation sector (44%), followed by power and water (23%), real estate (18%), manufacturing (9%), oil and gas (5%) and communication (1%) (Refinitiv, 2019).

In terms of structure, the BRI is anything but a treaty-based integration project (Vangeli, 2018). It envisions to integrate the Eurasian supercontinent -and beyond- centered around China through infrastructure connectivity, financial integration, facilitated trade, human mobility, and political harmonization to certain extent (Rolland, 2017). Indeed, Beijing made it clear that the BRI does not aim to establish an EU-like regional international, or supranational organization. Rather, what it is trying to build is a network that is projected by an amorphous term of “community of common destiny” (p. 132). The concept describes an interaction-based regional network of countries without a solid institutional framework. On the contrary to treaty-based integration models commonly seen in the Western liberal order, the projected Sinocentric community has no clear norms and regulations for the intra-community interactions (Barma et al, 2009). Likewise, this new community has no clear geographical boundaries, nor criteria of membership have not been identified.

However, the BRI is more than what is on the ground. The Belt and Road Initiative is a multifaceted phenomenon that is meant to address both China’s economic problems and the security threats it perceived in order to maintain the country’s rise (Fallon, 2015; Wang, 2016; Mayer, 2018). Although President Xi labeled this vision with the words “China dream” or “great rejuvenation of the Chinese nation”, it was a long-term objective of the Chinese leadership already set in place (The Economist, 2013). The BRI is the most recent stage, or branding of the long-standing goal of the country’s rise to great power status. Indeed, the BRI is a vaguely defined holistic concept that mobilizes the country’s all available resources be it economic, diplomatic, intellectual, or military in a coordinated manner (Ploberger, 2017). Therefore, I reiterate the argument that the BRI is a grand strategy that serves in the way of China’s rise, rather than a mere set of engineering projects or a financial aid program (Wang, 2016, p. 456; Rolland, 2017, p. 119).

In accordance with the aim and scope of this inquiry, this section focuses on the land corridor of the larger BRI, and political economic implications of the initiative rather than complex technical details. In this respect, rationales -or drivers- of the BRI initiative (particularly its Eurasian land branch) will be discussed below under two broad categories; economic, and strategic.

The overarching economic rationale behind the BRI is to maintain China's economic growth without any concessions of its political model. As Rolland (2017) argues, the BRI is an attempt to maintain China's state-led development model in the face of mounting structural economic problems (p. 108). In other words, it is an escape route from reforms that could jeopardize the CCP's hold on power while sustaining economic growth at the same time. The widely pronounced national goal of the CCP government is to turn China into a "moderately prosperous society" at the turn of 2021 with both preserving its political power over the economy and sustaining high growth rates (Xinhua, 2017). In order to achieve this goal, Chinese leaders believe that they need to focus on three interrelated issues; reducing industrial excess capacity, restructuring the SOEs, and internationalizing the renminbi (p. 109). The BRI therefore is a useful strategy to pursue these goals or in other words, these constitute the economic rationales behind the BRI.

Economic growth has more meaning-attributed in China than probably anywhere in the world. The legitimacy of the CCP rule, and one-party system- depends upon the continuity of impressive economic growth, and consequent wealth generated (Zhong, 1996). The tacit social contract between the party and the citizens that emerged after the Tiananmen Square incident in 1989 is still in effect. Chinese people have accepted the CCP's

monopolistic rule in exchange for prosperity, steady increase in their standards of living (Rolland, 2015). Thus, steady economic growth at high rates is an existential priority of the party leadership in order to avoid potential social upheavals that could jeopardize the regime's power as well as the country's integrity.

Concerns for slowing growth had started to be articulated within the Chinese political circles even before the global financial crisis of 2008 (Xinhua, 2007). The country's three-decade-long development model that heavily emphasized infrastructure building, foreign investment, exports and SOEs as key drivers was beginning to expire (Rolland, 2017, p. 95). Looking for ways to recover dynamic growth, the government's solution was to unleash a half a billion dollar worth stimulus program that was to be used for investing in infrastructure and industries (Barboza, 2008). Despite the fact that this massive stimulus served well its purpose of boosting growth in the short run -generating a 10.6% growth rate in 2010- it only masked deeper structural problems of the country's economy (Perkins, 2013). Unsurprisingly, except for the impressive rebound in 2010, China's annual growth rates have never returned to the pre-crisis levels, starting from 2012, growth rates have navigated even below 8% (The World Bank, 2022a).

The BRI opens up lucrative business opportunities for Chinese State owned enterprises (SOE) as well, and through SOEs, political leverage and influence in host countries on behalf of Beijing (Naughton, 2016; Rolland, 2017). SOEs are the main economic, and to a certain extent, social instruments of the Chinese leadership that occupy the 'commanding heights' of the economy (Nolan, 2014). In the domestic context, they offer large scale employment, social services, and engage in innovation to advance China's technological capabilities, while in the international sphere, they invest in strategically

defined areas and sectors in compliance with the government directives (Wen, 2020). As discussed before, enjoying privileged access to financial resources and protection from foreign competition, they have traditionally been playing the leading role in China's top-down development strategy. However, the price of this modeling is the excess capacity that burdens the country's economy.

Indeed, the massive stimulus program in 2008 not only delayed the manifestation of structural problems, but also deepened the imbalances between the sectors and actors of the country's economy (Rolland, 2017). To generate immediate growth in safe hands, government investment has been poured into state-owned industrial giants that operate in already saturated sectors such as steel and construction (Mitchell and Yang, 2016). Despite the fact that addressing overcapacity has been listed as a priority every year from 2007 to 2015 in the CCP's annual Central Economic Work Conference, substantial reforms are yet to be implemented (European Chamber of Commerce in China, 2016, p.7). Although China's overcapacity in infrastructure-related sectors has been voiced not only by some foreign experts but acknowledged by the party leadership itself, Rolland (2017) argues that it is a matter of choice between two evils (p. 99). On one hand, overcapacity decreases the efficiency in production, laying an unnecessary burden on the country's economy which ultimately contributes to the overall slowdown in growth. On the other, dealing with overcapacity requires a certain degree of liberalization that not only compels the CCP to loosen its control on these sectors, but also leads to a worrisome level of unemployment. Since heavy industries require large amounts of labor force, dealing with overcapacity in these industries would require dismissal of millions of workers that could provoke potential social unrest (pp. 99-100). Thus, the CCP's dilemma is to give weight either to higher economic growth or to higher employment.

Experts argue that through the BRI, Chinese policymakers might be planning to pour some degree of the country's overcapacity overseas (Djankov et al, 2016). When market sizes of the BRI countries are considered, this is not because the Chinese believe that those countries can completely absorb China's excess production, but because this could buy the CCP some extra time for domestic adjustments and rebalancing (Goh and Qing, 2015).

On their part, Chinese officials prefer to use the term "international industrial cooperation", publicly denying any claims of exporting the country's excess capacity (quoted in Rolland, 2017, p. 100). Conversely, they energetically portray the BRI projects as gifts for the targeted countries from a benevolent country that successfully passed the same path of underdevelopment (p. 100). Despite this altruistic portrayal, it is hard to unsee the underlying economic and strategic pragmatism behind the proposed Chinese projects. In any case, regardless of how it is being labeled, Chinese overcapacity corresponds to the broad undercapacity in targeted countries that consequently makes the BRI a reasonable trade, at least in theory. As Huang Libin, an official in China's Ministry of Industry and Information Technology stated, "for us there is overcapacity, but for the countries along the 'One Belt One Road' route, or for other BRIC nations, they don't have enough and if we shift it out, it will be a win-win situation" (quoted in Rolland, 2017, p. 100-101).

The BRI can also serve as an accelerator for China's already begun effort of internationalizing its national currency, renminbi. In order to avoid disruptive external shocks due to its dependence on the US dollar, Beijing pushes for wider use of its own currency in international transactions (Kroeber, 2011; Hameiri and Jones; 2016). Thus far, through offshore renminbi clearing banks, currency swap agreements, and integrated electronic

infrastructure, the circulation of renminbi in international markets has gradually increased. The BRI offers opportunities for further internationalization of renminbi through currency swap agreements along the BRI routes to be utilized especially in trade exchanges and investment allocations (Rolland, 2017).

Since Xi Jinping came to power in 2012, Chinese foreign policy has undergone a substantial shift from “keeping a low profile” into a more proactive stance in the international arena (Poh and Li, 2017). However, it was a change of means rather than ends, essential economic and diplomatic principles of the country that were shared by his predecessors have not been abandoned. The most prominent strategic rationale behind the BRI comes out of a great power competition, which revolves around the United States. According to Rolland (2017) in the eyes of Beijing, the U.S. is the aggressive global hegemon that would never accept to share its position with any likely candidate (p. 116-117). For China, the military presence of the U.S. at China’s doorstep is a major source of anxiety as old as the People’s Republic itself. In the east, from Japan to the Philippines by sea, and in the west, in Afghanistan by land, China feels encircled by the United States and its set of allies (Cooley, 2012; Rolland, 2017). The novel military and diplomatic activism of Beijing in the East and South China Seas from 2010 onwards demonstrates its efforts to extend its strategic space (Rolland, 2017, p. 116-117). When coupled with Washington’s refocus on the Asia-Pacific since 2011, the Chinese leadership concluded that an inevitable great power competition was impending. In this context, Beijing’s solution was to “march westward” to delay an unprepared maritime confrontation with Washington, instead, to consolidate its energy in its western interior frontiers (Wang, 2014, p. 130). Beijing saw consolidating its periphery’s support by offering material gains as the most viable option. China acknowledges that it

cannot totally drive the U.S. out of the region, it could not wait around as well (Rolland, 2017).

Geopolitically, the BRI does not represent a radical shift from China's strategic interests in the East and South China Seas, but an attempt to offset the U.S. pressure by opening up a new space into its western interior. An important motive that seems to be broadly shared among the PLA officials is the perception that the risk of a military collision with the United States has been heightened, if not inevitable. Nadège Rolland's (2017) interviews conducted with several prominent military officers and strategists repeat that risk and Beijing's need to avoid such a scenario through non-military means, particularly through intensified economic ties with its periphery. Wang Jisi, the dean of the School of International Studies at Peking University at the time, who was also close to then President Hu Jintao was among the proponents of this idea (Wang, 2014). He suggested that China should intensify its economic and political relations with "West Asian nations" through three major land routes (northern, central, and southern), and a maritime route (Rolland, 2017, p. 116-117). He stated that "marching westwards is a strategic necessity for China's involvement in great power cooperation, the improvement of the international environment and the strengthening of China's competitive abilities" (quoted in Rolland, 2017, p. 117).

However, similar arguments precede that of Wang. Several Chinese experts have stressed the westward expansion into continental Eurasia as a strategic necessity for preserving the balance of power against the U.S. presence in Asia-Pacific (Rolland, 2017). In 2001, Liu Yazhou -an air force general of the PLA and a strategist who belongs to the close circle of President Xi- called the westward expansion as a "historical necessity" and even as the nation's "destiny" (quoted in Rolland, 2017, p. 117-118). Liu went on to argue that

creating an interconnected Eurasian supercontinent, will frustrate the U.S. maritime encirclement, and further, spoil U.S. efforts to isolate China from the countries to its west (p. 117-118). More broadly, as Kent Calder argues, a consolidated Eurasian supercontinent would replace the North Atlantic as the geopolitical center of the world, eclipsing North America as well as the U.S. influence (Calder, 2019). Liu envisioned the creation of land corridors into Eurasia, and “Shenzhen-like” special trade zones to take advantage of the immense economic opportunities provided by the countries who share similar interests with those of China (Rolland, 2017, p. 117-118). In an article he wrote in 2010, Liu rhapsodically described Central Asia as a “rich piece of cake given to today’s Chinese people by heaven” (quoted in Rolland, 2017, p. 118).

Beijing made it clear that China’s neighbors should benefit from economic opportunities created by its rise, and if they are willing to do so, they must support China’s interests or at least should not oppose them (Zhou, 2017). In this sense, support -or abstention- on sensitive issues is used by Beijing as strings attached to economic and security benefits it offers. In the same vein, countries that openly challenge China’s interests are to be denied access to these benefits, or to be punished (Rolland, 2017).

As pronounced by President Xi himself in 2014, security is a holistic concept for the Chinese leadership involving both domestic and international, military and economic aspects (China MFA, 2014). Indeed, access to energy and raw materials is essential for production, which in turn translates into China’s economic and military might. In this sense, energy security constitutes a major pillar of strategic rationale behind the BRI, and the country’s overall pivot to Eurasia.

China's energy demand has been substantially and steadily grown for the last four decades, and still continues given its immense industrial production capacity. Although it has satisfactory coal reserves and is now aggressively investing in renewables, the country's need for oil and gas does not seem to be diminished in the near future (EIA, 2020). China is the biggest consumer of oil and gas, and depends on imports of both. China consumed over 650 million metric tons of oil in 2019 and its consumption is on the rising trend (Statista, 2022). By 2030, China's oil consumption is expected to reach 800 million metric tons and three quarters of it will be imported (Evans, 2021).

Central Asia, and broader Eurasia with inclusion of Russia carry importance for China's energy security for providing both alternative resources, and alternative routes. Russia, Kazakhstan, and Turkmenistan have enormous reserves of oil and gas that could provide a substantial share of China's demand chart (BP, 2022). More importantly than being alternative suppliers, transportation of these resources through land pipelines reduces one of the greatest geopolitical vulnerabilities of China posed by maritime transportation. The so-called "Malacca dilemma" -the term coined by then President Hu Jintao in 2003- indicates the risk emerged as nearly 80% of China's oil imports has to pass through the Malacca Strait (Storey, 2006). It is a legitimate fear of Beijing that in case of an armed conflict, a potential naval blockade by the U.S. and its allies of the Malacca Strait could paralyze China's production. When the Chinese navy's weakness compared to that of the U.S. is considered, it is reasonable for Beijing to consider alternative routes (Lanteigne, 2008).

Indeed, the BRI countries -especially Russia and Central Asian countries- are described as key supply bases in China's energy security in a paper written by a high-ranking official from the China National Petroleum Corporation (CNPC) (Rolland, 2017, p. 112). He

argues that China will need to import 600 million metric tons of crude oil and 300 billion cubic meters of natural gas by 2030, of which, the BRI countries, especially Russia and Central Asian countries, are expected to supply 143 million metric tons of oil and 206 billion cubic meters of gas through overland pipelines (p. 112-113).

Finally, the BRI addresses China's concerns over its domestic security and territorial integrity as well. In China, poverty reduction and development is a long-standing strategy to ease class-based social unrest and ethno-cultural separatist tendencies both within and beyond China's borders (Zhao, 2015). In the Chinese context, economic growth can not be fully separated from national security, it is the fundamental source of social order, as well as the CCP's legitimacy. Particularly, reducing the wealth gap between coastal and interior provinces is believed to be essential to maintain social stability and territorial integrity (p. 110-113). What BRI offers more is enhanced infrastructure connectivity transcending beyond China's western borders that is believed to both discourage potential insurgencies in the Xinjiang Uyghur Autonomous Region and prevent spillover effects that might emerge in Central Asian states.

All in all, the BRI is far from being merely a set of engineering projects or a financial aid program but a grand strategy to preserve China's rise (Zhao, 2015; Rolland, 2017). Beijing hopes that through an intense network of economic interconnections facilitated by physical infrastructure, more countries will benefit from China's rise, and as they benefit, they will have less motivation -and options- to challenge China's interests (Rolland, 2017). Not surprisingly, intensified economic ties will endow China with political leverage over the benefitting countries. Eventually, as China gains dominance over its periphery, and beyond, it will be able to challenge the U.S. power both in Asia-Pacific, and on a global scale (p. 119).

The idea behind this logic is that economic development is the most urgent need that comes before anything else, and what is promised by Beijing is the opportunity to develop.

2.2 Absence of Other Great Powers

China's rise as a great power and its westward orientation towards Eurasia do not guarantee a readily hegemonic position in Central Asia if other great powers were included in the equation. Indeed, by the mid-2010s, China seems to be left unchallenged in the region in the relative absence of other great powers, namely Russia, the US, the EU, and Japan. Although Japan, and the EU (both as the union and as individual countries such as Germany and France), and to a lesser extent Turkey and Iran have engaged the regional countries since their independence, their economic and security footprints have been dwarfed by Russia, the US, and most dramatically by China (Cooley, 2012, Rolland, 2017). Thus, this section discusses particularly the declining influences of Russia and the US in Central Asia.

In his 2012 book, Alexander Cooley identified the great power interaction between the US, Russia, and China as the "new great game". He argued that the power vacuum emerged in the aftermath of the Soviet Union's collapse, and the Chinese and the US rush to get a bigger share of the cake created a great power competition that resonates the rivalry between Russia and Britain in the 19th century over Central Asia (Cooley, 2012). Although it was a competition, what was unusual is the possibility that each great power could pursue its interests simultaneously without substantially confronting the others (Cooley, 2012; Contessi, 2015b). Thus, the "new great game" in Central Asia had never been of a fierce zero-sum kind that could prevent China from pursuing its interests that were mostly centered around trade and border security. Moreover, the long-standing rivalry between Russia and the United States seems to have served China thus far as each party sees Beijing as a potential ally

against the other, or at least the lesser evil. Interestingly indeed, both Russia and the U.S. somewhat endorsed the BRI -at least publicly, as they see it as a weapon to use in their own rivalry, if manipulated (Cooley, 2016). For the US, the BRI proposes a needed connectivity across Eurasia that can alter Russian-led initiatives. While, by supporting the BRI, something that seems inevitable, Russia aims to buy off China's support against the West. Although in opposite directions, both share some degree of hope to shape the BRI in accordance with their own interests.

Further, Beijing's quest in Central Asia coincided with some dramatic events that led other great powers' retreat from the region. The global financial crisis in 2008 substantially hit the Russian economy, which was heavily dependent on energy exports. It was a milestone that from then on, China replaced Russia as the provider of public goods in times of crisis (Hillman, 2020). Since the Obama administration's decision of gradual retreat from Afghanistan in the early 2010s, the US interest and actual presence in Central Asia began to wane (Cooley, 2016). Russia's war in Ukraine and the sanctions that followed substantially damaged Moscow's economic means to challenge China in Central Asia. Moreover, deteriorated relations with the West led Moscow to lean more on Beijing, which inherently left Russian leadership with few options but to welcome China's rise in Central Asia (Stent, 2020). While the two other great powers were losing either capabilities or interest, China continued to deepen its ties with each Central Asian state to a point it left unchallenged today.

2.2.1 Russia

During the 1990s, Russia remained in Central Asia the most powerful actor, but due more to its inherent colonial ties rather than any active political dynamism (Cooley, 2012). Until Vladimir Putin came to power, Moscow had no profound definition and pursuit of its

interest in Central Asia (p. 20). Even when Moscow tried to redirect the region's orientation towards itself, it lacked sufficient material resources, and political dedication to challenge a highly motivated competitor with ample resources like China. Moreover, Moscow itself needs the huge Chinese market for its energy exports, and Beijing's political support in the international arena given its relations with the West have deteriorated. On its part, Beijing's discourse has been careful not to startle Moscow each time when a new Chinese activism in the region was revealed (Rolland, 2017).

China's economic weight has already dwarfed Russia throughout the last decade. By 2009, China had surpassed Russia as the region's top trade partner (Peyrouse, 2017). Moreover, in the same year, breaking Russian Gazprom's transportation monopoly, China reoriented the leading sale of Turkmenistan's natural gas eastwards by completion of the China - Central Asia pipeline (Vakulchuk & Overland, 2018, p. 125). More importantly, in the wake of the 2008 financial crisis, China has also become Central Asia's top lender leaving Russia, the World Bank and any other sovereign or multilateral lenders behind. Russia's role as the traditional patron is eroding; except its reluctant intervention in the Tajik Civil War (1992 – 1997), and in the recent civil unrest in Kazakhstan in 2022, Russia had been passive to play the expected -and demanded- stabilizing role in times of crises most notably during the 2008 global financial crisis and the violent uprisings in Kyrgyzstan in 2010 (Von Hagen et al, 2002; Cooley, 2012). Thus, Russian hegemony in Central Asia stands upon the historical legacy and its sustained ability to power projection rather than any notable political economic dynamism.

The Russian response to China's expansion into Central Asia, particularly to the BRI has been mixed thus far. Russian officials saw the BRI with suspicion when it was

announced. Köstem argues that Russia's identity -and status- in the international arena is the key driver of its geo-economic projects in its near abroad, particularly its desire for a "Greater Eurasia" (2019). In line with its identity and geopolitical reach, Russia has sought to restore its continental power by extending the outreach of the EAEU towards China, Iran, India, and Southeast Asia. For Trenin, Russia's reorientation of its geopolitical focus is more of a reaction to what has been unfruitful in its west (2017). Russia's turn to Eurasia is not coincidental with the collapse of its integration efforts into Europe and the West from the early 1990s until its intervention in Ukraine in 2014 (Trenin, 2017). In the aftermath of the war in Ukraine in 2014, facing deterioration of its relations with the West, concretized in the form of economic sanctions, Russia felt its vulnerabilities against the West. The Russian economy, dependent heavily on energy exports, needed to compensate for its deprivation of access to Western energy markets and investors (Hillman, 2020). At the time, China appeared as a viable alternative, given its immense and long-term hunger for energy. However, the Ukraine crisis and the Western sanctions alone cannot capture the whole motives behind why Russia steps back in Eurasian supercontinent. The breaking news in Moscow's foreign policy agenda only exacerbates already present challenges in Russian domestic economic structure in forms of inadequate modernization and connectivity with much vibrant global markets (Köstem, 2019). Thus, as Köstem goes on to argue, Moscow's aspirations for Eurasian power reconsolidation had to communicate with China's Belt and Road Initiative (BRI) in order to access infrastructure investments and financing just as is the case with Central Asian states (2019). In other words, Chinese projects in broader Eurasia helps Russia's own capacity-building efforts to realize its power reconsolidation in Eurasia.

Russia's own economic architecture is the Eurasian Economic Union (EAEU), which was an idea proposed first by Kazakhstan's former president Nursultan Nazarbayev in 1994

and resurrected by then prime minister Vladimir Putin in 2011 (Vinokurov, 2018). The idea was to establish a single market zone for unimpeded circulation of goods, services, labor, and capital among Russia and former Soviet republics. Despite its public stress on common heritage and claims to “learn from the EU’s mistakes”, it has not yet given birth to a successful regional integration (Hillman, 2020, p. 66). Putin’s reconceptualization of the idea was to create a Russian-centered entity that addresses Russian political considerations rather than a multilateral regional economic framework.

Xi and Putin promised to integrate their signature initiatives, the BRI and the EAEU respectively (Putz, 2020). Theoretically, these two economic designs could work together as complementary as the BRI focuses more on hard infrastructure while the EAEU puts more weight on “soft infrastructure” or rules and regulations to facilitate trade. Hillman (2020, p. 35) argues that as these two visions overlap in Central Asia, they could be employed together to upgrade the region’s poor trade climate both in terms of hard and soft infrastructure. However, he goes on to argue that what is possible in theory can not be realized on the ground. Both states prioritize domestic stability and non-interference above everything else. Both the BRI and the EAEU project a regional integration centered around a single state; the BRI aims to enhance Beijing’s influence, while the EAEU aims to restore Moscow’s central position in the region (Hillman, 2020). As greater connectivity requires giving up some control that can create disruption in their authoritarian settings, neither of them would prefer involving in a framework that they can not fully control. This applies more to Russia, given the growing economic and demographic asymmetries in China’s favor.

Despite Russia’s genuine need for Chinese capital and flourishing Russo-Chinese partnership in recent decades, Moscow is well aware of the limitations of this partnership as

well as the need to constrain Chinese influence in its near abroad (Gabuev, 2021). For this purpose too, as Trenin argues, the most viable strategy for Moscow to keep China in check seems to be influence from within rather than isolating itself from Chinese initiatives (2017). This is why Russia has been involved in many regional alignments alongside China -such as SCO, ASEAN, APEC- for both its own benefit and for negotiating -or manipulating- Chinese aspirations in the continental scale (Trenin, 2017; Köstem, 2019).

Following a comprehensive assessment of risks and benefits, Russian policymakers concluded that although partnering with China poses long-term risks, it was the only way to cure Russia's vulnerabilities in the west, especially in the short run (Gabuev, 2017). This honeymoon may end for sure if China adds on the security dimension of its growing economic engagement in the region. As will be shown in Chapter 3, the rising need to protect growing numbers of Chinese citizens and assets abroad has already given its first signs, such as in the case of Chinese border posts deployed in Tajikistan (Van Der Kley, 2019). Even so, however, Russia's options seem to erode as its dependence on China grows asymmetrically since China has more options to purchase energy than Russia has to sell it.

Chinese analysts acknowledge Moscow's suspicion as well about China's westward expansion, and the BRI (Rolland, 2017). However, they are optimistic about the strength of the partnership between the two countries that took shape by deepening interdependence and Russia's much deeper insecurities towards the west. Moreover, as will be discussed in this chapter, Central Asian needs for development assistance is a reality, which Russia does not have sufficient resources to address. A Chinese expert interviewed by Nadege Rolland argues that if Russia prevents China from engaging with Central Asia, other countries would fill the gap in the absence of Moscow's own means to fill in (p. 49). Being aware of Russia's much

deeper hostilities, particularly with the US, Chinese analysts seem confident that Russia would regard China as the lesser evil.

On its part, China also needs enduring Russian influence in Central Asia for geopolitical, diplomatic and security-related reasons. From the geopolitical angle, China needs Russian power to prevent the US entry in the forms of security partner, development assistant, or democracy promoter (Khodzhaev, 2009). From a diplomatic perspective, cooperation with Moscow helps Beijing conduct its relations with the region more smoothly. When the US is kept out of the region, partnering with Russia, the region's traditional patron, builds up China's leverage vis a vis each Central Asian state whether within the SCO framework or in bilateral terms (p. 15). In terms of security, for Beijing, Russian political influence and its regional military presence is needed in order to keep Central Asia's socio-political climate stable. A prominent Chinese scholar Xing Guangcheng argues that the Central Asian states do not enjoy sufficient means to manage external or internal security threats on their own (quoted in Khodzhaev, 2009). Given existing ethnic, religious, clan-based or pro-democratic cleavages in the region, Chinese analysts see Moscow as a safety net of political stability for Beijing to conduct business smoothly. Moreover, the possibility of potential spillovers into Chinese borders, into the conflict-prone Xinjiang region haunts the Chinese leadership (Khodzhaev, 2009; Rolland, 2017). When all the reasons above are taken into account, Chinese officials have always been cautious when they publicly express their designs in Central Asia, reassuring that China will not challenge Russia's privileged role in the region. Indeed, Chinese public appraisal of bilateral relations has followed an upward trend in parallel with the BRI's advance since 2013 (Rolland, 2017; Hillman, 2020).

2.2.2 The United States

The U.S. position in the Central Asian great game has not transcended beyond a set of temporary arrangements compared to those of Russia and China. Washington's engagement in the Central Asian states skyrocketed and gradually waned in parallel with its operations in Afghanistan. The reason why the U.S. could not develop permanent broader political and economic ties beyond security cooperation lies in the Central Asian political climate. Cooley argues that the greatest casualty of the U.S. engagement with the Central Asian states was the loss of prestige that took place at both fronts (2012, p. 163). On one hand, seen as the promoter of liberal democracy and human rights which are disrupting in the eyes of the Central Asian governments, the U.S. credibility as a potential reliable ally has notably declined (Cooley, 2012 p. 163). On the other hand, the same image of the U.S. as the global advocate of liberal democratic values has been further tarnished as a result of its concessions to the Central Asian governments. In other words, the United States failed to adequately satisfy both the Central Asian elite and the domestic public opinion at home.

Central Asia did not occupy a significant position in Washington's strategic considerations until the early 2000s. During the 1990s, following the collapse of the Soviet Union, the U.S. interests were mostly concentrated in Eastern Europe. Except for securing Kazakhstan's abandonment of nuclear weapons left from the Soviet Union, and American companies' access to Kazakh oil, the U.S. engagement in the region was modest (Ebel and Menon, 2000).

What had shattered this indifference of not only the U.S. but the whole international community was the 9/11 attacks in 2001 (Cooley, 2012). Shortly thereafter, Central Asia stepped up to the forefront of the U.S. security agenda as the region offered the most suitable

gateway to Afghanistan for the U.S-led Global War on Terror. U.S. officials immediately started bilateral negotiations with the regional countries for necessary security and logistics deals such as basing rights, flyover rights or fuel supply deals (p. 20-21). Since the beginning of the Global War on Terror, the U.S. CENTCOM has intensified its relations with the Central Asian armed forces and security agencies, providing them with equipment, training, and intelligence (Kucera, 2012).

Among the three great powers, The United States had struggled the most in adapting Central Asia's political climate that values the principle of regime survival above everything else. Any significant political opposition regardless of its ideological base has been securitized and responded violently in authoritarian settings of the Central Asian states. In the wake of the Color Revolutions across the post-Communist space, Central Asian leaders had concluded that foreign organizations engaged in democracy promotion and human rights advocacy were stealth instruments of regime change. Seen as enemies of the state, numerous Western NGOs, media outlets and democracy monitors had been identified as security threats, consequently shut down or restricted (Cooley, 2008).

While their Chinese and Russian counterparts have comfortably supported the incumbent regimes in cases of political violence and human rights violations, the U.S. policymakers had to skillfully craft their public responses (Cooley, 2012). They had to formulate balanced condemnations that are strong enough to satisfy Western public opinion - both domestic and international- on one hand, and weak enough to preserve security cooperation with the incumbent regime. The case of Andijan in 2005 presents an exemplary case. The Uzbek government's violent crackdown of protestors in the southeastern city of Andijan has sparked widespread international criticism (Human Rights Watch, 2008).

All in all, relationships between the U.S and the Central Asian states have failed to go beyond a temporary business relationship without deeper roots. In the end, the U.S. weight in Central Asia has not matched those of Russia's security ties and China's economic penetration. However, the erosion of American influence is not confined to Central Asia, but it is a current global phenomenon that can be traced back to the wake of the 9/11 attacks. From the Middle East to Africa, from Latin America to Southeast Asia, the U.S. authority, along with the broader U.S.-led "liberal order", are being challenged ideationally and practically by various regional powers (Weber and Jentleson, 2010). While in some cases, regional actors are utterly opposing it, in some cases including Central Asia, they are forcing American policy to adapt to the local context.

For the United States, so far it seems that the cost of developing intense and stable relationships with the Central Asian states overweighs its potential benefits. Thus, in addition to its dynamic efforts, China has marched further into the region with relative ease in a conjuncture that its most powerful competitors are either unable or indifferent.

2.3 Central Asian Needs

Although being fundamentally important, China's own rise and absence of great power competition are necessary but not sufficient factors for China's regional hegemony without Central Asian accommodation. The Central Asian states are not mere pawns without agency, indeed, a Chinese hegemony could not have been enacted without their cooperation. Therefore, it is necessary to examine the region's motives for engagement in this emerging regional hegemonic framework.

The Central Asian states' welcoming attitude stems mainly from their fairly understandable need for development, most evidently in the forms of infrastructure building and necessary financial aid. According to an estimate of the Asian Development Bank, the Central Asian countries will have to invest nearly \$33 billion in infrastructure development by 2030 to address the growing domestic and international needs (ADB, 2019). As a landlocked region without the necessary financial, technical, and administrative capabilities to generate sustainable economic growth, Central Asia's need for external assistance is genuine. However, coupled with chronic political corruption and authoritarian regime structures, the whole region appears among the least favorite places for foreign investors, save for Kazakhstan's oil and gas sector (Raballand and Gente, 2007). Foreign multinationals, multilateral financial institutions, and sovereign lenders rarely invest or provide loans necessary to stimulate growth. When this hard reality is taken into account, China's risk-acceptant financing fits well with the region's needs like a jigsaw puzzle. In this respect, this section will discuss the region's need for infrastructure.

Besides inadequacy in quantity, Central Asia's infrastructure also suffers from colonial architecture. Soviet planners designed road, rail, air, and energy networks in a way that links the center -Moscow- with the periphery. Like other places in the former USSR, in Central Asia, all routes ultimately lead to Moscow while intra-regional transportation links are missing. As Jonathan Hillman (2020, pp. 41 - 43) argues, the Soviet planners at the time did not see a group of republics but a single political entity when they looked at the region. Major railways, highways, and pipelines run mostly in north-south directions rather than east-west directions, while Central Asia's external links with southern and western neighbor states were also lacking (Cooley, 2016). These centralized networks were also strengthened by divisions of labor in several sectors of production. Any single place had been prevented from

specializing in the overall production of goods, rather, the production of subparts was distributed across different republics. For instance, different parts of a train -locomotives, wagons, wheels, etc- would be produced across different places, and sent to Russia to be assembled (Hillman, 2020). In the end, elements of central planning in organizing transportation and production had cemented peripheral republics' dependence on Moscow while impeding any substantial advancement of intra-regional political and economic ties.

When the Soviet Union collapsed in 1991, the extent of central planning of transportation infrastructure came to light, when the routes across fifteen republics were cut into pieces (Linn, 2004). A striking example reveals that a train from Bishkek, Kyrgyzstan's capital, to Osh, its second-largest city, has to travel through Kazakhstan, Uzbekistan, Tajikistan, and Uzbekistan again before arriving back in Kyrgyzstan (Pomfret, 1995). In addition, the absence of skilled Soviet technical personnel that used to manage existing infrastructure created maintenance problems (International Crisis Group, 2011). On the eve of the Soviet collapse, nearly 150 trains were shuttling between Russia, Kyrgyzstan, Tajikistan, and Uzbekistan. This number dropped dramatically to 14 trains ten years later (Thorez, 2014). Even air transportation lacks intra-regional congruence as well. Many regional flights still transit through Moscow before landing back in a Central Asian city. For instance, Turkmenistan Airlines, the state-run flag carrier, has flights to neither of the Central Asian destinations except for Kazakhstan's Almaty, while flying directly to Moscow, Beijing, London, Istanbul, and even to Bangkok and Minsk (Turkmenistan Airlines). Another striking example shows that there were no commercial flights between Tajikistan and Uzbekistan until 2017 for the most part due to political tensions (Radio Free Europe, 2017).

The post-Soviet era saw numerous proposals aiming to reconnect Central Asia and the Caucasus to the rest of the world, particularly to economically vibrant parts such as Europe and East Asia. However ambitious they might be, they produced modest outcomes due to insufficient resources and lack of political determination (Promfet, 2010; Rolland, 2017). The EU was among the earliest actors that took a step to revitalize the “Great Silk Road”, initiating the Transport Corridor Europe-Caucasus Central Asia (TRACECA) in 1993 (Promfet, 2010). However, the initiative could not generate desired economic cooperation and infrastructural connectivity due to conflicts in the Caucasus, lack of cooperation among Central Asian states, and low profitability of the proposed projects.

In 1996, the United Nations approved inclusion of Central Asian countries to the Asian Highway Network (AHN). However, the AHN has been a loose and underfunded coordinating and information sharing body that lacks any power to impose any rules and regulations. Thus, not surprisingly, this UN initiative could not generate much for robust infrastructure connectivity (UNESCAP, 2008).

The Central Asia Regional Economic Cooperation program (CAREC) founded in 1997 was the most successful compared to others. It is an international collaboration operating in partnership with leading multilateral financial institutions including the World Bank, IMF, and ADB. Under the ADB supervision with financial and technical support of its partners, the program developed six transportation corridors across the region over the last two decades (ADB, 2012).

In this context, Central Asian national leaders have warmly welcomed Chinese engagements -particularly the BRI- sometimes in a competitive tone that highlights their

countries' role compared to those of others. Kyrgyzstan's former President Almazbek Atambayev stated that "we can become an effective hub for transshipment of Chinese goods to Eurasia and Europe (quoted in Hillman, 2020, p. 50). Tajik President Emomali Rahmon said that "Tajikistan can be a connecting bridge between China and other countries adjoining the region" and that Chinese projects will "revive the southern branch of the Great Silk Road" (quoted in Hillman, 2020, p. 50). Shavkat Mirziyoyev of Uzbekistan stated that "Uzbekistan supported the Belt and Road Initiative from the start, and its delivery is an important factor in the sustainable development of our countries" (quoted in Hillman, 2020, p. 50). Turkmen President Gurbanguly Berdimuhamedow wrote a book titled *Turkmenistan - The Heart of the Great Silk Road*, laying stress upon the country's geographical position (Hillman, 2020, pp. 50 - 51).

2.4 Conclusion

China's emerging hegemony in Central Asia is a complex phenomenon that is being brought about by the interplay between multiple variables operating in both domestic and international contexts. In this chapter, I provided a conceptual basis and a description of this phenomenon. I argue that the convergence between three necessary but not sufficient factors gave life to an emerging Sinocentric hegemony in Central Asia. The first of which is China's own rise to a great power position, though it is yet to be fully achieved. The second is the relative absence or passiveness of other great powers that are willing, or able to prevent Beijing's aspirations in Central Asia. Last but not least, the Central Asian states' own willingness to accommodate closer ties with China due to their genuine need for development.

Without a series of economic reforms that generated massive economic growth, China could not project its financial, diplomatic, and military power on its near abroad. Despite being the most important -and necessary- factor, China's rise is not a sufficient condition on its own. The way China's development pattern took has led the country's direction towards Eurasian inland under the banner of Belt and Road. Coupled with economic rationales, highlighted geostrategic considerations have pushed the CCP leadership to march westward as part of a grand strategy. The relative absence of other great powers that are capable enough to constrain Chinese influence is the second key factor. Moscow lacks sufficient economic resources to replace Beijing's role in the region while Russia itself needs Chinese finance and energy market amid its hostile relations with the West. The United States, on the other hand, had not been able to develop long-term reliable partnerships with Central Asian states in the course of its two decades long operation in Afghanistan. The major problem with the U.S. was its inability to play by the local political culture as opposed to Russia and China. All in all, the U.S. presence in Central Asia could not extend to cover a wide range of policy areas beyond narrow-scoped temporary security arrangements necessitated by the conflict in Afghanistan. Other major powers including the EU, Japan, and India too failed to establish themselves in the region on a level that rivals China. The last necessary but not sufficient condition is Central Asian states' cooperation stemming from their need to develop. The landlocked states of Central Asia suffer from poor physical infrastructure and governance that hinder attracting external financing needed for their development. As China is willing to invest in risky ventures predominantly for infrastructure projects, Central Asian states' willingness to accommodate Beijing's presence arouses.

Having set the defining conditions of the emerging hegemony of China in Central Asia, the following chapter will examine the opportunities for five Central Asian states that emerged out of Beijing's march westward.

CHAPTER III

CHINA IN THE EYES OF CENTRAL ASIA: OPPORTUNITIES OF HEGEMONY FOR REGIONAL STATES

For Central Asia, China is a given, a giant neighbor that they should learn how to live with. And for China, Central Asia is the “El Dorado” that needs to be stepped in for the unimpeded rise of modern China. The emergence of modern Chinese-Central Asian relations dates back to the independence of the five regional republics as a result of the Soviet Union’s collapse in 1991. Compared to the close ties of today, the early Chinese engagement in the region was modest, confined mostly to disputed border demarcation talks (Cooley, 2012; Laurelle and Peyrouse, 2012). Chinese investment in the region was limited, and cross-border trade was low in volume and mostly done by petty traders of Uyghur, and later, Dungan origins who had transnational ethnic, religious or family ties (Laurelle and Peyrouse, 2009; Zhaparov, 2009). Until the formation of Shanghai Five in 1996, a Chinese-led forum to facilitate border demarcation agreements, diplomatic ties were also modest. The Shanghai Five group later evolved into the Shanghai Cooperation Organisation (SCO) and incorporated predominantly regional security issues into its agenda as of 2001 (Cooley, 2012).

During the 2000s, Chinese-Central Asian relations have followed an upward trend in all aspects including bilateral trade, investment, security partnership, diplomatic convergence, and cultural exchange. The 2008 global financial crisis marked a milestone and cemented

China's existence in the region as a key external provider of public goods in times of crises, at the expense of Russia and the Western actors (Laurelle and Peyrouse 2012). From then on, Russia's position -and legitimacy- as the region's hegemon have started to erode while China was gearing up to replace its place (Cooley, 2012). Beijing has been careful not to alarm Moscow as its footprint grows larger in Central Asia, and has been citing Moscow's privileged position on every occasion before announcing a major project (Rolland, 2017). However, despite China's humble self-presentation, the emerging Chinese hegemony in Central Asia has become salient, particularly after the announcement of the BRI in 2013 as a result of the factors discussed in the previous chapter.

Before moving on to the discussion of the opportunities created by the hegemonic engagement with China for the Central Asian republics, I find it necessary to present a brief description of the region, and variant Chinese questions of each individual country. The chapter then proceeds to discuss the opportunities under three main categories of politics, economy, and security. Under the banner of politics, two major opportunities before the Central Asian states have been identified as results of a closer engagement with China. The primary geopolitical opportunity presented by Beijing for the Central Asian states is the provision of a gateway to step out of Russian orbit. For the Central Asian states, Beijing represents an alternative patron that can balance Russia's monopolistic influence over the region, which in turn strengthens their bargaining power when interacting with both great powers. Second, as being geographically and politically isolated states, China appears as a more promising channel for globalization -compared to Russia- thanks to the country's sophisticated global ties in terms of range and scale. When it comes to the economic opportunities; infrastructure building, development finance, and trade partnership have been identified as the three major columns. Finally, the opportunities offered in the security realm

appear through four channels; the Shanghai Cooperation Organisation (SCO), joint military exercises, military aid, and military sales.

The term Central Asia corresponds more to a region sharing common historical and geographical assets rather than a coherent analytical unit representing a case of regionalization with convergent political and economic structures (Laurelle and Peyrouse, 2012, p. 2). None of the regional multilateral organizations -such as SCO, EEU, CSTO, Turkic Council- have been able to involve all of the five republics (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan) within their framework. In line with its isolationist foreign policy, Turkmenistan abstains from joining any of these alignments. Moreover, inter-state political tensions and occasional inter-ethnic conflicts remain. Disputes over water resources between Uzbekistan and Tajikistan, as well as ethnic clashes between Uzbek minorities and majority populations in Kyrgyzstan and Tajikistan are among the most exemplary cases (Cooley, 2012). Save for mostly unrecorded shuttle trade, Central Asian countries are economically highly atomized without substantial cross-border exchanges. Intra-regional trade makes up only 6.2 % of overall inter-state trading activity (Chatzky and McBride, 2020). Thus, political, social, and economic differences among the five Central Asian republics should be taken into consideration when examining their course of action in the international environment.

Based on Laurelle and Peyrouse's (2009) conceptualisation, the five Central Asian states can be divided into subcategories by five analytical axes (p. 4). To remain within the scope of this thesis, I have used three of the five axes that are convenient. The first axis makes a distinction between the three countries -Kazakhstan, Kyrgyzstan, and Tajikistan- sharing borders with China and the two countries -Turkmenistan and Uzbekistan- without

border contact. This divide shows its impact when -Chinese originated- intensity of private enterprises, volume of small-scale trade, and migration flows vary between the former three and the latter two (p. 4). The second axis divides the five countries based on their level of wealth and power. While Kazakhstan, Turkmenistan, and Uzbekistan have sufficient levels of natural resources, population, and geographical advantages to ensure political stability and development; Kyrgyzstan and Tajikistan lacking such advantages, lag behind as the poorest and weakest of the five (p. 5). The fragility of the latter two reflects itself in their relatively more accommodating attitude towards Chinese involvement as they need China more than their regional peers (Bhutia, 2019). The third axis singles out Kazakhstan from the rest on the basis of the level of engagement with China. Kazakhstan's bilateral trade alone accounts for two-thirds of the overall Central Asian trade with China; the country has by far the largest, most liberal, and relatively multimodal economy in the region; and it made the most effort to analyze its relations with China devoting its financial and intellectual resources accordingly (Laurelle and Peyrouse, 2009, p. 5). However, despite the good diplomatic relations and dynamic economic ties between the two, Kazakhstan has the most Sinophobe population in the region (Laurelle and Peyrouse, 2009; van der Kley and Yau, 2021).

Moreover, the low level of regionalization and intra-regional specificities suggest that the Chinese engagement in Central Asia, the emerging Chinese hegemony, or the 'Chinese question' has nuanced connotations across the five states (Laurelle and Peyrouse 2009). Thus, opportunities and threats presented by Beijing vary depending on variables such as the recipient country's geographical proximity to China, quantity and quality of its resources, regime stability, population, ability to attract alternative external support, and so on. Taking these differences in consideration, the opportunities identified represent the broader gains addressing mutual interests of all five Central Asian republics with minimal nuances.

3.1 Political Opportunities

3.1.1 Multivectoralism

From the perspective of great power rivalry, the most prominent opportunity proposed for the Central Asian states by China seems to be an alternative patronage out of the Russian orbit (Aris, 2004; Cooley, 2012). As discussed in the previous chapter, in the eroding influence of the United States in Central Asia, China remains as the only actor that could break Russia's monopolistic influence in favor of the regional countries. The literature on multivector foreign policy reveals the smaller country's tendency to seek alternative partnerships to enlarge their room for maneuver, and preserve their sovereignty in an international environment where multiple greater powers vie for influence (Allison, 2004; Wohlforth, 2004; Aris, 2010; Cooley, 2012; Contessi, 2015).

Contessi (2018) argues that multivector foreign policy is neither balancing nor bandwagoning as tended to be seen from a classical neorealist perspective, but a simultaneous co-alignment with different great powers in the international system (p. 764). By co-alignment, smaller states in the system can maximize the opportunities while minimizing the threats that could emerge as they engage with great powers (Khanna, 2008; Lake 2009a). The most obvious tray of opportunities is that a small state can multiply external resources/assistance while preventing the threat that any single power from exercising dominance, and limit its sovereignty (Cooley, 2012; Contessi, 2018). A practical reflection of multivector foreign policy is 'issue-splitting' (Contessi, 2018). Issue-splitting refers to dividing a total cluster of issues into smaller pieces, and seeking assistance for these smaller sub-issues rather than the whole (p. 765). Through this practice, multiple external actors

engage different segments of a given issue without being able to occupy the whole area (Lake, 1996, p. 17). By issue-splitting, market mechanisms start to operate in favor of smaller as their bargaining power increases, allowing them to bid for lower prices and better quality of a job needs to be done. The most apparent examples can be seen at auctions for infrastructure building, natural resource extraction, or provision of information technologies (Contessi, 2018). The concepts of multivector foreign policy and issue-splitting lead us to another concept of ‘geopolitical marketplace’ (Khanna, 2008). Khanna argues that the emergence of new great powers in the system, and advance of globalization is creating a ‘geopolitical marketplace’ that encourages smaller states to conduct ‘patron-shopping’ (2008).

For the Central Asian states, as well as for the larger post-Soviet space, multivector foreign policy has become a strategic approach to statecraft in order to secure national independence rather than a temporary tactical play (Aris, 2010). In this sense, beyond being a practice of maximizing economic benefits, multivectoralism represents an essential element of survival in the Central Asian context where great power engagement is an inevitable structural given (Aris, 2010; Contessi, 2018). However, availability of multiple patrons at system level does not automatically translate into successful performance of multivectoralism by smaller states. At unit-level, the individual ability of a smaller power to craft a multivector diplomacy is equally important (Contessi, 2018). In our case, not all five Central Asian states have been able to perform multivectoralism at the same degree of success as will be discussed in the next chapter.

Having discussed the analytical concepts of multivector foreign policy, issue-splitting, and geopolitical marketplace, I argue that China’s entry into Central Asia represents a

geopolitical opportunity for the regional states to break exclusive Russian influence. As argued by various scholars, Central Asia has already turned into a test site of emerging multipolar world order penetrated by various external actors for three decades (Cooley, 2012; Contessi, 2018). However, as discussed in the previous chapter, China remained as the only actor who has capabilities to radically orient the region's geopolitical inclination towards itself (Contessi, 2015). In the same way, China is the only capable challenger to the Russian monopoly over Central Asian political, economic, and cultural spheres. As a new patron in the Central Asian geopolitical marketplace, Beijing thus appears as a suitable partner for the region with whom Central Asian states can perform multivector foreign policy, and issue-splitting to extract maximum benefit from both Russia and China.

3.1.2 Globalization

The second line of political opportunities proposed by China is Beijing's provision of a suitable gateway to globalization (Khodzhaev, 2009; Contessi, 2015). Since their independence, Central Asian states could not break their isolation from rest of the world for many reasons including geographical limitations, lack of financial and social capital, or as a result of a deliberate political choice seen mostly in Turkmenistan and Uzbekistan (Laurelle and Peyrouse, 2009; Cooley, 2012). Political, economic, and social contact of Central Asia with the outside world have been limited, or filtered through Russia (Kavalski, 2009). Central Asian states rarely attended diplomatic forums outside their region, nor were they able to access vibrant markets or attract a significant volume of foreign investment (Kavalski, 2009; Contessi, 2013). Exceptions were limited in scope and weight, and almost every time with Russian gatekeeping (Kavalski, 2009). Save for Kazakhstan's natural resource extraction sector, Central Asia's overall contact with global markets and foreign investors were limited (Kaiser and Pulsipher, 2007). However, Central Asian governments have expressed their

desire for a broader political and economic opening, though confined to the economic sphere, even Turkmenistan has a positive attitude for a broader connectivity (Contessi, 2015; Marszewski, 2018; Choganov, 2019). Kazakhstan, Kyrgyzstan and Tajikistan have already established relatively denser international ties and more liberal markets above the regional standards; with the recent power transition in 2016 that instated Shavkat Mirziyoyev, Uzbekistan has joined the former three showing its interest in globalization (Marszewski, 2018; Qoraboyev, 2018).

China, in this respect, offers the Central Asian states a channel to globalization, seemingly with more options than any other actor can offer. This is not only because China has extensive resources and a large global network, but more than that, China has the strongest will to engage Central Asia (Rolland, 2017). The empirical evidence reveals Central Asia's present and prospective global contacts directly or indirectly initiated by China, especially since the announcement of the BRI in 2013 (Contessi, 2015). Four of the five Central Asian states, except Turkmenistan, are members of the Chinese-led Shanghai Cooperation Organisation (SCO), the region's prominent multilateral organization focused on regional security with prospective enlargement in terms of geographical scope and policy areas (SCO). Over the last decade, the organization has expanded beyond Central Asia by granting full membership status to India and Pakistan; observer status to Afghanistan, Belarus, Iran and Mongolia; and dialogue partnership to Armenia, Azerbaijan, Cambodia, Nepal, Sri Lanka, and Turkey (SCO). The organization has also reached MoUs with various Asian and global multilateral institutions such as the Association of South East Asian Nations (ASEAN), the Economic Cooperation Organization (ECO), and the United Nations Economic and Social Commission for the Asia Pacific (UNESCAP). The same four Central Asian states are also among the founding members of the Asian Infrastructure Investment

Bank (AIIB), the Chinese-led multilateral development bank (MDB) with global scope that includes some major Western economies in Europe and Americas.

Further opportunities are ahead given the growing multilateral ties discussed above, as well as bilateral alignments. Beijing can help Central Asian economies to access some of the lucrative markets across Asia, and beyond (Contessi, 2015). Especially since the initiation of the BRI, connectivity projects propose new transportation links that mostly transcending Central Asia as a transit hub that provide a significant transit revenue (Contessi, 2015; 2018). Besides, through the projected railways, highways, and pipelines, Central Asian goods can reach diverse markets including Southeast Asia, South Asia, Middle East, and Europe. Some of these links had already been built even before the BRI, such as the Central Asia-China natural gas pipeline, Kazakhstan-China oil pipeline, and railways between China and a couple of European cities.

Kazakhstan had made an outstanding effort in this sense. Being aware of the country's potential as a key transit hub, Nazarbayev administration has been investing in the country's railway network as well as energy transportation systems (Contessi, 2018). In 1995, Kazakhstan concluded an agreement with China on its use of China's Lianyungang port as a logistic hub (p. 776). The port is located in Jiangsu province, a wealthy region with high industrial output besides its geographical proximity to some of China's giant metropolises such as Shanghai, Nanjing, Qingdao, and Zhengzhou as well as South Korea and Japan on the opposite shore. Over the years, Kazakhstan's terminal in the Lianyungang port has expanded in size and volume as a result of the country's continuous efforts to attract customers from both China and overseas (CGTN, 2018). Kazakh officials have recently devoted their

diplomatic energy to conclude agreements to attract Japanese, Korean, and wider East Asian exports for the use of Lianyungang port (Chu, 2017).

In addition, the BRI projects draw global attention from observers with various geopolitical, economic, and cultural lenses (Calder, 2019; Cooley, 2016; Contessi, 2018; Hillman, 2020). On one hand, China's ambitious activities are stirring a geopolitical rivalry - real or perceived- involving various powers with ranging capabilities. The region is thus rightly seen as a testing site of the unfolding multipolar world by many scholars/experts (Cooley, 2012; 2016; Contessi, 2018). Although China's capabilities are unmatched, several actors are trying to establish good relations with the region to secure/gain their share from the larger pie. On the other hand, -as will be discussed thoroughly in the next section- several non-state actors including MDBs, multinational firms, NGOs, and international institutions with various expertise are interested in engaging the region to exploit the opportunities unfolding in the course of the BRI. Potentially, the increased interest in the region can bring larger volumes of investment from an expanded investor portfolio (Contessi, 2015). Equally important, potentially increased political dialogue and human mobility on the bottom level could accelerate the region's integration to the global community. The intensified official visits to the Central Asian countries by foreign government leaders -along with a court of policy experts and businesses- over the last decade reflect the region's growing appeal.

In sum, Central Asia by engaging these Chinese-led multilateral frameworks with continental and global reach are experiencing a diplomatic dynamism, establishing contacts with different sub-regions of Asia that have global ties (Contessi, 2015). Physical connectivity is meant to enhance Central Asia's ability to join the global circulation of energy and consumer goods as well as attracting foreign investment. Although these contacts are

mostly continental and assign China a gatekeeper position, Central Asian states are experiencing an unprecedented period of globalization since their independence. If mitigated, the Chinese wind might help them fly when they still have room for maneuver before prospective Chinese hegemony over the region will be further cemented.

3.2 Economic Opportunities

Highly connected to the political opportunities discussed above, a set of economic gains created by the growing Chinese presence is/will be delivered to the Central Asian states. Although ‘who gets what’ and ‘how much’ vary depending on the recipient states’ structural features, everyone gets some net gain. This section will discuss the overall economic opportunities under three sub-categories namely infrastructure, development finance, and trade with an inevitable focus on the BRI.

3.2.1 Infrastructure

As discussed in the previous chapter, Central Asia lacks the sufficient infrastructure to realize the region’s development potential. According to an estimate of the Asian Development Bank, the Central Asian countries will have to invest nearly \$33 billion in infrastructure development by 2030 to address the growing domestic and international needs (ADB, 2019). Much of the existing infrastructure assets such as railways, roads, power plants, energy transmission network, industrial and housing facilities are inherited from the former Soviet Union. The problem with Soviet infrastructure reflects itself in two dimensions. First, the transportation network, pipelines, and industrial facilities of the region were designed by colonial logic; positioning Central Asia as a source of raw materials and a destination of end-products, cementing Moscow’s control by deepening the region’s dependence on itself (Motyl, 2001; Hillman, 2020, pp. 41 -43). Almost all major railways,

roads, and pipelines run in the north-south axis connecting Russia with the region while intra-regional linkages were scarce. Factories were dispersed across different republics in the same logic to prevent any one of them from producing a whole product on its own (Shahrani, 1994). Moreover, in accordance with Soviet foreign policy, the southern and eastern borders of Central Asia with neighboring countries were effectively sealed, leaving no major transportation link (Laurelle and Peyrouse, 2012). The second problem is that the Soviet era infrastructure has been aging since the region's independence. Without having sufficient funds and technical expertise, the Central Asian states are struggling to maintain and upgrade even the scarce infrastructure that is left from the Soviet Union. These problems had become more apparent when the five Central Asian countries became independent states in 1991.

As developing states, physical infrastructure is key for the landlocked Central Asian states to realize their growth potential. Nearly 80% of the global trade is conducted through maritime transport (Contessi, 2018). Not surprisingly, landlocked countries' trading output is approximately 60% less than that of coastal states while transportation costs can reach twofold (Raballand, 2003; Kulipanova, 2012). An ADB study revealed that Central Asian countries' transportation costs can reach up to 16%, and logistics costs can reach nearly 20% of the total trade value (ADB, 2006). The Asian average of transportation cost is 8.4% and the global average is 6.1% of the total trade value (p. 30). Moreover, a study by MacKellar et al. estimated that landlocked countries' growth rate is 1.5% less than that of coastal states (2000, p.1).

Infrastructure's role is however not confined to economic development, but also it is a key component of statecraft (Contessi, 2018). As being landlocked, Central Asian states are vulnerable against neighboring states' geographical gatekeeping, particularly that of Russia

(Aris, 2010; Hanks, 2009). As discussed above, all major transportation links and energy transmission lines travel through Russian territory save for the Central Asia-China gas pipeline, and Kazakhstan-China oil pipeline. This geographical dependency on Russia comes not only with economic costs but also with a significant political cost, which translates itself as deepening power asymmetry between Central Asian states and Russia. As Contessi argues (2018), being able to control another country's entry and exit routes is a significant power tool for political manipulation, a leverage against the dependent state to the extent that it reduces its sovereignty (p. 761-762). Moreover, in times of political crises or armed conflict, the region faces the risk of being paralyzed. As an exemplary case, the closure of the Turkish-Armenian border in 1993 over the Nagorno-Karabakh conflict had inflicted a significant blow to the Armenian economy (Tocci, 2007). Thus, multidirectional integration into the global transport network is a requirement for independent statehood besides its economic role (Contessi, 2018).

The case of Kazakhstan perfectly illustrates the transportation network dependence in Central Asia representing both the exposed and exposer positions of geographical gatekeeping (see Figure 1). On one hand, Kazakhstan is highly dependent on the Russian transportation network. The country's relatively denser railways, roads, and energy transmission lines inherited from the Soviet Union are predominantly connected to Russia (Contessi, 2018). In this scheme, Moscow stands before Nursultan as the foremost gatekeeper. On the other hand, Kazakhstan is the only Central Asian country that has direct borders with Russia, and its transportation network. Thus, for the four other Central Asian countries, Kazakhstan turns into a gatekeeper. For example, in October 2017, Kazakhstan imposed increased border control measures on Kyrgyzstan over a political controversy between the two countries' leaders (Putz, 2017). As discussed above, the region's southward

and eastward transport links were poor -despite recent Chinese-led improvements- that maintains the northern routes' indispensability.

Figure 1: Eurasian railway corridors and the ones passing through Kazakhstan



Source: Contessi, 2018

China's ambitions to access the lucrative markets on its west thus offer a set of opportunities for the Central Asian states as well. First, Chinese SOEs offer upgrades for the aging infrastructure along with new ones that can address the Central Asian countries' development needs. Indeed, the BRI projects -at least on paper- overlap with the regional governments' aspirations to become a transit hub through increased transportation and transmission connectivity (Contessi, 2018; Qoraboyev, 2018; Choganov, 2020).

In addition to better connectivity, a significant portion of the BRI projects is focused on natural resource development and agriculture, the two main areas that define the region's economic characteristics (see Table 1). Moreover, the east-west land corridors can alleviate the region's overall dependency on Russian territory, as well as at an intra-regional look, the

four other states' dependency on Kazakhstan. All in all, Chinese-led infrastructure projects offer the landlocked Central Asian countries opportunities to stir economic development without depending on a single state's gatekeeping.

An OSCE study (Central Asia Regional Data Review 20) conducted by Aminjonov and his colleagues (2019) listed Chinese-initiated projects in Central Asia until the year 2019. According to the study, by 2019, there will be a total of 261 Chinese projects in Central Asia including both BRI projects and the ones prior to the BRI. Kazakhstan receives by far the highest number of projects (102) as well as the highest volume of investment (\$90,862 million). Kazakhstan is followed by Kyrgyzstan (46), Tajikistan (44), Uzbekistan (43), and Turkmenistan (26) in terms of the density of projects (see Table 1). However, when considering their financing, the highest levels of Chinese investment -following Kazakhstan- have been received by Turkmenistan (\$24,842), Tajikistan (10,518), Kyrgyzstan (5,391), and Uzbekistan (4,635) (see Table 2).

When it comes to sectoral distribution of the projects, trade and industrial development ranked first (131) followed by rail and road connectivity (51), energy connectivity (48), and people-to-people projects (31) respectively (see Table 1). When it comes to financing -under a more specific categorization-, projects of mineral and petroleum exploration/processing attracted nearly half of the total investment. It is followed by connectivity projects of energy and transportation respectively, while the lowest amount of investment has been funneled in people-to-people, and finance and information technologies projects (see Table 2).

A total of 131 Chinese projects have faced breakdown in Central Asia with Kazakhstan hosting the most of them (61) followed by Uzbekistan (24), Tajikistan (17), Kyrgyzstan (17), and Turkmenistan (12) (see Table 3).

Finally, in terms of cooperation type, China's projects in Central Asia are predominantly bilateral; among the total of 261 projects, 237 of them are bilateral while there are only 24 multilateral projects. Except for road infrastructure, projects in all other sectors have been bilaterally launched by China and the host country (see Table 4).

Table 1: Number of Chinese projects by country, and sector

Sectors	Total number by sector	Kazakhstan	Kyrgyzstan	Tajikistan	Uzbekistan	Turkmenistan
Total by country	261	102	46	44	43	26
Trade and industrial development	131	61	17	17	24	12
Rail and road connectivity	51	14	11	16	5	5
Energy connectivity	48	20	5	7	12	4
People-to-people projects	31	7	13	4	2	5

Source: Central Asia Regional Data Review 20 (2019)

Table 2: Total investment of Chinese projects by sector, and country (USD mln)

	Total by country	Rail and road connectivity	Energy connectivity	Industry	Agriculture and food	Mineral and petroleum exploration and processing	Finance and IT	People-to-people projects
Total by sector	136 251.06	23 499.74	35 693.8	12 299.55	1 451.88	55 159.65	8 100	46.44
Kazakhstan	90 862.43	14 539.3	18 849.5	10 545.5	1 049.63	37 778.5	8 100	NA
Turkmenistan	24 842.5	1 402.5	9 410	NA	NA	14 03	NA	NA
Tajikistan	10 518.7	4 515.9	4 516	679,8	342	465	NA	NA
Kyrgyzstan	5 391.68	1 773.04	2 713	150.8	31.55	676.85	NA	46.44
Uzbekistan	4 635.75	1 269	205.3	923.45	28.7	2 209.3	NA	NA

Source: Central Asia Regional Data Review 20 (2019)

Table 3: Breakdown of Chinese projects by country, and sector

Sectors	Total number by sector	Kazakhstan	Uzbekistan	Tajikistan	Kyrgyzstan	Turkmenistan
Trade and industrial development	131	61	24	17	17	12
<i>Mineral and petroleum exploration, extraction and processing projects</i>	47	23	5	3	9	7
<i>Industry</i>	44	17	18	6	3	NA
<i>Agriculture and food</i>	26	17	1	6	2	1
<i>Finance and IT</i>	14	4	NA ³	2	3	4

Source: Central Asia Regional Data Review 20 (2019)

Table 4: Number of bilateral and multilateral Chinese projects

	Total by country		Road infrastructure		Energy connectivity		Trade and industrial development		People-to-people projects	
	Bilateral	Multil.	Bilateral	Multil.	Bilateral	Multil.	Bilateral	Multil.	Bilateral	Multil.
Total by sector	237	24	33	18	46	2	127	3	30	1
Kazakhstan	100	2	13	1	20	0	60	1	7	0
Kyrgyzstan	41	5	8	3	5	0	16	1	12	1
Tajikistan	35	9	8	8	6	1	17	0	4	0
Uzbekistan	38	5	2	3	11	1	23	1	2	0
Turkmenistan	23	3	2	3	4	0	12	0	5	0

Source: Central Asia Regional Data Review 20 (2019)

3.2.2. Development Finance

Central Asia's need for infrastructure is genuine, and it is admitted internationally. However, what makes Chinese projects attractive, and cements Beijing's distinctiveness as the region's main external partner is the way they are being financed. Central Asia has been among the least favorable places for business, which limits the regional countries' ability to attract foreign investment and conditional aid from international donors (Cooley, 2016; EBRD, 2019). Part of the reason is their geographical disadvantage of being landlocked as discussed above, however, the region's political climate is the principal reason. With varying degrees, each of the five Central Asian states have autocratic regimes, chronic corruption at

all levels, and underdeveloped public and private sector expertise. The following figures below demonstrate several datasets confirming the region’s institutional limitations that impede sustainable development. In addition to relatively small populations and low GDPs of the Central Asian states, indicating the modest market size of the region, they scored low at several other indexes as well measuring level of freedom, democracy, sovereign risk, ease of doing business, and corruption perceptions (see Tables 5-10) .

Table 5: Population, GDP, GDP per capita by country

Country	Population	GDP	GDP per capita
Kazakhstan	18,754.44	\$ 169,835.43	\$ 9,055.7
Kyrgyzstan	6,591.60	\$ 7,735.98	\$ 1,173.6
Tajikistan	9,537.64	\$ 8,194.15	\$ 859.1
Turkmenistan	6,031.19	\$ 45,231.43*	\$ 7,612.0
Uzbekistan	34,232.05	\$ 57,707.19	\$ 1,685.8

Source: World Bank (2020)

* The last update was obtained from 2019 data

Table 6: Level of freedom by country (0-100)

Country	Total score and status	Political rights	Civil liberties
Kazakhstan	23 / Not free	5	18
Kyrgyzstan	28 / Not free	4	24
Tajikistan	8 / Not free	0	8
Turkmenistan	2 / Not free	0	2
Uzbekistan	11 / Not free	2	9

Source: Freedom House (2020)

Table 7: Democracy Index score by country in the last decade (0-10)

2020 Rank	Country	Regime type	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
128	Kazakhstan	Authoritarian	3.30	3.24	2.95	3.06	3.17	3.06	3.06	3.06	2.94	2.94	3.14
107	Kyrgyzstan	Hybrid regime	4.31	4.34	4.69	4.69	5.24	5.33	4.93	5.11	5.11	4.89	4.21
159	Tajikistan	Authoritarian	2.51	2.51	2.51	2.51	2.37	1.95	1.89	1.93	1.93	1.93	1.94
162	Turkmenistan	Authoritarian	1.72	1.72	1.72	1.72	1.83	1.83	1.83	1.72	1.72	1.72	1.72
155	Uzbekistan	Authoritarian	1.74	1.74	1.72	1.72	2.45	1.95	1.95	1.95	2.01	2.01	2.12

Source: The Economist Intelligence Unit (EIU) (2020)

Table 8: Sovereign risk by country (2021)

Country	Credit score
Kazakhstan	Baa2
Kyrgyzstan	B3
Tajikistan	B3
Turkmenistan	B+
Uzbekistan	B1

Source: Trading Economics based on the data of Moody's, and Fitch

Table 9: Ease of doing business score by country (0-100), 2019

Country	Score
Kazakhstan	80
Kyrgyzstan	68
Tajikistan	61
Turkmenistan	not available
Uzbekistan	70

Source: World Bank (2019)

Table 10: Corruption perceptions by country

Country	Score (0-100)	Rank (0-180)
Kazakhstan	38	94
Kyrgyzstan	31	124
Tajikistan	25	149
Turkmenistan	19	165
Uzbekistan	26	146

Source: Transparency International (2020)

Looking at this picture, it is safe to say that Central Asian countries have been struggling to attract foreign financing from major international investors/donors in various forms that are vital for their development. Until the last two decades, but especially until the 2008 global financial crisis, the developing world had no meaningful alternative for development assistance other than sovereign/multilateral lenders of the Western liberal world (Li, 2017). This leads us to the debate in political economy literature revolving around ‘conditionality’.

The term conditionality refers to a debtor country’s obligation to implement certain political and economic policy reforms in exchange of aid or loan taken from a donor/lender organization or country (Shah, 2017). The practice of conditionality lies at the core of the Washington Consensus -which was institutionalized during the early 1980s- and its chief international financial institutions’ agendas (Babb, 2013). Imposition of these conditionality terms have created unrest in many developing economies across the world for being unresponsive to the needs of debtor countries’ development, industrialisation and poverty alleviation goals (Gabel, 2017). The World Bank, IMF and OECD’s development programmes have thus far imposed reforms regarding trade and financial liberalization,

monetarism, exchange decontrol and currency devaluation, removal of government subsidies and price controls, reduction of social spending and privatization (Bond and Dor, 2003). China on the other hand, has appeared as a development partner that does not demand policy reforms regarding democratic governance, economic liberalization and even human rights as opposed to its Western counterparts (Tian, 2018). Consequently, China's 'no-strings-attached' development assistance policy and risk-appetite investment strategy appealed to the developing economies of Central Asia, and beyond. across the global South (Hurley et al, 2019; Hillman, 2020).

As discussed above, China had already elevated its rank as the region's key provider of public goods especially since the 2008 global financial crisis. The Chinese investment and development assistance has geared up since with the initiation of the BRI in late 2013. According to the data provided by the United Nations Conference on Trade and Development (UNCTAD), and national statistics agencies of the Central Asian states, FDI from China constitutes a significant portion of the region's total FDI stock (see Tables 11, 12)).

Table 11: FDI stock by country, 2000, 2010, 2019 (US Dollars, millions)

Country	FDI inward stock			FDI outward stock		
	2000	2010	2019	2000	2010	2019
Kazakhstan	10,078	82,648	149,860	16	16,212	15,606
Kyrgyzstan	432	1,698	5,590 (b)	33	2	10 (a)
Tajikistan	136	1,226	3,073 (a)	-	-	153 (a)
Turkmenistan	949 (a)	13,442 (a)	38,178 (a)	-	-	-
Uzbekistan	698 (a)	5,366 (a)	9,504 (b)	-	-	192 (b)

Source: UNCTAD World Investment Report (2020)

(a) Estimates.

(b) Asset/liability basis.

Table 12: The role of Chinese FDI in total FDI stock by country (US Dollars, millions)

Country	China's ranking	China's share	Amount
Kazakhstan	5	6%	8,269
Kyrgyzstan	1	39.1%	2,041
Tajikistan	1	44.5%	1,203
Turkmenistan	No data	No data	No data
Uzbekistan	2	15%	1,506

Sources: The Statistic Committee of Kazakhstan (2018);

State Statistics Committee of Kyrgyzstan (2017);

State Committee on investment of Tajikistan (2017);

State Statistics Committee of Uzbekistan (2017);

UNCTAD World Investment Report (2020).

China's Ex-im Bank, China Development Bank (CDB), and the Silk Road Fund are the main agents of Beijing's development finance in Central Asia, and the larger BRI countries. Announced by President Xi himself in 2014, the Silk Road Fund was established

with a 40 billion dollar investment stock (Chinese MFA). In 2015, CDB announced that it will invest around 890 billion dollars in the BRI projects (He, 2015). A dataset provided by Council on Foreign Relations (CFR) that demonstrates the Central Asian states' overall debt to China gives a clue on the magnitude of China's development finance in the region (Steil and Della Rocca, 2019) (See Table 13).

Table 13: Debt to China by country, 2017

Country	Amount (US dollars, millions)	Percentage of GDP
Kazakhstan	20,183	12.1%
Kyrgyzstan	3,258	42.3%
Tajikistan	1,809	24%
Turkmenistan	6,409	16.9%
Uzbekistan	4,200	7.1%

Source: Belt and Road Tracker, CFR (2019)

Yet, as a consequence of China's entry into the Central Asian political economic sphere, the rivalry -and cooperation- between Chinese and Western financial institutions has heightened, and the line between Western neoliberalism and Chinese state capitalism has increasingly blurred (Katada & Liao, 2020; Skalamera Groce & Köstem, 2021). As a window of opportunity, policy changes of both the Chinese financial institutions and the Western MDBs potentially benefit Central Asian states as they can now broker the best possible deals tied to more suitable conditions.

Skalamera Groce and Köstem (2021) argue that over the course of the last decade, a process of mutual learning between Chinese and Western financial institutions has also taken place in the Central Asian realm of development finance, which they conceptualize as 'dual

transformation'. Dual transformation refers to the mutual experience of Chinese financial institutions and the Western MDBs in which they started to emulate practices of each other specifically in -but not confined to- the energy sector, which has led to a consequent policy convergence while maintaining competition (Skalamera Groce & Köstem, 2021).

Skalamera and Köstem's (2021) comparative analysis of the Chinese financial institutions and the Western MDBs reveals changes in their policy contents and methods. While there has not been much change in the content, a considerable change has been seen in the methods of the Western MDBs. Over the last decade, major Western MDBs including the World Bank, EBRD, and ADB have alleviated or loosened their conditionality terms attached to their loans in Central Asian states and beyond. As they have been implicitly acknowledging the state power and control, they tend to put less pressure on domestic reform in the forms of trade liberalization, privatization, fiscal discipline, and so on. Moreover, like their Chinese counterparts, Western MDBs have started to make more effort to engage local interest groups including informal stakeholders who enjoy close ties with the governments (Skalamera Groce & Köstem, 2021).

On their part, the Chinese financial institutions are passing through a change in terms of both content and method. Chinese policy banks and commercial banks such as China Development Bank (CDB), China Exim Bank, and Industrial and Commercial Bank of China (ICBC) have started to fund more social development projects with a stronger commitment to environmental standards and shown acknowledgment of the virtues of multilateralism, market logic and overall best practice established by the Western financial institutions over decades of learning by doing. They are now making more effort to broker more structuralised and formal agreements that can include multilateral stakeholders at commanding heights

while maintaining a certain level of their traditional bilateral engagement with the local governments. Moreover, they have increasingly been co-financing development projects initiated by the World Bank, ADB, and EBRD while accordingly loosening the near-monopoly of Chinese policy banks, SOEs, labor force, and other supplementary contractors in project implementation (Skalamera Groce & Köstem, 2021).

Van der Kley and Yau's study (2021) present complementary empirical evidence to the emergent concept of dual transformation with a particular focus on the ongoing evolution of China's development finance in Central Asia. Indeed, loan and investment portfolios of Chinese policy and commercial banks, SOEs, and other smaller enterprises have expanded to include diverse areas. Rather than funding solely pipelines, power plants, mines, railways, and highways, Chinese finance is now increasingly funneling into industrial capacity building, joint ventures, and technology transfer. Further, Chinese SOEs are now employing more local workers and allocating more resources to train the local labor force rather than simply importing them from China (van der Kley & Yau, 2021).

3.2.3 Trade

Last but not least, trade constitutes the final set of economic opportunities offered by China for two interrelated reasons. The first is China's role both as a market for Central Asian exports, and as a supplier of consumer goods at a low price (Laurelle and Peyrouse 2009; Khodzhaev, 2009). However, this usual trade scheme is not sufficient to qualify the closer Chinese engagement as a distinct opportunity. This leads us to the second reason, that is the increased connectivity to the global markets offered by the Chinese-led infrastructure projects (Contessi, 2015). However, the quantity and quality of the trade opportunities significantly vary across the five republics. While Kazakhstan and Turkmenistan enjoy high revenues and increased strategic position due to their oil and gas exports, Kyrgyzstan and

Tajikistan cannot offer anything but their territory as a transit hub, which in turn put them in a highly asymmetric trade partnership with China (see Tables 14, 15).

Figure 14: Proved oil reserves, and annual production by country, 2019

Country	Total reserves (thousand million tonnes)	Share of global total	Production (million tonnes)	Growth rate per annum (2008-2018)
Kazakhstan	3.9	1.7%	91.4	2.6%
Turkmenistan	0.1	<0.05%	12.5	1.7%
Uzbekistan	0.1	<0.005%	2.8	-4.9%

Source: BP Statistical Review of World Energy (2020)

Figure 15: Proved natural gas reserves, and annual production by country, 2019

Country	Total reserves (trillion cubic meters)	Share of global total	Production (billion cubic meters)	Growth rate per annum (2008-2018)
Kazakhstan	2.7	1.3%	23.4	2.7%
Turkmenistan	19.5	9.8%	63.2	<0.05%
Uzbekistan	1.2	0.6%	56.3	-0.7%

Source: BP Statistical Review of World Energy (2020)

Today, China is the largest trade partner of Central Asia by volume, overtaking Russia and the EU (Bhutia, 2019). As of 2019, China is Kyrgyzstan and Uzbekistan's top destination of imports while being Turkmenistan's top export destination (see Table 16). The sheer market size of China as the world's largest attracts any country, particularly the ones with hydrocarbon resources. As discussed in the previous chapter, China is starving for energy to maintain its production capacity, as well as to keep up with its development goals. Like any industrialized state, fossil fuels constitute the largest portion of the country's overall

energy-mix, and it is unlikely to change in the foreseeable future. The energy rich states of Kazakhstan and Turkmenistan, and to some extent Uzbekistan, are in an advantageous position of delivering oil and gas supply to the world's largest consumer (see Tables 14, 15). In addition to oil and gas, radioactive elements, gold, precious metals, agricultural and dairy products are among the Central Asian exports to China (China Briefing, 2021).

Table 16: China's role as a trade partner by country, 2019

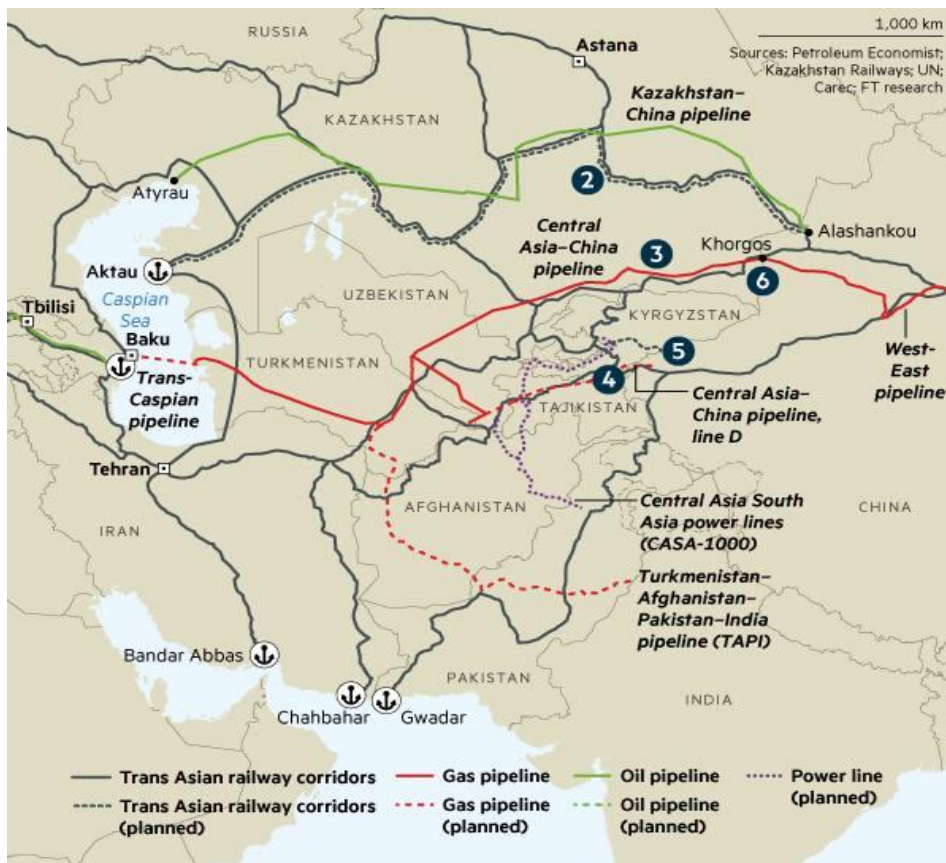
Central Asian Countries	Importing from China			Exporting to China		
	China's ranking as a trade partner	Trade volume (US\$ million)	Share in the country's total imports	China's ranking as a trade partner	Trade volume (US\$ million)	Share in the country's total exports
Kazakhstan	2	6,537	17%	2	7,823	13.6%
Kyrgyzstan	1	1,733	35.4%	6	81	4.1%
Tajikistan	3	605	18.2%	5	55.4	5%
Turkmenistan	3	431	14.3%	1	8,686	80.2%
Uzbekistan	1	5,052	23.1%	3	1,768	12.3%

Source: China Briefing (2021)

On the other hand, a wide range of cheap consumer goods including electronics, clothing, machinery, pharmaceuticals and many others are supplied by China (China Briefing, 2021). The region's overall proximity to China, coupled with existing and projected connectivity links help them access Chinese goods at higher volumes with lower prices. When Central Asian consumers' purchasing power and isolated market structures are considered, Chinese imports are essential for them to satisfy their basic daily needs. Moreover, the increased volume of Chinese imports grants the region's weakest economies of Kyrgyzstan and Tajikistan a chance to become transit hubs (Vakulchuk and Overland, 2019).

Infrastructure connectivity gains its prominence once again as an opportunity to boost and diversify the region’s foreign trade. The projected rail, road, and energy transmission links can help the Central Asian countries to expand their export range at reasonable transportation costs (Contessi, 2015). The BRI’s Eurasian Land Corridor envisages construction of railways that meant to increase China’s connectivity with Europe and the Middle East, all passing through Central Asia. That is to say that all Central Asian states - though with varying degrees- can benefit from the circulation of foreign goods in form of transit revenues, as well as transport their own exports to some of the most lucrative markets surrounding the region. Despite the improvements in railway connectivity over the last decade, road and energy transmission links are yet to be constructed (see Table 2).

Figure 2: Central Asian transport and energy transmission lines



Source: Financial Times (2016)

3.3 Security Opportunities

Thus far, the Chinese security engagement in Central Asia has followed five channels; Shanghai Cooperation Organisation (SCO), joint military exercises, military aid, military sales, and private security companies (Pantucci, 2019). In this thesis, the first four of the five has been identified as opportunities while Chinese private security companies being a risk, which will be discussed in the next chapter.

3.3.1 Shanghai Cooperation Organisation (SCO)

The Shanghai Cooperation Organisation (SCO) was born in 2001 as an upgraded continuation of the Chinese-initiated regional cooperation mechanism called the Shanghai Five forum that emerged in 1996. The initial forum had a limited scope focusing on border demarcation talks that meant to conclude controversial national borders between China, Russia, Kazakhstan, Kyrgyzstan, and Tajikistan in the wake of the Soviet Union's collapse. In the following years, consequent summits produced successful outcomes, and built China's confidence in its engagement to the region (Chung 2006). The 9/11 attacks and the U.S. decision to enter into Afghanistan as part of the Global War on Terror (GWOT) marked a turning point of the Shanghai Five's evolution. The terrorist threat posed by Islamic extremist groups alarmed the Central Asian states along with China and Russia; moreover, Beijing and Moscow feared a loss of influence over the region due to the U.S. entry in Afghanistan (Cooley, 2012). Particularly for China, it could wane its engagement in Central Asia at a very early phase. Consequently, Beijing decided to gear up the regional cooperation with an institutionalized framework that is capable of addressing the emergent security needs of the regional states (Nadin, 2007). Thus, in June 2001, the Shanghai Five group had formally reconstituted as Shanghai Cooperation Organisation (SCO) with inclusion of Uzbekistan. The organization's primary focus, and obtained outcomes, have mostly been on the security area,

despite expressions of extending the scope of cooperation to include economic and cultural issues (Bailes et al, 2007).

The interstate cooperation under the SCO framework has provided opportunities at both regional and domestic spheres. At the regional level, Central Asian countries have been provided technical, and political, assistance by their much powerful partners namely Russia and China. Common definitions of threat and policy harmonization between the member states have enabled exchange of information, equipment, personnel, financial resources as well as training and legal support (Ambrosio, 2008). At the domestic level, the overall experience and resources gained as a part of the regional security cooperation have also been utilized to strengthen the state security apparatus by the Central Asian governments (Cooley, 2012). However, at this point, we should highlight the blurred line between ‘counterterrorism’ and the crackdown on any political opposition. Anything that poses a potential threat to the incumbent regime’s monopoly at power, be it violent or non-violent, can easily be classified as an act of terror in Central Asian states (Ambrosio, 2008; Cooley, 2012). Thus, when arguing improvement of counterterrorism measures and strengthening state security apparatuses as opportunities at state level, the disproportionate satisfaction of the elite interest and that of the general public should be kept in mind.

Although Central Asian states had been supported by the U.S. and other Western actors alongside Russia and China, the latter two have a clear advantage of political/ideological similarity (Cooley, 2012). The similarity between autocratic regime structures, and common definitions of threat helped deepening of the security cooperation among the SCO members while the U.S. and NATO were struggling to win the region’s trust (Ambrosio, 2008; Cooley, 2012). For instance, China’s definition of “three evils” namely

terrorism, separatism, and extremism have been directly translated into the SCO Charter as its guiding principles of defining threats (Aris, 2009). At the Dushanbe summit in 2000, the Shanghai Five member states declared to oppose any kind of intervention in another country's 'internal affairs' on the pretext of 'humanitarianism', and 'protecting human rights' while pledged to safeguard each member states' 'national independence', 'sovereignty', 'territorial integrity' and 'social stability' (Gill, 2001). Later in 2002, the principle of 'non-interference' had been included in the SCO's founding charter (Nadin, 2007).

Over the last two decades, the SCO has managed to combat terrorist threats at regional level in a coordinated way. As a subordinate body specifically focused on terrorism, the Regional Anti-Terrorism Structure (RATS) was established in 2004, headquartered in Uzbekistan's capital Tashkent (RATS). Since then, the RATS has been the central body for regional security cooperation between the SCO member states. The activities of the RATS include training, information pooling and exchange, monitoring, transfer of technical equipment, and extradition among others.

3.3.2 Joint Military Exercises

Joint military exercises have been conducted through two main channels; under the SCO as Peace Missions, and bilaterally involving China and one of the regional countries. The joint military exercises between the member states have been regularly conducted since 2003 with participation of military personnel totalling up to 5,000 (Boland, 2010; Zhang, 2018). The joint military exercises benefit the involved parties in terms of combat experience, showcase of cutting-edge military equipment, learning from much experienced armies, power calculation, and personnel training (Pantucci, 2019). Moreover, despite Russia still dominating these exercises given the Russian army's experience, technical capabilities, and

ability to interoperate with Central Asian forces thanks to the linguistic advantage, the PLA emerges as an alternative source of training and equipment (p. 62-63). The foci of these SCO-wide or bilateral exercises are predominantly on regional security objectives that target mostly non-state elements including terrorist groups, smugglers, and other organized criminals (Pantucci, 2019; van der Kley, 2019).

Since the first SCO Peace Mission conducted in 2003, these multilateral exercises took place in 2007, 2010, 2012, 2014, 2016, and 2018 with increased frequency in the last decade. Besides the series of SCO Peace Missions, China has conducted several bilateral military exercises with the Central Asian states mostly focused on counterterrorism. Its first bilateral exercise in Central Asia was with Kyrgyzstan in 2002 (Weitz, 2011). In 2006, it undertook bilateral joint exercises with Kazakhstan and Tajikistan respectively (Pannier, 2006; Xinhua, 2006). Reportedly, China has also conducted a series of joint counterterrorism exercises with Uzbekistan (Xinhua, 2019). In 2016, China again conducted an unprecedented joint military exercise with Tajikistan with involvement of around ten thousand troops near the Wakhan Corridor and the country's border with Afghanistan (Radio Free Europe, 2016). Starting around 2005, the focus of China's bilateral military exercises in Central Asia expanded to include training of border security forces (Pantucci, 2019).

3.3.3 Military Aid

In terms of military aid, China started to funnel funding and equipment to Central Asia around the 1990s. As a result of bilateral agreements between China and Kyrgyzstan, Beijing has granted approximately \$750,000 of annual military aid to the country (Pantucci, 2019). Reportedly, Tajikistan was granted approximately \$15 million between the years 1993 and 2008 (Peyrouse, 2010). The aid mostly included non-lethal equipment such as communication devices, night-vision devices, office furniture, clothing, and several

unspecified machinery. Starting from 2014, Chinese military aid to the two countries included the construction of military buildings (Jardine & Lemon, 2020). Further towards the middle of the last decade, China has increased its support to both countries as Defense Minister Chang Wanquan pledged \$16 million to Kyrgyzstan and some hundreds of millions to Tajikistan (Kucera, 2014). In 2017, then Chief of Staff Fang Fenghui announced a \$14.5 million aid to Kyrgyzstan during his visit in Bishkek (Mamytova, 2017). Kazakhstan and Turkmenistan too have received Chinese military aid reportedly between the years 1997 and 2003. So far, China has granted nearly \$4.5 million to Kazakhstan in forms of communication devices, vehicles, and several other technical equipment (Peyrouse, 2010). Whereas, there have been no details about what is received by Turkmenistan except for some Chinese-made security structures reported by foreign diplomats in Ashgabat (Pantucci, 2019).

3.3.4 Military Sales

Military sales are another important pillar of the security partnership between China and the Central Asian states. Although Russia still dominates the military imports of Central Asian states, China fills the gaps that Russia left especially in high-tech equipment and sometimes targets Russia's share such as missile systems and light aircraft (Pantucci, 2010; Jardine & Lemon, 2020). Chinese military exports include both lethal and non-lethal items including communications devices, drones, missile systems, and transport aircraft (Jardine & Lemon, 2020).

Although there is limited information available regarding the total value and amount of the sales, there are some reports revealing the types and technical details of the equipment. Among the five Central Asian states, Uzbekistan, Turkmenistan, and Kazakhstan are the top customers of Chinese military sales and where some information is available (Pantucci, 2019). Uzbekistan has purchased long-range surface-to-air missile (SAM) systems,

unmanned aerial vehicles (UAV), and sniper rifles (Peyrouse, 2010; AKI Press, 2014). Turkmenistan too has purchased long-range SAM systems and UAVs as well as some other portable SAM systems (Kuchera, 2016; Jones, 2018). Finally, Kazakhstan has purchased medium-size military transport planes and UAVs (Malyasov, 2016; 2018).

3.4 Conclusion

In the eyes of Central Asian states, from independence until the last decade, China has been a giant neighbor that one needs to learn how to live with. Now, the image of China is in rapid change evolving into a provider of public goods, a new patron, and a rising hegemon. In a region that has been identified through a lens of great power rivalry, Central Asian states tend to see China as an alternative power center where its mere existence can maximize their overall benefits extracted from all great powers in the game. However, China has more to offer than any other great power given its extensive resources, and ambition. In this chapter, I have discussed the opportunities provided by the closer Chinese engagement for the five Central Asian states. Although the quality and quantity of these opportunities can vary across the five states due to their structural features, the opportunities discussed represent the broader gains addressing mutual interests of the all five Central Asia republics with minimal nuances.

In sum, three categories of opportunities have been identified as (1) political, (2) economic, and (3) security. Two interrelated geopolitical opportunities have been offered by China's entry in Central Asia. First, Beijing represents an alternative power center that can alleviate Russia's monopolistic influence over the region that allows Central Asian countries to perform multivector foreign policy to maximize their external benefits. Second, China offers isolated Central Asian countries a channel for globalization thanks to its extensive infrastructure, and global political economic ties. The economic opportunities translate into

three interrelated categories -infrastructure, finance, trade- that serve the region's primary purpose of development. Chinese-initiated infrastructure projects can alleviate the region's desperate infrastructure needs that in turn allow the region's long-isolated countries to realize their development potential. The problem of attracting foreign investment and development finance has also been addressed by Chinese financial institutions, as well as by the Western MDBs thanks to the emergent dual-transformation with the Chinese lenders. As the third line of opportunity, Central Asia's bilateral trade with China benefits both sides thanks to China's huge market size, and Central Asia's natural resources. Moreover, Chinese infrastructure projects can potentially connect the region with major global markets, which in turn can boost the regional countries' trading output significantly. Finally, in the security domain, partnering with China -alongside Russia- offer opportunities through the SCO in the form of counterterrorism, joint military exercises as training, military aid, and finally military sales.

All these opportunities, however, come with a price, a price that the Central Asian countries might not be able to pay in the long run. As the initial bilateral relations turn into asymmetric interdependencies in favor of China, the opportunities can give way to threats in the middle to long run. In the next chapter, the risks posed by the Chinese hegemony will be discussed in the three spheres of politics, economy, and security.

CHAPTER IV

CHINA IN THE EYES OF CENTRAL ASIA: RISKS OF HEGEMONY FOR REGIONAL STATES

Risks that emerging Chinese hegemony in Central Asia bears fall into a range of interrelated categories including political, economic, and security spheres. As Central Asian states' interdependence with China increases, this alignment has increasingly taken a unidirectional shape in favor of Beijing, and the problems that China's entry in the region has created, potentially create or exacerbated have started to come to the surface. It must be noted that the risks do not lie in the intentions of both parties whether it was desire for development, boosting trade or helping others to develop, but they lie in the ways through which these goals have been/are being tried to achieve. In this chapter, I will discuss the emerged and potential risks along with empirical evidence in three main columns; political, economic, and security. In the political sphere, three areas of risks will be discussed, which are foreign policy convergence, corruption, and social unrest. In the economic sphere, the risks follow the same lines that have been identified in opportunities (Chapter III); infrastructure building, development finance, and trade. Finally, the security risks are concentrated on the risk of militarisation of the BRI, and Central Asia in particular through permanent military presence, direct military intervention, and private security companies. While some of these risks have already started to materialize in Central Asia, the chapter will also draw on insights from other regions with which China has had extensive contact so far.

4.1 Political Risks

4.1.1 Foreign Policy Convergence

One of the political risks of emerging Chinese hegemony in Central Asia manifest itself in the foreign policy realm. Although it is hard to estimate the extent, there are some signs of foreign policy convergence between China and its closest economic partners (Barma et al., 2009). It has been widely suggested that China's informal conditionalities -in exchange for its investment, aid, and trade opportunities- include active or tacit support for "One China" policy as well as its territorial integrity (Cooley, 2016, p. 9). As China's assertiveness is currently on rise in areas of international politics, economy, and security, China may also insert in this package of conditionality some other issues of its foreign policy agenda. Beijing's ongoing disputes over the South China Sea with Southeast Asian countries, over the East China Sea with Japan, and more importantly its great power rivalry between the United States and its allies would be some likely issues that the Central Asian states would find themselves dragged in. These strivings in Chinese foreign policy are not only irrelevant to the Central Asian states but might also be risky if they would find themselves pressured to take a position.

Empirical studies suggest that the countries who receive more Chinese loan and investment and sign bilateral swap agreements (Barma et al., 2009; Liao & McDowell, 2016; Fu, 2018) are more likely to vote in line with China at the United Nations. Indeed, *Table 17* shows that from the start of the BRI in 2013, four of the five Central Asian countries are among the top ten similar voting countries with China at the UN General Assembly, along with other prominent recipients of the Chinese financing.

Table 17: Country voting patterns compared to China's at United Nations General Assembly Resolutions (2013-2018)

Most Similar				Most Dissimilar			
%				%			
Rank	Country	Total votes	In agreement	Rank	Country	Total votes	In agreement
1	Turkmenistan	393	85.5	1	United States	547	18.8
2	Burundi	446	83.4	2	Israel	535	19.4
3	Cambodia	525	82.5	3	Micronesia	416	33.9
4	Kyrgyzstan	483	82.0	4	Canada	548	34.5
5	Uzbekistan	468	81.4	5	Palau	431	37.4
6	Tajikistan	489	81.4	6	Marshall Is.	459	40.7
7	Afghanistan	504	81.3	7	Australia	547	40.8
8	Iraq	545	81.3	8	United Kingdom	548	42.3
9	Seychelles	318	81.1	9	France	547	43.0
10	Pakistan	539	81.1	10	Hungary	549	47.5
11	Oman	541	80.6	11	Lithuania	548	47.8
12	Nicaragua	537	80.4	12	Nauru	257	47.9
13	Zimbabwe	457	80.3	13	South Sudan	260	48.1
14	Brunei	546	80.2	14	Czechia	548	48.5
15	Algeria	546	80.0	15	Germany	546	49.1
16	Lebanon	507	79.9	16	Poland	546	49.1
17	Eritrea	500	79.8	17	Macedonia	502	49.2
18	Morocco	539	79.8	18	Monaco	526	49.2
19	Grenada	384	79.7	19	Moldova	535	49.5
20	Guinea	502	79.7	20	Netherlands	546	49.6

Source: Fu, 2018

4.1.2 Corruption

One major risk of the BRI, and enhanced cooperation with Beijing at large, is the exacerbation of existing governance challenges (see *Table 8, Table 9, and Table 10*). The Central Asian states suffer from chronic poor or maladministration schemes at every governance level in the forms of bribery, graft, rent-seeking, and cronyism (Cooley, 2016). The problem of corruption is partly stemming from the inherent nature of large scale infrastructure building, but China's way of handling infrastructure building also exacerbates the problem. Transparency International's Global Corruption report revealed the underlying mechanisms of massive construction projects that produce corruption practices (Stansbury, 2005). These include the sheer size of projects, the complexity of projects, the number of contractors, the concealment of work, government intervention, and vested national interests (pp. 36-48).

The BRI has been -and still is- benefitting intermediaries the most rather than the general public in host countries or the top leadership in Beijing (Hillman, 2020). On a larger scale, almost all Chinese large scale infrastructure investments abroad over the last two decades have been golden geese that offered many middlemen abundant opportunities of personal revenue whether in legal or illegal forms. These problems are not confined to Central Asia, but can be seen in any country where China invests since they stem from China's style of doing business that is featured by vested opacity, insourcing and flexibility. Hillman (2020, p. 210) argues, though rigorously, that corruption is a characteristic of the BRI's design, not an anomaly or a side effect. Some high-ranking Chinese officials' words confirm such preference of behavior as well. In 2007, the former chair of the China Export-Import Bank said "We have a saying that goes, if the water is too clear, you don't catch any fish" (cited in Hillman, 2020, pp. 9 - 10). Some others complain about the local corruption

schemes as well. A Chinese official in Tajikistan told an interviewer from South China Morning Post: “You know how Tajik shoot pigeons? They scatter some food on the ground and then wait around the corner with a shotgun. When pigeons come, they just blast away from a short distance. That’s the dire situation facing Chinese businessmen here” (cited in Huang, 2017). It is obvious that government-backed Chinese SOEs have a clear advantage over their foreign counterparts in terms of ease of doing business with few or no competitors and little oversight. However, these short-term advantages might turn into infirmities in the long-run when the poorly planned projects will not generate intended outcomes, when recipients will not be able to pay the loans back, and when China will be scapegoated for fueling social conflicts that led to violent backlashes.

Without close monitoring or careful oversight, the large-scale Chinese infrastructure investments in Central Asia become a source of threat also in the form of an obstacle to fair competition. The Chinese SOEs have a clear advantage over their mostly Western counterparts in the ability to offer side payments in forms of private or public goods (Cooley, 2016). As we have seen, in a region where elite predation is a given and foreign investments are seen as a source of private income, Chinese SOEs' ability to play by the local rules in rarely transparent bidding processes generates and fosters Chinese monopolies over some key sectors such as energy, construction, mining, and telecommunications (Cooley, 2012). Public bidding processes that involve Chinese firms have often been non-transparent in Central Asian countries. Terms and conditions of contracts are often unknown until some scandalous consequences come to the surface. The contractor firms to execute Chinese-led projects are usually being designated even before the projects to be publicized (Hillman, 2020, pp. 157 - 158).

Moreover, China's preference to make bilateral deals non-transparently provides significant political leverage in favor of Beijing since it could demand some concessions by threatening to expose the corrupt practices of its partners from local polities (Hillman, 2020). Theoretically, the mechanism could work in both directions yet, Beijing has the upper hand in such scenarios. The closed-door deals can involve a large spectrum of corrupt practices from inflated project costs for private income generation to designation of contractor firms for blocking outsider competition.

The cases of corruption related to Chinese-financed infrastructure projects have already surged across Central Asia. China National Petroleum Corporation (CNPC) has been found to be involved in a high-profile corruption case in Kazakhstan. In 2014, senior CNPC officials who led operations in Kazakhstan and Turkmenistan were arrested as part of Xi's anti-corruption campaign due to their involvement in the acquisition of a stake in KazMunayGas, Kazakhstan's state-owned petroleum company (Chazan, 2010).

The Dushanbe-Chanak highway in Tajikistan was a major highway connection that was completed in 2010 with nearly 80% of the cost having been financed by the Chinese Development Bank (CDB). The highway was planned to facilitate transport between Tajikistan's east and west ends, which was a genuine need. However, after a short while of its opening, it became a toll road operated by a mysterious company that was registered in the British Virgin Islands. As Cooley (2016, p. 11) reports, the company had no prior experience on road operation or had no public bidding won. The toll revenue was meant to repay the \$280 million loan to China, however, following investigations unveiled that an annual \$25-30 million have been allegedly funneled to the associates of Jamoliddin Nuraliev, President Rahmon's son-in-law (Radio Free Europe, 2010). The contractor company was exempted

from related taxes while the Tajik government kept its ownership concealed as a trade secret in the initial phase of the scandal (Mathesius, 2010). People who criticized or publicized the management of the road had been punished including a government official who had lost his job and a local journalist who was fined and served community service (Radio Free Europe, 2011). All in all, the new highway was little more than a burden on the shoulders of the Tajik people. The construction of the project did not create sufficient jobs for the local population, people have to pay a high price to drive on it, and they have been -and will be- paying increased taxes to compensate the cost since the toll revenue are pouring into private pockets rather than to pay back the loan (Thibault, 2018).

A series of corruption scandals popped up in Kyrgyzstan over the last decade involving Chinese-financed infrastructure projects and local elites. A power-plant project in Bishkek was started in 2013, financed with a \$386 million loan provided by the China Export-Import Bank (Alkanova, 2018). The construction material along with operation and maintenance services had been invoiced at elevated prices such as fire extinguishers at \$1,600 per piece and travel expenses of the staff at \$320 per person. In the aftermath of an accident short after its opening, its director admitted that about 90% of the construction material and maintenance equipment were supplied at inflated prices. Later on, five criminal suits had been filed on the project and thirty people had been arrested on corruption charges including two former Krygyz prime ministers and a Chinese contractor (Alkanova, 2018). Despite being smaller at scale, in a highway project too, cement was invoiced at \$1.10 per kilogram while it could have been supplied for \$0.07 from the local market (Hillman, 2020, pp. 55 - 56).

American and European construction and energy companies are too involved in corruption scandals overseas, yet, with less frequency than their Chinese counterparts. The United States and the European Union make significantly more effort in monitoring their companies' activities abroad through more rigid laws in effect (Hillman, 2020, p. 56). As a lender, China again rarely imposes any anti-corruption measures as parts of its loans contrary to other sovereign lenders or major multilateral financial institutions such as the World Bank, ADB, or EBRD (Cooley, 2016; Hurley et al., 2019). Even though China adopted an anti-bribery law in 2011 to check its SOEs abroad, yet, there has been little enforcement. According to Transparency International's report on assessing emerging market corporates, Chinese SOEs are among the least transparent among the top one hundred companies in fifteen emerging economies (Transparency International, 2016).

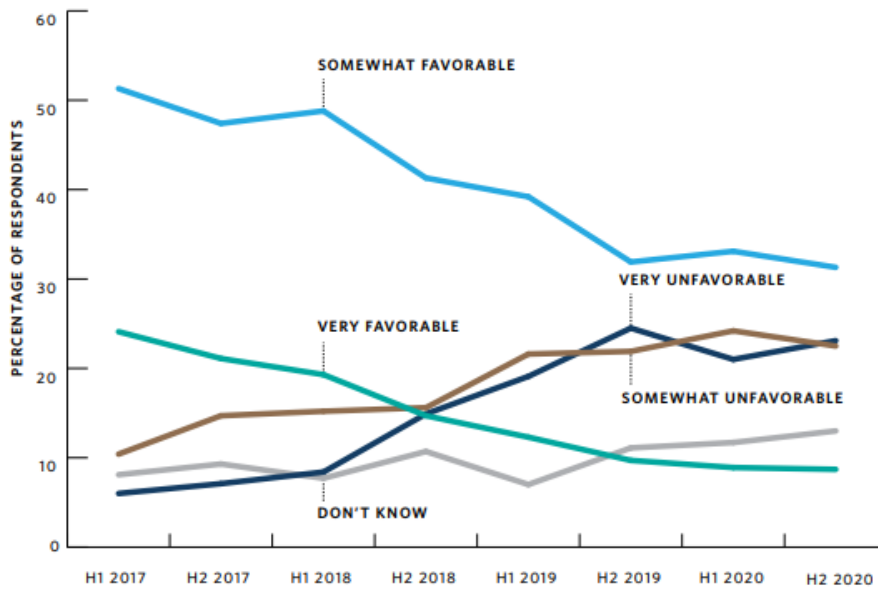
The corruption cases stemming from infrastructure investments are not confined to Central Asia, or China as a financier. Across the developing world including the countries along the Belt and Road, maladministration and elite predatory practices are among multiple chronic structural challenges (Hillman, 2020). These problems cannot be resolved in a short while or by external impositions. The case of U.S. efforts to establish reliable partnerships in Central Asia along with its infrastructure projects in Afghanistan that aggravated elite predatory behavior and inter-elite rivalries present good examples of this point (SIGAR, 2018). In such environments, large scale physical infrastructure investments without necessary prior political, and socio-economic conditions usually help nothing but foster corruption schemes (Samad & Abbas, 2020).

4.1.3 Social Unrest

It is an argument widely shared by the Chinese leadership along with the Central Asian elites that infrastructure building would generate economic development, which in turn solidifies political stability (Cooley, 2016, p. 6). However, when not accompanied by necessary soft infrastructure, sheer funneling of investment into physical infrastructure ironically ends up disastrous for social and political stability along with adverse economic outcomes (Samad & Abbas, 2020). In countries where huge sums of external financing are transferred through cronies to be invested in highly visible construction projects, a popular backlash might take shape. Especially ethnic, religious, or ideological divides might resurrect as seen in the examples of Myanmar and Pakistan (Cooley, 2016; Hillman, 2020). Indeed, across the BRI routes, Chinese finance has generated some economically motivated social/political problems due to a series of miscalculations of both Chinese policymakers and their local counterparts. In the case of Central Asia, regional ethnic and socio-economic divisions, and Sinophobia are the two flashpoints through which waves of blunt Chinese investments could trigger conflicts (Cooley, 2016; van der Kley and Yau, 2021). In the end, aggravation of these problems fosters popular frustration and increases the potential of social unrest, of which China along with Central Asian governments themselves are afraid of. According to a 2021 study by van der Kley and Yau based on the data provided by Central Asia Barometer -a Bishkek-based NGO that conducts large scale opinion surveys in the region-, *Figure 3*, *Figure 4*, and *Figure 5* show the public opinion toward China in Kazakhstan, Kyrgyzstan, and Uzbekistan respectively. In these graphs, we can see a clear rise of unfavorable opinions (“very unfavorable” and “somewhat unfavorable”) while favorable opinions decline (“very favorable” and “somewhat favorable”).

Figure 3: Public Opinion Toward China in Kazakhstan

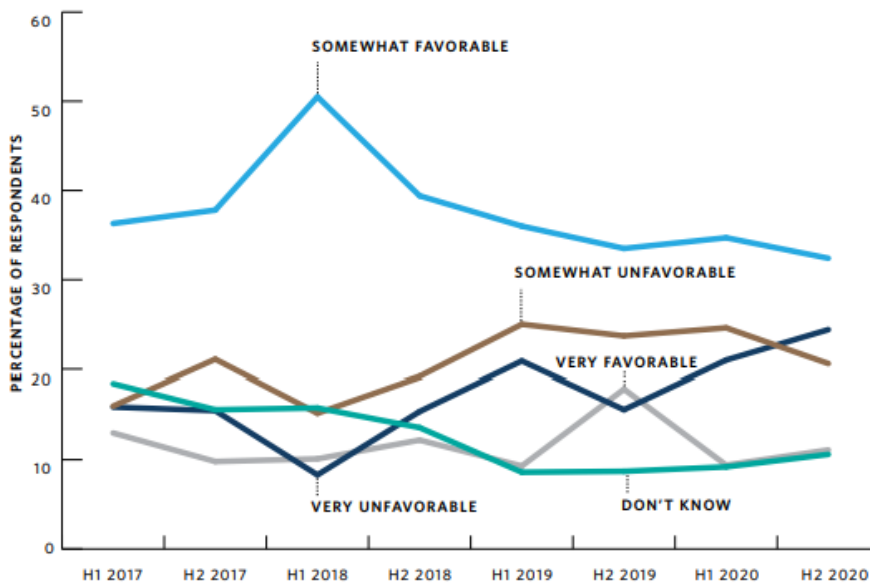
Survey Question: "Thinking about other countries, please tell me if you have a very favorable, somewhat favorable, somewhat unfavorable, or very unfavorable opinion of . . . China."



Source: van der Kley & Yau, 2021

Figure 4: Public Opinion Toward China in Kyrgyzstan

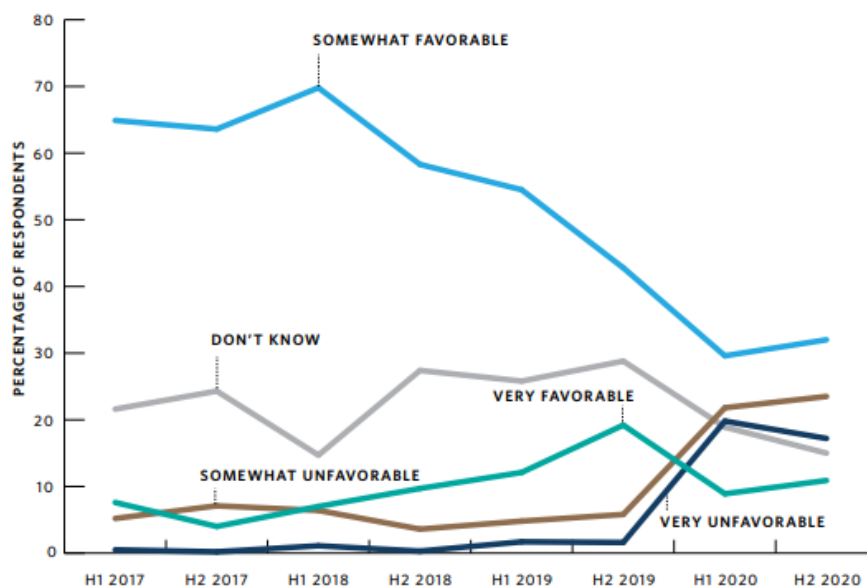
Survey Question: "Thinking about other countries, please tell me if you have a very favorable, somewhat favorable, somewhat unfavorable, or very unfavorable opinion of . . . China."



Source: van der Kley & Yau, 2021

Figure 5: Public Opinion Toward China in Uzbekistan

Survey Question: "Thinking about other countries, please tell me if you have a very favorable, somewhat favorable, somewhat unfavorable, or very unfavorable opinion of . . . China."



Source: van der Kley & Yau, 2021

Chinese projects in the BRI countries are predominantly hard infrastructure projects rather than more needed soft infrastructure. The World Bank, ADB, EBRD and other multilateral creditors finance a wide range of projects within the categories of education, health, agriculture, poverty alleviation, and social development which the BRI portfolio rarely folds in (Rolland, 2017, p. 56; Skalamera Groce & Köstem, 2021, p. 14-17). China's exclusive focus on hard infrastructure projects -and visibility- neglects, and sometimes exacerbates some of the chronic problems that need to be urgently addressed. Engendering unnecessary infrastructure projects, such as huge flagpoles or empty airports, instead of necessary social spending in areas of education, healthcare, and agriculture bears grave social consequences.

Neither Central Asian states nor China discloses the details of their bilateral economic relations including trading and investment activities. This is partly due to the Central Asian governments' preference not to unveil -or advertise- the magnitude of the Chinese presence to the general public which could generate a popular backlash (Ibraimov, 2009, p. 47). Thus, a huge portion of the bilateral economic relations lacks transparency. Beijing's generous lending policy without proper oversight and transparency often ends up generating popular anger in the recipient countries which might have a serious impact on the fate of the Chinese presence in the country.

Some cases from outside Central Asia may give some clues about the sustainability of Chinese infrastructure investments in the face of domestic backlash. Chinese loans and investments have been a major source of controversy among rivaling political parties in recipient states over the last decade. Opposition leaders have often questioned the legitimacy of Chinese investments as a major part of their election campaigns within the range of BRI such as in Kyrgyzstan, Pakistan, Malaysia, Sri Lanka, and Zambia. They had targeted incumbent leaders' overdependence on Chinese financial and human capital, and the problems that this asymmetric relationship had created (Hillman, 2020). Indeed, by 2018, criticism of the BRI was a major component of the opposition parties in Pakistan, Sri Lanka, and the Maldives. Subsequently, the incumbent leaders of all three countries have been replaced, and the type and scale of the previous governments' partnership with China have been revealed (Anderlini et al., 2018; Aneez & Sirilal, 2018; Miglani & Junayd, 2018). In the Maldives for instance, it was found out that the country's debt to China was twofold the known amount (Miglani & Junayd, 2018).

Hillman (2020, pp. 210 - 211) argues that China is repeating the previous mistakes of the U.S. and Japan in developing countries from the early 1960s to the late 1980s. During the 1960s when the U.S. companies undertook large-scale infrastructure projects in Pakistan that created several problems including displacement of populations and environmental degradation, the risk assessment studies as well as social-impact studies were largely underdeveloped (Ibrahim, 2009). In addition, corruption was viewed as a cost of doing business.

The disruptive potential of the Chinese-led infrastructure projects itself can be used as a tool by the local politicians to make an appeal to a certain ethnic group as seen in the case of Kyrgyzstan. The proposed China-Kyrgyzstan-Uzbekistan railway has been stalled due to Kyrgyzstan's hesitance (Mashrab, 2015). Although the project offers a needed regional connectivity and the Uzbek portion of the railway has been completed, the Kyrgyz government has been reluctant to proceed due to its potential impact on ethnic Kyrgyz-Uzbek division in the country. Thus far, the Kyrgyz government has sent mixed signals of both appraisal and criticism of the project. Cooley (2016) argues that Kyrgyzstan uses this excuse of potential ethnic conflict as a bargaining chip against Beijing to gain some economic concessions. On the other hand, the Kyrgyz government's hesitance has a real ground, since the country has already witnessed two rounds of violent ethnic clashes in 1990 and 2010 between Kyrgyz and Uzbeks radiating around the southern city of Osh. Thus, regardless of the government's real intention, such connectivity projects can genuinely trigger a social conflict on the lines of the existing ethnic cleavages. For such projects to successfully achieve intended outcomes, existing conflicts between social groups should have been resolved in advance. Such a resolution would of course require plenty of time and effort.

The question of political stability in times of power transition maintains its significance with regards to the fate of Chinese investments. Having designed Central Asia as an indivisible part of its grand strategy, and having invested large sums of money in the region, Chinese leadership too has concerns over the issue (Rolland, 2017; Calder, 2019). Yet, for its part, Beijing always has the upper hand in its relations with the Central Asian states, and its potential future losses due to power transitions in the region will not be vital. On the contrary, a twisty power transition in a regional country would have a profound impact on the fate of Chinese investments, which would then generate detrimental outcomes in the country's political economy.

Thus far, Central Asian states have presented fair examples of political stability with the exception of Kyrgyzstan. The autocratic paramount leaders of Kazakhstan's Nazarbayev, Uzbekistan's Karimov, Tajikistan's Rahmon, and Turkmenistan's Niyazov and Berdimuhammedov have managed their countries' post-Soviet transition process and transferred their power (with exception of Rahmon) peacefully to their successors with relative success. However, these examples of autocratic stability are partly due to the leaders' position as founding leaders, which provides their rule with significant legitimacy. In this sense, it is not easy to foresee whether the current stability and political path dependence will continue during the next generation of leaders' rule. What exacerbates this uncertainty is the lack of institutionalized governance and succession practices in Central Asian states, with the exception of Kyrgyzstan. As we have seen, China prefers to deal with the ruling elites at the top without engaging different social and political factions in a host country (Cooley, 2012; Rolland, 2016). Given that the Central Asian states developed intense dependence on Chinese infrastructure and tight bilateral trade ties, a radical power transition or political re-orientation would create sustainability problems among other blows inflicted on their economies.

Chinese government officials and SOE representatives have so far made efforts to establish good inter-governmental and elite level relations seemingly with little contact with the general public (Hillman, 2020). This style of doing business proved to be highly risky on behalf of both host countries and China itself. When Chinese-led projects were to be approved, demands and concerns of local populations, especially of ethnic, religious, or political minorities were ignored (Rolland, 2017, p. 163). In turn, popular resentment on multiple levels inflicted an unignorable blow on the legitimacy of Chinese investments in the host countries. The reactions that arose against the -highly visible- Chinese infrastructure projects have generated a series of socio-political problems in varying degrees depending on the context. Depending on the context, such upsurges can take forms of civil unrest, riot, or terrorism that can target local governments, Chinese citizens, and physical infrastructure itself. Chinese officials have eventually become aware of these facts on the ground, and even some senior officials have publicly acknowledged the challenges (Rolland, 2019; Duchatel, 2019). Yet, it takes time and sophisticated intellectual tools to conduct effective public diplomacy while restoring a damaged reputation than building a cutting-edge railway. Moreover, in a region like Central Asia, let alone the larger BRI scope, a one-size-fits-all approach is doomed to fail. Therefore, China's efforts of social engagement need to be case-specific, or country-specific at best, which of course requires an enormous amount of social capital and time.

The risk of civil unrest and terrorism pose a serious set of threats to the smooth implementation and maintenance of the Chinese-led projects. As China gets involved deeper in the region, as it does elsewhere, its stakes on the ground will grow, and ultimately become more vulnerable to security threats (Rolland, 2017; Gunnes, 2019). The growing need for

Beijing to protect its citizens and assets abroad leads us to the Security section of this chapter, where emerging risks in the security realm will be discussed.

4.2 Economic Risks

4.2.1 Infrastructure

The physical infrastructure is attractive to many policymakers in the developing world due to its visibility, and its provision of immediate solutions to unemployment and domestic production (Funaiolo & Hillman, 2018). However, if not done properly, infrastructure projects can turn into disasters that consume more value than they generate. The infrastructure building even if it is done in the best conditions bears some inherent challenges in itself. Most large scale infrastructure projects end up costing higher than expected, take longer time than expected, and deliver fewer benefits than expected (Ansar et al., 2016). Experts warn by likening megaprojects to the Vietnam wars that they are easy to start but hard to finish, not only due to their complexity but also due to the sunk cost fallacy and reputational concerns of policymakers (Flybjerg, 2014). Among them all, construction, transportation, and resource extraction are the top sectors that involve extensive corruption on which the BRI -and the larger Chinese outward investment portfolio- has almost exclusively concentrated (Koch & Valiyev, 2015; Hillman, 2020, pp. 54 - 55).

Close partnership with China not only means the transfer of financial capital and goods, but also means a transfer of its development model, business style, norms, and values (Hillman, 2020). As we have discussed in Chapter II, China's own growth was -and still is- oriented towards massive infrastructure building. China has a political climate that favors quantity over quality, which incentivizes GDP growth whether it was achieved artificially or

not (Chen et al., 2005). What we have seen so far through the BRI is that China now exports its own development model, political economic values, and way of doing business to the developing world. However, despite having produced a dramatic growth of the country, the long-term socio-economic problems of China's growth model that favors quantity and physical infrastructure have been unfolding both in China and elsewhere.

Some risks of the BRI, or Chinese investments at large, have already been experienced, and some are seen on the horizon. A World Bank study revealed that between 30 to 50% of the Chinese transportation projects in the entire Eurasia create less value than expected (Reed & Trubetskoy, 2019). Another World Bank study shows that costs of infrastructure projects exceed their potential gains in countries including Tajikistan (Ruta et al., 2019).

As an established practice, most major international donors carefully work out their offers in accordance with proposals presented by recipient states (Hurley et al., 2019). These exchanges would take place after a series of careful risk assessment and feasibility studies of proposed projects, often involve third party consultancy services. For promising projects, more offers and ultimately better deals for recipient states would emerge at the end of an open and competitive bidding process. At this point, it must be noted that official outward financing have different types that serve different goals. In this respect, I used the categorization utilized by Dreher et al., (2018) that draws a clear line between more concessional Official Development Assistance (ODA), and more market-oriented other official flows (OOF) including loans. Dreher et al. (2018, p. 183) argue that ODA serves to gain political influence over recipient countries while allocation of OOF aims commercial gains, and China alike the Western financiers follow this patterns of interest. Thus, the

Chinese loans that flow into Central Asia and beyond are meant to follow the market logic that aims to generate commercial returns, if not, compensate for the loss by resorting to non-financial means. The problem lies exactly here. The way that Chinese loans are allocated and spent not only falls short to generate intended gains, but also creates or exacerbates economic and social problems as whether allocated capital does not create intended value or Chinese institutions try to compensate their losses by means including concessional access to energy resources and transportation facilities, or in extreme cases border exchanges.

In the case of Chinese-financed projects, Chinese SOEs often prepare proposals and do necessary risk assessment and feasibility studies by themselves for their own projects (Hillman, 2020, pp. 157 - 158). The example of Sri Lanka's Hambantota Port has shown the best example of local and Chinese authorities' ill-management of the processes mentioned above (Funairole & Hillman, 2018). The Chinese leadership in Beijing and Chinese SOEs have often overestimated their abilities mostly due to their lack of long standing operational experience abroad. The Chinese SOEs tend to assume the infrastructure projects would be smoothly implemented as it would have been in China until they notice some endemic challenges that are simply not present or are easily solvable in China (Page & Shah, 2018). The cases of halted infrastructure projects or dead investments, and subsequent social resentment in Pakistan and Sri Lanka are some of the notorious examples of China's inattentiveness and inexperience of outbound investment.

Politicians around the world, especially those of developing countries are aware of the fact that social or technical improvements are not as visible as construction, and slow but steady increase in living standards do not generate excitement as much as opening ceremonies do. Moreover, since the time between a dead-end construction's groundbreaking

and completion is enough to cover one or two electoral terms, politicians who initiated the project would reap the harvest while their successors are to pay the price (Funaiolo & Hillman, 2018). China does not seem to encourage its partners to sort their priorities top to bottom, rather it jumps into their ever expanding wish list that include some risky ventures or white elephant projects. Indeed, the Tajikistani leadership has demonstrated inclination to white elephant projects on various occasions. In 2011, President Rahmon ordered the erection of the world's then tallest flagpole which cost \$3.5 million (Radio Free Europe, 2013). In 2013, he ordered the construction of the region's largest museum, in 2014, the world's largest teahouse, and then in 2015, the region's largest theater (Reynolds, 2018). In 2018, when he returned with \$310 million of loans and grants from Beijing, announced that \$230 million of which will be spent for the construction of a new parliament building (Reynolds, 2018). As the poorest country in Central Asia with over \$8 billion GDP, these generous spendings of the vital Chinese financing on window dressing rather than on much needed public services exacerbates the country's structural political economic problems while perpetuating its dependence on China.

Moreover, although being fundamentally subjected to the orders of the top leadership in Beijing, Chinese SOEs often exercise more agency outside China. In the recipient countries of Chinese investment, SOE officials could overpower the government officials since they usually have wider local connections, more technical expertise, and more employees than the latter (Hillman, 2020, p. 204). They can lobby local policymakers and China's central ministries to propose, bid, or approve projects even when they were opposed by the Chinese embassies in the country. A significant reason behind this asymmetrical influence lies in politics. Since most of the giant SOEs' chairs are vice ministers, an administrative rank that is above the post of a middle-ranking ambassador, resistance could be costly for the

embassy staff considering their future career in the party (Sun, 2014). The SOE officials have also mastered to exploit the divergence between different ministries and other governmental bodies.

The promotion of high-speed railways presents an exemplary case. Despite their high visibility and a sense of modernization they give, high-speed railways are rarely economically viable (Rodrigue, 2016). A study on high-speed railways in Europe suggests that on average, a high-speed railway route should be between roughly 320-800 kilometers (200-500 miles) in order to make profit. Outside this length, shorter distances should be shuttled by standard trains or buses, and longer distances should be traveled by planes. Again, on average, building a new high-speed railway would cost at least \$6,25 million per kilometer (\$10 million per mile), and government subsidies would be required for its operation. Further, under optimal market conditions, a new high-speed railway needs to carry at least six million passengers annually to compensate for its construction cost (de Rus Mendoza, 2012). Indeed, since the first operation of high-speed railways for the masses in the early 1980s, only two of the services have generated profit and one has broken even worldwide (Feigenbaum, 2013).

Maritime shipment dwarfs railway shipment by both volume and transportation cost. Today, a modern dry cargo vessel carries a hundredfold cargo that of a modern train. In 2016, railways between China and Europe transported less than 1% of the goods in terms of volume and just over 2% in terms of value while maritime shipping transported around 94% in terms of volume and over 65% by value (Kosoy, 2017). It is estimated that around 60 to 70% of shipments through railways travel to Europe while trains heading back to China often travel empty. Moreover, some portions of containers are sent back to China through maritime

shipping (Hilman, 2020). It is evident that at best conditions, railway shipment can make up only a modest share of overall global trade.

4.2.2 Development Finance

Thus far as a usual practice, Chinese institutions do not proceed foreign lending processes transparently or systematically. Chinese officials usually announce only the total amount of pledged loans and investment along with country-level distribution in the larger BRI portfolio (Hurley et al., 2019). Although in the cases when Chinese policy and commercial banks make occasional public announcements regarding project investments, this does not present a consistent line of attitude. Moreover, both the Chinese institutions and related authorities in the debtor countries seldom publish the complete terms and conditions of such financing agreements (p.8). In other words, the exact price of the Chinese money usually remains unknown to the general public.

China does not show signs of having a clear guiding framework or standardized methods of debt relief when dealing with the countries under debt distress. When a debtor country asks for help to alleviate its debt, Beijing offers an ad hoc debt relief package designed for that individual case (Hurley et al, 2019). Thus far, China has refrained from aligning with other global creditors under multilateral mechanisms for credit management and debt relief activities. Unlike other major sovereign creditors, China is not a member of the Paris Club, where they discuss, set norms, and act in accordance in terms of debt relief. While having an observer seat in the Paris Club, and engaging in informal discussions with the IMF and other global financial institutions, China is not bound to act in concert or to share information with none of the sovereign or multilateral creditors (Balding, 2017). In short, China's standalone position in the global financial realm provides Beijing with an

opportunity to follow its own way to deal with debtor nations without being held accountable under no supervision.

The established practices of the major multilateral and sovereign lenders may be too slow, too expensive, and too cautious, but they tend to learn from their and others' years of mistakes (Bataineh et al., 2019). At the first glance, China's lending policy and business style may look better in terms of flexibility and speed, yet, they are vulnerable to failure outside China. If China continues to turn its back to the best international practices derived from years of experience and go alone, the outcomes would be disastrous for the recipient countries -and to some extent for China- as some of them have already emerged. China's economic success often overshadows the inherent challenges in its political and economic system (Hillman, 2020). The rapid development of the country may build confidence around the BRI, the overall Chinese infrastructure investments abroad, and China's style of doing business. Japan had pursued a similar path from the 1960s to the early 1990s that the country had made massive infrastructure investments across East Asia, poured excess construction capacity and cheap goods into the region, and its companies had been involved in corruption cases abroad (Terry, 2015; Katada & Liao, 2020). The narrative of the Japanese miracle was so prominent that some experts even predicted a war between the U.S. and Japan while the problems of Japan's political economy were kept in the background until the country's economy was hit by a severe financial crisis in the early 1990s (Friedman & Lebard, 1991).

Thus far, China has preferred to go alone in the financing and implementation of the BRI projects, made deals on bilateral bases, and kept outsiders out of competition. However, the Chinese leadership has learned some lessons out of its experience over the last decade (Skalamera Groce & Köstem, 2021). Going alone may allow Beijing to harvest all the

political and economic benefits out of its investments, yet, it also burdens all the costs and potential risks as well. Xi's growing emphasis on multilateralism starting from the second BRI forum in 2019 signals Beijing's discomfort with the growing risks across the BRI countries and willingness to share some costs -as well as benefits- with other international actors (Belt and Road Forum, 2021). However, the question of to what extent the BRI and the Chinese dominance in several countries would take a multilateral fashion remains unclear.

The security net that the Chinese government provides the SOEs with has been another key catalyst to the problems on the ground. The directives and financial capital that the government in Beijing delivers create a sense of security on behalf of the Chinese SOEs operating abroad (Rolland, 2017, p. 158). The sense of security then turns into a sense of irresponsibility that may lead corporate decision makers to end up having wasteful spending. Compared to private companies who depend on their own resources, Chinese SOEs are more inclined to plan less carefully, spend less cautiously, and make less effort for learning from mistakes (Huang, 2015). This organizational scheme bears significant risks for both Central Asian states and China itself. On the Chinese side, the most visible threats of this way of doing business, among potential others, are to its foreign exchange reserves and to its global reputation as a benevolent great power. Nevertheless, China is in the wheelhouse and can suspend or change direction of its investments before it is too late. However, on the Central Asian side, the consequences can be detrimental. As we have seen earlier, the chronic corruption, and inadequate soft infrastructure in Central Asia when coupled with Beijing's politicized investment directives, encourage the Chinese SOEs' wasteful spending on an elevated phase.

Central Asia, and the BRI region at large, is not a good place for profitable infrastructure investments, let alone for short-term revenues. Despite the fact that infrastructure investments by nature do not provide short-term profitability anywhere, few economically viable infrastructure projects in Central Asia have already been realized before China stepped in. Chinese policymakers and SOE representatives are aware of this fact that they were left with less economically viable and highly risky projects to be completed (Rolland, 2017, p. 157). The risk of debt default is significantly high along the array of the BRI. Three quarters of the BRI countries are at the bottom or not rated (Kong et al., 2019). The absence or ambiguity of China's debt relief strategy can generate surprising outcomes on behalf of debtor countries. Especially in the most vulnerable country cases such as Kyrgyzstan, Tajikistan or Sri Lanka, debt relief or cancellation practices have been made in exchange of non-financial, and non-conventional methods such as transfer of management rights of ports or mines, or even territory exchange.

In 2011, Tajikistan agreed to give up 1,158 square kilometers of disputed land to China in exchange for cancellation of the country's unknown amount of debt (Hurley et al, 2018). The exchanged land not only encompasses gold and uranium mines, but also has a strategic importance since it covers the entry point to the Wakhan Corridor for China, a choke that historically allowed Chinese to the Indian Ocean and beyond (Reynolds, 2018). Further in the same year, Tajik government granted 2,000 hectares of arable land to Chinese farmers, a valuable piece in the country's mountainous landmass. In 2016, Tajik President Emomali Rahmon granted exclusive rights of operation of two gold mines to the Chinese contractor SOE, Tebian Electric Apparatus (TBEA) in exchange for building two thermal power plants in capital Dushanbe (Reynolds, 2018). For an indefinite time period, the TBEA's rights to operate the mines will be in place until the company compensates its \$332 million

investment. In 2017, when Sri Lanka was not willing to pay a \$8 billion loan at 6 percent interest to China, Beijing demanded a lease for managing the Hambantota Port for 99 years in addition to a debt-for-equity swap (Hurley, et al, p. 20).

Hillman (2020, p. 165) argues that although it has a fair amount of reality, the debt-trap narrative exaggerates Beijing's abilities as it attributes wisdom and deliberation to China's strategy more than what it actually has. China has often been thought by the foreign policy experts around the world as a mastermind that skillfully and consciously craft its foreign policy strategy and necessary tactical arrangements for decades partly due to the merits of its traditional authoritarian governance (Zhang, 2013; Callahan, 2016). Although there is some truth about this point, the reality on the ground tells a different story.

As in the case of the Hambantota Port in Sri Lanka, various interest groups within the Chinese side pursue their own parochial interests rather than taking an aforethought unitary action considering long-term implications. Knowing that they would be getting paid anyway, the Chinese officials in the policy banks and the SOEs had jumped into the project despite the proposed port's lack of commercial value, and the Sri Lankan authorities' careless planning. When Sri Lanka was not able to pay its loans back, the port was handed over to China for a 99-years lease (Limaye, 2017). However, according to Hillman (2020, p. 167 - 168), it is not clear whether Beijing has deliberately indebted Sri Lanka to take over the port for economic and military use or it has crafted such a last minute formula as an exit cost of its dead investment. In short, the Chinese foreign investment policy seems more chaotic than strategic.

On the other hand, Sri Lanka's agency should not be overlooked. The domestic political considerations and rivalry among different interest groups paved the way for the country's debt spiral. Regardless of whether China intentionally or unintentionally lured Sri Lanka into a debt trap, Sri Lankan decision makers had paved the way and walked through it (Limaye, 2017). In 2018, even Sri Lanka's auditor general said that he is uncertain about the amount of debt owed to China (Ariff, 2018).

4.2.3 Trade

The influx of Chinese consumer goods is a double edged sword for the Central Asian economies. Over the past three decades, cheap Chinese imports have become a steady source of income for the region. On the other hand, at least until the initiation of the BRI, Chinese imports have also undermined the development of local industries as it is hard for toddling local producers to compete with their Chinese counterparts (Khodzhaev, 2009, p. 22). In the end, Central Asia has been a source of raw material and an export market for China throughout much of the last three decades. It was only after a couple of years after the initiation of the BRI in 2013 that Central Asian states have managed to broker deals with China for industrial capacity-building, local production and use of local labor (van der Kley & Yau, 2021).

The sheer volume and commodity composition of the bilateral trade between China and individual Central Asian countries bears a significant risk of restrictive specialization (Laurelle and Peyrouse, 2009, p. 7). As discussed in the previous chapter, Central Asian states' increased trade with China has provided them with a couple of solid and potential opportunities. However, when they fail to navigate these opportunities in part of a long-term constructive effort, the size and nature of this trade partnership with China can turn into a

disaster for Central Asian economies. Regardless of the country-level variations, Central Asia's main export items to China are fossil fuels, minerals, rare metals, and agricultural products. In the end, these are all raw materials by nature, in exchange to Chinese consumer goods, machinery, and chemicals. Moreover, this is the best possible balance that can be achieved only by the relatively prosperous economies of the region, namely Kazakhstan, Turkmenistan, and Uzbekistan. These are the cases in which the countries at least manage to avoid an asymmetric trade in terms of volume. However, in terms of composition, the common denominator of raw material exporting applies to all the five Central Asian states.

Indeed, tables *18, 20, 22, 24, 16* show China's top imports from the five Central Asian countries by 2019 with value and growth rate while tables *19, 21, 23, 25, 27* show China's exports. The types of goods, values and growth trends present empirical evidence to the asymmetric bilateral trade that poses risks for the five Central Asian countries.

Table 18: China's top imports from Kazakhstan (2019)

China's Top 5 Imported Goods from Kazakhstan			
Products	US\$ million	Share	Annual growth in value between 2015-2019
Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral	2,933.8	32%	18%
Copper and articles thereof	1,738.0	19%	17%
Ores, slag, and ash	1,634.1	18%	58%
Iron and steel	908.7	10%	17%
Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals	869.3	9%	-11%
All products	9,258.8	100%	16%

Source: China Briefing, 2021

Table 19: China's top exports to Kazakhstan (2019)

China's Top 5 Exported Goods to Kazakhstan			
Products	US\$ million	Share	Annual growth in value between 2015-2019
Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	1,564.2	12%	7%
Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television	1,498.0	12%	18%
Articles of apparel and clothing accessories, not knitted or crocheted	1,438.7	11%	34%
Footwear, gaiters and the like; parts of such articles	970.3	8%	-10%
Articles of apparel and clothing accessories, knitted or crocheted	897.4	7%	10%
All products	12,807.0	100%	12%

Source: China Briefing, 2021

Table 20: China's top imports from Kyrgyzstan (2019)

China's Top 5 Imported Goods from Kyrgyzstan			
Products	US\$ million	Share	Annual growth in value between 2015-2019
Ores, slag, and ash	34.3	52%	48%
Raw hides and skins (other than furskins) and leather	9.2	14%	-22%
Lead and articles thereof	5.9	9%	-
Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral	4.7	7%	92%
Wool, fine or coarse animal hair; horsehair yarn and woven fabric	3.2	5%	25%
All products	66.0	100%	0%

Source: China Briefing, 2021

Table 21: China's top exports to Kyrgyzstan (2019)

China's Top 5 Exported Goods to Kyrgyzstan			
Products	US\$ million	Share	Annual growth in value between 2015-2019
Articles of apparel and clothing accessories, not knitted or crocheted	1,676.5	27%	22%
Articles of apparel and clothing accessories, knitted or crocheted	969.2	15%	-3%
Footwear, gaiters and the like; parts of such articles	824.2	13%	7%
Cotton	276.5	4%	-5%
Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television	276.1	4%	21%
All products	6,312.1	100%	8%

Source: China Briefing, 2021

Table 22: China's top imports from Tajikistan (2019)

China's Top 5 Imported Goods from Tajikistan			
Products	US\$ million	Share	Annual growth in value between 2015-2019
Ores, slag, and ash	55.5	66%	21%
Cotton	22.0	26%	27%
Raw hides and skins (other than furskins) and leather	5.4	6%	6%
Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad	0.7	1%	111%
Edible fruit and nuts; peel of citrus fruit or melons	0.5%	1%	0%
All products	84.5	100%	21%

Source: China Briefing, 2021

Table 23: China's top exports to Tajikistan (2019)

China's Top 5 Exported Goods to Tajikistan			
Products	US\$ million	Share	Annual growth in value between 2015-2019
Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	204.3	13%	-5%
Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television	197.3	12%	2%
Footwear, gaiters and the like; parts of such articles	133.3	8%	-7%
Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	115.5	7%	-3%
Plastics and articles thereof	82.2	5%	12%
All products	1,612.4	100%	-4%

Source: China Briefing, 2021

Table 24: China's top imports from Turkmenistan (2019)

China's Top 5 Imported Goods from Turkmenistan			
Products	US\$ million	Share	Annual growth in value between 2015-2019
Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral	8,620.7	99%	6%
Salt; sulphur; earths and stone; plastering materials, lime and cement	43.6	<0.1%	-3%
Lac; gums, resins and other vegetable saps and extracts	10.1	<0.1%	10%
Vegetable plaiting materials; vegetable products not elsewhere specified or included	5.3	<0.1%	-28%
Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals	1.7	<0.1%	-51%
All products	8,685.7	100%	6%

Source: China Briefing, 2021

Table 25: China's top exports to Turkmenistan (2019)

China's Top 5 Exported Goods to Turkmenistan			
Products	US\$ million	Share	Annual growth in value between 2015-2019
Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	146.5	34%	-13%
Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television	58.6	14%	-12%
Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	46.0	11%	-17%
Articles of iron or steel	38.3	9%	-16%
Rubber and articles thereof	29.6	7%	3%
All products	431.0	100%	-13%

Source: China Briefing, 2021

Table 26: China's top imports from Uzbekistan (2019)

China's Top 5 Imported Goods from Uzbekistan			
Products	US\$ million	Share	Annual growth in value between 2015-2019
Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral	1,186.6	54%	36%
Cotton	569.1	26%	3%
Copper and articles thereof	118.0	5%	118%
Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals	113.1	5%	-23%
Plastics and articles thereof	69.0	3%	108%
All products	2,180.6	100%	16%

Source: China Briefing, 2021

Table 27: China's top exports to Uzbekistan (2019)

China's Top 5 Exported Goods to Uzbekistan			
Products	US\$ million	Share	Annual growth in value between 2015-2019
Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	1,593.8	32%	37%
Electrical machinery and equipment and parts thereof; sound recorders and reproducers, televisions	576.7	11%	17%
Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	400.9	8%	50%
Plastics and articles thereof	306.7	6%	20%
Iron and steel	278.7	6%	23%
All products	5,044.6	100%	26%

Source: China Briefing, 2021

This current nature of bilateral trade poses two main threats to the Central Asian economies. First, the restrictive production structure based on raw materials hinders potential diversification of the economies that in turn leave them vulnerable to fluctuations in the global energy prices (Corden, 1984; Sakal, 2015). Second, it undermines the region's industrialization efforts but also eliminates a handful of existing industries that were mostly left from the Soviet era (Laurelle and Peyrouse, 2009). Coupled with the fact that the Central Asian countries are not functioning service economies, there is nothing much left for them to compensate for the vulnerabilities mentioned above. In the end, when coupled with long-standing governance challenges in the region, these two sets of threats hinder the Central

Asian countries' economic and social development prospects. As Sakal (2015) revealed in his study on Kazakhstan's natural resource policies, because of the adversary effects of authoritarian governance, cronyism, and lack of transparency, the oil revenues of the country had not improved the living standards of the overall population despite the country's rapid economic growth due to high global oil prices.

4.3 Security Risks

“From ancient Rome to the Mongol Empire to the British Empire, trade has never traveled far for long without the flag” (Hillman, 2020, p. 209). As Chinese money spreads across the globe, the Chinese government is pressured by the need to formulate strategies to protect its citizens and properties. In 2013, the necessity of protecting Chinese citizens and interests abroad was mentioned for the first time in a defense white paper (Rolland, 2017, p. 169). Despite this clear need, the question of ‘how’ has no clear or short answers. Although the Chinese Ministry of National Defence denies that the BRI bears no geopolitical or military intention, the rapid geographic and volumetric expansion of the Chinese overseas interests puts an ever-increasing pressure on Beijing to provide armed protection (Duchatel et al., 2014). In the same vein, Beijing's long-standing principle of non-interference in other countries' domestic issues and military non-intervention seems to come under strain.

The usual option of Beijing would be to leverage its economic might to get results that could normally require conventional military solutions. China's upper hand in especially trade and investment against other countries allows it to exercise influence over decision-making bodies or to take punitive measures in countries both receiving Chinese capital and those who have investments in China (Rolland, 2017, pp. 180-181). In this respect, the most vulnerable countries are the ones who have the closest economic ties with China without

having many alternative partners other than China. So far however, as will be seen in this section the perpetrators targeting Chinese citizens and assets have been non-state actors against whom China's usual methods fell short.

As the immediate beneficiaries of Chinese engagement abroad, Chinese SOEs are also the immediate targets of security threats outside Chinese borders. In a period of heightened Chinese political and economic activism on a global scale, the security risks that Chinese citizens, physical infrastructure and other assets face are increasing as well. As of 2017, approximately 30,000 Chinese companies operate abroad facing security risks in various forms including terrorism, local riot, organised crime, piracy and sabotage of infrastructure (Rolland, 2017, p. 167). Since 2010, the number of security incidents that targeted Chinese citizens or property have reached 345, following an upward trend (Plesner-Parello and Duchatel, 2015). The size and frequency of security threats targeting Chinese assets are not bugs anymore, rather they have become a set of serious challenges to an extent to determine the fate of overall BRI (Arduino, 2019).

In October 2015, two Chinese diplomats were murdered in the Philippines (BBC, 2015). In November 2015, seven Chinese citizens were taken hostage among 170 others in Mali, subsequently three officers of the China Railway Construction Corporation were killed (Reuters, 2015). In August 2016, Beijing was shocked as a suicide bomber attack targeted China's embassy in Kyrgyz capital Bishkek that wounded three Kyrgyz staff (BBC, 2016). In June 2017, two Chinese teachers were beheaded by the self-proclaimed ISIS militants in Pakistan's Balochistan Province (Reuters, 2017). In 2018, a series of robberies targeted Chinese companies in Uganda causing a significant financial loss (BBC, 2018). In February 2018, the general manager of COSCO Shipping in Pakistan was murdered in Karachi

(Hassan, 2018). In June 2018, a Chinese citizen was robbed and killed in Dar El Beida of Algeria (Arduino, 2019, p. 95). In August 2018, a suicide bomber attack targeted a bus carrying Chinese workers again in Balochistan (Yousafzai, 2018).

China so far has mostly relied on local security forces in host countries to protect its citizens and assets (Gunness, 2019). However, some cases have proved inadequacy of some local forces' capabilities, which in turn compelled the Chinese leadership to formulate some ways to intervene relying on its own security forces. Further, in nation-wide violent conflicts such as in Libya and Yemen, China has had to conduct naval evacuation operations since the state apparatus itself was out of function (BBC, 2014; BBC, 2015). In this section, the risk of militarisation of the BRI will be discussed following Beijing's use of three options available; permanent military presence abroad, direct military intervention, and private security companies.

4.3.1 Permanent Military Presence

China has officially opened its first permanent overseas military base in Djibouti on August 1, 2017, the day of the People's Liberation Army's (PLA) 90th anniversary. It marked a dramatic shift of China's "strategic identity" as the Chinese leadership had been proudly advertising not deploying Chinese troops in abroad while animadverting the U.S. and other Western countries' military presence around the world (China Defense White Paper, 1998; Duchatel, 2019, p. 12). The Chinese officials said that the country's permanent base in Djibouti will serve as a logistics hub for the PLA naval forces to be deployed in counterpiracy operations and UN peacekeeping missions in Africa and the Middle East (Xinhua, 2017).

As argued in Chapter II, the Chinese foreign policy under Xi Jinping's rule has taken a more ambitious stance, especially in the wake of his second term in power. As expressed by President Xi himself at the 19th Party Congress, China aims to achieve global leadership by 2050 (Xinhua, 2017). Thus, it should not surprise anyone when a country seeking for global power projection builds up its military capabilities and pushes its traditional geographical and legal boundaries out even if some of them were set up by itself (Duchatel, 2019, pp. 10-11). Indeed, new roles and capabilities beyond solely defending the national boundaries are being assigned to the Chinese armed forces in accordance with the country's outward political and economic expansion. Experts argue that China's first overseas military base in Djibouti will not be its last as Beijing would seek new arrangements in upcoming years to build more (Duchatel, 2019; Rolland, 2019; Hillman, 2020).

Many countries along the BRI are hardly capable of providing proper domestic security that now include massive Chinese infrastructure and Chinese citizens. In the Central Asian context, Tajikistan and Kyrgyzstan present the most vulnerable cases to domestic and transnational attacks on Chinese citizens and infrastructure. Pantucci (2019) argues that Beijing is increasingly taking up the role of security provision on its own in Central Asia rather than relying solely on the local forces or Russia as it used to do. In this sense, China's strategy in providing protection in some countries has started to evolve from relying on local forces and local capacity building to relying on its own forces and finding ways to deploy them (van der Kley, 2019). Tajikistan presents an exemplary case of this trend. Although the stationing of Chinese troops in Tajikistan does not come under a formal military basing agreement, it nevertheless can be identified as a permanent military presence as long as the status quo in the region persists.

In Tajikistan, China has already established a military presence though silently. As a result of a bilateral security arrangement with the Tajik government, China has built or fortified nearly forty border posts alongside Tajikistan's border with Afghanistan. The arrangement was to secure the porous borderline and cut off the mobility of militant groups. The Chinese troops then were given almost exclusive control of the border security management (Nelson and Grove, 2019). Since 2016, the PAP troops have been stationed in the southern part of Tajikistan's Shaymak region, around the strategic Wakhan Corridor and next to the country's borders with Afghanistan and China (Shih, 2019). The People's Armed Forces (PAP) is a paramilitary force under the dual administration of in larger part the Central Military Commission (CMC) and lesser part the Ministry of Public Security (MPS) (Arduino, 2019). In terms of overseas operations, like usual PLA branches, it is under command of the PLA Overseas Operations Office (van der Kley, 2019, p. 86).

There is a division of labor in Chinese security presence in Tajikistan (van der Kley, 2019, p. 84). The People's Armed Forces (PAP) troops have been deployed in border posts to provide service on the ground while the People's Liberation Army (PLA) stands by to intervene if a major threat appears. The Ministry of Public Security (MPS) for its part, is responsible for the smooth operation on the bureaucratic and diplomatic stage.

Although accommodating foreign armed forces is generally not a favorable decision, for its part, Tajikistan seems to have little options but to host Chinese troops as the government is in desperate need for security and economic benefits offered by Beijing. As the region's traditional patron, Russia thus far seems to be tolerating the Chinese troops in a Central Asian country partly due to the Chinese military presence in the region is far from matching its forces grounded in Kazakhstan, Kyrgyzstan, and Tajikistan itself (Hillman,

2020, p. 50). Nevertheless, this new Chinese step has set a precedent in Central Asia of what a country's vulnerability might prompt some regional security revisions in favor of China, and likely at the expense of Russia.

4.3.2 Direct Military Intervention

It is an argument shared by multiple scholars that the BRI has a non-negligible impact on the structuring of the Chinese PLA (Finkelstein, 2017; Hillman, 2020). Chinese decision makers and strategists are trying to find formulations for direct military interventions overseas if urgent cases emerge in the future. Wang Yizhou, a Peking University professor has come up with the concept of “creative involvement” which can be understood as a modification of the current principle of non-interference. The term suggests that military interventions to protect Chinese interests overseas can be allowed, in a crafted way that does not pose a security threat in host countries (Wang, 2012).

One of the available military options is to address its own needs by making contributions to a legitimate multilateral framework with military capabilities. In 2015, for the first time in its history, China participated in peacekeeping operations that took place in South Sudan where China enjoyed political influence and had ongoing extraction projects (Gunness, 2019). Not surprisingly, the Chinese contribution to the United Nations peacekeeping operations in Africa has steadily increased since then, especially in South Sudan and Mali where the risk for Chinese citizens and assets were high (Rolland, 2017, p. 169).

In 2015 at his address to the UN General Assembly, Xi Jinping announced China's plan to establish a permanent peacekeeping force of 8,000 troops under the UN and pledged

to provide the African Union with \$100 million for the formation of an immediate response unit. China also pledged to train 5,000 peacekeeping personnel from various other countries by 2020 (Perlez, 2015). By 2019, China is the largest contributor of the UN peacekeeping missions among the permanent Security Council members in terms of number of soldiers deployed. Likewise in 2018, the country contributed nearly 10% of the UN budget for peacekeeping missions (Pauley, 2018). In the end, China's activism in international peacekeeping efforts provides the PLA with close monitoring of conflicts, combat experience, and legitimate stationing near risky zones for Chinese interests.

Another option is the unilateral military intervention of the PLA or the PAP. Policymakers in Beijing have already started to revise legal preconditions in accordance with the rising possibility of such intervention. The requirement of a foreign country's formal invitation for a Chinese military intervention was removed from China's counterterrorism law (Duchatel, 2019, p. 15). Chinese security expert Wang Guoxiang commented that it is now possible for Chinese troops to operate in a foreign country that provides a safe haven for terrorist groups without the host countries' approval (Duchatel, 2019, pp. 15-16). In this respect, Article 71 of China's counterterrorism law can be enacted to respond militarily if an incident occurs in a foreign country that leaves no option but direct Chinese intervention (Duchatel, 2019, pp. 14-15). A senior colonel of the PAP, Niu Weiding suggests that although the Article 71 has ambiguities in terms of implication and extent, the mere existence of it lifts the barriers to a greater extent for the PAP to conduct counterterrorism missions abroad (Duchatel, 2019, p. 15). Indeed, the Snow Leopard commandos of China's paramilitary People's Armed Police (PAP) have already been stationed in the Chinese embassies in Baghdad and Kabul on the basis of the Article 71 of the counterterrorism law (Duchatel, 2019, p. 15).

China is establishing bureaucratic structures to coordinate its military missions as well as to make necessary political arrangements abroad. In 2016, China established the Overseas Operations Office, an administrative body to direct and coordinate Chinese overseas operations. The office has not only been authorized with military command but also with policymaking in order to ensure smooth conduct of operations both militarily and diplomatically (Gunness, 2019, p. 45).

The Chinese infrastructure investments are in types of railways, highways, pipelines, factories, and mines that are not easy to protect mostly due to their sheer size or span. Coordinated or large-scale attacks on these infrastructure may require puissant protection that the Central Asian security forces can not provide, especially those of Tajikistan and Kyrgyzstan. Duchatel (2019) argues that a somewhat large-scale attack against Chinese infrastructure in Central Asia can trigger a Chinese military response in forms of targeted killings or air strikes against the perpetrators. Such a case would be more likely to happen if China secures political endorsement beforehand (p. 16).

4.3.3 Private Security Companies

Finally, hiring of Chinese private security companies (PSC) constitutes the final element of the security risks. Chinese PSCs vary from the PLA and PAP for not legally being national armed forces, and their existence abroad would normally not be expected to create diplomatic crises as much as a national would do. However, their alleged ties with the PLA and other Chinese administrative bodies along with their inexperience abroad have a significant potential to stir social upheavals and consequent inter-state tensions.

There are currently around three million servicemen employed by more than five thousand private security companies in China, yet, only a handful of these PSCs employing a populous security force are capable of operating abroad (Arduino, 2019, p. 94). As the security threats targeting Chinese citizens and property increase in Central Asia, Chinese policymakers have started to phase up civil-military cooperation in the security sector in order to address those threats in least costly ways. Yet, the exact size and geographical distribution of the Chinese PSC personnel remain unknown. In Central Asian states, they need to work in coordination with the government's security forces and avoid direct confrontation with the local workers (Arduino, 2019).

The legal framework that regulates Chinese PSCs is heavily focused on the domestic private security provision that is yet to be adapted to the outward expansion of the sector. The existing laws that regulate the sector lack clear guidelines for outbound security service including clear definition of an authority to pay accountability, and a clear chain of command (Chinalawinfo, 2012). Arduino (2019) argues that there are multiple administrative bodies within the Chinese government that can equally claim supervisory authority over PSCs as these companies started to operate abroad in huge numbers in parallel with the unfolding of the BRI. These include the State Council, the Ministry of Foreign Affairs, Chinese Supreme Court, State-owned Assets Supervision and Administration Commission, National Development and Reform Commission, and finally the People's Liberation Army (p. 97). Although Beijing denies any perceived organic links between Chinese PSCs, the PLA, and the party leadership, the extent of these companies' autonomy remains under suspicion (Arduino, 2017). Indeed, executives of almost all Chinese PSCs have former careers in Chinese military and police who allegedly still enjoy close ties with the Chinese public security services (Ghiselli, 2020).

The most prominent Chinese PSC is the Cityguard Security Service which was founded in 2005. Operating both in and outside China, the company employs nearly fifteen thousand personnel of which around 30% are former PLA soldiers while 50% are former policemen. As its outward operations has been following the unfolding of the BRI projects, the company so far has been awarded thirteen contracts along the BRI routes (Arduino, 2019, pp. 99-100).

The overall Chinese PSC sector is likely to grow exponentially following years of learning process modeling after their sophisticated international peers. For now, the Chinese PSCs lack experienced and trained personnel at every layer of their organizational scheme (Ghiasi and Zhou, 2017). Arduino (2019) argues that untrained Chinese private servicemen could exacerbate local resentments and stir local Sinophobia, in extreme cases, even the PLA may find itself involved to protect them. The common profile of Chinese PSCs shows striking weaknesses of these companies including their servicemen's lack of linguistic, analytic, and intelligence-gathering skills as well as their lack of experience outside China. Moreover, they tend to underestimate difficulties while overstating their own capabilities despite most of their personnel having not seen a serious security instance. Maybe most strikingly, they expect the Chinese state security forces to protect them in a major crisis (pp. 95-97).

In the near future, the Chinese PSCs seems to grow in terms of capabilities and geographical reach as more sophisticated domestic regulatory and administrative frameworks emerge as well as merger of different companies is on an upward trend (Ghiselli, 2020). The

consequent professional and efficient PSCs then in turn build up Beijing's political leverage and security options on the ground without inflicting economic and diplomatic costs.

In sum, the institutionalization of China's military presence abroad will be event-driven. And as the incidents targeting Chinese citizens and assets grow gradually in the near future, the possibility for China to establish more permanent military bases and intervene militarily is highly likely to be a reality (Duchatel, 2019, p. 17). All in all, the preconditions have emerged for possible Chinese overseas military expansion including the need/demand for protection, changing strategic considerations, high-level political support, and necessary legal framework. The Chinese efforts of establishing a permanent overseas military base, investment in the UN peacekeeping operations, and increased use of private security companies demonstrate Beijing's pursuit of shaping the security environment to protect expanding Chinese interests.

4.4 Conclusion

All in all, the opportunities presented to the Central Asian states by Beijing (Chapter III) have not come without a price tag. This chapter has described and analyzed the risks that have already emerged, and have a strong potential to emerge in the near future if the realities on the ground do not change profoundly. This thesis frames the risks that emerging Chinese hegemony in Central Asia poses into three interrelated categories namely political, economic, and security risks.

The political risks take shape as foreign policy convergence, corruption, and social unrest. As China's assertiveness continues to grow into a global scale, China may also insert new items to its informal package of conditionalities in exchange for its development finance

and investments. In the end, Central Asian states might find themselves in a position to support a wide range of issues in Beijing's foreign policy agenda that can be irrelevant or geopolitically risky for them. In terms of corruption, the enhanced cooperation with Beijing has been exacerbating already existing governance challenges and maladministration schemes in Central Asian states. In the end, when sheer funneling of Chinese loans and investments was not accompanied by regulatory and supervisory mechanisms, it has grown at a point to trigger local social unrest targeting both Chinese and local officials.

In the economic sphere, problematic management of infrastructure building, development finance, trade partnership with China comes to the surface. Despite the attractiveness of physical infrastructure, if not done properly, massive projects can turn into disasters that eliminate more value than they can generate. When it comes to development finance, so far China has pursued generous and seemingly poorly managed strategies. The most observed consequence of these strategies, namely debt distress, have proved to be detrimental for both China and its local partners. Moreover, Beijing's ad hoc and relatively ambiguous debt relief strategy has been generating ad hoc and often negatively surprising outcomes for debtor countries. In terms of bilateral trade partnership between China and individual Central Asian countries, the current asymmetric relation poses two sets of threats; restrictive production structure based on raw materials extraction, and impediment of local industrialisation efforts.

Last but not least, the security risks include China's permanent military presence, direct military intervention, and use of private security companies that cumulatively refer to the heightened possibility of Beijing's militarisation of the Belt and Road Initiative in Central Asia. As Chinese human and financial capital spread across the globe, the Chinese leadership

in Beijing has been increasingly pressured by the need to formulate strategies to protect its citizens and properties abroad. Coupled with the ambitious foreign policy marked by the Xi administration, the genuine need of protection has been translated into changing security arrangements. Chinese political, military, and intellectual cadres have started to revise legal, bureaucratic, diplomatic, and logistical preconditions for temporary and permanent deployment of public -and private- security forces abroad.

The next and final chapter concludes the thesis and discusses its shortcomings as well as implications.

CHAPTER V

CONCLUSION

The emergent Chinese hegemony in Central Asia with both its present and possible future consequences is a complex, and still evolving process that has attracted significant attention of policymakers, and academics around the world due to its potential impact on regional and global political economic orders. This thesis offered an analysis of opportunities and risks stemming from this hegemonic restructuring on behalf of the five Central Asian states by utilizing qualitative process tracing methods. I argued that closer economic and political partnership with China in its current hegemonic fashion benefit Central Asian republics in the short-run while it bears significant risks in the long-run.

Building upon Lake's (1993) leadership theory of hegemonic stability (Chapter I), this thesis went on to analyze the background of Chinese hegemony in Central Asia with a cause and effect analysis (Chapter II), opportunities (Chapter III), and risks (Chapter IV) that are presented by this new hegemonic structuring in the region on behalf of the Central Asian states.

Chapter I explored the convergence of three necessary but not sufficient factors that gave life to the Chinese hegemony in Central Asia. In this respect, the first factor is China's own rise to the great power position due to a series of reforms over four decades. The second

factor is the relative absence or inability of other regional or great powers in Central Asia to prevent Beijing's aspirations in the Central Asian steppes. Finally, the third factor is the Central Asian states' own willingness to show an accommodating behavior towards China due to their need for development and lack of alternatives to satisfy this need.

Without a series of reforms that generated massive economic growth, China could not have deployed its diplomatic, financial, and military instruments on its way to fulfill its goals in its near abroad. Moreover, the way that China's development style took has shaped the country's geo-economic rationales to step westwards into Eurasian inland under the banner of the rejuvenation of the ancient Silk Road or the Belt and Road Initiative. In this sense, it was a grand strategy that accumulates and navigates the country's intellectual, financial, and bureaucratic energy rather than a mere venture of engineering projects driven by purely economic rationales. Despite being the most important factor, China's rise is not sufficient to explain the underlying causes of its emergent hegemony.

The relative absence of other great powers that are capable of constraining Chinese influence is the second key factor. Despite Russia standing tall as a gatekeeper in the doorstep of Central Asia, Moscow's insufficient economic resources, deteriorating relations with the West, and deepening of its own dependence on China effectively immobilize the country against China. At the time of this thesis being written, the war that was erupted in Ukraine which is called "a special military operation" by Russia seems only to reduce Russia's leverage against China as Moscow's need for Beijing's political and economic support deepens further. The United States on its part, could not go beyond building limited and temporary political and economic relations that mostly revolved around the Afghanistan issue with the Central Asian states mostly due to the region's challenging political climate. Yet, the

absence of great power rivalry is again a necessary but not sufficient factor to pave China's way into Central Asia.

Finally, since the Central Asian states are not mere pawns, their cooperation is the third necessary but not sufficient condition. The landlocked region suffers from poor physical infrastructure and chronic governance problems that hinder attracting external finance needed for their development. As China came to the forefront in the region -and beyond- as a risk-appetite public good provider since the 2008 global financial crisis, an easy convergence between the needs of the Central Asian states and China has emerged.

The image of China in the eyes of Central Asian states has been changing in both positive and negative directions since the collapse of the Soviet Union in 1991. All in all, for Central Asia, China is a given giant neighbor that one needs to learn how to live with, a provider of public goods, a new patron, and increasingly a rising hegemon. In a region that has often been identified through a lens of great power rivalry, governments of Central Asian states tend to see China as an alternative center of political and economic power to the extent that its mere existence can maximize their gains extracted from all other great powers involved in this geopolitical game. However, China seems to have more to offer than any other great power given its extensive resources and ambition. In Chapter III, I analyzed the opportunities provided by Beijing although the quality and quantity of these opportunities vary across the region's five states due to their structural characteristics.

The opportunities have been divided into three broader categories as (1) political, (2) economic, and (3) security. Two highly interrelated geopolitical opportunities have been identified. First, Beijing constitutes an alternative power center that can alleviate Russia's

monopolistic influence over the region that allows Central Asian countries to conduct multivector foreign policy to maximize their own benefits. Second, China offers isolated Central Asian countries an arteria for globalization thanks to its massive transportation infrastructure, and global political economic ties.

When it comes to the economic opportunities, three areas emerge as (1) infrastructure, (2) development finance, and (3) trade. The Chinese-led infrastructure projects can upgrade and add to the region's desperate infrastructure that in turn the region's landlocked states can fulfill their development potential. The problem of attracting foreign development finance has also been addressed by Chinese financial institutions, as well as by the Western MDBs thanks to the emergent dual-transformation between these two groups of lenders. As the third pillar of economic opportunities, Central Asia's bilateral trade with China benefits the Central Asian states at least in the short to middle-run due to China's supply of cheap consumer goods in exchange for its demand for energy resources and raw materials. Moreover, Chinese-led infrastructure projects provide Central Asia with the needed connectivity with more vibrant global markets, which in turn can boost the region's overall trade output.

Finally, in the security sphere, China provides the Central Asian states with opportunities through (1) interstate cooperation under the SCO, (2) joint military exercises, (3) military aid, and (4) military sales. The cooperation under the SCO framework allowed Central Asian states to strengthen their security forces against terrorist groups, smugglers, and other organized criminal groups. The joint military exercises provide the participant countries -including China- with combat experience, introduction of new military equipment, power calculation, and overall learning from more experienced armies particularly that of Russia. Through military aid and sales, the Central Asian countries have had a chance to

upgrade their aging military equipment, and add new resources -especially high-tech items- from an alternative source other than Russia.

All these opportunities however come with a price, a price that the Central Asian countries might not be able to pay in the long run as the initial bilateral relations turn into asymmetric interdependencies at the expense of the Central Asian states. Chapter IV therefore analyzed the risks stemming from the Chinese hegemony by framing them in three interrelated categories of (1) politics, (2) economy, and (3) security.

The political risks have been identified as (1) foreign policy convergence, (2) corruption, and (3) social unrest. As China's assertiveness on regional and global stages continues to grow, China may insert new items to its informal set of conditionalities in exchange for its investments and development assistance. For their part, the Central Asian states might find themselves dragged in to support several issues in Beijing's foreign policy agenda that can be irrelevant, and also risky for them. Closer political economic relations with China in its current fashion have been exacerbating the already present governance challenges and maladministration schemes in Central Asian states. The sheer delivery of Chinese financial capital without relevant regulatory mechanisms accompanied, it has triggered local social unrest in various forms targeting both Chinese and local officials across the BRI region.

In the economic sphere, risks emerge in the areas of (1) infrastructure, (2) development finance, and (3) following the same lines of the opportunities. Despite the attractiveness of physical infrastructure to most politicians around the developing world, large scale infrastructure construction often produces human-made disasters that erase more

value than it can possibly generate. In terms of development finance, China has so far pursued a lending agenda that is generous and often careless. In the end, the most frequently observed consequence of it was debt distress, which has proved to be to the detriment of both China and its local partners. While Beijing's ad hoc and often non-transparently negotiated debt relief packages applied often negatively surprising outcomes at the expense of debtor countries. The bilateral trade between China and the Central Asian countries has also followed a risky trend for the latter. Although alleviating measures have started to be taken, the current asymmetric trade partnership bears two main risks; restrictive production structure based on raw material extraction, and impediment of local industrialization efforts.

Finally, as Chinese citizens and infrastructure sprawl across the globe, security threats that target them have increased accordingly. This new and solid need for protection puts pressure on the Chinese leadership to provide security by exploiting available options, or by stretching or revising the current limitations on the way. In this respect, the risk of militarization of the BRI routes -including Central Asia- has increased through (1) permanent military presence, (2) direct military intervention, and (3) use of private security companies. The options include opening up overseas bases, brokering bilateral deals to permanently deploy its special forces in specific locations, stationing its UN peacekeeping forces near conflict zones where Chinese projects also sprawl, and hiring Chinese PSCs across the BRI countries.

5.1 Theoretical and Policy Implications

The approach, scope, and findings of this thesis have multiple theoretical and policy implications for the political economy literature and ongoing debates on China's rise in the largest sense. First and foremost, the findings of this thesis contribute to the scholarly efforts

of conceptualizing the hegemony with Chinese characteristics, an analytically vague phenomenon that is thought to be rising as an alternative, and at the expense of the Western liberal order. Although China has been utilizing mostly ad hoc manner of engagement in its relations with the developing world, nevertheless, the findings of this thesis reveal some frequently used political economic tools that form distinct patterns. In the broad spectrum of political science, the works of literature on China's rise, and rising powers in general have been focused on these countries' political economic agendas. This thesis provides empirical data and conceptual analyses regarding China's financial activities in developing Central Asia that can contribute to the literature on Chinese development finance, and development finance at large.

Since China's entry into Central Asia provides a valuable real-world case of multipolarism in the international system, studying this phenomenon contributes to the IR theory literature by testing, stretching, and challenging existing concepts using fresh data from a long-neglected area. The findings of this thesis also suggest that security is a holistic concept that cannot be isolated from partisan concerns and the economic variables of a country's ruling elite, public opinion, and various non-state interest groups. This thesis has sufficiently revealed the strategic use of economic tools by China in Central Asia. In this sense, the empirical and conceptual findings of this thesis contribute to the geo-economics or strategic economy literature.

The main argument of this thesis does not seem to be applicable in other regions of the world since a unique combination of three necessary but not sufficient factors created the phenomenon examined in this thesis. Such convergence seems non-existent in other regions where a rising power with global ambitions -whether it is China or not- engages in a

geographically isolated group of developing countries on a similarly massive scale without having to deal with considerable great power rivalry. Yet, various concepts utilized in this thesis such as multivector foreign policy (Contessi, 2018) or dual transformation (Skalamera Groce & Köstem, 2021) are applicable to explain developing country behavior when alternative sources of public good emerge. In this sense, these concepts are applicable in Southeast Asia, Africa, the Balkans, and the Middle East where multiple regional or global powers -including China- vying for influence.

The findings of this thesis also revealed that both competition and convergence are at play between Western MDBs and Chinese financial institutions in Central Asia. As Skalamera Groce & Köstem (2021) argue, the two camps have been transformed due to continuous learning from each other. On their part, the Central Asian governments have managed to put across their own needs and demands in their development agenda against both Chinese and Western policymakers. The expressions of agency throughout three decades demonstrate Central Asian states' growing skills in conducting multivector foreign policy (Contessi, 2018), or patron-shopping (Khanna, 2008). In this sense, the narrative of rivalry between China and the West -and their normative standpoints- can be a perspective that is too abstract or broad to fail to notice some areas of cooperation, and convergence of norms.

As shown in the sections on infrastructure building, and development finance, the role of non-state actors such as SOEs is far from negligible -even in China- as they are able to manipulate some of the top-level policies in their implementation phase on the ground. Thus, relying solely on state-level analyses that examine policies of governments while neglecting the roles played by non-state actors such as rent-seeking elites or state-owned enterprises fall short to explain this complex phenomenon of Chinese hegemony in Central Asia.

5.2 Limitations

Finally, although not very effective to divert the argument or alter the findings of this thesis, there are certain limitations that need to be noted for better attempts of future research on this topic. One big challenge that creates most of the limitations is the novelty of the phenomenon in question. The Chinese hegemony in Central Asia, or Chinese assertiveness in the developing world in general, is a relatively new topic for political scientists that is still in change and evolution. Thus, obtaining reliable and accurate data is not very easy due to the rapidly changing political economic dynamics of Sino-Central Asian relations.

Another big challenge is the scarcity of data regarding inter-governmental talks, economic transactions, and public opinion due to the lack of systematic data collection and publication practices as well as the lack of transparency that is endemic in the concerned countries. Finally, although published material as both primary and secondary sources was sufficiently satisfactory, fieldwork and in-person interviews with some key persons by the author would enhance the accuracy and overall quality of the research conducted in this thesis.

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