China and Central Asia’s Volatile Mix: Energy, Trade, and Ethnic Relations

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SUMMARY  Reports of ethnic separatist violence in China are focusing renewed attention on Xinjiang province, an area famous as the site of the ancient “Silk Route.” The recent clashes result in part from efforts by China and the five fledgling republics of Central Asia to promote economic and political ties. Central Asia seeks a counterweight to continuing Russian influence. China, whose northwestern Xinjiang province borders Central Asia and contains large numbers of Muslims, wants the assurance of Central Asian leaders that they will not support separatist movements. Both want markets for their exports, including vast, largely undeveloped oil, gas, and coal reserves. China also seeks new sources of energy. But increased investment and cross-border trade are producing more than just economic development: links between Muslims in Xinjiang and those in Central Asia are being reestablished and, within Xinjiang, the uneven benefits of development are aggravating rivalries between local Muslims and the large Han population (China’s official majority nationality). The increasing political unrest is threatening the region’s promising energy and economic development.
Situated in the extreme northwest corner of China, the area now known as Xinjiang Uyghur Autonomous Region has long been famous as the site of the ancient Silk Route and other East-West trading routes. Lately, Xinjiang is in the spotlight for a different reason: increasingly frequent accounts of interethnic violence.

Xinjiang is China’s largest and most ethnically diverse region, with 47 different ethnic groups dispersed across 617,760 square miles. Its per capita gross domestic product of US$598 makes it one of the least developed areas in China. The region, however, has substantial, largely undeveloped, oil, gas, and coal resources, as well as abundant gold ore. Thanks to Chinese and foreign investment, the area is now experiencing rapid growth. The capital city, Urumqi, is prospering, with 80 new skyscrapers built in the past 15 years. The boom in Xinjiang is partly the result of China’s ambitious Eighth Five-Year Plan (1991–1995), which targeted western energy resources for development.

The Soviet Union, in contrast, made little effort to develop the enormous energy resources of the five nations of Central Asia (Kazakhstan, Uzbekistan, Turkmenistan, Tajikistan, and Kyrgyzstan) which it ruled until 1991. As a result, many of these republics export mostly agricultural products such as cotton and are dependent upon imported energy and minerals. The republics taken together contain about seven billion barrels of proven oil reserves and at least 236.6 trillion cubic feet of natural gas reserves. Turkmenistan’s gas reserves are estimated to be the world’s third largest, after Russia and Iran. Like Xinjiang, these nations now view their resources as key to long-term economic growth, and are taking steps to woo foreign investors and increase international trade.

**Russian Domination of Central Asia**

Several years after the collapse of the Soviet Union, Russia still dominates its independent communist neighbors both economically and politically. Nearly three-fourths of the former Soviet Union’s extensive pipeline network for crude oil, oil product, and gas lies in Russia. Belarus, Georgia, Lithuania, Ukraine, and Uzbekistan remain largely dependent on Russia for crude oil supplies. And 65.7 percent of the Commonwealth of Independent States’ (CIS) crude refinery capacity is in Russia. Not wanting to loosen its grip on the region’s oil, Russia has moved to exert control over large resource projects in Central Asia and elsewhere. A high-stakes power struggle is under way between Russia, Turkey, and Iran, with each country vying for rights to transport oil output from Azerbaijan and Kazakhstan. Russia is also insisting on joint development of the huge oil and gas reserves in the Caspian Sea which some countries feel they are entitled to develop independently.

Russia’s efforts to assert authority over the “near abroad” extend beyond energy dependency and include military, economic, and political measures. Every former Soviet republic, except for Azerbaijan and the Baltic states, has permitted a Russian military presence on its soil. Azerbaijan, however, may soon allow Russia to establish two military bases on its territory, as well as locate troops along its southern border with Iran.

**Loosening Russia’s grip.** Russia is not alone in its interest in the Central Asian republics. To the south, Turkey promotes itself as a secular model by emphasizing its ethnic and linguistic links with most of the countries. It argues that it has successfully managed the transition from a command economy to the free market system that Central Asia is attempting. Iran stresses its Islamic path and ethnic ties and presents its northern region as an ideal market for Central Asian exports, especially oil. Pakistan also emphasizes historical and ethnic relationships. India hopes to build upon its long-standing ties through trade and contributions to infrastructure development.

The Central Asian countries are also establishing ties both outside of the region and among themselves. Kazakhstan and Kyrgyzstan have joined NATO’s “Partnership for Peace,” allowing military and political cooperation without security guarantees. All of the Central Asian republics are members of the London-based European Bank for Reconstruction and Development (EBRD). Kazakhstan, Kyrgyzstan, and Uzbekistan are all members of the Asian Development Bank, while Tajikistan is currently seeking membership. The two largest republics, Kazakhstan and Uzbekistan, along with...
Kyrgyzstan, have formed an economic and defense union. And in April 1997, Russia, China, Kazakhstan, Kyrgyzstan, and Tajikistan reached an agreement in Moscow calling for a reduction of military forces along the countries’ common border and long-term joint coordination of activities.

**China as a Counterweight to Russia**

China is an important competitor for influence in Central Asia and is expected to serve as a counterweight to Russia. Calling for a new interregional “Silk Route,” China is already constructing such a link with rails and pipelines. Trade between Xinjiang and the Central Asian republics has grown rapidly, reaching US$775 million in 1996, and the number of Chinese-Kazakh joint ventures continues to rise, now approaching 200. Xinjiang exports a variety of products to Kazakhstan, as well as to Uzbekistan, Kyrgyzstan, Russia, and Ukraine. Increased economic cooperation with China is providing Central Asia with additional options for markets, trade routes, and technical assistance.

**Ethnic ties and tensions.** Cross-border ethnic ties and interethnic relations within Xinjiang have tremendous consequences for development in the region, which has a history of ethnic migrations and conflicts. Muslims comprise nearly 60 percent of Xinjiang’s population, and most of them are Uyghur. The Uyghurs are Turkic and as such share a common Islamic, linguistic, and pastoralist heritage with the peoples of the Central Asian states. Turkic nationalists proclaimed an “East Turkestan Republic” in Kashgar, China, in 1933, and another one in Yining, China, in 1944. Both republics were short lived.
Central Asian republics, Xinjiang, China, and neighboring countries
The Uyghurs and other Turkic groups in the region are also closer culturally and linguistically to their Central Asian neighbors than they are to the Han Chinese. The Han (the official majority nationality of China), are also relatively recent immigrants to Xinjiang. The beginning of this century marked an enormous movement of Russian and Han Chinese settlers to outlying Central Asian regions. From 1949 to 1979, China sent Han professionals to Xinjiang to help “open the Northwest.” In 1990, estimates put the Han Chinese at 38 percent of Xinjiang’s population, up from five percent in 1949. While Russian populations have begun to decline in parts of the CIS since independence, the Han migration to Xinjiang continues to escalate.

China’s Growing Energy Needs

Opportunities in Xinjiang’s energy sector attract many of the migrants. China’s rapidly growing economy has the country anxiously developing domestic energy sources and looking abroad for new sources. In 1993, with domestic oil consumption rising faster than production, China abandoned its energy self-sufficiency goal and became a net importer of oil for the first time. During 1996, China’s crude oil production reached a record high of 156.5 million tons, while imports of crude were up 37.5 percent over 1995, to 22 million tons. China is expected to import as much as 30 percent of its oil by the year 2000. China’s population of natural gas consumers is likely to double by the end of the century. This will leave the country unable to meet one-quarter (353 billion cubic feet) of its total demand, even with anticipated domestic production increases. As China develops into a modern economy, it should see a rise in demand comparable to that experienced in Japan, where demand for natural gas has quadrupled in the past 30 years.

Disappointment in the Tarim Basin. China’s plans to develop its western oil and gas reserves focused on the Tarim Basin. The potential profitability of oil exploration in the Basin is now being questioned and exploration and investment are slowing down.

Several factors account for the waning enthusiasm for the Tarim Basin. The first is a decrease in the estimated size of the Basin’s reserves. Ten years ago, estimates put these at 482 billion barrels, “among the largest oil bearing areas in Asia.” Today, even the president of China National Petroleum Corporation admits that “the expected big discovery has not [been] met yet,” with known reserves at only 1.5 billion barrels.

The second factor is the region’s remoteness and lack of a solid transportation system to move the oil to market.

The third factor is China’s retention of the best oil and natural gas “blocks;” only the most marginal blocks are offered to foreign firms for development.

The fourth and final factor is increasing ethnic unrest in the region and the growing potential for social instability. The dire economic consequences of ethnic strife are visible in Tajikistan, on Xinjiang’s western border, where an ongoing civil war has damaged both local and foreign businesses.

Trade Between Central Asia and China

China’s two-way trade with Central Asia has increased dramatically since the Chinese government opened Xinjiang to the region following the collapse of the Soviet Union in 1991. (Fig. 1) By the end of 1992, formal trade had jumped by 130 percent; total border trade, including barter, is estimated to have tripled. Ethnic ties have facilitated this trading surge: those with family relations benefit from relaxed visa and travel restrictions. Large numbers of “tourists” from Kazakhstan, Tajikistan, and Kyrgyzstan make frequent shopping trips into Xinjiang and return home to sell their goods at small village markets. Xinjiang has already become dependent on Central Asian business, with the five republics accounting for more than half of its international trade in 1993.

Most China–Central Asia trade is between Xinjiang and Kazakhstan (Xinjiang’s largest trading partner by far). From 1990 to 1992, Kazakhstan’s imports from China rose from just under 4 percent to 44 percent of its total. About half of China-Kazakh trade is on a barter basis. Through 1995, China was Kazakhstan’s fifth largest trade partner, behind Russia, Holland, Germany, and Switzerland.

China’s trade with Kyrgyzstan has increased rapidly. Through 1995, Kyrgyzstan was Xinjiang’s third
largest trading partner, after Kazakhstan and Hong Kong. Many Chinese officials believe that economic relations with Kyrgyzstan will rise sharply in the years ahead.

As early as 1992, China ranked as Uzbekistan’s leading non-CIS trading partner. Since then, bilateral trade has increased by as much as 127 percent per year, making Uzbekistan China’s second largest Central Asian trading partner. This may be one of the most promising economic relationships developing in Central Asia. The large and relatively affluent Uzbek population will eagerly purchase Chinese goods once remaining border restrictions are relaxed and better transportation is built.8

Bilateral trade with Tajikistan increased nearly ninefold from 1992 to 1995. However, with much of Tajikistan recently in turmoil and the country suffering from a deteriorating standard of living, trade dropped by half in 1996.

Trade between China and Turkmenistan has also risen rapidly. China is expected to eventually import Turkmen gas to satisfy the growing energy requirements in the northwest corner of the country. The sale of natural gas accounts for 60.3 percent of the total volume of Turkmen exports.

Trade figures in perspective. While the increasing trade between Central Asia and China is noteworthy, it reflects China’s rapidly growing trade with the entire world: trade with Central Asia increased by 25 percent from 1992 to 1994; during the same period total Chinese trade increased almost twice as fast.

In fact, during 1995, only .28 percent of China’s US$280.8 billion overseas trade involved the five Central Asian republics, about the same as with Austria or Denmark. Despite the small trade values, China is clearly a giant in the region and will play a major role in Central Asia’s foreign economic relations. For example, China’s two-way trade with Kazakhstan is greater than Turkey’s trade with all five Central Asian republics. This is so even though predominantly Muslim Central Asia is of a much higher priority for Turkey than for China.9

Foreign Investment in Energy Development

The Chinese government has encouraged foreign investment and participation in domestic oil activities since 1979. Central Asian efforts to attract foreign partners are more recent, and some countries have done more than others. Kazakhstan’s 1992 draft mining code helped facilitate the establishment of at least two multibillion-dollar deals with major oil and gas companies; many more joint ventures are developing. In 1994, Kyrgyzstan gave prospecting companies the rights to develop new deposits. More recently, Turkmenistan issued a new law on hydrocarbon resources, and participants in the country’s resource development now include Iran and Turkey, Unocal, and Bridas of Argentina.

Though governments want and need the foreign capital and expertise, they worry that foreign companies may soon control large portions of the regions’ energy industry. In Kazakhstan, for instance, foreign firms are estimated to control more than 60 percent of electric power output. A proposed Turkmenistan-China-Japan natural gas pipeline, part of the envisaged “Energy Silk Route” which would connect Central Asia’s rich gas fields with northeast Asian users, demonstrates the potential for cooperation among countries. But it also highlights the growing importance of international companies—in this case Mitsubishi and Exxon—in financing and influencing the course of oil and gas development in the region. With a potential price tag of US$22.6 billion, this pipeline—as well as many smaller and less costly ones—would not be possible without foreign participation.
Figure 1. Central Asian countries’ trade with China
The Importance of Transportation

Landlocked Central Asia and Xinjiang lack the road, rail, and pipeline infrastructure needed to increase economic cooperation and foreign investment in the region. Oil and gas pipelines still pass through Russia, and road and rail links to other points are inadequate. A new highway is planned between Kashgar, Xinjiang, to Osh, Kyrgyzstan, to facilitate trade in the area. New links from Central Asia could follow several routes—west through Iran and Turkey, or Georgia and Azerbaijan, to the Black Sea or the Mediterranean; south through Iran to the Persian Gulf or through Afghanistan and Pakistan to the Arabian Sea; or east through China to the Pacific. All the routes pass through vast, remote, and perhaps politically unstable regions, and those involving Iran face difficulties in gaining Western financing.

In China, construction of Xinjiang’s first oil product pipeline was completed in 1996 and a gas pipeline was also recently finished. Also in Xinjiang, pipelines link the Karamay oil field to refineries at Karamay, Dushanzi, and Urumqi. Construction of future pipelines will depend on the quantity of oil the province can produce. Other rail, pipeline, and refinery projects have been completed or are proposed, including the extension and “double tracking” (to allow for simultaneous two-way traffic) of the railroad beyond Urumqi to Almaty, Kazakhstan. This would allow the most direct connection between the North Sea and the Yellow Sea, from Rotterdam, the Netherlands, to Lianyungang, China.

Islamic Activism and Nationalism in Xinjiang

After the breakup of the Soviet Union, the Chinese government feared that the new independence of the neighboring Central Asian Republics might inspire separatist goals in Xinjiang. It also worried that promoting regional economic development could fuel ethnic separatism by resurrecting old alliances. China, however, has been reassured by an agreement reached last year with Russia, Kazakhstan, Kyrgyzstan, and Tajikistan to avoid military conflict on common borders. It is also resting easier after assertions from Muslim states that they would not become involved in China’s internal affairs. Thus, China’s policy of encouraging economic development while keeping a tight lid on political activism seems to have the support of neighboring governments, despite not satisfying many demands of local and cross-border ethnic groups. A forceful proponent of this policy within China is Xinjiang’s regional first party secretary, Wang Lequan.

Ethnic tensions have been increasing in Xinjiang since the 1980s. Until recently, the most serious known violence was a 1990 uprising in the town of Baren, where police and soldiers clashed with Uyghurs who they claimed were striving to reestablish the East Turkestan republic. During 1996 and 1997, tensions have escalated. In February 1997, Muslim separatist riots in Yining resulted in at least 10 dead and 144 wounded, and in Urumqi two died and 27 were wounded in three bus explosions. In a new phase of separatism in Xinjiang, Uyghur militants have even attacked Uyghur government officials and supporters. Bomb explosions in Beijing that are attributed to Uyghur separatists killed two and injured several others in March. On May 13, another bomb attributed to separatists exploded next to China’s communist party headquarters.

Basic Socioeconomic Conditions, Central Asia and Xinjiang, China

<table>
<thead>
<tr>
<th>Population, Area</th>
<th>GDP</th>
<th>Life Expectancy</th>
</tr>
</thead>
<tbody>
<tr>
<td>mid-1995 (millions)</td>
<td>(thousands of sq km)</td>
<td>1994 (US$)</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>17.4</td>
<td>2,717</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>4.8</td>
<td>199</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>6.2</td>
<td>143</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>4.1</td>
<td>488</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>23.1</td>
<td>1,600</td>
</tr>
<tr>
<td>Xinjiang, China</td>
<td>16.3</td>
<td>1,600</td>
</tr>
</tbody>
</table>

The Chinese government has responded to these incidents with executions, mosque closures, arrests, arms seizures, large troop movements, and attempts to stop the flow of arms into the region. The Xinjiang Daily contained the following declaration by Wang Lequan: “We must oppose separatism and illegal religious activities in a clear and comprehensive manner, striking hard and effectively against our enemies.” A government campaign launched originally against crime and corruption has been turned
against “splittists” in Xinjiang, and calls for building “a great wall of steel against them.” Overseas Uyghur groups claim that over 10,000 have been arrested in the various crackdowns, and more than 1,000 killed.

The ‘plight’ of the Uyghurs. Some analysts are beginning to compare the Uyghurs’ situation in Xinjiang with that of the Tibetans in the neighboring Tibet Autonomous Region. Not only has international Muslim attention begun to focus on Xinjiang, the last Muslim region under communist rule, but increasing worldwide attention to the fate of indigenous border peoples has put pressure on the Chinese government. At least seven international organizations—based in Almaty, Amsterdam, Ankara, Istanbul, Munich, Sydney, and Washington—are working for the independence of Xinjiang (which they refer to as “East Turkestan”). Last November, in Munich, a conference attracted 100 delegates from Europe, Central Asia, and the Middle East interested in what was termed the “plight” of the Uyghurs. And the recently elected chair of the Geneva-based Unrepresented Nations and People’s Organization (UNPO) is a Uyghur Muslim, Erkin Alptekin.

Despite increasing investment and many new jobs in Xinjiang, the Uyghurs and other ethnic groups complain that they are not benefiting as much as recent Han immigrants to the region. They insist that the growing number of Han Chinese not only take the jobs and eventually the profits back home with them, but that they also dilute the natives’ traditional way of life and leave them with little voice in their own affairs.

**Ethnic Concerns in Central Asia**

More than one hundred ethnic groups live in Central Asia: Muslim peoples (Kazakhs, Kyrgyz, Uzbeks, Tajiks, Turkmen, Karakalpaks, and Dungans), Russians (and other European settlers), and peoples who were brought to the area by Soviet authorities during the Stalinist period (Germans, Crimeans, Tatars, Koreans, Armenians, Chechens, and Meskhetian Turks). Deteriorating living standards are increasing tensions among many of them.

The densely populated Fergana Valley, home to many of the region’s ethnic groups, has been the site of clashes over jobs, land, and natural resources, especially water. In June 1989, Meskhetian Turks, who had been exiled to the area by Stalin, were attacked by Uzbeks and Tajiks. Another skirmish followed a year later between Uzbeks and Kyrgyz in Osh. There is particular concern about the Tajik-Uzbek conflict, given serious tensions between the two groups and their proximity. One million Tajiks live in Uzbekistan, while both Tajikistan and Kyrgyzstan have sizable Uzbek populations in their parts of the Fergana Valley.

In Kazakhstan, 60 percent of Kazakhstani Slavs and Germans still consider their homeland the USSR, not Kazakhstan. Throughout the region, Russians, mostly technicians and other professionals who came after the 1917 revolution, make up roughly one-fifth of the population. Their fears that growing nationalism in countries of the region may become increasingly anti-Russian has prompted many of them to return to their homeland.

**Conclusion**

Interethnic cooperation and political stability are critical if plans to develop the region’s energy resources and foreign trade are to succeed. China, faced with newly independent Muslim nations on its border and interethnic conflicts within Xinjiang, is stressing economic development and national unity. These are crucial issues in this time of post–Deng Xiaoping transition and reunification with Hong Kong. The Central Asian states, too, currently view trade and border integrity as their highest priority and seem unlikely to interfere on behalf of their disenfranchised Turkic kin in Xinjiang.

**Notes**

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