



**China-Eurasia
Forum**



March 2004

The *CEF Monthly* is the monthly newsletter of the China-Eurasia Forum, and can be viewed online at <http://www.chinaeurasia.org/Newsletter.html>. The *CEF Monthly* contains featured analysis on China-Eurasia relations, a summary of recent events in the region, links to relevant articles from other publications, and new public documents.

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SPECIAL NOTE

We are excited to have in this month's edition the featured analysis of Peter Mattis, an up-and-coming China scholar studying at Tsinghua University in Beijing.

NEW THIS MONTH ON THE WEBSITE

Please visit <http://www.chinaeurasia.org/LinksandPapers.html> for new links:

- Countering Global Terrorism: Developing the Antiterrorist Capabilities of the Central Asian Militaries (Strategic Studies Institute)
<http://www.carlisle.army.mil/ssi/pubs/2004/countrng/countrng.htm>
- Development Gateway
<http://www.developmentgateway.org/node/204685/>
- Transatlantic Dialogue on China: Final Report (Stimson Center)
<http://www.stimson.org/tadc/pdf/finalreport.pdf>

View us online at <http://www.chinaeurasia.org/Newsletter.html>

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- US Security Policy Towards South Asia after September 11th and its Implications for China: A Chinese Perspective (Stimson Center) <http://www.stimson.org/china/pdf/secpolsouthasia.pdf>
- Research Institute for Inner Asian Studies <http://www.indiana.edu/~rifias/>
- University of Central Asia <http://www.akdn.org/uca/uca.htm>
- Japan Information Access Project <http://www.jiaponline.org/>

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ANALYSIS

China's New Push for Energy

By Peter Mattis
Tsinghua University

In October 2003, Kazakh officials announced that the pipeline project linking the Chinese seaboard with Caspian Basin oil would go forward later this year. A March 3, 2004 statement from Kazakh Prime Minister Daniyal Akhmetov confirmed that construction would commence this year. The final round of meetings about investment in the project between the Chinese and Kazakh government are planned for May 2004 when the two governments will confirm the inter-state status of the project. With Kazakh interests firmly centered around resource extraction and balancing oil exports to the United States, Europe, and China, this raises questions about why China has waited seven years to push forward with this project originally agreed to in 1997.

A number of factors have pushed China forward in a project that was once deemed unwarranted given the cost and export quantity. The first, and most significant, is the soaring energy demand, coupled with a desire to limit dependency on the United States for energy security. Last year saw sporadic blackouts all over the country as the energy demand increased by 15% surpassing 2002's 10% spike. (1) As China's economy continues to boom, its energy needs will continue to soar alongside. Secondly, the stagnation of talks over the Siberian-Daqing pipeline and the U.S.-led invasion of Iraq affected Chinese energy planning. Finally, the investment environment in Kazakhstan and the region has stabilized

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significantly in large part to the deployment of U.S. forces to the region and the increased efforts at engagement by Russia and China.

Developments over the last seven years had cast significant doubt on this project. Despite the conclusion of a formal agreement in 1997, the Chinese stalled construction and investment talks. According to the Chinese, the pipeline was apparently economically unfeasible, and Caspian Basin oil reserves were insufficient to warrant Chinese investment. (2) However, since that statement in 1999, China has aggressively tried to purchase development rights and buy out other partners in oil development projects.

More recently, the completion of the Neka-Tehran pipeline offered the possibility of oil swaps of Caspian and Iranian crude to cut transport expenses from the Caspian Basin to China. Caspian crude would be transported to Iran, while a corresponding amount of Iranian crude would be transported to China by ship. Analysts speculated that these oil swaps would cast doubt upon the construction of a massive China-Kazakhstan pipeline. (3) However, that pipeline seems poised for construction.

When, in 1979, China opened its doors to reform and pushed an ambitious policy of economic growth, China opened the floodgates for a steadily increasing demand for energy. Every machine needs its fuel, and, in 1993, China outstripped its domestic supply and became a net energy importer. The combination of an ambitious economic policy and becoming a net energy importer forced China to reexamine its energy security and look to diversify its energy suppliers. This produced an aggressive Chinese effort to enter into agreements with Venezuela, Indonesia, Sudan, Iraq, Russia, Australia, and in the Caspian Basin, to name a few.

While diversification of its energy portfolio is a priority, China's search for new energy suppliers has been colored by its view of the United States as potential competitor, especially as tensions heighten in the Taiwan Strait. Not only is the United States a potential competitor, but the U.S. command of sea lines of communication has meant that China has worked hard to find overland suppliers. The negotiations with Russia and Kazakhstan reflect a desire to not only diversify energy supplies, but also develop routes that are more secure from U.S. interference. This pipeline project coupled with the Neka-Tehran

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pipeline could also provide an overland means to link China with its Middle Eastern suppliers.

The persistence, although not unconditional support, of Taiwan by the United States has fueled fears in China of U.S. intervention should war erupt in the Taiwan Strait. Given Taiwan's strategic positioning on Chinese sea lines of communication and the ambiguous nature of any U.S. intervention, China has spent a great deal of effort to buy out development rights in the Caspian Basin and push a joint Sino-Russian pipeline project from Siberia to Daqing.

Although this Sino-Russian 2400 km pipeline was initially agreed to in 2000, talks stalled due to environmental concerns and to Russian consideration of a competing bid from Japan. In 2003, China and Russia worked a framework agreement and agreed to transport six million tons of crude oil by rail between 2003 and 2006. However, no plan has yet been agreed on for the pipeline route, and it looks increasingly likely that the pipeline will go to Nakhoda on Russia's coast, and not to China. Already a year behind schedule, this had ensured that no oil will come to China via this pipeline until at least 2006, underscoring the global competition for energy and the threat China faces given its lack of secured energy links.

The concern over Chinese funding is potentially a signal that Chinese investments in raw material are currently overstretched everywhere from Mongolia and Kazakhstan to South Korea and Australia. Coupled with the recent sweetening of the Japanese offer to include U.S. \$5 billion for construction and U.S. \$2 billion for further exploration as well as the prospect of Russian oil quickly hitting world markets from Krylova Cape, the Chinese funding problem could permanently derail the Chinese bid. Such concerns, compounded by an inability to match the Japanese offer, over the past three years have undoubtedly added impetus to the Sino-Kazakh pipeline.

The past three years have also seen another concern for Chinese energy security emerge that, while not as significant as the failure of the Sino-Russian pipeline to take off, should not be underestimated for its role in pushing forward the current pipeline project. The recent U.S.-led invasion and occupation of Iraq coupled with vague statements on whether or not investments made under the Baath regime would be honored ended the Chinese assumption that Iraqi oil, despite the

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embargo, could help fuel future Chinese economic growth. In 1997, China invested U.S. \$1.3 billion towards development of the al-Ahdab field and an anticipated production of 90,000 bbl/day. (4) Given this small amount questions can be raised about the degree that China was depending on Iraqi oil, but the fact that China has tried to develop a secure oil supply in the face of an inevitable U.S.-led invasion of Iraq should not be ignored.

China's view of the United States as a potential competitor has encouraged it to search for oil in countries eschewed by the United States such as Sudan, Iran, and Iraq. While not freeing China from U.S. command of sea lines of communication, China has reportedly pursued an arms-for-oil program in these countries similar to the U.S. agreements with Saudi Arabia and Kuwait that reinvest arms revenues into the buyer's economy. The Sino-Iranian arms relationship is well documented with the latest incident occurring in 2003 when the United States censured the Chinese firm NORINCO for providing Iran with ballistic missile technology in 2002. (5) Various human rights organizations have also been pointing to Chinese involvement in the Sudanese civil war and supplying the government with arms purchased with oil revenues. The 2003 U.S. invasion of Iraq has removed one such opportunity for the Chinese to develop oil suppliers outside the traditional realm of U.S. influence. (6) This can help explain the strong Chinese effort in the last two years to purchase development rights in Kazakhstan as well as buy out other partners in Kazakh development projects.

However, none of these current efforts could have occurred without the significant changes in the Central Asian environment. The official institutionalization of the Shanghai Cooperation Organization (SCO previously the "Shanghai Five") in January 2004 is the culmination of efforts by Russia and China to engage with Central Asia to create a more stable investment environment. In 2003, The SCO approved a charter and pushed ahead plans for the Regional Anti-Terrorism Center in Tashkent, Uzbekistan, which will open in June 2004. This regional organization provides not only a framework for stability in the region but also China's main avenue of approach to the region. While the current U.S. deployment to the region is beneficial to stability, China and Russia remain wary of the U.S. presence in their traditional backyard over the long-term. Plans for this pipeline through Kazakhstan influenced

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China's efforts to continuously nurture the development of SCO in the face of few early results.

To complement these efforts to promote regional stability, China concluded a friendship and cooperation treaty with Russia in July 2001. Although not a mutual security pact, the treaty reflects an emerging set of mutual interests, such as the extraction of Caspian Basin oil (7), between the parties, as well as a framework for dealing with common threats to the security of either party. The combined economic and military power of China and Russia in Central Asia may be a steadying force in a possibly volatile region.

This treaty agreement combined with SCO and Chinese bilateral agreements with individual Central Asian states suffices as a structure for Russian acceptance, and possibly support, of Chinese involvement in Central Asia, at least in the near term. With thousands of ethnic Russians spread throughout the region as well as the historical connections, Russia has maintained tremendous influence in Central Asia. Without Russian support, any Chinese venture could be derailed. This explains the Chinese insistence that the two nations cooperate hand-in-hand in the region.

The increasing cooperation between China and Russia in Central Asia is further supported by the U.S. deployment to the region in the aftermath of the September 11, 2001 terrorist attacks in New York and Washington. An area that once had very minimal U.S. presence suddenly has several thousand combat troops as well as new basing and over-flight rights in Central Asia. Their presence is a significant part of the U.S. War on Terrorism, and those forces will remain as long as U.S. leaders consider Central Asia to be harboring threats to U.S. interests. Given that recent Russian and Chinese engagement efforts have not had the effect that the U.S. deployment has had on regional stability, both parties accept the current deployment as providing a modicum of stability to Central Asia. Although U.S., Chinese, and Russian interests presently converge in the Central Asia, in terms of Chinese energy security, those interests will diverge over the long-term.

Although the U.S. presence has created the stable economic environment that has allowed China to push through this pipeline, China's long-term interests do not include such a deployment in its backyard, particularly near what China hopes could become a major energy transport corridor

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from the Middle East to East Asia. (8) Because the United States justifies its deployment in terms of anti-terrorism and regional stability, any explanation of the SCO's present emphasis on anti-terrorism and the narcotics trafficking that funds it should consider China's leading role in reviving SCO.

This is not to say that the SCO is a challenge to U.S. presence in the region; the United States currently has significant interests in common with both Russia and China—defeating terrorism, resource extraction, and stability. As Kathleen Collins and William Wohlforth have pointed out, there is no “Great Game” in Central Asia today (9), but that does not equate to Beijing or Moscow welcoming the United States as a permanent player in their traditional sphere of influence. Indeed, there is somewhat of a paradox: the U.S. presence is currently needed to stabilize the region for Chinese investment in energy resources, but from the Chinese perspective, that same investment, and China's development environment, will be threatened in the long-term by that presence. Although the SCO has toned down its anti-hegemony rhetoric, it is in China's interests that the SCO eventually assume the role that the United States has taken in the region. This way China could take a leading role in the region—much as it did to resuscitate the SCO—to assure its own energy security.

The combination of SCO and the Sino-Russian friendship and cooperation treaty supported by the current U.S. deployment should be seen as complimentary. The element of stability provided by the United States gives China and Russia a support structure to develop more permanent regional security regimes. Consequently, there is a positive investment environment that did not exist before in which pipeline construction can commence. Without the current U.S. deployment, it is conceivable that pipeline plans would still be tabled.

As Chinese energy demand and reliance on imports increases, China's concern over its lines of communication will increase correspondingly. Some Chinese scholars such as Meng Xiangqing of China's National Defense University (10), as well as Shen Weilie and Lu Junyuan even question China's sovereignty while potential competitors can infringe upon China's energy security and development environment. China's diplomatic efforts in Central Asia are part of a growing Chinese realization that their economy will require substantial amounts of energy



and that they must secure such sources of energy in an increasingly competitive environment.

Over the last seven years, the need for energy in China has become acute given last year's sporadic blackouts nation-wide. The booming Chinese economy's need for energy supplemented by failures to cement a Russian pipeline agreement and the assumed loss of a future supplier in Iraq provided the impetus for this last agreement on the Sino-Kazakh pipeline. However, despite increasing efforts to strengthen stability in the region, the unstable political environment was not conducive to investment in such a massive pipeline project before the U.S. deployment to the region. Recent efforts by the Chinese to push forward pipeline construction and engagement efforts should be seen not only as a means to secure access to energy supplies, but also as a means to secure them from at least one potential competitor.

(Scroll to the end of the newsletter to view the endnotes)

NEWS

1) Month in Review

Regional security, counterterrorism, and law enforcement

- The Russian State Duma ratified the agreement on the Shanghai Cooperation Organization (SCO) Regional Anti-Terrorism Center (RATS) that is scheduled to be launched this June. According to reports, the RATS, led by Vyacheslav Kasymov of Uzbekistan, will have a budget of approximately \$1.1 million and will be staffed by 30 people representing their nations share of areas.
- The CIS will expand its usual April exercise, "Southern Shield," into a larger tactical exercise named "Frontier 2004." This exercise will include SCO observers, Russian forces from Kant Airbase, and CSTO Rapid Deployment Forces. It will occur in two stages in Kazakh and Kyrgyz territory as well as test CSTO unified headquarters in Moscow.
- Yang Fengrui, director of the drug control bureau of the Public Security Ministry said that China is ready to sign a cooperation

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agreement against the trafficking of narcotics and chemicals for illegal drug making after reaching a consensus with the other five member states of the Shanghai Cooperation Organization. He also noted that China was discussing bilateral anti-drug cooperation with Russia and Iran.

- The Collective Security Treaty Organization (CSTO) is planning to set up permanent Special Forces to be used in counter-terrorism, counter-drug, and other law enforcement activities. Based on the successes of last year's CSTO anti-drug operations and desire to add more resources to the CSTO, it is still unclear what exact shape this new force will take.
- Sodiq Safaev, Uzbek Foreign Minister told a news conference in Tashkent during U.S. Secretary of Defense Rumsfeld's visit that the U.S. military base in the country will remain at least until the end of the antiterrorism operation in Afghanistan, but it could remain on a permanent basis if needed. Rumsfeld stated that the United States is not seeking a permanent base in Uzbekistan.
- Ismail Tiliwaldi, the chairman of Xinjiang Autonomous Region, said that most of the 11 separatists placed on the mainland's most-wanted list in 2003 had been arrested or killed. There has not yet been a confirmation of this claim.
- China is considering expanding its police assistance force in Afghanistan beyond the one officer currently assigned there.
- On March 11th, representatives of four Central Asian national security agencies (Kazakhstan, Uzbekistan, Tajikistan, and Kyrgyzstan) met in Shymkent, Kazakhstan to hammer out a broad agreement on future regional intelligence cooperation, and also established a permanent working group to coordinate "cooperation during search operations" and the "exchange of operational and analytical information." During a press conference following the meeting, the Kazakh representative noted that a contact group has already been formed between the Central Asian states to jointly combat radical regional groups such as Hizb-ut Tahrir.

Meetings and summits

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- Preparations for the June 11 (June 17 in some reports) SCO summit to be held in Tashkent, Uzbekistan have already begun. During a three day visit to Tashkent to prepare for the meeting and discuss other areas of Uzbek-SCO cooperation, Zhang Deguang, the Secretary General of the SCO, claimed it would be a “a historic event and make a breakthrough in the political, economic, scientific, and cultural life of the SCO nations.” Additionally, the SCO National Coordinators met in Beijing to set out the agenda for the June summit and April Foreign Minister’s meeting. Items to be addressed include the official launch of the RATS, cooperation in the anti-narcotics fields, and the establishment of partnerships with other nation and organization.
- Invitations to attend the June 11th Tashkent summit of the SCO were extended to Afghan President Hamed Karzai and Mongolian President Natsagiyn Bagabandi.
- U.S. Secretary of Defense Donald Rumsfeld paid visits to Kazakhstan, Uzbekistan, and Afghanistan to discuss bilateral military cooperation and the regional security situation.
- Chris Patten, the EU External Relations Commissioner, traveled to Central Asia from 15 to 19 March where he met the leaders Kazakhstan, Tajikistan, Kyrgyzstan and Uzbekistan. While there, Patten discussed bilateral issues, the war on terrorism, economic reform, and democratic reform, among other areas of mutual interest.
- Javier Solana, the EU’s high representative for the EU Common Foreign and Security Policy met with Chinese Foreign Minister Li Zhaoxing in Beijing, as well as with Zhang Deguang, Secretary General of the SCO.
- Liang Guanglie, chief of the General Staff of the Chinese People's Liberation Army (PLA) and Chinese Defense Minister Cao Gangchuan met with Yuriy Baluyevskiy, the First Deputy Chief of the General Staff of the Russian Armed Forces during the eighth round of Sino-Russian military consultations in

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Beijing. Few details were released following the meeting, just that the two nations hoped to deepen cooperation.

- Chinese Foreign Minister Li Zhaoxing will pay an official visit to Moscow on April 22-23 during the SCO foreign ministers meeting.
- Premier Wen Jiabao and Wu Bangguo will travel to Russia separately in the second half of this year, followed by a visit by Russian President Putin to Beijing in the autumn to celebrate 55 years of Sino-Russian relations.
- China's Minister of Foreign Affairs Li Zhaoxing met with Afghan Foreign Minister Abdullah Abdullah in Beijing. The two committed China and Afghanistan to increase cooperation in fighting international terrorism.

Energy, trade, and infrastructure development

- Reuters is reporting that Russia has finally decided to build an oil pipeline from Angarsk to Nakhodka with a branch pipeline to be built to Daqing in China. This scenario favors the Japanese, but offers some concession to the Chinese. It is still unclear if the Daqing fields contain the resources to fill both routes and which line will be completed first, the branch to Daqing or the full line to Nakhodka. For the full story, click [here](#).
- Signaling a new phase in energy cooperation, China and Kazakhstan will step up construction of the Atasu-Alashankou-Dushanzi oil pipeline. This 449-kilometer pipeline sector between Atyrau and Keniyak was mostly completed in 2002. The construction of the pipeline's second phase, about 1,300 kilometers between Atasu and Alashankou, will start in June 2004. China's CNPC Corporation and KazMunaiGaz of Kazakhstan are jointly building the pipeline for approximately \$1.3 billion.
- China's Premier, Wen Jiabao, commented on the great prospects for Chinese-Russian energy cooperation at recent press conference. Notably absent from his remarks was a reference to the proposed Angarsk-Daqing oil pipeline, fueling increasing

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speculation that Russia has decided to ship the oil to its coast at Nakhodka.

- Russian oil giant Yukos, the Chinese National Petroleum Corporation, and Sinopec signed an agreement for Yukos to deliver 6.5 million tons of oil in 2004 and 9 million tons in 2005. It was also reported that China plans to sign a seven-year contract this summer to supply an additional 10 million tons of oil per year to China. In 2003, Yukos sold just 3 million tons of oil to China.
- According to Vice-Minister Zhang Guobao of the State Development and Reform Commission, the 3,900-kilometer-long East-West natural gas pipeline is scheduled for completion and the start of commercial operation by the end of this year. The pipeline will bring gas from Xinjiang's Tarim Basin to China's east coast and may eventually plug into various Central Asian pipelines.
- China and Russia won a bid to be two of the first foreign countries to participate in Saudi energy exploration since 1973.
- Salyan Oil, a joint venture between the State Oil Company of the Azerbaijani Republic (SOCAR) and China National Petroleum Corporation (CNPC), plans to invest \$50 million this year in the Kursengi-Garabagli oil field project.
- Russia rejected China's bid to manage the Russian ports of Posyet and Zarubino in favor of a Russian coal and steel group.
- At a recent meeting among heads of government of the Eurasian Economic Community, nations agreed to harmonize their approach to WTO accession and cooperate in the energy sector.
- A Chinese-Kazakh free trade zone will be created in the border regions of the Yili Kazak Autonomous Prefecture in China's Xinjiang province and Alma-ata, Kazakhstan. Several manufacturing and IT companies have announced their intention to move production to this area.

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- China's Dzhum-Shui has reopened the Ashgabat Silk Spinning Mill in Turkmenistan. The complex is the biggest producer of silk in Turkmenistan and produces about 2,500 tonnes a year.
- Chinese anti-dumping duties on cold- rolled steel could inflict losses of up to \$6 million a month on Russia's biggest steel mill, Magnitogorsk Metallurgical Combine (MMK), according to the company.
- Beginning in the spring of this year, China will rent nearly 7,000 hectares of Kazakh land for 10 years in Ala-Kol County. China will send farmers from Yili Prefecture in Xinjiang to till the land.
- A new railroad is being planned to link China, Kazakhstan, and Europe (details below).

Society

- In an effort to strengthen education cooperation, an Uzbek delegation met Chinese Minister of Education Chzhou Zi, Shanghai and other Chinese education leaders. The officials agreed to increase the quota for Uzbek students in Chinese universities, to the development of IT collaboration, and the opening of a Chinese language center in Uzbekistan.

SELECTED ARTICLES FROM OTHER PUBLICATIONS

2) **Oil-Rich US Ally Kazakhstan Looks to China**

By Sergei Blagov

Asia Times

February 26, 2004

http://www.atimes.com/atimes/Central_Asia/FB27Ag01.html

“While Kazakhstan is keen to maintain its "important military-to-military relationship" with the United States, when it comes to business, Astana is not afraid to look to its eastern neighbor and US rival, China. Especially when it comes to a major new oil pipeline from western Kazakhstan to China...”



3) Is India China's imaginative rival?

People's Daily
February 23, 2004

http://english.peopledaily.com.cn/200402/23/eng20040223_135584.shtml

“As the two most populous countries of ancient civilizations China and India are often brought up for comparison. The hottest issue in question is whether India is going to be an imaginative rival of China. The following is an interview with Tian Wei, first secretary of the Chinese Embassy in India on this question...”

4) AP: Uzbek Official Welcomes U.S. Forces

By Burt Herman
The Associated Press
February 21, 2004

<http://www.washingtonpost.com/wp-dyn/articles/A60390-2004Feb21.html>

“Uzbekistan will allow the United States to keep military forces here as long as needed for operations in Afghanistan, and would consider a permanent U.S. outpost if Washington...”

5) Central Asia: HIV In Prisons Poses Threat To Public Health

By Antoine Blua
RFE/RL
February 23, 2004

<http://www.rferl.org/featuresarticle/2004/2/D32A326F-5EB8-4CED-9264-D9EDEA9769E1.html>

“A two-day conference on HIV/AIDS in Europe and Central Asia starts today in the Irish capital, Dublin. Some activists are using the opportunity to focus on HIV/AIDS in the region's prisons...”

6) Interview with Prominent Uighur Human Rights Activist in Kyrgyzstan

IRIN



January 30, 2004

<http://www.times.kg/news/1100741.html>

“After the collapse of the Soviet Union in 1991, five newly independent states emerged in Central Asia. The presence of these states stimulated a separatist movement among the Uighur minority in neighbouring China's Xinjiang Uighur Autonomous Region. Uighurs are a Turkic, Sunni Muslim people, with close cultural and linguistic ties to other ethnic groups in Central Asia, including Kyrgyz, Kazakhs, Uzbeks and Turkmen...”

7) Kyrgyzstan: Drugs Rising Menace to Nation

By Barry Schweid
The Associated Press
February 25, 2004

<http://www.washingtonpost.com/wp-dyn/articles/A6356-2004Feb25.html>

“Drugs from Afghanistan and a fervent Islamic fundamentalism that has attracted more than 3,000 adherents are growing menaces to Kyrgyzstan, the foreign minister of the former Soviet republic said Wednesday...”

8A) American Bases In The Former Soviet Union?

Stephen Blank
Central Asia - Caucasus Analyst
February 25, 2004

http://www.cacianalyst.org/view_article.php?articleid=2148

“Since the United States acquired bases in Central Asia after the attacks of September 11 Russia, China, and Iran have all frequently attacked the idea that these bases might remain after the war on terrorism. Chinese President Jiang Zemin denounced these bases on a state visit to Iran in 2002. Since then, the drumbeat of warnings have continued. More recently, the linkage between Washington’s ongoing redefinition of its global basing structure and the likelihood of NATO’s further advance into the former Soviet Union has led Moscow to adopt still tougher



rhetoric, especially with regard to Georgia and Azerbaijan, about the possibility of such bases and the threat they allegedly portend....”

8B) Facing The Russian Rhetoric In Eurasia

Ariel Cohen
Central Asia - Caucasus Analyst
February 25, 2004

http://www.cacianalyst.org/view_article.php?articleid=2150

“Vladimir Putin sent shivers down the spine of CIS leaders on February 12 when he declared the demise of the Soviet Union a "national tragedy on an enormous scale." The nostalgia for the collapse of the Soviet empire was genuine and not pre-election rhetoric: "The breakup of the Soviet Union is a national tragedy on an enormous scale," from which "only the elites and nationalists of the republics gained," Putin said in a nationally televised speech. Is Russia going to operationalize this nostalgia? Will a new robust policy in the CIS go beyond traditional diplomacy? What responses CIS states will pursue? And what options Washington has to counter this rhetoric..?”

9) Rumsfeld Wraps Up Visit To Uzbekistan, Kazakhstan

By Antoine Blua
RFE/RL
February 26, 2004

<http://www.rferl.org/featuresarticle/2004/2/0FDCDEFF-FEF7-4879-B86F-51EC52A54601.html>

“U.S. Defense Secretary Donald Rumsfeld paid a visit to Central Asia this week aimed at strengthening military ties and assessing future security needs. RFE/RL looks at the visit and what it accomplished in Uzbekistan and Kazakhstan...”

10) E-Notes: Heartland Geopolitics and the Case of Uzbekistan

By Chris Seiple
Foreign Policy Research Institute
January 25, 2004

<http://www.fpri.org/enotes/20040125.asia.seiple.mackinderuzbekistan.html>



“One hundred years ago tonight, Sir Halford John Mackinder presented his paper, “The Geographical Pivot of History” (published in the April 1904 *Geographical Journal*) to London’s Royal Geographical Society. He argued that the ‘closed heartland of Euro-Asia’ was the ‘pivot’ of global balance and told his audience that control of the Eurasian heartland meant, ‘You will be able to fling power from side to side of this area. My aim is to make a geographical formula into which you could fit any political balance...’ ”

11) Kyrgyzstan a Terrorist Sanctuary

By Kadyr Toktogulov
The Associated Press
March 2, 2004

<http://www.washingtonpost.com/wp-dyn/articles/A21499-2004Mar2.html>

“This Central Asian nation hosting U.S. troops is a preferred sanctuary for an al-Qaida-linked terrorist group because of loose border controls and widespread corruption, convicted...”

12) China's material needs: The hungry dragon

The Economist
February 19, 2004

http://www.economist.com/business/displayStory.cfm?story_id=2446908

“After difficult times that had lasted nearly a decade, mineral and metals producers from around the world have seen their fortunes improve spectacularly during the past year. They largely have China's booming economy to thank for this. In 2003, China's GDP grew by a reported 9.1%, its fastest rate since 1997—driven by the material-intensive construction and automotive sectors. Ravenous China's oil imports rose by 30% last year, exceeding Japan's to become second only to America's. China accounted for half of the world's consumption of cement, 30% of its coal, and 36% of its steel (of which imports jumped by 50%), according to China's National Bureau for Statistics. Copper imports rose by 15%, and nickel imports more than doubled. This helped to lift *The*



Economist metals-price index by around half from a year ago, and by 75% from its low after September 11th 2001...”

13) Russia and China get Saudi gas deal

By Simon Romero
International Herald Tribune
March 8, 2004

<http://www.iht.com/articles/509136.htm>

“ Saudi Arabian officials said Sunday that they were seeking to strengthen political and economic ties with China and Russia after reaching agreements allowing energy companies from those countries to be among the first foreigners to explore its natural gas reserves since the 1973 oil crisis...”

14) Car Culture Captivates China: Sales Boom Along With Potential Problems

By Peter S. Goodman
Washington Post
March 8, 2004

<http://www.washingtonpost.com/wp-dyn/articles/A38899-2004Mar7.html>

“A decade ago, Chen Haiyan went about the city the same way as most of her compatriots -- on a one-speed bicycle. Today, her mode of transport still keeps with the times, but now it is a \$100,000 silver BMW sedan...”

15) Experts: Power crunch not easy to solve in China

People's Daily
March 9, 2004

http://english.peopledaily.com.cn/200403/09/eng20040309_136936.shtml



“Facing a severe power crunch, senior experts and advisors hailed the government's move to rein runaway investment in sectors that use too much electricity and boost the power supply...”

16) Central Asian countries are of strategic importance – EU official

UzReport.com

March 12, 2004

http://www.uzreport.com/En/index.cfm?act=1&news_id=12122

“The European Union’s Commissioner for External Relations Christopher Patten, who will visit four Central Asian states on 15-19 March, said that Central Asian countries are of strategic importance...”

17) Putin to expand strategic partnership with China

By Sergei Blagov

Asia Times

March 12, 2004

http://www.atimes.com/atimes/Central_Asia/FC12Ag01.html

“President Vladimir Putin, certain of re-election to a second term, evidently intends to expand Russia's strategic ties with China in military sales and economic cooperation between the two Asian giants. Still, some divisive issues remain, such as the likely awarding of a major Siberian oil pipeline to Tokyo, not Beijing. The United States is watching closely and warily as the former communist allies forge powerful new ties in Asia and view Washington as a potential menace...”

18) ‘Peaceful rising’ seeks to allay ‘China threat’

By Bruce Klingner

Asia Times

March 12, 2004

<http://www.atimes.com/atimes/China/FC12Ad01.html>

“Beijing has adopted a new diplomatic approach as a way of gaining regional acceptance for its expanding sphere of influence and to counter foreign, primarily US, warnings of the "China threat". Chinese media



have articulated a policy of *heping jueqi* ("peaceful rise" or "peaceful ascendancy") that is linked to the leadership of President Hu Jintao. By expounding on its peaceful intentions to explain last year's flurry of diplomatic and economic initiatives, Beijing seeks to allay Asian worries over the Chinese dragon's lengthening shadow. In addition, by highlighting how China's growing economic strength will benefit the less developed countries of Southeast Asia and Central Asia, Beijing is working to gain their active engagement in China's economic plan..."

19) Foreign Policy: Continuity Is The Word

By Dmitry Kosyrev
RIA Novosti
March 10, 2004

<http://www.cdi.org/russia/>

"The appointment of Sergei Lavrov as foreign minister and the transfer of his predecessor, Igor Ivanov, to the Kremlin were among the loudest signals given by the president. They mean that Russia's foreign policy will not change because it does not need radical reform. Indeed, when a department or sector needs reform, Putin appoints a complete newcomer there, as has happened with the Ministry of Culture and Mass Communications, which is now led by the former rector of the Moscow Conservatory, Alexander Sokolov. An older example is the appointment of Sergei Ivanov, who was not directly connected with the armed forces, to the post of defence minister, which he has retained in the new cabinet..."

20) China optimistic on ties with India

By P. S. Suryanarayana
The Hindu
March 15, 2004

<http://www.thehindu.com/2004/03/15/stories/2004031506491100.htm>

"The Chinese Prime Minister, Wen Jiabao, today expressed "confidence" about the possibility of settling the boundary dispute with India on the basis of the principle of "peaceful coexistence." He envisioned the possibility of friendship and partnership between the two countries..."



21) Urumqi Journal: On Old Silk Road, Condos, Mosques and Ethnic Tensions

By Howard W. French
The New York Times
March 16, 2004

<http://www.nytimes.com/2004/03/16/international/asia/16URUM.html>

“On a big public square dominated by this city's huge gold-domed theater, taxis honk their way through slushy, chaotic streets, stopping to take on passengers laden with bundles of walnuts, almonds, dates and dried plums purchased at open stalls...”

22) Security Is 'Key Priority' in EU-China Talks: Solana

Xinhua News Agency
March 16, 2004

<http://www.china.org.cn/english/international/90416.htm>

“Fighting terrorism and international organized crime is among the "key priorities" in upcoming talks between the European Union (EU) and top Chinese leaders, EU foreign affairs and security chief Javier Solana said in Brussels Monday...”

23) New railway linking China, Europe to be built

People's Daily
March 17, 2003

http://english.peopledaily.com.cn/200403/17/eng20040317_137766.shtml

“Kazakhstan will kick off construction of a new railroad this year to link China up with Europe for facilitating transportation between Asia-Pacific and European countries, a vice-president of Kazakhstan Railway Co., Ltd announced on March 12, who was in Hong Kong raising funds for the project...”

24) The EU And China - The Need For EU-U.S. Coordination

By Michael Yahuda
CSIS/Freeman Report
February 2004



<http://csis.org/china/index.htm>

“As Europe-China relations deepen – EU-China trade is set to exceed U.S.-China trade – and as the EU continues to debate the question of arms sales to China, it is more pressing than ever to deepen the trans-Atlantic dialogue on China and East Asian issues more generally...”

ENDNOTES

- (1) Yardley, Jim. “China’s Economic Engine Needs Power (Lots of It),” *New York Times*, March 14, 2004. <www.nytimes.com/2004/03/14/weekinreview/14yard.html> Accessed March 15, 2004.
- (2) “CNPC Shelves China-Kazakhstan Oil Pipeline,” *Oil & Gas Journal*, 97.35, August 30, 1999, p. 44.
- (3) “China Eyes Iranian Swaps for Its Kazakh Crude,” *Central Asia-Caucasus Analyst*, September 28, 2003. <http://www.cacianalyst.org/view_article.php?articleid=1726> Accessed Feb. 25, 2004.
- (4) U.S. Energy Information Administration, “Iraq Country Briefing,” March 2004.
- (5) China’s Zhuhai Zhenrong Corp. signed a U.S. \$20 billion framework agreement on March 18, 2004 to purchase natural gas from Iran over the next twenty-five years. This marks another chapter in Sino-Iranian energy cooperation. Iran is already China’s second largest oil provider.
- (6) However, it should be noted that China has a long history of providing Saudi Arabia with missile technology going back to 1988. This strategy has apparently worked to take advantage of the recent cooling in U.S.-Saudi relations as a new agreement signed March 7,

China-Eurasia Forum



2004 allows Chinese firms to work in Saudi Arabia to exploit Saudi natural gas reserves.

- (7) Kiesling, Lynne and Joseph Becker. "Russia's Role in the Shifting World Oil Market." Policy Brief, Cambridge, MA: Caspian Studies Program, May 2002, p. 4.
- (8) There has been significant talk of a "Pan-Asian Global Energy Bridge" including the Middle East, Central Asia, Russia, and East Asia over the last several years in both news articles and scholarly sources. For a detailed, but somewhat outdated, analysis, see Gaye Christoffersen, "China's Intentions for Russian and Central Asian Oil and Gas," *The NBR Analysis*, 9.2, March 1998.
- (9) Collins, Kathleen and William Wohlforth, "Central Asia: Defying 'Great Game' Expectations" in Richard J. Ellings and Aaron L. Friedberg with Michael Wills, *Strategic Asia 2003-2004: Fragility and Crisis*, Seattle, WA: The National Bureau of Asian Research, 2003, pp. 291-320.
- (10) Meng Xiangqing, "Lectures on Chinese Security and Military Strategy," Tsinghua University, March 3, 2004.