

China, Kazakh Energy, and Russia: An Unlikely M^{énage à Trois}

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On the face of it China should not encounter unusual difficulties in buying equity stakes in Kazakh energy assets that are for sale on the market. Both states are members of the Shanghai Cooperation Organization, bilateral trade is steadily growing, and Russia and China are very clearly strategic partners who are uniting against the American military-political presence in Central Asia. Yet China has met with every conceivable kind of obstacle to the objective of obtaining reliable supplies from and access to Central Asian, and especially Kazakh, energy sources. China has encountered Kazakhstan's and Russia's growing insistence on national and state control of their valuable strategic assets, and the Kazakh population's irritation at the presence of Chinese managers and companies overseeing their workers and owning their land, and Russian opposition to China's direct presence in Kazakhstan's market.

Amid the burgeoning interest in China's efforts to obtain reliable energy access, the difficulties Chinese firms and the Chinese government have met with here suggest that China will have mounting problems ensuring that access, meeting domestic demand, and in not paying exorbitant prices for energy in order to ensure that access. At the same time, a close examination of China's ties to Central Asian states, not just energy producers like Kazakhstan, suggests that we should not be unduly surprised at this outcome and China's difficulties.

China's relatively unfavorable energy situation and efforts to rectify it could create serious problems for its international relations in Central Asia. After all, Central Asian governments and elites know what to expect from Beijing. Several Western observers clearly believe that China seeks hegemony there and anticipate its future arrival. Already in 1994 Ross Munro wrote that, "There is no uncertainty about China's intention and ability to play a major role in Central Asia for the foreseeable future. Even if China's vision of a modern Silk Road is never realized, an economically dynamic and militarily ascendant China seems

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destined to exert tremendous influence over neighboring Kazakhstan and Kyrgyzstan.”¹

Similarly Chinese observers clearly look to Chinese hegemony over Central Asia. By 2001 analysts like Guancheng Xing were assigning China a “leading” role in facilitating this integration with Asia. Indeed, he openly invoked the analogy drawn from the well-known Japanese theory that Japan was to be the lead goose in an analogy of East Asian economies which resembled flying geese. Hence China would be the lead flying goose for the fledgling Central Asian economies traveling in its wake. Moreover, he fit this analysis into the by then established official view of China as both a developing economy and key component of a pan-Asian land bridge for energy and other goods and with Xinjiang’s development. According to his analysis Central Asia’s economic relations with China should not be concentrated in Xinjiang lest that region think about some form of economic independence or affiliation with Central Asia. Rather that trade should be with all of China and go through large Chinese firms.

Thus China, “Should become a guide and a kind of courier station for the Central Asian states in their dealings with the Pacific countries and guide them to more economic cooperation and trade contacts in the Pacific. The ‘second Eurasian bridge’ is an important route for China to guide the Central Asian states through to the Pacific...China should ensure that the economic development of its north-western part is connected not only with that of Central Asia but also with overall economic development in Eurasia. Looked at in this way, there is stronger motivation and greater scope for its economic relations with the Central Asian states.”² He also claimed that such a relationship benefits Central Asian states, an argument that they reject. As most Chinese economic trade is with Kazakhstan and Kyrgyzstan, their reluctance to become even more dependent on China clearly irks Beijing as he observed in 1998.³

However that reluctance is well founded given China’s hegemonic behavior in the region. For example, China’s economic and trade policies aim to tie Central Asian states into an expanding trade with the PRC and give them significant economic motives for not supporting Xinjiang’s unrest lest Beijing terminate that lucrative trade and investment. Beijing’s line that friendship with China means that support for such

¹ Ross H. Munro, “Central Asia and China,” Michael Mandelbaum Ed., *Central Asia and the World* (New York: Council on Foreign Relations Press, 1994), 236.

² Guancheng Xing, “China and Central Asia,” Roy Allison and Lena Jonson, Eds., *Central Asian Security* (Washington, D.C.: Brookings Institution Press, 2001), 157-158.

³ Guancheng Xing, “China and Central Asia: Towards a New Relationship,” Yongjin Zhang and Rouben Azizian, Eds., *Ethnic Challenges Beyond Borders: Chinese and Russian Perspectives of the Central Asian Conundrum* (New York: St. Martin’s Press, 1998), 47.

insurgent movements is unacceptable clearly exploits economic programs whose underlying premise should be mutual gain rather than for China's unilateral political benefit. So while Chinese specialist writings on foreign affairs and economics have discovered the concept of win-win relationships and mutual gain, Beijing's drive for political advantage vis-à-vis weaker Central Asian governments who need the Chinese market aims at securing critical advantages, not just an end to unrest in Xinjiang but also the creation of a sphere of relationships, if not influence that constrains local options vis-à-vis Beijing as Guancheng Xing stated above. In pursuing these goals China is not shy about employing unilateral coercive measures to achieve its goals. Thus China holds foreign businessmen from Central Asia as "Collateral", i.e. hostages for their governments' good behavior on Xinjiang-related issues.⁴ Despite both sides' mutual gain from expanded trade and investment, China uses its stronger position to leverage relative political gains that contradict what these states might otherwise freely do.

Under the circumstances it is not surprising that energy producers are wary of what Chinese objectives might be above and beyond purely market relationships. Indeed, in his State of the Union speech on February 18, 2005, President Nursultan Nazarbayev of Kazakhstan explicitly stated that, "Today we are witnessing superpower rivalry for economic dominance in our region. We have to address correctly this global and geoeconomics challenge. We have a choice between remaining the supplier of raw materials to the global markets and wait [ing] patiently for the emergence of the next imperial master or to pursue genuine economic integration of the Central Asian region. I choose the latter."⁵

While Nazarbayev's warnings were intended as much at Washington as they were for Beijing and Moscow, fear of Washington's policy of support for democratization across the former Soviet Union hardly will lead Central Asian governments to prefer subordination to Moscow or Beijing in place of ties to Washington. This wariness about Chinese objectives is exacerbated by the peculiarities of China's approach to the energy issue. First of all, although China's preferred instrument for most political transactions in Central Asia is the Shanghai Cooperation Organization (SCO); it has not figured in Beijing's energy acquisitions. Despite its talk of multipolarity in world politics, China will not multilateralize discussions about its access to energy. Instead it prefers

⁴ Farangis Najibullah, "Kyrgyzstan: China Keeps Nationals and Business' Collateral'," *Radio Free Europe Radio Liberty*, July 21, 2003<www.rferl.org//nca/features/2003/07/21072003153733> (July 21 2003).

⁵ Cited in Stephen Blank, "Kazakhstan's Foreign Policy in a Time of Turmoil," *Eurasia Insight*, April 27, 2005.

bilateral discussions with energy producers because it is in that context that it can most effectively maximize its leverage upon the individual producer.

Second, China's policy aims at maximizing the reliability of long-term supplies through control of the product or of equity stakes in the producing company from wellhead to terminal. Since China does not fully trust market forces, its energy acquisitions eschew the logic of Western purchasers. Instead Chinese oil and gas strategy follows a different logic. For example, it increasingly ties equity investment to long-term supply contracts to ensure reliable supply and guard against price shocks. As Phillip Andrews-Speed and Sergei Vinogradov concluded, "The key driving force from the government's point of view is the desire to enhance the security of the country's petroleum supply through owning both the resource in the ground and, where relevant, the transport network."⁶ Normally China seeks a percentage of annual oil output by becoming a direct investor or shareholder to shield itself against significant price fluctuations for oil imports. Building up a strategic petroleum reserve also aims to ensure reliable supplies at accessible prices. China also invests heavily in buying pipeline networks at home and abroad to control the oil and gas shipped from Central Asia, the Gulf, and Russia.

But failing to obtain reliable access and control, China's only avenue of escaping excessive dependence upon any one producer or region is to diversify its sources of global access to energy. China also consistently sells arms and even missile or nuclear technology to energy producers, e.g. Iran, Iraq, Saudi Arabia, and Sudan. China's willingness to provide military assistance and even to commit its own forces beyond its borders to Central Asia as stipulated in the 2001 treaty creating the SCO closely accords with this pattern and suggests a potentially forceful reply or increased support for missile and even nuclear proliferation in reply to threats to its energy supplies. Not only does this approach make Central Asian states nervous, it has to raise Russian fears as well because Russian control over Central Asian energy is a vital interest of the regime whose economic growth and freedom of maneuver in world politics depend crucially on its ability to monopolize CIS production, refining, pipelines, and sales. Thus Russian contemplation of long-term trends connected with China's economic activities in Central Asia is influenced by its knowledge that only China has the long-term means and local presence

⁶ Philip Andrews-Speed and Sergei Vinogradov, "China's Involvement in Central Asian Petroleum: Convergent or Divergent Interests?" *Asian Survey* XL, 2 (March-April, 2000): 390.

to challenge Russia's presence in Central Asia even if it now accepts Russian leadership there.⁷

China and Kazakhstan

China's record of achievement in Central Asia and for that matter elsewhere in Asia is spotty.⁸ China has bought equity in fields in Azerbaijan and Kazakhstan. In late 2002 China National Petroleum Company (CNPC) acquired a 50 percent share in Salyan oil through its various affiliates and in January, 2003 CNPC acquired a 31.41 percent share in the Azeri project "Canub-Qarb Qobustan."⁹ CNPC and Sinopec, a publicly listed oil and chemical firm are both seeking properties there and in the Caspian Sea. These projects hardly give China a commanding position in Azerbaijan's energy holdings and do not overcome the difficulty of getting reliable access to pipelines.

China's efforts to gain leverage and access to Kazakhstan's holdings have been more checkered. In 1997 CNPC purchased a 60 percent stake in the Aktobemunaigaz firm of Kazakhstan which was intended to be the source for an oil and gas pipeline extending from Aktyubinsk in Aktobe province to Alashankou. Yet this project encountered several difficulties to the point where in 1999 there was talk of its cancellation.¹⁰ Since then the project has been retrieved, not least because of Russia's failure to deliver on its promised oil pipeline. Now it has greater priority so that the pipeline is now being built to Keniak in Xinjiang from where eventually it will connect to Atyrau and with China's interior.¹¹ This is the centerpiece of China's present holdings with regard to Kazakhstan

⁷ Stephen J. Blank, *Energy, Economics, and Security in Central Asia: Russia and Its Rivals* (Carlisle Barracks, PA: Strategic studies Institute, US Army War College, 1995), 30.

⁸ Henry Kenny, "China and the Competition for Oil and Gas in Asia," *Asia-Pacific Review* 11, 2 (2004): 36-47.

⁹ Hong Kong, *AFP*, in English, April 15, 2002, Foreign Broadcast Information Service Central Eurasia (Henceforth *FBIS SOV*), April 15, 2002; Baku, *Echo*, in Russian, November 29, 2002, *FBIS SOV* November 29, 2002; Baku, *MPA*, in Russian, January 28, 2003, *FBIS SOV*, January 28, 2003; Ariel Cohen, "China's Quest for Eurasia's Natural Resources," *United Press International*, March 5, 2003.

¹⁰ Almaty, "Delovaya Nedelya, in Russian," May 8, 1998, *FBIS SOV*, May 19, 1998; Hong Kong, *South China Morning Post (Business Post)* in English, June 7, 1999, *FBIS SOV*, June 7, 1999; Moscow, *Izvestiya*, in Russian, August 19, 1999, *FBIS SOV*, August 20, 1999; Andrei Chebotarev, "Kazakhstan: Priority Oil Routes," *Central Asia and the Caucasus* 3, 9 (2001): 29-30; Michael Lelyveld, "Kazakhstan: Oil Pipeline to China a Victim of Diplomatic Dispute," *Radio Free Europe Radio Liberty*, September 20, 2001.

¹¹ *Ibid.*; Cohen, "China's Quest for Natural Resources," *United Press International*, March 5, 2003; Xu Yihe, "China Energy Watch: Oil Hunt Goes On- The Kazakh Option," *Dow Jones Energy Service*, January 15, 2003; Marat Yermukanov, "Kazakhs Fear Chinese 'Creeping Expansion,'" *Central Asia Caucasus Analyst*, June 2, 2004; "Kazakhstan Inks Oil Pipeline Agreement With China," *Eurasia Daily Monitor*, May 19, 2004.

but it costs an enormous amount to build this pipeline through rugged and austere terrain and to secure it against natural and man-made disruptions. This project also underscores the vagaries of trying to line up equity in Central Asian energy since once this contract was signed and the difficulties of terrain and of labor strife began to appear, Russian companies like Yukos offered China oil and gas, to deprive Kazakhstan of a potentially enormous market and force it into greater dependence upon Moscow, an outcome that suited neither Beijing nor Astana.¹²

But in 2003 the situation changed for both countries. The full significance of China's dependence upon foreign gas and oil from Russian sources became clear. The war in Iraq underscored the vulnerability of supplies from the Persian Gulf just as it became clear that Putin would destroy Yukos for domestic political reasons and that the line from Angara to Daqing would not be built. Meanwhile energy prices steadily rose and Kazakhstan's economy exploded, outgrowing the shackles that Moscow had tried to fasten for it. China also learned a major and unpleasant lesson in 2002-03 when Western companies excluded it from the bidding for lucrative holdings in the Kashagan fields in Kazakhstan and the Caspian Sea. Therefore both states reforged their energy ties in 2003.¹³

By 2003 China had initiated its own strategic petroleum reserve and was negotiating big deals with Australia, Saudi Arabia, and Iran. It had concluded negotiations with an international consortium to develop and ship natural gas in the mammoth West-East pipeline to take gas from Xinjiang to Shanghai that offered it opportunities for further purchases of equity holdings in Central Asian gas finds and existing fields.¹⁴ Pipeline construction on the Atasu-Alashankou pipeline which is part of the pipeline from Aktyubinsk to Alashankou likewise accelerated. Kazakh oil and gas became more attractive because, "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.

¹² Andrei Chebotarev, "Kazakhstan: Priority Oil Routes," *Central Asia and the Caucasus* 3, 9 (2001): 29-30

¹³ Keith Bradsher, "China Buys 2nd Stake in Huge Oil Field in Caspian Sea," *New York Times*, March 11, 2003.

¹⁴ David Hsieh, "Mega-Pipeline Paving the Way For China's Shift to Gas," *The Straits Times*, July 7, 2002, Retrieved from Lexis-Nexis; Keith Bradsher, "Energy Companies Agree on Trans-China Pipeline," *New York Times*, July 4, 2002.

However, that pipeline (Atasu-Alashankou) seems poised for completion.”¹⁵

China will probably retain its interests in both programs to maintain ties to both countries, and avoid excessive dependence upon any one supplier or pipeline. However, there is much local resentment of Chinese high-handedness toward the local population, labor policies, economic penetration of what is one of Kazakhstan’s poorest provinces, and fears that Chinese workers will privatize the land that is now being sold out of government control. Thus Kazakhstan would like to get a 51 percent controlling share in any oil pipeline construction to China.¹⁶ So it remains uncertain that all will go well with what has been a troubled project for which China greatly overpaid to begin with. More recently China has sought to buy Petrokaz¹⁷ from its former Canadian owners.

Just as Washington reacted strongly and negatively to Chinese efforts to buy Unocal and thereby gain access to its Southeast Asian oil fields, Kazakhstan’s reaction, described below, has turned increasingly negative with legislative and political pressure being brought to bear upon the government to take control of this and other energy firms so that Kazakhstan’s most strategic asset, energy, does not pass into foreign hands. Worse yet, Lukoil, Russia’s main oil firm, also tried, ultimately abortively, to tie the sale up in a Canadian court.¹⁸ Thus once again Russia has made forcefully clear its opposition to China’s control over Central Asian energy sources. Lukoil’s action is, however, perfectly consistent with previous Russian policies toward Chinese efforts to gain reliable access to Central Asian energy.

Russian energy producers have steadily rebuffed China’s projects for obtaining energy supplies. Russian officials have again recently reiterated their opposition to being merely China’s source for raw materials and demand equal status in economic-technological exchanges with China.¹⁹ Russia is also determined to maintain autarchic control over energy firms its strategic resource and to be able to manipulate prices in

¹⁵ Peter Mattis, “China’s New Push for Energy,” *CEF Monthly* (March, 2004).

¹⁶ Marat Yermukanov, “Kazakhs Fear Chinese ‘Creeping Expansion,’” *Central Asia Caucasus Analyst*, June 2, 2004; John C.K. Daly, “UPI Energy Watch,” *UPI*, April 13, 2004, Retrieved from Lexis-Nexis.

¹⁷ Editor’s note: Petrokaz is also known as PetroKazakhstan Inc.

¹⁸ “Kazakhs Seek “Strategic Control“ Over Petrokaz,” *Central Asia Caucasus Analyst, News Section*, September 21, 2005; “CNPC’s Takeover of Petrokaz in Court Limbo,” *Business-Times Asia*, October 24, 2005, <<http://Business-Times.asia.com/sg/sub/news/story/0,4574,173474,00.html>> (October 24 2005); Isabel Gorst, *Financial Times*, October 19, 2005, p. 312, Retrieved from Lexis-Nexis; “China Wins Approval for Kazakh Oil Acquisition,” *Radio Free Europe Radio Liberty Features*, October 27, 2005.

¹⁹ Sergei Blagov, “Russia Wants to Be More than China’s Source for Raw Materials,” *Eurasia Daily Monitor*, September 30, 2005.

its favor by being a monopolistic producer. Sergei Kuprianov, the Press Secretary for Gazprom, stated in 2004 that, "Sharing mineral resources with foreign companies is against our policy...In fact, sharing oil with the Chinese would be even more inappropriate. After all, their stake in Yuganskneftgaz (the former main asset of the now defunct Yukos energy company-author) could complicate future price negotiations (for oil purchased by CNPC)." ²⁰

Previously these officials also blocked the sale of Slavneft to China, successfully destroyed Yukos, the company that favored a direct Russo-Chinese oil sale and pipeline from Angara to Daqing, and for some time appeared to be winning the policy struggle over oil sales to Asia by proposing a much more expensive, but partly subsidized by Japan, pipeline to Nakhodka.²¹ Chinese buyers would then have to buy from Japan rather than directly from Russia. Similarly Russian and American energy companies have obstructed and are still obstructing China's efforts to buy energy holdings in Central Asia.²² While Russia is perfectly happy to sell more and more of its own energy to China directly, it resists either Chinese moves towards equity stakes and hence ownership or control in Central Asian energy markets, or the potential independence of Central Asian producers.²³ If they can sell to whomever they choose, Moscow's leverage and power over them immediately declines substantially thus putting the entire imperial project for the CIS in question. Hence monopolization of energy sales from Central Asia is an essential component of Russian neo-imperialism there and in regard to China, one of Russia's few options for gaining some leverage vis-à-vis China. As for China, since it cannot obtain equity stakes in those holdings it must accept dependence, against its instincts, on foreign producers and sellers.

Therefore despite protestations of mutual identity of interests and eternal friendship in high-level Sino-Russian meetings, the reality in energy and economics has been actually mutual suspicion and tough bargaining.

²⁰ Aleksandr' Tuttushkin, Irna Reznik, Rodion Levinsky, "Without a Struggle Gazprom Talked china Out of Bidding on Yuganskneftgaz," *Vedomosti*, December 10, 2004, *FBIS SOV*, December 10, 2004.

²¹ U.S.-China Economic and Security Review Commission 2004, Report to Congress, p. 157.

²² Shiping Tang, "Economic Integration in Central Asia: the Russian and Chinese Relationship," *Asian Survey* XL, 2 (2000): 360-376, and the sources cited there; "Statement of Dean P. Girdis," *China's Energy Needs and Strategies: Hearing Before the U.S.-China Economic and Security Review Commission*, October 30, 2003, pp. 45, 51.

²³ "Russia Agrees to Nearly Double Oil Exports to China," *Radio Free Europe Radio Liberty Newswire*, November 8, 2005; "Russia, China to Launch New Energy Projects," *RIA Novosti*, November 7, 2005 <www.en.rian.ru/Russia/230051107/42012572.html> (November 7 2005).

President Vladimir Putin has at least twice publicly voiced suspicion of Chinese economic power in Asia and Russian officials have publicly opposed any Chinese military presence in Central Asia.²⁴ While China carefully avoids overt acts that trigger suspicions about its goals in Central Asia and clearly supports Russia's dominant position there, facts on the ground suggest mutual irritation and suspicion and not just in energy issues.²⁵

Chinese policymakers face a dilemma. They can rely largely upon Russian energy but then would depend on a state they perceive as increasingly unreliable. Russian leaders want to sell China this energy because they want the market and the leverage on China that it provides since they otherwise only can use arms sales as leverage vis-à-vis China. But doing so then angers Japan and leaves Russia dependent upon a single, monopolistic consumer. Although the most recent evidence suggests that the Siberian pipeline will probably go first to China and only then to Japan, Russia's constant flirtations with both states make this an inherently unstable situation that could deteriorate for both political and economic reasons, e.g. Russia's continuing interest in a Japanese market.²⁶

Simultaneously, although talks with Russian suppliers continue concerning projects in Russia or cooperative ventures abroad, this dependence contradicts Chinese policy that seeks to maximize the reliability of long-term supplies, even to the extent of sending Chinese military forces disguised as oil workers, to guard their foreign investments, as in Sudan.²⁷ As China is being forced into dependence upon outsiders, it has reacted accordingly by trying harder to globalize its investments. Thus it is hardly surprising that it tried to buy Unocal in the U.S. market and Petrokaz, a major Canadian owned firm with sizable holdings in Kazakhstan.

²⁴ "President Putin Urges Radical Changes in Policy in Russian Far East," *ITAR-TASS*, July 21, 2000, Retrieved from Lexis-Nexis; "China Could Compete with Russia in Transport Project Involving Korea, Trans-Siberian Railroad," *Interfax*, August 29, 2002, Retrieved from Lexis-Nexis; Interview with Deputy Foreign Minister Vyacheslav Trubnikov, Moscow, *Nezavisimaya Gazeta*, (in Russian), May 12, 2004, *FBIS SOV*, May 14, 2004.

²⁵ *Ibid.*; Shiping Tang, "Economic Integration in Central Asia: the Russian and Chinese Relationship," *Asian Survey*, XL, No. 2, (2000): 360-376.

²⁶ "Siberian Pipeline to go to China First," *Alexander's Oil & Gas Connections*, September 28, 2005, <www.gasandoil.com/goc/new/nts53998.htm> (September 28 2005).

²⁷ "Gazprom and CNOOC in Discussion to Cooperate," *Alexander's Oil & Gas Connection*, October 11, 2005, <www.gasandoil.com/goc/company/cnr54196.htm> (November 1 2005); "Gazprom and CNPC Mull Cross-Border Gas Pipeline," *Alexander's Oil & Gas Connections*, October 11, 2005, <www.gasandoil.com/goc/company/cnr54106.htm> (November 1 2005).

The Petrokaz Saga

Here again the same problems arose again. No sooner did a Canadian court dismiss Lukoil's lawsuit against CNPC's purchase of Petrokaz, Nelson Resources Ltd. a Bermuda based energy firm that is being taken over by Lukoil, then moved to block it from taking control of the North Buzachi oil fields in Kazakhstan. Lukoil's action in many ways resembles the outcry in the United States that blocked China's attempted purchase of Unocal earlier this year. Worse still, Kazakhstan's legislature then rushed through a law empowering the Kazakh government to preempt that sale. It also appears that Kazmunigaz, Kazakhstan's state oil company "is also expected to seize a sizable chunk of Petrokaz from CNPC. Control over the Shymkent refinery, purchased by Petrokaz in 2000, will almost certainly revert to the state."²⁸

Neither America nor Kazakhstan want China to own their firms or energy fields and gain undue political influence over them. Nor will they accept China having what they regard as undue access to their energy assets. Those are strategic assets to be used for the greater national interest. As Dmitry Lukashov, a Russian oil analyst at the Aton brokerage house observed, only naïve investors would believe that Kazakhstan would let China walk away with 100 percent of Petrokaz because, "Fear of China with its huge population and growing economy runs deep in Kazakhstan."²⁹ Lukoil's intervention shows that Russia too opposes China's quest for equity in Central Asian or Russian energy companies. Russian energy producers and government have steadily rebuffed China's efforts toward that end and are determined to maintain autarchic control over energy—Russia's strategic resource. Though they will sell China energy, Russian officials fear becoming merely China's source for raw materials and demand equal status in economic-technological exchanges with China.

China's rivalry with Russia on energy is an anomaly when one assumes an unbreakable strategic partnership with Russia against American pretensions in Northeast and Central Asia.³⁰ Yet that strategic and political balancing act is real and an increasingly important local political factor in Central Asia. Indeed, Russian sources revealed in August, 2005

²⁸ "Kazakhs Seek 'Strategic Control' Over Petrokaz," *Central Asia Caucasus Analyst, News Section*, September 21, 2005; Isabel Gorst, "Interesting Times in Kazakhstan Spell Trouble for Chinese Global Interest in the Central Asian Country's Oil and Local Fear of its Giant Neighbor Do Not Bode Well for CNPC," *Financial Times*, London, October 19, 2005, p. 31.

²⁹ *Ibid.*

³⁰ David Kerr, "The Sino-Russian Partnership and U.S. Policy Toward North Korea: From Hegemony to Concert in Northeast Asia," *International Studies Quarterly*, 49, 3 (September, 2005): 411-437.

that one reason for Moscow's haste in seeking to enter the former American base at Karshi Khanabad in Uzbekistan once U.S. forces leave was because China had made discreet but clear expressions of its interest in gaining that base.³¹ Thus not only is there a visible economic rivalry, especially in regard to energy, there is also a subterranean or masked but real strategic rivalry as well. In fact the energy rivalry and Russia's position as supplier is one of the few instances of leverage available to Russia as it contemplates a rising China. Indeed, some analysts speculate that it could eventually lead to deals with European and American firms active in Central Asia against China.³²

While it is unclear if friction over energy supplies can undermine the Russo-Chinese strategic and anti-American partnership in Northeast and Central Asia; it does indicate that not all is well in China's ties either with Russia or Kazakhstan and that it has limited success in securing its vital interests of reliable energy supplies under its control. For the moment, because Russia supplies China with considerable amounts of energy and supports its balancing act against America, the government in Beijing has swallowed Russian attacks upon its vulnerabilities even though its diplomats know they are being exploited. But we should not expect this state of affairs to last forever. Thus we could see at some future date a reversal of fortune whereby America might be able to exploit Russo-Chinese or Russo-Kazakh energy and economic tensions in order to enhance its position in Central Asia which is currently under considerable pressure from Moscow and Beijing. At the same time, neither can we rule out all other conceivable options given the complexities of international and regional politics in Central Asia. Consequently in view of the centrality of this issue for China's domestic stability, its global foreign policies, and for regional developments in and around Central Asia, the future course of its quest for Eurasian energy supplies must and surely will exercise a profound impact upon energy markets and upon both China's internal stability and international affairs in general.

³¹ Vladimir Mukhin, "Poslednaya Nabrosok na Iuge," *Nezavisimaya Gazeta*, August 8, 2005.

³² Celeste Wallander, "Silk Road, Great Game or Soft Underbelly? The New US-Russia Relationship and Implications for Eurasia," in Shireen Hunter Ed., *Strategic Developments in Eurasia After 11 September* (London: Frank Cass Publishers, 2004), 103.