China's interest in the Central Asian Natural Gas Pipeline for its Energy Security and Diplomatic Strategy

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Abstract

At present, Beijing is facing two major challenges. On the one hand, the national demand for energy is steadily increasing; on the other, the environmental pressure, largely exerted by its industrial sector, has become unsustainable. For these reasons, the central government now regards natural gas as the best choice amongst other sources of energy. Thus, switching to natural gas could indeed help the country's overall energy structure. To achieve this goal, China negotiated with its neighbouring Central Asian countries, constructed, and finally operated a new cross-state natural gas pipeline. This infrastructure not only helps China obtaining the much needed natural gas, but it also combined with the strategic development of its Western regions from Gansu to Xinjiang, fostering this region's economic development and attempting to diminish inequalities between the Eastern and Western provinces of the country. From a domestic infrastructure it became the biggest cross-country natural gas pipeline in the world, involving five Central Asian states. To successfully carry out the completion of the project, China has pledged to become its main investor and initiator, taking the lead in creating and expanding diplomatic ties with the regional actors. Moreover, during the engineering and construction of the project, China demonstrated itself as an indispensable country for the project and illustrated new diplomatic behaviours: it withheld most of the responsibilities and the risks, thereby demonstrating its new leadership role in the region. Based on primary and secondary sources essentially in Chinese, the following paper wants to contribute to the existing literature exploring how China is proactively shaping the regional scenario through its innovative 'energy diplomacy'. In the first part, it will analyse the reasons leading China to build a natural gas pipeline in Central Asia. In the second part, the paper will seek to understand why Central Asian countries were willing to cooperate with China on this project. Through the analysis of the different stages of the project, the paper will observe whether China's behaviour corresponds to the diplomatic concepts such as 'Peaceful Rise' or the 'Belt and Road Initiative' in Central Asia. The paper will explain how a pipeline, which was initially planned to satisfy domestic energy demands, would objectively become a concrete example of the new Chinese diplomatic concepts.

Introduction

China's economic development and its steady increase have increasingly called for greater investments abroad to sustain the economic growth. Central Asia and the People's Republic of China's (PRC) energy partnership can be understood in this context as well. The natural gas pipeline from Turkmenistan to China not only satisfies increasing domestic energy needs, but is also a fundamental element for developing the region's economic model and security environment. This would benefit Central Asia, as well as the Xinjiang autonomous region in Western China.

The latter is known for its recurrent political instability, where certain extremist movements advocate for independence and emancipation from the Han ethnicity. The region is also economically less advanced than the Chinese Eastern provinces. By constructing a pipeline, Beijing aims at setting a basis for economic exchange between Central Asia, Western China and Eastern China. The Chinese Central government promotes the idea of using economic development to resolve long-term insecurity problems. Hence, its investment in a cross-border pipeline is also in line with such policy view. In addition, by consolidating economic exchange amongst Central Asian states and China through the energy sector, it also promotes greater collaboration in the region. This would give more weight to international organisations such as the Shanghai Cooperation Organization (SCO), which were initiated by China. It displays and promotes a framework of interstate platform different from the Soviet model.

The following paper will start by analysing the domestic motives in China for the construction of cross-border natural gas pipeline. The main reason is an aspiration for change of the domestic energy structure, and to diminish its dependence on coal in the short and medium-terms. The second part will explain how China successfully initiated and developed the project in Central Asia, in particular how it overcame the weight of the Soviet model and Russia's dominant influence in the region. The last part will examine how the pipeline is a representation of China's foreign policy in Central Asia by considering the political motives behind the project.

To date, there has been little scholarship on the Central Asia-China Pipeline (CACP). Amongst Chinese scholarship, Zhang Long from the Xinjiang Normal University wrote a thesis about the CACP, providing an overview of the project's development and analysing the local geopolitical rivalries.[1] Yang Fangzhou, from China's Foreign Affairs Institute, provided valuable information in his thesis on China and Central Asia's energy diplomacy and its influence on the SCO.[2] Scholarship in English includes publications from think tanks such as Carnegie International, the Chatham House, the Brookings Institute, and the Oxford Institute of Energy Studies. The latter provided comprehensive reports on China's natural gas domestic policy.[3] The present paper also used primary sources including Chinese annual governmental reports, Chinese media and discussions with Postgraduate Professors from the School of International Studies (SIS) at Peking University.

China's motivation for constructing a natural gas pipeline

[1] Zhang Long "China and Turkmenistan Natural Gas cooperation, problems and future perspectives" (MSc diss. Xinjiang Normal University April 2014) AT

[2] Yang Fangzhou "Analysis of China and Central Asia states' energy cooperation since the 21st century" (MSc diss. Foreign Affairs Institute, June 2014) AT

[3] Akira Miyamoto, Chikako Ishiguro :"Pricing and demand for LNG in China: Consistency between LNG and pipeline gas in a fast growing market" *Oxford Institute for Energy Studies*, January 2006

China is currently facing its energy bottleneck and needs to modify its energy demands. Since the 2000s, its energy is based on an average of 70% coal, 18% petrol, and the remaining 12% in various energies, including natural gas, accounting for 2%, and other renewable sources such as solar power, *etc*.[4] The government has increased its attention on responding to environmental demands, as illustrated by its international engagement at the United Nations Climate Change Conference in Paris late 2015. The PRC has also emphasized, at a domestic level, the need to diminish its reliance on coal,[5] which is naturally more polluting than most sources of energy. Its coal consumption is largely beyond other developed states: coal consumption in states such as US, Japan, and Germany represents about a quarter of their respective total energy consumptions.[6] Increasing demands on petrol would not only be disadvantageous because it would maintain the pollution level: China only owns 1% of the world petrol resources, whilst containing 20% of the world population. Any energy model based on oil in the country, therefore, would make it particularly vulnerable on the energy market.

Natural gas would thus seem more appealing, first and foremost because of its cleaner nature compared to the other two mentioned above. Second, natural gas can be processed in large quantities. There are large reserves of shale gas in China but its usage would require great amounts of water, which China could ill-afford to use for this purpose. Third, the natural gas market has not yet stabilised which leaves greater room for manoeuvre in its construction and implementation. China could have a more active role–and participate in the structuring of the market rules, contrary to petrol, where China entered later and has a more passive role in the market. There are no solidly settled alliance in natural gas as there is for petrol, such as OPEC, and there are different market prices as well. China plans to liberalise the prices of natural gas in the country to merge its domestic market with the Asia Pacific natural gas market.[7] There are further ambitions to make the Shanghai natural gas price indicator an influential reference, consolidating its position in the international natural gas market and price regulation.

China's natural gas reserves are insufficient to maintain the increasing domestic demands. It rose from 25.3 billion cubic meters (bcm) in 2000 to 185.5 bcm in 2014. The Twelfth Five Year plan aimed for natural gas to attain 10% of the total energy consumption by 2020.[8] This would imply 300 bcm in total, representing a 20 bcm increase per year. Nevertheless, domestic reserves are insufficient to sustain this

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4 British Petroleum (BP) "Statistical Review of World Energy" London, June 2015,.

5 China Academy of Social Sciences (CASS) "China's perspective on World Energy 2014-2015" Beijing, CASS publication, 2015, pg 156 AT

6 BP, ibid

7 Energy Security and China's development Research Institute "Research Report on Restructuring China's Energy System", Peking University Development Research Institute, April 2015, AT

8 China State official publications "China's Twelfth Five-Year Plan", March 2011, Beijing, AT

growth. 2007 was the first year China's natural gas imports exceeded domestic production, observing a steady increase since then.

Beijing was already importing natural gas through its liquefied form before the construction of the Central Asian pipeline. However, the LNG market is less stable than pipelines, especially if LNG prices are linked with oil prices. This makes it more difficult to negotiate for long-term fixed price contracts of LNG, such as the Canton-Australia case in 2006, where there was difficulty in the negotiation process.[9] Contracts are able to guarantee the purchase of the commodity in the long-term but not the stabilisation of prices. This is clearly not profitable for state budget and could lead to important seasonal losses. In geopolitical terms, China is also heavily reliant on the Malacca Strait for its maritime import of LNG although lacks control over this maritime route. Former Chinese Head of State, Hu Jintao, named it 'The Malacca Strait Dilemma'[10], a geopolitical factor that was taken into account to promote the decision of building a pipeline from Central Asia to China. Moreover, East Asian countries are equally heavily reliant on imported LNG, increasing the competition amongst buyers. The competition could easily lead to a stalemate considering that states like South Korea and Japan, at this time, have few other energy options they could rely on for their economies. Furthermore, India's potential increase in energy demands in the near future makes the situation unfavourable for China's energy security. 2012 marked the first year China's LNG imports were below the amount of natural gas imported through pipelines. Despite the importance given to its imports via pipelines, China will continue to pursue its LNG imports to ensure the diversification in energy imports.

Pipelines require important investments but can ensure a steady input in natural gas. China decided to build a pipeline from West to East (literally 'West Gas East Transport') within its borders in 2004 to construct a state-level natural gas distribution between the provinces of the country. The Eleventh Five-year Plan in 2005 explicitly mentioned the need to restructure domestic natural gas distribution to increase the amount of natural gas consumption from 2.8% of the total energy consumption to 5.3% in 2010. The political decision helped to implement a more developed pipeline network. The project unites the western reserves of natural gas (in the Talimu Basin, Sichuan province and Erduosi) to the higher consumption areas along the Eastern coast. Construction started in 2007 for the first one and in 2011 for the second one.[11]

The project also wants to include smaller natural gas reserves spread around the country at local level for greater efficiency. By doing so, it would allow these

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[9] Akira Miyamoto, Chikako Ishiguro :"Pricing and demand for LNG in China: Consistency between LNG and pipeline gas in a fast growing market" *Oxford Institute for Energy Studies*, January 2006

[10] Chen Shaofeng:, "China's Self-extrication from the Malacca Dilemma and its Implications" *International Journal of China Studies*, Peking University, January 2010.

[11] Energy Security and China's development Research Institute "Research Report on Restructuring China's Energy System", Peking University Development Research Institute, April 2015, AT

resources to integrate more easily to the state project and make it enter the country market. Thereby, this could help generate a steady income for provinces in the inner country such as Shaanxi and Inner Mongolia, whilst belonging to a state-wide project of natural gas. On the longer term, there are plans to include natural gas in more remote areas of the country to the Asia Pacific market through the domestic pipeline. Thus, the infrastructure is in line with a greater long-term economic strategy of wealth distribution between provinces, even if natural gas consumption remained fairly low at the beginning of the construction. The domestic pipeline represents the idea of state inclusion and Beijing's attention towards more remote regions in the West. The autonomous region of Xinjiang is, in fact, economically underdeveloped compared to the provinces in the East. Hence, the domestic pipeline in Xinjiang has two routes, one from the North and the other from the South of the region, thereby optimizing the potential of economic development from the pipeline throughout Xinjiang. The decrease in coal consumption would also free the railroad transport infrastructure, which had been monopolised for the transportation of the commodity. As such, the Western regions from which the coal came from would be more inclined to develop other industries. The railroad would thereby have greater space to send the new products made in Western China to Eastern provinces where there is a higher level of consumption. This is especially relevant for the provinces on a transit location: Shanxi, Shaanxi and Inner Mongolia.

This follows the Chinese strategy of developing the economic situation to diminish insecurity in the region - the 'two wheels' model - theorised through the SCO.[12] Given the recurrent security issues in the autonomous region, promoting economic development is considered as one of the means to resolve the issue. It is a concept in China that is applied both at domestic and international level. This notion is relevant as well for the pipeline construction in Central Asia as developed further on in this paper. In the following part, the paper will first explain how China managed to include Central Asia for the construction of its pipeline.

Reasons for choosing Central Asia as the importer and reasons for accepting China

China had particular reasons to choose Central as its main exporter of natural gas. China started to negotiate with Central Asia about the construction of the pipeline in 2006. At that stage, there were hypothetically other natural gas exporters to China that could be considered. Russia, with its considerable reserves and long shared borders would seem the ideal state. Yet, negotiations have been ongoing since the 90s, with little outcome. In 2014 only was there an official deal signed for the construction of a pipeline but it remains untouched beyond the official document. Myanmar, alternatively, would be suitable, since it would also help circumvent the Malacca dilemma. The project was initiated in 2013 with the transportation of 3bcm in 2014. However, the overall direction of the pipeline is from South to North, rather than from West to East. This leaves out major parts of the domestic natural gas pipeline, making

[12] Xinhuanet, "SCO inaugurates 'Security, Economy' two-wheel model" 5 November 2011, Beijing AT

the cross-border pipeline relevant only at a regional level, for South-West China essentially. Central Asian states contain enough natural gas reserves to sustain Chinese increasing demands. Turkmenistan possesses the world's fourth largest reserves in natural gas, after Iran, Qatar and Russia. The Turkmen natural gas is also of high quality, containing very little sulphur or carbonated elements for example.[13] Uzbekistan and Kazakhstan also contain important amounts of natural gas, although less significant than Turkmenistan. The geographic location of Central Asia is also important, not simply because of its proximity to China. The region is close to Xinjiang and it could have a direct effect in promoting trade and development beyond Central Asian states, crossing the Sino border to Xinjiang. It could be integrated to the West-East Chinese natural gas pipeline.

Yet, there remained salient tensions for the construction of the Central Asian natural gas pipelines (NGP). The Soviet heritage could also make it harder for China to develop ties with the neighbouring states, as Moscow's influence was still stronger than Beijing's. Central Asian states have built their economic model on their energy resources, traditionally under Moscow orders to send to the rest of the Soviet Union westwards. Turkmenistan declared its aspiration to diminish its reliance on Russia by diversifying its export destinations for natural gas. However, the first Turkmen NGP independent from Russia only started in 1997 from the southern frontier to Northern Iran, although with limited capacity. In the decade following the collapse of the Soviet Union, the small states remained dependent on Russia to overcome any crisis that may occur, or to secure risks, which they may need to undertake. From 2005 to 2008, Russia was still the main importer of Turkmen gas with 40 bcm of natural gas from Turkmenistan sent to Ukraine via Russia every year, whilst the amount sent to Iran is around 5 to 8bcm and to China close to null.[14] Russia was also a strong opponent of Europe's involvement in the Central Asian energy trade. Moscow wanted the monopoly over the region's natural gas, so as to ensure that Europe remains dependent on Russia for its needs in energy. Tension became more intense with the discussion for the construction of the Nabucco pipeline, from Central Asia to Eastern Europe. Abkhaz and the Republic of South Ossetia were recognised as independent by Russia, in exchange for the implementation of a military army. This was to a certain extent, a strategic move for the control of the Nabucco Pipeline Project, blocking its development in the Caucasus region.[15] Further pressure was put on Turkmenistan in 2009 when Russia single-handedly decided to diminish the natural gas imports from Turkmenistan to Russia to 30 bcm. The two states had agreed in 2003 to import 80 to 90 bcm. The remaining quantity in 2009 was supplemented by Uzbekistan and Kazakhstan. The essential reason was to put pressure on Turkmenistan, demonstrating Russia's opposition to the ongoing negotiations between Europe and Turkmenistan

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[13] Deng Xiujie "China and Turkmenistan's Natural Gas Cooperation Analysis" *International Research Guidebook* August 2015

[14] BP, idem

[15] Simon Pirani: "Central Asian and Caspian Gas production and the constraints on exports." *Oxford Institute for Energy Studies,* December 2012 AT

for the purchase of natural gas.[16]

China entered the market in Central Asia despite the Russian influence, especially after the 2009 crisis. The states in the region were already trying to obtain greater independence from Russia for its energy market as mentioned earlier. It is true that there is a rivalry between Russia and China at regional scale, especially in Central Asia where conflict of interests is more prevalent. However, at global level, Russia and China are more prone to demonstrate a collaborative approach, helping the advancement of the CACP project. As the financial crisis in 2007-2008 led to a decrease in energy demands in the West, Russia consequently diminished its consumption of energy from Central Asia, the latter compensated instead with further Chinese partnerships. In July 2007, China and Turkmenistan signed an agreement guaranteeing that within the next 30 years, Turkmenistan would provide 30 bcm of natural gas per annum via the CACP. The same year in August, China obtained rights over the Amu Darya River, and over the exploration of natural resources.

This new presence in Central Asia had a direct influence over the traditional relation with Russia. Moscow had to agree to increase its price of purchase of natural gas from Turkmenistan, from the initial price of 100 US dollars for every thousand cubic meter, to 140;[17] transport fees increased as well, from 1.6 US dollars for every 100km per 1000 cubic metre to 1.7 of the same unity. Uzbekistan also increased its transport fees to Russia from 1.2 to 1.9 US dollars of the same unity above.[18] China's collaboration led way to new opportunities for Turkmenistan to negotiate with Russia: Turkmenistan increased its prices in 2008 to 150 US dollars in the second half of the year, up to 300-340 US dollars in 2009.[19] The explosion of the natural gas pipeline from Turkmenistan to Russia in April 2009 interrupted the natural gas trade between the two states. It is highly likely that the incident was linked with Russia's unfavourable view of the recent price increase, all the more so in times of economic crisis in 2009.[20] Russia did not reinitiate its natural gas demands from Turkmenistan until late 2009 even though it was promptly repaired. It also led to an important diminishing of the amount of natural gas from Turkmenistan. After the incident, the Turkmenistan President Berdymukamedov declared at an International Energy Conference held in Ashgabat that it would like to emancipate Turkmen gas from Russia's influence.[21]

China became Turkmenistan's main importer of natural gas in 2009, with 40 bcm imported per year. By December the same year, China, Turkmenistan, Uzbekistan,

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16 Ye Sier "Central Asian Energy Competition" Xinjiang Normal University Report, February 2010 AT

17 China State Resource Information Centre "Presentation of Turkmenistan's Energy" People's Republic of China State Resource Department July 2010 AT

18 China State Resource Information Centre, ibid

19 Xu Xiaojie "Petrol oh Petrol : World Petrol Competition and China's choice" Beijing, CASS publication, 2011 pg 281 AT

20 Xu Xiaojie, ibid

21 Leonard L. Coburn "Central Asia: Pipelines Are the New Silk Road " *International Association for Energy Economics Fourth Quarter* 2010，

and Kazakhstan initiated the Bagtiyarlyk contract zone for the implementation of the first natural gas processing factory on the east of the Amu Darya River.[22]

Under these circumstances, Russia expressed its consent to China's new collaboration with Turkmenistan publicly, so as to ensure that Turkmenistan would not send energy to Europe. Russian First Deputy Prime Minister Shuvalov, publicly declared at Almaty that Russia supported the new Central Asia-China gas pipeline project. Negotiations for the construction of the Nabucco Pipeline intensified in 2009.[23] Russia's commodity based economy can ill afford to diminish its energy exports to Europe and would not tolerate a growing competition with Central Asia in commodities. Thus, Moscow would be more inclined to accept China's growing presence in Central Asia than to see Europe's presence. This follows the symbolic political partnership between Russia and China in the region, as reflected by the SCO and its Energy Club. The actual power of the organization is limited, but has important political significance, not least as the first Chinese initiated international organization. It is important for both China and Russia to follow the image of collaboration in the Central Asian region, despite tensions resulting from conflict of interests. De facto, different economic circumstances led to a new balance of power in the region. A political framework of collaboration masked the tensions, which were already existent prior to 2009.

Competition was relatively high between the important consumer regions for the acquisition of Central Asia's natural gas, notably because of the Nabucco pipeline project. China does not have the same level of technology European states have for the development of the energy sector, which Central Asian states need for their Soviet inherited energy infrastructure. Yet, China remains attractive because of the scale of its market. First, a stable partnership with Beijing would ensure long-term revenue for its energy exports. Second, China's domestic energy pipeline from West to East, if connected with the Central Asian pipelines, could potentially make their product enter an even greater market in the Asian Pacific region. This would help Central Asia overcome its enclave to a more dynamic and diverse market. China's financial means could also provide the investments and security for the implementation of the project. This is advantageous, as it would make the Central Asian states less dependent on international organizations to acquire investments and subsidies. China is notably less demanding in terms of human rights and democratic standards than its Western counterparts.[24] The pipeline is equally a pretext for the construction of local development projects within the state. In the case of Kazakhstan, for example, the Chinese helped with the construction of the national pipeline grid. They modernised

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[22]Sheng Yuan "China and Turkmenistan will construct the Central Asian Natural Gas Pipeline Line D, annual transport of 25 bcm natural gas" *Xinlang Financial Times* 5 September 2013 AT

[23] Zhao Yu "Russia supports China-Central Asia Natural Gas Pipeline Project" Xinhuanet 20 December 2009 AT

[24] Chemen Durdiyeva "China in Central Asia: Riches in the near abroad"， *The Economist,* 28 January 2010 & Alexandros Peterson: "In Hunt for Caspian gas, the EU can learn from China " *European Policy Center* October 2012

the system and incorporated the domestic natural gas fields for the usage of consumers across the state. It runs from Beyneu, in Kazakhstan's gas producing western region, to Shymkent in its southern industrial region. It will also be connected with the pipeline leading to China, near Shymkent, enabling Kazakhstan to export gas from Aktobe, Tengiz, and Karachaganak fields to Xinjiang and beyond.[25] These specific developments enhance the state's independent natural gas industry development, and increase its transport efficiency and energy capacity. For Uzbekistan, as a transit country for the pipeline, it is entitled to transport fees and can passively ensure a long-term income through the project, whilst increasing its foreign currency reserves, beneficial for the state's long-term economic development. The importance of the transit state increases Uzbekistan's speaking leverage, giving more weight to its political stance during Central Asian regional negotiations. According to the International Energy Agency 2012 report,[26] China National Petroleum Company (CNPC) was the only foreign company to benefit from upstream rights over Turkmen natural gas fields development. For the construction of the pipeline, China was actively promoting negotiations with states and implemented independent joint ventures in each country with state-owned enterprise. In February 2008, Kazmunaigaz branch company, KazTransGaz and China's TransAsia Gas Pipeline concluded a joint venture Asian Gas Pipeline, with CNPC's branch company in charge of the construction, operation and management of the China-Central Asia gas pipeline.[27]

Natural gas pipeline, demonstration of China's foreign policy

China's main motivation for the creation of the natural gas pipeline is, first and foremost, to sustain its domestic energy demands, rather than seeking to expand and impose a dominant influence over the Central Asian region, attempting to replace Moscow's leadership. The image of a 'Chinese leadership' is more a consequence of the project's needs and not the aim of the project itself. Its willingness to undertake important responsibilities to ensure the viability of its political projects gives China more influence over the region.

The Central Asian states, after the collapse of the Soviet Union, were eager to demonstrate their respective independence from one another, instead of actively promoting regional cooperation and alliances. China's project encompasses the entire region, but its successful completion needs to be based on the sum of bilateral ties between China and each state. The SCO or other regional cooperations are not efficient enough to implement a project of such scale within a limited duration. The SCO decision-making process, for example, is based on the unanimous consensus amongst member states, making the process slower and less effective for executive

[25] Global Observer, "Kazakhstan: Kazakhstan Natural Gas" Global Observer Asia, 25 June 2011

[26] International Energy Agency, "Eastern Europe, Caucasus and Central Asia Highlights" Innogate Summary Final, Paris 2014

[27] Vladimir Socor "Kazakhstan expands gas capacity to China" Asian Times Online, 16 August 2012

decision. The Energy Club at the SCO is a platform for negotiation and discussions. In this case, China established independent negotiations with each state for the construction of the pipeline; company involvement was through joint ventures with the involved state's companies. This is to attempt to let each state have their own voice in the negotiations. Had China negotiated at regional level, with a delegation representing all five states in Central Asia, negotiations would have been less efficient. The China-Uzbekistan-Kyrgyzstan railroad project, for example, is still under negotiation because of Kirgizstan's opposition.[28] In the case of the natural gas pipeline, Uzbekistan was strongly opposed to Kirgizstan's acquisition of natural gas through this pipeline according to Kirgiz Foreign Affairs Minister, Saparisakov, but China managed to convince Uzbekistan to accept Kirgiz's demands for natural gas acquisition, although only at international natural gas market price.[29] The importance of China's interventions for the completion of the project makes it more likely to be affected by any political risks, such as those caused by a possible change of regime. As the regional political coordination is weak, the burden is placed on the PRC to uphold any regional tensions between states. This makes it more likely to maintain long-term harmonious relations with its neighbours. On the side of Central Asia, the states remain passive in the overall negotiation of the pipeline project. They seek to ensure their state's security and interests, rather than actively promoting the project. This also leaves more space for China to proceed with the operation and construction of the project.

The natural gas pipeline, as already mentioned, falls into China's long-term energy demands. However, the project is also an opportunity to diminish security risks in the region. One of the motivations for the implementation of the SCO was to overcome the long-standing security issues in the region: the "three security issues" in Central Asia, terrorism, extremism and movements for independence. In 1995, Uzbekistan's Independent Movement would frequently undertake terrorist measures in Uzbekistan, with a new peak in 2004 through explosions at the capital city Tashkent and in Bukhara at the end of March, beginning of April. Central Asian states are also more vulnerable to extremist ideology from the Middle East. Since the collapse of the Soviet Union, the states have also been eager to promote their Islamic identity. The Islamic foundations in the states are fragile and could easily be influenced by more extremist movements, all the more in a context of rising extremism. Turkmenistan and Afghanistan have a shared border of 744km, accounting for one-fifth of the country's population. In 2014, the Taliban tried several times to enter the Turkmen border.[30] The Fergana valley between Uzbekistan, Tajikistan, and Kyrgyzstan is also a location for conflicts amongst states and ethnic groups. These security issues have been taken into account during the implementation of the project, and the pipeline itself is

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[28] Fozil Mashrab, "Bishkek puts Brake on Kyrgyzstan-Uzbekistan-China Railway", *Eurasia Daily Monitor* Vol 12 Issue 199, Nov 2015

[29] Annette Bohr, "Turkmenistan, Power Politics and Petro-Authoritarianism" *Chatham House, Russia and Eurasia Programme* March 2016

[30] Micha'el Tanchum : "A Post-sanctions Iran and the Eurasian energy Architecture: Challenges and Opportunities for the Euro-Atlantic community" *Atlantic Council*, September 2015,

representative of the long-term strategy to overcome these security issues through economic development.

Economy and security are inseparable from one another in Chinese policy. Development in one leads to development in the other, and vice-versa, if economy is underdeveloped, it is highly likely to create further insecurity. China is willing to invest in infrastructure and economic development as it sees it as the most suitable means to overcome long-term social tensions and security issues. President Xi Jinping met, in November 2015, with the head of Turkmen state, Berdymukhamedov[31] and mentioned the importance of the two states' partnerships in the area of energy and security. Energy collaboration between the two states is the basis of their friendly relations, but security is a theme none the less important.

This diplomatic strategy is reflected in the case of the pipeline through Line D of the CACP, from Turkmen eastern gas field passing by Kyrgyzstan and Tajikistan. In September 2013, the Turkmen, Uzbek, Kirgiz, Tajik, and Chinese government signed an agreement respectively for further energy cooperation via the construction of Line D. Officially, this pipeline is for the diversification of the natural gas export routes. This holds a certain truth as, during winter 2013, natural gas in the pipeline was blocked in southern Kazakhstan and did not reach China, leading to Hubei province's natural gas energy shortage.[32] Yet, the pipeline's route is only one third of the other three branches (Line A, B, C) and transports significantly less natural gas. Line D is also more difficult to construct because of the high seismic risks in the region and the mountainous geography. Kyrgyzstan and Tajikistan also have less natural gas resources than the other three states. They benefit from the pipeline rather than contributing to it by adding their country's energy reserves. This branch of the CACP seeks more to include the remaining two states in the region, and to develop the countries' economy. The two states can also profit from cross-country transport tariff (Bishkent receives per annum one billion USD),[33] secure new employment opportunities through the tasks of the pipeline management.

China stressed the importance of setting a solid security environment in its neighbouring regions in its 2011 Peaceful Development Policy official publication.[34] Ensuring the security in Central Asia is vital for China as it has an influence in Xinjiang, where there are frequent unrest and disruptions amongst the various ethnicities, some are similar to the neighbouring states. Some Uighur extremists have advocated for the Turkmen Independent Movement in China, an issue shared with other Central Asian states. If the "three security issues" in Central Asia were

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31 Zhang Shuo, "Xi Jinping discusses with Turkmenistan President" People's daily Paper, Foreign Edition, 13 November 2015 AT

32 Nefte Compass，Michael Lelyveld "China pursues New Central Asian gas route"，February 2014,

33 Bruce Pannier "Central Asia's New Best Friends Cement Relations" *Radio Liberty*, 7 May 2014

34 China's Parliament Media Office "China Peaceful Development" XInhuanet, 6 September 2011 AT

neutralised, this would increase the stability in Xinjiang autonomous region as well. Line D therefore has a significant importance in security as well, as it affects Tajikistan and Kirgizstan, the immediately neighbouring states to China where security issues could have a direct influence across the Sino border. Stability in Central Asia would also enable the region to become a stable buffer zone for China from the unrest in the Middle East and in Afghanistan. Following Dai Bingguo's words, "China's diplomacy has focused on one fundamental strategic goal, and that is to foster a sound external environment for the building of a moderately prosperous society in all respects."[35]

The Central Asia-China pipeline is also a representation of the 'peaceful rise' concept China wishes to exhibit to the world. China wants to ameliorate its image by demonstrating the new economic opportunities its development can provide to the neighbouring states. Although China cannot certify that the wealth obtained through the pipelines would be relevantly distributed to its population as it is committed to non-interference in domestic affairs, Beijing still provides the means to guarantee the initiation of the project. This is to avoid losing the opportunity to improve the situation in the region both in the realm of economics and security. The infrastructure also enables a new basis for future collaboration, rather than intervening directly in domestic issues of other states. China also wanted to promote the SCO as an international organization through the CACP, although it had no influence on the outcome of the project. This was all the more necessary on the political side as this was the first international organization China had founded. It represented a successful regional project under China's management and the investments to Central Asia were used to promote their international stature as well. "We should fully develop the potential of the Energy Club, enhance member states' policy coordination, strengthen security collaboration around cross-border pipelines so as to guarantee energy security" expressed Head of State Xi in September 2014 at the SCO Conference, held in Dushanbe, emphasizing as well the opening ceremony for the functioning of Line D held in Tajikistan.[36]

More importantly, the pipeline is also a successful example of the wider framework of the Belt and Road Initiative. Xi's speech for the Belt and Road was first pronounced at the Nazarbavez University in Kazakhstan in September 2013. The location chosen for the speech has a symbolic dimension, emphasizing the importance of Central Asia in the project. The Central Asia-China Pipeline was initiated several years before the start of the Silk Road project but what it represents fits into this wider framework. Central Asia China pipeline is also an autonomous source of revenue for Central Asian states and can provide new opportunities for further development. Iran declared, after the end of the international sanctions, that it had the intention of connecting

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35 Dai Bingguo, Diplomat of the People's Republic of China "On building a New Model of Major-Country Relations Between China and the United States" Dai Bingguo Dialogue with Former US Secretary of State Henry Kissinger, Xinhuanet, March 28th 2016

36 Renmin Online News "Concentration Power Honest Cooperation, Promoting SCO to an upper level" Renmin Online News, Dushanbe 12 September 2014 AT

Iran's natural gas reserves with China via the Sino-Central Asian pipeline. This would increase the value of the pipeline, and provide more revenues for states in Central Asia. It can also help for the promotion of other networks on the Eurasian continent by saving on the amount of investments and by diminishing risks.

There are however, new sources of tension, which may arise and compromise the notions of 'peaceful rise' and mutual benefits in the Belt and Road initiative, demonstrated through the project of this pipeline. In December 2015, the South Asian pipeline construction project was inaugurated. Following China's idea of economic and security development through the pipeline, this could be true for the South Asian pipeline as well, particularly for the potential development it could bring to Afghanistan for example. However, this would also entail a loss of China's central position in the region, diminishing its privileged position in the Eurasian economic trade route. South Asia has a market size comparable to China and demands in natural gas are likely to increase in the near future as well. China cannot afford to let needed resources pass on to other states too easily, yet any measures of reaction are likely to damage China's image as a peaceful rising state. A fragile balance needs to be taken between the preservation of its diplomatic commitment and the need to respond to its domestic demands.

Conclusion

The natural gas pipeline project in Central Asia was initiated by China's rising demands of cleaner energies and by the size of its energy market. The construction of the pipeline has further purposes such as contributing to greater security in the region by providing economic development, in line with China's foreign policy and strategy for the region. Greater stability in Central Asia would also benefit Xinjiang region in China, and provide more dynamic economic exchanges for both areas. These concepts provide a practical example of the Belt and Road's successful initiative.