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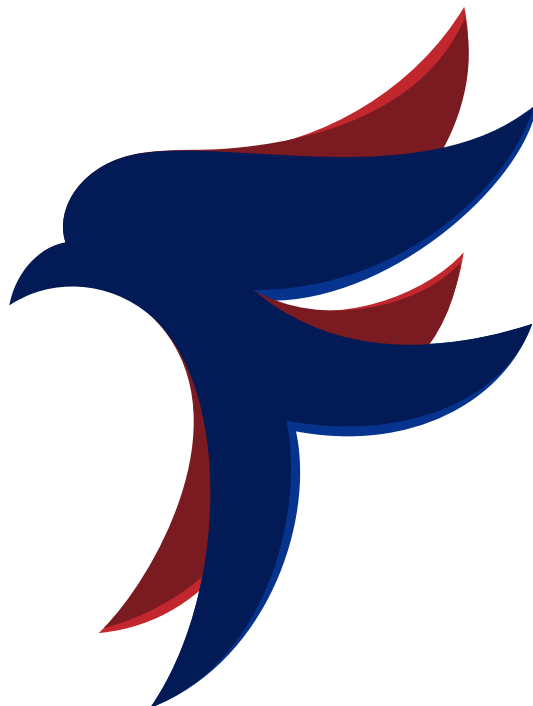


CENTRAL ASIA INITIATIVE

# RUSSIA AND CHINA'S QUIET RIVALRY IN CENTRAL ASIA

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# RUSSIA AND CHINA'S QUIET RIVALRY IN CENTRAL ASIA

## ABOUT THE AUTHOR



**Niva Yau Tsz Yan** is a Junior Researcher at the OSCE Academy in Bishkek and a graduate from the University of Hong Kong. Ms Yau's research focuses on China's Western Peripheral Diplomacy, including Central Asia and Afghanistan. Her research interests center on China's strategic thinking in the 21st century, including the Belt and Road Initiative (BRI), Chinese private military security companies (PMSCs), authoritarian technology and security issues.

## EXECUTIVE SUMMARY

How does the People's Republic of China use multilateral institutions in Central Asia? In the 1990s and early 2000s, multilateral bodies were a means of working with the Russian Federation and other countries in the region collaboratively. More recently, however, multilateral bodies, such as the Shanghai Cooperation Organization (SCO), which includes China, Russia, India, Pakistan, and the Central Asian states, have become spaces for competition between China and Russia. The Belt and Road Initiative has led to intensified Chinese engagement with Central Asia, which has alarmed leaders in Moscow, who see their sphere of control shrinking. Through the SCO, China is writing the rules of the game that will define future development in areas such as logistics and technology.

# INTRODUCTION

When the Shanghai Cooperation Organization (SCO) was founded in 2001, it was one of the first attempts at multilateralism by the People's Republic of China. A decade earlier, as the collapse of the Soviet Union approached, the thought of sharing a 3,000-kilometer-long border with newly independent Central Asian states had worried leaders in Beijing. Before the region was Sovietized, there had been over 2,000 years of on-and-off conflict between China and Central Asia. Furthermore, Beijing had virtually no communication with these new Central Asian leaders until January 1992, when then-Deputy Minister of Foreign Affairs Tian Zengpei, a Soviet Komsomol-educated Chinese diplomat, toured Uzbekistan, Kazakhstan, Tajikistan, Kyrgyzstan, and Turkmenistan to close deals establishing diplomatic ties.<sup>1</sup> Eager to forge independent, close friendships in Central Asia, then-Minister of Foreign Trade and Economic Cooperation Li Lanqing accompanied Tian to offer economic assistance to the Central Asian states.

Central Asia occupied a special place in the hearts of Chinese Communist Party (CCP) leaders. They agreed on the region's geopolitical significance. Xinjiang and the region to its west had been responsible for the rise and fall of many past Chinese dynasties. High-profile Chinese leaders frequently visited Central Asia in its earliest years of independence after 1949. Then-Premier Li Peng hand-delivered loan agreements to

the Uzbek, Turkmen, Kyrgyz, and Kazakh presidents during his visit in April 1994.<sup>2</sup> Li was already talking about reviving the old Silk Road, and he brought with him a team of entrepreneurs who had millions to invest.

## BEFORE THE REGION WAS SOVIETIZED, THERE HAD BEEN OVER 2,000 YEARS OF ON-AND-OFF CONFLICT BETWEEN CHINA AND CENTRAL ASIA.

Money alone didn't cut it. A few joint ventures landed in Kazakhstan, and Li was able to start negotiating the Central Asia natural gas pipeline, telling Turkmenistan that the gas would be sold to Japan (though Turkmen gas never made it to Japan). These moves made no difference for Central Asia when it came to strategic—particularly military—alignment. It was only a few years after the Soviet withdrawal from Afghanistan, and Russia was determined to maintain its military bases in Central Asia. Every Central Asian state except Turkmenistan joined Russia's new military alliance, the Collective Security Treaty Organization (CSTO). With the Jiang

<sup>1</sup> The General Office of the State Council of the People's Republic of China, Gazette of the State Council of the People's Republic of China. Issue No. 1, Serial No. 686, Beijing: Printing House of the Secretariat Bureau of the General Office of the State Council, 1992, <http://www.gov.cn/gongbao/shuju/1992/gwyb199201.pdf>.

<sup>2</sup> Xu, Hongzhi. "Premier Li Peng and President Karimov attended signatory ceremony of four documents." *People's Daily*, April 20, 1994; Xu, Hongzhi. "China and Turkmenistan signed several documents." *People's Daily*, April 22, 1994; Xu, Hongzhi. "China and Kyrgyzstan signed 6 documents." *People's Daily*, April 23, 1994; and Xu, Hongzhi. "China and Kazakhstan signed border agreements and other documents." *People's Daily*, April 26, 1994.



Map of Central Asia (Adobe Stock)

Zemin government largely headed by Russian-speaking, Soviet-educated Chinese politicians like Tian, the CSTO was understood to be a continuation of a Soviet-secured China-Central Asia border. It is also because of the Soviet educational background of its leaders that China avoided pushing for regional cooperation when Central Asia first became independent. The Jiang administration understood that internal territorial disputes and bitter personal relationships between Central Asian leaders could set back any initiatives. Though some within the CCP opposed the presence of Russian forces right at China's doorstep, the CSTO was generally considered more predictable and desirable amid rocky relations with the Western world after the Tiananmen Square incident in 1989.

Chinese leaders didn't think that the early 1990s was the right time to openly challenge Russian hegemony in the region, so a multilateral arrangement came to be necessary. Central Asian leaders were more comfortable working alongside Russia than working bilaterally with China directly. At the time, Beijing accepted that any relationship with Central Asia had to include Russia. The most pressing issue in China-Central Asian relations then was the resolution of territorial disputes—large parts of Kazakhstan, Kyrgyzstan, and Tajikistan had been historically part of the Qing Empire before the Russian invasion. At the time, some Chinese nationalists were calling for leaders in Beijing to fully take back what belonged to China, and accused Jiang for being a traitor for selling out Chinese land.<sup>3</sup> For Jiang, China was in no position to bargain with Russia when the

<sup>3</sup> "The biggest traitor Jiang Zemin betrayed China's land." *Epoch Times*, July 10, 2011, <https://www.epochtimes.com/gb/11/7/10/n3311105.htm>.





West was already cornering China. Apart from losing large parts of Central Asia, China also lost the Golden Horn Bay which has access to the Sea of Japan. It was rushed, swept under the carpet, and never brought up again. To this day, China has never called out Russia for these historical territorial conquests.

By 2001, under Russia's watch, China had resolved most of its border disputes with its western neighbors, and the Shanghai Five—the precursor to the SCO, originally consisting of China, Kazakhstan, Kyrgyzstan, Russia, and Tajikistan—had established legitimacy for the long borderlands between China and Central Asia.

By the 2000s, China's need for the SCO had become apparent. After years of negotiations, Russia's formation of the Eurasian Economic Union (EAEU) in 2014 came just in time to offer Moscow-centric economic mechanisms

to counteract with Xi Jinping's Belt and Road Initiative. Through policies such as standardized tariffs, the EAEU has made products produced by participating states more competitive than those outside EAEU. Left unchecked by Moscow, China's trade with the five states increased on average by 93 times from 2001 to 2011. By 2018, at \$19.8 billion, regional trade was largest between China and Kazakhstan, followed by \$8.4 billion with Turkmenistan, \$6.2 billion with Uzbekistan, \$5.6 billion with Kyrgyzstan, and \$1.5 billion with Tajikistan. China now stands strongly as Central Asia's main trading partner, except Kazakhstan, where China is a close second.

The EAEU's swift decision to connect its work with the Silk Road Economic Belt (the part of the Belt and Road that concerns Central Asia) showed Russia's willingness to compromise.<sup>4</sup> After all, the EAEU is stronger as a political bloc

<sup>4</sup> "Press Statements following Russian-Chinese talks." Presidential Executive Office's Information Office of the Russian Federation, 2015, <http://en.kremlin.ru/events/president/transcripts/49433>.

than as an economic one. Enforcement on the so-called customs union is problematic, as ongoing disputes over product labelling and taxes demonstrate. Building on its success in solving most of its territorial disputes in the region, the Xi administration has turned to the SCO as a way to promote its Belt and Road strategies. In May 2015, Russia compromised and allowed the SCO to be the main platform of negotiation on connecting the Belt and Road with the EAEU.<sup>5</sup> For years, China had tried to introduce more regional economic initiatives to the SCO, but was confronted by Russia's emphasis on the political and security dimension of the multilateral organization. The SCO successfully adopted real pushes to the regional economy.

Under Xi, the Belt and Road Initiative has elevated the importance of Central Asia and the significance of the SCO. Chinese leaders conceptually refer to the SCO as both a region and an institution; the SCO has been used in various formats by China under the rubric of the Belt and Road. For example, in Qingdao, an SCO free trade demonstration zone was established, though the zone was also described as a new platform for the Belt and Road. China has continued to intensify its engagement with Central Asia through the SCO, using it as a platform for increasing its influence. In areas such as international trade logistics and technology, the SCO has been an active space for rivalry with Russia.

## EN ROUTE TO BEIJING

As the world's most expensive region for container shipping, Central Asia's customs and border crossings have needed massive reforms and modernization for years. Without top-down consensus from leaders, especially from agreements between China and Russia, the SCO's two working groups on the development of transit potential and customs cooperation have failed to bring about a cost-effective transportation system since their inception in 2004. The Soviet legacy has consolidated Russia-Central Asia logistics, and Russia has expressed minimal interest in supporting a more integrated customs system between China and Central Asia. Indeed, there is no upside for Russia, especially when the massive volume of Chinese exports to Central Asia has already reduced the region's dependence on Russia.

By building a land-based trade route from Urumqi to Berlin, China is helping Central Asia to improve its international logistics management. Lianyungang port on the northeast coast, one of China's biggest sea ports, has been designated by the Chinese government to offer extensive privileges for SCO members, such as free storage and a direct train cargo service connecting to the landlocked Kazakhstan. Since the Belt and Road Initiative was adopted, Lianyungang port has undergone several expansions to accompany rising demand for trade between Central Asia and Southeast Asia. Alternatively, Russia could have advanced its rail and port links in its Far East to counter the Chinese route. However, this did not appeal to Russia,

<sup>5</sup> "SCO Secretary-General Vladimir Norov's news conference at the SCO Secretariat." Shanghai Cooperation Organization, 2019, <http://eng.sectsco.org/news/20190320/518936.html>.



lest improved connectivity with the Far East divert Central Asia from ties with Russia. China sees connecting Central Asian economies to the Indo-Pacific as a step forward for the region to realize its Asian identity.

## CHINA SEES CONNECTING CENTRAL ASIAN ECONOMIES TO THE INDO-PACIFIC AS A STEP FORWARD FOR THE REGION TO REALIZE ITS ASIAN IDENTITY.

For years, Russia has wanted to formalize a Russia-led trade bloc to entrench its influence. One impetus for the EAEU was China's growing economic presence. Moscow was concerned that the Belt and Road Initiative could set the rules of trade in the former Soviet Union, and Russia's leaders were aware that anything they initiated within the SCO could be subject to Chinese objections. Seeking to limit China's involvement in Central Asian trade, Russia has repeatedly suggested the formation of a unified EAEU trade bloc, which would prohibit EAEU states from having third-party trade agreements. Kazakh President Kassym-Jomart Tokayev is a strong opponent

of this Russian initiative, calling it a "restriction of sovereign rights."<sup>6</sup>

In 2014, the SCO finalized the Agreement on Facilitation of International Road Transport. Compared to the EAEU, which has had little effect on the region's infrastructure, the SCO agreement brought a drastic upgrade to the existing Soviet railway system, increasing the efficiency of long-haul trucks with an integrated transport management system. Before this China-led SCO mechanism, Central Asian truck drivers and their cargo could be stranded at borders for up to three days at each crossing. When the 2014 SCO agreement came into force in 2017, the resulting working groups began to address Central Asia's practical logistics issues. They provided training courses on export and import procedures and formed stable transport communications ties, both of which maximize transit potential and integrate Central Asian logistics into the global economy.

For example, an SCO arrangement has begun to normalize a permit system for trucks and drivers to carry cargo efficiently on designated routes back and forth from China to Russia through Central Asia. Cutting down days in travel time, this arrangement has been designated for six routes from China to Russia spanning across different parts of the region. Then-SCO Secretary General Rashid Alimov said at a meeting in 2017 that these routes practically coincide with the main routes of the old Silk Road, contributing to the development and implementation of China's Silk Road Economic Belt.<sup>7</sup> Uzbekistan's new appetite for more trade with China has led to serious talks about creating a seventh route. During a test run in October 2017, a group

6 "The EAEU Presidents did not adopt the strategy. Tokayev saw in it a "restriction of sovereign rights." *Azattyq*, May 19, 2020, <https://rus.azattyq.org/a/30621018.html>.

7 "SCO promotes transport links." Shanghai Cooperation Organization, 2017, <http://eng.sectsco.org/news/20170706/306862.html>.

of long-haul trucks from Kashgar, China, reached Tashkent, Uzbekistan, via Irkeshtam, Kyrgyzstan, in just two days, down from the usual 10 days.<sup>8</sup> Given the SCO permit system's potential to cut 6-8 days in travel time—which saves money and expands export potential—Uzbekistan has been more enthusiastic in supporting China's call to formalize this system via the SCO.

Signed in Tashkent in November 2019, the new Memorandum Between Customs Services of the SCO Member States on Mutual Integration of National Transit Systems envisions a unified customs system in the SCO region.<sup>9</sup> While the specifics are still under negotiation, it's clear that China is more inclined to push for a version modified from the domestic Chinese system, which already comes with strong software and a foundation for electronic papers. However, Kazakhstan, which is the Central Asian country through which most Chinese products are transferred, has voiced concerns about China's noncompliance with the SMGS convention.<sup>10</sup> A China-led customs system in the SCO region would allow China more control over the region's economic infrastructure. This new SCO customs arrangement will aim to direct more revenue to local governments. It will challenge the corruption rackets run by local officials who have long held a monopoly over customs, such as Kyrgyzstan's Matraimov family.<sup>11</sup>

In May 2020, Uzbekistan decided against joining Russia's EAEU as a full member, suggesting a preference for closer ties with China rather than Russia.

## WRESTLING FOR DIGITAL SUPREMACY

Both Russia and China desire trade arrangements that are set up in their favor. The application of new technologies can aid the creation of harmonized transit trade procedures and enable quick inter-agency processing of electronic documents, maximizing the region's trade potential. But, for China, having its own technology at border checkpoints across Central Asia is more than just an attempt to promote bilateral trade. China's international advocacy for its domestic technologies, such as Huawei's 5G, is intended to increase its access to Central Asia's data.

When Kazakhstan held a high-level roundtable on telecommunications connectivity for Central Asia in 2014, China was nowhere to be seen.<sup>12</sup> Xi did not approve a strategy for the Digital Silk Road until the next year. Instead,

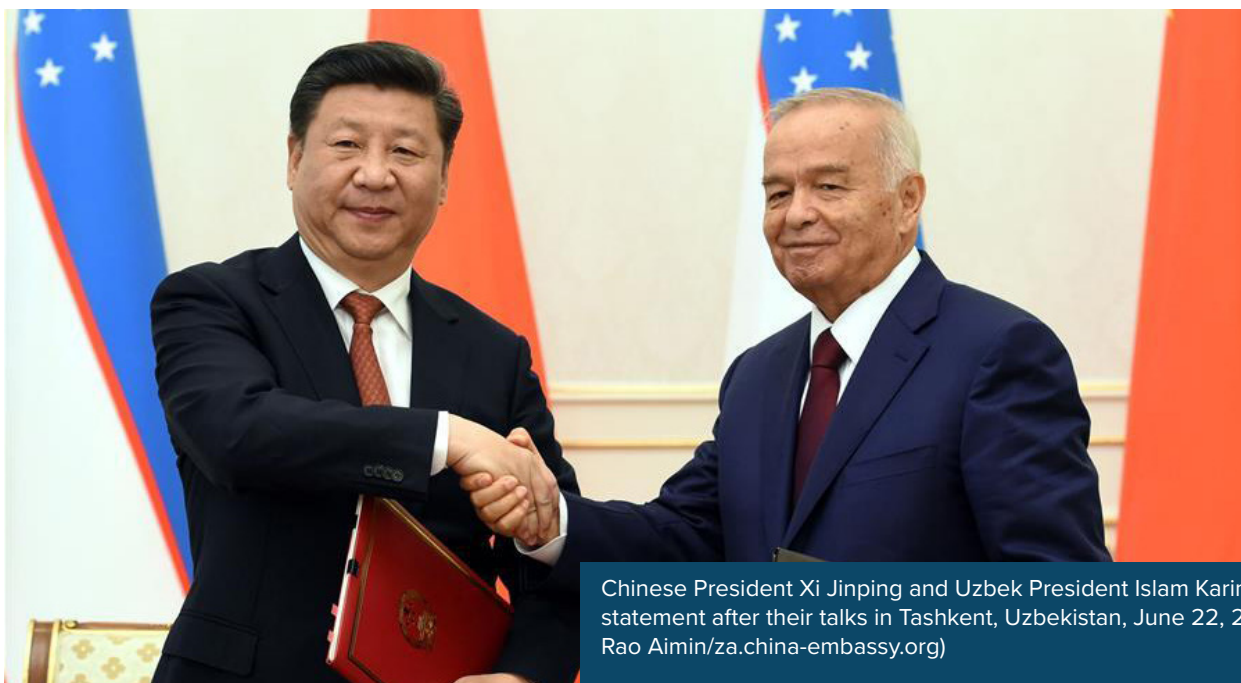
8 "China, Kyrgyzstan and Uzbekistan open new truck channel, three countries realize full international road transportation." *Xinhua*, November 3, 2017, <http://xinhua-rss.zhongguowangshi.com/13694/-8243510397293591651/2477527.html>.

9 "SCO and UNESCAP partnership grows: Tashkent hosted an SCO and UNESCAP workshop on the application of new technologies in transiting facilitation for enhancing the transport connectivity of LLDCs in Central Asia." Shanghai Cooperation Organization, 2019, <http://eng.sectsc.org/news/20191128/608790.html>.

10 Established by the Soviet Union's Organization for Cooperation of Railways (OSJD) in 1957, the SMGS convention governs the movements of cargo. P.J. Hodgkinson, "Report on Transport Facilitation procedures and documentation in Kazakhstan." United Nations Economic and Social Commission for Asia and the Pacific, [https://www.unescap.org/sites/default/files/Seamless%20Transport%20report\\_Kazakhstan.pdf](https://www.unescap.org/sites/default/files/Seamless%20Transport%20report_Kazakhstan.pdf).

11 Since summer 2019, RFE/RL's Kyrgyz service, *Radio Azattyk*, has published a series of detailed reports describing how Rayimbek Matraimov, a former customs official, and his family had smuggled over \$700 million out of the country.

12 "List of Participants at the High-level regional roundtable on telecommunications connectivity in Central Asia." United Nations Economic and Social Commission for Asia and the Pacific, <https://www.unescap.org/sites/default/files/List%20of%20participants%20Almaty%20final.pdf>.



Chinese President Xi Jinping and Uzbek President Islam Karimov sign a joint statement after their talks in Tashkent, Uzbekistan, June 22, 2016. (Xinhua/Rao Aimin/za.china-embassy.org)

Turkey's Turk Telekom International and Bangladesh's Grameenphone were present. While domestic Chinese digitalization has led to massive data gathering and the controversial social credit system, the full implications of China's digitalization pursuits abroad have not yet been unveiled.

Xi introduced an SCO technology partnership plan during his visit to Tashkent in 2016.<sup>13</sup> Since then, funding allocated from the Xinjiang local government has supported this plan, which has expanded technology cooperation beyond its traditional purview of anti-terrorism.<sup>14</sup> Groups of Chinese scientists have worked on dual-use technologies and services in Central Asia that were previously exclusive to Russia. Many Russian-educated

Central Asian scientists were introduced to new Chinese scientific machines and software. New Chinese scientific methodologies ostensibly developed to increase accuracy in areas, such as geochemical mapping and disaster prevention, were introduced in Central Asia. These technologies provide Chinese scientists with sensitive natural resources and weather satellite information.

After three years of negotiations, an SCO roadmap to digitalization cooperation was reached in summer 2019.<sup>15</sup> The plan prioritized areas such as information security, big data handling, and artificial intelligence. For Central Asian leaders, China's new initiatives mean cheap loans and handouts. Digitalization efforts in the region were understood as

<sup>13</sup> "Speech by Xi Jinping at the 16th Meeting of the Council of Heads of State of the Shanghai Cooperation Organization (full text)." *Xinhua*, June 24, 2016, [http://www.xinhuanet.com/world/2016-06/24/c\\_1119108815.htm](http://www.xinhuanet.com/world/2016-06/24/c_1119108815.htm).

<sup>14</sup> "Xinjiang launches the Shanghai Cooperation Organization Science and Technology Partnership Program." The State Council Information Office of the People's Republic of China, 2016, <http://www.scio.gov.cn/zhzc/8/2/Document/1468523/1468523.htm>.

<sup>15</sup> "Tashkent hosts the SCO Forum of Information Technologies and Innovation Development as part of the Information and Communication Technologies Week in Uzbekistan." Shanghai Cooperation Organization, 2019, <http://eng.sectsco.org/news/20190927/584876.html>.

an amplified effort to fight terrorism, as this explained the large distribution of Chinese surveillance cameras.<sup>16</sup> Since 2019, many Chinese technology giants have met with high-level SCO officials, pitching projects and offering expertise. In particular, three leading Chinese technology companies—Alibaba, Jingdong, and Weidong Cloud Education—reached out to SCO Secretary General Vladimir Norov earlier this year.

Both Jingdong and Alibaba are known for their e-commerce businesses in China. But the two tech giants also acquire and run side companies in all of the latest technological fields. Moreover, they have the capacity to combine soft and hard infrastructure, thus creating one-stop intelligent commerce services with everything from marketing to logistics. Through online platforms and logistics hubs built by Chinese companies, a massive flow of data from abroad is feeding into China's soft architecture back home. This will secure long-term commercial advantages for Chinese companies. For example, a China-led customs system will assist with trade data gathering, helping Chinese firms identify and exploit existing industrial weaknesses in Central Asia and gain greater market shares at the expense of Western and other rival companies.

Weidong Cloud Education, established in 2012, has enjoyed full political support from Beijing as the exclusive implementer of online education platforms overseas. The company, which makes almost no profit, has the financial backing of the Shandong-based Weidong real estate empire. Weidong's Chairman Wang Duanrui joined Xi's trip to Europe in March 2014 to sell the platform. In Paris, Wang met Hao Ping, the newly appointed President of the UNESCO General

Conference, who supported Weidong Cloud Education's global ventures within the intergovernmental organization. Now, in 2020, the company operates in 16 countries, including Laos, Sri Lanka, and Djibouti.

## ABOVE ALL, THESE COMPANIES ARE ALLOWING CHINESE TECHNOLOGIES TO GAIN LEGITIMACY BY FORMULATING INTERNATIONAL STANDARDS THROUGH SCO CHANNELS.

There are many advantages to e-learning, and the need for online education infrastructure is greater now than ever before during the COVID-19 pandemic. But China's online education platform could expose foreign universities to intellectual property theft and give Beijing backdoor access to the latest developments in science and technology. Above all, these companies are allowing Chinese technologies to gain legitimacy by formulating international standards through SCO channels. Apart from bolstering the image of Chinese-made products, laying this

<sup>16</sup> Yau, Tsz Yan. "Smart Cities or Surveillance? Huawei in Central Asia." *The Diplomat*, August 7, 2019, <https://thediplomat.com/2019/08/smart-cities-or-surveillance-huawei-in-central-asia/>.





foundation for technical standards will shape the technological architecture and thus the future of technologies applicable to Central Asia.

In most technology sectors, other competitors in the SCO region are simply no match for the Chinese tech giants. Since 2019, some Indian companies have gained access to Chinese SCO leaders through Startup India. While Russia and India have the technological capacity to build and monitor their own software in some areas, neither country has the capacity in affordable hardware manufacturing to deter Chinese access to data. For example, in 2018, Kyrgyzstan turned down Huawei's \$60 million deal to complete a full-scale surveillance project across the country. Instead, the Kyrgyz government went with a Russian company, Vega, which offered a \$34 million price tag for the first phase of the

project, supplying facial recognition cameras. But the Russian software proved no rival for the comprehensive Chinese software, which had been tested for years in Xinjiang.<sup>17</sup>

By late 2019, the Kyrgyz government turned back to China. It closed a \$38 million deal with Shenzhen-based Sunwin Intelligent Company to complete the second phase of the surveillance project, set to cover the whole country with cameras, data centers, and Chinese consultants. Meanwhile, Kazakhstan's Astana hub, which aims to mirror the success of Silicon Valley, is too new and lacks the funding necessary to retain leading minds in technology. In practice, by having stakes in key telecommunication companies and gifting surveillance systems to authoritarian governments, China is already ahead of Russia and India in terms of technological deployment in Central Asia.<sup>18</sup>

<sup>17</sup> Shih, Gerry. "AP Exclusive: Digital police state shackles Chinese minority." *Associated Press*, December 17, 2017, <https://apnews.com/1ec5143fe4764a1d8ea73ce4a3e2c570>.

<sup>18</sup> Yau, Tsz Yan. "Smart Cities or Surveillance? Huawei in Central Asia." *The Diplomat*, August 7, 2019. <https://thediplomat.com/2019/08/smart-cities-or-surveillance-huawei-in-central-asia/>.

Very few Central Asian technology experts are given full access to details of these Chinese technologies in their countries, especially regarding where local data is stored, who has access to local data, and how this mass collection of data will be used.

## **ALREADY EXPOSED TO RUSSIAN BACKDOOR MONITORING, CENTRAL ASIAN COUNTRIES ARE WILLING TO INCREASE THEIR TECHNOLOGICAL RELIANCE ON CHINA IN EXCHANGE FOR BETTER QUALITY TECHNOLOGY AND THE ECONOMIC BENEFITS THAT NEW TECH INFRASTRUCTURE BRINGS.**

Also, China is constructing a fiber optic cable along Afghanistan's Wakhan corridor, and it is set to extend north to Tajikistan and Kyrgyzstan. For Central Asian countries that have been putting up with extremely expensive international bandwidth<sup>19</sup> and whose economies will benefit substantially from Chinese-built infrastructure, it's simply not an option to raise security concerns over backdoor data traffic monitoring. Already

exposed to Russian backdoor monitoring, Central Asian countries are willing to increase their technological reliance on China in exchange for better quality technology and the economic benefits that new tech infrastructure brings.

## **CONCLUSION**

The Belt and Road Initiative is strengthening China's international rule-making ability in many parts of Central Asia's economy. While Vladimir Putin is still able to negotiate over Central Asian trade logistics through the SCO, Russian technology companies are already losing to their Chinese competitors. Central Asian governments appear to have little concern about reliance on Chinese tech. By combining technology products, Chinese companies have crafted a system in the domestic Chinese market that is much larger in scale, capacity, and applicability than Russian technology systems. Consequently, when it comes to technology exports, Russia has nothing comparable to offer. 

<sup>19</sup> Alexey Kravchenko. "ICT Connectivity in Central Asia," United Nations Economic and Social Commission for Asia and the Pacific, [https://www.unescap.org/sites/default/files/02\\_ESCAP\\_ICT\\_in\\_CA.pdf](https://www.unescap.org/sites/default/files/02_ESCAP_ICT_in_CA.pdf).

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