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# CAMBRIDGE JOURNAL OF EURASIAN STUDIES

## Why have China and Russia become Uzbekistan's biggest energy partners? Exploring the role of exogenous and endogenous factors

Oybek Madiyev

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Oybek Madiyev: om84@kent.ac.uk

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# Why have China and Russia become Uzbekistan's biggest energy partners? Exploring the role of exogenous and endogenous factors

Oybek Madiyev

*School of Politics & International Relations, Rutherford College, University of Kent, Canterbury, United Kingdom*

## Abstract

In the 1990s, there was an expectation that Uzbekistan, along with other countries in Central Asia, would gradually move towards the West by distancing itself from the sphere of Russian influence. However, in spite of the West's significant investment in the region's economies and attempts to enter the local markets through both bilateral and multilateral channels, this shift never materialised. In fact, since the collapse of the Union of Soviet Socialist Republics (USSR), Uzbekistan's trade cooperation with Russia has remained robust, and only in 2014 did China overtake Russia as Uzbekistan's biggest trading partner. This article aims to understand why Russia and China have become Uzbekistan's biggest economic partners, especially in the energy sector. To understand this, I believe that it is important to analyse the nature of both domestic and international factors and their interaction. First of all, there are international factors: globalisation, the rise of China and an increase in global demand for natural resources; the role of the China-initiated the Shanghai Cooperation Organisation and the Silk Road Economic Belt; and Russia's attempt to reclaim its "great power" status since 2000 and Putin's attempt to build and expand the Eurasian Economic Union. Second, there are domestic factors: understanding Russia's and China's foreign trade policy linked not only with economic growth but also with the structure of foreign economic policy decision-making, or "power vertical," among other domestic elements. This article will draw on Critical International Political Economy (CIPE) to argue that this tradition is well equipped and offers an important framework to understand foreign economic policy of powers such as Russia and China. The CIPE does not simply combine the domestic and international factors but also insists on their indivisibility and engages with cultural, ideological and social elements in their historical contingency.

To whatever degree we may imagine a man to be exempt from the influence of the external world, we never get a conception of freedom in space. Every human action is inevitably conditioned by what surrounds him and by his own body' — Leo Tolstoy, *War and Peace*

## Introduction

After the dissolution of the USSR in 1991, Uzbekistan emerged as an independent state, ending more than a century of the Russian and Soviet rule. At that time, many predicted that the country would adopt the capitalist path of economic development for its post-Soviet transition and foster relations with the West. This expectation was given further impetus by both domestic and foreign policy actions of the government of Uzbekistan, e.g., switching from the Cyrillic alphabet (which was introduced under Joseph Stalin in 1940) to the Latin script (1992), ending the Rouble as the legal tender in the country (1993), officially taking the Russian TV channels off air (1994) and becoming a member of GUAM (Georgia, Ukraine, Azerbaijan and Moldova, an organisation

supported by the United States as a way of countering the Russian influence in the area) in 1999. Moreover, the government outlined the Uzbek foreign policy strategy as a political and economic shift towards the West, in particular the United States, the European Union (EU) and Japan.<sup>1</sup> This Western-oriented approach was characterised as the government's highest foreign policy priority, which aimed to attract the Western capital, investment and businesses and establish a strategic (long-term) partnership with them to achieve economic development.

However, in spite of the above and the West's own significant investment in Uzbekistan's national economy and its attempt to enter the Uzbek market, through both bilateral and multilateral channels, this shift has never materialised. In fact, as shown in [Table 1](#), Uzbekistan's trade cooperation with Russia has remained strong. Moreover, in 2014, China overtook Russia as Uzbekistan's biggest trading partner, with total trade of more than US\$ 3 billion.

One of the main areas in focus of this cooperation is the energy sector, because Central Asia as a whole is a region of largely untapped natural mineral resources. These resources have become increasingly desirable as world supplies are depleting, and political instability in the Middle East has led the developed world to look for other sources. This has meant that Central Asia has become one of the last areas of continued competition among the world's major economic powers. Moreover, as the study will demonstrate, this competition for energy is linked with Russia's and China's broad trade relations with Uzbekistan.

This article will try to explore the underlying factors in China's and Russia's energy partnership in Uzbekistan. What are the main determinants, international and domestic, of their foreign economic policy in Central Asia? This article will argue that strategies of foreign economic policy of states such as Russia and China grow out of the interaction of international and domestic forces. What this article proposes is to use Critical IPE. This tradition does not simply combine the insights of the schools of thought like Domestic or Comparative Political Economy (CPE; focuses on domestic economic policy choices of states) and International Relations (focuses on strategic interest of "Great Powers"). It also rejects the "high" and "low" politics dichotomy on which they are based and instead insists on the indivisibility of the domestic and international factors and also the economic and the political factors. It is "pluralist" in its approach and has wide-ranging analytical tools in international political economy. For the purpose of this case study, we need to engage with the thematic debates, namely the role of the state and the concept of globalisation.

By analysing the role of the state in IPE, this article aims to find an answer to the fundamental question about powers such as China and Russia and the structure of their foreign economic policy decision-making. The concept of globalisation provides the structural context. Although globalisation is not primarily concerned with state sovereignty, it helps to understand the changing distribution of economic power, the rise of China and increased demand of energy. These contemporary themes on globalisation are very timely and important to understand the underpinnings of Russia's and China's economic cooperation with Uzbekistan.

## Critical IPE to understand Russia's and China's energy cooperation with Uzbekistan?

I argue that this case is best understood via the Critical school approach. It is based on multiple origins – including classical political economy, radical theories of development and CPE – which has meant that the kinds of questions and debates are necessarily more varied. This school has been established in opposition to the mainstream, American school of IPE, rejecting the idea that

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<sup>1</sup> E.g., Islam Karimov, *Uzbekistan on the Threshold of the Twenty-First Century: Threats to Security, Conditions of Stability and Guarantees for Progress* (Tashkent: Uzbekistan, 1997); Islam Karimov, *Узбекистан - по пути углубления экономических реформ [Uzbekistan – along the road of deepening economic reform]* (Uzbekiston Publishing House, 1995 [in Russian]); Islam Karimov, *Янгича фикрлаш ва ишлаш – давр талаби [A new way of thinking and working is the requirement of the contemporary world]* (Tashkent: Uzbekistan, 1997 [in Uzbek]); Islam Karimov, *Хавфсизлик ва барқарорлик йўлида [Along the road of security and development]* (Tashkent: Uzbekistan, 1998 [in Uzbek]).

Table 1. Total goods: Uzbekistan's top trading partners — 2014.

	Imports			Exports			Total trade		
	Partner	Value Mio €	% World	Partner	Value Mio €	% World	Partner	Value Mio €	% World
	World	11,093	100.0	World	4,262	100.0	World	15,356	100.0
1	Russia	2,584	23.3	China	1,092	25.6	China	3,307	21.5
2	China	2,215	20.0	Kazakhstan	698	16.4	Russia	3,183	20.7
3	EU 28	1,716	15.5	Russia	599	14.1	EU 28	1,928	12.6
4	South Korea	1,683	15.2	Turkey	534	12.5	South Korea	1,702	11.1
5	Kazakhstan	897	8.1	Bangladesh	418	9.8	Kazakhstan	1,595	10.4
6	Turkey	499	4.5	EU 28	212	5.0	Turkey	1,034	6.7
7	Kyrgyz Republic	275	2.5	Kyrgyz Republic	157	3.7	Kyrgyz Republic	432	2.8
8	Ukraine	255	2.3	Turkmenistan	155	3.6	Bangladesh	424	2.8
9	USA	176	1.6	Tajikistan	63	1.5	Ukraine	305	2.0
10	India	140	1.3	Ukraine	50	1.2	Turkmenistan	197	1.3

all issues can be reduced to the methods of rational choice.<sup>2</sup> Although varied, a key aspect of the Critical school is that it concentrates instead on how the agent of state is itself shaped by the social and historical structures of the economic environment in which it is situated. The economic behaviour of individual actors is, thus, not understood as a purely rational response to external circumstances in which they themselves do nothing to condition how economic agents think about the choices available to them. Rather, behaviour is assumed to reflect social aspirations, which arise as a consequence of socially constituted identities, and the process of identity formation responds to complex dynamics of accumulation to embedded economic norms.

The Critical IPE is “pluralist” in its approaches and has wide-ranging analytical tools in international political economy as means of breaking down the analytical barriers between the domestic and international factors but also between politics and economics. These features stand in sharp contrast to the way that IPE has developed in the United States, where positivism and empiricism rule.

This article suggests that to understand China's and Russia's economic policy in Uzbekistan, we need to look into the thematic debates, namely the concept of state and globalisation. The combination of these conceptual tools will help us frame this article.

### The state in CIPE

My argument is that analysing the role of the state in Critical IPE is crucial because it will help us to look for answers to the fundamental question about the states like China, Russia and Uzbekistan. It offers a broader understanding of the role of the state, i.e. conceptualising it through economic, political, social and ideological complexities of the contemporary globalised world. At the same time, unlike the mainstream American tradition of IPE (where state debates tend to be associated with the study of only advanced Western industrialised democracies), Critical IPE in its analysis is more sensitive towards non-Western or peripheral states.<sup>3</sup>

The arguments of many scholars within the tradition of Critical IPE are grounded on the core contention that state and society or agent and structure are in essence mutually constitutive and, therefore, require an appropriate analytical engagement. Scholars like Robert Cox, Philip Cerny, Andrew Gamble, David Marsh and Anthony Payne argue that the state needs to be located socially and disaggregated institutionally.<sup>4</sup> They also accept that the interests and policy networks and communities through which the state and other actors pursue their interest are likely to be transnational, as well as national.

Overall, they agree that states exist as a structure both in a national and in a “global,” systemic context and as agents within the world. For the purpose of this article, this Critical tradition of IPE provides a good starting point to study foreign trade policy of the Great Powers in Central Asia

2 It includes an eclectic mix of the works of Robert Cox and Susan Strange from the early 1980s onwards. Later, this school expanded with the so-called “new political economy” and “British,” “Critical” or “Neo-Gramscian” branch of scholars associated with Andrew Gamble, Anthony Payne and many others. See e.g., Robert W. Cox, “Gramsci, Hegemony and International Relations: An Essay in Method,” *Millennium*, 1983, 12 (2): 162, <https://doi.org/10.1177/03058298830120020701>; Susan Strange, “Cave! hic dragones: A critique of regime analysis,” in *International Regimes*, ed. Stephen Krasner (Cornell: Cornell University Press, 1983); Susan Strange, *Casino Capitalism* (Oxford: Basil Blackwell, 1986); Susan Strange, “The Persistent Myth of Lost Hegemony,” *International Organization*, 1987, 41 (4): 551–574, <https://doi.org/10.1017/S0020818300027600>; Andrew Gamble, “New Political Economy,” *Political Studies*, 1995, 43 (3): 516–530, <https://doi.org/10.1111/j.1467-9248.1995.tb00320.x>; Anthony Payne, “The New Political Economy of Area Studies,” *Millennium*, 1998, 27 (2): 253–73, <https://doi.org/10.1177/03058298980270020501>.

3 For example, John Hobson's “everyday IPE” text provides an interesting case for this type of non-Western approach to IPE. Hobson analyses the historical origins of the global economy and argues that the development of Western capitalism is in fact rooted in the East. He claims that Eastern capitalist agents significantly contributed to the rise and development of the global economy. See, John Hobson and Seabrooke Leonard, editors. *Everyday Politics of the World Economy* (Cambridge: Cambridge University Press, 2007); John Hobson, “Eastern Origins of Globalisation: Oriental Globalisation in the rise of Western capitalism,” in *Everyday Politics of the World Economy*, ed. Hobson John and Leonard Seabrooke (Cambridge: Cambridge University Press, 2007), 159.

4 Robert Cox, “Social Forces, States and World Orders: Beyond International Relations Theory,” *Millennium: Journal of International Studies*, 1981, 10 (2): 126–155, <https://doi.org/10.1177/03058298810100020501>; Phillip Cerny, *The Changing Architecture of Politics: Structure, Agency, and the Future of the State* (London, Newbury Park, New Delhi: Sage, 1990); Gamble, “New Political Economy”; Gamble, “New Political Economy”; See in, Colin Hay, Michael Lister and David Marsh, editors. *The State Theories and Issues* (Basingstoke: Palgrave Macmillan, 2006); Anthony Payne, *Key Debates In New Political Economy* (New York, NY: Routledge, 2006).

because, as pointed earlier, strategies of foreign economic policy of the Great Powers like Russia and China grow out of the interaction of international and domestic forces. The historical development of domestic and international structures of the Great Powers provides important characterisation or assumption to understand their contemporary foreign economic policy. In this light, these factors are found to mutually influence one another. The next section will consider another important debate in Critical IPE, namely the concept of globalisation, which I argue offers an important structural context for this article. It also provides an important link to our aforementioned arguments about the state.

## Globalisation and its impact on global energy demand

The notion of globalisation has been widely used in social science. Scholars within CIPE characterise this as “a powerful transformative force that is responsible for profound changes in societies, economies and institutions of governance and world order.”<sup>5</sup> The article argued that in the Critical tradition, the state exists as a structure, both in a national and in a global, systemic context, and as agents within the world. The notion of state has been understood as being reorganised, restructured and reengineered in relation to the contemporary global change.<sup>6</sup>

One of the thematic debates associated with globalisation is its impact on global energy supplies. This discussion will help us to present a structural context for the empirical part of this article. Moreover, this contemporary theme on globalisation is very timely and important to understand what the resurgent powers like China and Russia are doing in Central Asia.

The issues of energy, particularly with a rise in demand for energy and energy security in the contemporary world, have taken one of the central positions among the debates on economic globalisation. This debate in itself offers several arguments and issues: the global players in the energy market, global power's struggles for the world's energy resources, the role and position of resource-rich states in the globalised world, multilateralism versus bilateralism in energy diplomacy, and so on.

Many authors argue that globalisation and the rise of Brazil, Russia, India, China and South Africa (commonly referred to as BRICS) have increased the demands for energy resources.<sup>7</sup> It has brought expansion of demand not only through international trade but also through cross-border investments, deregulation of domestic markets and industrial restructuring that links the older energy industries to the new global political economy. They believe that this transformation of energy industries and markets is apparent around the world. They claim that the biggest danger was growing demand for energy in Asia, followed by concerns about possible conflict in the Middle East and constraints in nuclear power.

As shown in [Figure 1](#), demand for energy in the Organisation for Economic Co-operation and Development (OECD) countries barely grows, whereas in China and in other fast-growing economies, energy consumption increases drastically. According to the British Petroleum (BP) Energy Outlook, by 2035, China will become the biggest energy importer in the world.<sup>8</sup> The ratio of China's dependence on foreign energy imports will grow from 15% in 2014 to 23% in 2035.

Overall, according to the above projections, while the demand for energy resources will grow in Japan, Europe and North America, it will soar in the developing countries such as China, Brazil

5 For “transformative” category of globalization see e.g., David Held, Anthony G. McGrew, David Goldblatt and Jonathan Perraton, *Global Transformation: Politics, Economics and Culture* (Oxford: Polity, 1999), 7.

6 E.g., Cerny, *The Changing Architecture of Politics: Structure, Agency, and the Future of the State*; Gamble, “New Political Economy”; Payne, *The Global Politics of Unequal Development*.

7 E.g., Andre Broome, *Issues and Actors in the Global Political Economy* (Basingstoke: Palgrave Macmillan, 2014), 255-271; A. F. Zobaa, and W. J. Lee, *The Globalization of Energy Markets in Asia*, IEEE Paper, 2006; Martha Caldwell Harris, “The Globalization of Energy Markets,” in *The Global Century: Globalization and National Security*, ed. Richard L. Kugler and Ellen L. Frost (Washington, D.C.: National Defense University Press, 2001).

8 BP, Energy Outlook to 2035, <http://www.bp.com/content/dam/bp/pdf/energy-economics/energy-outlook-2016/bp-energy-outlook-2016-country-insights-china.pdf>. Accessed 7 May 2016; See also other projections e.g., IEA International Energy Outlook 2009, <http://www.eia.doe.gov/oiaf/ieo/world.html>. Accessed 5 February 2010.

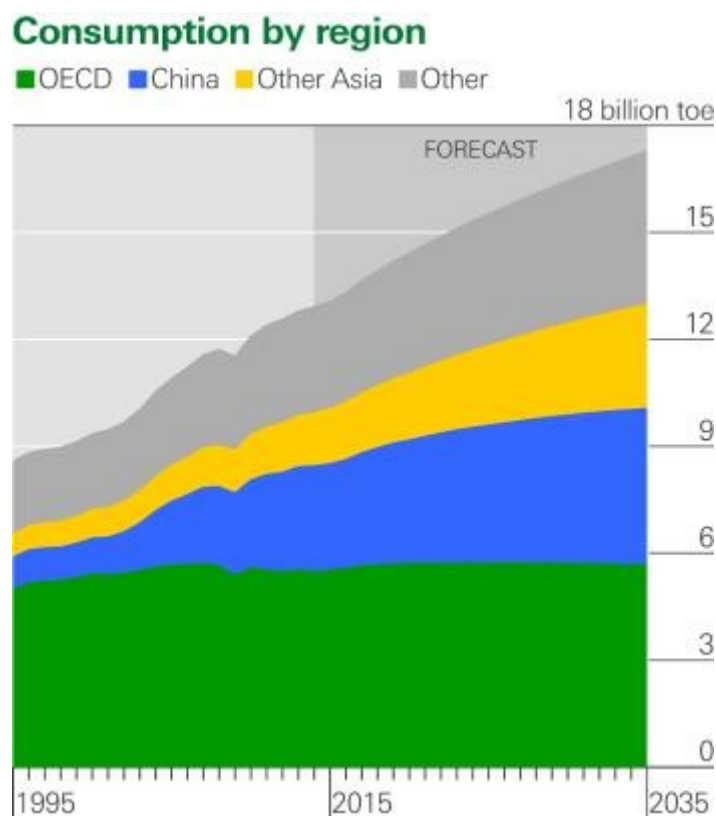


Figure 1. Energy consumption by region.

Reproduced from BP, Outlook to 2035 – energy use to rise by a third, <http://www.bp.com/en/global/corporate/energy-economics/energy-outlook-2035/energy-outlook-to-2035.html>, with permission from BP.

and India. According to the aforementioned sources, globalisation and the rise of BRICs has already created imbalance between supply and demand of energy resources such oil and gas. For instance, as per the BP data in 2014 alone, natural gas consumption per capita has increased in the countries like China, Russia and the United States. The United States recorded the largest growth in consumption among the OECD countries (+2.9 growth), while China (+8.6%) and Russia remained the world's largest consumers of natural gas.<sup>9</sup> China's dependence on foreign oil will grow from 59% in 2014 to 76% in 2035, while its dependence on gas will grow from just under 30% in 2014 to 42% in 2035.<sup>10</sup>

By and large, globalisation and the rise of the BRICs have made energy security more important. According to the above characterisation about the state, the significant growth in energy demand caused by globalisation and the rise of the BRICs will have enormous impacts on global energy demands. This process will also make a big impact on the foreign policy of the Great Powers. It will force them to reorganise their foreign economic policy, work on the diversification of their oil and gas suppliers and find alternative sources of energy. As shown in Figure 2, since 2007, gas consumption in China has overtaken production. This can be seen as one of the important factors that underpin China's energy policy in Uzbekistan.

<sup>9</sup> BP, Natural gas consumption, <http://www.bp.com/en/global/corporate/about-bp/energy-economics/statistical-review-of-world-energy/review-by-energy-type/natural-gas/natural-gas-consumption.html>. Accessed 19 September 2015.

<sup>10</sup> Ibid.



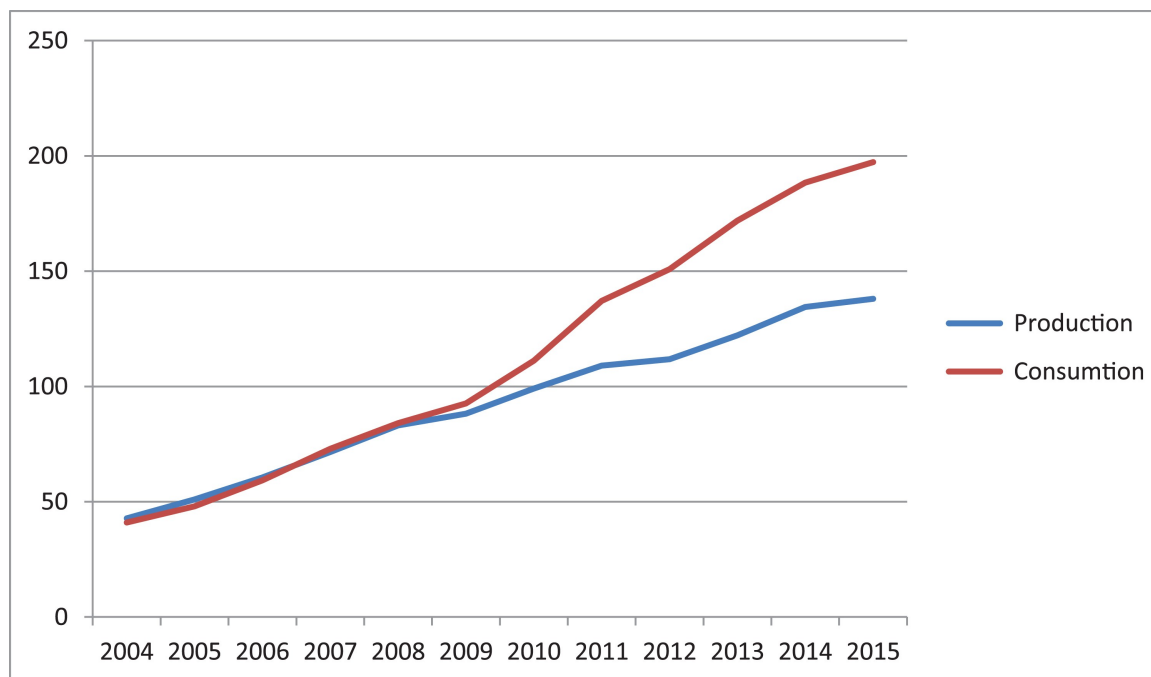


Figure 2. China's growth in natural gas production and consumption (billion cubic metres).

Based on data from BP Statistical Review of World Energy 2016, available at [www.bp.com/statisticalreview](http://www.bp.com/statisticalreview).

## Globalisation and China's economic policy in Uzbekistan

China has a long history of its relationship with Central Asia. This has traditionally represented political, economic and cultural relationship. John Fairbank labels this cooperation as “a relationship of peace, war, trade, deception and marriages, all the ingredients for a good story.”<sup>11</sup> The only period that China has been kept away from Central Asia was during the Russian occupation and the Soviet era in the last 100 years. During the Soviet era, trade between the socialist republics of Central Asia and China was virtually blocked. In spite of some tentative agreements between the Central Asian republics and Xinjiang, China's autonomous region, in the beginning of the 1960s and the 1980s, there was not a single regular-functioning trading route between them.<sup>12</sup>

The collapse of the Soviet Union offered China a great chance to re-establish its historical ties with Central Asia. Since the early 1990s, China established diplomatic relation with Uzbekistan. In October 1992, China opened its embassy in Tashkent. The same year, both countries created Economic and Trade Agreement, a Most Favoured Nation Treatment. In the 1990s, the state leaders of both countries held regular high-level meetings. For instance, the Chinese government invited Karimov to China three times, in 1992, 1994 and 1999, and the Chinese President Jiang Zemin himself visited Uzbekistan in 1996.<sup>13</sup> However, due to Uzbekistan's own foreign policy line, which was centred on “advanced West” in the 1990s, its historical, political, economic and social ties with Russia and the role of other Great Powers and developed countries in Asia like South Korea, the dynamics of China's cooperation with Uzbekistan was significantly slow.

11 John Fairbank, *China: A New History* (Cambridge: The Belknap Press of Harvard University Press, 1992).

12 Sebastien Peyrouse, *The Economic Aspect of the Chinese-Central Asia Rapprochement*, Central Asia-Caucasus Institute and Silk Road Studies Program – A Joint Transatlantic Research and Policy Centre (John Hopkins University, Washington and Institute for Security and Development Policy, Stockholm, 2007), 11.

13 “Cooperation of the Republic of Uzbekistan with the countries of the Asia and the Pacific,” *Ministry of Foreign Affairs of the Republic of Uzbekistan*, <http://www.mfa.uz/en/cooperation/countries/374/>. Accessed 11 November 2015.

Table 2. Uzbekistan's trade with China – Export (Millions of U.S. Dollars).

Year	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Amount	74	64	136	127	29	12	11	7	25	18	371

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Amount	410	514	330	300	318	1,181	733	992	1,744	1,451

Table 3. Uzbekistan's trade with China – Import (Millions of U.S. Dollars).

Year	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Amount	57	52	42	68	64	30	43	56	115	161	183

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Amount	253	447	843	1,405	1,716	1,296	1,495	1,962	2,875	3,433

A visible political and economic cooperation with China only commenced in the 2000s. As shown in Table 2, for about a decade, until the early 2000s, the trade cooperation between Uzbekistan and China was significantly small, with the total annual trade volume of less than US\$ 100 million. This was about seven times lower than Uzbekistan's total trade with Russia or with the OECD countries. The beginning of acceleration of bilateral trade cooperation started in 2002 when Uzbekistan's total import volume from China doubled, from US\$ 56 million in 2001 to US\$ 115 million in 2002. Drastic increase in Uzbekistan's export to China commenced in 2004. In 2003, the volume of export was US\$ 18 million, and in 2004, this figure jumped to US\$ 371 million. Within 10 years, in 2014, China managed to overtake not only the West (or OECD countries) that attempted to establish strong cooperation with Uzbekistan in the 1990s, but also Russia, the country Uzbekistan's economy heavily depended on since the mid-19th century. Tables 2 and 3 and Figure 3 demonstrate that the current trade balance between the two countries is about US\$ 3.2 billion.

### The role of Shanghai Cooperation Organisation in China's expanding trade relations with Uzbekistan?

As we have seen earlier, since the formation of this institution, the region's geoeconomic and geopolitical significance, as well as rise in China's domestic economy, which increased demand for foreign natural and mineral resources, has arguably played a great role in China's approach towards Central Asia through this regional organisation. Since the establishment of the Shanghai Cooperation Organisation (SCO), China's trade cooperation with Uzbekistan has greatly increased, and particularly, the energy aspect of cooperation has been at the core of China's approach towards Uzbekistan and the region. Moreover, in September 2013, Chinese President Xi Jinping during his visit to Central Asia announced his "Silk Road Economic Belt," a regional economic initiative that aims to establish a network of transportation that links China with Baltic States through Central Asia. During the Summit in Tajikistan in September 2014, economic integration became a sig-

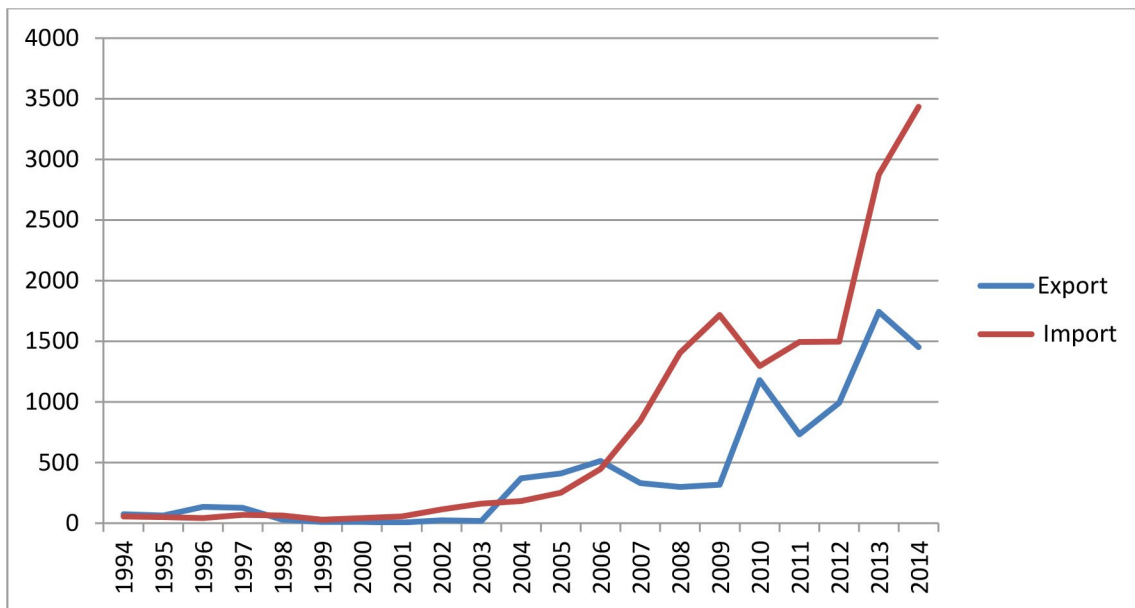


Figure 3. Uzbekistan's trade with China – Import and export (millions of US dollars).

Based on data from the International Monetary Fund, Directorate of Trade Statistics Yearbook, 2015.

nificant part of the SCO agenda, especially the promotion of Xi Jinping's idea of a Silk Road Economic Belt, which we shall discuss below.

Although one could argue that two main powers in the organisation, China and Russia, are in competition for the resources of the Central Asian region, in the early 2000s, this institution provided a platform for both powers to cooperate on common grounds of interest. One of the areas of such cooperation has been to curb or reduce the West's, in particular the United States's, influence and its overall role developed throughout the 1990s and early 2000s, especially after the United States launched its "War on Terror" in Afghanistan and established military presence in Uzbekistan and Kyrgyzstan. By mid-2000s, it was clear that both Russia and China were uncomfortable with the United States's presence in the region.

In the 2005, SCO Joint Declaration China objected to the stationing of American troops in Central Asia.<sup>14</sup> China and Uzbekistan signed the Treaty on Friendly and Cooperative Partnership during this visit, indicating strengthening of bilateral ties. China also offered economic assistance to Central Asia. The Chinese President Hu Jintao announced that China was going to offer soft loans to the amount of US\$ 900 million. By then, the representatives of Chinese Oil and natural gas companies had started frequent visits to the region promising funding to wide range of projects. For instance, in May 2005, the China National Petroleum Corporation (CNPC) and Uzbekneftegaz signed deals related to 23 oil fields in Uzbekistan. Based on this agreement, the CNPC decided to invest US\$ 600 million.<sup>15</sup>

In July 2005, Wu Yi, Chinese Deputy Prime Minister, made an official visit to Uzbekistan. The main topic of Wu's dialogue with his Uzbek counterparts was trade and economic cooperation. During

14 Kawato Akio "What is Japan up to in Central Asia," in *Japan's Silk Road Diplomacy: Paving the Road Ahead*, ed. Cristopher Len, Uyama Tomohiko and Hirose Tetsuya (Washington and Stockholm: Central Asia-Caucasus Institute Silk Road Studies Program, 2008), 25.

15 Eugene B. Rumer, Dmitrii Trenin and Huasheng Zhao, *Central Asia: Views from Washington, Moscow, and Beijing* (New York and London: M.E. Sharpe, 2007), 168.

this visit, another Chinese company Sinopec signed an agreement with Uzbekneftegaz to set up a joint venture. Sinopec announced to invest US\$ 100 million in oil exploration and development of existing fields in Uzbekistan.<sup>16</sup> During the conversation with Wu, Karimov praised bilateral cooperation and called China as a trustworthy friend and an amicable neighbour. Both concluded that the governments would make serious steps to improve economic, political and military ties.<sup>17</sup>

As we have seen, energy became one of the core areas of cooperation between the two countries. China's largest oil and gas producer, the CNPC, opened its office in Tashkent in 2006. The company became involved in exploring and developing oil and gas fields in eastern and western Uzbekistan, including in the area of the Aral Sea, and signed several energy deals with the National Holding Company Uzbekneftegaz.<sup>18</sup>

Some of the agreements were related to the pipeline construction (the CNPC would guarantee the funding for the cross-border pipeline project in Central Asia) and five oil and gas exploration blocks, which cover a total area of 34,000 km<sup>2</sup>, including the area located in Ustyurt, Amudaya and Fergana valley. These are the country's three largest petroliferous basins.

In November 2007, Wen Jiabao, the Premier of the State Council of the People's Republic of China, paid an official visit to Uzbekistan to attend the SCO summit. During this visit, the two countries signed Joint Communiqué. Based on this communiqué, both parties agreed to increase bilateral ties to a new heights, including high-level visits, and deepen pragmatic cooperation in politics, economy, culture and security.<sup>19</sup>

The document also states that Uzbekistan will support China in opposing independence of Taiwan, in any form, including membership in international and regional organisations. In exchange, the document indicates that China will provide its full support to the Uzbek government in domestic policy to maintain stability and economic development and that China also opposes any attempt to interfere in the internal affairs of Uzbekistan under the guise of human rights.<sup>20</sup> In terms of economic cooperation, both sides agreed to further work on strengthening partnership in the spheres like energy, mining and infrastructure, chemical industry, agriculture, telecommunications and transportation and explore new spheres of economic engagement. This also shows that this energy partnership gave impetus to foster broader bilateral trade cooperation.

In 2008, China became Uzbekistan's top five trading partner. Since then, China made further investments in the strategic sectors of energy transport and telecommunications. For instance, the second stage of the Gas pipeline project that links Turkmenistan–Uzbekistan–Kazakhstan–China was completed in 2011. In October of the same year, Uzbekistan and China signed an agreement on establishing an Intergovernmental Cooperation Commission.<sup>21</sup> Since then, Uzbekistan started exporting 10 bcm of gas per year to China. By 2012, China became Uzbekistan's second-biggest trading partner and its biggest investor. The volume of bilateral trade reached US\$ 2.9 billion. This shows almost 50 times increase in the volume of bilateral trade since 2005. In 2012, China's investment totalled US\$ 4 billion in 35 different projects.<sup>22</sup>

These are among the largest of the agreements with the Central Asian governments concerning oil development. These examples indicate the Chinese determination and genuine interest in oil and gas fields in Central Asia. As a mode of engagement, the Chinese government has been using

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16 Ibid.

17 Alisher Ilkhamov, "Profit, Not Patronage: Chinese Interests in Uzbekistan," *China Brief*, The Jamestown Foundation, 2005, 5 (20).

18 CNPC official site, CNPC in Uzbekistan, [http://www.cnpc.com.cn/en/Uzbekistan/country\\_index.shtml](http://www.cnpc.com.cn/en/Uzbekistan/country_index.shtml). Accessed 1 December 2015.

19 "China, Uzbekistan issue joint communique, pledging to enhance bilateral ties, co-op", *China View*, 4 November 2007, [http://news.xinhuanet.com/english/2007-11/04/content\\_7008018.htm](http://news.xinhuanet.com/english/2007-11/04/content_7008018.htm). Accessed 1 December 2015.

20 Ibid.

21 Bernardo Mariani, *China's role and interests in Central Asia* (Safeworld, 2013).

22 Ibid.



Figure 4. Central Asia-China pipeline — Lines A, B and C.

Reproduced with permission from Geopipelitics, available at "China's march Westward and the ISIS challenge," Geo-Pipelitics <http://www.geopipelitics.com/?p=1192>.

its traditional methods such investment, trade and security cooperation. As we have seen earlier, China has conducted its cooperation with the states in Central Asia both bilaterally and multilaterally, mainly through the SCO, which involves China, Russia and the countries in Central Asia. From the Chinese perspective, the SCO's main role has been to reduce Western, mainly the United States's, influence in the region, which increased after 9/11.

The second role Uzbekistan played has been as an important gas transit state. The Turkmen gas carried through the Central Asia–China pipeline (see Figure 4) passes through both Uzbekistan and Kazakhstan. The gas pipeline starts at the city of Gedaim, on the border of Turkmenistan and Uzbekistan, and reaches Horgos, Xingjinang Uygur Autonomous region of China, from where it is connected to the Second West-East Pipeline. The current length of the pipelines is 1,830 km, with three parallel lines, A, B and C. All of these three lines have an overall annual capacity of carrying more than 55 bcm.<sup>23</sup> The construction of the first two lines started in July 2008. The line A was completed in December 2009 and the line B in October 2010. By the end of 2011, both lines delivered 30 bcm of gas to China.

The CNPC started the construction of the line C in September 2012. This line has a capacity of 25 bcm. It was completed at the end of 2013 and started its gas exporting operation on 31 May 2014.<sup>24</sup> According to the CNPC, these three lines of the Central Asia–China gas pipeline will provide 20% of China's gas consumption.<sup>25</sup> This shows the significance of the pipeline to the Chinese economy.

During Xi's visit to Central Asia in September 2013, China and the three Central Asian countries, Tajikistan, Uzbekistan and Kyrgyzstan, signed agreements to add another route, line D of the pipeline. Later, the CNPC signed individual agreements with its counterparts in Tajikistan (with Tajikneftegaz on 4 March 2014) and Uzbekistan (with Uzneftegaz on 9 August 2014) on establishing joint ventures and the construction and operation of the line D sector of the Central Asia–China gas pipeline. This is a 1,000 km pipeline with an annual output of 30 bcm, which aims to deliver gas to China crossing Uzbekistan, Tajikistan and Kyrgyzstan. Upon the completion of this fourth line, the Central Asia–China gas pipeline will be Central Asia's largest gas conveyance system, with an output of 85 bcm per year.

<sup>23</sup> CNPC official Site, Flow of natural gas from Central Asia. Accessed 30 November 2015, <http://www.cnpc.com.cn/en/FlowofnaturalgasfromCentralAsia/FlowofnaturalgasfromCentralAsia2.shtml>.

<sup>24</sup> Ibid.

<sup>25</sup> Ibid.

Apart from oil and gas, China has also invested in Uzbekistan's other sectors like railways and electricity. China has also been providing assistance in developing Uzbekistan's civilian nuclear power potential. China's XD Group is involved in the areas related to modernisation and construction of the Uzbek capital's electricity supply system, providing equipment worth US\$ 26.3 million.<sup>26</sup> In April 2012, this company signed an agreement with the National Energy Company of Uzbekistan for engineering, procurement and construction project. In March 2013, the Chinese company Xian Electric and Uzbekenergo, state joint stock company of Uzbekistan, signed a Memorandum of Understanding to construct a wind farm in Uzbekistan.<sup>27</sup> Based on this memorandum, the parties agreed to create wind power facilities with the capacity of up to 100 MW, which allows generating 170 million kilowatt of electricity per hour. The total cost of the project is US\$ 250 million.

Other area of economic cooperation that has increased since 2007 is the cotton sector. In April 2007, Uzbek-Chinese Working Group held their first session on cotton trade. In October 2007, the group held the Second International Cotton Fair. More than 100 Chinese companies participated in the fair.

As we have seen, since the 2005 SCO summit, the leaders of both countries have made frequent visits to each other's countries. These state visits have been carried out on both bilateral and multilateral occasions and have served not only to reinforce cooperation between the two countries but also to reduce the West and Russia's influence not only in Uzbekistan but also in the whole region of Central Asia. Based on the speeches of state leaders and signed agreements/documents, economic, trade, energy and infrastructure development aspects of cooperation have taken central emphases. For instance, in 2011, Wu Bangguo, Chairman of the Standing Committee of China's National People's Congress, at that time visited Uzbekistan and made a speech at the Uzbek Parliament, Oliy Majlis (the Supreme Assembly). In his speech, he praised China-Uzbek relations and reiterated China's eagerness to further increase bilateral cooperation.<sup>28</sup>

On 6 June 2012, President Karimov, during the SCO summit in Beijing, met with Wen Jianbao, former Chinese Premier, and emphasised that China was Uzbekistan's trustworthy partner and that Uzbekistan would like to "expand bilateral cooperation in fields such as economy and trade, energy, railway, finance and technology and cement coordination with China within the SCO."<sup>29</sup> Wen Jianbao declared that in terms of consumption and investment, not only Central Asian but also the whole Eurasian continent has a potential to be one of the most significant areas in the world.<sup>30</sup> During the summit, on 6 June 2012, Chinese former President Hu and Uzbekistan's President Karimov signed the Joint Declaration on the Establishment of Strategic Partnership. They also signed 45 deals worth US\$ 5.3 billion,<sup>31</sup> taking bilateral cooperation to a new level.

Three months after the SCO summit, in September 2012, Chinese Vice Premier Hui Liangyu paid a state visit to Uzbekistan. During this visit, he also reiterated significance of broad cooperation between China and Uzbekistan and emphasised that "both countries had enjoyed increasingly strengthened mutual political trust, seen mutual understanding and support on those major issues concerning their core interests, worked together to carry out various large projects in the fields of economy and trade, energy, and infrastructure, and cooperated well on regional security

26 UzReport, Uzbekistan Government Information Agency, Uzbekistan to get US\$26.3m Chinese equipment for electricity project, 12 February 2009, [http://news.uzreport.uz/news\\_4\\_e\\_56993.html](http://news.uzreport.uz/news_4_e_56993.html). Accessed 1 December 2015.

27 UzDaily, Xian electric engineering to help Uzbekistan to develop wind energy, 13 March 2013, <http://www.uzdaily.com/articles-id-22342.htm>. Accessed 1 December 2015.

28 Mariani, *China's role and interests in Central Asia*, 8.

29 Official Website of SCO Summit 2012, *Chinese premier meets Uzbek president*, [http://www.scosummit2012.org/english/2012-06/06/c\\_131635678.htm](http://www.scosummit2012.org/english/2012-06/06/c_131635678.htm). Accessed 16 November 2015.

30 Mariani, *China's role and interests in Central Asia*.

31 "Cooperation of the Republic of Uzbekistan with the countries of the Asia and the Pacific," *Ministry of Foreign Affairs of the Republic of Uzbekistan*, <http://www.mfa.uz/en/cooperation/countries/374/>. Accessed 19 November 2015.

as well as regional and international issues. Both countries valued their relationship and regarded each other as good partners and sincere brothers.”<sup>32</sup>

### Xi Jinping, foreign policy decision-making and the Silk Road Economic Belt

In November 2012, Xi Jinping became the General Secretary of the Communist Party, the top of the power hierarchy in China. As a result of regrouping of power structure in China, Xi Jinping also became a head of the State Security Committee, which was set up in November 2013. The committee was established to centralise all elements of the security apparatus, to centralise national security decision-making and to effectively manage an increasing number of foreign policy actors due to China's economic growth.<sup>33</sup> The General Secretary is also a head of “Leading Small Groups” (LSGs), which oversees China's foreign policy decision-making.<sup>34</sup> This makes Xi Jinping as the most powerful and assertive actor in China's foreign policy actions. This means that unlike in the Western “pluralistic” societies, Xi Jinping's foreign policy decisions are not challenged by any opposition groups or individuals. This, to an extent, makes Xi's Central Asia policy be easily implemented with virtually no obstacles.

From 3 September to 13 September 2013, Xi Jinping visited Central Asia while taking part in the SCO summit. He became China's third consecutive head of state to show great interest in this region. During this visit, Xi announced China's new investments in the region and signed several agreements with the regional states. The agreements were mainly in the fields of infrastructure, energy and development projects. Xi Jinping, like his predecessors, stressed that China's approach towards Central Asia was only economic and does not bear any political dimensions, and China's bilateral and regional cooperation was not based on any political integration. Moreover, he repeatedly emphasised that China would not interfere in internal affairs of the states in Central Asia. Unlike the approaches of other Great Powers (e.g., Islam Karimov has repeatedly expressed his concern at political tendencies of the Russian-led integration projects or with the West's approach toward the region through its certain policy conditions attached), China's approach has been well-suited for the states in Central Asia.

Turkmenistan was the first country Xi visited. During his 2-day visit to Turkmenistan, Xi ceremonially opened a new Galkynysh gas field, which served to transfer the Turkmen gas to China. Both parties also signed a new pipeline deal, known as “Route D” of the Central Asia–China gas pipeline.<sup>35</sup> This is a multi-million dollar liquid gas pipeline project, which provides China's monopoly over the Turkmen gas. Xi then visited Kazakhstan, Uzbekistan and Kyrgyzstan.

In Kazakhstan, he delivered a speech at Nazarbayev University, where he elaborated his Central Asian policy. During this speech, he suggested the promotion of his idea of “Silk Road Economic Belt”<sup>36</sup> to boost cooperation. Based on this policy, China would create Central Asia as a conveyance belt or corridor for its exports to the West and the Middle East. Xi highlighted that the main purpose of his policy was to further intensify economic cooperation between China and Central Asia through the construction of transport infrastructure, expansion in the volume of trade and removing trade barriers. He also announced a number of new long-term cultural and social relations initiatives, including a 10-year assistance program aimed at providing government scholarships for 30,000 students from the SCO countries to study at the universities in China and also offer funding for

32 Embassy of the People's Republic of China in the United Kingdom of Great Britain and Northern Ireland, China News, 12 September 2012, *Hui Liangyu Meets with Uzbek Prime Minister Mirziyayev*, <http://www.chinese-embassy.org.uk/eng/zgyw/t971518.htm>. Accessed 16 November 2015.

33 Yun Sun, “China's New “State Security Committee”: Questions Ahead,” *Pacific Forum CSIS*, No 81 (14 November 2013).

34 Linda Jakobson and Ryan Manuel, “How are Foreign Policy Decisions Made in China?” *Asia and the Pacific Policy Studies*, 2016, 3 (1): 101–110, <https://doi.org/10.1002/app5.121>.

35 Andrew Scobell, Ely Ratner and Michael Beckley, *China's Strategy Toward South and Central Asia: An Empty Fortress* (RAND Project Air Force, 2014), 28.

36 Tang Danlu, “Xi suggests China, C. Asia build Silk Road economic belt,” *Xinhuanet*, 7 September 2013, [http://news.xinhuanet.com/english/china/2013-09/07/c\\_132700695.htm](http://news.xinhuanet.com/english/china/2013-09/07/c_132700695.htm). Accessed 19 November 2015.

10,000 teachers and students to visit China. On the bilateral level, Xi and Nazarbayev signed several agreements in the area of trade and investment. For instance, the parties agreed on China's acquisition of a stake in the Kashagan oil deposit (Kazakhstan's biggest oil field) and China's development projects in this country with the value of more than US\$ 8 billion (for modernising the Kazakh economy, with introduction of modern technology and credit agreements in Baitarek).

In Uzbekistan, Xi and Karimov signed Joint Declaration on further development and deepening of strategic partnership. They signed 31 agreements worth US\$ 15 billion to further develop cooperation in energy and gold sectors.<sup>37</sup> Both sides agreed to take bilateral trade cooperation into a new level, especially in the spheres of energy, to ensure a stable operation of the China–Uzbekistan gas pipeline, by working on new projects related to the exploration of not only gas but also oil and uranium and by investing US\$ 455 million on railway construction, which would link China and Uzbekistan.

Xi proposed his five-point cooperation plan with Uzbekistan as an integral part of his “Silk Road Economic Belt” plan. They are as follows:

1. Raising bilateral trade to US\$ 5 billion by 2017 and commence negotiation on free-trade zone
2. Expanding cooperation in the sphere of energy, such as natural gas processing, oil shale development and renewable energy, and ensuring safe and stable operation of China–Uzbekistan pipeline
3. Promoting infrastructure that links both countries and expediting the completion of the existing rail and road network operation connecting China, Uzbekistan and Kirghizstan
4. Building industrial and agricultural zones and increasing cooperation in science and technology
5. Promoting cultural and interpersonal exchanges

Following Xi Jinping's visit, another top-level official, Li Keqiang, Premier of the People's Republic of China, made his official trip to Uzbekistan on 28–29 November 2013. During this visit, the sides signed seven documents related to China's political engagement, in particular, establishing ministerial-level cooperation and improving investment and cultural relationship.<sup>38</sup>

In 2014, the bilateral trade volume reached US\$ 3.2 billion. This has meant that China officially overtook Russia as Uzbekistan's biggest trading partner. This shows that China's New Silk Road Economic Belt has been shaping up to be a real project.

One could argue that from the geopolitical dimension, China has been transforming Central Asia into its own energy resources base. In case of Turkmenistan, the region's largest gas exporter, which has the world's fourth largest gas reserves and second largest gas field called Galkynysh, China is the biggest importer of the Turkmen gas. In 2012, about 60% of China's natural gas import came from Turkmenistan.<sup>39</sup> The CNPC is the only company that has a direct access to Turkmenistan's gas reserves. It has been involved in various energy development projects in Turkmenistan's several oils and gas fields. These energy field development projects are highly expensive. Apart from the CNPC's capital investment, to meet the share of development expenses, Turkmenistan would have to borrow funds from China. This, in effect, turns Turkmenistan into China's debtor country and places China in a greatly advantageous position. This, to an extent, reminds us a neocolonial trait.

As we have seen, China has been conducting similar energy projects in Kazakhstan and Uzbekistan. This energy expansion conforms to Xi's “Silk Road Economic Belt” policy in Central Asia. In October 2014, Xi announced that China would set up a US\$ 40 billion Silk Road Fund.<sup>40</sup> This offers a great

37 “Cooperation of the Republic of Uzbekistan with the countries of the Asia and the Pacific,” *Ministry of Foreign Affairs of the Republic of Uzbekistan*, <http://www.mfa.uz/en/cooperation/countries/374/>. Accessed 11 November 2015.

38 Ibid.

39 Natural Gas Europe, Turkmenistan: The Diversification of Gas Export Market, <http://www.naturalgaseurope.com/turkmenistan-the-diversification-of-gas-export-market-27160>. Accessed 7 May 2016.

40 “China to establish \$40 billion Silk Road infrastructure fund,” *Reuters*, 8 November 2014, <http://www.reuters.com/article/us-china-diplomacy-idUSKBN0IS0BQ20141108#mUGVCKWVVOHT46x.97>. Accessed 8 December 2015.



opportunity for some of the Chinese companies to receive government subsidies and expand their business areas. A part of this fund will be used for infrastructure projects in Central Asia.

### The Asian Infrastructure Investment Bank and its role in the Silk Road Economic Belt

After announcing the idea of the Silk Road Economic Belt, in October 2013, Xi Jinping proposed another initiative, the establishment of a new multilateral development bank, the Asian Infrastructure Investment Bank (AIIB),<sup>41</sup> emulating the Asian Development Bank and the World Bank. Within less than 2 years, by June 2015, China was able to negotiate the AIIB's Articles of Agreement and form a US\$100 billion bank, aiming to support infrastructure development in Asia and promote interconnectivity and economic integration in the continent.<sup>42</sup>

Scholars like Joseph Stiglitz and Daniel Chow<sup>43</sup> point out that this is a significant and positive change in global economic governance as the existing US-dominated financial arrangement have struggled with industrialisation in Asia and Africa due to special interests and ideological constraints, known as “free market Washington Consensus policies.”

However, I argue that China has its own reasons for creating this multilateral bank, more than just helping to meet Asia's needs in infrastructure development. It plays an important role and integral part in serving China's strategic goals in Central Asia, options to expand its economic interest in the region, the promotion or further facilitation of Xi Jinping's Silk Road Economic Belt intuitive, which is linked to not only financing of various highly expensive infrastructure projects (e.g., transport networks like the construction of China–Kyrgyzstan–Uzbekistan railway, energy and communications) and expansion of China's export markets but also in facilitating inter-governmental policy exchanges, improving bilateral trade and investment and people-to-people or cultural and interpersonal exchanges as mentioned earlier in this article.

Overall, China's trade and economic cooperation with Uzbekistan, as well as with other countries in Central Asia, has drastically increased since the early 2000s. The Chinese government has been able to utilise both bilateral and multilateral channels to facilitate economic cooperation, launching enormous energy and infrastructure development projects, like Central Asia–China gas pipeline, and initiatives like the Silk Road Economic Belt. Moreover, within a very brief period, China was able to negotiate the AIIB's Articles of Agreement and establish a multibillion, multilateral bank. This, as we argued earlier, is linked with multiple intertwining factors: China's economic growth, global change in the distribution of economic power, increased demand for natural and mineral resources and also the government's power and ability to make domestic and foreign policy decision with virtually no domestic structural/institutional restrictions. This also shows that China has, arguably, been successful in its attempt to “displace” other Great Powers like the United States, the European Union and Japan, which launched similar “Silk Road” initiatives (discussed later) and their political and economic influence in the region. So, how about Russia, the country that Central Asia's economies depended on for over 150 years?

### The effect of China's economic prowess on Russian trade relations, especially in the energy sector, with Uzbekistan

In the 19th century, the Tsarist Russia adopted a domestic economic reform policy while carrying out large-scale territorial expansion in Central Asia. This has been seen as a policy to secure the long-term resources for Russia to foster its economic development and regain a great power status

41 Mike Callaghan & Paul Hubbard, “The Asian Infrastructure Investment Bank: Multilateralism on the Silk Road,” *China Economic Journal*, 2016 9 (2):, 116-139, <https://doi.org/10.1080/17538963.2016.1162970>.

42 Ibid.

43 Joseph Stiglitz, “In defence of the Asian Infrastructure Investment Bank,” *Guardian*, 14 April 2015, <https://www.theguardian.com/business/2015/apr/14/in-defence-of-the-asian-infrastructure-investment-bank>; Daniel Chow, “Why China Established the Asia Infrastructure Investment Bank,” Public Law and Legal Theory Working Paper series, 25 February 2016.

Table 4. Uzbekistan's foreign trade — Import, 1994–2001 (Millions of US dollars).

	1994	1995	1996	1997	1998	1999	2000	2001
Total (World)	2,522	3,030	4,854	4,538	4,032	3,245	2,596	3,283
Russia (%)	917 (36.4)	907 (29.9)	1,191 (24.5)	962 (21.5)	533 (13.2)	264 (8.1)	302 (11.6)	400 (12.2)
OECD Countries	782 (31.0)	838 (27.7)	1,736 (35.8)	1,524 (33.6)	1,156 (28.7)	1,194 (36.8)	809 (31.2)	835 (25.4)
Intra-Regional Trade	377 (14.9)	434 (14.3)	563 (11.6)	470 (10.3)	319 (8.0)	330 (10.2)	366 (14.1)	320 (9.7)

Table 5. Uzbekistan's foreign trade — Export, 1994–2001 (Millions of US dollars).

	1994	1995	1996	1997	1998	1999	2000	2001
Total (World)	1,991	2,718	6,620	2,896	3,309	2,888	3,309	3,121
Russia (%)	774 (38.69)	808 (29.7)	593 (22.6)	923 (31.9)	474 (14.3)	423 (14.6)	602 (18.2)	527 (16.9)
OECD Countries	693 (34.8)	724 (26.6)	886 (33.8)	731 (25.2)	663 (30.0)	497 (17.2)	617 (18.6)	563 (19.0)
Intra-Regional Trade	134 (6.7)	564 (20.7)	387 (14.8)	495 (17.1)	442 (13.4)	410 (14.2)	336 (10.2)	306 (9.8)

through the retreat to a more secure perimeter while its influence in Europe was blocked as a result of the Crimean War. Cotton monoculture imposed on Uzbekistan during the Soviet Union was also linked to Russia's 19th century power struggle and political and economic developments in both domestic and international spheres. In other words, for over 100 years, a single economy dominated Uzbek–Russian trade relations. This pattern changed after the collapse of the Soviet Union, with Uzbekistan opening its markets to the world, especially the West and countries such as China, Turkey and South Korea. In 1991, in terms of trade structure between Russia and Uzbekistan, Russia made up about 53% of both import and export.<sup>44</sup> Uzbekistan needed to reduce this dependence on Russian by reorienting its trade balance away from Russia and reconstruct or diversify its domestic production and goods.

By 1995, Uzbekistan's export to Russia declined drastically. For instance, between 1994 and 1995, Uzbekistan's exports to Russia declined as a percentage of its total from 38.9% to 29.7%,<sup>45</sup> while import over the same period increased by 40%. After 1995, Uzbekistan's export to Russia as a percentage of total trade averaged about 20% (see Tables 4 and 5 for the percentage changes above).

However, since Putin came into power, Uzbekistan re-engaged with Russia and started rebuilding its trade cooperation due to the above mentioned factors and forces. This shows the interlink between not only domestic and international factors but also politics and economics in understanding Russia's economic relations with Uzbekistan. Below, I look into the structural changes in Russia's foreign policy, changes in its decision-making procedure since 2000, which underlie Russia's approach towards Central Asia.

44 See e.g. Eric Miller, *To Balance or Not to Balance: Alignment Theory and the Commonwealth of Independence States* (Aldershot and Burlington: Ashgate, 2006), 81.

45 Miller, *To Balance or Not to Balance: Alignment Theory and the Commonwealth of Independence States*, 85.

## Putin's "power vertical" and transformation of foreign policy decision-making

During the Yeltsin period, Russia lacked a clear policy towards Uzbekistan due to fragmented structure of domestic power and foreign policy decision-making. There were several differences on Russia's foreign policy orientation views not only among the various ministries, but also between the Duma and the presidential apparatus.<sup>46</sup> Moreover, foreign policy decision-making during the Yeltsin era was also influenced by various other interest groups, politicians (the westernisers — *zapadniki*, Eurasianists and great power — *derzhavniki* and strong state — *gosudarstvenniki* advocates<sup>47</sup>) institutions and social forces through the use of media, lobbying and debates.<sup>48</sup> These various conflicting interests were the major obstacles to articulate a clear vision of Russia's national interest and transform them into an effective foreign policy. This phenomenon or process was linked to Russia's 1993 Constitution, which limited the government's power over foreign policy and echoed a "normal" developed democratic society, characteristics of a typical pluralistic politics in the West.<sup>49</sup>

Since Vladimir Putin came into power in 2000, he has altered this structure and replaced it with his top-down system known as "power vertical," a concentration of power in the Kremlin. This system is characterised as the administrative regime, where the elite, officials at the top of the government, are appointed for not only reliability but also loyalty.<sup>50</sup> These elite control virtually all spheres of political, economic and social circle through president's "web of force"<sup>51</sup> — personal ties, *siloviki* (officials with security service background from Putin's circle from St Peterburg), "family" (a group of friends, associates and even relatives who controlled access to the president and heavily influenced the decision-making of administration), ministries, regional and federative governors.

The *siloviki*, according to Sakwa,<sup>52</sup> "reasserted the prerogatives of the states over economic policy and political life as a whole." They became a core force for Putin to destroy not only political opponents but also energy company Yukos, integrating it with the national company, Rosneft.<sup>53</sup> They also played an important role for Russia to adopt a more anti-Western and assertive foreign policy, sharing strong state mentality and Eurasianist view and making Russia's foreign policy more cooperative, giving priority to the country's relations with the Commonwealth of Independent States (CIS) and "near abroad."<sup>54</sup>

Centralised ruling was regarded as a guarantee for stability and controlling political and social spheres as an assurance of order. The consolidation of domestic power, the internal stability and development, opened the way for an increasingly affirmative approach in Russia's foreign policy. In relation to Russia's policy towards the post-Soviet sphere, in January 2000, Putin approved the document called "The Main Directions of the Development of Russia's Relations with CIS Member States."<sup>55</sup> This document stresses on greater economic cooperation with individual CIS member states and the need to set out a clear and effective policy of integration, with an emphasis on bilateral dialogue. On 17 May, Putin abolished the Ministry for CIS affairs and shifted its tasks to the Ministry of Economic Development and Trade and the Ministry of Foreign Affairs, a more powerful ministries.<sup>56</sup>

46 Lena Jonson, *Vladimir Putin and Central Asia: The Shaping of Russian Foreign Policy* (London: I.B. Tauris, 2004), 126.

47 See Catherine Danks, *Politics Russia* (Harlow: Routledge, 2013), 349–353.

48 See e.g., Richard Sakwa, *Russian Politics and Society*, 4th edition (London: Routledge, 2008), 372–376.

49 Ibid., Sakwa, *Russian Politics and Society*, 373.

50 See e.g., Richard Sakwa, *Putin Redux: Power and Contradiction in Contemporary Russia* (Abingdon and New York: Routledge, 2014); Andrew Monaghan, "The Vertikal: Power and Authority in Russia," *International Affairs*, 2012, 88 (1): 1–16, <https://doi.org/10.1111/j.1468-2346.2012.01053.x>.

51 See e.g., John Willerton "Putin and the Hegemonic Presidency," in *Developments in Russian Politics*, 6th edition, ed. Stephen White, Alex Pravda and Richard Sakwa (Basingstoke: Palgrave, 2005).

52 Sakwa, *Putin Redux: Power and Contradiction in Contemporary Russia*, 2.

53 Ibid.

54 See e.g., Marcin Kaczmarek, "Domestic Power relations and Russia's Foreign Policy," *Demokratizatsiya, The Journal of Post-Soviet Democratization*, 2014, 22 (3): 383–409.

55 Danks, *Politics Russia*, 359.

56 Ibid.

Moreover, the power ministries, foreign affairs, defence and internal affairs became directly accountable to the president. The regime successfully subordinated the state institutions, depriving their autonomy. These political structural changes at the top turned out to be relatively stable and guaranteed the survival of the Putin's regime for more than a decade. The system allowed Putin to return to the presidency through the subsequent Putin-Medvedev "role-swap."

The above suggests the centralisation of foreign policy decision-making and implementation and, thus, limits the power of state and non-state actors/institutions in the process. In other words, this system provides autonomy to the Kremlin and Putin in political, economic and foreign affairs. The Russia's international behaviour, in our case the Russia's foreign policy line towards Uzbekistan and its implementation, is linked with the evolution of the structure of domestic power relations.

### Putin's economisation of foreign policy and Russia's realignment with Uzbekistan?

As we have seen earlier, during the 1990s, Uzbek–Russian cooperation was limited to some trade and security links (within the CIS framework), prompted by the Civil War in Tajikistan and the rise of Islamic ideological opposition in the region. Since Putin became Russia's president in 2000, Russia pursued more active policy towards Central Asia. Russia began paying more attention on increasing its security and economic cooperation with Uzbekistan. In the early 2000s, a range of security treaties between the two countries were signed. Following the security agreements in 1999 and 2000, both the countries signed the Treaty of Strategic Partnership in June 2004 and a treaty on alliance relation in November 2005. Putin's economic policy was carried out through the combination of important aspects, expansion of trade and economic relations and counterbalancing the rise of Western, in particular the United States's, position or presence in Central Asia and the Caspian region,<sup>57</sup> and also through the endowment of Eurasianism. In other words, economic cooperation, in particular, using existing energy routes and infrastructure in the sphere of cotton, created since the Tsarist expansion in the region as mentioned earlier, was also linked to geopolitical "power game" to avoid further loss of its geopolitical role in the region. It was also linked to Russia's unstable relationship with the developed West, NATO's expansion, Russia's diminished role in Eastern Europe since the 1990s and Russia's economic recovery since 2000, which made it more attractive partner for Uzbekistan.

Richard Sakwa characterises Putin's foreign policy as "new realism."<sup>58</sup> This method provides useful perspective to understand Russia's post-2000 attitude towards the "near abroad." It looks beyond the International Relations' (IR) traditional security and balance of power paradigm in Russia's foreign policy and encompasses not only domestic and international but also political, economic and ideational trends/forces. Sakwa elaborates seven features of Putin's new realism, namely "economisation," "Europeanism," "securitisation," "autonomy," "bilateralism" and Russia's attempt to "normalise" its relations with the West and the world. The development of all these elements provides some important foci to understand changing patterns in Russia's foreign policy under Putin, especially after 9/11. For the purpose of this article, I will be looking into the "economisation" pattern, which is a characterisation where Russia's foreign policy is understood as a result of domestic economic interests.<sup>59</sup> In other words, thinking about interconnectedness of political/economic and also domestic/international dimensions. Russia's foreign policy in Uzbekistan is linked with its domestic business interests and also preservation of its position in the region. Below, we will be investigating the following important factors: Russia's economic cooperation with Uzbekistan, geopolitics and international forces, domestic political changes and the structure of foreign economic policy decision-making under Putin and Uzbekistan's position or reaction to Putin's "neorealism."

57 See e.g., Jahangir Kakharav, "Uzbek-Russian Economic Relations and the Impact of the Russian Economic Performance on Uzbekistan's Growth and Foreign Trade," *Central Asia and the Caucasus*, 2004, 5 (1): 167–172.

58 See e.g., Richard Sakwa, *Putin, Russia's Choice* (London and New York: Routledge, 2008), 267–299; Richard Sakwa, "New Cold War' or twenty years' crisis? Russia and international politics," *International Affairs*, 2008, 84 (2): 241–267, <https://doi.org/10.1111/j.1468-2346.2008.00702.x>, Blackwell Publishing Ltd/The Royal Institute of International Affairs.

59 Sakwa, *Putin, Russia's Choice*, 275.

## “Economisation” of Russia’s foreign policy and economic cooperation with Uzbekistan?

As mentioned earlier, Russia has historically depended on Uzbekistan’s cotton for its textile industry. Even now, more than 60% of its total cotton yarn imports come from Uzbekistan.<sup>60</sup> Since the break-up of the Soviet Union, Russia–Uzbekistan trade relations have diversified. Apart from cotton, Russia imports cars (under the Chevrolet brand), food products and textiles. Russia exports industrial equipment, timber and other construction materials.<sup>61</sup> Since Putin came to power in 2000, he attempted to consolidate Russia’s economic power with its foreign policy, making energy politics as its significant pillar. Energy became a cornerstone of Russia’s economic well-being, backbone of the country’s economy and its future.<sup>62</sup> Moreover, Putin’s government has gone to great length to consolidate oil and gas industries under state control.<sup>63</sup> Central Asia’s energy resources, as well as its geopolitical position, became Russia’s point of great interest. In particular, the regions’ gas reserves have been viewed as the critical hedge against the decline in domestic production.<sup>64</sup> This energy politics also became an important tool for Russia to re-engage itself with Uzbekistan and the region.

Russia’s energy interest in Central Asia was also associated with some of the significant geopolitical developments in the region in this period. The emergence of the US and EU policies to construct multiple pipelines to link energy-rich Central Asian and Caspian states to Western markets by bypassing Russia (e.g., the construction of the Baku–Tbilicy–Ceyhan, known as the BTC oil pipeline, the US scheme pipeline from the Caspian to the Mediterranean, completed in 2005), US security, military presence in the region as a result of the rise of the Taliban in neighbouring Afghanistan, manifested after 9/11, and the rise of China’s influence in the region became important factors for Russia to reengage with the region and regain its own interests and position.

Uzbekistan has the world’s 17th largest gas reserves. According to US Energy Information administration, as of January 2015, Uzbekistan possessed 65 trillion cubic feet (Tcf) of proven natural gas reserves.<sup>65</sup> It also has 594 million barrels of proven oil reserves. Uzbekistan is ranked 11th in the world in natural gas production, with an annual output of 60–70 bcm, the third in Eurasia, behind Russia and Turkmenistan. There are about 200 gas, gas condensate, oil and gas condensate and oil fields in the country. About half of the discovered field have been put in exploitation and about 35% are being prepared for developing, and the remaining fields are being used for exploration works.<sup>66</sup>

After 9/11 in 2001, Uzbekistan became America’s close strategic partner. Although the United States carried out its surge into Central Asia with “close co-operation of Putin,”<sup>67</sup> Russia was also concerned about its implications to the balance of power in the region and Russia’s own influence in Central Asia. Russia decided to expand its energy interest beyond the Caspian Sea region<sup>68</sup> and give a special emphasis to Uzbekistan and the region’s energy resources. On 1 March 2002, during the CIS leader’s meeting in Shymbulak, Kazakhstan, Putin proposed cooperation in the sphere of gas industry between Russia, Uzbekistan, Kazakhstan and Turkmenistan.<sup>69</sup> This was followed by Putin’s visit to Uzbeki-

60 Patricia Jurewicz and Alina Shlyapochnik, *From the Field: Travels of Uzbek Cotton Through the Value Chain* (Responsible Sourcing Network, 2012).

61 Kakharav, “Uzbek-Russian Economic Relations and the Impact of the Russian Economic Performance on Uzbekistan’s Growth and Foreign Trade,” 168.

62 Eugene Rumer, “Russian Foreign Policy Beyond Putin,” *Adelphi Papers* 390, 2007: 26.

63 *Ibid.*, 57.

64 See e.g., Rumer, “Russian Foreign Policy Beyond Putin,” 31.

65 “Uzbekistan,” *EIA Beta*, Last updated July 2015, <http://www.eia.gov/beta/international/analysis.cfm?iso=UZB>. Accessed 11 August 2015.

66 Jakhongir Kakhkharov, “Uzbek Gas for Export: Will Political Maneuvering between China and Russia Result in Higher Export Price?” *MPRA Paper No. 64128*, 2008.

67 See e.g., Sakwa, *Putin, Russia’s Choice*, 280.

68 See e.g., Jonson, *Vladimir Putin and Central Asia: the Shaping of Russian Foreign Policy*, 101.

69 President of Russia, Transcript from Putin’s speech on 1 March 2002, Press Opportunity Following a Meeting of the CIS Heads of State, <http://en.kremlin.ru/events/president/transcripts/21517>. Accessed 11 August 2015.

stan's ancient city of Samarkand in August 2003. During this visit, Putin and Karimov signed documents on strengthening cooperation in oil and gas sectors.<sup>70</sup> Since then, Uzbek–Russian energy relations have significantly improved. For example, Russian giant gas company Gazprom has been expanding throughout the region, signing cooperation agreement with Uzbekistan and entering into a strategic cooperation agreement with the reorganised Uzbek state gas company Uzneftegaz in December 2002. This agreement stipulated about Gazprom's investment of up to US\$ 1.5 billion in the development of gas-transporting system in Uzbekistan and its pledge to purchase up to 100 bcm of Uzbek gas annually during 2002–2012.<sup>71</sup> Uzbekistan sees Gazprom not only as a gas producer but also as the operator of the gas transit system through Uzbekistan as the country also plays an important role in the region as a key transit state. The old Soviet pipeline routes like the Central Asia–Centre and Bukhara–Ural lines still remain hugely important for Russia to transport Central Asia's energy resources.<sup>72</sup> Both lines serve to transfer Turkmenistan's gas through the Uzbek territory. Both of them were used for the purpose of transporting gas to Russia after the dissolution of the Soviet Union.<sup>73</sup>

The Bukhara–Ural pipeline links Uzbekistan, Kazakhstan and Russia, with output capacity of 706 Bcf. This route also transits increasing volumes of the Turkmen gas to Russia.<sup>74</sup> The Central Asia–Centre pipeline (see Figure 5) was constructed in 1967. At that time, it was the longest gas pipeline in the world, stretching for almost 3,000 km, crossing Turkmenistan, Uzbekistan and Kazakhstan and feeding into the Russian pipeline system.<sup>75</sup> Since then, it has been expanded. The current length of this route is nearly 5,000 km. The two branches, the eastern and the western, of this gas pipeline are controlled by Gazprom. The eastern one originates in the south-eastern gas fields of Turkmenistan and has throughput capacity of 2.2 Tcfm. Most of the Turkmenistan and Uzbekistan's gas are transferred to Russia through this route. The western route originates on the Caspian seacoast of Turkmenistan, with an output capacity of 120 Bcf.

This dual role makes them an economic force that must be reckoned with. The Uzbek government has developed a number of joint ventures in both oil and gas sectors with Gazprom subsidiary Zarubezhneftegaz.<sup>76</sup> In 2004, further two projects were signed between Gazprom and Uzneftegaz. These projects included the renewal of gas production at the Shakhpakhti deposits, with Gazprom's investment of US\$ 70.3 million and a gas field exploration and development project in the Ustyurt region.<sup>77</sup>

Another Russian energy company LUKOIL has been active in Uzbekistan since 2004. In June 2004, Putin paid visit to Uzbekistan, during which LUKOIL signed a US\$ 1 billion the Production Sharing Agreements (PSA). This was a long-term, 35-year agreement, which involved development projects such as Kandym–Khauzak–Shady–Kungrad and Southwest Gissar.<sup>78</sup> Of these fields, Kandym is the largest one and contains some 150 bcm of gas. Major gas field output in Uzbekistan officially started on 29 November 2007, jointly with Uzbekneftegaz, with LUKOIL having 90% stake and Uzneftegaz controlling the rest.<sup>79</sup> LUKOIL is currently the biggest investor in the energy sector in the country. Until 2015, it has invested over US\$ 3.5 billion in Uzbekistan.

70 Andrew Monaghan, "Uzbekistan: Central Asian Key," in *Russian Energy Security and Foreign Policy*, ed. Adrian Dellecke and Thomas Gomart (Abingdon: Routledge, 2011), 127.

71 Sergei Blagov, "Russia's Move on Energy Chessboard," *Asia Times*, 6 February 2006, Available at: [http://www.atimes.com/atimes/Central\\_Asia/HB04Ago1.html](http://www.atimes.com/atimes/Central_Asia/HB04Ago1.html). Accessed 11 August 2015.

72 See e.g., Monaghan, "Uzbekistan: Central Asian key."

73 Andreas Heinrich and Heiko Paines, editors. *Export Pipelines from the CIS Region: Geopolitics, Securitization, and Political Decision-Making* (Germany: Ibidem Press, 2014), 37.

74 Heinrich and Paines, *Export Pipelines from the CIS Region: Geopolitics, Securitization, and Political Decision-Making*, 30.

75 Gazprom website, 40th anniversary of Central Asia – Center gas pipeline, <http://www.gazprom.com/about/history/events/miller-congratulation-40th/>. Accessed 14 February 2017.

76 See also Martha Brill Olcott, *Central Asia's Second Chance* (Carnegie Endowment for International Peace, 2005), 194.

77 For details see Gazprom website at: <http://www.gazprom.com/about/production/projects/deposits/uzbekistan/> or <http://www.zaruz.ru/en/operations/country/uzbekistan>. Accessed 11 August 2015.

78 Monaghan, "Uzbekistan: Central Asian key," 127.

79 Kakhkharov, "Uzbek Gas for Export: Will Political Maneuvering between China and Russia Result in Higher Export Price?"



Figure 5. Central Asia: Centre gaz pipeline.

Reproduced with permission from Art Lebedev on behalf of Gazprom, available on Gazprom's website, Central Asia – Center: Significance, <http://www.gazprom.com/about/production/projects/pipelines/central-asia/>.

Based on the PSA agreement, LUKOIL will produce about 10 million tonnes of oil and gas condensate and 330 bcm of gas.<sup>80</sup>

These above mentioned projects and agreements in the sphere of energy have generally been seen as a rapprochement between Russia and Uzbekistan or Central Asia in general. In 2005, bilateral trade between Russia and Uzbekistan reached a figure of US\$ 1.8 billion, which shows an increase by 26.1%.<sup>81</sup> In May 2006, Karimov visited Sochi, Russia, and met with President Putin. During this meeting, Putin hailed blossoming ties with Uzbekistan and stressed the importance of increasing trade and economic cooperation for both countries.<sup>82</sup> One of the main areas of discussion was the focus on energy cooperation. Karimov indicated, “There are great prospects for developing relations, not only with LUKOIL and Gazprom but with other big Russian companies.”<sup>83</sup>

Since then, the West's positions towards Uzbekistan have fluctuated. Currently, there are over 135 Russian companies, including energy giants like Gazprom (more than US\$ 400 million in investments) and LUKOIL (about US\$ 3.5 billion in investments out of US\$ 5 billion of commitments) operating in Uzbekistan.<sup>84</sup> Russia is also one the biggest arms merchants in Uzbekistan.<sup>85</sup> Uzbekistan exports more than 40 different types of products and services, including cotton fibre and yard, precious and nonprecious metals. Uzbekistan imports equipment, machinery,

80 See LUKOIL website, LUKOIL Overseas: Uzbekistan, at <http://lukoil-overseas.com/projects/uzbekistan/>. Accessed 11 August 2015.

81 Official Internet Resources of the President of Russia, *President Vladimir Putin met with President of Uzbekistan Islam Karimov*, 12 May 2006, <http://en.kremlin.ru/events/president/news/35534>. Accessed 10 September 2015.

82 Ibid., Official Internet Resources of the President of Russia.

83 Ibid, Yablokova, Oksana, 15 May 2006.

84 LUKOIL website, LUKOIL Overseas: Uzbekistan, at <http://lukoil-overseas.com/projects/uzbekistan/>. Accessed 11 August 2015; also in Asian Investment bank, Russian-Uzbek foreign trade', [http://ai-bank.ru/en/about1/russianuzbek\\_foreign\\_trade/](http://ai-bank.ru/en/about1/russianuzbek_foreign_trade/). Accessed 30 January 2015.

85 Martha Brill Olcott, “Eyes on Central Asia: How to Understand the Winners and Losers,” *Acta Slavica Iaponica* No. 16 (Slavic-Eurasian Research Center, Sapporo, Japan, 2007): 12.

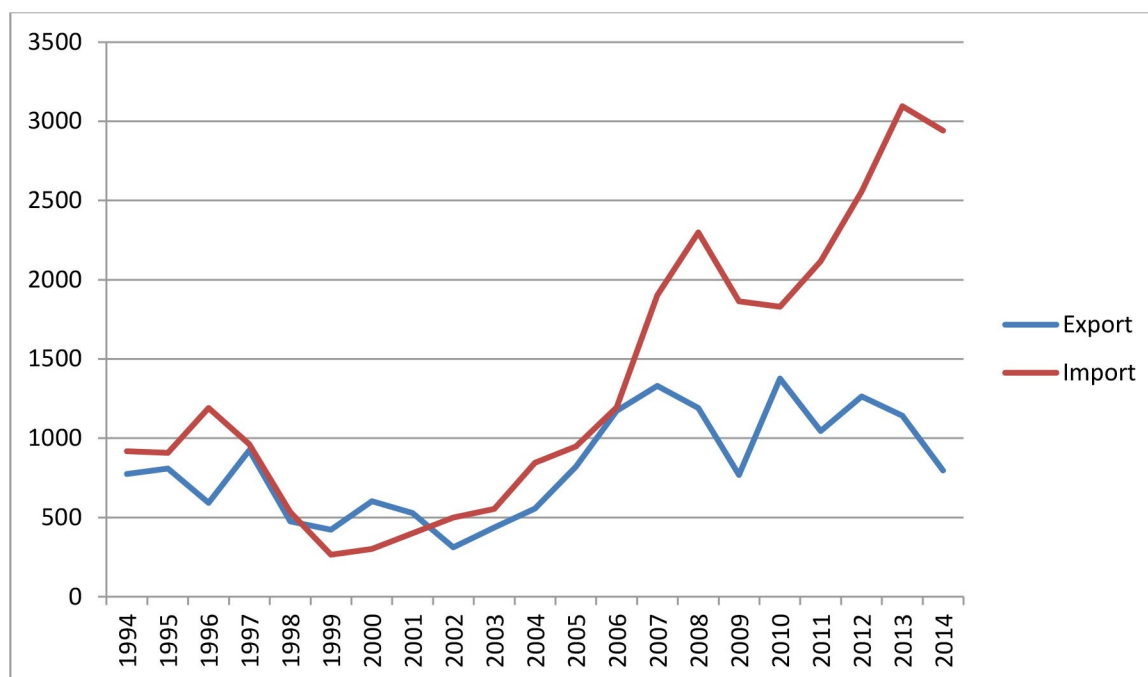


Figure 6. Uzbekistan's trade with Russia — Import and export (millions of US dollars).

Data collected from the International Monetary Fund, Directorate of Trade Statistics Yearbook, 2008 and 2015.

pharmaceutical products, paper and other products and services from Russia. The statistical information given below (Figure 6) demonstrates the increase in bilateral trade since 2000.

Overall, Russia's relations with Uzbekistan since 2000 have gradually grown. Both energy cooperation and security are important for both parties. Gazprom is balancing the supply and demand in Russia. Russia needs stability to sustain its development. Gazprom's and LUKOIL's activities in Uzbekistan, through establishing joint ventures with Uzbekneftegaz in oil and gas sectors, are also improving Russia's position in the region. As the above information and statistical data show, Putin's policy towards Uzbekistan has not only been centred on geopolitical forces and counterbalancing other Great Powers in the region, but also been linked to Russia's own domestic economic interests, Putin's "power vertical" and transformation of foreign policy decision-making, "economisation" and making energy politics as Russia core foreign policy strategy. In other words, domestic/international and geopolitical/geoeconomic factors are closely intertwined.

In December 2014, Putin visited Uzbekistan and promised to write off Uzbekistan's nearly £900 million, 95%, debt. On 25 March 2016, Russia's State Duma ratified this deal.<sup>86</sup> This, as we have seen earlier, is linked with Russia's attempt to not only keep in pace with the growing economic influence of China in Uzbekistan but also regain its geopolitical and geoeconomic interest and position in the region. It is also strongly linked with Russia's unbalanced relations with the West, especially after March 2014 events when the Russian Federation annexed Crimea from Ukraine. The United States and European Union responded by imposing sanctions on Russia, targeting

<sup>86</sup> Interfax, Госдума ратифицировала соглашение о списании Узбекистану 95% долга, [State Duma ratifies an agreement on writing off 95% of Uzbekistan's debt], <http://www.interfax.ru/business/500354>, 25 March 2016 [in Russian].



some of its major businesses, including financial, energy and military sectors. These sanctions, along with plunging in oil prices, has brought significant negative economic impact on Russia, resulting in sharp rise in consumer goods caused by the depreciation of the Rouble, the Russian currency, a depreciation of 30% in real effective terms.<sup>87</sup> This has arguably strengthened Putin's approach toward Central Asia and the Eurasian Economic Union. Putin's visit to Uzbekistan and other countries in Central Asian in December 2014 also manifested this approach.

However, Russia's annexation of the Crimea and Putin's ambition to expand Russia's influence over the former Soviet territory through the idea of reintegration prompted Uzbekistan to ponder new steps to distance itself further from the Kremlin. During the 23rd anniversary of Uzbekistan's independence celebrations on 1 September 2014, Islam Karimov addressed the nation and stressed about Uzbekistan's unpleasant and "humiliating" experience during the Soviet Union and the tyranny of the Soviet past. He pointed out about the Soviet period as being "totalitarian" and "oppressive injustice regime." He indicated that:

Those who lived in that period remember well that there was no greater disparagement and grievance when our national values, traditions and customs were scorned. They recall that back then, when a constituent part of the USSR, Uzbekistan used to be a backward agrarian republic with a one-sided, overblown raw-material economy with a monopoly of cotton production that had a destructive impact on it.<sup>88</sup>

Although Karimov did not explicitly indicate Ukraine, it was clear that his remarks were aimed at Russia. He condemned the use of force while mentioning about alarming events in the world and called for sovereignty and borders to be respected. By doing so, he effectively denounced the Russian-led regional bodies/unions and reintegration projects. On 12 January 2015, Karimov made a speech at the first session of the lower parliament house, elected in December 2014. During this session, he reiterated and made it clear that Uzbekistan was not interested in either the Eurasian Union or the Customs Union, emphasising that Uzbekistan would never become a member of any alliance resembling the former USSR.

Uzbekistan's strong stance against joining the Russian-led Eurasian Economic Union, to a greater extent, represents its aims and actions to carry out a "multi-vector" foreign policy, i.e., limit its economic reliance on China and Russia, which is linked with some political repercussions, diversify its trading partners and keep all its options open. The following section will briefly look at the approaches of other Great Powers like the United States, the European Union and Japan, which have made significant investments in Uzbekistan since the 1990s, launching various "Silk Road" initiatives aimed at fostering their economic cooperation, especially in the area of energy, towards Uzbekistan and other Central Asia's republics.

## Other Great Powers and their "Silk Road" initiatives

### The United States's approach

The United States's interest in Uzbekistan started soon after the disintegration of the Soviet Union. In November 1993, the United States provided Uzbekistan the *most-favoured-nation* trade status. The first major bilateral economic cooperation document between the two parties, the Bilateral Trade Agreement, came into effect on 14 January 1994. Based on this agreement, the United States exempted Uzbekistan from several US import tariffs under the Generalised System of Preferences.

87 See e.g., IMF World Economic Outlook, April 2015 Report, p. 25, accessible at <http://www.imf.org/external/pubs/ft/weo/2015/01/pdf/text.pdf>. Accessed 24 June 2015; Szu Ping Chan, "Russia remains defiant as EU sanctions and oil price fall paralyse economy," *Telegraph*, 21 April 2015, <http://www.telegraph.co.uk/finance/economics/11552014/Russia-remains-defiant-as-EU-sanctions-and-oil-price-fall-paralyse-economy.html>. Accessed 24 June 2015; Rebecca M. Nelson, *U.S. Sanctions on Russia: Economic Implications*, CRS (Congressional Research Service) Report, 4 February 2015, <http://fas.org/sgp/crs/row/R43895.pdf>. Accessed 24 June 2015.

88 "President Islam Karimov Addresses the Festive Occasion to Celebrate the 23rd Anniversary of Uzbekistan's Independence," *Press Service of the President of the Republic of Uzbekistan*, 1 September 2014, <http://president.uz/en/news/5001/>. Accessed 24 June 2015.

Both countries signed Bilateral Investment Treaty on 16 December 1994.<sup>89</sup> The US energy companies like Enron Oil and Gas proposed joint ventures in February 1995.

In October 1997, the US Republican Senator Sam Brownback and Prof. S. Frederick Starr, Chairman of the Institute of Central Asia and Caucasus at Johns Hopkins University, proposed a legislative initiative called the “Silk Road Strategy Act.” This initiative offered an alternative export route for Central Asia in an attempt to restrict the Russian and Iranian influence in the region. It was also aimed at supporting the US business interests and investments in the region. In relation to the United States’s energy interests, the Act stated that

The region of the South Caucasus and Central Asia could produce oil and gas in sufficient quantities to reduce the dependence of the United States on energy from the volatile Persian Gulf region.<sup>90</sup>

In line with this proposal, the Clinton administration endorsed the construction of Trans-Caucasus oil and gas pipeline to Turkey. Senator Sam Brownback visited Uzbekistan on April 1998. Uzbekistan accepted this initiative and signed the Ankara Declaration, which supported building a Baku–Ceyhan pipeline route.<sup>91</sup> In 1999, the Silk Road Strategy Act was enacted as a part of the Fiscal Year (FY) 2000 Foreign Operations, Export Financing, and Related Programs Appropriations Act.<sup>92</sup> It called on the Department of State to provide annual reports, demonstrating the amount of the US Agency for International Development regional assistance funds used to meet the objectives set out in the Act.

Furthermore, post-9/11 events signalled the increase in the United States’s strategic interests in the region and gave impetus to develop broader economic cooperation with Uzbekistan. In early 2000s, the United States trebled its assistance fund to Uzbekistan and the region. As a result of China’s and Russia’s increased cooperation with Central Asian, in June 2011, the Secretary of State, Hilary Clinton, announced a “New Silk Road” strategy, aimed at “facilitating regional cooperation in energy, trade and transportation” and assisting Afghanistan to integrate with Central and South Asia.<sup>93</sup> On 22 October 2011, she visited Uzbekistan to bolster both political and economic ties between the countries.<sup>94</sup> However, the US-proposed various cooperation projects in the energy sector since the 1990s have not been materialised. Moreover, as the IMF fugues indicate, trade between Uzbekistan and the United States remained marginal, with total annual trade below US\$ 400 million since 2001, compared to Uzbekistan’s trade with Russia and China, with total annual trade over US\$ 2 billion during the same period.<sup>95</sup> This was due to various factors. As mentioned earlier, globalisation and geopolitical competitions in the region since 2001 greatly hindered the United States’s energy security objectives. Furthermore, the United States’s approach towards the region through various drastic and rigorous domestic reform conditions (largely based on Western “norms” and “values”) attached to its aid and investment packages, its conventional preoccupations, have hindered the progress of its economic cooperation. As Heathershaw points out, “US analysts and policy-makers have continually mistook the nature of local geopolitical imaginaries.”<sup>96</sup> Although the United States’s aid conditionality aimed at safeguarding

89 See “United States Bilateral Investment Treaties,” *the US Department of State*, <http://www.state.gov/e/eb/afd/bit/117402.htm>. Accessed 20 July 2016.

90 See “H.R. 1152 (106th): Silk Road Strategy Act of 1999,” *GovTrack*, the United States Congress, <https://www.govtrack.us/congress/bills/106/hr1152>. Accessed 20 July 2016.

91 Bernardo Teles Fazeiro, *Uzbekistan’s Self-Reliance 1991–2010*, 120.

92 US Department of State, *Diplomacy in Action*, VI. Assessments Required by the Silk Road Strategy Act of 1999: U.S. Government Assistance to and Cooperative Activities with Eurasia, <http://www.state.gov/p/eur/rls/rpt/23605.htm>. Accessed 4 May 2015.

93 US Department of State, *Diplomacy in Action*, U.S. Support for the New Silk Road, <http://www.state.gov/p/sca/ci/af/newsilkroad/>. Accessed 29 July 2016.

94 Please see Embassy of Uzbekistan to The United States website reports, [www.uzbekistan.org/uz\\_us\\_relations/archive/1360/](http://www.uzbekistan.org/uz_us_relations/archive/1360/). Accessed 8 February 2013, also Press Service of the President of the Republic of Uzbekistan, *Islam Karimov Meets with US Secretary of State*, <http://www.press-service.uz/en/news/1416/>. Accessed 28 May 2015.

95 See “Directorate of Trade Statistics Yearbook,” *International Monetary Fund*, 2015.

96 John Heathershaw, “Worlds Apart: The making and remaking of geopolitical space in the US-Uzbekistan strategic partnership,” *Central Asian Survey*, 2007, 26 (1), <https://doi.org/10.1080/02634930701423558>.

its own long-term investment in Uzbekistan, it seems that this approach failed to take into account, inter alia, the nature of Uzbekistan's own choice of gradualist path of post-Soviet development, historical, cultural and ideological factors based on "orientalist" traits. Moreover, as we have seen, the United States was mainly drawn to the region by oil and gas reserve of Central Asia and the Caspian Sea region. In the US discourses, Uzbekistan became a part of its overall policy in the whole region, including Afghanistan.<sup>97</sup> As a result of this generalisation, it seems that the United States has not been able to develop a clear and long-term strategy vis-à-vis Uzbekistan.

### The European Union's approach

Uzbekistan's bilateral relations with the European Union's individual states commenced soon after the collapse of the Soviet Union. However, Uzbekistan's cooperation with the European Union itself started in June 1996, when both parties signed a Partnership for Cooperation Agreement (PCA). This agreement became the main document, which governs bilateral relations between the two parties.<sup>98</sup> One of the key elements of economic aspect of the agreement is its focus on cooperation in the sphere of energy and investment and trade in mining and raw materials. The agreement stipulates about the European Union's provision of technical assistance to back up and facilitate this PCA cooperation, using the Technical Assistance to the Commonwealth of Independent States fund, launched in 1991. Between 1991 and 2001, Uzbekistan, like Kazakhstan, another energy-rich state in the region, received €167 million, the largest share of the European Union's €419 million fund to Central Asia.<sup>99</sup>

In 1996, the European Union launched the Inter-State Oil and Gas to Europe (INOGATE) program aimed at establishing regional energy cooperation between the European Union and its partner states in the Eastern Europe (Belarus, Moldova and Ukraine, with its Secretariat in Kiev), Caucasus (Armenia, Azerbaijan and Georgia, with its Secretariat in Tbilisi) and Central Asia (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan, with its Secretariat in Tashkent).<sup>100</sup> In Uzbekistan, since its inception, the INOGATE has initiated 69 projects in various areas of energy sector.<sup>101</sup> Although the INOGATE has initiated several technical assistance projects in renewable energy and suitable development, it was clear that INOGATE itself was largely created to connect the regions with huge energy reserves to Europe, while avoiding Russia and Iran, and diversify its own energy suppliers.

Another European Union-funded (€180 million) program initiated in the 1990s is the Transport Corridor Europe–Caucasus–Asia, the European Union's *Silk Road*–type of initiative.<sup>102</sup> This was initially launched by the Brussels Declaration of 1993. In 1998, the countries participating in the INOGATE program signed the "Basic Multilateral Agreement on International Transport for Development of the Europe–the Caucasus–Asia Corridor." The aim of this program is to set up a transport route and assist in developing economic, trade and transport communications between the European Union and the countries in Central Asia and Caucasus.<sup>103</sup> This was arguably designed to set up an essential platform for the European Union to access markets in the region. It has been a crucial component of the European Union's overall strategy in Central Asia.

97 Ibid.

98 European Commission, Trade, Documents, PCA, Available at: [http://trade.ec.europa.eu/doclib/docs/2004/july/tradoc\\_116743.pdf](http://trade.ec.europa.eu/doclib/docs/2004/july/tradoc_116743.pdf). Accessed 28 June 2016.

99 Katharina Hoffmann, "The EU in Central Asia: successful good governance promotion?" *Third World Quarterly*, 2010, 31 (1): 87–103, <https://doi.org/10.1080/01436590903557397>.

100 "About INOGATE in Brief," *INOGATE*, <http://www.inogate.org/pages/1?lang=en>. Accessed 4 July 2016.

101 "INOGATE and Uzbekistan," *INOGATE*, <http://www.inogate.org/countries/13?lang=en>. Accessed 4 July 2016.

102 "The Silk Road of the 21st century," *TRACECA*, <http://www.traceca-org.org/en/home/the-silk-road-of-the-21st-century/>. Accessed 4 July 2016.

103 "Central Asia – Transport," International Cooperation and Development, European Commission, [https://ec.europa.eu/europeaid/regions/central-asia/eu-support-transport-development-central-asia\\_en](https://ec.europa.eu/europeaid/regions/central-asia/eu-support-transport-development-central-asia_en). Accessed 4 July 2016.

In 2004, the “Baku initiative” was launched at the conference of Energy Ministers of the countries patriating at the INOGATE. This initiative was designed to enhance energy cooperation between the European Union and the countries of the Black Sea, the Caspian Sea region and Central Asia. It was aimed at providing financial and logical assistance, ensuring new investments in energy producing and transit countries and setting up appropriate cooperation mechanism.<sup>104</sup> This led to the opening of a new “Europa House,” the European Commission’s (EC) implementation and the opening of a management support office in Tashkent in 2004.<sup>105</sup>

As we have seen in the previous section, since 2001, both Russia and China further enhanced their energy cooperation with the region. In 2007, the European Council adopted *The EU and Central Asia: Strategy for a New Partnership*, readjusting and reorienting its foreign policy tools, reducing the tone of its traditional “norm”-based conditions and largely focusing on economic and trade cooperation and strengthening energy and transport links.<sup>106</sup>

The European Union’s urge to seek alternative sources of gas supply was also triggered by the Russian–Ukrainian gas crisis in 2006, dispute over the gas prices, supply and debt between the two countries, which created disruptions and shortages of gas supply in the European Union countries. The partnership was also important due to the European Union’s Eastern enlargements in 2004 and 2007, which reduced geographic distance between the European Union and Central Asia and offered a substantial opportunity to limit Russia’s and China’s sphere of influence and establish its own closer cooperation with the region. In terms of the European Union’s energy interests, the document stipulates that

Significant resources of Central Asia and the region’s aim to diversify trade partners and supply routes can help meet EU’s energy security and supply needs<sup>107</sup>

The European Union’s above actions demonstrate that at the centre of its attention has been the construction of a new transport route, the Southern corridor, linking Central Asia’s gas producers with Europe, while bypassing Russia. One of the European Union’s significant Southern corridor projects designed to transport gas from the Caspian Sea (Azerbaijan) and Central Asia (Kazakhstan, Turkmenistan and Uzbekistan) to Central Europe was the construction of the Nabucco gas pipeline.<sup>108</sup> The project got delayed due to the European Union’s internal decision-making obstacles and internal procedures in developing a common approach. The individual European Union member states’ realpolitik and attempt to develop privileged bilateral contacts and contracts with energy suppliers overtook this common European Union approach.<sup>109</sup> It was also due to the ways China and Russia conducted their energy security policy and the increasing role of Russia’s Gazprom and LUKOIL and China’s CNPC in Uzbekistan and the region, which greatly hindered the progress of the Nabucco project.<sup>110</sup>

## Japan’s approach

Like all other Great Powers discussed earlier, Japan began its interest in the region after the disintegration of the Soviet Union. Japan opened its first embassies in Central Asia in Kazakhstan

104 “Baku Initiative,” European Commission, Directorate-General Energy and Transport, [http://ec.europa.eu/dgs/energy\\_transport/international/regional/caspian/energy\\_en.htm](http://ec.europa.eu/dgs/energy_transport/international/regional/caspian/energy_en.htm). Accessed 4 July 2016.

105 Laure Delcours, *Shaping the Post-Soviet Space? EU Policies and Approaches in Region-Building* (Farnham: Ashgate, 2011), 95–96.

106 Council of European Union, “The EU and Central Asia: Strategy for a New Partnership,” Brussels, 31 May 2007, 10113/77, <http://register.consilium.europa.eu/doc/srv?l=EN&f=ST%2010113%202007%20INIT>. Accessed 28 June 2016; See also, e.g., Katharina Hoffmann, “The EU in Central Asia: Successful good governance promotion?” *Third World Quarterly*, 2010, 31 (1): 87–103, <https://doi.org/10.1080/01436590903557397>.

107 Council of European Union, “EU and Central Asia.”

108 Hoffmann, “The EU in Central Asia.”

109 Stephan Keukeleire and Tom Delreux, *The Foreign Policy of the European Union* (Basingstoke: Palgrave Macmillan, 2008), 226.

110 See also, Michael Denison, *The EU and Central Asia: Commercialising the Energy Relationship*, EUCAM Working Paper No. 2, July 2009.

and Uzbekistan in January 1993. Since 1995, Japan commenced providing yen-loans to these countries. In 1997, Japanese Prime Minister, Hashimoto Ryutaro, addressed the Diet (Japanese Parliament) about the growing importance of Central Asia in the world's energy supply. During his speech, Hashimoto also acknowledged that this region would be important for Japan's energy security. This was the initial step towards the creation of Japan's "Silk Road Diplomacy" in July 1997.<sup>111</sup> Since then, Japan enhanced its dialogue with the region. For instance, Japan's Foreign Affairs Minister, Komura Masahiko, visited Uzbekistan in May 1999. As a result of this visit, the Japan International Cooperation Agency and Japanese External Trade Organisation opened their offices in Tashkent. By then, Japan had become the biggest foreign aid donor for Kazakhstan, Kyrgyzstan and Uzbekistan.<sup>112</sup>

The "Silk Road Diplomacy" initiative focused on mainly two different areas of cooperation, namely, "political dialogue to enhance regional trust and mutual understanding among the countries" and "economic cooperation and resource development." The launch of "Central Asia Plus Japan" forum in 2004 strengthened this diplomacy. This dialogue signified a new step of Japan's diplomacy in the region while keeping its conventional Silk Road diplomacy. In the subsequent meeting, the parties issued joint agreement statement (August 2004) and action plan (June 2006).<sup>113</sup> The Japanese government reports and even some academic studies on Japan's role in the region claim that Japan's diplomacy towards Central Asia is based on its interest in peace, stability and development in the region and also on humanitarian, cultural and historical grounds.<sup>114</sup> However, my several interviews in Japan<sup>115</sup> indicate that Japan's diplomacy towards Central Asia is aimed at looking for ways to diversify its energy supply sources. For instance, in one of the confidential interviews, it was pointed out that:

The action plan is a big document. However, certain sections within the document are the most important ones for Japan. It does not necessarily mean that all will benefit equally from this dialogue. This is the first problem with the dialogue. The second one is it does not say any particular country but rather emphasises the region. With this emphasis, you cannot actually help a single country as each country has different problems. We do not have any concrete concept that will only help five countries in Central Asia. Kyrgyzstan has some problems with electricity, Uzbekistan and Kazakhstan suffer from a lack of hydro resources of water supply. These aspects cannot be solved by generalising policies for the region, as they will end up failing. Japan does not have a real political will to help each country with its existing problems, as at its centre of concern it has always been its dependence on foreign energy resources. In other words, Japan is only interested in energy related aspects of the dialogue.<sup>116</sup>

This shows the fact that the driving force of Japan's policies in Uzbekistan and Central Asia is its historical dependence on foreign energy resources and the region's business opportunities for Japanese companies. Currently, well-known companies like Itochu, Marubeni, Mitsui and others are involved in Uzbekistan, Kazakhstan and Turkmenistan. They are providing refinery and other types of technology. This means that Japan would not only import but also export facilities. In an interview, a Japan Bank of International Cooperation (JBIC) official, stated:

111 Christopher Len, "Understanding Japan's Central Asian Engagement," in *Japan's Silk Road Diplomacy: Paving the Road Ahead*, ed. Christopher Len, Uyama Tomohiko and Hirose Tetsuya (Washington and Stockholm: Central Asia-Caucasus Institute Silk Road Studies Program, 2008), 31–46.

112 Akio, "What is Japan up to in Central Asia," 19.

113 See "Central Asia plus Japan" Dialogue/Foreign Ministers Meeting, Relations between Japan and Central Asia enter a New Era, Ministry of Foreign Affairs of Japan, <http://www.mofa.go.jp/region/europe/dialogue/presso408.html>. Accessed 22 July 2016.

114 See for example "Central Asia plus Japan"; Akio, "What is Japan up to in Central Asia," 15–31.

115 During May-June 2009 I carried out field-work in Japan as a part of my MPhil research at the University of Sheffield. I interviewed several politicians and individuals working at the Japanese government and non-government institutions involved in Central Asia, like JBIC and JICA.

116 Confidential interview, 15 May 2009, Tokyo, Japan.

Oil development in the region does not only mean we import energy resources, but also during the process of development we export our technology, by providing pipes, building roads, building refinery facilities, selling our machinery goods or exporting our equipment to the region. This region is good for businesses as well.<sup>117</sup>

This shows that Japan's "Silk Road Diplomacy" should not only be seen in the context of energy imports but also broader commercial interest of the Japanese private sector. In spite of all these and other broad regional efforts, Japan has largely been unable to gain substantial access to the regions energy resources, as it struggled to generate a clear policy vis-à-vis Uzbekistan and other individual state of Central Asia. Moreover, Russia's and China's policy in Uzbekistan since 2000 has had geopolitical ramifications of Japan, like for other Western powers. Japan's total annual bilateral trade from 2010 has amounted to less than US\$ 300 million, compared to China's around US\$ 3 billion during the same period.<sup>118</sup>

## Conclusion

This article has attempted to understand the main determinants, internal and external, of China's and Russia's economic, in particular, energy policy in Uzbekistan. At the same time, the article has also aimed at constructing a theoretical framework able to understand the core of this study. The article pointed out that understanding of foreign economic policies of the Great Powers in Uzbekistan falls mainly between the two schools of thought: CPE and IR. CPE focuses on how states make political and economic decisions domestically. The problem with this school is that it ignores the international realm as a determinant of China's and Russia's domestic policy-making. IR focuses almost exclusively on "high" politics, concentrating on the issues of national security, neo-imperialism, hegemony and power struggle among the world's leading countries and positioning post-Soviet Uzbekistan as a subordinate or subservient role when dealing with superpowers like China, Russia and the United States.<sup>119</sup> As a consequence, it has neglected those areas of foreign policy more likely to be determined by domestic political, economic and ideological influences.

Against these accounts, I contended that foreign economic policy of these superpowers grows out of the interaction of international and domestic forces. Therefore, for a more suitable explanation, the article proposed to use Critical IPE. This tradition does not simply combine the above factors or forces but also insists on their indivisibility. Moreover, the CIPE does not emphasise a single theoretical approach, but rather offers a different framework. My argument is that foreign economic policies of Russia and China in Uzbekistan cannot be viewed in the light of a single theory or through simplifying explanation to strictly political, security, economic or domestic or international dimensions. It requires broader analytical tools. For the purpose of this study, the article engaged with mainly two thematic debates, the concepts of globalisation and state. The combination of these conceptual tools provided important structural content for the article.

The concept of globalisation in CIPE helped to investigate the changing distribution of economic power and increase in demand for energy. Foreign energy demands of the Great Powers, as we have viewed in the article, are affected by the significant growth in energy demand on the international scale. Thus, globalisation made this dependence even more important. This process forces

117 Interview held on 18 May 2009, JBIC main office in Tokyo.

118 "Directorate of Trade Statistics Yearbook," International Monetary Fund, 2015.

119 See e.g., Marcel Van Herpen, *Putin's Wars: The Rise of Russia's New Imperialism* (Lanham: Rowman & Littlefield, 2014), 61–87; Alexander Frost, "The Collective Security Treaty Organization, the Shanghai Cooperation Organization, and Russia's Strategic Goals in Central Asia," *China and Eurasia Forum Quarterly*, 2009, 7 (3): 83–102; Roy Sultan Khan Bhatti, "Russia: The Traditional Hegemon in Central Asia," *Perceptions*, Autumn 2008, (SAM, Centre for Strategic Research), Available at: <http://sam.gov.tr/russia-the-traditional-hegemon-in-central-asia/>. Accessed 27 July 2015; Valérie Niquet China and Central Asia, *China Perspectives*, 2006, Available at: <http://chinaperspectives.revues.org/document1045.html>. Accessed 7 July 2016; Niklas Swanström, "Central Asia and Russian Relations: Breaking Out of the Russian Orbit?" *The Brown Journal of World Affairs*, 2012, 19 (1): 101–113, also accessible at: <http://www.bjwa.org>; Jacob Townsend and Amy King, "Sino-Japanese Competition for Central Asian Energy: China's Game to Win," *China and Eurasia Forum Quarterly*, 2007, 5 (4): 23–45; Yuasa Takeshi, "Central Asia in the Context of Japanese-Russian Relations," *China and Eurasia Forum Quarterly*, 2010, 8 (2): 119–135.

state and non-state actors to pursue their interests on both national and transnational scale. The CIPE sees the state as a structure, both in domestic and international context, and as an agent in the world. It also sees the Great Powers as being restructured and reoriented in the changing international economic structure. China's and Russia's energy policy in Uzbekistan since early 2000s are based on understanding these two factors and their interaction.

As we have seen in the article, since Uzbekistan joined the SCO in 2001, China's economic cooperation with Uzbekistan has significantly increased. The Chinese government launched various highly expensive energy and infrastructure development projects and initiatives like the Silk Road Economic Belt. To implement its policy, China has used both bilateral and multilateral mean, e.g., using the SCO as an important instrument for its energy security and also for rebalancing the West's strategy in the region.

While the Western powers were preoccupied with certain rigorous "norm-" or "value"-based reform conditions attached to their cooperation with Uzbekistan, the Chinese leadership emphasised on "deepening mutually beneficial cooperation" as an opportunity to increase trade, based on tolerance, equality and trust. Its actions have been in the form of hard investment, coordination and cooperation.<sup>120</sup> In other words, China's policy represented a pragmatic approach to cooperation. This was well-suited for the Central Asian state. Moreover, to further support Xi Jinping's Silk Road Economic Belt initiative, China created the AIIB, a multilateral investment bank. China's Silk Road project encompassed clear cooperation plans with Uzbekistan and other individual states in the region, while similar initiatives offered by the United States, the European Union and Japan lacked this tailored approach. They were too general, largely oriented toward the region and its geopolitical significance and as a result failed to have a clear strategy and a consistent action plan in relation to specific Central Asian countries. Therefore, the Western powers have not been able to foster strong trade cooperation with Uzbekistan.

This approach of China, as the article attempted to demonstrate, is associated with the interaction of various domestic and international factors, namely, China's economic growth, globalisation and increase in its demand for natural and mineral resources, particularly in the sphere of gas, and Central Asia's geopolitical significance, among others. It is also linked with China's domestic political structural settings, the government's power and ability to make domestic and foreign policy decisions with virtually no internal structural/institutional barriers. The structure of China's foreign policy decision-making, which is linked with the top-down nature of its system, plays a crucial part in China's international behaviour. The decision-making process is largely determined by the special committees or LSGs, which are headed by the General Secretary. This means that on foreign policy issues, Xi Jinping is a sole coordinator and the ultimate decision maker. Unlike in the Western liberal democracies or "pluralistic" societies, Xi Jinping's foreign policy decisions are not challenged by any opposition groups or individuals. This, to an extent, allows the government to create some specific proposals and promptly implement them.

Because of the power of the General Secretary, the government has been able to use both bilateral and multilateral channels to meet its demand for natural resources. In October 2014, Xi announced that China would set up a US\$ 40 billion Silk Road Fund. This initiative also gives opportunities to receive government subsidies for Chinese businesses aiming to develop and expand their businesses to Central Asia and in need of cash. In other words, understanding of China's energy security is multidimensional. There are other individual actors, particularly commercial, not necessarily the state itself.

Similarly, Russia's economic cooperation with Uzbekistan has significantly improved since 2000. Moreover, until 2014, Russia had remained as the country's biggest trading partner. In the sphere of energy, the Russian energy giants like Gazprom, its subsidiary Zarubezhneftegaz and LUKOIL have managed to make significant investments in Uzbekistan and develop a number of joint

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120 For instance, China's cross-border gas pipeline project came with some guaranteed funds from the CNPC for its implementation.

ventures in both oil and gas sectors. As the article demonstrated, this growth in Russia's economic cooperation with Uzbekistan is linked with a number of intertwining international and domestic elements, i.e., Uzbekistan and the region's energy resources, geopolitics and Russia's attempt to counter West's influence in Central Asia and regain its position in the region, NATO's expansion and its unbalanced relation with the West and its attempt to reclaim its Great Power status on the international scale. Simultaneously, it is connected with reconfiguration of domestic power relations and consolidation of Russia's economic power with its foreign policy, making energy politics as its significant pillar. This energy sector became increasingly important for Russia's overall economy. Furthermore, since 2000, the government actions focused on the consolidation of oil and gas industries under state control.

In terms of understanding domestic structure of Russia's foreign policy decision-making, it was observed that it also shares similar patterns with the Chinese. During the Yeltsin's presidency, the implementation of his policies was difficult to achieve due to fragmented foreign policy decision-making structure. Since 2000, when Putin came to power, Russia was able to reassert its economic interest in Uzbekistan and the region. This was, to a large extent, due to the changes in the domestic and international structures. Putin, through his "power vertical," was able to pursue the "economisation" pattern of his international engagement, where Russia's foreign policy is understood as a result of domestic economic interests.

Overall, this study showed that to understand China's and Russia's energy cooperation with Uzbekistan, it is important to look at both exogenous and endogenous factors and their interaction. The developments in international structure made energy security of the Great Powers more and more important. These events provided more impetus to their domestic actions. They made the powers reorient or restructure their domestic origin of foreign policy. Globalisation forced their governments to work on policies to strengthen relationship with resource-rich countries. Having said that, the manifestation of energy interest and energy security is not straightforward, but rather "multilayered" or "pluralist," as Critical IPE states. In other words, there are multiple causalities. Energy partnership allowed China and Russia to enhance their broader economic interests in Uzbekistan and the region. With this point, the article concludes that Critical IPE provides an interesting and important analytical framework to understand the nature of China's and Russia's economic policy in Uzbekistan and other states in Central Asia.

In terms of its contribution to the existing research, this article will help to develop and contribute to a different type of IR and IPE explanation, which is more sensitive to the particular role of the Great Powers like China and Russia in this contemporary system of global political economy. The research will also contribute to the study of the increasing geopolitical and geoeconomic significance of the Central Asian region itself that has previously been overlooked within the context of the disciplines like IPE. It will also contribute to general literature of the study of post-communist states. Overall, the research is also very timely as it coincides with a great deal of public debate regarding aid and trade, energy security, oil and democracy and the rise of China.

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## Competing interests

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