

China's Expanding Footprint in Eurasia:

Geopolitics, Trade and
Environmental
Implications



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Civic IDEA is a think tank based in Georgia that was established in 2017 with the aim of analyzing and monitoring foreign policy influence operations. Our primary objective is to assist small states in maintaining their sovereignty and developing effective resilience and deterrence policies against powerful neighboring countries. We primarily focus on Russian and Chinese influence operations in the South Caucasus and Central Asia, but we also extend our analysis and research beyond the region as necessary. For instance, we have examined several states in the MENA region and Eastern Europe. Consequently, our studies and activities, such as publishing, monitoring, conferences, and workshops, address both regional issues from a comparative perspective and the interests of influence operations or major defining factors.

This collection of articles, titled *"China's Expanding Footprint in Eurasia: Geopolitics, Trade, and Environmental Implications,"* provides a comprehensive analysis of the evolving dynamics within Eurasia. The Middle Corridor, traversing through Kazakhstan, the Caspian Sea, Azerbaijan, Georgia, and Turkey, has emerged as a pivotal trade route linking China and Europe. This collection delves into the multifaceted aspects of this route, highlighting its significance in regional connectivity, economic growth, and geopolitical stability.

The first article by Fuad Shahbazov, **"The Increasing Role of the Middle Corridor in East-West Trade: What Role for Azerbaijan-Kazakhstan Partnership?"** explores the strategic partnership between Azerbaijan and Kazakhstan within the Middle Corridor project. It discusses how the disruption of traditional trade routes due to the Russia-Ukraine conflict has propelled these countries to invest heavily in infrastructure to make the Middle Corridor operational. It also examines China's cautious involvement and the challenges faced in fully developing this transit route.

Following this, we have an insightful piece on **"China's Integration with the Middle Corridor."** This article provides an overview of China's

Belt and Road Initiative (BRI) and its cautious approach to the Middle Corridor due to infrastructural challenges and geopolitical uncertainties. It underscores the strategic implications for China and the region.

The third article, "**The Shifting Geopolitical Landscape: Middle Corridor's Impact on Eurasian Trade,**" provides an overview of the strategic importance of the Middle Corridor in the context of the current geopolitical climate. It highlights how the corridor enhances regional connectivity and economic growth, offering an alternative trade route amid disruptions caused by geopolitical conflicts.

In "**Will BRI Affect Public Environmental Rights in Kazakhstan and Kyrgyzstan?**," Vadim Ni provides a critical analysis of the Belt and Road Initiative (BRI) and its impact on public environmental rights in Kazakhstan and Kyrgyzstan. The article reviews the international and national standards on access to environmental information and public participation, highlighting the challenges faced in ensuring transparency and compliance with environmental standards in BRI projects.

Olzhas Zhorayev's article, "**Perception of China in Central Asian Countries: Trends and Comparative Analysis,**" examines the evolving perceptions of China in Central Asia using data from Gallup's World Poll. The article reveals a complex picture of shifting public sentiments towards China influenced by socio-economic factors and recent geopolitical events, including Russia's aggression in Ukraine. It discusses how these perceptions are shaping the region's foreign policy dynamics.

The collection also includes an analysis of "**Chinese Influence in Hungary,**" which explores China's economic and political influence in Hungary. It covers key projects and partnerships and discusses the implications for Hungary and the European Union.

Finally, the article "**China's Role in Critical Minerals (CM) Development in Kazakhstan and Tajikistan: Benefits and Challenges**" discusses the significance of critical minerals for China and provides an overview of related projects in Kazakhstan and Tajikistan. It examines the benefits and challenges faced by local governments and communities and offers a future outlook on this important issue.

We hope that this collection serves as a vital resource for understanding the strategic importance of the Middle Corridor and the dynamic partnerships that underpin its development. As the global landscape continues to evolve, the insights presented here will be invaluable for policymakers, scholars, and businesses engaged in Eurasian trade and geopolitics.

By

FUAD SHAHBAZOV



**THE INCREASING ROLE
OF THE MIDDLE CORRIDOR
IN EAST-WEST TRADE:
WHAT ROLE FOR AZERBAIJAN-
KAZAKHSTAN PARTNERSHIP?**

INTRODUCTION

In February 2022, Russia's unprovoked invasion of Ukraine unfolded, which largely destabilized traditional trade routes linking China to Europe through Russian territory and caused the disruption of the global supply chain. As a result, global logistics companies sought alternative transit routes for intercontinental trade. Due to international economic sanctions on Russia, cargo shipment to Europe via Russian and Belarus territories became impossible, which inflated already high global freight prices.¹ In this vein, the Trans-Caspian International Trade route (TITR), widely known as the Middle Corridor, passing through Kazakhstan, the Caspian Sea, Azerbaijan, Georgia, and Turkey, emerged as a possible alternative, with the capacity to divert a share of cargo traffic away from the northern corridor.

The Middle Corridor countries, particularly Central Asian countries, are now keen to use this opportunity to cement their partnership with China and the European Union (EU), to bolster critical infrastructure projects, boost their economic growth and influence as pivotal regional actors. Although some technical obstacles still exist in the Middle Corridor project, the recent progress on the project raises optimism in all participating countries, including China, regarding the perspectives of the project. For international partners, the perspectives of the Middle Corridor project became obvious shortly after the inauguration of the Trans-Kazakhstan railroad in 2014, which shaved 1,000 km off of the east-west transport route across the country, and followed by the inauguration of the Baku–Tbilisi–Kars (BTK) railway in 2017.² The strategically important BTK project reopened direct rail transport between the Caucasus region and Turkey following the railroad's closure between Armenia and Turkey due to the Armenia–Azerbaijan conflict in the early 1990s.³ While the BTK laid the foundation for further development of the Middle Corridor project, it largely enhanced the connectivity of Turkey and Azerbaijan with Central Asian nations.

Considering the importance of the Caspian basin and the South Caucasus region in linking China and Central Asian states with Turkey and Europe, Azerbaijan renewed its pragmatic foreign policy agenda by accelerating its role as an important regional transit hub with a stable economic and political situation. As such, within the Middle Corridor project framework, Azerbaijan established new bilateral and multilateral regional partnership formats with Central Asian countries. Azerbaijani President Ilham Aliyev's recent frequent trips to Turkmenistan,

¹ Eldem, T (2022). *Russia's War on Ukraine and the Rise of the Middle Corridor as a Third Vector of Eurasian Connectivity*. Available at: <https://www.swp-berlin.org/10.18449/2022C64/>

² Eurasian Research Institute (2019). *Recent Developments in the Baku–Tbilisi–Kars Railway Project*. Available at: <https://bit.ly/3STJOB7>

³ Kenderdine, T & Bucsky, P (2021). *Policy Development and trade potential of the Middle Corridor*, pp: 12-13. Available at: <https://www.adb.org/sites/default/files/publication/705226/adbi-wp1268.pdf>

Uzbekistan, Kazakhstan, Kyrgyzstan and Tajikistan in 2022 and 2023 enabled official Baku to deepen engagement with the region.

Among all regional states, Azerbaijan's deepening partnership with Kazakhstan, the region's major country, is particularly important. Both Baku and Astana are heavily investing in infrastructure projects within the Middle Corridor project, demonstrating full commitment to making the project fully operational. For example, during Ilham Aliyev's official visit to Astana in April 2023, additional documents, namely a roadmap to develop the Middle Corridor project between 2022-2027, were signed.⁴ The document envisages agreed principles of work, as well as specific projects with precise parameters, implementation deadlines and responsible executors. Simply put, it will be possible to increase capacity along the corridor by up to 10 million tons per year by 2025 after the implementation of the agreements.⁵

On the other hand, China, another major stakeholder in the project, is keen to find alternative routes for cargo transfers, as trade via Russia is not a viable option anymore under new geopolitical circumstances. In that regard, the South Caucasus and the Caspian basin constitute geographically the shortest link to Europe. However, referring to Beijing's traditional pragmatism, it is fair to note that China seems a bit hesitant to put additional investments in the project due to its multimodal nature, as it consists of both sea lines and land routes and crosses multiple countries which have made little effort to synchronize their transit capabilities and develop infrastructure before 2022.⁶ China apprehends that the lack of sufficient infrastructure in the Caspian Sea prevents the convenient transfer of cargo from Central Asian ports to Azerbaijan and then to Georgia, which also lacks deep-sea ports. A partial solution to the limited port capacity in the Black Sea could be implemented with the opening of the so-called Zangezur Corridor. The corridor would connect Azerbaijan's Zangilan district, liberated during the second Karabakh war in 2020, to the Nakhchivan Autonomous Republic via Armenia's Syunik Province and farther to Turkey without additional border checkpoints.⁷

Considering the nuances above, China withheld the flow of investments to the project, even though expressing strong interest in the full implementation of the project. Moreover, the lack of substantial support from the EU countries, mostly financial, causes delays in the full development of the corridor. While Chinese concerns are mostly related to the project's economic feasibility, the EU countries are cautious about the political and economic stability of participating countries, as the successful completion of this project highly depends on the internal dynamics of fragile states.⁸

⁴ *Caspian News* (2023). *Azerbaijan, Kazakhstan Agree to Leverage Full Capacity of Middle Corridor*. Available at: <https://caspiannews.com/news-detail/azerbaijan-kazakhstan-agree-to-leverage-full-capacity-of-middle-corridor-2023-4-11-55/>

⁵ *Ibid* (2023).

⁶ *Carafano J, & Nate, S* (2022). *The West Should Welcome the Middle Corridor*. Available at: heritage.org/trade/commentary/the-west-should-welcome-the-middle-corridor

⁷ *Papatolios, N* (2022). *Middle Corridor is unable to absorb northern volumes, but opportunities are still there*. Available at <https://www.railfreight.com/specials/2022/03/18/middle-corridor-unable-to-absorb-northern-volumes-opportunities-still-there/>

⁸ *Lillis, J* (2022). *China, Kyrgyzstan, and Uzbekistan sign landmark railroad deals*. *Eurasianet*. Available at: <https://eurasianet.org/china-kyrgyzstan-uzbekistan-sign-landmark-railroad-deal>

Notwithstanding the positions of China and the EU, Azerbaijan, Kazakhstan, and Georgia, as two main countries linking the corridor to the Caspian basin, push for deeper cooperation in transit and energy fields. This paper will analyze the development of the Middle Corridor project in the context of the Azerbaijan – Kazakhstan partnership. Also, the paper will answer the question of what are the limits of China's involvement in the transit project and how Beijing's rising influence in the Central Asian region will shape the longevity of the Middle Corridor project.

AZERBAIJAN – KAZAKHSTAN: NEWLY EMERGING GEOPOLITICAL AXIS

Among the many significant geopolitical consequences of Russia's war against Ukraine has been the boost in regional integration along the Middle Corridor as the shortest pathway connecting Europe and Asia, the Trans-Caspian Corridor allows Central Asian states like Kazakhstan to bypass their traditional, Russia-oriented export routes for natural gas and crude oil, as well as to diversify their supply chains through introducing new land freight lines.⁹ In the broader term, the corridor will bolster security in the Caucasus and Central Asia, enhance commercial access to Central Asia, increase the resilience of European supply chains, and diversify European energy supplies.¹⁰ Notably, the Middle Corridor would become vital for supplying much-needed natural gas volumes to Europe with further involvement of countries like Turkmenistan, Kazakhstan, and Uzbekistan, possessing significant gas deposits.

Kazakhstan's economic prosperity and active foreign policy have given it increasing regional power status. Despite the acute economic crisis that hit the country in 2014 and caused slow GDP growth, the country's successful manoeuvring diplomacy between Moscow, Beijing and the West enabled it to maintain stability. However, the new era in Astana's foreign policy strategy began with Kasym Jomart Tokayev's rise to power, replacing Kazakhstan's long-term strongman Nursultan Nazarbayev. Unlike his predecessor Nazarbayev, President Tokayev embraced more active diplomacy with the regional states and beyond.¹¹

Nevertheless, Astana's traditional partner relations with Moscow were overshadowed shortly after the Russo-Ukraine war, which triggered fears in Kazakhstan that it could be the next target of Russia. In this regard, Kazakhstan's new government, led by President Tokayev, gradually sought to distance itself from Russia and decrease its dependence on the Russian territory for cargo deliveries and crude oil

⁹ Noren, P (2023). *Kazakhstan and Azerbaijan seize the day to make the Middle Corridor a viable reality*. Available at: <https://bit.ly/4drf0iQ>

¹⁰ Nurbek, B (2023). *Can Kazakhstan Rescue Europe Amid the Russian Oil Embargo?* Eurasia Daily Monitor. Available at: <https://jamestown.org/program/can-kazakhstan-rescue-europe-amid-the-russian-oil-embargo/>

¹¹ Cornell, S (2022). *Kazakhstan's Crisis Calls for a Central Asia policy reboot*. Available at: <https://silkroadstudies.org/publications/joint-center-publications/item/13432-kazakhstans-crisis-calls-for-a-central-asia-policy-reboot.html>

¹² Sanchez, W (2022). *Kazakhstan Continues to Break Ranks with Russia*. Available at: <https://thediplomat.com/2022/09/kazakhstan-continues-to-break-ranks-with-russia/>

¹³ Caspian Policy Center (2023). *Kazakhstan and Azerbaijan Aim to Enhance Strategic Partnership*. Available at: <https://www.caspianpolicy.org/research/security-and-politics-program-spp/kazakhstan-and-azerbaijan-aim-to-enhance-strategic-partnership>

¹⁴ Shahbazov, F (2022). *Kremlin reminds Nur-Sultan who's boss over Kazakh oil exports*. Available at: <https://www.intellinews.com/kremlin-reminds-nur-sultan-who-s-boss-over-kazakh-oil-exports-251066/>

¹⁵ Azernews (2023). *Kazakh oil shipped from Türkiye's Ceyhan Port via BTC pipeline*. Available at: https://www.azernews.az/oil_and_gas/209017.html

¹⁶ Lillis President.az (2023). *Presidents of Azerbaijan and Kazakhstan made press statements*. Available at: <https://president.az/en/articles/view/59358>

¹⁷ New Silk Road Discovery (2023). *Kazakhstan, Azerbaijan, Georgia and Turkey signed a Roadmap for developing the Middle Corridor for 2022-2027*. Available at: <https://bit.ly/3Mhdxk9>

transit to Europe. Indeed, such a shift in Astana's foreign policy priorities was the unspoken message in President Kassym-Jomart Tokayev's remarks at the 2022 United Nations General Assembly.¹²

In line with it, Kazakhstan reached out to the South Caucasus region and Turkey at a time when Russia was distracted by the war in Ukraine to diversify economic partnerships, find alternative trade routes, and re-route the export of crude oil to Europe.¹³ When Russia restricted Kazakhstan's access to global markets due to its refusal to support Moscow's war, the Caspian Sea route to Azerbaijan gained further importance in Kazakhstan's diversification plans.¹⁴ Therefore, during the meeting in Astana, President Tokayev and President Aliyev agreed to start the flow of Kazakh oil through the Baku-Tbilisi-Ceyhan pipeline (BTC), which started in January 2023.¹⁵ In addition to the oil transit agreement, President Tokayev underlined the need for the enhancement of logistical services, the creation of unified transport operators, the modernization of technical and tariff conditions, the elimination of administrative barriers and the emergence of a closed logistical cycle to prompt up the Middle Corridor.¹⁶

Therefore, Kazakhstan's interest in boosting ties with Azerbaijan should not come as a surprise. Moreover, a close partnership with Azerbaijan enables it to maintain a direct partnership with Turkey, which has long been interested in pushing its soft power in the region and has unhindered access to regional resources. Moreover, Turkey has hoped to do that by leveraging its common linguistic roots with Turkic-speaking countries in the region and offering them a trade outlet that is an attractive alternative to those of Iran or Russia, Turkey's longtime rivals. However, for many years the regional states seemed reluctant to build transit links with Turkey due to the Russian factor and lack of sufficient commitment. On the other hand, Turkey has been eager to set new alternative routes to Central Asia, as Ankara does not want to rely completely on Moscow or Tehran when it comes to strategic transport corridors that would serve as a gateway to the entire Asian continent. As a matter of fact, both Iran and Russia have played an inhibiting rather than facilitating role as far as Turkey's opening to Central Asia in the post-Cold War period is concerned.

Nevertheless, Russia's waning influence amid tactical losses in Ukraine changed regional power dynamics, providing Ankara with new opportunities. As such, Turkey has formed a new strategic partnership with Kazakhstan, and connectivity projects have played a key role in their formation.¹⁷ Hence, while the Middle Corridor project opened new horizons for Baku-Astana and Baku-Ankara-Astana partnership formats,

it also generated more space for establishing multilateral partnership formats. For example, the growing demand for alternative transit routes and the importance of the Middle Corridor created favourable conditions for Baku and Ankara to revive the Organization of Turkic States (OTS), a regional intergovernmental organization founded in 2009 to promote comprehensive cooperation among Turkic language-speaking states. Moscow's deteriorating relations with the Central Asian states in light of the Ukraine war have made the OTS's reincarnation inevitable.¹⁸

Considering the common interests of all parties regarding safe transit routes, the OTS is set to be a fruitful platform, as Azerbaijan possess a rich experience in similar bilateral and multilateral cooperation formats, such as Azerbaijan-Turkey-Georgia, and Azerbaijan-Turkey-Pakistan. Consequently, Azerbaijan's pivot to Central Asia at this stage is not limited to the Baku-Astana partnership but envisages a broader strategy.¹⁹ Moreover, since 2022, the total weight of rail freight transported between Azerbaijan and Kazakhstan via the Middle Corridor has increased by eightfold, reaching 950,000 tons.²⁰ Moreover, while less than 16,000 containers passed through it in the first quarter of 2021, 19,500 units were registered in the first quarter of 2022. Container traffic along the Trans-Caspian corridor in the first three months of 2022 increased by 28% compared to 2021. While the capacity of cargo transshipment through the Caspian Sea is about 135 million tons per year, today, only 30 million tons of port facilities are used.²¹

Given positively rising numbers, Baku and Astana are attempting to optimize the complementing range of measures. For example, such efforts include implementing projects to upgrade ports along the Caspian Sea and improve highways and railways that would be utilized along this route within the roadmap mentioned earlier in this paper. In the case of Kazakhstan, the country has already launched the building of new facilities in the Caspian Sea to increase export potential, including a new cargo terminal in Aktau with the involvement of foreign companies and container operators Maersk, MSC and COSCO Shipping.²²

On its end, Azerbaijan launched technical works on the BTK railway to increase its capacity from 1 million tons per year to 5 million and the capacity of its flagship project Baku International Sea Port, from 15 million to 25 million tons.²³ Compared to Azerbaijan, Kazakhstan has never been a sea power and therefore did not use the maximum capacity of its seaports, namely Aktau Port in the Caspian Sea. Notwithstanding, in 2022, President Tokayev instructed the government to initiate mass work to turn the port in Aktau into a regional container hub and increase the number of the Caspian trade fleet.²⁴

¹⁸ Caspian News (2023). Azerbaijan, Kazakhstan Seek to Boost Bilateral Trade Ties. Available at: <https://caspiannews.com/news-detail/azerbaijan-kazakhstan-seek-to-boost-bilateral-trade-ties-2023-4-9-0/>

¹⁹ Shahbazov, F (2023). After Samarkand Summit, the OTS Charts a More Independent Course. Eurasian Daily Monitor. Available at: <https://jamestown.org/program/after-samarkand-summit-the-ots-charts-a-more-independent-course/>

²⁰ Trend News (2022). Azerbaijan-Kazakhstan freight transport to multiply by the end of 2022 – ADY Express LLC. Available at: <https://en.trend.az/business/transport/3675297.html>

²¹ Altynbaev, K (2023). Kazakhstan eyes Trans-Caspian route to avoid transport through Russia. Available at: https://central.asia-news.com/en_GB/articles/cnmi-ca/features/2022/06/07/feature-01

²² Container News (2022). New container hub in Aktau eyes investments from MSC, Maersk and PSA. Available at: <https://bit.ly/46ViqSb>

²³ Caspian News (2023). Azerbaijan Railways Reveals Cargo Volume Moved on Baku-Tbilisi-Kars. Available at: <https://bit.ly/46VqgHY>

²⁴ Interfax (2022). Tokayev orders Kazakh seaports to turn into major Caspian Sea hubs. Available at: <https://interfax.com/newsroom/top-stories/81052/>

Indeed, the potential of the Middle Corridor countries to develop their infrastructure promptly to ensure cargo flow makes it attractive for foreign investments and countries, particularly the EU states. However, despite its prospects, the project still lags behind the capacity of existing traditional routes. This is mainly because of the existing obstacles that require efficient facilitation and intermodal transfer services, which have not yet been fully developed along the Middle Corridor. In contrast, Russia's Trans-Siberian railway benefits from a network of services that was developed over many decades.²⁵

²⁵ Chang, F (2023). *The Middle Corridor: Through Central Asia: Trade and Influence Ambitions*. Foreign Policy Research Institute. Available at: <https://www.fpri.org/article/2023/02/the-middle-corridor-through-central-asia-trade-and-influence-ambitions/>

The network of infrastructure is not the only serious obstacle to the Middle Corridor project, as the growing demand for a new route should come up with policy solutions such as deeper customs cooperation, regulatory approximation, better tariff coordination, and industrial solutions to enable the smoother transit of cargo from China to Europe or vice versa. This means that the containers have to pass through six different customs checks that create delays and other related challenges. Therefore, the member states have seized the momentum to address all these problems amid Russia's full concentration on the invasion of Ukraine. On March 31, 2022, Azerbaijan, Georgia, Turkey, and Kazakhstan signed a quadrilateral statement on establishing a Middle Corridor joint venture in early to mid-2023. The venture will provide high-level intermodal transport and logistics services, harmonize cargo rates, and coordinate efforts to provide high-quality intermodal services. It will introduce a unified IT platform to fully automate cargo transport services from China to the EU and vice versa.²⁶

²⁶ Agenda.ge (2022). *Georgia joins declaration on Trans-Caspian East-West Middle Corridor*. Available at: <https://agenda.ge/en/news/2022/1012#qsc.tab=0>

Indeed, for countries like Azerbaijan, Kazakhstan, and Turkey, the transformation into a significant transport hub is not merely an economic objective, as it represents a long-term strategic goal to diversify their economies and play a greater role in their respective regions. As for Azerbaijan, Baku would gain significant geopolitical leverage by becoming a crucial player in global trade routes, thereby enhancing its position on the global stage and contributing to the state's security.²⁷ Considering this opportunity, some local Azerbaijani transit companies endeavour to play a greater role by offering their service to foreign companies and governments. As such, Azerbaijani ADY Container, Baku Shipyard, and Azerbaijan Caspian Shipping Company (ASCO) are becoming regional leaders in cargo deliveries and logistics because of both their geolocation and the expansion plans they adopt, keeping an eye on activities towards developing Azerbaijan's infrastructure potential.²⁸

²⁷ Kavak, O., & Balcik, F. B. (2016). *The Middle Corridor: A rising transit route in Eurasian transportation*. *Journal of Transportation Technologies*, 6(2), 89.

²⁸ RailFreight.com, (2022). *ADY Container goes beyond borders and adds vessels on the Black Sea*. Available at: <https://www.railfreight.com/railfreight/2022/06/22/ady-container-goes-beyond-borders-and-adds-vessel-on-black-sea/>

Besides technical issues and logistics management, Azerbaijan still needs to look very carefully at reducing the barriers to trade in terms of

the procedures at the borders, especially for transit shipments. This, in fact, is part of the bigger issue related to the importance of a new growth model based on a dynamic private sector.

CHINA'S INTEGRATION WITH THE MIDDLE CORRIDOR

As this paper mentioned above, China is one of the major stakeholders of the Middle Corridor project, considering its firm interest in regional connectivity projects in the Eurasian continent and easy access to the European markets. The market for China's trade is primarily European, underlining the significance of maintaining reliable and secure routes between these two key global economic regions. However, following the EU imposed sanctions on Russia due to the invasion of Ukraine, China's shipments to Europe along the Northern Corridor have decreased by 40 per cent.²⁹ China's initial interest in the Middle Corridor project can be explained by pure pragmatism, as Beijing is aimed at connecting the Middle Corridor with its flagship Belt and Road Initiative (BRI), which would gradually become one of the pillars of the Silk Road Economic Belt, the land component of the BRI.³⁰

In this context, the Chinese government's strategy to build more rail routes to Europe with serious financial backing from the state's budget prompted Middle Corridor countries to coordinate to enhance the viability of the new route.³¹ Moreover, Turkey, one of the project's major supporters, reached out to China for direct communication and signed a memorandum of understanding to align the Middle Corridor with BRI in 2015 to prompt Beijing's active participation in the project. Thus, Turkey initially tried to capitalize on its geographical advantage by merging its own Middle Corridor project with China's BRI. China seemed open to this conception. Nevertheless, from a practical standpoint, the process is still incomplete.³²

The rapidly developing maritime and railway infrastructure along the Middle Corridor route has led to a sharp increase in the number of Chinese containers reaching the European market via the TITR. However, the number of containers from China is still below the expected, as in 2022, the Middle Corridor could only absorb 3-5 per cent of the China-EU trade, which limits Beijing's interest in the route.³³ In addition to efficiency and economic concerns, such as the difficult waters of the Caspian Sea due to frequent storms and changing weather, China's low profile in the project also has political dimensions.

²⁹ Tokonog, O (2023). *Middle Corridor becomes more attractive for China*. Available at: <https://kz.kursiv.media/en/2023-03-03/middle-corridor-becomes-more-attractive-for-china/>

³⁰ Cholakoglu, S (2023). *The Middle Corridor and the Russia-Ukraine War: The Rise of New Regional Collaboration in Eurasia?* Available at: <https://bit.ly/3MbLyT8>

³¹ Cholakoglu (2023)

³² Ergenc, C & Gocher, D (2023). *China's Response to Türkiye's Volatile Authoritarianism*. Available at: <https://carnegieendowment.org/2023/05/05/china-s-response-to-turkiye-s-volatile-authoritarianism-pub-89690>

³³ Railfreight (2023). *Middle Corridor is unable to absorb northern volumes, but opportunities are still there*. Available at: <https://chinaobservers.eu/china-still-ambivalent-about-the-middle-corridor/>

³⁴ Hess, M (2022). *How Russia's invasion of Ukraine affected Kazakh politics?* Available at: <https://www.fpri.org/article/2022/06/how-russias-invasion-of-ukraine-has-affected-kazakh-politics/>

³⁵ Waal, T (2021). *Unfinished Business in the Armenia-Azerbaijan Conflict.* Available at: <https://carnegeendowment.org/research/2021/02/unfinished-business-in-the-armenia-azerbaijan-conflict?lang=en¢er=europe>

³⁶ Avdaliani, E (2023). *China Still Ambivalent About the Middle Corridor.* Available at: <https://chinaobservers.eu/china-still-ambivalent-about-the-middle-corridor/>

Notably, the fragile security in the South Caucasus and border disputes in Central Asia made active participation in the Middle Corridor less attractive for China. For example, in January 2022, Kazakhstan experienced three weeks of unrest that required the intervention of Russian troops to quell.³⁴ Kyrgyzstan experienced similar periods of unrest in 2010 and 2020. In the Caucasus, in September 2020, a full-scale war erupted between Azerbaijan and Armenia in the Karabakh region, followed by numerous minor clashes occurring between both sides, hardly a solid basis for cross-border commerce.³⁵

Unlike other global powers, China traditionally maintained zero involvement in geopolitical issues in the region sticking strictly with geoeconomic interests. This is partly because of the Russian factor, which historically has been a key regional actor, and due to the lack of sufficient means for Beijing to intervene directly the regional affairs. Despite Russia's current weakness and incrementally growing dependence on China, the latter will have to carefully measure how Moscow will respond to developing a route which circumvents it from the south, in the region where Moscow has four military bases.³⁶

Considering this crucial factor, it is fair to note that the Middle Corridor's future prosperity will depend on the war scenario in Ukraine. If Russia wins the war against Ukraine, it could potentially rupture the transit route through more radical measures and prevent the corridor from materializing. Also, it is unlikely that even defeating Russia in Ukraine would allow China to boost its leverage over its southern boundaries and gain more leverage. Nevertheless, China and Azerbaijan-Turkey, Azerbaijan-Kazakhstan tandems are eager to see the former's active involvement in the transit project.

If necessary, China might still beef up its interest in the Middle Corridor to increase trade turnover with Europe and other regional states. This is because trade routes rarely remain static and constantly adjust to emerging opportunities. Therefore, China is interested in a significant increase in the transit of its shipping containers through the Middle Corridor, though it is less likely that the government will allocate a significant amount of investments to the project in the near future. Instead, China shows more interest in developing individual infrastructure projects with different countries, including Turkey.

Although Beijing's limited involvement in the Middle Corridor project is attributed to feasibility studies, the individual projects, such as China-Turkey negotiations on modernizing the existing railway networks of Turkey, promise more political dividends paving the way for a greater Chinese influence. In the case of the Middle Corridor, China may also be

concerned regarding Russia's reaction to Beijing's enthusiastic involvement in the project amid its open confrontation with the West. Beijing acknowledges that Russia holds geopolitical control over the region, and therefore it prefers to act cautiously. Nevertheless, Xi Jinping's government follows a dual policy: maintaining an economic and political friendship with Vladimir Putin while taking advantage of Russia's post-invasion weakness to advance its interests in Central Asia. In this regard, it is noteworthy to highlight the most recent Xi'an Summit held in China with the participation of all Central Asian leaders. Whereas the summit's agenda included topics like energy, tourism, and security, the main topic for discussion was intra-regional trade and economic partnership.³⁷

During the summit, China's leader expressed a willingness to increase trade turnover with the regional states up to \$100 billion by 2030, representing an increase of 30% from the current level of \$70 billion. For that purpose, regional states proposed to upgrade the existing infrastructure and build new regional railway connections to be able to join the international transit corridors in the future, namely the Middle Corridor.³⁸

In light of new geopolitical realities, China has yet to demonstrate a strong commitment to further developing the TITR. With additional investments from China, the TITR project could foster the development of a commercially viable trade route built mainly on supply chain optimization and resilient logistics solutions.

CONCLUSION

Western sanctions imposed on Russia after its invasion of Ukraine heavily affected the global supply chain and put Europe in the mid of an unprecedented crisis. Unable to tackle the connectivity crisis, the Western countries turned to an alternative route capable of resuming uninterrupted supplies from East to West and vice versa. In line with these plans, the South Caucasus region appeared to be the most viable region for further development of the new transit links in the Eurasian continent in the framework of the Middle Corridor.

In this context, Azerbaijan, as an important regional transport hub of the region, can play a significant role in improving interregional communication. The pragmatic vision of Azerbaijan to develop bilateral and multilateral cooperation formats with Central Asian countries is an essential part of its long-term strategy to be a frontrunner in the field of international transit routes. In fact, such a visionary of Azerbaijan

³⁷ *Silk Road Briefing (2023). China-Central Asia Summit Results in Xi'an Declaration and Regional Trade & Investment Advances. Available at: silkroadbriefing.com/news/2023/05/22/china-central-asia-summit-results-in-xian-declaration-and-regional-trade-investment-advances/*

³⁸ *Ibid (2023).*

regarding connectivity projects perfectly matches the interests of the Western partners, as it decreases Russia's importance in another geostrategic area.

Indeed, after Russia's invasion of Ukraine, the Middle Corridor countries increased multilateral contacts with each other and other major stakeholders, such as China and the EU, to deal with existing infrastructural weaknesses and make the transit route look more attractive for foreign companies and investments. To some extent, the corridor countries have successfully attracted investment and have already proved that they are ready to be open for business and cooperate with several actors.

For now, China has the biggest potential to become the largest foreign investor in the corridor regarding infrastructure development, with the EU following the list of other big investors. Even though the current corridor conditions, especially with regard to its reduced capacity and lack of coordination, which made the Middle Corridor not particularly competitive in the eyes of transport companies, the participating countries' continuous commitment offers good prospects for the improvement of the route.

The re-route of all goods via the Middle Corridor to the European market, bypassing Russian territories, greatly benefits all involved countries, including China. Therefore, it is reasonable to expect that more efforts will be put in the medium and long term to improve infrastructural obstacles to ensure the optimal functioning of the route.

By
VADIM NI

WILL BRI AFFECT PUBLIC ENVIRONMENTAL RIGHTS IN KAZAKHSTAN AND KYRGYZSTAN?

1. BACKGROUND POLITICAL AND ECONOMIC INFORMATION ON KAZAKHSTAN AND KYRGYZSTAN

In the last decade, the cooperation of Kazakhstan and Kyrgyzstan with China on infrastructure projects has set an important new direction in the development of the local economies. China is a key political partner and foreign investor for Kazakhstan and Kyrgyzstan and it was associated with the influence of the China's Belt and Road Initiative (BRI). The BRI was announced by Chinese President Xi Jinping 10 years ago on September 7, 2013 in Astana at Nazarbayev University.³⁹ During that Central Asian trip, he also visited Kyrgyzstan for the participation in the thirteens' meeting of the Council of Heads of the member states of the Shanghai Cooperation Organization held on September 13, 2013 in Bishkek. This visit is considered as the starting point of Kyrgyz-Chinese strategic cooperation on BRI.

³⁹ *China's Belt and Road initiative and its impact in Central Asia. Central Asia Program, The George Washington University, 2018, p. X*

1.1. KAZAKHSTAN

In Kazakhstan the cooperation with China on the BRI was launched by the joint declaration on further deepening of Kazakh-Chinese comprehensive strategic partnership, which was signed by the heads of states on September 16, 2013 after an official visit to China by the then president of Kazakhstan, Nursultan Nazarbayev.⁴⁰ The joint declaration covered a wide range of economic issues including exploration, development, and operation of oil and gas fields; transportation of oil and gas; development of nuclear and renewable energy joint projects; construction of transportation infrastructure; and expansion of cooperation in agriculture

⁴⁰ *Joint Declaration on New Stage of Comprehensive Strategic Partnership between the People's Republic of China and the Republic of Kazakhstan. Website of the Embassy of the People's Republic of China in the Republic of Kazakhstan, Russian text is available on <http://kz.chineseembassy.org/rus/ztbd/XJPFWHSKST/t1077211.htm>*

As a follow-up to the 2013 joint declaration, the governments of both countries signed a framework agreement on August 31, 2015. Though it is referred to as a framework, the agreement is based on joint support for projects in the context of industrial and investment cooperation with corresponding references in Articles 1, 2, 4, 6, and 7. The manufacture of building materials, metallurgy, oil and gas processing, chemical industry, mechanical engineering, power engineering, construction of transportation infrastructure, transportation logistics, processing of agricultural products and food industry, light industry, and tourism are distinctly defined in Article 2 of the 2015 Kazakh-Chinese agreement as areas for implementation of such projects. It is important to note that the scope of cooperation also includes the broader concept of "production of consumer goods."⁴¹ The Coordination Committee for Cooperation on

⁴⁰ *Framework Agreement between the Government of Kazakhstan and the People's Republic of China on strengthening cooperation in the field of industrialization and investment (August 31, 2015, Beijing); entered into force on March 2, 2016. Russian text is available on <https://adilet.zan.kz/rus/docs/P1600000030>*

Industrialization and Investment was established in 2015 to implement the bilateral agreement. 16 meetings of the Committee were held in 2015-2018⁴² but the documents of these meetings are not publicly available.

The BRI implementation in Kazakhstan is based on comprehensive approach in relation to significant infrastructure projects. In 2015 52 such projects in the total amount of \$ 21.1 bln were determined for the implementation under the bilateral Kazakh-Chinese agreement. As of July, 2022 25 projects in the amount of \$ 7.4 bln were launched, 9 projects in the amount of \$ 2.3 bln were at the implementation phase and 18 projects were under consideration.⁴³ China's initial presence in oil and gas production and processing in Kazakhstan has expanded based on the BRI into other industries: solar power plant construction, metallurgy, chemical industry, car and tractor assembly, and the manufacturing of building materials, glass, cement, polypropylene, and others.

Agricultural production was seen as an avenue for economic cooperation between the two countries. However, this idea was proven wrong in the early stage of its practical implementation after causing widespread public outrage in Kazakhstan in spring 2016. Since then, Kazakh authorities have periodically claimed that public concerns were groundless and based on hearsay and exaggeration. Kazakhstani President Kassym-Jomart Tokayev introduced legislation banning the sale and lease of farmland to foreigners and foreign legal entities. This decree is a reaction to one of the possible development directions of the BRI, namely agricultural co-production in Kazakhstan, which has not developed further.

The 2013 joint Kazakh-Chinese declaration set as the ambitious target to increase trade volume to \$40 billion by 2015. Although the two countries have strengthened their economic cooperation, it remains far less than the level of expectations in 2013. The trade turnover between Kazakhstan and China was estimated at \$ 22.5 bln in 2013 and \$ 21.4 bln in 2022. The gross inflow of direct foreign investment from China decreased even more significantly from \$ 2.2 bln in 2013 to \$ 1.4 bln in 2022.⁴⁴ In 2022 Chinese share of the direct foreign investment was estimated at around 5%. China was the seventh largest foreign investor in Kazakhstan after the Netherlands, USA, Switzerland, Belgium, Russia, and South Korea.⁴⁵

⁴² *Analyses of the economic policy and international affairs of China in Kazakhstan.* Konrad Adenauer Stiftung, 200, p. 43, Russian text available on https://library.tou.edu.kz/wp-content/uploads/2021/01/TALAP_rus.pdf

⁴³ "Construction of Kazakh-Chinese investment projects will be carried out in accordance with the legislation of Kazakhstan," website of the national company Kazakh Invest, Russian text is available on <https://invest.gov.kz/ru/media-center/press-releases/stroitelstvo-kazakhstansko-kitayskikh-invest-proektov-budet-vestis-v-sootvetstvii-s-zakonodatelstvom/>

⁴⁴ See the statistical data of the National Bank of the Republic of Kazakhstan in Russian on <https://www.nationalbank.kz/en>

⁴⁵ See the official website of the Prime Minister of the Republic of Kazakhstan in Russian on <https://bit.ly/4fPd86c>

1.2. KYRGYZSTAN

In Kyrgyzstan the cooperation with China on the BRI was launched by the joint declaration on the establishment of relationships of strategic partnership, which was signed by the heads of states on September 11, 2013. The joint statement covered the following economic areas of the strategic partnership: joint assembly lines for manufacturing, energy sector, including power generation, electricity transmission and gas transportation, trade, development of road transport, air transport and logistics, agriculture and food production, exchange of digital technologies, etc. The declaration refers to certain individual projects, namely the construction of the Datka-Kemin power transmission line, Kyrgyzstan-China natural-gas pipeline, a mineral fertilizers plant, reconstruction of the coal-fired combined heat and power station in Bishkek, Osh-Sary-Tash-Irkeshtam and Bishkek-Torugart, North-South roads.

The 2013 declaration of the heads of Kyrgyzstan and China was followed by the signing of several agreements on September 11, 2013, including the loan contract for the construction of the Alternative North-South Road (Phase 1) in the amount of \$ 400 mln, the agreement on the construction and exploitation by China of the Kyrgyzstan-China gas pipeline with the total cost of \$ 1.2 billion, the loan contract on the modernization of the heat and power station in Bishkek” in the amount of \$ 386 mln. The Intergovernmental Kyrgyz-Chinese Commission on Trade and Economic Cooperation was established in 1994 and it reviews the information on the implementation of the BRI projects. The most recent fourteenth meeting of the Commission was held on July 27, 2022.⁴⁶

It is not fully which projects are the BRI projects in Kyrgyzstan as they are being developed on case-by-case basis. According to some publications as of 2021, China has launched 46 BRI projects in Kyrgyzstan in the total amount of around \$ 5.4 bln, including USD 17 projects on trade and industrial development (17 projects), people-to-people projects such as financing schools and cultural institutes (13 projects), 11 projects on road and railroad development, 5 projects on power production and energy connectivity.⁴⁷ In 2014 the governments of Kyrgyzstan and China also signed the Agreement on Technical and Economic Cooperation enabling China to provide to Kyrgyzstan the financial aid for it in the amount of 300 mln Chinese yans (approximately \$ 48.7 mln). The 2014 agreement consists of 4 short one-sentence articles while the texts of the loan contracts are not publicly available. It looks like that this agreement was aimed at the financial support of

⁴⁶ See the website of the Cabinet of Ministers of the Kyrgyz Republic in Russian on <https://www.gov.kg/ru>

⁴⁷ Michael Schroeder. *Is the Devil in the Details? A Rare Look into a BRI Contract in Kyrgyzstan?* *Journal of Public and International Affairs of the Princeton University*, May 26, 2023

schools and cultural institutes, including learning Chinese and Confucius Institutes.

The economic cooperation of Kyrgyzstan and China has been developing more actively compared to Kazakhstan. The trade turnover between two countries was estimated at \$ 1.3 bln in 2013 and it reached the record level of \$ 3.5 bln in 2022. Although the gross inflow of direct foreign investment from China decreased from \$ 468 mln in 2013 to \$ 326 mln in 2022.⁴⁸ In 2022 Chinese share of the direct foreign investment was estimated at around 23% in Kyrgyzstan. China was the second largest foreign investor in Kyrgyzstan after Turkey.⁴⁹

⁴⁸ See the statistical data on foreign trade and direct foreign investment of the National Statistical Committee of the Kyrgyz Republic in Russian on <https://stat.gov.kg/en/>

⁴⁹ See the website of the National Statistical Committee of the Kyrgyz Republic in Russian on <https://stat.gov.kg/ru/news/otmechen-znachitelnyj-rost-postuplenij-pryamyh-inostrannyh-investicij-v-respubliku/>

2. INTERNATIONAL AND NATIONAL STANDARDS ON ACCESS TO INFORMATION AND PUBLIC PARTICIPATION

Kazakhstan and Kyrgyzstan are Parties to the Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters (Aarhus Convention). The Aarhus Convention entered into force for Kazakhstan and Kyrgyzstan on October 30, 2001.⁵⁰ The Convention sets comprehensive and detailed international standards for the public rights to:

⁵⁰ See the United Nations Treaty Collection on https://treaties.un.org/Page.s/ViewDetails.aspx?src=IND&mtdsa_no=XXVII-13&chapter=27&clang=en

- get environmental information (Articles 4-5);
- participate in the environmental decision-making, including policy-making, rulemaking, environmental impact assessment of and environmental permitting specific economic activities (Articles 6-8);
- have access to justice in environmental matters to guarantee their rights on access to information, public participation as well as on citizen's compliance monitoring on certain environmental requirements (Article 9).

The participation in the Convention imposes high international standards for the public environmental rights on both countries, including the opportunities to submit communications to the Compliance Committee on alleged non-compliance by Parties with the obligations under the Aarhus Convention. Representatives of the public from Kazakhstan actively used the compliance mechanism of the Convention and it has incentivized the Party to bring its legislation and practices in line with the international standards. 9 communications were submitted to the Compliance Committee and 5 of them were determined by the Committee as admissible for the further compliance review. In all 5 cases the Compliance some failures by Kazakhstan to comply with certain obligations under the Aarhus Convention and made recommendations to

⁵¹ See the website of the Aarhus Convention on <https://unece.org/env/pp/cc/communications-from-the-public>

improve the national legislation, practices on access to environmental information, public participation and access to justice in environmental matters. Members of the public from Kyrgyzstan never triggered the compliance mechanism of the Aarhus Convention.⁵¹ Nevertheless, the more detailed international standards imposed by the Aarhus Convention to its Parties are directly applicable in Kyrgyzstan.

In 2021 a rapid response mechanism for the protection of environmental defenders was established by decision VII/9 of the Meeting of the Parties of the Aarhus Convention. It provides opportunities to submit complaints to the Special Rapporteur on Environmental Defenders for persons from the Parties to the Aarhus Convention who is either:

- experiencing persecution, penalization or harassment, or
- at imminent threat of persecution, penalization or harassment in any way, for seeking to exercise their rights under the Aarhus Convention.

Thus, advanced safeguarding measures are available for residents of Kazakhstan and Kyrgyzstan to exercise the universal right to a clean, healthy and sustainable environment.

The multilateral development banks, including the World Bank, Asian Development Bank, and the European Bank for Reconstruction and Development operating in Kazakhstan and Kyrgyzstan, apply to their operations standards on public access to information and public participation comparable with the requirements of the Aarhus Convention. The OECD Guidelines for Multinational Enterprises on Responsible Business Conduct encourages enterprises to minimise their adverse impacts that may be associated with an enterprise's operations, products and services, including the adverse impacts on human rights and the environment. The Guidelines includes the recommendations on disclosure of sustainability-related information, meaningful stakeholder engagement.⁵² Traditionally many large foreign investors are coming to Kazakhstan and Kyrgyzstan from the developed countries and the former Soviet space. Financial institutions, state and private investors from the developed countries and countries with economies in transition used to operate in the business environment with high requirements on the corporate responsibility to respect the public rights on access to environmental information and participation in environmental decision-making processes.

⁵² See the website of the OECD Centre for Responsible Business Conduct on <https://mneguidelines.oecd.org/mneguidelines/>

2.1. NATIONAL LAW OF KAZAKHSTAN

The 2021 Environmental Code states the right of the public to access environmental information. The law defines environmental information and regulates both active and passive public access to it.⁵³ Passive access to environmental information is provided on the basis of a request by an individual or a legal entity or two or more of such persons submitted to a public authority. Active access is carried out through public means of communication, which include mass media (newspapers, TV and radio), the Internet (including websites, social media such as Facebook), email, reports, thematic media and publications, etc. Websites are a key tool for active access to information at the national level.

The definition of environmental information under the national law of Kazakhstan covers business entities whose activities affect or likely to affect the environment, including their information and data on environmental pollution, environmental impact assessment reports, measures to protect the environment. The requirements on public access to environmental information are particularly relevant to business activities falling under the requirements of the national law on environmental impact assessment (EIA). They provide access to the relevant information in the decision-making processes on EIA and environmental permitting. As it appears from the list of projects implemented under the bilateral Kazak-Chinese agreement these requirements are applicable to many projects from this list.⁵⁴

The national law of Kazakhstan sets requirements on public participation in decision-making relating to the environment and it particularly concerns the EIA procedure. The Environmental Code and the 2022 Instruction on the Organization and Conducting Environmental Assessment⁵⁵ contain the core of detailed requirements on public participation in EIA, including the requirements to disclose EIA reports and conduct public hearings on them. The practice of conducting public hearings on EIA is widespread practice in Kazakhstan. The public is provided access to information related to the decision-making on EIA through the unified eco-portal of the Ministry of Ecology and Natural Resources⁵⁶, websites of local authorities, relevant project developers.

Besides, in accordance with Article 418, paragraph 14, of the Environmental Code since 2024 Kazakhstan is going to launch the instrument of strategic environmental assessment (SEA) on programs and plans relating to the environment. The Environmental Code and the 2022 Instruction on the Organization and Conducting Environmental Assessment sets the SEA procedure with public participation from early

⁵³ See the *Information and Legal System of the Ministry of Justice of the Republic of Kazakhstan in Russian* on <https://adilet.zan.kz/rus/docs/K210000400>

⁵⁴ See the *list of relevant projects in Russian* on <https://invest.gov.kz/ru/media-center/press-releases/stroitelstvo-kazahstansko-kitayskikh-invest-proektov-budet-vestis-ootvetstvii-s-zakonodatelstvom/>

⁵⁵ See the *Information and Legal System of the Ministry of Justice of the Republic of Kazakhstan in Russian* on <http://cbd.minjust.gov.kg/act/view/ru-ru/219>, <https://adilet.zan.kz/rus/docs/V2100023809>

⁵⁶ <https://ecportal.kz/>

stages of this procedure. Thus, environmental aspects of the BRI can be scrutinized soon in Kazakhstan already at the strategic level of the decision-making processes on relevant programs and plans.

2.2. NATIONAL LAW OF KYRGYZSTAN

The 1999 Law on Environmental Protection states the right citizens and legal entities to access environmental information possessed by public authorities.⁵⁷ The law provides the definition of environmental information which does not cover explicitly impacts on the environment by business entities. The short provisions on environmental information of this law also sets the time limit for provision of requested information by public authorities (6 weeks), conditions to levy a charge for supplying information, conditions and grounds for a refusal to provide access to information.

The legal regime for the EIA is set in Kyrgyzstan by the 1999 Law on Ecological Expertise and 2015 Regulation of the Procedure of Conducting Environmental Impact Assessment. The law sets the basic requirements on EIA, including on public participation in it, and the Regulation provides the procedure of public participation in EIA.⁵⁸ As regards public participation the 2015 Regulation sets the requirements on public notification, public access to EIA documentation, organization of public participation. However, the EIA Regulation is lacking clarity on a required form of in-person public participation, the document refers in this regard to “public consultations”, “public discussions”, “roundtables”, “public hearings”, “meetings”.

The national law on public access to environmental information and public participation is less developed in Kyrgyzstan compared to Kazakhstan but they provide relevant rights to the public. Although members of the public participate in the EIA procedure very rarely in Kyrgyzstan, usually when projects are financed by multilateral development banks. One of the examples is the EIA for the project on establishment of the facility for mining and extraction of gold from the Dzheruy deposit financed by the Eurasian Development Bank.⁵⁹ The public has also made attempts to enforce compliance with the requirements for public participation in other projects, such as the construction of an oil refinery in Kara-Balta owned by the Chinese state-owned Shanxi Coal and Chemical Industry Group.⁶⁰

⁵⁷ See the Centralized Database of Legal Information of the Kyrgyz Republic in Russian on <http://cbd.minjust.gov.kg/ac/t/view/ru-ru/218>

⁵⁸ See the Information and Legal System of the Ministry of Justice of the Republic of Kazakhstan in Russian on <http://cbd.minjust.gov.kg/ac/t/view/ru-ru/97325>

⁵⁹ See the website of Altyn Alliance Ltd on <https://www.alliance-altyn.kg/ustovchivoev-razvitie/ovos/>

⁶⁰ Aizat Shailoobek kyzy. “What a Kyrgyzstan oil refinery reveals about China’s Belt and Road Initiative?”, *Global Voices*, June 9, 2021.

3. CHALLENGES OF THE BRI PROJECTS TO COMPLY WITH THE REQUIREMENTS ON ACCESS TO INFORMATION AND PUBLIC PARTICIPATION

3.1. BRI PROJECTS IN KAZAKHSTAN

The Kazakh authorities initially treated the information about the Kazakh-Chinese projects as strictly confidential and did not make it public for some years.⁶¹ They justified it by citing concerns about Chinese partners, who had not given permission to name their companies. As a result, the list of projects was not publicly available for years, and though available now, it specifies no companies that develop and implement the projects. Yet, Article 2 of the 2015 Kazakh-Chinese agreement stipulates that cooperation is carried out “in accordance with the national laws of both states, including environmental requirements ...” One such environmental requirement of the national environmental law of Kazakhstan is the principle of environmental information availability and Chapter 4 of the Environmental Code of Republic of Kazakhstan describes procedures for such information disclosure.⁶²

This list of projects implemented under the bilateral agreement became available to the public on September 10, 2019, and only after numerous requests by media and environmental activists to Kazakhstan’s government. It was something very unusual if it were about investment projects from developed countries or countries with economies in transition. For example, the information on potential project developers for the construction of a nuclear power plant in Kazakhstan, an extremely environmentally sensitive project, was widely accessible. It concerns initial 6 bidders and 4 shortlisted companies, including the Chinese National Nuclear Corporation.⁶³ However, it is still hard to say how many numbers and types of joint projects were initially planned under the bilateral agreement between Kazakhstan and China. This list has repeatedly changed, both towards expansion and reduction, and that is acknowledged by the government.⁶⁴ Officials in different media publications referred to 55, 52, 51, 50 BRI projects in Kazakhstan. On September 2, 2019, the vice minister for foreign affairs stated that there were 7 projects in the agricultural sector⁶⁵, while according to the list of such projects published on September 10, 2019, there were 5⁶⁶. Despite the partial disclosure of information on the Kazakh-Chinese projects, it remains baffling and confusing even for high-ranking officials.

The cement production facility in the Shieli district of the Kyzylorda region is one of the BRI projects in Kazakhstan implemented under the

⁶¹ Jamilya Karimova. “The list of new Kazakh-Chinese enterprises is not disclosed by the officials of the Republic of Kazakhstan,” *Information portal “Informburo,”* September 21, 2016. Russian text is available on <https://informburo.kz/novosti/perechen-novyh-kazahstansko-kitayskih-predpriyatiy-ne-raskryvayut-chinovniki-rk.html>

⁶² See the *Information and Legal System of the Ministry of Justice of the Republic of Kazakhstan in Russian* on <https://adilet.zan.kz/rus/docs/K2100000400>

⁶³ See for example Assel Satubaldina. “Kazakhstan to Select Supplier for Nuclear Power Technological Solutions in 2023”, September 23, 2022, available on <https://astanatimes.com/2022/09/kazakhstan-to-select-supplier-for-nuclear-power-technological-solutions-in-2023/>

⁶⁴ Zhanbolat Mamyshev. “Why not all information about Chinese projects in the country is available to Kazakhstanis,” *Kursiv newspaper,* September 2, 2019, Russian text is available on <https://kursiv.kz/news/kompagni/2019-09/pochemu-kazahstancam-dostupna-ne-vsya-informaciya-o-kitayskikh-proektakh-v>

⁶⁵ *Ibid*

⁶⁶ See the website of the national company *Kazakh Invest* on <https://bit.ly/3YKFDMP>

2015 bilateral agreement. A joint company established by the Kazakhstan's DANAKE Corporation and the Chinese Gezhuba Shieli Cement Company to implement this project. The project's total cost is estimated at \$ 177 to achieve the production capacity of one million tons of M400 and M500 cement per year for gas and oil drilling. The project falls under the EIA requirements, including the requirements on public participation in EIA. In December 2017, public hearings on the construction of the cement production facility were held with the local community in Shieli. Based on presentations of the project developer and the findings from a preliminary environmental impact assessment and other information about the project the local residents' reaction was generally positive. The cement production facility was commissioned in December 2018, and China was named as its main target market, alongside the Eurasian Economic Union and Commonwealth of Independent States (CIS) countries.

In June 2020, after getting the information on the conducted EIA on this project, the author of the paper together with his colleague requested the Kyzylorda regional department of the Ministry of Ecology, Geology, and Natural Resources to provide copies of the following documents related to the EIA:

- the environmental impact assessment (EIA) report;
- the minutes of the public hearings;
- the report from the State Environmental Review.

The most important document for the public is the EIA report since it is the most detailed document on environmental and social impacts of the construction and operation of the cement production facility located nearby a village. Many residents of the village live little more than 500 metres away from the plant while the sanitary protection zone for this facility must be at least 1000 metres.⁶⁷

⁶⁷ *Life in the shadow of a cement plant in Kazakhstan. The Third Pole, December 22, 2021, available on <https://www.thethirdpole.net/en/pollution/life-in-shadow-of-gezhuba-shieli-cement-plant-kazakhstan/>*

Additional requests for the same documents were placed with the Ministry of Industry and Infrastructure and the Ministry of Ecology, Geology, and Natural Resources on 6 August 2020. The Kyzylorda regional department and both ministries refused to disclose the EIA report, stating it contained confidential commercial information as it includes information related to intellectual property rights. It was done in non-compliance with the requirements of Article 6, paragraph 6, of the Aarhus Convention. In June 2008, the Compliance Committee of the Convention in its report to the third session of the Meeting of the Parties, the Compliance Committee addressed the issue of some Parties refusing to disclose EIA studies in their entirety on the grounds of confidentiality under intellectual property laws. One of its observations was that "... If a

competent authority is considering whether it may refuse to disclose environmental information, the possible grounds for refusal are to be interpreted in a restrictive way, taking into account the public interest served by the disclosure. In particular, disclosure of EIA studies in their entirety should be considered as the rule, with the possibility of exempting parts of them being an exemption to the rule.”⁶⁸

In 2020-2021, the denial to provide the requested environmental information was challenged in the courts of first and appeal instances. In both cases the judicial decisions refused the applicants' claims to get access to the EIA report of the Gezhuba Shieli cement production facility.

⁶⁸ See the *Implementation Guide of the Aarhus Convention. The United Nations Economic Commission for Europe, Second edition, 2014, p. 150, available on https://unece.org/DAM/env/pp/Publications/Aarhus_Implementation_Guide_interactive_eng.pdf*

3.2. BRI PROJECTS IN KYRGYZSTAN

In Kyrgyzstan, the signing of the joint declaration on the establishment of relationships of strategic partnership between Kyrgyzstan and China in 2013 was followed by a number of loan contracts. There is a lack of transparency on the number and types of projects for which loan contracts have been signed and who approved them. Some of those loan contracts were adopted by the Government and ratified by the Parliament, e.g. on the construction and exploitation by China of the Kyrgyzstan-China gas pipeline, the construction of the Alternative North-South Road (Phase 2).⁶⁹ Other loan contracts were just adopted by the Government without further ratification by the Parliament, e.g. on the modernization of the heat and power station in Bishkek, the construction of the Alternative North-South Road (Phase 1). There is a lack of transparency regarding why these BRI projects were treated differently and validated through different decision-making processes though they were agreed with China on the same date, on September 11, 2013. The texts of all these contracts are not available to the public, including the ones ratified by the Kyrgyz Parliament. Although some studies and media publications discuss specific provisions of the loan contracts, and it means there are not treated as strictly confidential information and limited access to their texts was provided to some representatives of the public.

⁶⁹ See the *Centralized Database of Legal Information of the Kyrgyz Republic in Russian on <http://cbd.minjust.gov.kg/act/view/ru-ru/205119?cl=ru-ru>, <http://cbd.minjust.gov.kg/act/view/ru-ru/111193?cl=ru-ru>*

Basic information on some BRI projects became publicly available in Kyrgyzstan after outbursts of public discontent. On January 26, 2018, the accident at the coal-fired thermal power station in Bishkek occurred when outside temperatures were steadily around -27 degrees Celsius. As a result of it residential buildings, offices, schools, hospitals in the capital of Kyrgyzstan were freezing for 4 days. This accident triggered an invest-

ingation by the Parliament and the investigation report has disclosed some details of the loan contract with the Export-Import (Exim) Bank of China. The parliamentary investigation commission also addressed the established facts of corruption and the lack of transparency in the decision-making process on this BRI project. The specific facts concerning the lack of transparency include the absence of negotiation records on the selection process of the Kyrgyz operator for the project on the modernization of the thermal power station in Bishkek, the signing of the English text of the loan agreement with subsequent adoption by the Government of the Russian text of the loan agreement.

⁷⁰ *Satina Aidar. "Kyrgyzstan's north-south road to corruption", the openDemocracy independent international media platform, August 9, 2018, available on <https://www.opendemocracy.net/en/odr/kyrgyzstans-north-south-road-to-corruption/>*

⁷¹ *See the website of the Ministry of Transport and Roads of the Kyrgyz Republic, Russian text available on <http://piumotc.kg/ru/p1861900/>*

⁷² *See Marina Skolysheva. The scandal with the estimated costs for the construction of the North-South road. Investigation by Kaktus.media. June 25, 2018, Russian text available on <https://kaktus.media/doc/375166-skandal-so-smetoy-na-stroitelstvo-dorogi-sever-ug-rassledovanie-kaktus.media.html> The Alternative north-south road. Are we in for another scandal? 25.kg News Agency, June 27, 2018. Russian text available on <https://24.kg/ekonomika/89067-alternativnaya-doroqa-sever-yug-nas-jdet-novyy-skandal/>*

After the scandal around the modernization of the thermal power station in Bishkek modernization of the CHP Kyrgyz media and civil activists began to look more closely at all projects financed by the Export-Import Bank of China. Another BRI project got in the spotlight after the journalist investigations conducted in the summer of 2018.⁷⁰ It concerned the construction of the Alternative North-South Road. The total length of the road is 433 kilometres and it will be linking Bishkek, the capital of the country, located in the North, with the country's main city in the South, Osh. The Alternative North-South Road is one of the largest infrastructure projects in Kyrgyzstan. The total cost of the projects (three phases) was estimated at \$ 850 mln. Phase I of the project was launched in 2015 and funded with a loan from the Export-Import (Exim) Bank of China.⁷¹ The China Road and Bridge Corporation (CRBC) is the main implementing partner of the project from the Chinese side.

The focus of the journalist investigations was on the corruption related to the project. They also revealed some details of the loan contract with the Export-Import Bank of China for this project which were previously unknown to the public. According to some media publications, the total amount of the loan from the Export-Import (Exim) Bank of China is \$ 700 mln. The journalist investigations of the Alternative North-South Road project include the following allegations:

- highly overpricing project costs;
- unfair VAT tax exemption of the project developer;
- unfair selection of the China Road and Bridge Corporation for the construction of the road.⁷²

A working group was established to investigate the construction of the Alternative North-South Road by the Kyrgyz Parliament on June 26, 2018. However, no reports on this parliamentary investigation has been found in the public domain.

CONCLUSION

The BRI promotion and implementation in Kazakhstan and Kyrgyzstan based on the bilateral political arrangements and agreements provide greater protection for foreign investors. Kazakhstan applies more a coordinated approach with all important infrastructure projects implemented under the 2015 bilateral agreement. Kyrgyzstan deals with the BRI projects based on individual agreements on each BRI project. Both approaches fail to make information accessible and transparent to the public.

The general information on the BRI implementation is more open for the public in Kyrgyzstan and it is becoming more accessible in Kazakhstan under the pressure from media and civil activists. However, the information on the investments and loans, business operations of Chinese companies is barely available to the public in both countries.

The important feature of the BRI is that investments come from a country with lower standards to countries with higher standards of access to information and public participation. In two cases presented in this paper local environmental activists and media tested the BRI's abilities to ensure compliance with the existing standards on access to environmental information and public participation in environmental decision-making. Local governments, officials and companies involved seemed to face serious challenges.

The non-transparent decision-making processes in Kazakhstan and Kyrgyzstan on the BRI projects led to the public getting the information at late stages of the project development. In today's world, an absence of information from the state sooner or later is filled with other sources of information, which provide fewer opportunities for dialogue between the authorities and society. It is also extremely difficult to find solutions to mitigate the negative consequences at partial implementation and even commissioning stages.

The existing system of closed information on Chinese investments leads to even greater opacity in the government's decisions and actions and encourages companies and officials to commit violations without risk of punishment. This creates additional risks of lowering applied standards and indirectly creates a preferential regime for Chinese companies' operations in Kazakhstan and Kyrgyzstan. Regarding Chinese companies, the governments have repeatedly demonstrated their inability to take a tough stance in ensuring compliance with the requirements of international and national laws. This situation provides grounds for doubt about the readiness of the local authorities to ensure strict compliance

by Chinese companies with environmental and other legal requirements, and therefore the risk of minimizing such requirements for the projects related to investments from China.

Chinese investments are an important area of public concerns in both countries and media, civil activists, and local communities try to ensure transparency of the relevant decision-making processes and their legitimate interests to avoid high and unreasonable expenses and credit debts to China, as well as to keep the current relatively high standards of access to information and public participation. Media and civil activists in Kazakhstan and Kyrgyzstan used different tools to disclose the information related to the Chinese investment and the BRI projects to the public. In Kazakhstan, they used requests for access to environmental information and public participation opportunities provided by the Aarhus Convention and the national law on environmental information and EIA more actively. In Kyrgyzstan, media and civil activists conducted more journalist investigations and initiated parliamentary investigations.

By
OLZHAS ZHORAYEV



**PERCEPTION OF CHINA
IN CENTRAL ASIAN COUNTRIES:
TRENDS AND
COMPARATIVE ANALYSIS**

INTRODUCTION

The People's Republic of China (PRC) is one of Central Asia's primary foreign economic partners, and it has invested billions of dollars in the region as part of its emerging global infrastructure. By the end of 2022, trade between the five Central Asian economies and the PRC reached \$70 billion (*China Courts Central Asia*, 2023). Beijing's 'soft power' strategy also includes expanding education and cultural cooperation.

Despite China's increasing involvement in the region, people in Central Asia tend to view China negatively. Anti-Chinese sentiments have deep historical roots embedded in folklore (Gupta, 2020). Anecdotes about potential territorial expansion to the West have also contributed to these negative perceptions. In some cases, mutual infrastructure development and economic expansion of Chinese businesses in Central Asian countries have led to anti-Chinese protests and a backlash against Beijing's presence in the region.

However, recent geopolitical changes, including the Kremlin's aggression against Ukraine and a new war in the post-Soviet region, have arguably led to re-evaluating Central Asia's attitudes toward its big neighbors, China, and Russia. Previous studies that used data from the Central Asia Barometer (e.g., Woods & Baker, 2022) have confirmed that people in Central Asia generally hold a negative view of China, with the situation deteriorating further in some countries (Kazakhstan and Uzbekistan) and remaining consistent in others (Kyrgyzstan). At the same time, some local surveys have indicated that citizens in Kazakhstan and Kyrgyzstan expect the PRC to play a growing role in the region and overtake Russia's presence there (Chen & Jiménez-Tovar, 2017).

This article uses Gallup's World Poll data to examine the evolving perceptions of China in Central Asia over the period from 2016 to 2022. Data analysis suggests that in 2022, approval of Chinese leadership increased in Kazakhstan and Kyrgyzstan, while the share of the population who disapprove of the PRC decreased in Uzbekistan compared to the more negative views held in previous years. The article discusses potential explanations for the changes in people's attitudes toward China in Central Asia.

COOPERATION BETWEEN THE PRC AND CENTRAL ASIA

China utilizes substantial financial and material resources, along with state-owned companies and academic organizations, to promote its global agenda and pursue its interests in the former Soviet states (Khidasheli, 2022). According to Doublethink Lab's China Index 2022, which measures China's global influence, Central Asian countries are among the most influenced by the PRC. For instance, Kyrgyzstan, Tajikistan, and Kazakhstan are in the top 15 overall ranking among 82 world countries and territories. Regarding economic influence from China, Tajikistan ranks 3rd, Kyrgyzstan 8th, and Kazakhstan and Uzbekistan in the top 20. In terms of foreign policy, Kazakhstan ranks 5th, Kyrgyzstan and Tajikistan ranks 10th, and Turkmenistan 13th. Kyrgyzstan and Kazakhstan depend on China academically (ranked top 10 globally). All five states are in the top 20 regarding Chinese technological exposure.⁷³

⁷³ <https://china-index.io/>

In 2013, Beijing initiated the Belt and Road Initiative (BRI), a trillion-dollar project promoting connectivity and development. China allocated billions of dollars to infrastructure and transportation projects in the region. In 2022, around 80 percent of China-Europe railway freight was transited through Central Asia. Another proposed railway route between China and Europe could traverse Kyrgyzstan and Uzbekistan, bypassing Russia, with an estimated investment of \$4.1 billion (Leahy, 2023).

As a result, China has emerged as the largest trading partner of Central Asia. In 2022, trade between China and the region reached a record high of \$70 billion, with Kazakhstan alone accounting for \$31 billion. The trend continues at the beginning of 2023, with trade between China and Central Asian nations surpassing \$24.8 billion (Sharp, 2023). This relationship highlights the interdependence between China and Central Asia. While Central Asia benefits from Chinese trade and investment, China relies on the region for crucial resources – Turkmenistan's natural gas pipelines and oil imports from Kazakhstan.

The China - Central Asia Summit held on May 19, 2023, in Chinese Xian, outlined directions for further cooperation between Beijing and the region. In his summit speech, Chinese President Xi Jinping announced 26 billion Chinese yuan (~\$3.7 billion) of financial support and gratuitous assistance to Central Asia to promote cooperation between China and the region's states and the national development of the Central Asian countries.⁷⁴

⁷⁴ http://by.china-embassy.gov.cn/rus/xwdt/202305/t20230519_11080122.htm

However, since BRI's announcement and its projects' launch in Central Asia, there has not been a significant change in people's attitudes toward the PRC in the region (Vakulchuk & Overland, 2019).

Furthermore, some experts argue that as the cooperation between Beijing and Central Asia grows, it also raises a sense of suspicion among the region's citizens regarding Beijing's intentions. This is further compounded by increasing concerns about the escalating national debt owed to China (Leahy, 2023), alongside the longstanding fears ingrained within the local population.

HISTORICAL PERCEPTION OF CHINA IN CENTRAL ASIA

Traditionally, the peoples of Central Asia have regarded the PRC as a perennial adversary of Turkic peoples and Islam. During the Soviet period, these fears were reinforced by Moscow's propaganda depicting Beijing as a historic enemy of the region (Peyrouse, 2016). However, after the collapse of the USSR, the PRC has quickly become one of the key economic partners of Central Asia. During the 1990s, as Central Asian countries shifted from planned, centralized economies to market-based systems, a new breed of individual entrepreneurs emerged known as 'shuttle traders'. These entrepreneurs benefited greatly from engaging in trade with China, primarily by importing affordable yet low-quality Chinese goods to be sold in Central Asian bazaars. The influx of shuttle imports not only aided these businesspeople in surviving the challenging transition period but also contributed to meeting the growing demand of domestic consumers (Zhorayev, forthcoming).

Field research conducted between 2008 and 2015 in Central Asian countries and China revealed that Sinophobia and Sinophilia go hand-in-hand in the region. The study found that these contrasting attitudes towards China coexist in the region, with the increasing prominence of Sinophobic sentiments (Peyrouse, 2016). The study also indicated that Central Asian people, especially bazaar traders, gained from business with China but apprehended competition from Chinese entrepreneurs. Such fears were particularly prevalent in Kyrgyzstan, where bazaars held significant importance, which made their market community sensitive to the presence of Chinese traders. In Tajikistan, resentment towards Chinese traders has been noted, while direct contact between Chinese business people and their counterparts in Uzbekistan and Turkmenistan is limited. Nonetheless, tensions between Uzbek and Chinese traders have been observed.⁷⁵

⁷⁵ [https://www.uscc.gov/sites/default/files/Laruelle%20Testimony 3.18.15.pdf](https://www.uscc.gov/sites/default/files/Laruelle%20Testimony%203.18.15.pdf)

Regarding a potential civilization choice, very few Central Asian intellectuals advocate for embracing Chinese culture, even among young individuals who have studied in China and hold a more favorable perception of the PRC. Another study conducted in Kazakhstan revealed that the majority of such individuals still view China as a ‘civilizational other’ (Arynov, 2022).

Despite the economic and educational collaborations, China remains largely unfamiliar to the majority of ordinary Central Asians who have limited exposure to Chinese culture and traditions. As a result, public opinion is often influenced by unfounded fears, which certain nationalist circles can exploit to stoke Sinophobic sentiments and trigger a surge in anti-China feelings.

According to data from the Oxus Society, Kazakhstan and Kyrgyzstan are the main Central Asian countries with the highest levels of anti-Chinese sentiments. The Central Asia Protest Tracker has recorded 129 such protests in Kazakhstan and 15 in Kyrgyzstan since January 1, 2018. The largest protest in Kazakhstan was on September 2-3, 2019, in Zhanaozen when around 500 people gathered at the local government’s office, opposing an agreement between the Kazakh and Chinese governments on constructing 55 industrial and agricultural units in Kazakhstan. This action was supported by citizens in Nur-Sultan, Aktobe and Shymkent and called “We are against Chinese expansion”.⁷⁶ However, more extensive anti-Chinese protests occurred in Kazakhstan as early as 2016. At that time, in three cities of the country – Atyrau, Aktobe, and Semey – between 1000 and 2000 people in each city took to the streets, protesting against amendments to the Land Code that allowed foreigners to lease agricultural land for 25 years. Demonstrators were concerned that the new amendments could lead to Chinese expansion.⁷⁷

⁷⁶ <https://rus.azattyq.org/a/kazakhstan-zhanaozen-anti-chinese-protest/30144860.html>

⁷⁷ https://www.bbc.com/russian/international/2016/04/160429_kazakhstan_land_rent_protests

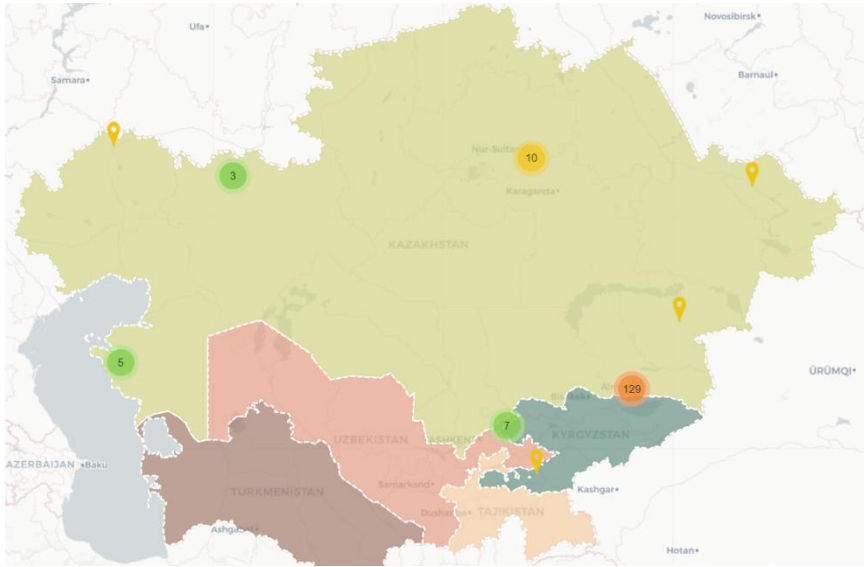
The largest public rally in Kyrgyzstan was against constructing a trade and logistics center in the At-Bashi district of Naryn financed by a Chinese investor on February 15, 2020. Protesters requested the government to cancel a decision on issuing 200 hectares to create a free economic zone. The local police department announced 500-700 participants; however, according to the Oxus Society and social media, the rally gathered 2000-4000 people.⁷⁸

⁷⁸ https://kaktus.media/doc/406187_v_naryne_mitinayushie_vystavili_svoi_trebovaniia_vlastiam.html

The presence of tensions and conflicts involving Chinese traders and investors in Central Asia, along with concerns about potential territorial claims, demographic absorption, and the ongoing debates in regional newspapers regarding the risks of Beijing’s political and economic influence, shape people’s attitudes towards China within the region.

Map: Protests in Central Asia related to China for the Last Years

Source:
The Oxus Society for
Central Asian Affairs,
Central Asia
Protest Tracker



SIGNS OF CHANGING SENTIMENTS

Gallup's World Poll is a valuable source of information for understanding public attitudes worldwide. This annual survey was conducted in various countries and regions, including Central Asia, asking various questions to around 1,000 respondents in each country. In Kazakhstan, Kyrgyzstan, and Uzbekistan, data are available from 2016 through 2022, while for Turkmenistan, data covers the years from 2016 to 2019, and in Tajikistan – only 2016 and 2017. Within this survey, Gallup asked respondents about their approval or disapproval of China's leadership, which provides insights into the perception of the PRC over time.

Table 1 presents public attitudes towards China in the five Central Asian states during 2016-2022, with the average share of respondents in each country who approved, and disapproved Beijing, or had uncertainty, and chose not to answer. Turkmenistan's citizens expressed the highest average approval rating for the PRC – 53.3%. Tajikistan also demonstrated a relatively high approval rating of 52.0%. In addition, Tajikistan had the lowest average disapproval rating, with only 18.9% of its citizens expressing negative views about China. The average percentages of Kazakhstanis, Kyrgyzstanis, and Uzbekistanis who positively perceive Beijing are relatively similar within a range from 35% to 37%. At the same time, Kyrgyzstan had the highest level of disapproval (38.1%) among all five countries. Notably, a significant portion of respondents across all countries expressed uncertainty about their opinion of China, while only a small percentage refused to answer the question.

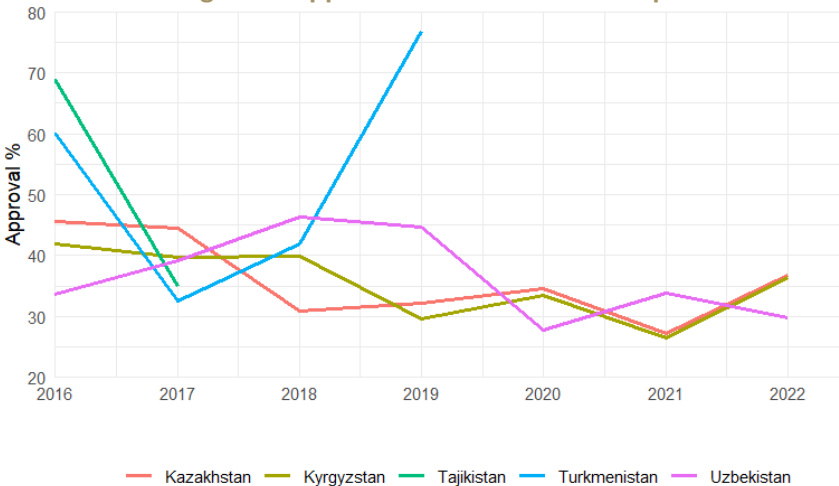
Table 1: Average Public Attitudes Toward China in Central Asia, %

Country	Average approval	Average disapproval	Do not know	Refused to answer
Kazakhstan	35.9	29.8	31.1	3.2
Kyrgyzstan	35.3	38.1	26.2	0.4
Tajikistan	52.0	18.9	25.4	3.9
Turkmenistan	53.3	24.3	21.0	1.4
Uzbekistan	36.5	26.9	36.4	0.2

Source:
 Author's visualization
 in R using Gallup's
 World Poll data

Figure 1 shows the dynamics of changes in approval of China's leadership from 2016 to 2022 for each Central Asian country. Since 2016, the average approval of the PRC in Kazakhstan, Kyrgyzstan, and Uzbekistan has been between 26% and 46%, with ups and downs from year to year. In Kazakhstan, there was an overall negative trend in the positive perception of China from 2016 to 2021. Despite slight increases in 2019 by 1.3 percentage points and in 2020 by 2.3 percentage points, the average approval of the PRC fell from 45.5% to 27.3% over the period. In Kyrgyzstan, the average approval rating for China showed more variation over the years but also notably decreased from 41.9% in 2016 to 26.5% in 2021. However, in 2022, both countries experienced a substantial and simultaneous improvement in attitudes toward the PRC, with an increase of 9.4 percentage points in Kazakhstan and nearly 10 percentage points in Kyrgyzstan. In Uzbekistan, the positive perception of China started at 33.6% in 2016, increased in 2017-2018, decreased in 2019-2020, and then grew again by 30% in 2021. However, unlike the previous countries, the perception of China deteriorated in Uzbekistan in 2022.

Figure 1: Approval of China's Leadership



Source:
 Author's visualization
 in R using Gallup's
 World Poll data

To have a broader picture of the evolving perceptions of China in these countries, it is valuable to explore the changing proportion of those individuals who hold a negative view of the PRC. Figure 2 illustrates the dynamics of the average disapproval rate of China in Central Asian countries over the years. It is worth noting that data for Turkmenistan and Tajikistan are limited, so they are not considered in the comparative analysis.

Among the Central Asian countries, Kyrgyzstan exhibited the highest level of disapproval, and this sentiment showed an upward trend from 2016 to 2021. Initially, Uzbekistan had a disapproval level like Kyrgyzstan, but it experienced a sharp decline in 2017 and 2018, falling below Kazakhstan's level. However, the disapproval rate in Uzbekistan steadily increased afterwards, reaching 40.6% by 2021. Kazakhstan, which started with the lowest level of disapproval (20%) among the three Central Asian states, also demonstrated a rising trend like Kyrgyzstan. Both Kazakhstan and Kyrgyzstan experienced a decline in disapproval rates in 2020, followed by a significant surge in 2021. As a result, in 2021, more than half of the respondents in Kyrgyzstan and approximately 40% of the respondents in Kazakhstan and Uzbekistan, as surveyed by Gallup, expressed disapproval of China's leadership. However, in 2022, there was a decrease in the proportion of disapprovals in all three countries, signaling a shift in sentiment.

Figure 2: Disapproval of China's Leadership

Source:
Author's visualization
in R using Gallup's
World Poll data

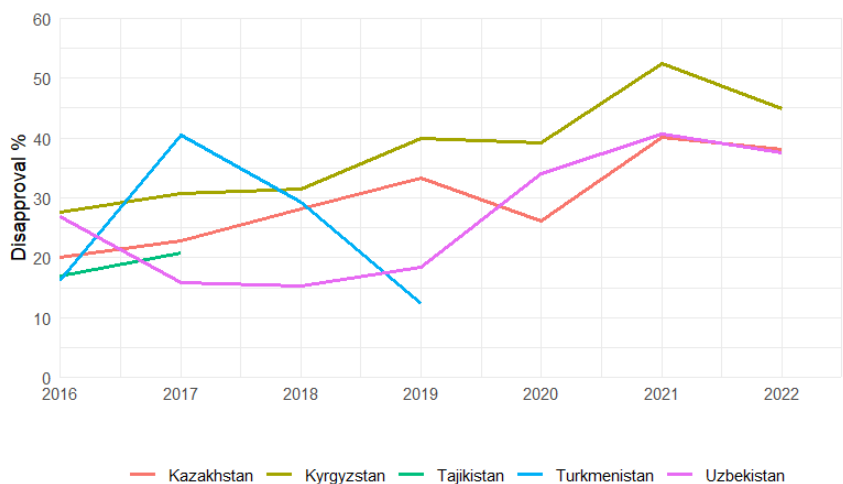


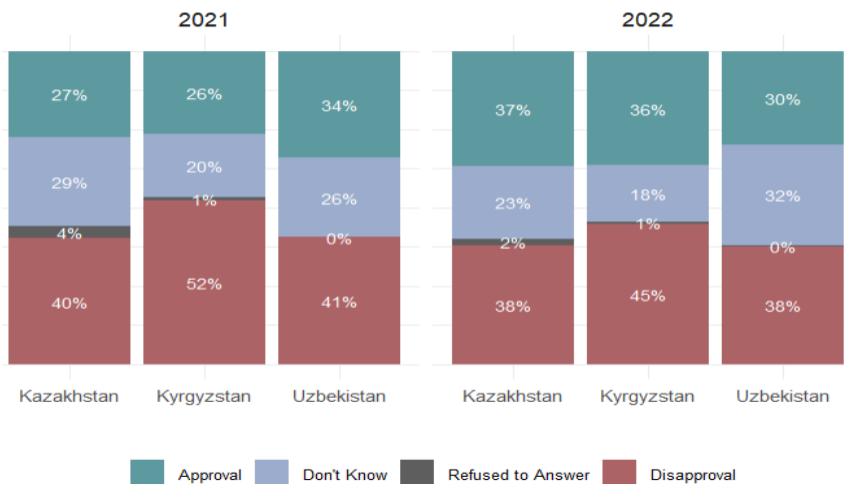
Figure 3 compares the changes in average approval and disapproval ratings of China's leadership in Kazakhstan, Kyrgyzstan, and Uzbekistan between 2021 and 2022.

In Kazakhstan, the average approval of the PRC increased from 27% to 37%, indicating a substantial shift in public opinion towards China. The share of respondents who expressed uncertainty (“don’t know” answers) decreased from 29% in 2021 to 23% in 2022, suggesting a more informed or decisive stance. In the meantime, the average disapproval in this Central Asian country remained relatively stable, decreasing slightly from 40% to 38%. Although a significant proportion of Kazakhstanis still holds negative views towards China, the proportion of those with positive perceptions increased to almost the same level.

In Kyrgyzstan, there has been a similar trend. The average approval of China’s leadership increased from 26% in 2021 to 36% in 2022. However, the average disapproval remained high, slightly decreasing from 52% to 45%. Thus, many Kyrgyzstani citizens still negatively perceive China, and its share is the highest among the three countries.

In Uzbekistan, on the contrary, the public approval of the PRC declined from 34% to 30%, which is lower than in Kazakhstan and Kyrgyzstan. This represents a significant change in this country: in the past, it had a higher proportion of people with positive perceptions of China than Kazakhstan and Kyrgyzstan. The percentage of respondents expressing uncertainty increased from 26% to 32%, indicating a potential lack of information among the population. The average disapproval of China’s leadership stayed relatively stable, slightly decreasing from 41% to 38%, similar to Kazakhstan’s level. These findings suggest that while approval has declined, many Uzbekistanis also hold negative views towards China.

Figure 3: Comparison of Perceptions of China’s Leadership in Central Asia



Source:
Author's visualization
in R using Gallup's
World Poll data

The above figures provide an overall picture and trends in the perception of China. To gain a deeper understanding of the factors associated with positive and negative views of the PRC and to create a more detailed profile of Central Asian citizens and their attitudes towards the PRC, conducting regression analysis can be insightful. Utilizing data from the Gallup's World Poll, including respondents' employment status, economic conditions, wealth, religion, and other demographic characteristics, statistical analysis was performed (results are presented in Table 2 in the Appendix). Based on this analysis, a matrix was developed to demonstrate a comparative profile of a Central Asian citizen who approves or disapproves China (Figure 4).

In Kazakhstan, self-employed individuals and those with higher incomes and who identify as Christians tend to support Beijing more. Conversely, citizens who experienced poverty and struggled to afford food in the past 12 months, as well as those with higher levels of education and older age, are less inclined to support China. The positive relationship between self-employment and approval of the PRC in Kazakhstan can be attributed to the involvement of many self-employed individuals in market trading, which has benefited from trade with China in the past. Remarkably, this association is not observed in Kyrgyzstan, where the bazaar economy holds significant importance for people's well-being, as suggested by some scholars (e.g., Peyrouse, 2016).

The overwhelming majority of the population in Central Asia are adherents of Islam and Christianity. However, data analysis did not reveal a significant negative relationship between being a Muslim and the level of approval of China, as discussed in the literature. Nonetheless, a consistent positive association exists between being a Christian and showing support for the PRC across all three countries. Furthermore, the older generation tends to hold more negative views towards China than younger individuals, consistent across all three countries.

In Kyrgyzstan and Uzbekistan, unlike Kazakhstan, individuals with higher levels of education tend to exhibit positive attitudes towards China. In Kyrgyzstan, supporters of China are also more likely to have higher incomes and be male, distinguishing it from the other two countries. In Uzbekistan, similar to Kazakhstan, those who reported not having enough money for food and people of higher age tend to disapprove of China. Notably, urban citizens in Uzbekistan, on average, show higher levels of support for the PRC compared to rural citizens.

In addition, the analysis revealed no statistically significant association between approval of China and other characteristics of citizens, such as employment status with an employer, satisfaction with the standard of living, and being born in the country across all three Central Asian states.

Figure 4: Matrix of Central Asian Citizen’s Perception of China

	Kazakhstan	Kyrgyzstan	Uzbekistan
Self-employed	+		
Higher income	+	+	
No money to buy food	-		-
Higher education level	-	+	+
Christian	+	+	+
Urban			+
Male		+	
Higher age	-	-	-

Source: Author’s visualization and estimates using Gallup’s World Poll data.

Note:
Green cells indicate a positive association between the variable on the left and approval of China, grey cells indicate no relationship and yellow cells indicate a negative association.

FILLING THE VOID LEFT BY RUSSIA?

Recent geopolitical events, particularly the Russian aggression in Ukraine, have compelled the Central Asian countries to reassess their longstanding ties with Moscow. The ongoing conflict vividly illustrates the influence exerted by both major neighbors, Russia and China, on the region, as Central Asia faces significant external political pressure (Khidasheli, 2022).

Following the China - Central Asia Summit on May 19, 2023, in Xian, expert opinions suggest that the Russian war has significantly impacted the region, pushing it closer to Beijing. Current and former officials, as well as lawmakers whom the Wall Street Journal interviewed, echo similar perspectives. While it is recognized that China cannot immediately substitute Russia’s presence in Central Asia, there is already evident competition between the two powers for influence in the region (*China Courts Central Asia*, 2023; Gershkovich, 2022; Leahy, 2023).

Over the years, the Kremlin and Beijing have managed to navigate their occasionally conflicting interests in Central Asia. The PRC explicitly recognizes Russia as a major power with historical claims in the region. The two countries have established an informal division of labor, leveraging their respective strengths and priorities, whereby Moscow concentrates on security provision while Beijing prioritizes economic development (Etheridge, 2023). However, there are light indications of China assuming a potentially new role in security matters. In April 2022,

⁷⁹ <https://rus.azattyq.org/a/press-review-kazakhstan-escaping-a-bear-hug/31966476.html>

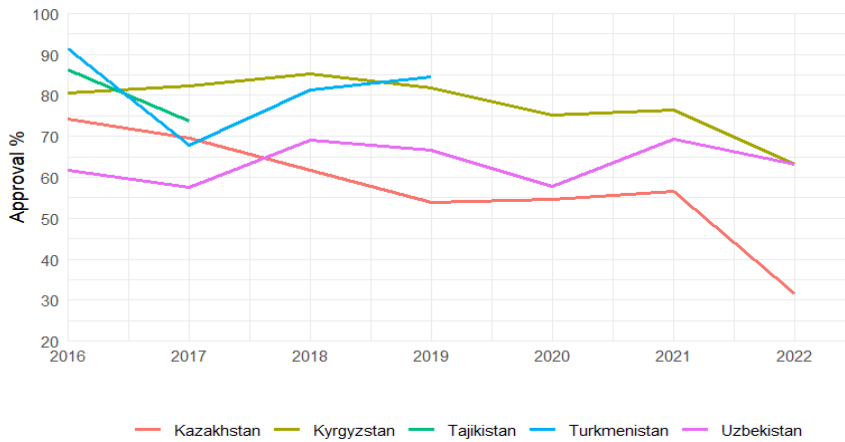
the Minister of National Defense of China, Wei Fenghe, visited Astana and met with Kazakhstan's President, Kassym-Jomart Tokayev. According to Beijing, the two sides agreed to strengthen military cooperation.⁷⁹ Furthermore, during the China - Central Asia Summit, the Chinese leader expressed readiness to assist Central Asian countries in enhancing their “law enforcement, security, and defense capabilities”, among other areas of cooperation. Russian media interpreted this statement as a potential move to shift Central Asia’s allegiance from Russia to China (*China-Central Asia*, 2023). In fact, the PCR has already established cooperation with Tajikistan to prevent crossing drugs, weapons, and potential rebels across the border into Chinese territory (Leahy, 2023).

To examine whether these trends are reflected in changing sentiments towards Moscow, it is worth analyzing the approval ratings of Russia’s leadership from 2016 to 2022 in the five Central Asian countries (Figure 5). Historically, Central Asia has been considered the most ‘Russophile’ region among the post-Soviet states (Laruelle, 2021). As Gallup data confirms, the average approval ratings of the Kremlin in Central Asia fluctuated between 54% and 91% during this period, with variations from year to year, depending on the country. Among the three countries with available data for all years, Kyrgyzstan had the highest average approval rate over the six years, at 80.2%. Kazakhstan and Uzbekistan had average approval rates of 61.8% and 63.6%, respectively.

Previously, Russia was widely perceived as a friendly and non-threatening country in Central Asia, a sentiment supported by other surveys, such as the Central Asia Barometer (Laruelle & Royce, 2020). However, Russia’s aggression in Ukraine had a significant impact on Central Asian perceptions of Moscow’s policies. In 2022, the approval of Russia substantially declined in Kazakhstan, reaching its historically lowest level of 31.7%. Furthermore, for the first time, the average approval of China among Kazakh citizens surpassed that of Russia. The previous lowest level of a positive attitude toward Russia in Kazakhstan since 2006 was recorded in 2012 when approval stood at around 55%. In Kyrgyzstan and Uzbekistan, the perception of Russia also deteriorated in 2022 compared to 2021, when there was a positive trend in both countries. In Kyrgyzstan, like Kazakhstan, approval fell to the lowest level since 2006, dropping 65% below.

These findings suggest that the events in Ukraine had a significant impact on Central Asian public opinion regarding Russia’s leadership, leading to a notable decline in approval ratings in the three countries. Central Asian countries have begun to reconsider their relations with Moscow and their foreign policies and have intensified their ties with China and other countries like Turkey and the United States (Gershkovich, 2022).

Figure 5: Approval of Russia's Leadership



Source:
Author's visualization
in R using Gallup's
World Poll data

CONCLUSION

Previous studies and surveys showed that Central Asians generally view the People's Republic of China negatively. Cultural, economic, and political factors, including historical concerns regarding potential territorial expansion and demographic influence, drive these anti-Chinese sentiments.

The analysis of Gallup's World Poll data, which tracks changes in public sentiments over time, reveals a shifting landscape in people's perceptions of Beijing in Central Asia. Specifically, the research findings indicate a positive shift in public perception of China's leadership in Kazakhstan and Kyrgyzstan in 2022. However, it is important to note that a significant portion of the population still views Beijing negatively. Moreover, there has been a notable decline in the approval of Russia, particularly in Kazakhstan, influenced by geopolitical trends and reevaluation of the Kremlin's policy, influencing a potential reorientation of Central Asia towards the PRC.

Along with politics, and geopolitics, expert opinions and interviews with ordinary people, officials, and scholars underscore the impact of socio-economic factors in shaping public opinion towards China in Central Asia. Utilizing Gallup's data on Central Asians' employment status, economic conditions, wealth, religion, and other demographic characteristics, this study reveals that self-employed individuals and people with higher incomes are more likely to support China's leadership. On the other hand, poorer individuals and persons of higher age tend to disapprove of the PRC. These findings highlight the complexity and diversity of public perceptions towards China within the region.

Appendix

Table 2: Factors Associated with Central Asian Citizen's Approval of China

<i>Dependent variable:</i> Approval of China (1/0)	(1) Kazakhstan	(2) Kyrgyzstan	(3) Uzbekistan
<i>Independent variables:</i>			
Employed for employer (1/0)	0.00478 (0.0324)	-0.0193 (0.0304)	0.0244 (0.0339)
Self-employed (1/0)	0.0917*** (0.0255)	-0.00103 (0.0216)	0.0181 (0.0194)
Per capita income quantile (1-5): 1 = Poorest 20%, 5 = Richest 20%	0.0227*** (0.00794)	0.0262*** (0.00652)	0.000367 (0.00637)
Satisfaction with standard of living (1/0): 1 = Satisfied, 0 = Dissatisfied	0.0122 (0.0257)	-0.00383 (0.0219)	-0.00793 (0.0222)
Situations with no money to buy food in the past 12 months (1/0): 1 = Yes, 0 = No	-0.0658*** (0.0253)	-0.0184 (0.0180)	-0.0379* (0.0203)
Born in this country (1/0)	0.00901 (0.0458)	-0.0189 (0.0407)	0.0473 (0.0631)
Education level (1-3): 1 = Elementary, 2 = Secondary, 3 = Tertiary	-0.0386** (0.0179)	0.0699*** (0.0162)	0.0677*** (0.0176)
Christian (1/0)	0.120** (0.0585)	0.240** (0.0943)	0.167* (0.0884)
Muslim (1/0)	-0.00944 (0.0570)	0.121 (0.0888)	0.0370 (0.0709)
Urban/rural (1/0)	-0.0193 (0.0252)	0.0331 (0.0236)	0.0488** (0.0209)
Gender (1/0): 1 = Male, 0 = Female	-0.00512 (0.0215)	0.0486*** (0.0176)	-0.0142 (0.0186)
Age	-0.0133*** (0.00296)	-0.00739*** (0.00250)	-0.0113*** (0.00265)
Age-squared	0.000129*** (3.16e-05)	7.46e-05*** (2.69e-05)	0.000153*** (2.90e-05)
Constant	0.672***	0.533***	0.289*
Observations	2,335	3,524	3,062
R-squared	0.185	0.125	0.149

Source:

Author's estimates in Stata using Gallup's World Poll data for 2016-2022.

Note:
All variables are binary indicators (1/0) unless otherwise specified. Robust standard errors are shown in parentheses. Significance levels are denoted by ***, **, and * for 1%, 5%, and 10% respectively. All models include year fixed effects and community (primary sampling units) fixed effects.

By

**BERNADETT SZÉL,
PhD**

CHINESE INFLUENCE IN HUNGARY

1. THE BACKGROUND OF HUNGARIAN-CHINESE RELATIONS

The establishment of Chinese-Hungarian relations after the regime change dates back to the 2000's. In 2003, the Hungarian Prime Minister at the time, Péter Medgyessy, travelled to Beijing with a large business delegation to negotiate the possibilities of Chinese-Hungarian economic cooperation. The Prime Minister's stated goal was to make Hungary "China's European bridgehead." Words were followed by actions: several Chinese investments were realized: the Chinese chemical company, Wanhua, acquired BorsodChem, and the Chinese Huawei has also entered the Hungarian market, later expanding its new plant with a regional logistics centre⁸⁰.

⁸⁰ <https://atlatso.hu/kozpenz/2018/10/18/viszonzatlan-szerelem-semmi-nem-valosult-meg-az-orbannak-igert-kinai-oriasprojektekbol/>

In 2010, the Orbán government came to power and – breaking away from its previous position critical of China – continued the opening policy of the previous socialist government, but started building even stronger relations with China. Even before the change of government, in 2009, Viktor Orbán traveled to Beijing, where his party (Fidesz – Alliance of Young Democrats) officially contacted the Chinese Communist Party. Here he announced Fidesz's new Eastern policy, when he said: "Hungary's place on the world map is clear, we are members of NATO and the European Union. This means that we sail under the Western flag, but today the wind blows from the East in the global economy. We need to adjust our sails accordingly."⁸¹

⁸¹ <https://infostart.hu/belfold/2009/12/03/orban-viktor-kinaban-ma-keletiszel-fuj-a-vilaggazdasagban-319247>

The "Eastern Opening" meant not only the continuation of the pragmatic China policy of the previous government, but also a marked foreign policy turn, which from then on became completely value-neutral on a principle level. This is how the president of Fidesz put it during his visit to China: "contact is made easier by the fact that the CCP (Chinese Communist Party) does not wish to engage in ideological debates, it does not consider ideology as the basis of cooperation, but the common interest".⁸² With this, the value-based foreign policy with a Euro-Atlantic orientation was replaced by a pragmatic, interest-based foreign economic policy, where the answer to the previously objected human rights problems was that "The Chinese political system belongs to the Chinese people."⁸³

⁸² *Ibid*

⁸³ <https://2015-2022.miniszterelnok.hu/orban-viktor-beszede-a-dialogus-kina-es-a-kozep-kelet-europai-politikai-partok-kozott-cimu-konferencian/>

Parallel to the "Eastern Opening", China's geopolitical attention also turned towards the Central- and Eastern European region from the 2010's on, at a time when the region needed capital for recovery after the economic crisis. In June 2011, China and 16 Central and Eastern European countries held a meeting in Hungary, which led to the

establishment of the "16+1 Cooperation" in Warsaw the following year (Cooperation between China and Central and Eastern European Countries, China-CEEC). The goal of the cooperation was to strengthen the relationship between the region and China, moreover, to significantly expand investment and trade between them, for which the region's countries had high hopes.

The annually held forum fit into China's grand geopolitical strategy called the „Belt and Road Initiative” (BRI). The infrastructure development program aimed to increase China's global economic and political influence and acquire new markets. Hungary was the first country among the EU member states which joined to the initiative, which is also known as the “New Silk Road”, and in 2014 the country agreed with China and Serbia to renovate the Budapest-Belgrade railway. The communicated goal of the railway development was to ensure that Chinese goods could reach Western Europe from the port of Piraeus in Greece as quickly as possible by rail.

2. CHINESE PROMISES AND LOANING EXERCISE: THE BITTER EXPERIENCES OF THE “EASTERN OPENING”

After the initial big announcements, it quickly became clear that the Chinese investment promises were not being fulfilled. None of the giant projects in Hungary were realized: no high-speed rail to Liszt Ferenc Airport, no railway ring road around Budapest, no citric acid plant, and the promised Chinese capital did not arrive at the solar panel factory in Szolnok, either⁸⁴. A one-billion-dollar Chinese credit line and a five-billion-dollar bond purchase were mentioned that time as well, but in the end, they were never realized. While the government continuously praised the unprecedented economic relationship between China and Hungary, in reality none of the big promises were implemented in the decade following the announcement of the "Eastern Opening."

The same pattern happened in other EU member countries of the region: the promised investments did not arrive, the trade did not increase significantly. The 2021 study by the Central and Eastern European Center for Asian Studies (CEECAS) entitled "*Chinese Investment in Central and Eastern Europe - A reality check*"⁸⁵ examined exactly what came true in the 2010s from Chinese investment promises. The main finding of the study is that "*Despite all the high expectations in the past decade, Chinese investments have not reached significant levels in the*

⁸⁴ <https://atlatszo.hu/kozpenz/2018/10/18/viszonzatlan-szerelem-semmi-nem-valosult-meg-az-orbannak-igert-kinai-oriasprojektekbol/>

⁸⁵ https://www.china-cee-investment.org/files/uqd/72d38a_373928ea28c44c7f9c875ead7fc49c44.pdf

CEE region, especially not in the EU members of the region.” This is often not clear from the official data: “governments tend to offer an inflated picture of China’s presence in their respective countries. Official numbers tend to include investment plans previously proposed but otherwise never implemented by the Chinese side, infrastructure projects financed by Chinese loans and the results of international M&As.”

The actual capital inflow was actually much more modest than the official data showed, which included international company acquisitions and infrastructure projects implemented with Chinese credit. The Hungarian government also presented impressive figures on capital inflows from China, but most of them were company acquisitions – in other words, the number of Chinese investments increased on paper, but no actual investments took place locally, only the Hungarian subsidiaries of the acquired international companies became Chinese-owned.

The Minister of Foreign Affairs himself stated in Parliament in 2019 that *“Of the sixteen Chinese investments in Hungary, eleven were realised through the acquisition of international companies”*⁸⁶.

Similar to international company acquisitions, infrastructure projects cannot be classified as Chinese direct capital investments either. As the study says: *“It must be emphasised that infrastructure projects financed by Chinese loans do not fit into the category of China’s foreign direct investment, rather they are investments made by the host country and merely financed by a loan that happens to come from China.”* According to the researchers’ calculations, if international company acquisitions and infrastructure projects financed by loans are deducted, less than half of the 5.4 billion euros of Chinese capital, 2 billion euros, was actual Chinese direct investment in Hungary until 2020. In the non-EU countries of the CEE region, this difference is even more striking: in the countries of the Western Balkans, China mainly participated in credit-financed infrastructure projects. As the study says, *“almost 79% of the China related infrastructure construction projects in the CEE region are located in the countries of the Western Balkans. Most of the costs of such projects (75-85%) are financed by Chinese loans, and the total value of the constructions add up to significant amounts compared to the GDP of the relevant economies. The level of loans offered by China may reach 18% of the GDP in Montenegro, 12% in Serbia, 10% in Bosnia-Herzegovina and 7% in North-Macedonia.”*

China envisioned economic cooperation in CEE countries in such a way that, in addition to providing expensive Chinese loans, Chinese companies would build highways, railways and bridges. However, the EU countries of the CEE region had the free, non-refundable EU funds for

⁸⁶ <https://www.parlament.hu/documents/10181/1569934/nv190613/9ecbe0bc-91d3-625b-9ab3-d06f32ec2922>

development projects, they would have primarily needed job-creating investments. Hungary was the only EU country that participated in China's dubious, non-transparent lending project. As mentioned above, as part of "Belt and Road Initiative", Hungary undertook to renovate the Hungarian section of the Budapest-Belgrade railway line. The HUF 750 billion (about EUR 2 billion) project, is 85 percent financed by Chinese loans, while the government previously rejected more favorable EU loans. While they said they didn't want to put Hungary in debt, they took the loan from the Chinese, the details of which are confidential for 10 years.

Similarly to Hungary, the non-EU members of the CEE region and developing countries have also taken on Chinese loans, and many of them fell into a debt trap. For instance, the Montenegrin government asked for EU assistance to repay the 1-billion-dollar Chinese loan for highway construction in order to avoid state bankruptcy. By the end of the first five years of the "One Belt, One Road Initiative", China became the world's largest international creditor and lent an equivalent of a trillion dollars in Asia, Africa, and Latin America, burdening many poor countries with massive debt and causing financial crises. Currently, 60% of China's loans are in countries facing financial crises⁸⁷.

⁸⁷ <https://www.portfolio.hu/gazdasag/20230328/dolnek-azok-a-kinai-hitelek-amilyet-a-magyar-allam-is-felvet-605752>

3. FIDESZ END CCP: SERVING CHINESE INTERESTS AS "PRAGMATIC" COOPERATION

Although the promised Chinese investments under the "Eastern Opening" policy failed to materialize, the Hungarian government did try to please China at all costs, even at the expense of national interest. With the unfavourable deals and agreements with China, the Hungarian government went beyond pragmatic economic cooperation and prioritized Chinese interests over Hungarian ones. Based on the following five examples, it is clear that Chinese-Hungarian economic cooperation served the interests of China and a narrow group of government-affiliated businesses, rather than any kinds of national interests.

3.1. RESIDENCY BONDS (2013)

The essence of the residency bond program introduced in 2013 aimed at non-EU businesspeople who became the opportunity to obtain residency rights in Hungary (which means within the territory of the EU) for 250-300 thousand euros. Nearly 20 thousand people participated, 16 thousand of whom came from China, meaning that the four-fifths majority of the program served Chinese interests. However, according to

⁸⁸ <https://transparency.hu/hirek/tobb-tizmilliarodot-buktak-a-magyar-emberek-a-letelepedesi-allamkotvenyprogramon/>

the available data, this hardly served the interests of Hungarian taxpayers: *Transparency International Hungary* and the *Budgetary Responsibility Institute in Budapest* have concluded that the program was a serious additional payment for the Hungarian state, and did not contribute to financing the national debt, and resulted in losing up to 30 billion forints from the taxpayers' money (approximately 80 million euros).⁸⁸ It would have been possible to borrow this amount from the European Investment Bank at a more favourable price. Meanwhile, the government-affiliated, mostly offshore companies operating and organizing this program, made a profit of 60 billion forints (approximately 160 million euros) at the expense of the state budget. Furthermore, in the framework of the program, individuals with serious national security issues could enter the country without thorough investigation and control – and could move freely in the EU countries afterwards.

3.2. BUDAPEST-BELGRADE RAILWAY PROJECT (2014)

The Budapest-Belgrade railway project, which is considered as the flagship of the "One Belt, One Road" initiative, lacks any economic rationale. The fact that the Hungarian taxpayers have no right to know the details of the loan agreement, which is classified for 10 years at the request of China, shows that the interests of the Hungarian taxpayers are not the main concern here.

The loan agreement could not be obtained in court either, because the Curia of Hungary – which is already under significant governmental influence –, decided that the Chinese side's intention to classify the agreement overwrites the Hungarian people's right to access public information. In the meantime, it also became obvious that not only the loan could be expensive, but the entire project was overpriced. They are counting on a price of 4 billion forints/km (approximately 10.8 million euros/km) compared to an average cost of 1.14 billion forints/km (approximately 3 million euros/km) for railway renovation, which price is not justified by the terrain or any kind of engineering consideration. The government did not disclose any calculations regarding the return on investment, but some estimates suggest it may take up to 2400 (!) years. The utilization rate of the railway line is still only 25 percent, and there are no transport wise significant cities nearby. Additionally, the renovation is not among Hungary's most urgent railway development investments.

3.3. THE HUNGARIAN CAMPUS OF FUDAN UNIVERSITY (2018)

There are more arguments against the elite campus for Fudan University planned by the Hungarian government than in favour of it. According to the current plans, which have been put on hold due to public protests, the Fudan Hungary University would also be built with Chinese loans at a cost of 550 billion forints (about 1.5 billion euros). The university, which would be capable of accommodating 6-8,000 students, would receive extensive state subsidies equivalent to the entire Hungarian higher education budget, creating an unattainable disadvantage for the massively underfunded universities – for example in terms of retaining teaching staff.

Its operation would be entrusted to a wealth management foundation, which would have a control over a vast amount of assets. Moreover, the university is planned to be built in the 9th district of Budapest, where the so-called “Student City” (“Diákváros”) student housing complex has originally been intended to be built, which is a project of genuine national interest, being able to provide affordable dormitory housing for 8-10,000 young people.

3.4. GOVERNMENTAL „COVID-BUSINESS” (2020)

At the outbreak of the coronavirus pandemic the government decided to invest in Chinese breathing machines. Despite the obvious lack of operating medical staff, they purchased 16,000 machines worth a total of 300 billion forints (approximately 800 million euros): 13,000 of these remain unused and stored in warehouses (the storage fee alone is also a huge cost paid by taxpayers). The overpriced equipment and other supplies were purchased through shady intermediary companies, which may have made tens of billions of forints in profit – and at the expense of the taxpayers.

The Hungarian government also purchased Chinese vaccines significantly overpriced. While accusing Western vaccine manufacturers of making profit on vaccine sales, they bought the Sinopharm vaccine for twice of the price of the Pfizer-BioNTech vaccine: 31.5 euros per dose compared to 15.5 euros⁸⁹. The 5 million doses of Sinopharm vaccine obtained were among the most expensive ones in the world, despite being one of the least effective. Over a million people in Hungary were vaccinated with it, mostly over the age of 60, while reliable data was not available on the effectiveness of the vaccine for elderly people.

⁸⁹ <https://telex.hu/korona-virus/2021/08/30/sinopharm-vakcina-adomany-osszesites>

⁹⁰ <https://telex.hu/korona-virus/2022/01/26/sinopharm-kinai-vakcina-oltas-antitest-ellenanyag-szint-meres-idosek-alacsony-vedettseg-tanulmany-ferenci-sarkadi>

In 2022, a study published in BMC Infectious Diseases confirmed that it was a mistake to give this vaccine to elderly people, even when better vaccines were available.⁹⁰ The research showed that 25% of 60-year-olds vaccinated with the Chinese vaccine did not produce antibodies, while the figure was 50% for those over 80. Despite all caution warning, the government not only approved the use of the vaccine based solely on the decision of the Minister of Foreign Affairs without any pharmaceutical testing, but also kept all data secret so that its effectiveness could not be measured retrospectively.

3.5. SECOND LARGEST BATTERY FACTORY OF EUROPE (2022)

⁹¹ <https://kormany.hu/hirek/catl-9000-uj-munkahely-debreceben>

In 2022 the government announced that it reached an agreement with the Chinese battery manufacturer Contemporary Amperex Technology Co., Limited (CATL) about the establishment of a factory in Debrecen.⁹¹ The battery factory, that uses environmentally polluting technology and requires a significant amount of water and energy, would be one of the largest in Europe⁹², even though Hungary already runs several battery manufacturing plants in the country. The government provides a huge state support exceeding 10 percent of the investment cost, and billions of forints for infrastructure development for the factories. The social support for investments is very low, the government did not consult with local residents and activists in advance, and they keep on running discrediting campaigns against opponents. According to the Minister of Foreign Affairs, those who would like the battery factory to be built somewhere else, serve the interests of a foreign country, not the national interest.⁹³

⁹² <https://forbes.hu/uzlet/europa-legnagyobb-akkumulator-gyarak-tesla-catl-debrece/>

⁹³ <https://444.hu/2023/02/06/szijarto-szinte-nap-mint-nap-elmondja-aki-az-akkumulatorgyarak-ellen-tiltakozik-idegen-erdekeket-szolal>

However, the real question is how yet another battery factory serves any Hungarian interest? The factory would be built on valuable agricultural land, use disproportionately high amounts of underground water, which is becoming more scarce and valuable due to climate change, and require energy amount equivalent to the quarter of the energy production of the operating Hungarian nuclear power plant in Paks. Hungary is already the fourth-largest producer of batteries globally⁹⁴, and with this 7,3 billion euros investment, it would indeed become a “battery superpower”.

⁹⁴ <https://telex.hu/komplex/2023/02/06/akkumulatorgyarak-orban-god-debrece-catl-beruhazas>

The investment fits into the Hungarian government's economic policy, which involves attracting foreign working capital with generous state support, low taxes, low wages, flexible employment, and weak environmental regulations. It is already an economic common-sense that with this policy, Hungary is cementing itself into a low-income and low-

value-added economic model, where the greater involvement of Eastern capital only serves to create new dependencies rather than national development. The national interest would be pursuing knowledge-based and green economy, where the state invests in education and research, as well as supports sectors suited to the country's capabilities, such as food production.

4. HUNGARY AS THE MOST LOYAL POLITICAL ALLY OF CHINA – AND RUSSIA – IN THE WESTERN ALLIANCE SYSTEM

Not only the economic relations just presented, but also the political ones between Hungary and China go beyond “pragmatic” and harm Hungarian – and European – interests. The Hungarian government constantly makes political gestures to China and weakens unified European action for China's sake.

It is not surprising that Wang Ji, the head of Chinese diplomacy, said during his latest visit to Hungary that Beijing appreciates that the Hungarian government pursues a China-friendly policy and “provides support on certain issues at international forums.”⁹⁵ Since the 2010's, the Hungarian government has vetoed every critical resolution related to China without any consideration, whether it is the oppression of the Uyghur minority or the suppression of democracy in Hong Kong. According to the Hungarian foreign minister, it is “pointless”⁹⁶ to condemn China for its understanding of human rights, because it only harms good relations – even though in 2008 Fidesz, still in opposition, called on the government to “not sacrifice human rights on the altar of cooperation”⁹⁷.

A similar phenomenon can be observed in the case of Russian-Hungarian relations, which also go beyond the much-proclaimed “pragmatic” and “ideology-free” cooperation. 95 percent of Hungary's gas imports come from Russia, in the case of crude oil it is 65 percent. While it would be in Hungary's clear national security interest to reduce Russia's energy dependence – especially since the war in Ukraine –, the Hungarian government has signed additional gas contracts with Moscow this year⁹⁸, and increased its crude oil imports from Russia by 43 percent in 2022⁹⁹. In addition, the government continues to plan the construction of new nuclear power plant units in Paks with Rosatom, with Russian credit, the conditions of which were unfavorable from the beginning but were recently modified again according to Russian interests¹⁰⁰. And similarly to China, in addition to the economic, the political relations also

⁹⁵ <https://telex.hu/belfold/2023/02/20/szijiarto-peter-magyarorszag-sokat-profital-a-kinaval-folytatott-strategiai-egyuttmukodesbol>

⁹⁶ <https://444.hu/2021/05/11/szijiarto-szerint-ertelmetlen-ujabb-nyilatkozatban-elitelni-kinat>

⁹⁷ <https://merce.hu/pp/2021/06/05/varhatoan-tobb-mint-20-ezren-vonulnak-ma-a-fudan-egyetem-ellen-a-diakvaros-mellett-eloben-a-mercen/amikor-meg-a-fidesz-tiltakozott-kina-ellen/>

⁹⁸ <https://444.hu/2023/04/11/uj-gazmegallapodast-jelentett-be-moszkvaban-szijiarto-peter>

⁹⁹ <https://a7.hu/penz/2023/0306/magyarorszag-masfelszeresere-novelte-az-orosz-koolaj-importjat-az-elmult-evben-mikozben-europa-hatodaval-csokkentette/>

¹⁰⁰ <https://rtl.hu/gazdasag/2023/04/11/javor-benedek-most-fordul-katasztrofaba-a-paksi-bovites>

go far beyond the "pragmatic" between the two countries. Although Hungary voted for the sanctions against Moscow in the EU, he is running a massive campaign against them and blames the "Brussels sanctions" for all the country's economic woes: the high energy and food prices. In relation to the war in Ukraine, the Hungarian government and its media are conducting unprecedented Russian propaganda and are calling for an end to the war according to Russian interests.

¹⁰¹ <https://www.origo.hu/itthon/20230220-szijjarto-peter-magyarorszag-kina-beke.html>

The consistency of the Russian, Chinese and Hungarian positions on the war in Ukraine is clearly demonstrated by the fact that at the already mentioned Chinese-Hungarian diplomatic meeting there was complete agreement between the parties¹⁰¹ that the Western countries should not escalate the war and that there should be an immediate ceasefire and peace. All this was said without mentioning that they condemn Russia's aggressive war and consider the withdrawal of Russian troops from the territory of sovereign Ukraine as a condition for peace. In fact, they present Putin's war in Ukraine as some kind of "natural calamity", the elimination of which is the sole responsibility of the West.

¹⁰² <https://telex.hu/kulfold/2023/04/12/oroszorszag-moszkva-szijjarto-peter-negyedik-latogetas>

Although both sides present themselves as "neutral" supporters of peace, they unilaterally maintain contact with the aggressor, and so far they have not once called on Russia to withdraw its troops and start negotiations. The Hungarian foreign minister has visited Moscow four times since the beginning of the war¹⁰², while he never visited Ukraine. The Chinese president recently visited Moscow and strengthened the strategic partnership between the two countries, while he spoke with the Ukrainian president once on the phone.

5. THE FUTURE OF THE HUNGARIAN-CHINESE RELATIONS

The Covid-19 crisis and the war created a fundamentally new situation in Europe, because it showed more sharply than ever before how exposed and vulnerable Europe is. This is especially true for Hungary, whose manufacturing industry depends on foreign suppliers, and its energy supply also relies on foreign imports. The disruption of global supply chains and the lack of chips due to the shutdown of Chinese factories led to the need to shut down or reduce production in several Hungarian car factories. On the other hand, Russia's use of Russian gas as a political weapon led to a rise in inflation even before the outbreak of the war. It is no coincidence that the Hungarian government introduced fuel and food price caps before the war due to skyrocketing prices. The

past years have therefore clearly shown the disadvantages and risks of the dependences of the Hungarian economy – and European industry in general.

However, Europe and Hungary drew completely different conclusions from this situation. The EU has radically reduced its imports of Russian gas (from 40 percent before the war to around 9 percent to date), and now there are intense discussions about how to reduce the risks in economic cooperation with China. The German government has already stated that the danger of excessive economic dependence on one country and the political risks of cooperation with autocratic regimes must be reduced, Germany must become more independent and sovereign. Part of this is to exclude suppliers from autocratic third countries in the field of critical technologies and infrastructure. The European Commission is also working on a “De-risking” strategy, the aim of which is to focus on risk reduction towards China and which puts economic and national security at the center.

In contrast, the Hungarian government acts as if the last few years never happened, as if there was no Covid-19, the war did not break out, and Hungary did not suffer from its excessive dependence on the eastern states. Instead of reducing it, the Hungarian government further increased Hungary’s economic and energetic vulnerability to China and Russia. In addition to investments in the battery industry, China's influence is also growing in strategic areas such as the banking and energy sectors¹⁰³.

The world's second largest credit institution, China Construction Bank (CCB), opened a branch in Hungary, and Viktor Orbán himself welcomed the president of the bank¹⁰⁴. Together with a couple of other Chinese banks, the bank supports the acquisition of Vodafone with a loan to actors close to the government. Recently, the Chinese Shanghai Electric bought one of the largest solar power parks in Hungary. The Chinese presence is growing in sectors that Fidesz previously classified as strategic industries that should be majority owned by Hungarians.

The issue of batteries for the production of electric cars is critical. Here, too, Germany and Europe would like to reduce dependence on China as much as possible and to satisfy European needs with European manufacturers. But this is not yet possible due to the dominant role of China and the investment stimulus package of the USA. Currently, the extraction and processing of raw materials takes place predominantly in China, but the German government is trying to help companies to diversify their sourcing. At the same time, Hungary does not participate in these European efforts, does not share the position of the EU and

¹⁰³ <https://q7.hu/vallalat/20230427/kina-olyan-strategiai-szektorokban-terjeszkedik-magyarorszagon-ahol-orban-magyar-tobbsegi-tulajdont-szeretne/>

¹⁰⁴ <https://index.hu/belfold/2023/04/20/orban-viktor-tien-kuo-li-china-construcion-bank/>

Germany on the issue of risk reduction and sovereignty, and does not see any danger in excessive dependence on one country. The government that is constantly fighting for sovereignty and national independence in the EU does not see any sovereignty problems in dependence on Eastern countries.

The Hungarian people are paying a heavy price, both economically and politically, for the government's close relations with authoritarian and oppressive Eastern regimes.

Unfavorable and opaque Eastern loans, huge investments stuffed with public money, corrupt deals favorable to the oligarchs and extreme energy vulnerability are disadvantageous for all Hungarian people.

Hungarian foreign policy that undermines the unity of Europe and obviously aligned with the interests of the Eastern powers also harms Hungarians: Hungary is increasingly isolated within the Western alliance system and the narrower East-Central European region.

The question is, how does the national interest prevail in the current cooperation between the Hungarian government and the Chinese Communist Party? Why is it a good thing to bring production to Hungary, for which no conditions have been given, in return a lot of taxpayers' money ends up in Chinese companies? Why is it useful to be indebted to China? What do we gain with opaque Chinese deals, instead of spending the non-credited EU money in a transparent way?

The interests of Hungary and its government are definitely divided. It would be in the interest of the country to settle the relationship with the EU, return to the path of the rule of law, obtain non-refundable funds from the European Union, reduce our economic and energetic dependences on the authoritarian powers of the East and realize an economic development based on our capabilities. The government, on the other hand, apparently has an interest in getting money from the East in a non-transparent manner, without anti-corruption restrictions, in order to provide resources for its economic hinterland, and increase the prime minister's political influence as a European representative of the Eastern powers.

One sad conclusion is for sure: the separation of the national interest and the interest of the government will remain with us until there is a change of power in Hungary and a force that represents a return to European values and strengthens Hungary's previous stable place in the Western alliance system comes to power.

By

TATYANA SEDOVA



CHINA'S ROLE IN CRITICAL MINERALS (CM) DEVELOPMENT IN KAZAKHSTAN AND TAJIKISTAN: BENEFITS AND CHALLENGES

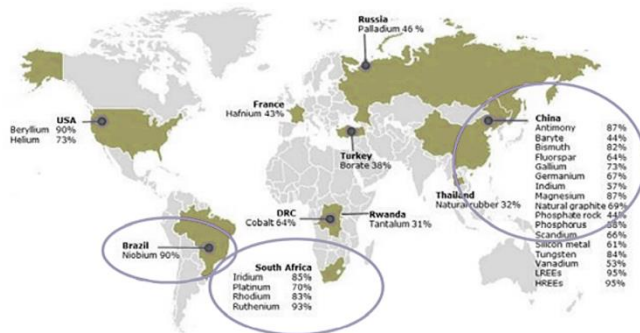
INTRODUCTION: CRITICAL MINERALS ARE A “NEW OIL”

Due to climate change and commitments made by states to achieve carbon neutrality, the need for so-called critical minerals has increased by several orders of magnitude. The question of what exactly to consider as CM remains open, there are different classifications (EU, WB, USGS, etc.)). At the same time, nickel, chromium, lithium, cobalt, copper, and rare-earth metals are generally recognized as CMs. Critical minerals are those minerals which are necessary for the production of solar panels, wind turbines, electric cars, etc. Their supply in the market is critical for the development of the global low-carbon economy. Under the International Energy Agency’s Sustainable Development Scenario, demand of, for example, nickel, copper, lithium, and cobalt is expected to quadruple by 2040, because of their use in the renewable energy sector.

Globally, most of the key CMs are mined in a few countries - to name a few: 79% of lithium reserves are in Chile, 92% of beryllium- in the USA, 92% of niobium in Brazil, 86% of cobalt in DRC, 40% of palladium in Russia, whereas China has 95% of HREE, 85% of LREE, 97% of magnesium, 62% of vanadium and so on.

Source:
World Bank Group

Deposits of critical metals are concentrated in a few countries...



At the same time, the processing of CM is mainly carried out in China. China has been building its leadership as a global CM processor for a number of years and, as a result, in 2019, China processed about 85% of REM, 60% of lithium, 70% of cobalt, 35% of nickel and 40% of copper.

In addition to mining and processing directly in its own territory, China "enters" CM's mining in other countries. In particular, let's look at Kazakhstan and Tajikistan.

China's role in Central Asia is overall growing, China-Central Asia summit¹⁰⁵ in May 2023 brought cooperation to the next level

¹⁰⁵ <https://news.cgtn.com/news/2023-05-19/China-Central-Asia-vow-to-build-closer-community-with-shared-future-1jVLJrBkwul/index.html>

China's trade with Central Asia is \$70.2 billion, and the volume of accumulated investment is \$15 billion - to compare, Europeans have trade turnover \$49 billion, Russia's trade is \$42 billion, accumulated investments of \$25 billion (all figures in 2022).

Experts note, that the China-Central Asia summit¹⁰⁶ in May 2023 was a turning point, setting pace to BRI cooperation, where "China, Central Asia vow to build a closer community with a shared future" (CGTN). At the summit, China offered \$3.7 billion in targeted aid for the development of the region. This Chinese geopolitical proposal definitely brings cooperation to another level, especially in comparison to early American proposal (Secretary of State Blinken announced that the U.S. would provide a \$25 million package of assistance to the region to weaken its dependence on Russia).

¹⁰⁶ *Ibid*

Another proof of growing importance of cooperation with China is that Chinese President Xi Jinping was connected by video link to participate in the meeting of the EAEU heads of state in May 2023, although China is not a member of the EAEU.

When it comes to critical minerals, China is a major investor and importer of CM from the region, in particular, for Kazakhstan, China is one of the main destinations of CM's export, and dominates the extraction of CM in Tajikistan. While researchers pay attention to China's influence through the implementation of the One Belt One Road initiative in general, but in my opinion, a special focus in analytics and public attention should be given to China's role in critical minerals production, particularly in the Central Asian region, and the risks and opportunities involved.

REVIEW FOR KAZAKHSTAN

Kazakhstan is the world's largest landlocked country, sharing the border with Russia (7,591 km) in its north and the west, and with China in the east (1,783 km). It also borders Kyrgyzstan, Uzbekistan, and Iran to the south, and to the west, it meets the Caspian Sea.

Country Context

Kazakhstan	2022
Population, million	19.2
GDP, current \$ billion	220.5
GDP per capita, current \$	11494.3
School Enrollment, primary (% gross) ⁽²⁰²⁰⁾	100.3
Life Expectancy at Birth, years ⁽²⁰²⁰⁾	71.4

Source:
World Bank Group

¹⁰⁷ <https://www.worldbank.org/en/country/kazakhstan/overview>

As per the World Bank¹⁰⁷, “since the 2000s, Kazakhstan has seen impressive economic growth driven by the first generation of market-oriented reforms, abundant mineral resources extraction, and strong FDI. Sustained economic growth has transformed the country into an upper middle-income economy, commensurately raising living standards and reducing poverty.

This progress, however, masks vulnerabilities and unevenness in the country’s development model. Slowing economic growth, growing inequality and elite capture, and weak institutions reflect the flaws of the resource-based and state-led growth model and raise the risk that Kazakhstan could become stuck in the “middle-income trap”.

Kazakhstan is a resource rich country- there are more than 5,000 deposits of mineral resources in the country, the estimated cost of which is said to be tens of trillions of dollars. All these make the country such an important part of the Belt and Road Initiative (BRI).

The "One Belt, One Road" initiative was proclaimed in Kazakhstan in September 2013 during the state visit of Chinese President Xi Jinping. In September 2016, a cooperation plan was signed, under which a list of 51 joint projects in Kazakhstan with a total value of \$24-26 billion was formed. Until recently, only a few have been implemented. "In general, the list of Kazakh-Chinese industrial and investment cooperation projects includes 52 projects with a total value of over \$21 billion" (MFA of the RK). Nine projects worth \$2.3 billion are under implementation, while

another 18 proposals with the participation of companies from the Celestial Empire in 11 regions of the country are under consideration.

Country's mining profile¹⁰⁸ and investors' mapping until 2023: China's direct participation in mining/CMs' development was not substantial; critical minerals' reserves are promising

¹⁰⁸ According to the general classifier of economic activities of the Republic of Kazakhstan, mining industry includes extraction of minerals occurring in nature in solid form (coal and ore), in liquid form (oil) or in gaseous form (natural gas), and other mining industries and technical services

¹⁰⁹ https://kase.kz/files/presentations/ru/14_05_2021_oil_gas_mining.pdf

The energy sector remains the key driver of the Kazakh economy, considering both shares in total industrial production and GDP overall. The data from 2021 shows, that mining and manufacturing accounts for 23% in yearly GDP each, service- 21%. Over the last five years the production volume of mining and oil and gas industry enterprises increased by 24.9%¹⁰⁹. The oil and gas industries alone, together with related sectors (e.g., oil and gas transportation, upstream construction, and geology) contributed 17.2% of the country's GDP directly in 2020 (Kazenergy).

Kazakhstan has significant oil and gas resources and holds the 9th place in the world in proven oil reserves. It also poses and develop several types of CMs.

Critical minerals reserves are promising

USGS, comparing with world reserves, ranks Kazakhstan quite high on several critical minerals' reserves¹¹⁰:

¹¹⁰ Data from the USGS Mineral Commodity Summaries 2021 - <https://pubs.usgs.gov/periodicals/mcs2021/mcs2021.pdf>

#1 for total reserves and quality of **chrome** ores (according to the USGS, 86% of the world's reserves of chrome ores are in Kazakhstan and South Africa);

#2 in terms of reserves and resources of silver;

#3 for confirmed reserves of lead and proven reserves of **manganese** ores;

#4 for confirmed reserves of **zinc**;

#8 for the quantity of confirmed reserves of tin, with the quality (Syrymbet) being not inferior to the main world producers;

#9 in proven **cobalt** reserves and confirmed reserves of titanium dioxide;

#13 in terms of proven **nickel** reserves.

Source:
Kazakh Invest
[https://invest.gov.kz/
doing-business-here/
regulated-sectors/mmc/](https://invest.gov.kz/doing-business-here/regulated-sectors/mmc/)



11
place

Kazakhstan ranks globally by the copper production and the 12th place by reserves.



21
place

Kazakhstan ranks globally by the gold production and the 15th place by reserves.



2
place

Kazakhstan ranks globally by uranium reserves and takes 1 place for its processing



2
place

Kazakhstan ranks globally by chromium reserves with a share of 16.2% of world reservation and ranks 3rd on its processing.



8
place

Kazakhstan ranks globally by the zinc production and the 5th place by reserves.



2
place

Kazakhstan ranks in the world in terms of tungsten reserves, total reserves are estimated at more than 2 million tons of tungsten trioxide

Kazakhstan also has deposits of rare earth metals such as lithium, vanadium, beryllium and others.

External involvement in the sector includes China as one of key investors, nevertheless statistics does not adequately reflect China's role

According to the Bureau of National Statistics, as of August 1, 2021, in all economic sectors of the country there were 24.2 thousand companies with foreign participation (10.5% more than a year ago). In 2021 in the mining industry there were 421 foreign companies, including 100 legal entities from China, 53 from Netherlands, 74 from Russia, and 20 from the Virgin Islands¹¹¹. Experts note, that Kazakhstani statistics reflects investment parameters only for more extended type of activity - "mining and quarrying", though more than 94% of such investments (as of April 1, 2021) are concentrated in crude oil and natural gas production¹¹². Secondly, it is often very difficult to determine precisely from which country the investments actually came, as in many cases, foreign companies prefer to use jurisdictions of other countries, creating their subsidiaries, which act as investors of Kazakhstan projects. Particularly common jurisdiction of this kind (especially for the Kazakh oil industry) is the Netherlands. This causes both the disproportionate role of this country among foreign investors in Kazakhstan, and the underestimation of the market presence of other states using Dutch subsidiaries in their activities. Apart China, the largest accumulated investments belong to the Netherlands, the United States, Japan and Russia.

¹¹¹ <https://lsm.kz/v-kakih-otraslyah-biznesa-otkryvayut-kompanii-inostrancy-infografika>

¹¹² <https://365info.kz/2021/11/kitajskoe-prisutstvie-v-neftyanke-kazahstana-vyshe-chem-pokazyvaet-statistika-ekspert>

As for the overall statistics, according to the National Bank of Kazakhstan, in 2021, compared with 2020, there is a 50% increase of investment. Growth is observed in almost all countries of the top ten leading investor countries in Kazakhstan. For example, the inflow from the USA doubled, from Switzerland - by 41%, from the Netherlands - by 37%, from Russia - by 36%, and from China - almost three times (KAZAKH INVEST)

Meanwhile, according to the National Bank, up until 2021, Chinese investment in Kazakhstani mining industry has been declining for eight years. The total fell from \$3.7 billion in 2013 to \$1.4 billion in 2020. Total direct investment inflows from the PRC was also falling - the gross inflow of Chinese FDI has more than halved from 2013 to 2020, and net inflows have gone into negative territory since 2015. Nevertheless, experts note, that the actual figures of Chinese investments may exceed the statistical data by more than 4 times (based on reports of CNPC, China International Trust, Investment Corporation (CITIC), and Sinopec on their volume of accumulated investment of all types (\$13.2 billion as of Jan. 1, 2021). The number of companies with Chinese capital in the industry has almost doubled since 2010. This value is about 38% of the total volume of all foreign investment in the mining industry and about 30% of the total volume of accumulated foreign investment in the three activities closely related to the oil and gas industry (plus transportation and technical activities).

The discrepancy between the statistics and corporate statements is apparently due to the Dutch jurisdiction of the companies, which explains the alleged decline in Chinese investment since 2013- it may look like since 2013, Chinese investments have actually increased, but they went to us through a Dutch subsidiary.

For example: the Chinese National Nuclear Energy Group received shares in two uranium deposits in Kazakhstan in 2021. Kazatomprom's mining enterprises with foreign participation account for far more than half of the country's uranium production already. In Ortalyk Mining Enterprise LLP¹¹³ (develops Central Mynkuduk and Zhalpak in Turkestan region), Kazatomprom (the national uranium company) retains 51%, and CGNM UK Lts- 49%. CGNM UK Ltd¹¹⁴ is registered in UK, but owners are Chinese nationals, with two Chinese being members of Ortalyk Supervisory Board.

¹¹³ <https://dportalyk.kazatomprom.kz/en/subcontent/upravlenie/members-10>

¹¹⁴ <https://find-and-update.company-information.service.gov.uk/company/09657831/officers>

Mining companies, including the ones developing CMs are amongst the largest taxpayers. Although they are mostly owed by EU companies and locals, their main export's destination is China

¹¹⁵ <https://www.kazzinc.com/enq/o-kompanii>

¹¹⁶ <https://www.kazminerals.com/>

¹¹⁷ <https://www.erg.kz/en/content/devatel-nost/ao-ssqpo>

¹¹⁸ <https://www.kazchrome.com/en/>

¹¹⁹ <http://www.kazakhstan.kz/en/about>

¹²⁰ <https://www.arcelormittal.kz/>

¹²¹ <https://knu.kazatomprom.kz/en/content/jv-katko-llp>

¹²² <https://dknews.kz/ru/articles-in-english/177664-top-50-largest-taxpayers-in-kazakhstan>

¹²³ <https://kase.kz/ru/issues/KZCR/>

¹²⁴ *The ERG founders are not KZ citizens and used to be closed alias to the 1st President*

The fifty largest taxpayers form 46% of total tax revenues of the country. Oil and gas producers are key taxpayers (59% out of 50 companies), followed by metallurgy (its share in the total volume of tax revenues amounted to 12.5%), and the mining and quarry development companies are of the 4th place. Namely, these are: #4- Kazzinc¹¹⁵ (mainly-zinc, also copper); #10- KAZ Minerals Bozshakol (copper)¹¹⁶; #12- SSGPO¹¹⁷ (Iron ore, part of ERG); #14- KAZ Minerals Aktogay (copper); #15-TNC Kazchrome¹¹⁸ (ferrochrome); #16-Kazhmys Corporation¹¹⁹ (copper); #17- ArcelorMittal Temirtau¹²⁰ (steel, copper, iron ore); #44 - Katko¹²¹ (uranium) (data from 2021¹²²).

While in oil and gas China's companies have 17,7% stake (CNPC, Sinopec, CITIC, private investors) along with the US and European companies, in mining main foreign investors / owners of the biggest mining players (from 50 top taxpayers list) are:

- Kazzinc- Glencore International ag (Switzerland)
- SSGPO and Kazchrome are parts of ERG. According to KASE¹²³, 99.34% of Kazchrome's shares (as of 010722) belong to the Dutch company KCR INTERNATIONAL B.V. - the immediate parent company of TNC Kazchrome JSC. The ultimate parent company is Eurasian Resources Group S.à r.l, 40% of ERG belongs to KZ Government (through the Ministry of Finance), 60%- to three oligarchs (Mashkevich, Ibragimov, Shodiev)¹²⁴.
- KATCO Joint Venture LLP's shareholders are Orano (51%)- France and Kazatomprom (49%)- Kazakhstan.
- Kazhmys is owned by Kazakh oligarchs.

At the same time, for example, Kazhmys actively uses Chinese loans. When the company planned to develop the Aktogay deposit in 2015, the China Development Bank provided it with one and a half billion dollars at a preferential interest rate. There are says that for this, Kazhmys supplies copper to China at below-market prices. Overall, more than 80 percent of Kazhmys' production is exported to China (Lenta.ru).

In general, the main **export** destinations are China (\$4.1 billion), Russia (\$2.9 billion), Turkey (\$1.1 billion), UK (\$0.75 billion) and Uzbekistan and Japan (\$0.7 billion each). Metals are also supplied to Canada, USA, Indonesia and even Australia. The main exported metals are copper (\$3.7bn), ferroalloys (\$3.2bn), uranium (\$2.6bn), rolled steel (\$1.6bn) and zinc (\$0.8bn). These items account for 80% of metals exported from Kazakhstan. There are also sales of aluminum, silver, gold, lead, titanium, tantalum, etc. (Tradereport.Kz).

Kazakhstan-China cooperation is experiencing a new stage of development - 47 documents in various areas were signed between Kazakhstan and China in May 20023, which reflects “the commitment of both sides to long-term and mutually beneficial collaboration in various sectors of the economy”.

¹²⁵ <https://invest.gov.kz/media-center/press-releases/na-investitsionnom-kruglom-stole-kazakhstan-i-kitay-podpisali-47-dokumentov-na-22-mlrd/>

As pointed above, the China’s investments and a role in Kazakhstan is growing. As per Kazakh Invest¹²⁵, during the investment roundtable¹²⁶, 47 documents were signed with a total value of \$22 billion. At the summit of Central Asia and China in Xi'an a number of agreements were signed: in the sphere of agriculture (on inspection and quarantine requirements on export of food products from RK to PRC); transport (on international automobile transportation; on development of Trans-Caspian international transport route; etc.); education (on opening of branch of Xi'an Northwest Polytechnic University at Kazakh National University named after Al-Farabi; establishment of interaction of KazNU with Chinese Oil University and etc.); media (Memorandum of Cooperation between Khabar Agency JSC and Media Corporation of China (CMG); in the political sphere (Agreement between the Government of Kazakhstan and the Government of China on mutual exemption from visa requirements; Agreement on the establishment of twinning between Shymkent of Kazakhstan and Xi'an of PRC).

¹²⁶ *The event was organized by the Ministry of Foreign Affairs of the Republic of Kazakhstan, "NC "KAZAKH INVEST" JSC, the Embassy of the Republic of Kazakhstan in China with the support of "Samruk-Kazyna" JSC.*

Special attention should be made of the agreements in the field of industry (Plan of Cooperation in the field of industrialization and investment between the Government of Kazakhstan and the Government of China) and human resource development (Agreement between the Akimat of East Kazakhstan Region of Kazakhstan and the People's Government of Tianjin of China on the establishment of the "Lu Banya Workshop"; this project "Lu Banya Workshop" works not only in Kazakhstan but also in Tajikistan, in Africa, and so on. JVs with China require a new workforce that can both read documents in Chinese and comply with the Chinese work ethic, and so on).

In addition, a document on cooperation in the field of renewable energy and energy storage systems was signed, which includes plans to build wind power plants with a total capacity of 1 GW in the Zhambyl region and the organization of wind power component production in Kazakhstan. The project will be implemented jointly with "China Power International Holding" and "SANY Renewable Energy" companies.

Of these, directly or indirectly related to the extractive sector are: production of mobile drilling rigs, a scrap metal recycling plant; a zinc-lead metallurgical waste recycling facility; the development of hot briquetted iron (HBI) production.

Specifically, on CM:

- In the Almaty region, CRCC plans to develop the Boguta tungsten ore deposits. It is also planned to build a mining and processing plant within the project in 2024. The total project cost will be 122.4 billion tenge.
- Mining works (performance of mining-capital and construction-assembly works on mine facilities) in Shalkiya deposit in Kyzylorda region (zinc) are also planned.
- In Kyzylorda Region in 2026 it is planned to commission a mining and processing complex for the production of titanium.
- Electrolytic manganese production for 66,5 billion tenge will be launched in 2026 in the region of Ulytau.
- One of the key documents was an agreement on the construction of a non-ferrous metals' smelter by the company "NFC". In the first stage of the agreement, a smelter with a capacity of 300,000 tons of cathode copper will be built.

As KAZAKH INVEST noted, "The signing of such a significant number of documents is a clear indication of the strengthening and deepening of mutually beneficial cooperation. They reflect the commitment of both sides to long-term and mutually beneficial collaboration in various sectors of the economy".

It is worth to mention, that the second China-Central Asia Summit be held by Kazakhstan in 2025 and that the permanent secretariat of the mechanism be set up in China. President Xi also held a joint press conference with presidents of the five Central Asian countries.

There are challenges to be addressed for current and perspective mining with investments from China (including promising critical minerals' development).

Kazakhstan is an active participant of the One Belt One Road initiative, which, besides a number of benefits, has certain risks. In light of fast-growing importance of CMs in economies' decarbonization, particular attention should be given to properly addressing challenges related to growing role of China in its mining. The challenges include having de-risking strategy for providing access of Chinese companies to CMs deposits development and its processing, at the same time diversifying its export routes. Kazakhstan recently signed the MoU with UK on a strategic partnership in the field of critical minerals, the one with the U is in its way. Another important issue is combating corruption in the

country- in Human Freedom Index 2022¹²⁷ Kazakhstan is ranked 106 (from 165 countries) being placed in the 3rd quartile (fourth quartile being the least free). In TI Corruption Perception index 2021¹²⁸ it is ranked 102 out of 180 countries, where increasing restrictions on accountability measures and basic civil freedoms allow corruption to go unchecked. This poses additional risks on ensuring “good” investments from China (transparency and anti- corruption focus).

¹²⁷ <https://worldpopulationreview.com/country-rankings/freedom-index-by-country>

¹²⁸ <https://www.transparency.org/en/cpi/2021>

REVIEW FOR TAJIKISTAN

Tajikistan is also a landlocked country, bordering Afghanistan to the south, Uzbekistan to the west, Kyrgyzstan to the north and China to the east. More than nine-tenths of Tajikistan’s territory is mountainous.

Country Context

Tajikistan	2022
Population, million	10
GDP, current \$ billion	10.5
GDP per capita, current \$	1054.7
Life Expectancy at Birth, years ⁽²⁰²⁰⁾	68

Source:
World Bank Group

As per the World Bank¹²⁹, “over the last decade, Tajikistan has experienced strong economic performance, with growth rate averaging above 7 percent. Sustainable economic growth has translated into improved living standards, with the poverty rate falling from 32 percent in 2009 to 13.4 percent in 2022 (at the international poverty line of \$3.65 a day; 2017 PPP). Despite significant progress achieved, Tajikistan remains vulnerable to external shocks due to its high dependency on migrant remittances, the undiversified economy and export base, as well as a high risk of debt distress”.

¹²⁹ <https://www.worldbank.org/en/country/tajikistan/overview>

Experts note that China is the main creditor of the Tajik economy (in particular, the Export-Import Bank of China), 40% of Tajikistan's external debt falls on China¹³⁰. The terms under which Tajikistan receives Chinese loans are usually not spoken about, there is little official data on external loans. It is believed that the main condition for concessional loans is the participation of Chinese companies in funded projects. According to some reports, there are now more than 400 Chinese companies operating in Tajikistan, making them the largest taxpayers and major exporters. Over the past few years, the Chinese company TBEA has built five transmission lines that have allowed the interconnection of parts of

¹³⁰ https://lenta.ru/articles/2021/06/01/zhyvz_n_vzaimy/

the country's energy system, which was very important in the face of years of winter energy shortages. In addition, in Dushanbe, the Chinese built a thermal power plant (TPP Dushanbe-2), on account of which Tajikistan transferred to China the gold mine "Upper Kumarg" and "East Duoba" in Sughd Region. About 90% of work permits in Tajikistan are issued to Chinese citizens.

Investments are not limited to loans. In 2020, China provided Tajikistan with the largest amount of humanitarian aid. Therefore, in Tajikistan, the phenomenon of anti-Chinese protests (which in recent years has become a relevant part of the political agenda, for example, in Kazakhstan) is non-existent, as citizens see Chinese companies primarily as solvent employers.

Tajikistan possesses mineral resources including critical minerals' ones. Tajikistan is one of the world's leading producers of antimony, it also develops lead, zinc, gold, tin and tungsten. One of the key investors' in mining is China.

Tajikistan¹³¹ possesses rich mineral deposits. Important metallic ores are iron, lead, zinc, antimony, mercury, gold, tin, and tungsten. Nonmetallic minerals include common salt, carbonates, fluorite, arsenic, quartz sand, asbestos, and precious and semiprecious stones. The main mining and ore-dressing area is in the north; coal mining and oil extraction are among the oldest industries in the country. Energy resources include sizable coal deposits and smaller reserves of natural gas and petroleum. Tajikistan is among the countries with the greatest potential for hydroelectric power in the world.

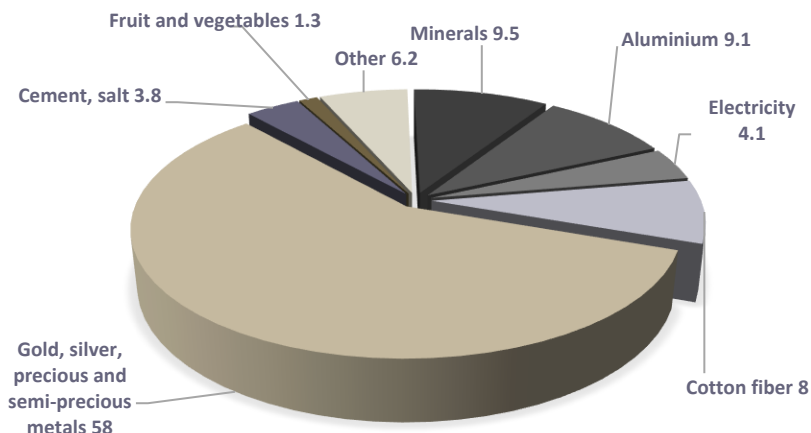
Tajikistan is one of the world's leading producers of antimony, a critical mineral that is used in a variety of electronic and environmental applications, including flame retardants, semiconductors, and batteries.

More than 75% of **export** from Tajikistan are export of metals and minerals (Tajikistan Trade Portal¹³²)

¹³¹ <https://worldpopulationreview.com/country-rankings/freedom-index-by-country>

¹³² <https://tajtrade.tj/menu/index/28?l=en>

EXPORT STRUCTURE FOR 2021



Source:
Report of social-economics development result of the Republic of Tajikistan 2021

Main trading partners of the Republic of Tajikistan include Russia, Kazakhstan, China, Turkey, Uzbekistan, Switzerland, Germany, Japan, Iran, Pakistan, Afghanistan, Kyrgyzstan, Italy, Turkmenistan, USA and others.

Exploration and mining are considered one of the priorities of Tajikistan's economic development, and the country's authorities are focused on attracting local and foreign investment. The main sources of foreign investment are China, Russia, Great Britain, the United States, and Turkey. Based on the National Bank of Tajikistan¹³³ and EITI Report data, total FDIs in Tajikistan 2019-2021 in mln USD were 364.480 in 2019, 192.747 in 2020, 342.2 in 2021, with FDIs in mining being averagely around 57%. Around 70% out of it came from China.

¹³³ <https://nbt.tj/ru/statistics/tavozuni-pardokhti-it/sarmovaqazori-oi-mustakimi-khorii/sarmovaqazorihoi-musta-imi-khori-ba-it-az-r-sohaho.php>

Main critical minerals' reserves

Antimony, lead and zinc¹³⁴, tin and tungsten

¹³⁴ <https://mfa.tj/ru/berlin/view/7472/svinets-i-tsink>

According to the U.S. Geological Survey (USGS), the republic produced 16,000 tons of this semi-metal in 2019 - only Russia (30,000 tons) and China (100,000 tons) produced more. Compared to 2010, output in 2019 almost tripled and so did the republic's share of global production (EITI Report).

According to the Ministry of Foreign Affairs of Tajikistan¹³⁵, the country ranks third (after China and Thailand) in Asia by proven reserves of antimony and first among the CIS countries (Zeravshan-Hissar mercury-antimony belt). Total reserves of industrial and non-industrial antimony amount to 265 thousand tons and gold to 50 tons. These figures may turn out to be significantly higher as a result of prospecting geological works. In the coming years, the Main Department of Geology intends to significantly increase the reserves of the Dzhizhikrut deposit and to provide the Anzob mine with the planned capacity of 700 thousand tons of ore a year. In addition, exploration of the antimony-mercury deposit Skalnoye (gold and antimony as the main, and silver, mercury and fluorite as additional), which can be considered as a reserve raw material base of Anzob mine or as an independent large object for construction of a new mining enterprise on the minerals of Konchoch Mine, is being completed.

¹³⁵ <https://mfa.tj/ru/berlin/view/7473/surma>

The Republic of Tajikistan holds one of the leading places in the Central Asian region by reserves of lead-zinc ores. More than 90% of the explored reserves of these metals are concentrated in the Karamazar ore district. Suffice it to note that over one billion tons of lead-zinc ores have been explored only at the Bolshoy Konimansur and Altyntopkan ore

fields, most of which can be mined by open pit. In addition to lead, zinc, silver, bismuth and cadmium, these ores contain a number of valuable by-product components in extractable quantities.

Tin is one of the major metals of Central Tajikistan and South Pamir. The most significant deposit of this raw material - Mushkiston, located in the Zeravshan valley, near the operating gold mine, is tentatively explored. The largest *tungsten* deposit is the Maikhurinskoye.

Sulfide ores were mainly exported to the Netherlands and the PRC; copper, zinc and lead ores were exported to Kazakhstan. Coal was mainly exported to Afghanistan and Pakistan.

Extractive companies landscape includes companies from UK, Canada, China's participation is growing.

Chinese companies have invested in the development of critical minerals in Tajikistan, specifically antimony, which is one of the country's key minerals. China is the world's largest consumer and producer of antimony, and as such has a strong interest in securing reliable sources of the mineral. Chinese mining companies have been investing in Tajikistan's antimony industry since the 2000s, and have helped to develop new mines and processing facilities in the country.

China Jinfeng International Mining Company (Hong Kong) owns 70% of Zarafshan JV LLC. This joint venture operates the Zeravshan gold mine, which is one of the largest gold deposits in the country¹³⁶. China owns 100% in Tibet Everest Industrial Company LLC, and in TBEA Dushanbe Mining, Pakrut Ltd. According to the EITI Report, the Government of the Republic of Tajikistan through direct negotiations issued licenses for the right to conduct exploration work: in 2019 to the following companies: - LLC "Tajik-Chinese Mining Company" for the right to conduct geological exploration of Sekabat deposit for lead and zinc, Bakhodurbek deposit for gold and silver, license valid from 22.06.2019 to 22.06.2024. In 2021 the same company received a license to conduct exploration work at North Zarnisor for lead and zinc, valid from 02.09.2021 to 02.09.2026.

A number of Chinese companies are investing in the social development of mining regions. However, some experts note that Chinese companies have made deals in Tajikistan similar to their deals in the Democratic Republic of Congo - "minerals-for-loans" (transfer of the right to develop deposits in repayment of outstanding loans).

According to the EITI Report 2019-2021¹³⁷, significant social expenditures are incurred by JV Zarafshan LLC and Tajik-Chinese Mining Company LLC. JV Zarafshan LLC supported school construction, road asphaltting, material assistance to schools, hospitals and government agencies. Tajik-Chinese Mining Company LLC - construction and

¹³⁶ <https://pbo.eiti.tj/category/dobycha-poleznyh-iskopaemyh/52>

¹³⁷ <https://eiti.org/documents/tajikistan-2019-2021-eiti-report>

equipping of a kindergarten, asphaltting of roads, rendering material assistance (voluntary donations) to local institutions, population, etc.

Journalists note that about 80% of Tajikistan's gold deposits already belong to China, and they were handed over to cover debts on loans. Over the past 14 years, Dushanbe's debt to Beijing has increased almost six-fold, so China has a stake in many of the country's most profitable deposits and enterprises. In June 2019, the government of Tajikistan and the Chinese company Kashi Xinyu Dady Mining Investment Limited signed an agreement on the integrated development of the Yakjilva silver deposit, which is the world's fourth-largest reserve of the precious metal, but the details of this agreement are still not available to the general public. It is known that the project will be implemented by the Chinese company C. A. MINERALS, which will invest about \$40 million over seven years (the license term). The Tajik authorities have exempted the Chinese investor from paying income tax, value-added tax (VAT) and customs duty on imports of necessary equipment and materials. According to the Chinese company, the field employs 106 people, of whom 70 are Chinese citizens and 36 are citizens of Tajikistan. It should be noted that the Tajik authorities have denied handing over the mine to Chinese investors in repayment of debts on loans.

After Emomali Rahmon and Xi Jinping met at the May 2023 summit, Tajikistan and China signed 25 new agreements in different sectors, including in mining

During the meeting, the sides discussed strengthening cooperation in such promising sectors as the "green" economy, digital technologies, infrastructure, electricity, construction and reconstruction of power plants in Tajikistan and the construction of power lines. It was noted¹³⁸ that Tajikistan considers it important to attract modern technologies and the use of China's experience in the development of national industry, agriculture, infrastructure, creation of joint ventures in this direction, the participation of Chinese enterprises in the creation of industrial and agricultural technology parks in Tajikistan.

¹³⁸ <https://www.newscentralasia.net/2023/05/19/qosudarstvennyy-vizit-prezidenta-tadzhikistana-v-kitay-transportnyye-energeticheskiye-i-promyshlennyye-proyekty-v-povestke-dnya-peregovorov-na-vysshem-urovne/>

The parties made a Joint Statement¹³⁹ of the People's Republic of China and the Republic of Tajikistan - some key points:

¹³⁹ <https://ti.sputniknews.ru/20230518/dusha-nbe-beijing-novyye-dogovor-1057211812.html>

The parties are ready to actively promote the joint construction of the Belt and Road Initiative and coordinate the initiative with Tajikistan's national development strategy until 2030. Tajikistan is ready to implement major strategic projects under this initiative.

- The key areas of cooperation include science and technology, tourism, transport and communications, hydropower, information technology, ecology, industry, agriculture, food security, digital, cloud technology, artificial intelligence and other areas to develop green energy and improve energy efficiency.
- Tajikistan is ready to expand exports of textiles, chemical products, agricultural products, non-ferrous metals and other products to China.
- The parties intend to consider the implementation of cooperation projects in mechanical engineering, road construction equipment, telecommunications, pharmaceuticals, oil and gas, light, coal, chemical and food industries, production of construction materials, electricity, minerals, transport infrastructure, irrigation and land reclamation.
- China is ready to study the possibility of providing Tajikistan with soft loans for social and infrastructure projects.
- The Chinese side is interested in organizing joint production of products with added value based on processing of minerals and local raw materials in free economic and industrial zones of Tajikistan.
- The countries reached agreements related to the mining sector, namely:
 - Agreement on scientific and technical cooperation in the field of geology between the Institute of Geology, Earthquake Engineering and Seismology of the National Academy of Sciences of Tajikistan and the Xi'an Center for Geological Exploration of the China Geological Survey;
 - Additional agreement #5 between the Government of the Republic of Tajikistan, "CNPC CENTRAL ASIA B.V" Company and "TOTAL E&P TAJIKISTAN B.V" Company to the Production Sharing Agreement between the Government of the Republic of Tajikistan and "KULOB PETROLEUM LIMITED" Company;
 - Memorandum between the State Committee on Investments and State Property Management of the Republic of Tajikistan and "Tibet Everest Resource Company" Ltd;

Thus, the development and processing of minerals, expansion of exports and preferential lending are fixed in the statement and will determine the strengthening of China's role, including in the sphere of CM for the coming years.

The main issues are raising as challenges to be addressed for current and perspective mining with investments from China (including promising critical minerals' development):

Tajikistan also participate in BRI, which Tajikistan joint in 2018. Various investments were made, and in 2020 five new loan projects with a worth of US \$459.5 mln had been signed. It is worth noting, however, that Chinese investment in Tajikistan's mining industry has been criticized for a lack of transparency, environmental concerns, and negative impacts on local communities. Although the government of Tajikistan has been working to develop regulations and policies to ensure the responsible and sustainable development of its critical minerals industry, in Human Freedom Index 2022¹⁴⁰ the country is ranked 154 (from 165 countries) being placed in the 4th quartile (being the least free). In TI Corruption Perception index 2021¹⁴¹ it is ranked 150 out of 180 countries. This poses very serious additional risks on ensuring "good" investments from China (transparency and anti- corruption focus).

¹⁴⁰ <https://worldpopulationreview.com/country-rankings/freedom-index-by-country>

¹⁴¹ <https://www.transparency.org/en/cpi/2021>

CONCLUSION AND RECOMMENDATIONS

Global China's level of dominance across critical minerals supply chain creates a growing concern that a high level of dependence on China for these minerals may create energy security risks. The governments, notably in the U.S. and Europe, have moved to build out their own critical minerals supply chains, creating uncertainty about whether China will maintain its dominant position. A special focus in analytics and public attention should be given to China's role in critical minerals production in the Central Asia region, and the risks and opportunities involved. How do countries like Kazakhstan and Tajikistan should play in this very promising but very challenging critical minerals field?

First of all, it is important to recognize and vocalize the role China plays in critical minerals supply chain- both globally and on a country level. Critical minerals' development in Kazakhstan and Tajikistan should be under radar as such, and in order to avoid dependence on China, so to say, China's trap, the following aspects should be carefully considered:

- Secure national interests when it comes to attracting Chinese investments (both in terms of its country of origin and individual company's responsible approach to mining). While attracting investment, the de-risking strategy should be in place. It also affects the global balance of power /energy security (geo- political aspect)

¹⁴² *The issue of correct statistics of China's investments raised above*

- Assess long terms effect the current and perspective mining will have on natural environment (ecological aspect)
- Ensure the country/ people fully benefit from mining operation – special focus here should be given to ensuring transparency, accountability and good governance of Chinese investments- both direct and indirect¹⁴² (mining ownership structure, types of contracts, taxation regime, access to information, labor and community's relations) (socio- economic aspect)
- Advocate for overall transparency and anti- corruption measures ensuring “good” investments from China (transparency and anti-corruption focus).

The China Chamber of Commerce of Metals, Minerals & Chemicals Importers & Exporters (CCCIMC), a unit within the Ministry of Commerce, issued its Guidelines for Social Responsibility in Outbound Mining Investment in October 2014. These called for Chinese mining companies undertaking outbound mining investment, cooperation, and trade to strictly “observe the UN Guiding Principles on Business and Human Rights during the entire life-cycle of the mining project” and to strengthen “the responsibility throughout the extractive industries value chain.” The Chinese government has also explicitly said that it expects Chinese mining companies to follow applicable local laws. Unfortunately, a practice of Chinese companies working “on the ground” shows Chinese companies not to be transparent and accountably enough, and this is crucially important to make them hold to their own and international transparency and accountability standards like EITI. These is a task for both governments making sure there are necessary legislative norm, as well as for civil society advocating for that.