

★ *From Caspian  
to Black Sea:  
Economic, Academic  
and Digital Threats  
Posed by the PRC*



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# *“From Caspian to Black Sea: Economic, Academic and Digital Threats Posed By the PRC”*

Collection of Articles Vol. 2

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## *Introduction to a Collective Expert Effort*

Civic IDEA is a Georgian think tank established in 2017, working to analyze and monitor foreign policy influence operations. We aim to help secure sovereignty and ensure proper resilience and deterrence policies of small states against growing influence from big and powerful neighbors. Our principal interests cover Russian and Chinese influence operations in South Caucasus and Central Asia but depending on issues, we analyze and research beyond the region. At different times, we have explored several states of the MENA region, Eastern Europe, etc. Consequently, in our studies and other activities, be it publishing, monitoring, conferences, or workshops, we address both regional issues from a comparative perspective and interests by influence operations or major defining factors.

Publication in front of you is the second edition of a collective effort by Civic IDEA and its partners from the region to analyze and debate the Chinese activities in respective countries in various fields, be it academia, business, politics, or other state matters. This time, the publication was inspired by the outstanding work of our Taiwanese partner Doublethink Lab about the Chinese influence operations assembled in China Index-2021, to be followed at <https://china-index.io>. This regularly updated web tracker allows all interested to monitor and measure PRC influence around the Globe. At 36 countries now, to be expanded to over 50 before the end of the year, one can see detailed analysis and comparative data by 9 domain areas, that is Media, Academia, Economy, Society, Military, Law Enforcement, Technology, Domestic Politics and Foreign Policy. My interests in this paper cover foreign policy, military affairs, society and academia. Civic IDEA is proud to have contributed to the tracker and worked with experts from 12 countries for its success, that is Georgia, Armenia, Azerbaijan, Kazakhstan, Uzbekistan, Tajikistan, Kyrgyzstan, Belarus, Latvia, Jordan, Egypt, and Lebanon.

In the modern world, when democracy is weakening in front of our eyes, when even some member states of the EU are advocating for some form of diversion from liberal democracy to systems of non-elective, non-accountable governance, calling it illiberal democracy, when institutions are failing to comply with democratic standards and populist movements are on the rise,

we observe more and more countries with amplified vulnerabilities to foreign policy influences. Russian aggression in Ukraine and the continuous war best demonstrate the level of influence from both big neighbors – Russia and China, on the countries in the region. It is precisely during the crisis of this level when countries expect that propaganda, political or economic/financial leverage exercised over the years will pay back and generate so much-needed international support. Lately, Civic IDEA published two papers showing exactly how those linkages worked starting from the 24<sup>th</sup> of February 2022, and some might find it surprising that most of the countries of Central Asia are literally mirroring their foreign policy decisions and statements to that of the PRC.

The unmatched human, financial and material resources of the PRC's Communist Party, state companies and academic institutions serve to leverage the political and social-economic narratives of various former soviet states and beyond. Those involve easily accessible credit and loan portfolios, money free from democratic conditionalities, multiple trainings and five-star study trips with propaganda agenda attached, numerous scholarships, grants, and fellowships in CCP or PLA censored universities, etc.

'China is the only alternative to challenge Russia' is the phrase one can hear the most in my part of the world, where all the discussion is about, against, or in favor of Russia. At first, it sounds like a very credible and persuasive argument. However, as superficial as every other debate or discussion typical of illiberal democracies. Though governments invest in this rhetoric, together with the Chinese embassies or other representations, they are lobbying, advocating, and marketing Chinese propaganda narratives.

Alternatively, it is to be underlined that there is no serious effort in training and educating about the Chinese Communist party rule, United Front, academic ties with the PLA, its operations outside China, and the influence they have over various countries in our region. Similarly, there is not that much information publicly available in local languages about the real nature of Chinese loans and credits, the "debt trap" many states worldwide are facing, the human rights situation or democratic standards of the PRC, etc. In the absence of diversity of the news and information, the entire discourse about the Chinese state is lost in state propaganda on easy loans, cultural and historical greatness of a country, the championship of economic growth equating to a miracle of the 21<sup>st</sup> century, and so on.

Russian Aggression and brutality in Ukraine showed lots of colors in international relations. Across the board, from the Caucasus to Central Asia we are observing abundant diversity of opinions, positions and declarations. It is the fact, that most of those countries are under excessive influence from Russia, but Chinese positioning is a game-changer in making final decisions. Looking at UN voting results on “the aggression by the Russian Federation against Ukraine”, where China keeps abstaining from voting in favor of the resolution<sup>1</sup>, and Russia is voting against, most of the states of the region go along with the Chinese abstain from the vote, either actively or passively, by ‘not present’. The only difference is in the case of Georgia, being a victim of Russian aggression itself. Georgian vote unconditionally supports Ukraine cause at all international organizations and forums, whether it is resolution voting or statements condemning the Russian invasion.

<https://www.youtube.com/watch?v=THDHTlaSb50>

1

#### Item 5 - Draft resolution A/ES-11/L.1

##### Aggression against Ukraine

AFGHANISTAN	CAMEROON	FINLAND	KUWAIT	NEPAL	SAUDI ARABIA	UKRAINE
ALBANIA	CANADA	FRANCE	KYRGYZSTAN	NETHERLANDS	SENEGAL	UNITED ARAB EMIR...
ALGERIA	CENTRAL AFR REP....	GABON	LAO PDR	NEW ZEALAND	SERBIA	UNITED KINGDOM
ANDORRA	CHAD	GAMBIA	LATVIA	NICARAGUA	SEYCHELLES	UNITED REP TANZA...
ANGOLA	CHILE	GEORGIA	LEBANON	NIGER	SIERRA LEONE	UNITED STATES
ANTIGUA-BARBUDA	CHINA	GERMANY	LESOTHO	NIGERIA	SINGAPORE	URUGUAY
ARGENTINA	COLOMBIA	GHANA	LIBERIA	NORTH MACEDONIA	SLOVAKIA	UZBEKISTAN
ARMENIA	COMOROS	GREECE	LIBYA	NORWAY	SLOVENIA	VANUATU
AUSTRALIA	CONGO	GRENADA	LIECHTENSTEIN	OMAN	SOLOMON ISLANDS	VENEZUELA
AUSTRIA	COSTA RICA	GUATEMALA	LITHUANIA	PAKISTAN	SOMALIA	VIET NAM
AZERBAIJAN	COTE D'IVOIRE	GUINEA	LUXEMBOURG	PALAU	SOUTH AFRICA	YEMEN
BAHAMAS	CROATIA	GUINEA-BISSAU	MADAGASCAR	PANAMA	SOUTH SUDAN	ZAMBIA
BAHRAIN	CUBA	GUYANA	MALAWI	PAPUA NEW GUINEA	SPAIN	ZIMBABWE
BANGLADESH	CYPRUS	HAITI	MALAYSIA	PARAGUAY	SRI LANKA	
BARBADOS	CZECH REPUBLIC	HONDURAS	MALDIVES	PERU	SUDAN	
BELARUS	DEM PR OF KOREA	HUNGARY	MALI	PHILIPPINES	SURINAME	
BELGIUM	DEM REP OF THE C...	ICELAND	MALTA	POLAND	SWEDEN	
BELIZE	DENMARK	INDIA	MARSHALL ISLANDS	PORTUGAL	SWITZERLAND	
BENIN	DJIBOUTI	INDONESIA	MAURITANIA	QATAR	SYRIAN ARAB REP...	
BHUTAN	DOMINICA	IRAN (ISLAMIC REP...	MAURITIUS	REP OF KOREA	TAJIKISTAN	
BOLIVIA	DOMINICAN REP...	IRAQ	MEXICO	REP OF MOLDOVA	THAILAND	
BOSNIA-HERZEGOV...	ECUADOR	IRELAND	MICRONESIA (FS)	ROMANIA	TIMOR-LESTE	
BOTSWANA	EGYPT	ISRAEL	MONACO	RUSSIAN FED...	TOGO	
BRAZIL	EL SALVADOR	ITALY	MONGOLIA	RWANDA	TONGA	
BRUNEI DARUSSAL...	EQUATORIAL GUINEA	JAMAICA	MONTENEGRO	SAINT KITTS-NEVIS	TRINIDAD-TOBAGO	
BULGARIA	ERITREA	JAPAN	MOROCCO	SAINT LUCIA	TUNISIA	
BURKINA FASO	ESTONIA	JORDAN	MOZAMBIQUE	SAINT VINCENT-GR...	TURKEY	
BURUNDI	ESWATINI	KAZAKHSTAN	MYANMAR	SAMOA	TURKMENISTAN	
CABO VERDE	ETHIOPIA	KENYA	NAMIBIA	SAN MARINO	TUVALU	
CAMBODIA	FIJI	KIRIBATI	NAURU	SAO TOME-PRINCE	UGANDA	



IN FAVOUR:141



AGAINST:5



ABSTENTION:35

It is not only the voting, but if you do a thorough analysis of the statements for the last three months by the leaders (Presidents, Prime-Ministers, Foreign Ministers, MPs, etc.) of those countries, it is self-evident that Chinese positioning is used as a blueprint in all international matters. Again, Georgia shows a significant difference in this case as well, as the President of

Georgia is indisputably a strong supporter of Ukraine in war, and no signs of neutrality are shown.

Exactly in line with the Chinese position, Central Asian Countries recognize the territorial integrity of Ukraine, refuse to acknowledge the independence of either Luhansk or Donbas, so-called independent Republics, but rarely condemn Russia or call its acts aggression, and vote neutral at the UN or any other international organization for that matter. As an example of the confusion and misleading positioning, one can recall Uzbekistan's official statements since the start of the war on February 24<sup>th</sup>, 2022. On February 25<sup>th</sup>, the official Kremlin announced that during the phone call, the President of Uzbekistan, Shavkat Mirziyoyev, backed Putin's aggression by "expressing understanding for Russia's actions."<sup>2</sup> Later, Pre-sident's administration clarified that official Uzbekistan maintains a neutral standpoint over the war in Ukraine and supports its peaceful resolution. Later on the 17<sup>th</sup> of March, the Foreign Minister of Uzbekistan, Abdulaziz Kamilov, in his address to parliament, denounced the military actions and aggression against Ukraine, claiming that Uzbekistan recognizes its territorial integrity and provides humanitarian aid to it. "Uzbekistan recognizes Ukraine's independence, sovereignty, and territorial integrity. We do not recognize the (so-called) people's republics of Luhansk and Donetsk".<sup>3</sup> As already mentioned, Uzbekistan votes neutral in all international organizations it is a member of. Uzbekistan is not an exception in the region. We've seen initial supporting statements changing over time in the case of Kyrgyzstan as well. The confusion is evidently caused by looking after two - Russia's and Chinese standing not necessarily concurring on the issue of aggression in Ukraine at all the times.

2 <https://www.usip.org/publications/2022/02/friends-these-how-russias-invasion-ukraine-hurts-central-asia>

3 <https://www.aa.com.tr/en/world/uzbekistan-supports-territorial-integrity-of-ukraine/2538618>

## Voting on a resolution initiated by China on the role of human rights in the UN-system



Similar to the support/abstain vote on Russian aggression in Ukraine, we can observe several interesting voting results charts at the various UN bodies over the Chinese-sponsored resolutions or alignment of states towards human rights issues when it falls under Beijing's interests. Konrad Adenauer Stiftung released several charts in 2021 reflecting a vote at the UN Human Rights Council. There is nothing more telling than numbers and voting results, and an interested observer will quickly notice the shift of loyalty across the globe towards Chinese interests.

In a global China Index put together by the Taiwanese organization Doublethink Lab, all the countries of Central Asia and the Caucasus score higher than average on Chinese foreign influence, which is perfectly reflected exactly in their voting patterns.

### *What can we do*

Undoubtedly, support for the researchers and activists working on China must be strengthened. There is a need for more training, information sharing, and conceptual and structural innovation for democratic resilience work and tasks at hand. Civil Society and academia, as well as media representatives, must have more support for academic studies, news stories, investigative journalism, and research and monitoring. We need more conferences and open arenas to bring evidence and true stories discovered through fundamental research and scrutiny. There is ample room for dialogue, debate, and discussion, being it cultural, democratic standards, human rights, anti-corruption, etc., concerning the PRC and its operations around the world.

It is absolutely clear that we can pass all the legislation preventing foreign influence operations in a given country and have strict rules and regulations, but the effect of those legal provisions will equal to nothing, as long as respect for the rule of law, protection of human rights, adherence to democratic values and standards is not part of the tradition and a way of life. Democratic laws work and make a difference only in a society where accountability and transparency of the government are part of the absolute normal standard of life, where people vote in free and regular elections, and vote is counted, where pluralism and diversity are considered as a blessing, way to progress and development rather than a curse. Under different

circumstances, those laws are just pieces of paper drafted and passed for various checklists amid procedural compliance to bilateral or international obligations.

Regrettably, the latter is still the case for the most part in my region. Our constitutions and all major laws ordinarily have an intense and lengthy proclamation of democratic values and standards, and provisions and regulations of international human rights treaties and conventions are copy-pasted in domestic legislation. Those principles comprise a big part of rhetoric while interacting with international organizations and the democratic world, but when it comes to daily practices, we witness violence, denial of rights, restriction of freedoms, and resistance to the simple rules of accountability and transparency.

To resist the pressure in today's world, we need to create resilient democracies with functioning and legitimate governments able to lead nations in these difficult times and fight back with their own national agenda and sovereign narratives.

How much fragile democracies under development are capable of accomplishing those tasks, being resilient and representing their own people's interests, is well described by our authors in this collection of articles.

We hope you enjoy reading the second collection of articles from our experts and have much to take in your work.

*Tinat'ın Khidasheli*

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# ***Georgia's Academic Engagement with the PRC: Opportunities VS. Risks***

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## Introduction

Since the establishment of diplomatic relations between the People's Republic of China (PRC) and Georgia, the latter enjoys the full spectrum of Chinese educational benefits:

- Official state-sponsored programs;
- Semi-private initiatives directly on the part of universities;

- Research and scientific funds;
- Nationwide language classes for secondary schools;
- Multiple Confucius Institutes and academic centers;
- Media platforms created by the alumni;
- Support of civil society initiatives, etc.

Projects, exchange programs, ceremonies, and visits implemented as a part of the abovementioned initiatives serve China's broader goals to infiltrate the professional and academic fields, affect their information space and thus endorse China as the primary and reliable partner for Georgia. These examples also demonstrate China's attempt to think and act broadly as it expands its influence over the information space at a national level. In other words, they are directed toward reinforcing and strengthening the Chinese Communist Party's (CCP's) policies and viewpoint abroad. As a matter of fact, Georgian private and public universities still continue to actively resume and establish relations with Chinese academic or other entities, despite the emergence of the covid-19 pandemic.

Several significant problems were identified during the research of these ties. The cooperation between Sino-Georgian educational institutions is not transparent. With a few exceptions, information including their MoUs, international contracts, and other documents that justify the dual partnership is impossible to obtain from the responsible departments. Moreover, the public access to this resource constitutes a challenge itself. Another problem is the non-compliance with the terms of the agreement signed between the parties. Amid the pandemic and not only, the information contained in the memorandums or cooperation agreements also is not entirely realized, which creates a sense of the unmet expectations. For example, the Georgian Ministry of Education and the Chinese Embassy in Tbilisi signed an agreement in 2019 about the popularization of China and the Chinese language and culture in

<https://www.interpressnews.ge/ka/article/533417-chinuri-enis-scvaleba-skolebshi-me-5-klasidan-daicqeba/>

<https://edu.aris.ge/news/chinuri-enis-scvaleba-skolebshi-me-5-klasidan-daiwyeba-da-is-archeviti-igneba.html>

<https://civicidea.ge/en/chinese-leverage-in-georgias-academic-cso-and-media-sectors-post-covid-reality/>

1 Georgia. Within the framework of this agreement, free Chinese language classes are being introduced in all Georgian secondary schools from the 5th grade<sup>1</sup> as a second foreign language together with one European language. The Ministry of Education was planning to train Georgian teachers<sup>2</sup> for them to conduct the Chinese language courses effectively. Civic IDEA enquired from the Georgian Ministry about the Chinese language guidance at Georgia’s secondary schools. The latter responded to our request, referring to the National Curriculum approved on May 18, 2016, that the Chinese language, as well as other languages, can be taught as a second foreign language in Georgian schools upon the request of students and their parents taking into account the human resources of the school. Nevertheless, it is not particularly mandatory or introduced in all the schools in Georgia by the government, which contradicts the initial terms of the agreement signed in 2019. The school independently decides which second language to teach from grade V. There exist particular secondary educational institutions that have chosen Chinese as the second foreign language in Georgia. Nevertheless, the government has not implemented a massive promotion campaign for the Chinese language on a country level. Accordingly, teaching Chinese language in Georgian schools remains a topic of discussion to this day.

Unfortunately, Georgia has no state-issued guidelines on the cooperation with entities based in authoritarian countries. Civic IDEA is currently working on initiating the policy recommendations concerning “the legislation against the foreign government interferences” in various fields, including academia.

3 The article concludes the main findings of Civic IDEA’s two academia reports released under the name “Who is in charge of the post-cold war world? Chinese influence in Academia, Media & CSOs, The case of Georgia”<sup>3</sup>. The sections below introduce the opportunities provided by the extending dual academic partnerships between Georgia and the PRC before, during, and after covid-19, as well as the risks associated with them both on academic and national levels.

# The role of Confucius Institutes in Georgia

Confucius Institutes (CI) represent a vital pillar in expanding PRC's global foreign policy goals in Georgia. They accomplish the CCP's main incentives through covert and deceptive ways. PRC has established 516 Confucius Institutes in 142 countries around the world. "Some critics assert that CIs work to spread a favorable vision of the 'China model' of development, silence discussions about issues censored in China<sup>4</sup> (such as the Tiananmen Square massacre), and 'correct' the perception of China as a hard authoritarian state that violates human rights." Many Western academic institutions have deciphered their deceiving scheme based on their own and international examples. The first Confucius Institute ever opened at Stockholm University in 2005 was closed in 2015<sup>5</sup> following criticism from staff and the public. All CIs in Sweden are shut down, along with the termination<sup>6</sup> of exchange programs between China and Sweden.

Unfortunately, Georgia is not among those countries that have revealed and banned the Confucius Institutes due to their positioning as an "effective" weapon in the hands of the Communist party, spreading their ideology worldwide. Overall, there are four official Confucius institutes, covering the three largest cities in Georgia. The most recent one was opened at Kutaisi University<sup>7</sup> in 2020, with the support of the Chinese International Education Foundation and Xinjiang Medical University. The latter is also responsible for the Confucius classrooms at the University. The other three are established at the Free University of Tbilisi (2010), Tbilisi Open University (2017), and Batumi Shota Rustaveli State University ( functions with the unofficial name since 2017).<sup>8</sup> Other state and private universities actively integrate Confucius classrooms and scholarships. For example, since 2018, another Georgian university affiliated with the Orthodox Church of Georgia, the Saint Andrew the First-Called Georgian University (SANGU), in collaboration with the Chinese Lanzhou University,<sup>9</sup> has initiated a Confucius class and the Confucius scholarships. Civic IDEA requested information from the National Center for Educational Quality Enhancement (*legal entity of the Ministry of Education and Science of Georgia*) about the legal status of the Confucius

4 [https://www.europarl.europa.eu/RegData/etudes/BRIE/2018/625123/EPRS\\_BRI\(2018\)625123\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2018/625123/EPRS_BRI(2018)625123_EN.pdf)

5 [http://www.china.org.cn/world/2015-01/12/content\\_34537642.htm](http://www.china.org.cn/world/2015-01/12/content_34537642.htm)

6 <https://scandasia.com/sweden-has-closed-all-confucius-institutes-and-classrooms/>

7 <https://civicidea.ge/en/chinese-leverage-in-georgias-academic-cso-and-media-sectors-post-covid-reality/>

8 <https://civicidea.ge/en/chinese-leverage-in-georgias-academic-cso-and-media-sectors-post-covid-reality/>

9 [http://dl.sangu.edu.ge/pdf/journals/dipl\\_journ\\_VI.pdf](http://dl.sangu.edu.ge/pdf/journals/dipl_journ_VI.pdf)

Institute and the compliance of their programs and textbooks to the accreditation rules and procedures. According to their response, neither the Confucius Institute nor other Chinese language/culture courses are controlled by the Ministry of Education. Meanwhile, their curriculums go beyond the Chinese language tuition, as they are transmitting CCP's propaganda narratives among the Georgian students.

## ***Georgia-China Friendship Association: What to be aware of***

PRC Friendship Associations constitute another pillar of the global influence apparatus, systematically advancing the communist party's interests abroad. Georgia-China Friendship Association (GCFA) is closely tied with the CCP-controlled entities. For example, its president elected in 2016, Chinese national Jian Jun Zang<sup>10</sup> was simultaneously the CEO of the notorious Chinese state-owned conglomerate CEFC China Energy<sup>11</sup>, whose chiefs have been embroiled in scandals and imprisoned, and the company itself went bankrupt in March 2020.<sup>12</sup> GCFA was founded by the Center for Georgia-Chinese Economic-Cultural Development, controlled by Ivane Chkhartishvili,<sup>13</sup> a controversial Georgian businessman, former Vice Prime Minister, and the closest ally of Georgia's shadow leader Mr. Ivanishvili. GCFA has established partnerships and signed MOUs with different Georgian universities both on a regional and country levels, including Georgian Technical University (GTU) and Batumi Shota Rustaveli State University.<sup>14</sup>

<https://agenda.ge/en/news/2016/2559> 10

<http://www.tbilisisrf.gov.ge/en/organizers/sponsors/84-gcfa-georgian-chinese-friendship-association> 11

<https://www.caixinglobal.com/2020-04-25/fallen-energy-conglomerate-cefc-declared-bankrupt-101547143.html> 12

<https://www.companyinfo.ge/ka/corporations/648834> 13

<http://gcfa.ge/news/5bffc88e09bb1e76f1369988> 14



## *Chinese Academic Institutions jeopardizing the National Security*

Georgian private and state universities cooperate individually or inter-nationally with several well-known Chinese universities that jeopardize not only the academic sphere but Georgia's national security. Particularly prominent is the Beijing Institute of Technology, which according to ASPI's unitracker, carries very high-security risks and is entitled to top-secret credentials. It has also been involved in advancing the PLA's warfighting capability<sup>22</sup>. The latter partners with the several largest Georgian education institutions, such as Ivane Javakhishvili Tbilisi State University, Georgian Technical University, Ilia State University, International Black Sea University (IBSU), and Batumi Shota Rustaveli State University<sup>23</sup>. The areas covered within the frame of such partnerships involve Chemistry, Chemical Engineering and Technology, Computer Science and Technology, Control Science and Engineering, Electronics Science and Technology, Information and Communication Engineering, Aeronautics & Space Science and Technology, Mechanical Engineering, Law, Economics, Business, Natural sciences, Big data analysis, 5G systems, Chinese language and culture, Intelligent vehicles and Electric vehicles.

Another notorious Chinese university posing very high-security risks<sup>24</sup> and alleged to be involved in cyberattacks and engaged with the PLA is Tsinghua University, which in the frame of the Vanke School of Public Health, cooperates with Ivane Javakhishvili Tbilisi State University and Akaki Tsereteli State University<sup>25</sup>, providing stipends for the MA students willing to study public health in China and pursuing academic and staff exchanges.

Peking University (PKU), Zhejiang University, and Tianjin University are among those that carry high-security risks. According to the Unitracker, PKU, which has signed a strategic cooperation agreement with the PLA Navy<sup>26</sup>, has been actively collaborating with Ivane Javakhishvili Tbilisi State University since 2019<sup>27</sup> in the fields of Medicine and Public Health. Both Zhejiang University<sup>28</sup> and Tianjin University<sup>29</sup>, likewise carrying high-security risks, have signed the memorandums of understanding with Free University Tbilisi. The latter is distinguished by its close ties with the various Chinese entities, including those mentioned above. Together with them, it accommodates joint exchange stipends to send the MA students in International Relations to China.

<https://unitracker.aspi.org.au/universities/beijing-institute-of-technology/> 22

<https://japmed11.bsu.edu.ge/> 23

<https://unitracker.aspi.org.au/universities/tsinghua-university/> 24

<https://www.atsu.edu.ge/index.php/news/2751-vanke-school-of-public-health> 25

<https://unitracker.aspi.org.au/universities/peking-university/> 26

[https://old.tsu.ge/en/main\\_news/cNsZi3tHyFqWDY1/](https://old.tsu.ge/en/main_news/cNsZi3tHyFqWDY1/) 27

<https://www.facebook.com/FreeUni/photos/a.154313362699/10157497153557700/> 28

<https://www.facebook.com/FreeUni/photos/a.154313362699/10156596290087700/> 29

# *The Engagement of the Chinese Firms in Georgia's Academic Domain*

PRC's engagement with the Georgian state and private universities is low on the company level. By now, Civic IDEA has identified three partnerships with the two Chinese companies, the Hualing group<sup>30</sup> and HUAWEI's<sup>31</sup> local branch in Georgia. These firms organize contests and workshops for the Georgian students to later select and hire them for their projects, including the ones concerning the field of telecommunications. Moreover, in 2015, HUAWEI actively supplied the Chinese Language and Culture Center<sup>32</sup> opened at TSU with computers and furniture.

Unlike Georgia, HUAWEI has been actively involved in the academic space of western democracies, whose experience can serve as a worthy example for Georgia's academic community to avoid boosting further partnerships with the Chinese company. Notorious HUAWEI and several other state-owned Chinese companies that carry high-security risks have granted £40 million worth of funding to the high-ranked UK universities such as Lancaster University, Imperial College London, Bristol, Exeter, Heriot-Watt, Southampton, York universities, and others. The money allocated by the CCP-controlled entities usually serves the research on semiconductors, computing and big data machine learning.<sup>33</sup> The strategically important information acquired from these sensitive subjects can be later used against the means of the academic institutions benefiting the broader foreign policy interests of the PRC government and the People's Liberation Army. Moreover, several British MPs cast doubt on the academic freedom of UK universities, claiming that the famous British universities are chasing Chinese money at the expense of their intellectual independence.

The Chinese tech-giant HUAWEI, founded by Ren Zhengfei, a former member of the Chinese People's Liberation Army (PLA),<sup>34</sup> is embroiled in numerous scandals worldwide. It is accused of cyber espionage jeopardizing the national security of various states. Since 2019, HUAWEI has taken an honorable place among other Chinese tech companies in the US banned company list.<sup>35</sup> Already in the updated version of the list,<sup>36</sup> which dates back to December 2021, we see that Georgia's leading strategic partner,

30 [http://pirveliradio.ge/index.php?newsid=12037&fbclid=IwAR3QMxi8\\_hQWUBB5uCjNLPShckKxewvFD62yPZ7ZVlgZwbwWR6FkyHxsyo](http://pirveliradio.ge/index.php?newsid=12037&fbclid=IwAR3QMxi8_hQWUBB5uCjNLPShckKxewvFD62yPZ7ZVlgZwbwWR6FkyHxsyo)

31 [http://pirveliradio.ge/index.php?newsid=12037&fbclid=IwAR3QMxi8\\_hQWUBB5uCjNLPShckKxewvFD62yPZ7ZVlgZwbwWR6FkyHxsyo](http://pirveliradio.ge/index.php?newsid=12037&fbclid=IwAR3QMxi8_hQWUBB5uCjNLPShckKxewvFD62yPZ7ZVlgZwbwWR6FkyHxsyo)

32 [https://old.tsu.ge/en/government/administration/departments/pr/information/RH-z0sq\\_H4xh2r4MK/?p=31](https://old.tsu.ge/en/government/administration/departments/pr/information/RH-z0sq_H4xh2r4MK/?p=31)

33 <https://www.telegraph.co.uk/politics/2021/06/08/leading-uk-universities-accepted-40m-state-owned-chinese-companies/>

34 [https://csis-website-prod.s3.amazonaws.com/s3fs-public/legacy\\_files/files/publication/130215\\_competitiveness\\_Huawei\\_casestudy\\_Web.pdf](https://csis-website-prod.s3.amazonaws.com/s3fs-public/legacy_files/files/publication/130215_competitiveness_Huawei_casestudy_Web.pdf)

35 <https://economictimes.indiatimes.com/news/international/business/us-blacklists-huawei-places-it-on-entity-list/articleshow/69353632.cms?from=mdr>

36 <https://www.bis.doc.gov/index.php/documents/regulations-docs/2326-supplement-no-4-to-part-744-entity-list-4/file>

<https://www.theguardian.com/technology/2021/apr/19/huawei-may-have-eavesdropped-on-dutch-mobile-networks-calls> 37

<https://bgr.com/tech/huawei-espionage-claims-kpn-capgemini-2010-report-5920574/> 38

<https://www.dailymail.co.uk/news/article-9487631/Chinese-giant-Huawei-able-eavesdrop-conversation-Dutch-mobile-network.html> 39

<https://civicidea.ge/en/2-report-on-georgian-chinese-affair/> 40

the United States, has blacklisted not only the HUAWEI divisions in different cities in China but also its other branches abroad. The alarm raised by the US is not at all groundless. The liabilities are also evidenced by the latest scandalous experience in the Netherlands. According to Dutch news, in April 2021, a leaked internal report by the most prominent national telecom provider, KPN, acknowledged that HUAWEI, its leading equipment supplier since 2009, had been improperly monitoring<sup>37</sup> the calls of 6.5 million users without the KPN knowing. The confidential report<sup>38</sup> completed by the tech consultancy firm Capgemini revealed that HUAWEI representatives in the Netherlands and China could surveil the conversations that then PM Jan Peter Balkenende might have conducted. The calls made by the Chinese dissidents might have also been recorded.

*"The continued existence of KPN Mobile is in serious jeopardy as licenses can be revoked or government and businesses can relinquish their trust in KPN if it is known that the Chinese government can eavesdrop on KPN mobile numbers and shut down the network," the report<sup>39</sup> said.*

In our 2020 report, "Who is in charge of the post-cold war world? Chinese influence operations in Academia, Media & CSOs,"<sup>40</sup> Civic IDEA has thoroughly covered the controversies related to HUAWEI and its activities in the US, the UK, and different EU member states. Civic IDEA also reviewed the resistance strategies used by multiple countries, such as Japan, the US, or the UK, that effectively impose restrictions and sanctions against the Chinese tech giant to ensure their national security. Although HUAWEI is considered a private company, it and its sister technology giants are easily influenced by the Chinese Communist Party and effectively pursue their policies in China and worldwide. Accordingly, HUAWEI is effectively using technological devices to provide intelligence and critical data to the Chinese government, directly threatening the national security of various states. Therefore, we can conclude that the problem related to Huawei is less technical and more associated with political and geopolitical challenges.

## ***Recommendations***

As the main challenge for the country to mitigate risks coming from the authoritarian regimes is the lack of legal basis, taking these steps is an essential condition for its solution:

- The country has to precisely determine the terms (Including but not limited to foreign influence operations, foreign policy domination, disinformation, and propaganda, etc.)
- The country has to determine what to do about these issues accurately.
- The country has to ensure the sound implementation of the legislation.

In addition, there is a problem with practice in various domains, including academia. More specifically, the Georgian side does not conduct Due Diligence until an agreement is reached with a specific university or other Chinese entity carrying certain security risks. It is also driven by the degree of Chinese influence in Georgia and local elite capture. Hence, specific changes need to be applied to reduce the security threats in this regard.

# ***Expanding International Cooperation and Technical Assistance in Higher Education and Research between Azerbaijan and China***

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## Acronyms & Abbreviations

**AIR Center** - Center of Analysis of International Relations  
**ALU** - Azerbaijan University of Languages  
**ANAS** - Azerbaijan National Academy of Sciences  
**ASOIU** - Azerbaijan State Oil and Industry University  
**AzTU** - Azerbaijan Technical University  
**BFSU** - Beijing Foreign Studies University  
**BHOS** - Baku Higher Oil School  
**BSU** - Baku State University  
**CIAUL** - Confucius Institute at the Azerbaijan University of Languages  
**CIBSU** - Confucius Institute at Baku State University  
**HEI** - Higher Education Institution  
**ICT** - Information and Communication Technology  
**IT** - Information Technology  
**MoU** - Memorandum of Understanding  
**MTCSOL** - Master of Arts in Teaching Chinese to Speakers of Other Languages  
**PRC** - People's Republic of China  
**R&D** - Research and Development  
**SNNU** - Shaanxi Normal University  
**UNEC** - Azerbaijan University of Economics

## Abstract

In the past couple of decades, transnational cooperation in the higher education sector has become more important than ever. Likewise, education has been one of the core areas of bilateral collaboration between Azerbaijan and China for over 30 years of formal diplomatic relations. The international cooperation between Azerbaijani and Chinese educational entities has continued unabated throughout this period. As China extends its soft power and influence through education programs in Azerbaijan, Beijing's influence continues to grow in the country's higher education system. In parallel, Baku has thus been focusing on enhancing solid educational ties and extending its reach to the academic sphere in China in recent years as a part of the government's extensive efforts to promote interstate partnerships. Based on the general framework of academic cooperation between Azerbaijan and China, this article highlights emerging trends, coordinated areas, main directions and current contemporary projects in the higher education industry by assessing and clarifying the strategies of the two countries and the instruments for long-term development and large-scale cooperation in diverse areas of education and research as well as giving examples from the practice of previous and ongoing collaborative works and institutional connections between Azerbaijani universities and Chinese partners.

## Introduction

While hundreds of Azerbaijani students have been pursuing their degrees in various academic fields at multiple Chinese higher education institutions (HEIs) with substantial financial support from the central and local governments,<sup>i</sup> hundreds of Chinese students have in the meantime been enrolling in Azerbaijani universities for nearly two decades.<sup>1</sup> Nevertheless, President Ilham Aliyev has dramatically accelerated scholarly cooperation and cemented the Sino-Azerbaijani educational bonds by paying a number of official state visits to China.<sup>ii</sup> While delivering a speech at Beijing's Renmin University in 2015, President thus underlined the importance of education and expressed his willingness to deepen close academic ties with Chinese universities. Consequently, several mutual agreements, signed between the ministries,<sup>2</sup> set broad terms for transnational cooperation in education that included student and scholar exchange programs and comprehensive scholarships. Most recently, in April 2020, the two governments approved the latest bilateral agreement on education to strongly facilitate the development and implementation of effective international exchange programs involving faculty, staff and students from

<https://www.edu.gov.az/upload/file/Beynelxaql-emekdashliq/ecnebilerin-Azərbaycanda-tehsili.pdf>

1

<https://president.az/az/articles/view/17140>

2

[https://www.campuschina.org/about\\_china/index.html?9FyBI6JDFLT=1651984571119#dqgk](https://www.campuschina.org/about_china/index.html?9FyBI6JDFLT=1651984571119#dqgk)

a

<https://edu.gov.az/upload/file/ELAN/2019/11/Elan-Cin-2020-21.pdf>

b

<https://http.edu.az/uploads/2021/10/40cb3aa8661a412bab1e99b8b79ea5f1.pdf>

c

<https://president.az/az/articles/view/17137>

d

<sup>i</sup> Many types of international and regional scholarship programs are available for overseas students in China, including a Chinese Government Scholarship provided by the China Scholarship Council (CSC), a Confucius Institute Scholarship funded by the Office of Chinese Language Council International (Hanban), a Shanghai Municipal Government Scholarship offered by Shanghai City Municipality (SGS), a Jiangsu Jasmin Scholarship provided by the Jiangsu Provincial Government, a Belt and Road Initiative Scholarship in partnership with the Chinese government and certain domestic universities and a Beijing Government Scholarship sponsored by Beijing Municipal Government as well as dozens of university-level and enterprise scholarships.<sup>a</sup>

Azerbaijani students are eligible to apply for all of the above-mentioned programs either through the Ministry of Education of Azerbaijan (based on the inter-governmental agreement signed in 2020) or directly through the host institution.<sup>b</sup>

According to publicly available data, on average, 20 Azerbaijani students are being admitted to Chinese universities under the aforementioned inter-governmental scholarship programs every year.<sup>c</sup>

<sup>ii</sup> President Ilham Aliyev paid two state visits to the People's Republic of China (PRC) in 2005 and 2015, respectively. During his second official trip (upon the invitation of the current President Xi Jinping) in 2015, the Memorandum of Understanding (MoU) on cooperation in the field of education in the years of 2016-2019 was signed between the Ministry of Education of the Republic of Azerbaijan and the Ministry of Education of the PRC.<sup>d</sup>

both sides.<sup>iii</sup> In addition to inter-governmental contracts, numerous domestic universities have initiated research and exchange programs with Chinese educational establishments based on inter-university deals. 333

Moreover, the Chinese multinational tech vendors, such as Huawei, have simultaneously been gaining a solid foothold in the educational system of Azerbaijan over the last several years. Beyond that, the Chinese government-backed public institutes are commonly found on university campuses nationwide. As of today, two Confucius Institutes<sup>iv</sup> and numerous auditoriums<sup>v</sup> are being operated at multiple universities in the capital city of Baku. While Confucius Institutes are often headquartered on certain university campuses, they are also authorized to assist in establishing Confucius Auditoriums or Confucius Classrooms at different types of educational entities around the country. Knowledge about Chinese history, culture, language and the

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<sup>iii</sup> The latest agreement on educational cooperation (covering the years of 2020-2023) was signed between the Ministry of Education of the Republic of Azerbaijan and the Ministry of Education of the PRC in Beijing based on the two previous agreements that were signed in 2012 and 2015, respectively. In accordance with the agreement, only 100 students from each side can participate in the scholarship program every year.<sup>e</sup>

<sup>iv</sup> Founded in 2004 with the aim of promoting the Chinese language and culture around the world, Confucius Institutes are enrolling more than nine million students at 548 institutes and 1,193 Confucius Classrooms in over 150 countries and regions. China's Confucius Institutes are directly controlled, funded and staffed by the Confucius Institute Headquarters (commonly known as Hanban), operating overseas cultural centers and Confucius Institutes. Being the executive organ of the International Council of the Chinese Language, affiliated with the Ministry of Education, Confucius Institutes appear to be equivalent to Turkey's Yunus Emre Institute, the British Council, the American Centre, the Alliance Française or Germany's Goethe Institutes. The non-profit educational organization is committed to providing Chinese language and cultural teaching resources and services worldwide.

<sup>v</sup> The Confucius Auditoriums generally refer to the university-based Chinese learning hubs. Public and private universities can apply to establish a Confucius Auditorium through the Confucius Institutes at host universities. The Confucius Institute at the country's host university is responsible for the establishment and further annual funding for projects related to the Chinese language and culture. In total, two Confucius Auditoriums were established at Baku's ADA University and the Khazar University in cooperation with Confucius Institute at Baku State University (CIBSU) in 2014 and 2020, respectively. Technically, they are operated as branches of the Confucius Institute under the agreement signed with CIBSU. The university's Confucius Institute also provides the auditoriums with program development support. Principally, the Confucius Auditoriums share the common features and standards with Confucius Classrooms.

e <https://e-qanun.az/framework/45182>

<https://www.xezerxeber.az/news/dunya/151093/cin-de-azerbaycan-dilinin-tedrisine-baslanilib> 3

<https://kulis.az/news/1827> 4

<https://525.az/news/5758-tehsil-sahesinde-azerbaycan-cin-emekdasligi-tesebbusler-ve-neticeler> 5

<http://ikisahil.az/post/86631-news-86631> 6

<https://bakimektebleri.edu.az/119/az/news/read/130431> 7

<https://heydar-aliyev-foundation.org/en/content/view/56/5094/Xəzər-rayonunda-verlən-məktəblərdə-Çin-mədəniyyəti-otağı-və-idman-meydançası-istifadəyə-verilib/> 8

<https://heydar-aliyev-foundation.org/en/content/view/59/4983/Sports-area-of-a-primary-school-in-China-to-be-basically-repaired-with-the-support-of-the-Heydar-Aliyev-Foundation-> 9

<http://www.npc.gov.cn/npc/cfasbj001/201909/79596f5e8de345a7826b0a1b41a398f8.shtml> 10

economy has been passed on to the Azerbaijani higher education sector and the broader public through these cultural centers. Against this backdrop, Baku also devotes significant attention to expanding Azerbaijani language learning among the Chinese by demonstrating tremendous support to joint academic initiatives<sup>3</sup> and establishing Azerbaijani Cultural Centers<sup>4</sup> in collaboration with domestic Chinese universities. In addition to the above-mentioned developments, China has previously delivered technical support by donating hundreds of computers to domestic schools in lesser-developed regions across Azerbaijan.<sup>5</sup> Besides, Huawei also donated sophisticated assistive technologies and digital education systems for a group of students with disabilities in Azerbaijan.<sup>6</sup> Recently, in September 2021, the Chinese Embassy in Baku funded the rebuilding of the sport facilities of a secondary school<sup>7</sup> as well as inaugurated Chinese Cultural Classrooms<sup>vi</sup> at four secondary schools in the Khazar district of Baku.<sup>8</sup> The Embassy provided all of the necessary materials for teaching Chinese to students. Prior to these Chinese-funded educational and humanitarian projects, an Azerbaijani charity organization also sponsored the reconstruction of sport facilities at a Chinese primary school a couple of years ago.<sup>9</sup> Nevertheless, in the context of higher education, rising Sino-Azerbaijan relations<sup>10</sup> will bolster long-standing technical and scientific partnerships and thereby constitute the core of the transnational educational integration platforms as part of the broader assistance and investment projects Beijing offers through its global initiatives.

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<sup>vi</sup> The Chinese-backed cultural classrooms were set up under the supervision of the Confucius Institute at the Azerbaijan University of Languages (CIAUL). Therefore, based on their activities and techniques, the newly renovated classrooms can be considered as the first Confucius Classrooms in Azerbaijan. Specifically, school-based Confucius Classrooms build and maintain partnerships with local elementary and primary schools with the goal of strengthening the Chinese language and culture program at the school and in the local area. Furthermore, coordinated by the Confucius Institute at the host university, the classrooms aim to introduce and develop Chinese in the school curriculum. Clearly, CIAUL is involved in the process of building partnerships with local schools in order to establish Confucius Classrooms while CIBSU is designed to cooperate with domestic universities in order to help open the Confucius Auditoriums as mentioned above.

## Collaborative Initiatives in Higher Education

Contemporary educational relations between Azerbaijan and China have been steadily growing during the last two decades. Baku State University (BSU) has a long-running commitment to teaching the Chinese language and culture. The Chinese language has been taught at BSU since 1997 in collaboration with the Embassy of the People's Republic of China (PRC) in Baku.<sup>11</sup> Moreover, together with Japanese and Korean studies, there is a Chinese studies program at BSU as well, affiliated with the Department of Far Eastern Languages and Literatures.<sup>12</sup> Since its creation in 2004, the program has systematically offered comprehensive training on Chinese history, culture, politics, governance, the economy, foreign policy and society through a broad and interdisciplinary approach. China Studies in Azerbaijan, however, were rather limited until the introduction of Confucius Institutes<sup>vii</sup> in the 2010s. About ten years earlier, the Office of the Chinese Language Council International (Hanban/Confucius Institute Headquarters) commenced funding Confucius Institutes at public universities in Azerbaijan. Eventually, the first Confucius Institute was inaugurated at BSU in partnership with China's Anhui University of Hefei in 2011 to direct education toward the Chinese language and culture in Azerbaijan.<sup>13</sup> Supported by Hanban, the Confucius Institute at Baku State University (CIBSU) offers educational programs about the Chinese language and culture and provides learning resources and services to schools, colleges, community organizations, interested individuals and businesses.<sup>14</sup> Being a joint academic project between BSU and Anhui University, the CIBSU endeavors to develop non-governmental exchanges between the two countries. To date, approximately 1,500 students have taken numerous courses at CIBSU.<sup>15</sup> The undergraduate students who enroll at CIBSU are being admitted to post-graduate degree or short-term non-degree exchange programs at a partner university. The Confucius Institute additionally offers financial

11 <http://www.anl.az/download/meqale/525/2013/fevral/294747.htm>

12 [http://orient.bsu.edu.az/az/content/uzaq\\_rq\\_dillri\\_vdbiyyat\\_kafedras\\_17](http://orient.bsu.edu.az/az/content/uzaq_rq_dillri_vdbiyyat_kafedras_17)

13 [http://bsu.edu.az/en/news/confucius\\_institute\\_has\\_been\\_opened\\_at\\_baku\\_state\\_university](http://bsu.edu.az/en/news/confucius_institute_has_been_opened_at_baku_state_university)

14 [http://ci.bsu.edu.az/az/content/nstitut\\_haqqnda](http://ci.bsu.edu.az/az/content/nstitut_haqqnda)

15 <http://www.visions.az/en/news/856/118da09f/>

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<sup>vii</sup> Founded in 2004, Confucius Institutes are government-run educational entities that offer language and cultural programs abroad. More than 1,000 centers have been established around the world so far. Azerbaijan hosts two Confucius Institutes and several Confucius Auditoriums and Classrooms at various local universities and primary schools.

aid (covering tuition fees, a monthly allowance, accommodation fees and basic learning materials as well as comprehensive insurance) to the candidates who wish to pursue their studies in China. Students have the options to study for a semester, a full academic year or even do a degree and obtain a professional MA in Teaching Chinese to Speakers of Other Languages (MTCSOL). Lately, the MTCSOL has risen in popularity among Azerbaijani students due to the rising demand for teachers who are qualified to instruct academic Chinese to foreigners. Besides, the Chinese partner university generally contributes to the teaching process by organizing the center's curriculum, sending Chinese instructors and providing teaching materials to facilitate student learning at CIBSU. Apart from providing extensive technical assistance, the institute also organizes and funds annual summer trips to China and prepares college students to participate in the "Chinese Bridge"<sup>viii</sup> Chinese Proficiency Competition every year. CIBSU also partners with ADA University,<sup>16</sup> Khazar University<sup>17</sup> and the Azerbaijan Technical University (AzTU)<sup>18</sup> to assist them in organizing Chinese language classes in order to promote greater understanding and the study of the Chinese language and culture. The second Confucius Institute in Azerbaijan was founded at the Azerbaijan University of Languages (AUL) in 2016 as a collaboration between China's Huzhou University, the AUL and the Confucius Institute Headquarters.<sup>19</sup> The agreement to establish the Confucius Institute at the Azerbaijan University of Languages (CIAUL) was reached in November 2015 and the opening ceremony was held in June 2016. CIAUL dedicates itself to supporting Chinese teaching and learning to boost international understanding through cultural activities and educational exchanges. Like CIBSU, CIAUL also provides a wide range of support that includes Chinese educators, cultural programs such as festival celebrations, artistic presentations or performances; standardized Chinese proficiency tests (HSK/HSKK/YCT),<sup>20</sup> short-term study trips to China and long-term professional Chinese language and China Studies programs and scholarships. With a strong research background in foreign languages and cultures, AUL was offering a China Studies program even before the partnership with the Confucius Institute. In

[https://azertag.az/en/xeberr/ADA\\_University\\_Confucius\\_Institute\\_embark\\_on\\_Chinese\\_language\\_teaching\\_project-89925](https://azertag.az/en/xeberr/ADA_University_Confucius_Institute_embark_on_Chinese_language_teaching_project-89925) 16

[https://azertag.az/en/xeberr/Branch\\_of\\_Confucius\\_Institute\\_opens\\_at\\_Khazar\\_University-232081](https://azertag.az/en/xeberr/Branch_of_Confucius_Institute_opens_at_Khazar_University-232081) 17

<https://global.chinadaily.com.cn/a/201810/10/WS5b6ea868a310eff303281bba.html> 18

<https://adu.edu.az/en/adu-hagqinda/institutlar/300.html> 19

<http://www.chinesetest.cn/gosign.do?id=1&lid=0> 20

<sup>viii</sup> The "Chinese Bridge" is an international competition where non-Chinese university students can demonstrate their knowledge of the Chinese language and culture.

parallel, AUL students attended online language courses offered by the East China Normal University (ECNU).<sup>21</sup> Interestingly, Baku is one of the few cities (Tbilisi, Istanbul and Kyiv are included in this list as well) that host two Confucius Institutes simultaneously; in general, Hanban seeks to set up the centers in various cities across the host country.<sup>ix</sup>

21 <https://mektebgushesi.az/2022/01/13/dillər-universiteti-cin-universitetləri-ilə-əməkdaşlıq-genisləndirir-2/>

The most common services offered by the Confucius Institutes in Azerbaijan are as follows:

- Giving Chinese language and culture courses designed for student proficiency levels;
- Chinese language courses for primary and secondary schools and educational organizations;
- Business Chinese courses for students and entrepreneurs;
- Intensive Chinese language courses for individuals and groups;
- Conducting tests to determine Chinese language levels HSK/HSKK/YCT;
- Chinese cultural workshops, performances, events and festivals;
- Translation services from and into Chinese;
- Short-term and long-term education experience in China;
- Advice for trips to China and organizing high-level business meetings with Chinese counterparts;
- Conducting joint-scientific research and training via scholarships in the field of teaching Chinese as a foreign language at host universities.

Accordingly, more Confucius Institutes/Auditoriums or research centers related to China Studies will be gradually launched at multiple colleges throughout the entire country as more domestic universities seek an opportunity to initiate mutual educational cooperation with universities and research institutions from China. Most probably, ADA University will be the next host institution for the aforementioned projects as a reputable Baku-based public university already signed a memorandum with the Beijing Language and Culture University (BLCU) back in 2014 and held a series of meetings with a delegation of prestigious academic establishments such as Peking University, the China Institute of International Studies

<sup>ix</sup> Digmandarin, “Confucius Institutes Around the World – 2021,” the whole list of Confucius Institutes is available at:<sup>f</sup>

<sup>f</sup> <https://www.digmandarin.com/confucius-institutes-around-the-world.html>

[https://www.yeniazərbaycan.com/SonXeber\\_e4351\\_az.html](https://www.yeniazərbaycan.com/SonXeber_e4351_az.html) 22

<https://beijing.mfa.gov.az/en/content/3/bilateral-relations> 23

<https://www.chinadaily.com.cn/a/201811/02/WS5bdbfc33a310eff3032863f8.html> 24

[https://azertag.az/xeber/CHinde\\_Azərbaycan\\_Dili\\_ve\\_Medeniyyeti\\_Merkezi\\_achilib-1122337](https://azertag.az/xeber/CHinde_Azərbaycan_Dili_ve_Medeniyyeti_Merkezi_achilib-1122337) 25

<https://news.bfsu.edu.cn/archives/259763> 26

<https://az.trend.az/azerbaijan/society/2790533.html> 27

<https://unec.edu.az/unec-de-heyder-eliyev-fondu-terefinden-teskil-olunan-distant-cin-dili-kurslari-uzre-derslere-baslanilib/> 28

<https://unec.edu.az/en/education/unec-elmi-tedqiqat-merkezleri/cin-iqtisadiyyati-tedqiqat-merkezi/> g

<https://unec.edu.az/unec-cin-universitetleri-ile-emekdasligi-genislendirir/> h

<https://heydar-aliyev-foundation.org/en> i

(CIIS), the China Foreign Affairs University and the Institute of East European, Russian and Central Asian Studies (IEERCAS) affiliated with Chinese Academy of Social Sciences (CASS) in order to discuss the possibility of conducting large-scale academic exchanges in diverse fields.<sup>22</sup> Separately, a similar MoU was approved between the national libraries of Azerbaijan and China in order to strengthen international cooperation and mutual understanding.<sup>23</sup>

In addition to Beijing's expanding cultural and educational activities within the borders of Azerbaijan, Baku has likewise demonstrated huge support in order to initiate joint projects for promoting Azerbaijan Studies in China for years. For example, Baku State University, in collaboration with Anhui University, set up an Azerbaijani Culture Center at Anhui University in the Chinese city of Hefei in 2018.<sup>24</sup> Beyond that, the Center for Azerbaijani Language and Culture has existed at Huzhou University in Zhejiang province since 2017 based on an inter-university agreement reached with AUL.<sup>25</sup> Most importantly, the Azerbaijani language has been taught at the Beijing Foreign Studies University (BFSU) since 2017.<sup>26</sup> Notably, the Department of Azerbaijani Language, created with substantial technical support from the Ministry of Education of PRC and affiliated with the School of Asian Studies at BFSU, is the only academic establishment worldwide designed to teach the Azerbaijani language as a four-year undergraduate program. It is a unique place where the Azerbaijani is being taught to overseas students as a foreign language.<sup>27</sup> Additionally, the above-mentioned department has held regular online Chinese courses for Azerbaijani students with comprehensive support delivered by the Azerbaijan University of Economics (UNEC)<sup>x</sup> and the Heydar Aliyev Foundation<sup>xi</sup> since 2019.<sup>28</sup> Moreover, dozens of cultural events and activities related to Azerbaijani culture and literature were organized in Beijing with the technical support of the

<sup>x</sup> Additionally, UNEC hosts the One Belt, One Road Research Center that set up in partnership with the One Belt, One Road Science and Technology Alliance in 2019.<sup>g</sup> UNEC also signed an inter-university agreement with the Lanzhou University of Finance and Economics (LUFE) in 2016.<sup>h</sup>

<sup>xi</sup> Founded by the current President İlham Aliyev and the first lady Mehriban Aliyeva in 2004. The Heydar Aliyev Foundation is considered to be the largest private charity organization in the South Caucasus that supports various projects in the fields of education, culture, education, science, technology, environment and sports globally. The foundation is named after Azerbaijan's former President Heydar Aliyev.<sup>i</sup>

Heydar Aliyev Foundation before the global pandemic.<sup>29</sup> In recent years, the Heydar Aliyev Foundation has taken a leading role in fostering relations with China by demonstrating enormous support, particularly in educational and humanitarian projects.<sup>30</sup> More specifically, the charity foundation provided financing for rebuilding the sport facilities of a primary school in Malipo district, Yunnan Province of China,<sup>31</sup> based on the Memorandum of Friendship and Cooperation that was signed between the Heydar Aliyev Foundation and the Chinese People's Association for Friendship with Foreign Countries (CPAFFC)<sup>xii</sup> in 2017.<sup>32</sup>

## Mutual Cooperation between Think Tanks and Research Centers

Over the last couple of years, Azerbaijani think tanks and research centers have played a prominent role in bolstering solid cooperation with the Chinese in the field of higher education and research. For instance, one of the major Azerbaijani global policy think tanks – the Center of Analysis of International Relations (commonly known as the AIR Center),<sup>xiii</sup> signed memorandums of understanding with two well-known Beijing-based research institutions in Beijing in 2020; namely, the China Institute of International Studies (CIIS)<sup>33</sup> and the China Institute of Contemporary International Relations (CICIR),<sup>34</sup> in order to develop

29 <https://xalqgazeti.com/mobile/az/news/33479>

30 [https://azertag.az/xeber/q\\_uotNesimi\\_ili\\_quot\\_cherchi\\_vesinde\\_CHinde\\_Azerbaycan\\_dili\\_ve\\_edebiyati\\_sergisi\\_achilib\\_VIDEO-1350617](https://azertag.az/xeber/q_uotNesimi_ili_quot_cherchi_vesinde_CHinde_Azerbaycan_dili_ve_edebiyati_sergisi_achilib_VIDEO-1350617)

31 <http://www.ynmlp.gov.cn/contents/32/8198.html>

32 <https://heydar-aliyev-foundation.org/en/content/view/104/4575/Heydar-Əliyev-Fədu-fəaliyyəti-ni-Cin-Xalq-Respublikasında-genişləndirir/>

33 <https://aircenter.az/en/post/memorandum-of-understanding-signed-between-air-center-and-china-institute-of-international-studies-ciis-542>

34 <https://aircenter.az/en/post/memorandum-of-understanding-signed-between-air-center-and-china-institute-of-contemporary-international-relations-cicir-543>

<sup>xii</sup> The CPAFFC is one of the earliest national people's organizations engaged in the people-to-people diplomacy of the People's Republic of China. It carries out people-to-people friendship work in an all-round, multi-level and wide-range way which enhances the understanding, develops friendship and strengthens cooperation between countries. <sup>j</sup>

<sup>xiii</sup> Established in Baku, Azerbaijan in 2019, the Center of Analysis of International Relations (AIR Center) is a think tank that provides strategic insights and policy recommendations on international affairs, thus making decision-makers and experts in the field better equipped to analyze outstanding issues. The mission of the center is to conduct a comprehensive analysis of global and regional processes and expand activities aimed at raising the international community's awareness of Azerbaijan's foreign policy priorities, particularly the Armenia-Azerbaijan post-conflict period and regional security. Moreover, the main purpose is to understand post-conflict experiences and Azerbaijan's plan to support full regional economic integration as well as the reconstruction and restoration process in Azerbaijan's Karabakh region. <sup>k</sup>

<sup>j</sup> [https://cpaffc.org.cn/index/xiehui/xiehui\\_list/cate/11/lan/2.html](https://cpaffc.org.cn/index/xiehui/xiehui_list/cate/11/lan/2.html)

<sup>k</sup> <https://aircenter.az/en/mission>

academic and research cooperation on the basis of equality and reciprocity and promote a sustainable partnership and mutual understanding between the centers. By signing the agreement, the parties agreed to boost cooperation between the institutions and establish a formal understanding of partnership and friendship, intended to further the academic and research objectives of each institution. On top of that, the chairman of the AIR center and the Ambassador of the Republic of Azerbaijan to the PRC held high-profile meetings with the president of the China Public Diplomacy Association (CPDA), the president of the Chinese People's Institute of Foreign Affairs (CPIFA) and the director of the Euro-Asian Social Development Research Institute under the Development Research Center of the State Council of China to discuss future prospects of Sino-Azerbaijani relations and possible areas for cooperation between two countries.<sup>35</sup>

During this trip, the delegation of the Air Center also visited the Beijing Foreign Studies University to discuss the possibility of offering AIR Center scholarship and internship programs to Chinese students from the Department of the Azerbaijani Language.<sup>36</sup> Moreover, the delegation paid a visit to the Shaanxi Normal University (SNU) in Xi'an, Shaanxi province, which eventually resulted in the signing an agreement with the Cultural Academy of the Belt and Road of the SNU in order to expand opportunities for cooperation within China's ambitious Belt and Road Initiative (BRI).<sup>37</sup>

Besides the AIR Center, the Azerbaijan National Academy of Sciences (ANAS), likewise maintains close cooperation with Chinese academicians and specialists as the Chinese Cultural Center has been operating at ANAS based on a mutual agreement signed between the Institute of Literature Studies<sup>xiv</sup> and the Confucius Institute back in 2015.<sup>38</sup> A similar agreement has existed between the Institute of History<sup>xv</sup> at ANAS and the

<https://aircenter.az/en/post/dr-farid-shafiyev-discussed-the-one-belt-one-road-initiative-in-china-184> 35

<https://aircenter.az/en/post/air-center-delegation-met-with-students-learning-azerbaijani-language-in-china-183> 36

<https://azertag.az/chn/xeberr/china-1383605> 37

<https://science.gov.az/az/news/open/3049> 38

<https://science.gov.az/en/institutes/31> k

<sup>xiv</sup> The Nizami Ganjavi Institute of Literature (a national poet of Azerbaijan who is considered the greatest romantic epic poet of all time by the most Azerbaijanis) at ANAS was set up in 1932 with the purpose of systematically monitoring and studying the trends and the developments in the field of literary studies and literary history. The institute comprises a wide range of research departments in the fields of Medieval Azerbaijani Literature, Literature of Turkic Nations, Scientific Information and Translation, Collecting and Systematizing of Scientific Heritage and others<sup>k</sup>.

<sup>xv</sup> Launched in 1935, the Abbasgulu Agha Bakikhanov Institute of History (one of the most distinctive writers, historians, linguists, poets and philosophers in the history of Azerbaijan) is responsible for the historical research carried out

World History Center of China since 2015.<sup>39</sup> Both sides agreed to make joint efforts toward the further development of bilateral relationships and enhance the capability of constructively participating and contributing to the creation of effective international partnerships.<sup>40</sup> Apart from that, two partner institutions have been planning to open research centers both in Baku and Beijing with the aim of facilitating research initiatives to comprehensively study and analyze the historical relations and the developments between the two Silk Road countries. Establishing the Center for Caucasus Studies in China is also among the proposed plans, that is considered to be benefiting all three states of the South Caucasus.<sup>41</sup> Another agreement was signed between the Institute of Manuscripts<sup>xvi</sup> at ANAS and the Uzbek-Chinese Institute<sup>xvii</sup> in 2020.<sup>42</sup> The purpose of the MoU is to establish, develop and deepen cooperation between the parties in the field of research and the translation of the ancient and rare sources, old manuscripts, surviving monuments and antique relics. The Institute of Oriental Studies,<sup>xviii</sup> affiliated with ANAS, also reached an agreement with China's Gansu Provincial Academy of Social Sciences (GASS) in 2017.<sup>43</sup> Additionally, a scientific conference was organized in Beijing in 2019 between ANAS and the Institute of East European, Russian and Central Asian Studies (IEERCAS), the Institute of Economics and the Institute of Silk Road Studies affiliated with the Chinese Academy of Social Sciences (CASS) where high-profile speakers delivered speeches about the future development of Sino-Azerbaijani cooperative ties through various inter-state projects.<sup>44</sup>

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at the Azerbaijan National Academy of Sciences. Dedicated to producing and facilitating large-scale historical research, the institute also provides resources and training for senior researchers and scholars.<sup>1</sup>

<sup>xvi</sup> Founded in 1950, the Mahammad Fuzuli Institute of Manuscripts (one of the most prominent and eminent poets, thinkers and translators in the history of Azerbaijani literature) is a scientific center at the Azerbaijan National Academy of Sciences. The center is involved in exploring, collecting, translating, categorizing, preserving and publishing the surviving medieval monuments of the Orient.<sup>m</sup>

<sup>xvii</sup> The first Confucius Institute of entire Central Asia - the Confucius Uzbek-Chinese Institute at the Tashkent State University of Oriental Studies (commonly known as the Confucius Institute of Tashkent) was inaugurated in 2004 with the assistance of China's Lanzhou University (LZU). It is also considered one of the earliest Confucius Institutes launched abroad.<sup>n</sup>

<sup>xviii</sup> The Ziya Bunyadov Institute of Oriental Studies (an Azerbaijani historian, academician and former ANAS vice-president) was founded in 1958 at ANAS. The center deals with comparative and transnational history, the economy, the society and the culture of Eastern countries<sup>o</sup>

- 39 <https://medeniyyet.az/page/news/49972/.html?lang=az>
- 40 <https://science.gov.az/az/news/open/11279>
- 41 <https://science.gov.az/az/news/open/3049>
- 42 <https://www.manuscript.az/index.php?newsid=407>
- 43 <https://science.gov.az/az/news/open/5237>
- 44 <https://science.gov.az/az/news/open/10373>
- l <https://science.gov.az/en/institutes/760>
- m <https://science.gov.az/en/institutes/33>
- n [http://faoffice.lzu.edu.cn/newhdmdbi/bas/col\\_detail.php?id=1046&type=en](http://faoffice.lzu.edu.cn/newhdmdbi/bas/col_detail.php?id=1046&type=en)
- o <https://science.gov.az/en/institutes/905>

## Partnerships between Huawei and Higher Education Institutions

<https://www.azerbaijan-news.az/posts/detail/azerbaycan-texniki-universitetinde-huawei-technologies-azerbaijan-sirketinin-teqdimati-olmusdur-37598> 45

<https://president.az/az/articles/view/26208> 46

<https://mincom.gov.az/en/view/news/1322/president-signs-decree-on-some-measures-to-improve-governance-in-the-field-of-digitalization-innovation-high-technologies-and-communications-in-azerbaijan-republic> 47

<https://kaspi.az/az/sahin-mustafayev-huawei-sirketini-regemsal-iqtisadiyyat-sahesinde-emekdaslia-devet-edib/> 48

Holding the largest market share (70%)<sup>45</sup> in Azerbaijan's ICT sector, Huawei plays a substantial role in the educational field by delivering technical assistance, innovative and yet practical technological solutions and transferring solid technical skills to public and private higher education institutions. While the company eventually expanded its business to deliver affordable, reliable, productive and fast services and advanced solutions - including deploying telecommunications network hardware and presenting cloud computing systems as well as supplying various gadgets and electronic components and parts to Azerbaijan for nearly 20 years - it has also proactively sponsored collaborative research initiatives with domestic universities and launched numerous ICT training programs through various global and regional initiatives. Since the early 2000s, the Chinese tech vendor has been involved in Azerbaijan's ICT development<sup>46</sup> and in the meantime has provided extensive technical assistance to local business entities, government agencies, indigenous high-tech startups, R&D Centers, scientific research institutions and public/private universities in order to help the government to achieve sustainable and innovative development objectives. As the Azerbaijani government increasingly embraces digitalization throughout the entire country by actively developing the high-tech industry and enhancing the existing technologies in multiple industries,<sup>47</sup> vocational colleges and research universities are being encouraged to reform traditional teaching techniques and content and focus on the appropriate implementation of cutting-edge technologies through numerous comprehensive national initiatives. To achieve higher levels of human capital development and strengthen the competitiveness of knowledge-based industries, Baku maintains strong ties with foreign tech companies for collaboration on key technologies, including Huawei.<sup>48</sup> As a consequence, long-term comprehensive deals on broader bilateral partnerships with the Chinese telecommunications giant have multiplied extensively and the research collaboration between Huawei and domestic institutions has been elevated to a historically unprecedented high level over the past few years.

In accordance with publicly available data, Huawei has been involved in working on diverse educational projects that help to boost the technological competence and enhance the advanced digital skills of the nation. To date, the telecommunications company has signed several MoUs and various bilateral/multilateral agreements with leading technical universities and central government agencies to build a new ICT talent development model and an effective talent ecosystem based on Huawei's technical accumulation and talent cultivation experience and practices. In general, the bilateral agreements with Huawei aim to maximize opportunities to foster cooperation and deal with technological challenges by strengthening collaborative work in the technological sphere. In fact, the growing involvement of Huawei in the tech and educational development of the country comes amid the context of growing Sino-Azerbaijani bilateral relationships.<sup>49</sup> As a result, the long-standing partnerships contributed to catalyzing the technological development of Azerbaijan and achieving communication between the ICT industry and the education industry. Huawei ICT Academies,<sup>xix</sup> a global educational program developed by Huawei, have been established at the Baku Engineering University/BEU (former Qafqaz University) and the Baku State Vocational Training Center for Industry and Innovation to train local ICT students to solve the talent shortage problem by providing them with a more comprehensive and in-depth understanding of the technological trends.<sup>50</sup>

Furthermore, the Baku Higher Oil School/BHOS (a Baku elite institution for IT and engineering studies) and Huawei agreed to set up an ICT Academy and a joint laboratory in 2019.<sup>51</sup> Within the framework of the mutual agreement, Huawei will supply computer equipment and software programs to under-graduate students of the Process Automation Engineering Department of the university. Accordingly, students and junior researchers will conduct scientific research in the cutting-edge lab facilities built by the joint effort of Huawei and the BHOS. In addition, more Huawei ICT centers are planned to be opened at the Azerbaijan

49 <https://azlogos.eu/coxsah-ali-əməkdasliq-fonunda-azərbaycan-cin-əlaqələri/>

50 <https://ted.az/az/view/news/4873/nazirlik-tehsil-muessiselerinde-huawei-shirketinin-tedris-ve-tecrube-laboratoriyalarinin-yaradilmasi-nezerde-tutulub?fbclid=IwAR15lphfxtqbXws5aExOM4MRPgcmgc7GIEIQ-HMONsd9YzxJyrwKoFnpoWU>

51 <https://bhos.edu.az/en/news/1199>

<sup>xix</sup> In 2013, Huawei launched its ICT Academy project globally, a school-enterprise cooperation project that involves higher education institutions to help build the talent ecosystem. The ICT Academy is a collaboration between Huawei and foreign institutions. It is an executive training and research center, focused on innovation in ICT-related areas such as cloud computing, big data and artificial intelligence. <sup>P</sup>

<sup>P</sup> [https://e.huawei.com/en/publications/global/ict\\_insights/201907041409/talent-ecosystem/huawei-ict-academy](https://e.huawei.com/en/publications/global/ict_insights/201907041409/talent-ecosystem/huawei-ict-academy)

<https://az.trend.az/business/it/2519223.html> 52

<https://www.huawei.com/cn/tech4all/stories/ict> 53

<https://english.news.cn/asia/pacific/20220324/8c5325cf79ee4f9d9021d2761218aedc/c.html> 54

[https://www.chinadaily.com.cn/business/tech/2016-10/27/content\\_27190471.htm](https://www.chinadaily.com.cn/business/tech/2016-10/27/content_27190471.htm) 55

<https://mincom.gov.az/en/view/news/1368/ministry-of-digital-development-transport-ada-university-and-huawei-sign-memorandum-of-understanding> 56

<https://apa.az/az/infrastruktur/rinn-ada-universiteti-ve-huawei-arasinda-anlasma-memorandum-u-imzalanib-foto-674879> 57

<http://shx.chinadaily.com.cn/a/202105/14/WS609de675a3101e7ce974f2a1.html> q

State University of Oil and Industry (ASOIU)<sup>xx</sup> as well as the Azerbaijan Technical University (AzTU).<sup>52</sup> After signing a contract for establishing a Huawei ICT Academy, partner universities can get course authorization provided by the company and free training that integrates courses, practice and certification — achieving independent teaching and operation.<sup>53</sup> The centers are expected to deliver employable skills and training in the latest technologies. In practice, Huawei's ICT Academies have been laying an important foundation for close cooperation in the STEM fields — science, technology, engineering and mathematics. Notably, Huawei has already founded over 1,500 ICT Academies in more than 90 countries worldwide, including Azerbaijan.<sup>54</sup> Likewise, the Chinese multinational corporation delivered technical support to the Nakhchivan State University to modernize its education system and assisted in deploying and installing cellular networks years ago.<sup>55</sup>

Most recently, the Ministry of Digital Development and Transport of the Republic of Azerbaijan, ADA University and Huawei Technologies Co., Ltd. came to an agreement on establishing a joint research and development center (R&D Center) in December 2021 in order to promote a building highly skilled workforce to become more technically literate through close collaboration with Chinese engineers.<sup>56</sup> The R&D Center launched at one of Baku's most prestigious universities is meant to enable the development of innovation ecosystems for accelerating public and private sector growth with the help of Huawei. As a part of a government-led national and regional socio-economic development project, the aforementioned center trains indigenous experts in the field of sophisticated technologies, such as the 5G network, GPON, IP and other relevant areas, in order to close the technological gap and create a favorable environment for exploiting new digital solutions across the country.<sup>57</sup>

Meanwhile, Baku continuously promotes innovative policies and strives to implement key technologies and digital services by systematically adopting innovative and yet practical solutions that are targeted at catching up in strategic industries within the

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<sup>xx</sup> Last year, ASOIU alongside several overseas universities became a founding member of the Silk Road Energy Alliance of Industry, Education and Research ( 丝路能源教育科技产学研联盟 ) founded in Xi'an, PRC within the framework of the Belt and Road Initiative. <sup>q</sup>

framework of Azerbaijan 2030: National Priorities for Socio-Economic Development,<sup>xxi</sup> a government-supported project for stimulating the country's socio-economic development and digital-transformation efforts.<sup>58</sup> In other words, with significant official support, the development of scientific research and the adaptation of the innovation policies driven by advanced technologies are currently one of the main axes for the national development priorities in the country. Thus, the cooperation agreements with Huawei aim to enhance proficiency in applying technological resources and make innovative technology more accessible to achieve the national digitalization goals as a part of the government - led digital governance, economy and education strategies. In addition to the intense collaborative partnerships with domestic universities, Azerbaijani students have also been invited to attend Huawei's flagship digital literacy training program - Seeds for the Future,<sup>59</sup> every year since 2016.<sup>60</sup> The global training program is designed to cultivate the next generation of highly-skilled tech specialists and prepare them for high-tech careers in order to meet the needs of the ICT sector. The Ministry of Digital Development and Transport of the Republic of Azerbaijan works closely with Huawei to continually inspire students to join the Seeds of the Future project.<sup>61</sup> Consequently, students of the AzTU,<sup>62</sup> ASOIU,<sup>63</sup> the Nakhchivan University,<sup>64</sup> the Nakhchivan State University<sup>65</sup> and the Nakhchivan Teachers' Institute<sup>66</sup> actively take part in this educational initiative each year. So far, at least a dozen Azerbaijani students already participated in the aforementioned program through their involvement in the technical training, courses, seminars, webinars and workshops at Huawei's Beijing and Shenzhen offices during a two-week study trip in China.<sup>67</sup> The participants were given a chance to meet and communicate with hundreds of instructors, academicians, researchers and

<sup>xxi</sup> The Azerbaijan 2030: National Priorities for Socio-economic Development was approved by the Order of the President of Azerbaijan Republic dated February 2, 2021. In accordance with the order, global economic realities, as well as the goals set at the new stage of development, require the determination of the long-term vector of the country's development, the main directions of socio-economic development and the corresponding national priorities. The following five national priorities for the socio-economic development of the country should be implemented in the next decade: Sustainably growing competitive economy; Society based on dynamic, inclusive and social justice; Competitive human capital and space for modern innovations; Great return to the liberated territories and Clean environment and "green growth" country. These national priorities are also of particular importance in the fulfillment of commitments arising from the United Nations' Transforming Our World: The 2030 Agenda for Sustainable Development. <sup>r</sup>

58 <https://e-ganun.az/framework/38229>

59 <https://www.huawei.com/minisite/seeds-for-the-future/index.html>

60 <https://busy.az/company/huawei-technologies-azerbaijan-llc>

61 <http://ictnews.az/read-48096-news-2.html>

62 <https://tehsilpress.az/index.php?newsid=34270>

63 <http://asoiu.edu.az/en/news/147-huawei-sirketi-adnsu-da-geleceyin-toxumlari-adli-layih-programin-teqdimatini-kecirib>

<https://nu.edu.az/az/universitet-xəbərləri/gələcəyin-ikt-sahəsindəki-toxumları>

<https://nuhcixan.az/news/cemiyet/18077-naxcivanli-telebeler-cinde-huawei-sirketinin-teskil-etdiyi-vay-telim-toplantisidan-qayidiblar>

<https://azertag.az/xeber/Naxcivanli-telebeler-Huawei-sirketinde-tecrube-kechecekler-1067029>

<sup>r</sup> <https://president.az/en/articles/view/50474>

- <https://www.mida.gov.my/mida-news/huaweis-seeds-for-the-future-programme-draws-future-ict-talents/> 68
- <https://report.az/infrastruktur/kobi-a-huawei-sirketi-ile-emekdasliq-edecek/> 69
- <https://edu.gov.az/az/news-and-updates/16437> 70
- <https://www.azernews.az/business/155856.html> 71
- <http://faktor.az/en/economy/93156-the-customs-academy-starts-cooperation-with-the-huawei> 72

industry experts from around the planet. Moreover, the short-term training program leads students to an understanding of the latest developments and trends in the tech industry and enable them to explore the application of the latest frontier technologies in multiple spheres.<sup>68</sup> Aside from the academic partnerships with the HEIs, government agencies, such as the Small Business Development Agency of the Republic of Azerbaijan (SMBDA),<sup>xxii</sup> reached an agreement in 2019 to open a joint-development center with Huawei as well.<sup>69</sup> Beyond that, the Ministry of Education<sup>70</sup> and the State Customs Committee<sup>71</sup> had separately come to an agreement with Huawei that same year vis-à-vis the modernization and automation of the entire system through the utilization of the company's diverse smart hardware devices and software tools. In addition to the cooperation with the State Customs Committee of the Republic of Azerbaijan, the Academy of the State Customs Committee of Azerbaijan (ASCCA) also publicly announced the start of international cooperation with the Chinese multinational telecommunications company a few months later.<sup>72</sup>

Understandably, while innovation policies are currently one of the main priorities for building advanced governance, the economy and the education system in Azerbaijan, domestic business entities, government agencies, organizations and higher education institutions will keep enhancing strategic partnerships with Chinese counterparts and thus extensive technical assistance and inter-governmental support will be constantly delivered in order to achieve development goals. Hence, as Beijing gains a strong foothold in the education sector of Azerbaijan, its ability to influence the educational system will grow exponentially in the near foreseeable future.

- <https://smb.gov.az/en/navigation/faq> s

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<sup>xxii</sup> The SMBDA is created as a legal entity under the Ministry of Economy of the Republic of Azerbaijan in order to support and develop small and medium enterprises by implementing all possible government and non-government instruments to fuel the rate of development of entrepreneurship in the country, thereby ensuring sustainable economic progress of the national economy. While ensuring the proper regulation of SME activity, the agency's goal is to use a flexible supervision system broadly implemented in this area to meet modern requirements in compliance with international experience and effective coordination mechanisms to increase the contribution and share of micro, small and medium-sized businesses in the national economy. Further, the agency works to boost their competitiveness, present them with broader opportunities to access financial resources, improve mechanisms to provide them with institutional support, coordinate the activities implemented by public and private entities in this area, establish a favorable business environment to ensure the development of entrepreneurship in the country's regions and attract domestic and foreign investments to this area of activity.<sup>5</sup>

## Conclusion and Recommendations

Academic cooperation has been a crucial part of the close and long-standing relationship between the two countries. There is no doubt that the promotion of educational collaboration solidifies the basis for interstate relations. Fostering solid and comprehensive strategic partnerships<sup>73</sup> helped boost integration with China in the educational sphere in the past two decades. Yet, despite the growing Sino-Azerbaijani relations, Baku does not maintain the same level of engagement in the field of education with China as other post-Soviet states. While increasing educational relations represent a new phase of Chinese engagement in Azerbaijan and Beijing's growing involvement is highly positive for the local education sector, there are some areas that need to be significantly improved. These range from financing joint projects to defining a clear strategic vision toward strengthening scholarly cooperation, creating a strong platform for maintaining a continued partnership and improving the attractiveness of China/ Azerbaijan Studies. To be more precise, both sides need to cooperatively devote more attention to financing, developing and running joint educational initiatives (they could be offered collaboratively by two universities through an integrated curriculum design) and dual graduate/professional degree programs (allowing students to earn two specializations simultaneously) at various academic levels. The joint implementation of academic projects would highly contribute to the attractiveness of the Azerbaijani/Chinese language and cultural education programs and lead the way in engaging more regular and effective transnational cooperation. Through the deep integration of educational entities, the development of international joint degree programs between institutions can provide an exceptionally rich international experience and new perspectives for both Azerbaijani and Chinese students and greatly stimulate the creation of a wider higher education community. In doing so, it is necessary to focus on building a learning community through virtual and in-person orientations and activities in order to overcome language and cultural barriers that lead to misunderstanding and ignorance.

Although Azerbaijan is home to over 50 HEIs,<sup>74</sup> however, the funding is often insufficient to support effective and future-proof

73 [https://azertag.az/en/xeber/President\\_Ilham\\_Aliyev\\_was\\_interviewed\\_by\\_Chinese\\_Xinhua\\_agency-1271220](https://azertag.az/en/xeber/President_Ilham_Aliyev_was_interviewed_by_Chinese_Xinhua_agency-1271220)

74 <https://edu.gov.az/upload/file/alitehsil-siyahi.pdf>

international partnerships and transnational projects. Internationally, if Azerbaijan seeks to take bilateral collaboration to a new level of intensity and scope and promote the development of integrated study programs, the higher education sector needs to largely adopt the “2+2 international exchange programs”<sup>xxiii</sup> in which students may pursue multiple majors, including double majors and dual degrees by attending both domestic and overseas universities within the four-year Bachelor’s degree studies. Simultaneously, Azerbaijan would welcome more Chinese students and scholars to study and conduct research at the country’s scientific institutions by offering financial incentives through government agencies such as the Ministry of Foreign Affairs and the Embassy of the Republic of Azerbaijan in Beijing. Apart from that, Baku has to systematically focus on optimizing the functionality and productivity of the cultural centers (running in multiple provinces of China) that could deliver strong social and cultural outcomes. Similarly, for improving inter-university ties and ensuring institutional flexibility at the institutional level, it is vital to simplify administrative tasks, eliminate barriers between partner universities/ centers and accelerate internal procedures without passing through multiple approvals. While establishing joint foreign institutions has become a new trend in the internationalization of higher education, the international joint venture universities are also growing in popularity in both Azerbaijan<sup>xxiv</sup> and China<sup>xxv</sup> as the two countries have already

[http://www.beie.org/gjbk2\\_2xm](http://www.beie.org/gjbk2_2xm)

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<sup>xxiii</sup> Most Chinese HEIs used to widely apply this method (国际本科2+2出国留学项目) in their systems for years. The International Undergraduate 2+2 Study Abroad Program allows undergraduate students to complete the first two years of their undergraduate studies at a domestic university and the remaining two years at a foreign partner institution. At the end of the transfer program, graduates usually get a dual degree diploma. <sup>t</sup>

<sup>xxiv</sup> The French-Azerbaijani University/UFAZ (a joint project led by the French University of Strasbourg and the Azerbaijan State Oil and Industry University/ASOIU), the Italian-Azerbaijani University (the joint venture institution will be run based on the agreements signed between the ADA University of Azerbaijan and the five Italian HEIs; namely, the University of Louis, the University of Bologna, the Polytechnic University of Milan, the Polytechnic University of Turin and the Sapienza University of Rome).

<sup>xxv</sup> The Sino-foreign joint venture programs and institutes cover a broad range of academic fields in China. Several well-known American and European institutions launched joint-venture projects through collaboration with reputable Chinese HEIs. For instance, the Duke Kunshan University/DKU in Kunshan (jointly inaugurated by the American Duke University and the

successfully managed to launch a number of joint institutions in collaboration with overseas educational establishments. Against this backdrop, the Sino-Azerbaijani joint ventures at the Bachelor's degree and above level or the joint venture institutions could become the new area for high-level educational cooperation in the near future. Indeed, the well-developed higher education joint venture projects would encourage universities to engage globally and significantly contribute to the overall promotion of Azerbaijani higher education in China and vice versa. On top of that, the development of bilateral academic exchanges and the large-scale scientific and technical cooperation of universities need to be collectively managed and coordinated by a government-led working group or joint committee on academic initiatives that include educators, linguists and sinologists. Therefore, there are still dozens of promising opportunities and a wide range of collaborative areas that could expand the existing partnerships and broaden the current scope of educational cooperation in order to strengthen the overall sustainability of Sino-Azerbaijani academic ties in the coming years.

Although no official statistics are publicly available on Azerbaijani students in China, generous grants for international students that often come from the central government or local universities help Beijing gain popularity among Azerbaijani youth. To date, hundreds of Azerbaijani students have benefited from the fully funded or partial scholarship programs offered by multiple sources. Although Chinese has a steep learning curve, the number of students who desire to study Mandarin or specialize in China Studies has skyrocketed in recent years. As noted, more and more Azerbaijanis are learning Chinese, especially after the establishment of the Chinese government-funded Confucius Institutes at the country's major universities

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Chinese Wuhan University), the NYU Shanghai (a Sino-American partnership of the New York University and the East China Normal University of Shanghai), the University of Nottingham Ningbo China/UNNC (run by the British University of Nottingham in partnership with the Chinese Zhejiang Wanli University) and the Xi'an Jiaotong-Liverpool University/XJTLU in Suzhou (based on the agreement of the UK-based Liverpool University and the Xi'an Jiaotong University of China) are some examples of Sino-foreign cooperative joint-ventures across China. In parallel, Beijing has initiated its own university program abroad by building branch campuses such as the Xiamen University Malaysia (run since 2015) and the Fudan University Campus in Budapest, Hungary (set to open in 2024).

which provide students with easy access to learn the language and offer a broad range of opportunities for junior students and professionals to study or conduct research at various institutions of China. This network of non-profit educational organizations still plays a pivotal role in promoting and spreading the language and culture. As a result, the number of Azerbaijanis learning the Chinese language has grown tenfold over the past couple of years; in particular, studying Chinese has become increasingly popular among Azerbaijani youth who seek to develop intercultural skills as well as to boost career prospects and competitiveness in the labor market. Although English and Russian (even the Russian language is gradually losing its former strength and importance) continue to have a major advantage, the economic motives to study Chinese are becoming stronger. Nonetheless, learning Chinese is a pragmatic pursuit rather than one motivated by cultural or scientific objectives among Azerbaijani youth. Beyond that, the number of Azerbaijani students who are admitted to Chinese universities at their own expense is increasing every year as well. Pursuing a full-time professional degree at prestigious higher educational institutions in China remains immensely profitable for most middle-income Azerbaijanis. Thus, enrolling in fully funded or affordable degree programs in Chinese universities is viewed as a viable alternative to costly Western education. Noticeably, the education cost at Chinese universities is comparatively lesser than that of Western or even certain Azerbaijani private colleges as many programs offered by the Chinese HEIs are ranked by affordability, student/faculty ratio and academic quality.

On the contrary, despite China pursuing increasingly activist foreign policies and exercising soft power influences in Azerbaijan in recent years, they remain limited for now. On the other hand, considering the multi-vector nature of Baku's foreign policy, China is likely to increase its cultural and educational involvement in Azerbaijan in the long run as a significant number of the Chinese-educated Azerbaijani alumni is already shaping (the organization of the Azerbaijan-China Alumni Association Public Union has recently been inaugurated by a group of former Azerbaijani graduates in an attempt to bring together PRC-educated professionals in Azerbaijan)<sup>75</sup> the future of Sino-Azerbaijani bonds by proactively contributing to the development of socio-economic and cultural ties between the

<https://edu.gov.az/en/news-and-updates/17966-1> 75

two countries. Despite widespread criticism<sup>xxvi</sup> about the activities of the Confucius Institute in Western countries, the Azerbaijani government is unlikely to probe into the activities or restrict the expansion of the Chinese cultural centers around the country as Baku regards Beijing as one of the most important partners in various fields, including education. Moreover, as the Chinese-controlled educational hubs do not appear to offer degrees but rather courses on Chinese culture and language to a limited number of people, the central government would not take any drastic measures against them in an effort to preserve its friendly relationship with the world's second-largest economy, at least for the time being.

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<sup>xxvi</sup> Being one of the essential tools of China's soft power and overseas propaganda, the Confucius Institutes are often condemned for posing a potential menace to academic freedom and the freedom of expression in educational institutions and democracies. Moreover, a group of Western experts states that the expansion of the Beijing-funded centers is considered as an attempt to silence overseas critics and help the Communist Party of China (CPC) gain a strong foothold in the global arena. <sup>u</sup>

<sup>u</sup> <https://hongkongfp.com/2019/05/05/chinas-overseas-confucius-institutes-pose-powerful-threat-academic-freedom/>

# ***China Influence in Azerbaijan: Mitigating Security Risks from Digital Silk Way***

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## Abstract

As the world moves toward the fifth-generation or 5G technology standard for wireless connectivity, enabling ultrafast communications is expected to lead to dramatic societal changes. This technological evolution will revolutionize the digital economy and power the next generation of digital technologies. Significant military and commercial points of interest are at stake, fueling intense geopolitical competition among countries vying for 5G leadership in Central Asia and South Caucasus.

With the potential to enable significant economic growth and the innovation of critical technologies in various fields, both the United States and China view 5G as one of the key influencing factors in the “great power competition.”

Azerbaijan has welcomed Chinese investments and initiatives like the Digital Silk Road since they are essential for building and operating new-age digital infrastructure and connectivity in the impoverished region. However, 5G deployment in Azerbaijan has established its long-term dependence on Chinese technology. The formation of the “Digital Silk Way” between Europe and South Asia will create new cooperation opportunities for other regional partners located around this digital route, promoting digitalization in Central Asia and South Caucasus.

These studies will consist of the current state of the 5G competitive field, foreign interests, and influences. Studies will also uncover 5G security risks, including surveillance concerns, security risks, and challenges in 5G in Azerbaijan.

The report will summarize with concluding insights, recommendations for securing 5G, and proposed strategies.

## Abbreviations

**BRI** - Belt and Road Initiative  
**DSR** - Digital Silk Road  
**FO** - fiber-optic  
**GDPR** - General Data Protection Regulation  
**GPS** - Global positioning system  
**ICT** - Information technology communications  
**LTE** - Long-term evolution  
**TCFO** - Trans Caspian Fiber Optic

## Keywords:

**Digital Silk Way,  
Central Asia,  
South Caucasus,  
China,  
Azerbaijan,  
5G security risks**

West sanctions against Russia offer China an opportunity to play a more significant investor role in finalizing and setting new infrastructure, including the Information and communications technology (ICT) sector in the Central Asia and South Caucasus regions. In the post-Russia-Ukraine war period, the role of Moscow as a guarantor of military-political stability and trade partner in the area will steadily decline since some states of Central Asia and South Caucasus are firmly determined to resolve issues of socio-economic problems, primarily with China.

The Chinese state has gradually increased its financial capabilities and has worked toward strengthening the ICT sector in the Central Asia and South Caucasus regions during the last two decades. The domestic private technology sector of China, supported by the state, has gained immense heft on the international stage. It looks to play an active role in advocating for global technical standards and a worldwide governance mechanism for governing emerging technologies. In this way, China hopes to boost domestic economic growth and project geopolitical influence. Of course, the transformation of the South Caucasus into a "little China" will not be quick and easy, full of dramatic twists and turns. But Beijing is not going to rush. Everything that happened recently in the region is in favor of Chinese infrastructure projects.

China's infrastructure diplomacy in developing countries has received growing attention since the Belt and Road Initiative launch in 2013. China's Digital Silk Road (DSR) was launched in 2015 as a component of Beijing's vast vision for global connectivity, the Belt and Road Initiative (BRI). For years, it has been less an identifiable set of projects as much as it was a brand for virtually any telecommunications or data-related business operations or product sales by China-based tech firms in Africa, Asia, Europe, Latin America, or the Caribbean — home to the 100+ BRI countries.<sup>1</sup>

Like the BRI, the DSR is not monolithic and involves many actors at all levels across the Chinese public and private sectors. It is amorphous, and the line between official and unofficial DSR projects is often blurry. Comprehensive data on DSR investments is difficult to come by. According to one estimate, by 2018, DSR-

Dews, F. (2019, June 14).  
Charts of the Week:  
China's Belt and Road  
Initiative. Retrieved from  
[https:// 31  
www.brookings.edu/blog/  
brookings-  
now/2019/05/17/charts-  
of-the-week-chinas-belt-  
and-road-initiative/](https://www.brookings.edu/blog/brookings-now/2019/05/17/charts-of-the-week-chinas-belt-and-road-initiative/)

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related investments in digital infrastructure projects outside China had reached \$79 billion<sup>2</sup>.

The goal of the DSR project is to connect Europe directly with the Caucasus and Central Asia and build the infrastructure needed to create regional hubs that can attract foreign direct investment.

In terms of building across the Caspian Sea, it's only 350 kilometers, so it's a non-repeater system. We are building a brand new, 48-pair fibre optic system across Azerbaijan using the railway. The RFP has been issued for that, and we are at vendor selection at the moment. We are looking at the beginning of 2023 for that to be finalized; the Caspian Sea cable will also be in 2023.

In fact, just over 93 fibre pairs are running through the oil and gas pipeline. We will put active equipment on that in 2022, so it will be ready for 2023, and we are actually building a new sea cable system in the Black Sea. It's a consortium being led by our colleagues in Vodafone, and we believe this will be ready probably around 2024.

The whole route end-to-end will be available in 2023, going into 2024.

DSR combines several different routes and components, which will be linked through various projects over 2022-2023. For example, the existing network in Kazakhstan will be extended to the planned Kazak cable landing station in Aktau, on the Caspian Sea coast. From there, there will be new subsea cable projects in the Caspian Sea and the Black Sea and a new fibre system across Azerbaijan.<sup>3</sup>

DSR was initiated to expand this communications network across the region, including Azerbaijan, Kazakhstan, and Turkmenistan. It included constructing a 1,550km fibre optic line connecting Georgia along with Azerbaijan's rail network to planned Caspian subsea cables, currently in progress. These will connect onwards to Kazakhstan and Turkmenistan, replacing existing infrastructure. The Digital Silk Way project aims to link Europe directly with the Caucasus and Central Asia and build the infrastructure needed to create regional hubs that can attract foreign direct investment.

2 The Diplomat, China's Digital Silk Road and the Global Digital Order, By **Richard Ghiasy and Rajeshwari Krishnamurthy** <https://thediplomat.com/2021/04/chinas-digital-silk-road-and-the-global-digital-order/>

3 <https://www.capacitymedia.com/article/29otdn0ylukn01pfjexhc/news/cis-panel-confirms-project-deployments-for-digital-silk-way>

## Digital Silk Road and its Significant Challenges

The DSR aims to improve digital connectivity in participating countries, with China as the main driver of the process. On the macro level, the DSR is about the development and interoperability of critical digital infrastructures such as terrestrial and submarine data cables, 5G cellular networks, data storage centers, and global satellite navigation systems. In one of the most recent moves, China completed the launch of its global satellite system, BeiDou, which, in some regions, is more accurate than the United States' global positioning system (GPS).

In Asia, Pakistan, Laos, Brunei, and Thailand are among the countries that have adopted BeiDou, and there is growing used in West Asia (the Middle East) and Africa. At the micro-level, the DSR promotes connectivity between local businesses and consumers and among businesses and consumers. Examples include e-commerce, taxi-hailing, fintech (financial technology), and edtech (education technology) platforms and apps, as well as hardware such as routers, smartphones, and PCs.

The DSR is far more than just an infrastructure project. For China, the DSR is a solution that engenders a less U.S.-centric and a more Sino-centric Asian and global digital order. China pursues this goal by enabling the opening of new markets for Chinese tech giants such as Alibaba, Tencent, and Huawei, and by strengthening the world's digital connectivity with China.

The DSR fits right in with the Chinese authorities' ambitious national goals such as "Made in China 2025"<sup>4</sup> and "China Standards 2035"<sup>5</sup>. These initiatives aim to enhance China's domestic tech innovation, production, and transaction capabilities. In turn, these goals are part of an overarching vision of the Chinese government for tech primacy and greater autonomy in the global digital order.

The Chinese government seeks to reduce the country's vulnerable dependence on other tech leaders, especially the United States, Japan, and select European states. The DSR aids Chinese tech giants and smaller players to boost their sales and local know-how and gain a foothold in overseas markets – often with the help of Chinese government policy facilitation. Regardless of what one makes of the approach, the DSR expands the oligopolistic pool of digital products and services suppliers.

<https://www.csis.org/analysis/made-china-2025>

4

<https://www.china-briefing.com/news/what-is-china-standards-2035-plan-how-will-it-impact-emerging-technologies-what-is-link-made-in-china-2025-goals/>

5

Indeed, a small number of actors lead the tech world, and U.S. tech giants Alphabet (Google), Intel, Amazon, Cisco, and Facebook have a near-global monopoly in their respective domains. For example, by the end of 2018, content providers such as Microsoft, Facebook, and Amazon owned or leased more than half of the undersea cable bandwidth. These cables carry close to 98 percent of international internet data and telephone traffic. Such dominance is not healthy and several actors, including the EU and Australia, have taken steps to curb these tech giants' sway.

The DSR often focuses on BRI participants and developing economies, but the DSR's reach is not limited to these actors. The initiative fills digital "voids" wherever it spots one. Top recipients of DSR investments even include large European economies such as Germany and Italy. In Europe, projects focus on 5G networks, fintech, and smart city technologies. The DSR catalyzes a more digitalized world from Serbia to Mexico to Myanmar through competitive Chinese public-private sector partnership deals. A more digitalized world is not exclusively beneficial to China and Chinese companies. Indeed, DSR digitalization, if accompanied by economic growth, could offer a host of spinoff investment and sales opportunities for non-Chinese tech and non-tech companies too.

As with any initiative of this scale, the DSR comes with some challenges. Mainly, these apply to existing tech giants and digital infrastructure providers who would wish to sustain their lead. However, these challenges broadly apply to all stakeholders who favor the vision of a more open, transparent, accessible, and equitable global cyber domain – and digital governance at large.

In this regard, the DSR has four significant and far-reaching strategic implications.<sup>6</sup>

**First**, China can build and offer digital backbones that are almost entirely homegrown. The backbones are the infrastructure that makes digital communication possible, such as data cables, cellular networks, and data storage centers. Drawing an analogy with Legos, the more backbone China builds, the more it can build on and connect to that foundation – thus strengthening its position in the global digital order.

**Second**, the DSR may facilitate China to set standards for digital infrastructure and next-generation tech such as artificial

6 The Diplomat, China's Digital Silk Road and the Global Digital Order, By Richard Ghiasy and Rajeshwari Krishnamurthy <https://thediplomat.com/2021/04/chinas-digital-silk-road-and-the-global-digital-order/>

intelligence, robotics, the Internet of Things, blockchain, serverless computing, and so on.

**Third,** China's view on digital governance has a much more state-paternalistic nature. This differs starkly from the average liberal Western view on digital values and norms, especially that of the United States. The Chinese government enforces strict restrictions on cyberspace in China. It also does not hesitate to closely monitor its netizens in a considerably sealed off domestic "intranet."

**Fourth,** Chinese businesses, and by extension, Chinese authorities, could gain access to large local data pools through the DSR. By strengthening other countries' reliance on Chinese infrastructure, Beijing could – theoretically – gain a valuable tool of local political influence, although this would depend considerably on local cybersecurity policies and enforcement capacities, among other factors. Such potential exploitation, however, is not exclusive to China.

As you see, the DSR clearly serves a broader objective of narrowing the global digital divide. It also challenges the existing dominance of the U.S. digital value system and the dominant market share of its tech companies. As such, the DSR presents both serious partners in digital transformation for those countries in need of competitively priced digital products and services, as well as competition to existing tech leaders. Regardless of where one stands, amidst a pandemic that has wreaked havoc on the global economy, digitalization and economic growth are as welcome as ever.

## *Digital Silk Road Project and its implementation in Azerbaijan*

Current development tendencies that are observed worldwide and especially the shift of paradigms in the telecom sector affect any country globally. Taking into consideration Azerbaijan's strategic location at the crossroads of the North-South and East-West routes. The famous and ancient Silk Road also passed Azerbaijan as it was the shortest route from the Middle and the Far East to Europe. Undoubtedly, the development processes impact the telecommunication sector of Azerbaijan.

Azerbaijan is strategically located at crossroads between north and south, west and east.

Information and communication technology (ICT) is expected to play a leading role in diversifying the economy of Azerbaijan and reducing its reliance on hydrocarbons, the current goals of the Government of Azerbaijan. ICT is viewed as essential to the plan, given its cross-cutting scope of economic diversification and transitioning the nation to a knowledge society.

Azerbaijan's ICT sector generated revenue of AZN 2.384 million (\$1.402 million) in 2021, or 1.8% of GDP (4.1% of non-oil GDP)<sup>7</sup>. The stagnant contribution of the ICT sector to GDP and the dominance of telecommunication within the ICT sector presents a challenge to the government's aspirations for sector revenues to surpass those of oil. Employment in the ICT sector totaled 29,5 thousand persons in 2021. However, the sector accounts for 1.7% of total employment.

7 <https://www.stat.gov.az/news/macroeconomy.php?page=3>

In 2021, 11,813 individual entrepreneurs engaged in economic activity worked in the information and communication sector, which is 1% of the total number of individual entrepreneurs.

Although there are some 40 internet service providers (ISPs) in Azerbaijan, the two fixed-line operators (i.e., Aztelekom LLC and BTC LLC) control all last-mile wired access to homes, so ISPs need to enter into agreements with them. Aztelekom LLC and BTC LLC also provide internet services using their own ISPs, providing fixed broadband ADSL over their copper-line networks. Both have similar ADSL offerings and have started to offer fiber-optic connections as well. They make up roughly half of the market, with private ISPs serving the other half. The three mobile

Country Diagnostics 8  
January 2019 Azerbaijan:  
Country Digital  
Development Overview  
Asian Development Bank  
<https://www.adb.org/sites/default/files/institutional-document/484586/aze-digital-development-overview.pdf>

<https://www.neqsolholding.com/business-segments/telecommunications/azertelecom/> 9

<https://www.capacitymedia.com/article/29otckqx2h8okpvtndz4/news/eqsol-moves-to-protect-digital-silk-way-investments> 10

operators (i.e., Azercell, Azerfon, and Bakcell) provide their subscribers with broadband internet access using 3G and 4G long-term evolution (LTE) technology. There is also a fixed wireless LTE network operated by AzQTel.<sup>8</sup>

As a leading national backbone internet operator that functions in the telecommunication sector of Azerbaijan, “AzerTelecom” LLC “has a diverse and developed local and international network which allows the company to diversify its operation, to bring internet service to the country, and deliver this strategic service, as well as the other innovative telecommunication services both to private and government entities in correspondence of high standards and quality. The company applies a new worldwide telecom paradigm in its operation.

AzerTelecom” LLC executes a variety of projects for the implementation of innovative technologies in Azerbaijan. AzerTelecom is an implementer DSR in Azerbaijan and was launched by NEQSOL Holding in 2018.<sup>9</sup> The initiative aims to develop a modern transit fiber-optic (FO) infrastructure network connecting Europe to Central and South Asian markets through Georgia and Azerbaijan.

NEQSOL’s ambitions don’t end with the ownership of Caucasus Online – the firm is heading an international mega-project that promises to accelerate Georgia’s digital economy at a critical time.

Caucasus Online connected Georgia to Europe in 2008 with the 1,200km Caucasus Cable System that for the first time brought stable, high-speed internet to the country. Building on this, NEQSOL acquired the major ISP as part of its DSR project.

The DSR was initiated to expand this communications network across the region including in Azerbaijan, Kazakhstan, and Turkmenistan. It included the construction of a 1,550 km fibre optic line connecting Georgia along with Azerbaijan’s rail network to planned Caspian subsea cables, currently in progress. These will connect onwards to Kazakhstan and Turkmenistan, replacing existing infrastructure.

There is an intergovernmental agreement in place between Azerbaijan and Kazakhstan, which formalizes a 50/50 joint venture between NEQSOL and Kazakhstan for this cable project.<sup>10</sup>

DSR project is progressing without obstruction in Central Asia and South Caucasus. Currently, the focus is on finalizing arrangements to construct the 341 km Azerbaijan-Kazakhstan submarine cable.

DSR is supposed to develop the region's digital ecosystem in line with the most advanced world standards, reduce its reliance on foreign Internet suppliers, and improve access to various digital services for 1.8 billion people in the Central and South Asia regions. The ambitious project provides the possibility of creating modern data centers and Internet traffic exchange points in Azerbaijan and Georgia, turning the area into a potential destination for global hyper scalers.

Within the project, AzerTelecom, together with partners in Kazakhstan, launched the construction of the "Trans Caspian Fiber Optic (TCFO)" cable line that will connect two countries along the bottom of the Caspian Sea. An agreement to launch a similar line that will connect Azerbaijan and Turkmenistan was also reached.

The signing of a Strategic Memorandum of Understanding between "AzerTelecom," which implements the "Azerbaijani Digital HUB" program to transform Azerbaijan into a Digital Hub, and "China Telecom," a large Chinese ICT company, is of great importance. Thus, this document reflects mutual understanding and cooperation between large ICT companies of the two countries to establish the Asia-Europe telecommunication corridor (Digital Silk Road) within the framework of the "Digital HUB" program.

"AzerTelecom" is currently implementing the "Azerbaijan Digital HUB" program to transform Azerbaijan into a Regional Digital Hub in addition to its status as Energy and Transport Hub. The "Digital HUB" program aims to transform the country into a Regional Digital Hub for the Caucasus, Central, and South Asia, the Middle East, and surrounding regions. The transformation of Azerbaijan into the Digital Center of the Region as a result of the "Digital HUB" program will contribute to Azerbaijan's participation in the BRI project initiated by the Chinese government. With implementing the "Digital HUB" program, Azerbaijan will become a telecommunication corridor of the BRI project.<sup>11</sup>

The main objective of the "Azerbaijan Digital Hub" program is to raise the telecommunication ecosystem of Azerbaijan to the

11 [https://samenacouncil.org/samena\\_daily\\_news?news=73097](https://samenacouncil.org/samena_daily_news?news=73097)

most advanced world standards, to minimize the dependence of the country on foreign countries in the purchase of Internet, and in the future, to become a central country in the sale of the Internet in the region, and to transform Azerbaijan from a digital service importing country into a country that produces and exports these services to the neighboring regions under the brand "Made in Azerbaijan". The program comprises 3 phases<sup>12</sup>:

1) Sustainable infrastructure building inside and outside of Azerbaijan; 2) Adding Baku city to the global Internet map as a new Internet Exchange Point and attracting the large content providers (Google, Facebook, Netflix, Apple, Alibaba, Amazon, Tencent, etc.) to Azerbaijan to place their database in the country; 3) Formation of the digital ecosystem in Azerbaijan.

Within the framework of the "Azerbaijan Digital Hub" program, the transformation of Azerbaijan into a regional center in the Caucasus, the Middle East, Central Asia, and South Asia will create conditions for the better provision of 1.8 billion people (1/4 of the world's population) with different digital services. The transformation of our country into a central country not only in the Internet transit but also in the sale of the Internet means adding Baku to the world's Internet map, along with Internet hubs such as London, Frankfurt, Sofia, Istanbul, Moscow, Amsterdam, and Dubai. This will help ensure that the world brands (Apple, Google, Amazon, Alibaba, Facebook, Netflix, etc.) are concentrated at the Digital Center.

The implementation of the program will ultimately contribute to the formation of a digital ecosystem in the country, the digitalization of the economy, and the digital economy building.

## Security Risks and Challenges in 5G

The eventual decline of the West's dominance in the standards domain has offered an opportunity for China to play a more significant role in finalizing and setting technology standards. The Chinese state has gradually increased its technical capabilities and has worked toward strengthening the technology sector in the country during the last two decades. The domestic private technology sector of China, supported by the state, has gained immense heft on the international stage. Now, it looks to play an active role in advocating for global technical standards and a worldwide governance mechanism for governing emerging technologies. In this way, China hopes to boost domestic economic growth and project geopolitical influence.

The roll-out of the 5G network, the next generation of global communications, has not only emerged as a critical flashpoint in the emerging geopolitical contestation between China and western countries, led by the U.S. but also engendered an exciting debate in other nations about its own choices. When it comes to adopting and deploying 5G networks, policymakers worldwide are facing a critical choice that will require them to carefully weigh and balance economic, political, technical, and strategic considerations.

The eventual decline of the West's dominance and China's growing role in building ICT infrastructure in the region poses at least three risks.

### 1) Identified 5G Risks

5G builds upon existing telecommunications infrastructure to improve bandwidth and capabilities and reduce network-generated delays. However, 5G also carries over and introduces new risks that must be addressed to ensure its secure and safe use by the government and private sectors, including everyday citizens. As the U.S.'s risk advisor, the Cybersecurity and Infrastructure Security Agency determined that 5G implementation will introduce vulnerabilities in four critical areas:<sup>13</sup>

### 2) Control of Regional Internet

China's BRI, sometimes referred to as the New Silk Road, is one of the most ambitious infrastructure projects ever conceived. Launched in 2013 by President Xi Jinping, the vast collection of development and investment initiatives would

13 5G Introduces New Benefits, Cybersecurity Risks. (2020, October 15). Retrieved from <https://www.dhs.gov/29/science-and-technology/news/2020/10/15/feature-article-5g-introduces-new-benefits-cybersecurity-risks>

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pub-8185](https://34carnegieendowment.org/2020/05/08/will-china-control-global-internet-via-its-digital-silk-road-pub-8185)

stretch from East Asia to Europe, significantly expanding China's economic and political influence. Xi's vision included creating a vast network of railways, energy pipelines, highways, and streamlined border crossings, both westward, to Central Asia and southward, to Pakistan, India, and the rest of Southeast Asia. Such a network would expand the international use of Chinese currency, the renminbi, and "break the bottleneck in Asian connectivity," according to Xi.<sup>14</sup>

As China continues to dominate the 5G expansion and Huawei amasses an ever-increasing share of the world's 5G infrastructure, trends directly link to China's determination to gain global power and influence through economic and technological superiority. Some fear Chinese officials<sup>15</sup> will increasingly view BRI and the concept of the DSR as providing potential and ready channel for deploying a technology stack that hews closer to Beijing's vision of data and digital sovereignty. In an op-ed piece by Tom Cotton and John Cornyn of the Senate Select Committee on Intelligence, "Huawei is constructing a global network of undersea Internet cables and next-generation mobile networks that could give China effective control of the digital commanding heights."<sup>16</sup> For the last five years, Chinese firms such as Huawei have played a significant role in setting global technology standards for 5G and building out mobile infrastructure via the International Telecommunication Union, a specialized agency of the United Nations responsible for all matters related to information and communication technologies. Other Chinese firms are eager to follow suit and contribute more to the global standards-setting process, which would help advance Beijing's vision of a more China-influenced technology stack. However, the U.S. government and some data privacy advocates believe that greater involvement by Chinese companies in multilateral technology standards-setting efforts could materially alter the course of global norms in ways the US and other democracies would not support.<sup>17</sup>

### 3) Surveillance Concerns

While the BRI has the power to improve digital connectivity for developing economies, it also spreads Chinese influence and soft power by making partner nations more dependent on China for connection with the global digital world. Over the last several years, China has poured vast amounts of capital into its fixed and

cellular networks, building a highly densified and sophisticated communication infrastructure. It continues to roll out and enhance advanced technologies over this backbone faster than any other country. It is expected to invest another \$145 billion in 5G over the next five years to offer it in all major cities and switch more than a quarter of Chinese mobile subscriptions to 5G networks by 2025. In Central Asia, Chinese government-controlled technology companies have worked with national governments and local cell-service providers to establish facial recognition software to streamline payment processes and enforce public security. In April 2019, Huawei closed a \$1B deal with the Uzbek government to further its surveillance operations in the country.<sup>18</sup>

However, citizens' data obtained by this technology and states' security systems could be at risk of Chinese exposure. Over the last several years, China has poured vast capital into its fixed and cellular networks, building highly sophisticated and densified underlying communication infrastructure. The nation continues to roll out and enhance advanced technologies over this backbone faster than any other country. It is expected to invest another \$145 billion in 5G over the next five years to offer it in all major cities and switch more than a quarter of Chinese mobile subscriptions to 5G networks by 2025. With more countries transitioning from 4G to 5G networks, China's telecommunication control may directly increase its cyber dominance.

- 18 Yan, Y. T. (2019, August 07). Smart Cities or Surveillance? Huawei in Central Asia. Retrieved from <https://35thediplomat.com/2019/08/smart-cities-or-surveillance-huawei-in-central-asia/>

## Conclusion

As the world pushes toward 5G, nations compete for global leadership. 5G will reform the digital economy and enable advances in the telecom-munications industry. Massive military and business focal points are in question, powering serious international rivalry among nations competing for 5G authority.

While the U.S. has made a concerted effort to combat Chinese power amidst the global race for 5G dominance. However, China, among other nations, has within its own digital sphere by banning Chinese technology corporations seen as a security risk, but economically developing countries have little choice if they want to improve digital connectivity. It is vital for nations to join forces to combat this likely global dependence upon Huawei.

Looking ahead to 6G will enable the U.S. and its allies to keep up in the race for future generations of communication technology. The world has barely started using 5G, the latest generation of wireless connectivity, but China is already looking ahead to 6G. In November 2019, China reported that it had formed two teams to oversee the research and study of 6G, marking the official start of a state-backed effort to accelerate the development of the technology. One team consists of government departments who will be in charge of pushing through the execution of 6G technology, while the other consists of 37 experts from universities, science institutions, and corporations, who will provide technical advice for the government's major decisions on 6G<sup>19</sup>. To ensure the U.S. does not get left behind, it is important that we start developing 6G.

Central Asia and South Caucasus have always been the strategic and commercial crossroads of civilizations between Europe and Asia. It is essential to support these nations by building a more stable and prosperous Central Asia that is free to pursue political, economic, and security interests with a variety of partners on its own terms; is connected to global markets and open to international investment; and has strong, democratic institutions, the rule of law, and respect for human rights<sup>20</sup>. A stable and secure South Caucasus and Central Asia contribute directly to U.S. efforts to counter terrorism, support regional stability, promote energy and cyber security, and enhance economic prosperity in the region and beyond.

Li, J. (2019, November 07). 19  
Forget about 5G, China has  
kicked off its development  
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[https:// 42  
qz.com/1743790/forget-  
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advancing-sovereignty-  
and-economic-prosperity](https://www.state.gov/united-states-strategy-forcentral-asia-2019-2025-advancing-sovereignty-and-economic-prosperity)

## *Future risks and expectations*

Due to Western sanctions, if Russia is wholly removed from the Internet, significant risks and dangers may arise in Azerbaijan. Such a threat must be anticipated and assessed. Thus, LINX's global Internet company has removed Russia's largest telecommunications operators, including Rostelecom, from the Internet Exchange system. In other words, Russia's Internet traffic has significantly weakened. Risks and threats can be grouped in terms of expected risks.

1. Many Azerbaijan public and private sector organizations use Russian 1C software. Recently, this service was provided mainly through the Cloud. At the same time, the licenses are related to Russia's online environment. In the event of a collapse in RuNet, 1C, which manages the leading accounting software in Azerbaijan's public and private sectors, it is possible that it will not work.

2. Many users in Azerbaijan use the Mail.ru service. Some are actively connected to various services using this email and other email servers in Russia.

3. Many commercial services are connected to Yandex.ru in Azerbaijan. Many emails are connected to Yandex hosting, through which various online services are delivered. It could also risk this with the collapse of RuNet.

4. Some online stores in Azerbaijan are physically dependent on resources in Russia. Although payments for purchases from these stores are made in Azerbaijani banks, applications are sent from Russian IPs. In this case, the problem with the Russian Internet can negatively affect the payments of such online stores.

Finally, the backup of the az domain is associated with the DNS name server. The backup server of the national domain is in Ukraine at the height of the war.

Let me remind you that DNS servers of the .az domain are one of the most critical resources for the functioning of the Azerbaijani Internet. Disabling it is like turning off the Azerbaijani Internet.

This resource in Ukraine poses severe risks to our information security. Its alternative is in Estonia. Due to the current military-political situation, it can be considered a risk zone. If our national resource, the DNS server, is in a war zone, it could disappear at

any moment. This is a serious threat to Internet security in Azerbaijan.

It would be suitable for the relevant agencies to consider and move the backup servers to other quieter European countries. At the same time, it would be appropriate for the Electronic Security Service under the Ministry of Internal Affairs and other relevant government agencies to make recommendations to the public and private sectors and individual users regarding the common threats and risks.

The future development of the ICT sector in Azerbaijan is defined in the Strategic Roadmap. Strategic Roadmap<sup>21</sup> for the Development of Telecom-munications and Information Technologies in the Azerbaijan Republic was approved by the President of Azerbaijan in December 2016. It outlines three key strategies and ten priorities, with achievement targeted for 2020 (See appendix # 1). The cost of implementing the road map has been budgeted at AZN585 million (\$344 million), with funding sources identified as the government, private sector (including foreign investment), and bilateral and multilateral partners. Implementation will be critical to address shortcomings in the sector that are constraining the development of the digital economy.

<https://president.az/az/articles/view/22382> 21

*Strategic Roadmap for  
Telecommunications and Information  
Technologies in the Azerbaijan Republic*

Strategic Target # 1	Strategic Target # 2	Strategic Target # 3
Improve governance structures, and strengthen ICT	Increase productivity and operational efficiency of the business environment	Digitize government and social environment
Priorities		
1.1. Establish an independent regulatory body	2.1. Extend digital payments	3.1. Improve the information systems of government institutions
1.2. Liberalize the telecommunication market	2.2. Extend technology-based operations in the business environment	3.2. Create an end-to-end integrated e-health infrastructure
1.3. Increase mobile infrastructure investments	2.3. Upgrade technology education with the involvement of businesses	
	2.4. Improve the electronic systems of government institutions	
	2.5. Increase knowledge and skills in the ICT sector, and apply ICT in the education system	

# *On Digital Surveillance in Central Asia*

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and Financing of Terrorism

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## Summary

Central Asia is actively introducing the elements of digital surveillance like safe city, smart city, facial recognition systems, circuit control television, etc., most of which are developed by private and public companies of the People's Republic of China. Considering the background of companies like Huawei, Hikvision, and Dahua tested their new technologies in human rights violations in Xinxiang, concerns how these technologies are developed, and data insecurity leads to authoritarian practice among the countries in the region.

## Keywords:

**China,  
surveillance technology,  
Xinxiang,  
Safe city,  
Hikvision,  
Huawei,  
Central Asia**

## Introduction

- 1 

*Mapping China's Tech Giants: ASPI's Mapping China's Tech Giants* (<https://chinatechmap.aspi.org.au>) focuses on monitoring surveillance investments and projects by Chinese tech companies. The CSIS's *Reconnecting Asia* (<https://reconasia.csis.org/>) monitors infrastructural projects by Chinese companies in different sectors, including IT. *Digital Silk Road in Central Asia: Present and Future*, Davis Centre for Russian and Eurasian Studies at Harvard University.
- 2 

*Digital Silk Road in Central Asia: Present and Future*, Accessed on 15 May 2022, available at: [https://daviscenter.fas.harvard.edu/sites/default/files/files/2021-10/Digital Silk Road Report 2021.pdf](https://daviscenter.fas.harvard.edu/sites/default/files/files/2021-10/Digital%20Silk%20Road%20Report%202021.pdf)
- 3 

There are as many as 17 Uyghur concentration camps in the city of Kashgar.
- 4 

IPVM (2022) '*Hikvision Cameras in My Concentration Camp Cell*,' Says Victim By Conor Healy, Gurami Jamaspishvili and Charles Rollet, published April 25, 2022, <https://ipvm.com/reports/hikvision-cell>

Digital surveillance technologies can allow states to surpass the traditional limitations of suppression and utilise technology to monitor domestic activity in every way possible - screen emails, listen in on phone calls, collect purchasing-history data and use facial recognition technology (FRT) to monitor behaviour in public spaces. It is on the radar of researchers and policymakers of Europe and the US. The ASPI's Mapping China's Tech Giants project,<sup>1</sup> the CSIS Reconnecting Asia project and the Harvard Davis Centre Digital Silk Road: Present and Future<sup>2</sup> project provided a necessary mapping of Chinese tech companies and projects connected to the Belt and Road Initiative and its subdomain, the Digital Silk Road, in Central Asia.

The People's Republic of China (PRC) uses digital surveillance technologies as part of safe/smart city concepts<sup>3</sup> in controlling the public in the PRC's big cities, such as Beijing, especially in the Xinjiang-Uyghur Autonomous Region<sup>3</sup> in terms of the Uyghur genocide. The PRC's tech companies also accessed confidential data from the IT network and the data systems of the Chinese-built African Union (AU) headquarters. In January 2017, a computer scientist in the AU noticed that AU headquarters servers were sending large volumes of data and internal secrets from the AU's HQ to an outside location to servers in Shanghai, which was taking place from midnight to 2:00 am every night at the same time from January 2012 through January 2017. This model of digital surveillance is coming to Central Asian countries.

The PRC's leading tech companies in Central Asia for providing safe/smart cities surveillance technologies are mainly: Huawei, which is one of the largest ICT companies in the world and a leading producer of mobile phones, 5G and surveillance technology that has repeatedly been tied directly to the CCP, and Dahua, which is a partially state-owned Chinese company that has become one of the largest providers of video surveillance. It is also the primary company involved with repressive activities against the Uyghurs. It has a back door in its hardware that was discovered to be leaking data to the Chinese government. Further, there is Hikvision, which the US government sanctions for its role in helping with the persecution of Uyghurs in Xinjiang in Western China,<sup>4</sup> and the CETC (China Electronics Technology Group Corporation), which is a state-owned company that produces and manages digital equipment, communications devices, software development and asset management for civil applications and which has been tasked with developing software to identify terrorists using data on jobs, hobbies, habits and behaviour.

## What are Smart Cities?

The term “smart cities” means many different things worldwide. It refers to products marketed by major international companies such as IBM or Google’s Sidewalk Labs in Western countries. According to Privacy International: “What all these initiatives have in common is that smartness is understood as data collection, facilitated by ever more capable sensor technologies. Many of those initiatives also have a strong focus on security.”<sup>5</sup> According to Erica Marat from the National Defence University: “Smart city innovations, such as CCTV cameras, facial recognition software and traffic and parking sensors, facilitate surveillance.”

In Central Asian smart cities, safe cities are usually associated with enforcing the rule of law by policing small-scale disorderly behaviour. Regional ruling elites’ sharp quest for modernity is to improve urban governance (control), even considering that the countries have no appropriate financial resources, legislative support, or public oversight debates. This allows Chinese firms to sweep in with ready-made technological solutions.<sup>6</sup> The Central Asian region is rapidly developing its surveillance capacity by cooperating with tech companies from the People’s Republic of China to create “safe city projects.” Each country cooperates with tech companies to develop these systems and uses facial recognition technology, biometric registries and data management centres. Each of these improves surveillance networks within a short period but no country in the region adequately protects its data sovereignty from foreign interference in terms of regulations and data protection. In Central Asia, “safe city projects” developed around traffic control and preventing crime/safety in the public places use facial recognition cameras, data management systems and control centres to monitor the activity of citizens and levy fines. The revenue generated from safe city projects can be used for economic development. Results-oriented, aspirational and predictable outcomes can justify it. Data collected through an automated process facilitate the imposition of fines for violations. Revenue collected through fines is then incorporated into national or city budgets.<sup>7</sup> Countries prioritised increasing law-enforcement capabilities, maintenance of order and zero-tolerance law-enforcement practices while cities deploy smart technology solutions in order to reduce disorderly behaviour and crime using statistics generated by technological solutions to declare reductions in criminal acts and disorderly behaviour. However, any gains may come at the expense of external access to data generated through smart city projects.

5 *Smart Cities: Utopian Vision, Dystopian Reality*. October 2017: Privacy International. Accessed on 15 May 2022, available at: <https://privacyinternational.org/sites/default/files/2017-12/Smart%20Cities-Utopian%20Vision%2C%20Dystopian%20Reality.pdf>

6 E. Marat. (2018) *Chinese Artificial Intelligence Projects Expand in Eurasian Cities*. PONARS Eurasia Policy Memo No. 540 September 2018.

7 Erica Marat and Deborah Sutton. (2021) *Technological Solutions for Complex Problems: Emerging Electronic Surveillance Regimes in Eurasian Cities*, *Europe-Asia Studies*, 73:1, 243-267, Accessed on 15 May 2022, available at: <https://doi.org/10.1080/09668136.2020.1832965>

## The Chinese Model of Smart Cities

12<sup>th</sup> Five Year Plan (English translation) Accessed on 15 May 2022, available at: <https://policy.asiapacificenergy.org/sites/default/files/12th%20Five-Year%20Plan%20%282011-2015%29%20for%20National%20Economic%20and%20Social%20Development%20%28EN%29.pdf>

“Inside China’s Dystopian Dream.” *New York Times*. Accessed on 15 May 2022, available at: <https://www.nytimes.com/2018/07/08/business/china-surveillance-technology.html>

Human Rights Watch (2013). 10 *China: Minority Region Collects DNA from Millions Private Information Gathered by Police, Under Guise of Public Health Program*. Accessed on 15 May 2022, available at: <https://www.hrw.org/news/2017/12/13/china-minority-region-collects-dna-millions>

Anderlini Jamil (2019) “How 11 *China’s Smart-city Tech Focuses on its Own Citizens*.” *Financial Times*. Jamil Anderlini, June 5 2019. Accessed on 15 May 2022, available at: <https://www.ft.com/content/46bc137a-5d27-11e9-840c-530737425559>

Amnesty International 12 (2019) “*Smart Cities: Dreams Capable of Becoming Nightmares*”. Amnesty International. June 28, 2019. Accessed on 15 May 2022, available at: <https://www.amnesty.org/en/latest/research/2019/06/smart-cities-dreams-capable-of-becoming-nightmares/>

The development of “digital cities” started somewhere in 2011 when China’s 12<sup>th</sup> Five-Year Plan announced its intentions “to accelerate the construction of a new-generation IT infrastructure, mobile communication networks, internet infrastructures, digital and television broadcasting networks, satellite communication facilities and an ultra-high-speed large capacity and highly intelligent national trunk transmission network as well as a broadband connection throughout urban and rural areas in order to strengthen interconnectivity.”<sup>8</sup> This infrastructure now serves as the basis for China’s smart cities. Smart cities are city areas that collect large amounts of data and use them to improve city operations. Developers can create technological applications based upon a city’s critical communications infrastructure which then convert data into insights and insights into tools. These applications in turn serve as a form of public-private partnerships, creating opportunities for government, companies and the public.

Xinxiang became a kind of frontline laboratory for surveillance where start-ups and tech companies first test surveillance technologies. Xinjiang – a model of repression that China has developed first and foremost for security reasons and for enabling severe human rights violations. China developed many novel forms of surveillance, making it a world leader in repressive uses of digital surveillance such as facial recognition.<sup>9</sup> Facial recognition software and biometric data collection have been widely integrated into the Uighur area in Xinjiang-Uighur Autonomous Region in western China. In 2017, government officials started collecting DNA from millions of Uighur residents within the framework of a free public healthcare program called Physicals for All<sup>10</sup>. They collected 3D portraits, voiceprints and fingerprints and iris scans from all residents between the ages of 12 and 65 years. Armed police use handheld devices to check smartphones for banned apps, and they require individual vehicles to have a GPS tracking device. Smart Cities in the Xinjiang Uighur Autonomous Region (XUAR) already form part of the state authorities’ systematic surveillance and repression of Muslim ethnic groups in the region.<sup>11</sup> Facial recognition, coupled with CCTV outside mosques and powered by new artificial intelligence (AI) and analytics technology, enables the authorities in the XUAR to maintain a “digital police state.”<sup>12</sup>

The Electronic Frontier Foundation reported about live-tracking the locations of about 2.6 million residents of Xinjiang, China. The

records include the national ID number, ethnicity, nationality, phone number, date of birth, home address, employer and photos of individuals. 6.7 million individual GPS coordinates were streamed to and collected by the database over a 24-hour period, linking individuals to various public camera streams and identification checkpoints associated with location tags such as "hotel." "Mosque" and "police station." The GPS coordinates were all located within Xinjiang.<sup>13</sup> Huawei worked with the facial recognition start-up Megvii (<https://en.megvii.com>) in 2018 to test an AI camera system that could scan faces in a crowd and estimate each person's age, sex and ethnicity. The system was capable of triggering an 'Uyghur alarm' if it detected an Uyghur, flagging them to China police, where members of the group have been detained en-masse in re-education camps.

As a result, the US Department of Commerce sanctioned eight Chinese companies, including Megvii, Huawei, Hikvision, and Dahua, for their involvement in "human rights violations and abuses in the implementation of China's campaign of repression, mass arbitrary detention, and high technology surveillance" against Uyghurs and other Muslim minority groups. Huawei networking equipment was banned by the US government in 2012, and the company was added to the US Department of Commerce's Bureau of Industry and Security Entity List in May 2019, which barred Huawei from all US communications networks.

As a result, eight Chinese companies, including Megvii, Huawei, Hikvision and Dahua, were hit with sanctions by the US Department of Commerce for their involvement in "human rights violations and abuses in the implementation of China's campaign of repression, mass arbitrary detention and high-technology surveillance" against Uyghurs and other Muslim minority groups. The US Government banned US companies from using Huawei networking equipment in 2012 and the company was added to the US Department of Commerce's Bureau of Industry and Security Entity List in May 2019 which banned Huawei from all US communications networks.<sup>14</sup> Xinjiang's importance as a testing ground for digital surveillance that is exported abroad is particularly important for Central Asian states which not only border Xinjiang but also identify political Islam as a major potential threat to stability.

13 O'Brien D. (2019) *"Massive Database Leak Gives Us a Window into China's Digital Surveillance State."* Electronic Frontier Foundation. March 1, 2019 Accessed on 15 May 2022, available at: <https://www.eff.org/deeplinks/2019/03/massive-database-leak-gives-us-window-chinas-digital-surveillance-state>

14 *Addition of Certain Entities to the Entity List A Rule by the Industry and Security Bureau on 10/09/2019* US Department of Commerce's Bureau of Industry and Security Entity List; Federal Register: <https://federalregister.gov/d/2019-22210>

## *How Are They Implemented in Central Asia?*

Ministry of Internal Affairs 15  
of Tajikistan.

In Tajikistan, the implementation of Dushanbe's Safe City initiative was launched on November 1, 2013: 1,200 cameras were installed at 95 intersections in the capital city of Dushanbe and 800 cameras were also installed in public areas and parks. The project was implemented by Huawei at a cost of USD 22 millions of which USD 20.91 millions is a loan issued by China within the framework of the SCO. The Tajik government plans to repay the loan with collected fines within 20 years. The system created more than USD 14 million in traffic fines in the fall of 2019 alone which speaks to its overall effectiveness as a police tool.<sup>15</sup> Officials are delighted as the system has generated vast amounts of revenue in fines. These cameras lacked the facial recognition systems that are more common with safe city projects. The Tajik government decided to upgrade the system in 2019 when it announced that new Huawei cameras, now equipped with RFS, would be installed throughout Dushanbe, the airport, shopping centres, parks and markets as well as in every major city in Tajikistan. The contract for this large-scale expansion of the safe city network was granted entirely to Huawei.

In June 2019, Furkat Shoimardonov, a representative for the safe city project, announced that the network was set for an upgrade: "Cameras at the airport, the railway station, shopping centres, bazaars, parks and other popular locations would now be able to recognize faces." According to his statement: "The main intent for this technology was to clamp down on crime. If the camera determines that a certain citizen looks 25% like a wanted person, the information will be sent to our centre."

Considering that the Tajik government has already made a precedent of ceding over land, mineral rights and domestic factories to Chinese companies in return for services, it does not seem impossible that domestic data are handled remotely by Huawei. Tajikistan reportedly owes China USD 1.2 billion, nearly half the country's foreign debts of USD 2.9 billion. In order to pay off part of this debt, the government of Tajikistan signed an agreement in 2011 to give 1,158 square kilometres of the Tajik Pamirs to China and it gave China the rights to a potentially

lucrative silver mine in the same region in late 2019.<sup>16</sup> Both are located near a new Chinese military base in Tajikistan which, coupled with China's land and resource grabs in Tajikistan, signals a marked uptick in the Chinese military,<sup>17</sup> security and digital presence in the region.<sup>18</sup>

Tajikistan is one of the clearest cases of an authoritarian regime that is actively seeking to improve its suppressive capacity regardless of foreign dependency. Tajikistan's record on human rights issues and the state's history of targeting political dissidents are primarily focused on its motivation for developing digital surveillance in order to improve the regime's authority over the country. Tajikistan's internet market is dominated by Huawei hardware and is completely under the control of the Tajik government. Internet surveillance is very common in Tajikistan where internet access is routinely blocked or cancelled depending on domestic circumstances. Tajikistan is afflicted by both petty and serious crime. The country prisons are packed with hundreds of people convicted on charges of belonging to a banned opposition political party and for perceived involvement with terrorist organisations. However, a local resident of Dushanbe mentions: "All artificial intelligence automatically turns away when the little son of some official does something wrong."<sup>19</sup>

The safe city project in Kazakhstan has been running since 2006. In Astana, a total of 2,000 cameras have been installed. The Red Speed system monitors traffic violations. Running a red light; crossing the traffic line; pressing the traffic line; parking violations; and violations of railway crossing regulations are all detected and recorded by the system. Astana (now Nur-Sultan) began implementing safe city projects as part of the PPP for developing video surveillance systems with facial recognition capabilities in 2017. Sergek, a local Kazakh company, implemented this project by installing around 13,000 modern surveillance cameras in Nur-Sultan, all of which are connected to a larger surveillance system. In 2018, video surveillance helped solve 1,543 crimes and 530,677 traffic violations with fines of over KZT 5 billion. The rates of crimes recorded and the fines collected have increased with the system while incidents of pickpocketing and theft have decreased.<sup>20</sup>

Sergek has relied heavily upon the Chinese company, Dahua, to develop their surveillance network. This system can monitor

- 16 Radio Free Europe (2019) "Silver Lining? Tajikistan Defends Controversial Decision to Give Mine to China." <https://www.rferl.org/a/silver-lining-tajikistan-defends-controversial-decision-to-give-mine-to-china/30199786.html>
- 17 EurasiaNet (2019) "Tajikistan: Report Confirms Significant Chinese Security Presence in Pamirs, Satellite Images Show a Complex of Around Two Dozen Buildings on the Border." February 19, 2019. EurasiaNet. Accessed on 15 May 2022, available at: <https://eurasianet.org/tajikistan-report-confirms-significant-chinese-security-presence-in-pamirs>
- 18 Levi-Sanches. (2021) *China's Gambit in Tajikistan: Partnership or Overlord?*
- 19 Yau, N. (2019) *China taking Big Brother to Central Asia: China is exporting its model of invasive, all-encompassing surveillance to Central Asia, often for free.* EurasiaNet. Accessed on 15 May 2022, available at <https://eurasianet.org/china-taking-big-brother-to-central-asia>
- 20 Erica Marat and Deborah Sutton. (2021) "Technological Solutions for Complex Problems: Emerging Electronic Surveillance Regimes in Eurasian Cities," *Europe-Asia Studies*, 73:1, 243-267, Accessed on 15 May 2022, available at: <https://doi.org/10.1080/09668136.2020.1832965>

an entire city from a single operational centre. Sergek has since expanded operations to Almaty and Shymkent, although Nur-Sultan remains the core of facial recognition system development in Kazakhstan. In 2018, a different smart city pilot program was launched in the much smaller city of Akqol, called Smart Akqol, in order to study the effectiveness of safe city projects in a smaller case study. Sergek's success in Nur-Sultan and its early success in Almaty and Shymkent have proven the benefits of safe city surveillance systems to the Kazakh government. The CETC is involved with building data storage systems on Kazakh territory such as a larger data centre near Nur-Sultan. The use of facial recognition technology has expanded further as of 2020 for being able to 'identify faces, license plates, inadequate movements of people or transport' in order to monitor pickpockets in large crowds.<sup>21</sup>

The eagerness of the Kazakh government to develop its surveillance capacity is clearly visible. Kazakhstan announced its large-scale plans for greatly expanding facial recognition surveillance systems nationwide. It has pursued this policy while promising that domestic companies have full autonomy over Kazakh data and that legislation exists to protect citizens' rights to privacy. In terms of legislation, this promise is hollow considering the state's legal right to examine personal data without consent.

Safe city system projects started developing in Kyrgyzstan in 2011. In 2018, they began a bidding war between Huawei. At first, the Kyrgyz government secured a USD 60 million contract with Huawei in order to create a smart city project for creating a control centre covering Bishkek and Osh. Negotiations with Huawei to install hardware failed and Kyrgyzstan granted a USD 33 million project to Vega to install traffic CCTV cameras instead. The CEIEC began to install a network of facial recognition cameras and create a police command centre in Bishkek free-of-charge. The system began functioning in February 2019 with the installation of thousands of new cameras throughout the country. On the first day, Bishkek accumulated fines of KGS 9,000,000 (USD 129,000). In mid-2019, the number of unpaid fines increased from 28% to 86%, showing that the new measures failed to improve the enforcement of the collection of fines.

In 2019, the Chinese firm Shenzhen Sunwin was contracted to install another 314 cameras across the country within the second phase of the project. Shenzhen Sunwin is involved in developing safe city projects and other aspects of digital security operated only domestically in China. However, the implementing agency of the safe city project, the Committee on Information Technology of the Kyrgyz Republic, was under scrutiny. Both were involved in bribery and corruption, owing to which the second phase remains on hold.<sup>22</sup>

In addition, the China National Electronics Import and Export Corporation (CEIEC) made a deal to install 60 FRS cameras across Bishkek as part of the USD 5 million contract, as a result of which Kyrgyz authorities will gain access to FRS software. However, the exclusive intellectual property rights of the software will belong to the Chinese side.<sup>23</sup> The IZP Group built and operated a data centre in Kyrgyzstan. One of their main goals is to complement the BRI by creating a network of international data centres to create a Silk Road Station project (China's global supply chain system).

The Tashkent Safe City project officially began in 2018 in Uzbekistan. It started with a surveillance system installed by Huawei and became operational in 2019. The expansion included investments from the CITIC<sup>24</sup> and COSTAR,<sup>25</sup> although Huawei still provides the hardware for the system itself. The Uzbek government wants to further expand this system by including smart transport, smart education, smart healthcare, smart ride, smart water/sewage and smart house capabilities. The Uzbek government wants to integrate artificial intelligence, digitisation and central control into most of the country's physical infrastructure and governance apparatuses.

Huawei and ZTE<sup>26</sup> agreed to integrate surveillance technology into the education system in 2019 to monitor student attendance and teacher performance. Uzbekistan periodically restricts internet access as a means of suppressing anti-government narratives. Uzbekistan plans to expand its safe city initiative across the country. Under the official rhetoric for establishing a nationwide innovative governance system, Uzbekistan has ambitious plans to develop its surveillance system. According to Uzbekistan's track record on surveillance and personal data abuse, it will employ more surveillance technologies to maintain its authoritarian government style

- 22 Azattyk (2021) "*Realizatsiya vtorogo etapa bezopasnogo goroda zapazdyvaet.*" ("There is a Delay with the Implementation of the Second Phase of the Safe City Project") Azattyk. May 25, 2021 Accessed on 15 May 2022, available at: <https://rus.azattyk.org/a/realizatsiya-vtorogo-etapa-bezopasnogo-goroda-zapazdyvaet/31273122.html>
- 23 Erica Marat and Deborah Sutton. (2021) "Technological Solutions for Complex Problems: Emerging Electronic Surveillance Regimes in Eurasian Cities," *Europe-Asia Studies*, 73:1, 243-267, Accessed on 15 May 2022, available at: <https://doi.org/10.1080/09668136.2020.1832965>
- 24 The China International Trust Investment Corporation (CITIC) is not an ICT company but a state-owned investment corporation with the goal to introduce advanced technologies ([www.citic.org](http://www.citic.org)).
- 25 The COSTAR Group is another Chinese company that researches, manufactures and markets optical elements which includes monitoring systems.
- 26 The ZTE is a leading Chinese ICT company that has been criticised for its close relationship with the Chinese government. These companies all have close ties to the Chinese government which suggests yet again that Beijing has a degree of access to Uzbek personal data. The Uzbek government, however, has only recently passed legislation that creates any formal protection for Uzbek data.

more effectively. The Chinese government has access to Uzbek personal data, demonstrating that Central Asian governments are more concerned with domestic suppressive capacity than full autonomy.

Trends that will have a significant impact on state-society relations are domestic suppression histories and each regime's motivations to develop more sophisticated and advanced digital surveillance technology. It is also problematic because allowing the Chinese government to access domestic information networks runs the risk of losing long-term reliance on China for technological advancement and data sovereignty. The consequences are severe, and they include a rise in authoritarian tendencies throughout the emerging world. These companies are based in all corners of the globe and operate primarily within the Digital Silk Road framework.

The Digital Silk Road (DSR) announced that it aimed at “building a community with a shared future in cyberspace,” an essential component of the BRI, in 2015.<sup>27</sup> It encompasses digital economy, artificial intelligence, nanotechnology, quantum computing, big data and cloud computing, and smart cities.<sup>28</sup> Central Asia was one of the first places to adopt Chinese credit and introduce the Huawei systems in traffic control. It has become a frequent client of the Belt and Road Initiative. The countries of the Central Asia region are actively pursuing advanced surveillance technology supposedly to improve domestic governance. However, an essential by-product of this is the significant increase in suppressive capacity. The governments in the region are eager to develop their digital surveillance systems mainly through partnerships with Chinese ICT companies.

Chinese tech firms are exporting mass surveillance systems to the world, including high-resolution cameras, closed-circuit television cameras (CCTV), facial recognition, spyware, automated text analysis, and big-data processing, which have opened up a wide range of new methods for citizen control. These technologies allow governments to monitor citizens and quickly identify dissidents. China is exporting technology products and services, as well as internet control and surveillance techniques, to the region. Because they have the most significant incentives to improve their suppressive capacity

Cian Stryker. (2021) “Digital Silk Road and Surveillance Technology in Central Asia,” *Digital Silk Road in Central Asia: Present and Future*. June 2021.

Cian Stryker. (2021) “Digital Silk Road and Surveillance Technology in Central Asia,”

and the fewest restrictions in implementing surveillance, the majority of clients of this technology would be authoritarian or semi-democratic countries. The development of their surveillance capacity and domestic control is prioritized by Central Asian countries, at the expense of greater Chinese financial dependence and surrendering autonomy over citizens' data. Many of the data generated by the surveillance systems it is developing and operating in the region may be accessible to China.

Huawei is particularly dominant in the digital surveillance industry, especially in developing countries where advanced surveillance technologies are being developed. In terms of its safe city solutions, Huawei is involved in the proliferation of sophisticated surveillance technologies and "public security solutions" as well as "surveillance for public safety and domestic security purposes."<sup>29</sup> Surveillance cameras, command and control centres, facial and licence plate recognition technologies, data laboratories, intelligence integration capabilities, and portable rapid deployment systems for use in emergencies are all examples of smart or safe city projects. Huawei's 'public security solution' projects have grown rapidly. Huawei's 'Hisilicon' chips make up 60% of the chips used in the global security industry. In 2017, Huawei listed 40 countries where its smart city technologies had been used. Safe city solutions served over 700 cities in more than 170 countries in 2018. Huawei was involved in 75 smart city public security projects in 2019.<sup>30</sup>

29 Greitens (2020)

30 Huawei (2018) *Huawei Annual Report* [https://www-file.huawei.com/-/media/corporate/pdf/annual-report/annual\\_report2018\\_en\\_v2.pdf?la=zh](https://www-file.huawei.com/-/media/corporate/pdf/annual-report/annual_report2018_en_v2.pdf?la=zh)

## Concluding remarks

The introduction of new public security technologies may have made cities 'safer' from a crime prevention perspective, but, unsurprisingly, it has created a range of political and capacity problems in some countries, including alleged corruption, missing money and opaque deals, operational and ongoing maintenance problems, and likely national security concerns. In addition, these systems usually depend on fines paid by traffic violators to service loans to China - the more crimes and violations reported, the faster external debts are paid off - and so there is no motivation for law-enforcement institutions to reduce criminal behaviour. Repression and modernity come together in the region's commitment to improving the quality of life.<sup>31</sup>

Modern surveillance creates human rights and privacy challenges worldwide as states seek the most appropriate balance between security and individual rights. Even in the United States, where individual rights are deeply ingrained in the country's culture and political identity, the American Civil Liberties Union watchdog organisation finds: "The proliferation in local police department use of surveillance technology, which in most places has occurred without any community input or control, presents significant threats to civil rights and civil liberties that disproportionately impact communities of colour and low-income communities."<sup>32</sup>

Many civil society organisations have mobilised themselves to raise awareness about the risks of surveillance and the inherent dangers of programs such as smart cities. For example, ambitious plans to transform the City of Toronto, championed by Prime Minister Trudeau and Google's Eric Schmidt, faced significant backlash, and were eventually cancelled.<sup>33</sup> In these contexts, the challenge for smart cities is often represented as the collection of large amounts of data for profit without citizens' input and without a direct interest in improving lives through a human-centred design.

These examples demonstrate that even when employed for seemingly benign purposes, surveillance tools are incredibly ripe for abuse and are routinely challenged by civil society. Even in the face of the big tech players, city governments are often

Erica Marat. (2020) *Video Surveillance and COVID-19 in Eurasia*. PONARS Eurasia Policy Memo No. 649 31

*Community Control Over Police Surveillance: Technology 101*. American Civil Liberties Union. Accessed on 15 May 2022, available at: [https://www.aclu.org/sites/default/files/field\\_document/tc2-technology101-primer-v02.pdf](https://www.aclu.org/sites/default/files/field_document/tc2-technology101-primer-v02.pdf) 32

"Sidewalk Labs Will be Sent Packing, and Surveillance City Will Not be Built in Toronto, Says Newly Founded Grassroots Organization #BlockSidewalk," February 27, 2019: Accessed on 15 May 2022, available at: <https://www.blocksidewalk.ca/media> 33

unable to understand commercial technology firms' interests and technological complexity.

As Coventry University Research Fellow Sara Degli-Esposti explained to Amnesty International:

*“We can’t understand smart cities without talking of the business models of digital giants (e.g., Google, Amazon, Chinese Baidu, Alibaba, Tencent). These corporations are already global entities that largely escape governmental oversight. What level of control do local governments expect to exercise over these players?”*

# *China's Economic Power*

Author: **Gia Jandieri**

Director, New Economic School of Georgia

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## Short Note

Since 1978, the People's Republic of China has embarked on a path of reforms. Its main focus was partial economic liberalization. As a result, China's economy has grown tenfold many times over when only a few countries had had such rapid growth before. Two decades after the reforms, the People's Republic of China has become one of the global leaders in foreign trade as both consumers and suppliers. Many billions of US dollars have been invested in the PRC and cutting-edge high-tech appliances have been manufactured there while many of the most reputable firms have moved their production business to this country.

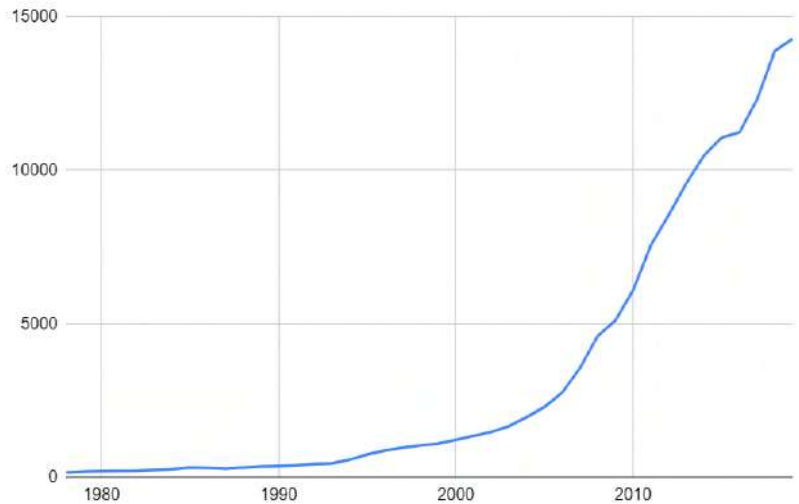
The government of the People's Republic of China concluded that the country's success was due to its proper management and had nothing to do with the liberalization process and the creativity of its people. Since 2012, and especially from 2015, the Chinese Communist Party began to roll back the reforms and regain more control over the population and business. At the same time, the People's Republic of China has started multi-billion-dollar economic projects abroad. Much of it will be implemented under the Belt and Road Initiative (BRI). The projects have been implemented through loans, nevertheless, the central and local governments in the People's Republic of China have themselves accumulated a large-scale public debt. When discussing about the success of the PRC we have to keep in mind that this success mainly concerns the Eastern region, with much less progress in the central and western regions. Much of the success is directly related to free economic zones. There are still thousands of state-owned enterprises in China and the banking system is completely under state control. All this confirms that the economic prospects of the country are not expected sooner without reverting to the liberalization process. This is also confirmed by the statistics of recent years.

## China's Progress

The People's Republic of China (PRC, China) is the most populous country in the world and is the third biggest in terms of territory. The Communist Party has been in power of the country since the 1950s as a result of which the country's development has been hampered for 3 decades and its population lived in extreme poverty.

Then, as a result of the reforms that began in 1978, the economy began to grow rapidly, and 40 years later the People's Republic of China's economy became the second largest in the world.

Chart 1. Gross Domestic Product of the People's Republic of China, \$1 billion, in current prices, 1979-2019, Statista<sup>1</sup>



The well-being of the population has also rapidly improved. If in 1978 GDP per capita amounted only to \$156, by 2019 it had increased 65 times and exceeded \$10,000 (Macrotrends<sup>2</sup>). For comparison, Georgia's GDP per capita in the 1980s was over \$2,000 (Tradingeconomics<sup>3</sup>). The average annual economic growth in the PRC was a double-digit figure from the late 1980s to the mid-2010s.

As a result of such growth, the number of people living in poverty has decreased tenfold, and by 2019, only 0.6 percent of the population lived on \$2.3 a day (Statista<sup>4</sup>). Until 1978, the Chinese population scarcely had any TVs, refrigerators, and particularly—cars. Now, these pieces of equipment are in vir-

<https://www.statista.com/statistics/263770/gross-domestic-product-gdp-of-china/>

<https://www.macrotrends.net/countries/CHN/china/gdp-per-capita>

<https://tradingeconomics.com/georgia/gdp>

<https://www.statista.com/chart/25138/people-under-poverty-line-china/#:~:text=Poverty%20in%20China&text=According%20to%20the%20latest%20data,at%20their%20disposal%20per%20day>

tually every family. The number of cars in the country increased from 62 million in 2009 to 253 million in 2019 (Statista<sup>5</sup>).

By 2018, the foreign trade of the PRC exceeded \$4 trillion, which is 30 percent of GDP—a 20 percent positive trade balance; It is noteworthy that these are the developed countries that receive a large portion of exports of the PRC: the United States, Japan, Germany, the United Kingdom, and others. Mainly the export products are high technologies, machinery and their parts, clothing, etc. (oec.world<sup>6</sup>).

## *How it All Started*

Until 1978, the People's Republic of China was a country with a centrally planned economy. The central government used to decide on everybody's behalf what to produce, what to consume, and what to eat or wear. People had no desire or even an opportunity to take the initiative and come up with innovative ideas and goods. The state had complete control over the media, education, healthcare, and all other sorts of services. Private property and private supply of goods and services were prohibited, and people had no opportunity to make their own decisions motivated by their own interests.

In this system, people in rural and urban areas, in the factories or collective farms, in institutions or governing bodies, had no desire or motivation to increase productivity or to do a better quality job. It was impossible to meet the demands of the population, as the country's supply chain could not manage the production of the requested goods. A large part of the population lived on the brink of starvation, in extreme poverty, and did not have the most basic housing and accommodation conditions. The demand and supply were organized under five-year plans, lacking any accurate and coherent information, the kind that only a market process can offer. Manufacturers did not have the right guidelines to decide what was worth producing and what was not, and the prices were distorted by orders from above. Therefore, the high quality and the most demanded goods were in short supply at a time when there was no demand at all for substandard goods.

The communist government employed all available means to motivate the population. First of all, this was labor coercion and punitive measures, as well as propaganda and various other

- 5 <https://www.statista.com/statistics/278422/amount-of-vehicles-in-china/#:~:text=In%202019%2C%20there%20were%20approximately,vehicles%20in%20use%20in%20China>
- 6 [https://oec.world/en/profile/country/chn#:~:text=Destinations%20in%20November%202021%2C%20China,and%20China%20\(%2415.3B\)](https://oec.world/en/profile/country/chn#:~:text=Destinations%20in%20November%202021%2C%20China,and%20China%20(%2415.3B))

incentives. However, such measures did not bring about any success to the economy. Unlike the Soviet Union, the People's Republic of China was not rich in such natural resources that would allow it to gain access to guaranteed profits and a hard foreign currency making it possible to meet certain requirements or at least survive temporarily. In the face of extreme poverty, economic stagnation, and an uncertain future, the Communist Party decided to go for the reforms.

Starting from 1978, the Communist Party has announced the economic reforms aimed at relieving the population of poverty, motivating it to achieve better productivity and better quality, and allowing the rural population to decide on producing and selling their own products. Enterprises also gained more independence in choosing a path of their activities and in exploiting the results thereof. Since 1979, the PRC has opened its borders, re-established diplomatic relations with the West, and allowed foreign investment.

The economy, to a certain extent, has moved to the market economy tracks (BBC<sup>7</sup>). Over the next 40 years, the annual growth of the economy was consistently above the 5 percent mark (except for 1989-1990, when it continued to grow at an annual rate of 4%). A 25-year 10 percent average growth from 1991 to 2016 proved to be very effective too (Macrotrends<sup>8</sup>). Previously, only Singapore and Hong Kong had such an achievement in economic growth in the 20th century, when these countries made it to the richest group of countries – straight from the extreme poverty. In the case of the PRC, although its population no longer lives in extreme poverty, it still has a slightly lower economic development compared to the world average (UN, 2020, Wikipedia<sup>9</sup>). It is worth noting that both Singapore and Hong Kong started from a higher position and thus reached higher development levels much quicker. However, this fact does not diminish the success of the PRC.

<https://www.bbc.com/news/business-49806247>

7

<https://www.macrotrends.net/countries/CHN/china/gdp-growth-rate>

8

[https://en.wikipedia.org/wiki/List\\_of\\_countries\\_by\\_GDP\\_\(nominal\)\\_per\\_capita](https://en.wikipedia.org/wiki/List_of_countries_by_GDP_(nominal)_per_capita)

9

## Reasons Triggering the Rapid Progress

The success of the People's Republic of China is undeniable — the eighty-fold increase in the average income in 40 years (Macrotrends<sup>10</sup>) proves it well. From an extreme regress, the country has emerged as a major player in the world economy.

It is important to analyze the reasons for such rapid progress to see what conditions can cause the backsliding as well as what can be done additionally in this country for further development.

Some commentators cite the following reasons for the progress of the People's Republic of China:

- Liberalization of the economy;
- Opening up the economy and simplifying foreign trade;
- Increase in savings;
- Allowing foreign investment;
- Supporting the export growth policy, including — the artificial devaluation of the Yuan — the currency of the PRC.

As already mentioned above, economic liberalization has become a major factor in releasing the creative forces of the population in the country and in growing and accelerating economic activity.

In 1979, the People's Republic of China began liberalization of trade. Finding new markets and expanding opportunities to sell goods vastly contributed to the development of local production: At the same time, imported goods and technologies, and an increase of the competition accelerated the technological re-equipment of the economy of the PRC, improving the quality of goods, which were now easily sold on foreign markets. In 2001, the country became a member of the World Trade Organization and has gradually become integrated into the world economy, and showing adherence to the rules established by that organization became a more acceptable partner for the developed countries. This increased the foreign trade of the People's Republic of China nine-fold over the next 18 years.

The PRC, like other developed Asian countries, supported its austerity policies making loans cheaper and more accessible. By 2017, the level of national savings was 45 percent of the GDP placing it only behind Singapore among developed countries, but significantly higher than the US (18 percent), the United Kingdom

10 <https://www.macrotrends.net/countries/CHN/china/gdp-per-capita>

11 <http://www.voxchina.org/show-3-125.html>

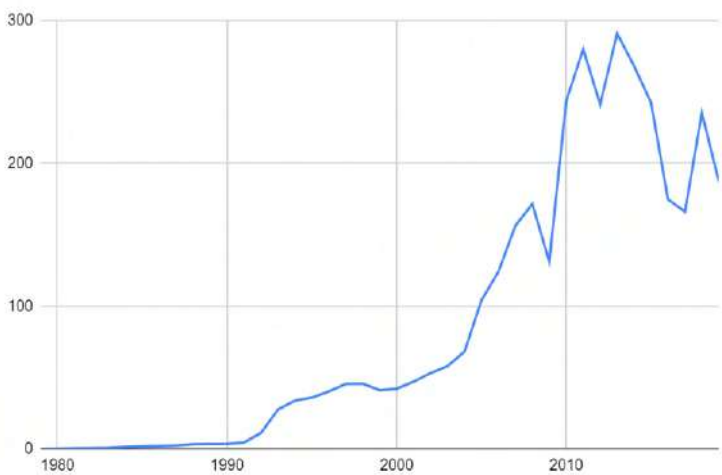
12 <https://www.elibrary.imf.org/view/journals/001/2018/277/article-A001-en.xml>

13 <https://www.macrotrends.net/countries/CHN/china/foreign-direct-investment>

(13 percent), and other countries (Voxchina<sup>11</sup>). This has significantly increased credit supplies for businesses, including in the real estate and infrastructure construction sectors. One of the sources of economic growth was the population savings, which accounted for half of the country's national savings, and the ratio of total national savings to GDP has doubled since the 2001 accession to the World Trade Organization (IMF, 2018<sup>12</sup>).

Foreign direct investment (FDI) also played a considerable role in the economic success of the People's Republic of China. In 40 years (1979-2019) the total volume of foreign direct investment reached 3573 billion US dollars, from 1989 to 2019 it amounted to 3285 billion US dollars. From 1993 to 2013, the ratio of foreign direct investment to GDP averaged 4 percent (Macrotrends<sup>13</sup>).

Chart 2. FDI inflow in the People's Republic of China in 1979-2019, Billion USD, Source: Macrotrends, Llc



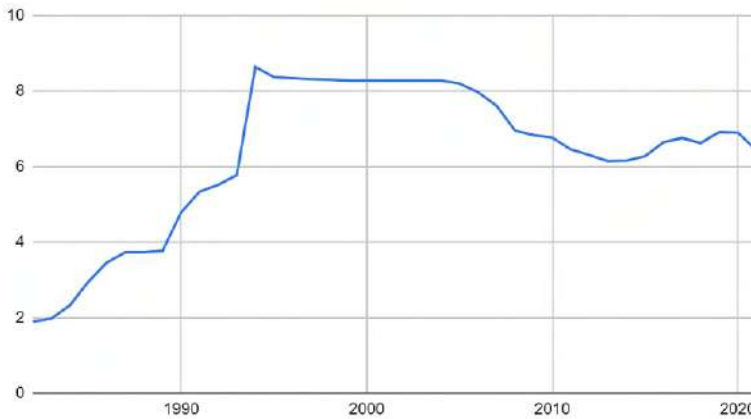
Foreign investment was allowed in the PRC only after the reforms that began in 1978 but in the early years, it was no big deal. The vast majority of investments in the country came mainly from the neighboring developed countries like Hong Kong, Japan, South Korea, and Singapore, as well as from the US and Germany. Initially, most of the investment went to manufacturing, but since 2010, most of it went to the service sector. Since 2000, the share of enterprises with foreign direct investment in Chinese exports has exceeded 50 percent (Kunwang Li, Wei Jiang; Chunlai Chen, Australia National University<sup>1415</sup>).

14 <https://press-files.anu.edu.au/download/s/press/n4267/html/ch28.xhtml?referer=&page=40>

15 <https://press-files.anu.edu.au/download/s/press/n4267/html/ch29.xhtml>

Another major area of economic policy in the People's Republic of China was the promotion of the export economy. As noted before, exports in the People's Republic of China extended nothing to over \$2.5 trillion. Such progress was achieved as a result of a special policy of export promotion, one part of which was the special monetary regime of the Yuan, carried out by artificially fixing the US dollar currency rate higher.

Chart 3. Exchange Rate of the US Dollar and Chinese Yuan in 1982-2021, Microtrends<sup>16</sup>



16 <https://www.macrotrends.net/2575/us-dollar-yuan-exchange-rate-historical-chart>

Export-oriented enterprises were entitled to foreign exchange retention, which benefited their technological development. To facilitate foreign trade, the government allowed foreign investment encouraging competition with the state-owned enterprises; Export-oriented enterprises have since moved from mandatory planning to spatial planning (Ministry of Foreign Affairs, PRC<sup>17</sup>). Enterprises have become fully responsible for the results of their activities. In line with international practice, the government has also set up a tax reduction system.

After acquiring the World Trade Organization membership, the PRC took steps to remove barriers to bring foreign trade in line with the organization's requirements.

17 <https://www.mfa.gov.cn/c/e/cezw//eng/zgjj/t975215.htm>

## How Far it Went

<https://www.statista.com/statistics/257004/share-of-chinas-imports-in-global-imports/#:~:text=This%20statistic%20shows%20the%20share,of%20all%20global%20commercial%20ser>  
vices

18

<https://www.macrotrends.net/countries/CHN/china/exports>

19

<https://www.macrotrends.net/countries/CHN/china/imports>

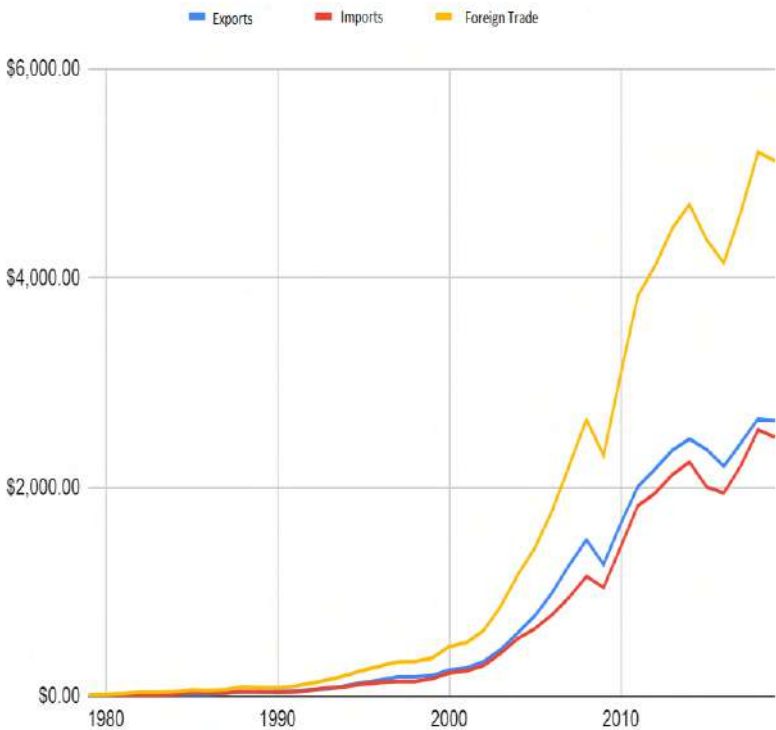
20

<https://www.cia.gov/the-world-factbook/countries/china/#people-and-society>

21

As noted above, by 2022 the economy of the People's Republic of China is the second-largest in the world. Per capita, it has by far surpassed many African and Asian countries. In recent years, as everywhere else, there has been significant economic volatility in the country. Economic growth has been slowed, which is tantamount to a setback for a developing country. However, this trend has already been noticed before. Nevertheless, the foreign trade of the People's Republic of China has the largest impact in the world and its share in global exports ranged between 12-15 percent from 2019 to 2021 (Statista<sup>1819</sup>). The volume of foreign trade increased from \$20 billion to \$5 trillion from 1980 to 2019 – i.e. 250 times.

Chart 4. Foreign Trade of the People's Republic of China 1979-2019, Macrotrends<sup>2021</sup>



<https://www.cia.gov/the-world-factbook/countries/china/#economy>

22

The PRC already has largely become an urban country. From 200 million in 1980, the urban population increased to 800 million in 2020, and by 2022 the urbanization rate hit 63.6 percent (OECD, CIA Factbook<sup>22</sup>).

By 2017, agricultural production accounted for only 8 percent of GDP, while service sector accounted for 51 percent and the industrial sector—41 percent. Agriculture sector employed 28 percent of the working population, while industrial sector—29 percent, and 43 percent in the service sector (CIA Factbook). It is worth noting that even in the early 1990s the ratio of employees in the agricultural sector was almost 70 percent and was reduced to 25 percent by 2021, the migration of employees from this sector has shifted to urban areas, adding hundreds of millions of new workers to these areas. In turn, their shift to urban areas and employment thereof has reduced the number of employees in the agricultural sector and increased the average size of land available to them as well as the productivity per employee in the agricultural sector. The input of the agricultural sector to the economy (GDP) dropped from 40 percent in the 1960s to a maximum of 7 percent in the early 2020s (GlobalEconomy<sup>23</sup>) contributing to productivity growth, and if the PRC's agricultural production contribution to the GDP in 1980 was \$200 billion, it has expanded to five times of that amount by 2021 (prices in US dollars as in 2015, USDA<sup>24</sup>, Wikipedia<sup>25</sup>), so the productivity in the agricultural sector based on the 2015 US dollar rates has increased 8 times from 1980 to 2020. The country became a leader in the production of almost all agricultural products in the world.

The achievements described and the practical sides of the used policies partly explain the successes of the People's Republic of China. The partial liberalization of the economy contributed to the economic trends and development. Along with all of other factors, there was one, seems most important one—the economy of scale, or effect of large market. Besides, as the incomes and purchasing power of the population improved, the market of the PRC became more attractive. The country has long been ranked high in the Global Competitiveness Report, published annually by the World Economic Forum (suspended publishing during the Pandemic years). When comparing the PRC with other countries in the region, it seems that its only real difference and advantage is its larger market, even though there are many populous countries in Southeast Asia. If we compare the country with a similar scale (by population) country—India, then it will be possible to see exactly what advantages the PRC has besides its large market:

23 [https://www.theglobaleconomy.com/China/share\\_of\\_agriculture/](https://www.theglobaleconomy.com/China/share_of_agriculture/)

24 <https://data.ers.usda.gov/reports.aspx?ID=17884>

25 [https://en.wikipedia.org/wiki/Agriculture\\_in\\_China](https://en.wikipedia.org/wiki/Agriculture_in_China)

Table 1. PRC and India Assessment, Global Competitiveness Report, World Economic Forum 2019<sup>26</sup>, (maximum 100)

Factors	PRC	India
Total Score	74	61
Institutions	57	57
Infrastructure	78	68
Information and Communication Technologies	78	32
Macroeconomic stability	99	90
Health	88	61
Skills	64	50
Product Market	58	50
Labor Market	59	54
Financial system	75	69
Market size	100	94
Business dynamism	66	60
Innovative capability	65	51

As we can see from the table, the PRC has a better position than India in virtually all components which is also reflected in their ranking positions (the People's Republic of China is 28th in the world, India - 68th). Particularly impressive is the progress of the PRC in Information and Communication Technologies where it ranks 18th in the world. The largest difference between the two countries is concerning assessments of infrastructure with the ranking being 78/32 respectively.

In some instances, if not often, the relatively quick decision-making and implementation that a super-centralized government manages are also of paramount importance. Unlike India, the People's Republic of China's government can make faster

decisions on the use of resources or for example, on investing in the infrastructure.

The rapid progress of the People's Republic of China would also really benefit from keeping public spending at a low level—from 2007 to 2019, the total tax revenue was around 18 percent of GDP (OECD<sup>27</sup>), meaning that the rest of it remained in the private commercial sector, contributing to high turnover and expansion (in more advanced countries this figure exceeds 40 percent, and consequently much less amount remains in the private commercial sector).

## *The Policy that The People's Republic of China Pursues Today*

The best way to describe the domestic policies of the PRC is to refer to various independent studies. As of 2015, the Chinese Communist Party has significantly changed its attitudes and decided to take more control over people's lives and business activities.

All this is reflected in studies like the Democracy Index (Economist Intelligence Unit<sup>28</sup>), the Freedom in the World (Freedom House<sup>29</sup>), the Press Freedom Index (Reporters without Borders<sup>30</sup>), the Corruption Perception Index (Transparency International<sup>31</sup>), the Global Competitiveness Report (World Economic Forum<sup>32</sup>), the Index of Economic Freedom (Heritage Foundation<sup>33</sup>), the Economic Freedom of the World study (Fraser Institute<sup>34</sup>), the Rule of Law Index (World Justice Project<sup>35</sup>) and more. Such studies are mostly based on impartial sources and methodologies. What makes them important is that they allow us to see the extent of openness and predictability of politics, or how much the living and certain activities can cost. This implies that in parallel with some of the benefits of investing and operating in the PRC there are costs associated with restrictions on various individual freedoms, a weak judiciary, monopoly of the press, bureaucratic difficulties, and political pressure. Let us examine the assessments of the PRC in the 2019 Global Competitiveness Report.

27 <https://data.oecd.org/china-a-people-s-republic-of.htm>

28 <http://www.eiu.com/Handlers/WhitepaperHandler.aspx?fi=Democracy-Index-2019.pdf&mode=wp&campaignid=democracyindex2019>

29 <https://freedomhouse.org/country/china/freedom-world/2021>

30 <https://rsf.org/en/index>

31 <https://www.transparency.org/en/countries/china>

32 [https://www3.weforum.org/docs/WEF\\_GlobalCompetitivenessReport2019.pdf](https://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport2019.pdf)

33 <https://www.heritage.org/index/country/china>

34 <https://www.fraserinstitute.org/economic-freedom/map>

35 <https://worldjusticeproject.org/sites/default/files/documents/WJP-INDEX-21.pdf>

Table 2. Global Competitiveness Report 2019, data on selected components related to the People's Republic of China

Index Components	Score
Organized crime	60.7
Reliability of police services	59.8
Budget transparency	13
Judicial independence	58.2
Efficiency of legal framework in challenging regulations	51.5
Freedom of the press	21.1
The burden of government regulations	56.3
Efficiency of legal framework in settling disputes	51.9
Incidents of corruption	39
Property rights	59.6
Intellectual property protection	58.3
Government ensuring policy stability	58.2
Quality of road infrastructure	59.7
Efficiency of train services	59
Efficiency of transport services	60.7
Efficiency of seaports services	58.6
Internet users	54.3
Workforce skills	59.6
Critical thinking in teaching	56.1
Local competition	57.5
Trade openness	57.6
Prevalence of non-tariff barriers	58.1
Trade tariffs	25.9
Border clearance efficiency	57.1
Flexibility of wage determination	60.5
Ease of hiring foreign labour	58
Pay and productivity	60.5
Labor tax rate	48.1
Soundness of the banks	58.1

Let us also examine by components the Heritage Foundation’s Index of Economic Freedom of 2022:

Component	Score
Overall score	49.0
Property Rights	43.7
Judicial Effectiveness	37.4
Government Integrity	39.3
Tax burden	71.2
Government spending	64.2
Fiscal health	11.1
Business freedom	68.8
Labor freedom	57.2
Monetary freedom	70.0
Trade freedom	73.2
Investment freedom	20.0
Financial freedom	20.0

These two tables outline the difficulties and expected costs that foreign investors or trading partners may face in the People's Republic of China. Interestingly, the total score of the country for 2021 was 58.4 points which have dropped to 49 points this year.

Of paramount importance is the part of the assessments that deals with property protection and judicial effectiveness. Such assessments demonstrate the high risks of doing business in the PRC with implied increased costs. Despite these risks, credit resources are quite cheap in the People's Republic of China (below 4 percent, Ceicdata<sup>36</sup>). It is also noteworthy that according to all three major agencies the credit ratings of the country are quite high (Fitch, S&P, Moody’s – Tradingeconomics<sup>37</sup>)

36

<https://www.ceicdata.com/en/indicator/china/long-term-interest-rate>

37

<https://tradingeconomics.com/china/rating>

## China's Global Role

Against the background of economic recovery and success, the leadership of the People's Republic of China decided to participate more actively in the global economic arena. Such decisions were encouraged by the high growth rates of the economy and the rapid growth of state revenues. The country became a desirable partner. Its growing share in international trade has created positive sentiments and a greater desire for economic exchange. For China's Communist rule, this success was a result of their efforts and therefore it decided to expand its opportunities through economic participation abroad. By 2000, the PRC had virtually no lending financial resources, however, by 2017 it was the largest lender in the world and, for example, it had lent almost the same amount as the World Bank and the International Monetary Fund cumulatively (BBC<sup>38</sup>) - about \$350 billion.

<https://www.bbc.com/news/59585507> 38

In 2013, the People's Republic of China launched the Belt and Road Initiative (BRI), which aimed to “assume a greater leadership role for global affairs in accordance with its rising power and status” (Wikipedia<sup>39</sup>). Under this project, the country has already made investments in 70 countries and international organizations and has signed cooperation agreements with countries in Europe, Asia, Africa, and Latin America. Its declared goal was to restore the Silk Road and aid trade and development by facilitating transportation and trade making it easier for the large trade regions to connect with each other. The PRC has already invested more than \$350 billion in this project over the past 9 years, mainly in Transportation Infrastructure and Energy Sectors (Green FDC<sup>40</sup>).

[https://en.wikipedia.org/wiki/Belt\\_and\\_Road\\_Initiative](https://en.wikipedia.org/wiki/Belt_and_Road_Initiative) 39

<https://tradingeconomics.com/china/government-debt-to-gdp#:~:text=Government%20Debt%20to%20GDP%20in%20China%20is%20expected%20to%20reach,macro%20models%20and%20analysts%20expectations> 40

Despite the grandness and scale of the BRI project, it may face many challenges in the future. The Communist leaders, in the first place, are making a mistake by thinking that decision-making in other countries (except for Russia, Cuba, or North Korea) is as easy and centralized as in China. It should be noted that in most of the countries the governments change quite frequently, and they have differences in their policies. Still, the political and investment environment of practically every single country is also important during the project implementation. Attitudes may change no matter how long a particular government or its leader stays in power.

The BRI project is modeled around the PRC's Central Government idea and in fact, implies that the governments of other countries are easily persuaded and agree to implement them. All of these projects involve chain and network operations - for example, failures in the chain of cargo transportation are not allowed, they will completely confound shipping and make it more expensive. Hence, if not every government, at least its population, has to see its own benefits in it. It is impossible in such a large project to rely solely on chance, no matter how easily you make spending decisions.

In real life, the BRI relies heavily on the relevant governments':

- desire to ascribe to its population the great success in the implementation of certain projects, the debts of which will have to be paid by subsequent governments and generations in the future;
- encouragement to the ease of access to cheap credits, without preconditions and strict accounts;
- desire to accelerate and expand economic activities, in many cases involving the hidden or open personal interests.

Central planning usually fails to achieve the set goals. It is possible to name theoretical problems, however more obvious is the failure such countries experienced in the 20th century (the People's Republic of China itself is among them). Therefore, the expectations are high that a centralized project which is based on such an entirely political decision will also fail. Such artificial intervention in the world economy cannot be more effective than the previous centralized projects, especially since the parties to this project are sovereign countries with their own interests in their mind. The PRC cannot influence them and force its policy upon them as it does in its own regions, and even if it could—the efficiency of investments would be low and the costs would be high. For example, in many cases, the investments of the PRC are placed in projects that have an unpredictable future—such cases are characteristic of any government project.

## How Sound is the Chinese Economy

The PRC got involved in the world economy with great persistence, and its participation is very important, both for its people and for the world. The country has become one of the largest producers and buyers in the world, and it is the largest trading partner in the world. The country also began to actively participate in the economies of other countries by investing in infrastructure, energy, and finance. This enabled the People's Republic of China to increase and expand its political influence even further.

Still, it has to be noted that the credit activities of the PRC in the world market were carried out simultaneously with the growth of its debts. The public debt has increased from 20 to 57 percent from the late 90s to 2019 (67 percent in 2020, TradingEconomics<sup>41</sup>). Regional public debt also increased sharply, from 2009 to 2019 it increased from 14.6 percent to 28.8 percent (MDPI, Sustainability<sup>42</sup>). The country's national debt soared from \$5.5 trillion in 2016 to \$8.7 trillion in 2019 and has amounted to \$13 trillion by 2021 (Statista<sup>43</sup>). At the same time, it is important to know that the budget of the Chinese central government was in a permanent deficit (except for 2007, Tradingeconomics<sup>44</sup>).

This study does not address the situation created during the Coronavirus pandemic. The government of the PRC decided to exercise full and strict control over the lives and economic activities of its population. The decisions made during the pandemic were, on the one hand, of an urgent nature and, on the other hand, they coincided with the general visions of the government. An in-depth analysis of its success or failures has to be made in the future, now we can assume that the actions of the government of the People's Republic of China differ from the actions of some other governments only in terms of scale and depth.

However, more important is the economic policy based on the Communist Party's strong belief that the large investment projects with political purposes, no matter the success of these investments, are sufficient to increase the Party's political and economic influence. In essence, the parties will be constantly interested in receiving these investments and will have the best

41 <https://tradingeconomics.com/china/government-debt-to-gdp#:~:text=Government%20Debt%20to%20GDP%20in%20China%20is%20expected%20to%20reach,macro%20models%20and%20analysts%20expectations>

42 <https://www.mdpi.com/2071-1050/14/3/1474>

43 <https://www.statista.com/statistics/531423/national-debt-of-china/#:~:text=In%202020%2C%20the%20national%20debt,around%2010%2C231.72%20billion%20U.S.%20dollars>

44 <https://tradingeconomics.com/china/government-budget>

relationship with the country (or rather its leaders) and will be in constant moral debt with it. This in turn poses a serious problem for foreign investors, who need to pay more attention to meeting the conditions of the government (central or local) and the political leadership.

The ineffectiveness of these investments can be demonstrated by obtaining the concrete facts, although the very fact that loans are made by the state-owned banks of the People's Republic of China and often involve the state-owned enterprises, it will not be hard to predict their failure. As for the Chinese state-owned enterprises, studies show that these enterprises are inefficient however they consume the sizable resources of the country (IMF<sup>45</sup>).

The international studies mentioned above indicate that the investment and financial freedom, private property, the judicial effectiveness in the country are in severe conditions. These economic freedoms were further weakened during the pandemic. Therefore, heads of states, no matter how difficult their situation may be even after the pandemic, must be very cautious about launching new projects with the PRC, at least until the Chinese Communist Party returns to its trend of 1978 reforms and makes further liberalization of the economy.

It is important to note that lending to countries that are made by the International Organizations also has a preferential nature, although such forms have their intricate sides too. Such credits are not subject to the same rigorous reviews and do not require meeting strict terms. The governments do not see a big problem in borrowing and handing over the debts to the subsequent governments and taxpayers. Most importantly, such a policy limits development opportunity for future generations and largely makes them toil for the fulfillment of commitments made by the previous governments and generations. It is all the more complex issue and requires more political resolve when the creditor is a state who is at the same time an authority of central planning and execution.

45

<https://www.imf.org/en/News/Articles/2022/01/26/pr2217-imf-executive-board-concludes-2021-article-iv-consultation-with-the-peoples-republic-of-china>

## *Future of The People's Republic of China in Terms of Such a Policy*

The government of the People's Republic of China has shown great ambitions to increase its role and influence in the world. Most likely, the country's authorities believed that the main reason for its economic success was not liberalization that unleashed the creative potential of the people followed by the rapid economic expansion, but the proper centralized administration of the government. This ambition was reinforced by an investment boom staged by the developed countries, believing that the liberalization would no longer have an alternative here and that more reforms and greater protection of economic and other freedoms were expected.

On the contrary, after 2015 the Communist Party leadership decided that it was enough with the concessions and more control was now needed; This approach was further strengthened in the face of the pandemic, and the government felt that more control was indeed a successful idea and that the progress was due to that.

The rapid progress of the PRC took place mostly in its South-Easterner part, and the lack of investment from the distant central government was also evident in the western parts. When the country's GDP per capita by 2020 was on average \$10.4 thousand, in the eastern regions like Beijing and Shanghai it was more than \$20,000, and in the eastern provinces like - Guizhou, Guangxi, Heitongyang, and Gansu - this figure was third of that amount and even lower - below 7 thousand dollars (Wikipedia, IMF<sup>46</sup>). The 3 special economic zones in the Eastern region were desirable places for foreign investment as companies enjoyed lower tax rates and other privileges there. By 2006, 15 million people—or 2 percent of the total number of employees—were employed in those special economic zones accounting for 5 percent of China's economy and 22 percent of exports, and attracting 9 percent of FDI. There is also another type of free zones in the People's Republic of China - National Economic and Technological Development zones, the corresponding data of which in 2006 was: the employment - 0.5 percent (total of

[https://en.wikipedia.org/wiki/List\\_of\\_Chinese\\_administrative\\_divisions\\_by\\_GDP\\_per\\_capita](https://en.wikipedia.org/wiki/List_of_Chinese_administrative_divisions_by_GDP_per_capita)

46

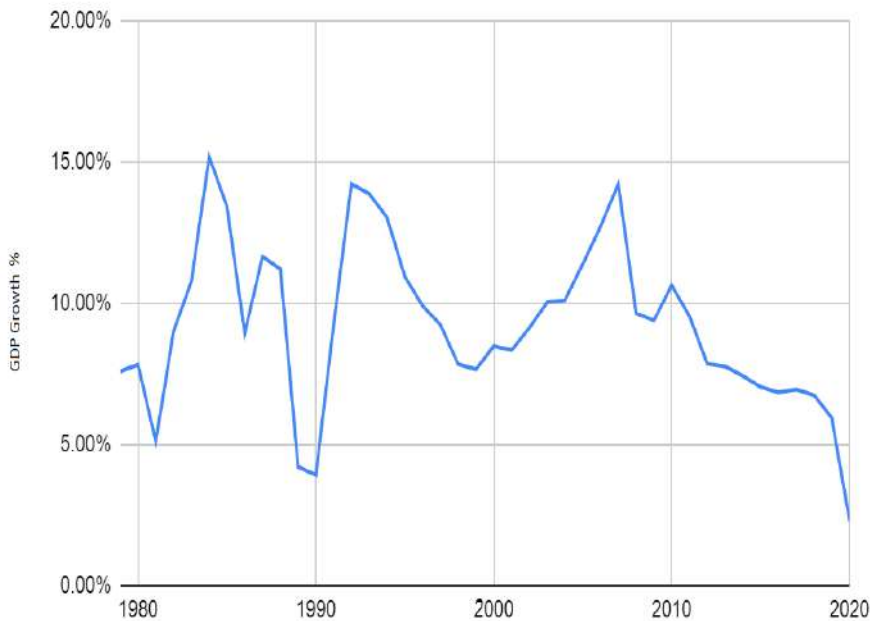
employees), 4.5 percent of the country's economy, 15 percent of exports and 22 percent of foreign investments (Lincoln Institute<sup>47</sup>).

47 [www.lincolninst.edu/sites/default/files/pubfiles/2261\\_1600\\_Zeng\\_WP13DZ1.pdf](http://www.lincolninst.edu/sites/default/files/pubfiles/2261_1600_Zeng_WP13DZ1.pdf)

This shows a crucial bond between the country's economic policy and the state policy. As we can see, it was more important for the country's leadership to achieve certain economic strengths and then use the resources at its disposal to gain international influence than to concentrate more on its own progress. Since 2015, these undertakings have become even clearer, with large-scale, multi-billion-dollar economic projects being launched in virtually every corner of the globe, at the expense of their own population (i.e., public debt accumulation).

Consequently, the economic growth, which averaged double digits before 2015, has been severely hampered in recent years, including the period before the pandemic.

Chart 5. Economic Growth of the People's Republic of China, 1979-2020, World Bank



It is also important to look at the part of the Global Competitiveness Report that describes the business assessments of problems that exist in the country (GCI, WEF, 2017).

Table 3. The most problematic factors for doing business in the People's Republic of China, Global Competitiveness Report, 2017, World Economic Forum

The most problematic factors for doing business	%
Access to finance	10.9
Government bureaucracy	8.6
Inflation	8.5
Policy instability	8.4
Corruption	8.2
Tax rates	7.8
Inadequate supply of infrastructure	7.3
Tax regulations	7.0

The same report mentioned that despite the rather high rating of the PRC, which it has achieved mainly due to its market size, in all other components it has a long way to go before its perfect institutions and protected rights become the central point of its competitiveness (see Table 1).

In this case, the decisions of this country would become more transparent and predictable and investments will be more easily attracted. This will create a deep, long-term sense of mutual trust, and even the leadership of the PRC itself will have no need to squander huge resources to increase its influence. The People's Republic of China has only one option—to revert to liberalization and have further economic and political liberalization in place (Cato Institute<sup>48</sup>).

<https://www.cato.org/cato-journal/winter-2019/chinas-future-development-challenges-opportunities>

48

## Conclusions

The People's Republic of China has achieved unprecedented growth in world history since 1978, and its economic potential is still far from being fully realized. In other Chinese states like Hong Kong, Macao, Taiwan, and including Singapore (where the Chinese ethnic composition is rather high) people live way better and have much greater achievements. In order for the economy of the PRC to catch up with the average per capita rates of other countries, its political leadership must reconsider pondering over and working on strengthening the state control, and instead revisit the path of liberalization and allow its citizens to use their abilities to create such a liberal economic system where investments feel at home, with protected human rights, the inviolability of private property, with pluralism and transparency.

# ***Social and Infrastructure Projects of Chinese Extractive Companies in Kazakhstan – Expectations vs Reality***

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## *Terms and Abbreviations*

**BCC** - Budget Classification Code, a code that indicates the purpose of payment to state budgets of various levels.

**BIN** - Business Identification Number, a unique number generated for a legal entity and an individual entrepreneur carrying out entrepreneurial activities in the territory of the Republic of Kazakhstan.

**CITIC Group** - China International Trust and Investment Corporation, one of the largest state-owned investment corporations in China.

**CNPC** – China National Petroleum Company, the world's third largest oil company based in China and plays a leading role in China's petroleum industry.

**COVID, COVID-19** - Coronavirus 2019.

**EGSU** – Kazakhstani Unified State Subsoil Management System, the website, that contains data on payments by mining companies in Kazakhstan and data on payment recipients - government agencies.

**EITI** - Extractive Industry Transparency Initiative, implements the global standard to promote the open and accountable management of oil, gas and mineral resources. The EITI Standard requires the disclosure of information along the extractive industry value chain from the point of extraction to how revenues make their way through the government and how they benefit the public.

**KPO (KPO BV)** – Karachaganak Petroleum Operating, the operating company of the giant Karachaganak oil and gas field.

**LCT** - Licensing and Contract Terms, conditions that are mandatory for execution under a subsoil use contract.

**MET** - Mineral Extraction Tax.

**NCOC** - North Caspian Operating Company, Kashagan oil field operator. Kashagan is the supergiant oil field located on the shelf of the Caspian Sea.

**PSA** - Production Sharing Agreement, one of the forms of contracts for subsoil use, implying the division of production and/or income in accordance with the proportional share of each participating company.

**SEDRDI** – Social and Economic Development of the Region and the Development of its Infrastructure, appointment of a budget payment according to BCC 206114.

**Sinopec** - China Petroleum & Chemical Corporation, Chinese integrated energy and chemical company. Second, after PetroChina, oil and gas company in China in terms of production volumes.

**SIP** - Social and Infrastructure Projects, activities carried out by the subsoil user in accordance with the memorandum between the company and local executive authorities, carried out outside the budgetary process and aimed at the implementation of SEDRDI.

## Introduction

- 1 China National Petroleum Corporation (CNPC), <http://www.cnpc.com.cn/en/>
- 2 CITIC Group, [https://www.group.citic/en/About\\_CITIC/Brief\\_Introduction/](https://www.group.citic/en/About_CITIC/Brief_Introduction/)
- 3 Sinopec, <http://www.sinopecgroup.com/group/en/gwym/about.shtml>
- 4 CNPC in Kazakhstan, <http://www.cnpc.com.cn/en/2020Kazakhstan/2020Kazakhstan.shtml>
- 5 Code on Subsoil and Subsoil Use, Article 36. Content of a subsoil use contract, <https://adilet.zan.kz/eng/docs/K1700000125>

Since the late 1990s and early 2000s, Chinese extractive companies have been active in Kazakhstan. Their presence is especially noticeable in the west of Kazakhstan where leading Chinese oil and investment companies, CNPC,<sup>1</sup> CITIC Group<sup>2</sup> and Sinopec,<sup>3</sup> own stakes in several large oil and gas fields.<sup>4</sup>

In addition to direct exploration and production of minerals, each company that receives a subsoil use contract in Kazakhstan is obliged to either carry out social and infrastructure projects (SIP) for the benefit of local communities or make targeted payments to local budgets for the purposes of the socio-economic development of the regions and the development of regional infrastructure (SEDRDI).<sup>5</sup> This requirement is contained both in the relevant legislation of the country and in contracts for subsoil use which stipulate license and contractual obligations. At the same time, the subsoil user always has a choice in terms of choosing which ways to support regional development - the subsoil user can carry out SIPs by concluding a memorandum with local authorities, he can make payments to SEDRDI to a special account or he can do both.

Ideally, the implementation of SIPs and payments to SEDRDI by subsoil user companies should serve to improve the quality of the life of the people in the regions of production. However, the SIP of subsoil users is not always transparent and necessary for locals; as for payments to the budget for SEDRDI, the local communities do not always know the amount of such payments and where exactly these funds were spent.

This study entitled, Social and Infrastructure Projects and Payments of Chinese Extractive Companies in Kazakhstan - Expectations vs Reality, analyzes the activities of Chinese extractive companies in the field of social and infrastructure projects in the regions of production. This topic has become especially important in connection with the wave of protests that swept across Kazakhstan in January 2022. Residents of regions where Chinese subsoil users are especially active took part in these protests.

The aforementioned study examines the extent to which the activities of Chinese subsoil companies comply with the legislation of Kazakhstan in the field of social responsibility and how ongoing projects and payments improve the quality of the life of local communities.

# Methodology

This study covers the current legislation of Kazakhstan vis-à-vis the activities of subsoil users and the obligations of subsoil users to the budgets of various levels. In addition, legislative acts that were in force at the time of signing subsoil use contracts were also studied. Unfortunately, the current Kazakhstani legislation requires the disclosure of subsoil use contracts only from January 1, 2021 while the main contracts were concluded much earlier than this date. Therefore, disclosure of previously concluded contracts is not possible. Nevertheless, according to data from open sources, information on the largest Chinese companies actively working in the extractive sector of Kazakhstan, their tax deductions and the costs of the socio-economic development for the regions and regional infrastructure were collected, studied and analyzed.

For ease of evaluation herein, all amounts are given in US dollars at the weighted average rate for the year of payment. In the original tables and databases, the amounts are published in KZT unless the tables themselves show payments in other currencies (some companies in Kazakhstan make payments in USD and this is reflected in the original tables). The average exchange rate of USD to KZT is shown in the table (at the official rate of the National Bank of Kazakhstan).<sup>6</sup>

6 [Kazakh National Bank official,   
https://nationalbank.kz/en/news/oficialnye-kursy?page=1](https://nationalbank.kz/en/news/oficialnye-kursy?page=1)

## Exchange rate USD/KZT, 2012 – 2020

Years	KZT/USD exchange rate
2012	149,11
2013	152,13
2014	179,19
2015	221,73
2016	342,16
2017	332,47
2018	344,71
2019	382,75
2020	412,95

The research format did not involve any additional tools - requests to companies, government agencies or the media. All information used in the study is in the public domain and is available via links.

# Legislation on Subsoil Use in Kazakhstan

Code on Subsoil and  
Subsoil Use,  
<https://adilet.zan.kz/eng/docs/K1700000125>

7

On taxes and other  
obligatory payments to the  
budget (Tax Code),  
<https://adilet.zan.kz/eng/docs/K1700000120>

8

The Kazakhstani Code of Subsoil and Subsoil Use of 2017<sup>7</sup> defines the legal framework for extractive operations while the country's Tax Code,<sup>8</sup> revised in 2017, includes a standard fiscal system. Article 720-3 of the Tax Code lists all taxes and related fees applicable to subsoil users in addition to corporate income tax and other taxes, although it does not specify the rates defined for each category of fees or how the rates are applied in individual contracts:

- Signature bonus.
- Payment for reimbursement of historical costs.
- Royalty.
- Share of the Republic of Kazakhstan by production sharing: the state's share in profit oil; that is, its share in oil production after reimbursement of costs by joint venture collaborator (oil cost), paid in cash or in kind.
- Mineral extraction tax (MET).
- Excess Profit Tax: Applies to PSA transactions signed after January 1, 2009.
- Alternative tax on subsoil use: alternative to the recovery of historical costs/MET/tax on excess profits.

Article 722-1 of the Tax Code establishes that the tax regimes specified in the PSA concluded before January 1, 2009 remain in force during the entire term of the agreement. Thus, those companies whose PSA was signed before this date are exempt from excess profit tax. The previous Tax Code included a bonus for commercial discovery which was subsequently removed.

Royalties and mining rights should be specified in contracts. They can be paid in kind under Article 772 but the Tax Code does not specify a formula for determining the government's share.

Platts Crude Oil  
Marketwire,  
<https://www.spglobal.com/commodity-insights/en/products-services/oil/platts-crude-oil-marketwire>

9

The Mineral Extraction Tax (MET) is based on the volume of oil/gas produced in a certain period (articles 740-1-2-3). Prices vary based on annual production (similar to royalties based on a sliding scale). Section 741 specifies that the cost of production must be valued using the benchmark average of Platts Crude Oil Marketwire<sup>9</sup> for daily price quotes.

The Ministry of Energy is responsible for the oil and gas industry and related government policies while the Ministry of Finance determines fiscal policy, including with regard to the National Fund, which receives designated funds from the sector. The Budget Code states that taxes in the extractive industry, including corporate income tax, premiums, the Republic of Kazakhstan's production sharing shares and MET, are collected by the National Fund. Other payments from extractive companies are sent to various state bodies, including local (subnational) budgets.

Article 399 of the Tax Code details the reasons for exempting companies from value added tax (VAT) but does not explicitly mention oil and gas projects. Government revenue may be affected by withholding tax provisions on dividends and interest payments in double tax treaties when companies operating in Kazakhstan are registered in another country.

## ***Legal Basis for the Implementation of Social and Infrastructure Projects of Subsoil Users in Kazakhstan***

Initially, funds for the socio-economic development of the region and the development of its infrastructure in Kazakhstan were allocated by subsoil users under License and Contract Terms (LCT) within the framework of memorandums concluded with local executive authorities (akimats) and were transferred directly to the contractor and not the budget. After completion of construction, these social or infrastructure facilities were transferred to the balance of local executive authorities. That is, the SIP of subsoil users was carried out by the company itself, which agreed with local authorities only on the purpose of the facility, and all the costs of construction and equipment were carried out by the company.

The expert community of Kazakhstan has repeatedly drawn attention to the absolute lack of transparency of such expenses. After lengthy discussions, a special Budget Classification Code (BCC) was introduced into the Budget Code (Articles 50 and 51)<sup>10</sup> - BCC 206114 entitled "Deductions from Subsoil Users for the Social and Economic Development of the Region and the

10 Budget Code of the Republic of Kazakhstan, <https://adilet.zan.kz/eng/docs/K080000095>

Development of its Infrastructure.” The idea for introducing of this payment, which goes to the local budget, is to put this type of regional income into the budget system.

The expenses of subsoil users for the aforementioned social and economic development of the region and the development of its infrastructure (SEDRDI) are regulated by several legal acts.

The Law on Subsoil and Subsoil Use of 2010 used the concept of the “costs for the socio-economic development of the region and the development of its infrastructure - the costs of the subsoil user for the development and maintenance of social infrastructure facilities in the region as well as the funds transferred by the subsoil user for these purposes to the state budget.” In accordance with the law, the presence in the competitive proposal of the amount of expenses for the socio-economic development of the region and the development of its infrastructure was a prerequisite for participation in the tender (Article 50). The same condition applied to the application for participation in direct negotiations (Article 57). The costs for SEDRDI were included in the model contract.

This concept continues to be used in the 2017 Code of the Republic of Kazakhstan on Subsoil and Subsoil Use. The condition for the implementation of such expenses must be present in all subsoil use contracts - among the mandatory conditions contained in the subsoil use contract are the obligations of the subsoil user for the costs of the socio-economic development of the region and the development of its infrastructure during the production period (Article 36, Paragraphs 2-10).

According to the 2008 Tax Code, expenses actually incurred by a subsoil user for the development and maintenance of social infrastructure facilities in the region, as well as funds transferred to the state budget for these purposes, are deductible within the amounts established by the subsoil use contract (Article 112). The Tax Code of 2017 retained this provision (Article 261). Thus, the legislation allows subsoil users to make both SIP outside the budgetary system, through memorandums with local executive bodies, and payments on SEDRDI to local budgets.

Separately, it is necessary to clarify that payments to SEDRDI on BCC 206114 were introduced in 2014; however, some companies made similar payments on BCC 206109 - “Other non-tax payments to the local budget” until 2014.

# Chinese Extractive Companies in Kazakhstan

There are few studies in Kazakhstan regarding Chinese extractive companies. In 2013, Forbes-Kazakhstan published a study identifying 22 Chinese mining companies operating in several large oil fields.<sup>11</sup> Since then, some companies have been stripped of their contracts such as, for example, the Adai Petroleum Company (Sinopec [China] 50%, Rosneft [Russia] 50%) was forced to terminate the PSA for the Adaisky block due to dissatisfaction with the exploration results. For the same reason, PriCaspian Petroleum (CNPC [China] 50%, CITIC Group [China] 50%) stopped exploration work and refused to continue working.<sup>12</sup>

Eight of the largest Chinese subsoil users were selected for the purposes of this study. The large subsoil user NCOC (KazMunayGaz [KZ] - 16.88%, Eni [Italy] - 16.81%, ExxonMobil [USA] - 16.81%, Shell [UK] - 16.81%, Total [France] - 16.81%, CNPC [China] - 8.33%, Inpex [Japan] - 7.56%) was excluded from the study since, firstly, it carries out social and infrastructure projects on its own behalf and not on behalf of member companies consortium and, secondly, the share of the Chinese company is relatively small as compared to the shares of other member companies of the consortium. The study also does not consider the large company Kazakh Oil Aktobe (KazMunayGaz [KZ] 75%, Sinopec [China] 25%) since the share of the Chinese company is relatively small. The following companies were considered in the study:

- MangistauMunaiGas: KazMunayGaz (KZ) – 50%, CNPC (China) – 50%.
- CNPC-AktobeMunayGaz: CNPC (China) – 100%.
- CNPC-AiDanMunay: CNPC (China) – 100%
- KazGerMunai: KazMunayGaz (KZ) – 50%, CNPC (China) – 50%.
- KarazhanbasMunai: KazMunayGaz (KZ) – 50%, CITIC Group (China) – 50%.
- Buzachi Operating Company: CNPC (China) – 50%, Sinopec (China) – 50%.
- Petro Kazakhstan Inc.: CNPC (China) - 67%, KazMunayGaz (KZ) - 33%.
- Sagiz Petroleum Company: Sinopec (China) - 100%

- 11 “22 Oil Companies with Chinese Participation in Kazakhstan,” Forbes, January 12, 2013, [https://forbes.kz/process/probing/v\\_rk\\_rabotayut\\_2\\_2\\_neftyanyie\\_kompanii\\_s\\_kitayskim\\_uchastiem](https://forbes.kz/process/probing/v_rk_rabotayut_2_2_neftyanyie_kompanii_s_kitayskim_uchastiem)
- 12 “Cancellation of PSA - Second Wave,” Petroleum Journal, <https://www.petroleumjournal.kz/index.php?aid1=20&aid2=85&id=194&outing=1&p=article>

Extractive Industry 13  
Transparency Initiative,  
<https://eiti.org/kazakhstan>

Unified State Subsoil 14  
Management System  
(EGSU),  
<https://egsu.energo.gov.kz/webapp/pages/home.jsf>

MangistauMunaiGaz 15  
website,  
<https://www.mmg.kz/ru/kompaniya/obshchaya-informaciya>

MangistauMunaiGaz 16  
website,  
<https://www.mmg.kz/ru/kompaniya/rukovodstvo>

MangistauMunaiGaz 17  
website,  
<https://www.mmg.kz/ru/ustojchivoerazvitiye/socialnaya-otvetstvennost>

Unified State Subsoil 18  
Management System  
(EGSU),  
[https://egsu.energo.gov.kz/webapp/pages/ipdo/appendix\\_3\\_2.jsf?faces-redirect=true](https://egsu.energo.gov.kz/webapp/pages/ipdo/appendix_3_2.jsf?faces-redirect=true)

In Kazakhstan, as an EITI<sup>13</sup> (Extractive Industry Transparency Initiative), supporting country, information about mining companies is available on the EITI resources and the Subsoil Users Database of the Unified State Subsoil Use Management System (EGSU).<sup>14</sup>

### **MangistauMunaiGas: KazMunayGaz (KZ)– 50%, CNPC (China) – 50%.**

According to data posted on the company's website, MangistauMunaiGas provides about 8% of all oil production in Kazakhstan.<sup>15</sup> Production is carried out at the large deposits of Asar, Zhetybay and Kalamkas located on the territory of the Mangistau region of Kazakhstan. Chinese citizens hold four of the eight key positions in the company's management:<sup>16</sup> they are First Deputy General Manager Mr. Xu Shiguo, Deputy General Manager for Operations Mr. Yan Lixin, Deputy General Manager for Economics and Finance Mr. Zhang Yiqun and Deputy General Manager for Human Resources Mr. Shi Changfu. It is obvious that the Chinese side fully manages the production, financial, economic and personnel activities of the enterprise.

The company claims: "An important direction of the company's policy is to contribute to the development of the social infrastructure of the region as well as mutually beneficial cooperation with local executive bodies. At the expense of the oil company, educational, cultural and sports facilities were built, roads of regional and district significance were repaired, material assistance was provided to needy and low-income residents, targeted assistance was provided to veterans and the disabled and much more..."

However, clear evidence of such cooperation is not found either on the website of the company itself or in the reports published in the EGSU system. On the company's website, the "Social Responsibility" tab in the "Sustainable Development" section is empty and does not contain any information.<sup>17</sup> As for the information from the EGSU system, it also does not record any expenses for the period from 2015 to 2020 in the tab "Summary Report on Expenditures on Social Development and Local Infrastructure (except for funds paid to BCC 206114)"<sup>18</sup> (data for 2021 must be published before the end of Q2 2022). Data on the total amount of taxes and payments paid, as

compared to payments on SEDRDI, are shown in the following table:

#### *MangistauMunaiGas Payments*

<b>Years</b>	<b>Total Taxes and Fees, USD</b>	<b>SEDRDI Payments, USD</b>
2012	2 004 170 122,73	-
2013	3 992 486 794,19	-
2014	5 069 643 160,89	-
2015	4 868 898 259,14	-
2016	3 689 764 734,07	-
2017	4 578 272 907,18	7 519,48
2018	5 496 696 935,91	8 702,97
2019	964 401 453,71	7 838 014,37
2020	-	-

As follows from the published data, the company did not make payments to the local (subnational) budget of the Mangistau region until 2016 which directly contradicts the Law on Subsoil and Subsoil Use in force at that time and the Budget Code of Kazakhstan. The payments made in 2017 and 2018 are insignificant (less than USD 10,000 per year) and only the payment in 2019 is significant. However, it is impossible to understand from the amount of total payments on taxes and payments whether this amount is justified since the subsoil use contracts concluded between the government of Kazakhstan and the company are confidential. As for the data for 2020, it is obvious that the company did not submit reports to the EGSU system which is a direct violation of the requirements of the current Subsoil Code (Article 76, Paragraph 3). There is no indication that government authorities in any way penalized the company for failing to comply with the legal requirements to provide reliable reporting.

#### **CNPC-AktobeMunayGaz: CNPC (China) – 100%.**

CNPC-AktobeMunayGaz is an industrial enterprise operating in the Aktobe region of the Republic of Kazakhstan. The company operates in the Zhanazhol oil and gas condensate field, the Kenkiyak-sub-salt and Northern Truva oil and gas fields, the Kenkiyak-post-salt oil field as well as in the central territory of the Eastern part of the Caspian depression and the Teresken-1

and Teresken-2 exploration blocks located within the administrative boundaries of the Aktobe region.

On June 4, 1997, an agreement on the purchase of Aktobe-munaigas shares by CNPC was signed. On September 26, 1997, a contract between CNPC-AktobeMunayGaz and the government of Kazakhstan to conduct hydro-carbons production operations at the Zhanazhol, Kenkiyak-post-salt and Kenkiyak-sub-salt fields in the Aktobe region was signed.<sup>19</sup> The contract itself and its details are confidential and not publicly available.

The General Director of the company is a citizen of China, Mr. Wei Yuxiang,<sup>20</sup> and there is no information about other company executives on the official website. Obviously, since CNPC-AktobeMunayGaz is a direct affiliate of CNPC, all management decisions are coordinated with the parent company to some extent.

The company's website declares: "The shareholders and management of CNPC-AktobeMunayGaz pay great attention to large-scale support for socially significant projects in the region and the country." The "External Charity" tab of the company's official website contains material that describes the activities, costs and work carried out by the company in detail in accordance with the memorandum signed between the Akimat of Aktobe region and the company. In particular, it is indicated that work within the framework of memorandums has been carried out from 2000 to the present with the total cost, according to the company's website, amounting to KZT 11.89 billion for the period from 2001 to 2021. As for social and infrastructure projects, the company carried out the construction of the Zhem-Zhanazhol railway, the repair of roads, the construction of housing, assistance to public utilities, the construction of cultural and sports facilities, sponsorship of the Aktobe football club and the purchase of medicines and medical equipment, including in during the COVID 19 epidemic. In addition to projects implemented in the Aktobe region, the company finances projects in other regions.<sup>21</sup>

However, in the tab "Summary Report on Expenditures on Social Development and Local Infrastructure (except for funds paid to BCC 206114)" in the EGSU system, no expenses were recorded for the period from 2015 to 2020.<sup>22</sup> However, there is information about payments on SEDRDI in the period from 2012

CNPC-AktobeMunayGaz 19  
official website,  
[http://www.cnpc-  
amg.kz/?p=o\\_nas](http://www.cnpc-amg.kz/?p=o_nas)

CNPC-AktobeMunayGaz 20  
official website,  
[http://www.cnpc-  
amg.kz/?p=gendir](http://www.cnpc-amg.kz/?p=gendir)

CNPC-AktobeMunayGaz 21  
official website,  
[http://www.cnpc-  
amg.kz/?p=vnesh\\_blag](http://www.cnpc-amg.kz/?p=vnesh_blag)

Unified State Subsoil 22  
Management System  
(EGSU),  
[https://egsu.energo.gov.kz  
/webapp/pages/ipdo/appe  
ndix\\_3\\_2.jsf?faces-  
redirect=true](https://egsu.energo.gov.kz/webapp/pages/ipdo/appe<br/>ndix_3_2.jsf?faces-<br/>redirect=true)

to 2020. Data on the total amount of taxes paid and payments, as compared to payments on SEDRDI, are shown in the following table:

#### *CNPC-AktobeMunayGaz Payments*

Years	Total Taxes and Fees, USD	SEDRDI Payments, USD
2012	2 330 961 765,14	1 000 720,27
2013	2 121 129 817,26	1 001 801,09
2014	1 322 737 243,76	608 739,33
2015	494 987 955,17	1 166 030,76
2016	246 816 343,82	976 852,93
2017	354 996 430,31	1 041 095,44
2018	535 411 137,48	1 819 001,48
2019	409 771 004,83	2 903 911,17
2020	-	-

The payouts made by the company on SEDRDI are quite large; their total amount for the period 2012 - 2020 is about KZT 4.5 billion. Unfortunately, it is impossible to clearly determine the purposes for which these funds were spent. Separately, it is worth mentioning that the company did not submit reports to the EGSU system for 2020 which is a direct violation of the requirements of Article 76 of the Subsoil Code of Kazakhstan. There is no publicly available information on any sanctions against the company for failure to submit reports to the EGSU database.

#### **CNPC-AiDanMunay: CNPC (China) – 100%**

CNPC-AiDanMunay is a Chinese mining company operating on the territory of the Kyzylorda region of Kazakhstan in the oil fields of the Turgai basin. According to the Ecokarta website, the company is developing the Blinovskoye and Arysskoye deposits.<sup>23</sup> There are no details in the public domain about contracts for the development of deposits. The company does not have an official website but it is engaged in “oil and gas transactions on the territory of Kazakhstan, including exploring and drilling, extraction, preparation and refining, transportation and storage, marketing and trade, and export of hydrocarbons and products of their refining” according to the information posted on the website of the Kazakhstan Stock Exchange KASE.

23 <https://ecokarta.kz/company/show/5>

The head (president) of the company is a citizen of China, Mr. Xu Keqiang.<sup>24</sup> The message on the exchange's website states that the company's securities are not listed on the KASE.

According to the data posted on the EGSU website, the company made the following payments in the period of 2012 - 2020:

#### *CNPC-AiDanMunay Payments*

Years	Total Taxes and Fees, USD	SEDRDI Payments, USD
2012	119 001 733,89	-
2013	220 079 617,10	-
2014	252 575 371,84	711 192,03
2015	232 679 242,57	-
2016	163 260 402,89	447 474,87
2017	179 237 009,22	461 148,37
2018	189 266 407,86	431 133,42
2019	10 446 752,95	464 147,35
2020	4 968 683,86	667 904,10

According to the EGSU website, the company is relatively accurate in reporting but it did not make payments to SEDRDI in 2012-13 and 2015.

In addition to the data on payments on BCC 206114, there is information on expenses under memorandums of cooperation with local executive bodies. These data cover 2018 and 2019 and are presented in the table:

#### *CNPC-AiDanMunay Expenses Under Memorandums*

Years	Expenses, USD	Purpose of Expenses
2018	14 728,32	Sponsorship
2019	8 889,35	Sponsorship

It is obvious that these expenses are very small and cannot be compared with payments to local budgets; however, CNPC-AiDanMunay is one of the few Chinese companies to report these data.

We should also mention the corruption scandal involving the company in 2011. Then the officials of CNPC-AiDanMunay, by entering purposefully distorted data on income and expenses in

the declarations of 2005-2007, deliberately evaded paying taxes and mandatory payments to the budget in the amount of KZT 3 billion 464 million (about USD 29 million at the then exchange rate). After the initiation of a criminal case against the company, the damage caused to the state was fully compensated.<sup>25</sup>

#### **KazGerMunai: KazMunayGaz (KZ) – 50%, CNPC (China) – 50%.**

KazGerMunai is one of the largest companies in the oil production sector in Kazakhstan. The company carries out activities for the exploration, development, production and marketing of hydrocarbons at the Akshabulak, Nuraly and Aksai fields of the South Turgai depression of the Kyzylorda region. According to the company's official website, Yuzhneftegaz JSC and a group of German companies (Feba Oil AG and Erbdol Erdgras Gommern GmbH), with the participation of the government of Kazakhstan, signed a founding agreement in 1993 that initiated the creation of KazGerMunai.<sup>26</sup> In 1996, Petro Kazakhstan Inc. (CNPC [China] - 67%, KazMunayGaz [KZ] - 33%), in accordance with the privatization agreement previously signed with the government of Kazakhstan, acquired Yuzhneftegaz JSC along with a 50% stake in German companies in KazGerMunai. Thus, 50% of the company now belongs to CNPC as the owner of Petro Kazakhstan. Chinese citizens occupy four of the eight main positions in the company's management - General Director and Chairman of the Board Mr. Liu Shaoyou, Deputy General Director for Production Mr. Yang Yuehua, Deputy General Director for Geology - Chief Geologist Mr. Liu Zhanli and Deputy General Director for Economics and Finance Mr. Li Gang.<sup>27</sup>

According to the data posted on the company's website, it is actively working in the field of social and infrastructure projects in the Kyzylorda region and “supports the development of the social spheres of the region, investing in equipping medical institutions in the region with modern equipment, modernizing the material and technical base of educational institutions, and also makes material investments in the development of culture and sports.” The company's website contains a list of its social and infrastructure projects implemented within the framework of memorandums with local executive authorities - this is the construction of sports facilities in Kyzylorda, the sponsorship of

25 Kursiv Media,  
<https://kz.kursiv.media/2011-04-20/neftyanaya-kompaniya-snps-ay-dan-munay-vernula-v-byudzheth-bolee-3-mrd-tenge/amp/>

26 KazGerMunai official website,  
<https://kgm.kz/en/page/about-the-company>

27 KazGerMunai official website,  
<https://kgm.kz/en/page/management-of-the-company>

athletes, the construction of parks and squares, the building of hospitals and the acquisition of medical equipment.<sup>28</sup>

The EGSU website contains both data on the company's off-budget payments under memorandums and data on payments on SEDRDI. Data on the total amount of taxes paid and payments, as compared to payments on SEDRDI, are shown in the following table:

<i>KazGerMunai Payments</i>		
Years	Total Taxes and Fees, USD	SEDRDI Payments, USD
2012	1 187 878 123,53	-
2013	2 704 166 160,52	-
2014	3 097 551 503,99	-
2015	2 881 490 772,56	-
2016	2 029 680 219,93	-
2017	2 306 798 174,56	4 406 120,85
2018	2 539 567 112,00	-
2019	324 653 075,47	-
2020	169 910 758,32	336 323,38

According to the data published by EGSU, the company either does not provide data on payments to SEDRDI (BCC 206114) or indeed does not make payments to the local budget of the Kyzylorda region on SEDRDI. Data on such payments are available only for 2017 and 2020.

<i>KazGerMunai Expenses Under Memorandums (SIP)</i>		
Years	Expenses, USD	Purpose of Expenses
2016	1 972 761,28	Construction of a psycho-neurological boarding house for 300 places

According to EGSU data, the company built one facility in 2016, costing about USD 2 million. There are no other data on projects within the framework of memorandums with local authorities.<sup>29</sup>

**KarazhanbasMunai: KazMunayGaz (KZ) – 50%, CITIC Group (China) – 50%.**

KarazhanbasMunai is an oil company that produces heavy oil from the Karazhanbas field, located in the northern part of the Buzachi peninsula, in the Mangistau region, approximately 200

km north of Aktau city. According to the official website of the company, it provides about 2.5% of all production in the country.<sup>30</sup> Chinese citizens hold three of the eight main positions in the company's management - General Manager, Mr. Li Tieqiang, Deputy of Human Resources and Social Affairs, Mr. Zhao Jingzhong, and Deputy of Economic Affairs, Mr. Liu Qingguo. It is significant enough that there are no Chinese production and geology managers in the company's management since the Chinese shareholder, CITIC Group, is not an extractive company but an investment company.

According to the company's official website, it considers social projects to be the work on “ensuring the social protection of employees, motivating employees to long-term and effective work in the company by providing benefits, guarantees and compensations, medical and health resort services, various types of personal insurance and creating comfortable and safe working conditions” for company employees.<sup>31</sup> There is no mention on the company's website that KarazhanbasMunai carries out any social and infrastructure projects for the benefit of local communities and people who are not employees of the company.

30 KarazhanbasMunai official website, <https://www.kbm.kz/en/company/about>

31 KarazhanbasMunai official website, [https://www.kbm.kz/ru/social/Social\\_projects](https://www.kbm.kz/ru/social/Social_projects)

According to the data posted on the EGSU website, the company made the following payments in the period of 2012 - 2020:

#### *KarazhanbasMunai Payments*

<b>Years</b>	<b>Total Taxes and Fees, USD</b>	<b>SEDRDI Payments, USD</b>
2012	743 697 183,29	-
2013	1 394 829 697,69	-
2014	1 681 536 932,36	-
2015	1 518 529 706,90	-
2016	1 101 631 363,88	-
2017	1 346 022 459,87	-
2018	325 104 014,97	-
2019	296 949 079,03	-
2020	74 428 005,81	-

Based on EGSU data, the company did not pay any payments to SEDRDI during the period 2012-2020. There are also no data on payments under memorandums with local authorities and

there are no records on the EGSU website in the section on social development and local infrastructure expenditures.

Since the company's subsoil use contract is not in the public domain, it is not clear why the company does not make payments to SEDRDI. Basing on the absence of any sanctions against the company for non-fulfillment of payment obligations, there is either incorrect reporting, which in itself is a serious violation, or the company systematically violates the requirements of the law and the local authorities turn a blind eye to this. It should be noted that Kazakhstani oil workers of KarazhanbasMunai participated in the protests in 2011 in the cities of Zhanaozen and Shetpe and protested during the January events of 2022 in the cities of Zhanaozen and Aktau.

#### **Buzachi Operating Company: CNPC (China) - 50%, Sinopec (China)- 50%.**

Buzachi Operating Company is an operating company founded in December 2004 to develop the Northern Buzachi field, located in the Mangistau region, 250 km north of Aktau city. Currently, the development of the field is carried out under the guidance of partners - CNPC (China) and Sinopec (China), each of which owns 50% of the shares. Buzachi Operating Company carries out its activities in accordance with a contract for the production of hydrocarbons at the Northern Buzachi oil field in the Mangistau region. There are no details of the contract in the public domain.

The company does not have its own official website. It is rather difficult to establish the head of the company at the moment. According to the BIN of the company, the site for checking counterparties pk.uchet.kz shows that the head of the company is a citizen of China, Mr. Xu Shiguo.<sup>32</sup> This information is also confirmed by the Tender+ website which checks information on announced procurement tenders.<sup>33</sup> Whether Mr. Xu Shiguo is the same person as the First Deputy General Manager of MangistauMunaiGas is unknown. However, given that the same Chinese company CNPC owns both companies (MangistauMunaiGas and Buzachi Operating Company), and that both companies operate in the same region of Kazakhstan, this is quite likely.

Counterparty check 32

website,

<https://pk.uchet.kz/c/bin/041241001357/>

Tender+ website, 33

<https://tenderplus.kz/organization/Filial kompanii Buzachi Operating Ltd Buzachi Opereyting Ltd>

According to the data posted on the EGSU website, the company made the following payments in the period of 2012 - 2020:

*Buzachi Operating Company Payments*

Years	Total Taxes and Fees, USD	SEDRDI Payments, USD
2012	753 801 007,78	-
2013	1 461 645 484,98	251 906,26
2014	1 864 443 834,09	-
2015	1 691 581 022,28	208 981,64
2016	1 208 534 601,71	242 708,09
2017	164 392 230,76	253 022,83
2018	234 339 885,24	243 675,84
2019	225 204 390,86	251 463,10
2020	104 562 100,11	253 129,92

According to the EGSU website, the company is relatively accurate in reporting but it did not make payments to SEDRDI in 2012 and 2014. There are no data on payments under memorandums with local authorities and there are no records on the EGSU website in the section on social development and local infrastructure expenditures.

**Petro Kazakhstan Inc.: CNPC (China) - 67%,  
KazMunayGaz (KZ) - 33%.**

Petro Kazakhstan Inc. is a group of companies whose activities include geological exploration, field development, oil and gas production, marketing and transportation as well as the acquisition of deposits and the processing and sale of oil and petroleum products. The company owns the Kyzylkiya, Aryskum, Maibulak and South Kumkol fields in the Turgai oil-bearing basin located in the Kyzylorda region of Kazakhstan. In addition to the oil deposits, the company controls the Shymkent oil refinery in Shymkent city. In fact, Petro Kazakhstan Inc. consists of two main companies – Petro Kazakhstan Kumkol Resources JSC is engaged in oil production and Petro Kazakhstan Oil Products LLP is engaged in refining and selling oil products.<sup>34</sup> The Chinese company CNPC acquired Petro Kazakhstan Inc. in 2005; in 2009, a deal was completed for the transfer of a 33% stake to the Kazakhstani national company KazMunayGaz.

34 PetroKazakhstan official website, [https://www.petrokazakhstan.kz/eng/pages/about\\_company.html](https://www.petrokazakhstan.kz/eng/pages/about_company.html)

This study examines the activities of the Petro Kazakhstan Kumkol Resources division since it is an oil producing company and is required to submit reports under the EITI.

In the company's management, Chinese citizens occupy five of the eight main positions. They are President of Petro Kazakhstan Inc., Mr. Yang Mingyu; Vice - President, Finance, Mr. Ru Shitao; Vice-President, Marketing and Logistics, Mr. Yin Xiangqing; Head of the Almaty Branch Petro Kazakhstan Overseas Services Inc., Mr. Zhang Pingzhan, and Chairman of the Board of Governors, Petro Kazakhstan Kumkol Resources JSC, Mr. Zhao Xiaoming.<sup>35</sup>

The company's website does not have a separate section that publishes information about its social and infrastructure projects in the production region. Separate mentions of ongoing events are published in the press releases section; however, these data are not structured and scattered, and the search for information is difficult and time consuming.<sup>36</sup> Since the presence of social projects has a positive effect on the company's image, the absence of a systematic section on such projects suggests that the company does not consider their implementation a priority and does not seriously invest in them.

According to the data posted on the EGSU website, the company made the following payments in the period of 2012 – 2020:<sup>37</sup>

*Petro Kazakhstan Inc. Payments*

Years	Total Taxes and Fees, USD	SEDRDI Payments, USD
2012	821 482 525,29	-
2013	1 878 705 867,14	661 933,87
2014	2 293 989 773,80	1 553 658,13
2015	2 055 250 469,35	1 013 570,56
2016	1 375 290 795,44	1 072 048,16
2017	1 512 606 067,82	1 401 493,67
2018	1 587 688 664,00	2 568 724,44
2019	119 736 879,95	1 633 974,40
2020	35 630 588,45	1 634 890,42

From the data of the EGSU website it follows that the company accurately reports; however, it did not make payments to SEDRDI in 2012.

PetroKazakhstan official website,  
35  
[https://www.petrokazakhstan.kz/eng/pages/management\\_pkosi.html](https://www.petrokazakhstan.kz/eng/pages/management_pkosi.html)

PetroKazakhstan official website,  
36  
<https://www.petrokazakhstan.kz/eng/news/company/page/1>

Unified State Subsoil Management System (EGSU),  
37  
[https://egsu.energo.gov.kz/webapp/pages/ipdo/appendix\\_1\\_5.jsf?faces-redirect=true](https://egsu.energo.gov.kz/webapp/pages/ipdo/appendix_1_5.jsf?faces-redirect=true)

In addition to data on payments on BCC 206114, there is information on expenses under memorandums of cooperation with local executive bodies. These data, presented in the table, cover 2017, 2018 and 2019:

*Petro Kazakhstan Inc. Expenses Under Memorandums*

Years	Expenses, USD	Purpose of Expenses
2017	110 605	Support for children's recreation camp, Arai-Sunrise
2017	60 156	Support for kindergarten, Balgyn
2017	60 156	Support for the rehabilitation center for disabled children, Shapagat
2018	50 753	Support for children's recreation camp, Arai-Sunrise
2018	58 020	Support for kindergarten, Balgyn
2018	58 020	Support for the rehabilitation center for disabled children, Shapagat
2019	35 617	Support for children's recreation camp, Arai-Sunrise
2019	52 253	Support for kindergarten, Balgyn
2019	52 253	Support for the rehabilitation center for disabled children, Shapagat
2020	33 081	Support for children's recreation camp, Arai-Sunrise
2020	53 275	Support for kindergarten, Balgyn
2020	53 275	Support for the rehabilitation center for disabled children, Shapagat

It is clear that the company's expenses in accordance with the memorandums with local authorities are significantly less than the payments to SEDRDI which are transferred to BCC 206114. Petro Kazakhstan Inc. is one of the few Chinese companies that systematically supports the same social facilities; however, these payments cannot be considered full-fledged SIPs; rather, they are sponsorship assistance to social facilities.

**Sagiz Petroleum Company: Sinopec (China) - 100%**

Sagiz Petroleum Company was established in 1996. The company is engaged in the exploration and production of hydrocarbons on the territory of the exploration blocks of the Sagizsky block in the Aktobe region. Sagiz Petroleum Company is producing oil at four fields in the Baiganinsky district: Kardasyn, Northern Kaganai, Southern Ashchikol and Taskudyk.

Counterparty check website, 38  
<https://pk.uchet.kz/c/bin/010240005009/>

Timeskz website, 39  
<https://timeskz.kz/80378-esche-odna-zabastovka-neftyanikov-v-aktyubinskoy-oblasti-rabochie-sagiz-petroleum-trebuyut-povysit-zarabotnuyu-platu.html>

The company does not have an official website and information about the management and production activities of the company is not readily available. For example, on the website of verification of counterparties pk.uchet.kz, it is indicated that the head of the company is a citizen of China, Mr. Qiu Guangyuan.<sup>38</sup> No other information, however, is available on the composition of the company's governing bodies.

There is also no mention of the company's social and infrastructure projects. The Kazakhstani press only mentions a strike by company employees in 2021 when oil workers demanded an increase in wages.<sup>39</sup>

The EGSU website contains information on tax payments and other obligatory payments by the company for the period 2012 - 2020:

#### *Sagiz Petroleum Company Payments*

Years	Total Taxes and Fees, USD	SEDRDI Payments, USD
2012	41 711 676,46	-
2013	56 467 011,62	-
2014	75 117 073,93	-
2015	38 245 315,73	249 560,28
2016	42 922 418,92	319 841,59
2017	59 444 908,89	338 409,48
2018	80 110 979,83	284 325,96
2019	92 144 044,04	298 361,85
2020	8 400 057,82	276 672,72

There is no information on the company's direct payments under memorandums with local executive authorities on the EGSU website.

## *Data Analysis and Conclusions*

Before analyzing the data on subsoil user payments on SIP and SEDRDI, it is necessary to pay attention to those risks that the costs of SIP and SEDRDI should offset, fully or partially. It is no secret that subsoil use is usually carried out in a rather compact area and it often happens that oil fields are located at a considerable distance from populated areas. However, local communities are exposed to a large number of risks, regardless of the remoteness of production. These are environmental risks, partially covered in many cases by the great remoteness of mining sites from settlements; however, in addition to environmental risks, there are more systemic problems and the most acute of these are social problems.

Any oil-bearing region creates specific social and economic conditions. For example, employment in the oil regions is often oriented towards the needs of extractive enterprises which negatively affects other businesses such as agriculture or industry. Serious gender imbalances are emerging as men in extractive regions work in extractive industries and there are not enough jobs for women. The relatively high salaries of employees are leveled by the fact that there are no other sources of income in the family, apart from this one, and the earnings of an employee are distributed among a large number of family members. In addition, due to the weak development of agriculture in extractive regions, food prices tend to be higher there than in other regions.

The purpose of SIP and SEDRDI is to change this situation in some way; the money paid for social development should go to the development of new opportunities for local communities. However, this does not happen and the “one-sided” development of oil-bearing regions in favor of the extractive industry alone is not compensated adequately by the growth of state support for other businesses through payments from oil companies. This is confirmed by the growth of social tension and protest activity of the population; the largest protests of recent years, including the January events of 2022 in Kazakhstan, began precisely in the extractive regions.

According to Kazakhstani legislation, funds received from subsoil users in the revenue part of the local budget are spent on social projects within the framework of Regional Development

Programs. However, these programs are also allocated funds from the national budget and targeted tranches from the National (oil) fund while funds can be distributed among different programs at the same time and so it is impossible to precisely track the payments of a particular company for SEDRDI. In addition, the budget process, public procurement and, in general, the use of budgetary funds in Kazakhstan is one of the most corrupt areas and the fear of companies that the funds paid to the budget will be used for other purposes and with corruption is quite justified.

That is why many companies prefer to enter into memorandums with local authorities, operate under SEDRDI outside the budget process and independently control what money is spent on. For example, KPO BV<sup>40</sup> (Karachaganak Petroleum Operating, one of the largest oil projects in Kazakhstan; Chinese investors do not participate in this project) does not make payments to the local budget for SEDRDI but prefers to implement social and infrastructure projects (SIP) independently.<sup>41</sup> According to the EGSU website, KPO BV planned to implement 25 SIPs in 2020 for a total amount of more than USD 100 million while 10 SIPs were actually carried out for the amount of USD 36.5 million. Kazakhstani analysts and experts point to the serious corruption risks of such activities and often rightly reproach the company for a lack of transparency when deciding which SIPs to implement. However, this approach allows seeing what SEDRDI money is spent on in reality and how much this spending really improves the quality of the life for the residents of the region

The other big problem is the confidentiality of subsoil use contracts. In accordance with the requirements of Kazakhstani legislation, companies are obliged, within the framework of license and contract terms (LCT), to make payments for SEDRDI, implement SIP, training of specialists, environmental protection, etc. However, the amount of these payments is not stipulated in the legislation but is part of the subsoil use contract. Using KPO BV as an example, it can be determined that in 2020 SIP costs (USD 36.5 million) are about 26% of the amount of taxes paid (the company's total payments for 2020 were just over USD 140 million). In general, according to the KPO BV Sustainability Report,<sup>42</sup> the company undertakes to spend at least USD 20

KPO official website, 40  
<https://kpo.kz/en/about-kpo/parent-companies>

KPO official website, 41  
<https://kpo.kz/en/sustainability/social-responsibility>

KPO official website, 42  
[https://kpo.kz/docs/sustainable\\_development\\_report/en/index.php](https://kpo.kz/docs/sustainable_development_report/en/index.php)

million annually on SIP. In addition, it will spend an additional USD 30 million over three years from 2018 to 2021 in the Burlinsky district (the place where the infamous environmental incident occurred in the village of Berezovka)<sup>43</sup>. Despite serious complaints about the lack of transparency in SIP decision-making, KPO BV tries to publish cost data and these amounts are quite significant.

Chinese subsoil using companies do not publish sustainability reports and their reporting on official databases is sparse and inconsistent; some fairly large extractive companies that make quite significant payments to the budget do not have websites at all and are extremely reluctant to contact the press. In the context of the complete confidentiality of subsoil use, contracts and the absence of our own regular reports on sustainable development, it is rather difficult to assess whether or not the published payments to local budgets are in line with the LCC and the degree to which the size of these payments meets the needs of local residents.

Companies that do not report payouts for SEDRDI at all are of the greatest concern. Thus, from the data of the EGSU website, it follows that the KarazhanbasMunai company did not make any payments for SEDRDI at all nor did it undertake the construction of social and infrastructure facilities within the framework of memorandums with local authorities. MangistauMunaiGas and KazGerMunai report extremely inaccurately, only a few times during the period 2012 - 2020 where they showed deductions for SEDRDI and they did not suffer any sanctions for this. At the same time, MangistauMunaiGas is the largest taxpayer of all the companies studied - the total amount of taxes and other mandatory payments reaches USD 5.5 billion per year. CNPC-AktobeMunaiGaz did not submit any reports to the EGSU database for 2020 at all and also did not suffer any sanctions.

Since the subsoil use contracts and LCT are confidential, it is only possible to roughly estimate the amount of payments by companies on SEDRDI to local budgets. Some companies make approximately equal payments such as, for example, Sagiz Petroleum Company pays an average of USD 280,000 per year, Petro Kazakhstan Inc. averaging about USD 1.5 million per year, Buzachi Operating Company averaging about USD 250,000 per year and CNPC-AiDanMunay about USD 500,000 per year for the period 2012-2020. CNPC-AktobeMunayGaz's payments vary

43 RFE/RL website KZ, <https://rus.azattyq.org/a/kazakhstan-berezovka-children-poisoned-by-toxic-emissions/30295740.html>

greatly from year to year; in 2014, the payment was about USD 600,000, in 2019 almost USD 3 million, in 2012-13 and 2015-17 about USD 1 million annually and about USD 2 million in 2018. The rest of the surveyed companies make payments extremely inaccurately or without an obvious system.

As for those few companies that show expenses under memorandums with local authorities (this is Petro Kazakhstan Inc. in the period 2017-2020 and CNPC-AiDanMunay in 2018 and 2019), these expenses are more likely sponsorship and charitable assistance to support children kindergartens and rehabilitation centers, and support for low-income families, etc. Only the work of KazGerMunai can be called activity within the framework of the SIP when the company carried out the construction of a medical facility in Kyzylorda in 2016 for the amount of about USD 2 million.

The signing of subsoil use contracts and investment in Kazakhstan with Chinese companies has always been done with great fanfare. The press covered the prospects for cooperation, great benefits, the flow of money to the regions, development and prosperity. In fact, Chinese subsoil users, having come to Kazakhstan, try to minimize costs as much as possible and act as closed and non-transparently as possible. Even those mandatory payments that should be paid for the development of mining regions, for social and infrastructure projects, are carried out carelessly and in rather modest amounts. Kazakhstani authorities prefer not to interfere in the work of Chinese companies and do not impose any sanctions for violations. Meanwhile, the social situation in the mining regions continues to be tense and the number of oil worker strikes continues to grow.

***Moldova-China ties:  
the encounter between  
a hesitating economic  
dwarf  
and a geopolitical giant***

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The relations between Moldova and China have been stable and pragmatic since the initiation of the diplomatic ties. From a distance, these relationships seem to be thriving, but a close look at some particular dimensions gives a different better-nuanced perception. On the political side, the two countries have maintained a constructive dialogue. There are no problematic issues on the bilateral political agenda. Moldova complies with China's "one state" policy regarding non-recognition of Taiwan's independence. Similarly, Moldova maintains political neutrality towards the human rights situation in Hong Kong, Xinjian or Tibet. On the other hand, China's position on Moldova is based on unequivocal respect for Moldova's independence, sovereignty and territorial integrity. However, Beijing did not show any special interest in getting involved in the solution of the Transnistrian conflict (1992-present), where Russia is politically and economically on the side of the breakaway region.

From the economic point of view, Moldova and China are trying to find a middle ground in the negotiations for a free trade agreement, which began in 2017, and which is part of China's "One Belt, One Road" idea of linking its trade routes with the rest of the world. Although the negotiations have reached an advanced stage, Moldova's cautiousness is preventing a quick acceptance of trade liberalization with China. Mainly due to the huge negative trade balance with China, the Moldovan authorities have been reluctant to open the market in the past. The situation in the investment area has stagnated to a certain extent as well, initially because Moldova was unattractive to Chinese investors. The situation changed considerably when the signing of the Deep and Comprehensive Free Trade Agreement between Moldova and the EU in 2014<sup>1</sup> converged with the start of the implementation of the "One Belt, One Road" policy by China at the end of 2013. After that, a shift could be felt from lack of ability to attract Chinese investment to fear of debt trap, caused by Moldovan authorities' intention to submit to massive loans from China. Such concerns arose during the 2016-2019 oligarchic regime<sup>2</sup>, when deteriorating governance questioned all government decisions related to Moldova's commitments to

1 Michael Emerson, Denis Cenuşa, *Deepening EU-Moldovan Relations: Updating And Upgrading In The Shadow Of Covid-19*. Third Edition, 2021, <https://3dcftas.eu/publications/deepening-eu-moldovan-relations-updating-and-upgrading-in-the-shadow-of-covid-19.-third-edition>

2 Wojciech Konończuk, Denis Cenuşa and Kornely Kakachia, *Oligarchs in Ukraine, Moldova and Georgia as key obstacles to reforms*, 2017, <https://3dcftas.eu/publications/oligarchs-in-ua-mo-and-ge-as-key-obstacles-to-reforms>

foreign credits. Such concerns arose among small countries like Moldova, which are part of China's new Silk Road.

On the soft power side, there is nothing done by China that draws the attention. Humanitarian ties are quite underdeveloped, which shows Beijing's rather limited interest in spreading its ideology or geopolitical discourse. The evidence analyzed indicates that China deliberately chooses to keep a low profile in the Moldovan information space, opting instead for subtle, economically beneficial and results-oriented bilateral diplomacy.

Until 2022, Moldovan elections have not brought decision-makers critical of China to power and there are no signs that this will change dramatically in the short to medium term. Regardless of concerns about China's growing negative influence expressed by Moldova's Western partners, China-related skepticism has so far not affected the pragmatically oriented bilateral dialogue between Moldova and China. However, the Russian military aggression against Ukraine and the ongoing tectonic shifts of the power paradigm in the world could force Moldova to abandon its neutrality and start taking sides, especially if it advances in the field of European integration.

## *A Timid but Pragmatic Political Dialogue*

The bilateral diplomatic relations were established on January 30, 1992, one month after China recognized Moldova's independence declared in August 1991. Overall, 63 bilateral agreements were signed between 1992 and 2022<sup>3</sup>, covering consular services, trade, avoid double taxation, air services, cultural cooperation, etc. The Chinese embassy was already operational in 1992, unlike the Moldovan embassy in Beijing which opened three years later, in 1995. It took three more years for Moldova to send its ambassador to China (in 1998). The slow pace of development of initial diplomatic ties illustrates that Moldova lacked political motivation or financial resources. As of 2022, the Chinese diplomatic mission consists of nine people, including Ambassador Yan Wenbin (as of January 2022)<sup>4</sup>. The size of the Moldovan diplomatic staff is only slightly smaller,

3 Moldova's Embassy to China, <https://china.mfa.gov.md/ro/content/cadrul-juridic-bilateral>

4 Moldova's Ministry of Foreign Affairs and European Integration, [https://mfa.gov.md/sites/default/files/lista-cd-2022\\_din\\_23\\_februarie\\_2022.pdf](https://mfa.gov.md/sites/default/files/lista-cd-2022_din_23_februarie_2022.pdf)

Moldova's Embassy to 5  
China,  
[https://china.mfa.gov.md/  
en/content/embassys-  
team](https://china.mfa.gov.md/en/content/embassys-team)

Wang Yi Meets with 6  
Minister of Foreign Affairs  
and European Integration  
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Moldova, 2018,  
[https://www.mfa.gov.cn/c/  
e/como/eng/news/t15984  
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Jiang Zemin spends a night 7  
in Chisinau, 2001,  
[http://www.ziua.ro/displa  
y.php?data=2001-07-  
17&id=68008](http://www.ziua.ro/display.php?data=2001-07-17&id=68008)

Parliamentary Elections of 8  
Moldova, 2001,  
[http://www.e-  
democracy.md/elections/p  
arliamentary/2001/oppon  
ents/pcrm/](http://www.e-democracy.md/elections/parliamentary/2001/opponents/pcrm/)

Moldova's Embassy to 9  
China,  
[https://china.mfa.gov.md/  
ro/content/principalele-  
vizite-bilaterale](https://china.mfa.gov.md/ro/content/principalele-vizite-bilaterale)

consisting of five people<sup>5</sup>, with former Prime Minister and diplomat Dumitru Braghis heading the mission since July 2020. The Chinese diplomatic mission has a specialized 2-person unit dedicated to economic and trade cooperation. The Moldovan embassy lacks a specialized department for economic diplomacy and only has one person fully responsible for this matter. Given the enormity of the Chinese market (the world's second largest economy), the Moldovan diplomatic mission is clearly understaffed. However, the limited number of staff is widely spread across all Moldovan embassies.

The political dialogue is positive as Moldova respects the underlying principles of Chinese foreign policy of non-interference in internal affairs related to the human rights situation in Hong Kong, Xinjian or Tibet. Chinese diplomats view Moldova as a reliable supporter of "one China policy" as well as the "One Belt, One Road" initiative<sup>6</sup>. Traditionally, Moldovan governments avoid giving critical assessments of the political situation in China, as well as staying away from Western sanctions or harsh discourse. In the period 1992-2022, the Moldovan presidents paid three official visits to China and the last one almost twenty years ago (1992, 2000 and 2003). The only time a Chinese president visited Moldova was in 2001, when Jiang Zemin (1993-2003) included Moldova on the list of destinations on his European tour, along with Russia, Belarus, Ukraine and Malta.<sup>7</sup> The visit took place after the victory of the Communist Party in the legislative elections of February 2001 (50% and 71 of 101 seats<sup>8</sup>). Ideological affinity with the communist government of Moldova prevailed, as Moldova has not been at the center of Chinese geo-economic interests in Eastern Europe at that point in time.

Between 1996 and 2018, the two countries organized high-level meetings on 18 occasions with the participation of the heads of the legislative, executive and Ministry of Foreign Affairs powers<sup>9</sup>. In most cases, Moldova was represented by the highest representative, unlike China, which used to delegate officials in the position of deputy. This is indicative of a certain disproportionality in the political attention that Moldova was willing to show towards China and vice versa. Despite this, the discourse of politicians and diplomats on both sides was always in favor of ties that are more substantial.

The political changes in Moldova did not affect the political dialogue with Beijing, which is willing to maintain constructive relations with the pro-Russian and pro-Western governments. Bilateral ties are immune to geopolitical changes in Moldova's decision-making process. During the president-level exchange of letters on the 30th anniversary of diplomatic relations between Moldova and China, Maia Sandu expressed interest in "rapid development" of relations, deepening "mutually" beneficial cooperation and strengthening bilateral cooperation.<sup>10</sup> The Moldovan president also welcomed the assistance in the face of the pandemic, which included the provision of medical equipment and donations of vaccines. Chinese leader Xi Jinping shared similarly upbeat rhetoric toward Moldova. Diplomats on both sides have always displayed similar friendly discourses. Despite the standardized diplomatic courtesy that they corresponded with each other, the political will to improve the bilateral dialogue can be deduced from their messages. One development that speaks to China's growing interest is its request to rent larger buildings to house its embassy in Chisinau capital. The Chinese side last raised this issue in 2011, but it seems that it has not been resolved since then. This explains why the economic section of the Chinese embassy has a different location (Anton Crihan Street) than the main office (Dosoftei Street).

One of the best ways to express great political confidence and readiness to open markets is through the liberalization of migratory flows. However, by 2022, the two countries did not establish a free visa regime. Moldova issues the visa in the traditional way through its consulate in China along with the online option (e-Visa).<sup>11</sup> Obtaining a visa-free regime with Moldova is something that could interest China, but there is no open conversation about it. Moldovan decision-makers do not express interest in taking the first step in this direction to attract Chinese companies or tourists. In the past, Moldova unilaterally granted a free regime to EU countries. This was almost 9 years before<sup>12</sup> the EU reciprocated in 2014<sup>13</sup>. Since the Chinese counterpart is not practicing visa liberalization with third countries, it is unlikely that the Moldovan authorities will start such negotiations in the near future. Finding a consensus around such a complex issue is also discouraged by the slow progress on other issues, such as the dialogue on signing a Free Trade

- 10 Xi Jinping Exchanges Messages of Congratulations with Moldovan President Maia Sandu on the 30th Anniversary of the Establishment of China-Moldova Diplomatic Relations, 2022, [http://www.chinese-embassy.no/eng/zgwi\\_1/2\\_02201/t20220130\\_106374\\_07.htm](http://www.chinese-embassy.no/eng/zgwi_1/2_02201/t20220130_106374_07.htm)
- 11 Moldova's Embassy to China, <https://china.mfa.gov.md/ro/content/vize-0>
- 12 Parliament of Moldova, Law no. 151-XVI of 8 June 2006 on the abolition of visas for citizens of the Member States of the European Union, the United States of America, Canada, the Swiss Confederation, the Kingdom of Norway, the Republic of Iceland, the Principality of Andorra, the State of Israel, the Principality of Liechtenstein, the Principality of Monaco, of the Holy See and of Japan
- 13 Commissioner Malmström on visa-free travel for the citizens of the Republic of Moldova, April 2014, [https://ec.europa.eu/commission/presscorner/detail/en/STATEMENT\\_14\\_137](https://ec.europa.eu/commission/presscorner/detail/en/STATEMENT_14_137)

Embassy of China to 14  
Moldova, 2011,  
[http://md.china-embassy.org/eng/zmgx/201101/t20110105\\_10100753.htm](http://md.china-embassy.org/eng/zmgx/201101/t20110105_10100753.htm)

Moldova is mentioned 15  
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deliverables of Belt and  
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Expand Industrial  
Investment, Enhance Trade  
Connectivity", 2017,  
<https://www.globaltimes.cn/page/201705/1047090.shtml>

Eugénie Davi, Moldova's 16  
Unexpected Opening to  
China, 2020,  
<https://chinaobservers.eu/moldovas-unexpected-opening-to-china/>

Embassy of China to 17  
Moldova, 2021,  
[http://md.china-embassy.org/eng/zmgx/202112/t20211220\\_10471986.htm](http://md.china-embassy.org/eng/zmgx/202112/t20211220_10471986.htm)

China and Moldova Officially 18  
Launch the FTA  
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[http://fta.mofcom.gov.cn/enarticle/chinamoldovaen/chinamoldovaennews/201802/37123\\_1.html](http://fta.mofcom.gov.cn/enarticle/chinamoldovaen/chinamoldovaennews/201802/37123_1.html)

Ambassador Dumitru 19  
Braghiș had a meeting with  
the new Chinese  
Ambassador to Moldova,  
YAN Wenbin, November  
2021,  
<https://china.mfa.gov.md/ro/content/ambasadorul-dumitru-braghi%C8%99-avut-o-%C3%AEntrevedere-cu-noul-ambasador-al-chinei-%C3%AEn-republica>

September 2018, 20  
<https://www.moldpres.md/news/2018/09/19/18008315>

Agreement (FTA). However, the Chinese side has in the past expressed the hope that Moldova will make its visa and work permit policy "more attractive"<sup>14</sup>, along with liberalizing the conditions for hiring labor for the implementation of investment projects in Moldova. Such a request is not accidental and is embedded in China's traditional approach of bringing in its own labor while overseas infrastructure projects are being implemented. By 2022, Moldova has not developed a clear migration and visa policy towards China and these issues remain at the bottom of the political dialogue.

## Untapped Economic Potential with Hidden Risks

At the heart of economic cooperation between Moldova and China are the FTA negotiations. Moldova is considered by Beijing<sup>15</sup> to be part of China's global "One Belt, One Road" initiative<sup>16</sup>. This interest was repeatedly emphasized in 2021 during online talks between Li Zhanshu, Chairman of the Standing Committee of the Chinese National Assembly, and Moldovan Parliament Speaker Igor Grosu<sup>17</sup>. The initiative to start trade liberalization came from the bilateral memorandum signed during the Committee on Trade and Economic Cooperation in December 2016. The negotiations started in 2017<sup>18</sup>. More than nine rounds were held until the end of 2019. During the discussions at the ambassadorial level that took place in late 2021, the current issues on the bilateral agenda continue to be the signing of the FTA, along with Moldova's expressed intention to join the Asian Infrastructure Investment Bank.<sup>19</sup>

The slow progress of the Moldova-China FTA negotiations has several explanations rooted in the structure of bilateral trade. Even after almost 6 years of negotiations whose transparency was questionable, the deal did not come to fruition. Already after the third round of talks, the two parties approved 70%<sup>20</sup> of the agreement in three years (2016-2018). Three years (2019-2021) were not enough to reach a consensus on the remaining 30% of the agreement. For example, the FTA negotiations between Georgia and China lasted less than a year (December 2015 to October 2016). It is very likely that the negotiations have

been slowed down by political changes in Moldova, which has changed government five times in 2018-2021<sup>21</sup>. The biggest progress was made in 2016-2018 and the pandemic put everything on hold, while the government that took power after snap elections in 2021 was busy initiating reforms and working on post-pandemic recovery, as well as energy and refugees crises that unfolded in October 2021 and March 2022 respectively.

The opinions about the significance of the FTA with China are divided into at least two. On the one hand, official estimates up to 2018 indicated that, as a result of trade liberalization, Moldovan exports to China could increase by 39.8%, leading to GDP growth of 0.4%<sup>22</sup>, mainly because China's tariffs are higher on Moldovan imports and vice versa. On the other hand, however, criticism of the deal was embedded in the staggering discrepancy between imports and exports in trade with China. In 2019, Moldova exported 35 times less to China than it imported<sup>23</sup>. Therefore, the approval of the FTA is not solid, in the face of some justified concerns about the hypothetical detrimental effects for the Moldovan economy.

Each of the parties interprets the bilateral trade situation in a selective way, downplaying the pre-existing deficiencies of the agreement. First of all, Moldovan decision-makers seem uncomfortable critically addressing the current trade imbalance. At the same time, the Chinese side prefers to emphasize the trade movement that has a positive dynamic, instead of highlighting the problem of the trade imbalance that affects Moldova. On the positive side, China highlights the growth of Moldovan wine production.<sup>24</sup>

In a few words, the aspects that are important to highlight in relation to bilateral trade are the following:

*First*, the trade turnout registered an important growth since 2007, when it constituted \$203.8 million. Over the course of 13 years, the nominal value of bilateral trade nearly tripled (growth of 70 percentage points), reaching almost \$659 million in 2020 (see Figure 1). *Second*, Chinese exports are overwhelming, exceeding Moldova's imports by more than 30 times, a trend that has worsened in the last decade (see Figure 1).

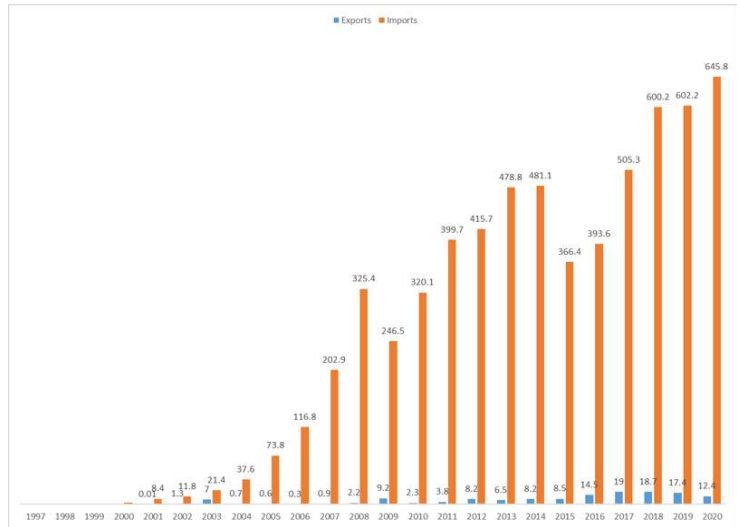
21 In 2018-2021, Moldova had two parliamentary elections in 2019 and 2021 and had four distinct Prime Ministers – Pavel Filip (2016-2019), Maia Sandu (June-November 2019), Ion Chicu (November 2019-December 2021); Aurel Ciocoi (December 2020-August 2021); Natalia Gavrilita (August 2021-present).

22 [Vadim Gumene, Poate fi un Acord de comerț liber cu China oportun pentru Moldova?, 2019, https://www.expert-grup.org/ro/biblioteca/item/1763-poate-fi-un-acord-de-comer%C8%9B-liber-cu-china-oportun-pentru-moldova?&category=7](https://www.expert-grup.org/ro/biblioteca/item/1763-poate-fi-un-acord-de-comer%C8%9B-liber-cu-china-oportun-pentru-moldova?&category=7)

23 Idem.

24 Доклад Чрезвычайного и Полномочного Посла Китайской Народной Республики в Республике Молдова Е.П. г-на Тун Минтао в Академии Публичного Управления при Президенте Республики Молдова, 2013

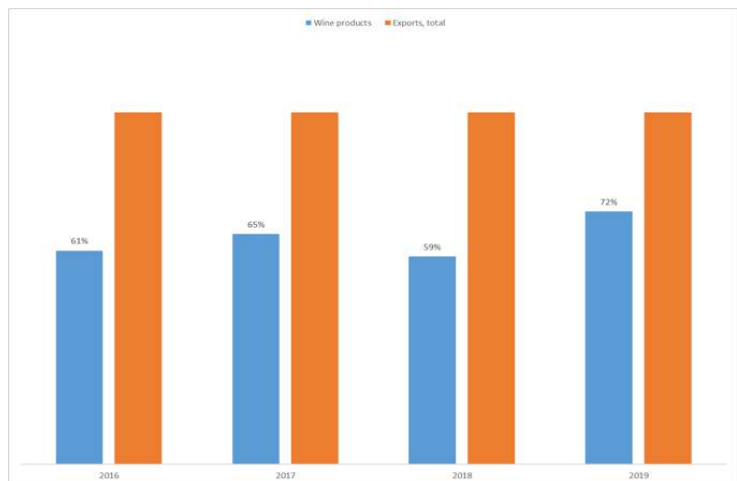
Figure 1. Moldova's trade with China, 1997-2020, \$ million

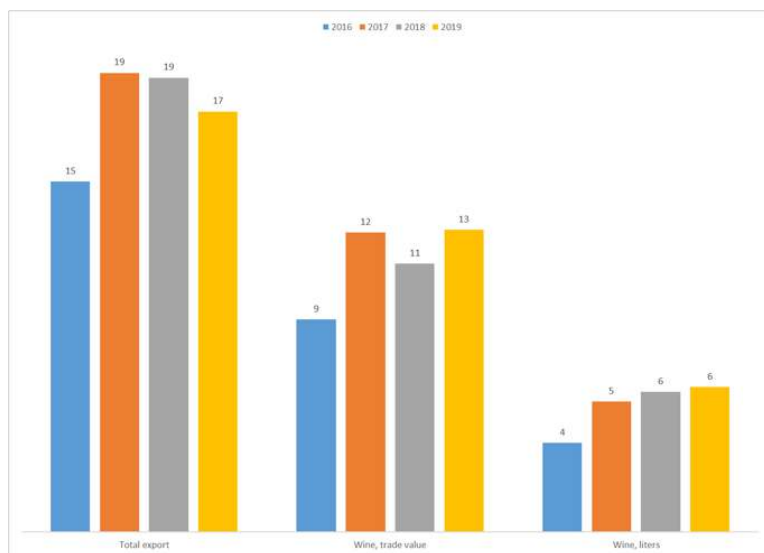


Source: Author's compilation based on data of Moldova's National Bureau of Statistics

Third, wine production accounts for up to 80% of Moldovan exports (see Figures 2 and 3), pointing to a considerable problem with diversifying the range of Moldovan products available to Chinese consumers. The Moldovan authorities did not manage to remedy this handicap. Instead, the focus on wine exports is emphasized as an achievement to be strengthened.

Figures 2 and 3. The share of wine of the total exports of Moldova to China (left) and the volumes of wine products exported (right), 2016-2019

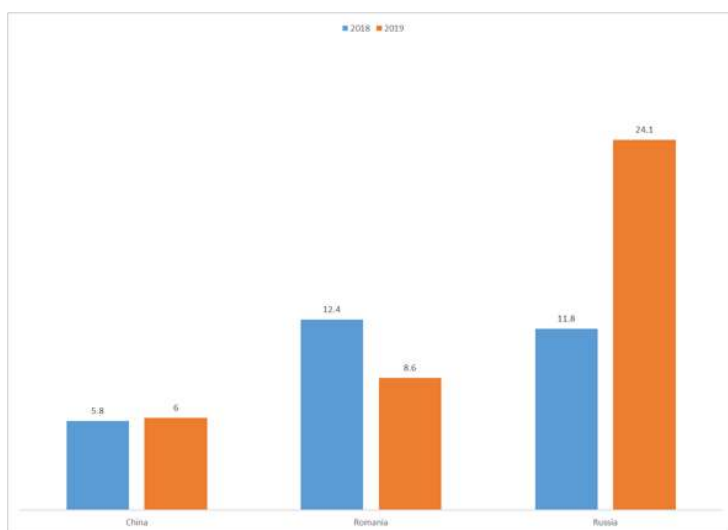




*Source: Author's compilation based on data of Moldova's National Bureau of Statistics (stastica.md) and UN Comtrade*

Furthermore, the volumes of wine shipped to China have been growing, but peaked at 6 million liters in 2019. However, the volumes received by China are significantly lower than what Moldova exported to its largest trading partners in the region in the EU (Romania) and the CIS countries (Russia) (see Figure 4).

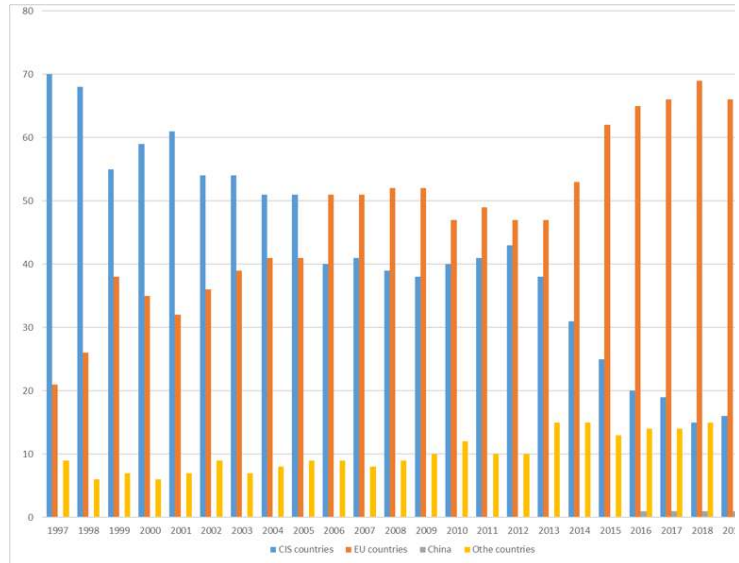
*Figures 4. The share of wine exported by Moldova to China, Romania and Russia, 2018-2019, million liters*



*Source: Author's compilation based on data of UN Comtrade*

Fourth, trade with China is negligible compared to other destinations, reaching 1% as of 2016 (see Figure 5). The exports to the EU have constituted up to 70% of total Moldovan exports after the signing of the Association Agreement (AA) with the EU.

Figure 5. The share of total exports of Moldova to the UE, CIS and China, 1997-2020, %



Source: Author's compilation based on data of Moldova's National Bureau of Statistics

Moldova's free trade regimes with the CIS countries, based on the 2012 FTA and the AA with the EU, represent a competitive advantage for Moldova compared to other countries in the Eastern Partnership region<sup>25</sup> that are not geographically close of the EU market or that they only have one of the free trade regimes. The 2022 Russian aggression against Ukraine and the dismantling of Russia-Belarus economic cooperation with the EU, amid historic sanctions, will add an additional layer to Moldova's attractiveness in the eyes of China and other trading partners.

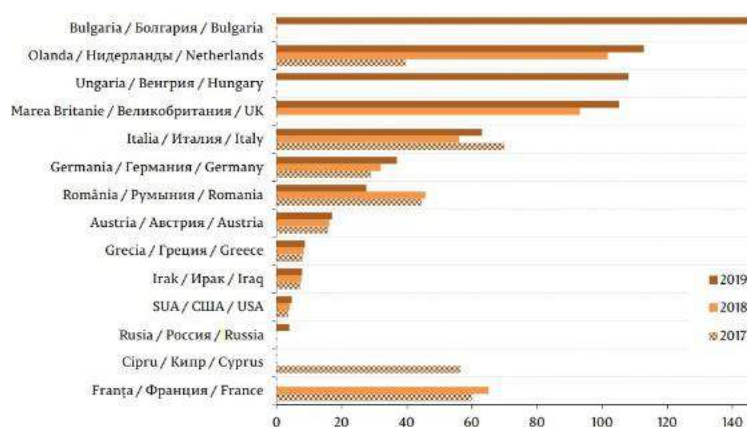
The Eastern Partnership region includes Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine.

## Chinese Investments – The Loans with Risks?

Leaving aside the disproportionately small Moldovan exports to China, a certain degree of stagnation is also observed in the area of Chinese investment in Moldova. The poor result in this field is recorded despite the implementation by both countries of the Agreement on Trade-Related Investment Measures (TRIM) of the World Trade Organization (since 2001) and the 1992 bilateral agreement on stimulus and mutual investment protection. These legal frameworks fell short when it came to encouraging China's Foreign Direct Investments, which represented only \$1.5 million in 2017<sup>26</sup>. This figure did not improve in the following years. According to the National Bank of Moldova, Chinese investments are insignificant both in banking and in other sectors (see *Figures 6 and 7*)<sup>27</sup>. Countries like Cyprus and Bulgaria, whose economies are less than 1%<sup>28</sup> of China's, are directing more FDI to Moldova. Although it reveals that there is untapped potential for Chinese investment, the lack of progress in the past may mask a reduced political interest or unattractiveness of Moldova as an investment location for China. At least these feelings were strong before the launch of "One Belt, One Road" and the DCFTA between Moldova and the EU.

- 26 Vadim Gumene, Poate fi un Acord de comerț liber cu China oportun pentru Moldova?, 2019, <https://www.expert-grup.org/ro/biblioteca/item/1763-poate-fi-un-acord-de-comer%C8%9B-liber-cu-china-oportun-pentru-moldova?&category=7>
- 27 National Bank of Moldova, Poziția investițională internațională la sfârșitul anului 2019 (date finale), [https://www.bnm.md/files/PII\\_2019\\_final.pdf](https://www.bnm.md/files/PII_2019_final.pdf)
- 28 According to World Bank's data for 2020, the GDP was \$14.7 trillion as opposed to \$69.8 billion of Bulgaria and 24.6 of Cyprus, [www.data.worldbank.org](http://www.data.worldbank.org)

*Figures 6 and 7. The stock of Foreign Direct Investments in Moldova in banking sector (left) and those in the non-banking sector (right), 2019 (\$, million).*



The free-economic zones are 29  
as follows: 1) ZAL „Expo-  
Business-Chișinău”; 2) ZEL  
„Bălți”; 3) ZEL „Ungheni-  
Business”; 4) ZAL „Valkaneș”;  
5) ZAL „Tvardița”; 6) ZAL  
„Otaci-Business”; 7) ZAL  
„Taraclia”,  
[https://mei.gov.md/ro/conte  
nt/zonele-economice-libere](https://mei.gov.md/ro/conte<br/>nt/zonele-economice-libere)

China Shipping Container 30  
Lines Expands Its Services To  
Giurgiulesti International Free  
Port, 2015,  
[http://www.infotag.md/press  
release\\_en/205534/](http://www.infotag.md/press<br/>release_en/205534/)

Moldova’s Ministry of Foreign 31  
Affairs and European  
Integration,  
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nt/republica-populara-chineza](https://mfa.gov.md/ro/conte<br/>nt/republica-populara-chineza)

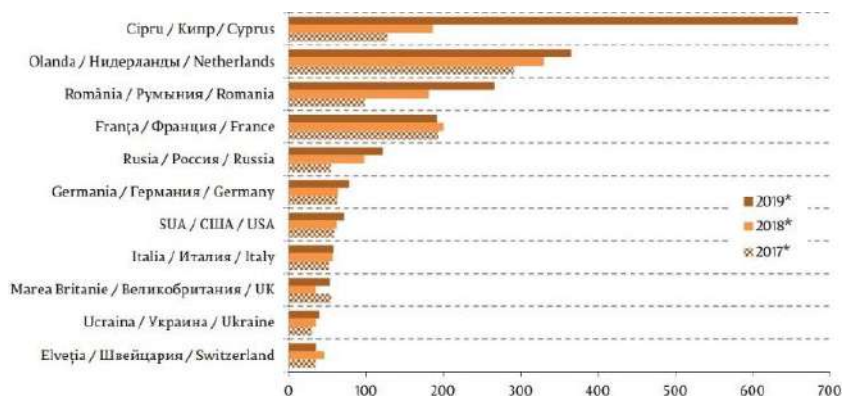
Moldova’s Minister of 32  
Finances, Report on external  
assistance to the Republic of  
Moldova in 2020,  
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[https://noi.md/md/economie  
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china](https://noi.md/md/economie<br/>/chisinau-cu-un-pas-mai-<br/>aproape-de-semnarea-<br/>acordului-de-comert-liber-cu-<br/>china) 33

Embassy of China to Moldova, 34  
2011, [http://md.china-  
embassy.org/eng/zmgx/2011  
01/t20110105\\_10100753.htm](http://md.china-<br/>embassy.org/eng/zmgx/2011<br/>01/t20110105_10100753.htm)

2019, [https://me.gov.md/ro/c  
ontent/premiera-pentru-  
republica-moldova-12-cele-  
mai-importante-companii-din-  
china-si-100-de](https://me.gov.md/ro/c<br/>ontent/premiera-pentru-<br/>republica-moldova-12-cele-<br/>mai-importante-companii-din-<br/>china-si-100-de) 35

[https://me.gov.md/ro/conten  
t/mediul-de-afaceri-din-  
moldova-si-china-discutat-  
despre-posibilitatea-  
dezvoltarii-relatiilor](https://me.gov.md/ro/conten<br/>t/mediul-de-afaceri-din-<br/>moldova-si-china-discutat-<br/>despre-posibilitatea-<br/>dezvoltarii-relatiilor) 36



Source: National Bank of Moldova

Despite low stocks of FDI in the past, China is exploring the opportunities of Free Economic Zones<sup>29</sup> and Industrial Parks in Moldova, which offer special business conditions (favorable tax regimes and access to cheap labor) for foreign companies. In this context, China is strategically positioned in Moldova due to the terminal services contract signed in 2015 between China Shipping Container Lines and Danube Logistics, the operator of the only Moldovan port on the Black Sea, Giurgiulești International Free Port. In this way, China has linked Moldova's port capabilities to the "One Belt, One Road" initiative<sup>30</sup>. In 2016, China signed the Bilateral Technical and Economic Cooperation Agreement with Moldova, committing to allocate up to 60 million yuan (8.1 million euros)<sup>31</sup>. In 2020, China has practically no commitments related to technical assistance to Moldova<sup>32</sup>. Before 2019, there were 86 companies with Chinese capital worth 6.7 million Moldovan lei (347.000 euros)<sup>33</sup>.

In the past, the Moldovan authorities have sought opportunities to attract Chinese investment mainly in infrastructure, agriculture and energy projects. In 2010, the Moldovan government invited Chinese construction companies to evaluate the possibility of investing in the country's road infrastructure. This resulted in a contract between the Chinese company SINOHYDRO and the Ministry of Transport and Road Infrastructure of Moldova for the repair of two roads worth up to 70 million dollars<sup>34</sup>. The Moldova-China Business Forum held in Chisinau, the country's capital, helps bring together Chinese and Moldovan companies (in 2019, 12 Chinese and 100 Moldovan companies<sup>35</sup>; in 2020, 16 and 40 respectively<sup>36</sup>). As a

result of these events, the Moldovan government began talks in 2019 with the China City Bank to obtain a loan of 190 million dollars for the repair of national highways (R13 – Bălți-Florești and M5 – Bălți-Criva)<sup>37</sup>. This project was supposed to attract China Hyway Group LTD and Tianjin Oubaiwei Corp. LTD, while the period of financial assistance discussed was 15 years<sup>38</sup>. These initiatives were followed by more ambitious projects. Within the framework of the “One Road, One Belt” initiative, Moldova signed a contract with two Chinese companies (China Highway Group and China Railway Group Limited<sup>39</sup>) to build 300 km of roads, with a total budget of 400 million dollars<sup>40</sup>. The construction includes a belt to surround the capital Chisinau and a highway to connect with Ukraine in the north. The completion of the construction was planned for the end of 2022, but this deadline is very unlikely due to the destructive consequences of the war in Ukraine.<sup>41</sup>

Besides the road infrastructure, China offered aid worth 4 million euros in the construction of a photovoltaic park in Criuleni rayon<sup>42</sup> (about 70.000 people), which will be completed in 2022.<sup>43</sup> The electricity produced will cover the needs of social institutions and public administration (schools, hospitals, etc.) and will constitute 3 million kWh per year.

As part of efforts to attract Chinese investment, the Moldovan authorities have proposed establishing a trade and economic office in China, along with four others in the United Kingdom, the United States, France and Japan.<sup>44</sup> Although Chinese financial assistance (loans) is used to improve infrastructure or contribute to the production of renewable energy capacities, Moldova must avoid falling into China's debt trap. This was a real risk during the rule of the oligarchic regime in 2016-2019, when the ruling party (Democratic Party) was very transactional in relations with external partners with the aim of political survival rather than carrying out a foreign policy integrated in good governance principles. In 2021, the Moldovan embassy in Beijing proposed 20 investment projects to Chinese investors, worth about 1 billion dollars<sup>45</sup> in loans, accounting for nearly 10% of Moldova's GDP. Investment fields included medicine, pharmacy, industry, IT, e-commerce, bakery manufacturing, transportation, viticulture, agriculture, and auto repair services. Concerns about being subject to unsustainable debts to China and possible in the case of Moldova were not unique. The

37 <https://me.gov.md/ro/content/doua-drumuri-din-moldova-ar-putea-fi-reabilitate-cu-suportul-bank-china>

38 <https://me.gov.md/ro/content/guvernul-aprobat-proiectul-cu-privire-la-initierea-negocierilor-asupra-acordurilor-de>

39 <https://www.scmp.com/business/china-business/article/3003323/chinese-contractors-talks-build-two-highways-moldova>

40 <https://www.beltandroad.news/2019/03/27/chinese-contractors-in-talks-to-build-two-highways-in-moldova/>

41 <https://www.wsj.com/livecoverage/russia-ukraine-latest-news-2022-03-09/card/ukraine-war-destruction-surpasses-100-billion-presidential-adviser-estimates-Ozd7Og8R8BAPsskRiPnT>

42 <https://www.globaltimes.cn/page/202201/1250058.shtml>

43 <https://noi.md/md/societate/un-parc-fotovoltaic-a-fost-construit-in-raionul-criuleni-cu-sprijinul-guvernului-chinez>

44 <https://me.gov.md/ro/content/mei-propune-deschiderea-5-noi-birouri-comercial-economice-marea-britanie-sua-franta-japonia>

45 <https://balkaninsight.com/2021/06/02/moldova-aims-to-attract-1-billion-in-chinese-investments/>

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[https://www.euractiv.com/section/politics/short\\_news/moldova-asks-eu-for-help-against-china/](https://www.euractiv.com/section/politics/short_news/moldova-asks-eu-for-help-against-china/) 47

<https://www.cnbc.com/2019/04/26/belt-and-road-initiative-moldova-will-build-highways-with-china-firms.html> 48

<https://www.reuters.com/article/us-china-moldova-idUSTRE61140D20100202> 49

<http://mc.gov.md/ro/advanced-page-type/cooperation-bilateral> 50

<https://china.mfa.gov.md/ro/content/rela%C5%A3ii-culturale> 51

Moldovan offer: 1) "Martisor" (annual); 2) „Maria Bieșu" (annual); 3) "ETHNO-JAZZ"; 4) "Two twin hearts"; 5) "E.Coca" (annual); 6) International Festival of New Music (annual); 7) "White Water Lily" (biennial); 8) "Eugene Ionesco Theater Biennial" (biennial); 9) National Theater Festival; 10) International International Puppet Theater Gala; 11) International Festival of Theater Schools. 52

Chinese offer: 1) Beijing Meeting Festival; 2) International Festival of Intangible Cultural Heritage; 3) Nanning International Folklore Festival; 4) Zhangjiajie International Country Music Week. 53

same risks applied to all borrowing countries that participated in the "One Road, One Belt" initiative.<sup>46</sup> The case of Montenegro, which asked the EU for help to repay loans to China, is the most striking.<sup>47</sup> However, in 2016, Moldovan officials claimed that Moldova conducts "deep feasibility studies" to ensure that projects financed by China are "feasible" and "affordable".<sup>48</sup> For the past 6 years, regardless of their geopolitical orientation, Moldovan governments have maintained a constructive position towards Chinese loans, perceived as a form of Chinese foreign policy influence.<sup>49</sup>

## Cultural and Education Cooperation – Active, but Not Intense

The degree of cultural cooperation between the two countries shows that China has little interest in projecting its soft power in Moldova on any significant scale. On the contrary, it seems that the Moldovan side creates more space for cultural exchange than vice versa. In general, cooperation in the cultural field is provided for in the bilateral agreement on cultural cooperation signed in November 1992.<sup>50</sup> The specialized sectoral ministries of the two countries are implementing two-year cooperation programs, which specify the intention of mutual cultural commitment. The most recent public document that testifies that the two countries develop cooperation in the cultural field is a bilateral program for 2015-18, signed by the Ministries of Culture in 2014. The cultural activities that are supposed to receive political support include the organization of events public (markets, literary events, music festivals, etc.), translation and co-publishing, professional exchanges, cooperation between national libraries and the mutual promotion of cultural heritage.<sup>51</sup> There is a certain degree of disproportionality in the level of openness to intercultural exchange. While Moldova's offer to the Chinese counterpart included a list of 11 music and theater festivals,<sup>52</sup> China has proposed only four festivals and cultural events.<sup>53</sup> Similarly,

Moldova invited China to three folk festivals against only one suggested by the Chinese side<sup>54</sup>. A more balanced approach can be seen in the case of film exchange: two film festivals for each<sup>55</sup>.

The effectiveness of bilateral cultural cooperation is difficult to assess. The existing reporting system of the Moldovan authorities on cooperation with China and other countries is insufficient to collect convincing evidence. However, the information published by official Moldovan sources indicates that contacts between Moldova and China in cultural fields are sporadic. It is important to note that intergovernmental interactions in the field often take place during international cultural events<sup>56</sup> or with the participation of the Chinese embassy<sup>57</sup>, not in regular cooperation formats.

Unlike other cultural cooperation frameworks that Moldova has with other external partners, China does not implement cultural or scholarship programs<sup>58</sup> that foster deeper cultural exchange. Founded in 2009 with the support of the Chinese embassy, the Confucius Institute operates at the Free International University of Moldova (ULIM) and represents the only official platform through which the Chinese language and culture are promoted at the national level<sup>59</sup>. In 2011, 60 people annually participated in the activities of the Confucius Institute<sup>60</sup>. This number did not grow considerably in the following years. In addition, China has been financing the activity of the Centre for Traditional Chinese Medicine<sup>61</sup>, opened in 2011, within the "Nicolae Testemițanu" University of Medicine and Pharmacy. Initially, China allocated 5 million yuan (500.000 euros)<sup>62</sup>. Subsequently, it undertook to help the activity of the Centre with an additional 663.000 euros committed until 2016<sup>63</sup>. This amount included the cost of supplying medical supplies and Chinese herbs.

Cooperation in the educational field does not seem too sophisticated. The two countries are implementing an educational cooperation agreement dating from April 2014. Based on this agreement, the Chinese side awards scholarships for bachelor's, master's and doctoral studies. However, the number of scholarships is small. According to interviews with previous Chinese diplomats, China offered up to 23 scholarships

54 Moldova: 1) The International Music and Dance Festival "Nufărul alb" (biennial); 2) The International Folk Dance Festival "Hora Prutului"; 3) The International Folklore Festival "Master Manole"; China: 1) China International Folk Art Festival.

55 Moldova: 1) The International Documentary Film Festival "Chronograph" (annually, Chisinau);

56 2) International Festival of Theater and Film Schools "ClasFest" (annually, Chisinau); China: 1) International Film Festival "Golden Roosters and Hundreds of Flowers"; 2) Shanghai International Art Festival.

57 <http://mc.gov.md/ro/content/viceministrul-culturii-gheorghe-postica-avut-o-intrevedere-cu-viceministrul-culturii-din>

58 [https://www.ipn.md/en/moldova-china-celebrate-25-years-of-establishment-of-diplomatic-relations-7967\\_1032481.html](https://www.ipn.md/en/moldova-china-celebrate-25-years-of-establishment-of-diplomatic-relations-7967_1032481.html)

59 <http://mc.gov.md/ro/content/apeluri-de-proiect-burse-stagii>

60 <http://cci.ulim.md/confucius-institute>

61 [http://md.china-embassy.org/eng/zmgx/201101/t20110110\\_2732212.htm](http://md.china-embassy.org/eng/zmgx/201101/t20110110_2732212.htm)

62 In 2013, the Centre had 18 medical employees and was offering 14,000 traditional medical procedures

63 [https://www.ipn.md/en/traditional-chinese-medicine-center-handed-over-officially-to-moldova-7967\\_1004737.html](https://www.ipn.md/en/traditional-chinese-medicine-center-handed-over-officially-to-moldova-7967_1004737.html)

Embassy of China to Moldova, 64  
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2012, [http://md.china-embassy.org/eng/zmgx/201106/t20110624\\_2732213.htm](http://md.china-embassy.org/eng/zmgx/201106/t20110624_2732213.htm)

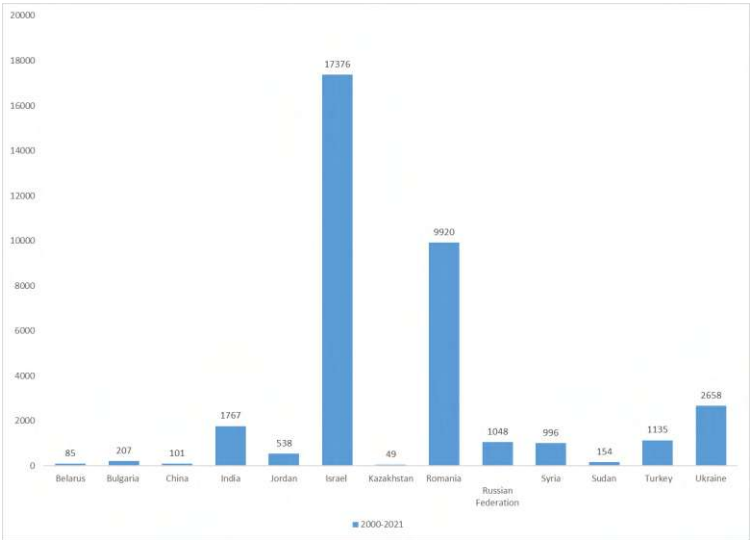
Moldova's Ministry of 65  
Education and Culture,  
<https://mecc.gov.md/ro/content/program-de-burse-oferit-de-republica-populara-chineza-3>

Moldova's Embassy to China, 66  
<https://china.mfa.gov.md/ro/content/la-23-octombrie-2019-reprezentan%C8%9Bii-diasporei-moldovenilor-din-beijing-au-fost-invita%C8%9Bi-la>

Embassy of China to Moldova, 67  
Interview with Ambassador  
Tong Mingtao to Moldova  
Adevarul, 2012,  
[http://md.china-embassy.org/eng/zmgx/201205/t20120523\\_2732221.htm](http://md.china-embassy.org/eng/zmgx/201205/t20120523_2732221.htm)

a year<sup>64</sup>. For the 2022 study program, China offered five scholarships to Moldovan students<sup>65</sup>. Due to pandemic restrictions, studies for the period 2022-23 are conducted online only. As of 2019, 137 Moldovan citizens were studying in China<sup>66</sup>. The Moldovan educational system is not capable of attracting students from China. As of 2012, only five Chinese students were studying in Moldova<sup>67</sup>. Between 2001 and 2021, the total number of Chinese students enrolled in Moldovan universities has been 5 times less than that of Jordan and 10 times that of India (see Figure 8). Moldova still seems to be an exotic place for Chinese students.

Figure 8. Number of foreign students in higher education institutions of Moldova



Source: Author’s compilation based on data of Moldova’s National Bureau of Statistics

Like engagement on cultural issues, existing formats for educational cooperation are too narrow to facilitate tangible Chinese soft power in Moldova. China’s behavior up to 2022 in relation to Moldova indicated a rather dormant motivation to develop active cultural and educational cooperation.

## *Humanitarian aid – more diverse than dynamic*

Moldova has been a recipient of Chinese humanitarian aid, which has been diverse, from aid during natural disasters (including financial assistance of 560.000 dollars for reconstruction after the 2010 flood<sup>68</sup>) to the free supply of computers to educational institutions (1,200 units) and the provision of the local authorities of the capital of Moldova with the video surveillance system ("Transport Control System for Chisinau"<sup>69</sup>). In addition, China financially covered the training of 150 public sector specialists,<sup>70</sup> with the participation of Huawei and other Chinese companies<sup>71</sup>. In 1992-2013, Chinese assistance constituted 200 million yuan (39 million euros). The most recent assistance was 100.000 dollars dedicated to the 2022 refugee crisis caused by the Russian invasion of Ukraine.

During the Covid-19 pandemic, China provided more than 50 tons of medical aid (tests<sup>72</sup>, protective masks,<sup>73</sup> respirators, gloves, etc.)<sup>74</sup> as well as Chinese-produced vaccines. However, China's vaccine diplomacy was rather quiet and non-aggressive<sup>75</sup>, relying on the positive attitude of the Moldovan authorities, both pro-EU President Maia Sandu and the pro-Russian Socialist Party. However, former pro-Russian president Igor Dodon tried to capitalize on the humanitarian aid assigned by China, converging it with that offered by Russia<sup>76</sup>. The approval of Chinese vaccines by the World Health Organization played in favor of opening up Moldova to the prospects of receiving China's vaccines, compared to the hotly contested political debates surrounding the Russian Sputnik V vaccine. China initially offered 150.000 doses of Sinopharm vaccines as a donation (April 2021)<sup>77</sup>. Based on a tender procedure, China's Sinovac was contracted to supply 100.000 CoronaVac vaccines, at a price of 13.5 dollars per dose (1.3 million dollars)<sup>78</sup>. The Moldovan authorities argued that the Chinese company was selected because it was the only company that participated in the tender<sup>79</sup>. The total volume of combined Chinese vaccines supplied to Moldova between April 2021 and March 2022 (322.000) exceeds that of Russia's Sputnik V and US Janssen

- 68 [http://md.china-embassy.org/eng/zmgx/201101/t20110110\\_2732212.htm](http://md.china-embassy.org/eng/zmgx/201101/t20110110_2732212.htm)
- 69 <https://gazetadechisinau.md/2021/03/26/monitorizarea-electronica-a-traficului-rutier-si-interesele-ascunse/>
- 70 [http://md.china-embassy.org/eng/zmgx/201912/t20191202\\_2732243.htm](http://md.china-embassy.org/eng/zmgx/201912/t20191202_2732243.htm)
- 71 Embassy of China to Moldova, Interview with TV Moldova 1 by Ambassador Fang Li, 2012
- 72 [http://md.china-embassy.org/eng/zmgx/202003/t20200326\\_2732246.htm](http://md.china-embassy.org/eng/zmgx/202003/t20200326_2732246.htm)
- 73 <https://unimedia.info/ro/news/7dd32647818a0a0b/china-a-donat-90-000-masti-de-protectie-inspectoratului-general-al-politiei.html>
- 74 <https://unimedia.info/ro/news/381d02d1b7bac8c1/avionul-cu-35-de-tone-de-echipamente-medicale-din-china-si-lotul-de-teste-cumparate-de-autoritati-ajuns-la-chisinau.html>
- 75 <https://www.ispionline.it/en/pubblicazione/china-russia-and-covid-19-vaccine-diplomacy-different-capacity-31070>
- 76 <https://unimedia.info/ro/news/7e41c409854208ea/53-de-tone-de-echipamente-medicale-din-china-urmeaza-sa-ajunga-in-moldova-dodon-am-organizat-asa-incat-sa-evitam-furtul-chiar-de-pe-pista-avionului.html>
- 77 <https://www.zf.ro/eveniment/donatie-din-china-republica-moldova-primeste-un-lot-de-vaccin-20057991>
- 78 [https://adevarul.ro/international/europa/republica-moldova-platit-vaccinul-chinezesc-coronavac-mai-scurp-decat-serurile-autoritate-ue-1\\_608fb54c5163ec4271a596e2/index.html](https://adevarul.ro/international/europa/republica-moldova-platit-vaccinul-chinezesc-coronavac-mai-scurp-decat-serurile-autoritate-ue-1_608fb54c5163ec4271a596e2/index.html)
- 79 <https://www.hotnews.ro/stiri-international-24792748-moldova-ministrul-sanatatii-spune-comandat-100-000-vaccinuri-chineze-pentru-acel-moment-nu-era-alta-solutie.htm>

By the end of January 2022, 80  
Latvia, Lithuania, Romania  
and France donated overall  
approximately 800,000, doses  
of vaccines to Moldova; CEPS,  
Eastern Partnership Bulletin  
No. 18, 2022,  
[https://3dcftas.eu/publication  
s/eap-bulletin-no-18.-  
message-from-west-to-  
eastern-europe-beware-an-  
omicron-tsunami](https://3dcftas.eu/publications/eap-bulletin-no-18.-message-from-west-to-eastern-europe-beware-an-omicron-tsunami)

Moldova's State Chancellery, 81  
External Assistance to  
Moldova,  
[http://amp.gov.md/TEMPLAT  
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uild/index.html](http://amp.gov.md/TEMPLAT<br/>E/ampTemplate/dashboard/b<br/>uild/index.html)

(see Table below), but not vaccines mainly provided by the EU which also include donations<sup>80</sup>.

Table. The Covid-19 vaccines supplied to Moldova by January 2022

	Received	Administered
AstraZeneca	584.500	589.173
Sputnik-V	306.000	265.524
Janssen	302.500	302.060
Moderna	381.600	124.866
Pfizer/BioNTech	1.027.260	590.469
Sinopharm	152.000	92.133
Sinovac	170.000	120.041
Total	2.923.860	2.084.266

Source: Moldova's Ministry of Health

Compared to other external partners, China's assistance to Moldova for 2022 has been considerably surpassed by external donors such as the EU (more than 1.2 billion euros) or the US (approximately 682 million euros)<sup>81</sup>. Unlike Western donors who, among others, focus on promoting rule of law reforms in Moldova, China aims to achieve various technical and strategic interests through its assistance. Its technical assistance is calibrated and has focused primarily on infrastructure projects with loans for road construction involving Chinese construction companies. Another area of Chinese assistance is represented by the promotion of its country's brand elements and indirect forms of soft power, exemplified by support for the Center for Traditional Chinese Medicine. Even the decision to finance the construction of the transport video surveillance system in Chisinau can be attributed to China's intentions to promote and test its practices of surveillance of public spaces abroad.

## Conclusions

The relations between Moldova and China are pragmatic in the political arena but not so vibrant in the economic arena. Although geopolitics does not diminish the bilateral dialogue, the Moldovan side does not fully trust how open it should be towards China. There are two outstanding concerns. On the one hand, Moldova is shy about opening its market to the world's second largest economy by establishing a free trade regime, when its current trade development favors China. On the other hand, Moldova must be careful about its ambitions to access Chinese loans, unless the investment projects are valuable and well vetted. Russian military aggression against Ukraine and existing supply chain disruptions in this process will block access to European and CIS markets. Western sanctions on Russia and Belarus and respective counter-sanctions will undermine economic ties. In this context, Moldova's neutrality and access to both markets will give it an economic advantage, increasing its attractiveness to China and others. Contrary to reserves tied to trade and investment, China shows no signs of willingness to exercise any kind of expansive forms of soft power. At the moment, China's ambitions are very limited in trying to influence the socio-political context to bring Moldova into its geopolitical orbit.

The Moldova-China relations are pragmatic in the political realm but not so vibrant in the economic field. Although the geopolitics does not diminish the bilateral dialogue, the Moldovan side is not fully confident about how open it should be towards China. Two concerns are hanging over. On the one hand, Moldova is timid about opening its market to the second biggest economy in the world by putting in place a free trade regime, when its current trade development favors China. On the other hand, the Moldova side should be careful about its ambitions to access the Chinese loans, unless investments projects are valuable and well-examined. The Russian military aggression on Ukraine and the disruptions of the existing supply chain in this process will block the access to the European and CIS markets. The Western sanctions on Russian and Belarus and the respective counter-sanctions will undermine the economic ties. Against this background, Moldova's neutrality and access to both markets will give it economic advantage, which will increase its attractiveness for China and others. Contrary to the reservations linked to trade and investments, China does not present manifestations of willing to exercise any sort of exceptional forms of soft power. For the time being, China's ambitions are very limited in trying to influence the socio-political context to attract Moldova in its geopolitical orbit.

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45. Many types of international and regional scholarship programs are available for overseas students in China, including a Chinese Government Scholarship provided by the China Scholarship Council (CSC), a Confucius Institute Scholarship funded by the Office of Chinese Language Council International (Hanban), a Shanghai Municipal Government Scholarship offered by Shanghai City Municipality (SGS), a Jiangsu Jasmin Scholarship provided by the Jiangsu Provincial Government, a Belt and Road Initiative Scholarship in partnership with the Chinese government and certain domestic universities and a Beijing Government Scholarship sponsored by Beijing Municipal Government as well as dozens of university-level and enterprise scholarships. [https://www.campuschina.org/about\\_china/index.html?9FyBl6JDFLT=1651984571119#dqgk](https://www.campuschina.org/about_china/index.html?9FyBl6JDFLT=1651984571119#dqgk) Azerbaijani students are eligible to apply for all of the above-mentioned programs either through the Ministry of Education of Azerbaijan (based on the inter-governmental agreement signed in 2020) or directly through the host institution. <https://edu.gov.az/upload/file/ELAN/2019/11/Elan-Cin-2020-21.pdf> According to publicly available data, on average, 20 Azerbaijani students are being admitted to Chinese universities under the aforementioned inter-governmental scholarship programs every year. <https://http.edu.az/uploads/fileuploads/2021/10/40cb3aa8661a412bab1e99b8b79ea5f1.pdf>
  46. See, <https://www.edu.gov.az/upload/file/Beynelxaql-emekdashliq/ecnebilerin-Azerbaycanda-tehsili.pdf>
  47. President Ilham Aliyev paid two state visits to the People's Republic of China (PRC) in 2005 and 2015, respectively. During his second official trip (upon the invitation of the current President Xi Jinping) in 2015, the Memorandum of Understanding (MoU) on cooperation in the field of education in the years of 2016-2019 was signed between the Ministry of Education of the Republic of Azerbaijan and the Ministry of Education of the PRC. <https://president.az/az/articles/view/17137>
  48. See, at <https://president.az/az/articles/view/17140>
  49. The latest agreement on educational cooperation (covering the years of 2020-2023) was signed between the Ministry of Education of the Republic of Azerbaijan and the Ministry of Education of the PRC in Beijing based on the two previous agreements that were signed in 2012 and 2015, respectively. In accordance with the agreement, only 100 students from each side can participate in the scholarship program every year. <https://e-qanun.az/framework/45182>
  50. Founded in 2004 with the aim of promoting the Chinese language and culture around the world, Confucius Institutes are enrolling more than nine million students at 548 institutes and 1,193 Confucius Classrooms in over 150 countries and regions. China's Confucius Institutes are directly controlled, funded and staffed by the Confucius Institute Headquarters (commonly known as Hanban), operating overseas cultural centers and Confucius Institutes. Being the executive organ of the International Council of the Chinese Language, affiliated with the Ministry of Education, Confucius Institutes appear to be equivalent to Turkey's Yunus Emre Institute, the British Council, the American Centre, the Alliance Française or Germany's Goethe Institutes. The non-profit educational organization is committed to providing Chinese language and cultural teaching resources and services worldwide.
  51. The Confucius Auditoriums generally refer to the university-based Chinese learning hubs. Public and private universities can apply to establish a Confucius Auditorium through the Confucius Institutes at host universities. The Confucius Institute at the country's host university is responsible for the establishment and further annual funding for projects related to the Chinese language and culture. In total, two Confucius

Auditoriums were established at Baku's ADA University and the Khazar University in cooperation with Confucius Institute at Baku State University (CIBSU) in 2014 and 2020, respectively. Technically, they are operated as branches of the Confucius Institute under the agreement signed with CIBSU. The university's Confucius Institute also provides the auditoriums with program development support. Principally, the Confucius Auditoriums share the common features and standards with Confucius Classrooms.

52. <https://www.xezerxeber.az/news/dunya/151093/cinde-azerbaycan-dilinin-tedrisine-baslanilib>
53. <https://kulis.az/news/1827>
54. <https://525.az/news/5758-tehsil-sahesinde-azerbaycan-cin-emekdasligi-tesebbuser-ve-neticeler>
55. <http://ikisahil.az/post/86631-news-86631>
56. <https://bakimektebleri.edu.az/119/az/news/read/130431>
57. The Chinese-backed cultural classrooms were set up under the supervision of the Confucius Institute at the Azerbaijan University of Languages (CIAUL). Therefore, based on their activities and techniques, the newly renovated classrooms can be considered as the first Confucius Classrooms in Azerbaijan. Specifically, school-based Confucius Classrooms build and maintain partnerships with local elementary and primary schools with the goal of strengthening the Chinese language and culture program at the school and in the local area. Furthermore, coordinated by the Confucius Institute at the host university, the classrooms aim to introduce and develop Chinese in the school curriculum. Clearly, CIAUL is involved in the process of building partnerships with local schools in order to establish Confucius Classrooms while CIBSU is designed to cooperate with domestic universities in order to help open the Confucius Auditoriums as mentioned above.
58. The Official Website of the Heydar Aliyev Foundation, "A Chinese culture room and a sports ground is commissioned at schools in Khazar district," available at: <https://heydar-aliyev-foundation.org/en/content/view/56/5094/Xəzər-rayonunda-yerləşən-məktəblərdə-Çin-mədəniyyəti-otağı-və-idman-meydançası-istifadəyə-verilib/>
59. The Official Website of the Heydar Aliyev Foundation, "Sports area of a primary school in China to be basically repaired with the support of the Heydar Aliyev Foundation," available at: <https://heydar-aliyev-foundation.org/en/content/view/59/4983/Sports-area-of-a-primary-school-in-China-to-be-basically-repaired-with-the-support-of-the-Heydar-Aliyev-Foundation->
60. 中国人大网, "栗战书对阿塞拜疆进行正式友好访问," available at: <http://www.npc.gov.cn/npc/cfasbj001/201909/79596f5e8de345a7826b0a1b41a398f8.shtml>
61. <http://www.anl.az/down/meqale/525/2013/fevral/294747.htm>
62. [http://orient.bsu.edu.az/az/content/uzaq\\_rq\\_dillri\\_v\\_dbiyyat\\_kafedras\\_17](http://orient.bsu.edu.az/az/content/uzaq_rq_dillri_v_dbiyyat_kafedras_17)
63. Founded in 2004, Confucius Institutes are government-run educational entities that offer language and cultural programs abroad. More than 1,000 centers have been established around the world so far. Azerbaijan hosts two Confucius Institutes and several Confucius Auditoriums and Classrooms at various local universities and primary schools.
64. The Official Website of BSU, "Confucius Institute has been opened at Baku State University," available at: [http://bsu.edu.az/en/news/confucius\\_institute\\_has\\_been\\_opened\\_at\\_baku\\_state\\_university\\_](http://bsu.edu.az/en/news/confucius_institute_has_been_opened_at_baku_state_university_)
65. [http://ci.bsu.edu.az/az/content/nstitut\\_haqqnda](http://ci.bsu.edu.az/az/content/nstitut_haqqnda)
66. Visions.az, "The Azerbaijanis Realizing the Chinese Dream," available at: <http://www.visions.az/en/news/856/118da09f/>
67. The "Chinese Bridge" is an international competition where non-Chinese university students can demonstrate their knowledge of the Chinese language and culture.
68. Azertac News Agency, "ADA University, Confucius Institute embark on Chinese language teaching project," available at: [https://azertag.az/en/xeber/ADA\\_University\\_Confucius\\_Institute\\_embark\\_on\\_Chinese\\_language\\_teaching\\_p roject-89925](https://azertag.az/en/xeber/ADA_University_Confucius_Institute_embark_on_Chinese_language_teaching_project-89925)
69. Azertac News Agency, "Branch of Confucius Institute opens at Khazar University," available at: [https://azertag.az/en/xeber/Branch\\_of\\_Confucius\\_Institute\\_opens\\_at\\_Khazar\\_University-232081](https://azertag.az/en/xeber/Branch_of_Confucius_Institute_opens_at_Khazar_University-232081)
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71. The Official Website of AUL, "Confucius Institute at the Azerbaijan University of Languages," available at: <https://adu.edu.az/en/adu-haqqinda/institutlar/300.html>
72. The Chinese Proficiency Tests, international standardized tests of Chinese language proficiency, assess the abilities of non-native Chinese speakers in using the Chinese language in their daily, academic and professional lives. <http://www.chinesetest.cn/gosign.do?id=1&lid=0>
73. <https://mektebgushesi.az/2022/01/13/dillər-universiteti-cin-universitetləri-ilə-əməkdasligi-genisləndirir-2/>
74. Digmandarin, "Confucius Institutes Around the World – 2021," the whole list of Confucius Institutes is available at: <https://www.digmandarin.com/confucius-institutes-around-the-world.html>

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76. The Official Website of the Embassy of the Republic of Azerbaijan to the PRC, "Azerbaijan-China Bilateral Relations," available at: <https://beijing.mfa.gov.az/en/content/3/bilateral-relations>
77. China Daily, "Azerbaijani Culture Center opens in Chinese city of Hefei," available at: <https://www.chinadaily.com.cn/a/201811/02/WS5bdbfc33a310eff3032863f8.html>
78. [https://azertag.az/xeber/CHinde\\_Azərbaycan\\_Dili\\_ve\\_Medeniyyeti\\_Merkezi\\_achilib-1122337](https://azertag.az/xeber/CHinde_Azərbaycan_Dili_ve_Medeniyyeti_Merkezi_achilib-1122337)
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80. <https://az.trend.az/azerbaijan/society/2790533.html>
81. Additionally, UNEC hosts the One Belt, One Road Research Center that set up in partnership with the One Belt, One Road Science and Technology Alliance in 2019. <https://unec.edu.az/en/education/unec-elmi-tedqiqat-merkezleri/cin-iqtisadiyyati-tedqiqat-merkezi/>. UNEC also signed an inter-university agreement with the Lanzhou University of Finance and Economics (LUFE) in 2016. <https://unec.edu.az/unec-cin-universitetleri-ile-emekdasligi-genislendirir/>
82. Founded by the current President İlham Aliyev and the first lady Mehriban Aliyeva in 2004. The Heydar Aliyev Foundation is considered to be the largest private charity organization in the South Caucasus that supports various projects in the fields of education, culture, education, science, technology, environment and sports globally. The foundation is named after Azerbaijan's former President Heydar Aliyev. <https://heydar-aliyev-foundation.org/en>
83. <https://unec.edu.az/unec-de-heyder-eliyev-fondu-terefinden-teskil-olunan-distant-cin-dili-kurslari-uzre-derslere-baslanilib/>
84. <https://xalqgazeti.com/mobile/az/news/33479>
85. [https://azertag.az/xeber/\\_quotNesimi\\_ili\\_quot\\_cherchivesinde\\_CHinde\\_Azərbaycan\\_dili\\_ve\\_edebiyati\\_serghi\\_achilib\\_VIDEO-1350617](https://azertag.az/xeber/_quotNesimi_ili_quot_cherchivesinde_CHinde_Azərbaycan_dili_ve_edebiyati_serghi_achilib_VIDEO-1350617)
86. 文山州人民政府新闻网, "阿塞拜疆共和国驻华大使访问麻栗坡县并举行援建运动场捐赠仪式" available at: <http://www.ynmlp.gov.cn/contents/32/8198.html>
87. The CPAFFC is one of the earliest national people's organizations engaged in the people-to-people diplomacy of the People's Republic of China. It carries out people-to-people friendship work in an all-round, multi-level and wide-range way which enhances the understanding, develops friendship and strengthens cooperation between countries. [https://cpaffc.org.cn/index/xiehui/xiehui\\_list/cate/11/lang/2.html](https://cpaffc.org.cn/index/xiehui/xiehui_list/cate/11/lang/2.html)
88. The Official Website of the Heydar Aliyev Foundation, "Heydar Aliyev Foundation expands its activities in the People's Republic of China," available at: <https://heydar-aliyev-foundation.org/en/content/view/104/4575/Heydər-Əliyev-Fondu-fəaliyyətini-Çin-Xalq-Respublikasında-genişləndirir/>
89. Established in Baku, Azerbaijan in 2019, the Center of Analysis of International Relations (AIR Center) is a think tank that provides strategic insights and policy recommendations on international affairs, thus making decision-makers and experts in the field better equipped to analyze outstanding issues. The mission of the center is to conduct a comprehensive analysis of global and regional processes and expand activities aimed at raising the international community's awareness of Azerbaijan's foreign policy priorities, particularly the Armenia-Azerbaijan post-conflict period and regional security. Moreover, the main purpose is to understand post-conflict experiences and Azerbaijan's plan to support full regional economic integration as well as the reconstruction and restoration process in Azerbaijan's Karabakh region. <https://aircenter.az/en/mission>
90. The Official Website of the AIR Center, "Memorandum of Understanding signed between AIR Center and China Institute of International Studies (CIIS)," available at: <https://aircenter.az/en/post/memorandum-of-understanding-signed-between-air-center-and-china-institute-of-international-studies-ciis-542>
91. The Official Website of the AIR Center, "Memorandum of Understanding signed between AIR Center and China Institute of Contemporary International Relations (CICIR)," available at: <https://aircenter.az/en/post/memorandum-of-understanding-signed-between-air-center-and-china-institute-of-contemporary-international-relations-cicir-543>
92. The Official Website of the AIR Center, "Dr. Farid Shafiyev discussed 'The One Belt, One Road Initiative' in China," available at: <https://aircenter.az/en/post/dr-farid-shafiyev-discussed-the-one-belt-one-road-initiative-in-china-184>
93. The Official Website of the AIR Center, "AIR Center delegation met with students learning Azerbaijani language in China," available at: <https://aircenter.az/en/post/air-center-delegation-met-with-students-learning-azerbaijani-language-in-china-183>

94. Azertac News Agency, “阿塞拜疆国际关系分析中心与中国陕西师范大学“一带一路”文化研究院签署合作备忘录”, available at: <https://azertag.az/chn/xeber/china-1383605>
95. The Nizami Ganjavi Institute of Literature (a national poet of Azerbaijan who is considered the greatest romantic epic poet of all time by the most Azerbaijanis) at ANAS was set up in 1932 with the purpose of systematically monitoring and studying the trends and the developments in the field of literary studies and literary history. The institute comprises a wide range of research departments in the fields of Medieval Azerbaijani Literature, Literature of Turkic Nations, Scientific Information and Translation, Collecting and Systematizing of Scientific Heritage and others. <https://science.gov.az/en/institutes/31>
96. <https://science.gov.az/az/news/open/3049>
97. Launched in 1935, the Abbasgulu Agha Bakikhanov Institute of History (one of the most distinctive writers, historians, linguists, poets and philosophers in the history of Azerbaijan) is responsible for the historical research carried out at the Azerbaijan National Academy of Sciences. Dedicated to producing and facilitating large-scale historical research, the institute also provides resources and training for senior researchers and scholars. <https://science.gov.az/en/institutes/760>
98. <https://medeniyyet.az/page/news/49972/.html?lang=az>
99. <https://science.gov.az/az/news/open/11279>
100. <https://science.gov.az/az/news/open/3049>
101. Founded in 1950, the Mahammad Fuzuli Institute of Manuscripts (one of the most prominent and eminent poets, thinkers and translators in the history of Azerbaijani literature) is a scientific center at the Azerbaijan National Academy of Sciences. The center is involved in exploring, collecting, translating, categorizing, preserving and publishing the surviving medieval monuments of the Orient. <https://science.gov.az/en/institutes/33>
102. The first Confucius Institute of entire Central Asia - the Confucius Uzbek-Chinese Institute at the Tashkent State University of Oriental Studies (commonly known as the Confucius Institute of Tashkent) was inaugurated in 2004 with the assistance of China's Lanzhou University (LZU). It is also considered one of the earliest Confucius Institutes launched abroad. [http://faoffice.lzu.edu.cn/newhdmib/bas/col\\_detail.php?id=1046&type=en](http://faoffice.lzu.edu.cn/newhdmib/bas/col_detail.php?id=1046&type=en)
103. <https://www.manuscript.az/index.php?newsid=407>
104. The Ziya Bunyadov Institute of Oriental Studies (an Azerbaijani historian, academician and former ANAS vice-president) was founded in 1958 at ANAS. The center deals with comparative and transnational history, the economy, the society and the culture of Eastern countries. <https://science.gov.az/en/institutes/905>
105. <https://science.gov.az/az/news/open/5237>
106. <https://science.gov.az/az/news/open/10373>
107. <https://www.azerbaijan-news.az/posts/detail/azerbaycan-texniki-universitetinde-huawei-technologies-azerbaijan-sirketinin-teqdimati-olmusdur-37598>
108. <https://president.az/az/articles/view/26208>
109. The Official Website of the Ministry of Digital Development & Transport of the Republic of Azerbaijan, “President signs Decree on some measures to improve governance in the field of digitalization, innovation, high technologies and communications in Azerbaijan Republic,” available at: <https://mincom.gov.az/en/view/news/1322/president-signs-decree-on-some-measures-to-improve-governance-in-the-field-of-digitalization-innovation-high-technologies-and-communications-in-azerbaijan-republic>
110. <https://kaspi.az/az/sahin-mustafayev-huawei-sirketini-reqemsal-iqtisadiyyat-sahesinde-emekdaslia-devet-edib/>
111. <https://azlogos.eu/coxsaheli-amekdasliq-fonunda-azerbaycan-cin-elaqelari/>
112. In 2013, Huawei launched its ICT Academy project globally, a school-enterprise cooperation project that involves higher education institutions to help build the talent ecosystem. The ICT Academy is a collaboration between Huawei and foreign institutions. It is an executive training and research center, focused on innovation in ICT-related areas such as cloud computing, big data and artificial intelligence. [https://e.huawei.com/en/publications/global/ict\\_insights/201907041409/talent-ecosystem/huawei-ict-academy](https://e.huawei.com/en/publications/global/ict_insights/201907041409/talent-ecosystem/huawei-ict-academy)
113. <https://ted.az/az/view/news/4873/nazirlik-tehsili-muassiselerinde-huawei-shirketinin-tedris-ve-tecrube-laboratoriyalarinin-yaradilmasi-nezerde-tutulub?fbclid=IwAR15lphfxtqbXws5aExOM4MRPgcmgc7GIEIQ-HMONsd9YzxJyrwKoFnpOWU>
114. The Official Website of the BHOS, “Baku Higher Oil School and Huawei signed a joint cooperation contract,” available at: <https://bhos.edu.az/en/news/1199>
115. Last year, ASOIU alongside several overseas universities became a founding member of the Silk Road Energy Alliance of Industry, Education and Research

- ([丝路能源教育科技产学研联盟](#)) founded in Xi'an, PRC within the framework of the Belt and Road Initiative. <http://shx.chinadaily.com.cn/a/202105/14/WS609de675a3101e7ce974f2a1.html>
116. <https://az.trend.az/business/it/2519223.html>
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  118. Xinhua News Agency, “Huawei establishes academy to develop talent ecosystem in Bangladesh,” available at: <https://english.news.cn/asiapacific/20220324/8c5325cf79ee4f9d9021d2761218aedc/c.html>
  119. China Daily, “China's Huawei unveils 4G mobile services in Azerbaijan,” available at: [https://www.chinadaily.com.cn/business/tech/2016-10/27/content\\_27190471.htm](https://www.chinadaily.com.cn/business/tech/2016-10/27/content_27190471.htm)
  120. The Official Website of the Ministry of Digital Development & Transport of the Republic of Azerbaijan, “The Ministry of Digital Development & Transport, ADA University and Huawei sign Memorandum of Understanding,” available at: <https://mincom.gov.az/en/view/news/1368/ministry-of-digital-development-transport-ada-university-and-huawei-sign-memorandum-of-understanding>
  121. <https://apa.az/az/infrastruktur/rinn-ada-universiteti-ve-huawei-arasinda-anlasma-memorandumu-imzalanib-foto-674879>
  122. The Azerbaijan 2030: National Priorities for Socio-economic Development was approved by the Order of the President of Azerbaijan Republic dated February 2, 2021. In accordance with the order, global economic realities, as well as the goals set at the new stage of development, require the determination of the long-term vector of the country's development, the main directions of socio-economic development and the corresponding national priorities. The following five national priorities for the socio-economic development of the country should be implemented in the next decade: Sustainably growing competitive economy; Society based on dynamic, inclusive and social justice; Competitive human capital and space for modern innovations; Great return to the liberated territories and Clean environment and "green growth" country. These national priorities are also of particular importance in the fulfillment of commitments arising from the United Nations' Transforming Our World: The 2030 Agenda for Sustainable Development. <https://president.az/en/articles/view/50474>
  123. <https://e-qanun.az/framework/38229>
  124. The Official Website of Huawei Technologies Co., Ltd, “What is seeds for the future,” available at: <https://www.huawei.com/minisite/seeds-for-the-future/index.html>
  125. Busy.az, “Huawei Technologies Azerbaijan LLC,” available at: <https://busy.az/company/huawei-technologies-azerbaijan-llc>
  126. Ictnews.az, “Huawei launches ICT development program for Azerbaijani students,” available at: <http://ictnews.az/read-48096-news-2.html>
  127. <https://tehsil-press.az/index.php?newsid=34270>
  128. The Official Website of the Azerbaijan State University of Oil and Industry, ““Huawei” makes presentation of “Seeds for the Future” project at ASOIU,” available at: <http://asoiu.edu.az/en/news/147-huawei-sirketi-adnsu-da-geleceyin-toxumlari-adli-layihe-proqramin-teqdimatini-kecirib>
  129. <https://nu.edu.az/az/universitet-xəbərləri/“gələcəyin-ikt-sahəsindəki-toxumları”>
  130. <https://nuhcixan.az/news/cemiyet/18077-naxcivanli-telebeler-cinde-huawei-sirketinin-teskil-etdiyi-yay-telim-toplantisidan-qayidiblar>
  131. [https://azertag.az/xeber/Naxchivanli\\_telebeler\\_Huawei\\_sirketinde\\_tecrube\\_kechecekler-1067029](https://azertag.az/xeber/Naxchivanli_telebeler_Huawei_sirketinde_tecrube_kechecekler-1067029)
  132. <https://infocity.az/2018/10/azərbaycan-tələbələri-ucun-inkisaf-proqramina-start-verilib/>
  133. The Official Website Malaysian Investment Development Authority, “Huawei's Seeds for the Future program draws future ICT talents,” available at: <https://www.mida.gov.my/mida-news/huaweis-seeds-for-the-future-programme-draws-future-ict-talents/>
  134. The SMBDA is created as a legal entity under the Ministry of Economy of the Republic of Azerbaijan in order to support and develop small and medium enterprises by implementing all possible government and non-government instruments to fuel the rate of development of entrepreneurship in the country, thereby ensuring sustainable economic progress of the national economy. While ensuring the proper regulation of SME activity, the agency's goal is to use a flexible supervision system broadly implemented in this area to meet modern requirements in compliance with international experience and effective coordination mechanisms to increase the contribution and share of micro, small and medium-sized businesses in the national economy. Further, the agency works to boost their competitiveness, present them with broader opportunities to access financial resources, improve mechanisms to provide them with institutional support, coordinate the activities implemented by public and private entities in this area, establish a favorable business environment to ensure the development of entrepreneurship in the country's regions and attract domestic and foreign investments to this area of activity. <https://smb.gov.az/en/nav/faq>

135. <https://report.az/infrastruktur/kobi-a-huawei-sirketi-ile-emekdasliq-edecek/>
  136. <https://edu.gov.az/az/news-and-updates/16437>
  137. Azernews, "Customs Committee introduces innovative technologies," available at: <https://www.azernews.az/business/155856.html>
  138. Faktor.az, "The Customs Academy starts cooperation with the "Huawei," available at: <http://faktor.az/en/economy/93156-the-customs-academy-starts-cooperation-with-the-huawei>
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  140. <https://edu.gov.az/upload/file/alitehsil-siyahi.pdf>
  141. Most Chinese HEIs used to widely apply this method (国际本科2+2出国留学项目) in their systems for years. The International Undergraduate 2+2 Study Abroad Program allows undergraduate students to complete the first two years of their undergraduate studies at a domestic university and the remaining two years at a foreign partner institution. At the end of the transfer program, graduates usually get a dual degree diploma. <http://www.beie.org/gjbk22xm>
  142. The French-Azerbaijani University/UFAZ (a joint project led by the French University of Strasbourg and the Azerbaijan State Oil and Industry University/ASOIU), the Italian-Azerbaijani University (the joint venture institution will be run based on the agreements signed between the ADA University of Azerbaijan and the five Italian HEIs; namely, the University of Louis, the University of Bologna, the Polytechnic University of Milan, the Polytechnic University of Turin and the Sapienza University of Rome).
  143. The Sino-foreign joint venture programs and institutes cover a broad range of academic fields in China. Several well-known American and European institutions launched joint-venture projects through collaboration with reputable Chinese HEIs. For instance, the Duke Kunshan University/DKU in Kunshan (jointly inaugurated by the American Duke University and the Chinese Wuhan University), the NYU Shanghai (a Sino-American partnership of the New York University and the East China Normal University of Shanghai), the University of Nottingham Ningbo China/UNNC (run by the British University of Nottingham in partnership with the Chinese Zhejiang Wanli University) and the Xi'an Jiaotong-Liverpool University/XJTLU in Suzhou (based on the agreement of the UK-based Liverpool University and the Xi'an Jiaotong University of China) are some examples of Sino-foreign cooperative joint-ventures across China. In parallel, Beijing has initiated its own university program abroad by building branch campuses such as the Xiamen University Malaysia (run since 2015) and the Fudan University Campus in Budapest, Hungary (set to open in 2024).
  144. The Official Website of the Ministry of Education of Azerbaijan, "Online conference on the 30th anniversary of Azerbaijan-China diplomatic relations, alumni's role in the relations was held," available at: <https://edu.gov.az/en/news-and-updates/17966-1>
  145. Being one of the essential tools of China's soft power and overseas propaganda, the Confucius Institutes are often condemned for posing a potential menace to academic freedom and the freedom of expression in educational institutions and democracies. Moreover, a group of Western experts states that the expansion of the Beijing-funded centers is considered as an attempt to silence overseas critics and help the Communist Party of China (CPC) gain a strong foothold in the global arena. <https://hongkongfp.com/2019/05/05/chinas-overseas-confucius-institutes-pose-powerful-threat-academic-freedom/>
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  149. <https://www.capacitymedia.com/article/29otdn0ylukn01pfjexhc/news/cis-panel-confirms-project-deployments-for-digital-silk-way>
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156. <https://www.neqsolholding.com/business-segments/telecommunications/azertelecom/>
157. <https://www.capacitymedia.com/article/29otckqx2h8okpvtngx4/news/neqsol-moves-to-protect-digital-silk-way-investments>
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# ***Biographies***

## ***Tinatin Khidasheli*** heads a Georgian think-tank

Civic IDEA, fighting the soviet legacy in Georgia, confronting Russian propaganda, and advocating for sound defense and security policy for Georgia. Tinatin is teaching at the Caucasus University bachelor's and Master's programs: Hybrid Warfare and Georgian Defense Policy, as well as a Challenges of 21st-Century Leadership at the Georgian Institute of Public Administration for Masters Programs students.

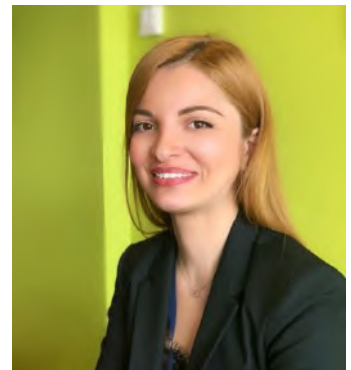
Mrs. Khidasheli at different times served as the first female Minister of Defense of Georgia, she chaired the Parliamentary Committee for European Integration as well as the Inquiry Commission into Violations of Freedom of Speech and Telecommunication laws at the Parliament of Georgia. Before that, she was an elected member of the Tbilisi City Council and founder and chair of the largest Human Rights advocacy group in the entire post-soviet space Georgian Young Lawyers' Association. Tinatin was a member of the National Anti-Corruption Council for four years, under the president of Georgia.

Mrs. Khidasheli is a lawyer by education. She holds LLM in International Law from Tbilisi State University and MA in Political Science from Central European University in Hungary. She was awarded a Human Rights Lawyers' scholarship and spent a year at the Washington College of Law and as well as was selected as a Yale World Fellow. Mrs. Khidasheli was presented Freedom Fighter Award by President GW Bush and the CEU Impact award for the outstanding Career Achievement. She is a fellow at the Prague Civil Society Center and CEVRO. She has published numerous articles and reports in scholarly journals and media outlets.



## ***Ani Kintsurashvili*** is an alumnus of Tallinn

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**Vusal Guliyev** is a 2020–2022 Fellow at the Davis

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## Dr. Gubad Ibadoghlu

is a visiting professor at Rutgers University and an affiliated postdoc fellow at the Rutgers Center for European Studies. He also serves as a member of the Advisory Board of CAREC Think Tank Network. Dr. Ibadoghlu has commenced his career at Economic Research Center, a Baku-based Think Tank that promotes economic development and good governance. Later, he was a member of the Steering Committee of the EU Eastern Partnership Program's Civil Society Forum (2011-2012) and served as a Eurasian civil society representative to the international board of the Extractive Industries Transparency Initiative (EITI) for 2013–2019. Previously, Mr. Ibadoghlu also served as a researcher at the Higher Economic School in Warsaw (1999/2000), a research fellow at Central European University in Budapest (2004/2005), a teaching fellow in the University of North Carolina at Chapel Hill (2008/2009), a visiting professor at Duke University (2015/2016) and a research fellow at Institute for Advanced Study in Princeton (2017/2018).

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### ***Publications:***

“Comparative Analysis of Cotton and Agriculture Policies in Selected Countries (Azerbaijan, Turkey, Turkmenistan and Uzbekistan)”, 2018

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***Umedjon Majidi*** is an Anti-Corruption and Good Governance Expert and Consultant and a former Civil Society Capacity Building/Public Finance Management Program Coordinator of the Open Society Foundations in Tajikistan with expertise in non-governmental organizations, capacity building, institutional development, and governance based in Dushanbe, Tajikistan. He is a Founder and a former Managing Director of NGO Peshraft, an innovative education support promotion NGO in Tajikistan.

Mr. Majidi has 12 years of experience in leadership and management, including in a leadership role. He is committed to advancing social development, research, and innovation in Central Asia / Tajikistan and previously, coached/mentored and advised dozens of talented young scholars. He previously researched the Chinese influence in Central Asia and contributed to the blog of <https://chinaincentralasia.com/>.

Umedjon holds a Ph.D. degree in International Relations and Diplomacy, Tajikistan National University, a master's degree in Corruption and Governance from the University of Sussex and an MA in Politics (with specialization in International Relations) from the School of International Studies, Jawaharlal Nehru University, New Delhi, India.

### ***Publications:***

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<http://www.gbv.de/dms/zbw/798338598.pdf>

**Gia Jandieri** is an economist with a master's degree from the Georgian Technical University and Tbilisi State University.

Since 1984 he has worked in the Central Election Commission, the State Audit, the Parliament of Georgia, the Anti-Corruption Program Development Group, and the Open Society Foundations.

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Since 1988, he has been actively involved in Public debates regarding actual topics in Georgia, Europe, and worldwide. Gia Jandieri is the author of numerous articles, and has participated in the development of relevant policies in various fields, in Georgia and abroad.



**Danila Bekturganov** is a political scientist and a Director of NGO "Civil Expertise" in Kazakhstan. He has more than 20 years of work experience in the non-governmental sector of the Republic of Kazakhstan. Mr. Bekturganov has conducted more than 200 trainings, webinars, and TOTs for NGOs on elections, transparency of budgets and extractive industries, digital rights, and transparency of public procurement. Also, he is a member of the Multi-Stakeholder Group (MSG) for the implementation of the Extractive Industries Transparency Initiative (EITI) in Kazakhstan.



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**Denis Cenusă** is a political risk analyst based in Germany, where he is pursuing his doctoral studies at Justus-Liebig University in Giessen. He specializes in democratization, European integration, sanctions policy, state resilience, critical infrastructure and energy security in the post-Soviet space. He is affiliated with the Eastern European Studies Centre (Lithuania) and the Think Tank "Expert-Grup" (Moldova). He holds a MA degree in European Interdisciplinary Studies from the College of Europe (2013) and a MA in Political Sciences from the Moldovan State University (2007). He is an alumnus of the Advanced Program in EU Law and Economics at Riga Law School (2014).

### ***Publications:***

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Civic Initiative for Democratic and Euro-Atlantic Choice – Civic IDEA is a nongovernmental organization based in Georgia, covering global issues. It was established by the former minister of defense of Georgia, Tinatin Khidasheli, and the Strategic Communications Team of the MoD.

The mandate of the organization serves the realization of Democratic and EuroAtlantic choice, institutionalizing it and bringing it to every citizen. Democratic and Euro-Atlantic choice means the formation of a free and fair state based on equality, where citizens equipped with the rule of law feel safe and secure. Civic IDEA has been actively monitoring China's growing influence in Georgia.

Civic IDEA case studies Georgia, however, the reports are written with a comparative perspective of similar practices in other countries. Today, China's activities in Georgia do not pose a direct, visible and immediate threat, but the ignorance of respectable and authoritative organizations, security services of our partner countries, numerous EU studies, recommendations and decisions by the Georgian government is another clear example of the disruption of foreign policy incentives and a vague vision concerning Georgia's long-term success and the development.

