

Analysis of China's Economic Strategy and Foreign Policy in Kazakhstan



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Nur-Sultan, 2020



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The TALAP Center for Applied Research together with the Konrad-Adenauer-Stiftung conducted a study on Kazakh-Chinese cooperation covering its past, present and future. The paper includes an analysis of the Belt and Road Initiative and reveals a set of factors that determine the role of Chinese investment in the development of the Kazakh economy. It furthermore provides an assessment of the impact of Chinese labor on the Kazakh labor market, and looks at trends in the development of China's "soft power" in Kazakhstan. Based on the results of a sociological survey, a China Perception Index was created to determine the assessment of China in Kazakhstan. This led to a set of recommendations for the development of Kazakh-Chinese interaction. This research is of interest to government agencies, entrepreneurs working or intending to work with Chinese partners, experts, students, and any members of the general public interested in learning more about cooperation between Kazakhstan and China.

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Acronyms and Abbreviations

BRI	Belt and Road Initiative
AIIB	Asian Infrastructure Investment Bank
AC	Agroindustrial Complex
ASEAN	Association of South East Asian Nations
«IAC» JC	"Information and Analytical Center" Joint Stock Company of the Ministry of Education and Science of the Republic of Kazakhstan
BRICS countries	Political and economic union of the following five countries: Brazil, Russia, India, China, and South Africa
NPC	National People's Congress
EU	European Union
GDP	Gross Domestic Product
HEI	Higher Education Institution
LRK	Law of the Republic of Kazakhstan
BRI	Belt and Road Initiative
SRC MF RK	State Revenue Committee of the Ministry of Finance of the Republic of Kazakhstan
CCP	Chinese Communist Party
PRC	People's Republic of China
SC MNE RK	Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan
MES RK	Ministry of Education and Science of the Republic of Kazakhstan
RLA	Regulatory legal acts
CSTO	Collective Security Treaty Organization
OBOR	"One Belt and One Road"
UN	United Nations Organizations
RK	The Republic of Kazakhstan
USA	The United States of America
XUAR	Xinjiang Uygur Autonomous Region
SCO	Shanghai Cooperation Organization
CCP CC	Central Committee of Chinese Communist Party

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Summary

China's growing influence in Kazakhstan is garnering more attention every year. As one of Kazakhstan's key foreign economic partners, there is a strategic need to conduct a systematic and comprehensive study of China. At the same time, there is also a need to strengthen and create new platforms and mechanisms that foster interaction between the expert community, business structures, the state apparatus, and universities in this area of research.

Currently, in Kazakhstan, there is a lack of comprehensive studies that provide an understanding of the fundamental processes taking place with regard to China's foreign and economic policies. It is furthermore important to gain insights into the internal political and economic situation in China, as this also has an impact on Kazakhstan. Particular attention should be paid to strategic programs such as "Made in China 2025", energy politics, demographic development in Xinjiang, and the study of environmental problems.

The TALAP Center for Applied Research together with the Konrad-Adenauer-Stiftung initiated a research project under the title "Analysis of China's Economic Strategy and Foreign Policy in Kazakhstan". The primary goals of the research included: defining the role of Chinese investments in the development of the Kazakh economy and identifying the level of dependency on Chinese investors; assessing the impact of the Chinese workforce on the Kazakh labor market; establishing a China Perception Index in Kazakhstan; and developing recommendations for further cooperation with China.

Various approaches were used to draft the analytical research: desk review, sociological survey, focus groups, and content analysis.

The key features of this project are a sociological survey of 2,500 citizens of Kazakhstan, a questionnaire survey of experts regarding attitudes towards China, and focus groups headed by entrepreneurs and industry experts from different regions of the country. The results of the surveys and the recommendations made in the focus groups are reflected in all sections of the report. A content analysis of popular Kazakh media was additionally conducted on the subject. Furthermore, statistical data on Chinese funded companies and investment projects were used to create an interactive map of the companies' locations.

The TALAP Center for Applied Research would like to thank the Ministry of National Economy, the Akimats of the Akmola, Aktobe, Atyrau, East Kazakhstan, West-Kazakhstan, Kostanay, Kyzylorda, Mangistau and Pavlodar regions, the Khorgos ICBC, and the Center for China Studies (Nur-Sultan) for their assistance with this project.

The research is of interest to government agencies, entrepreneurs working or intending to work with Chinese partners, experts, students, and any members of the general public who wish to learn more about cooperation between Kazakhstan and China.

1. The Belt and Road Initiative: China's global vision

1.1 The Belt and Road Initiative as a reflection of China's vision of a new world order

As countries begin to recover from the COVID-19 pandemic, they will need to regain a viable balance between the benefits of globalization and the need to develop their own resources.

Given the need for ongoing social distancing measures, there will be a further decline in support for an integrated global economy and international mobility.

Currently, economic and foreign policy strategies are being "adjusted" to both individual countries and the world at large.

China's foreign policy strategies—which reflect its leadership's approach to international relations and global governance—are attracting increasing interest. However, expert opinions vary greatly. In particular, according to Kishore Mahbubani, a distinguished fellow at the National University of Singapore's Asia Research Institute, the coronavirus pandemic "will only accelerate a change that had already begun: a move away from US-centric globalization to a more China-centric globalization."

Academician of the Russian Academy of Sciences, S. Glazyev believes that "having repelled the coronavirus epidemic, China is moving to a counterattack, offering the affected countries assistance in supplying medical equipment, protective equipment and disinfection. Thus, they seize the initiative from Washington regarding ideological and political fronts, promoting their concept of harmonious international cooperation 'a community of common destiny for mankind'".

Kurt Campbell, head of the Asia Group consulting company, believes that China intends to take the leadership in the post-coronavirus world. Moreover, Campbell concludes that China considers itself to be an analogue of the United States after World War II, that is, a power that has begun spreading its global influence by providing aid to other, more affected countries.

Despite the changes brought about by the COVID-19 pandemic, it is beyond all doubts that China is interested in further developing the Belt and Road Initiative, which is one of the main strategies aimed at creating global cooperation based on the Silk Road traditions.

The starting point for the development of the global initiative was the speech made by the President of China Xi Jinping on September 7, 2013 in Astana at Nazarbayev University. In his speech entitled "Promote People-to-People Friendship and Create a Better Future", Xi Jinping referenced the historical interaction between China and Kazakhstan in the Middle Ages and called on the parties to join efforts to create the "Silk Road Economic Belt". The main proposal was to create a "Silk Road Economic Corridor", which would be the basis for large-scale regional cooperation.

The implementation of the underlying concept proposed by the President of China is based on the following pillars. First, the strengthening of political contacts: establishing cooperation with the nations of the region to foster economic development on the basis of plans and programs of regional interaction proposed in the course of negotiations. Second, the development of a single transport network that will connect Eastern, Western and Southern Asia. Third, the strengthening of trade relations through the facilitation of trade and investments. Fourth, the strengthening of currency flows by facilitating currency operations such as currency swaps, making settlements in the national currencies of the region's nations, further protecting financial systems against risks, and increasing the international competitiveness of the region's economy. Fifth, the promotion of friendly ties between the people of the region by enhancing mutual understanding and reinforcing traditional friendships.

The concept of establishing a new integration alliance based on the revival of the Great Silk Road was developed in October 2013. In his address to the Indonesian Parliament, the President Xi Jinping proposed the concept of the 21st century Maritime Silk Road .

Subsequently, the two concepts proposed by Xi Jinping, combined together, achieved worldwide recognition under the name “One Belt, One Road” (Figure 1).

Figure 1. Routes of the Belt and Road Initiative



Source: open sources

The launch of the global initiative was influenced by a number of objective internal and external factors. First of all, the global economy had entered a post-crisis period (2008-2009). China had also set the task of transitioning to a new economic model, which was intended to set the country on a path of sustainable development with fairly high growth rates¹.

The country's leadership promoted the strategy of expanding Chinese capital into the world markets and strengthening the position of national TNCs abroad. Implementing the One Belt, One Road strategy meant expanding trade commodities, thus providing employment, obtaining foreign exchange resources, and maintaining economic growth. China had furthermore accumulated a number of excessive and inefficient production capacities that made it difficult to rebuild the national economy. The initiative provided an opportunity to transfer these capacities to the countries along the “Belt and Road” route that had not yet completed the primary process of industrialization. It thus enabled China to move excess, energy-

¹ “One Belt, One Road” Project, 2.0 — strategy to enhance China's global expansion*, Liu Izhu, M.V. Lomonossov Moscow State University, Moscow, Russia, Ye.F. Avdokushin, Moscow State Pedagogical University, Moscow, Russia, <https://orcid.org/0000-0001-5878-9639>, <https://wne.fa.ru/jour/article/viewFile/247/237>

intensive, labor-intensive and “dirty” industries outside the country, effectively allowing it to focus on the development of innovative industries².

The construction of One Belt, One Road also represents China’s further integration into the global economy by increasing Chinese investment abroad. Generally, this initiative should be considered as a new stage in China’s Go-Out strategy.

It should be noted that creating and maintaining the image of a peacefully developing state is also of high importance for China. Therefore, Chinese politicians are guided by the idea of joint development and the creation of mutually beneficial conditions for all participants of the initiative. Thus, it “will consolidate interconnectedness and complementarity of developing Asia and Eurasia as a whole, thereby giving a powerful impetus to its prosperity. The initiative is also designed to create a ‘community of common destiny’ in Asia”³.

Changes in China’s foreign policy priorities are also reflected in the initiative. Since 2013, China’s foreign policy has focussed on its relationship with neighboring countries, while the USA, the EU, Japan and other developed countries remained the primary sources of China’s economic development. According to Singaporean researcher Zhao Hong, “If successfully implemented, it may reshape the regional growth mechanism and lead Asia into a new wave of economic growth. In this sense, it is more a vision expressing China’s grand ambition to lead Asian economic growth and deepen regional integration”⁴.

China’s main approach is to coordinate the development of this area and implement its integration within the framework of the “Breakthrough on the Sea” and the “Western March”. The initiative will also create new transport corridors and provide access to energy resources and food, which China needs to bypass US-controlled sea routes.

In addition, one of the goals of the One Belt, One Road initiative is to “rebalance” China’s economy by “pulling up” less developed regions. Thus, the project envisages the large-scale development of western regions of China, particularly the Xinjiang Uygur Autonomous Region (XUAR). It is considered that economic development and strengthened relations with other provinces and neighboring Muslim countries will help stabilize and neutralize the ethno-political conflict in XUAR. The Yunnan Province and Guangxi Zhuang Autonomous Region will also play a key role in the implementation of the Maritime Silk Road. In total, eighteen provinces and regions of China are involved.

While it was originally only planned as a local-scale project, the One Belt, One Road concept began to attract wide-spread attention and soon became China’s main foreign policy, associated personally with Xi Jinping.

On December 2013, during the Central Economic Work Conference, Xi Jinping highlighted the importance of advancing the implementation of the One Belt, One Road strategy.

China was quick to establish financial institutions to implement the initiative and at the 8th Meeting of the Central Leading Group for Financial and Economic Affairs on November 4, 2014, Xi Jinping announced the contribution of USD 40 billion to the Silk Road Fund.

The Asian Infrastructure Investment Bank will play an important role in financing the proposed initiatives with a charter capital of USD 100 billion on the basis of an agreement signed by 57 countries in June 2015. Thirty percent of capital investments in this bank belong to China. The Bank is also headed by a Chinese

² Zhao, Hong. *China’s New Maritime Silk Road: Implications and Opportunities for Southeast Asia // Trends in Southeast Asia*, 2015, No. 3, pp. 4-5; A.Salitskiy., N. Semenova: *Shelkovoie nastuplenie Kitaia (China’s Silk Advance) // Perspectives*. – 2016. – № 1(5). – pp. 6-10; Zhao, Hong. *China’s Belt and Road Initiative: An Overview of the Debate // Trends in Southeast Asia*, 2016, No. 6, p.12; 新田堯之. 中国が提唱して3周年を迎えた一帯一路// 新興国経済, 26.09.2016, 3頁. [Nitta Takayuki. Three Years of Development of China’s Proposed One Belt, One Road // *Economics of Emerging Countries*. P. 3.]

³ Chaturvedy, Rajeev Ranjan. *New Maritime Silk Road: Convergent Interests and Regional Responses // ISAS Working Paper*, No. 197, 8 October 2014. Institute of South Asian Studies, National University of Singapore. P. 3.

⁴ Zhao, Hong. *China’s Belt and Road Initiative: An Overview of the Debate // Trends in Southeast Asia*, 2016, No. 6, p. 31.

representative⁵. Besides being financed by Chinese banks and foundations such as the State Development Bank of China, the China Investment Corporation, and the Export-Import Bank of China, the bank was also supposed to use public-private partnerships and attract large-scale private capital.

On December 5, 2014, during the 19th collective study of Political Bureau of the CPC Central Committee, Xi Jinping noted the importance of consulting with the countries and regions covered by the Belt and Road Initiative regarding the creation of free trade zones.

The main routes of the Silk Road Economic Belt were identified in 2015, and the development of existing economic corridors was also envisaged.

On March 28, 2015, in his address during the annual meeting of the Boao Forum for Asia, Xi Jinping noted that the One Belt, One Road initiative meets the requirements and interests for the development of China, the countries involved and the entire region, and corresponds with the course of regional and global cooperation.

At the Forum, China released the “Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road”, which outlines the strategic priorities of the One Belt, One Road initiative. The concept points out that “the project is being implemented on the principles of joint discussion, joint construction and joint use. As such, it is not an isolated but open and inclusive process. The priorities include political coordination, interconnected infrastructure, free trade, financial integration and free movement of capital, and humanitarian exchanges.

At the Sino-British Business Summit held on October 21, 2015, Xi Jinping noted that the construction of the One Belt, One Road initiative would promote opportunities for the joint development of China and the countries along it.

During an inspection trip to Chongqing (Southwest China) held on January 4–6, 2016, Xi Jinping noted that the Belt and Road Initiative provided a large platform for Chongqing to expand abroad. It was furthermore proposed to construct an inland international logistics center in Chongqing.

During an inspection trip to Heilongjiang Province (Northeast China) held on May 23–25, 2016, Xi Jinping hoped that Heilongjiang would actively respond to the One Belt, One Road initiative. At the same time, he ensured participation in the construction of the Sino-Mongolian-Russian economic corridor and active expansion of international ties.

On August 17, 2016, during a One Belt, One Road meeting held at the People's Assembly House in Beijing, Xi Jinping noted that more than 100 countries and international organizations were already participating in the project. In addition, China had signed relevant cooperation agreements with more than 30 countries and already implemented production-capacity cooperation with more than 20 countries. The UN and other international organizations were showing interest in the project. Xi Jinping pointed out that the results of the One Belt, One Road initiative had surpassed expectations.

In addition, the project was an important part in the consideration of plans for the 13th five-year perspective at the NPC session (2016–2020). A small leading group was furthermore established with the participation of the heads of all key departments to implement the initiative.

In 2016, Chinese ideologists made it clear that One Belt, One Road is not a “strategy”, not a “concept”, not a “program” and not a “plan”, but an “initiative” (倡议). The decision was made to replace the loan-translation from the Chinese term “One Belt, One Road” in European languages with the more favorable-sounding term, “Belt and Road Initiative”. The relevant instructions were included in the “Recommendations for using the term ‘One Belt, One Road’” by the State Committee for Development and Reform and the corresponding departments.

⁵ Zhao, Hong. *China's New Maritime Silk Road: Implications and Opportunities for Southeast Asia // Trends in Southeast Asia*, 2015, No. 3, p. 4.

The first Belt and Road Initiative Forum was held in May 2017 and was recognized as one of the key foreign policy events. The Forum was attended by delegates from 130 countries and 70 international organizations, including 29 heads of states from Russia, Belarus, Kazakhstan, Uzbekistan, Kyrgyzstan, Turkey, the Czech Republic, Poland, Hungary, Serbia, Greece, Italy, Spain, Switzerland, Pakistan, Sri-Lanka, Mongolia, Cambodia, Malaysia, Myanmar, Philippines, Vietnam, Indonesia, Laos, Kenya, Ethiopia, Fiji, Argentina, and Chile. All these countries asserted their connection with the Belt and Road Initiative. The successful launch of the project and the leading role of China and its President Xi Jinping were declared at the Forum.

At the time, around 270 projects worth USD 900 billion and USD 113 billion of additional funding were announced. Among these 270, there were only a few final agreements while the rest were framework agreements and memoranda. Various cooperation agreements were signed with 126 countries and 29 international institutions, mentioning the conceptual framework of the Belt and Road Initiative. Among these countries were 37 African states, 36 Asian states, 26 European states, 18 Northern American and South American states and 9 Oceanic states.

If successfully implemented, the Belt and Road Initiative “will connect 65 countries that represent 55 percent of the world’s GDP, 70 per cent of global population, and 75 per cent of known energy reserves”⁶.

As noted previously, the Belt and Road Initiative marks one of the fundamental vectors of China’s progress towards a new global role.

According to some experts, the Belt and Road Initiative also aims at “reshaping relations of the regional nations towards China and supporting it in regional and international institutions, necessary to reshape the regional and global order in favor of China”⁷.

On January 17, 2017, while delivering a speech at the opening of the World Economic Forum, Xi Jinping noted that more than 100 countries and international institutions had responded positively and supported the Belt and Road Initiative. China signed cooperation agreements with more than 40 countries and international institutions⁸.

One of the components of the Belt and Road Initiative is the development of infrastructure that will enhance economic cooperation and trade. It includes the construction of port, rail and road infrastructure, which will promote the development of logistics between coastal and inland regions of the country, and the creation of free economic zones to promote trade and investment.

Accordingly, the construction of pilot free trade zones has become an important focus of the Belt and Road Initiative. Thus, in 2018, China decided to support the construction of a free trade port in Hainan province with Chinese specifics. In 2019, a special Lingang zone was established in the Shanghai Free Trade Zone, which should “be on par with the world’s most powerful and most competitive free trade parks”⁹. It should be noted that the pilot free trade zones promote continuing innovations, simplify the trade process and draw on best international practices.

From 2014 to 2019, the trade volume between China and the states along the “Belt and Road” exceeded CNY 44 trillion (approximately USD 6.22 trillion) and had an annual average growth rate of 6.1%. Companies with Chinese capital have established trade and economic cooperation parks in the countries along the “Belt and Road”, where China invested around USD 41 billion. As of March 2020, more than

⁶ Zhao, Hong. *China’s Belt and Road Initiative: An Overview of the Debate // Trends in Southeast Asia*, 2016, No. 6, pp 1-7

⁷ Anna Andreyevna Kireyeva, “Belt and Road Initiative”: content, goals and significance, 2018, *COMPARATIVE POLITICS RUSSIA*, 2018 Vol.9 No. 3. C.70

⁸ Chinese President Xi Jinping on the “Belt and Road Initiative”, 12-05-2017, http://russian.china.org.cn/exclusive/txt/2017-05/12/content_40799145.htm

⁹ The key area of the «Belt and Road Initiative», 2020-05-12, http://www.kitaichina.com/rjingji/202005/t20200512_800204121.html

21,000 trains were dispatched along the China-Europe container freight routes, which delivered goods to 57 cities in 18 European countries¹⁰.

In general, since its announcement in September 2013 in Kazakhstan, the Chinese Belt and Road Initiative has evolved significantly. Currently, there is no doubt that the Initiative is China's main mechanism for domestic and foreign policy development.

In terms of China's domestic development, the Belt and Road Initiative has become the cornerstone of Xi Jinping's ideological course to achieve the goal of "two centuries". For example, by the end of 2018, according to Chinese experts, more than 146,000 academic articles and 1,900 books were published on this topic in China.

At the same time, the "Belt and Road" narrative is being actively promoted in the global media. Thus, since the launch of the Initiative in 2013, more than 170,000 academic articles in English, 23,000 articles in Russian, 8,000 articles in Hindi, etc. have been published. In addition, more than 300 subject-oriented reports have been published by leading foreign think tanks. Discussions around the initiative across global social networks are growing extensively.

Thus, China has successfully implemented a "discursive intervention", shifting the world's focus to itself. This clearly indicates Beijing's growing confidence in its own capabilities, and its desire to play a more proactive role in global processes.

Proactive discussion on various information platforms affects the visibility of the Belt and Road Initiative, transforming it into a definite brand, often associated with the growth of Beijing's global influence. For example, according to one of the social surveys conducted by the Institute of Contemporary China and Peace in more than 20 countries, the level of awareness of the Initiative reached 18% in 2017 (43% in Indonesia, 40% in India, 40% in Italy, 40% in Japan and 34% in Russia)¹¹.

According to official data, to date China has signed bilateral documents to promote the Initiative with 123 countries, as well as with 29 international companies. The major accomplishments of Chinese diplomats were the consolidation of the Belt and Road Initiative in the documents of the UN General Assembly, as well as its adjustment to the UN 2030 Sustainable Development Program.

However, despite the number of agreements reached, almost all of them represent various forms of legally non-binding memoranda of mutual understanding, which only signal the willingness and readiness of the parties to cooperate. Nevertheless, these actions yield certain "image" dividends to China, which allow Beijing to claim the Belt and Road Initiative as a global "public good" that aims to develop the global economy.

While promoting the Belt and Road Initiative as the "Chinese solution" to global development challenges, Beijing is seeking to improve its international image, which is often associated with the potential threats posed by China's economic ramp-up.

In addition to external criticism, China's leadership must also take into account domestic criticism, the magnitude of which can be best expressed in the comments of Tang Shipin, who in 2018 noted that "If the Belt and Road Initiative does not show concrete results in the upcoming years, its further implementation will be significantly complicated due to internal opposition"¹².

According to the American RWR Advisory Group, as of mid-summer 2018, the implementation of the Belt and Road Initiative had met with difficulties in 234 out of 1674 events, or 14% of the cases. Among the negative factors from the implementation of the Belt and Road initiative are increased default risks in developing countries with unstable economies. Thus, out of the 68 countries actively involved in the

¹⁰The key area of the "Belt and Road Initiative», 2020-05-12, http://www.kitaichina.com/rjingji/202005/t20200512_800204121.html

¹¹ Cm. 孙敬鑫, "一带一路"对外话语体系建设的问题与思考, 《当代世界》2019 年第 1 期

¹² Tang Shiping, "China and the Future International Order(s)", *Ethics & International Affairs*, 32 no. 1, 2018

implementation of the initiative in 2018, 23 countries had a credit rating below the investment level and another eight countries were in the zone of highest risk (Djibouti, Kyrgyzstan, Laos, the Maldives, Mongolia, Pakistan, Tajikistan and Montenegro). According to the authors of the research¹³, receiving credit from China can result in the public debt exceeding 50% of GDP in these countries. In this case, Djibouti, Mongolia and Montenegro may exceed 80%, while the Maldives could reach 109%. It should be noted that the conditions for providing Chinese loans vary from almost interest-free in some projects in Pakistan to commercial ones in Djibouti. Thus, considering that the return on investments from infrastructure projects are long term, there is a possibility of default by the borrowing countries. As a result, all the risks are borne by the governments of the borrowing countries and Chinese financial institutions.

In some countries, the “Belt and Road” projects are fraught with difficulties due to the negative attitude of the local population. According to the experts, “the reason is the lack of transparency in the terms of transactions, which creates a sense of alienation among the population who do not see the benefits of the infrastructure megaprojects for themselves. This is especially acute in divided societies, where confrontations between the government and the population or ethnic or religious communities easily turn to political problems”¹⁴.

Notwithstanding the fact that the Belt and Road Initiative is primarily of an economic nature, its implementation is expected to form the basis for China’s investments in the economies of Central Asia, ASEAN and South Asia. The investments can be channeled not only into infrastructure projects, but also to production and services. This tendency may strengthen China’s role and, consequently, its influence on the countries of the region, including in economic and possibly political and military terms. According to some researchers, “the implementation of this strategy by China will most likely cause regional nations to have an asymmetric dependency on China, when they fail to achieve favorable conditions in the course of one-on-one negotiations and are forced either accept Chinese conditions, or refuse the deals”¹⁵. An asymmetric economic dependence could potentially develop into a political one later on.

The main critical points attributed to the Belt and Road Initiative can be summarized as follows.

First, there is a growing concern that China’s financial allocations to the countries involved in the Belt and Road Initiative, as well as active lending to public corporations, could worsen China’s public debt, especially in the provinces.

A lot of Chinese financial analysts have previously forecasted that aggressive lending to Chinese state corporations supporting the “Belt and Road” countries could lead to structural problems similar to those that occurred after the launch of China’s anti-crisis program in 2009. The massive injection of central government funds (about CNY 4 trillion) into the country’s economy caused serious accumulation of problem loans, and contributed to overproduction in China¹⁶.

S&P Global Ratings analysts estimate the regional debt of China’s local authorities at USD 4.3 – USD 5.8 trillion, which combined with other government liabilities, amount to 60% of China’s GDP.

According to some Chinese financial analysts, most of China’s loans under the Belt and Road Initiative are motivated by political factors, rather than economic estimations, which foreign countries take advantage of. As Xu Chenggang points out, the Belt and Road Initiative appears to be a way of financing Chinese

¹³ John Hurley, Scott Morris, and Gailyn Portelance. *Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective*, <https://www.cgdev.org/sites/default/files/examining-debt-implications-belt-and-road-initiative-policy-perspective.pdf>

¹⁴ Mikhail Korostikov. *Potholes of the Silk Road. The reason for the countries to terminate China’s great international project with ever increasing frequency*, <https://carnegie.ru/commentary/77125>

¹⁵ Anna Andreyevna Kireyeva, “Belt and Road Initiative”: content, goals and significance, 2018, *COMPARATIVE POLITICS RUSSIA*. 2018 Vol.9 No. 3. C.69

¹⁶ 曹., 霍侃, 王玲, 吴红, 毓然, “一带一路”会是海外4万亿吗? 《财新周刊》2015年第23期

public corporations by way of loans granted to foreign governments. However, the problem is that in the majority of cases these contracts are concluded without due consideration of the risks of loan default.

As noted by financial reviewer Hu Xiaolian, projects under the Belt and Road Initiative are frequently implemented according to the EPC (engineering, procurement and construction) model. Within the framework of this model, Chinese companies, having completed the contract works, leave the project with little interest in its subsequent profitability. Most of the investments of the Belt and Road Initiative are aimed at financing large infrastructure projects with extremely long payback periods, which create the risk of loan defaults.

Chinese experts also often criticize the rapid pace of lending to various projects under the Belt and Road Initiative, noting the need for a more incremental approach, where the implementation of subsequent projects in a particular country would depend on the success of the previously implemented projects.

Second, another widespread point of criticism in China is that the Belt and Road Initiative aggravates the imbalance in the development of the regions in China. In particular, although the original goal was to stimulate the development of the Central and Western regions of China, these regions do not receive significant dividends. Often poor provinces lose out to more developed ones when it comes to the allocation of financial resources¹⁷. Many in China are concerned that the Belt and Road Initiative causes increased competition between the provinces, which often results in the irrational spending of public funds.

For example, Guangxi Province in 2013 promoted a USD 4.3 billion project to modernize the port of Kuantan, as well as to construct a railroad and an industrial park in Pahang Province in Malaysia. However, later, in September 2015, Guangdong province agreed with Malacca province to build a competing industrial park worth USD 4.6 billion and to renovate a local port for USD 10 billion. According to the experts, the construction of two large-scale ports on the Malay Peninsula is not economically feasible.

Many Chinese analysts consider the main reason for this situation to be the lack of an effective coordination mechanism for the actions of various actors in the Belt and Road Initiative. This is also compounded by the vague and unclear nature of the Initiative itself.

As noted by Tsinghua University Professor Kejing Zhao, the Central Working Group of the CPC Central Committee on the implementation of the Belt and Road Initiative is not able to effectively coordinate the implementation of the Initiative, since it involves many different ministries, regional governments, state-owned companies, etc.

Moreover, the Central Coordinating Institution, e.g. the State Committee for Development and Reforms of the People's Republic of China, whose competence includes only issues of strategic planning, fails to coordinate, while implementation depends on many other structures providing key resources¹⁸.

Third, the Belt and Road Initiative has been criticized for the risks of the "industrial devastation" of China, which can lead to job losses in the industrial sector. By transferring production facilities to foreign countries, China will be forced to cut jobs within the country, which could pose risks to social stability. In addition, China is creating its own competitors in such areas as light industry, electronic manufacturing, etc.¹⁹

According to economist Zheng Xingli, should the Chinese government actively transfer production facilities to the countries of Southeast and South Asia, many provinces of China, especially the eastern ones, will be subject to job losses. As such, Chinese authorities might face problems of unemployment for 240 million migrant workers within China, who are traditionally engaged in labor-intensive production sectors²⁰.

¹⁷ <http://wemedia.ifeng.com/89715466/wemedia.shtml>

¹⁸ <http://finance.sina.com.cn/zl/china/20150612/142222418898.shtml>

¹⁹ http://www.12335.gov.cn/article/lydylyczl/201711/1923400_1.html

²⁰ http://yuedu.163.com/book_reader/8151dec3ff424900ae9b08341524771b_4/7118967c7de0404baf5cc7805492adfb_4

Fourth, there is increasing public criticism of the Belt and Road Initiative as irrational money wasting abroad. Despite the party's tight control over the country's media, critical comments are widespread in Chinese social media. According to some of them, the party spends resources that could have been used to solve China's many domestic problems. Quite often in Chinese social networks, the Belt and Road Initiative is characterized as “穷大方” (qiong da fang – literally “poor but generous”), “冤大头” (yuan da tou – “a stupid man who is cheated of his money because of his kindness”) or “一带一露” (which is pronounced in a similar way to “Belt and Road Initiative”, but means “dress and undress simultaneously”).

Criticism expressed in social media also translates into actual offline actions. One example of this is related to the granting of scholarships to foreign students as part of the humanitarian cooperation of the Belt and Road Initiative. In recent years, a large number of Chinese professors have expressed doubts about the appropriateness of these expenses given the lack of funding for education in the central and western regions of the country. Many universities in China have experienced strikes by Chinese students who are dissatisfied with the fact that international students are provided with better living and studying conditions²¹.

In order to increase the effectiveness of the Belt and Road Initiative while taking into account the problems highlighted above, many Chinese experts advocate for early review of the approaches and mechanisms of implementation.

The annual One Belt, One Road Report published by a team of scientists from the Center for the Belt and Road Initiative and Global Governance of Fudan University ²² provides the following set of recommendations:

- › To slow down the pace of project implementation, and focus on breakthrough projects of strategic importance to achieve tangible economic and social effects in recipient countries;
- › To narrow the Initiative's focus to concentrate on four frontier areas: Southeast Asia, Northeast Asia, South Asia and Central Asia;
- › To enhance the implementation of projects in the field of health care, education, culture, tourism and ecology, and to improve the image of the Belt and Road Initiative;
- › To strengthen multilateral cooperation, boost the transparency of the Initiative, and expand the competitive tendering system in order to diversify participants and reduce financial risks;
- › To gradually cut the share of Chinese government liabilities, loans and financial assistance under the Initiative, and to increase the share of foreign capital;
- › To rely upon the Chinese private sector to implement the Initiative, to encourage Chinese private companies to enter the industrial parks of the Belt and Road states, and to relocate their production facilities;
- › To intensify the penetration of the Chinese media into the states of the Belt and Road Initiative in order to counteract the information pressure from the Western media;
- › To enhance awareness among Chinese experts on cultures and societies of the Belt and Road states; and
- › To increase screening and requirements for Chinese companies entering the markets of the Belt and Road countries.

Another important matter is the reduction of investment risks and the legal guarantee of the safety of Chinese investments in the countries of the Belt and Road Initiative.

²¹ K np. cm., <https://baijiahao.baidu.com/s?id=1605751655163982881&wfr=spider&for=pc>

²² “一带一路”2018 年度报告, 复旦大学一带一路及全球治理研究院2018年10月

In this regard, special attention should be paid to the opinion of Chinese experts who recommend using the services of Chinese private security companies to ensure the security of projects in the countries of the Belt and Road Initiative.

Thus, Liu Bo, director of the Institute of International Relations of the Beijing Academy of Social Sciences, China, notes that, at the moment, the use of Chinese military forces to ensure the security of Chinese investments and personnel abroad is practically impossible. Therefore, private security companies, potentially supported by the Chinese government, can be transformed into full-fledged private military units (for example, by recruiting former military staff) and become a relevant instrument to guarantee the security of Chinese investments abroad²³.

According to the expert assessments, the market for security services for Chinese companies overseas is estimated at about USD 11.3 billion. Today, more than 4,000 private companies in China provide security services (consulting, security, staff training, etc.). It should be noted that this practice has already been introduced in Kazakhstan, e.g. the Chinese-Hong Kong service group of companies, the Frontier Service Group, provides security services to CNPC units in Kazakhstan.

Another critical issue that Chinese experts point to is the strengthening of legal guarantees for China's investments in the countries of the Belt and Road Initiative. In this regard, Chinese experts emphasize the need to revise and renegotiate bilateral agreements in the field of investment cooperation with the countries of the Belt and Road Initiative. Chinese experts believe that most of these agreements were concluded at the initial stages of China's integration into international economic relations. Thus, the conditions may not reflect the current realities. In particular, on numerous occasions, China entered into agreements as a recipient country rather than an investor.

Therefore, China needs to revise previously concluded bilateral agreements acting as the investor, focusing on such issues as specifying the basic terms of the investment activities, reinforcing guarantees of the recipient country, looking at terms of compensation in case of expropriation, etc.

For example, the renowned Chinese expert Ke Jing says that many of China's investment agreements do not stipulate the conditions of stay for Chinese workers in the countries receiving investments. In many cases, these provisions are limited to various references to other laws that are often used to prevent Chinese investors from obtaining visas. As an example, the author cites Kazakhstan and Kyrgyzstan²⁴.

Many Chinese experts note that in the context of the implementation of the Belt and Road Initiative, China should seek to include a national regime for Chinese investors when renegotiating bilateral investment agreements.

²³ 刘波, «一带一路'安全保障体系构建中的私营安保公司研究», 《国际安全研究》2018年第5期

²⁴ 柯静, «一带一路'倡议推进与中外双边投资协定重构», 《现代国际关系》2018年第6期

1.2 The Belt and Road Initiative as a recent “paradigm of international relations”: what should Central Asia expect?

Central Asia is a unique region that combines a variety of challenges and opportunities. Placed between two world powers—China and Russia—Central Asia is notable for its natural, demographic, and transit resources; poorly diversified economies; ineffective political institutions; and, as a result, socio-economic instability, complicated by ethnic conflicts and escalating religious extremism.

The risks and hazards caused by regional chaos can lead to the destabilization of neighboring countries. Combined with the inability of the region’s nations to cope with these risks on their own, involving external factors becomes not only desirable, but essential. Due to all of these characteristics, the region is of interest for the major players, primarily neighboring Russia and China, as well as the USA and the EU.

In addition, periods of tension between the USA and China often lead to the Central Asian states becoming the focus of the foreign policies of Russia, China, the United States and the EU, due to Kazakhstan and Kyrgyzstan’s membership in the EAEU; and Kazakhstan, Kyrgyzstan and Tajikistan’s membership in the CSTO. In particular, Central Asia is essential for the USA as means of countering terrorism and extremism, and a partner to Afghanistan in the areas of trade, energy, culture, economy, and security. The EU’s policy in the region is focused on education, the development of the civil society and the improvement of human rights. In 2019, the EU’s strategy in Central Asia was updated²⁵ and primarily focused on strengthening partnerships with Central Asian countries in eight areas of cooperation.

Currently, China is showing increasing interest in raw materials and large markets of the region. It is also increasing its political and economic influence primarily through the Shanghai Cooperation Organization, which includes China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, India and Pakistan.

According to Alessandra Cappelletti opinion, expressed during an expert meeting organized within the framework of this project, “China’s interests in Central Asia are associated with three main features of the region. First, it is somewhat of a buffer zone between Afghanistan, which is dangerous for neighboring countries, and the Xinjiang Uygur Autonomous Region in China’s interior. Second, China, as the world’s largest consumer of oil and gas, is attracted by the rich natural resources of Central Asia. Third, the region is geographically located in the center of the Eurasian continent and is very convenient for the construction of logistics hubs and links between China and Europe.”

China also pays a lot of attention to Central Asia due to its proximity to the western regions of the country; the development of the latter is one of the priority directions of China’s domestic policy. Therefore, the “Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road” highlights “the need to utilize the geographical advantages of Xinjiang as an outlet to the West, to cooperate with the countries of Central and Western Asia using the Silk Road Economic Belt, and the need to create a transport hub and scientific and educational centers and centers of culture and business logistics”²⁶.

Beijing has declared three basic rules with respect to the countries of Central Asia: not to interfere in the internal affairs of the countries and their interrelations; to focus on economic cooperation; and to strive to improve its reputation.

China’s economic interests in the region can be divided into three priority areas:

- › Foreign trade—economic cooperation between countries;
- › Investment activity—leverage over the economy of the Central Asian countries (oil, mining and chemical industries, telecommunications, and transport infrastructure);

²⁵ https://eeas.europa.eu/sites/eeas/files/joint_communication_-_the_eu_and_central_asia_-_new_opportunities_for_a_stronger_partnership.pdf

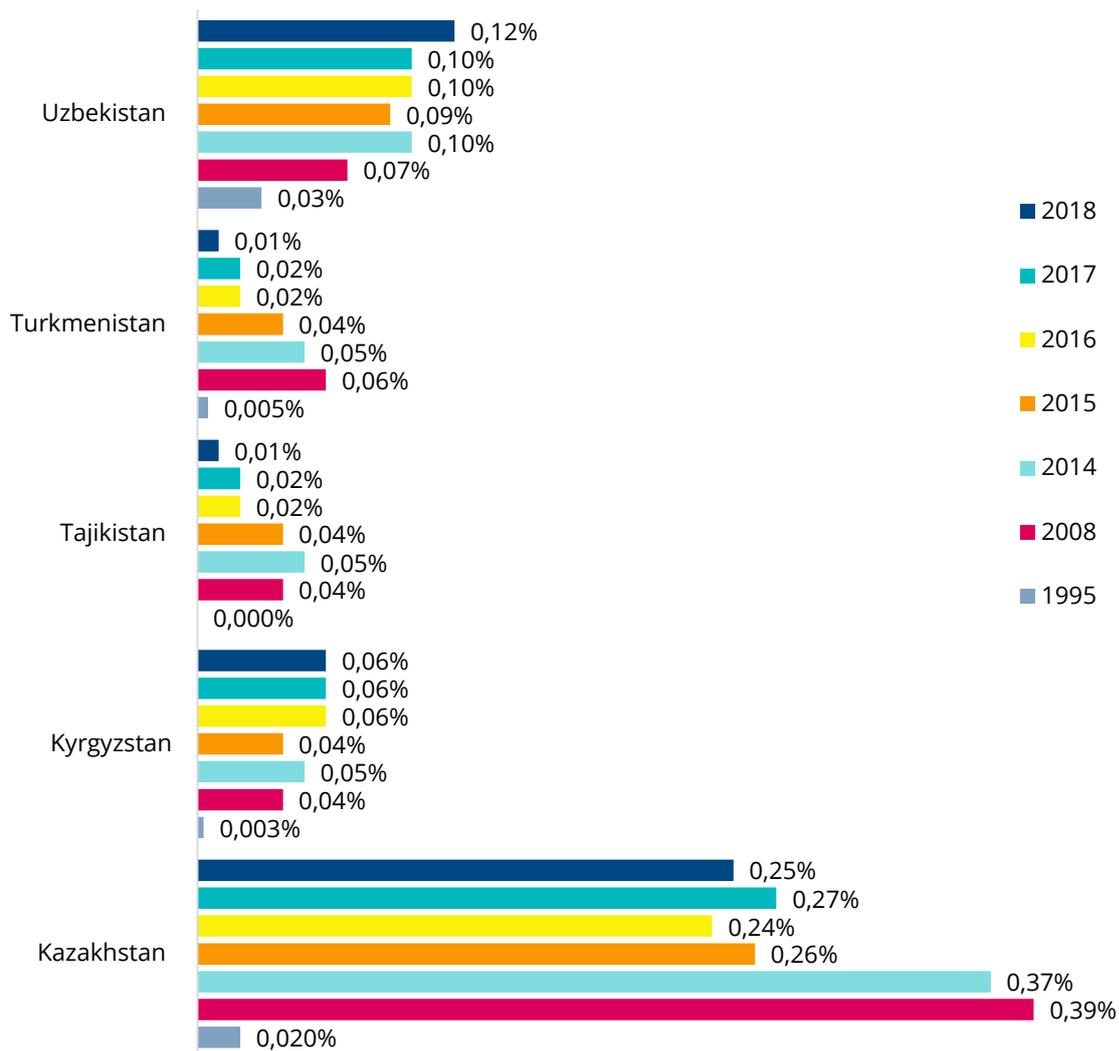
²⁶ <http://www.fmprc.gov.cn/rus/zxxx/t1254925.shtml>

- > Harnessing the region's transit potential.

China's involvement in Central Asia's economy is becoming more systematic and complex every year. Foreign trade between China and the neighboring Central Asian countries is one of the most intensively developing areas of cooperation.

The share of Central Asian countries in China's total exports is still relatively small (0.47% in 2018), despite substantial growth over the past 20 years (Figure 2).

Figure 2. The share of Central Asian countries in China's total exports, in %



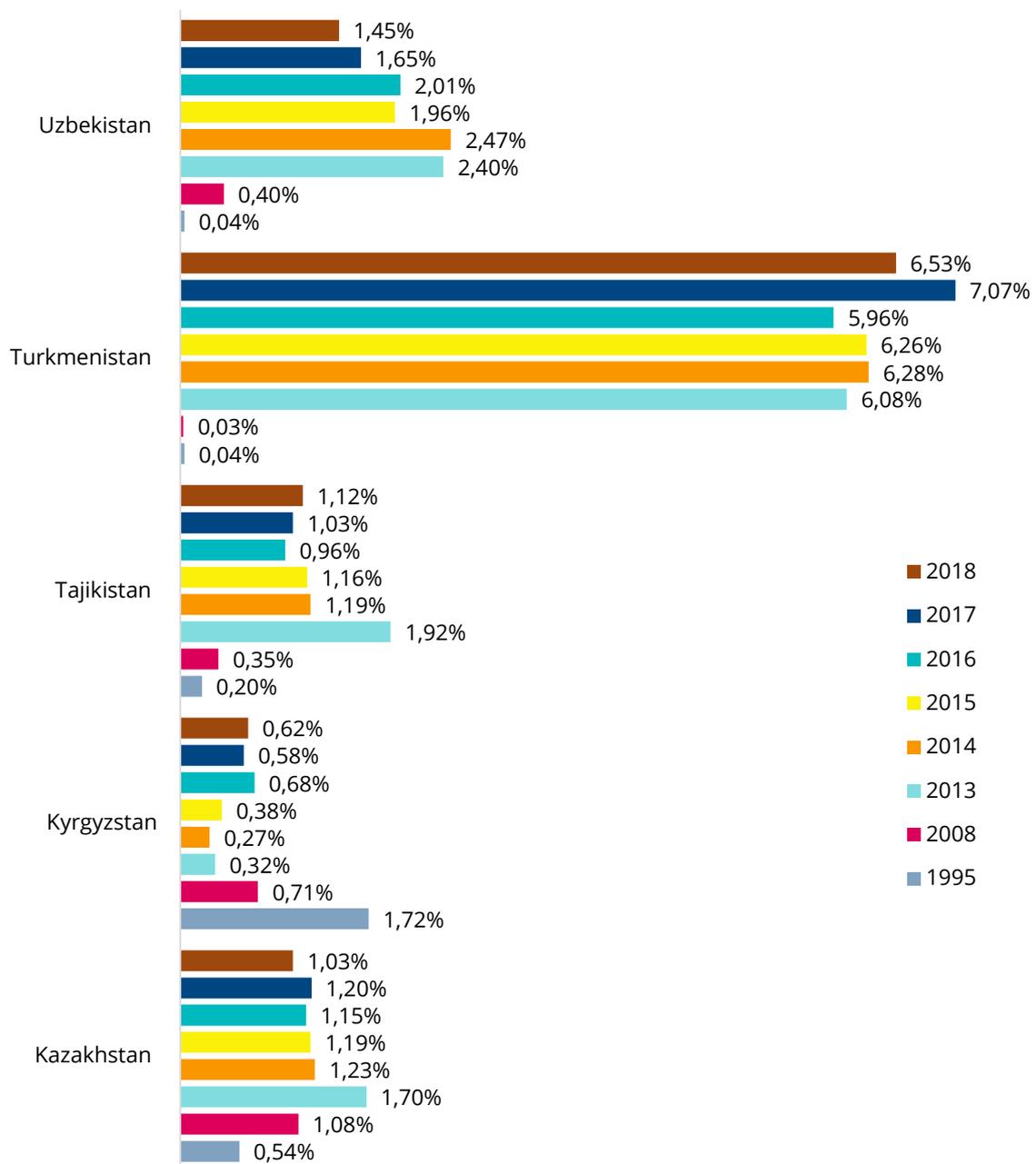
Source: unctadstat.unctad.org

The bulk of Chinese exports to the Central Asian countries are manufactured goods, which constitute the overwhelming share of imports (90% and more). The import structure of manufactured goods varies by country. For example, in Kazakhstan and Turkmenistan, the share of machinery and equipment (including vehicles) has significantly increased in recent years and reached 30.9% and 49.4%, respectively, while in Kyrgyzstan, Tajikistan and Uzbekistan in 2018, this figure was significantly lower at 16.8%, 17.8% and 27.7%, respectively.

China's significant economic growth in 2009–2013 and increase in consumption of raw material and goods made China an important export market for the Central Asian countries. Although, China's share in Central Asian exports has since decreased slightly.

It should be noted that the growth of China's share in Central Asian exports occurred mainly due to Turkmenistan and Uzbekistan. China's share in Turkmenistan's exports increased from 1.0% to 36.3% in 2009–2010 and gradually reached a record of 70.7% in 2017 (Figure 3).

Figure 3. China's share in the exports of the Central Asian countries, in %



Source: unctadstat.unctad.org

The structure of both imports and exports in the Central Asian countries are different. For example, the exports of Tajikistan and Turkmenistan are predominantly raw materials, while in Uzbekistan it is industrial goods. In recent years, over 80% of Turkmenistan's exports were concentrated in gas, while ores of various metals dominated in Kyrgyzstan and Tajikistan, with 49.5 and 60.5%, respectively.

The expansion of China's political and economic presence in Central Asia is a result of financial investments in these economies. China's investment activities in the region intensified after the announcement of the Belt and Road Initiative. At the end of the 1990s, China's direct investments in the region were concentrated in the oil and gas sector and did not exceed USD 1 billion. In the following ten years, the volume of Chinese investments increased more than twenty times, turning Beijing into the main financial donor of the region. China's influence became more prominent after the 2008 crisis, when traditional investors in the region (Russia, the USA, and Europe) faced their own budgetary constraints. In the second decade of the XXI century, cooperation spread from the fuel and energy sectors, to also include other sectors of the economy such as infrastructure, construction, assembly factories and agriculture.

China uses a wide range of instruments, channels and financing schemes when implementing regional projects. Most of the funds are allocated on a bilateral basis (direct investments, loans, soft loans, grants), while other financial resources are allocated through international financial institutions and organizations (ADB, SCO, AIIB). Beijing's major investment activities in Central Asia are strongly exemplified in the expansion of economic cooperation between China and Kazakhstan. The parties signed 40 commercial agreements worth USD 13 billion during the meeting of the Kazakh-Chinese Business Council in Beijing in June 2018²⁷.

As part of a state visit on May 11–15, 2017 to China, Shavkat Mirziyoyev, the President of Uzbekistan, held talks with the leadership of China. As a result, 105 cooperation documents worth USD 23 billion were signed. These agreements provide for cooperation between the two countries in the gas chemical and hydropower industries, as well as the construction of a synthetic liquid fuel plant and a mid-term contract for the supply of natural gas to China. During these negotiations, Shavkat Mirziyoyev noted that "China is currently one of the leading states making large investments in the economy of Uzbekistan. More than 700 companies and enterprises in the country operate with the participation of Chinese capital. Over the past years, Chinese investors have invested about USD 7.8 billion in the economy of Uzbekistan"²⁸.

Prioritizing energy security, China is heavily investing into the energy sector, including minerals: oil, gas, exploration and prospecting for oil fields, pipelines, roads, routes, etc.

Currently, China buys oil mainly from the Middle East. Saudi Arabia is the largest exporter of oil to China, supplying 370 million barrels a year (15% of China's oil imports). This is followed by Iraq with 235 million barrels (10%), Oman with 235 million barrels (10%), Iran with 198 million barrels (8%), Kuwait with 106 million barrels (4%) and the UAE with 92 million barrels (4%). However, the instability in the Middle East has a direct impact on the policy pursued by the Beijing authorities in the region. In the worst-case scenario, for example an armed conflict with the United States or an economic blockade, China may lose supplies of Middle Eastern oil and gas because the US Navy controls the oil transportation routes from the Persian Gulf, including in the direction of the South China Sea.

Therefore, for Beijing, which seeks to diversify its suppliers of resources, the importance of Central Asia is growing. The main gas pipeline Turkmenistan-China, which runs from Turkmenistan through the territory of Uzbekistan and Kazakhstan to China, has been operating for 10 years. The capacity of the three pipelines is 55 billion cubic meters per year. The fourth line, expected to be constructed in the future, will increase the pipeline's capacity to 65–70 billion cubic meters per year. The main supplier of gas through this pipeline is Turkmenistan, which annually exports about 35 billion cubic meters to China. Uzbekistan and Kazakhstan are going to increase gas supplies to China to 10 billion cubic meters per year.

²⁷ https://lenta.inform.kz/ru/na-delovom-sovete-mezhdu-rk-i-kr-podpisano-svyshe-40-soglasheniy-na-13-mlrd_a3281197

²⁸ <http://www.uzavtoyul.uz/ru/post/ozbekiston-prezidenti-shavkat-mirziyoyev-pekinga-keldi.html>

Undoubtedly, the possibility of supplying goods to Western Europe through Central Asia is a great advantage for China. As noted by the First President of the Republic of Kazakhstan Nursultan Nazarbayev at the Belt and Road Forum in 2017 in Beijing: "Our geography is our common benefit. Central Asia is regaining its strategic importance, as centuries ago, and becoming the main bridge between the largest markets. New and faster routes are being developed each year from the Pacific Ocean to the Atlantic, and the volume of trade only in Eurasia is expected to exceed USD 1.2 trillion by 2020. Opportunities for entering the markets of Iran, Afghanistan and further to the Middle East and South Asia are being realized."²⁹ At the moment, among the five Central Asian countries only Kazakhstan has established a direct railway connection with China³⁰. However, this does not stop other countries from using their advantageous geographic location next to China.

China, Kyrgyzstan and Uzbekistan opened a new multimodal transport corridor on June 5, 2020³¹, which consists of rail and road sections. The corridor will be operated by the China Railway Express joint venture of China, Germany and Russia. The first 25 containers of electrical products were transported by train from Lanzhou to the west to Kashgar, where they were loaded onto trucks to cross the Kyrgyz border at the Irkeshtam crossing. In Osh, the containers were again loaded onto trains and sent through the territory of Uzbekistan. Thus, the journey takes seven days, which is five days faster and 295 kilometers shorter than through Kazakhstan³². It should be noted that China, Kyrgyzstan and Uzbekistan have been discussing the establishment of a railway connection through the south of Kyrgyzstan since the late 1990s.

Under the Belt and Road Initiative, transport projects are of primary importance for most of the Central Asian countries. These include the Western Europe-Western China highway, the North-South rail projects, the Central Corridor of the Trans-Asian Railway, and Chungqing-Duisburg. All countries of the region are involved in these transport corridors (Figure 4).

The Western Europe-Western China highway connects St. Petersburg (Russia) with the Chinese port of Lianyungang. The project makes it possible to shorten the journey from 45 days (by sea transport) to 10 days. China and Kazakhstan have currently completed the construction of their sections of the auto corridor. According to the Russian side, the construction of a section of the highway across the territory of the Russian Federation is postponed from 2020 to 2027³³. The total average annual economic effect from the construction of the highway is KZT 190 billion for Kazakhstan. The construction was carried out using national funds and a number of Chinese loans.

It should be noted that China's interests in Central Asia are expanding due to the spread of religious extremism and terrorism; Afghanistan is of particular concern. Terrorist groups and drug traffickers in Afghanistan remain a serious threat to the Central Asian region, as well as to the safe passage of the "Belt and Road". Despite the strengthening of measures taken by the international community, Afghanistan remains one of the main safe havens for international terrorists. At the same time, the actions of the Taliban in the north of Afghanistan cause serious concerns. There are two religious groups in the Fergana Valley: the Islamic Movement of Uzbekistan and Hizb ut-Tahrir. Hizb ut-Tahrir is set to establish a caliphate that stretches from Mongolia to the coast of the Caspian Sea. According to this scheme, Xinjiang Uygur Autonomous Region is also included in the caliphate. There are frequent reports of Uygur separatists being trained in Afghanistan, which shares a 25 km border with China. In general, terrorist movements could become the main cause of instability in Central Asia and the regions of the Collective Security Treaty Organization (CSTO). Therefore, due to the activities of terrorist and extremist groups that can lead to

²⁹ *Growing role of Kazakhstan as a transit country* 19.05.2017, https://old.liter.kz/ru/articles/show/32697-rol_kazahstana_kak_tranzitnoi_strany_rastet

³⁰ <https://russian.eurasianet.org/куитай-в-центральной-азии-восстановление-связей>

³¹ <https://mift.uz/ru/news/zapuschen-pervyj-blok-poezd-po-multimodalnomu-transportnomu-koridoru-kitaj-kyrgyzstan-uzbekistan>

³² <http://www.customs.gov.cn/customs/xwfb34/mtjj35/3153474/index.html>

³³ <https://inbusiness.kz/ru/news/avtokoridor-zapadnyj-kitaj-zapadnaya-evropa-otstal-ot-grafika-na-sem-let>

negative manifestations in the Xinjiang Uygur Autonomous Region, cooperation with the Central Asian countries is important for China.

Figure 4. *International Motor Traffic Corridor “Western Europe-Western China”*



Source: Open Internet Resources

In addition, the Central Asian region is of interest to other external players, including the United States, whose policy is aimed at displacing China as a major military, political and economic competitor at the regional and global levels. In particular, they use mechanisms that exclude China and Russia and are aimed at establishing control and isolating other players in regional integration.

As one of the main players in the region, Russia’s stance on Central Asia is primarily focused on strengthening energy projects in the field of security, oil and gas, and water energy, strengthening the integration of the institutions of the Eurasian Economic Union (EAEU). Russia’s policy prioritizes stability in the region, maintaining mutually beneficial and friendly relations and preventing alliances and associations that conflict with Russian interests.

Border security is one of the important issues in China’s projects in Central Asia. It includes two key points: maintaining the stability of the border areas and ensuring the security and economic prosperity of the people of the region; and promoting peace and stability at the border. The security of the western Xinjiang Uygur Autonomous Region, home to a populous Uygur minority, is of major concern to China. For several decades, Uygurs have been occupied with the idea of setting up autonomy and gaining independence. At present, the Uygurs, who have not abandoned the idea of independence, are waiting for support from the countries of Central Asia to resolve their issue. According to statistics, more than 300,000 Uygurs currently live in Central Asia, of which 210,000 live in Kazakhstan, 46,000 in Kyrgyzstan and 30,000 in Uzbekistan. The joint efforts of the Uygur expatriate communities living on both sides of the border to achieve autonomy is of major concern to the Chinese government. Accordingly, China assumes that the signing of the Treaty of Long-Term Good-Neighborliness, Friendship and Cooperation between the SCO member states will limit and stop the desire of the Uygur community to find support in the countries of Central Asia.

Opinions differ as to China’s strategy in Central Asia. A number of experts believe that China does not have a specific foreign policy strategy for Central Asia but rather seeks to cater to its own narrow interests with the projects of the Belt and Road Initiative.

Other experts, such as Raffaello Pantucci, a regional specialist at the Royal United Services Institute who has studied relations between Central Asia and China for 10 years, argue in favor of such a strategy and note the lack of response strategy. "They [the Central Asian countries] are undoubtedly becoming the most important geopolitical players in this part of the world. I don't think they have realized all the long-term consequences"³⁴.

Also, during an expert meeting organized as part of this study, Alessandra Cappelletti from Xi'an Jiaotong-Liverpool University noted that "Central Asian countries are better off working through international organizations, because it gives leverage to countries negotiating with China, for example, the Shanghai Cooperation Organization. Negotiating with China is always very difficult because China is very strong, both economically and politically."

Marlene Laruelle of George Washington University stresses that Central Asian countries must find a balance between being open to their new geopolitical partner and at the same time minimizing external pressure on their societies³⁵. According to the researcher, there are several reasons for the economic bias of the Central Asian countries against China. First, all of these countries are trying to avoid becoming China's raw material base. There are also concerns about the activities of Chinese companies in the region concerning its policy of hiring local labor and compliance with the minimal environmental regulations.

The Central Asian countries exhibit both Sinophobia and its counterpart Sinophilia, which is primarily characteristic of the ruling circles, as well as businessmen with close economic ties to China (confirmed by an expert survey conducted by the TALAP Center for Applied Research). Sinophobia is characteristic of certain groups of citizens, primarily the pro-Western elite, nationalists, Islamists, and representatives of the Uygur community. Each of the five Central Asian countries has its own causes of concern with respect to China. In Turkmenistan, this is primarily due to the export dependence of gas supplies (according to experts, almost the entire volume of gas, or 30 billion cubic meters per year, is supplied by Turkmenistan to China)³⁶. It should be noted that since Turkmenistan and Uzbekistan do not share borders with China, the level of concern in these countries is lower than that of Kazakhstan, Kyrgyzstan and Tajikistan.

China pays special attention to Tajikistan in the field of security due to its geographic and strategic characteristics. In 2016, China initiated the creation of a new regional mechanism, which included Tajikistan, Pakistan and Afghanistan³⁷.

According to some experts, "Trade, investment, infrastructure projects and other instruments used by China are leading the way for the future Pax Sinica to dominate all spheres of the Eurasian region. However, this process is not going as smoothly as the Chinese leadership would like. The concerns over the 'Chinese expansion' are strong in the countries of Central Asia. Sometimes they turn into protests and conflicts with Chinese workers and business representatives."³⁸

Although, until recently, Central Asia remained one of the few regions where the Belt and Road initiative unfolded without problems. Recent events, however, especially those related to anti-Chinese protests in Kyrgyzstan and Kazakhstan, discussions around the military cooperation between China and Tajikistan, and other facts, are turning Central Asia into another vulnerable spot in the Belt and Road Initiative.

³⁴ <https://www.vedomosti.ru/economics/articles/2015/10/26/614254-kitai-aziyu-rossii>

³⁵ <https://www.vedomosti.ru/economics/articles/2015/10/26/614254-kitai-aziyu-rossiig%20Transcript.pdf>

³⁶ <https://caa-network.org/archives/19383>

³⁷ Martina M., Birsal R. (ed.). *China joins Afghanistan, Pakistan, Tajikistan in security alliance* / Reuters, August 4, 2016 // <https://www.reuters.com/article/us-china-security/china-joins-afghanistan-pakistan-tajikistan-in-security-alliance-idUSKCN10F1A6>

³⁸ Temur Umarov. *Towards Pax Sinica: What China's Expansion brings to Central Asia*, 25.03.2020, <https://carnegie.ru/commentary/81265>

An analysis of China's presence in Central Asia requires a detailed consideration of the specifics of China's bilateral cooperation with the individual countries in the region, in particular with Uzbekistan and the Kyrgyz Republic.

Uzbekistan

Diplomatic relations between the Republic of Uzbekistan and the People's Republic of China were established in 1992, that is, immediately after Uzbekistan gained independence. The intensification of relations between the two countries began in 2011, when the Uzbek-Chinese Intergovernmental Committee for Cooperation was established. Regular meetings of foreign ministers and annual political consultations of the foreign ministries of the two countries played an important role in this rapprochement. Further, in 2012, after establishment of the strategic partnership, visits intensified at the leadership level.

In 2013, during the state visit of Xi Jinping to Uzbekistan, the parties signed a Treaty of Friendship and Cooperation. The reciprocal state visit of Islam Karimov, the President of Uzbekistan, to China took place in 2014. The main result of the next state visit in 2016 of Xi Jinping to Uzbekistan was to bring Uzbek-Chinese relations to the level of comprehensive strategic partnership.

China is currently one of the two leading trade and investment partners of Uzbekistan. Thus, at the end of 2019, China accounted for the largest volume of Uzbekistan's foreign trade turnover with 18.1% (for comparison, the Russian Federation accounts for 15.1%, and Kazakhstan accounts for 8.4%). By the end of 2020, the parties plan to bring the volume of trade between the countries to USD 10 billion (Figure 5).

Figure 5. Dynamics of trade turnover of Uzbekistan and China (billion dollars)



Source: Data analytics portal of the Economic Review Journal

As of November 2019, the volume of Chinese investments in the economy of Uzbekistan exceeded USD 9 billion. These are mainly investments in the oil, gas, chemical, energy, telecommunications industries, as well as in the development of infrastructure of strategic importance. In 2019, the number of registered enterprises with the participation of foreign capital almost doubled compared to the same period in 2018; at the beginning of 2020, there were 1,652 enterprises with Chinese investments (or 16% of the total number of enterprises with foreign capital).

However, compared with the other Central Asian countries, China's role in the foreign direct investment in Uzbekistan is relatively small. Thus, in terms of the volume of Chinese foreign direct investment,

Kazakhstan is the leader (USD 20 billion), while in terms of the share in the total volume of foreign investment, the leader is Tajikistan, where China has invested half of the total volume of foreign direct investments. In 2020, within the framework of cooperation with China, 284 long-term investment projects worth USD 30.4 billion are being implemented.

Within the Belt and Road Initiative, cooperation between the two countries is carried out primarily in the field of transport. This is due to the fact that one of the three Motor Traffic Corridors of the “Belt” connecting China with Iran and Turkey passes through the territory of Uzbekistan. Uzbekistan is a member of the Asian Infrastructure Investment Bank, one of the two sources of financing for the “Belt and Road” along with the Silk Road Fund.

Central Asia’s railway network, linking China with the Trans-Iranian Railway, which was largely inherited from Soviet times, already exists and is functioning. It is planned to move goods along the following route: Urumqi-Alashankou (Chinese railway port on the border with Kazakhstan)-Almaty-Tashkent-Turkmenabat (Turkmenistan)-Mary-Tejen-Serakhs (Turkmen railway port on the border with Iran)-Mashhad (Iran). However, certain sections of this network need reconstruction and more efficient logistics services. In addition, the railways of Iran and Central Asia differ by standards and there are different track gauges in the region of the Iranian-Turkmen border (1,435 mm in Iran and 1,520 mm in Turkmenistan).

Earlier, an agreement was reached to transform the railways of Central Asia to the Iranian (“European”) standard. However, the implementation of the agreement was delayed.

Gas pipeline projects connecting the fields of Turkmenistan with China are developing more successfully. All strings of the China-Central Asia gas pipeline pass through the territory of Uzbekistan.

In addition to the rail transport routes, air routes between the two countries began to develop. In early November 2019, Uzbekistan and China agreed to increase the number of direct flights to 15 per week. Currently, direct flights to Uzbekistan leave from Beijing, Urumqi, Shanghai, Guangzhou and Tianjin. At the end of September 2019, the Chinese airline Zhejang Loong Airlines Co. Ltd launched a direct flight between Tashkent and Xi’an.

More frequent flights will lead to an increase in the influx of tourists from China, which will benefit the tourism industry in Uzbekistan. This prospect is also facilitated by the fact that from January 1, 2020, Chinese citizens will be able to stay in Uzbekistan for up to seven days without the need for an entry visa. Thus, Uzbekistan became the first country in Central Asia to announce the introduction of a visa-free regime for citizens of China. The number of Chinese citizens who have visited Uzbekistan has already exceeded 30,000 people in 2019, or 34% more than in the previous year.

The flow of air passengers is also growing in the opposite direction. More than 40,000 citizens of Uzbekistan visited China last year. Many of them, however, are more likely to be small traders buying goods in China rather than tourists.

The beginning of military-technical cooperation between the two countries was initiated by a contract signed in 2013. According to this contract, in 2015 China delivered to Uzbekistan a long-range anti-aircraft missile system FD-2000, which is an export version of the Chinese HQ-9 system and an analogue of the Russian anti-aircraft missile system C-300ПМУ. Uzbekistan’s air defense forces conducted the first practical test of this anti-aircraft missile system on October 25, 2019. The test took place at the Kulkuduk military training area located on the territory of the Navoiy Region.

Kyrgyz Republic

The Chinese government recognized the independence of Kyrgyzstan on December 27, 1991, and on January 5, 1992, diplomatic relations between the two states were established. By 1994, China had already become the largest export market and the second largest import market for Kyrgyzstan.

China is the largest investor in the Kyrgyz economy, accounting for about 43% of the total volume of foreign direct investment. In 2019, China's share in the total volume of incoming investments was equal to 55% or USD 370 million, which is an increase of 51% in the share of total investments compared to 2018³⁹. According to the Kyrgyz Republic National Statistical Committee, total Chinese investments in Kyrgyzstan for 2005–2019 were equal to USD 7.74 billion⁴⁰, which is significant for the small Kyrgyz economy.

The main inflow of investments goes to several industries. Thus, 37% of China's investments went towards the oil and gas industry and were equal to about USD 2.89 billion. A notable example is the Chinese company Zhongneng Co. Ltd, which resorted to its right for exploration of an oil-bearing area in the Batken region and built two oil refineries with a total capacity of 1.2 million tons of oil. However, due to the lack of Kyrgyzstan's own resources, both factories in Tokmok and Kara-Balta are still not functioning at full capacity.

At the end of 2019, preparatory activities began to construct the Turkmenistan-China gas pipeline's fourth line. The Kyrgyz section, of 2015 km, will pass through the Alai and Chon-Alai districts of the Osh region. To facilitate the construction, issues related to land allocations and conversions along the pipeline were promptly settled through compensation payments covering forgone gains and losses from agriculture and timber production. The Kyrgyz string of the Central Asia-China gas pipeline is being laid by SINO-Pipeline International Company Limited⁴¹.

Hydropower is an attractive industry for investors from China, with investments of about USD 2.89 billion. Thus, Chinese investors are participating in projects at the cascade of Saryjaz and Kambarata Hydro Power Plants, in the construction of coal-fired thermal power plants, in the reconstruction of the Uch-Kurgan Hydro Power Plant and Combined Cycle Power Plant in Bishkek.

Gold mining is another industry, which attracts investments from China. One of the largest deposits of Taldy-Bulak Levoberezhny (gold reserves are estimated at 78 tons) is being developed by the Altyntenk company, 60% of which is owned by the Chinese company Superb Pacific Limited, a subsidiary of China's largest subsoil developer Zijin Mining. The total volume of Chinese investments in the project is estimated at USD 200 million.

The construction and modernization of roads in Kyrgyzstan became a promising direction of cooperation, given the country's geographical importance for Chinese trade in Central Asia. By the end of 2019, the amount of Chinese loans towards transport projects in Kyrgyzstan was equal to USD 1.69 billion. China has already implemented such large infrastructure projects as the reconstruction of the Bishkek-Naryn-Torugart road connecting Kyrgyzstan with China (total investment of USD 600 million) and the construction of the North-South highway.

One of the largest Kyrgyz-Chinese projects is the China-Kyrgyzstan-Uzbekistan railway construction project, which has been planned since the late 1990s. The negotiation process is hampered by discussions around the length of the highway (Chinese investors are interested in the shortest route from China to Uzbekistan, while Kyrgyzstan is interested the lengthiest route that could connect the northern and southern regions of the country), the width of the track, and financing⁴². Due to lack of consensus on the issues mentioned above, the project has not been yet implemented.

The third priority was the transfer of excess production capacity from China to Kyrgyzstan. In 2016, within the framework of the Belt and Road Initiative, Kyrgyzstan offered China to implement around 40 joint industrial projects. The Ministry of Economy of Kyrgyzstan provided a list of idle plants where Chinese

³⁹ <http://www.stat.kg/ru/statistics/investicii/>

⁴⁰ <http://www.stat.kg/ru/statistics/investicii/>

⁴¹ <https://economist.kg/2019/04/19/zavershen-otvod-zemel-v-alajskoj-doline-pod-kitajskij-gazoprovod-gendirektor-sino-pipeline/>

⁴² <https://www.ritmearasia.org/news--2019-11-29--perspektivy-stroitelstva-novogo-zh-d-koridora-iz-kitaja-v-uzbekistan-46229>

production could potentially be launched. This would allow Kyrgyzstan, on the one hand, to receive new Chinese investments, and, on the other hand, to save on the construction of industrial infrastructure. However, nothing came of this deal besides the public discontent related to the environmental footprints of such projects.

It should be noted that in Kyrgyzstan, Sinophobia is as present as it is in Kazakhstan. According to the former Minister of Foreign Affairs and the former SCO Secretary Muratbek Imanaliev, "Kyrgyzstan is experiencing the worst period in its relations with China throughout the entire independence, and the worst relations among the countries of Central Asia"⁴³. The expert notes that Sinophobia, which is rooted in history and is a legacy of the Soviet past, is growing. The expert sees the solution to this issue in strengthening cultural and humanitarian cooperation.

Nevertheless, China remains one of the most important economic partners for Kyrgyzstan. Thus, 397 Chinese enterprises and 170 joint Kyrgyz-Chinese enterprises operate in Kyrgyzstan. Tax revenues from large enterprises with Chinese investments in 2018 amounted to KGS 3.8 billion (showing an increase of 20% compared to 2017).

Along with the countries of the Central Asian region, the countries of the South Caucasus are also attracting Beijing's attention. Although they do not border with China and the economic ties are small yet growing, the South Caucasus countries still play an important role in the Belt and Road Initiative. China has already signed various documents (protocols, declarations, memorandums) with Georgia and Azerbaijan on their participation in the Belt and Road in 2015.

As a result of the twenty-five years of cooperation between China and Azerbaijan, the trade turnover between these two countries in 2017 amounted to a record of USD 1.2 billion, which is 43% more than in 2016.

China is among Azerbaijan's top four foreign trade partners, third in imports and eighth in exports⁴⁴. Azerbaijan accounts for more than 40% of China's trade with the South Caucasus.

Azerbaijan's advantage over other countries of the South Caucasus is its location, which is why the Azerbaijani authorities place emphasis on cooperation in transportation. The constructed Baku-Akhalkalaki-Tbilisi-Kars railway, commissioned in 2017, is considered by the Azerbaijani authorities as "the restoration of the ancient Silk Road on steel highways"⁴⁵. In addition, compared with sea transportation, the Baku-Tbilisi-Kars railway, reduces two-fold the time of delivery of goods from China to Europe.

Just like in Central Asia, bilateral cooperation between the two countries is focused on transportation and the energy sectors. The first car assembly plant, NAZ-LIFAN, has been in operation in the city of Nakhichevan since 2009, producing 15 models of Lifan.

Azerbaijan's AS Group Investment and a large Chinese company China CAMC Engineering Co., Ltd signed a cooperation agreement in February 2018 in Beijing for the implementation of the Absheron Agropark project. According to the agreement, CAMCE will allocate USD 140 million to the project. The production of fruits and vegetables is intended not only for the domestic market, but also for the CIS countries, the Persian Gulf and Europe. The implementation of the project will contribute to the successful development of the non-oil sector of the Republic of Azerbaijan and the recognition of the Made in Azerbaijan brand.

The two countries also prioritize cooperation in the oil and gas sector. The Azerbaijani oil company SOCAR has been cooperating with the China National Oil and Gas Corporation for 15 years, the latter providing equipment for the petrochemical sector worth over USD 500 million. During the Belt and Road Forum in May 2017, the companies signed a memorandum of understanding within the SOCAR GPC project⁴⁶, as

⁴³ <https://cabar.asia/ru/negativnye-factory-kyrgyzsko-kitajskih-otnoshenij/>

⁴⁴ <https://vestikavkaza.ru/news/Azerbaydzhan-otkryl-svoe-torgpredstvo-v-Kitae.html>

⁴⁵ <https://ru.president.az/azerbaijan/silkroad>

⁴⁶ <https://www.trend.az/business/energy/2741415.html>

well as an agreement on the preliminary detailed design of a gas processing plant and a polyethylene petrochemical complex. Within the framework of the GPC project, it is planned to create a gas processing and petrochemical complex 15 km from Baku, with a capacity of about 10 billion cubic meters of gas per year, as well as a number of gas processing plants. The cost of the SOCAR GPC project, according to initial estimates, is approximately USD 4 billion.

Thus, Azerbaijan is looking for “new ways in relations with China to promote regional security and stability, ensure energy security, and stimulate economic and political reforms”⁴⁷. According to Bai Lian-Lei, a researcher at the Chinese Academy of International Affairs, Azerbaijan is “an ideal partner in the construction of the Silk Road Economic Belt” for three reasons⁴⁸. First, the Caspian coast is becoming a new connecting zone for the economic interests of East Asia, Europe and Russia, a zone of convergence. In other words, Azerbaijan is becoming a new connection point between the European economic ring and the East Asian economic ring. Second, Azerbaijan is the founder of the revival of the ancient Silk Road in terms of organizing multimodal transnational transport systems. And third, Azerbaijan has similarities with China (in terms of their trajectory towards interconnectedness, economic development, independent and peaceful foreign policy, as well as striving for political stability and unity of the country), which contributes to mutually beneficial cooperation.

⁴⁷ Karimov R, Gao Fei. *China's Energy Policy Throughout the Central Asia to Azerbaijan / SAM Review*, 2013. P. 35—36.

⁴⁸ Bai Lianlei. *Azerbaijan in the Silk Road Economic Belt: A Chinese Perspective // Caucasus International*. Vol. 6. No. 1. Summer 2016. P. 27—40.

1.3 Between the “Chinese model” and the “Chinese strategy”: Kazakhstan’s experience

The Belt and Road Initiative is optimally suited for cooperation between China and Kazakhstan, since it focuses on integration processes and the development of transcontinental logistics infrastructure. This strategy brings necessary investments and technologies to Kazakhstan, where China, Russia, the European Union and the United States are all competing to be a priority partner.

Kazakhstan and China share 1,782.75 km of common border, including a land border of 1215.86 km, and water border of 566.89 km. For both China and Kazakhstan, it is the third longest border (after Russia and Mongolia for the former and Russia and Uzbekistan for the latter). Following the independence of Kazakhstan, the Agreement on the Kazakh-Chinese state border was signed on April 26, 1994, and on July 4, 2003, the state law “On ratification of the Protocol between the Government of the Republic of Kazakhstan and the Government of the People’s Republic of China on the demarcation of the Kazakh-Chinese state border line” was adopted⁴⁹.

There are six road and two railway border checkpoints on the Kazakh-Chinese border (Table 1).

Table 1. Border checkpoints along the Kazakh-Chinese border⁵⁰

Name	Location	Neighboring checkpoint name and nationality	Classification	Opening hours
Khorgos	Panfilov district of the Almaty region, Khorgos village	Khorgos, PRC	automobile, multilateral, cargo-passenger	from 08:30 to 20:30
Nur Zholy	Panfilov district of the Almaty region, 35 km from Khorgos village	Khorgos, PRC	automobile, multilateral, cargo-passenger	from 08:30 to 20:30
Kolzhat	Kalzhat village, Uygur district, Almaty region	Dulaty PRC	automobile, multilateral, cargo-passenger	from 08:00 to 17:00 (except Sunday)
Dostyk	Almata region, Alakol district, Dostyk station	Alashankou, PRC	automobile, multilateral, cargo-passenger	from 08:30 to 17:00 (except Sunday)
Bakhty	East Kazakhstan region, Urdzhar district, Bakhty village	Pokitu, PRC	automobile, multilateral, cargo-passenger	from 08:00 to 17:00 (except Sunday)
Maikapchagay	East Kazakhstan region, Zaisan district, Maikapchagay settlement	Zimunay, PRC	automobile, multilateral, cargo-passenger	from 08:00 to 17:00 (except Sunday)

⁴⁹ On ratification of the Protocol between the Government of the Republic of Kazakhstan and the Government of the People’s Republic of China on the demarcation of the line of the Kazakh-Chinese state border. Law of the Republic of Kazakhstan dated July 4, 2003. N 469. http://adilet.zan.kz/rus/docs/Z030000469_

⁵⁰ https://www.google.com/maps/d/viewer?mid=1YM3ZUWE1In_gVWo9pa3UXAV8Gnk&ll=48.206787382314886%2C55.72507160591024&z=4

Name	Location	Neighboring checkpoint name and nationality	Classification	Opening hours
Altynkol	Almaty region, Panfilov district, 9 km from the settlement Nurkent	Khorgos, PRC	railway, multilateral, cargo-passenger	within 24 hours
Dostyk	Almaty region, Alakol district, Druzhba village	Alashankou, PRC	railway, multilateral, cargo-passenger	within 24 hours

Source: *The Border Service of Committee for National Security of the Republic of Kazakhstan*

For comparison, as of July 2020, Russia and China have the same number (two) of railway border checkpoints (there will be three after the completion of the Nizhneleninskoe-Tongjiang railway bridge across the Amur River).

Thus, a long and sufficiently developed common border is the most important prerequisite for close cooperation of the two countries, which is fully consistent with the government's statement. The first President of Kazakhstan N. Nazarbayev and the current Head of State K.-J. Tokayev, as well as the three Chinese leaders during the period of the development of Kazakh-Chinese relations (Jiang Zemin, Hu Jintao, Xi Jinping) have always adhered to the course of bilateral and multilateral integration, considering each other as key partners in the international arena.

Despite the discussions around the success of the Belt and Road Initiative, Kazakhstan plays a key role in the Chinese strategy, at least where it is associated with the development of transcontinental logistics.

While analyzing the history of the relations between Kazakhstan and China, several stages can be distinguished:

The first stage took place in the 1990s and boiled down to simple trade: Kazakhstan sold raw materials (mainly metals), and in return received consumer goods (mainly clothing).

The next stage (from the beginning of the 21st century to the mid-2010s) was the final resolution of territorial issues between the countries and a gradual increase in investments, primarily in the oil and gas sector.

The third stage began in 2013. It is connected not only with the Belt and Road Initiative, but also with the promotion of the Nurlı Zhol strategy, as well as the Program for the medium and long-term development of trade and economic cooperation between the Government of the Republic of Kazakhstan and the Government of China (2013–2020). This period is also characterized by important changes in trade relations: a decline in exports to China, a negative trade balance for Kazakhstan, and the accumulation of a small, but state-guaranteed external debt.

In general, the contractual legal framework of the Chinese-Kazakh relations consists of 255 documents (of which 11 are interstate, 111 intergovernmental and 133 interdepartmental).

The most important one is the Treaty on Good-Neighborliness, Friendship and Cooperation between the People's Republic of China and the Republic of Kazakhstan⁵¹. It serves as the basis for relations between the two countries. Ratified by Kazakhstan on June 2, 2003, the treaty reflects a number of specific characteristics of the relations between Kazakhstan and China (priority of cooperation in the energy sector, special importance of joint management of transboundary rivers, attention to interaction with third countries and international organizations).

⁵¹ *On the ratification of the Treaty on Good Neighborliness, Friendship and Cooperation between the Republic of Kazakhstan and the People's Republic of China. Law of the Republic of Kazakhstan dated June 2, 2003 N 420.*

The provision on the recognition of sovereignty and territorial integrity is crucially important and is enshrined in Article 1 of the treaty, which makes all “reflections” on the “ancestral Chinese territories” on the other side of the current Sino-Kazakh border groundless insinuation⁵².

The main provisions of the treaty declare mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in each other’s internal affairs, equality, mutual benefit, and peaceful coexistence. It is also indicated that the contracting parties, on the basis of equality and mutual benefit, develop cooperation in trade, the economy, science, technology, transport, finance, space, aviation, information communication technologies and other areas of mutual interest. Cooperation between the two countries in the energy sector has strategic importance⁵³.

Particular attention is paid to the rational use and protection of transboundary rivers based on the relevant Kazakh-Chinese bilateral agreements.

In addition, Nur-Sultan and Beijing have about 50 agreements in such areas as energy, protection of transboundary rivers, environmental safety, nuclear industry, space industry, and the transition to national currencies in mutual settlements.

There are also documents containing a program of action that define the goals and objectives of cooperation between the two countries, some of which are bilateral, while others were adopted only by Kazakhstan:

1. Program of cooperation between the Republic of Kazakhstan and the People’s Republic of China for 2003–2008 (Astana, June 3, 2003)⁵⁴;
2. Strategy of cooperation between the Republic of Kazakhstan and the People’s Republic of China in the XXI century (Beijing, December 20, 2006);
3. Concept for the development of economic cooperation between the Republic of Kazakhstan and the People’s Republic of China (Beijing, December 20, 2006);
4. Program of cooperation between the government of the Republic of Kazakhstan and the government of the People’s Republic of China in the non-resource sectors of the economy (August 18, 2007);
5. Activity plan for the Program of Cooperation between the Government of the Republic of Kazakhstan and the Government of the People’s Republic of China in the non-resource sectors of the economy (Beijing, April 10, 2008);
6. Agreement on economic and trade cooperation between the Eurasian Economic Union and its member states, on one side, and the People’s Republic of China, on the other side (Astana, May 17, 2018)⁵⁵

While China was implementing the Belt and Road Initiative (2013–2020), there was a program of medium and long-term development of trade and economic cooperation between the Government of the Republic of Kazakhstan and the Government of the People’s Republic of China⁵⁶.

Within the framework of this document, the main areas of cooperation were trade, investment, energy, the processing industry, agriculture, finance, telecommunications, new technologies, customs cooperation, infrastructure, transport and logistics, and cross-border and interregional cooperation. The

⁵² http://adilet.zan.kz/rus/docs/Z030000420_9-VI3

⁵³ PK on the ratification of the Agreement on economic and trade cooperation between the Eurasian Economic Union and its member states, of the one part, and the People’s Republic of China, of the other part
<http://adilet.zan.kz/rus/docs/Z1900000259>.

⁵⁴ Order of the Council of the Eurasian Economic Commission of September 14, 2018 No. 28 “On measures aimed at the implementation of the Agreement on economic and trade cooperation between the Eurasian Economic Union and its member states, of the one part, and the People’s Republic of China, of the other part

⁵⁵ <http://adilet.zan.kz/rus/docs/H18EV00028R>

⁵⁶ The program of medium and long-term development of trade and economic cooperation between the Government of the Republic of Kazakhstan and the Government of the People’s Republic of China (until 2020). Resolution of the Government of the Republic of Kazakhstan dated September 7, 2013 № 940 // <http://adilet.zan.kz/rus/docs/P1300000940>

main body of the Kazakh-Chinese economic cooperation since 2004 is the Kazakh-Chinese Committee for Cooperation⁵⁷, headed by the first deputy prime ministers.

The main mode of the Committee's work is meetings that are held alternately in Kazakhstan and China under the leadership of the Committee's co-chairmen, usually, once a year, but not on a regular basis. Special meetings are held when needed.

In addition, Chinese business is represented in the Foreign Investors Council under the President of the Republic of Kazakhstan. However, currently, among 34 members, there is only one Chinese company—China National Petroleum Corporation, which controls the majority of the large Chinese branches of the China National Petroleum Corporation operating in the oil and gas sector in Kazakhstan.

Furthermore, Kazakhstan and China have joint membership in a number of international organizations. The United Nations Organization, the Shanghai Cooperation Organization, and the World Trade Organization are among the most important.

Kazakhstan is an active participant in a number of integration associations: the EAEU, the CSTO, the CIS, as well as Islamic (OIC) and Turkic states (Turkic Council). China is a member of a number of organizations that unite states by geography (APEC), or by belonging to the most developed countries in the world (G20, BRICS).

Thus, considering the absence of an institutional framework for the Belt and Road Initiative, the most important political organization where China and Kazakhstan work together is the Shanghai Cooperation Organization.

The economic cooperation between Kazakhstan and China is reflected in a number of joint Kazakh-Chinese enterprises and enterprises with 100% Chinese participation. According to the Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan, as of May 1, 2020, there were 2,674 legal entities with 100% Chinese participation and 822 enterprises with joint Kazakh-Chinese ownership registered in Kazakhstan. Seventy-five percent of enterprises are registered in Almaty and Nur-Sultan (61% and 14%, respectively), followed by Almaty and East Kazakhstan regions bordering China. The lowest representation is observed in the northern regions of the country (Figure 6).

By business categories, out of the 3,495 enterprises, 41 are large enterprises, 33 are medium-sized businesses and 3,421 are small businesses.

In terms of industries, 1,801 enterprises with Chinese capital or 52% are in trade, 328 or 9% in construction, 319 or 9% in the provision of other types of services, and 273 or 8% in manufacturing.

Today, China is Kazakhstan's biggest foreign trade partner. In 2019, China's share in Kazakhstan's foreign trade in value terms was equal to 14.9% and the trade between the countries continues to grow. The growth rate in 2018 was 11.4%, while in 2019 it was 22.8%.

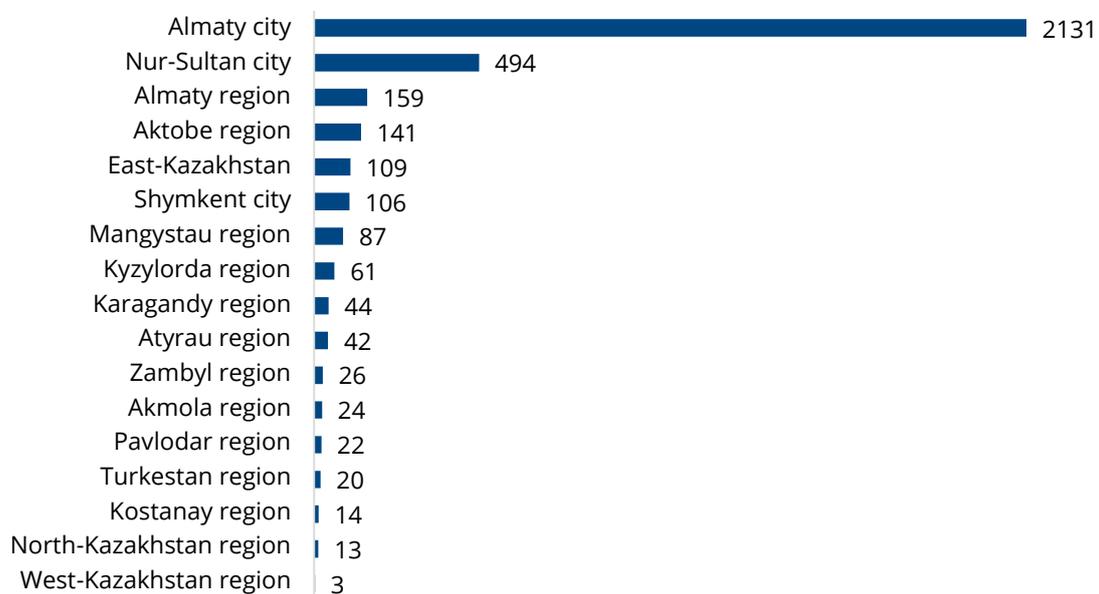
Agricultural products have a large export potential to China. Currently Kazakhstan exports 113 types of products to the neighboring country: wheat (38.3%), vegetable oil (23.1%), oilseeds (14.8%), flour (3.2%), soybeans (2.9%), fish (2.5%) and others⁵⁸. As of July 2020, 486 Kazakh plant production and processing enterprises are included in the Register of China's General Administration of Customs.

The dynamics of exports is growing steadily: in 2015, Kazakhstan's agricultural exports to China were worth USD 111 million, in 2016 they were worth USD 134 million, in 2017 they were worth USD 180 million, and in 2018 they were worth USD 258 million.

⁵⁷ *Agreement between the Government of the Republic of Kazakhstan and the Government of the People's Republic of China on the establishment of the Kazakh-Chinese Committee for Cooperation. Resolution of the Government of the Republic of Kazakhstan dated May 14, 2004 N 545 // <http://adilet.zan.kz/rus/docs/P040000545>*

⁵⁸ <https://inbusiness.kz/ru/news/apk-za-chetyre-goda-eksport-selhozprodukcii-iz-rk-v-kitaj-vyros-v-dva-raza>

Figure 6. Enterprises with Chinese participation by regions of the Republic of Kazakhstan as of May 1, 2020



Source: Ministry of National Economy of the Republic of Kazakhstan

However, during focus group meetings with entrepreneurs from 10 regions of Kazakhstan, exporters of agricultural products were often complaining about the difficulties of entering Chinese markets, the presence of obstacles at the interstate level and the lack of support measures for Kazakhstani exporters, which are often only formal in nature. The participants also made suggestions on the provision of administrative support by Kazakhstani state authorities in the partner countries, as well as the need to motivate Kazakhstani commodity producers to develop and expand their export potential.

Bilateral ties in various fields are steadily expanding. Greater volumes of trade increase the interdependence of countries.

The heads of government of the two countries, following friendly negotiations in December 2015, signed a joint communique between the Government of the Republic of Kazakhstan and the Government of the People’s Republic of China. They noted the need for joint work on drafting the Cooperation Plan to combine the Nurlı Zhol New Economic Policy and the construction of the Silk Road Economic Belt.

The Cooperation Plan to combine the Nurlı Zhol New Economic Policy and the construction of the Silk Road Economic Belt between the Government of the Republic of Kazakhstan and the Government of the People’s Republic of China was signed in 2016.

The harmony of Nurlı Zhol with the Belt and Road Initiative lies in the common priorities of both megaprojects such as transport and logistics, industry, energy, agricultural exports, housing and communal infrastructure, education and human capital development, and support for small and medium business. The creation of the transport corridors China-Kazakhstan-Russia-Western Europe, China-Kazakhstan-Western Asia, China-Kazakhstan-South Caucasus and Turkey-Europe within the framework of the Belt and Road Initiative is of critical importance for Kazakhstan.

There are five international transcontinental transit corridors connecting Europe and Asia, which run through the territory of Kazakhstan. In 2019, 3,100 container trains followed the China-Europe-China route, delivering 347,000 containers. This is 5% more than in 2018.

Transport corridors have great potential to maintain the trade turnover between the EU and China at the level of USD 600 billion. Most of the Chinese trade flows go to Germany (38%), the Netherlands (16%), France (12%), the Baltic countries and southern Europe⁵⁹. About 97% of the volume of mutual supplies between Europe and China is delivered by sea, 1.5%–2% by air transport and 1%–2% by rail.

Thanks to Kazakhstan's increasing transport and logistics infrastructure (primarily within the framework of the Nurlı Zhol program), since 2009, the volume of cargo transportation has almost doubled, from 2.4 billion tons to 4.2 billion tons in 2019. Kazakhstan has invested over USD 30 billion in transport infrastructure.

Other important projects built by Kazakhstan are the Chinese port of Lianyungang (Jiangsu province, Eastern China), which was launched in May 2014, and the Kazakhstan-Turkmenistan-Iran-Persian Gulf railway, which is operational since December 2014.

Thanks to the Nurlı Zhol program, GDP grew by 3.3% between 2015–2017 and more than 360,000 permanent and temporary jobs were created. The volume of income from transit by all types of transport increased by 1.3 times and amounted to KZT 353 billion.

⁵⁹ https://eabr.org/upload/iblock/c2a/EDB-Centre_2018_Report-49_Transport-Corridors_RUS.pdf

2. Cooperation or dependency: prospects and challenges of Kazakh-Chinese relations

2.1 Analysis of fifty-six Chinese infrastructure projects: impact on Kazakh economy

In accordance with the Intergovernmental Framework Agreement between the Republic of Kazakhstan and China on strengthening cooperation in the field of industrialization and investment signed during the visit of the President Nursultan Nazarbayev on August 31, 2015 to China,⁶⁰ an agreement was reached to strengthen cooperation in the field of industrialization and investment using modern and applied technologies in 15 spheres of the economy.

The signing of this agreement was the starting point for the implementation of 56 joint Kazakh-Chinese projects worth USD 27.6 billion in industries such as: metallurgy, oil and gas processing, chemical industry, mechanical engineering, power engineering, transport and storage, manufacturing of building materials, and AC.

It should be noted that the list initially included 45 projects worth USD 22 billion⁶¹. However, it has changed over time. Thus, a number of projects were excluded, for example, the construction of a mining and smelting complex at the titanium-magnesium deposit Masalskoye in the Akmola region (Masalsky Mining and Processing Plant LLP)⁶². Also, the list was supplemented by a number of projects and currently, according to the analysis conducted as part of this research, the number of projects is 56. Despite the changing number of projects, this cooperation is known to the public as “55 infrastructure projects”. Over 20,000 jobs are set to be created as a result of the projects, and the share of Kazakh employees will amount to over 90%.

The implementation of projects is the subject of discussion of the bilateral Coordinating Committee for Cooperation in Industrialization and Investment. Between 2015 and 2018, Kazakhstan and China held 16 meetings of the Committee. All projects proposed for inclusion are reviewed by Kazakhstan for market demand, geographical location, economic feasibility and compliance with the environmental legislation of Kazakhstan. The Committee also decides whether to exclude companies from the list of infrastructure projects.

Information from open sources provides contrasting data on both the investment projects and the extent of their implementation. This fact has generated substantial criticism from the media and the general public towards the central government agencies. Also, in part, the lack of transparency and information led to unrest among the population concerning the “transfer of Chinese companies to Kazakhstan” in the cities of Zhanaozen, Aktobe and Shymkent⁶³. The unrest caused some projects to not be implemented. In particular, although Ecotechprogress LLP signed a contract with the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan to construct a plant for the harmless processing of hazardous oily waste in the Mangistau region, the contract for obtaining land was not signed due to strikes in Zhanaozen city.

⁶⁰ <http://adilet.zan.kz/rus/docs/P1600000030>

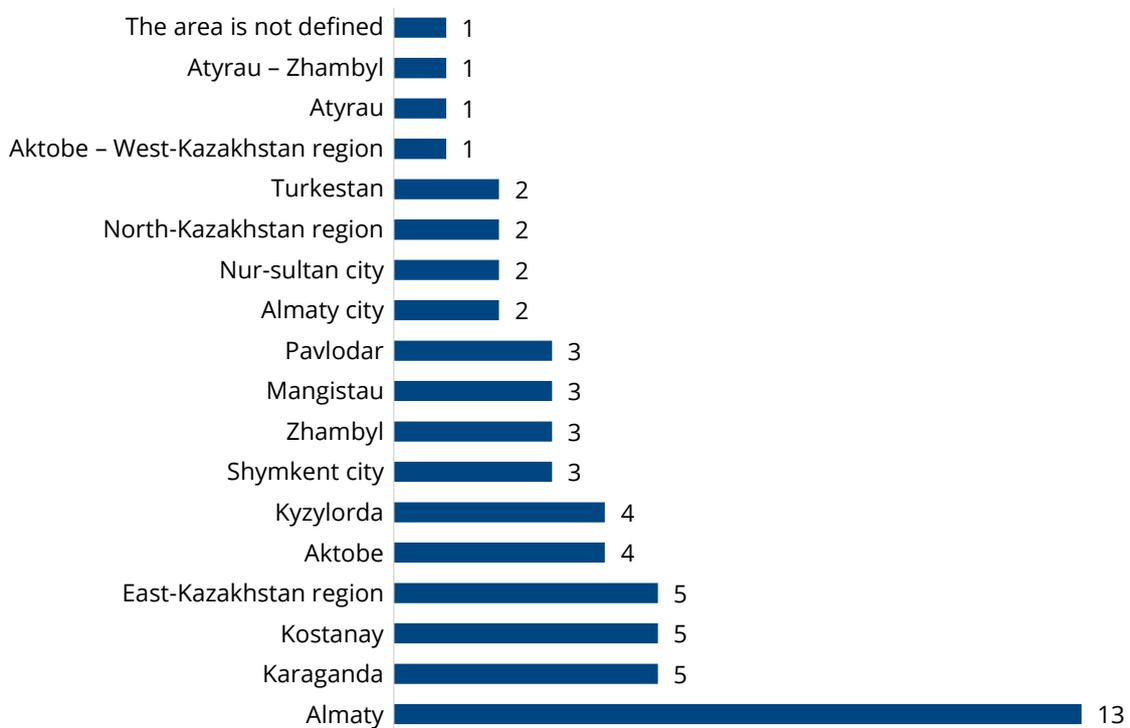
⁶¹ <https://vlast.kz/novosti/12998-kazahstan-i-kitaj-realizuut-45-proektov-na-22-mlrd-dollarov.html>

⁶² <http://tks.kz/proekt-masalskij-gok-mezhdunarodn/>

⁶³ https://forbes.kz/process/economy/55_kitayskih_zavoda_forbeskz_obyasnyayet_pochemu_v_kazahstane_etih_predpriyatij_ne_poyavitsya/

The geography of these Kazakh-Chinese projects is extensive and includes 11 regions of Kazakhstan and three cities of national importance (for detailed information about the location of projects on the map of Kazakhstan, please see <https://clck.ru/QBAMB>). The largest number of projects are located in regions that have good logistics with China. Thus, the leader in terms of the number of projects is the Almaty region (13 projects). An equal number of projects (5) are located in the East-Kazakhstan region and in the industrial centers of the country—the Karaganda and Kostanay regions. There are four projects in the Kyzylorda and Aktobe regions, three projects in the Zhambyl, Pavlodar, Mangistau regions and the city of Shymkent, and two projects in the cities of Almaty and Nur-Sultan. The North-Kazakhstan, Atyrau and Turkestan regions have one project each (Figure 7).

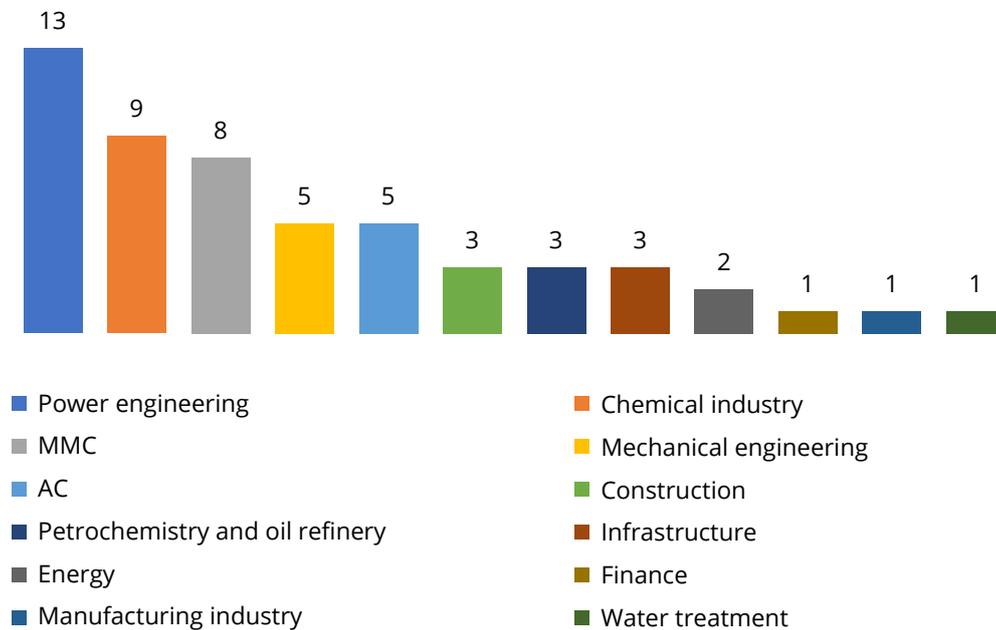
Figure 7. *Distribution of projects by areas*



Source: *invest.gov.kz*

With regard to the different areas of the economy, of most interest to Chinese investors are: the electric power industry (13 projects), the chemical industry (9 projects) and the mining and metallurgy industry (8 projects). Projects have also been planned in mechanical engineering, agriculture, construction, petrochemistry and oil refining, the processing industry, and finance (Figure 8).

Figure 8. *Distribution of projects by economic sectors*



Source: *invest.gov.kz*

The interest of Chinese investors, in principle, reflects the attractiveness of these sectors. In the electric power sector, over the past three years, there has been great interest among foreign investors in alternative energy projects, as the rates for solar and wind energy offered by the state are quite competitive. The chemical industry has great potential for growth, as at present the chemical industry in Kazakhstan lags behind China more than 10 times in terms of its share in GDP (for comparison, in 2019 the share of the chemical industry in Kazakhstan’s GDP was 0.7%⁶⁴, while the same indicator in China was 10%) and Chinese investors see great potential in the industry. In addition, the launched facilities will partially cover the import of consumed products. Projects in the mining and metallurgical industry are a direct consequence of China’s need to supply raw materials to its own economy.

According to Kazakh Invest, 15 projects worth USD 3,957 million were launched from 2015 to September 2019. Thirteen projects amounting to USD 3,774 million are under implementation. A further 29 projects worth USD 19.7 billion are at the stage of development⁶⁵.

The largest project implemented within the framework of cooperation is the modernization of the Shymkent oil refinery, the shareholders of which are China National Oil and Gas Corporation and KazMunaiGas Exploration Production JSC. The project was launched in 2011 and completed in the autumn of 2018 in two stages. The modernization improved the quality of the gasoline, reduced environmental risks (the amount of sulfur in the gasoline was reduced by 10 times), and increased the depth of treatment from 50% to 80% light oil products⁶⁶. This project made it possible to meet domestic demand for AI-92 high-octane gasoline in Kazakhstan.

⁶⁴ <https://stat.gov.kz/edition/publication/quarter>

⁶⁵ <https://invest.gov.kz/ru/media-center/press-releases/stroitelstvo-kazakhstansko-kitayskikh-invest-proektov-budet-vestis-v-sootvetstvii-s-zakonodatelstvom>

⁶⁶ <https://invest.gov.kz/ru/media-center/press-releases/stroitelstvo-kazakhstansko-kitayskikh-invest-proektov-budet-vestis-v-sootvetstvii-s-zakonodatelstvom/>

Another major project is the entry of China National Machinery Import & Export Corporation into the capital of AllurGroup with the subsequent development of a multi-disciplinary car assembly cluster. Production of JAC cars began in 2016. Currently, 10 models of JAC, including large-size vehicles, are produced on the basis of SaryarkaAvtoProm LLP. The first serial electric vehicles of the JAC iEV7S model manufactured in Kazakhstan received official type approval in the Eurasian Union. According to the results of 2019, JAC cars were among the five most popular cars in Kazakhstan with a share of 6%. In total, the SaryarkaAvtoProm company accounted for half of all vehicles manufactured in the Republic of Kazakhstan in 2019. The Kostanay plant has doubled its production for the year to 25,802 cars, trucks and buses for a total of KZT 186,609 million⁶⁷.

Four out of fifteen projects are implemented in the chemical industry. Thus, in addition to the reconstruction of the oil refinery in Shymkent, the following projects were implemented: the production of trichloride phosphate and glyphosphate in Taraz Chemical Park free economic zone (FEZ) in the Shu district of Zhambyl region, the modernization of a polypropylene production unit in the Pavlodar region, and the organization of PET waste processing and staple fiber production in the Turkestan region.

The projects allowed imported products to be replaced by Kazakhstani ones. For example, the project Chem-Plus LLP created the conditions for 510,000 liters of liquid herbicide Pharaoh Gold 540 to be produced in 2019, the domestic analogue of the famous solid-state herbicides widely used in agriculture, such as Roundap, Tornado and other international brands. Products of 2019 were sold in full to agricultural producers in the northern areas of Kazakhstan⁶⁸.

The total cost of the three projects in the energy sector amounted to USD 254 million: the construction of two solar power plants in the Almaty and East-Kazakhstan regions with a capacity of 100 and 30 MW respectively, and the construction of a WPP in the Shelek corridor (Almaty region) with a capacity of 60 MW.

Two projects were implemented in the AC sector: the processing of oilseeds (production of rapeseed oil) in the North-Kazakhstan region and the processing and production of camel's and mare's milk powder in the Turkestan region.

The Taiynsha May plant was launched in the Taiynsha district of the North-Kazakhstan region in 2016. The volume of investments amounted to more than USD 22.5 million and 80 jobs were created, with all products exported to China, Russia and Iran⁶⁹. Currently, a project to expand the plant is being implemented. The plant is the only one in the CIS with a processing capacity of 300,000 tons of rapeseed and is one of Kazakhstan's 10 largest exporters⁷⁰. The project has a multiplier effect: the launch of the rapeseed oil plant was an incentive to grow rapeseed in the regions near the plant, for which agricultural cooperatives were created. The plant purchases rapeseed on the terms of forward purchase, and the funds are transferred for rapeseed in the spring, which allows agricultural producers to conduct spring field work in a timely manner.

The construction of a dry port on the territory of the Khorgos-Eastern Gates FEZ and a metallurgical plant together with SIN YUAN STEEL LLP (30%) and Urumqi Minhang Xinyuan (70%) in Shymkent city, and the production of LOVOL tractors Agromashholding KZ JSC, and cement together with China Gezhouba Cement Co. Ltd. in the Kyzylorda region are significant for the country's economy. As a result, from 2015 to 2020, 15 companies made tax deductions in the amount of KZT 200,846 million. At the same time, tax payments grew by 16% in 2019 compared to 2016. Of the 15 implemented projects, six are newly established companies and in the period from 2015 to 2020 these companies made tax deductions in the amount of KZT 2,598 million.

⁶⁷ https://forbes.kz/auto/dve_treti_novyih_prodannyih_v_respublike_avtomobiley_sdelanyi_v_kazahstane/

⁶⁸ https://aqqarat.info/news/2020/03/19/9615655-est_svoi_produkt.html

⁶⁹ <https://www.apk-inform.com/ru/news/1501523>

⁷⁰ https://damu.kz/news/detail.php?ELEMENT_ID=25455

Currently, the following projects are at the completion stage: the production of large-diameter welded steel pipes in cooperation with Central Asia Ruisi Steel Pipes (Tianjin) Corporation (a subsidiary of CNPC) in Almaty city, the construction of Turgusun HPP-1 in the East-Kazakhstan region (planned completion date is September 2020), the construction of the Zhanatas wind farm with a capacity of 100 MW in the Zhambyl region, and the construction of a glass factory Orda Glass & China Glass Int. LLP in the Kyzylorda region (the launch was planned for July 2020, but Chinese workers were unable to arrive due to quarantine restriction in connection with the COVID-19 pandemic).

Among the designated Kazakh-Chinese “56 infrastructure projects” some remain unimplemented. Today, there are three: the construction of a light-rail transportation system in Nur-Sultan city by Astana LRT LLP and two projects in the Mangistau region on the construction of a plant for the harmless processing of hazardous oily waste and the construction of a wind power plant with a capacity of 42 MW together with Horgos Jiuhe SilkBridge New Energy Co., Ltd (the Chinese company which left the project and is currently searching for an investor).

Construction of the light-rail overland transport project began in 2011 and was to be completed by the end of June 2020. The electric train was to be launched in August 2020. The above-ground transport project was supposed to include 18 stations, 19 units of rolling stock and a depot, which would be located near the Astana International Airport. In 2015, the President of Kazakhstan N. Nazarbayev and the President of the PRC Xi Jinping signed the first part of the EPC-contract (engineering, procurement and construction) and a loan agreement to finance the project. The EPC-contract provided for project implementation on the terms of design, supply and construction by a contractor. The consortium of Chinese companies had to perform works worth USD 1.6 billion, which was 80% of the project’s cost. The China Development Bank provided this amount under a loan agreement for 20 years at 2.5% per annum. The remaining 20% (more than USD 200 million) has to be paid by Kazakhstan. However, in April 2018 construction was suspended due to problems with financing from Chinese investors. It was reported that about USD 200 million remain “frozen” in the accounts of the liquidated Bank of Astana.

There are many questions about the feasibility and the costs of the project. Thus, the launch of the LRT assumed the throughput capacity of 146,000 with a passenger flow of 2,000 people per day on this route. Construction of one kilometer of surface metro in Nur-Sultan city (USD 84 million/km) is six times more expensive than a similar project in Ethiopia (USD 13.9 million /km).

According to the Accounts Committee, the project is “unprofitable”. However, despite the repeated criticism of the project’s feasibility, including by the current President of Kazakhstan, K.-J. Tokayev, the Akimat of Nur-Sultan city is still planning to implement the project⁷¹.

The Kazakh media reported that at the virtual meeting dated June 10, 2020, officials of Kazakhstan and China agreed on the implementation of “seven investment projects worth USD 576 million”. But the parties did not go into details⁷².

The TALAP Center for Applied Research held focus group meetings in 10 areas of Kazakhstan as part of this research. During these meetings the initiators of the Kazakh-Chinese “56 investment projects” were also interviewed, and they noted the positive aspects of cooperation with Chinese investors. First is the introduction of new technologies and innovations in Kazakh enterprises, although differing opinions were expressed concerning the willingness of Chinese workers to share their experience and skills. Second is the discipline of both Chinese workers and management, as well as their strict compliance with Kazakh legislation. In addition, Kazakh entrepreneurs also commented on the absence of any benefits in project implementation. Also, almost all focus group participants pointed to the presence of a large number of requirements and long-term procedures to enter the Chinese markets (certification, documentation, etc.).

⁷¹ <https://ru.sputniknews.kz/economy/20200617/14261313/nur-sultan-liniya-lrt.html>

⁷² <https://kaztag.kz/ru/news/kazakhstan-i-kitay-podtverdili-plany-po-zaversheniyu-semi-investproektov-na-summu-576-mln>

2.2 Investments or loans: the specifics of Chinese capital

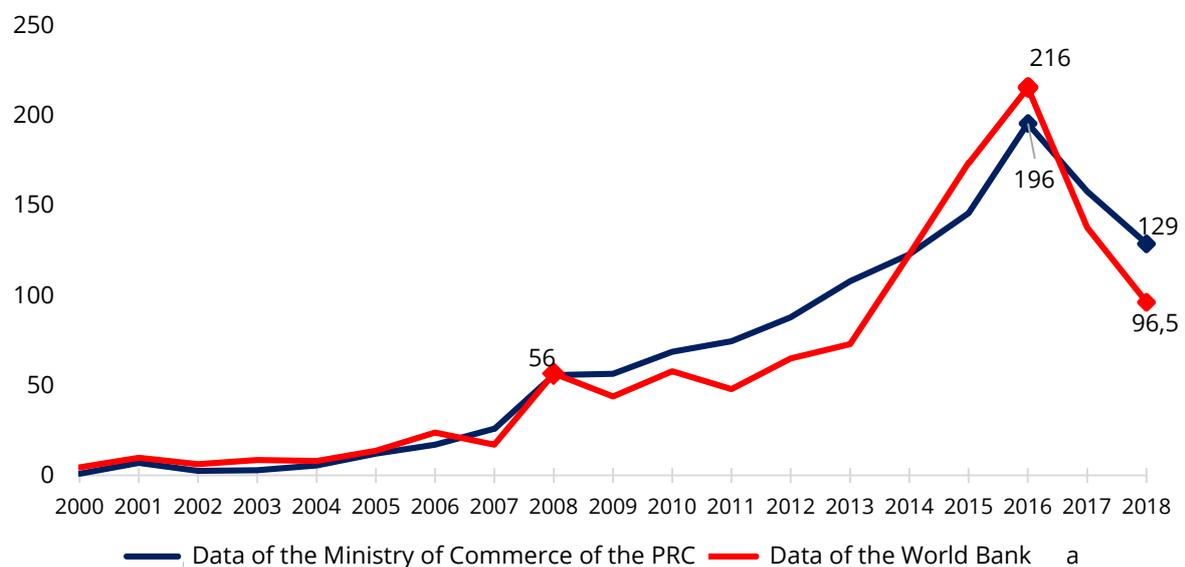
The Chinese economic model, which began to take shape in the early 1980s with the transition to a policy of “reform and openness”, is based on the use of competitive advantages that arise in the process of interaction with the global economy. Thus, in the 1980s and 2000s, these competitive advantages included cheap labor and a rapidly growing domestic market, which stimulated the transfer of production from developed countries to China.

Rapid economic growth allowed China to accumulate significant financial reserves by 2010 and create excess production capacity. Furthermore, in a number of industries the advanced technological level was reached (construction of transport and production infrastructure, communication, artificial intelligence, the sphere of big data).

The accumulated financial resources create prerequisites for the expansion of Chinese capital (both public and private) in other countries.

In recent years, China is rationalising its foreign investment activities through institutional measures (tightening the conditions for granting loans, the formation of more stringent requirements for state companies). The decrease in the flow of outward Chinese investments is clearly recorded from 2017. In two years, the decline was almost 35%: from USD 196 billion in 2016⁷³ to USD 129 billion in 2018⁷⁴ (Figure 9).

Figure 9. Dynamics of direct investments of the PRC allocated abroad in 2000-2018, mln. US dollars⁷⁵.



Source: Ministry of Trade of the People's Republic of China

⁷³ <http://images.mofcom.gov.cn/fec/201810/20181029160824080.pdf>

⁷⁴ <http://hzs.mofcom.gov.cn/article/date/201901/20190102829082.shtml>

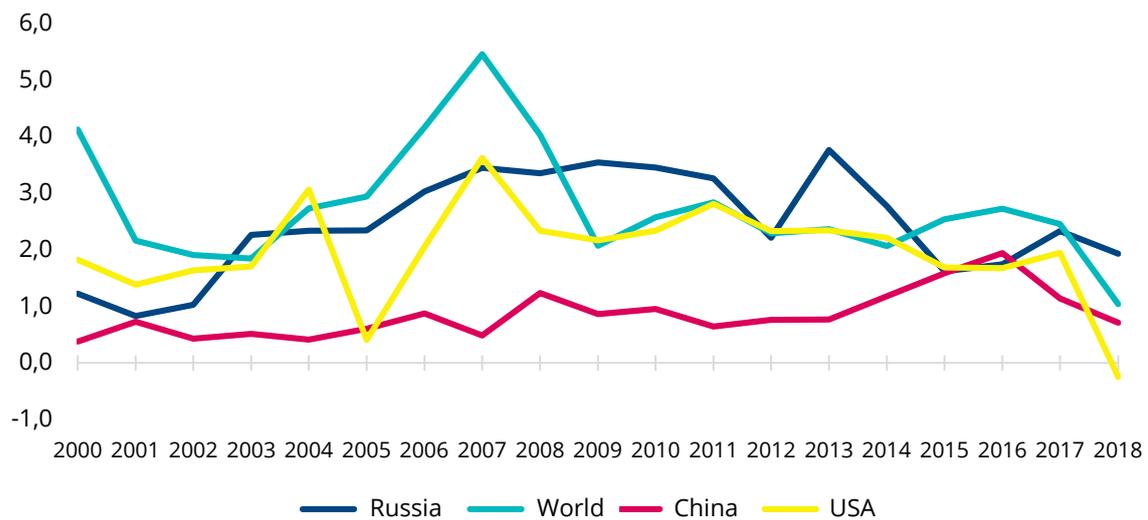
⁷⁵ <http://hzs.mofcom.gov.cn/article/date/201809/20180902791492.shtml>

<http://hzs.mofcom.gov.cn/article/date/201901/20190102829082.shtml>;

https://data.worldbank.org/indicator/BM.KLT.DINV.CD.WD?most_recent_value_desc=false&view=chart

As of the end of 2019–2020, administrative restrictions related to the COVID-19 pandemic had a clear impact on China's investment activity. Thus, the ratio of Chinese foreign direct investment to GDP is lower than that of the world in total (Figure 10).

Figure 10. Ratio of foreign direct investment to the country's GDP,%, 2000-2018⁷⁶



Source: World Bank

Chinese companies showing foreign activity differ in terms of forms of ownership, scale and sectoral affiliation. Therefore, it is practically impossible to define an average model of Chinese companies abroad. Large Chinese businesses affiliated with the state and having access to “long money”, are ready to make long-term investments where benefits do not accrue quickly. According to some experts, such foreign projects are often inefficient, and are usually aimed at imitating activity and become part of corruption schemes⁷⁷.

As a rule, medium- and small-sized businesses are focused on commercial profit making, and are flexible and highly adaptable. At the same time, such companies most often find it difficult to compete with local businesses due to limited financial resources, a lack of support from the local authorities of the host countries and a lack of local knowledge.

Below are the specific characteristics of Chinese capital abroad. For example, Chinese companies are typically characterized by super-optimistic declarations when entering other countries. This includes the declared amounts of investments, and promises not to reduce the workforce or change the management system. The first reason for this behavior is that the investor is generally aware of the bias with respect to investments from China⁷⁸. The second reason is the need to create a positive image in the eyes of Chinese regulatory and financial institutions to gain support. Accordingly, the proximity of Chinese businesses to the state, on the one hand, gives the advantage of access to cheap loans, and on the other hand, forces entrepreneurs to form exaggerated expectations of their foreign activities.

⁷⁶ https://data.worldbank.org/indicator/BM.KLT.DINV.WD.GD.ZS?most_recent_value_desc=false&view=chart

⁷⁷ Gunter F. R. *Corruption, costs, and family: Chinese capital flight, 1984–2014* // *China Economic Review*. 2017. Vol. 43. P. 105-117.

⁷⁸ Buckley P. J. et al. *A retrospective and agenda for future research on Chinese outward foreign direct investment* // *Journal of International Business Studies*. 2018. Vol. 49. No. 1. P. 4-23.

The sector placement of Chinese capital abroad is in trade, construction, hotel and the restaurant business. At the same time, Chinese capital is widespread in agriculture, forestry and fisheries, mining, logistics, telecommunications, chemical and pharmacological production, etc. At present, Chinese capital is funding activities on every continent across the globe, and as the analysis shows, geographic proximity is not a decisive factor.

In 2018, more than half of China's foreign direct investment (53.4%) was directed to the European Union and 16% to the USA⁷⁹. The presence of free economic zones, designed to attract Chinese capital, is an important, but not determining factor for Chinese businesses in making investment decisions. What seems to be much more important is:

- > The presence of success stories of Chinese businesses in a particular territory;
- > Links with the local Chinese community;
- > Well-established partnerships with local business counterparts;
- > Profitability;
- > Support of Chinese leadership interested in the implementation of certain interstate agreements (relevant for state corporations).

In addition, as international practice shows, Chinese investors are inclined to actively cooperate with the local authorities in the host country. Canadian experience shows that Chinese businesses were more active in those provinces where investment agencies were established⁸⁰.

Chinese capital seeks to buy assets in countries with high purchasing power and high integration into the global economy (EU, USA, Switzerland)⁸¹. Among the leaders in attracting Chinese capital in Asia and Oceania are Singapore (USD 13 billion in 2017), Australia (USD 5 billion), and Japan (USD 3 billion)⁸². (Figure 11, Figure 12).

The attitude of Chinese investors towards the emerging markets has changed a lot in the last two decades. While in the 2000s Chinese companies invested a lot in countries with unstable political regimes and fragile economies, since the early 2010s investors have lost interest in developing countries with a poor investment climate. This trend is related to the tightening of state control over capital withdrawal in China⁸³. Even for Chinese oil and gas corporations, the investment climate in host countries is becoming an increasingly important factor when it comes to making investment decisions⁸⁴.

⁷⁹ https://www.bbvaresearch.com/wp-content/uploads/2018/02/201802_ChinaWatch_China-Outward-Investment_EDI.pdf

⁸⁰ Anderson J., Sutherland D. *Developed economy investment promotion agencies and emerging market foreign direct investment: The case of Chinese FDI in Canada* // *Journal of world business*. 2015. Vol. 50. No. 4. P. 815-825.

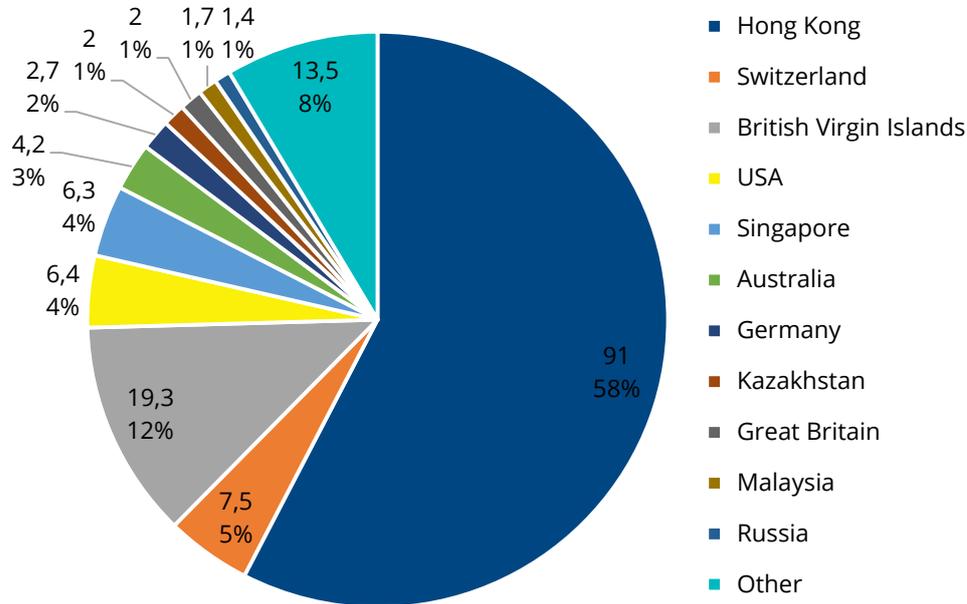
⁸¹ <http://www.chinagoabroad.com/en/article/22555>

⁸² https://www.bbvaresearch.com/wp-content/uploads/2018/02/201802_ChinaWatch_China-Outward-Investment_EDI.pdf

⁸³ Guo Jiann-jong, Wang Guo-chen, Tung Chien-hung. *Do China's Outward Direct Investors Prefer Countries with High Political Risk? An International and Empirical Comparison*

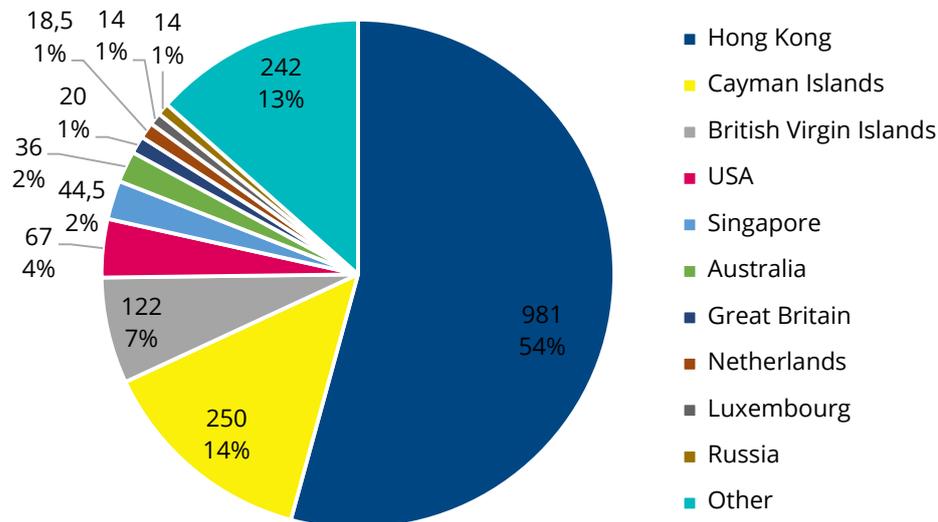
⁸⁴ Chalmers A. W., Mocker S. T. *The end of exceptionalism? Explaining Chinese National Oil Companies' overseas investments* // *Review of International Political Economy*. 2017. Vol. 24. No. 1. P. 119-143.

Figure 11. Direct investments of the PRC received by recipient countries in 2018, bln. US dollars, %⁸⁵



Source: 2017 Statistical Bulletin of China's Outward Foreign Direct Investment

Figure 12. Direct investments of the PRC accumulated by recipient countries by 2018, bln. US dollars % (according to the Ministry of Commerce of the PRC)⁸⁶



Source: Ministry of Commerce of the PRC

⁸⁵ <http://images.mofcom.gov.cn/fec/201810/20181029160824080.pdf>

⁸⁶ <http://images.mofcom.gov.cn/fec/201810/20181029160824080.pdf>

China is one of the main investors in the Kazakh economy. However, concerns over the alarmingly high level of investment (which leads to the conclusion that in the future the investor/lender must be “paid” with land and resources) seem to be unfounded.

From 1993 to 2004, when investments were calculated using a different method, the total amount of investments from China amounted to around USD 1,464.6 million. It should be noted that until 1997, (the transaction on the purchase of Aktobemunaigas by the Chinese National Oil and Gas Corporation) the level of investment from China was minimal, while later capital was sent to Kazakhstan with a stable flow of USD 50 to 400 million a year. It is noteworthy that the greatest importance of attracting Chinese investments came in 2013-2014, i.e. before the active implementation of the Belt and Road Initiative.

Thus, according to official statistics, capital inflow from China for the whole period of Kazakh-Chinese cooperation did not exceed 10% of total capital inflow from abroad (Table 2).

Table 2. *Inflow of foreign direct investment from China to Kazakhstan, mln. US dollars⁸⁷*

Year	Investment inflow from China to Kazakhstan	Total investment inflow to Kazakhstan	Share of China in total inflow, %
2005	216.5	7,916.0	2.7
2006	426.5	12,066.0	3.5
2007	439.1	19,418.0	2.3
2008	793.2	21,301.0	3.7
2009	936.9	21,437.0	4.4
2010	1,717.6	22,246.0	7.7
2011	1,693.1	26,467.0	6.4
2012	2,414.6	28,885.0	8.4
2013	2,246.0	24,098.0	9.3
2014	216.5	7,916.0	2.7
2015	426.5	12,066.0	3.5
2016	439.1	19,418.0	2.3
2017	793.2	21,301.0	3.7
2018	936.9	21,437.0	4.4
2019	1,717.6	22,246.0	7.7

Source: National Bank of the RK

The total amount of investments for 2005–2019 was USD 17,736.3 million, or about 6% of the investments for the whole period. Data analysis since 1993 shows that despite the difference in methodology, the total volume is more than USD 19,000 million. It should be noted that this indicator is significant for the economy of Kazakhstan, and the majority of these investments are directed into joint ventures in the mining and processing industries (see paragraph 2.1).

Despite a substantial amount of investment, Kazakhstan’s external debt to China is insignificant and accounts for only 6.7% of its total external debt and tends to decline (compared to 2019, it decreased by USD 1 billion). The external debt has a significant share only in two sectors—in the banking sector and in

⁸⁷ Statistics of direct investments by direction investment of the National Bank of the RK (<https://nationalbank.kz/?docid=680&switch=russian>)

government guaranteed debt (see also tables 2-3). Two agreements can be directly attributed to the public debt:

- › Credit agreement between the Government of the Republic of Kazakhstan and the Export-Import Bank of the People's Republic of China amounting to CNY 2.062 billion (about KZT 110 billion)⁸⁸;
- › Framework Agreement between the Government of the People's Republic of China and the Government of the Republic of Kazakhstan on granting a soft loan to the Republic of Kazakhstan⁸⁹ (without specifying the amount of the loan).

It should be noted that the vast majority of Kazakhstan's debt to China is expressed in US dollars, as in the Chinese yuan there is a debt equivalent to only about USD 218 million, which is less than 1% of the total external debt⁹⁰.

Thus, the concerns over the "dependency" on Chinese loans cannot be considered grave, which favorably distinguishes Kazakhstan from some of the other neighboring countries. The consequences of excessive debt dependence on China are relevant for eight countries, including the neighbors of Kazakhstan: Tajikistan, Kyrgyzstan and Mongolia as well as Djibouti, Laos, the Maldives, Pakistan and Montenegro⁹¹. Under the threat of becoming indebted to Beijing in 2018–2019, the governments of Pakistan and Malaysia gave up large loans from the Chinese Export-Import Bank to create high-tech transport infrastructure⁹² (Table 3).

Table 3. External debt of Kazakhstan by countries, mln. US dollars⁹³

Name of countries	As of 01.01.2020	including by sectors					
		Public administration sector	National Bank	Banks	Other sectors	Direct investments: intercompany debt	For reference: government guaranteed debt
TOTAL	156,802.1	12,389.3	891.1	4,809.5	41,338.5	97,373.3	1,564.1
China	10,621.3	0.0	0.0	1,131.5	5,616.4	3,873.5	1,180.6
Share of China in Kazakhstan's debt, %	6.7	0.0	0.0	23.5	13.6	3.9	75.5

Source: National Bank of the RK

⁸⁸ On signing the Credit Agreement between the Government of the Republic of Kazakhstan and the Export-Import Bank of the People's Republic of China on the use of soft loans. Resolution of the Government of the Republic of Kazakhstan No. 671 dated September 9, 2019 // <http://adilet.zan.kz/rus/docs/P1900000671>

⁸⁹ On signing of the Framework Agreement between the Government of the People's Republic of China and the Government of the Republic of Kazakhstan on granting a soft loan to the Republic of Kazakhstan. Resolution of the Government of the Republic of Kazakhstan No. 923 dated July 5, 1999 // <http://adilet.zan.kz/rus/docs/P990000923>

⁹⁰ External debt statistics of the National Bank of the RK (<https://nationalbank.kz/?docid=346&switch=russian>)

⁹¹ <https://www.cgdev.org/sites/default/files/examining-debt-implications-belt-and-road-initiative-policy-perspective.pdf>

⁹² "Belt and Road" has reached a dead end in Malaysia" (<https://www.kommersant.ru/doc/3719894>), "The Belt and Road brought Pakistan to the IMF" (<https://www.kommersant.ru/doc/3766158>)

⁹³ External debt statistics of the National Bank of the RK. External debt by countries (<https://nationalbank.kz/?docid=346&switch=russian>)

Table 4. External debt in foreign currency, mln. US dollars⁹⁴

	External debt in foreign currency as of 01.01.2020	including by sectors				
		Public administration bodies	National Bank	Banks	Other sectors	Direct investments: intercompany debt
Total	156,802.1	12,389.3	891.1	4,809.5	41,338.5	97,373.3
Chinese yuan CNY	218	0	0	1	5	212
	0.138	0.000	0.000	0.002	0.012	0.218

Source: National Bank of the RK

⁹⁴ External debt statistics of the National Bank of the RK. External debt by currency types (<https://nationalbank.kz/?docid=346&switch=russian>)

2.3 Cross-border trade assessment: the Khorgos case

China, along with Russia and Italy, is one of Kazakhstan's main trading partners. In 2019, China's share in Kazakhstan's foreign trade was equal to 14.9%, demonstrating that China is a key partner but not to the degree of holding a monopsony. In monetary terms, the trade turnover between Kazakhstan and the PRC in 2019 was equal to USD 14.36 billion, including USD 7.82 billion of exports to China and USD 6.54 billion of imports. Compared to 2018, trade turnover with China increased by 22.8% (Table 5).

Table 5. Trade between the RK and the PRC

Year	Export, mln. US dollars	Share in total export volume, %	Import, mln. US dollars	Share in total import volume, %	Trade turnover, mln. US dollars	Share in total volume of turnover, %
2014	9,799.4	12.3	7,357.2	17.8	17,156.6	14.2
2015	5,480.1	11.9	5,087.8	16.6	10,568.0	13.8
2016	4,228.4	11.5	3,668.0	14.5	7,896.4	12.7
2017	5,798.0	12	4,695.0	15.9	10,493.0	13.4
2018	6,307.5	10.3	5,384.2	16	11,691.7	12.3
2019	7,823.4	13.8	6,537.8	16.2	14,361.2	14.9

Source: SRC MF RK

The trade model of Kazakhstan and China is based on two fundamental factors:

- › The trade between the two countries corresponds to an exchange between the producer of raw materials (this is Kazakhstan, which sells energy, uranium, agricultural products) and the producer of industrial goods (this is China, which sells consumer goods, equipment, machinery) (see tables below);
- › Commodity flows from China to Kazakhstan are largely intended for consumption outside Kazakhstan, that is markets of the EAEC countries, primarily Russia. However, it is difficult to estimate the actual share of these goods based on the data available (Table 6, Table 7).

Table 6. Basic commodities exported from Kazakhstan to China

FEACN code	Commodity types	Exports to the PRC, thous. US dollars	Share in total exports to the PRC, %
2711	other oil gases and gaseous hydrocarbons	1,606,271.9	21%
7403	refined copper and untreated copper alloys	1,549,593.9	20%
2709	crude oil and crude oil products derived from bituminous rocks:	1,179,232.3	15%
2603	ores and copper concentrates	738,608.5	9%
7202	ferroalloys	732,624.5	9%
2844	chemical radioactive elements and radioactive isotopes (including fissile or reproducible chemical elements and isotopes) and their compounds; mixtures and residues containing these products	502,284.5	6%
7901	unprocessed zinc	346,854.1	4%
2616	ores and concentrates of precious metals	253,237.8	3%
1001	wheat and meslin	91,378.7	1%
2601	ores and iron concentrates, including roasted pyrite	74,690.2	1%

Source: SRC MF RK

Table 7. *Basic commodities imported from China to Kazakhstan*

FEACN code	Commodity types	Import from the PRC, thous. US dollars	Share in total imports from China, %
8517	telephones, including telephones for cellular networks or other wireless communication networks; other equipment for transmitting or receiving voice, pictures or other data, including equipment for communication in wired networks	488,262.2	7%
9999	the position is absent in FEACN of the EEU	360,563.6	5%
8471	Computing machines and their units; magnetic or optical readers, machines for data transfer to data carriers in coded form and machines for processing such information, not named elsewhere or not enabled	285,896.0	4%
8429	bulldozers with a swivel blade, graders, planners, scrapers, mechanical shovels, excavators, single-bucket loaders, tamping machines and road rollers, self-propelled trucks	166,998.6	3%
8541	diodes, transistors and similar semiconductor devices; photosensitive semiconductor devices, including photovoltaic elements, assembled or not assembled in modules, mounted or not mounted in panels; light-emitting diodes; piezes	161,873.6	2%
9503	tricycles, scooters, pedal cars, and similar toys on wheels; baby carriage dolls; dolls; other toys; models in reduced size ("scaled up") and similar models for entertainment, active or inactive;	157,578.2	2%
7305	other pipes and tubes (e.g. welded, riveted or connected in the same way) with a round cross-section, the outer diameter of which is more than 406.4 mm, made of ferrous metals	131,951.4	2%
6402	other shoes with rubber or plastic soles and tops	109,831.5	2%
7304	pipes, tubes and profiles are hollow, seamless, made of ferrous metals (except cast-iron casting)	109,174.9	2%
3907	polyacetals, polyesters simple ethers and epoxy resins in primary forms; polycarbonates, alkyd resins, polyethers complex ethers and other complex polyesters in primary forms	100,477.8	2%

Source: SRC MF RK

The second factor is amplified by the following circumstances:

- › The introduction of a single customs space in the territory of the EAEC countries, where for example, cargo sent to Moscow has to be cleared only once when crossing the EAEC border;
- › Active and focused efforts by Kazakhstan's leadership to develop its transit potential, including the opening of a second railway border crossing with China (Khorgos), the development of logistics centers in the Chinese port of Lianyungang in Khorgos (the "Khorgos dry port") and the Aktau port, and

construction of more direct railway lines providing faster transit between the eastern and western borders of the country.

These circumstances explain the increase in the volume of transit cargo sent through Kazakhstan from China for consumption in European markets observed after 2010⁹⁵.

At the same time, this obvious increase in the volume of transit cargo also makes it difficult to estimate the actual trade volume between Kazakhstan and China. The estimation of the volume of trade in general, and assessment of turnover represents a major challenge, since the Kazakh and Chinese data most often do not match. As a rule, the Chinese General Customs Administration provides data that are higher in value and primarily related to imports of Chinese goods into Kazakhstan (Tables 8, 9 and 10).

Table 8. Exports from Kazakhstan to China, mln. US dollars⁹⁶

Year	Kazakhstan data	Chinese data	Difference between data
2001	646.7	960.7	-314.0
2002	1,018.7	1,354.6	-336.0
2003	1,653.1	1,720.0	-66.9
2004	1,966.9	2,286.3	-319.4
2005	2,422.5	2,909.4	-486.8
2006	3,592.5	3,607.3	-14.8
2007	5,635.9	6,431.9	-796.0
2008	7,676.6	7,727.8	-51.2
2009	5,888.6	6,255.6	-367.0
2010	10,122.1	11,108.6	-986.5
2011	16,291.5	15,349.9	941.6
2012	16,484.4	14,675.4	1,809.0
2013	14,373.7	16,050.8	-1,677.1
2014	9,799.4	9,741.8	57.6
2015	5,480.1	5,848.9	-368.8
2016	4,214.9	4,805.1	-590.2
2017	5,777.7	6,378.7	-601.0
2018	6,272.9	8,529.6	-2,256.6
2019	7,823.4	9,258.8	- 1,435.4

Source: ITC Representative Office at the United Nations, New York

⁹⁵ For detailed information see I.Yu. Zuyenko, S.V. Zuban *Transcontinental transit Asia-Europe // World Economy and International Relations*. 2016. No. 7, Vol. 60. P. 70-76.

⁹⁶ *International trade in goods. Bilateral trade between Kazakhstan and China* (<http://www.intracen.org/itc/market-info-tools/statistics-import-country-product/>)

Table 9. Imports from China to Kazakhstan, mln. US dollars⁹⁷

Year	Kazakhstan data	Chinese data	Difference between data
2001	172.0	327.7	-155.7
2002	313.0	600.1	-287.1
2003	523.7	1,571.9	-1,048.2
2004	758.2	2,211.8	-1,453.6
2005	1,251.8	3,896.8	-2,644.9
2006	1,924.9	4,750.5	-2,825.5
2007	3,507.3	7,445.9	-3,938.6
2008	4,565.1	9,824.5	-5,259.5
2009	3,569.5	7,748.2	-4,178.6
2010	3,964.5	9,320.4	-5,355.9
2011	5,021.1	9,566.5	-4,545.4
2012	7,497.7	11,001.2	-3,503.5
2013	8,364.5	12,545.1	-4,180.7
2014	7,357.2	12,709.8	-5,352.6
2015	5,087.8	8,441.2	-3,353.4
2016	3,665.7	8,292.3	-4,626.7
2017	4,692.2	11,564.4	-6,872.2
2018	5,384.2	11,326.6	-5,942.4
2019	6,537.8	12,807	- 6,269.2

Source: ITC Representative Office at the United Nations, New York

⁹⁷ International trade in goods. Bilateral trade between Kazakhstan and China (<http://www.intracen.org/itc/market-info-tools/statistics-import-country-product/>)

Table 10. Trade balance between Kazakhstan and China, mln. US dollars

Year	Kazakhstan data	Chinese data
2001	474.7	632.9
2002	705.7	754.5
2003	1,129.4	148.1
2004	1,208.7	74.5
2005	1,170.7	-987.4
2006	1,667.6	-1,143.2
2007	2,128.6	-1,013.9
2008	3,111.6	-2,096.7
2009	2,319.1	-1,492.6
2010	6,157.6	1,788.2
2011	11,270.4	5,783.3
2012	8,986.7	3,674.2
2013	6,009.3	3,505.7
2014	2,442.2	-2,968.0
2015	392.3	-2,592.3
2016	549.3	-3,487.2
2017	1,085.4	-5,185.8
2018	888.8	-2,797.0
2019	1,285.6	- 3,548.2

Source: Calculations of Center for Applied Research "TALAP"

According to Kazakh data, Kazakhstan has a stable trade surplus with China with the highest rate in 2011 and a downward trend in subsequent years. 2011 recorded the highest income from exports to China in the history of Kazakh-Chinese cooperation.

However, according to Chinese data, the trade balance is more often in favor of China, and has a tendency to be increasingly different from the Kazakh data. In some cases, the difference between the data can be up to 2-3 times.

This could be as a result of so-called "grey schemes", where the customs value of the goods is undervalued when declared as other (cheaper) commodity groups or re-exports, or the use of "shuttle schemes", where commercial consignments are imported as goods for personal consumption.

The Khorgos International Center for Cross-border Cooperation is a complex of trade, economic and investment cooperation. It is a single territory located between Kazakhstan and China. The project allows for the free movement of people, goods and transport between the Kazakh and Chinese parts. The uniqueness of the Khorgos project is a thirty-day visa-free regime for visitors of the Center⁹⁸.

In fact, the Khorgos ICBC is the only center of bilateral cross-border cooperation along the entire Chinese border. The fact that this project was implemented together with Kazakhstan is one of the most significant achievements of Chinese-Kazakh cooperation.

⁹⁸ Development strategy of free economic zone "International Center for Cross-border Cooperation "Khorgos" for 2020 - 2022".

To better understand the specifics of the status of the Khorgos ICBC, it should be noted that in theory there are two main models of cross-border cooperation. The **first model** is the creation of a free economic zone on a border territory with a liberal regulatory environment for investment and economic activities. The most striking example is the Shenzhen free economic zone established by China in the early 1980s on the border with Hong Kong.

The **second model** involves transboundary trade and economic cooperation zones, or, for short, “transboundary economic zones”. The peculiarity of this format is the creation of separate and fenced “reserves” established at the borders of two or three countries, with special and simplified regimes for migration and commodity flows, as well as benefits for business activities. Accordingly, this special territory, created at the border, including adjacent lands, does not require border and customs control between the countries. The main principles of such zones, in addition to the free movement of people and goods between different parts, are:

- › No tax and currency control when allocating investments;
- › Simplified processes for obtaining permits and licenses;
- › Exemptions from VAT, corporate and local taxes.

Both models have been implemented in Kazakhstan near the border with China in the section of the Khorgos river. These include:

- › A cross-border cooperation development zone (the Khorgos-Eastern Gates FEZ);
- › The Khorgos ICBC, the analogue of the Russian-Chinese projects of border trade and economic complexes (BTEC) that have not yet been implemented⁹⁹.

In 2017, the Khorgos ICBC also received the status of an FEZ. As a result, production and service companies are planned to be established in the Kazakh part of the Center, which is fully consistent with the theoretical concept of cross-border economic zones. At the same time, Khorgos ICBC FEZ and the Khorgos-Eastern Gates FEZ remain sites with different statuses, and it is extremely important to distinguish them. Further, the analysis of the cross-border trade will be carried out based the example of the Khorgos ICBC.

Implementation of this project is based on intergovernmental agreements from 2004 and 2005. However, unlike the Russian-Chinese BTEC, where the initiative was launched at the local level, in Kazakhstan the central authorities supervised the project from the beginning to the end. To implement the project, a joint stock company with 100% state share in the authorized capital was established. In 2011, the block of shares was transferred to the trust management of the National Company, Kazakhstan Temir Zholy. China created a Khorgos Open Economic Zone and a separate committee was established by the People’s Government of Xinjiang Uygur Autonomous Region to manage it.

In 2012, the Khorgos ICBC was established between the Kazakh and Chinese settlements called Khorgos adjacent to the state border. The Center is a fenced “reserve” with a total area of 560 hectares (217 ha in the Kazakh part, and 343 ha in the Chinese part), which can be accessed by passing the border control. Foreign citizens have their passports indicating that they are leaving Kazakhstan. However, citizens of Kazakhstan and China may use ID cards rather than passports when travelling to the Khorgos ICBC. Travel between the parts of the “reserve” takes place through a special “passage”—there is no customs or border control, only a security check. It is impossible to cross through the complex, i.e. to enter Kazakhstan, and exit in China. Entering “mainland China” requires leaving the ICBC and crossing the border at the “traditional” border crossing, which is located near the center.

There are several shopping centers and hotels on the Chinese side. Since 2016, the Central Square Samruk, a shopping center selling Kazakhstani and imported products, has been operating on the Kazakh side. The

⁹⁹ For detailed information see I.Yu. Zuyenko, *Window to China: why Kazakhstan succeeded and Russia did not* // Carnegie Moscow Center (<http://carnegie.ru/commentary/?fa=68012>)

construction of an entertainment complex with a casino and restaurants is also underway to attract tourists from China.

The range of Chinese goods at the Khorgos ICBC is quite limited and consists mainly of textiles, furs and household goods¹⁰⁰. However, low prices attract buyers not only from neighboring settlements, but also from Almaty and Kyrgyzstan.

Chinese goods sold on the Chinese side of the Khorgos ICBC are indirectly recorded in the Chinese customs statistics, because store owners must periodically submit data to the General Administration of Customs of the PRC on the nomenclature and value of goods. The goods, however, can also be purchased by Chinese visitors because a passport is not required at purchase and it is impossible to visually determine the nationality of the buyer. In addition, actual compliance with the requirements of the General Customs Administration of the People's Republic of China is at the discretion of the store owners, and as such, the actual volume of goods sold may be higher than the declared volume.

Customs clearing is not preformed when buying and moving the purchased goods to Kazakhstan, since by default it is assumed that all goods are purchased for tourists' personal consumption. Compliance of the goods with the safety requirements and weight norms is fixed (a visitor from Kazakhstan has the right to take out purchased goods from the center once a month free of duty to the amount of EUR 500 and weighing up to 25 kg)¹⁰¹. As a result, significant volumes of these goods are actually commercial consignments which are:

- › Recorded as exports by Chinese customs statistics;
- › Not recorded by Kazakh customs statistics.

It should be noted that in 2011, when trade surplus was reaching highs in favor of Kazakhstan (i.e., Kazakhstan statistics showed extremely low levels of imports of goods from China) the so-called "Khorgos case" had begun. According to the press service of the Military Court of the Republic of Kazakhstan, seven episodes of crime had been recorded in the materials of the case. These include: large-scale smuggling, abuse of power and official position, bribes, financial transactions and other transactions with cash and property acquired knowingly by illegal means¹⁰². As a consequence, the difference between Chinese and Kazakh import data in 2011-2013 reduced significantly.

In addition, a comparison of statistical data shows the discrepancy in bilateral trade figures between the two countries (Table 11). Thus, in 2017 Kazakh statistics show imports of 2,600 tons of sand and 2,300 tons of chalk from China, while Chinese data does not list these goods as exports.

¹⁰⁰ <https://khorgos.biz/ru>

¹⁰¹ <https://khorgos.kz/opisanie/>

¹⁰² <https://www.kazpravda.kz/pdf/14042014234507.pdf>

Table 11. Comparison of bilateral trade data between Kazakhstan and China by the end of 2017. Commodities, which according to Chinese data, were practically not exported to Kazakhstan¹⁰³

Commodity position FEACN	Commodity types	PRC's exports, tonnes	RK's imports, tonnes	Deviation, tonnes
2505	Natural sand	0.0	2,600.7	2,600.7
2509	Chalk	0.0	2,317.2	2,317.2
5212	Other cotton fabric	0.0	3,328.3	3,328.3
7806	Other lead products	4.1	2,315.2	2,311.1
6811	Asbestos cement products	7.8	1,323.6	1,315.8
4902	Newspapers, magazines	13.6	2,188.9	2,175.3
6905	Ceramic construction parts	20.5	2,122.3	2,101.8
3304	Cosmetics	41.5	2,133.2	2,091.7
4017	Hard rubber	78.5	1,208.9	1,130.4
8533	Resistors	81.0	3,224.5	3,143.5
4903	Coloring books	87.2	2,255.5	2,168.3
2520	Gypsum, anhydrite	108.5	3,600.0	3,491.6
5503	Synthetic fibers	144.0	4,450.9	4,306.9
Total for specified goods		586.7	33,069.2	32,482.5

Source: SRC MF RK

A similar situation is observed in the opposite direction, but involves more processed goods (shoes, textiles, etc.). (Table 12).

Table 12. Comparison of bilateral trade data between Kazakhstan and China by selected commodities (an example based on January-May 2018)¹⁰⁴

FEACN group	Commodity types	PRC's exports, mln. US dollars	RK's imports, mln. US dollars	Difference, mln. US dollars
42	Travel accessories, leather goods	101.9	9.8	-92.1
61	Knitwear	213.9	14.6	-199.3
62	Clothes, except for knitwear	236.4	14.1	-222.3
63	Other textile products	253.6	11.6	-242.0
64	Shoes and their parts	302.1	38.0	-264.1
Total		1,107.9	88.1	-1,019.8

Source: SRC MF RK

The analysis of the existing discrepancies of customs statistics between Kazakhstan and China shows that there are signs of false declaration and undervaluation of the customs value of imported goods. This is also detrimental to the state budget. According to the official information of the State Revenue Committee of the Ministry of Finance of the Republic of Kazakhstan, in 2018, budget losses amounted to about KZT

¹⁰³ Data from the State Revenue Committee of the Ministry of Finance of the RK (www.kgd.gov.kz) and the Main Customs Administration of the PRC (www.haiguan.info).

¹⁰⁴ Data of the SRC MF RK (www.kgd.gov.kz) and the GDC PRC (www.haiguan.info)

200 billion, which is more than the entire volume of import customs duties collected by the State Revenue Committee of the Ministry of Finance of the Republic of Kazakhstan.

The available tools do not allow determination of the exact proportion of smuggled volumes imported from China to Kazakhstan between the Khorgos ICBC and “traditional” customs points.

An example of the extent of the damage can be found from 2016. Using the difference in customs statistics on trade of a number of tax-intensive goods between China and Kazakhstan and Kyrgyzstan, it was calculated that the difference between Chinese data on exports and imports recorded in Kazakhstan and Kyrgyzstan was about USD 6.3 billion. This sum was then multiplied by the average arithmetic rate of import ad valorem customs duties for the goods under study equal to 12.14%. Thus, the lost payments amounted to USD 770 million

It should be noted that this problem is not new to Kazakh-Chinese cooperation. It has long been raised by researchers, debated in the media and discussed by the Kazakh leadership. Thus, in their article “China and the EAEC: the dynamics of cross-border movement of goods and the future of Eurasian integration”¹⁰⁵ published in 2017, Ivan Zuyenko and Semen Zuban indicate that since the formation of the common customs space in 2010, there was a sharp increase in Chinese imports into Kazakhstan intended to be sold in the Russian market. After the inclusion of Kyrgyzstan into the EAEC, a similar process was observed at the Chinese-Kyrgyz border. The authors conclude that this is due to the low level of customs administration in Kazakhstan and Kyrgyzstan compared to Russia, which increases the likelihood of smuggling goods.

In 2018, the Transparency Kazakhstan Civic Foundation published an analytical report titled “Kazakhstan Customs Corruption: Mirror Analysis of Trade”¹⁰⁶ (authored by Marat Shibutov and Olga Shiyan). The report analyzes customs statistics of exports to Kazakhstan from China, Italy, the USA, Germany, Switzerland, Poland, Pakistan, Great Britain, South Korea and Japan. The statistics were compared with Kazakh import data for the last five years. Comparison of customs statistics showed discrepancies in the statistical data of Kazakhstan’s foreign trade with the Asian countries, the USA and Europe.

On December 14, 2018 the State Revenue Committee of the Ministry of Finance of the Republic of Kazakhstan issued a press release confirming the conclusions of the Transparency Kazakhstan report. The press release stated that “A comparative analysis of the data on imports to Kazakhstan and exports from China, five tax-intensive groups of goods (leather goods, clothing, textiles, footwear) with the largest discrepancies and risks of unreliable declaration and undervaluation of the customs value of goods have been identified. A detailed analysis of these groups of goods allowed us to identify 53 main participants in foreign economic activity, which have the largest volumes of imports of these groups of goods. The total volume of imports of goods from China by these participants in foreign economic activity for these tax-intensive groups amounted to 59,400 tons or 77.5% of imports from China for these groups. These participants in foreign economic activity with potential risks of violations of the customs legislation of the Republic of Kazakhstan will be subject to analysis and, if necessary, a set of control measures to identify violations, prosecution and payment of taxes and payments to the budget in accordance with the legislation of the Republic of Kazakhstan¹⁰⁷.”

In 2019, the Ministry of Finance of the Republic of Kazakhstan announced a set of measures to reduce the difference in indicators of exports and imports in trade with Kazakhstan, through which an additional KZT 200 billion will be added to the budget.

¹⁰⁵ I.Yu. Zuyenko, S.V. Zuban *China and the EAEC: dynamics of cross-border movement of goods and the future of Eurasian integration // Customs policy in the Far East. 2017. No. 2. P. 5-24.*

¹⁰⁶ <http://tikazakhstan.org/tamozhennaya-korrupsiya-kazahstana-zerkalnyj-analiz-tovarooborota/>

¹⁰⁷ <http://kgd.gov.kz/ru/news/komitet-gosudarstvennyh-dohodov-prokomentiroval-situaciyu-kasatelno-rashozhdeniy-dannyh?fbclid=IwAR1aGgjXntkLGujuuiwu0UMda3tLbFdprpICo9y02EBj-QJWEKwNVXka7gg>

In 2019-2020, work began to address the problem and, above all, to verify the integrity of importers¹⁰⁸. In April 2019, as a result, a Protocol between the Ministry of Finance of the Republic of Kazakhstan and the General Customs Administration of the People's Republic of China on methodological and information cooperation in the field of customs statistics of foreign trade was signed¹⁰⁹.

In general, exports to China, which are predominantly natural resource supplies, are subject to fluctuations in world prices, which inevitably fall after a fall in demand. At the same time, in recent years, there has been a drop in Kazakh export volumes, which is also unlikely to improve due to the coronavirus pandemic. The commodity that will be in demand by China regardless of the current situation is uranium, since it is necessary for the nuclear power industry. It is well known that Kazakhstan is the largest uranium producer in the world, responsible for producing about 40% of the global production. Since 2012, China is Kazakhstan's largest buyer of uranium.

¹⁰⁸ <http://kgd.gov.kz/ru/news/komitet-gosudarstvennyh-dohodov-otkryt-dlya-konstruktivnogo-dialoga-s-biznes-soobshchestvom-1>

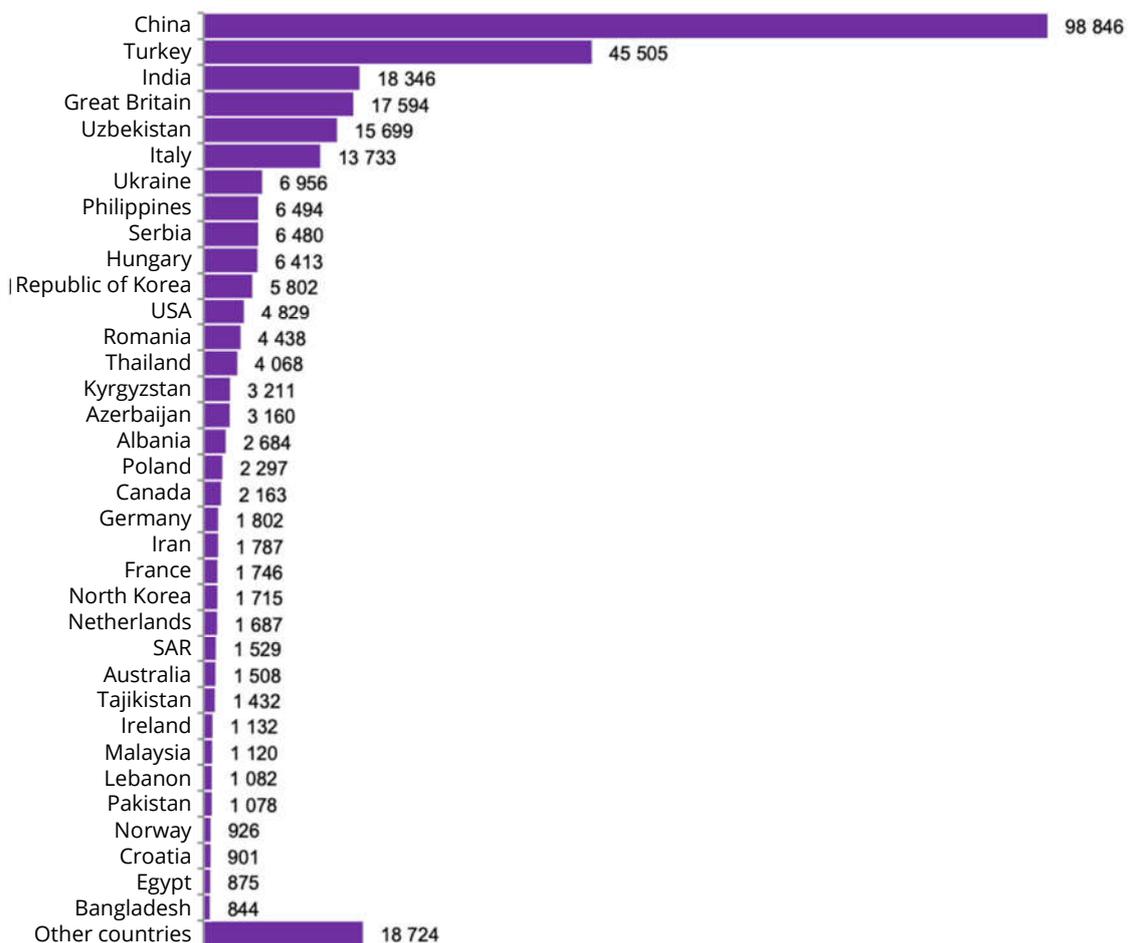
¹⁰⁹ <http://adilet.zan.kz/rus/docs/O1900000003>

2.4 Expansion of the Chinese workforce: myth or reality?

On the basis of the Resolution of the Government of Kazakhstan, the quota for foreign workers is set annually as a percentage of the total workforce in the country. Thus, in 2019 the quota was set at 4.2%¹¹⁰ and in 2020 it was reduced to 3.9%¹¹¹.

Between 2010 and 2020, 98,846 work permits were issued for Chinese citizens, or 32% of all issued quotas for foreign workers during this period. China is the leader in terms of the number of permits issued, leaving Turkey (15%) and India (6%) in second and third place respectively. Such a large gap between Chinese citizens and citizens of other countries is explained by the construction of the Western Europe-Western China motor transport highway, as well as the share of Chinese investments in the structure of direct investments (Figure 13).

Figure 13. Total number of foreign workers by country in 2010-2017, people



Source: *iac.enbek.kz*

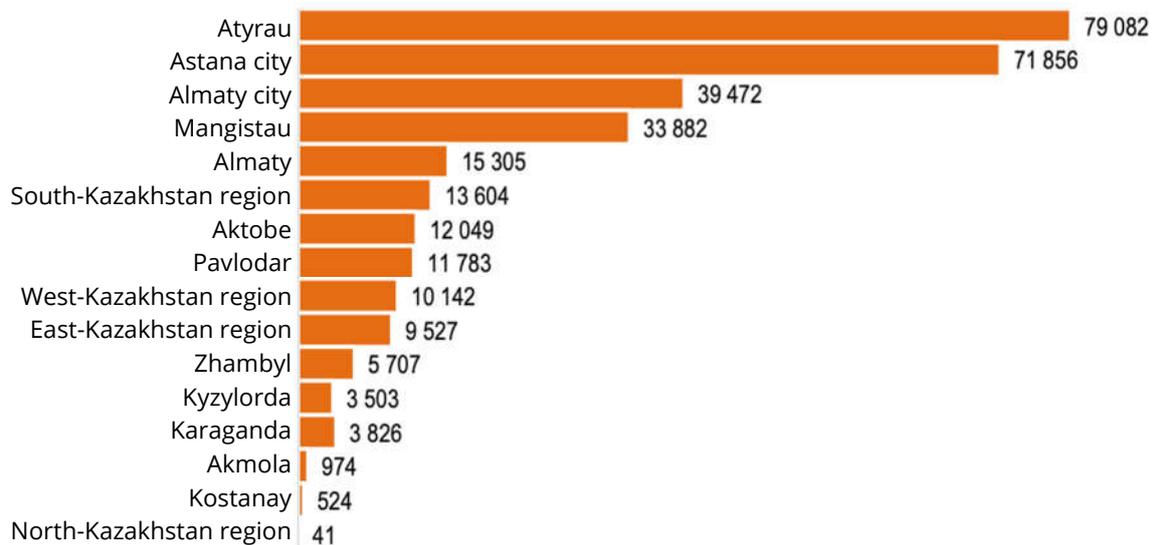
From a regional perspective, the Atyrau region (79,000 people) was in first place among the leaders in attracting foreign workers from all countries in 2010-2017. This is followed by Nur-Sultan city (71,800

¹¹⁰ <http://adilet.zan.kz/rus/docs/P1800000890>

¹¹¹ <http://adilet.zan.kz/rus/docs/P1900000984>

people), Almaty city (39,500 people) and the Mangistau region (33,900 people). The smallest number of foreign workers was attracted in the North-Kazakhstan region with only 41 people in 8 years (Figure 14).

Figure 14. Total number of foreign workers by region of the RK in 2010-2017, people



Source: *iac.enbek.kz*

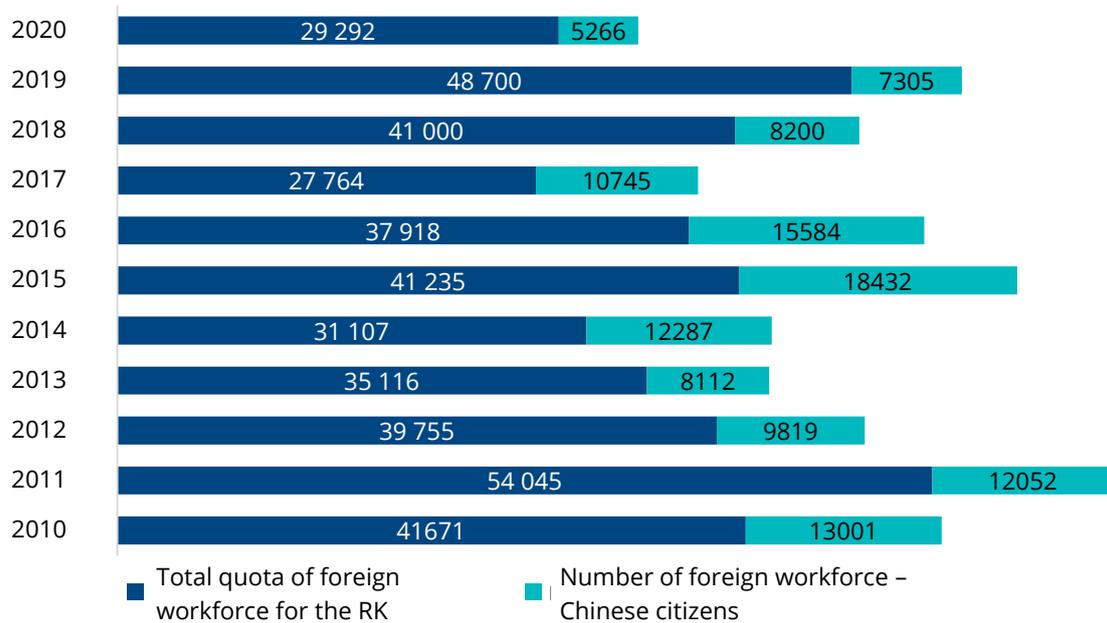
The number of issued permits to attract Chinese workers has varied significantly over the years. Thus, the largest number of permits issued to Chinese citizens in Kazakhstan was 18,432 in 2015, which is explained by the intensification of cooperation within the Kazakh-Chinese “56 infrastructure projects”.

Since 2015, this indicator has gradually decreased, amounting to 15,584 people in 2016, 10,745 people in 2017, 8,200 people in 2018, and 7,305 people in 2019. A record low number for the analyzed period was in 2020 with only 5,266 people¹¹². According to the Ministry of Internal Affairs of the Republic of Kazakhstan, as of July 1, 2020, 4,521 Chinese citizens were working in Kazakhstan. It should be noted that in 2019, the President of Kazakhstan K.-J. Tokayev noted, at a meeting of the National Public Confidence Board, the need to reduce the workforce in 2020 by half compared to 2019 and, accordingly, quotas were reduced from 48,700 to 29,292 in 2020¹¹³ (Figure 15).

¹¹² <https://iac.enbek.kz/ru/node/552>

¹¹³ <http://kgd.gov.kz/ru/news/komitet-gosudarstvennyh-dohodov-prokommentiroval-situaciyu-kasatelno-rashozhdeniy-dannyh?fbclid=IwAR1aGgjXntkLGujuuiwu0UMda3tLbFdprpICo9y02EBj-QJWEKwNVXka7gg>

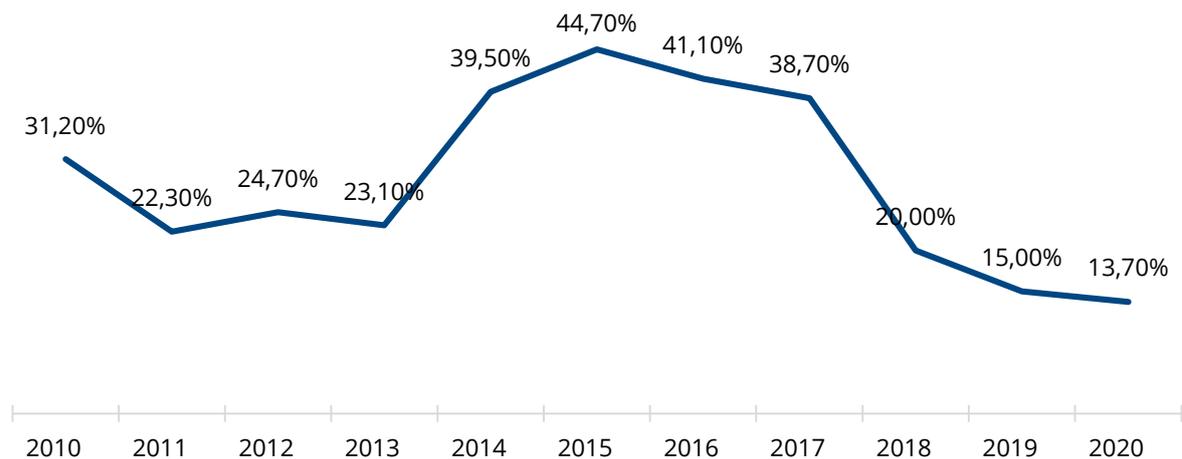
Figure 15. Total number of permits issued to foreign workers in 2010-2020, including Chinese citizen, people



Source: iac.enbek.kz

The share of issued permits for Chinese citizens was also subject to significant fluctuations in the period 2010-2020. The maximum rate reached 44.5% in 2015, and then gradually declined to 13.7% in 2020 (Figure 16).

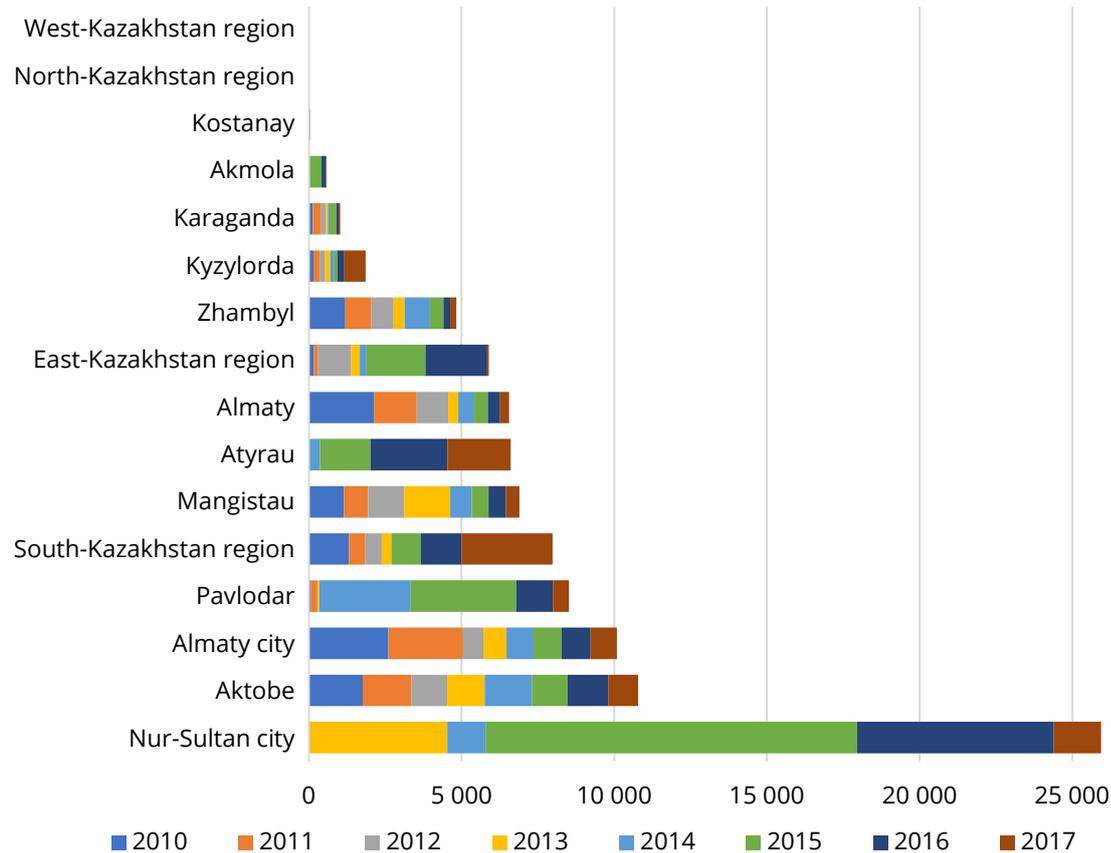
Figure 16. Share of permits issued to foreign workers - Chinese citizens in 2010-2020, %



Source: iac.enbek.kz

In terms of location, the largest number of Chinese workers over the period 2010-2017 was employed in Nur-Sultan city (25,947 people). The three leaders also include Aktobe region (10,784 people) and Almaty city (10,083 people)¹¹⁴ (Figure 17).

Figure 17. *Permits to attract Chinese workers for the period 2010-2017 by region*



Source: *iac.enbek.kz*

A large number of construction projects are being implemented in Nur-Sultan city, so more than 65% of foreign workers are annually involved in this sector. The structure of the foreign workforce includes areas such as trade, mining, accommodation and catering and other services.

The professions that attracted foreign workers in Nur-Sultan included engineers (4-12%), company directors (3-7%), and foremen of construction and installation works (2-6%).

In the Aktobe region on average 25% of the foreign workforce are managers, 55% are specialists, and 17% are employed in medium-skilled jobs. However, in 2017, there was a noticeable reduction in the number of workers and industry operators to 1.8% of the total foreign workforce.

The sectoral structure of the foreign workforce changed from time to time, but a large share was always occupied by personnel in the construction and mining industries. In 2017, the share of foreign workers in the construction sector decreased to 23.8%, and increased in the mining industry (35.6%). Foreign specialists are also in demand in the manufacturing industry (6-16%) and other types of services (4-16%).

¹¹⁴ Own calculations of PF "Center for Applied Research TALAP" based on data of the Labor Resource Development Center

Over the past eight years, the top professions are engineers (9-31%), drilling engineers (4-8%), and heads of departments (specialized in other industries) (3-8%).

The following is a list of companies that attracted the greatest number of foreign workers in 2016-2017. For the construction industry these were: a branch of the Subsidiary of Chinese Petroleum Engineering and Construction Group LLP (623 people), Montazh LLP (161 people), and Arman-Kurylys LLP (90 people). For the mining industry these were: International Oil Service Company Sinopec Kazakhstan LLP (155 persons), and Vostok Oil and Service LLP (116 persons). In the provision of other services this was: CNPC-Aktobemunaigas JSC (158 people).

In Almaty city, 60% of the foreign workforce, on average, are top and middle managers. This is only to be expected since Almaty is the former capital with a developed service sector and a host to most of the foreign companies and joint ventures with foreign participation (41% as of December 1, 2017). Twenty-nine percent of the foreign workforce are specialists working as engineers, mechanical engineers, and lead control engineers. The share of "middle level" specialists is low (2-7%) and constitutes mainly workers in industry, construction, transport and other occupations.

The sectoral structure of the foreign workforce changes from year to year. In 2010, 40% of the foreign workforce worked in the construction industry, and today 24.6% are engaged in trade and repair of cars/motorcycles. This is also due to a large number of foreign companies in this field, which attract foreign workers and encourage local companies to invite foreign personnel to improve their competitiveness in the market. In general, in recent years there has been an increase in the number of foreign workers in Almaty especially in the service sector and a decline in the industry sector to 15%.

Since some of the share of attracted foreign workers are managers, some of the leading professions are general directors (4.7-13.6%), heads of subdivisions (6.2-22.1%), heads of organizations (13-15.6%) and others. Also, engineers are always among the most demanded professions in the region (4.2-12.9%).

At the same time, the main donors of foreign specialists are countries such as China, Turkey and the Republic of Korea. In addition, these countries are also leaders in registered legal entities with foreign participation in Almaty (25% as of December 1, 2017). It should be noted that in Almaty, as well as in other regions, China has been leading the list of top countries in terms of foreign labor for several years.

The ratio of foreign workers to hired workers in the region shows that in the mining industry foreign workers constitute 8.38% of the total number of hired workers. With the maximum number of foreign workers involved in trade, their ratio with hired workers is low (0.67%).

In 2016-2017, the following companies attracted the most number of foreign workers: in the mining industry – AGP LLP (188 people), in construction – NGSK Kazstroyservice JSC (72 people), in other industries – Gas Pipeline Beineu-Shymkent LLP (74 people), Kazferrostral LLP (35 people).

In other regions of Kazakhstan, among the largest companies attracting Chinese workers are:

- › Si Bu Engineering Drilling Company LLP in the Mangistau region (252 people);
- › The Kazakhstan Branch of Sinopec Engineering (Group) Co., Ltd (3,900 people), Neftestroyservice Ltd LLP (1,200 people) in the Atyrau region;
- › The China Machinery Engineering Corporation (85 people) in the Karaganda region;
- › The South-Kazakhstan Branch of Do Knisg LLP (110 people) in the Zhambyl region;
- › Petrokazakhstan Kumkol Resources JSC (93 people), a branch of China Triumph International Engineering LLC (438 people) in the Kyzylorda region.

2.5 Digitalization of relations: introducing Chinese technology giants into the Kazakh market

The Chinese government policy sets the focus on technological leadership. In 2015 the State Council of the PRC adopted a new strategic plan “Made in China 2025”¹¹⁵, which envisages a three-stage transformation of China into a leading player in industrial production by 2049. The strategy is set to overcome the problem of the low level of self-sufficiency in technological innovation and intellectual property.

Adopted by the State Council in 2017, the “Next Generation Artificial Intelligence Development Plan” aims to help China achieve global leadership in innovation. In order to implement this document, in the same year, the Ministry of Industry and Informatization of the PRC published the “Three-year Action Plan for the Development of New Generation Artificial Intelligence Industry (2018-2020)”¹¹⁶. This plan focuses on key applications of artificial intelligence, such as automotive intelligent networks, service robots, intelligent unmanned aerial vehicles, medical image diagnostic systems, video image recognition, voice recognition, and intelligent translation.

In 2019, the Chinese company Huawei became the second largest supplier of smartphones in the world, gaining 16% of the market¹¹⁷. In April 2020, Huawei was ahead of Korean Samsung and American Apple in terms of world sales¹¹⁸. Of the 10 largest smartphone manufacturers, seven Chinese companies together account for 45% of global sales. Chinese expansion in the smartphone market is very high. Thus, Realme separated from OPPO in 2018 and started sales in India, and in 2019 have been present in more than 20 countries gaining 2% of the global market.

The achievements of Chinese companies in the production and sales of smartphones is a prime example of the country's dynamic development and ambitions for technology and innovation. Accession of the PRC to the WTO in 2001 paved the way for foreign investment and export expansion of Chinese companies. Coupled with the rapid development of the Internet, this has led to a sharp jump in the country's technological sector and the emergence of technological giants that compete with the American ones (Table 13).

¹¹⁵ “Strategic Plan of Made in China 2025 and Its Implementations” (with Ma H.), *Analysing the Impacts of Industry 4.0 in Modern Business Environments*. 2018. Page 1-23. IGI Global. ISBN13: 9781522534686.
https://www.researchgate.net/publication/326392969_Strategic_plan_of_Made_in_China_2025_and_its_implementation

¹¹⁶ <http://www.miit.gov.cn/n1146295/n1652858/n1652930/n3757016/c5960820/part/5960845.docx>

¹¹⁷ <https://www.slashgear.com/the-2019-global-smartphone-sales-top-10-list-is-here-27611469/>

¹¹⁸ <https://www.forbes.com/sites/zakdoffman/2020/06/15/samsung-and-apple-beaten-by-huawei-in-huge-new-smartphone-surprise/#74d10ba658ab>

Table 13. *China's Big Seven¹¹⁹ Technological Companies*

Company	Specialization	Year of foundation	Position in the ranking of the largest public companies in the world ¹²⁰
Alibaba	e-Commerce	1999	31
Baidu Inc.	Search system	1999	705
Huawei Technologies Co. Ltd	Telecommunication solutions: wired, wireless equipment and software	1987	private company
Lenovo Group Ltd.	Manufacturer of computers, smartphones and other electronic equipment	1984	private company
Tencent Holdings Limited	Internet services	1998	50
Xiaomi Technology Co., Ltd	Development and marketing of smartphones and consumer electronics	2010	384
ZTE Corporation	Telecommunication solutions: wired, wireless equipment and software	1985	779

Among the technological giants, Huawei started its first active expansion into Kazakh markets in 2002. By that time, the company was already present in Uzbekistan, Kyrgyzstan and Russia. Huawei presented a digital PBX in the Kazakh market, as the national operator Kazakhtelecom JSC started modernization of the telephone network and transition from outdated analogue PBXs to digital ones. To demonstrate its capabilities, Huawei implemented a pilot project in Issyk town by installing the C&C 08 station for free. This step allowed a dialogue with Kazakhtelecom JSC to be launched at the level of regional directorates and the central office.

The competitiveness of Huawei solutions was ensured by a good balance between cost (significantly lower compared to European counterparts), quality, functionality of telecommunication equipment and fast support and service, which was much more responsive than that of Western competitors.

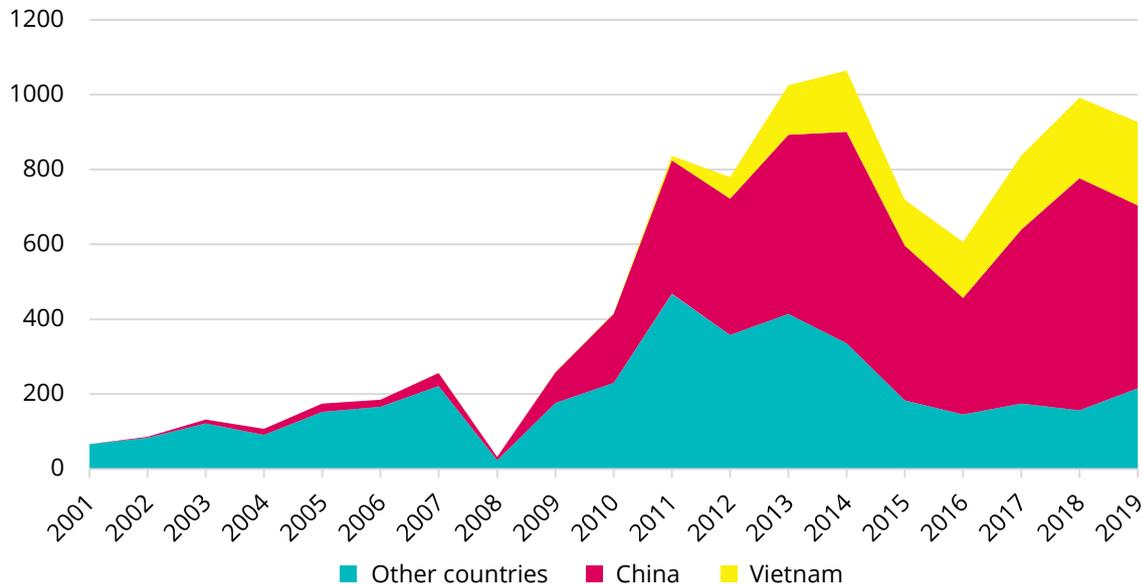
In 2005 Kazakhtelecom JSC started organizing broadband access to the Internet for the population under the Megaline trademark through the telephone network on ADSL technology. Huawei has received an order to supply equipment (network switches and xDSL digital subscriber line access multiplexers) to 7 of 16 regional centers. In order to diversify suppliers and ensure reliability, Kazakhtelecom JSC decided to give orders for other regions and equipment for main networks to European and American suppliers.

At the same time, Huawei actively developed the wireless communication market and supplied equipment for Kazakhstan's mobile operators. Later, Huawei moved from direct work with customers to work through a partner network, which provided the supply and installation of equipment for the development of a fiber optic communication network (Figure 18).

¹¹⁹ <https://www.techrepublic.com/article/the-big-seven-chinas-up-and-coming-technology-companies/>

¹²⁰ 2020 GLOBAL 2000 The World's Largest Public Companies. <https://www.forbes.com/global2000/#48029582335d>

Figure 18. Dynamics of imports of telephones and communication equipment to Kazakhstan (FEACN code 8517)¹²¹, mln. US dollars



Source: trademap.org

In 2019, Kazakhtelecom and Huawei conducted a pilot launch of the 5G network in Nur-Sultan, which was timed to coincide with the meeting of the 55th Council of Heads of Communications Administrations of the Regional Commonwealth in the field of Communications and the 25th Coordination Council of the CIS member states on informatization¹²². Implementation of 5G technology is planned in three major cities of Kazakhstan¹²³. In particular, in Nur-Sultan, implementation is planned for the end of 2021 in Nazarbayev University and on the territory of the Expo, and in 2022 at the airport, railway station, major shopping centers and sites. From 2023, 5G expansion will begin in all regional centers of the Republic of Kazakhstan.

Kazakhtelecom JSC uses the geographical location of Kazakhstan to develop transit corridors between Europe, Russia, and Central and South-East Asia. Thus, in 2017, two joint projects were launched to provide transit containers in the direction of Europe-South-East Asia-DREAM and REAL, and sales of containers in this direction almost doubled¹²⁴. The following year, Kazakhtelecom JSC occupied 30% of the market of transit services in the direction of China-Europe through Kazakhstan, 25% of the transit market of Uzbekistan, 38% of the market of Kyrgyzstan and 30% of the market of transit through Kazakhstan¹²⁵. In 2019, for the first time Kazakhtelecom JSC organized transit channels with the capacity of 100 Gbit/s on the terms of IRU (indefeasible rights of use—the contract on lease of telecommunications, which cannot be terminated before the expiration of the period of validity) in the direction of Europe-Asia for the main

¹²¹ Note: The drop in 2008 was due to a change in the classification of foreign trade codes. Code 8517: "Telephone equipment, including telephone equipment for cellular networks or other wireless communication networks; other equipment for transmitting or receiving voice, images or other data, including equipment for communication in wired or wireless networks (e.g., LAN or WAN), other than transmitting or receiving equipment of commodity items 8443, 8525, 8527 or 8528:". Source: trademap.org

¹²² <https://tengrinews.kz/internet/5g-protestirovali-v-nur-sultane-379243/>

¹²³ <https://www.huawei.com/kz/news/kz/2020/huawei-news-880%20sel%20budut%20obespecheny%204g-03072020>

¹²⁴ Annual report of "Kazakhtelecom" JSC for 2017 https://kase.kz/files/emitters/KZTK/kztkp_2017_rus.pdf

¹²⁵ Annual report of "Kazakhtelecom" JSC for 2018 https://kase.kz/files/emitters/KZTK/kztkp_2018_rus.pdf

Chinese telecommunications operators, and the total volume of services of transit communication channels increased by 25%¹²⁶.

Huawei opened the Huawei Kazakhstan Joint Innovation Center in 2018 as part of the Astana Hub International Technology Park for IT startups. The Center is designed to help promote startup projects using Internet of Things Technology (IoT)¹²⁷. In particular, the company will allocate resources for the test cloud IoT platform and provide technical support as needed. Cellular operator Beeline will allocate Sim-cards with NB-IoT support and communication services. Thus, startups have a chance to be included in the list of world partners of Huawei.

The Internet trading market in Kazakhstan is growing rapidly. In 2010, the market was estimated at KZT 35 billion¹²⁸, and in 2019 has already exceeded KZT 700 billion¹²⁹. The number of purchases increased to 40.5 million parcels, the number of active buyers is estimated at 3.2 million people. Quite a high level of Internet penetration contributes to explosive growth and according to the World Bank, about 79% of Kazakhstani residents used the Internet in 2018¹³⁰. This is a very high level—for comparison, in Kyrgyzstan the share of Internet users was 38%, in Uzbekistan it was 55%, and in Russia it was 81%.

To stimulate the sector, in 2019, the Government of the Republic of Kazakhstan developed a Road Map for e-commerce development for 2019-2025, which aims to increase the share of e-commerce in total retail trade from 2.9% in 2018 to 5% by 2025¹³¹. However, in the first half of 2020, due to quarantine restrictions, the share of electronic commerce had already reached 9.4%. In this connection, the Government is considering increasing the target indicator to 15% by 2025¹³². The road map defines three main development directions:

1. Increasing exports in electronic commerce;
2. Attracting domestic entrepreneurs in electronic commerce and infrastructure development;
3. Protecting consumer rights and promoting electronic commerce.

In practical terms, the Ministry of Digital Development, Innovation and Aerospace Industries intends to ensure the acceleration of electronic commerce through the development of logistics infrastructure. In particular, the national operator of the postal network Kazpost JSC plans to open 20 fulfilment centers for business by 2025. With the Development Bank of Kazakhstan, new credit products are being developed for e-commerce businesses for warehouse construction and “last mile” solutions¹³³.

It should be noted that the development of electronic commerce was one of the incentives for the transformation of Kazpost JSC, launched in 2014. The company invested in creation of a network of 151 post offices, 248 postal supermarkets, sorting lines, optimized processes of parcel flow management, changed the format of servicing the population. The above mentioned allowed the volume to be increased from 4 million parcels in 2018 to 77 million parcels in 2019, and the delivery time from China to be reduced to 18-25 days.

In 2017, Kazpost JSC and AliExpress issued a co-branding card Kazpost/AliExpress with attractive service conditions and 1.5% compensation for purchases on the platform AliExpress. To develop its own financial

¹²⁶ Annual report of “Kazakhtelecom” JSC for 2019 https://kase.kz/files/emitters/KZTK/kztkp_2019_rus.pdf

¹²⁷ https://www.huawei.com/kz/news/kz/2019/huawei_novye_gorizonty_razvitiya_interneta_veshchei_2606

¹²⁸ <https://kursiv.kz/news/rynki/2020-06/za-10-let-obem-rynka-elektronnoy-torgovli-v-kazahstane-vyros-v-20-raz>

¹²⁹ <https://primeminister.kz/ru/news/v-2019-godu-obem-pokupok-v-kazahstanskih-internet-magazinah-sostavil-422-mlrd-tenge>

¹³⁰ Individuals using the Internet (% of population). <https://data.worldbank.org/indicator/IT.NET.USER.ZS>

¹³¹ <http://www.government.kz/ru/news/press/mintorgovli-i-integracii-rk-usilit-mery-po-zashchite-prav-online-pokupateley>

¹³² <https://primeminister.kz/ru/news/obem-rynka-elektronnoy-torgovli-za-i-polugodie-2020-goda-sostavil-435-mlrd-tenge-2861921>

¹³³ <https://primeminister.kz/ru/news/v-period-pandemii-internet-i-elektronnye-gosudarstvennye-uslugi-stali-uslugami-pervoy-neobhodimosti-b-musin-2861616>

infrastructure, the company launched a processing center, acquiring for online stores, as well as issuing virtual cards online¹³⁴.

The question of using the Khorgos ICBC as an international postal and logistics terminal, which could potentially reduce the time of delivery of mail from China to Europe, Russia and Central Asia, is being conducted since 2014¹³⁵. However, the opening of the bonded warehouse took place only in July 2019¹³⁶, as it was necessary to adopt amendments to the legislation that would allow the launch of the service of transit of international mail. In 2019, the warehouse processed 183,000 mail items with total weight of 22.6 tons.

Using postal communications, trade in export direction until April 2019 was limited by the requirement of customs declaration and payment of fees in the customs authorities for each parcel¹³⁷. In order to simplify administrative procedures, it was allowed to use postal documents as a customs declaration, and the service of simplified export of Kazpost JSC was launched. In addition to optimizing the regulation of trade, the company has organized e-commerce centers in four major cities of Kazakhstan, which conduct training of small and medium-sized businesses in the basics of e-commerce and work in global markets.

Meanwhile, there are Kazakh entrepreneurs who already have successful experience working with Alibaba. For example, the company Invest-COM 2005 for three years through the portal sold products worth USD 2.5 million. Using this experience and expertise of service partners of the portal Alibaba, the National Chamber of Entrepreneurs of the RK Atameken, the Ministry of Trade and Integration of the RK and the Center for Trade Policy Development QazTrade JSC in October 2019 jointly launched the program "School of Internet Exporter"¹³⁸. Within the framework of the project, 200 entrepreneurs were trained to work on electronic platforms—tools, brand positioning, product promotion, partner search, etc. The most promising companies were also selected, for which the premium status "Golden Supplier" was acquired at the site Alibaba.com. This status allows to use complex methods of promotion of their goods and services, the right to be placed in the top among commodity producers, getting the icon "Golden Supplier" next to the name of his company, wide audience coverage and high returns on investment. In addition to membership fees, suppliers are required to pass a TrustPass audit to confirm their legal status and physical availability of production and logistics facilities¹³⁹.

Some participants refused to be accommodated on the platform during their school attendance because they were unable to provide the materials required to participate on the platform, such as graphics files, photos, or product descriptions according to specifications. An additional barrier was the English language, in which questionnaires needed to be filled out, mini websites were available and further communication with clients conducted. It turned out that not all companies had marketing specialists on their staff capable of mastering these new tools for sales.

Also in the course of interviews conducted within the framework of this study, a representative of one of the Kazakh companies reported refusing the status of "Golden Supplier" because of fear that contracts and possible disputes will be governed by Chinese law. This company limited itself to the functionality of the free page. Meanwhile, there are example of other companies which were able to find buyers in the Middle East and Europe, thanks to their own mini-site on Alibaba. Accordingly, the efforts of government agencies to promote Internet commerce and digital marketing training will certainly give a good impulse and lead to export growth.

As a result, the programs on the Alibaba platform accommodated 43 Kazakh manufacturers. By the middle of 2020, the participants concluded deals worth KZT 50 million. Since Alibaba is a global platform,

¹³⁴ <http://expertonline.kz/a15244/>

¹³⁵ https://interfax.kz/?lang=rus&int_id=13&news_id=244

¹³⁶ Annual report of "Kazpost" JSC for 2019 [https://post.kz/uploads/content/files/%D0%93%D0%9E2019%20\(14-05-2020\)\(1\).pdf](https://post.kz/uploads/content/files/%D0%93%D0%9E2019%20(14-05-2020)(1).pdf)

¹³⁷ <https://liter.kz/1437-kak-kazpochta-vyvodit-rynok-elektronnoy-kommertsii-rk-na-mirovoy-uroven/>

¹³⁸ <https://atameken.kz/ru/events/159-shkola-internet-eksportera>

¹³⁹ <https://russian.alibaba.com/activity/status-gold-supplier.html>

participants were able to find buyers not only in China but also in Europe. The pace is constrained by logistical constraints and other problems caused by the COVID-19 pandemic. In the future NPP RK Atameken and state authorities plan to develop training of entrepreneurs in online sales throughout Kazakhstan.

Northwestern Political and Legal University in Xi'an started to provide training in online trading in Kazakhstan¹⁴⁰. The project will be launched jointly with the International Kazakh-Chinese Language College in Kazakhstan and a curriculum and training plan have already been developed. As for China, the project is also supported by such giants of Internet commerce as Tencent and JD.com. The project will partner with the Confucius Institute at the Tashkent State Institute of Oriental Studies in Uzbekistan. According to Wang Weidong, dean of the electronic commerce department of North-Western University of Politics and Law, e-commerce has become an important form of trade between countries located along the "Belt and Road".

S.M. Kirov Plant JSC together with China Greatwall Technology Group Co Ltd organized the assembly of notebooks in Petropavlovsk. The Kirov Plant was relocated from Aleksandrov town, Ivanovo region, in 1941 during the Second World War and now specializes in the production of electrical and electronic equipment—transformers, radio stations, electricity meters, etc. China Greatwall Technology Group Co Ltd is a large manufacturer and designer of computers, computer equipment, consumer electronics, founded in 1987¹⁴¹. The company is headquartered in Shenzhen and listed on the Shenzhen Exchange. Since 2017, as a result of the reorganization, the company has expanded its activities to include communication systems for the armed forces, satellite navigation and positioning, military security systems, military autonomous managed computers and networks¹⁴². The assembly line launched at S.M. Kirov Plant JSC is designed to produce 30,000 notebooks¹⁴³ per year. It is planned that in the future the localization will increase and the installation of electric cells and production of printed circuit boards for laptops will be carried out in Kazakhstan.

On October 8, 2019, after an official visit to China, the President of the Republic of Kazakhstan Kasym-Jomart Tokayev ordered the Akimat of Nur-Sultan and the Government to "digitize the whole city"¹⁴⁴. During his trip to China, the President visited Hikvision's headquarters in Hangzhou, where high-precision video analysis systems using Deep Learning neural network technology were demonstrated¹⁴⁵. Hikvision has been present in Kazakhstan since 2015 and supplies video surveillance systems and security equipment, including those for monitoring road safety.

In the field of video control, analysis and forecasting solutions for municipal authorities and law enforcement agencies in Kazakhstan, the domestic intellectual system Sergek is widely used. The system was developed by Korkem Telecom LLP using solutions of Chinese company Dahua Technology¹⁴⁶ and allows to control key areas of urban space, record and recognize images, provides intelligent processing and analysis of information¹⁴⁷. Dahua Technology and Hikvision are world leaders and together control over 40% of the global video surveillance market¹⁴⁸. Both companies¹⁴⁹ were listed in 2019 as being subject to USA sanctions for their involvement in violations of ethnic minority rights.

¹⁴⁰ <https://inbusiness.kz/ru/last/kitajskij-universitet-organizovyaet-onlajn-kursy-po-elektronnoj-torgovle-dlya-studentov-ca>

¹⁴¹ <https://www.wsj.com/market-data/quotes/CN/000066/company-people>

¹⁴² <http://www.greatwall.com.cn/news/FileDisplay.aspx?FileID=a0a43c1a-4b09-4743-a647-46ee80cdf2dd>

¹⁴³ <http://zik.kz/news/2500-kompjuterov-gotovo-ao-zavod-im-s-m-kirova-vypuskat-v-prodazhu-s-konca-ijulja-2020-goda/>

¹⁴⁴ https://tengrinews.kz/kazakhstan_news/najimaesh-vyhodyat-dannye-cheloveka-tokaev-poruchil-381038/

¹⁴⁵ <https://hikvision.ru/press/190913093406>

¹⁴⁶ <https://rus.azattyq.org/a/central-asia-china-2019-year/30362155.html>

¹⁴⁷ <http://sergek.kz/>

¹⁴⁸ <https://asia.nikkei.com/Economy/Trade-war/US-sanctions-blur-Chinese-dominance-in-security-cameras>

¹⁴⁹ <https://www.govinfo.gov/content/pkg/FR-2019-08-13/pdf/2019-17201.pdf>

3. “Panda” or “dragon”: difficulties in perception

3.1 Development trends of China's “soft power” in Kazakhstan: education, culture and mass media

The theme of “soft power” has emerged in Chinese political discourse in response to the need for a positive image of China. This approach is based on the ideas of the American scientist Joseph Nye, who proposed the term “soft power” in 1990 in his book “Bound to Lead: The Changing Nature of American Power” as a means of influencing the behavior of other states in order to achieve the desired results from them.

According to Joseph Nye, “a country's soft power is firmly rooted in three main sources: its culture (in places where it is attractive to others), its political values (when it itself lives according to these values and is guided by them in relations with other countries) and its foreign policy (when others consider it legal and morally valid)”¹⁵⁰.

It should be emphasized that the idea of a non-violent influence on other countries corresponds to ancient Chinese traditions: the statement of the founder of the military art school, Sun Tzu, that “the best of the best is to conquer a foreign army without fighting”¹⁵¹, as well as Confucius's quote that “a noble man makes friends through culture” are fully consistent with the concept of “soft power”¹⁵².

For the first time, China began to seriously consider the role of non-traditional instruments of influencing the world community with the coming to power of Hu Jintao. Important components of this process are the foreign policy doctrine of the “peaceful rise of China” (2003), the idea of the Beijing Consensus of 2004, and the concept of harmonious peace submitted by the President of the People's Republic of China, Hu Jintao in 2005.

The combination of Confucian social and political values, folk traditions and customs, art, and the Chinese language is understood by Chinese political scientists as the most important components of China's “soft power”. Strengthening the “soft power” corresponding to the position and influence of China, according to considerations of the Chinese political and scientific elite, will complement the successes that have been achieved in the economic, political and military spheres.

The specificity of the Chinese understanding of “soft power” is analyzed in detail by Pang Zhongying, the Director of the Institute of Global Studies, Nankai University. The author indicates several aspects of this policy that China is going to actively develop:

- › Production systems (economic industry and the creation of “intangible” goods);
- › Education and science (export and import of education);
- › Culture as a brand (the use of metaculture for “educational” purposes and the spread of Chinese unique culture through language and artistic culture)¹⁵³.

It is precisely the elements of Beijing's “soft power” that have begun to bear tangible results in recent years, and as a result, China has received a more favorable attitude from the Central Asian countries.

In October 2007, at the 17th Congress of the Chinese Communist Party, the policy of “cultural soft power” was announced as a separate direction of the country's foreign policy. In his speech at the congress, Hu

¹⁵⁰ <https://neurons.kg/tpl/library/213.pdf>

¹⁵¹ <https://greatwords.org/quotes/6925/>

¹⁵² <https://globalaffairs.ru/articles/ot-myagkoj-sily-k-kulturnomu-mogushhestvu/>

¹⁵³ Pang Zhongying. *On China's Soft Power* / Siis.org.cn: Shanghai Institutes for International Studies.
URL: http://www.siis.org.cn/Sh_Yj_Cms/Mgz/200601/2008724225610L5PS.pdf

Jintao noted the fact that “today culture is becoming an increasingly important element of rivalry in the aggregate state power, and the development of culture within the country should be accompanied by an increase in its international influence”¹⁵⁴.

At the sixth plenum of the 17th CPC Central Committee held in October 2011, a document “Decision of the CPC Central Committee on some important issues of deepening the reform of the cultural system promoting the development and prosperity of socialist culture” was adopted. The document notes the growing importance of “soft power” in the rivalry between countries, as well as the need to “implement a strategy of cultural expansion, increase the international influence of Chinese culture, show the world a new image of China's reform and opening up”¹⁵⁵.

It should be noted that Kazakhstan and China share a long-standing cultural relationship. Due to the conventionality of borders in pre-Soviet times, the peoples of the two countries freely interacted economically and culturally.

After Kazakhstan gained independence, the official period of relations with the Celestial Empire began. Since 1991, a number of agreements have been signed in the field of education, cultural exchange, tourism, and economic cooperation. In 1992, the “Agreement on the further development of tourist exchange between the Republic of Kazakhstan and the Xinjiang Uygur Autonomous Region of the People's Republic of China”, as well as the “Agreement on cultural cooperation between the Republic of Kazakhstan and the PRC” were concluded¹⁵⁶. On October 18, 1993 the “Cultural Cooperation Plan between the Ministry of Culture of the Republic of Kazakhstan and the Ministry of Culture of the People's Republic of China for 1993-1994” was signed¹⁵⁷. On July 5, 1998, an “Agreement between the Ministry of Education, Ministry of Culture and Ministry of Health of the Republic of Kazakhstan and the Main State Administration for Physical Culture and Sports of the PRC on cooperation in the field of sports and physical culture” was concluded in Beijing.

In 2001, the Days of the Culture of Kazakhstan were held in China; and in 2002 the Days of the Culture of China were held in Kazakhstan. Moreover, in 2002, a Chinese scientific and technical exhibition was held in Almaty; and a meeting of representatives of the Ministries of Culture of the SCO member states was held in Beijing.

The Days of Culture of Almaty in Shanghai were held in 2004. In June of the same year, the House of Culture of China was opened at the National Library of Kazakhstan. In August 2005, the Days of Shanghai Culture were organized in Almaty.

Cooperation in the field of cinematography began in 2013, when the Kazakhstani Cinema Week was held in the capital of China. In November of the same year, the Days of Kazakhstani Culture were held in China. The collaboration continued with the film *Composer*, which was presented to the general public in 2018. In his historic speech, which is the starting point of the Belt and Road Initiative, Xi Jinping, in 2013 at Nazarbayev University, told the touching story of famous composers of the two countries Xian Xinghai and Bakhytzhan Baikadamov, who became a symbol and embodiment of the traditional friendship between China and Kazakhstan. The story served as the basis for the script of the film *Composer*. The performers of the film project are Kazakhfilm JSC named after Sh. Aimanov and the Chinese film company Shineworks Media. The main roles in the film are played by famous Chinese actors Hu Jun, Yuan Quan, Ju Xue and Kazakhstani actor Berik Aitzhanov.

As for the overview of the representation of Chinese literature in Kazakhstan, according to the ex-Consul General of the PRC, Zhang Wei, the classical works of famous modern Chinese writers were translated into

¹⁵⁴ <https://regnum.ru/news/1759411.html>

¹⁵⁵ <https://caa-network.org/archives/18142>

¹⁵⁶ *Cultural Cooperation Agreement between the Government of the Republic of Kazakhstan and the Government of the PRC.*

¹⁵⁷ PARAGRAPH Information system

Kazakh and published in Kazakhstan¹⁵⁸. However, a review of the popular book network *Meloman* showed the availability of a dozen books by Chinese authors among more than 10,000 books submitted.

The undoubted ambassador of Kazakhstan's culture to China is the singer Dimash Kudaibergen. According to experts, the current popularity of Dimash in China has already gone beyond the entertainment sphere and has become a symbol of cultural exchange between China and Kazakhstan. Kudaibergen woke up popular after participating in the Chinese vocal competition "Singer". The sixth season of the competition averaged 95 million Chinese viewers, according to Hunan TV, which broadcasts the show. After his first performance, Kudaibergen instantly gained popularity. Within a week, Dimash has amassed over three million subscribers on China's largest social network, Weibo. The Chinese audience even nicknamed Dimash Kudaibergen as *jinkou xiaogege*, which means "imported brother".

Some experts consider the popularity of Dimash Kudaibergen to be a calculated political step. "Definitely, his success is not an accident," says expert Gaukhar Nursha. "Of course, he is a talented and handsome guy, but the support from both sides [Kazakhstan and China], helping to popularize his image, [speaks volumes]. I believe that the only thing China is trying to do is to get rid of its image, to push through the idea that it is not going to aggressively invade our country. Instead, being a large empire, it tries to take care of its smaller brothers like the countries of Central Asia. Thus, Dimash is a good example because China has recognized the existence of talent in Kazakhstan"¹⁵⁹.

The popularity of Dimash was the reason for the growing tourist flow of Chinese tourists to Kazakhstan. So, for nine months, in 2019, the number of tourists increased by 55% compared to the same period in 2018, and the "Homeland of Dimash" tour is especially popular among Chinese tourists. At the same time, according to the ex-Consul General of the People's Republic of China Zhang Wei, the cooperation between China and Kazakhstan in the field of tourism began quite late but is developing at a dynamic pace¹⁶⁰. Thus, 2017 was declared the Year of China Tourism in Kazakhstan.

China is one of the five countries visited by Kazakhstanis, so at the end of 2018, out of 10.8 million Kazakhstani tourists, 227,000 people or 2% visited China¹⁶¹. The PRC is attractive for Kazakhstani citizens as an object of business, medical tourism, shopping, as well as recreation on the Hainan Island.

Chinese medical centers, as one of the manifestations of China's "soft power", successfully operate in all regional centers of Kazakhstan and are popular.

Twinning relations have been established between 12 cities and regions of China and Kazakhstan. Thus, the twin city of the capital of Kazakhstan is Beijing; the capital of XUAR, Urumqi, is named the twin city of Almaty; fraternal ties have been established between Shymkent and Baiin.

For China, priorities in approaches to "soft power" are based on the development of tools of non-force influence and protection of national cultural security from other international "soft power" actors competing with the Chinese national culture, including with the help of Confucius Institutes¹⁶².

Confucius Institutes are non-profit organizations created on the basis of a foreign university by China and its foreign partners as a joint venture. However, there are some exceptions that allow the creation of Confucius Institutes in cooperation with non-profit organizations, for example, with foreign cultural centers. Moreover, on the basis of secondary educational institutions, it is possible to create Confucius Classes. The regulation of the Confucius Institutes and Classes is carried out by the Office for the International Spread of the Chinese Language (Hanban).

¹⁵⁸ <https://mail.kz/ru/news/politics/genkonsul-knr-g-n-chzhan-vei-kitaisko-kazahstanskie-otnosheniya-budut-tolkou-luchshatsya>

¹⁵⁹ <https://russian.eurasianet.org/казахстанская-поп-звезда-покоряет-китай-или-«мягкая-сила»-славы>

¹⁶⁰ https://www.kt.kz/rus/society/kazhstan_i_kitaj_ukreplajut_sotrudnichestvo_v_sfere_turizma_1153652505.html

¹⁶¹ <https://zonakz.net/2019/12/23/nazvana-prichina-predpochtitelnosti-dlya-kazaxstancsev-vyezdno-go-turizma/>

¹⁶² Gorlova Irina Ivanovna "Culture as "soft power": tools and points of application

Confucius Institutes are primarily designed to serve the popularization of the language and culture of China through various competitions and events. On their basis, courses of the Chinese language and culture are organized, qualification tests in the Chinese language (HSK), scientific conferences dedicated to China are held. Also, Confucius Institutes prepare and publish educational materials on the Chinese language and organize student and teaching internships in China, as well as consultations on studying in the PRC.

Four Confucius Institutes function in Kazakhstan in the cities of Nur-Sultan, Almaty, Aktobe and Karaganda. The Confucius Institute was established on the basis of the Eurasian National University named after Gumilyov (Nur-Sultan) and Kazakh National University named after Al-Faraby (Almaty) in cooperation with Lanzhou University on the basis of the Chinese Language Center of KazNU opened in 1999. In 2010, the Confucius Institute was established on the basis of the Aktobe State Pedagogical Institute (Aktobe) and in 2011 the Karaganda Technical University (Karaganda).

The Confucius Institutions system is a fairly effective mechanism for increasing cultural influence and popularizing the language. The activities of the Confucius Institutes and the activity of the Chinese state to popularize the Chinese language and culture have led to the fact that by now the Chinese language is included in the national education system of more than 40 countries.

Confucius Institutes are established on the basis of the largest and most reputable universities in the countries. This factor allows attracting the most gifted students, who in the future will belong to the elite societies of these states, who treat China with respect and love. Accordingly, this will provide China with additional opportunities to exercise its "soft power". Besides, thanks to the activities of Confucius Institutes, there is a positive effect from the internationalization of Chinese universities that cooperate with foreign universities.

At the same time, a number of Kazakhstani experts believe that Confucius Institutes are not effective enough in terms of "soft power". So, during an expert meeting held within the framework of this study, political scientist Ivan Zuenko voiced the following thought: "As for Chinese soft power, I think that we should gradually change our views, our ideas about it, because we see that traditional soft power instruments such as, for example, the Confucius Institute, of course, work as linguistic centers, as educational centers. But they are not very effective in terms of soft power. On the other hand, we have, for example, Chinese tech giants such as Huawei, Meizu, Xiaomi, etc. We have a Chinese style, for example, using QR codes to buy things, we have TikTok, we have Alibaba etc. And these tools work more efficiently than, for example, the traditional institutions of Confucius and so on. So, of course, China has its own "soft" or "smart" power. And of course, China is using it to make some profit for its foreign policy"¹⁶³.

In turn, in the period from 2015 to 2017, four "Centers of Kazakhstan" have been opened in China, which to this day are successfully functioning in Shanghai, Beijing, Dalian and Xi'an universities. The centers provide assistance in the study of the Kazakh language, Kazakh culture and art, as well as inform students and teachers about the history and modern life of Kazakhstan.

It is always extremely important for China to build educational and cultural ties with its partners. Thus, one of the greatest sages in Chinese history, Lao Tzu, noted: "The best bonds are those that are not held by anything material, but they cannot be broken"¹⁶⁴.

One of the main indicators of the work of "soft power" in the field of education can be called academic mobility. China and Kazakhstan are world leaders in terms of external academic mobility of students and are in the top ten for this indicator over the past five years (Table 14).

¹⁶³ Power (2019). Aktamov I. G., Badmatsyrenov T. B. "Soft power" of China: educational strategies of foreign policy influence

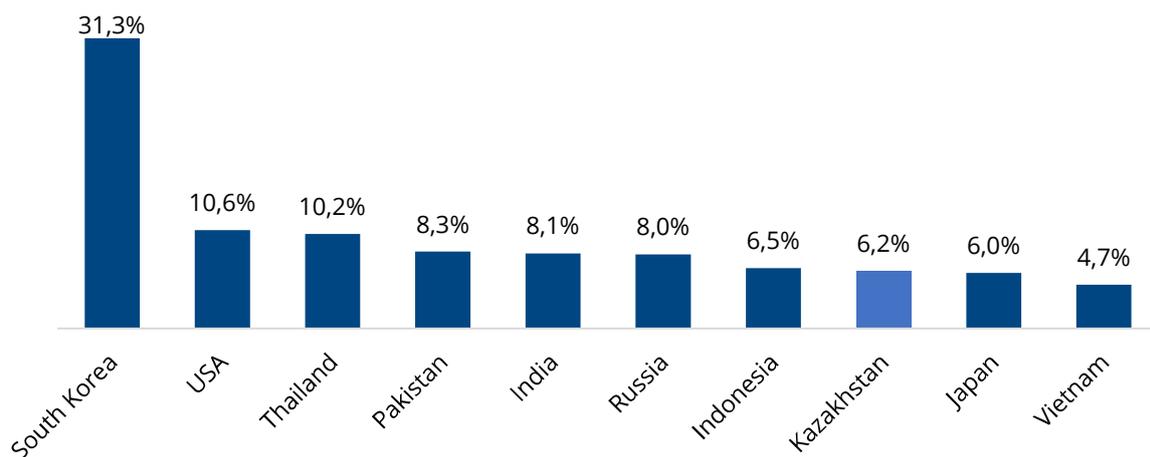
¹⁶⁴ Power (2019). Aktamov I. G., Badmatsyrenov T. B. "Soft power" of China: educational strategies of foreign policy influence

Table 14. *Outgoing student mobility, people*

#	Country	2013	2014	2015	2016	2017
1	China	719 065	770 516	819 524	866 072	869 387
2	India	190 358	215 611	256 636	301 406	305 970
3	Germany	120 150	118 494	117 104	119 088	119 021
4	South Korea	113 799	110 024	107 762	104 992	105 360
5	France	76 576	82 057	86 690	90 543	90 717
6	Saudi Arabia	74 965	84 193	86 242	90 178	89 282
7	Kazakhstan	54 173	66 998	78 260	90 187	89 505
8	Nigeria	64 565	79 296	92 476	95 731	89 094
9	Vietnam	55 980	59 468	68 046	82 159	82 160
10	Ukraine	42 530	49 966	68 295	77 263	77 219

Source: UNESCO

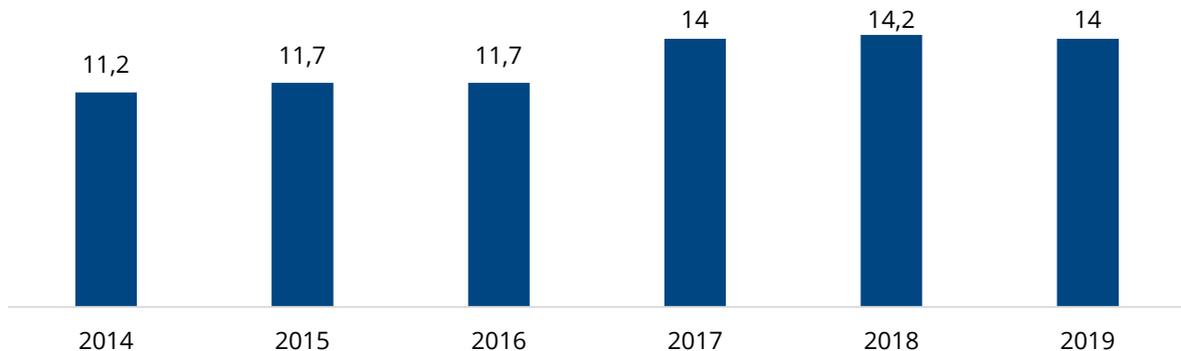
Along with the “export” of students, to achieve positive results of “soft power” it is also important to involve foreign students in the country's domestic universities. Thus, according to the Study in China company, in 2018 more than 470,000 foreign students studied in China. This indicator exceeds the level of 2014 by 35%. In 2018, 6.5% (14,900) of foreign students were from Kazakhstan. This is a significant indicator for Kazakhstan. So, for example, if in 2018, 1 out of 8,000 Russians (18,400 students) preferred Chinese universities, then for Kazakhstan this figure was 1 out of 1,200 (Figure 19).

Figure 19. *Contingent of foreign students in the PRC (480,000), 2018*


Source: Study in China Education Company

The contingent dynamics of Kazakhstani students in the PRC has been stable since 2014. The number of students from Kazakhstan in China increased from 11,200 to 14,000 people (Figure 20).

Figure 20. Dynamics of the number of Kazakhstani students in the PRC, thousand people

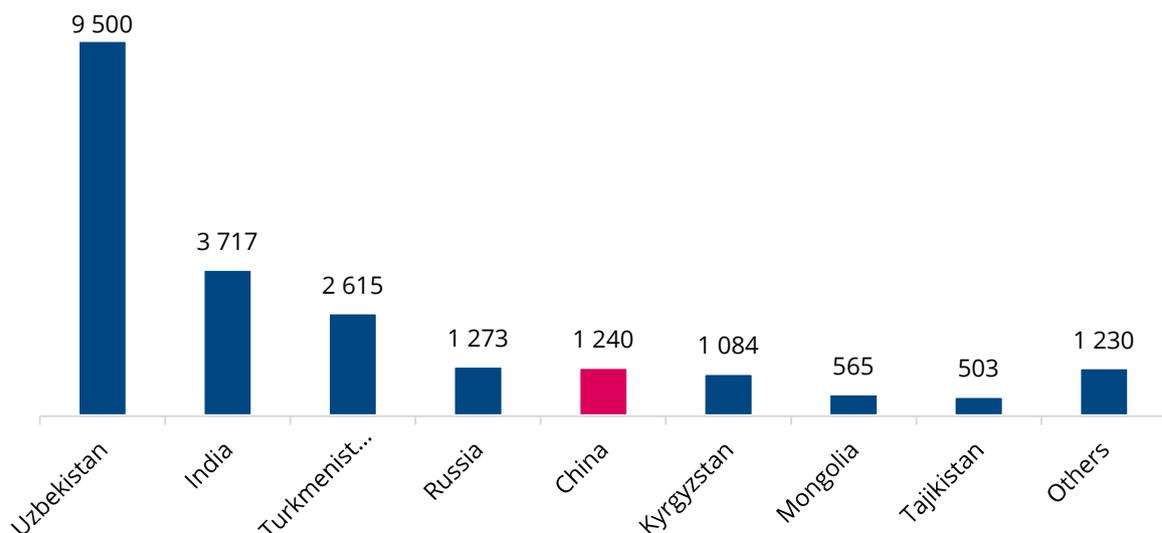


Source: Forbes Kazakhstan, Kursiv, TV Channel "Khabar 24", "Zakon.kz"

According to the website <https://studyinchinas.com/>, China is one of the five most popular countries for studying, second only to Russia, the United States and England. In 2019, 14,224 students from Kazakhstan studied in the PRC; 1,035 among them were the holders of a state grant; 2,500 students were holders of a government grant; and 10,390 students studied on a paid basis. The attractiveness of Chinese education in Kazakhstan is explained not only by the relatively low cost (USD 4,000-5,000 per year) but also by the high level of education, employment opportunities and chance of starting a business after graduating from university and mastering the Chinese language, the variety of specializations, and the high safety of living in PRC.

In 2018, 21,700 foreign students studied in Kazakhstan; among them, 1,200 (5.5%) were Chinese citizens (Figure 21). According to the forecasts of the Center for International Programs JSC, more than 50,000 foreign students will study in Kazakhstan by 2025¹⁶⁵.

Figure 21. Information about foreign students in the Republic of Kazakhstan for 2018, people

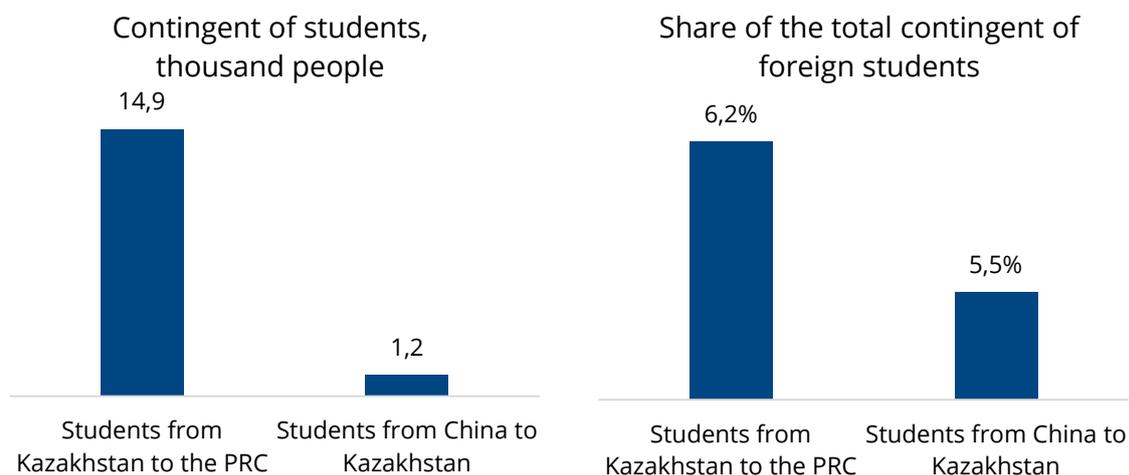


Source: IAC JSC

¹⁶⁵ Ministry of Education and Science of the Republic of Kazakhstan, Information and Analytical Center JSC (2019) National report on the state and development of the education system of the Republic of Kazakhstan (at the end of 2018.)

Comparison of the numbers, related to the import and export of students, confirms the more powerful and dominant “soft power” of the PRC in relation to the RK (Figure 22). However, it is worth noting the prevalence of students from China around the world due to the much larger population of China.

Figure 22. Comparison of the interstate exchange of students of the RK-PRC



Source: IAC JSC, Study in China Education Company

Cooperation in the field of education between Kazakhstan and the PRC is implemented within the framework of various agreements, joint plans, student exchanges and other interstate documents. Currently it is governed by the “Agreement between the Ministry of Education and Science of the Republic of Kazakhstan and the Ministry of Education of the People’s Republic of China on cooperation in the field of education” from June 3, 2003¹⁶⁶.

Under this Agreement, China shall annually provide educational grants to persons who meet the requirements for the level of proficiency in a foreign language and GPA, depending on the program (Bachelor’s, Master’s and PhD studies). Lists of specializations, higher education institutions, as well as applicants are determined by the Chinese side. Also, the Government of the PRC annually increases the number of educational grants and scholarships for countries associated with the Belt and Road Initiative. In addition, free education is provided by the Shanghai Cooperation Organization for citizens of member states. Chinese President Xi Jinping emphasized that over 10 years his state plans to provide 30,000 scholarships for students from the member countries of the Shanghai Cooperation Organization, and four of the eight countries are in Central Asia.

Bilateral cooperation of the Republic of Kazakhstan with the PRC in the field of science is developing in the form of participation in conferences, implementation of projects, and joint publications. Cooperation is regulated by the agreement between the Government of the Republic of Kazakhstan and the Government of the People’s Republic of China on scientific and technical cooperation from December 30, 1994 and the Agreement on the establishment of the Kazakhstan-China Committee for Cooperation and the Subcommittee on Scientific and Technical Cooperation from May 17, 2004.

In 2013, the Deputy Minister of Science and Technology of the PRC, having a scientific visit to the Kazakh Agrotechnical University named after S. Seifullin, signed a memorandum “On the establishment of a joint Kazakh-Chinese scientific laboratory and cooperation with projects of agricultural innovations”. Since 2014, work has begun in two joint areas: the opening of a center for agricultural mechanization and a joint scientific laboratory on biosafety. Thus, today the Kazakh-Chinese Center for Agricultural Mechanization

¹⁶⁶ https://online.zakon.kz/m/Document/?doc_id=34304683

operates at the university. The first phase, carried out by the Department of Forest Resources and Forestry in cooperation with the Xinjiang Institute of Ecology and Geography of the Chinese Academy of Sciences, lasted four years, and more than 13 species of tree seedlings were planted from the Chinese side on the experimental site of the new campus of the university. In 2019, the second stage of the four-year period began. An agreement was reached to create a Joint Center for the Digitalization of Agriculture on the basis of the university.

During the visit of the President of the People's Republic of China Xi Jinping in May 2015 to Kazakhstan, the President of the Republic of Kazakhstan N. Nazarbayev proposed to expand the scientific and technical cooperation between two countries and create an IT-technopark based on the Silicon Valley model based on the KazNU named after al-Faraby. At the same time, this park should attract entrepreneurs and investors from all over the world and become one of the drivers of IT development.

Following the official visit of N. Nazarbayev to the PRC on July 7-8, 2017, the International Academy of Sciences of the Silk Road was established.

In 2018, within the framework of the Belt and Road project, the Rudny Industrial Institute became a member of the Alliance of Business Schools (ABRBS), founded by universities in the PRC. The alliance unites 11 business schools in China and 27 international business schools in Italy, France, Belgium, Poland, Australia, Russia, Kazakhstan and other countries. The Alliance was established to integrate international educational resources, develop new mechanisms for training top managers for transnational companies and create an international platform for the implementation of the Belt and Road project.

A prominent example of cooperation between scientific research institutes and universities of Kazakhstan and China is the cooperation between ENU named after Gumilyov, KazNU named after Al-Faraby, Nazarbayev University, KazNETU named after K.I. Satpayev, Institute of Information and Computational Technologies with Xinjiang Technical Institute of Physics and Chemistry, Hebei University of Technology, China University of Petroleum.

Joint research and educational activities are carried out between the Institute of History and Ethnology named after Ch.Valikhanov and the Institute of History under the Academy of Social Sciences of Xinjiang (Urumqi).

In general, since the beginning of the 1990s, Kazakhstan and China have established rather close ties in the field of education which until now have only been improving. It is however likely that due to the COVID-19 pandemic, the outflow of Kazakh students will decrease due to the growing concern of their parents. At the same time, education as an instrument of "soft power" of influence is rather long-term and painstaking.

A survey of more than 2,500 citizens of Kazakhstan, however, revealed that the level of perception of China in terms of its education and culture is low, which allows us to conclude that the Chinese soft power is not yet as effective.

The Chinese media is a significant tool used by the PRC to influence China on the global economy. Chinese Central Television (CCTV), China Radio International (CRI), Xinhua News Agency (IA) and People's Daily are primarily classified as Chinese media aimed at overseas audiences. The main task of the listed media is to form news agenda an alternative to the Western media, as well as to provide their own vision of the main international events and problems. Large coverage of a foreign audience has been achieved due to a wide language range. Thus, CRI is broadcasting programs in 43 foreign languages and dialects; CCTV includes round-the-clock channels broadcasting in English, Spanish, French, Arabic and Russian.

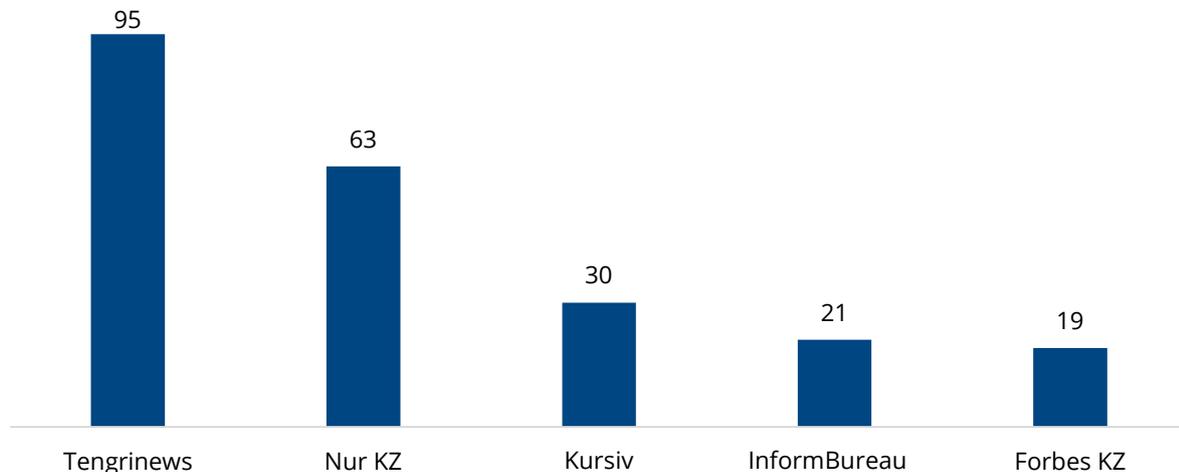
The media broadcasting to foreign audiences represents the key instrument of the PRC in the confrontation with the West in the political and information sphere. An active role is also played by the Chinese embassies which regularly publish press statements, refuting materials from foreign media, influence non-governmental organizations, and support those media loyal to the course of the Chinese government.

In addition, the Chinese media are dynamically developing various formats of interaction with the target audience. Thus, CCTV and CRI are actively developing their own multilingual sites; Xinhua News Agency creates a large amount of photo and video content; significant resources are invested in the creation of applications for mobile devices. Transformation into cross-platform media, broadcasting 24/7 to a wide audience, provides an opportunity for Chinese media to compete with leading Western corporations. Thus, the goals of the Chinese media strategy are to improve the national image, increase the resources of “soft power” and increase influence in solving international problems. The mass media play an important role in this. In China, where the mainstream media are controlled by the state, the government sets priorities in shaping the information agenda for an international audience. The Information Bureau of the State Council of the People's Republic of China plays a key role in determining the main ideas that Chinese media broadcast to foreign audiences. In general, in recent years, the resources of influence of the Chinese media on foreign audiences have grown significantly.

In order to determine the way China is portrayed in the Kazakh media, the TALAP Center for Applied Research conducted a content analysis. Thus, in June - July 2020, as part of the content analysis, 228 publications of five largest Internet news portals mentioning the PRC were analyzed (Figure 23).

- > <https://tengrinews.kz/>
- > <https://www.nur.kz/>
- > <https://kursiv.kz/>
- > <https://informburo.kz/>

Figure 23. Number of articles with the “China” tag

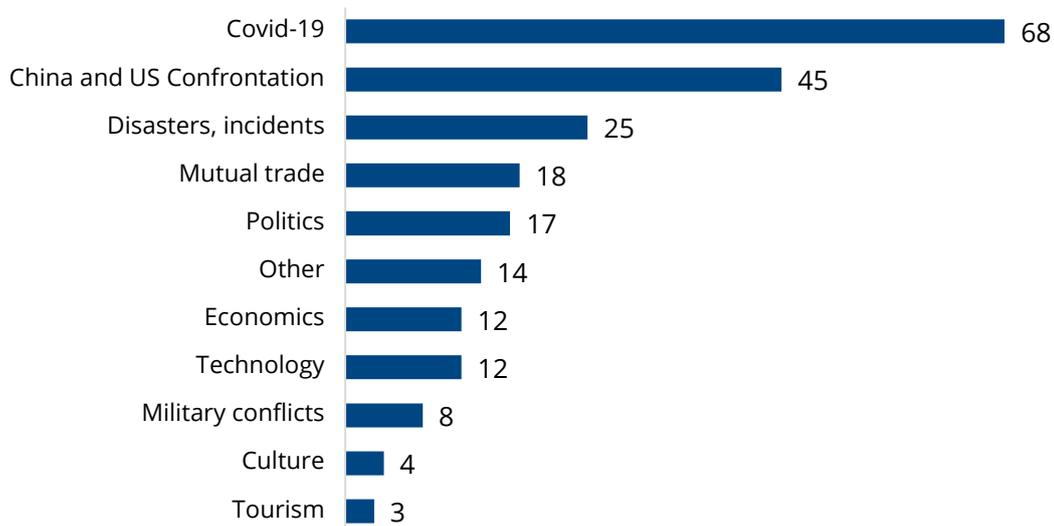


Source: Open internet sources

A great number of articles about PRC was published on the Tengrinews.kz portal. Over the past two months, 95 articles have been published.

The most popular topic was the coronavirus pandemic, followed by the conflict between the PRC and the United States (Figure 24).

Figure 24. Topics of publications about the PRC in selected Kazakhstani media, number.



Source: Open internet sources

Almost half of the publications (43%) were found to have a negative context. These publications were primarily associated with COVID-19. China is the country where the virus was first detected and has since become the target of criticism.

For comparison, articles from July 2019 were also analyzed. On the Tengrinews portal during this period, 28 articles were published using the tag “China” (for July 2020, 40 articles). More articles were devoted to culture and their comments also appeared to be more positive, although some of them contained concerns about the spread of Chinese influence in the world.

The articles with a positive context were related to the topics of technology development, trade relations between Kazakhstan and the PRC, and China’s assistance to Kazakhstan in the fight against COVID-19.

In general, according to the content analysis, the following conclusions can be drawn:

- › Almost half of the publications are negative;
- › The most popular topic in light of recent events is the COVID-19 pandemic;
- › The COVID-19 pandemic has negatively affected China’s image;
- › The PRC’s development as a high-tech power is increasingly mentioned.

There is no doubt that the COVID-19 pandemic has had a significant impact on China’s image in the world due to the fact that the virus was first detected in Wuhan. The PRC took measures to neutralize the impact of this fact on the image of China. Thus, at the opening of the 73rd session of the World Health Assembly held via videoconference, the President of the People’s Republic of China Xi Jinping announced that China would provide international assistance worth USD 2 billion over two years to support countries affected by the epidemic, primarily to the developing countries fighting the pandemic and trying to resume their social and economic development. In total, China provided assistance to 150 countries to counter the pandemic, and this support fully corresponds with the concept outlined in the White Paper “Combating COVID-19: China in Action”.

China was quick to help when the coronavirus pandemic reached Kazakhstan. Kazakhstan received the first batch of humanitarian aid to combat COVID-19 from China in March 2020.

Moreover, in the midst of the pandemic, a Chinese representative team of highly qualified doctors with extensive experience in the prevention and the treatment of coronavirus visited the cities of Kazakhstan.

The specialists provided advice and methodological assistance to Kazakhstani doctors on how to fight the virus; and introduced them to the Chinese mechanism of prevention and control of COVID-19.

In March 2020, the famous Chinese actor Jackie Chan addressed Kazakhstani people in a video message: “Disasters are merciless, but they are powerless before the love that lives in the hearts of people. We must definitely help each other. And we will definitely win the war against the new virus. Be strong China! Be strong, Kazakhstan! Biz birgemiz! Hold on!” Jackie Chan’s words were positively received by Kazakhstanis¹⁶⁷.

Economic cooperation between two countries also functions as a “soft power” to some extent. However, the implementation of 56 Kazakh-Chinese infrastructure projects, which was initially announced as the establishment of “Chinese” enterprises in Kazakhstan, caused public outcry. Thus, in 2019, a wave of protests against the construction of “Chinese” enterprises swept across the country. Experts believe that the main reasons for the protests and rallies are public distrust of the state’s foreign and domestic policy, and poor provision of information by the state apparatus. According to Adil Kaukenov, “The unsolved social problems that have accumulated over the years, coupled with fatigue from devaluations and crises, and the lack of a sense of prospects for a “bright future” cause constant irritation in the regions and rising frustration, which spills out into anti-government protests. Sinophobia serves as an excellent trigger to accuse the authorities of collusion with external forces, but government officials are not capable of clarifying the situation, since the skills and mechanisms of public work with the population have disappeared as a result of decades of inadequate public policy”¹⁶⁸.

“In my opinion, our relations with Chinese companies are extremely pragmatic, and it is good if they remain so in the future. Oddly enough, it is our anti-Chinese actions that turn them into emotions. It is naive to believe that Beijing will not react to this in any way. It is also naive to believe that the growth of Sinophobia and threats to Chinese workers and businessmen will force them to curtail their activities in Kazakhstan” says expert Sergey Domnin¹⁶⁹.

Despite the existing phobias and fears of the PRC among the population of Kazakhstan, over the past two decades, China’s image in the country has been gradually changing for the better.

¹⁶⁷ https://baigenews.kz/news/bud_silnym_kazakhstan_-_dzheki_chan_zapisa_videoobrashchenie_k_kazakhstantsam/

¹⁶⁸ https://forbes.kz//process/economy/55_kitayskih_zavoda_forbeskz_obyyasnyaet_pochemu_v_kazahstane_etih_predpriyatij_ne_poyavitsya/

¹⁶⁹ https://forbes.kz//process/economy/55_kitayskih_zavoda_forbeskz_obyyasnyaet_pochemu_v_kazahstane_etih_predpriyatij_ne_poyavitsya/

3.2 Results of the China Perceptions Index in Kazakhstan analysis

China’s growing influence on Kazakhstan is becoming more important every year. China is one of Kazakhstan’s key foreign economic partners. China’s economic achievements are gradually transforming into political leverage and its increasing economic presence is provoking discussions around the risks and threats of China’s economic influence on Kazakhstan and all of Central Asia.

A certain level of Sinophobia and anti-Chinese sentiment in Kazakhstan are increasingly the trigger for protests in different cities of Kazakhstan.

In June 2020, order to analyze the attitude of Kazakhstani citizens towards China, the TALAP Center for Applied Research conducted a sociological study called the China Perception Index in Kazakhstan.

When calculating the index, the research group focused on the following:

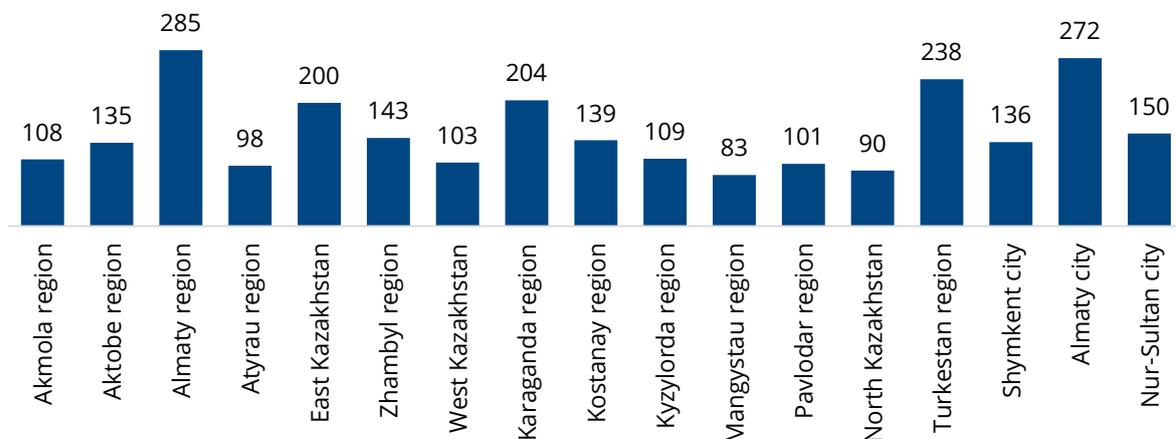
- › Assessing the image of China in the mass perception of Kazakhstanis;
- › Assessing the level of public awareness about China and its projects in Kazakhstan;
- › Assessing the perception of Kazakhstani people about economic, political and social and cultural influence of China in Kazakhstan;
- › Assessing mass perception of bilateral relations between Kazakhstan and China;
- › Studying the peculiarities of Sinophobia in the Kazakhstani society;
- › Identifying the main factors behind Sinophobia;
- › Expert assessment of the economic, political, legal and cultural influence of China in Kazakhstan.

A mass population survey and a questionnaire survey of experts were used to achieve the goal of this sociological research.

A methodology for calculating the China Perceptions Index and a questionnaire were developed. The index was calculated based on the methodology proposed by G. Tatarova¹⁷⁰. A mass population survey was carried out using the TALAP mobile application.

In total, 2,594 citizens of Kazakhstan over 18 years old from 14 regions and 3 cities of republican significance were surveyed. (Figure 25).

Figure 25. Regional breakdown of respondents by RK, people

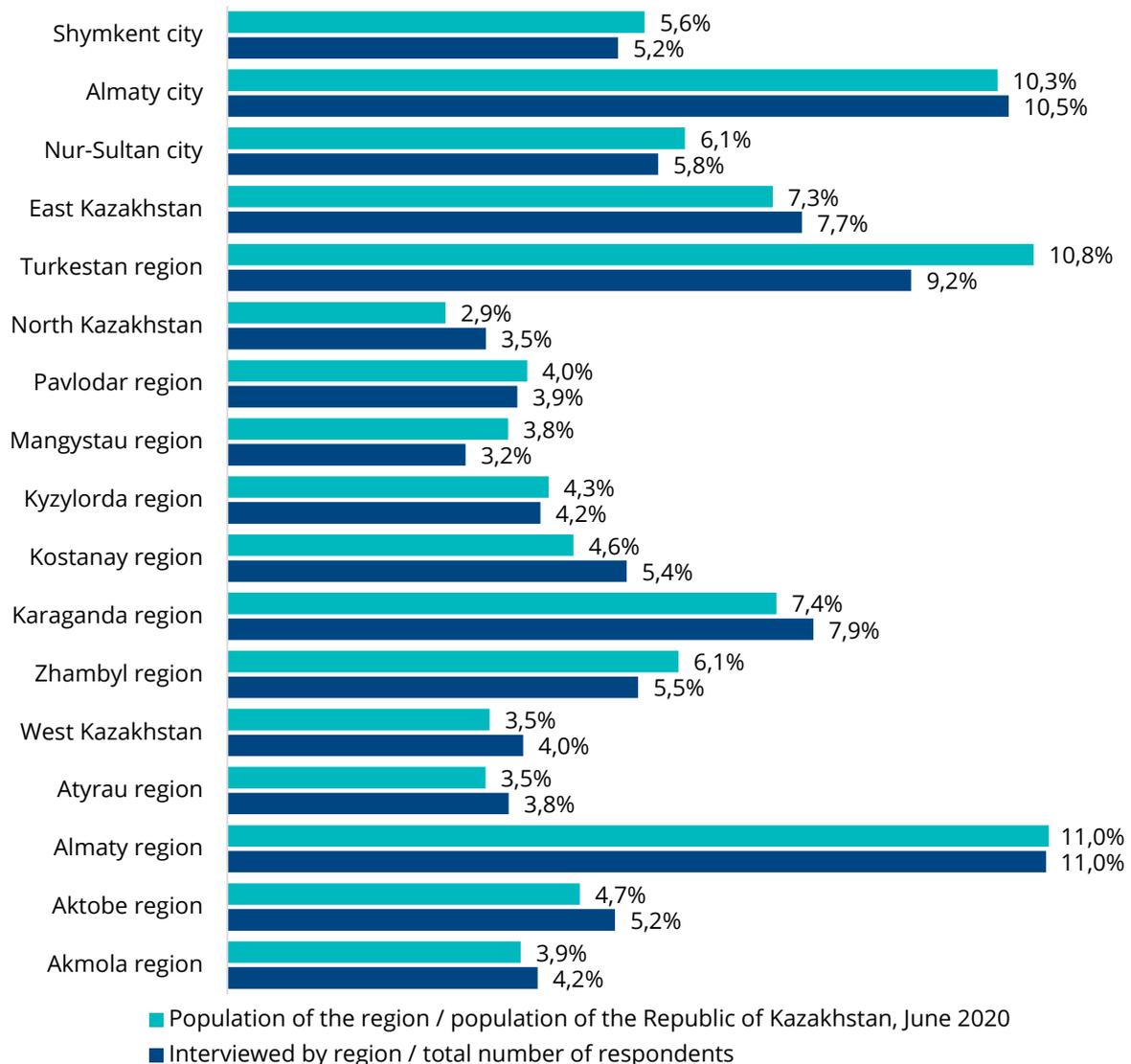


Source: TALAP Center for Applied Research PF

¹⁷⁰ G.G. Tatarova. Open Society Institute (1999). Methodology for data analysis in sociology

The share of respondents by region corresponds to the share of the population of the regions in relation to the total population of Kazakhstan. In almost all regions, the difference in the proportion of respondents from the total number and the proportion of the population was equal to +/- 0.5 percentage points. The exception is Turkestan (1.6), Kostanay (0.8) and Zhambyl (0.6) regions (Figure 26).

Figure 26. Comparison of respondents by region to the total number with the ratio of population of certain regions in relation to the total number of citizens of the Republic of Kazakhstan

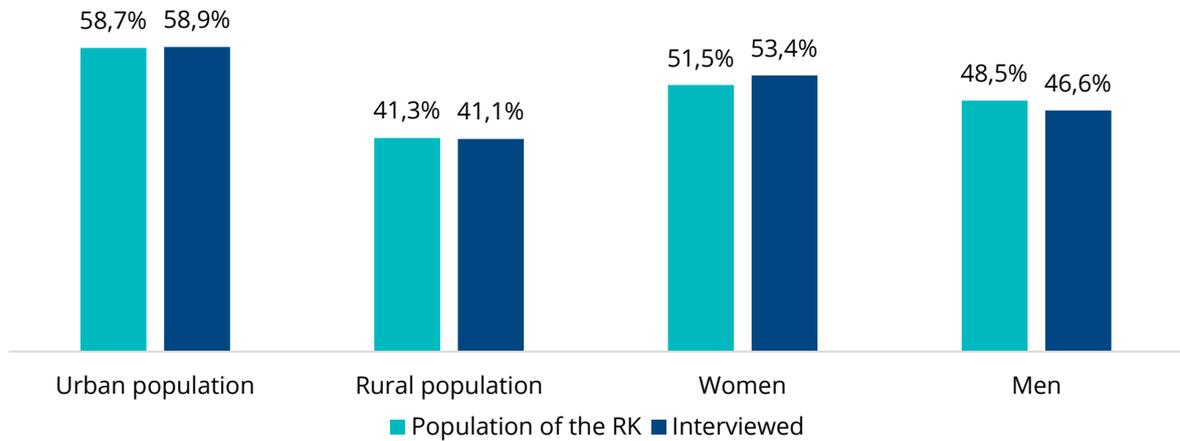


Source: SC MNE RK, TALAP CAR PF

58.9% of the respondents are urban population, rural - 41.1%. 53.4% are women, 46.6% are men. The shares of respondents by area and gender were proportional to the shares of men and women, as well as the rural and urban population in the Republic of Kazakhstan (Figure 27).

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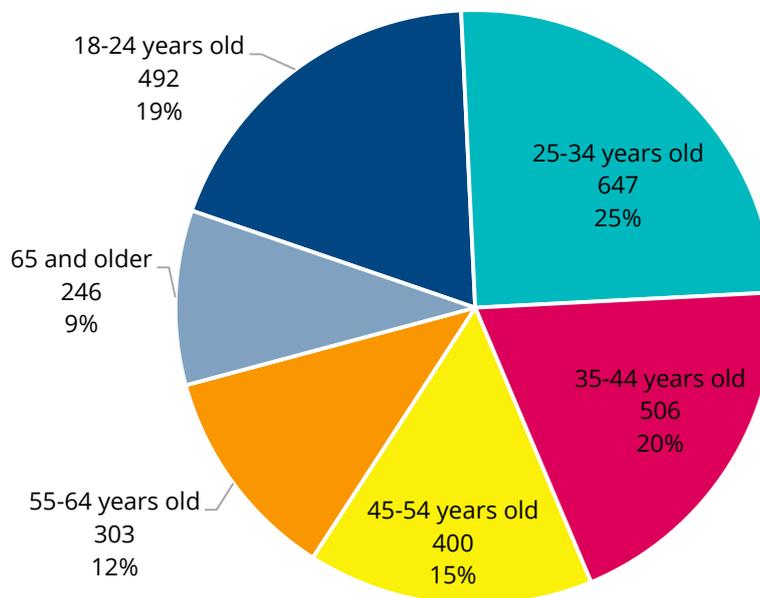
Figure 27. Comparison of respondents by type of area and gender as a share of total with the proportions of the number of people by type of area and gender in the total number of citizens of the Republic of Kazakhstan



Source: SC MNE RK, TALAP CAR PF

The corresponding ratios of respondents according to the type of area, region of residence, and gender confirms the representativeness of the study (Figure 28).

Figure 28. Surveyed by age, people

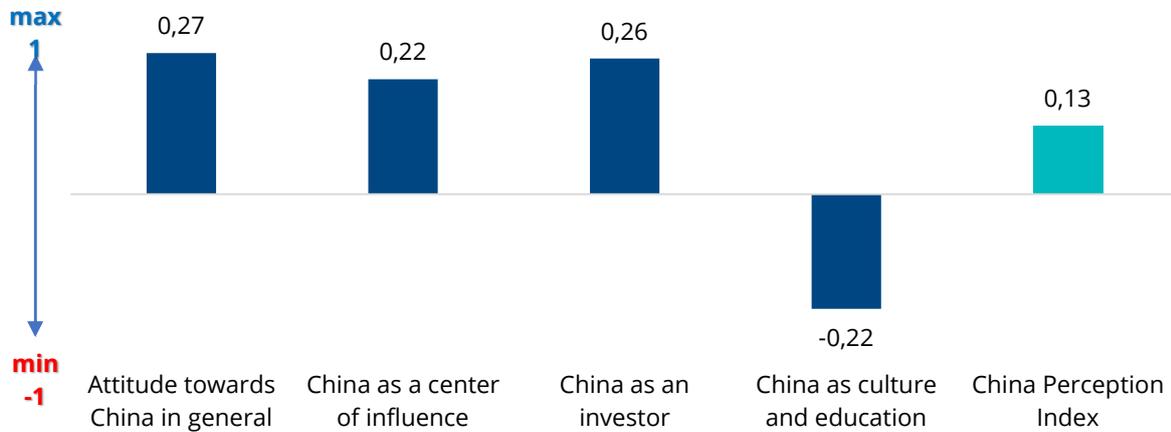


Source: TALAP CAR PF

The questionnaire consists of 41 questions to assess the perception of the political, economic, social and cultural presence, as well as China’s influence on Kazakhstan.

The perception index can take values from -1 to +1. According to the survey results, the average for Kazakhstan was 0.13. This shows that the level of perception of China is above neutral (Figure 29).

Figure 29. Values of the China Perception Index and its indicators



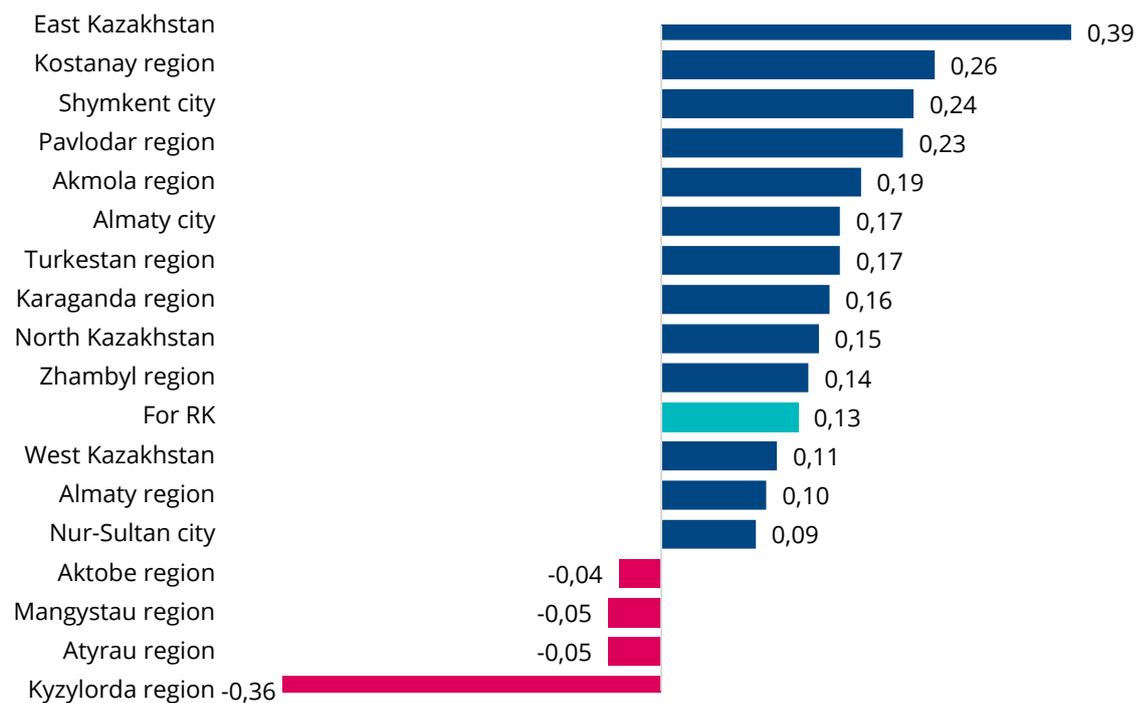
Source: TALAP CAR PF

In terms of specific indicators, the following results are observed:

- > attitude towards China in general – 0.27;
- > China as a center of influence – 0.22;
- > China as an investor – 0.26;
- > China as culture and education – -0.22.

The value of the China Perception Index differs between the regions and cities and ranges from -0.36 to 0.39 (Figure 30).

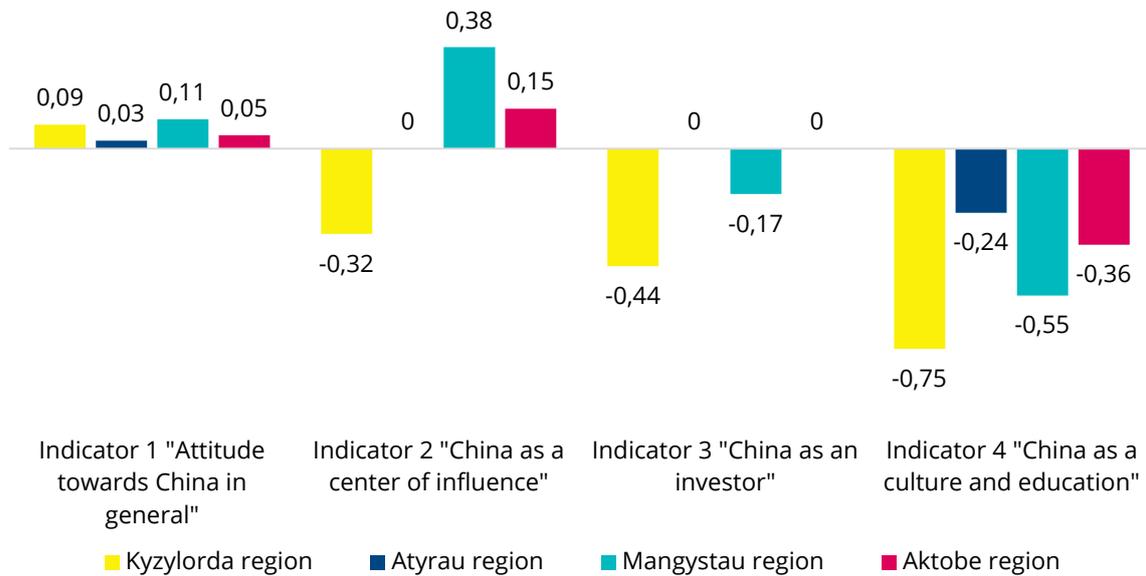
Figure 30. Values of China Perception Index by region



Source: TALAP CAR PF

The lowest index values are observed in Kyzylorda (-0.36), Atyrau (-0.05), Mangystau (-0.05) and Aktobe (-0.04) regions (Figure 31).

Figure 31. China Perception Index in Kyzylorda, Atyrau, Mangystau, and Aktobe regions



Source: TALAP CAR PF

All four regions with a low value of the China Perceptions Index have negative or neutral indicators for “China as an investor” and “China as a cultural and educational center”. These low values of the indicators may be caused by the fears of possible Chinese expansion among the population of Kyzylorda, Atyrau, Mangystau, and Aktobe regions.

During a focus group with business representatives of the Kyzylorda region, where the specifics of interaction with China were discussed, the TALAP Center researchers asked about the probable reasons for the relatively low value of the China Perception Index.

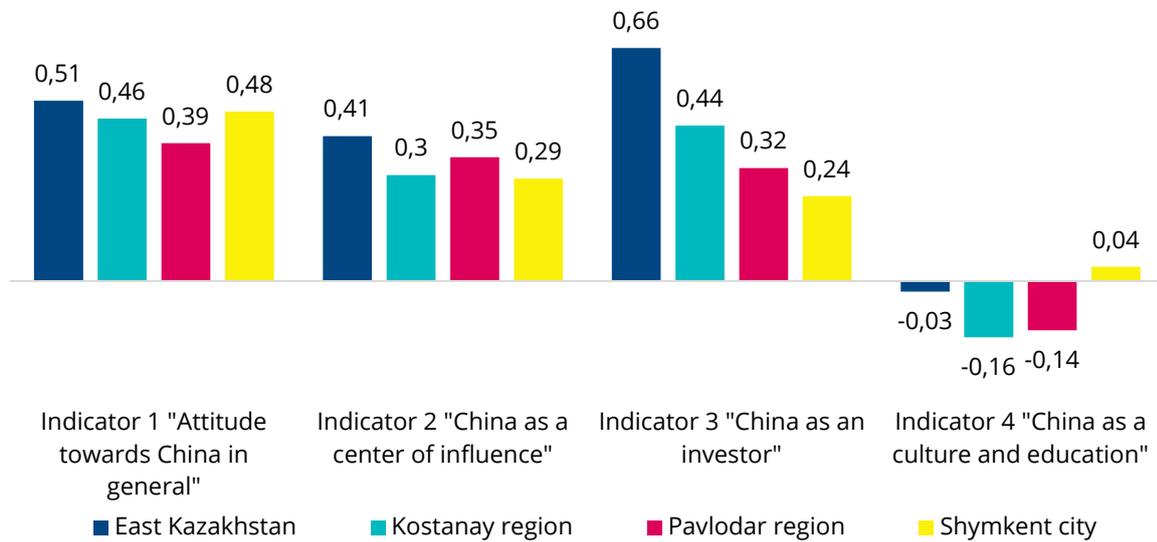
Experts from the Kyzylorda region, describing the features of doing business with representatives of China, were unanimous and highlighted the following:

- > in the Kyzylorda region, there are cases of Chinese companies lobbying the interests of contractors from the PRC and unfair competition;
- > financial capabilities of Chinese companies are substantially greater than those of Kazakhstani ones;
- > a reserved nature of Chinese citizens working in the Kyzylorda region, their insular lifestyle and lack of integration with the local population, creates discontent among the local population;
- > Chinese investors treat the training of Kazakhstani specialists only as a formality.

The respondents also noted the objectivity of the hypothesis that the competitiveness of the Kazakh labor force is lagging in terms of discipline and qualifications. Respondents expressed the necessity to maintain parity in relations both in business projects and in working conditions, and to prepare Kazakhstani enterprises to work with investors (special leaflets).

In some regions the index is above the national average - in East Kazakhstan (0.39), Kostanay (0.26), Pavlodar (0.23) regions and in Shymkent (0.24) (Figure 32).

Figure 32. China Perception Index in the East Kazakhstan, Kostanay, Pavlodar regions and in Shymkent



Source: TALAP CAR PF

The regions with the highest Index scores differ from the regions with the lowest Index scores in their higher public confidence in China as an investor and a center of influence. The population in these regions have a more positive attitude towards the PRC, as the values of the first three indicators show.

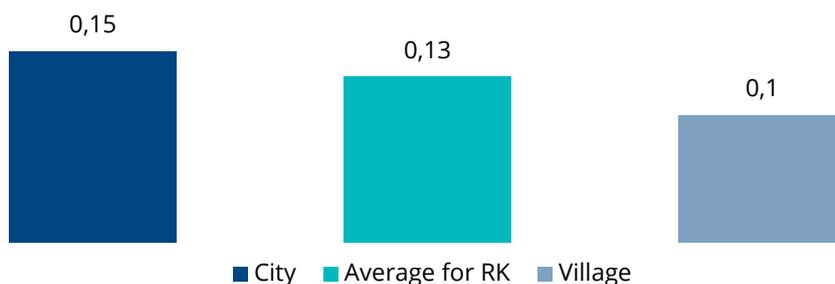
Thus, representatives of business and government bodies of the Kostanay region during the expert meeting noted the comfort of working with Chinese investors. The importance of technology transfer from Chinese, which contributes to the development of technical intellectuals in Kazakhstan was seen as a positive. The presence of the Chinese investors was considered beneficial to the region, also due to the proximity of the markets in Russia, specifically the 4 neighboring regions of Russia.

Experts from the Kostanay region also highlighted the loyalty of both partners located in China and Chinese employees working in Kazakhstan.

Business representatives from Shymkent and the Turkestan region also shared their opinions and wishes on interaction with Chinese investors and partners. They were in favor of creating parity conditions in Kazakh-Chinese relations, considering issues of supplying finished agricultural products to the Chinese market and creating equal trade opportunities in both directions.

In urban areas, the Index is above the national average, in rural areas it is below (Figure 33).

Figure 33. Value of the China Perception Index in the context of urban-rural

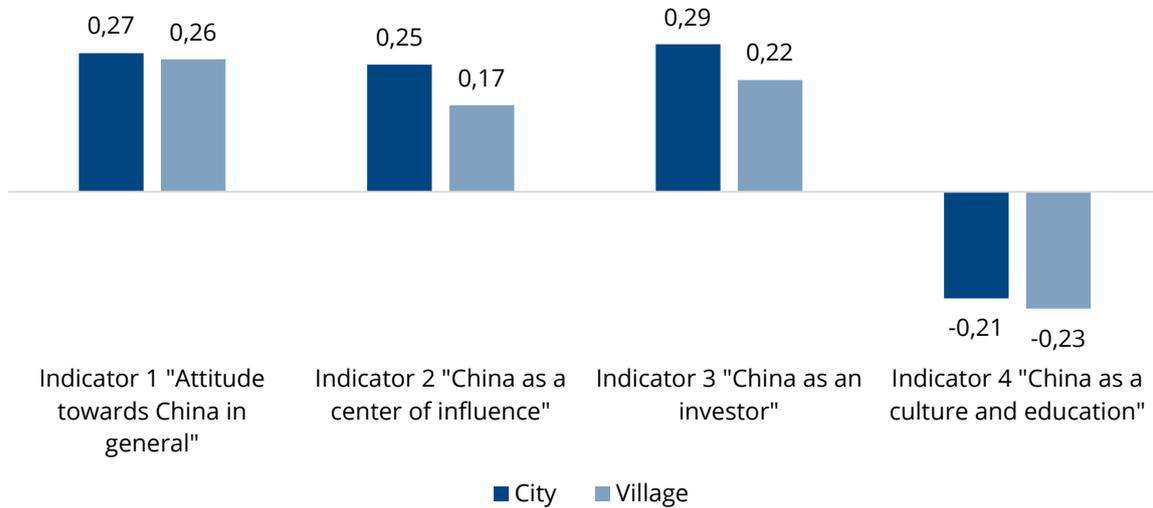


Source: TALAP CAR PF

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The Index scores higher among urban population. The largest difference is observed in the indicator 2 and indicator 3 (Figure 34).

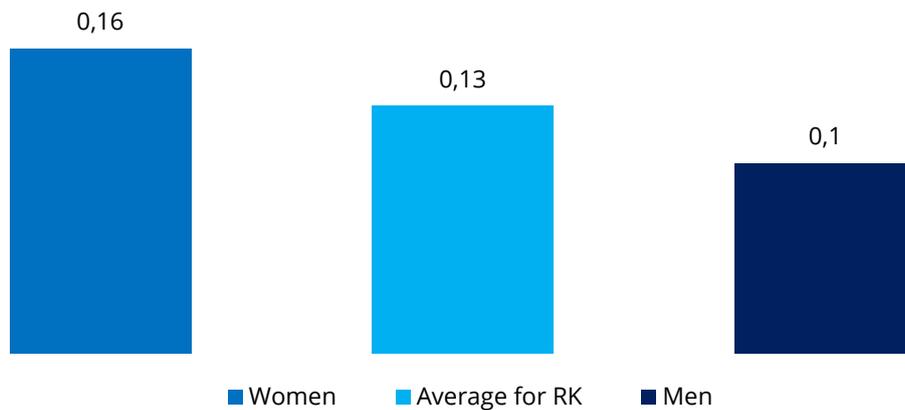
Figure 34. China Perception Index by place of residence



Source: TALAP CAR PF

The survey also showed that the China Perception Index is higher among women than men (Figure 35).

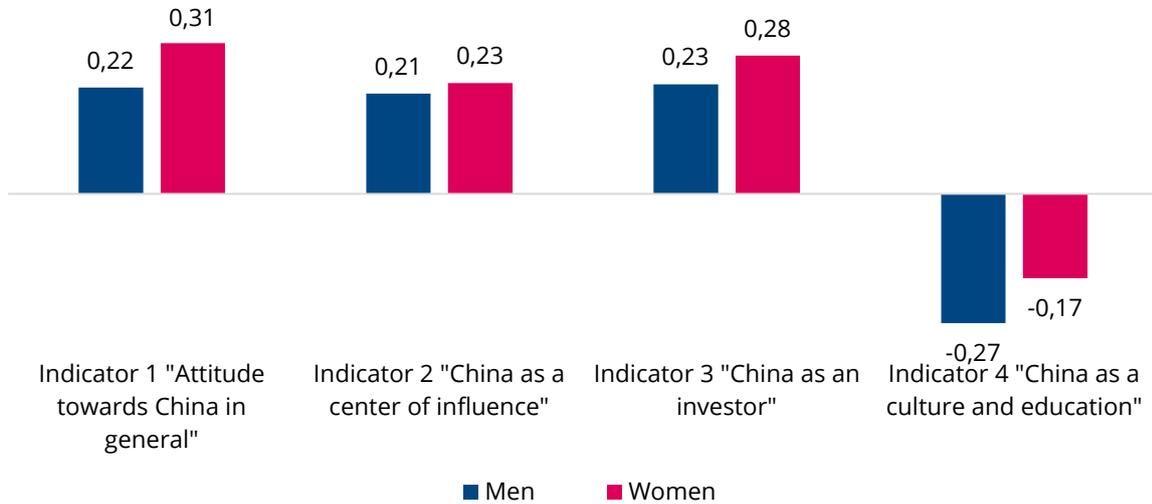
Figure 35. Value of the China Perceptions Index by gender



Source: TALAP CAR PF

According to the survey, women are more positive about China as a whole (indicator 1), with the Index scoring 0.09 points higher among women than men. Both men (-0.27) and women (-0.17) are suspicious of Chinese culture and education. There is a difference of 0.10 points in this indicator (Figure 36).

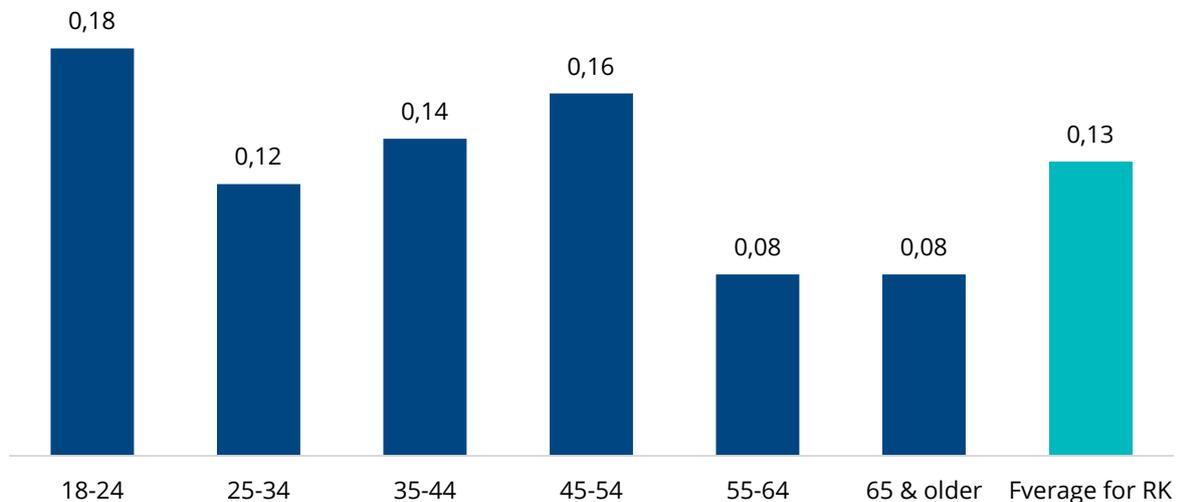
Figure 36. China Perception Index by gender and indicator



Source: TALAP CAR PF

The Perception Index is lower among older respondents (Figure 37).

Figure 37. Value of the China Perceptions Index by age group

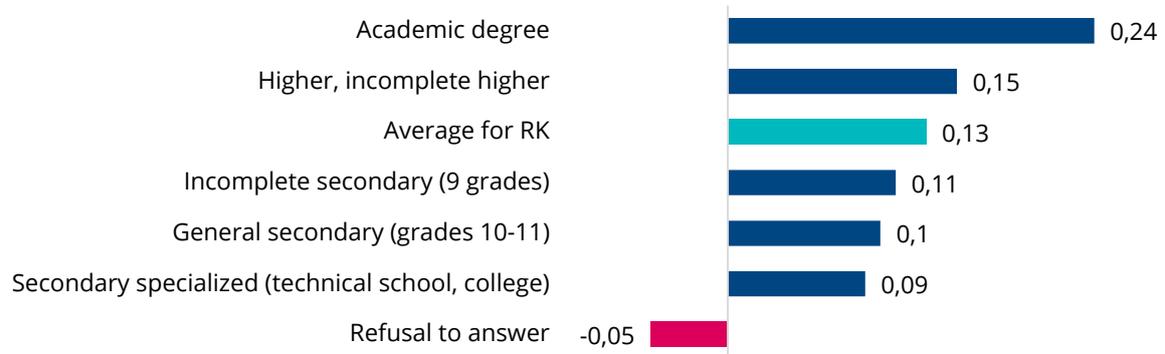


Source: TALAP CAR PF

As in many other cases, the reduction in China Perceptions Index is mainly due to low scores for indicator 4 "China as a cultural and educational center". Indicator 4 ranges from -0.22 to -0.16 among young and middle-aged people, whereas among those over 55 years old it is below -0.32. The rest of the indicators of all age groups are above neutral (0).

Measurement of the Index in terms of the level of education of the respondents showed that more educated people are more positive about China. This is probably due to their greater awareness of the current situation and relations between China and Kazakhstan (Figure 38).

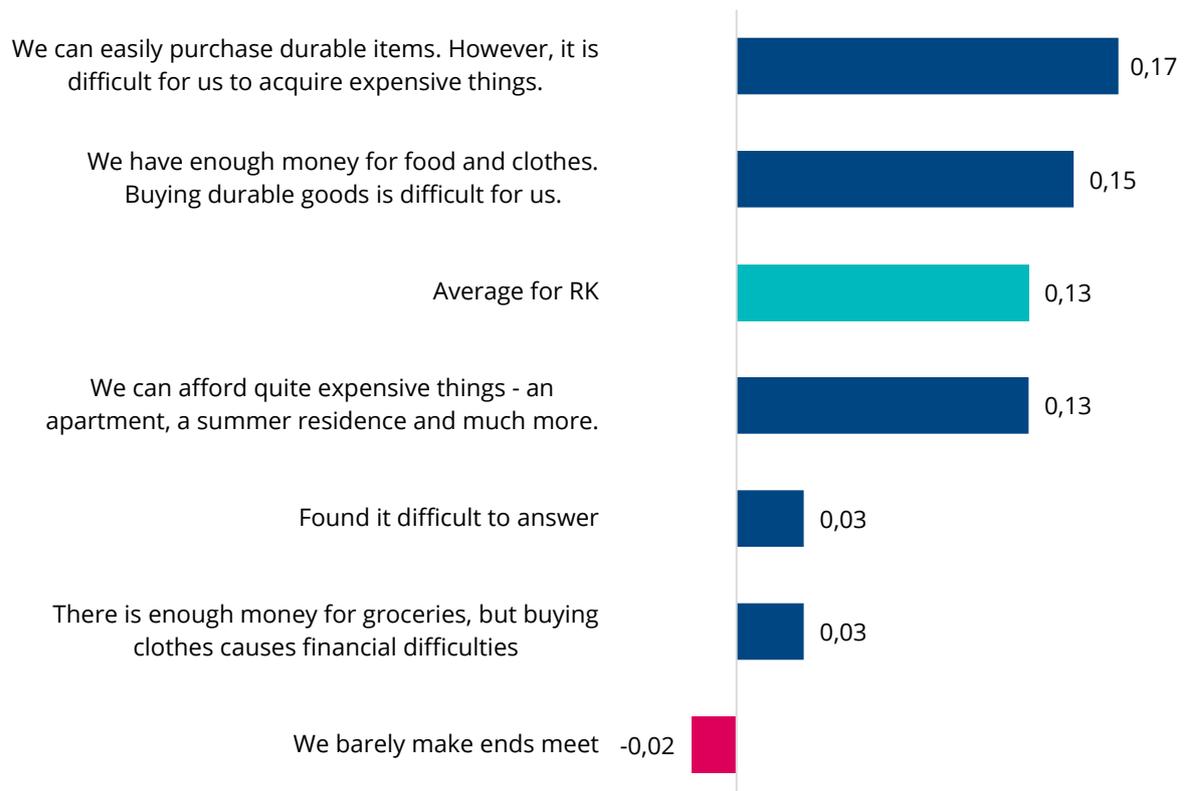
Figure 38. Value of the China Perceptions Index by level of education



Source: TALAP CAR PF

The respondent's social status also influences the China Perceptions Index to some extent. Thus, those who classified themselves as low-income ("We are barely making ends meet. There is not enough money even for food") perceive China at a level of -0.02, for people with average income and above, the China Perception Index was on par with the national average and above (Figure 39).

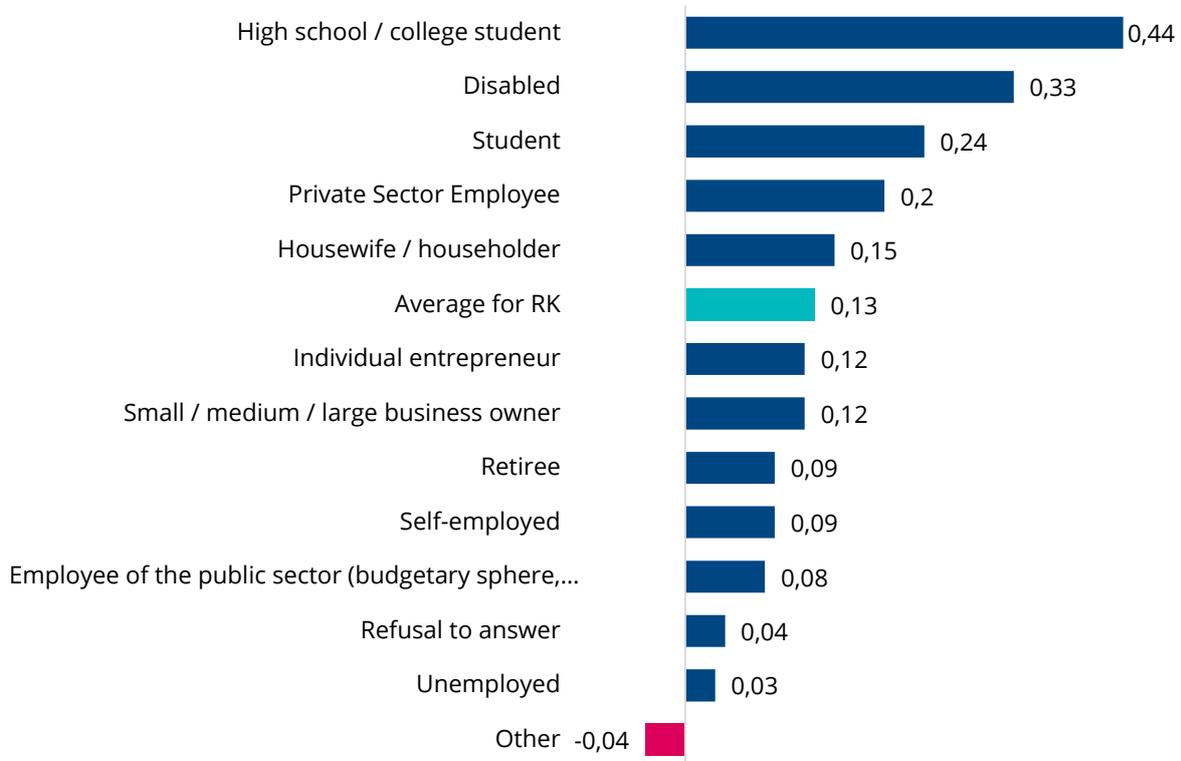
Figure 39. Value of the China Perceptions Index by social status



Source: TALAP CAR PF

The China Perception Index also differs with respect to the type of activity of the respondents. Thus, among the unemployed the Index was 0.03, among school/college students - 0.44, university students - 0.24 (Figure 40).

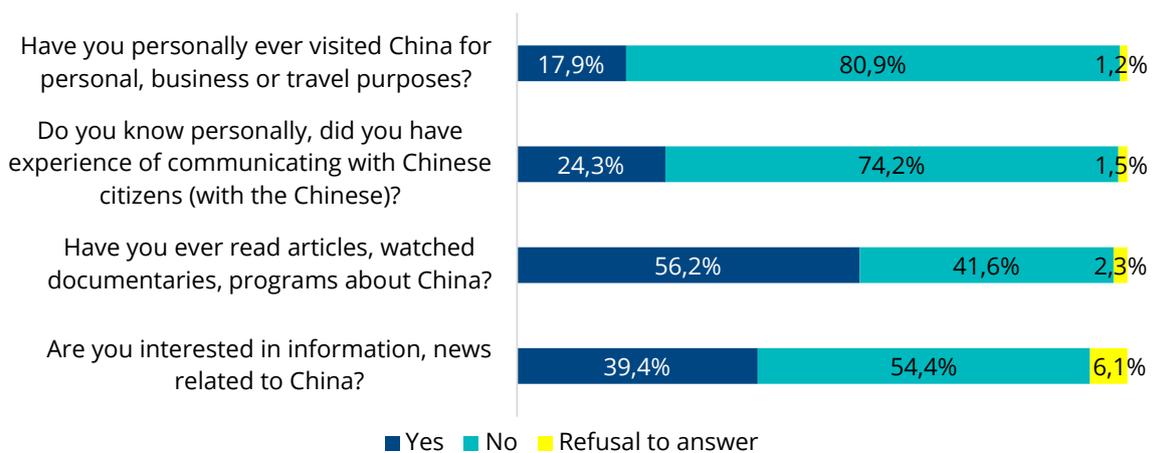
Figure 40. Value of the China Perception Index by the respondents' type of activity



Source: TALAP CAR PF

Along with the questions pertaining to the China Perception Index indicators, the survey also included separate questions to understand the possible reasons for the level of perception of China in the country (Figure 41).

Figure 41. Respondents' answers to questions about their awareness of the PRC



Source: TALAP CAR PF

The survey shows that more than a third of the respondents are interested in the information about China. For example, 56.2% have read articles or watched documentaries about China, almost a quarter of the respondents have experience of communicating with Chinese citizens, and almost 18% have visited China;

39.4% of respondents are interested in information and news related to China; 11.1% of respondents come across information about the PRC very often, 38.2% often and rarely, 44.2% very rarely, and only 6.6% of respondents do not encounter it at all.

Indicator 1. "Attitude towards China in general"

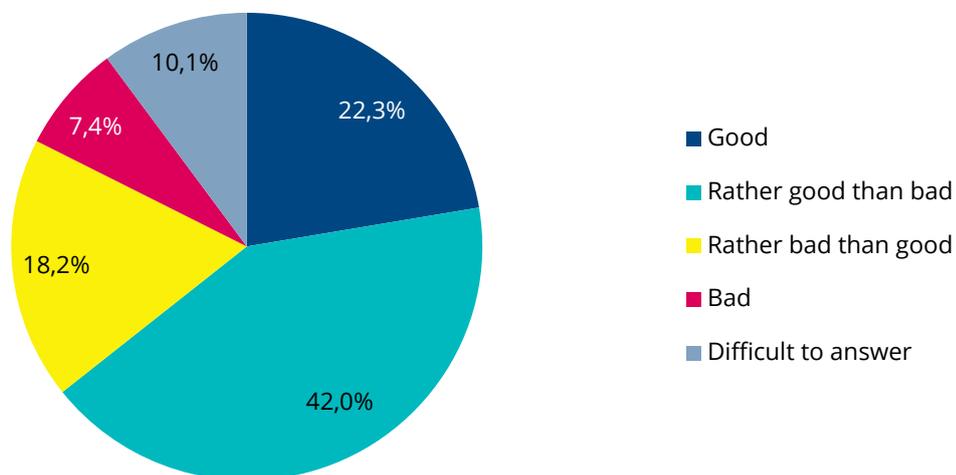
At present, China has relatively good relationship with Kazakhstan and the Central Asian countries. Director of the Center for Russian and Central Asian Studies at Fudan University (Shanghai, PRC) Zhao Huasheng wrote in 2015 that the main obstacle to the further development and deepening of relations between China and Central Asia is the "image", or rather knowledge and perceptions the Central Asian countries have about China¹⁷¹.

Attitudes towards and perceptions of China in Kazakhstan are complex. When analyzing attitudes towards China, many experts consider Central Asia as a whole, without taking into account the differences between the countries. Various factors such as political system, economic and political situation, geographic location and neighbors, information environment and the level partnership with other world leaders can all contribute to these differences in perception.

In the course of the survey, the indicator "Attitude towards China in general" was assigned the following question: "Tell me, please, how do you personally feel about China in general?"

Of all the respondents, 22.3% had a "good" attitude towards China, 42% "rather good than bad", 35.7% "rather bad than good" (18.2%), 7.4% "bad", while the rest (10.1%) found it "difficult to answer/not sure" (Figure 42).

Figure 42. Answers to the question "Tell me, please, how do you personally feel about China in general?"



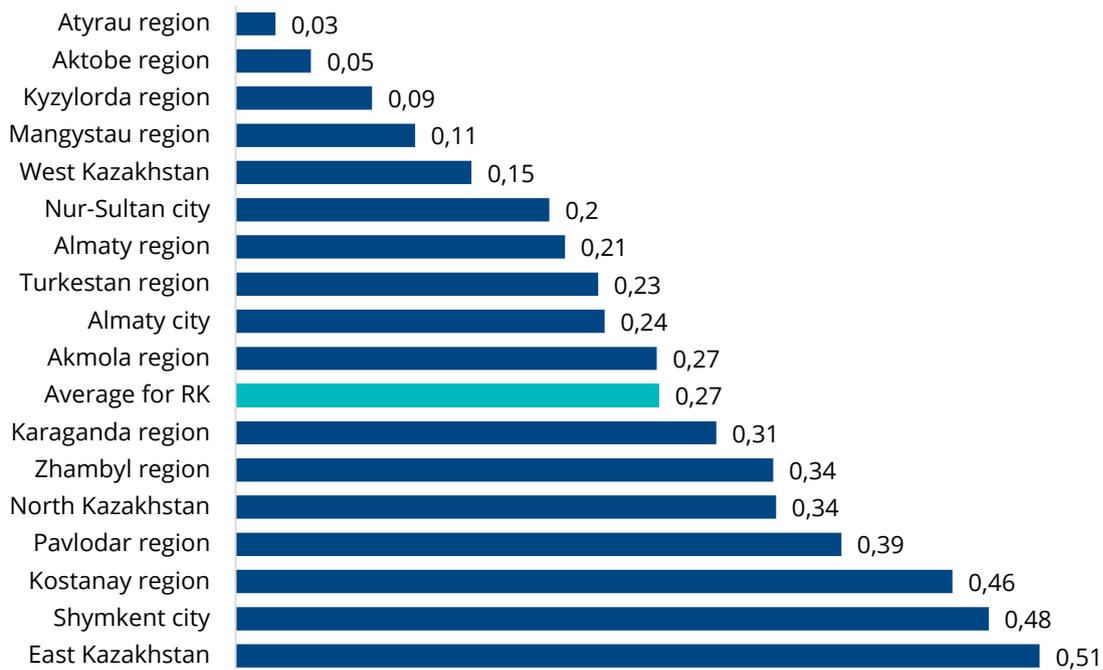
Source: TALAP CAR PF

The following formula was used to calculate the first indicator "Attitude towards China in general"; Indicator 1 = ((Good + 0.5 * Rather good than bad) - (0.5 * Rather bad than good + Bad)) / (good + rather good + rather bad + bad + difficult to answer/not sure). Thus, "Attitude towards China in general" = (22.3 + 0.5 * 42.0) - (0.5 * 18.2 + 7.4) / (22.3 + 42.0 + 18.2 + 7.4 + 10.1) = 0.27. Indicator 1 was the highest in value of all 4 indicators in the China Perceptions Index.

¹⁷¹ IMI Yearbook. Issue 4 (14) 2015. Zhao Huasheng. Building an image: how China can gain a foothold in Central Asia

By regions, the indicator value varies from 0.03 to 0.51 (Figure 8). The lowest level of attitude towards China in general is observed in Atyrau (0.03), Aktobe (0.05), Kyzylorda (0.09), Mangystau (0.11) and West Kazakhstan (0.15) regions. The highest value of the indicator was found in Kostanay (0.46), East Kazakhstan (0.48) regions and in Shymkent (0.51) (Figure 43).

Figure 43. Indicator “Attitude towards China in general” by region of the Republic of Kazakhstan



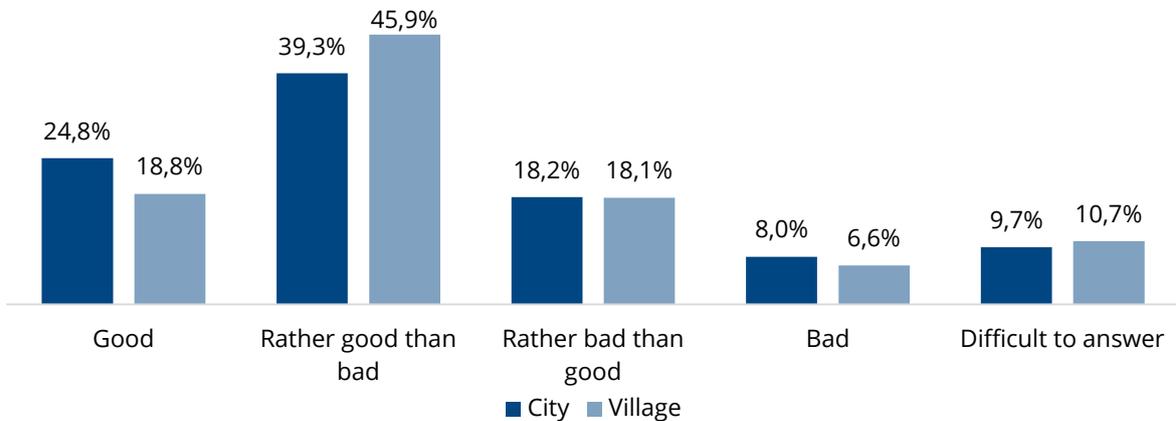
Source: TALAP CAR PF

Such poor attitudes towards China, mainly in the western regions of the country, are probably due to the greater concentration of foreign labor (including from China) and foreign companies in these regions. In the western regions of the country Chinese citizens are considered as competitors on the job market.

The inverse is probably true for regions with a lower level of interaction, and a lower probability of competition in the labor market. Here, more positive attitudes towards China are recorded

The difference in the indicator by urban and rural areas (0.27 and 0.26, respectively) is insignificant. (Figure 44).

Figure 44. Answers to the question "Please tell me how you personally feel about China as a state?" by urban / rural areas

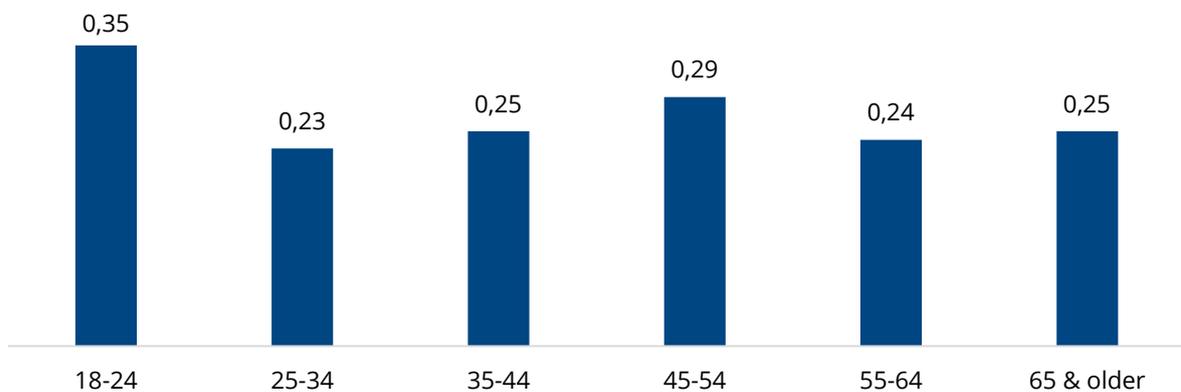


Source: TALAP CAR PF

The study of the "Attitude towards China in general" indicator showed that female respondents are more optimistic about the PRC. Thus, the indicator scored 0.31 among women, while for men it was 0.22.

The indicators was highest among respondents aged 18 to 24 years old and in the age group 45-54 years old (Figure 11). This is probably due to the attractiveness of obtaining high-quality higher education (among 18-24-year-olds) and observing the economic growth and the growing influence of China in the world over the past 30 years (among 45-54 years) (Figure 45).

Figure 45. Indicator "Attitude towards China in general" by age group



Source: TALAP CAR PF

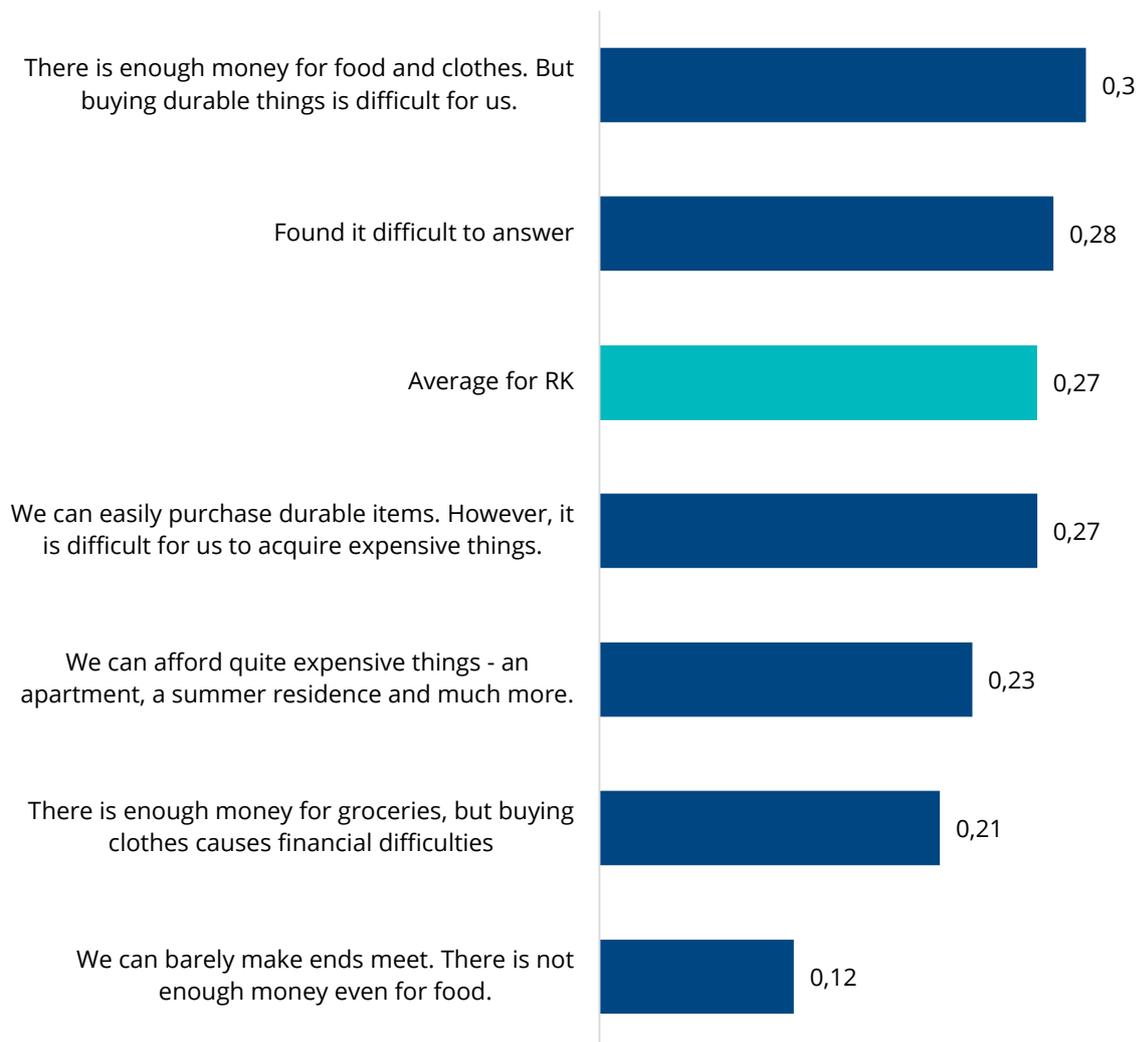
Similar to the China Perception Index in general, more educated people perceive China more positively (0.40).

The respondents who refused to answer (0.00) are neutral towards China as a whole - this is the lowest result among the respondents according to indicator 1. The general attitude towards China was lower than the national average (0.27) among respondents with technical vocational education (0.22) and general secondary (grades 10-11) education (0.26). Among those above the national average were respondents with academic degree (0.40), respondents with higher, incomplete higher education (0.28) and incomplete secondary (9 grades) education (0.40). The latter result among people with incomplete

secondary education may be an exception to the hypothesis that the higher level of education correspond to more positive attitudes towards China in general.

Attitudes towards China also appear to be influenced by the social status of the respondents. The sole exception are those who categorized themselves as “We can afford quite expensive things - an apartment, a summer residence and much more”, their Index is only 0.23, which is 0.04 points lower than the national average (Figure 46).

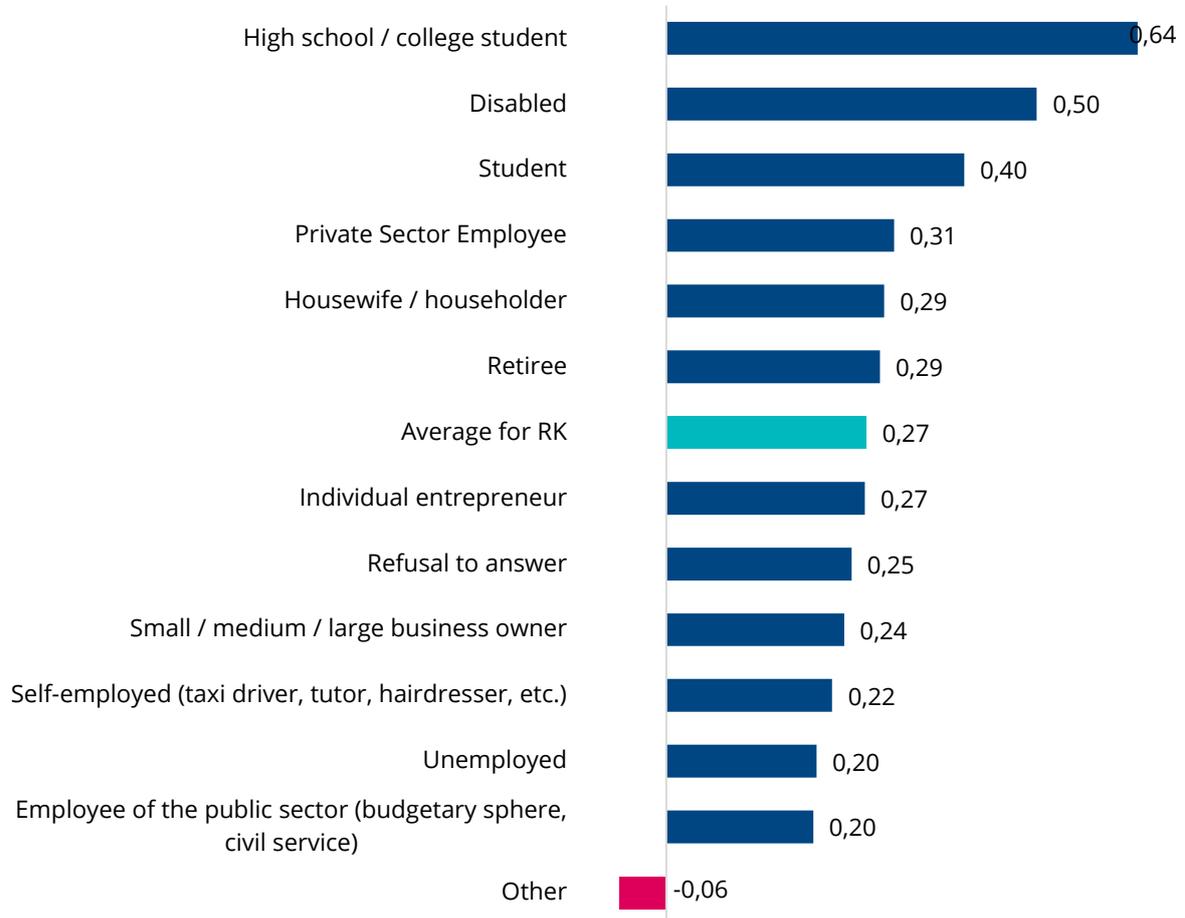
Figure 46. “Attitude towards China in general” indicator by the social status of the respondents



Source: TALAP CAR PF

The respondents’ occupation, it is the owners of medium/large businesses, self-employed, unemployed and public sector workers that have the least positive attitude towards China (Figure 47).

Figure 47. “Attitude towards China in general” indicator by respondents' occupation



Source: TALAP CAR PF

In general, the level of attitudes towards China in the country as a whole is above neutral, regardless of the type of activity, social status, level of education, age, place of residence of the respondents.

Indicator 2. China as a center of influence (geopolitics and security)

According to experts, China’s current dynamics economic development allows it to compete with the United States in terms of both global status and influence¹⁷². China’s rapid economic development can be a source of economic growth for Kazakhstan. Therefore, China can be considered by Kazakhstan as one of the centers of influence.

The China Perceptions Index survey included seven questions pertaining to China being a center of influence (geopolitics and security):

- › Do you think China's influence in the world has been growing or decreasing lately?
- › In your opinion, is China friendly or unfriendly towards Kazakhstan?
- › Do you think China dominates more in the world than Russia, or less?

¹⁷² *Central Asia and the Caucasus. Volume 13, issue 1. D. Eyvazov (2010). China in Central Eurasia: Security Interests and Geopolitical Activity.*

- > Do you think China is an economically developed state?
- > Do you think China is a rich country?
- > Do you think China is a socially responsible state?
- > Do you think China poses or does not pose a threat to Kazakhstan?

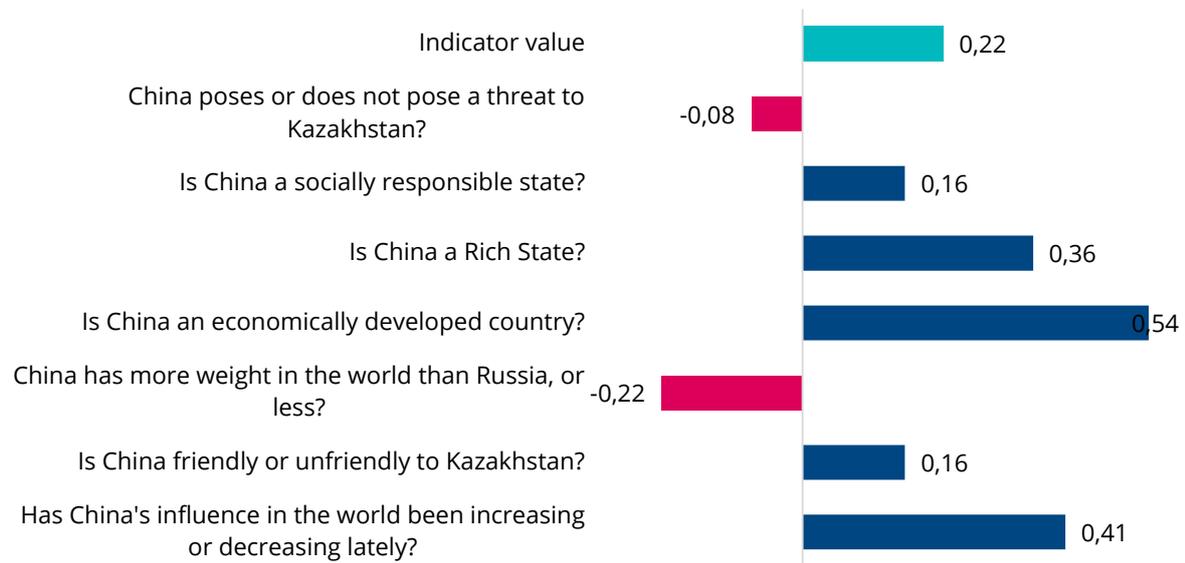
In order to calculate the indicator for each question, the following formula was used:

Calculation of the Indicator = (Rather increasing - Rather decreasing) / (Rather increasing + Rather decreasing + Difficult to answer/Not sure)

Indicator 2 = arithmetic mean of 7 indicators

As a result of the calculations, the indicator value was equal to 0.22. It should be noted that the values obtained for 7 questions are positive. Also, all values of the questions were positive in terms of the respondents' sentiments (Figure 48).

Figure 48. "China as a center of influence (geopolitics and security)" indicator

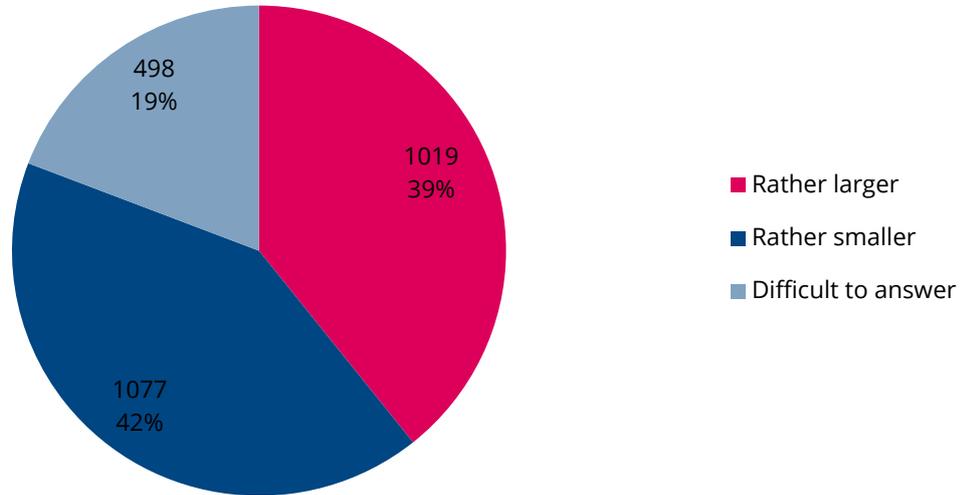


Source: TALAP CAR PF

The negative value regarding the probable threat of China to Kazakhstan (-0.08) indicates the respondents disagree with this assumption. Thus, while answering to "Do you think China poses or does not pose a threat to Kazakhstan?", 35% of the respondents agreed that China poses a threat, while 43% does not, and 21.7% found it difficult to answer.

Also, a negative value of -0.22 was calculated for "Do you think China dominates more in the world than Russia, or less?". Thus, 39.3% of the respondents answered that China dominates more in the world than Russia, 41.5% - responded with "rather less" and 19.2% found it difficult to answer (Figure 49).

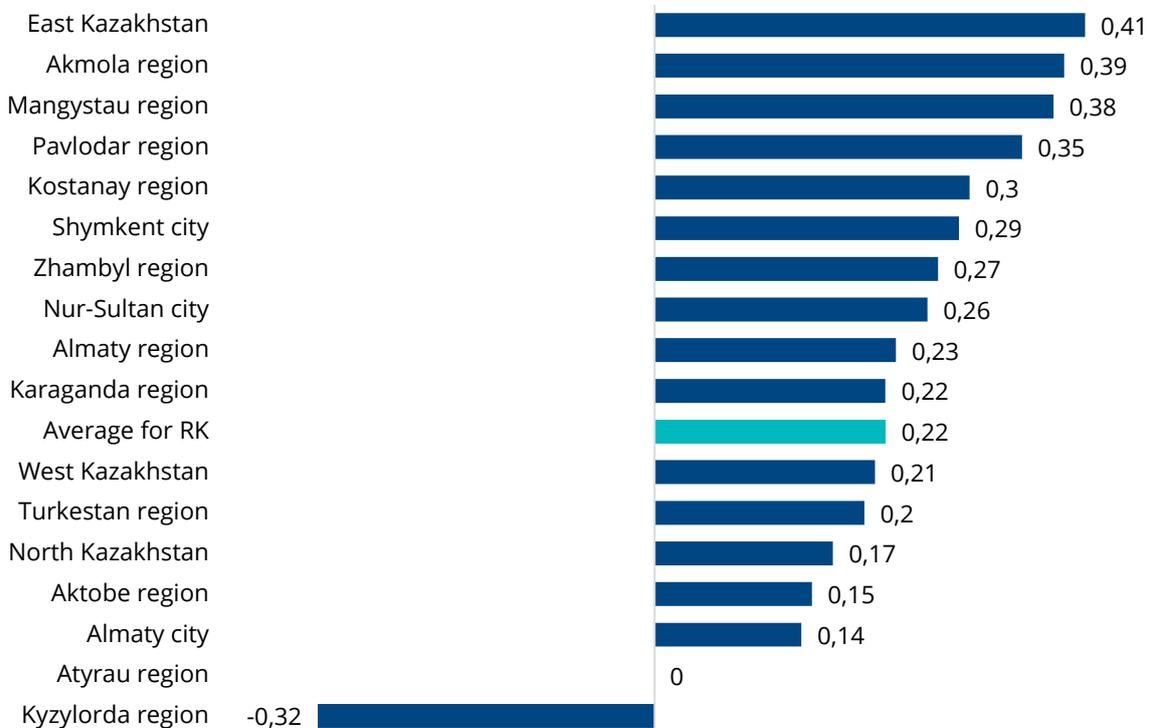
Figure 49. Answers to the question “Do you think China dominates more in the world than Russia, or less?”



Source: TALAP CAR PF

In 8 regions and 2 cities, indicator 2 is on par and above the average. In Kyzylorda region, the respondents do not consider China as a center of influence (Figure 50).

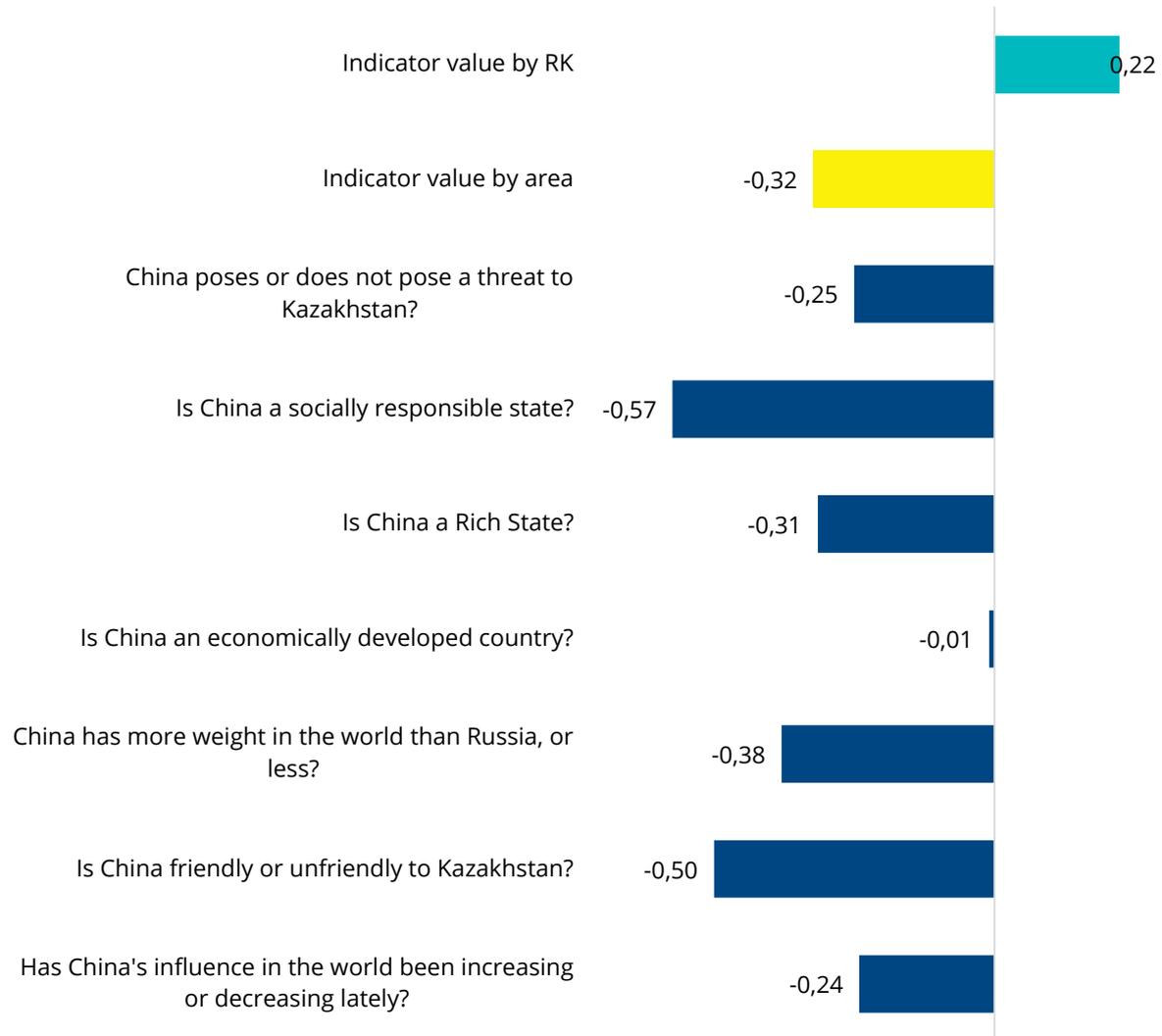
Figure 50. “China as a center of influence (geopolitics and security)” indicator by regions of Kazakhstan



Source: TALAP CAR PF

Residents of the Kyzylorda region disagree with any of the assumptions in all seven questions pertaining to indicator 2. At the same time, those surveyed in the Kyzylorda region do not consider China to be more influential than Russia and do not agree that China poses a threat to Kazakhstan (Figure 51).

Figure 51. “China as a center of influence (geopolitics and security)” indicator. Kyzylorda region

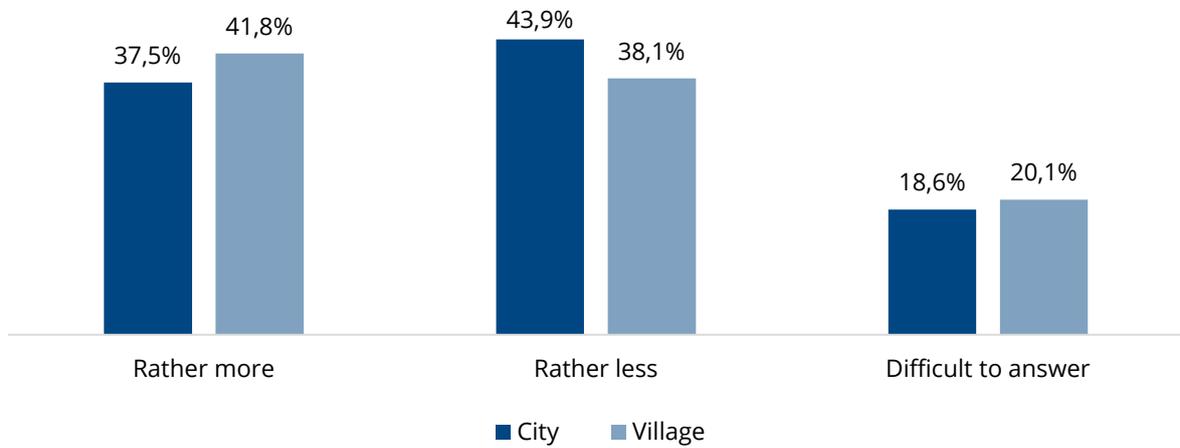


Source: TALAP CAR PF

More than the rural population, urban population sees China as the center of influence. Thus, according to the results of the survey, indicator 2 in urban areas is equal to 0.25, while in rural areas - 0.17.

The answers to almost all questions between urban and rural population are identical. The only exception is the “Do you think China dominates more in the world than Russia, or less?”. The rural population sees China as more influential than Russia. However, there was substantially more indecisiveness among the rural population (20.1%), which could indicate a generally low level of awareness (Figure 52).

Figure 52. Respondents' answer to the question "Do you think China dominates more in the world than Russia, or less?" urban/rural

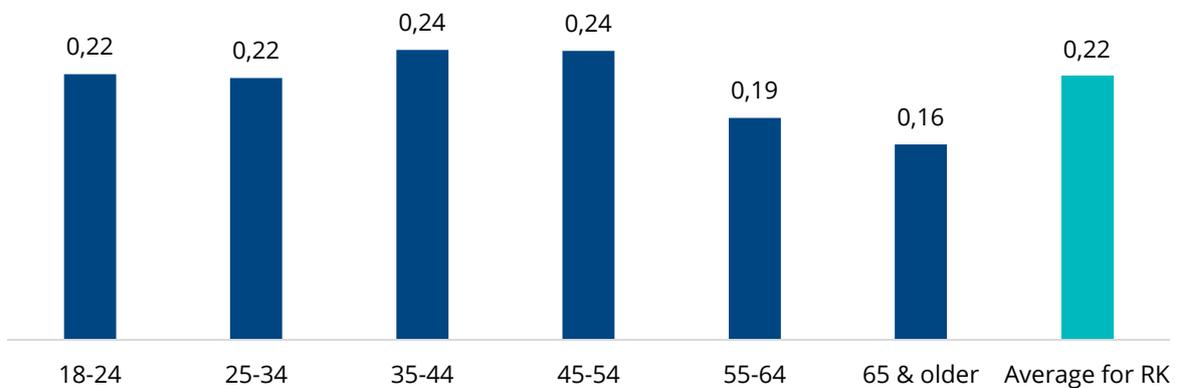


Source: TALAP CAR PF

In terms of gender, the respondents were almost unanimous. The indicator scored at 0.21 among men, and 0.23 among women. At the same time, the national average of indicator 2 is equal to 0.22.

As the value of the China Perceptions Index, the value of indicator 2 "China as a center of influence" is below the nation average among older respondents (Figure 53).

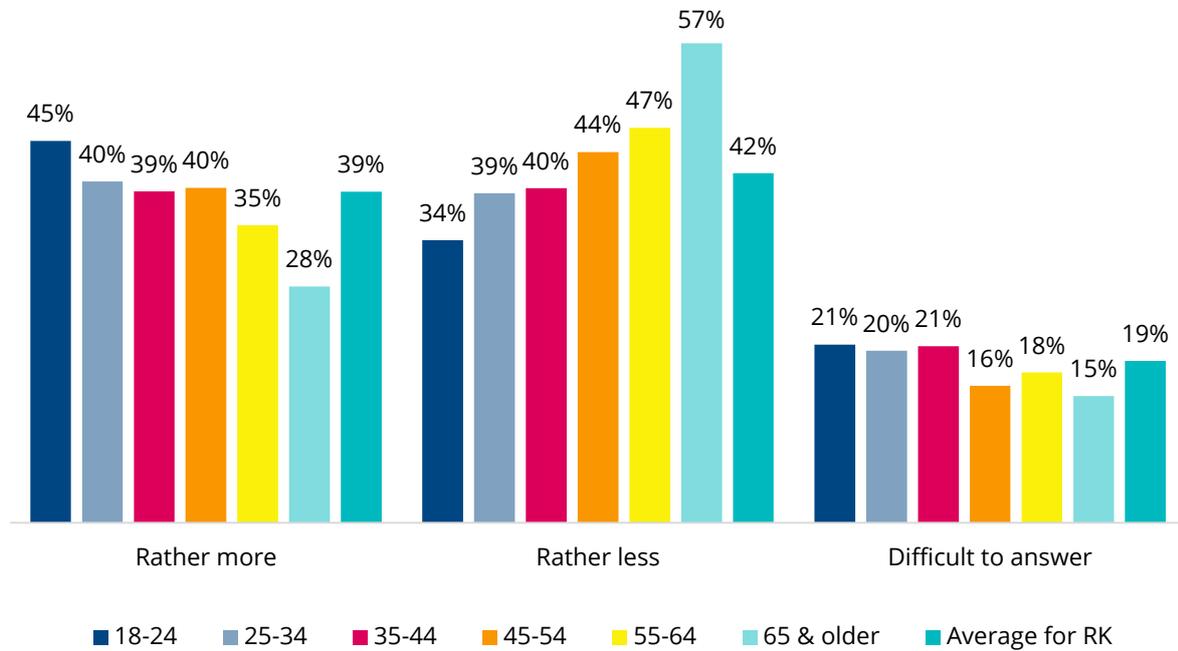
Figure 53. Value of indicator 2 "China as a center of influence" by age groups of respondents.



Source: TALAP CAR PF

The value of indicator 2 is lower than the average among respondents over 55 years old, mainly due to the answers to "Do you think China dominates more in the world than Russia, or less?" and "Do you think China poses or does not pose a threat to Kazakhstan?" (Figure 54).

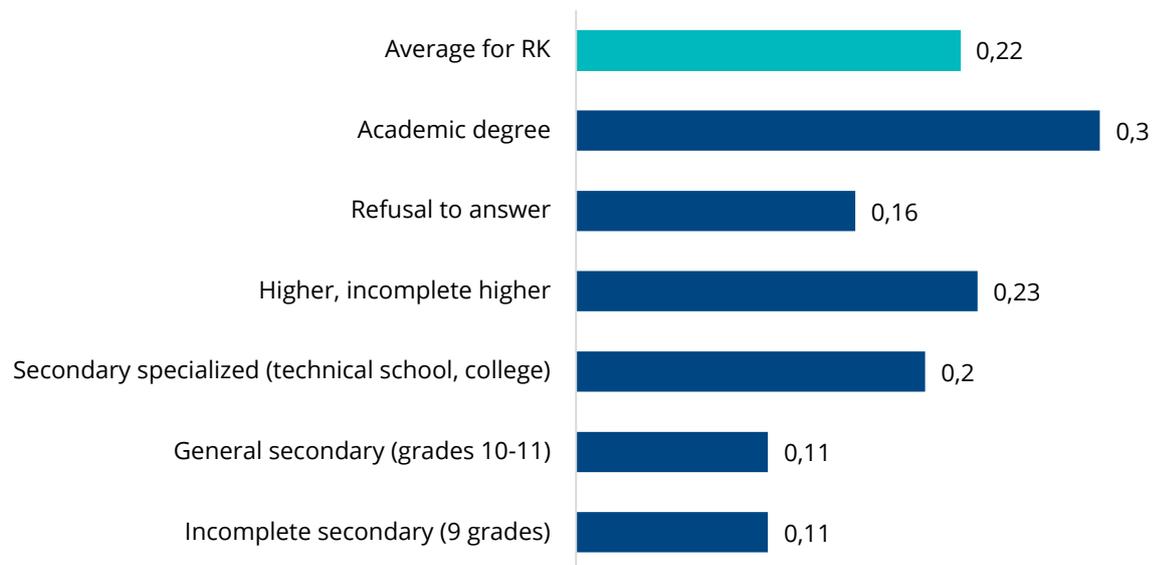
Figure 54. Answer to the question “Do you think China dominates more in the world than Russia, or less?” by age group



Source: TALAP CAR PF

Indicator 2 also showed that the level of educational influences the perception of China as a center of influence. Thus, indicator 2 among respondents with school education was much lower than the national average (0.11). Among respondents with technical and vocational education it was equal to 0.20, with higher education - 0.23, with an academic degree - 0.30 (Figure 55).

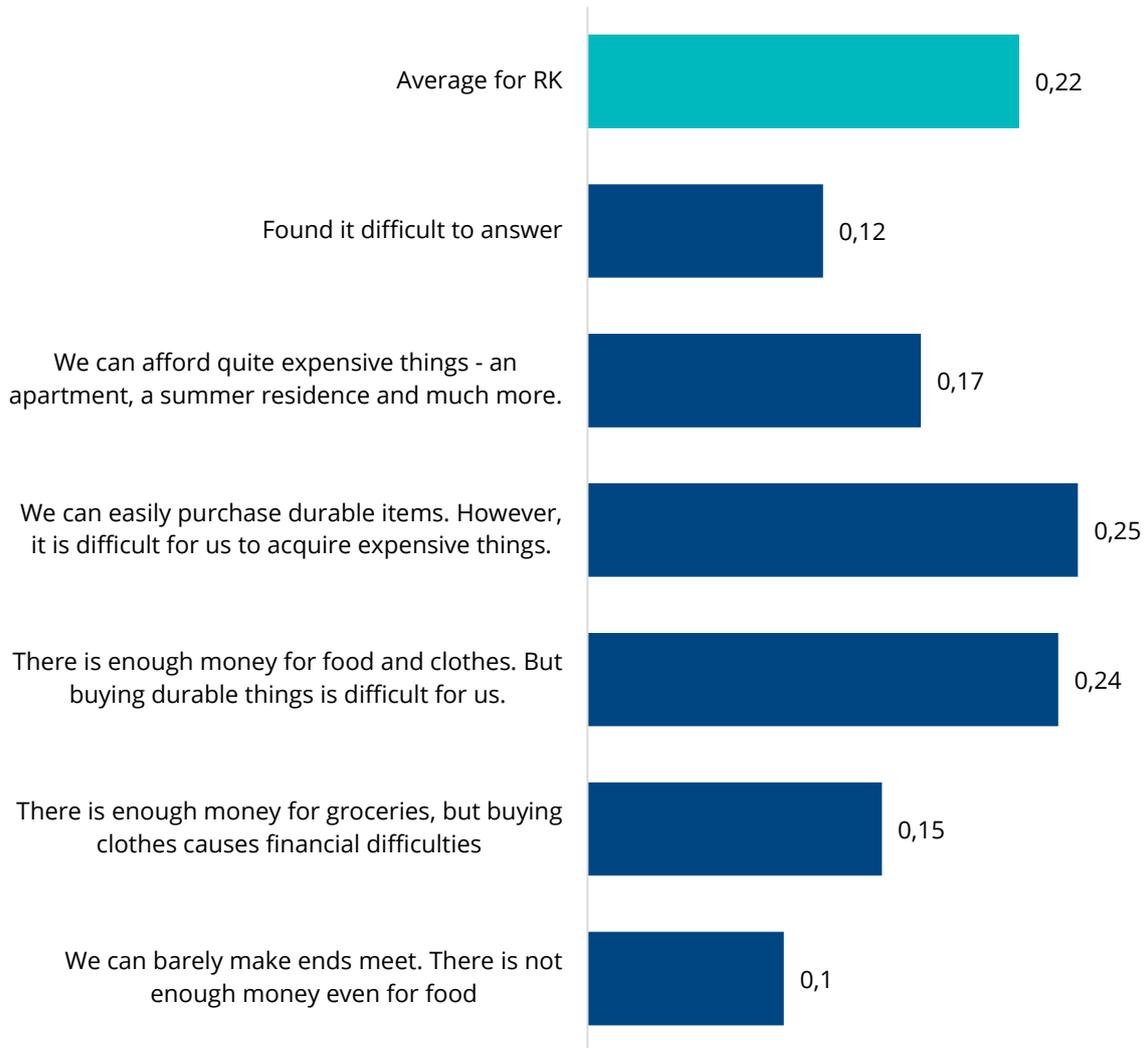
Figure 55. Value of indicator 2 by the level of education of the respondents



Source: TALAP CAR PF

Indicator 2 showed some dependency on the social status of the respondents. Thus, the value of indicator 2 was below the national average among both respondents with low incomes and the highest income. While, people with an average income has a value above the average (Figure 56).

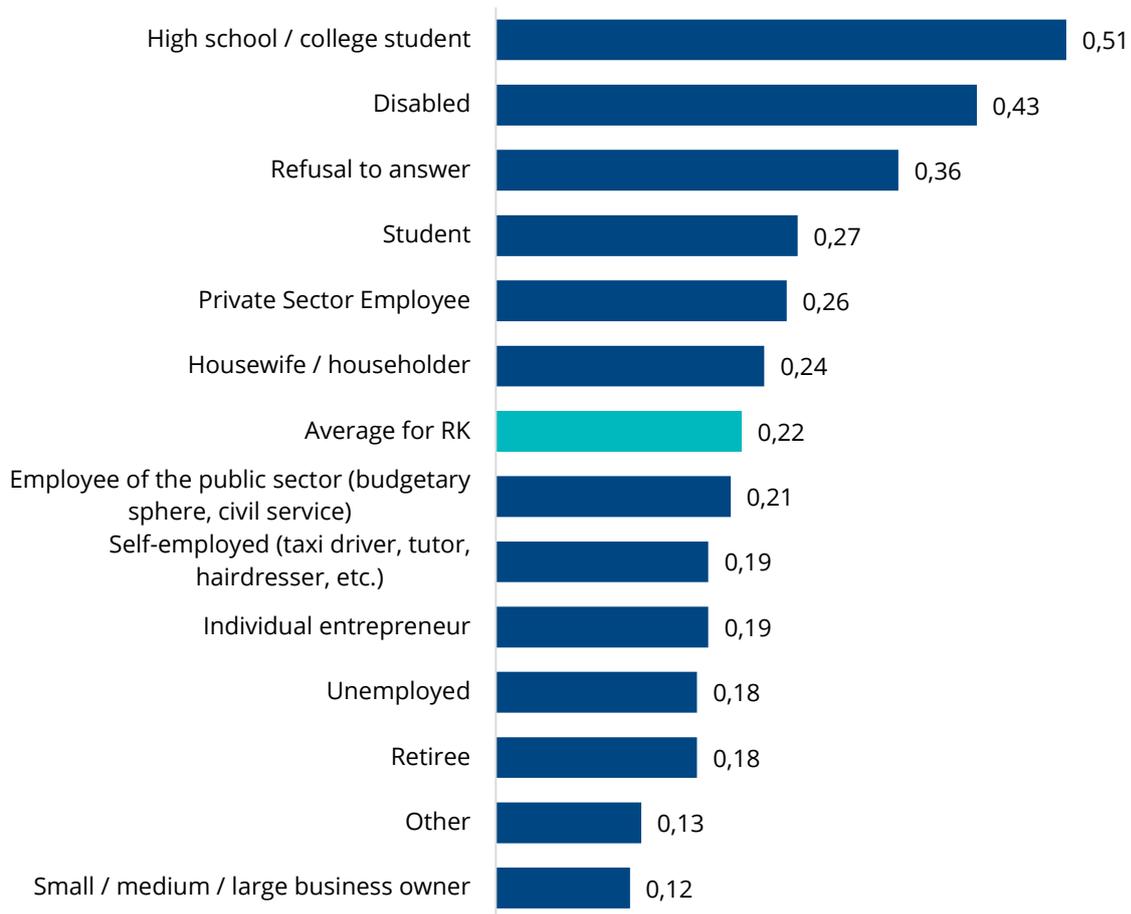
Figure 56. Value of the “China as a center of influence” indicator by social groups of the population



Source: TALAP CAR PF

There is no clear pattern in the value of indicator 2 depending on the type of the respondents' occupation. The highest value of the indicator is observed among students of schools/colleges (0.51), persons with disabilities (0.43), persons who refused to provide data on occupation (0.36), students (0.27), employees of the private sector (0.26) and housewives (0.24).

Figure 57. Value of the “China as a center of influence” indicator by respondents' occupation



Source: TALAP CAR PF

In general, the indicator “China as a center of influence (geopolitics and security)” scores high, which indicates China’s great importance for Kazakhstan. In the regional context, almost in all regions and cities, with the exception of Kyzylorda region, the value of indicator 2 is above neutral.

China shares borders with four Central Asian countries (Kazakhstan, Kyrgyzstan, Tajikistan, Afghanistan). The total length of the border is 2,900 km including 1,782 km of border with Kazakhstan. (62%). Therefore, the development of mutually beneficial relationship between Kazakhstan and China is only to be expected.

Kazakhstanis’ attitudes towards the influence of the PRC, both in the Central Asian region and in the world as a whole, are positive and above neutral. On a 100% scale, with a maximum of +1 and a minimum of -1, then the indicator value of 0.22 can be interpreted as a 61% confirmation of the hypothesis about China as a center of influence.

Indicator 3. China as an investor (cooperation)

According to the report of the Eurasian Development Bank “Monitoring of Direct Investments in Eurasia-2014”, in 2009-2013, investments from China to the countries of the Eurasian Union increased from USD 11.02 to USD 24.67 billion. Kazakhstan accounted for 95% of investments or USD 22.57 billion¹⁷³.

¹⁷³ Business Information Center Kapital.kz (2015). Why Chinese investors prefer Kazakhstan?

China is an attractive investor to emerging economies. Therefore, indicator 3 in the China Perceptions Index is of great interest.

In the China Perceptions Index survey, the “China as an investor (cooperation)” indicator was assigned 8 questions:

- 1) Do you think that in the future Kazakhstan should increase or reduce cooperation with China in such areas as ... (production)
- 2) Do you think that in the future Kazakhstan should increase or reduce cooperation with China in such areas as ... (education)
- 3) Do you think that in the future Kazakhstan should increase or reduce cooperation with China in such areas as ... (security)
- 4) Do you think that in the future Kazakhstan should increase or reduce cooperation with China in such areas as ... (trade)
- 5) Do you think that in the future Kazakhstan should increase or reduce cooperation with China in such areas as ... (technology)
- 6) Do you think that in the future Kazakhstan should increase or reduce cooperation with China in such areas as ... (logistics)
- 7) Do you think that in the future Kazakhstan should increase or reduce cooperation with China in such areas as ... (agriculture)
- 8) Do you think that in the future Kazakhstan should increase or reduce cooperation with China in such areas as ... (finance)

In order to calculate the indicator for each question of the indicator, the following formula was used:

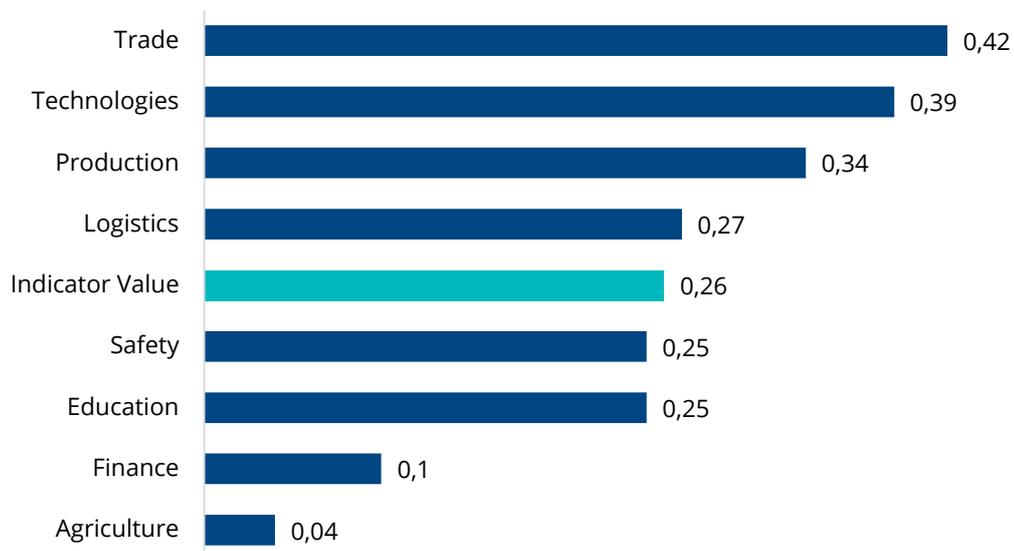
$$\text{Calculation of the Indicator} = (\text{Develop} - \text{Weaken}) / (\text{Develop} + \text{Weaken} + \text{Do not know})$$

Indicator 3 = arithmetic mean.

As a result of calculations, indicator 3 was equal to 0.26. It should be noted that the values obtained for each of the 7 questions of the indicator are positive.

The calculation revealed a positive value of each indicator (question) (Figure 58).

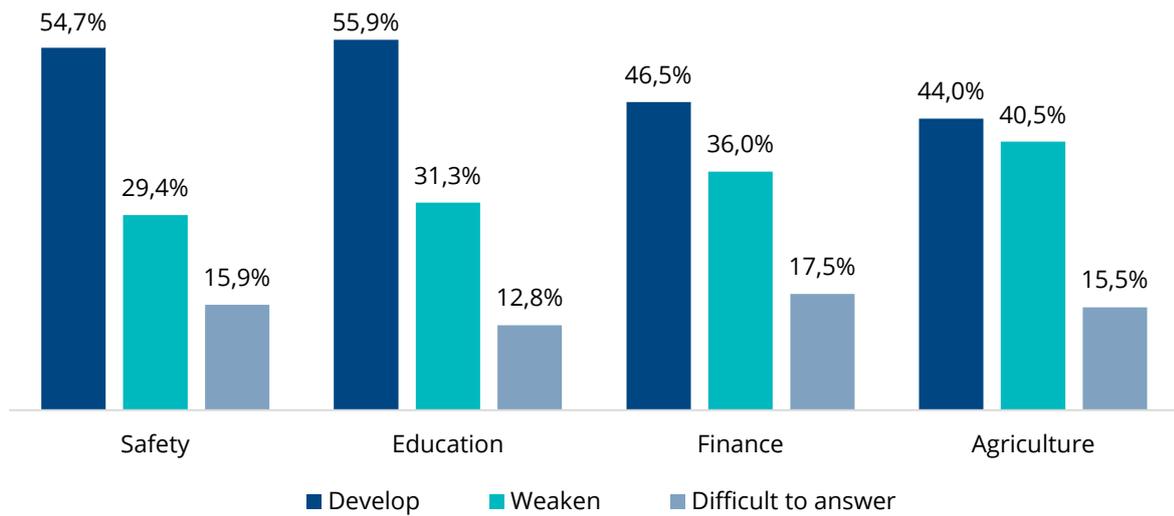
Figure 58. “China as an investor (cooperation)”. In your opinion, in the future, should Kazakhstan increase or reduce cooperation with China in such areas as ...



Source: TALAP CAR PF

The values of the indicator China as an investor (0.26) in cooperation with China in the field of security, education, finance and agriculture are given below. Cooperation in finance and agriculture appear to be the most neutral (Figure 59).

Figure 59. Respondents' answers to questions about the possible development of relations with China in the areas of security, education, finance and agriculture

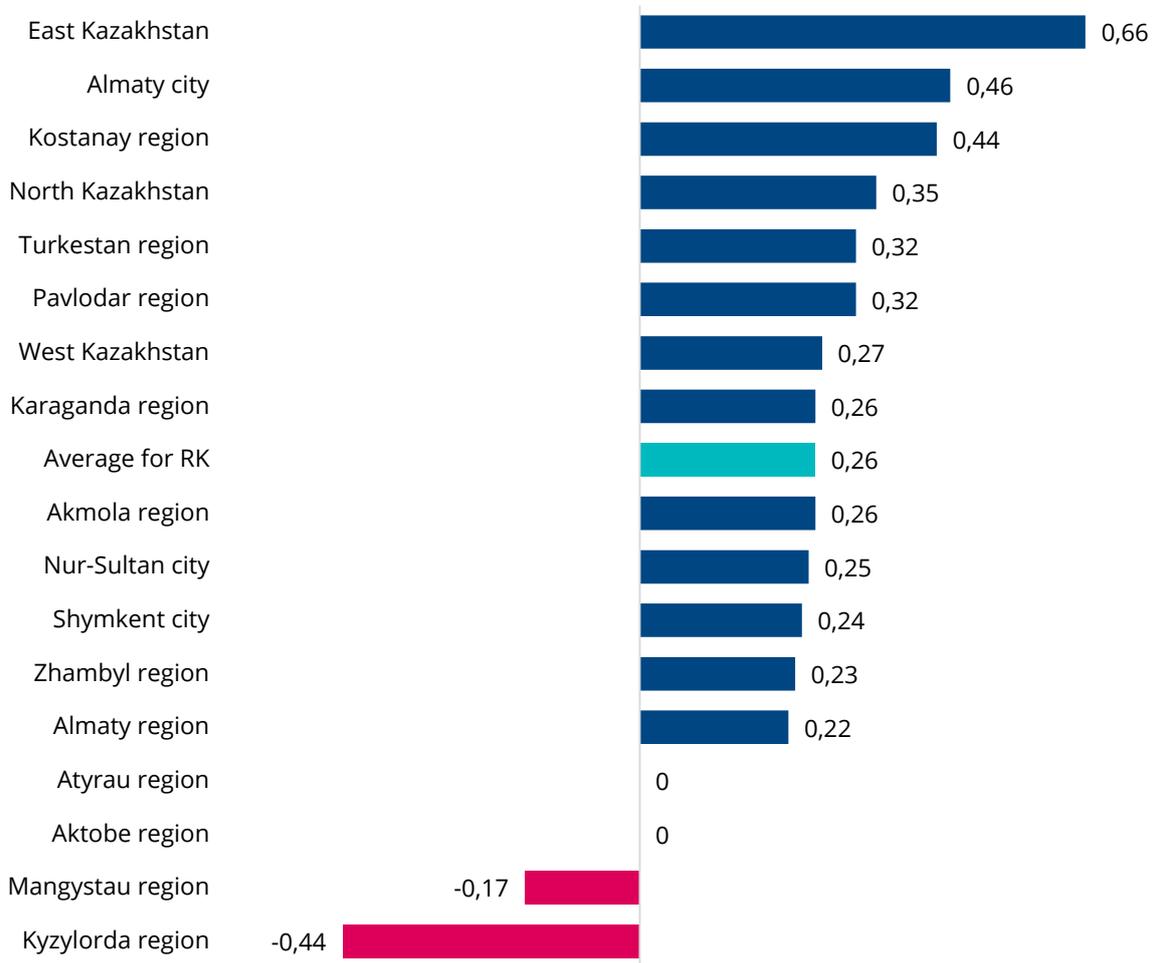


Source: TALAP CAR PF

These low values are probably associated with concerns regarding Chinese expansion in these areas. In agriculture, these concerns are primarily related to land leasing by Chinese investors, especially in the recent years, and in the field of finance – the concerns are related to the capture of the financial markets. Also, the population considers education and security to be strategic and that these areas require more protection from the state.

Regionally, the value of indicator 3 ranges from -0.44 to 0.66. So, in the Pavlodar region the indicator is 0.66, in the Kyzylorda region it is -0.44. In 7 regions of the country, the value of the “China as an investor (cooperation)” indicator is above the national average; in 2 regions (Karaganda, Akmola) – on par; in 8 regions - below the national average (Figure 60).

Figure 60. Value of the “China as an investor” indicator by regions of the Republic of Kazakhstan

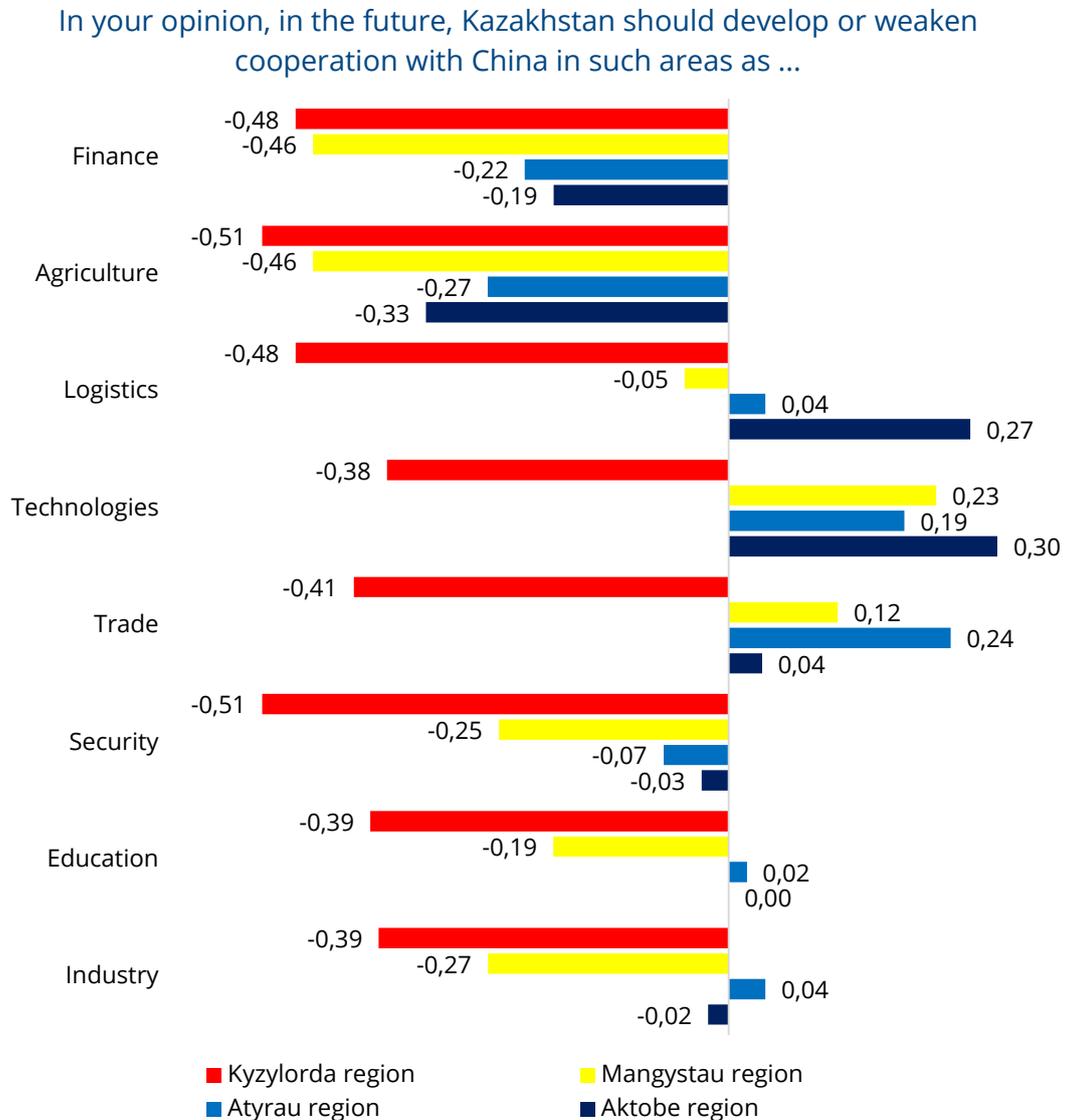


Source: TALAP CAR PF

Four regions stand out in their indicator 3 as neutral or negative. These are Atyrau (0), Aktobe (0), Mangystau (-0.17) and Kyzylorda (-0.44) regions. In these regions, half or more of the indicator indexes are negative.

In Kyzylorda region, as in the previous indicators, the respondents are opposed to any integration and perception of China. For all eight indexes of indicator 3, the values are negative (Figure 61).

Figure 61. Indexes of the “China as an investor” indicator in Atyrau, Aktobe, Mangystau and Kyzylorda regions



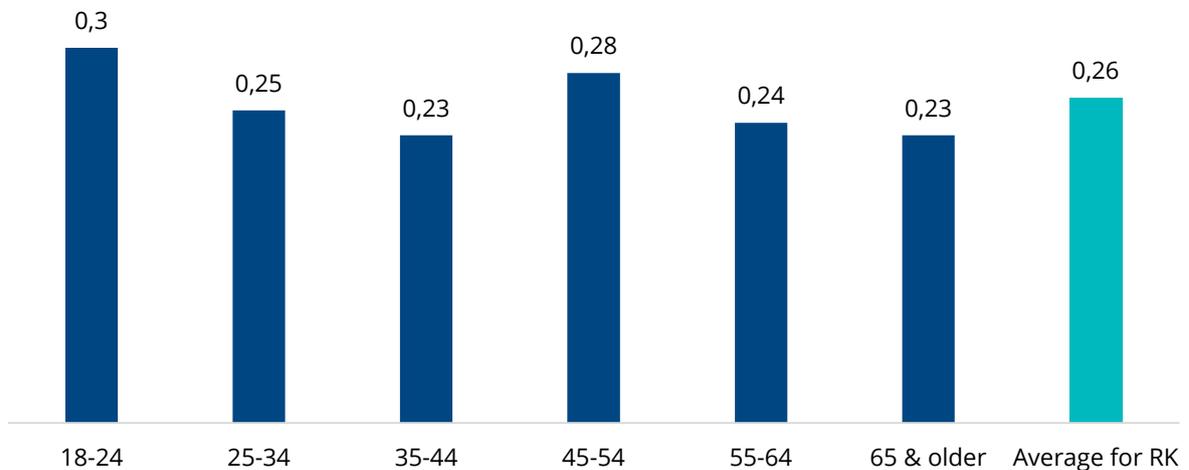
Source: TALAP CAR PF

There is a slight difference in indexes in terms of the respondents' place of residence. The value of the indicator was 0.29 among the urban respondents, which is 0.3 points higher than the national average (0.26), whereas in rural areas, it was 0.22.

In terms of gender, the values of the indicators also differ slightly; men had 0.23, and women had 0.28.

In terms of age groups, the value of the indicator “China as a center of influence” was below the national average among people over 55 years old. However, for the indicator 3 the distribution of the respondents' preferences across age groups is different. Thus, the age groups of 25-34 and 35-44 also scored below the national average. Notably, older people were the only group to have the indexes value below neutral (Cooperation in the field of agriculture) (Figure 62).

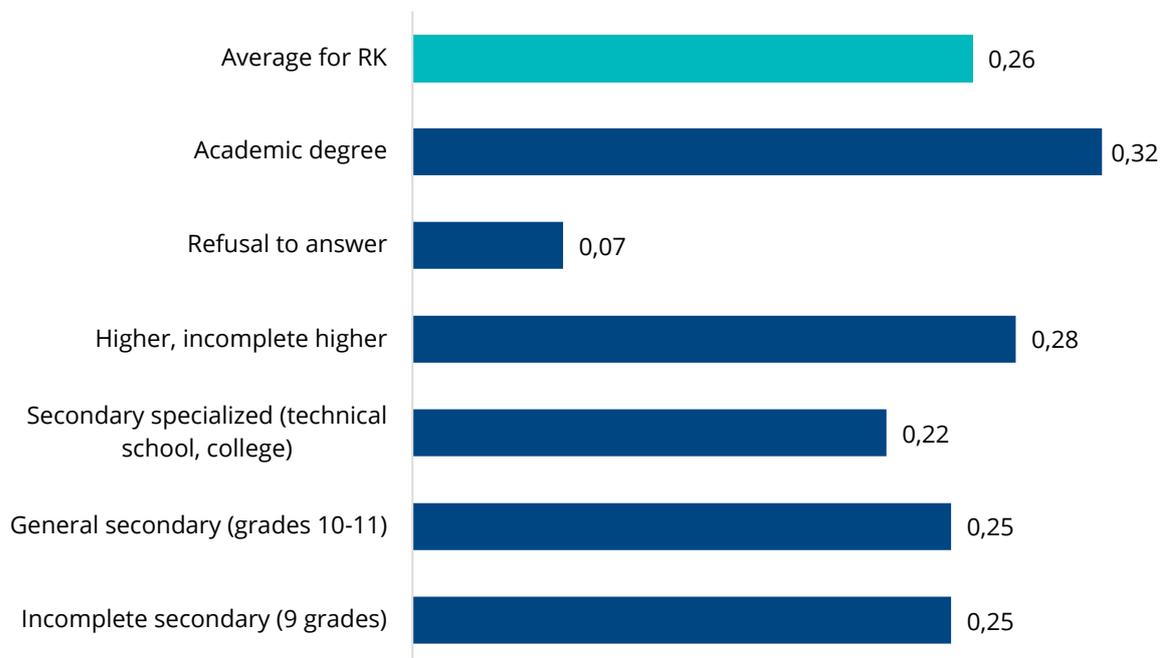
Figure 62. Indicator “China as an investor” by age group



Source: TALAP CAR PF

Calculating indicator 3 once again confirmed the hypothesis about the correlation between the value of the indicator and the level of education of the respondent. Thus, the indicator among the respondents with school and college level education is below the national average, while among respondents with higher education or an academic degree is it above the national average (Figure 63).

Figure 63. Indicator “China as an investor” by level of education

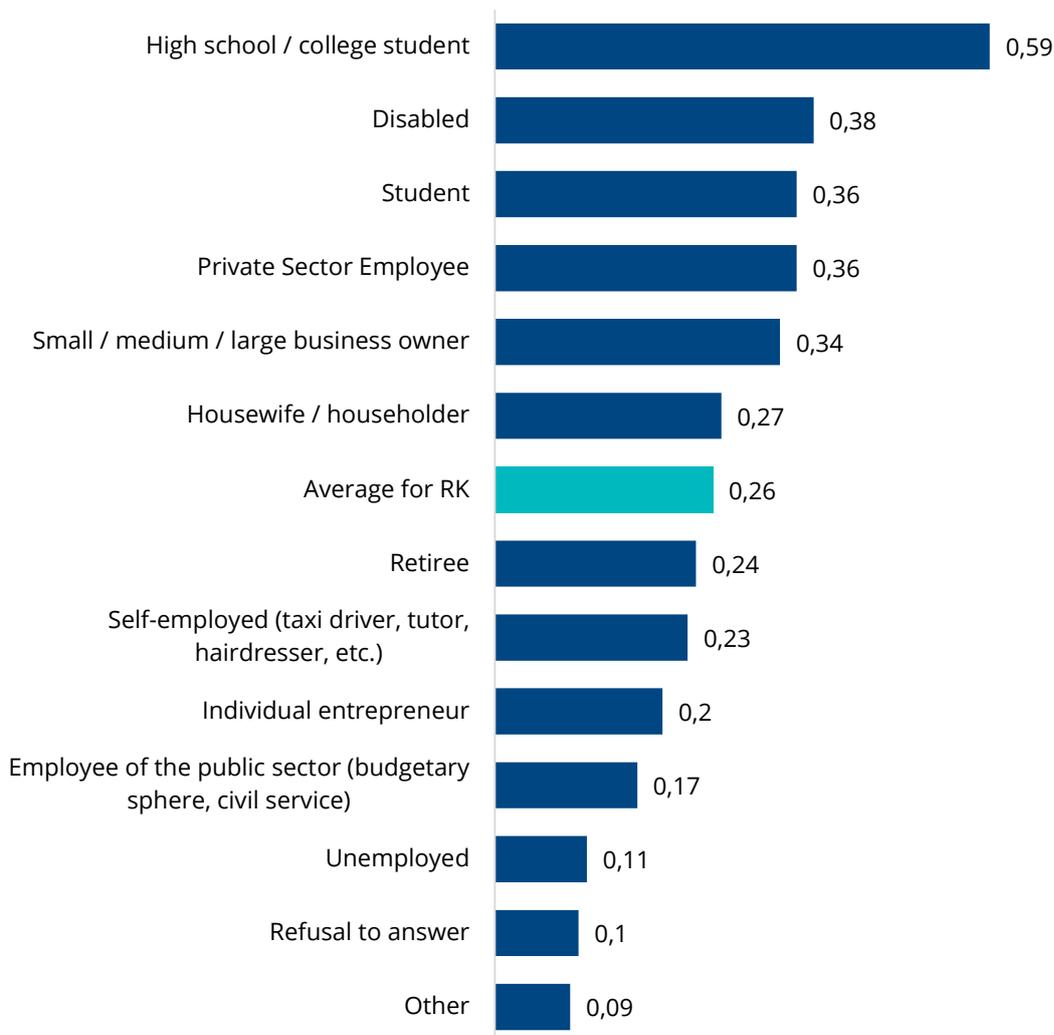


Source: TALAP CAR PF

Examining the indicator 3 by the respondents' occupation reveals that the a more pessimistic attitude towards China as an investor is expressed by unemployed (0.11), public sector employees (0.17), individual

entrepreneurs (0.2), self-employed (0.23) and pensioners (0.24). Whereas university students, college students, people with disabilities, small and medium-sized businesses and housewives are more optimistic about cooperation with China (Figure 64).

Figure 64. Indicator “China as an investor” by level of educational & occupation



Source: TALAP CAR PF

In general, the attitudes of the citizens of Kazakhstan towards cooperation with China in various sectors of the economy are positive. Caution is observed in areas of greater strategic importance to national security.

Indicator 4. China as a culture and education (soft power)

Global education plays an important role among the many integration processes taking place in the modern world. Kazakhstan’s education system is developing according to the European model with its inherent ideals of scientific rationality.

China is also following these global trends. Education is very important in the traditional culture of China. Currently, the education system in China is largely influenced by European culture. The construction of

new universities is largely focused on European and American standards. At the same time, it is impossible to imagine the development of world culture and education without the active participation of China. In order to feel like a full-fledged member of the world community, China is forced to follow the tactics of “open culture”, that is, actively borrowing the achievements of other cultures. Such great world cultures as Ancient Greece and Rome, the culture of Europe, America and Russia have always been distinguished by their readiness to perceive and use the achievements of foreign cultures and in many ways, this contributed to their development and progress¹⁷⁴.

The beginning of the XX and XXI centuries has become the most important for China on its way to the world community. The transition success is largely determined by the state’s policies in education, which create condition for a socio-economic and cultural development.

Indicator 4 “China as a culture and education (soft power)” was aimed at determining the extent to which Kazakhstani people perceive Chinese soft power in the form of education and culture.

During the survey 8 questions were asked pertaining to indicator 4:

- › Do you like Chinese food?
- › Do you trust Chinese medicine?
- › Do you trust the quality of goods made in China?
- › Would you like to know more about the history and culture of China?
- › Would you like to visit China for tourist purposes?
- › Would you like your child to learn Chinese?
- › Would you like to get an education yourself or send your child to study in China?
- › Would you like to move to live in China?

Indicator 4 was calculated using the following formula:

Calculation of the Indicator = (Yes - No) / (Yes + No + Difficult to answer)

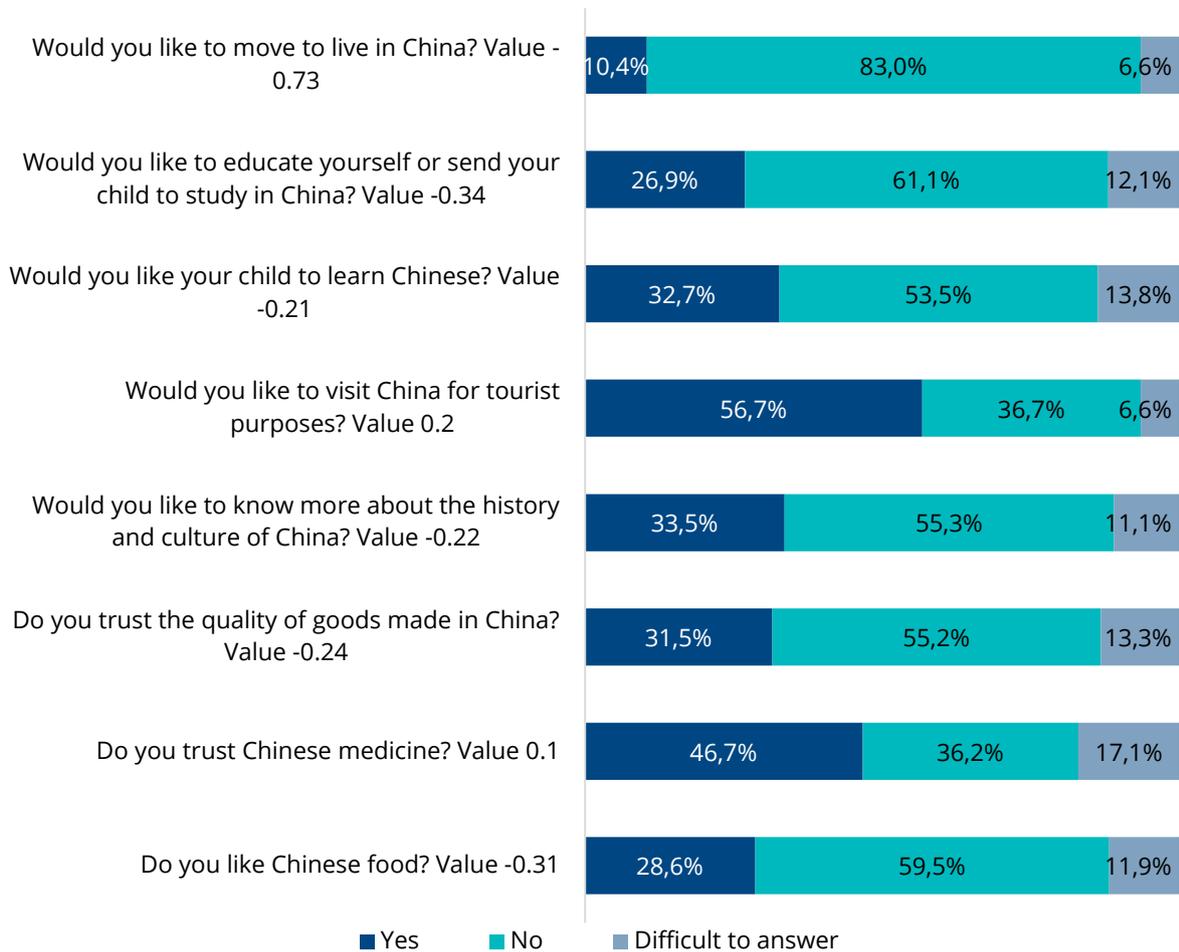
Indicator 4 = arithmetic mean of 10 indexes

As a result, the value of indicator 4 was equal to -0.22. Nearly every index in indicator 4 is negative.

Not many Kazakhstanis like Chinese food. The values of the indicators associated with a possible move to China, receiving education, studying the Chinese language, knowing the Chinese history and culture, as well as Chinese goods are also negative. Although, the value of the indicator of attitude and trust towards Chinese medicine and tourism in China is positive (Figure 65).

¹⁷⁴ *Scientific electronic library disserCat. Zheng Zhilian (2006). Formation of Education in the Context of Interaction between the Cultures of East and West: On the papers of the Higher Education System in China*

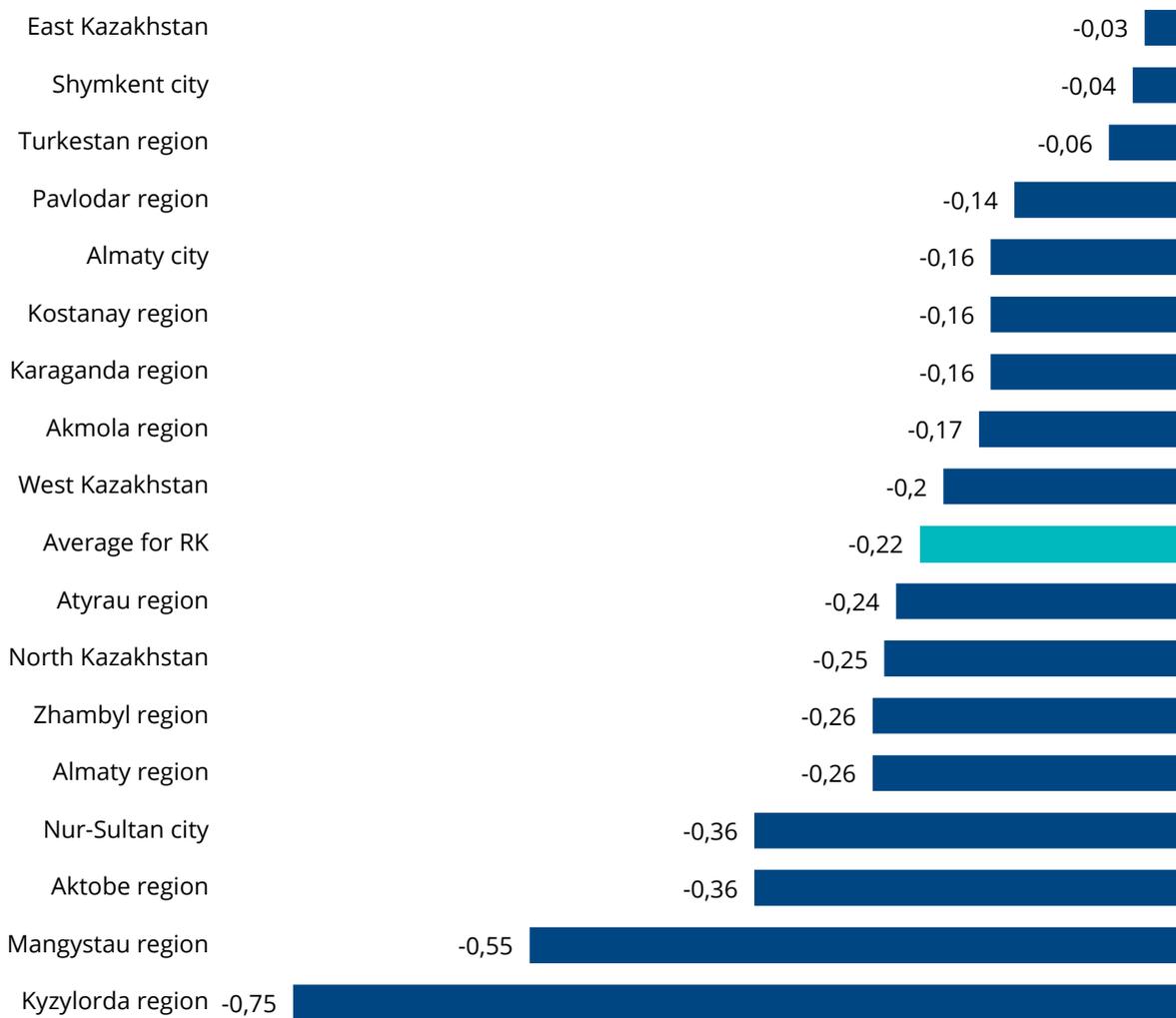
Figure 65. Respondents' answers to the questions of indicator 4



Source: TALAP CAR PF

In the regional context, all regions and cities showed negative values of indicator 4 (Figure 66).

Figure 66. Value of the “China as a culture and education (soft power)” indicator by region of the Republic of Kazakhstan

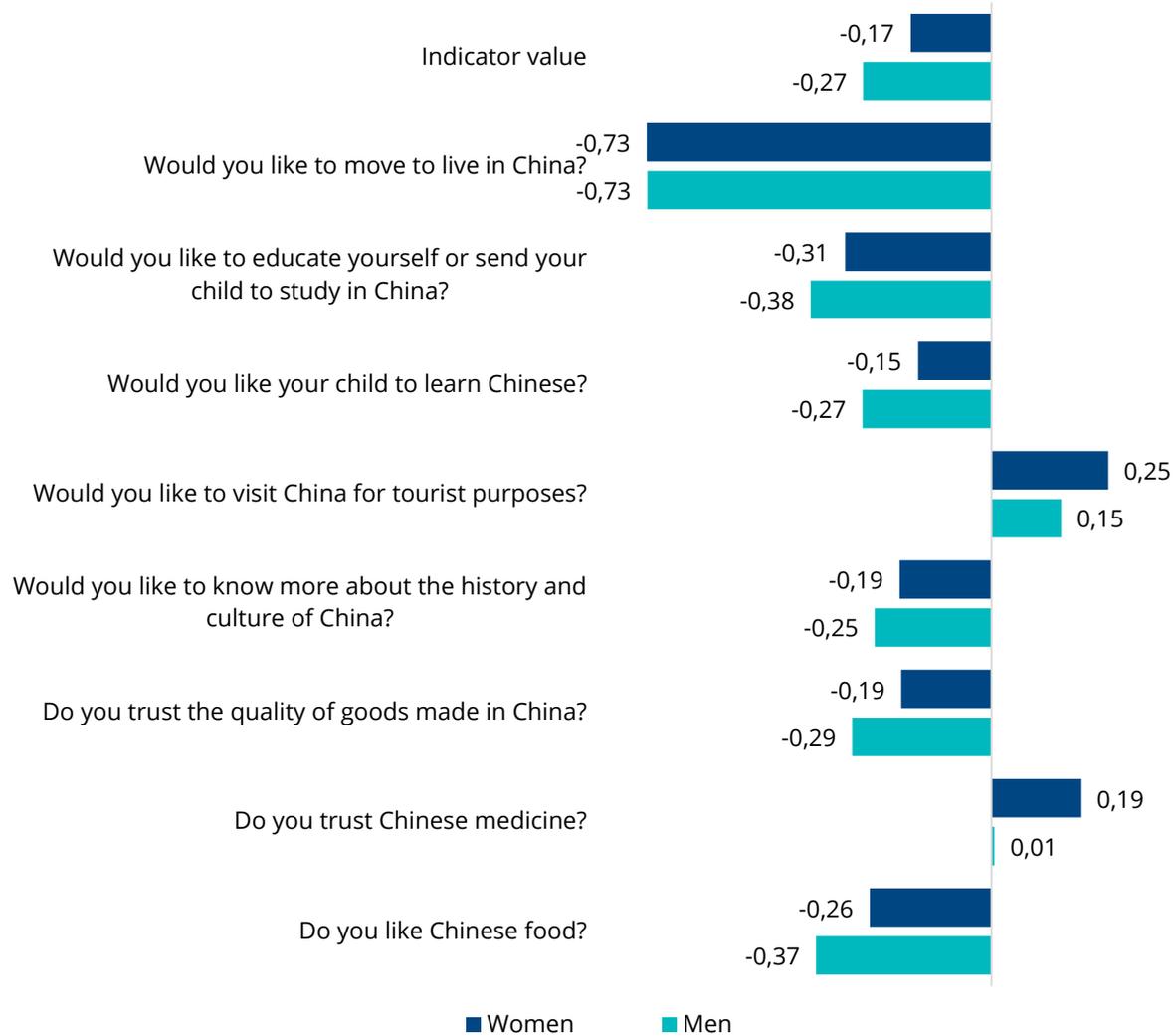


Source: TALAP CAR PF

Residents of rural and urban areas are in solidarity in their perception of Chinese culture and education. Considering the national average of -0.22, the urban people showed a result of -0.21, while rural people - 0.23.

Opinions of the respondents by gender were different. The value of indicator 4 among the surveyed women was equal to 0.17, among men - 0.27. The difference in the indicator 4 values between men and women was mostly due to different perceptions of learning Chinese by children, visiting China for tourism purposes, trust in Chinese goods, medicine and food (Figure 67).

Figure 67. Significance of the “China as a culture and education (soft power)” indicator by gender



Source: TALAP CAR PF

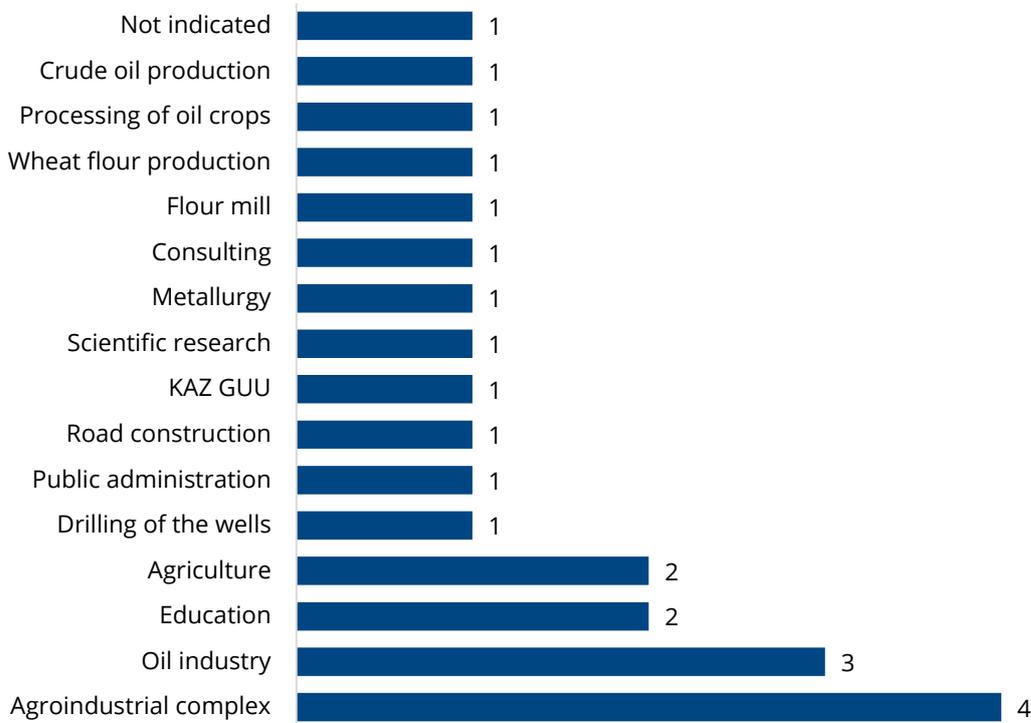
By age groups, occupation and the level of educational, indicator 4 is also negative. Value of indicator 4 is close to neutral only among those with a scientific degree (-0.04).

Survey of 23 experts

Between July and August 2020, the research group conducted a survey of 23 experts from 12 regions and cities, employed in 16 sectors of the economy of the private, public and international sectors.

All interviewed experts are aware of China’s activities in domestic and foreign policy, international projects and initiatives (Figure 68).

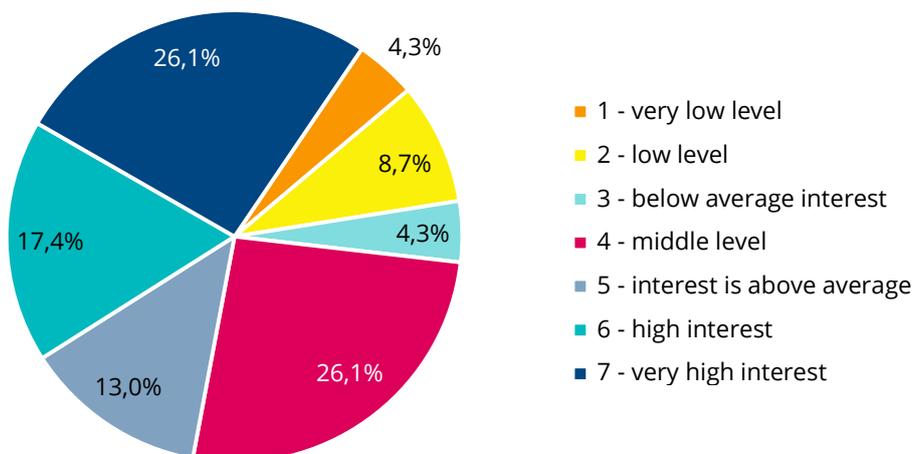
Figure 68. Expert representation by industries



Source: TALAP CAR PF

The interviewed experts view the level of interest in China in Kazakhstan as positive. Thus, 82.6% of experts believe that the public interest in China is equal to or is above average.

Figure 69. Experts' answer to the question "Assess the level of public interest to China in Kazakhstan today?"

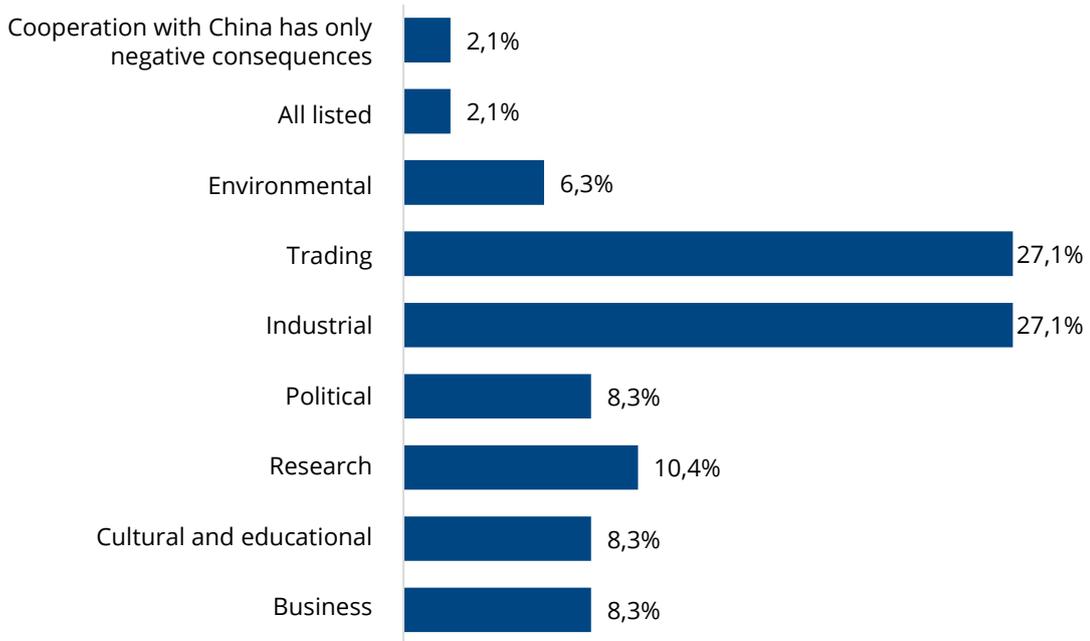


Source: TALAP CAR PF

According to experts, the high level of interest in China is associated with its geographical proximity, its economic and political position in the world, the prospects of the Chinese sales market and the possibilities of technological exchange.

Experts consider production (27.1%), trade (27.1%) and science (10.4%) as the main promising area of cooperation with China that can be beneficial for Kazakhstan (Figure 70).

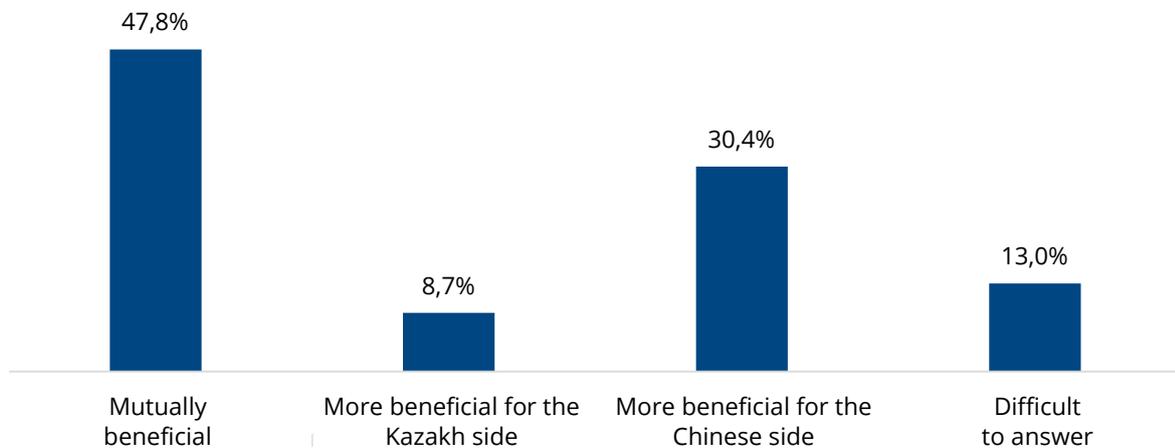
Figure 70. Experts' answers to the questions "Indicate the areas in which cooperation between Kazakhstan and China, from your point of view, is beneficial for Kazakhstan?"



Source: TALAP CAR PF

Most of the interviewed experts assessed the Kazakh-Chinese cooperation as mutually beneficial (47.8%), a third of the experts assessed it as beneficial for the Chinese side (Figure 71).

Figure 71. Answers of experts to the question "How would you characterize the Kazakh-Chinese cooperation at the present stage?"



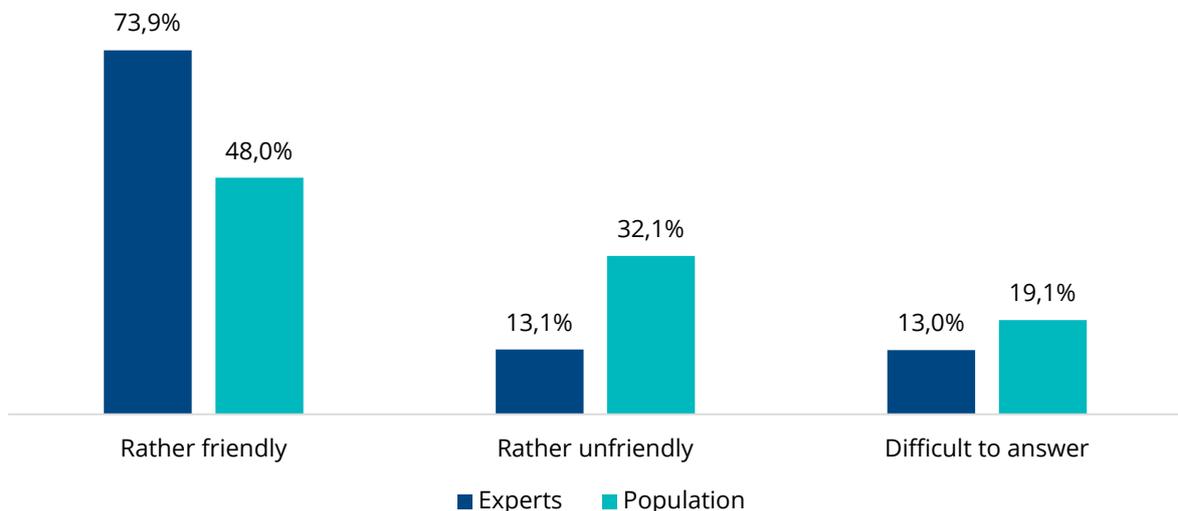
Source: TALAP CAR PF

The experts interviewed see the benefits of cooperation with China. In particular, experts highlight the improvements in logistics and transport flows, trade, technology, investment, and tourism. At the same time, 13% of experts do not see any advantages from cooperation with China.

Among answers to the following open question “What risks do you see for Kazakhstan from cooperation with the PRC?” were risks associated with the territorial integrity, economic dependence, the likelihood of an increase in debt obligations and a slowdown in the development of the Kazakhstani labor force due to competition with Chinese specialists. Some experts (17.4%) also believed that there are no risks associated with cooperation between China and Kazakhstan.

In the question “Is China a friendly state towards Kazakhstan?” the opinions of experts and the public differed. Almost 80% of experts consider China as a friendly state, and only 48% of the surveyed population agree on this (Figure 72).

Figure 72. Answers of experts and the population to the question “Is China a friendly state towards Kazakhstan?”



Source: TALAP CAR PF

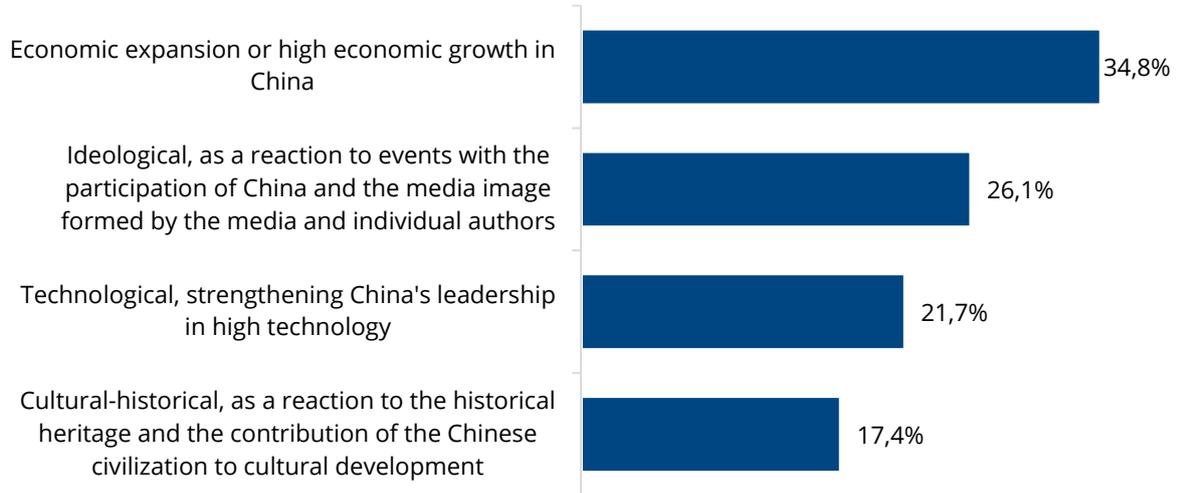
Most experts see the friendliness of China in politics, which is generally characterized by a constructive approach and friendliness with partners; cooperation with Kazakhstan is not limited to pragmatic forms, but also includes gestures of goodwill (humanitarian aid, free educational programs, study tours, etc.). China is especially interested in friendly relationships with neighboring states in the context of ensuring a comfortable external security regime. Also, Kazakhstan (according to Chinese estimates) is one of the countries where China achieved maximum progress in terms of the implementation of the Belt and Road Initiative.

At the same time, some experts, who consider China to be an unfriendly state towards Kazakhstan, expressed the following opinions:

- › China only sees benefits for itself in relations with Kazakhstan, preventing the development of production in Kazakhstan;
- › China pursues its own economic and political interests, which in many respects do not coincide with the interests of Kazakhstan.

The interviewed experts believe that the greatest factor shaping public perception is either the economic expansion or high rates of economic growth in China, rather than cultural, historical, technological or ideological factors (Figure 73).

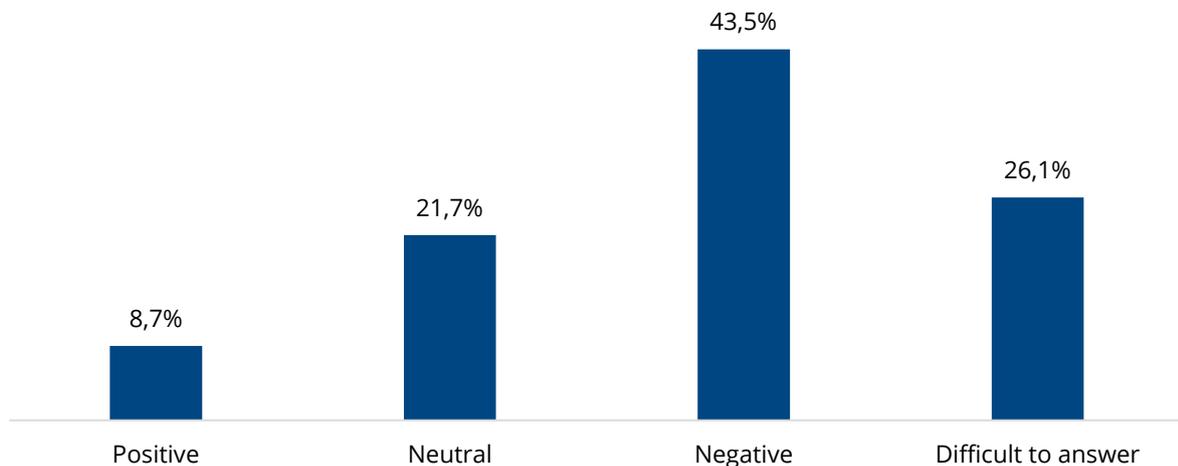
Figure 73. Experts' answers to the question "In your opinion, what factor has the greatest influence on shaping public perception of China in Kazakhstan?"



Source: TALAP CAR PF

Moreover, experts are more inclined to believe that today the public perceptions of China are rather negative (Figure 74).

Figure 74. Experts' answers to the question "In your opinion, what is the current dominant perception of China among the public?"

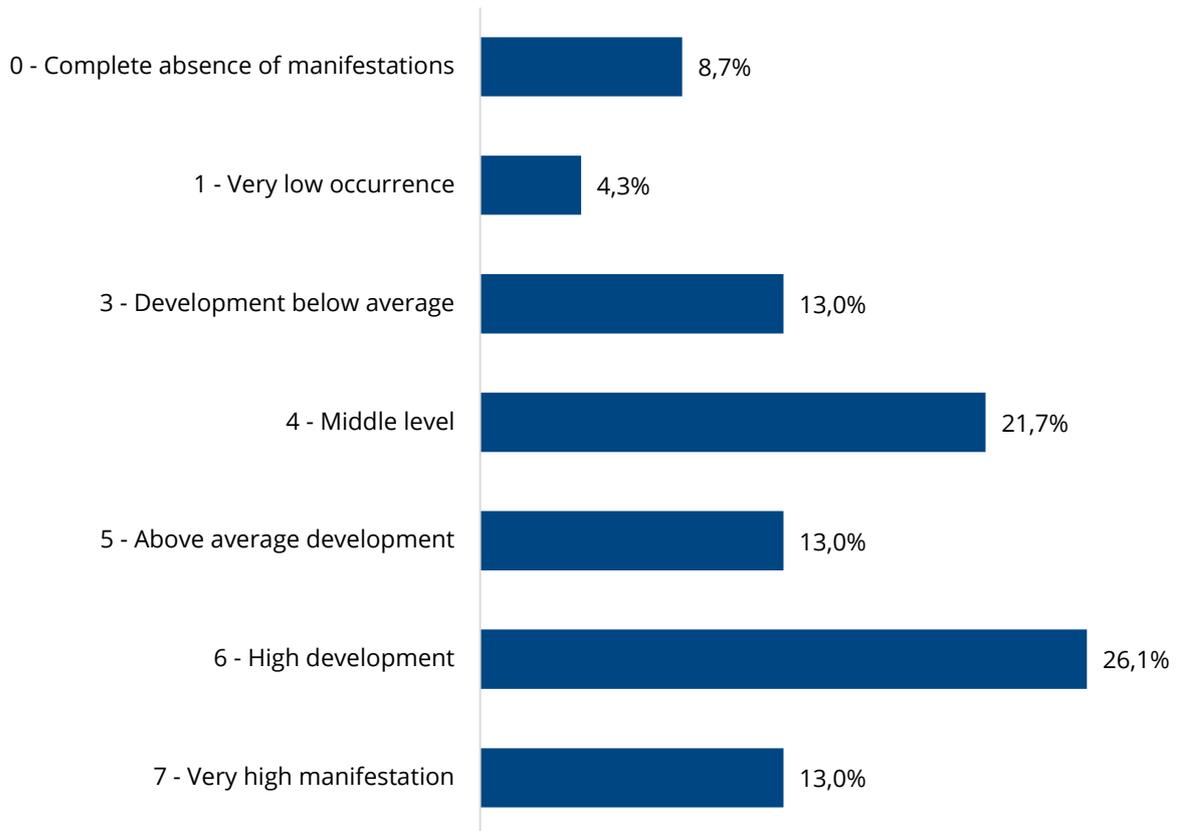


Source: TALAP CAR PF

39.1% of surveyed experts believe that over the past 3 years, the attitude of Kazakhstanis towards China has rather deteriorated. Some, 17.4%, believe that it has rather improved, 21.7% - has not changed and 21.7% found it difficult to answer this question.

Most experts believe that the level of Sinophobia in Kazakhstan is equal to and above the average level (73.9% in total). Some 13% of experts believe that Sinophobia in Kazakhstan is absent or is very low (Figure 75).

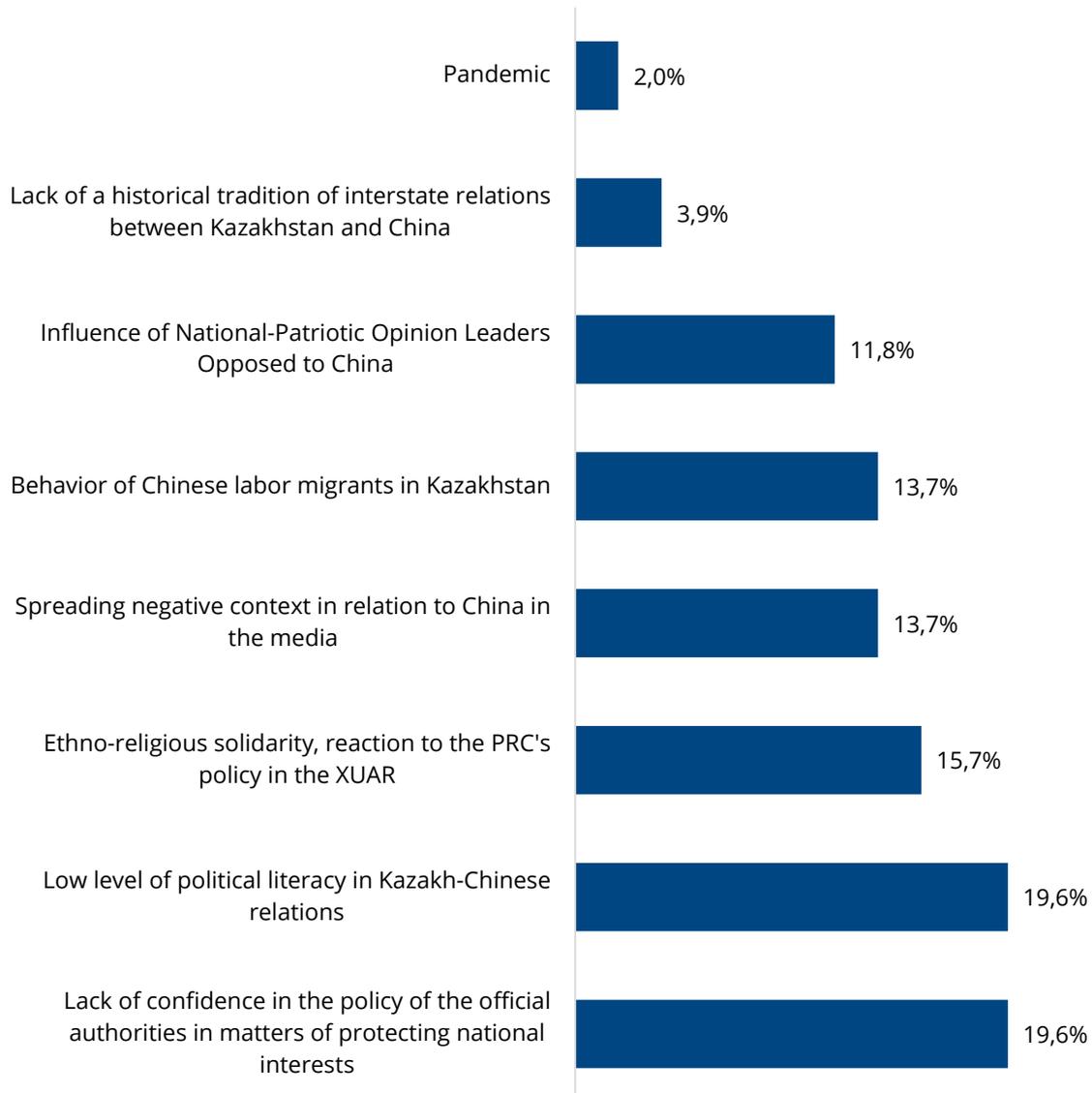
Figure 75. Experts' answer to the question "Using a scale from 0 to 7 points, assess the level of Sinophobia in Kazakhstani society at the moment?"



Source: TALAP CAR PF

Only 2% of the surveyed experts consider the COVID-19 pandemic to be the cause of rising Sinophobia in Kazakhstan. Of the experts surveyed, 19.6% are inclined to believe that the reason for Sinophobia lies in distrust for the policy of the official authorities. Another 19.6% believe that the reason is the low level of political literacy in the issues of Kazakh-Chinese relations (Figure 76).

Figure 76. Experts' answer to the question "What do you see as the main reasons for rising Sinophobia in Kazakhstan?"



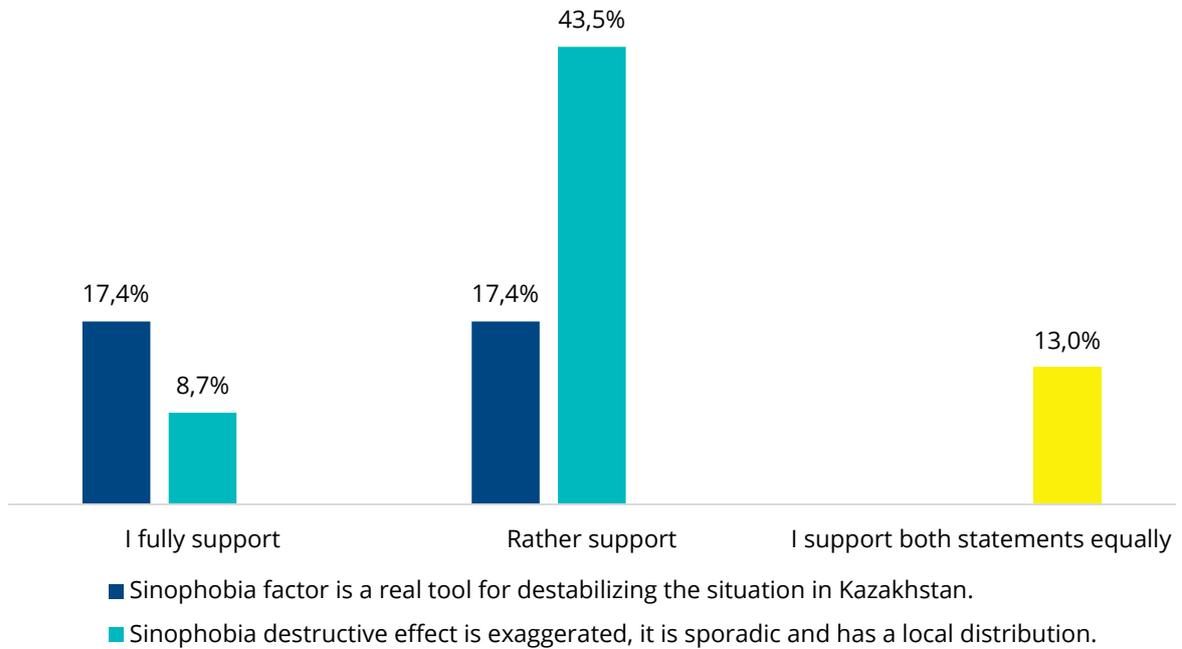
Source: TALAP CAR PF

At the end of the survey, the experts were offered 2 statements:

1. Sinophobia is a real instrument for destabilizing the situation inside Kazakhstan;
2. Sinophobia's destructive influence is exaggerated, it is sporadic and is highly localized.

The first statement ("I fully support", "I somewhat support") was supported by 34.8% of experts. Of the surveyed experts 52.2% agreed with the second statement. Thirteen percent agreed with both statements (Figure 77).

Figure 77. Check which statement do you support the most? 1. Sinophobia is a real instrument for destabilizing the situation in Kazakhstan 2. Sinophobia's destructive influence is exaggerated, it is sporadic and is highly localized.



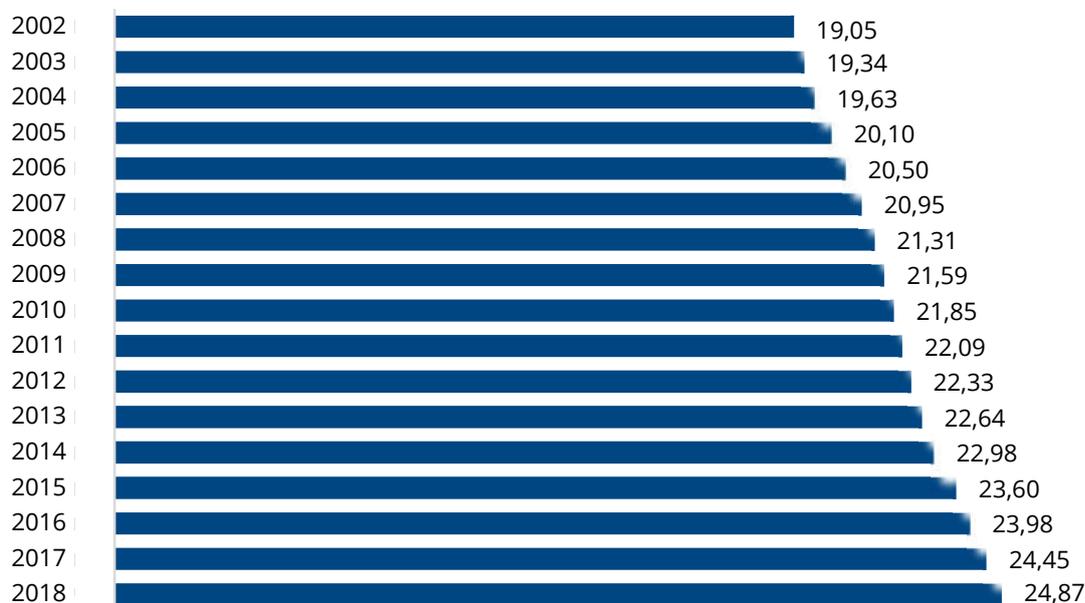
Source: TALAP CAR PF

3.3 Xinjiang economic development: the environmental and social impact on Kazakhstan

The Xinjiang Uygur Autonomous Region (XUAR) plays a special role in the Belt and Road Initiative (BRI), since it shares a border with eight countries and has close economic ties to the Central Asian countries. XUAR could consolidate its position as the economic center of Central Asia, and become the transport and logistics, trade, cultural, scientific and educational center for the BRI¹⁷⁵.

XUAR's main distinguishing feature is ethnic diversity. In addition to members of the Han nation, which constitute up to 40% of XUAR's population, there are Uygurs (46%), Kazakhs (7%), Hui-Dungans (4.5%), and 43 other ethnicities (2.5%). The Chinese leadership considers the region to be problematic due to the increase in separatist tendencies there. Until 2010, China's approach to this issue was to relocate members of the Han nation to XUAR in order to reduce the percentage of Uygur population, and to deploy units of the Chinese People's Liberation Army (Figure 78).

Figure 78. Population growth in XUAR for the period 2002-2018 (million people)



Source: *stat.gov.cn*

Another distinctive feature is that Xinjiang possesses vast natural resources. XUAR holds 30% of the total oil reserves in China, 34% of gas reserves and 40% of coal reserves. Until the early 21st century, the region was considered economically underdeveloped and agriculture was its main industry.

Since the first decade of the 21st century, as regional differentiation in the country grew, China's policy for the development of Xinjiang has been implemented in accordance with the "Great Development of the West" program, which is set to run until 2050. The program is to be implemented in three stages: 1) 2001–2010; 2) 2011–2030: modernization of industry and improvement of structures of production, achieving a GDP growth rate of 6.9% per year in the region; and 3) 2031–2050.

In addition to the development of natural resources, the "Great Development of the West" program aims at developing agricultural production according to clusters; attracting foreign investment; using XUAR's transit potential; and developing the tourism sector. The program is mainly financed by the Chinese government. In addition, the Chinese government has also attracted support from financial institutions

¹⁷⁵ <https://isca.kz/ru/analytics-ru/2760>

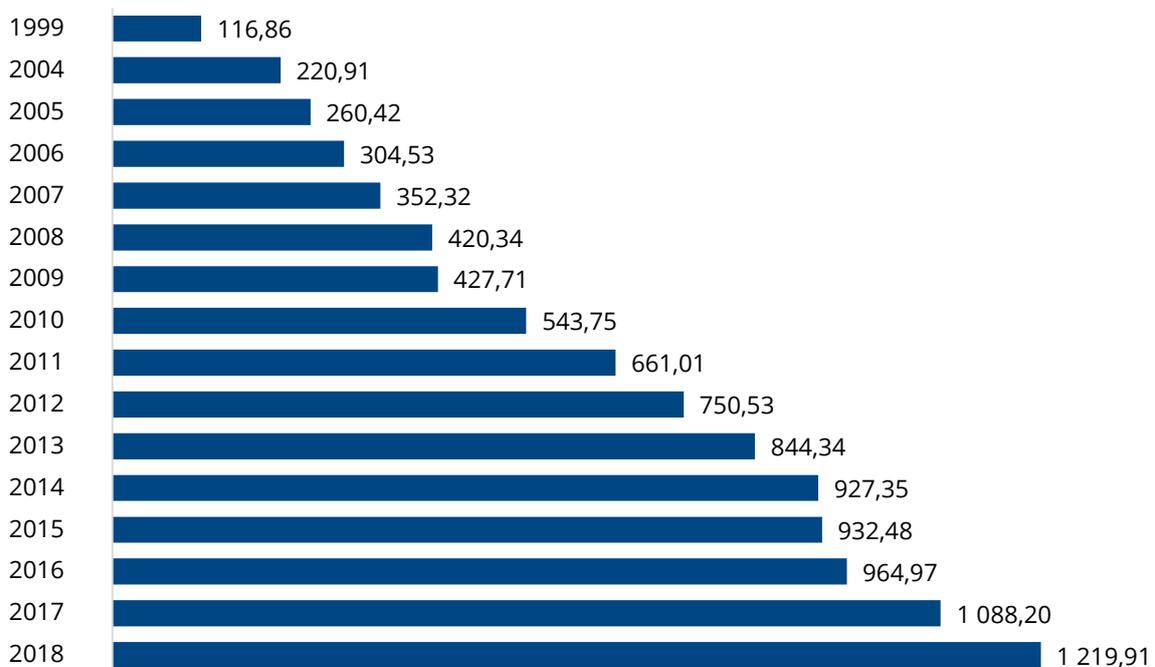
such as the People’s Bank of China and the Asian Development Bank (ADB) to construct economic development zones in the cities of Khorgos and Kashgar.

Additionally, in 2010 China decided to launch a program in which 19 provinces and cities would provide economic assistance to Xinjiang. Until 2010, the assistance to XUAR came principally in the form of specialists from mainland China. Later, however, both financial and technical assistance were also provided. Since 2010, the cities and provinces of China have piloted projects in the field of education, health, agriculture, housing and communal services and informatization in Xinjiang.

Steps are currently being taken to attract investments. This includes the creation of a free economic zone (FEZ) in Kashgar. Nowadays countries of the EU, the USA, Japan, Hong Kong, and Macau are the most important investors in the region.

As a result, in 2018, the total volume of Xinjiang’s economy grew by 200 times compared to 1952 and reached CNY 1.2 trillion. The GDP per capita grew from CNY 166 in 1992 to CNY 49,000 in 2018. Total volume of foreign trade reached USD 20 billion.

Figure 79. Dynamics of GRP of XUAR (trillion yuan)



Source: *stat.gov.cn*

Xinjiang’s tourism industry has been growing rapidly. In 2018, 150 million Chinese and foreign tourists visited the region, an increase of 40.1% from the previous year¹⁷⁶.

In 2013, following announcement of China’s Silk Road Economic Belt initiative, XUAR gained geographical advantage overnight due to its location on front line of the “Belt and Road” and its importance as a transport hub connecting Central Asia, South Asia, West Asia and Europe. The large-scale construction of infrastructure led to significant increase in the retail turnover between Xinjiang and neighboring countries; foreign trade and economic development entered into a new phase.

¹⁷⁶ <https://www.interfax.ru/world/687837>

The development of XUAR's transport network began in 2009 with the introduction of the first electrified railway line Jinghe-Yining-Khorgas, which connected the Bortal-Mongolian Autonomous Region in the north-west of Xinjiang with one of the largest checkpoints on the border of China and Kazakhstan.

In 2011, the Urumqi-Alashankou (checkpoint on the border with Kazakhstan) electrified railway was commissioned and railways were connected at the checkpoint in Khorgos.

The modernization of road links in XUAR has received a lot of attention. In September 2012, the expressway from Guazhou County (Gansu Province) to Xingxing city (XUAR) was opened to traffic. This highway is part of the expressway that connects Lianyungang city of Jiangsu East China province with the Khorgos checkpoint. The Lianyungang-Khorgos Expressway crosses the country from east to west (through Jiangsu, Anhui, Henan, Shaanxi, Gansu and Xinjiang provinces) and is considered the first and only expressway, connecting Xinjiang-Uygur Autonomous Region with the rest of China.

Despite the positive dynamics of the development of XUAR, a number of problems remain in the socio-economic, political, cultural and national development of Xinjiang. Experts note the poor professional training of XUAR workers and employees engaged in industrial sectors. Due to changes in China's industrial production system, the employment structure of the local population slightly changed, especially in the rural areas. As a result, the region lacks sufficient scientific, technical and managerial workers.

Also, despite the region's economic growth, the demographic structure of the economically active population remains almost unchanged. Apart from agriculture, the largest part of the non-Han population, including Uygurs, is engaged in non-production sectors—education, culture, health, sports, social services, trade and public nutrition. Only the smallest part is engaged in knowledge intensive industries and industrial enterprises.

The processes taking place in XUAR have and will have an impact on Central Asian countries in terms of economic expansion and demographic pressure.

Today, XUAR remains the main foreign trade partner of the Central Asian countries. In addition to the fact that all transportation logistics arteries connecting China with the countries of Central Asia, Russia and Europe pass through Xinjiang, XUAR is the main transit base for the exports of Central Asian gas and Kazakh oil. It creates a promising opportunity for the successful industrial development of the region. The Urumqi refinery is among the seven largest oil refineries in China.

Among all eight bordering countries, Kazakhstan is currently the main trade and economic partner of Xinjiang. XUAR accounts for more than 75% of trade between Kazakhstan and China and this indicator has remained stable for several years. Indeed, according to the Chinese customs department, in January–February 2020, Kazakhstan headed the list of Xinjiang's main trading partners. Trade between XUAR and Kazakhstan increased by 29.1% or up to CNY 10.83 billion year on year¹⁷⁷.

However, the large-scale industrial development of Xinjiang Uygur Autonomous Region bears serious environmental risks for the region. The active development of industrial and agricultural facilities requires a large amount of water resources. Consequently, there is a risk of water diversion from transboundary rivers and tributaries, as well as pollution.

Three quarters of surface water resources of the Republic of Kazakhstan are concentrated in two water management basins: Balkhash-Alakol and Irtysh, located in the east and north-east, and bordering China.

The head of the Ili River is formed at an altitude of 3540 m in the Chinese part of Tien Shan, where the Tekes and Kunges rivers join together; it flows into the western part of Lake Balkhash from the south, forming a delta with a total area of 8,000 km². The upper eastern part of the flow of the Ili River, which makes up the main part of the basin, is located on XUAR territory. The middle and lower parts are located on the territory of Almaty oblast in Kazakhstan. The replenishment of Lake Balkhash, an important water body in Kazakhstan, is provided by fresh water from the Ili River, which gives 80% of the total water inflow

¹⁷⁷ http://russian.news.cn/2020-03/23/c_138907656.htm

from the west. When it comes to the economic use of the waters of the Ili River, more than 90% is accounted for by the needs of irrigated agriculture. Water resources of the river Ili are also involved in the power industry (Kapchagai hydroelectric power station) and in water supply for municipal and industrial needs.

In recent years in the territories, where losses of river flow and water intake vary from 3.5 to 4.42 km³/year, water resources are used for irrigated agriculture across a territory of about 600,000 hectares, as well as for drinking purposes and energy needs. In recent years an increasing water diversion in the Chinese part of the Ili River basin was noticeable. On the Chinese side, about 130 hydroelectric facilities and 13 reservoirs were built in the Ili River basin¹⁷⁸.

The Irtysh River is a tributary of the Ob River. The total length of the Irtysh is 4280 km, of which 618 km belongs to China, and 1,698 km belongs to Kazakhstan. The river is economically important for Kazakhstan, where 2.5 million people live near the river. There are also large industrial centers: Ust-Kamenogorsk, Semey, Pavlodar. Irtysh is the main water artery of the northeastern regions of Kazakhstan and Russia, which provides water to industrial and agricultural sectors. Due to water transportation carried out along the river, hydropower is generated. In order to optimize the use of water resources in Kazakhstan, large reservoirs were built in the Irtysh River basin during the Soviet period: Bukhtarminskoye (49 km³), Ust-Kamenogorskoye (659 million m³) and Shulbinskoye (1.83 km³).

The origins of the Irtysh are formed in China. The upper river flows from the head (Blue and White Irtysh heads originate on the western slopes of the Mongolian Altai) to Lake Zaysan. Since the 2000s, as part of the development of Western China, the Irtysh waters have begun to be actively used in the oil and gas industry of XUAR. Irtysh waters are also used for irrigating 140,000 hectares of agricultural land.

Thirteen new reservoirs of small and medium capacity and one hydroelectric power station, Qiaobate on the Black Irtysh, have been and are being built in XUAR. Two billion dollars are allocated for these purposes. The implementation of future plans has already led to a decrease in the flow of the Irtysh in Kazakhstan and Russia. According to experts' estimates, over the past 30 years the flow of the Irtysh on the border of China and Kazakhstan has decreased by almost 3 times and the flow of the Ili River fell from 17.8 to 12.7 km³ per year¹⁷⁹.

According to specialists' estimates, the increase in water supply intake by China is already resulting in the following adverse environmental effects:

- › Excessive water intake from the Black Irtysh River resulted in a lack of water supply to Lake Zaysan, which, in turn, has already led to a decrease in the lake's water levels and a deterioration of the self-cleaning ability of both the lake itself and the Bukhtarma reservoir (since river water from China is already contaminated with heavy metals, petroleum products and phenols). It has furthermore disturbed the natural balance in the Zaysan delta of the Irtysh and, as a result, led to waterlogging of the area, the death of fish juveniles, devastation of muskrat breeding areas, and the disturbance of the habitats of wild animals;
- › A decrease in the runoff and water levels in the Irtysh River led to a deterioration in water uptake and a decrease in the water levels in the Irtysh-Karaganda channel named after K. I. Satpayev (length of 458 km) and the problem of water supply to the central regions of Kazakhstan and, most importantly, Karaganda city and Karaganda oblast, which heavily rely on the channel.
- › Reduction of the flow of the Irtysh River may cause climate aridization and lead to a decrease in natural soil moisture and agricultural crop yields, degradation of pastures, and desertification of a significant

¹⁷⁸ <https://platon.asia/analitika/problemy-transgranichnykh-rek-kazahstana>

¹⁷⁹ *Central Asia and the Caucasus. Volume 13, issue 1. D. Eyvazov (2010). China in Central Eurasia: Security Interests and Geopolitical Activity*

part of the territory of the north-eastern region of Kazakhstan, which will disrupt the natural water balance of the region;

- > Shallowing, salinization and pollution of the Lake Balkhash (mainly due to the construction of the Kapchagai hydroelectric power station);
- > A number of large cities located on the banks of Kazakhstani rivers (Ust-Kamenogorsk, Semipalatinsk, Pavlodar) and on the banks of Russian rivers (Omsk) will experience a decrease in water supply and drinking water quality due to the loss of the self-cleaning ability of the bodies of water.

Special committees are currently trying to solve these issues. However, according to K. Syroezhkin¹⁸⁰, this is only a partial solution to the issue, which also causes (due to a lack of information about the activities of the committees) a certain misunderstanding among the public in Kazakhstan. Moreover, even with the signing of the Water Apportioning Agreement (planned in 2015, but as of December 2019 Kazakhstan had only agreed to 30% of the terms), a solution to this issue may not be found.

The fundamental rule of the legal regime of transboundary waters is the principle of “rational and fair use”, according to which each state along the basin has the right to use a rational and fair share of these waters. This rule is enshrined in Art. 4 of the intergovernmental “Agreement on cooperation in the use and protection of transboundary rivers” (September 2001).

In this regard, China’s position is more advantageous. On the one hand, China uses the water of transboundary rivers that form on its territory. On the other hand, in contrast to Kazakhstan, Xinjiang is considered a water stressed region.

¹⁸⁰ K. SYROEZHKIN PROBLEMS OF MODERN KAZAKH-CHINESE RELATIONS
https://www.imemo.ru/files/File/magazines/rossia_i_novay/2019_01/FullText_012019.pdf

4. Ways of Chinese cooperation: advice

4.1 Status quo: has Kazakhstan developed a current political strategy?

Kazakhstan's political strategy regarding China aims **to preserve and develop friendly neighborly relations**. On the basis of almost three decades of close cooperation, the parties consider each other as reliable strategic partners with a stable domestic political situation, large economic potential and predictable pragmatic foreign policy.

Over the years, Kazakhstan and China have formed an extensive agenda of bilateral relations, closely cooperating in a number of international organizations and regional initiatives. However, without a clear understanding of the priorities and a clear strategy for developing a relationship with China, it is impossible to manage a wide range of cooperation issues in the geopolitically multipolar region (Central Asia is the focus of Russia, the USA, the EU, India, Japan, Turkey, South Korea, etc.).

Kazakhstan has a clear vision of its cooperation with China and an understanding of its role in the Chinese Eurasian strategy. Kazakhstan bases its relationship with China not on a model of dependency but of mutual dependency, where each participant receives equal opportunities and complements the other.

Kazakhstan strikes an acceptable balance of interests in relations with China and other leading foreign partners in accordance with its multi-vector foreign policy and obligations under agreements with third countries. Kazakhstan's strategy continued to form and evolve over the course of three decades as the country strengthened and developed its potential. It is based on a set of factors.

First. Geography and a long history as the basis for relations.

Proximity in Kazakh-Chinese relations is based on a common history that is centuries old. In particular, numerous works and official documents have been preserved in Chinese historical archives¹⁸¹, where for many centuries the Kazakh state has been mentioned in its various forms. The territory of modern Kazakhstan is noted as an important element in the development of the Great Silk Road in China and Eurasia¹⁸².

Nowadays both Kazakhstan and China share the importance of a constructive and mutually beneficial good neighborly relationship, and cooperation on a bilateral and regional basis. Both countries adhere to the belief that "a close neighbor is better than a distant relative", which is reflected in both the Kazakh and Chinese foreign policy concepts, where relations with neighboring countries are considered main priorities. In the official rhetoric and documents of Kazakhstan, China is always mentioned second when it comes to the importance of developing and maintaining constructive relations with neighboring states.

Second. Constructive political foundation of bilateral cooperation. China was one of the first states in the world to recognize the formation of the sovereign state of Kazakhstan following the collapse of the USSR. On December 27, 1991, China recognized the independence of Kazakhstan, and on January 3, 1992, China and Kazakhstan officially established diplomatic relations. In October 1993, President Nazarbayev of Kazakhstan made his first official friendly visit to China. Following talks, the parties issued a joint statement on the basis of Sino-Kazakh friendly relations.

¹⁸¹ https://www.inform.kz/ru/analiz-drevnih-rukopisey-hranyaschihsya-v-arhivah-kitaya-pomog-sformirovat-novyiy-vzglyad-na-istoriyu-kazahstana_a2485910

¹⁸² https://en.wikipedia.org/wiki/Silk_Road

In April 1994, Premier of the State Council of the PRC Li Peng paid a visit to Kazakhstan. This was the first visit of the head of the PRC to Kazakhstan. The leaders of the two states signed an agreement on the Sino-Kazakh state border, resolving the issue of the delimitation of the border between the two countries. China's approach to the development of friendly and neighborly relations with Kazakhstan, a mutually beneficial solution to the border issue, and regular exchanges of visits laid the foundation for a constructive political dialogue between the leaders, which affects the rapprochement of peoples and states.

In addition, over the years Kazakhstan and China have built a wide range of mechanisms of bilateral cooperation, which swiftly resolve emerging issues and problems of cooperation. Meetings of the Kazakh-Chinese Cooperation Committee with industry subcommittees are regularly held (both sides are headed by the Deputy Prime Ministers of the governments of Kazakhstan and China), as well as the Forum of Interregional Cooperation of Kazakhstan with China. There is also the Coordinating Committee for Cooperation in the Field of Industrialization and Investment, the Kazakhstan and China Business Council (KCBC), which is a dialogue platform for the representatives of business circles of Kazakhstan and China.

Third. Mutually beneficial economic cooperation. For three decades, Kazakhstan and China have been working closely in the areas of trade, industry, energy (oil and gas, nuclear power), agriculture, finance and transport. China remains one of Kazakhstan's largest foreign trade partners of Kazakhstan.

China is the world's second largest economy with advanced industrial technologies, capital and a large, promising market. For Kazakhstan, establishing a solid partnership and active cooperation with its neighbor is a chance to modernize its national economy in accordance with new technological changes and develop new profitable sectors (transport, agriculture, tourism, space activities, manufacturing, etc.).

Fourth. Strategic complementarity of Kazakhstan and China. The Kazakhstan-2050 Strategy of 2012, a document that defines the national development plans for the next few decades, states that "At present, we are reviving a New Silk Road, creating the Western Europe-Western China main transport corridor. We opened access to the countries of the Persian Gulf and the Greater East by building the Uzen railway line (the border of Turkmenistan). Having built the Korgas-Zhetygen road, we opened the east gate to the markets of China and the entire Asian subcontinent"¹⁸³.

In general, due to geographical and infrastructural complementarity, Kazakhstan is the gateway to the capacious and solvent markets of Eurasia for China, and China is the gateway to the markets of Asia for Kazakhstan. The basic approaches to the development of the transport and logistics potential of Kazakhstan are set out in the state program of infrastructure development "Nurly zhol" for 2015-2019, the implementation of which has become one of the factors behind the success of the Chinese Belt and Road Initiative¹⁸⁴. Largely advantageous geography, political stability and the development-oriented state policy of Kazakhstan were the reasons why this initiative was announced in the capital of Kazakhstan in 2013.

Fifth. Regionalism and cross-border cooperation. As a cross-border region, XUAR has always played a great role when it comes to cooperation with China, acting as a form of gateway to the country. In his role as President of the Kazakh SSR, Nazarbayev conducted official contacts with the leadership of XUAR PRC. In November 1990, he met the delegation of XUAR PRC, which came to Kazakhstan on an official visit, and was led by the head of the XUAR PRC government of Timur Davamet. During the meeting, the prospects for the further development of cross-border cooperation between the two countries were discussed.

The high dynamics of economic growth of this autonomous border region has a strong impact on the economy of all of Central Asia and of Kazakhstan in particular. Neglecting XUAR would make it impossible to form an integrated system for the development of Central Asia, since Kazakhstan and other countries

¹⁸³ https://www.akorda.kz/ru/official_documents/strategies_and_programs

¹⁸⁴ https://www.akorda.kz/ru/official_documents/strategies_and_programs

of the region must cooperate with Xinjiang on many issues (security, ecology, irrigation, energy, trade, etc.).

Of the eight countries that share a border with Xinjiang, Kazakhstan is its main trade and economic partner. China's activity in cross-border trade projects, contributes to the socio-economic development of XUAR. That is why China increased its focus on Khorgos, decided to create a border city near the Alashankol border point and invested in the construction of transport infrastructure, etc. The complementarity of the economies of Kazakhstan and XUAR PRC opens up new opportunities for joint development.

All these factors can be clearly seen in the **official political rhetoric of the leaders of Kazakhstan**. Until 2014, Kazakhstan's foreign policy concept was a non-public document. That is why its cooperation priorities with China and its role in the country's foreign policy strategy could only be judged based on official statements made by the Kazakh government.

In 2004, then President of Kazakhstan Nursultan Nazarbayev clearly outlined the official position of Kazakhstan on China in his message to the people of Kazakhstan. In his speech he stated that "Stable and friendly relations with our neighbor are very important. China is our reliable partner, we are having an ongoing dialogue on all the matters of mutual interest. We need to work towards increasing the volume of mutual trade. We reached high levels of understanding which would serve that purpose."¹⁸⁵

In subsequent years, former President Nazarbayev has repeatedly expressed the importance of cooperation with China and the need for the pragmatic development of mutually beneficial relations with China in a wide range of sectors. The former president openly answered a variety of questions, including uncomfortable ones, publicly stating that "Kazakhstan is the closest neighbor of China without any political pressure."¹⁸⁶

These foreign policy priorities were confirmed in the statements of the current President of Kazakhstan Kassym-Jomart Tokayev, who took over the position in 2019.

On September 11–12, 2019, Tokayev made his first official visit to China as president of Kazakhstan. The visit resulted in the elevation of bilateral relations and the signing of around ten interstate documents.

In one of his recent interviews, Elbasy answered questions about Kazakh-Chinese relations. Tokayev's speech clearly highlights Kazakhstan's interests in cooperation with its eastern neighbor, "Kazakhstan aims at creating new relations with China [...] Today China is one of the largest foreign trade and economic partners of Kazakhstan [...] China's market provide great opportunities for Kazakhstan [...] We consider China as a transit territory for our goods to enter the markets of the countries of the Asia-Pacific region. At the same time, the territory of Kazakhstan is a major logistics transit center for the diversion of goods from China to Europe."¹⁸⁷

Thus, there is clear continuity in Kazakhstan's foreign policy and its key priorities. In general, over the past three decades, Kazakhstan and China have developed multifaceted complex relations. Their potential of these relations is far from exhausted and more frontiers of possible interaction are opening up every year. This is due to a change in the global situation, new initiatives of the two countries and the desire to move forward to milestones of 2049 in China and milestones of 2050 in Kazakhstan, when both states plan to take up top positions in world development. Kazakh-Chinese relations can be divided into several stages with their own characteristics and tactical priorities.

At the first stage (1991–2002), it was important for both countries to resolve the issue of the state border and establish friendly relations. At this stage, the parties grew acquainted and sought to understand their own and common interests, as well as to outline the priorities of cooperation for the future. During this

¹⁸⁵ https://www.akorda.kz/ru/addresses/addresses_of_president/poslanie-prezidenta-respubliki-kazakhstan-n-a-nazarbaeva-narodu-kazakhstana-19-mart-2004-g_1342416361

¹⁸⁶ https://tengrinews.kz/kazakhstan_news/kitaya-nikakoy-mysli-napadat-drugie-territorii-nazarbaev-357599/

¹⁸⁷ <https://www.zakon.kz/5020328-kak-tokaev-otnositsya-k-kitayu.html>

period, the first key agreements and treaties, regulating the most important areas of interstate relations, were signed.

Successful negotiations on the delimitation of the state border enabled new levels of cooperation to be reached, marked by the signing of the Treaty on Good-Neighborliness, Friendship and Cooperation between the People's Republic of China and the Republic of Kazakhstan, as of December, 2002. This stage established a clear and principled framework for mutual trust and development of bilateral relations between, at that time, young Kazakhstan and authoritative China.

At the second stage (2002–2005), the task was to build bilateral economic relations, based on the industry features and interests of the two countries. Regular exchanges of visits at multiple levels contributed to improving the dialogue and working out a common agenda for cooperation to the benefit of both Kazakhstan and China. During these years, due to the rapprochement in all avenues of cooperation, Kazakh-Chinese interaction took on a special character and came to a level of strategic partnership¹⁸⁸.

At this time, the countries began to widen the international basis of contractual rights and establish close ties between business communities. During this period of cooperation, the parties proceeded to jointly establish major infrastructure projects, in particular, the Atasu-Alashankou oil pipeline, which paved the way for the growth of the Kazakh economy, and the implementation of bilateral projects with China in the energy sector.

At the third stage (2005–2013), the dynamics of the relations between the two countries enabled them to move to a comprehensive strategic partnership¹⁸⁹. Special attention was paid to the issues of trade and economic cooperation. The partnership mainly focused on non-resource content, the construction of transport corridors, the rational use and protection of transboundary rivers, labor migration, attracting investment, and cooperation and coordination in international organizations, (especially in SCO, CICMA and the UN).

In general, this stage was marked by an understanding of the other's place and role in international politics, the existence of trust in the relationship and a clear development for the future. In those years, the Strategy for cooperation between Kazakhstan and China in the 21st century was signed, as well as the Concept for the development of economic cooperation, which determined the expansion of bilateral trade and economic ties between the two countries.

At the fourth stage (2013–2019), the parties continued to further improve the relationships and to deepen their strategic partnership. During this period, Kazakhstan and China were working actively in the direction of joint use of the geo-economic advantages of both states to achieve a set of economic benefits as a part of the construction of the Silk Road of the 21st century, announced in the capital of Kazakhstan. The announcement by the Chinese leader Xi Jinping of the plans to implement the international Belt and Road Initiative in Kazakhstan has been seen as a recognition of the special status of Kazakhstan in Chinese foreign policy.

In 2014, Kazakhstan put forward a counter program called Nurlı Zhol, which supplemented the construction of transport corridors from Asia to Europe through the active development of national infrastructure. During this period, the countries reached the level of bilateral partnership, having signed an agreement on investment and industrial relations in order to start the construction of production lines along the Silk Road¹⁹⁰.

During this period, China and the Eurasian Economic Union (Kazakhstan is one of its founders) signed an Agreement on the exchange of information on international goods and vehicles transported through the

¹⁸⁸ Joint Declaration on the Establishment and Development of Strategic Partnership "(July 2005, Astana)

¹⁸⁹ Joint Declaration of the Republic of Kazakhstan and the People's Republic of China on the Development of Comprehensive Strategic Partnership of June 13, 2011

¹⁹⁰ Joint Declaration of the Republic of Kazakhstan and the People's Republic of China on a new stage of comprehensive strategic partnership relations as of August 31, 2015

customs borders of the EAEU and China. This document made it possible to formalize the relations of Kazakhstan (as a member of the Economic Union) with China, as it simplifies the procedures of international trade and contributes to the development of economic relations with China.¹⁹¹

At present, in the light of the construction of the “Belt and Road”, which has proven its effectiveness, the two countries have reached a new level of bilateral relations. Since 2019, the relations between Kazakhstan and China, taking into account a new situation, proceeded to the form of comprehensive eternal strategic partnership.¹⁹² The Minister of Foreign Affairs of Kazakhstan Beibut Atamkulov (2018–2019) in his interview following president Tokayev’s state visit to China, interpreted the updated format from the official language and diplomatic terminology.

He said that “eternal” means that Kazakhstan and China are good neighbors, so both by fate and geography they are destined to interact. Historical chronicles and archives capture the fact that the people of the Country of the Great Steppe and the Middle Kingdom have been living together for several thousand years already and today hope to live in friendliness for many more thousand years. Kazakhstan and China respect each other’s national interests, and respect the principles of territorial integrity of the states. This creates an atmosphere of confidence for the further development of partnership.

“Comprehensive strategic partnership” means a broad and balanced approach to the relationship, developed over several decades in recent history. Kazakhstan and China are very important partners and neighbors, therefore at the official level their relations are considered strategic. Kazakhstan and China are engaged in constructive political dialogue, they work closely in all sectors of the economy and develop humanitarian cooperation, so, today the two countries interact practically in all areas of cooperation.

At the new stage of bilateral cooperation, Kazakhstan and China once again confirmed fundamental conditions at the highest level, thanks to which constructive and mutually beneficial relations are developing. Both countries intend to work closely in international and regional affairs, to promote peace, stability and prosperity in the region and in the world in general. Kazakhstan and China will continue to cooperate and strengthen the stability and maintain the regional security, including through such organizations as the UN, CICMA and SCO.¹⁹³

In the next decade, Kazakh-Chinese relations will develop within the framework of the new Foreign Policy Concept adopted in 2020 until 2030, in which the country’s foreign policy priorities are updated and expanded. The new document specifies the tasks of Kazakhstan in cooperation with foreign partners and many of them provide an opportunity to reach further potential of cooperation between Kazakhstan and China at the bilateral and multilateral levels.

In the section “Country and regional priorities” of the Concept 2014–2020, it is emphasized that “the Republic of Kazakhstan will deepen comprehensive strategic cooperation with the People’s Republic of China in the framework of political dialogue at the highest level, develop energy, investment, technological, trade, economic, cultural and humanitarian cooperation, cooperation in the transit transport and agricultural sector, and in sharing water resources of transboundary rivers and ecology.”¹⁹⁴

Updated international priorities are presented in the Foreign Policy Concept, adopted in 2020, which will act over the next ten years.¹⁹⁵ In the section “Priorities in the field of regional and multilateral diplomacy” among the key foreign policy tasks, the further development of a comprehensive strategic partnership with the People’s Republic of China was recorded.

¹⁹¹ <http://www.eurasiancommission.org/ru/nae/news/Pages/06-06-2019-3.aspx>

¹⁹² *Joint Statement of the Republic of Kazakhstan and the People's Republic of China as of September 11, 2019.* https://www.akorda.kz/ru/events/international_community/foreign_visits/prezident-kazahstana-kasym-zhomart-tokayev-provel-peregovory-s-predsdatelem-knr-si-czinpinom

¹⁹³ <https://www.zakon.kz/4985767-cto-znachit-dlya-kazahstana-vizit.html>

¹⁹⁴ https://online.zakon.kz/Document/?doc_id=31498994#pos=21;-44

¹⁹⁵ https://www.akorda.kz/ru/legal_acts/decrees/o-koncepcii-vneshnei-politiki-respubliki-kazahstan-na-2020-2030-gody

Table 15. *Priority of Foreign Policy Concept of the Republic of Kazakhstan until 2030*

#	Priority of Foreign Policy Concept of the Republic of Kazakhstan until 2030	Implementation of priorities in Kazakhstan and China cooperation
1. Priorities for the maintenance of international peace and security		
1.1	Promoting the restoration of and strengthening confidence in international relations on the basis of the purposes and principles of the Charter of the United Nations (UN), promoting multilateral cooperation on the basis of equality and compromise	Joint work inside the UN with China—a permanent member of the UN Security Council
1.5	Intensification of the search for complex approaches to the solution of key Asian issues, including through the transformation of the Conference on Interaction and Confidence-building Measures in Asia (CICA) into a regional security and development organization	Join development of the Conference on Interaction and Confidence-building Measures in Asia (CICMA)
1.6	Promoting the integration of global and regional efforts in opposing international terrorism and extremism, including through the establishment of a broad international anti-terrorism coalition; cooperation with external partners in the fight against organized crime, drug trafficking and other criminal activities	Collaborative work initiated with the Shanghai Cooperation Organization (SCO), participation in joint anti-terrorism drills
2. Priorities for economic diplomacy		
2.1	Mobilization of shared resources and potential in the processes of structural transformation of the national economy, including within the framework of implementation of industrialization programs and development of the “economy of basic staff”	Attracting Chinese investment capital to high-tech industries of the Republic of Kazakhstan. Today, the main areas of Chinese investment in the Republic of Kazakhstan are: transport and warehousing (32.9%), mining and quarrying (17.3%), manufacturing (13.5%), construction (13%), financial and insurance activities (9.4%), motor transport (6%) and professional, scientific and technical activities (3.9%).
2.2	Expansion of international cooperation to attract high-quality foreign investments in the basic sectors of the economy: engineering and instrument making, agro-industrial complex, light industry, production of construction materials, mining, transport and logistics, healthcare, education, tourism, oil and gas chemistry and oil refining, oil service industry, agrochemical industry, non-ferrous metallurgy	Joint construction of 56 new industrial projects on the territory of Kazakhstan accounted for about USD 27 billion within the framework of the signed Framework Agreement between the Government of the Republic of Kazakhstan and the Government of the People’s Republic of China on strengthening cooperation in the field

#	Priority of Foreign Policy Concept of the Republic of Kazakhstan until 2030	Implementation of priorities in Kazakhstan and China cooperation
2.3	Facilitating the transfer of advanced foreign technologies, as an important part of the innovative and industrial process, to Kazakhstan. Promotion of the brand of Kazakhstan as an open jurisdiction for international partnership in new high-tech industries, including in the light of the State program “Digital Kazakhstan”, the development of the sectors of “artificial intelligence”, “big data” and other related areas	of industrialization and investment. The projects are implemented in the energy, agricultural, oil and gas, petrochemical, chemical, metallurgical, construction, industrial, mining, automotive, transport, infrastructure, innovation and financial sectors. Within implementation of the 56 projects in Kazakhstan there are several new high-tech enterprises, capable of producing high-value-added products aimed at exporting to foreign countries. In particular, cars, oil and gas equipment, metallurgical products, mineral fertilizers, chemical and food products will be produced. Additionally, the projects will be implemented in the fields of energy, infrastructure, construction and light industry.
2.5	Assistance in integration of Kazakhstan’s most competitive sectors into international and regional production chains	In general, when launching new projects, more than 20,000 new jobs will be generated. Joint work in the framework of the Cooperation Committee of the Republic of Kazakhstan-China and Kazakh-Chinese Coordinating Committee on Industrialization and Investment Cooperation to attract investments and new technologies in the implementation of the program of industrial and innovative development of Kazakhstan
2.6	Assistance to Kazakhstani investors and producers in the implementation of projects in foreign markets, countering their discrimination by government bodies of other countries	Joint work within the framework of the Kazakh-Chinese Business Council and the Committee for Cooperation of the Republic of Kazakhstan and China.
2.7	Promoting the expansion of the nomenclature, volumes and geography of, first of all, non-resource national exports taking into account the priorities of the “State Trade Policy Program until 2025” and its subsequent editions. Participation in the development and implementation of international quality standards, facilitating the removal of tariff, non-tariff and protective measures that impede the export of Kazakhstani goods and services	Negotiations and signing of additional protocols on inspection, quarantine and phytosanitary requirements for entering the Chinese market of new types of agricultural products of the Republic of Kazakhstan. Expansion of the range of Kazakh export products for deliveries to the Chinese market. Joint work on the development of capacity and infrastructure of the Khorgos ICBC
2.8	Continuation of efforts on making Kazakhstan a transcontinental transit and logistics hub on the East-West and North-South main roads, based on the potential of the Nurly zhol state program, introduction of the Open Skies regime and infrastructure initiatives of foreign partners	Continued joint work on the implementation of the potential of the Belt and Road Initiative with the participation of 120 states around the globe, joint use of seaports in Southern China (for example, Yu, Beibuwan, etc.) to enter the markets of Southeast and South Asia

#	Priority of Foreign Policy Concept of the Republic of Kazakhstan until 2030	Implementation of priorities in Kazakhstan and China cooperation
2.9	Development of trade, economic and investment cooperation at a regional and a local level, including on the basis of the Khorgos International Centre of Boundary Cooperation and other sites	Joint work on further development of the potential and infrastructure of the Khorgos International Centre of Boundary Cooperation. Attracting investments in the increasing the number of shopping places, improving the conditions for the work of investors and traders. Development of a new Program of cross-border cooperation between the Government of Kazakhstan and the Government of China for 2021-2025 (the previous document for 2015-2020 will expire this year)
2.10	Promoting regional and global energy security, getting the balance of interests of producing, transit countries, energy consumers and creation of diversified, stable and secure export routes	Cooperation in the fields of production and export of oil (from Kazakhstan) and transit oil (from Russia), export of gas (from Kazakhstan) and transit gas (from Turkmenistan and Uzbekistan) to China, as well as civil nuclear technology. Expansion of uranium exports to China
2.11	Promotion of the Astana International Financial Center site for further integration into the global financial ecosystem. Involvement of large foreign companies in the management of commodity markets of Kazakhstan	Working together with Shanghai Stock Exchange, Silk Road Foundation and IIB to fulfill AIFC potential for the development of the Belt and Road Initiative with the participation of 120 countries around the globe
2.14	Promoting the efforts of the world community to provide official development assistance	Promoting the efforts of the world community to provide official assistance in the development
3. Human rights, humanitarian diplomacy and environmental protection priorities		
3.2	Promoting intercultural and interreligious dialogue, including by the process of the Congress of the Leaders of World and Traditional Religions, initiatives within the framework of the "International Decade for the Rapprochement of Cultures" participation in the UN Alliance of Civilizations and other international initiatives	Participation of Chinese religious leaders and delegations in the work of major Kazakh initiatives on intercultural and interreligious dialogue, joint promotion of these initiatives at the UN level
3.3	Participation in the efforts of the world community to counter criminal acts motivated by hatred, racial discrimination, religious contradictions, extremism and nationalism	Joint work within SCO and CICMA
3.7	Enhanced international cooperation at the bilateral and multilateral levels in education, science, culture, sports and youth policy	Realization of the potential of the Agreement between the Government of Kazakhstan and the Government of China on cultural and humanitarian cooperation, signed in 2015. Organization of sports events for the exchange of achievements in culture, science and education.

#	Priority of Foreign Policy Concept of the Republic of Kazakhstan until 2030	Implementation of priorities in Kazakhstan and China cooperation
3.8	Popularization of the rich historical and cultural heritage of the Kazakh people, including within the framework of the “Rukhani zhangyru” program	Translations of works of Kazakh literature into Chinese, and works of Chinese literature into Kazakh. Co-organization of Forums of Asian writers.
3.10	Raising public awareness of the approaches and initiatives of Kazakhstan on the issues of regional and global policy and economy, including using the potential of the Astana Economic Forum, the Eurasian Media Forum and the Astana Club	Participation of Chinese experts and journalists in international platforms organized by Kazakhstan for objective information and exchange of views
3.17	Continued work with neighboring countries on the improvement of a negotiating and legal base, instruments and mechanisms for equitable and rational use, sustainable management and protection of transboundary water resources	Continuation of work on equitable and rational use of transboundary water resources (24 transboundary rivers flow between Kazakhstan and China, including six rivers along the Yertis river basin; 7 rivers along the basin of the Ili River; and 11 rivers along the basin of Lake Alakol)
3.20	International cooperation in public health to counter epidemics and pandemics	Participation in international cooperation in public health to counter epidemics and pandemics

4. Priorities for regional and multilateral diplomacy

4.1	Provision of the UN Hub in Almaty with the status of the UN interregional center in Kazakhstan on Sustainable Development Goals and facilitating its activities in the states of Central Asia and in Afghanistan	Joint work inside the UN with China—a permanent member of the UN Security Council
4.2	Further development of comprehensive strategic partnership with the People’s Republic of China	As part of the adopted joint statement in September 2019, signed agreements and treaties, as well as updating the agenda of relations against the backdrop of ongoing changes
4.5	The expansion of multilateral dialogue and cooperation in the Central Asian region, the importance of which in Eurasian and global processes is steadily growing. Strengthening of the existing formats of interaction between Central Asian States and external partners	Sharing the potential of the regional dialogue “5+1” (Central Asia plus China) at the level of foreign ministers, launched in July 2020. Implementation of region-wide joint projects in the interests of all Central Asian countries
4.8	Strengthening relations with countries of East, South-East and South Asia, Near East and Middle East, North Africa. Active participation in the activities of international organizations in the Asian region, including the Shanghai Cooperation Organization, CICMA, etc. Expansion of relations with regional organizations without participation of Kazakhstan. The Association of Southeast Asian Nations, League of Arab States, Gulf Cooperation Council and other institutions	Sharing of Collaboration and Infrastructure Capabilities within the Belt and Road Initiative to intensify contacts and engagement with countries in South-East Asia and the Middle East

#	Priority of Foreign Policy Concept of the Republic of Kazakhstan until 2030	Implementation of priorities in Kazakhstan and China cooperation
4.10	Strengthening of interaction with international and regional economic and financial organizations	Further development of cooperation with the IIB and the Silk Road Fund

The world is undergoing complex shifts and changes, which will largely determine the course of events in Eurasia in the next decade. These new trends should be taken into account when further building the bilateral relationship between Kazakhstan and China. It is clear that the fourth decade of Kazakh-Chinese cooperation is likely to take place within a dynamically changing strategic context.

Kazakhstan understands that the modern system of international relations is experiencing a complex transformation. The Foreign Policy Concept until 2030 states that the main signs of changes are:

- › Crisis of confidence and increased conflict, including due to decline in the functionality of multilateral security and dialogue institutions, poor effectiveness of preventive diplomacy and conflict resolution mechanisms;
- › Blurring of fundamental principles of international law, international clash of two main trends—globalism and nationalism—which pose serious risks for medium and small states;
- › Aggravation of traditional security challenges and threats, such as terrorism, extremism, arms race, including missile, nuclear and space, climate change and others;
- › Emergence of new influences on geopolitics and geo-economics, including those related to the development of information and communication technologies, hybrid and cyber warfare phenomena;
- › Erosion of the modern model of globalization and international trading system, widening the gap in economic and technological development between countries and regions, vulnerability of the global financial system, tightening trade and currency wars, sanctions confrontation.¹⁹⁶

2020 was a turning point for the development of the world system. Due to the obstacles created by the COVID-19 pandemic, international relations and the world economy are facing critical changes and an overt crisis. Geopolitical tensions between key global powers are increasing rapidly.

Long-standing contradictions between the United States and China—the first and second economies of the world and important foreign partners of Kazakhstan—are irrevocably turning into overt confrontation. Competition in trade and the economy is now rapidly transforming into political and ideological conflict with all the likely effects of the “cold war”. These pose new and yet unexplored challenges to Kazakhstan’s foreign policy.

The current US policy of protectionism, isolation and promotion of national interests has a mixed impact on traditional transatlantic relations. So far, trade barriers between the EU and the United States exist on certain types of goods, but these trends threaten to turn into full-scale trade conflicts (the confrontation began with American restrictions in 2019 to the supplies of European steel and aluminum by 25% and 10%, respectively, and today to the supplies of gas, digitalization, auto industry, etc.)¹⁹⁷

Europe maintains its position as the world’s second largest economy, although the UK’s withdrawal from the EU and pressure from the pandemic has revealed the Union’s weaknesses. Despite the crisis, Asia’s position in the world continues to change. This vast region has seen steady economic growth and a growing center of consumer demand.

The EU and China gravitate towards each other and seek to consistently expand mutually beneficial relations. However, growing demands of Washington and its pressure on European policy have an

¹⁹⁶ https://www.akorda.kz/ru/legal_acts/decrees/o-koncepcii-vneshnei-politiki-respubliki-kazahstan-na-2020-2030-gody

¹⁹⁷ <https://interaffairs.ru/news/show/24044>

ambiguous effect on Sino-European relations. On the one hand, Europe is listening to its American allies (e.g., 5G projects with China's Huawei), and on the other hand, trade conflicts with the United States are increasingly bringing the EU closer to China.

In this regard, the relevant question is whether the EU will be able to take on a united front in its cooperation with China, or whether relations will be built with individual European states (which do not agree with Washington's position on EU cooperation with China). In general, the ongoing global transformation is likely to lead to change in the conditions of Sino-European interactions, which form the basis for the development of the Belt and Road Initiative.

At the same time, it is important to work closely with the European Union, which announced its new strategy in Central Asia in 2019¹⁹⁸, to attract European partners to the "Belt and Road" cooperation. In the new era of international relations, the EU-Central Asia-China-Southeast Asia cooperation will have great potential for economic growth.

China is also rapidly changing alongside these processes. Beijing has long introduced its new foreign policy strategy, known as "diplomacy with Chinese characteristics". Its objectives include creating a multipolar world and promoting globalization according to the Chinese model, building a new type of relations between the main powers and building a new format of relations with neighbors.

COVID-19 gave a new impetus to China's revitalization in world affairs, and the pressure on China influenced the decision of the Chinese leadership to make foreign policy more dynamic. Despite the expectations that China will continue to take a pragmatic approach to foreign policy, aimed at preventing direct confrontation, building harmonious relations and benefiting most from cooperation with foreign partners, Beijing is today making its foreign policy more aggressive.¹⁹⁹

Today China is entering a new era of development. And it is connected with a political leader of a new caliber. Xi Jinping managed not only to offer a new vision in the development of China as the second global economy, but also took a lead in the epochal changes in the life of his country. China's international role is changing and the country is drawing a lot of attention from the international community. This will automatically influence all the neighbors of this country both in positive (new development opportunities, attracting investments, new projects with a focus on China, etc.) and in negative ways (political, economic and information pressure from China's competitors).

The Chinese economy is preparing for dramatic changes. As a result of the "13th Five-Year Plan" of the socio-economic development of the PRC for 2016–2020, the prerequisites have been created for a deep transformation of the economic model and "rebalancing" of the key sectors of the Chinese economy. In 2020, the "14th Five-Year Plan" or the PRC Development Program for 2021–2025 will be developed. Its content, apparently, will account for the changes in the economic situation in the world and the country taking place in the following months.

China's economic policy will not focus on maintaining high rates of growth, but rather on qualitative changes of the economic model itself. China is focusing on boosting its domestic demand, and using its huge domestic market as a source of new economic growth. By stimulating consumption, investment and infrastructure development, the Chinese authorities will try to restart the country's economy.

The focus on technological development of the PRC will be placed on the transition to new reallocations. The program "Made in China 2025" is aimed at growing advanced sectors of industry such as robotics technology, aerospace industry, new materials and new energy transportation. Priorities include replacing imports with new local products and creating global technology giants capable of competing with Western TNCs in the latest technologies.²⁰⁰

¹⁹⁸ <https://www.ceps.eu/the-new-eu-strategy-on-central-asia/>

¹⁹⁹ <https://edition.cnn.com/2020/05/28/asia/china-wolf-warrior-diplomacy-intl-hnk/index.html>

²⁰⁰ <https://inosmi.ru/politic/20180915/243245843.html>

China's new foreign policy with respect to Central Asia is taking clear shape and has already acquired features of its own. In the new international environment, China is also demonstrating new strategic approaches to Central Asia.

Beijing has drawn conclusions from regional competition (on the part of Russia, the USA, the EU, Japan, etc.) and is now building its regional policy in a consistent and systematic manner—the Chinese side is now trying to increase the interconnectedness of the region. Within the BRI framework, China for the first time applied a programmatic and conceptual approach. The main conclusion of the first BRI years is that China is ready and able to promote a certain unification of Central Asia under the auspices of Chinese interests.

In particular, transport corridors from China through Kazakhstan and Central Asia to Europe are already functioning on a continuing basis. Thus, the Chinese leadership managed to achieve transit connectivity, which European structures could not do for two decades under such programs as TRACECA and others. Beijing has successfully agreed and implemented the project for the construction of several gas pipeline strings of the Central Asia-China, which pass through Turkmenistan, Tajikistan, Uzbekistan and Kyrgyzstan. This indicates that China has managed to achieve coordination of energy policies from the countries with which it previously had difficult relationships.

China has consistently expanded its policy tools in the region. Customary policy tools in Central Asia include a variety of credit and investment packages for the implementation of specific infrastructure projects and development of the natural resource assets of the countries of the region.

Today, China is open to implementing industrial projects in Central Asia aimed at creating transnational production chains. Clearly, China has made a firm decision to change its position in Central Asia.

In the next decades, the development of the western regions of China will continue. The leadership aims to pull up the GDP's of the western provinces of the country to USD 2.9 trillion by 2030. Xinjiang's economy is growing rapidly; the average annual growth rate is 8.3%, GNP remains at USD 7,000 with an annual growth of 7.5%.²⁰¹ In 2017, the GDP of XUAR (USD 171 billion) exceeded the GDP of Kazakhstan (USD 160 billion at that time).²⁰² According to some forecasts, the gap in the development of XUAR and Central Asia will grow in favor of XUAR.

China's strategy in relation to Central Asia is largely based on the necessity to stabilize and develop XUAR. Beijing pays special attention to the development of Xinjiang for economic, social and geopolitical reasons. The industrialization plans of the region are clearly focused on linking XUAR and Central Asia by extensive network of direct transport links. Local leadership seeks to make XUAR a key region in "Belt and Road" implementation (competition for XUAR with Central Asia).

The starting points of the strategy are large-scale projects for the development of auto and rail networks, which are being implemented today, the development of air traffic with the view to making XUAR a powerful macro-regional transport and logistics hub involving Central Asia (this could potentially make Central Asia a peripheral element in regional geo-economics). In 2019, XUAR announced a road map for the development of its manufacturing industry, stimulating 20 specialized enterprises and 50 enterprises with the potential to become leading enterprises by 2025.²⁰³

Since 2020, Beijing has gone ahead with the formalization of a direct political dialogue in the "5+1" format with the countries of the region—Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. This dialogue will allow the countries to discuss the issues of region-wide development and to solve common problems. China's activeness in building a direct dialogue with Central Asia may also signal its reconsideration of its attitude towards SCO, after its expansion.

²⁰¹ <https://ria.ru/20191211/1562275476.html>

²⁰² <https://zonakz.net/2018/11/01/za-10-let-po-chasti-ekonomiki-sinczyan-dognal-i-peregnal-kazaxstan/>

²⁰³ http://russian.news.cn/2019-11/07/c_138536706.htm

On the other hand, in the midst of developing relations with China, today Central Asia has an opportunity for economic renaissance: for the first time in the last 25 years the region is directly influencing its own development as an active participant, not as a mere object of external efforts. Integration into East-West transport links eliminates the issue of continental isolation. Strong prerequisites for intraregional cooperation are being created. Today, the Central Asian countries are becoming increasingly dependent on constructive relations with each other, which together with a regional course of rapprochement create conditions for collaboration.

Kazakhstan is also going through a transformation, which will unlikely affect its foreign policy, but will have a strong impact on its economic agenda; there is a need to adjust to the post-oil era and modernize the economy in order to ensure its growth after the COVID-19 recession. Over the next decade, Kazakhstan will seek to develop its processing and agricultural sectors, digitalization and IT, transport and logistics, and tourism. In addition, in the coming decades Kazakhstan will focus heavily on economic diplomacy.

Thus, Kazakhstan will continue its consistent and pragmatic cooperation with its Eastern neighbor across the full range of areas and exploit opportunities offered by cooperation with China. But in light of the rapid global changes, comprehensive cooperation between Kazakhstan and China could well be adjusted in the future, and most likely be revised and updated to suit the influence of a broad range of factors. Furthermore, new forms of cooperation are likely to be included in the new Program of cross-border cooperation between the Government of the Republic of Kazakhstan and the Government of China for 2020-2025.

4.2 “Keeping a balance of interests”: implementing EU and other extra-regional potential in cooperation with China

Kazakhstan and China are developing their relations in the changing conditions of a new phase. In the next few years, Kazakhstan will have to reflect on its role in the dynamic regional processes taking place in Eurasia. Kazakhstan and Central Asia are geographically located at the very center of observed active rapprochement between East and West, so they have to learn to use increased international attention, intensive contacts and numerous proposals in the interests of national and regional economic development.

Currently, several important macro-regional and national trends coincided in the key centers of the continent (in China, EU, ASEAN, Russian Federation, Middle East, etc.). This will determine the new look of Eurasia in the coming years. In such a rapid environment, only a smart and coordinated balance of interests, actions and relations with all partners will yield success as well as promote personal interest and foster enabling environment in the Central Asian region.

Bilateral dialogue of Kazakhstan with China

At the current stage, Kazakhstan and China are systematically moving to a new level of their socio-economic development. The periods of the new stage of state construction in both countries coincide: Kazakhstan adopted its Strategic Development Plan until 2025 and China adopted its XIV Plan of Social and Economic Development for 2020-2024, which is currently being developed following the decisions of two sessions of the National People's Congress of the People's Republic of China in May 2020.

The global economic situation requires continued modernization of both countries: for Kazakhstan it is important to reduce the dependency of the economy on raw materials and to focus on the development of industry, for China it is necessary to search for new internal drivers of economic growth to maintain its status of the second economy of the world and to implement social objectives.

In the near future, it is necessary for Kazakhstan and China to synchronize their economic policies in order to increase their complementarity, expand the structure of trade and gain greater benefits, including through the implementation of the Belt and Road Initiative.

Kazakhstan has a significant strategic task ahead of it. It is to diversify its national economy, to adapt to the dynamics of world commodity markets, to solve the issue of insufficient technological development, to develop the industry on the basis of trends of Industry 4.0 and agricultural sector, to increase the workload of the national transport and logistics network to increase its profitability and to stimulate the service industries.

China seeks to reduce the reliance on foreign markets through encouragement of domestic consumption, the country is moving towards a technological upgrade of its industry (reducing the reliance on foreign corporations and decrease in influence of transfer of the plants to cheaper labor markets by western TNCs) and changing the export structure in favor of more innovative products and services, developed and produced in China.

There is a perfect “window of opportunity” for diversifying Kazakh-Chinese cooperation, and bringing it to a new level, while aligning the national interests of the two countries based on their state development tasks. Taking into account the fact that Kazakhstan and China are currently developing an eternal, long-term comprehensive strategic partnership, it is possible to implement new initiatives²⁰⁴.

Kazakhstan remains an important partner of the PRC in the construction of the Belt and Road Initiative. The participation in the implementation of the initiative allows Kazakhstan to develop relations not only with China, but also with all 120 member countries in the Middle East and Asia. It is important to

²⁰⁴ <https://www.kazpravda.kz/articles/view/kazakhstan--kitai-novii-uroven-vsestoronnego-strategicheskogo-partnerstva>

understand that Kazakhstan borders and interacts with the “second global economy”, but it still does not use the advantages to the full extent.

Today, Kazakhstan has a unique opportunity to get achieve advantages from participating in the implementation of the Belt and Road initiative, using a pragmatic approach and giving priority its own long-term strategy in the transition from raw material economy to a post-industrial one. In this case, joint projects with China in the next 10-15 years will allow for the development of human capital and the creation of new sectors of the economy in Kazakhstan until the middle of the 21st century.

Kazakhstan and China, just as they did a thousand years ago during the period of creation and development of the Great Silk Road, have today relaunched transcontinental cooperation and are contributing to the reconfiguration of the entire Eurasian geo-economics.

Therefore, in order to fulfill the potential of cooperation between Kazakhstan and China in the next five years, it is important to consider the following measures and initiatives.

Various dialogue mechanisms at different levels play an important role in the development of bilateral relations. Over the years, a lot of work has been carried out in the Cooperation Committee of the Republic of Kazakhstan with China, which was created in 2014 and became one of the main bodies for coordinating bilateral cooperation at a high level.

During the next 10th meeting of the Committee in Kazakhstan in 2021, it is worth discussing the harmonization of cooperation in trade, investment, energy, industry, medicine, agriculture, transport, innovation and tourism, while also accounting for strategic priorities of Kazakhstan and China for the next five years.

Such activities could form the core of a special program of bilateral economic cooperation till 2025 and this document would help to lift the relations of both countries to a new and higher level.

Within the framework of a new emerging market, it is necessary to revise the format and content of the work of the Kazakh-Chinese Business Council, which has become an important platform for rapprochement between the business communities of Kazakhstan and China. The agenda of the business body should reflect the new priorities of the socio-economic development of Kazakhstan and China for the next five years with active involvement of private capital in joint projects.

Perhaps in the new period, the Council could increase the frequency of meetings and contacts between business representatives of the two countries, including the wider use of “e-B2B” digital diplomacy to intensify business contacts (regular presentations of economic opportunities of Kazakhstan and China in online environments, discussion and negotiations).

The Forum of Interregional Cooperation plays a big role in the rapprochement and development of interaction between the regions of Kazakhstan and China. The Forum has become a dialogue platform where Kazakhstani entrepreneurs from remote regions can meet with potential partners from China. To promote the trade relations and entry of Kazakhstani exporters into the Chinese market, it is necessary to increase awareness among producers of the possibilities of developing business with Chinese partners and promote their participation in the Forum.

In addition, in order to fulfill the potential of the dialogue platform, it is necessary to involve the China Council for the Promotion of International Trade in order to create a single joint database of Kazakhstani and Chinese companies in different sectors of the economy in various provinces of the PRC for direct relationship-building.

The Program of Cross-Border Cooperation of Kazakhstan and China for 2015-2020, which in many ways contributed to the intensification of relations in the Kazakh-Chinese border, is coming to an end. Given the effectiveness of the program in the development of bilateral relation, it makes sense to develop a new document for the next five-year period. At the same time, it is important to highlight not only the increase in bilateral trade turnover, but also the change in its structure (for example, from the supply of raw materials to China to the export of finished products, etc.).

In the investment area, it is not only about increasing the scale of mutual investments, but also pursuing foreign direct investment and the transfer of technology to joint ventures. In addition, it is important to take into account the expansion of the access capacity of the infrastructure at the border checkpoints, etc. Thus, the new document should facilitate the implementation of the current agenda of bilateral relations.

The transport and logistics sector is a driving factor that has a multiplier effect on the development of other areas of bilateral cooperation between Kazakhstan and China (trade, industry, agriculture, etc.). It is important to continue to extend the capacity of transport corridors in the coming years, (due to development of the Khorgos ICBC, border checkpoints and fulfilling of the potential of Aktau and Kuryk ports) and attract investment capital in the development of warehouse infrastructure (dry ports) in Kazakhstan. Providing services to the exports and imports of Central Asian countries (Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan) on their way into the markets of Europe, Russian Federation and EAEU, China and Asia, may become a new stage in the development of Kazakhstan's transport sector.

A further area of potential cooperation with China is the joint development of the sea terminal in Lianyungang port, linked with Almaty, and where the "Kazakhstan Temir Zholy" terminal is located. The port city with a population of 5 million people has an advantageous geographical position (linked by rail with a number of large Chinese cities (Shanghai, Qingdao, Tianjin and Dalian), etc.

In addition, it is important to take into account that this port has direct access to Japan and South Korea, and Lianyungang also has a direct railway connection with Shanghai, the largest seaport in the world (TEU 43.3 million in 2019), which is linked to 500 ports in 200 countries. It opens up enormous opportunities for Kazakhstan to fill a niche in maritime transportation, or at least to service its exports.

Further industrial cooperation with China should be developed on the basis of a rational assessment of the ongoing modernization of China's industry towards innovations, market feasibility and new technological advantages. The implementation of 56 joint production projects with China in Kazakhstan should be subject to reassessment from the point of view of the marketing strategy and sales of products (including in China) to ensure commercial feasibility.

While defining new projects it is important to focus on modernization of China's industry and move towards upstream manufacturing and chose electronic industry, production of new materials, pharmaceuticals, etc. In order to avoid rumors and misinformation related to industrial cooperation with China, It is important to inform the society about the benefits of the projects in a timely manner and ensure the transparency of their activities (without affecting commercial information).

To increase the volume of bilateral trade with China it is necessary to focus on changing the structure of exports of Kazakhstani goods to China's market. Currently, the main exports of Kazakhstan to China include mineral products, metals and chemical products. The main imports of China to Kazakhstan are textiles, machines, equipment, metal, minerals, ceramics and glass, and consumer goods.

In subsequent years integration into the newly emerging production chains of the PRC should be implemented. As a result, Kazakhstan will be able to obtain a permanent marketplace. It is also necessary to focus on the export of finished products to China and to conduct regular marketing research of the products offered by Kazakhstan to China. It is important to ensure the participation of Kazakhstan in China International Import Exhibition (China International Import Expo), held in Shanghai (for example, in 2019 only 30 Kazakhstani enterprises were present at the exhibition and this is not enough change the trade²⁰⁵).

Kazakhstan does not take full advantage of the agricultural sector, but the fulfilment of the potential, besides technological re-equipment and increased productivity, depends on the availability of large markets. The Chinese food market is the fastest growing market in the world. Food and beverage consumption in China today amounts to USD 1 trillion (for comparison, the food market in Russia is estimated at USD 219 billion).

²⁰⁵ https://www.kt.kz/rus/society/30_1377890907.html

China's food retail market ranks first in the world. According to forecasts, in next five years, the consumption of food products will continue to grow and by 2024 it will make about USD 1.8 trillion (largest increase in consumption in China by 2024 is expected in the following categories: cereals, paste and canned products (+63%); nuts (+50%); dairy products (+49%); fruit (+42%)²⁰⁶

Kazakhstan aims at taking a stable position in China's food market. It depends not only on the government but also on the producers. In recent years, the volume of exports of wheat, breeding horses, soybeans, wheat bran, fish products, lamb meat, oilseeds, sunflower, cotton, soybean and rapeseed oils from Kazakhstan to China increased.

Bilateral negotiation with China should seek to expand the list of products allowed for import. This list of products should take into account demand (currently there are 14 types) and quotas. Efforts should be made in conjunction with the business community to standardize local production according to the standards of the China Central Administrative Board for Quality, Inspection and Quarantine.

The world economy is experiencing uncertainty, and the investment opportunities in financial markets have noticeably decreased. Therefore, investment cooperation with China serves as a source for Kazakhstan to attract capital, technology and continue its economic growth.²⁰⁷ China invested about USD 20 billion in joint projects and currently ranks 4th in the terms of foreign direct investment in the Kazakh economy. Investment cooperation between Kazakhstan and China will only expand as their relationship deepens.

At the basis of financial relations between the two countries are various types of credit lines (often bound to Chinese producers and labor power), which brings more benefits to the lender than to the beneficiary of credit capital. In this regard, in the coming years, it is advisable to change the format of financial and investment cooperation between China and Kazakhstan from credit lines to foreign direct investment (FDI). This way, Kazakhstan and China will move to a more equal relationship and share the risk in the development of joint commercial projects.

The development of trade and economic relations can also be facilitated by the use of mutual settlements in the national currencies (tenge-yuan), development of payment systems and cross-border payments. It is advisable to use the potential of the Astana International Financial Center. The potential for development has a further expansion of currency swaps between the central banks of Kazakhstan and China, which will reduce the costs of dollar transactions in bilateral trade (earlier the agreements were reached on the volume of swap operations of Kazakhstan and China in the amount of CNY 7 billion)²⁰⁸, and probable reliance upon yuan as an international reserve currency.

Humanitarian cooperation between Kazakhstan and China plays an important role in the development of bilateral ties. Despite active cooperation, the level of mutual awareness in both countries is extremely low, which to some extent has an impact on the promotion of economic interaction. In this regard, it is important to maintain a positive and friendly atmosphere around the development of Kazakh-Chinese relations. One of the options is to intensify the exchange of students at the universities of both countries in order to build a "human bridge" in cooperation between Kazakhstan and China.

In communications policy it is important to publish the material in local media that helps to reveal mutually beneficial bilateral relationship between Kazakhstan and China, based on history, neighborhood and economic potential, as well as to control the unreasonably negative content. In addition, the perception of peoples can be influenced by translations of works of Kazakh writers into Chinese and translations of works of Chinese famous writers into Kazakh which will make it possible to understand each other's cultures and values.

²⁰⁶ *Продовольственный рынок Китая: тенденции и перспективы*
<https://pro.rbc.ru/news/5d6cd7a69a7947e9adc8dabd>

²⁰⁷ <https://www.zakon.kz/4985767-chno-znachit-dlya-kazahstana-vizit.html>

²⁰⁸ <https://kapital.kz/finance/35919/rk-i-kitay-zaklyuchili-soglasheniye-o-valyutnom-svope.html>

At the level of multilateral relations, the continuation of cooperation between Kazakhstan and China on further development of the potential of the Conference on Interaction and Confidence-building Measures in Asia holds great promise. In particular, the implementation of the provisions of the Memorandum of Understanding signed in 2014 between Shanghai Cooperation Organization (SCO) continues to be relevant. With respect to the extension of influence of China, CICMA and SCO may become effective platforms for coordination of security and stability in Asia.

In the Central Asian region, it is advisable to maintain a new format of direct interaction with China according to the formula "5+1" (Central Asia plus China). The dialogue is a logical continuation of a long-standing cooperation in the region. During an online meeting held in July this year, China again expressed its readiness to create an "express corridor" for the convenient movement of business and technical personnel, a "green corridor" for uninterrupted simplified cross-border cargo flow with Central Asian states.

The participants understand that the transit transport potential of the region has not yet been fully fulfilled. Therefore, today the focus is on the development of integrated infrastructure, sustainable transport architecture, and integrated and multimodal routes, including road and rail. All these measures contribute to strengthening of the transit capacity of Central Asia as a strategic transport and economic corridor between Europe and Asia.

Multilateral cooperation between Kazakhstan and China in the implementation of the Belt and Road Initiative

In general, growing Kazakh-Chinese cooperation goes beyond the interests of the two states and instead has a macro-regional impact. It therefore must be considered within the context of cooperation with European and Asian partners. Because, today, the energy for the development of the Belt and Road initiative comes not only from Kazakhstan and China, but also from Europe. In recent years, strategic interest in China and Asia as a whole has been growing in Europe, which seeks to establish a closer beneficial economic cooperation with the large Asian market.

And it is entirely understandable: China ranks second among the EU's trading partners, and Europe is seeking to strengthen its international economic competitiveness through access to promising markets in the East. At the same time, traditional transatlantic ties are going through a difficult period and there is a growing probability of a trade war between the EU and the United States. It therefore seems that through cooperation with China and Asia, Europe is gaining an additional bargaining chip in its negotiations with the US, which is vigorously pushing forward its own trade interests.

The EU has been the largest trading partner of China for 15 years in a row. In 2018 the trade turnover between the two parties broke a historical record and amounted to USD 682 billion. Over the past few years, China has been the second largest and largest trading partner of the European Union.²⁰⁹ Today European states stand to benefit from a China-Europe infrastructure network (developed mainly due to the active efforts of China with the support of Kazakhstan and other transit countries of the CIS, the Caucasus and the Middle East).

The mutual attraction of East and West Eurasia is also based on the fact that today Beijing and Brussels are the capitals of world trade centers. The European Union and China account for over 43.7% of world trade. In addition, the EU is the world's largest exporter (32.5% of world exports) and importer (31.6% of world imports). China ranks second after the EU in exports (12.9%) and third after the United States in imports (10.3%). The trade turnover of the EU and China today is second only to the volume of EU-US trade. Thus, the economies of the EU and China are generally comparable and balanced with geographic distance removing any strategic military issues.

²⁰⁹ <https://rg.ru/2019/04/10/rukovoditeli-kitaia-i-es-proveli-peregovory-v-briussele.html>

Modern Europe (like China), is rethinking its position in the world economy and politics. There is a number of complex internal processes at play: the UK's withdrawal from the EU, the necessity to find new sources of growth, and the importance of access to alternative markets (to preserve a balance with the USA). Germany needs to maintain its strong export rate to sustain economic growth. Eastern Europe also has ambitions and Eastern European countries are trying to become active in foreign markets. Additionally, following its withdrawal from Europe, Britain again recalled its global positioning and international activity (and the importance of access to the US and Asian markets as an alternative to Europe).

The EU also understands the need to form a comprehensive idea of its own strategic role in Eurasia. Thus, Europe once again has the opportunity to become a sort of ideological center for the advancement of the world, promoting the force of law, principles of market economy, clear rules of regulation, transparency in decision-making, and high standards of development and human rights. European "think tanks" have begun to seriously intensify their exploration of the BRI's potential.

In this regard, it is clear why European countries are actively seeking cooperation with China within the BRI framework. Over the course of several years, China signed memoranda of understanding with dozens of EU countries (Hungary, Greece, Poland and Portugal, etc. Italy became the first G7 country to join the initiative). The number of cities in China which regularly send container trains to Europe and the number of destination cities in the EU is constantly increasing. This, along with growing trade volumes, is an indicator of the success and profitability of the East-West transport cooperation.

At the same time, it should be noted that today the EU has a variety of views on how it can participate in the BRI and further intensify its cooperation with China. On the one hand, expansion of trade and entry into new promising markets requires reliable, stable and clear ways of delivering goods. The development of transport corridors promotes the creation of new jobs and attracts investment capital. On the other hand, there are concerns in the European Union that BRI brings advantages only to China, both in terms of trade and investments.

Europe continues its dialogue and cooperation with China, which has managed to build strong relations with the EU without abandoning its ideological principles and own national policy. Thus, the ongoing expansion of trade and economic interaction between the West and the East opens up new opportunities for development for Kazakhstan and Central Asia, which lie between these economic centers. Both China and the EU are major trade and investment partners of Kazakhstan, and they are also widely represented in the Central Asian region.

Transport communications are a fundamental basis for cooperation under the BRI. The Initiative's transport network is very beneficial to Europe—first it provides alternative routes and second, economic security. The strength of the BRI lies in the creation of a diverse and interconnected network — a strengthened economic system throughout Eurasia. No single route in this network can be easily disrupted. If one corridor disappears due to a change of government, war, economic coup or disputes over tariffs, cargo can be easily sent to the same destination via alternative routes.

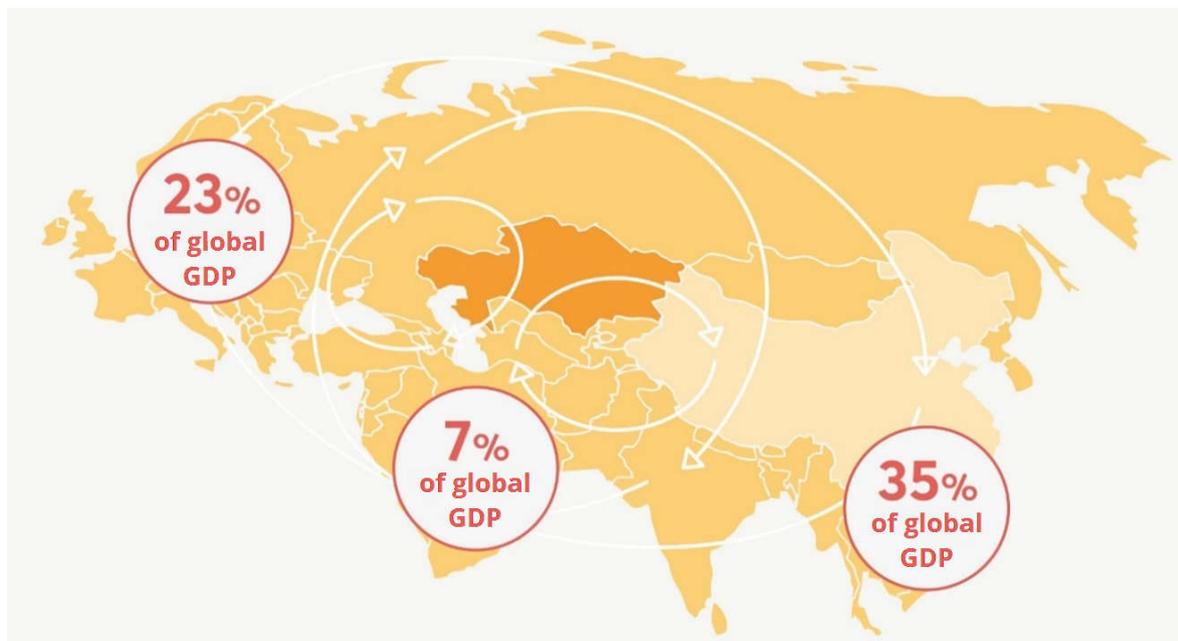
Today for Kazakhstan it is important to expand the paradigm of perception of the BRI and intensify foreign economic efforts of the state. From a practical point of view, due to joint construction of transport corridors with China, Kazakhstan has opened direct and fast access to all the markets of Eurasia. In other words, it has gained access to three world oceans at once—the Pacific, Atlantic and Indian oceans. Landlocked Kazakhstan, which always sought to gain access to maritime routes, is now connected to three oceans and three centers of world economic growth (Asia, Europe and the Middle East), with a potential of 65% of world GDP and a capacity of more than 4 billion consumers.

This phenomenon is still not fully understood by Kazakh experts, business circles and society as a whole. At the same time, it is obvious that the interaction of Kazakh and Chinese infrastructure development programs since 2013 has had a multiplier effect for both Kazakhstan and China.²¹⁰ In the coming years, in

²¹⁰ <https://www.zakon.kz/4985767-cto-znachit-dlya-kazakhstana-vizit.html>

cooperation with China, it is important to continue to develop the transit, transport and foreign trade potential of Kazakhstan through the development of permanent transport links with Asian countries (ASEAN) that run through China, Europe (the countries of Southern and Northern Europe) and along existing corridors to Western Europe.

Figure 80. *Kazakhstan on the Eurasian Transit Corridor Map*



Bilateral relations with China should be viewed more broadly as macro-regional cooperation. Geographically, China borders 14 states and is surrounded by three seas with access to the Pacific Ocean. The transport infrastructure between Kazakhstan and China, and consistent reduction of administrative barriers allows Kazakhstan to enter the markets of Asian countries and beyond, to Canada, the USA and Latin America, etc., which have all developed direct and stable trade relations with China. Given the development of transport links to large markets, attention turns to the future opportunities for Kazakhstan's industries to increase their productivity to expand exports from Kazakhstan.

Under the BRI, Kazakhstan will receive direct rail access to the new seaports of China in the south of the country, which will allow it to enter the markets of Southeast Asia with more than 800 million consumers (the subregion covers Vietnam, the Philippines, Laos, Thailand, Malaysia, Indonesia, Singapore, etc.), a move which is set to benefit all of Eurasia. These include seaports in the Zhejiang and Guangxi provinces in the southern part of China, which are connected by rail with a corridor in the Gansu province (borders with XUAR and passes through internal transport links as a part of the BRI). Therefore, Kazakhstan should discuss with China the possibility of creating Kazakh terminals in the ports of these provinces according to the Lianyungang port model. As a result, in the future, European producers will be able to gain quick inland access through Kazakhstan and China to this large subregion with a broad market.

Europe tends to criticize the BRI due to the lack of detailed information about the specific economic projects, and therefore insists on the necessity of multilateral formats to discuss this initiative, maximum transparency, and publicity. In addition, the issue of fairness is being raised in European capitals, as Chinese companies, under the banner of BRI cooperation, are actively buying shares in European companies, while the EU is unable to buy shares in Chinese companies.

This does not suit many EU countries, in particular Germany, which is now trying to develop pan-European cooperation with China in an attempt to unite the efforts of European countries interested in the East.

Today, Kazakhstan is a key player in this dialogue between Beijing and a number of European capitals. And it is important for it to use this position to formulate and actively promote its agenda for the development of the Silk Road both in China and in the European Union. Kazakhstan may be able to fill the role of information center for the Initiative, which could be located on the site of the Khorgos International Center of Boundary Cooperation. The center could broadcast the main events in the development of the modern Silk Road, hold major project presentations for the European and Asian business communities, and offer the options of cooperation for EU states.

Kazakhstan has the potential to become a regional industrial hub for the production of export-oriented goods. Today, it is necessary to carefully analyze new trends in China's industry and integrate Chinese high-tech production into new chains, which may also be interesting for European businesses. Practice shows that access to natural resources, as well as to transport and warehouse infrastructure determine the location of production—and Kazakhstan has all these factors.

In addition, Kazakhstan's geographical proximity to and close relations with China, which has a large market, make it an attractive and profitable partner. For example, in the coming years, China, like many countries, will focus on the production of electric vehicles due to growing demand (ecology, departure from internal combustion engines, etc.). Today China accounts for half of all electric vehicles sold in the world (in 2019, the volume of sales of electric vehicles compared to 2018 increased in China by 66%, in the USA by 23%, and in Europe by 34%).

Lithium is expected to become one of the most important materials in electric cars, given its active use in the production of automotive batteries. Other important materials are copper, the use of which will increase by 75-78%, mainly in electric motors and the electrical wiring of the car, as well as cobalt and graphite, which account for 7-8% of the cost of the motor. Lithium mining and industry in Kazakhstan may attract European investments and technologies for the production of batteries required by the Chinese industry.

According to estimates, today in Kazakhstan there are about 80,000 tons of predicted lithium resources and about 23,000 tons of rare earth elements. According to the Ministry of Ecology, Geology and Natural Resources of Kazakhstan, these reserves are even more substantial. Today, 10,000 tons of metal are enough to produce 1 million electric vehicles per year. According to average forecasts, by 2040 the number of electric vehicles in the world may amount to 350-400 million units. In 2019, 1.2 million electric vehicles were sold in China, in the coming years it is expected that demand will grow by 50% annually. In addition, in 2020, in order to maintain economic growth, the Chinese government announced the extension of the state program to stimulate sales of electric vehicles: manufacturers will receive subsidies of USD 3,500 per car, and buyers are exempt from the 10% transport tax.

In addition, Kazakhstan has the opportunity to become an agro-industrial hub for the production of food products with a focus on the large markets of China and Asia, which have a developing middle class whose food patterns and needs are increasing simultaneously with its growing affordability. Kazakhstan could become a major supplier of environmentally friendly products. The growing demand in China for environmentally friendly products without GMO, primarily for baby food, milk powder, bottled water, etc., provides additional opportunities for manufacturers.

In the ASEAN countries crop production (rice, sugarcane, tropical fruits, corn, palm oil, hevea, etc.) is the basis of agriculture, while the production of meat and dairy products is small (in the coming decades, meat consumption is expected to increase from 23 to 51 kg/person/year). At the same time, China acts as both a large market and as a partner for the transportation and export of food products "Made in Kazakhstan". In this case, free trade agreements between ASEAN and China will play an important role. This could be promising for European food companies, which have the opportunity to open production in Kazakhstan with an export orientation to Asia.

The Astana International Financial Center, operating in Nur-Sultan, may intensify macro-regional East-West financial and investment cooperation. The Center is designed to provide international financial

services. The AIFC aims to attract investment in the country's economy, create an attractive environment for investment in the financial services sector, develop Kazakhstan securities market and ensure its integration into international capital markets.²¹¹

The AIFC has the potential to become a profitable link in fostering cooperation between the financial centers of Asia (Osaka, Shenzhen, Shanghai, Seoul, Tokyo, Hong Kong, etc.) and Europe (London, Frankfurt, Geneva). The Center can conduct BRI investment and financial transactions in a regulatory investor-friendly environment that is based on the principles of British law. In addition, the AIIB and the Silk Road Fund, could be more active in investing in BRI projects and confident in their funds due to higher guarantees.

A macro-regional 5+1+1 (Central Asia+PRC+EU) political dialogue could be encouraged to strengthen communication between the regions. Both the European Union and China are equally interested in a secure, stable and economically developed Central Asia. First, because of issues of regional security and the reconstruction of Afghanistan. Second, as a link between Chinese and European markets.

Central Asia is a source of natural resources for the EU and China. Both the EU and China are the largest trade and investment partners for the countries of Central Asia. In this regard, the five countries of Central Asia, China and the EU have a vast common agenda and similar interests, which creates a favorable basis for political dialogue. The 5+1+1 format would provide a coherent vision for regional development, taking into account the specificities of each Central Asian country, as well as ongoing transport and infrastructure projects.

This is also evidenced by the content of the new EU strategy in Central Asia, which was presented in 2019. Mention of the EAEU, the SCO and the Chinese Belt and Road Initiative in the text of the document suggests that the European Union is looking to establish partnerships and cooperation, including with China.²¹² The change in Europe's approach to Central Asia is associated with a rethinking of its capabilities in Eurasia considering global changes.

The countries of the region can only stand to benefit from the EU's contribution to the introduction of new models of economic development and the diversification of the economy of Central Asia. Europe is expected to focus on private sector development, the investment climate, reducing inequality and accelerating the transition to a green economy. These projects will increase the competitiveness of the region and its attractiveness for cooperation with the EU and Asian countries.

In addition, Brussels is interested in implementing its program "Connectivity of the EU and Asia"²¹³, which aims to develop a land transport corridor between Asia and Europe. This would benefit Europe as it faces the uncertainty of its transatlantic ties. It also fully aligns with Kazakhstan and China's efforts to increase the interconnectedness of infrastructure in Eurasia as part of the Nuryly Zhol program, the BRI, and other regional cooperation projects.

* * *

It is necessary to keep the following in mind when considering the new era of relations between Kazakhstan, China and the European Union: the countries are facing massive, unprecedented historical changes. All parties are searching to understand how they can respond to new challenges in a new phase of national development. At the same time, there is a common understanding that close partnership and direct involvement in the development of Eurasia could lead to new and favorable prospects.

²¹¹ <https://aifc.kz/ru/>

²¹² https://eeas.europa.eu/sites/eeas/files/joint_communication_-_the_eu_and_central_asia_new_opportunities_for_a_stronger_partnership.pdf

²¹³ [https://www.europarl.europa.eu/RegData/etudes/BRIE/2018/628265/EPRS_BRI\(2018\)628265_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2018/628265/EPRS_BRI(2018)628265_EN.pdf)

5. Conclusion

China's foreign policy strategies—which reflect its leadership's approach to international relations and global governance—are attracting increasing interest.

The Belt and Road Initiative (BRI) aims at promoting international cooperation on the basis of old Silk Road traditions, and is one of the fundamental drivers behind China's bid to take on a new global role.

The BRI is unique within the realm of modern international relations. It can furthermore be considered a new phase of China's economic “go out” strategy and a new step towards its integration in the world economy by increasing investment abroad. The BRI also aims to reshape China's relations with the other countries in the region and provide support to regional and international organizations, which is necessary if China wishes to strengthen its position both regionally and internationally. An equally important goal for China is to create and maintain the image of a peacefully developing country. The initiative also aims at creating a “Community of Common Destiny” in Asia.

However, the BRI also faces certain challenges, including an increase in the risk of default in developing countries with fragile economies. In some countries, Belt and Road projects face difficulties due to the negative attitudes of the local population towards them. There is also the possibility that the implementation of this strategy may lead to the asymmetric dependence of the countries of the region on China.

Cooperation with the Central Asian countries is of strategic importance for Beijing due to the region's wealth of raw materials, potential as a transit corridor to the markets of the EAEU and the EU, and its shared borders with the “relatively problematic” Xinjiang-Uygur Autonomous Region (XUAR).

In order to achieve equal partnership with China, the countries of Central Asia need to develop a common strategy of cooperation with China that meets the interests of all. Construction of the Central Asia-China gas pipeline is a first example of this cooperation. In addition, meetings of the heads of the five Central Asian states in 2018-2019 as well as “5+1” meetings with the United States and Russia indicate the readiness of the region's leaders to develop joint policies with the major players.

The nature of the BRI is best-suited to cooperation between China and Kazakhstan, as it focuses on the development of transcontinental logistics infrastructure and integration processes.

Despite ongoing debates as to the success of the BRI as a whole, it should be noted that Kazakhstan is key player in the Chinese strategy, at least when it comes to the development of transcontinental logistics.

In economic terms, cooperation between Kazakhstan and China is reflected in joint Kazakh-Chinese enterprises and wholly-owned Chinese enterprises on Kazakh soil. According to the Statistics Committee of the Ministry of National Economy of Kazakhstan, as of May 1, 2020 there were 2,674 legal entities in Kazakhstan that were 100% owned by China and 822 enterprises of joint Kazakh-Chinese ownership.

Today, China is Kazakhstan's largest foreign trade partner. In 2019, China's share in Kazakhstan's foreign trade in value terms was equal to 14.9%, demonstrating that China is a key partner but not to the degree of holding a monopsony. Estimation of the volume of trade in general, and assessment of turnover represents a major challenge. The analysis of bilateral trade shows significant discrepancies between Kazakh and Chinese statistics, which suggests that the customs value of imported goods is often inaccurately declared and undervalued.

Kazakhstan is the only country to complement the construction of the “Silk Road Economic Belt” with its new economic policy “Nurly Zhol”.

Of particular importance for Kazakhstan is the creation of the transport corridors “China-Kazakhstan-Russia-Western Europe”, “China-Kazakhstan-Western Asia”, and “China-Kazakhstan-South Caucasus/Turkey-Europe” within the framework of the BRI.

Bilateral relations in various areas are steadily expanding. Certain economic interdependence and the importance that the leaders of the two countries attach to joint relations lead to the expectation that friendly partnerships will continue to be established in the long term.

Rapid economic growth allowed China to accumulate significant financial reserves and create excess production capacity by 2010. Accumulated financial resources are necessary for the expansion of Chinese capital into other countries. In recent years, China streamlined foreign investment activities through institutional measures. At the same time, administrative restrictions prevented China from reaching a high level of investment activity. Thus, the ratio of Chinese foreign direct investment to the country's GDP is lower than global values.

At present, Chinese capital is funding activities on every continent across the globe, regardless of geographic proximity. In addition, Chinese investors appear to seek active interaction with local authorities in the host country.

China is one of the main investors in the Kazakh economy. However there seems to be no reason to believe that the level of investment is dangerously high. Despite the significant volume of investments, Kazakhstan's external debt to China is insignificant as it accounts for only 6.7% of its total external debt and is on a downward trajectory.

In 2015, Kazakhstan and China signed the Intergovernmental Framework Agreement on strengthening cooperation in the field of industrialization and investment, which included the implementation of 56 Kazakh-Chinese investment projects. The agreement with China provides for investments of USD 27 billion in the creation of new production facilities in Kazakhstan across 15 different industries.

The common speculation that outdated plants are being transferred from China to Kazakhstan is not true, and the analysis showed that new and modern production facilities are being created in the most sought-after and competitive sectors of the economy. Cooperation with China aims primarily at transferring Chinese production technologies.

The industrial and innovative cooperation includes 15 projects that have already been implemented and put into operation, amounting to USD 3.9 billion. Thirteen further projects worth USD 3.7 billion are under implementation and construction, and another 28 projects worth USD 19.7 billion are under development.

The implementation of projects is monitored on an ongoing basis by Kazakh state bodies. In 2015 and 2018, 16 meetings of the bilateral Coordinating Committee for Cooperation in the Field of Industrialization and Investment were held between Kazakhstan and China. Each proposed project was carefully considered by the Kazakh side according to market demand, geographical location, economic feasibility and compliance with its domestic environmental legislation.

Speculation regarding mass labor migration from China to Kazakhstan was not confirmed during the analysis. Data since 2010 show a downward trend in the number of Chinese workers in Kazakhstan.

Chinese employment in Kazakhstan peaked in 2015, which can primarily be attributed to the construction of the Western Europe-Western China road corridor, as well as the implementation of the Kazakh-Chinese "56 infrastructure projects". Chinese workers are mainly specialists with engineering skills.

In terms of regions, Chinese workers are active primarily in the construction industry in Nur-Sultan; in the large oil producing enterprise "CNPC – Aktobemunaigas" JSC in the Aktobe oblast; and in Almaty. There is low labor mobility in national and local labor markets.

In general, insufficient information is provided to the Kazakh population, creating the basis for the negative perception of foreign labor, including from China, and measures aimed at attracting it. Accordingly, it is necessary to regularly publish information on labor migration from China, and the activities of enterprises receiving Chinese capital.

Kazakhstan's relationship with Chinese technology giants is more of a trade-based relationship than a partnership. At the same time, due to its small size, the market is not seen as a priority. As such, it wasn't

until 2018 that Lenovo opened its representative office in Central Asia, and 2017 that Xiaomi authorized an official distributor.

It is worth noting that national mail and communications operators were able to be modernized with significant success, thus providing a modern level of infrastructure. This can be used to further exploit geographical advantages and create a regional digital and postal hub of the Silk Road. Thanks to developments in international telecommunications and logistics infrastructure, Kazakh businesses will be able to better integrate into the economic flow between China, Europe and Russia.

In the United States, Huawei and ZTE are considered a threat to national security. The sanctions imposed on these companies complicate their relations with suppliers and buyers in Europe and Asia. Kazakhtelecom JSC, and the Astana Hub International Technopark of IT startups may jointly demonstrate new Chinese and Western technologies, as well as build the potential of local specialists and businesses.

Seventy-five percent of Kazakhstan's trade turnover with China can be attributed to XUAR. Today, XUAR is a dynamic region of Western China, as evidenced by economic indicators.

The ethnic diversity of the region attests to its proximity to the countries of Central Asia (46% of the population are Uygurs, 7% are Kazakhs, and 2.5% are of other ethnicities).

The rapid industrial growth of the region and the development of irrigated agriculture have led to environmental pollution and problems concerning transboundary rivers shared with Kazakhstan. The construction of reservoirs and increased water intake for irrigation from the Ili and Irtysh rivers may cause water levels to drop in Kazakhstan, which could have an extremely negative impact on the residents of the border regions. This issue may be resolved under the Water Apportioning Agreement, which was scheduled to be signed in 2015, but as of December 2019 Kazakhstan had only agreed to 30% of the terms.

China uses a range of instruments of "soft power" in Kazakhstan: education, cultural interaction, economic cooperation, media, Confucius Institutions. These have varying influence on the attitudes of Kazakh citizens.

Education is the most long-term and reliable means of influence, because students often adopt the methods, approaches, philosophy and academic culture that are typical to China's scientific and educational system. Often, after returning to their homeland, students maintain professional and friendly ties with their Chinese contacts. The popularity of Chinese education in Kazakhstan points to the likelihood of China's "soft power" increasing in the future.

China concludes intergovernmental agreements, teaches Kazakh students, and shares scientific experience. However, some experts believe that the incorrect use of education and science as "soft powers" could engender the opposite effect in the midst of increasing Sinophobia.

In order to determine the way China is portrayed in the Kazakh media, the TALAP Center for Applied Research conducted a content analysis of the country's five largest news web portals. Articles from June and July 2020 were scanned for mentions of China. Almost half of the publications (43%) were found to have a negative context. These publications were primarily associated with COVID-19. China is the country where the virus was first detected and has since become the target of criticism. Therefore, it may be concluded that the COVID-19 pandemic has had a negative impact on China's image in Kazakhstan. Articles with a positive association covered topics such as technology development, the development of Kazakh-Chinese trade relations, and China's assistance to Kazakhstan in the fight against COVID-19.

As a result of the research conducted by the TALAP Center for Applied Research, which aimed at an objective and thorough analysis of the attitude of Kazakhstan to China, the "China Perception Index in Kazakhstan" was formed. This index drew from a sociological survey of more than 2,600 respondents. Among the respondents were residents of 14 regions and the cities of Nur-Sultan, Almaty, and Shymkent, as well as members of the expert community.

The methodology for calculating of the Index is based on the results of the survey and consists of 4 main indicators: 1) attitude towards China as a whole (general perception); 2) China as a center of influence

(geopolitics and security); 3) China as an investor (cooperation); 4) China as a cultural and educational center (soft power). The questionnaire consists of 41 questions, which are aimed at assessing the perception of the political, economic, social and cultural presence, as well as the influence of China on the Republic of Kazakhstan.

Sociological research was carried out by mass survey of the population using the mobile application "TALAP.Surveys".

According to the results of the survey, the value of the China Perception Index was 0.13. Since, according to the calculation methodology, the minimum possible index value may be -1 and the maximum possible +1, the value of 0.13 should be recognized as above neutral.

In general, all indicators, with the exception of the indicator "China as a cultural and educational center" are above neutral.

In terms of regions, the value of the China Perception Index ranges from -0.36 to + 0.39. The study showed that such a large difference in the regional indicators of the Index is probably due to the duration, scale and history of the presence of Chinese investors in the region.

In the regions where Chinese companies operate, the Index is below the national average. In the regions with lower investor influence (significant enterprises for the economy of the region), the Index is close to the national average (Nur-Sultan -0.09, Almaty region -0.10, West Kazakhstan oblast -0.11). In the Aktobe, Mangistau and Kyzylorda oblasts, the China Perception Index has negative values (-0.04, -0.05, and -0.36, respectively).

It should be noted that respondents living in urban areas showed a more loyal attitude towards China. Also, there is a higher Index value among women who, compared to men (higher by 0.10), showed more loyalty towards China as a whole, as well as in terms of culture and education.

Kazakh-Chinese relations have been developing positively over the past three decades since the establishment of diplomatic relations. Kazakhstan does not have a specific official document that governs its political strategy with China (its relations with China are formalized in its Foreign Policy Concept till 2030). Nevertheless, Kazakhstan has a clear strategy for the development of cooperation with its eastern neighbor that is based on pragmatism, national interests and mutually beneficial development.

Nowadays, China is actively changing. It is therefore important to monitor and analyze its new economic reforms to be able to build an updated relationship agenda, which also accounts for national interests. Kazakhstan understands that although the potential of its relationship with China is far from exhausted, it might also be beneficial to take into account the dynamic growth of the western provinces of China and XUAR in particular. It is important to understand the specifics of the development of Xinjiang for the economies of Kazakhstan and Central Asia to both take advantage of new opportunities and plan for future challenges.

Thanks to cooperation with China within the framework of the Belt and Road Initiative, Kazakhstan already unites three oceans (the Pacific, Atlantic and Indian oceans) into a single interconnected system; three Eurasian economic growth centers (Asia, Europe, and the Middle East with a combined GDP of 65% of the world GDP); 12 countries from the G20 group (China, Japan, Germany, Great Britain, Indonesia, Russia, Turkey, Italy, South Korea, France, the EU, Saudi Arabia); and four out of five of the global economies of the world (China, Japan, Germany, Great Britain). All transport and logistics networks, passing through Kazakhstan provide new unprecedented prospects for the Kazakh economy and new sources of income.

In the coming years, Kazakhstan, as a landlocked country, will need to rethink its wide geo-economic opportunities. Today, it is actively involved in the transformation of the geo-economics of Eurasia and, in the future, Kazakhstan will have to learn to utilize all new opportunities and chances. In this context, cooperation and good relations with the countries of the European Union could be promising for Kazakhstan.

It is clear that the next 10 years of cooperation between Kazakhstan and China will develop in a new context—the world has begun to change actively over the past few years, and COVID-19 pandemic in 2020 has accelerated many of these changes and exposed the rigid nature of the new world order. Cooperation in the partnership triangle with the EU and China would require a number of increasingly important trends to be taken into account.

In the light of the ongoing global changes, Kazakhstan and China are both striving to move into a new stage of state development (Kazakhstan's Program will be in place until 2025 and China's 14th five-year plan will go until 2024). This provides the perfect occasion to renew Kazakh-Chinese cooperation and update and align the two countries' priorities.

Kazakhstan and China are developing their relations towards the changing conditions of a new phase.

In the near future, it will be necessary for Kazakhstan and China to synchronize their economic policies in order to increase their complementarity, expand the structure of trade and gain greater benefits, including through the implementation of the Belt and Road Initiative.

Today, Kazakhstan has a unique opportunity to benefit significantly from its participation in the Belt and Road Initiative, and prioritize its own long-term future strategy for its transition from a raw-material economy to a post-industrial one.

Various dialogue mechanisms at different levels play an important role in the development of bilateral relations.

Given the effectiveness of the program in the development of bilateral relations, there is good reason to develop a new document for the next five-year period.

The new program should aim not only at increasing the level of bilateral trade, but also focus on changing its structure to include mechanisms for more foreign direct investment, the transfer of technology in joint ventures, and improved access capacity at border checkpoints, etc. Thus, the new document should facilitate the implementation of the current agenda of bilateral relations.

Providing services to the exports and imports of the Central Asian countries (Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan) on their way into the markets of Europe, the Russian Federation, the EAEU, China and the rest of Asia, can be a new stage in the development of Kazakhstan's transport sector. The development of the sea terminal in the Lianyungang port also provides a potential for further cooperation with China.

While defining new projects, it is important to account for China's modernizing industry and move towards upstream manufacturing and focus on the electronics industry, the production of new materials, pharmaceuticals, etc.

To increase the volume of bilateral trade with China, it is necessary to change the structure of exports of Kazakhstani goods to China.

In the coming years, it will be important to be able to integrate into China's newly emerging production chains.

One of the future tasks for Kazakhstan may be to promote itself in the Chinese food market. In this regard, as part of bilateral negotiations with China, it is important to seek to expand the list of products it is allowed to supply, taking into account demand (currently the list contains 14 types) and quotas for the supply of Kazakh food products, as well as to work consistently with the business community to standardize local production under the current regulations of the Main Department of Quality Supervision, Inspection and Quarantine of China.

In this regard, it would be beneficial to change the format of financial-investment cooperation between China and Kazakhstan in the coming years, from credit lines to direct foreign investments. This will allow Kazakhstan and China to move towards a more equal relationship and equally share the risks in the development of joint commercial projects.

The development of trade and economic relations can also be facilitated by the use of mutual settlements in national currencies tenge-yuan, the development of payment systems and cross-border payments.

At the same time, it is important to maintain a constructive atmosphere around the development of Kazakh-Chinese relations. In terms of information policy, it would be beneficial to publish materials disclosing the mutual benefits of bilateral relations between Kazakhstan and China in the local media.

At the level of multilateral relations, the potential of the Conference on Interaction and Confidence Building Measures in Asia could be further exploited to increase cooperation between Kazakhstan and China. In the Central Asian region, it is advisable to maintain a new format of direct interaction with China according to the formula "5+1" (Central Asia plus China).

In general, growing Kazakh-Chinese cooperation goes beyond the interests of the two states and instead has a macro-regional impact. It therefore must be considered within the context of cooperation with European and Asian partners.

Modern Europe (as well as China) is rethinking its position in the world economy and politics. The EU also understands the need to form a comprehensive idea of its own strategic role in Eurasia. Cooperation between the European countries and China as part of the Belt and Road Initiative is intensifying. Therefore, it should be noted that today the EU has differing views regarding its participation in the Belt and Road Initiative and the further deepening of its cooperation with China.

Thus, the ongoing expansion of trade and economic interaction between the West and the East opens up new opportunities for development for Kazakhstan and Central Asia, which lie between these economic centers.

In general, the results of the sociological survey and the formation of the China Perception Index revealed the necessity for further comprehensive research, improvement of the information campaign and the creation of discussion platforms with the participation of non-governmental and international organizations, the expert community, and government bodies.