China opens a major gas pipeline from Central Asia

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The opening of a major natural gas pipeline linking Turkmenistan to western China is another sign of rivalry among the major powers seeking domination of the energy-rich region of Central Asia.

The presidents of China, Turkmenistan, Kazakhstan and Uzbekistan attended the opening ceremony of the 1,833-kilometre pipeline on December 14. Natural gas will be pumped from the Saman-Depe field in eastern Turkmenistan via Kazakhstan and Uzbekistan to the western Chinese province of Xinjiang, then through China's main west-east pipeline to end users in 14 Chinese provinces and cities. When fully functional in 2012-13, the pipeline will deliver 40 billion cubic metres of gas annually—equal to over half China's current gas consumption (77.8 billion cubic meters in 2008).

At the ceremony, Chinese President Hu Jintao described the pipeline as "another platform for collaboration and cooperation" between China and Central Asia. In return for access to the region's huge energy reserves, China is building infrastructure and providing cheap loans to the Central Asian republics. Beijing's broader aim is to bring the region within its own political and strategic orbit.

Central Asia has been a region of fierce competition over oil and gas reserves since the collapse of the Soviet Union in 1991. Through its control of the existing Soviet-era pipeline network, Russia retained a monopoly over the distribution of Central Asian gas, but that has been threatened by European efforts to build the Nabucco pipeline through Azerbaijan and Georgia to Turkey and ultimately Austria, and thus lessen Europe's dependence on Russian gas.

China has sought access to Central Asian and Russian energy to meet its own burgeoning needs and provide alternatives to shipments from the Middle East and Africa, which Beijing fears are vulnerable to US naval power. In response to Washington's increasingly aggressive intervention into Central Asia—particularly after the US-led invasion of Afghanistan—China and Russia banded together to form the Shanghai Cooperation Organisation in 2001 to resist US encroachment in what the two countries regarded as their backyard.

The opening of a major Chinese pipeline from Turkmenistan alters the Central Asian energy equation. The *Financial Times* commented last week that the pipeline "deals a blow to the European Union's plans to win Turkmen supplies for the planned Nabucco pipeline". Washington-based Eurasia Energy Centre analyst Alexandros Petersen told the newspaper that the Chinese pipeline would absorb the surplus Turkmen gas and "seriously undermine the likelihood of Turkmenistan being part of the Nabucco process".

The proposed Nabucco pipeline will be twice as long as the China-Turkmenistan pipeline and will supply up to 31 billion cubic metres of gas per year. While Azerbaijan is to be a major supplier, the project requires other sources and the Central Asian republics, concerned not to alienate Russia, have been reluctant to commit to the project. For its part, Russia has sought to undermine the Nabucco project and retain its monopoly over gas supplies to the EU.

In 2007, Moscow announced a South Stream pipeline to Europe via the Black Sea to Bulgaria, in direct competition with the Nabucco project. Russia had also been seeking to tie up Turkmenistan gas, but became embroiled in a pricing dispute. Russia's Gazprom cut half of its previously planned imports from Central Asia in 2010 due to falling demand and prices, especially from Europe. Turkmenistan rejected Gazprom's new terms, cut exports to Russia in April and began looking for other markets, including supplying the EU via the Nabucco pipeline.

Mikhail Krutikhin of RusEnergy Consulting explained to the RIA Novosti news agency that Gazprom had initially

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offered Turkmenistan high prices to undermine Nabucco. After Gazprom was forced to drop its prices, Turkmenistan took offence. “China immediately grasped at the opportunity, as that country had been long pursuing a very measured and determined policy in the region,” he said.

China National Petroleum acquired the contract to develop the Saman-Depe gas field in 2007—the first and only foreign company to gain access to Turkmenistan’s onshore gas reserves. Turkmenistan has the world’s fifth largest gas reserves. As the price dispute with Gazprom erupted, China lent $US3 billion to Turkmenistan for gas development, further securing its position in the country. In the wake of the 2008 global financial crisis, Beijing has increasingly used its huge foreign currency reserves to lock in supplies of energy and raw materials.

While the new Chinese pipeline lessens Turkmenistan’s reliance on Russia, Moscow does not regard Beijing as an immediate threat. Chinese energy companies divert oil and gas to the east, not to Russia’s main markets in the west. Moreover, Russian concerns over Chinese influence in Central Asia are overshadowed by more pressing fears over US and European influence in the region.

Russia and China are partners in the Shanghai Cooperation Organisation (SCO) along with Kazakhstan, Uzbekistan, Kyrgyzstan and Tajikistan. Pakistan, India, Iran and Mongolia have observer status. Iran has applied for full membership, but has been turned down by Russia and China, which fear too open a challenge to the US. Although Turkmenistan has kept its distance, it is also increasingly being driven toward the bloc, due to its dependence on Russia and China for energy exports and the sheer political weight of its two large neighbours.

Russia and China used the SCO to press for the closure of US military bases established in Central Asia in the wake of the invasion of Afghanistan. Uzbekistan shut its American air base in 2006 after US criticism of the regime’s suppression of opposition protests in 2005. With a nod of approval from Moscow, Uzbekistan signed a deal with the US in April to allow non-military supplies to pass through its territory to Afghanistan.

Many of the Central Asian regimes are sensitive to Washington’s sponsorship of so-called colour revolutions to advance its interests in former Soviet republics, as in Georgia and Ukraine. In 2005, opposition parties used widespread protests to overthrow Kyrgyz dictator Askar Akayev, but the outcome was not a pro-Western government. In February, under pressure from Russia, Kyrgyzstan shut the last US air base in the region.

US-Russian rivalry in Central Asia and the Caucasus lay behind last year’s conflict over South Ossetia and Abkhazia between Russia and the pro-Western regime in Georgia. Both the Nabucco project and the now completed Baku-Tbilisi-Ceyhan (BTC) oil pipeline pass through Georgia as the means of avoiding both Russia to the north and Iran to the south. The US has been seeking to incorporate Georgia into NATO, but has been resisted by Germany, which is concerned to avoid tensions with Russia.

In July, Russia and China mounted their third major joint military exercise—“Peace Mission 2009”. The scenario involved country “A” falling into political chaos and separatist insurgency due to the global economic crisis. Russian and Chinese troops, tanks and armoured vehicles, with support of air forces, responded to prevent the unrest spreading. The show of force was a rather obvious message to Washington that further “colour revolutions” would not be tolerated in the region.

The centrality of oil and gas to geopolitics was on display at last week’s opening ceremony for the Chinese-Turkmenistan pipeline. Turkmen President Gurbanguly Berdymukhamedov declared that the pipeline has “not only commercial and economic value. It is also political.” The pipeline, he continued, would become “a major contributing factor to security in Asia”. Adding his own praise, Uzbek President Islam Karimov enthused: “China, through its wise and farsighted policy, has become one of the key guarantors of global security.”

In reality, China’s flexing of its economic muscle to secure a large share of Turkmenistan’s gas only highlights its intensifying rivalry with other major powers, particularly the US, in Central Asia and other regions, and the danger of future conflicts.

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