

Offensive Mercantilism and its implication on Central Asia: Case of Kazakhstan and Kyrgyzstan

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There is an argument \ idea that China's economic foreign policy shifts from defensive mercantilism to offensive mercantilism, since 2013. From 1980 to 1990, China uses high import tariffs, state monopolies and allow limited to foreign investment to the strategic sector. Since the 1990s, China reduces import tariffs significantly and some sectors are removed from the prohibited list for foreign investing (Holslag, 2017: 47, 52-53). One scholar claims that when Xi Jinping came to power, China's foreign economic policy started the shift from defensive mercantilism, which are related to protecting the domestic economy from international competition, to offensive mercantilism which involve/contain to sustain economic growth by expansion of Chinese companies/national champions (Garlick, 2019: 10).

Defining of the offensive mercantilism is that the state expands/uses its economical/geo-economical potential, in order to achieve its political and geopolitical goals. Although offensive mercantilism is framed in terms of China's ambitious geo-economic strategy, it has political aspects and can therefore be understood as a theory of power projection. China is concerned about the global economic slowdown, which is a threat to China's economic growth and reduces new opportunities for exporting and improving its poor province. For these reasons. China tries to protect its positions in the international market, which is why it tries to hold partners and increase its trade relationship by the principle of openness and free trade for balancing\countering increasing protectionism. In order to diversify its trade and energy routes, export its companies' overcapacities to other countries, construction and engineering to dredging and transportation, such as ports and railways, and increasing investment to other countries, China tries to expand its political influence via economic means. In order to increase China's economic expansion, it follows a more assertive foreign policy and uses generous trade credits and political guide companies. Furthermore, for attaining this purpose China tries to manipulate globalization and also promote connectivity among countries for its national interest (Holslag, 2017: 47-48). For achieving these purposes, China uses four tools. Firstly, the promotion of Chinese national champions, secondly provisions of large credit lines, thirdly building communications and

transportations infrastructure in different countries, in order to connect states one another, finally using free trade agreement for following economic foreign policy (Garlick, 2019: 11-13). Holslag especially emphasizes China's Belt and Road Initiative because he claims that BRI confirms China's shift from defensive mercantilism to offensive mercantilism. China promotes its national champions for investing in different countries because national champions play an important role in China's economic security, long-term growth, and increasing its both economic and political influence through the BRI countries. Instead of competing with each other, China's companies cooperate with each other and strengthen their synergy through the industrial chain. These companies team up for winning projects and providing the know-how, construction, maintenance, and financing services together. National champions give priority to investing low wage countries because it has a chance to penetrate other countries' local markets and strengthen their brand and increasing their market share (Holslag, 2017: 49). The government in China encourage Foreign Direct Investment (FDI) for obtaining natural resource acquisition, technological learning, and market entry via national champions (Gallagher; Irwin, 2014: 10-12). Those forms of investment give a chance to the government in China to affect trade flows, increase its political influence over partners, and create asymmetrical relationships among China and its partners. One of the most important tools for implementing Chinese economic foreign policy remains the credit line. The government in China promotes households for bringing their savings to Chinese banks and this situation creates opportunities for banks for lending Chinese companies. This cheap lending allows Chinese companies to expand and modernize their production capacities much faster than a foreign competitor. In addition, thanks to export loans and concessional loans, foreign countries remain dependent on Chinese banks and as a result, China increases both its economic and political impact over these countries. Infrastructure projects also play an important role in China's economic foreign policy because building railways, ports, pipelines connect China to other countries and this project helps China unlock the new foreign market, promote its export and diversify its energy routes. These hard connections also supplement soft connections, such as high-capacity telecom land link or internet link. Finally, China promotes other countries for the free trade agreement. The government negotiated comprehensive free trade agreements to other states which contain trade in goods, including services, investment, government procurement, intellectual property, etc. Free trade agreement helps to China create peripheral foreign markets and also promote China's standards which associated with trade in goods, including services, investment, government procurement, intellectual property, etc. Overall, China's offensive mercantilism promote open market and connectivity in weaker countries for creating an economic hierarchy among China and its neighbors and peripheries. From the stand of point of offensive mercantilism, BRI does not target to promote win-win cooperation or non-zero-sum game, in contrast, it targets to create geo-

economic domination and increase China's political influence. (Holslag, 2017: 52-58; Garlick, 2019: 11-13; Driel; Amineh, 2018: 66).

China-Central Asia Relationship in the context of Offensive Mercantilism

Central Asia plays an important role in China's foreign policy. With regard to geography, Central Asia is the hub of Asia and lies at the heart of Eurasia. This region also involves a large part of the Silk Road (Pradhan, 2018; 03-04). Since the 1990s, China tries to expand its influence over Central Asia, because this region has a lot of advantages for China. Firstly, Central Asia has a dynamic location where connects Asia to Europe. Secondly, Central Asia has a vast energy resource, such as gas and petrol, that is why one scholar argues that China sees Central Asia and the Middle as an energy center and Europe as a cultural center. By the way of Central Asia's energy resources, China has a chance to diversify its energy routes and reduce its energy dependency from Middle East (Gonca, 2017: 17-19). Thirdly, China is deeply interested in close cooperation with Central Asian countries, in order to export its goods and solve overcapacity problems. Finally, Central Asian countries play an important role in security challenges especially Xinjiang province. In 2013, President Xi Jinping first time announced Belt and Road Initiative (BRI) in Nur-Sultan city in Kazakhstan. The initiative includes highways, railways, pipelines, ports, and other infrastructure projects that will connect China and other Eurasian countries. The main goal here is to connect Central Asia, South Asia, Southeast Asia, the Middle East, East Africa, and finally Europe, connecting the Eurasian land, as well as sea routes, economically. Since 2013, China has invested 50 billion dollars in Central Asian countries. This initiative creates better opportunities to China export its goods and invest a variety of sectors, such as energy and infrastructure project in Central Asia. We apply Offensive Mercantilism to the case of Central Asian countries and see that whether China promotes this project for win-win cooperation or China try to expand its influence in terms of geo-economic and geopolitics by the help of the BRI (Bitabarova, 2019: 04-07).

Kazakhstan

Kazakhstan is one of the largest landlocked countries in the world and has the strongest economy among the Central Asian countries because of its rich natural resource. Kazakhstan is located in strategic locations where the East-West and North-South roads intersect (Bitabarova, 2019: 10). Since independence, the government in Kazakhstan has been following balanced and multi-vector foreign policy. Exporting natural resource, especially oil and gas play an important role in Kazakhstan's economy. In Kazakhstan, hydrocarbon exports accounted for 26 percent of GDP in 2012, and 57 percent of total exports. The ruling class in Kazakhstan relies on hydrocarbons for improving economy and economic prosperity, that is why they try to attract foreign investment to

the country. Kazakhstan's relative openness and stimulation of foreign investment, which was codified in its 2003 Law on Investment (Driel; Amineh, 2018: 70-73).

The collapse of the Soviet Union created new opportunities for China for accessing the market and resources of Central Asian countries. China heavily prefers to invest in the energy and infrastructure sector in Central Asia. Since the 1990s, the relationship between China and Kazakhstan has been developing so rapidly. Kazakhstan one of the most important targets for China because of its location, resource, and size (Blank, 2011: 265-268). In 1993, the declaration of a friendly relationship and declaration of strategic partnership in 2005 improved the Sino-Kazakh relationship. China is one of Kazakhstan's largest foreign trade partners. It accounts for 15.7 percent of our total trade turnover (Astana Times, 2019). Trade turnover between the two countries was \$ 19.88 billion in 2018 (Xinhua, 2019; Driel; Amineh, 2018: 72-74).

China is especially interested in Kazakhstan's natural resource because China tries to diversify its energy routes. China uses a range of tools in Kazakhstan for securing its energy security, such as improving the bilateral relationship, investing energy sector, investing energy infrastructure including energy refineries, and cooperating with host country's national oil company such as KazMunaiGas. China's national oil companies (NOCs) such as the China National Petroleum Corporation (CNPC), the China National Offshore Oil Corporation (CNOOC), and Sinopec, now known as 'the Three Barrels' play important role in the context of energy security. In the period between 2005 and 2015, China's State-Owned Enterprise invested 23 billion dollars in Kazakhstan, and 20 billion dollars of this investment was made in the energy sector (Driel; Amineh, 2018: 69-74).

China controls 20% of oil production in Kazakhstan (Pradhan, 2018; 09). Since the 1990s, Chinese National Oil Companies have been trying to acquire a share of oil fields. One of the most important Chinese companies in Kazakhstan is CNPC in the context of the energy sector. For example, CNPC bought Kazakhstan's PetroKazakhstan for 4,18bn dollars, as a result of which, CNPC gained control over 11 oilfields, 5 exploration blocks, and Kazakhstan's largest refinery in 2005. But in July 2006 CNPC transferred 33 % of shares back to the KazMunaiGas (KMG) after a new agreement with the Energy Minister of Kazakhstan (Myradov, 2017: 98-99). This situation shows that the government in Kazakhstan tries to protect its balanced diplomacy and do not want to depend on China economically (Amineh; Driel, 2018: 74). CNPC and KMG acquired MangistauMunaiGaz (MMG) for USD 1,7bn each. Mangistau regions account for 31 % of regional oil production and 8% of entire Kazakhstan's oil production. CNPC transferred 5bn dollars to KMG, in order to finance its sharing and additional fund for a financed gas pipeline from west to southern Kazakhstan, which was later extended to China. Moreover, during President Xi Jinping's

Central Asia tour, CNPC bought 8,33 % of the production rights of Kashagan oil fields for 1,2bn dollars in 2013. During the same meeting, China's EXIM bank lent Kazakhstan \$ 8 billion to Baiterek, the state holding company (Amineh; Driel, 2018: 76). Kashagan is estimated to be the largest oilfield in Kazakhstan, with 4.8 billion tons of oil. CNPC control 85% of AktobeMunaiGas, which is one of the state, the owned company in Kazakhstan. It has an oil extraction license in Zhana Zhol and Kenkiyak oil fields. CNPC is also the owner of 100 % of the Northern Buzachi oil deposit (Myradov, 2017: 98-99). In November 2004, CNPC bought 50% shares of shares in Konys and Bektas oilfields (KAM Project). The KAM project mainly covers the Konys and Bektas oil fields located in the South Turgai Basin, covering an area of 431 square kilometers. The company currently has a 25% share in two oil fields, respectively. In January 2005, CNPC signed an agreement with Ay-Dan to purchase ADM shares and purchased a 100% stake. CEFC China Energy Company Ltd acquired 51 percent of KMG International (KMGI), owned by Kazakh state oil and gas company KazMunayGaz, in 2015 (CNPC, 2020). To sum up, by purchasing the assets of 22 of the 79 oil companies in Kazakhstan, China increased its share in Kazakhstan oil production by up to 22.5%. (Gonca, 2017: 92-97).

In addition to the strategy of purchasing Chinese oil companies, it also finances pipeline projects. CNPC-KMG cooperation improved by cooperation in two pipeline consortiums. First pipeline deal- the China- Kazakhstan Oil pipeline- was in 1997 and was finished in 2009. Its reported capacity is 20 million. The second project namely Central Asia Gas Pipeline which running from Turkmenistan via Uzbekistan and Kazakhstan to Khorgos in China's Xinjiang region. China. This project Kazakhstan-China section was jointly built by CNPC and KMG. During construction, CDB leased USD 1.8 billion to KMG in terms of pipeline. Today, CNPC operates 4 pipelines together with Kazakhstan, these are Kazakhstan-China crude oil pipeline, Kazakhstan-China gas pipeline, Keniyak-Atyrau pipeline and Zhnazhol-KC13 gas lines (Amineh; Driel, 2018: 69-70, 72-77).

M&A deals, investments, and loans were followed by long term supply contracts. Chinese Equity Investment Bank and KMG were signed 15bn worth deal. According to the agreement, CNPC receiving 300.000 barrels per day and also extend the pipeline structure with the help of the additional pipeline. Another loan deal was signed in 2014, which used by KMG and KazTransGaz for accelerating the Beyneu-Bozoi-Shymkent Pipeline. By the way of the investments, China's National Oil Companies have gained control over Kazakhstan's oil fields and also production and transportation of oil to China (Amineh; Driel, 2018: 76-77).

In addition to the energy sector, Kazakhstan also plays a key role in China's Belt and Road Initiative (BRI). President Xi Jinping announced the initiative during official visits to Kazakhstan in 2013. The main objectives of the initiative are both to expand China's political, cultural, and

strategic influence throughout Eurasia and to establish China as the economic center of the supercontinent. The BRI consists of roads, railways, oil pipelines, power transmission networks, ports, and other infrastructure projects that will connect China to the world. The government in Kazakhstan respond initiative so positively and integrate their national development strategy namely Bright Path (BP) (*Nurly Zhol*) to BRI (Bitabarova, 2019: 04). China's BRI and Kazakhstan's Bright Path not only contain the development of transportation but also involve organizing agricultural and industrial cooperation between the two countries (Reeves, 2018: 506). Kazakhstan plays an important role as a bridge between Europe and Asia. Between Kazakhstan and China has only one railway link from China westward via Xinjiang, which constitutes a key element of the middle corridor of the regular direct China-Europe rail freight. In addition to railway links, two-country also improve road links. Such as West Europe-West China international highway is a good example. Construction of highway started in 2009 and section between China and Kazakhstan, which involve 3425 km and 2787 km respectively, completed in November and December 2017. Kazakhstan sees BRI as an opportunity to attract investment and capital to the country, which is important for the country's reform and development program. During the official visit of Nursultan Nazarbayev to China two countries was signed a new agreement namely Kazakh-Chinese Joint Declaration in August 2015. A joint declaration is important for improving BP and BRI in the context of transportation. Two countries try to promote and build a range of international transportation links such as "China-Kazakhstan-West Asia," "China-Kazakhstan-Russia," and "China-Kazakhstan-South Caucasus/Turkey-Europe,." Moreover, two-country also try to increase rail and road capacity, enhance the logistics capacity of both Lianyungang terminal and Khorgos dry port. The most important factor in Kazakhstan becoming a BRI transit hub between East and West is the Khorgos container center on the China-Kazakhstan border. Khorgos, 350 km northeast of Almaty, is the most populous city in Kazakhstan. The Khorgos container center is a joint venture between Kazakhstan and China and will be the largest dry port in the world. Kazakhstan and China have different railway gauges, so the center will enable goods from China to be transferred to Kazakh trains for onward shipment to Western Europe. Furthermore, the creation of a Special Economic Zone here will enable thousands of people from Kazakhstan and its neighboring countries to use the zone as a discounted, visa-free, duty-free shopping complex. BP plans to modernize railway links such as Zhezkazgan-Beineu railway, the Arqalyq-Shubarkol railway link, and the second tracks of the Almaty 1-Shu section, a new railway hub in Astana and development of Khorgos Eastern Gate SEZ and building a new Caspian port at Quryq, modernization of the Aqtau port, logistics hubs in Astana and Shymkent is also part of BRI. This project connects Kazakhstan south-west part to the central part and also creates new opportunities further access to the port of the Caspian Sea and the Persian Gulf by the way of newly built Ozen-

Gorgan railway and also enhance “China-Kazakhstan-West Asia,” and “China-Kazakhstan-South Caucasus/Turkey-Europe,” international transport corridors. As a result, these projects enhance Kazakhstan's strategic location as a transit hub, because the country has a chance to combine both East-West and North-South road and rail connection. In the framework of BRI, two-country also have agreed to deepen their existing currency swap agreement, establish currency settlement mechanisms, to coordinate payment agreements, and to set up a Chinese–Kazakh Investment Fund. (Bitabarova, 2019: 04-17).

Sino-Kazakh relationship not only consists of the energy and transportation sector but also two countries improve their relationship in the context of both agricultural and industrial cooperation. Kazakhstan mainly exports raw materials to China while China export manufactured goods to Kazakhstan. The government in Kazakhstan wants to reduce its dependence on raw material, that is why two-country also negotiate about agricultural products. For example, China lifted a ban on the export of meat from nine regions of Kazakhstan because the demand for organic products is increasing in the Chinese market. The government in Kazakhstan tends to improve its cooperation with China not only for investment and technology transfer but also they have a chance to access the China market. For example, Kazakh products started to export to the Shaanxi province of China with a newly launched joint venture in the North Kazakhstan region. Another example is that “EurasiaAgroHolding” (Kazakhstan) and “Rifa Investment” LLP (China) decided to build a new meat processing factory for exporting products to China in the Eastern Kazakhstan Region (Bitabarova, 2019: 17-19).

In comparison with the energy and infrastructure sector, two-country pay little attention to industrial cooperation, which is one of the main factors of BP-BRI, linking-up. Two governments reached an agreement about 55 joint venture projects, which is worth 27.6 billion dollars in 2015. At the beginning of 2018, two-country started four project operations which are worth 372 million dollars. These projects contain a range of areas such as metallurgy, chemical industry, electric power industry, and others. Kazakh-Chinese joint projects allow us to create more than 20,000 new jobs for the local population (Bitabarova, 2019: 19-21).

To sum up, we observe that China's National Oil Companies, especially CNPC invest a variety of oil field in Kazakhstan and try to acquire a share of production and also China promote to construct or upgrade railway and roadway for increasing interconnectivity as Offensive Mercantilism predicted. Moreover, China increases its exporting to Kazakhstan by the way of the new railway and highroad and also diversify its import routes in terms of energy and goods, as Offensive Mercantilism predicted. In addition to hard connections, China's companies also try to build soft infrastructure in Kazakhstan, as Offensive Mercantilism predicted. For example, Kazakhstan and

China agreed to improve the high-capacity telecom land link from Hong Kong to Europe. But we still don't confirm the framework of Offensive Mercantilism for Kazakhstan case, because currently China and Kazakhstan's relationship does not seem like a zero-sum game. Two countries improve their relationship and this relationship creates a mutually beneficial situation. The government in Kazakhstan improve its economy and diversify its production by the way of China's investment and joint venture project. Furthermore, the government in Kazakhstan transforms the country as a transit hub in Central Asia and this situation also contributes Kazakhstan economy and also enhances its geostrategic positions via the developing infrastructure. We still don't observe any China's geo-economic/economic domination in the context of Kazakhstan's case as Offensive Mercantilism predicted. As a result, we don't confirm whether China's economic foreign policy in Kazakhstan is a threat or opportunity for the country.

Kyrgyzstan

Kyrgyzstan is one of the most important countries in Central Asia for China because it shares a 585-kilometer border with Xinjiang Uyghur's Autonomous Region. Furthermore, Kyrgyzstan plays a strategic role in China as a gateway to Central Asia and creating alternative energy import routes (Reeves, 2015: 116; Akıncı, 2019: 86). When the Soviet Union collapsed, Kyrgyzstan tried to adopt a capitalist system for improving its economy and stabilizing political situation but the country went through a difficult period because it is difficult to adopt new rules of capitalism and market economy. After the collapse of the Soviet Union, the country's industrial capacity fell into decline and most of the factories and industrial production sites closed.

Since the 1990s, economic relations with China play an important role in the Kyrgyzstan economy. By the way of the positive relations with China, Kyrgyzstan has a chance to attract investment to the country and improve its economy. For China's side, its own interest in Kyrgyzstan because of the country's raw material, mines of minerals, and gold (Omuralieva, 2014: 75-76). Kyrgyzstan was the first country among Central Asian countries that it was a member of WTO. Membership of WTO created a range of opportunities to country improve its economic relations with China. When China became a member of WTO in 2001, two countries' trade flows increased quickly (Omuralieva, 2014: 81). China prefers to invest in Kyrgyzstan's agricultural, infrastructure, banking, finance, and telecommunication sectors. In 2002, Two countries reach an agreement namely the "Sino-Kyrgyz Good Neighbor Cooperation Treaty," which references two states trade, Chinese investment, and cooperation over finance. Besides, agreement of the "Joint Declaration of the Establishment of Sino-Kyrgyz Strategic Partnership" similarly addresses China's investment to Kyrgyzstan in the context of the power sector, telecommunications, public roads, and rail in exchange (Reeves, 2015: 118).

The government in Kyrgyzstan is willing to be a transit country between China and Central Asian countries, that is why they support to construct a new railway between two countries. Two countries mostly discuss to China-Kyrgyzstan-Uzbekistan railroad project (Reeves, 2015: 118). There is no doubt that this project will ease the transportation of goods from China to Central Asian countries and Europe and China diversify its export and import routes by the way of this project. Officials in Kyrgyzstan also see this project as a great opportunity for attracting China's investment and improving the economy. Moreover, this railway project will connect Kyrgyzstan north and south and increase economic activity in the country. If the project becomes real, Kyrgyzstan will gain 261 million US dollars per year. In addition to the railway project, China is also interested to promote road projects in Kyrgyzstan. For example, China gave 60 million Yuan unreturned credit to Kyrgyzstan for the construction of China-Kyrgyzstan-Uzbekistan highway in 2011 (Omuralieva, 2014: 83-85). In terms of BRI, China has supported a range of infrastructure projects in Kyrgyzstan. Especially road projects play an important role in connecting north-south and east-west of Kyrgyzstan. For example, Bishkek-Naryn-Torugart and Osh-Sarytash-Irkeshtam road projects, which are related to BRI, are the main road for connecting Kyrgyzstan with China. Furthermore, in order to bypass the Tajik and Uzbek enclaves, the Osh-Batken-Isfana road project also plays an essential role in Kyrgyzstan. All of the road project's total cost is 1.13 billion and these projects are financed by China's concessional loans (Mogilevskii, 2019: 09).

In addition to infrastructure projects, China also finances energy projects, such as the construction of electricity transmission line Datka-Kemin and Datka substation or Bishkek Heat and Power Plant (HPP). These projects were designed to improve the Kyrgyzstan electricity system and reduce its dependence on other regional countries. These energy projects' total cost is 0.98 billion. Besides, the government in China expand its activities and provide 121 million US dollar for developing the country's electricity system of the street network. All of these projects were implemented by Chinese companies, such as China Road and Bridge Corporation in the case of road projects or TBEA Co. Ltd. in the case of energy projects (Mogilevskii, 2019: 09). Kyrgyzstan is not only a transit country for China's goods, but also play an important role in creating alternative energy routes for China. In 2014, the government in China decided to construct forth gas line D for sending Turkmenistan gas to China through the territories of Uzbekistan, Kyrgyzstan, and Tajikistan. This gas line project will be constructed by China's National Petroleum Corporation and Turkmen gas (Omuralieva, 2014: 88). Construction of the gas line started in 2018 (Akıncı, 2019: 88). This project also will affect Kyrgyzstan's economy positively as a transit country.

Investment and financial assistance from China to Kyrgyzstan plays an important role between the two countries' relationship. In the context of investment, from 2001-2014, China provided approximately 40-23% FDI to Kyrgyzstan. Chinese FDI accounted for 60% of total foreign investment in the country. To date, China's company prefers to invest in Kyrgyzstan mine and oil sector (Reeves, 2015: 123-124). For example, China gave Kyrgyzstan 7.4 million US dollar financial loans for building a paper factory but due to the mistake of financial operations, the factory closed. In 2012, a Chinese company bought an old paper factory and 20 hectares of land for constructing oil refinery. The company will invest 70 million US dollars for constructing factories. This factory will create 300 workplaces and the country will gain 600.000 US dollars from taxes. China's companies are also interested in Kyrgyzstan's gold mines because the country has rich gold mines resources. In 2011, a Chinese company namely Zijin Mining purchased mine, which is located in Talas province in Taldy- Burak region. Secondly, Chinese Full Gold Mine Company operated Ishtamberdy mine in Jalalabad province in the south part of Kyrgyzstan in the summer of 2011. The government in Kyrgyzstan is a willingness to develop its relations with China in the context of the mining sector because the country has no capacity to operate mines alone and also it gains money from Chinese investment (Omuralieva, 2014: 90-91). Moreover, China announced that it would provide 1.4 billion US dollars in FDI over four years for constructing China- Kyrgyzstan oil pipeline (Reeves, 2015: 123). In terms of financial support, China plays an important role in giving concessional loans and grant aid. Most financial support designates to improve infrastructure especially Kyrgyzstan's north-south highway and railway. Moreover, China tries to secure access to Kyrgyzstan's mining sites, by the way of financial support. For example, Jalalabad province for gold mines and the Naryn region for iron and aluminum play an important role in China. In 2011, China provided 5 million US dollars in aid for the development of the Osh and Jalalabad provinces of Kyrgyzstan and the construction of the Kyrgyz-China Business Center (Akıncı, 2019: 88).

China's merchants play a dominant role in the trade network of Kyrgyzstan, especially in Dordozi and Kara Suu bazaar. Dordoi Bazaar is one of the large wholesale and retail market in Bishkek. Due to the low taxes and location, this bazaar plays an important role not only for China but also for neighboring countries. 75% of goods of Dordoi bazaars and 85% goods of Kara Suu bazaar which is the largest bazaar in South Kyrgyzstan come from China. Kyrgyzstan import Chinese goods and re-export to other regional countries. The monthly turnover of Dordoi and Kara Suu was 331 million US dollars and 90 million US dollars respectively in 2012 (Omuralieva, 2014: 86-87).

Investment in Kyrgyzstan's mining sector remains the main concern of China. On the other hand, the export of agrifood to China also contributes to Kyrgyzstan's budget, because China is a huge market for Kyrgyz fruits and vegetables, and every year the demand for agrifood is increased. Last year, the export of this good increase moderately. For example, the export of agrifood to China increased by 20% in 2019. Furthermore, two countries announced to build an agro-industrial park namely Iskhra Asia in Bishkek for producing meat, fish, and animal feed. This park will meet the demand for Kyrgyzstan's domestic market and also creating new opportunities for Kyrgyzstan's export to China. (Mogilevskii, 2019: 10;20).

Some of China's projects are under construction and some of them completed recently. These projects affect Kyrgyzstan's GDP. For example, the GDP growth rate was 4.8% per annum between 2011-2017, in comparison with the 4.2% per annum between 2000-2010. There is no doubt that other factors also contribute the GDP growth but most Chinese investment increases share gross domestic products in Kyrgyzstan and affect positively to GDP. There are enterprise-level data for learning how taxes of enterprises affect Kyrgyzstan's GDP. According to these data, taxes of China's enterprise accounted for 2.5% in Kyrgyzstan's state budget and two-thirds of these taxes come from especially the mining sector which is China invest mostly (Mogilevskii, 2019: 12).

The fast development of Kyrgyz infrastructure by the way of the massive inflow of resources resulted in the growth of Kyrgyzstan's debt burden. China is main the creditor of the Kyrgyz government. Especially, Eximbank of China plays an essential role in the context of the debt burden. In 2008, the government in Kyrgyzstan's debt to Eximbank of China was 9 million US dollars while the government's debt was 1.7 billion in 2017. The debt to Exim Bank accounted for 42% of total government external debt or 24% of GDP (Mogilevskii, 2019: 13-14).

To sum up, as offensive mercantilism predicted, China especially pay attention to invest and purchase Kyrgyztan's mine and gold sector and also try to control the country's natural resources. Moreover, China's company also invests infrastructure sector and tries to construct and upgrade the country's railway and highways because these infrastructure projects promote China's export and also create alternative export and energy routes for China. As a result of improving interconnectivity, China increases its export to Kyrgyzstan and send its goods to other countries by the way of the Kyrgyztan's bazaars' such Dordoi and Karasuu bazaars. Government and banks in China also give concessional loans and financial aids to Kyrgyzstan and this situation creates asymmetrical relations between countries. Kyrgyzstan's debts create more opportunities for China

for increasing its influence over the country and pressuring the Kyrgyz government for its political purposes, as offensive mercantilism predicted. Moreover, China's export to Kyrgyzstan weakens the country's manufacturing ability and also increases its economy's dependence on natural resources. Finally, one of the main problems is that China's companies bring Chinese workers in Kyrgyzstan for working and this situation increases tension between local people and Chinese workers. As a result, people dissatisfy the government's China policy and pressure to the government for resisting China's investment (Reeves, 2015: 125-128). Despite the asymmetrical relations, the government in Kyrgyzstan promotes cooperation with China because China's investment plays an important role in the country's economy and China's infrastructure project helps Kyrgyzstan increase the country's interconnectivity. Overall, unlike the case of Kazakhstan, we may say that Kyrgyzstan's case fits in the prediction of Offensive Mercantilism because Sino-Kyrgyz relationship seems zero-sum game rather than a win-win or non-zero-sum game.

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