Neomercantilism and Great-Power Energy Competition in Central Asia and the Caspian

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Russia, China, and the United States are vying for political influence and control of natural resources in Central Asia in what has been labeled a twenty-first-century Great Game.[1] Among the conditions drawing these major powers to the region are its location at the heart of the Eurasian landmass and its bountiful natural resources. China and Russia are driven in roughly equal measure by political and economic considerations. They have adopted neomercantilist policies (i.e., state-directed efforts aimed at making asymmetric economic gains at the expense of competitors, a concept we discuss at length below) to realize their goals in the region. The neomercantilist energy policies of China and Russia contribute to what is largely a competitive relationship among all three great powers in Central Asia. While neomercantilist policies do not negate the possibility of cooperation and the development of norms, rules, and institutions designed to promote collective action, they certainly erect formidable barriers.

We argue that illiberal states such as Russia and China that selectively accept elements of capitalism and the market economy, operate in illiberal environments (Central Asia), and compete for vital commodities (oil and gas), will adopt neomercantilism as opposed to policies based on liberal assumptions and expectations. The institutional legacy of central

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planning shared by China and Russia (and the Central Asian states) creates a path dependence that differentiates the patterns of interaction between firms and the state from those found in long-standing liberal economies and polities. True, even liberal states may resort to neo-mercantilist strategies when it comes to hydrocarbons.[2] But illiberal states more readily jettison liberal practices, not least because they already have scant ideological commitment to them.

Russia and China have pursued neomercantilist strategies in Central Asia with varying degrees of success. By contrast, the United States has in the main adopted a liberal approach, while supporting the business interests of US energy corporations. This article assesses the success and limits of the Chinese and Russian neomercantilist strategies in Central Asia, advancing three broad hypotheses about major-power behavior in energy-rich regions. First: great powers with statist traditions will use state-owned or state-controlled firms to secure vital supplies of energy. Neomercantilist great powers will exercise state control in tandem with market processes when it comes to securing energy resources, not least because of the vital role of hydrocarbons in national security.

The second hypothesis is that security considerations will impel great powers to assert state control over upstream assets whenever possible. To this end, they will seek maximum control over pipeline routes and take steps to reduce their vulnerability to supply disruptions created by competitors and efforts by rivals to create export channels that circumvent their territories. The logic here is that the market is perceived as not sufficiently reliable to ensure regular supplies of energy at reasonable prices, which in turn are essential to national security and the state's relative power. Thus we should expect major powers to use the state to control both supply routes, and supplies themselves, to the greatest extent possible and to act on the assumption that, in economic policy, there is a national interest and its best and rightful custodian is the state rather than freewheeling private actors or market forces.[3]

Our final hypothesis is that major powers' preoccupation with relative gains will lead them to approach hydrocarbons in zero-sum, competitive terms, notwithstanding the technical and financial pressures toward co-operation in a complex industry and even in the face of strictly economic reasons to eschew mercantilist policies. In a word, politics and national security strongly influence economic decisions. Neomercantilism predicts that states will act on this zero-sum logic in the struggle for resources, resulting in major power interactions marked primarily by competition.

The Neomercantilist Paradigm

Neomercantilism, as we are using the term, is a form of economic nationalism. It does not reject the market. Instead, it seeks to protect state interests, particularly the political and military standing of a country, by trying to shape the national and international workings of markets. Its aim is to bend markets to suit national objectives or, failing that, to reject efficiency and short-term-profit-driven market calculations in favor of those seen to advance national power. To this end, neomercantilist states seek to control the "commanding heights" of the economy, the largest and most strategic sectors, through wholly state-owned firms or ones that in effect act as agents of the state and are supported by it in various ways. States try to ensure the business interests of major firms dovetail closely with official policies while realizing the higher growth rates and efficiencies enjoyed by publicly traded firms in the global market.[4] The state augments its power, while firms acquire monopoly (or oligopoly) rights from the state, ensuring their ability to extract rents.

Neomercantilism starts from the same point as neorealism.[5] It assumes that the anarchic international order drives states toward competition and maximizing relative power to preserve their sovereignty and security and, within the context of these supervening imperatives, to pursue the goals that flow from their specific internal and external circumstances. Moreover, neomercantilism seeks to explain how states will craft economic policies to maximize wealth as a part of their effort to increase their standing in the international system. They use the governmental apparatus to try to overcome, or at least limit, market outcomes that could constrain the development of critical firms—those deemed pivotal to the state's power—and to gain privileged access to essential raw materials and markets. Neomercantilism also assumes that states seek to control foreign investments and other financial flows and limit vulnerability to external economic constraints—even when, in terms of the logic of neoclassical economic principles, such choices may not produce the most efficient outcomes.

While contemporary neomercantilism differs significantly from its classical antecedent, one striking commonality is the effort by states to maximize national wealth by securing and using vital raw materials. Gold and silver were the strategic commodities for the early modern nation-state; oil and natural gas fulfill this role today. Self-sufficiency in natural resources confers a major advantage to states, but of the three major powers involved in Central Asia, only Russia is self-sufficient in oil and gas.[6] For great powers lacking adequate supplies of energy, control over transit routes becomes vitally important, for both security and prosperity. Neomercantilist theory takes explicit account of how geography—and for the purposes of this analysis, trade routes and resource locations in particular—shapes a state's calculations concerning economic competition.[7]

Neomercantilism accepts liberalism's stress on the importance of productive capacity for firms and bureaucracies, but it offers a very different view of the appropriate relationship between states and markets. It is skeptical of liberalism's assumption that self-interested individual consumers or firms will necessarily maximize the wealth of nations. Instead, it assumes state guidance, even state ownership of firms, in whole or part, is essential to ensure the behavior of individuals and firms is consonant with the national interest defined as the country's relative standing. State control over the economy is deemed an appropriate, indeed essential, strategy to achieve the supreme end of maximizing a country's power in relation to its competitors and to reducing the vulnerabilities that accompany integration into the global economy. In contrast to the variable-sum logic of liberalism, neomercantilism rests on the zero-sum premise that, as self-interested actors driven by their bottom lines, domestic firms may act in ways contrary to the interests of the home state, and foreign firms and other countries will do so to an even greater extent. If liberalism avers that global economic competition and the flow of trade and finance should be as unfettered as possible, neomercantilism is wary of unregulated markets and interdependence which may diminish national prosperity and security of rising powers while working to the natural advantage of countries that are already wealthy and powerful.

Energy is critical for great powers determined to ensure national security and maximize economic wealth. Its importance has grown as the prosperity and security of an increasing number of states are tied to securing supplies at predictable prices while the number of states that consume large amounts of energy has increased. Major oil exporters, for their part, are fiercely protective of their sovereignty and either limit foreign investment in the hydrocarbon sector or nationalize their petrochemical industries in whole or in part. They see energy as simultaneously a source of wealth and political leverage. The result is that even those states that pledge fealty to liberal economic principles regularly disregard market mechanisms in the interest of preserving national security. No state renounces neomercantilist strategies; what differentiates states is the degree and regularity with which they use them and the extent to which neomercantilism is embodied in their ideology.

What matters for neomercantilists is the state's military or economic power relative to competitors, and that requires governments to be active in promoting trade, shaping investment policy, and supporting national firms. Of course, if all states were to behave this way and there were no institutional arrangements in place to manage the competition, states would threaten one another's security by, for example, building preferential trading blocs, manipulating currencies, discriminating against foreign companies, subsidizing national firms, and locking up sources of raw materials. The pervasiveness of such a strategy in the international system would increase the likelihood for crises, even conflicts.[8] Neomercantilism is skeptical of institutional mechanisms designed to foster cooperation because it assumes such structures themselves are captured by powerful states to advance their relative position.

Neomercantilist Strategies and Central Asia

Because oil and natural gas are vital commodities for national security, there is a natural tendency for states, particularly those with weak commitments to liberalism, to adopt and utilize neomercantilist energy policies. But oil and gas are governed by distinctly different markets. Oil in recent years has traded on a genuinely global market, with prices set by supply and demand and the bulk of supplies delivered by tanker. Oil is highly fungible. By contrast, natural gas is not a global commodity; it is traded on regional markets and is usually delivered by pipeline (with some traded in liquefied form via tanker). Long-term contracts are concluded between suppliers and consumers, with prices indexed to substitute fuels, generally oil. With the natural gas fracking revolution and the expansion of liquefied natural gas (LNG) and spot trading, the gas market is beginning to change, but the fixed, interdependent nature of the present gas infrastructure makes these energy relationships more susceptible to politics, as in the EU-Russia gas trade or the Chinese-Russian gas pipeline negotiations.

The point is, trade in both commodities is still heavily shaped by geography (in addition to technology). Given Central Asia's landlocked status, the geopolitical dimension of trade in both commodities is reflected in the strategies of the interested major powers operating in the region. The United States seeks to limit Russia's influence, Moscow attempts to preserve its monopoly over export routes, and China pursues its strategic interest in diversifying supply networks.

The United States and China, respectively the world's largest and second-largest consumers of oil, are competing for secure supplies. Russia, by contrast, is a net energy exporter and in 2012 was the world's third largest producer of crude oil, accounting for 10.4 million barrels per day (bpd), nearly 12 percent of world production.[9] Central Asia provides an alternative to potentially unstable suppliers in the Middle East, Africa, and Latin America. While the region's reserves cannot compare with those of the Middle East, it does have approximately 3 percent of the world's proven reserves of oil and roughly 4 percent of natural gas reserves. In 2012, the Caspian Sea region (which included Kazakhstan, Azerbaijan, Turkmenistan, and Russia) produced about 2.6 million barrels of crude oil per day and about 2.5 trillion cubic feet of natural gas.[10] Moreover, Central Asia's crude oil and natural gas output could increase significantly over the next decade.

The three major powers have competing interests in the region when it comes to energy. The United States, the world's largest importer of crude oil, has made tapping the Caspian oil and gas reserves one of its three priorities in the region (the other two being promoting democracy and enhancing security and stability by countering terrorism, weapons proliferation, and narcotics trafficking).[11] Various US companies are involved in oil and gas production in Central Asia and the Caucasus, primarily in Kazakhstan and Azerbaijan, and while Washington generally supports a more market-based approach to energy than do China or Russia, the United States has employed a mix of diplomatic and political levers to influence transit routes and facilitate Western access to Central Asia's oil and gas reserves. Washington's strategy has been to deny Russia a monopoly over oil and gas exports from Central Asia by promoting alternate export routes, including the Baku-Tbilisi-Ceyhan oil pipeline, the Baku-Tbilisi-Erzurum gas pipeline, and the now-canceled Nabucco gas route. The Trans-Adriatic Pipeline (TAP), slated to transport 20 billion cubic meters of gas to Europe, will run from Azerbaijan through Greece and Albania and thence under the Adriatic to Italy. Selection of the TAP by the Shah Deniz consortium effectively ends the Nabucco concept.[12] Moscow sees these efforts of Washington and the EU as an attempt to erode, even supplant, Russia's long-established dominance in these regions.

Russia's Neomercantilist Strategies

Central Asia occupies a pivotal position in Russia's political and energy calculations because of the centrality of energy transportation and sales for the Russian economy.[13] Although part of Russia's petrochemical industry is privately owned (most notably LUKoil and TNK-BP), the state is prominently represented by three "national champions"—Gazprom in natural gas production and supply, Rosneft in oil production, and Transneft, the state pipeline construction firm. Early in Vladimir Putin's first term as president, these mammoth state firms were given primary responsibility for restoring Russia's economic and geostrategic position.[14] Russian energy oligarchs who agreed to support Putin's state-building plan were allowed to retain their private empires, while those seen as impediments (Mikhail Khodorkovsky is the most prominent example) were jailed or exiled.

Russia's determination to control transit routes in Central Asia, maximize political control over the region, preserve its strong position as energy exporter to Europe, and enhance state revenues is emblematic of the neomercantilist approach. The remnants of Soviet-era energy infrastructure, together with geopolitical constraints to the south (economic sanctions on Iran), force Central Asians to rely heavily on their northern neighbor for energy exports. Russia's state-owned energy companies realize substantial revenues from transit fees and reselling gas in the European market.[15] Moscow has taken advantage of its position to extract rents from Central Asia, whether through reshipment of natural gas to Europe or oil piped through the Caspian Pipeline Consortium (CPC) or Atyrau-Samara-Novorossiisk lines. Until the mid 2000s, Gazprom had monopolized Turkmenistan's export options for natural gas because the firm owned the pipeline networks the Turkmen government relied on to export its gas. This advantage, in part a relic of the Soviet era, enabled Russia to buy the bulk of Turkmenistan's gas output. This strategy in turn strengthened Russia's ability to increase Europe's dependence on gas supplies from Russia, which already amounts to one-third of its total consumption. However, the completion of Turkmenistan's gas pipeline to China (in 2009), and Europe's stagnant demand for natural gas since the Great Recession, have reduced Moscow's leverage. China has become a major importer of Turkmen gas and has invested substantially in Turkmenistan's gas fields and in pipelines headed from there to China.

Russia is an original partner in the CPC, and state-owned Transneft now holds a 31 percent stake in the consortium. The Russian government has sought additional advantages for itself through tariffs, corporate governance, and managerial control. The CPC has been operating at capacity and has for years been planning a second stage expansion that would nearly double throughput. Until 2008, however, Russia had blocked the consortium's efforts to expand deliveries, demanding changes in tariff and interest rates and introducing "take or pay" clauses tied to expanded deliveries.[16] Moscow's demands, which seemed based more on political considerations than purely economic rationale, were an attempt to pressure the other consortium members to improve Russia's position within the CPC. Once Transneft acquired control of the pipeline in 2007, the Russian authorities reversed their position and became vocal supporters of expanding the CPC's capacity, particularly for transporting oil from Kazakhstan's giant Kashagan field, estimated to hold 38 billion barrels of oil. Russia hopes in this instance hinge on the problems Kashagan has faced in terms of delay and massive cost overruns, which rose by a factor of two from the original estimate to reach $38 billion.[17]

Moscow has also sought to block US and European plans to ship Central Asia's natural gas across the Caspian Sea— bypassing Gazprom's monopoly position—by citing environmental hazards. The prospects for a trans-Caspian gas pipeline (TCP) from Turkmenbashi to Azerbaijan's Sangachal terminal are murky for two other reasons. First is the unresolved legal status of the sea now that the significance of the Iran-Russia Treaty of 1921 has been rendered obsolete with the emergence of three post-Soviet states on the shore: Azerbaijan, Kazakhstan, and Turkmenistan. Second is the failure of Azerbaijan and Turkmenistan to settle their overlapping claims in the Caspian. Though the TCP is but a distant possibility, Russia has nevertheless registered its objection to it, arguing that the project is a matter for the coastal states to agree on and not for the West to push absent a Caspian consensus.[18] Russia's 2007 deal with Kazakhstan and Turkmenistan to adopt the Prikaspiskii route through Russia was widely viewed as a defeat for Western-backed plans for a trans-Caspian pipeline. However, both Kazakhstan and Turkmenistan have resisted Moscow's efforts to control supply routes, demonstrating their intentions to keep their options open by supplying the Western-backed TCP (in the event it is built) and by exporting energy to China via pipelines that skirt Russia.

This has made Moscow all the more determined to render Nabucco economically nonviable. Its chosen instrument toward this end is the $45 billion South Stream project, which would deliver gas to southern Europe through a pipeline crossing the Black Sea from Russia.[19] While Russia's natural gas production is declining and even its long-term purchase agreements with Kazakhstan, Turkmenistan, and Azerbaijan are likely to leave the project short of the volume it needs to be commercially viable, Moscow appears no less determined to pursue it. Gazprom's monopolistic stance on South Stream clashes with provisions of the EU's Third Energy Package, which mandates unbundling energy transportation from production and sales. Russia's neomercantilist approach to energy relations with Europe has fueled mistrust among many EU states, especially the newer East European members.[20]

Like the Nordstream pipeline project, which will carry Russian gas to Europe via the Baltic Sea, South Stream attests to the Kremlin's realization that the question of who supplies gas to whom and through which pipelines is much more than simply a matter of economics. Important strategic considerations are involved, of which three are particularly important.[21] One is enhancing Russia's leverage over Europe, which will increase should Europe's energy supply diversification strategy fail. A second is greater Russian influence over Central Asia, where China is making inroads and could eventually displace Russia as the dominant power in the region. Central Asia's dependence on Russia is bound to increase if the volume of its gas exports flowing through Russian pipelines increases; conversely, its autonomy will be enhanced as new pipelines bypassing Russia go online. Moscow recognizes this possibility and is energetically seeking to retain and expand its influence through the Customs Union. A third goal is reducing Russia's dependence on Ukraine, which now serves as a key conduit for its gas exports to Europe. The Ukrainian transit issue is critical to Moscow with Victor Yanukovych's government ousted and the country's future orientation uncertain.

Neomercantilism also shapes Russia's policies toward foreign investment in its energy sector. The need to secure capital and state-of-the-art technology should push Russia to open its hydrocarbon sector to Western and other international oil firms, not least because domestic oil and gas production have been stagnant for lack of investment and because existing oil sources ("old oil") are being depleted. However, the trend has been in the opposite direction, as oil prices spiked in the 2000s and the Kremlin decided to establish domestic control of oil and gas through state-controlled "national champions." Using the threat of massive penalties for environmental violations, it forced Shell and its Japanese partners in the Sakhalin II venture to transfer controlling ownership to Gazprom in late 2006. Transneft acquired ownership of the CPC pipeline in 2007, cementing its virtual monopoly of Russian oil pipelines, while state-owned Rosneft acquired BP's interest in TNK-BP in 2013 after years of official harassment over supposed environmental and tax issues.[22]

The same pattern is apparent in the natural gas sector. State-owned Gazprom, for example, did not have the technology or the capital to develop the giant Shtokman natural gas field in the forbidding Barents Sea, so it contracted with Norway's Statoil and France's Total to join it as minority partners. Gazprom holds a 51 percent share in the project and is sole owner of the production license and the reserves. The plan was that after phase one was completed, Statoil and Total would be obligated to transfer their company shares to Gazprom.[23] The US and Canadian shale gas breakthroughs, however, called into question this expensive and complicated project, negating a key element of Moscow's energy strategy.[24]

What counts in the new Russian order is power maximization by the state, and ensuring national control of energy and other natural resources is seen as an essential means to that end. Putin's overriding objectives include rebuilding a strong centralized state, ensuring and increasing Russia's status as a great power, developing a robust Russian nationalism capable of unifying the country, maintaining a sphere of influence in as many of the post-Soviet states as possible, and establishing state control over important branches of the economy. Those sectors of the economy related to energy and raw materials are vital to this project, so controlling them through direct ownership or regulatory authority, or more informal mechanisms, is a Kremlin priority. Energy is the regime's most valuable instrument to realize Russia's foreign policy and national security goals. The program for establishing state control over national energy resources and infrastructure has proved popular. A Levada Center poll conducted in June 2006 found that fully 85 percent of respondents favored the renationalization of Russia's oil and gas industries, with only 7 percent opposed.[25] As nationalism surged and advocates of restoring Russia's great-power status gained in popularity, the notion of an economy free from state intervention lost adherents.

China's Neomercantilist Strategies

The crucial role of oil in enabling China to maintain its breakneck pace of economic growth and its increasing reliance on foreign sources have made obtaining oil and gas from Central Asia a major element in Beijing's energy strategy. Middle Eastern and African oil are more important than Central Asian in China's calculus (about 50 percent of its petroleum imports come from the Middle East and 30 percent from Africa), but the bulk of this oil transits vulnerable sea routes, so alternatives that can be supplied by pipeline confer greater security. Kazakh, Turkmen, and Russian energy transported by pipeline bypasses the Strait of Malacca choke point, making them especially attractive suppliers in Beijing's eyes.

Although China has embraced market mechanisms for much of its economy and has joined liberal trading regimes such as the WTO, it continues to pursue a form of neomercantilist energy policy.[26] Three state-owned companies—China National Petroleum Corporation (CNPC), the China Petroleum and Chemical Corporation (Sinopec), and China National Offshore Oil Corporation (CNOOC)—dominate China's energy sector. These national oil companies (NOC) as national champions were tasked with the political goal of strengthening China's economic security by securing upstream assets and diversifying supplies. Since the legislation governing China's energy sector changed in the early 1990s, the NOCs have been encouraged to acquire energy assets abroad and to form partnerships with non-Chinese firms. Their ability to draw oil and gas to China has been strengthened by the reform of domestic energy prices and permission to list subsidiaries on foreign exchanges, both steps intended to provide the funds needed to fulfill their mandate.[27]

As part of the mandate, starting in 1997 the three big Chinese state oil companies (later joined by smaller firms) moved in force into Central Asia, buying stakes in major oil fields and state-owned oil companies in Kazakhstan and completing construction of the 1,348-mile Aktyubinsk-Alashankou oil pipeline from Kazakhstan to China in 2008 and the 1,240-mile gas pipeline from Turkmenistan via Uzbekistan and Kazakhstan in 2009. These state-backed moves have pitted China not only against Western firms, but also against those from Russia, notwithstanding the Russia-China "strategic partnership" and its Central Asia embodiment, the Shanghai Cooperation Organization.[28] For both countries, but especially Turkmenistan whose gas exports were dominated by Gazprom, the China connection has reduced their dependence on Russia.

China's energy policy is crafted, monitored, and supported through the National Development and Reform Commission (NDRC), which is overseen by the State Council. The National Energy Administration (together with the NDRC) sets domestic wholesale prices, approves new energy projects, and implements the government's energy policies. The Chinese government provides diplomatic support and financial assistance to its oil companies and expects their investments and operations to support the state goal of energy security. However, bureaucratic fragmentation in the energy sector weakens the state's ability to direct Chinese NOCs toward supporting central political goals and contributes to greater competition between NOCs operating overseas.[29]

Although state involvement in China's oil sector more closely resembles a neomercantilist than a purely liberal approach, the extent of state dominance should not be overstated and is markedly less pronounced than in Russia. This is especially so in the case of foreign investment in the domestic energy sector: although Beijing sets guidelines, which among other things ensure that foreign firms form partnerships with state-owned companies, it has enacted reforms that have made for a notably more predictable and hospitable environment for international energy companies than obtainable in Russia. As a result, Chinese oil firms have in recent years become key advocates of overseas investment, acquiring equity stakes throughout Central Asia, Africa, and Latin America.[30] Moreover, China's NOCs have developed strong corporate interests—maximizing profits, satisfying shareholders, enlarging market share—that frequently set them at odds with their fellow NOCs and, sometimes, with the priorities of the central government in Beijing. China's leaders, in contrast to their Russian counterparts, appear cognizant of the limitations of neomercantilism and have gradually moderated state control of NOCs.

China's reform process has been more gradual than Russia's and evolved from an initial policy of a strong role for the state toward greater autonomy for state-owned firms. China has assiduously sought to avoid Russian-style political fragmentation while proceeding with liberal economic reforms. In both domestic and international contexts, Beijing's leaders use the power of market forces while seeking to preserve centralized state control, particularly over strategic commodities like oil and gas. Specifically, one component of China's "going out" strategy involved state encouragement and assistance to national oil companies in acquiring upstream energy assets (often above market prices), with the expectation of improved long-term security from directly controlling oil and gas properties. This policy is most notable in Kazakhstan, where Chinese firms (CNPC and Sinopec) have acquired—either outright or in the form of substantial shares—energy assets in the Kashagan, North Buzachi, and Aktobe fields, competing aggressively and with state guidance against foreign firms.[31]

Such neomercantilist policies are designed to ensure an uninterrupted flow of hydrocarbons, with the added advantage of having a source of supply that runs overland and is thus less susceptible to disruption than China's other energy imports that move through long sea lanes from Africa and the Middle East. Oil and gas piped directly from Central Asia are key components of China's efforts to maintain high growth rates and preserve social stability—without relying solely on laissez-faire market forces to supply energy needs. By contrast, most overseas Chinese equity oil projects—in Africa, for example—produce oil that is sold on the global market rather than shipped to Chinese ports.

National energy companies such as Gazprom, Rosneft, Transneft, CNPC, CNOOC, and Sinopec are powerful economic entities but also serve as foreign policy instruments of their respective states, precisely because they are not fully private actors. While NOCs vary considerably in their autonomy, they all need to balance the economic demands of the international market with the political needs of their governments. For Russia, its hydrocarbon exports, the size and reach of its energy firms, and its control of key pipelines serve as major sources of national power, substituting in part for the international influence Moscow lost when the Soviet Union disintegrated. For China, government-corporate partnerships help secure energy supplies, which, in turn, are crucial for maintaining the country's breakneck pace of economic growth, enabling the Communist Party to present itself to Chinese citizens as a competent custodian and continuing China's ascent as a front-rank global power.

Chinese officials have been explicit about the link between energy and security. For example, when the 960-kilometer pipeline connecting Atasu in Kazakhstan to the Alatau Pass in Xinjiang was opened in May 2006, the deputy general manager of the China Petroleum Exploration and Development Company observed that the new line would reduce China's dependence on the Strait of Malacca, through which 80 percent of China's oil imports had been flowing.[32] This degree of dependence on seaborne energy constitutes a major liability on the security front because it enables the US Navy, which is far superior to its Chinese counterpart, to disrupt the lifeblood of China's economy. This explains Beijing's efforts to cultivate Russia as another major overland energy supplier as well as its increasing determination to improve its naval capabilities.[33] With completion of phase one of the East Siberian Pacific Ocean (ESPO) pipeline, Russia was exporting 300,000 bpd of crude to China by late 2013, and plans call for doubling this amount by 2015.[34] Beijing will likely increase efforts to secure reliable, long-term sources for oil, to diversify the sources of supply, and to prevent adversaries from disrupting supplies. China's rapid economic growth and increasing affluence will surely deepen its reliance on imported oil, which is expected to increase from 50 percent of total consumption in 2008 to 79 percent by 2030.[35]

Neomercantilism in Russia and China is part of an overall determination to counter US hegemony which is linked to an ideology advocating unfettered markets for privately owned international oil companies. National oil companies are generally larger and more powerful than international oil majors, and NOCs confer on the state significant international influence. However, Chinese and Russian oil companies are relatively late to the game, and many of the most lucrative properties are already controlled by national oil companies in oil producing states or by the oil majors. To be effective as state-supported actors in the global economy, NOCs must be modern, efficient, and competitive with other national and international energy firms. Chinese officials realize this and have allowed their NOCs greater independence in raising capital and pursuing overseas acquisitions. But with greater autonomy, the NOCs' interests—particularly their pursuit of profitability—have often diverged from state goals. Efforts to exert greater state control over oil and gas firms, as with Gazprom, may harmonize state-NOC interests to some degree, but with clear tradeoffs in terms of declining competitiveness and profitability. Thus neomercantilist strategies embody contradictory impulses that may not be reconcilable.

Russian and Chinese neomercantilist strategies to penetrate and control the Central Asian energy market have cast this great-power energy relationship in basically competitive, zero-sum terms, despite assertions of a "strategic partnership" from both Moscow and Beijing. This energy competition has impacted security cooperation and multilateral institution building in the Central Asian region.

Energy Security and Great-Power Competition in Central Asia

Russian and Chinese approaches to Central Asia and to the world more broadly incorporate contradictory elements. On the one hand, both countries suspect the US-dominated liberal economic order places them at a disadvantage and exposes them to social and economic instabilities. Indeed, they frequently point out that the United States itself violates its professed principles of free trade and open markets when the system works against US national interests. On the other hand, Russia and China view international trade and security regimes as having some utility, even if they are (as in the case of the World Trade Organization) dominated by the US hegemon. However, regional organizations like the Shanghai Cooperation Organization (SCO), the Central Asian Regional Economic Cooperation program (CEREC), and the Eurasian Economic Community (EurAsEc) seem to be preferred by Beijing and Moscow, since they are relatively weak and do not preclude bilateral security or trading arrangements.

While regional organizations have become more prominent, there is still no viable trading regime in Central Asia. International cooperation is difficult to achieve in the absence of a hegemon committed to establishing a stable order. But the question for Beijing and Moscow is who the hegemon will be; neither China nor Russia is content to have the United States set and police the rules of the game because, in classic neomercantilist spirit, they are convinced Washington will play this role to advance its relative standing and not act in the interest of all. Russian and Chinese neomercantilist strategies, in effect, promote a regionalism that enables them to resolve conflicts and promote stability while resisting the presence of the global hegemon.[36]

Although Russia provides one-quarter to one-third of Central Asia's imports and absorbs 10–20 percent of the region's exports, its privileged position in the region is in danger of being eroded. China's economic presence is increasing rapidly; more importantly, the China-Russia economic relationship in Central Asia is basically competitive and will become more so. This competition is already evident as Moscow promotes its Customs Union as a trading bloc, while China maneuvers to position the SCO as its preferred economic regime. In this environment, powerful state-controlled energy firms (and indeed non-energy state-owned companies) seek relative gains for their patron states, with the state exercising its power to advance firms' interests. While the rivalry between the Russia-China partnership and the West gets the most attention these days, in the long run the competition in Central Asia will pit Beijing against Moscow, with both seeking to dominate the sources and transportation networks for Central Asia's energy.

This is not to suggest an imminent military conflict between Russia and China in Central Asia. But President Putin's drive to expand the Customs Union into a broader Eurasian Union comprised of both Central Asian and European former Soviet republics provides regional elites with a guarantee against encroachment from powerful neighbors, whether from the East (China) or West (the EU and NATO).[37] Membership in the Customs Union appeals to Kazakhstan, Kyrgyzstan, Tajikistan, and Belarus not because it will generate substantial economic benefits, but more so because of the political protection it will afford. In Ukraine's case, conflicting pressures have splintered the country between those who prefer Moscow's design and those who favor a European path. Unease over China's growing presence in Central Asia and the absence of such clear lines of demarcation within these countries suggests that instability there will likely derive from state weakness and problems of succession rather than great-power competition.

Neomercantilist energy policies in Central Asia reflect a zero-sum mentality. Each state seeks to maximize its power and influence unilaterally and through different multilateral organizations—Russia through the Collective Security Treaty Organization, Customs Union, and bilateral security treaties with Central Asian states, and China through the Shanghai Treaty Organization and bilateral trade and energy deals. In the absence of an effective international energy regime for Central Asia, the major powers jockey for advantage while the smaller energy-rich states seek to play the giants against each other.

There is considerable congruence among the political and security goals of Russia and China and those of the regional states in Central Asia. Russia and China cooperate on security; both seek to limit US and NATO influence in Central Asia and to constrain US unilateralism globally. This balancing behavior does not extend to energy resources, where each competes with the other for access. Russia and China use their national oil and gas companies to enhance their political influence in Central Asia and to gain an edge over the other. For example, after the Russian government's takeover of Yukos, the proposed oil pipeline to China was sidelined in favor of a route to the Pacific advocated by the Japanese. This decision infuriated the Chinese, who were only partly mollified when Russian officials promised to construct a spur to Daqing. In response, China redoubled its efforts to conclude energy deals in Central Asia. The Chinese government has consistently supported its national oil companies through a broader policy of engagement, including trade and high-level diplomacy, and by providing assistance for infrastructure development.

China's foreign policy, like Russia's, asserts near-absolute, nineteenth-century-style sovereignty to shield the country from pernicious foreign influences.[38] China's "new security concept" posits a foundational role for Mao's five principles of peaceful coexistence: mutual respect for territorial integrity and sovereignty, nonaggression, noninterference in the internal affairs of other countries, equality and mutual benefit, and peaceful coexistence. The workings of the SCO and the ASEAN Regional Forum are held up as examples of the successful implementation of China's security concept.[39] As in Russia, the Chinese government fears populism and pluralism, where student, peasant, and religious movements are perceived as undermining the Communist Party's political monopoly and jeopardizing domestic stability.

Securing reliable oil and gas supplies is vital to the government's chief goal of preserving domestic stability by maintaining high economic growth rates. The PRC has significant crude oil—about 20.4 billion barrels proven reserves in 2013—but consumption continues to grow rapidly, even in the midst of record prices, and imports constitute an ever-larger share of China's needs. While domestic production supplied 55 percent of China's needs in 2006, this had dropped to 42 percent by 2013. China's energy policy calls for maximizing domestic production and developing alternative energy sources, but assuming that China's record growth does not slow dramatically, there is no chance of the country becoming energy self-sufficient. According to the US Energy Information Administration (EIA), China is poised to surpass the United States as the world's largest energy importer in 2014, and the EIA projects that China will import 72 percent of its oil in 2040.[40]

Neomercantilism makes a distinctive contribution to our understanding of how the major powers interact in Central Asia. While there is a good deal of talk about the need to cooperate on energy exploration and development in Central Asia and the absolute gains to be realized from diversifying world supplies, Russia and China each seem to be seeking unilateral advantage in the region. The Central Asian states themselves, and the secondary powers with interests in the region (Iran, Japan, Korea, and India), also compete for advantage by using state-owned or state-influenced energy companies.

However, neomercantilism cannot provide completely satisfactory explanations for the dynamics and complexities of Central Asian energy politics. For example, the technological and financial demands of exploring and developing hydrocarbon reserves in this remote region have led to unlikely forms of cooperation that would not be predicted by neomercantilism. Examples of international cooperation in the region include the Caspian Pipeline Consortium, efforts to develop Kazakhstan's Kashagan field in the North Caspian, and even the Kazakhstan-China oil pipeline, which regularly transports Russian oil to China. Here, the national interests of states cannot substitute for the modern technological and infrastructural needs of oil and gas production. Countries that venture too far down the path of state control risk falling behind.

As the rivalry among states in Central Asia demonstrates, neomercantilism is the dominant mode of competition, and in the wake of the Great Recession its appeal may be waxing rather than waning. Zero-sum conceptions are difficult to avoid, and the pressures for state involvement in economies are growing. The appeal of nationalism, including economic and resource nationalism, has not diminished—if anything, the commitment to strengthening state sovereignty by seeking privileged access to markets and resources and by actively supporting national firms is gaining strength. This trend is likely to increase as the vulnerabilities that citizens and states face in a world of untrammeled markets are becoming more evident. The failure of neoliberal economics to bring prosperity to many parts of the former Soviet Union, the bitter reaction against inequalities produced by neoliberal policies, and the success of state-guided economic development in China have drawn policymakers in these countries toward economic nationalist strategies.

Russian-Chinese energy competition in Central Asia does not preclude bilateral cooperation. In 2013 the two sides signed an $85 billion deal for Rosneft to deliver some 100 million tons of oil per year to Sinopec through the expanded ESPO, while preliminary agreements on LNG were reached between Yamal LNG and PetroChina International.[41] But in Central Asia the relationship is essentially zero-sum, with China realizing gains at Russia's expense. For example, Central Asian gas exports to Russia have allowed Gazprom to cover the domestic Russian market, leaving sufficient quantities for export to Europe and guaranteeing the bulk of the company's revenues. Thus, substantial Chinese imports of Turkmen natural gas constitute a net loss for Russia's premier national champion, Gazprom. Similarly, the 10 million tons per year of Kazakh oil piped directly to China constitutes a net loss of lucrative transit fees for state-owned Transneft.

Competition between Russia and China may intensify as Beijing's presence in Central Asia grows. On a 2013 trip through Central Asia, Chinese president Xi Jinping proposed that his country and Central Asia cooperate to build a "new Silk Road" from the Pacific to the Baltic, noting the 100-fold increase in trade over the past two decades. Xi also announced Beijing's intention to provide funds for 30,000 scholarships to SCO members and praised the development of political and cultural ties between Central Asia and China.[42] The regional geopolitical balance will continue to shift in China's favor if Moscow cannot move beyond rhetoric and heavy-handed pressure to match China's economic and demographic power.[43]

Oil and gas are unique commodities: not only are they critical to modern economies, their supply—unlike that of many other tradable items, such as clothes, electronics, or furniture—is exhaustible. Furthermore, increased consumption of oil and gas *does not* make everyone better off, as conventional economic theory assumes. If China consumes more oil, there is less available for motorists elsewhere, at least at affordable prices. Consuming more oil and gas may raise individual living standards, but it also generates more pollution and accelerates global warming. The collective action problem of the production and consumption of hydrocarbons casts the issue in zero-sum terms, which helps explain the neomercantilist mind-set on energy. By highlighting the problems of collective action, neomercantilism holds out little hope that international or even regional regimes intended to smooth the edges of resource competition will succeed, particularly in a world where new centers of economic power will increase the demand for critical commodities.

Conclusion

The preceding analysis suggests several policy-relevant conclusions. First, the historic north-south axis that originated in the nineteenth-century expansion southward of Tsarist Russia and tied Central Asia and the Caspian states to Russia for some 150 years is being undermined by competition Moscow faces from Europe, the United States, and China. Russia will continue to resist this process, as evident from its energy strategy in these two regions. Great-power cooperation in Central Asia and the Caspian could mitigate common problems ranging from environmental degradation to curbing extremist and terrorist movements. Competition over energy will negate much of the incentive for collective action because energy has a unique strategic dimension, more so because of the neomercantilist outlook of Moscow and Beijing.

Second, whatever the United States and Europe may profess, Russia and China do not accept their self-proclaimed fealty to liberal principles. Both Moscow and Beijing believe US and European energy policies are in fact designed to undercut Chinese and Russian positions in Central Asia and the Caspian; this is particularly true of Russia. Thus governmental cooperation on energy security is unlikely, even when opportunities arise.

Third, despite the "strategic partnership" claimed by China and Russia, it is China, more than the West, that poses the greatest challenge to Russia's long-established economic position in Central Asia. And given Russia's neomercantilist outlook, it sees the loss of economic influence as no different from the loss of political influence—indeed the two are now equated in Kremlin policy. This raises the question: despite the rocky state of the US-Russian relationship, will Moscow eventually hedge its bets and seek a rapprochement with the United States to balance a rising China which is now challenging its standing in its southern perimeter?

Finally, with the advent of a post-US Afghanistan, the prospect of instability spilling over into Central Asia is no longer a problem primarily for Russia, the historic hegemon, but for the United States and China as well, because both are now deeply implicated in the region, in part because of their quest for energy. The problem is that if the pattern of great-power interaction revealed by our analysis persists—and there are sound reasons to conclude it will—the prospects for collective action are not promising.

The neomercantilist perspective provides significant insights into the sources of, and strategies used in, major power competition in Central Asia. Neomercantilism has the advantage of incorporating the economic facets of great-power competition in a specific and substantial way. Our analysis has found considerable support for the first hypothesis—that national interests of statist powers lead them to employ neomercantilist strategies in the energy sphere. There is also persuasive evidence to support the second and third hypotheses—that security concerns will lead states to seek control over energy supplies and transit routes, and that states will tend to behave according to a zero-sum, competitive logic when it comes to hydrocarbons. However, there are significant differences between the two states. China has in recent years followed a more flexible neomercantilist policy of granting NOCs greater autonomy, while Russia has consolidated and extended state control over its larger energy firms.

Energy competition has had a major impact in shaping great-power relations in Central Asia. There has indeed been a contest among the major powers in Central Asia—a new frontier of the post–Cold War world—and much of the contest has centered on gaining access to the region's oil and gas resources. Rather than trust the market, Russia and China have utilized neomercantilist strategies to achieve their energy goals in the region. Moscow's priorities are to maximize access to Central Asia's hydrocarbons through its national oil and gas companies, to monopolize the transit routes for energy, and to maximize government revenue. Politically, Russia seeks to restore influence lost during the chaotic 1990s, viewing Central Asia as a sphere of privileged interest where it has the right to limit the presence of competing powers. Moscow is willing to cooperate with the other great powers to contain terrorism and instability in Central Asia, but the long-term presence of US troops in the region and China's emergence as a great power present distinct challenges.

China's energy goals in Central Asia include seeking upstream assets for its national oil companies and promoting direct supply routes for oil and gas from the region. Chinese energy investments are part of a broader process of economic infiltration of the Central Asian economies, as Chinese consumer goods gradually displace those from Russia. Beijing's political and security goals are focused on containing the "three evils" of terrorism, separatism, and extremism; preserving regional stability; and patiently expanding its influence through trade and other mechanisms of soft power. As a result of its more flexible neomercantilist policies, China's influence in Central Asia may be expected to increase over the long term. SSQ

Notes

1. We define Central Asia as the five former Soviet republics: Kazakhstan, Kyrgyzstan, Uzbekistan, Turkmenistan, and Tajikistan. The "Great Game," of course, refers to the nineteenth-century struggle for influence between Britain and Russia.

2. Both French and Japanese responses to the 1970s oil price shocks have been described as neomercantilist, and the US response to China National Offshore Oil Corporation's (CNOOC) attempted takeover of Unocal was essentially neomercantilist.

3. Stephen D. Krasner, *Defending the National Interest: Raw Materials Investments and U.S. Foreign Policy* (Princeton: Princeton University Press, 1978).

4. See Trevor Houser, "The Roots of Chinese Oil Investment Abroad," *Asia Policy* 5 (2008): 141–66.

5. For works influenced by the neomercantilist framework, see Leah Haus, "The East European Countries and GATT: The Role of Realism, Mercantilism, and Regime Theory in Explaining East-West Trade Negotiations," *International Organization* 45, no. 2 (1999): 163–66; Robert Gilpin, *US Power and the Multinational Corporation: The Political Economy of Direct Investment* (New York: Basic Books, 1975); Joanne Gowa, *Allies, Adversaries, and International Trade* (Princeton: Princeton University Press, 2004); Joseph Grieco, *Cooperation among Nations: Europe, America, and Non-Tariff Barriers to Trade* (Ithaca: Cornell University Press, 1990); and Paolo Gerrier and Pier Carlo Padoan, "Neomercantilism and International Economic Stability," *International Organization* 40, no. 1 (Winter 1986): 29–42. For a pithy statement of the paradigm, see Dani Rodrik, "Mercantilism Reconsidered," *Project Syndicate*, 10 July 2010, http://www.project-syndicate.org/commentary/mercantilism-reconsidered. Our interpretation aligns with the broad variant described by Rodrik and is not limited to state-supported efforts to achieve trade surpluses, which is the one favored by Gerrier and Padoan.

6. Hans Morgenthau pointed out years ago that resource dependency forces states to rely on the goodwill or power of other states. Morgenthau, *Politics among Nations*, 5th ed. (New York: Knopf, 1978).

7. Jakub J. Grygiel, *Great Powers and Geopolitical Change* (Baltimore: Johns Hopkins University Press, 2006).

8. See Edward D. Mansfield, *Power, Trade, and War* (Princeton: Princeton University Press, 1994).

9. Saudi Arabia was in first place with 11.7 million bpd, while the United States was a close second at 11.1 million bpd thanks to new fracking technologies. "Top World Oil Producers, 2012," Energy Information Administration (EIA), http://www.eia.gov/countries/index.cfm.

10. "Overview of Oil and Natural Gas in the Caspian Sea Region," EIA, http://www.eia.gov/countries/regions-topics.cfm?fips=CSR&src.

11. "Remarks by Under Secretary of State William J. Burns at the Conference on 'Silk Road Trade and Investment: New Pathways for U.S.-Central Asian Economic Ties,'" US Chamber of Commerce, 7 October 2009, http://kazakhstan.usembassy.gov/st-10-07-09.html.

12. Robert Ebel and Rajan Menon, "Introduction: Energy, Conflict, and Development in the Caspian Sea Region," in *Energy and Conflict in Central Asia and the Caucasus*, Ebel and Menon, eds. (Lanham, MD: Rowman and Littlefield, 2000); Agata Loskot-Strachota and Janek Lasocki, "End of Nabucco—End of Southern Gas Corridor?" *Energy Post*, 27 June 2013, http://www.energypost.eu/end-of-nabucco-end-of-southern-gas-corridor/; and "Shah Deniz Project Selects TAP as European Gas Pipeline," *Wall Street Journal*, 28 June 2013.

13. According to Sergei Nikolaev, deputy director of the Third CIS Department in the Russian Ministry of Foreign Affairs, Central Asia has a "special importance" for Russian national security, and energy is an "engine" of cooperation. "Russia-Central Asia: Toward Prosperity and Security," *International Affairs* (Moscow) no. 4 (2009): 26–34.

14. Harley Balzer, "The Putin Thesis and Russian Energy Policy," *Post-Soviet Affairs* 21, no. 3 (2005): 210–25.

15. The close symbiosis of Russian energy companies and the state is detailed in Marshall I. Goldman, *Petrostate: Putin, Power, and the New Russia* (Oxford: Oxford University Press, 2008).

16. Adrian Dellecker, *Caspian Pipeline Consortium: Bellwether of Russia's Investment Climate?* (Paris: Russia/NIS Center, 2008), http://www.ifri.org/files/Russie/ifri_RNV_Dellecker_CPC_ENG_juin2008.pdf.

17. In late 2013, Transneft announced that the expansion, which would more than double capacity to about 1.5 million bpd, was behind schedule and would not be completed before 2015. Elizabeth Corner, ed., "Russia's Transneft Says Caspian Pipeline Expansion is Running Late," *Energy Global*, 9 November 2013, http://www.energyglobal.com/news/exploration/articles/Russias_Transneft_says_Caspian_pipeline_expansion_is_running_late_459.aspx#.Uwt6MuBYwRk. On Kashagan's potential and problems, see "Kazakh President Sees 'Serious' Oil at Blighted Kashagan in 2014," *Bloomberg.com*, 11 February 2014, http://www.bloomberg.com/news/2014-02-11/kazakh-president-sees-serious-oil-at-blighted-kashagan-in-2014.html.

18. Catherine A. Fitzpatrick, "Is the Trans Caspian Pipeline Back? Russia Thinks So, and Maybe Turkmenistan Does, Too," *Natural Gas Europe*, 7 November 2013, http://www.naturalgaseurope.com/trans-caspian-pipeline-russia-turkmenistan-sergei-lavrov.

19. Annexing the Crimean Peninsula could reduce the undersea portion of said pipeline by approximately 200 miles. See *Atlas of the World* (Washington: National Geographic Society, 2005), plate 68.

20. See Charles E. Ziegler, "Energy Pipeline Networks and Trust: The European Union and Russia in Comparative Perspective," *International Relations* 27, no. 1 (March 2013): 3–29.

21. On the Nordstream and South Stream projects' strategic significance for Russia, see Janusz Bugajski, *Dismantling the West: Russia's Atlantic Agenda* (Washington: Potomac Books, 2009), 131–45.

22. Thane Gustafson, *Wheel of Fortune: The Battle for Oil and Power in Russia* (Cambridge: Harvard University Press, 2012), 422–38.

23. Eini Laaksonen, "Political Risks of Foreign Direct Investment in the Russian Gas Industry—The Shtokman Gas Field Project in the Arctic Ocean," Electronic Publications of Pan-European Institute 14/2010, Turku School of Economics, Turku, Finland, http://www.tse.fi/FI/yksikot/erillislaitokset/pei/Documents/Julkaisut/BRE%20Expert%20Articles%202010%20netti.pdf#page=171.

24. "Gazprom May Shelve Shtokman Project as US Shale Revolution Bites," *RT.com*, 3 June 2013.

25. Moreover, 44 percent of those polled thought a more centralized government on the Chinese model was better suited to Russia, while 30 percent thought a US-style liberal democratic form of government more appropriate. See "Russians Support Putin's Re-Nationalization of Oil, Control of Media, but See Democratic Future," *WorldPublicOpinion.org*, 10 July 2006, http://worldpublicopinion.org/pipa/articles/breuropera/224.php?lb=breu&pnt=224&nid=&id=.

26. This is not to suggest that the interests of Chinese NOCs and the state always coincide. Rather, China's NOCs pursue profits and market position while trying (with varying success) to promote Beijing's foreign policy goals. For studies that have examined whether China is pursuing a neomercantilist energy policy, see Joseph McCarthy, "Crude 'Oil Mercantilism'? Chinese Oil Engagement in Kazakhstan," *Pacific Affairs* 86, no. 2 (June 2013): 257–80; Roland Dannreuther, "China and Global Oil: Vulnerability and Opportunity," *International Affairs* 87, no. 6 (November 2011): 1345–64; and Chen Shaofeng, "Has China's Foreign Energy Quest Enhanced Its Energy Security?" *China Quarterly* 207 (September 2011): 600–25.

27. See Philip Andrews-Speed and Roland Dannreuther, *China, Oil and Global Politics* (New York: Routledge, 2011); and Carrie Liu Currier and Manochehr Dorraj, eds., *China's Energy Relations with the Developing World* (New York: Continuum, 2011).

28. Rajan Menon, "The Limits of Chinese-Russian Partnership," *Survival* 51, no. 3 (2009): 99–130.

29. Chih-Shian Liou, "Bureaucratic Politics and Overseas Investment by Chinese State-owned Oil Companies," *Asian Survey* 29, no. 4 (2009): 670–90.

30. Charles E. Ziegler, "Competing for Markets and Influence: Asian National Oil Companies in Eurasia," *Asian Perspective* 32, no. 1 (2008): 129–63; and Erica Downs, "The Chinese Energy Security Debate," *China Quarterly* 177 (2004): 21–41.

31. David L. O. Hayward, "China's Oil Supply Dependence," *Alexander's Oil and Gas Connections*, 19 June 2009, http://www.gasandoil.com/goc/company/cns93332.htm.

32. Charles E. Ziegler, "The Energy Factor in Chinese Foreign Policy," *Journal of Chinese Political Science* 11, no. 1 (2006): 1–23.

33. On the Chinese navy and energy, see Gabriel B. Collins et al., eds., *China's Energy Strategy: The Impact on Beijing's Maritime Policies* (Annapolis: Naval Institute Press, 2008).

34. Jake Rudnitsky, "Putin's Pipeline to send 25% of Russia's Oil Exports East," *Bloomberg.com*, 7 March, 2013, http://www.bloomberg.com/news/2013-03-07/putin-pipeline-to-send-25-of-russia-s-oil-exports-east.html.

35. Julie Jiang and Jonathan Sinton, "Overseas Investments by Chinese National Oil Companies: Assessing the Drivers and Impacts," IEA, February 2011, http://www.iea.org/papers/2011/overseas_china.pdf.

36. Bjorn Hettne develops the idea of neomercantilism as regionalism in "Neo-Mercantilism: The Pursuit of Regionness," *Cooperation and Conflict* 28, no. 3 (1993): 211–32.

37. Pavel Salin, "Spiritual Values to Cement the Eurasian Union," *Russia in Global Affairs*, 26 October 2013, http://eng.globalaffairs.ru/number/Spiritual-Values-to-Cement-the-Eurasian-Union-16163.

38. For an excellent overview of China's foreign policy, see David Shambaugh, *China Goes Global: The Partial Power* (Oxford, UK: Oxford University Press, 2013).

39. Derek Mitchell and Carola McGiffert, "Expanding the 'Strategic Periphery': A History of China's Interaction with the Developing World," in *China and the Developing World: Beijing's Strategy for the Twenty-First Century*, Joshua Eisenman and Eric Heginbotham, eds. (Armonk, NY: M. E. Sharpe, 2007).

40. Energy Information Administration, "China," updated 4 February 2014, http://www.eia.gov/countries/cab.cfm?fips=CH.

41. "Russia and China Strengthen Trade Ties with $85 billion Oil Deal," RT, 23 October 2013, http://rt.com/business/rosneft-china-sinopec-oil-537/.

42. Wu Jiao and Zhang Yunbi, "Xi Proposes a 'New Silk Road' with Central Asia," *China Daily USA*, 8 September 2013, http://usa.chinadaily.com.cn/china/2013-09/08/content_16952304.htm.

43. Aleksei Vlasov, director of the Center for the Study of Post-Soviet Space at Moscow State University, argues that China's position in Central Asia is now commensurate with Russia's, and that within five years China will be the key external power for the Central Asian states. Ivan Antonov and Vasilii Voropaev, "Chto ishchet i nakhodit Kitai v Srednei Azii," *Izvestia.ru*, 26 March 2010, http://www.izvestia.ru/world/article3142281/.

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