WHERE WILL THE NEW SILK ROAD LEAD?
THE EFFECTS OF CHINESE INVESTMENT AND MIGRATION IN XINJIANG AND CENTRAL ASIA

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Liu Yazhou, a general in the People's Liberation Army once wrote that Central Asia is "the thickest piece of cake given to the modern Chinese by the heavens." Over the past three decades, China has sought to take advantage of its strategic location next to Central Asia and its influence in the region has grown dramatically. China's relationship with Central Asia is strongly influenced by its policies and aspirations concerning the western province of Xinjiang. The province borders three of the five Central Asian states and its largest ethnic group, the Uighurs, share a Turkic heritage and Muslim religion with many Central Asians. As the Chinese government has tried to integrate Xinjiang into the rest of the country to establish that it is more cohesively a part of China, the province has been beset by tensions between the native Uighur population and Han migrants. In 2013, the Chinese government announced the “New Silk Road,” a grand scheme to develop inter-Asian transportation and trade routes, a large portion of which run through Xinjiang and Central Asia. An article by Wu Jianmin, former president of the China Foreign Affairs University, described the project as “the most significant and far-reaching initiative that China has ever put forward.” Due to the unstable situation in Xinjiang, the New Silk Road, unlike many other instances of Chinese investment abroad, is likely to have a direct domestic impact in China.

Through the New Silk Road, the Chinese government hopes to achieve three main goals: to increase its access to energy resources in Central Asia, to open new markets for Chinese goods through the construction of infrastructure and thus offset some excess industrial and manufacturing capacity, and to promote stability in Xinjiang. The Chinese government has previously used economic development in Xinjiang and expansion of trade with Central Asia in attempts to quell ethnic unrest through improvements in living standards.

This paper argues that new efforts to bring Central Asian states into China's sphere of influence through investment and trade can be seen as an extension of past development efforts undertaken by the Chinese government in Xinjiang. While China has successfully collaborated with Central Asian states to increase its influence and achieve its security aims, expanding its economic relations with the region poses additional challenges. While the New Silk Road has the potential to bring a number of benefits to the region, I argue that, based on the resentment generated by certain past projects and the similarities between these projects and those proposed under the new initiative, it also presents risks that run counter to the Chinese government's goal of promoting regional and interethnic stability.

To support this argument, this paper first traces the evolution of the Chinese government’s policies in Xinjiang and Central Asia over the past twenty-five years, focusing on the connections between the two sets of policies and successful diplomatic strategies employed. The discussion then shifts to the use of economic development to address ethnic tensions in Xinjiang and how the New Silk Road grows out of this effort. An overview of the key components of China's economic relationship with Central Asia and how the New Silk Road will affect each component is then given. Reactions to Chinese economic involvement in the region are important for understanding the prospects of the New Silk Road. Theoretical arguments demonstrate how different interest groups are expected to respond when increased trade, migration, and investment occur, with a particular emphasis on which groups may be opposed. This paper will utilize case studies of both Xinjiang and Central Asia to examine the actual effects of investment and migration. In each of the two case studies, the paper will first discuss
current reactions and then provide an analysis of how the local populations may respond to the New Silk Road. Finally, the ethical implications of regional development are discussed.

I. THE NEW SILK ROAD INITIATIVE

The New Silk Road refers to a foreign policy initiative that encompasses far more than just China’s economic relationship with Central Asia. The Chinese government now refers to the initiative “one belt, one road,” since it comprises both the “New Silk Road Economic Belt,” which covers land routes from China through Central Asia, and the “21st Century Maritime Silk Road,” which covers sea lanes running through Southeast Asia. In September 2013, President Xi Jinping launched the Silk Road Economic Belt during a speech at Nazarbayev University in Astana, Kazakhstan. The following month, he announced the Maritime Silk Road in Jakarta, Indonesia (for simplicity, the references to the New Silk Road in this paper refer only to the “economic belt” portion).5

The Silk Road Economic Belt will include a network of railways, pipelines, and roads to facilitate the movement of goods and resources. A joint statement from China’s National Development Reform Commission, the Ministry of Foreign Affairs, and the Ministry of Commerce in 2015 outlined seven of the project’s specific objectives. These were: constructing and upgrading infrastructure, expanding market access, reducing customs and trade barriers, cooperating on natural resources, deepening financial ties, encouraging cultural and educational exchanges, and using multilateral economic forums.6 Among these objectives, cooperation on natural resources and improving regional infrastructure are particularly important in Central Asia.7 The Silk Road Economic Belt, is projected to be completed by 2025 and to begin in Xi’an, the historic terminus of the Silk Road pass through the Chinese cities of Lanzhou and Urumqi, and then continue into Central Asia, the Middle East, and Europe.8

Many commentators cite the New Silk Road as evidence of the Xi administration’s effort to reassert China’s historic role in the region and counter the influence of the United States.9 In 2012, a professor at Peking University, Wang Jisi, advocated for a “March West” strategy in which China would move into the areas of Central and South Asia from which the United States was withdrawing as the war in Afghanistan wound down.10 From this view, one could see increased connectivity in the region through economic and infrastructural ties as a foundation for creating a pan-Asian community led by China.11 Some have gone so far as to compare the project to a reestablishment of the vassal relationships in China’s past, while others have characterized it “as a Marshall Plan with Chinese characteristics.”12 Chinese officials, however, vehemently deny any similarities between the two plans. When asked whether the New Silk Road followed the model of the Marshall Plan, Chinese Foreign Minister Wang Yi responded, “It [‘Belt and road’] is a product of inclusive cooperation, not a tool of geopolitics, and must not be viewed with the outdated Cold War mentality.”13

The New Silk Road will be financed by a combination of Chinese government entities and multilateral institutions backed by China. Beijing has approved $40 billion specifically for a Silk Road Fund to finance the project, in addition to funding that will be supplied by the Asian Infrastructure Investment Bank (AIIB) and bilateral loans.14 The Silk Road Fund will receive capital from government bodies including the State Administration of Foreign Exchange, the China Investment Corporation (China’s sovereign wealth fund), the China Export-Import Bank, and the China Development Bank.15 Many of these institutions have played an active part in previous Chinese foreign development projects. In addition to the funding provided directly by the Chinese government, Chinese firms, some of which are also state-owned enterprises, are also investing in the region as part of the New Silk Road.16 The project will similarly allow companies in China to draw on extensive experience with domestic infrastructure construction and apply it abroad.17 A number of commentators have also cited, “one belt, one road” as a way for China to address domestic excess capacity by providing new opportunities for firms abroad. However, the degree to which the initiative can help absorb excess capacity is unclear, and the new projects may play only a small role in increasing demand for Chinese products.18

The multilateral nature of the projects in the New Silk Road has led China to take a somewhat different approach to the initiative’s funding than in past projects. Chinese officials have said that the Silk Road Fund will be more open to the opinions and invest-
ments of outside nations and firms.\textsuperscript{19} The head state risk analyst of the China Export-Import Bank said that each decision made by the fund must be based on a consensus among the various parties involved. These changes are attributed to the dependency of the projects on cooperation from other governments.\textsuperscript{20}

China's grand aspirations for the New Silk Road have led members of the Western media to express concern about shifting power relations in the region. In particular, the involvement of China-led institutions, such as the AIIB, raises questions about how China will use its increased geopolitical influence. The New Silk Road will also have significant effects on the economies of Xinjiang and Central Asia.

II. CHINESE POLICY IN XINJIANG AND ITS EFFECT ON CENTRAL ASIA

The motivations guiding the New Silk Road strategy can best be understood through an analysis of China's policies in Xinjiang and how the Chinese government's troubled history with Xinjiang influences its relationship with Central Asia. For China, political and economic ties with Central Asia are instrumental for ensuring stability in Xinjiang, as the province borders Kazakhstan, Kyrgyzstan, Tajikistan, Pakistan, and Mongolia. This section will describe how China's political relations with Xinjiang and Central Asia have evolved, including the increased emphasis placed on regional trade and multilateral institutions such as the Shanghai Cooperation Organization.

a. Policies in Xinjiang Prior to the 1990s

Xinjiang was conquered by China in 1759 during the Qing Dynasty. During this period, China was developing a more cohesive sense of national character, and the province was managed with repressive tactics.\textsuperscript{21} At the time, Russia and Great Britain were competing for influence in Central Asia as part of the “Great Game,” and China wanted to assert its own interests in the region as well.\textsuperscript{22} Han Chinese slowly began moving to the province during the Qing Dynasty, starting a long history of using migration to promote assimilation in Xinjiang.\textsuperscript{23} Tensions between Han Chinese and the Uighurs grew over the subsequent two centuries. Although Xinjiang experienced three brief periods of independence during the twentieth century, the last of these ended with the unification of the country under the Chinese Communist Party (CCP) in 1949.\textsuperscript{24}

The CCP's rule of Xinjiang differed from those of previous governments. In the three decades after 1949, the Chinese government sought to integrate Xinjiang into the rest of China using Maoist ideology and new political and economic structures.\textsuperscript{25} Much of the government's focus was on using improved infrastructure and communication networks to strengthen ties. The CCP also adopted harsher policies towards the Uighurs partly due to “a fear of concentrated ethnic groups.”\textsuperscript{26} Despite improvements in physically integrating Xinjiang with the rest of China, many residents did not feel socially or politically integrated into the state and retained their historical and cultural ties to Central Asia.

The Chinese government sought to further isolate Xinjiang from non-Chinese groups and beliefs following the Sino-Soviet split in 1960. During this period, the Chinese government pursued a policy of trying to “re-orient Xinjiang ‘inward’ toward China proper,” rather than permitting its traditional outward orientation toward Central Asia because most of that region was now controlled by the Soviet Union.\textsuperscript{27} As a result, there was little formal trade across the border.\textsuperscript{28} Such a shift was designed in part to prevent Xinjiang from coming under the ideological sway of the Soviet Union.\textsuperscript{29} To achieve this, the Chinese government attempted to weaken existing cultural ties through efforts such as encouraging Han migration, reforming the Uighur script, and limiting economic and political connections with Central Asia.\textsuperscript{30}

b. Changes in Xinjiang and Central Asian Policies During the 1990s

After the fall of the Soviet Union in 1991, the Chinese government became increasingly worried about instability in Xinjiang, and its concerns were magnified by unrest that began in the province in the early 1990s. According to M. Taylor Fravel, a professor at MIT who has written extensively on China's territorial disputes, the Baren Uprising, which occurred in southern Xinjiang in April 1990, "sparked a decade of ethnic unrest and instability in Xinjiang that challenged the regime's authority in this vast frontier.”\textsuperscript{31} During the Baren Uprising alone, between 2,000 and 3,000 Uighurs died in skirmishes with the Chinese police.\textsuperscript{32} After new states were
established in Central Asia in 1991, Chinese leaders worried that the Uighurs too might now demand their own independent state. Indeed, as “Uighurs saw their cousins in Central Asia found sovereign states…resistance to Chinese rule exploded.”

The unrest during this period took the form of demonstrations, terrorist activities, and fighting between insurgent groups and the government.

Uighur political organizations in Central Asia particularly worried the Chinese government. Many of the Uighur groups that advocated for a free “Uighurstan” or “East Turkestan” during the 1990s operated out of Kazakhstan and Kyrgyzstan. Officials feared that movements organized in these nations would travel across the border and take root domestically. Many of these groups argued for a secular democracy established through nonviolence, but some promoted a more violent ideology. Chinese leaders were also concerned that Islamist movements in Afghanistan and Central Asia would spread into Xinjiang.

To gain the assistance of Central Asian governments in cracking down on Uighur separatist and Islamic movements, Chinese leaders took a concessionary approach to border disputes. After the Soviet Union fell, China had to settle outstanding border disputes with the new nations of Tajikistan, Kazakhstan, and Kyrgyzstan. Border agreements that China signed with Kyrgyzstan and Kazakhstan in 1993, 1995, 1997, and 1998 were precipitated by violence in Xinjiang and all helped China to achieve the outcomes of strengthened security, expanded trade, and the cessation of support to Uighurs abroad. As a result, throughout the 1990s, China was able to place “immense but discrete pressure on the Central Asian governments, in particular Kazakhstan and Kyrgyzstan, over their Uighur diaspora.” This pressure was exerted primarily through provisions that discouraged these nations from providing assistance—financial or otherwise—to Uighur political movements.

The 1990s thus represented the beginning of Central Asia's special role as a region that was central to achieving three of China's interests: preserving stability on its borders, quelling Uighur separatism, and ensuring access to energy resources. These three interests continue to underlie Chinese foreign policy in the region and to motivate the New Silk Road.

c. Economic Relations with Central Asia during the 1990s

In addition to the political tools used to strengthen relations with Central Asian nations, the Chinese government also began employ the opening of trade relations with the region as a means for achieving stability during the 1990s. The border between Xinjiang and Central Asia had been closed for trade after the Sino-Soviet split. Even when trade reopened in 1983, the level of cross-border trade was low. However, the leadership in Beijing believed that, “with the necessary economic development, infrastructure upgrades, and legal environment (especially reducing corruption), the region could potentially provide a critical economic partner for Xinjiang and, over the long run, a direct portal for the Western province to the outside world.” The Chinese government hoped that opening up to Central Asia would improve the political situation in Xinjiang, which would then establish a suitable environment for economic development to take place. This led to a “double-opening” in which Xinjiang was opened up to both the rest of China and to Central Asia, a process that continues today.

Increased Chinese economic interest in Central Asia coincided with a broader shift in the expansion of Chinese foreign investment. As early as 1994, the Chinese Premier Li Peng called for the establishment of a New Silk Road that would travel from China to the Middle East through Central Asia. Such an initiative would open new markets and allow China greater access to energy resources. During the late 1990s, under the leadership of President Jiang Zemin and Premier Zhu Rongji, the government exhorted Chinese firms to “go out” (走出去) and by extension to “go global”(走向世界). State-owned enterprises, particularly energy companies, quickly adopted this policy and eyed markets in Central Asia as well as other parts of the world.

China’s economic turn outward in the 1990s coincided with the government’s development of a more Asia-focused foreign policy. During this period, the principles of trying to “establish good neighborliness, make neighbors prosperous, and make them feel secure” guided China’s relations with states on its periphery. China sought to engage with Central Asia multilaterally in a manner consistent with a “peaceful rise.”
d. The Role of the Shanghai Cooperation Organization

One of the main mechanisms through which China has sought to engage in multilateral diplomacy and increase its influence in Central Asia is the Shanghai Cooperation Organization (SCO). The SCO was founded in 2001 and grew out of the “Shanghai Five,” a group of states settling border disputes in the 1990s. Its members now include China, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, and Russia.

The Chinese government has been adept at shaping the agenda of the SCO to promote its own interests, particularly those related to domestic stability. The organization has facilitated cooperation on security issues, including efforts to combat what China deems the “three evils” of extremism, terrorism, and separatism through the Regional Anti-Terrorist Structure. It is also an important body for facilitating cultural and diplomatic ties, and leaders of member states meet regularly for summits. China houses the SCO’s headquarters and maintains a strong leadership role in the organization.

The SCO has been less successful, however, in promoting collaboration on economic projects despite China’s desire for the body to do so. Although the SCO announced in 2003 that it would increase its emphasis on economic issues, progress has been limited. Most of the investments supposedly made by the SCO have actually been provided by China. China has been the sole source of funding for joint economic undertakings, providing $900 million in loans to SCO nations in 2004 and $10 billion in 2010. A Chinese expert on Central Asia and Russia wrote: “China is undoubtedly the locomotive for economic cooperation in the SCO,” but that “it seems not all of China’s expectations [of the SCO] have been fulfilled, especially economically.”

Ultimately, China seeks to develop a free trade zone and an improved transportation network between SCO members to encourage economic integration and regional stability. The Chinese government has repeatedly stressed the importance of developing strong infrastructure connections between SCO countries. As early as 2003 at the SCO summit in Moscow, President Hu Jintao stated, “Taking into account the reality of the region, China suggests economic cooperation begin with transportation.” Some transportation and business advancements have been made, but Russian worries that this might threaten the expansion of the Russian-led Eurasian Economic Union have stymied progress toward a regional free trade zone. Zhao argues that given the situation, China must take intermediate steps to work towards a regional free trade zone.

The construction of the New Silk Road will facilitate some of these intermediate steps by enabling the Chinese government to promote integration through transportation and to push toward a free trade zone on its own. Recent signs of cooperation between those involved in the SCO and the Silk Road Initiative have also emerged. In March 2015, the government-affiliated news agency Xinhua reported, “The Shanghai Cooperation Organization (SCO) will combine national development strategies with the China-proposed Silk Road Economic Belt initiative and work for deeper involvement in global affairs.” China’s pursuit of a multilateral economic strategy in the region appears to be moving forward, but many of its economic ties in Central Asia remain bilateral.

III. THE ECONOMIC DEVELOPMENT STRATEGY IN XINJIANG

Economic development is an important pillar of the Chinese government’s approach to reducing interethnic tensions in Xinjiang and complements the political activities discussed in section II. This section will explore the origins of China’s developmental approach in the province and how the Chinese government’s commitment to economic development in Xinjiang has taken on a circular pattern. Development is seen as critical to ensuring stability, but stability is also seen as a requirement for development. The importance of providing investment to Xinjiang was reaffirmed by the “Develop the West” campaign and will continue with the New Silk Road.

a. Development Policy in Xinjiang Prior to the 2000s

Beginning in the late 1970s, economic development took on a greater role in the Chinese government’s policies toward Xinjiang, consistent with the general shift toward economic reform and opening occurring in China at that time. The Chinese government began to adopt a less isolationist
approach to the province and to see Xinjiang as both a buffer area and a region with strategic and economic assets that could increase China's stature. Xinjiang comprises one-sixth of China's land territory and possesses a quarter of the nation's oil and gas, as well as extensive coal reserves. Thus, it has the potential to contribute significantly to the economy. The shift toward a strategy more focused on economic development in Xinjiang included greater investment in the energy sector, attempts to centralize economic policy, the establishment of inland “ports” for trade bordering Central Asia, and more spending on infrastructure. However, even as the focus shifted toward economic development, aspects of policy from previous eras remained. These included Han migration and a strong role for the Xinjiang Production and Construction Corps, a government body focused largely on local agriculture and infrastructure.

The Chinese government has often paired economic development policies with strict crackdowns in the wake of violent outbursts in Xinjiang. In the 1990s, President Jiang Zemin explained that development was to “maintain the unity of ethnic groups, national unification and social stability.” The Chinese government attributes the instability in Xinjiang to low incomes. Thus, by raising the standard of living, it can reduce resentment toward government policies. Even though Xinjiang’s GDP growth began to rise during the 1990s, the gap between per capita incomes in Xinjiang and those in coastal cities remained substantial. For example, in the late 1990s, the per capita GDP in Xinjiang (6,229 RMB) was approximately one-third that of Beijing (18,482 RMB). New outbreaks in hostilities in the province in 1996 led to additional initiatives to boost the local economy and promote stability. These initiatives were included in the Ninth Five-Year plan (1996-2000), which discussed the importance of developing “pillar industries” in Xinjiang in petroleum, petrochemicals, and cotton.

b. The “Develop the West” Policy

Economic development initiatives in Xinjiang intensified when the Chinese government undertook the “Develop the West” campaign (西部大开发) to reduce regional disparities in standards of living. Launched in March 2000, Develop the West (also known as the Great Western Development campaign) was implemented across China. The campaign included provisions to develop Xinjiang into “an industrial and agricultural base and a trade and energy corridor for the national economy.” The “Develop the West” campaign produced significant nationwide investment, including $190 billion in 2007 and $64 billion in 2008 and 2009. While it is difficult to separate the exact amount of spending by province, since many of the infrastructure projects were inter-regional, the comparatively large and restive provinces of Xinjiang and Tibet received substantial investment. In Xinjiang specifically, much of the investment went towards the construction of telecommunications infrastructure and roads, as well as toward developing Xinjiang’s oil reserves and finding ways to connect the province to other oil exporters.

During the campaign, Chinese officials reiterated their commitment to resolving internal stability challenges in Xinjiang through development. In 2000, the head of the State Ethnic Affairs Commission, Li Dezhu, stated, “The strategy to promote social and economic development of western China is a fundamental way to speed up the development of minority nationalities, and a necessary choice to solve China’s nationality problems under new historical circumstances.” The various components of “Develop the West,” particularly its infrastructure projects, continued previous attempts to join Xinjiang more tightly to other parts of the country.

Beijing has continued to invest in infrastructure and development in Xinjiang. In 2010, the government issued a roadmap to spur “leapfrog development” in the province with the aim of raising per capita incomes in the province to national levels in five years. The roadmap came in the wake of protests that killed 197 people and injured 1,700. As a result of these development programs, in recent years, the province’s economy has consistently grown at a rate of 10 percent or higher, roughly 3 percent faster than the national average.

c. Xinjiang’s Role in the New Silk Road

An analysis of the domestic provisions of the New Silk Road shows that the initiative is guided by a similar logic to that which underlies the “Develop the West” campaign. The Vice-Director of the State Information Center’s World Economic
The New Silk Road is already changing Xinjiang’s urban landscape. New economic centers, where companies will enjoy favorable tax regimes and other services, have been announced in the province.\textsuperscript{99} The city of Horgos, situated on the border between China and Kazakhstan, was already an established inland port, but has recently drawn media attention due to new investment under from the Silk Road Economic Belt. Horgos has become a departure point for goods-laden trains headed to Central Asia and Europe and boasts China’s first cross-border free trade area. Between 2013 and 2014 alone, Horgos’ revenue grew by 80 percent.\textsuperscript{100} In coming years, the city is predicted to expand to one hundred times its current size, while its population and number of businesses are expected to go up tenfold over the next ten years.\textsuperscript{101} Horgos is just one of many cities in Xinjiang expected to benefit from the New Silk Road, but since it is already at an advanced stage of development, it is often touted as an example of what the government’s economic policies and engagement with Central Asia can achieve for the province’s economy.

\section*{IV. China’s Economic Relationship with Central Asia}

Chinese trade with and through Central Asia is an important part of the New Silk Road. This section will examine the key dimensions of China’s economic relationships with Central Asian states, including the export of manufactured goods, import of natural resources, and construction of infrastructure. Analyzing these trade dynamics elucidates what China hopes to achieve economically through the New Silk Road.

China has taken over Russia’s historic role and become the largest trading partner for most Central Asian states. Between 2000 and 2012, China’s trade with the region grew from $1.8 billion to $46 billion, according the Chinese Ministry of Commerce.\textsuperscript{102} The number of Chinese companies operating in Central Asia has also expanded.\textsuperscript{103} China’s presence in Central Asian economies has become so large that an estimated 70 to 80 percent of goods sold in Kazakh markets originate in China.\textsuperscript{104}

\subsection*{a. Export of Manufactured Goods}

Manufactured products are an important part of China’s trade with Central Asia. Finished goods such as textiles, electronics, and other consumer
items make up 80 to 90 percent of China's exports to Central Asia. Although the arrival of these products threatens local manufacturing capabilities (discussed later in the paper), it also creates new opportunities for Central Asians to engage in transportation, re-export, and other services. Kyrgyzstan, the only member of the World Trade Organization in Central Asia, is particularly open to the arrival of Chinese goods. It has become a center for the re-export of Chinese products in Central Asia, as it imports Chinese products and then exports them to other states. Marlene Laruelle and Sebastien Peyrouse, professors at the Elliott School of International Affairs at George Washington University, estimate that re-exports in Kyrgyzstan are equal in value to the nation’s entire economy and provide a key means for accessing foreign currency.

b. Import of Natural Resources

Another critical aspect of China’s trade relationship with Central Asia is its desire to access natural resources to meet its growing energy demands. China is already the biggest global consumer of energy, and its demands for both oil and natural gas are projected to grow over the next two decades. China currently relies on imports to meet more than half of its energy needs. While approximately 47 percent of these imports come from the Middle East, an increasing portion comes from Central Asia.

Central Asian nations are rich in resources that, advantageously, can also be transported to China overland rather than by sea. Kazakhstan contains 1 percent of the world’s natural gas and 2 percent of the world’s oil supply, and Turkmenistan contains nearly 10 percent of the world’s natural gas supply. A number of Chinese state-owned enterprises have invested in the Central Asian energy market since 1997, including the China National Petroleum Company (CNPC), Sinopec, China National Offshore Oil Corporation, China International Trust and Investment Corporation, and Sinochem. China has its most significant energy relationship in Central Asia with Kazakhstan. As of 2010, Chinese companies controlled 23 percent of Kazakhstan’s overall oil output, the biggest stake China holds in any oil-exporting nation. The Sino-Kazakh pipeline opened in 2006, and by 2011, it provided China with ten million tons of oil annually. This comprised approximately 5 percent of China’s oil needs at the time. This project was China’s first cross-border pipeline and was jointly undertaken by the CNPC and the Kazakh firm KazMunaiGaz. China also uses pipelines through Kazakhstan to gain access to oil from Kazakhstan and areas near the Caspian and Black Seas.

Chinese firms have also invested in resources in other parts of Central Asia. The China-Central Asia pipeline was completed in 2009, and by December 2011, it was transporting 65 billion cubic meters of gas to China from Turkmenistan, Kazakhstan, and Uzbekistan. The China Development Bank provided the loan for the pipeline’s construction and supported the purchase of a certain amount of the pipeline’s gas, the profits from which initially went toward repayment of the loan.

China has also invested in hydropower projects in Kazakhstan and proposed projects in Kyrgyzstan and Tajikistan with the objective of providing electricity to Xinjiang. Consistent with China’s previous economic engagement with Central Asia, the New Silk Road will focus heavily on expanding China’s access to energy resources. The vice-director of China’s National Energy Administration has stated that energy is “the centerpiece of the New Silk Road economic belt plan,” and Chinese state-owned enterprises are expected to increase their investment as a result. The Chinese government is particularly interested in the continued construction of overland pipelines in light of increasing tensions in the South and East China Seas.

c. Construction of Infrastructure

In addition to China’s extensive investments in Central Asian energy, much of its influence in the region comes from investments in infrastructure and technology. Elizabeth Economy and Michael Levi of the Council on Foreign Relations argue that because Chinese leaders are able “to coordinate bids that combine subsidized infrastructure projects and access to natural resource deposits [this] creates a win-win situation for both construction companies and resource companies.” China will often provide low-interest rate loans or grants to countries that its firms are hoping to enter. The government’s ability
to provide such assistance and to subsidize state-owned enterprises provides Chinese energy and construction firms with an edge by lowering the costs of accessing the resources or enabling Chinese companies to outbid other firms.  

In addition to infrastructure for energy, the Chinese government has also financed a robust transportation network in Central Asia, with a particular focus on connections to Xinjiang. Between 2002 and 2011, China spent millions of dollars on building highways in Kyrgyzstan and Tajikistan and a rail project connecting cities in Uzbekistan, Kyrgyzstan, and Xinjiang. The New Silk Road follows this pattern with its emphasis on increasing the physical integration of Xinjiang with Central Asia and the Middle East.

With the New Silk Road, China will also expand the infrastructure networks it has already established in Central Asia and use them as a conduit for increasing trade with larger markets such as Turkey, Russia, and Iran. Additionally, since China’s largest trading partner is the European Union, there is strong interest in ensuring that goods can be shipped to Europe as efficiently as possible. The rail lines constructed as part of the Silk Road Economic Belt will allow a greater number of containers to travel by land instead of by sea. Although trains are unlikely to entirely replace ships as a means for transporting goods—since they can hold fewer containers and are more costly—for higher value products such as electronics, shipping by train may prove worthwhile to ensure earlier arrivals.

V. MODELS FOR TRADE AND MIGRATION BETWEEN CHINA AND CENTRAL ASIA

The growth in trade and investment ties between Central Asia, Xinjiang, and other parts of China has affected local economic structures and demographics. Exploring these effects with both theoretical models and empirical evidence deepens an understanding of how China’s economic presence is perceived in the region and what reactions the New Silk Road is likely to provoke.

a. The Effects of Trade

As discussed above, there is a clear divide in the types of goods that China and Central Asian states import and export from one another. The Stolper-Samuelson model can help explain these trade patterns. This fundamental model for trade dynamics considers two states, state A and state B, both of which are endowed with labor and capital as factors of production. If in state A, labor is relatively plentiful and capital is relatively scant, and in state B, the reverse is true (labor is scant and capital plentiful), then we expect that producing labor-intensive goods will be relatively cheap in state A, but expensive in state B. Similarly, producing capital-intensive goods will be relatively cheap in state B, but expensive in state A. Thus, if the two states engage in trade, state A will export labor-intensive goods and import capital-intensive goods, and nation B will export capital-intensive goods and import labor-intensive goods. This pattern of trade will occur until wages and the marginal product of capital equalize across the two countries, and the respective prices for the two types of goods are the same on both sides of the border.

The Stolper-Samuelson model can be applied to analyze trade between China and Central Asia. In general, China is relatively rich in capital and labor, and relatively scarce in natural resources (oil, gas, and certain minerals). Central Asian states, in contrast, are relatively abundant in natural resources, but relatively scarce in capital and labor. This means that when trade opened between the two states, China would be expected to export capital-and labor-intensive goods to Central Asia (such as machinery or manufactured goods) and import natural resources, while the reverse would occur in Central Asian states. As demonstrated in section IV, this is precisely what occurred.

Understanding the reactions to investment in Xinjiang and Central Asia requires an analysis of the various interest groups involved and how they are affected. The Stolper-Samuelson theorem can be used to analyze how domestic constituencies are likely to react to the opening of trade. Ronald Rogowski, a professor at UCLA, created a model for the political implications of the Stolper-Samuelson theorem by examining the types of domestic conflicts likely to arise from trade. Rogowski considers how a state’s relative abundance or scarcity in different combinations of three factors of production—land, capital, and labor—can lead to rural–urban conflict or class conflict.

The version of Rogowski’s model that most closely parallels the situation faced by Central Asian
nations in their economic relationships with China is one in which capital and labor are scarce and land is abundant (in this case, mineral and energy resources should be substituted for land, although land deals between China and Central Asia have been proposed). The distribution of the factors of production in Xinjiang is similar, although the situation differs because the economic relationship is domestic. Rogowski argues that this scenario will lead to rural–urban conflict because capital and labor tend to be concentrated in urban areas and land in rural areas.

In Central Asia, however, since the abundant natural resource is not land but rather mineral and energy resources, the type of conflict that will occur differs. The most likely form of conflict is between those groups with stakes in the energy industry (often the elite in Central Asia and state-owned enterprises in Xinjiang) and those engaged in capital- and labor-intensive sectors such as manufacturing and retail. Those working in capital- and labor-intensive sectors may come to resent China's role in the economy because Chinese imports threaten their own products and jobs. Those in the resource sector, however, will welcome Chinese investment. The effect of these class cleavages in Central Asia and Xinjiang following the implementation of new trade and development policies is discussed in section VI.

As predicted by the models above, much of the opposition to trade in Central Asia comes from lower-skilled workers engaged in manufacturing and in the selling of goods at bazaars rather than from the elite. This response is also consistent with the finding that low-skilled workers tend to be more protectionist. Additionally, factors outside of economic interests may inform opposition to Chinese trade in Central Asia. Foreign policy and antagonistic sentiments toward a particular nation based on history have been found to negatively affect a population’s attitudes towards opening trade. During the Soviet era, there was significant propaganda in Central Asian societies critiquing China, and some negative attitudes linger today. Thus, in the case of China and Central Asia, suspicions about the Chinese government’s intentions and ongoing resentment surrounding water disputes and land deals may also spill over into resistance to trade.

b. The Effects of Migration

Another concern surrounding increased investment in both Central Asia and Xinjiang has been an accompanying increase in migration. In Central Asia, this concern relates to migration from all parts of China, while in Xinjiang, the concern relates specifically to Han Chinese migration into the province. Early on, many of the traders that migrated through Xinjiang to Central Asia were Uighurs engaged in the shuttle trade. However, the influence of Han merchants has grown substantially and the number of Uighur traders has declined.

There is now estimated to be a roughly even divide of Chinese migrants to Kazakhstan and Kyrgyzstan who are either Han Chinese or ethnically Central Asian. Yet shared ethnicity does not necessarily make the receiving Central Asian populations more sympathetic, and some oppose the migration of Chinese Uighurs and Kazaks as well.

The literature on individual attitudes towards migration and globalization can help explain the sources of these concerns. Professors Jens Hainmueller and Daniel Hopkins divide the sources of opposition to migration into two major categories: those that relate to political economy and those that relate to socio-psychological factors. Fears of both types are apparent in Xinjiang and Central Asia.

Considering first the factors related to political economy, the labor market affects of migration should be analyzed. Extending the Stolper-Samuelson theory to migration suggests that trade and migration can act as substitutes for one another. A nation with a relatively abundant labor supply can either export labor-intensive goods or can send migrants abroad to a state where labor is scarce. The eventual equilibration in wages will be the same. The arrival of Chinese workers brought in to complete infrastructure and energy projects in the less populous nations of Central Asia has sparked resentment because they are seen as replacing local laborers. Similarly, the negative attitudes toward Han Chinese migration into Xinjiang have arisen in part from fears of labor market substitution and the sense that Han migrants fill new jobs created by economic development.

In other scenarios, however, migration and trade are complements. This appears to be the case in certain types of migration between China and Central Asia. Migration acts as a complement
to trade in instances when the Chinese migrants are traders or businessmen and accompany goods produced in China and brought to Central Asia. A similar phenomenon has played out in Chinese trade with Africa, where some of the migrants are shopkeepers who establish small shops selling goods that they have imported from China. Thus, the opposition to Chinese goods in Central Asia is at times linked to opposition to migration, since they reflect two aspects of the same phenomenon.

Outside the labor market, there are also concerns about the cultural and political effects of Chinese immigration. Hainmueller and Hopkins report that recent studies have shown “that immigration-related attitudes are driven by symbolic concerns about the nation as a whole,” which can be either cultural or economic. With migration, individuals may worry not only about their own wages and labor market outcomes, but also about the social effects of migrants. For instance, in Central Asia, concern over the social impact of Chinese traders changing the character of bazaars may compound individual fears. Misrepresentations of the Chinese migrant population in Central Asia due to “a lack of consistent data assessing the true magnitude of Chinese in-migration” have also been used by journalists and political figures to fuel xenophobia. This is consistent with the finding that opposition to migration rises in relation to misperceptions of the number of migrants in a country and their visibility.

c. Trade as a Means to Promote Cooperation

While the models above discuss ways in which disagreements over trade policy can arise, China’s investment policies, both foreign and domestic, also relate to discussions of whether trade can facilitate peaceful cooperation. Debate on this subject dates back to the work of Immanuel Kant, who argued in the first supplement of Of the Guarantee for Perpetual Peace that mutual interest as demonstrated by trade is a powerful force in uniting nations. He wrote, “The spirit of commerce, which is incompatible with war, sooner or later gains the upper hand in every state.” Then, by trading and engaging in financial transactions, states ultimately develop an inclination to pursue peace and mediate emerging conflicts with one another. Following this logic, as long as trade remains a primary basis of the relationship between China and Central Asian nations, there will be little incentive for either side to engage in behaviors that would disrupt this positive financial relationship. Thus, by increasing trade ties with Central Asia, China should be able to promote a common interest in regional stability and ensure cooperation on security issues. The government’s policies indicate a belief in this approach. However, trade and investment can also give rise to new sources of friction, as demonstrated in the sections below.

VII. ATTITUDES TOWARD CHINA’S ROLE IN CENTRAL ASIA

Since one aim of Chinese economic involvement in Central Asia is promoting stability, it is important to consider if and when China’s policies actually increase, not reduce, tensions. In Central Asia, the economic situation has been the primary impetus for the creation of both pro-China and anti-China groups. In this section, theories for reactions toward Chinese trade, investment, and migration are compared to empirical evidence of responses to China’s growing economic role in the region. This analysis informs an understanding not only of the effect of previous Chinese investment, but also of the aspects of the New Silk Road that might prove the most controversial.

a. General Views

Central Asian leaders have generally welcomed Chinese investment and discussed the potential for China to play a special role in each of their countries. China represents not only a significant source of investment but also an alternative to the traditional superpowers in the region, Russia and the United States. China is also an attractive investor because it rarely imposes political conditions on its loans, particularly appealing to Central Asian autocrats. Islam Karimov, the president of Uzbekistan, said, “In 22 years of bilateral relations between Uzbekistan and China, the latter has never set any political demands.”

Private economic interests underlie many of the positive attitudes Central Asian elites have toward China. Many elites have personal stakes in companies or sectors of the economy that benefit from investment from China, such as the oil sector. As predicted by the models of trade-related class cleavages, such groups are more likely to be
supportive of China’s growing influence. The Chinese government and companies have also sought to generate positive impressions through the use of soft power.\textsuperscript{158}

However, not all support among Central Asian citizens for a greater Chinese role in the region is based solely on a desire to benefit from current economic opportunities. Among younger generations, some see China as presenting a new and appealing development model and thus favor engagement as a way to mimic that model in their own nations and to help improve national financial conditions.\textsuperscript{159} Moreover, the decrease in oil prices during the winter of 2015 caused both energy revenues and remittances sent back to Central Asia from workers in Russia to decline. When these two important contributors to their economies fell, Central Asians may have begun to look more favorably on Chinese investment in the region as a way to balance against turmoil in other investor nations.\textsuperscript{160}

While many Central Asian leaders express positive views of China, these views are often motivated more by economic need than a genuine belief in China’s good intentions.\textsuperscript{161} Indeed, opposition parties in Kazakhstan and Kyrgyzstan have used anti-China sentiments as an important part of their platforms. Once in government, however, these parties often change course because “in view of the large economic, political, and demographic differential, no Central Asian regime can afford to present itself as Sinophile.”\textsuperscript{162} During the 2005 Tulip Revolution in Kyrgyzstan, many opposition leaders heavily criticized China and accused the sitting president, Askar Akayev, of being too concessionary toward China. However, when the opposition eventually came to power, they again established positive relations with the Chinese government.\textsuperscript{163}

While there is no regional consensus toward China, the sense that trade will bring economic benefits is often mixed with feelings of resentment and suspicion.\textsuperscript{164} The director of the Central Asian Studies Center at KIMEP University in Kazakhstan, Nargis Kassenova, stated, “China is too powerful, too strong, and we’re afraid of being overwhelmed.” He added, “It’s hard to turn down on [sic] what China can offer, but we resist the full embrace of Chinese power.”\textsuperscript{165} Populations in many other Asian nations, even those that have deep economic ties with China, echo these concerns. Economic dependence is likely to further increase as a result of the New Silk Road, but if nations do try to resist China’s “full embrace,” it could reduce future political and security cooperation.

The degree to which citizens of Central Asian states express anti-China sentiments varies depending on the level of media and political freedom. In general, the more open countries, such as Kazakhstan, Kyrgyzstan, and Tajikistan, report the highest levels of opposition to China in domestic polls.\textsuperscript{166} In both Kazakhstan and Kyrgyzstan, the media repeatedly refers to a “China lobby” linked to their countries’ “economic woes and policy errors of the government.”\textsuperscript{167} In the more authoritarian states of Uzbekistan or Turkmenistan, however, violent anti-China incidents have not occurred.\textsuperscript{168}

\textbf{b. Concern that the Economic Relationship Is Imbalanced}

The populations of many Central Asian states express concern that their states’ economic relationships with China are increasingly imbalanced and overly reliant on extractive industries. This sentiment is most frequently voiced in Kazakhstan.\textsuperscript{169} More than 85 percent of exports from Central Asia to China are natural resources and raw materials, while more than 85 percent of the products sold by Chinese companies are manufactured items.\textsuperscript{170} Due to the large share of Kazakh oil that Chinese energy firms own, some in Kazakhstan worry that their country will gradually become simply a “raw materials appendage” of China.\textsuperscript{171} The secretary-general of Kazakhstan’s opposition Green Party, Serikzhan Mambetalin, said, “The whole economy of Kazakhstan is based on producing crude oil, selling it for US dollars and using these dollars to buy cheap Chinese products. There is no industry in this country apart from the extractive industry.”\textsuperscript{172}

\textbf{c. Attitudes toward Chinese Goods}

One of the largest tensions in the Sino-Central Asian economic relationship is the effect of Chinese manufactured goods on local markets. Chinese products, which constitute between 80 and 90 percent of exports to the region, trigger resentment because they are often cheaper than those made domestically and are seen as contributing to high levels of local unemployment.\textsuperscript{173} In recent years, a large number of Chinese goods have arrived in
Central Asian bazaars and provoked discontent among local traders. The director of a Kyrgyz market research firm decried the effects of Chinese goods in local markets in an article in *EurasiaNet*. He explained that because Kyrgyzstan had become so dependent on Chinese imports, the economy was subject to more volatility because Chinese goods were considered to be of poor quality: “We cannot be sure of the quality of the food and household products entering our market, because traders tend to buy from the lower spectrum of Chinese goods. Much trade with China is contraband and this can impact the health of the population.”

The arrival of Chinese goods, whether contraband or legal, is likely to accelerate with the improved transportation routes of the New Silk Road.

In Kazakhstan, significant concern surrounds the effects of Chinese manufactured goods on local industrial capacities. Since its independence, Kazakhstan has had a weak manufacturing base; the costs of production in the country are estimated to be five times the costs in China. Thus, even though the opening of trade has benefited the national economy overall, individuals in certain sectors, such as textiles, have been harmed, as the Stolper-Samuelson model would predict regarding the types of goods traded between countries with different initial factors of production. In some areas, loosely formed groups of opposition emerged in response to anxiety surrounding the Chinese presence in local markets. Consistent with the effects discussed in the Rogowski model on who opposes and supports the opening of trade, these groups have emerged largely among “working middle-class people, concerned about Chinese competition and the deterioration of the labor market.” However, restricting Chinese products from entering the Kazakh market might prove difficult. More than half of the small businesses in Kazakhstan trade with China. Konstantin Syroezhkin of the Kazakhstan Institute of Strategic Studies said, “We have no alternative. If we were to eliminate Chinese products we would end up facing a severe deficit of products in the market.”

Similarly, in Kyrgyzstan, opposition has also developed toward goods and traders from China. A group representing 10,000 merchants and storeowners at Kyrgyzstan's Karasu Bazaar has repeatedly criticized Chinese competition and organized protests. More violent acts have also occurred. In one incident in 2010, a violent mob attacked Kyrgyzstan's Guoying shopping center, which is owned by a Chinese company. Not all Kyrgyz are critical of the Chinese goods arriving in their country, however, and a Kyrgyz customs inspector told the *Economist*, “There is demand for them in our country, so I suppose these goods must be okay.”

The New Silk Road initiative will likely increase the number of Chinese goods arriving in Central Asia. The initiative focuses on reducing barriers to market access created by poor infrastructure, tariffs, and customs practices, but not on improving local manufacturing capabilities. Thus, many of the concerns discussed above should be expected to increase rather than to be alleviated.

d. Attitudes toward Chinese Migrants

Transportation routes affiliated with the New Silk Road will facilitate the movement not only of goods but also of people. The reactions to Chinese migration in Central Asia are an important manifestation of China's regional image. Migration associated with Chinese infrastructure projects and trade is a global phenomenon. A particular concern in Central Asia is the perception that Chinese migrants are sent abroad to cultivate influence over local populations. Rustam Haidarov, a Tajik sociologist, said, “It is China's strategy to resettle its people in different countries.” He added his belief that the Chinese first gain influence in economic spheres and then transfer that influence into political spheres. His statements reflect the high degree of suspicion surrounding Chinese migration in Central Asia. A report published by the Center for Strategic and International Studies in 2003 argued that while Central Asian states were worried about Chinese migration, it was difficult for them to object because they needed economic and security assistance. The phenomenon remains true today.

The presence of Chinese traders and other migrants is particularly visible in poorer Central Asian nations, such as Kyrgyzstan and Tajikistan. Strong opposition to Chinese migrants exists in these states since “an upsurge of Chinese laborers has escalated competition with local communities for jobs in mining, agriculture, construction, trade and transportation.” As more Chinese enterprises have been established, domestic frustrations have
grown. Between 2002 and 2010, multiple arson attacks occurred in the Chinese and Uighur areas of Kyrgyz bazaars, although it was unclear whether these fires could be fully attributed to ethnic and national tensions. In Tajikistan, the number of Chinese workers rose from 30,000 to 82,000 between 2007 and 2010. In general, these laborers work for large Chinese companies and do not interact much with the local population; however, as the number of migrants has grown, occasional spates of violence between Chinese laborers and Tajik citizens have increased. Incidents in both states reflect opposition to migration arising from fears related to labor market substitution.

The Kyrgyz government has considered restricting migration but has not done so, out of fear for China's reaction. In April 2007, the Kyrgyz government proposed restricting the number of foreigners that could engage in wholesale and retail trade, going so far as to issue a directive to limit the number of foreign traders at Kyrgyz bazaars to 4,500 (for comparison, as early as 2003, there were 20,000 Chinese traders present). An explicit aim of the directive was to minimize competition arising from Chinese merchants. That year, however, the SCO summit was hosted by Kyrgyzstan, and the government worried about the negative impact this directive might have on relations with Beijing. It was thus never put into force. Nonetheless, some Kyrgyz would still like their government to pressure China to restrict migration. Others, however, see Chinese traders as positively contributing to the Kyrgyz economy through the re-export market, payment of rents, and provision of cheap goods to Kyrgyz consumers.

Chinese migration in Kazakhstan is less controversial than in poorer states, but it is still a point of concern. Due to the energy-focused relationship between China and Kazakhstan, most of the Chinese migrants in the country are engineers and construction workers. Kazakhstan has put in place some mechanisms to control Chinese migration and limit social unrest, including monitoring visas and mandates for the hiring of a certain number of Kazakh employees. Such laws, however, are not always enforced. Even when they are, reports indicate that local employees receive reduced wages and are assigned more challenging jobs. Protests regarding the treatment of workers at a China Petroleum Engineering and Construction Corporation site in Kazakhstan occurred in 2007. During this time, the Chinese were criticized in local media “as exploiters of the Kazakh people.” Although Kazakhstan receives fewer migrants from China than from Central Asian states, Chinese laborers are perceived as contributing to high local unemployment. In particular, the risk of a “Yellow Peril,” has been raised in both the Kazakh parliament and press, which reflects the cultural and ethnic sources of opposition to migration.

VIII. HOW MIGHT THE NEW SILK ROAD BE RECEIVED IN CENTRAL ASIA?

a. Political Responses to Chinese Investment

The above analysis of the reaction to Chinese investment in Central Asia suggests that the Chinese government may encounter opposition to an increase in its regional economic presence unless it can show that its actions will benefit other nations, and it will not merely extract resources for use in its own economy. Inclusiveness will thus be critical to the New Silk Road's design. Gao Huacheng, the Chinese commerce minister, sees the program as in the interest of all nations. He said, “We believe the initiatives will not only facilitate China's growth, but also boost economies along the route as well as the world.” The Director of the Institute for Central Asian Studies at Lanzhou University, Yang Shu, however, believes that based on current plans for the New Silk Road, “It looks like China is building it and asking others to tag along.”

While in general Central Asian leaders have welcomed the New Silk Road, some domestic opposition could still arise. The president of Kazakhstan, Nursultan Nazarbayev, has stated that the project is “a wonderful concept,” and “solidarity will be our strength to develop regional cooperation along the Silk Road.” Such optimistic statements, however, may belie past realities. Rafaello Pantucci, the director of international security studies at the Royal United Services Institute, has said that due to investment from the New Silk Road, “The Kazakh government might find they have political anger at home toward the Chinese investment…If you got huge public anger to confront, you've got to respond to it.”

The anti-China sentiments expressed by
citizens in Central Asian nations pose a political problem for their governments, which are forced to balance demands from China with those from domestic constituencies. Agreements with China can lead local populations not only to criticize the Chinese entities involved, but also to question the strength and intentions of their own governments. For instance, citizens have repeatedly raised the concern that Kazakhstan will eventually be forced to cede oil and land to China in order to pay off loans.

Rather than finding ways to make Chinese presence more palatable, the Kazakh government has sometimes conceded to domestic anger. When China sought to lease one million hectares of land from Kazakhstan in 2009, protests were so strong that the deal was canceled. Political opposition to Chinese influence in Kazakhstan also thwarted a free trade agreement between the two states. The political opposition toward some Chinese investment in Kazakhstan has led Laruelle and Peyrouse to argue that despite the large stake that China has in Kazakhstan’s oil sector, “Chinese control over Kazakh oil is not established.” Indeed, the Kazakh Minister of Oil and Gas stated in September 2013, “that China’s share of the domestic oil and natural gas production will drop from 24 percent to 7-8 percent.” This statement runs counter to the spirit of cooperation normally expressed by Kazakh officials toward economic deals with China. Future political opposition of this sort could hinder the proposed expansion in energy partnerships under the New Silk Road and force governments to limit new deals. Additionally, the more that working with China is considered to be a sign of governmental weakness, the less likely future cooperation may become.

b. Regional Security Implications of the New Silk Road

The New Silk Road has also been explicitly linked to China’s security interests in the region. It ties into China’s previous pattern of using economic incentives as a means for ensuring greater political and security cooperation. Over the past decade, China has been able to successfully use its bilateral economic relationships to encourage repression of Uighur activities by Central Asian governments and expand on previous political efforts. The World Uighur Congress, a collection of Uighur groups, reports that between 2001 and 2011, approximately fifty Uighurs in Kyrgyzstan were extradited to China. In more recent economic agreements, the parties involved have again stated their willingness to confront Uighur terrorism.

The deals in the New Silk Road may include additional provisions to address security and promote China’s regional agenda. Regional terrorism is a genuine concern, and the rise of the Islamic State has increased fears. In the same speech in which President Xi announced the New Silk Road initiative in Kazakhstan in 2013, he also argued that the participating nations should cooperate with one another on topics including “sovereignty, territorial integrity and security, while cracking down on the ‘evil forces’ of terrorism, extremism and separatism.” As Central Asian nations become even more indebted to China due to loans provided under the New Silk Road, they may have no choice but to accept new security provisions. However, while building relationships with Central Asian nations has generally proved an effective means for China to suppress Uighur political organizing, there is also a risk that by reinforcing Xinjiang’s position as an economic gateway to Central Asia, greater political and religious affiliations between the two regions may emerge.

The security interests involved in the New Silk Road initiative are further underscored by the support that it has received from members of the Chinese military. Major General Ji Mingkui of the People’s Liberation Army is one of the most prominent military officials to support the New Silk Road. He stated that it will provide an opportunity for the SCO to further collaborate on security issues as well as economic development. Colonel Bao Shixiu has also argued that with the initiative, China is “ready to share its [economic] opportunities with [its] neighbors,” but “at the same time, it needs their cooperation in addressing problems such as terrorism, cross-border crime and drug trafficking.” This is very similar to the rhetoric that surrounded China’s development of relations with Central Asian nations in the 1990s. The Chinese government appears to be building on past efforts to ensure the cooperation of Central Asian states on terrorism and separatism through economic development. However, Chinese leaders must also
remain attuned to how the initiative is perceived abroad if the deals are to succeed.

IX. HOW MIGHT THE NEW SILK ROAD BE RECEIVED IN XINJIANG?

Given the similarities between previous economic development campaigns in Xinjiang and certain provisions in the New Silk Road, understanding the effects of past development is necessary to analyze how people will react to the New Silk Road. This section will use the models for individual reactions to trade and migration established in section IV as well as information on reactions to previous investment in Xinjiang to consider what implications the New Silk Road will have for the province.

a. Previous Reactions to Economic Development

Despite the emphasis that the Chinese government has placed on development initiatives as a panacea for interethnic tensions and promoting social stability in Xinjiang, these initiatives have encountered obstacles. More specifically, the Uighur population has felt marginalized by the arrival of Han migrants and unequal distribution of opportunities. The government sees Han migration into Xinjiang as a method for integrating the province and “bringing investment, educated labor, and droves of loyal citizens to the troubled and resource-rich region.”

When the People’s Republic of China was founded in 1949, there were just 220,000 Han Chinese in the province and members of China’s ethnic minorities comprised a majority of the population. Migration intensified with the incentive of new employment prospects created through development. By 1990, the Han population in Xinjiang was 5.32 million (37.6 percent of the population), by 2000, it was 7.49 million (40.6 percent), and by 2010, it was 8.4 million (39 percent). Most migrants have gone to Xinjiang’s more industrialized north, particularly to the city of Urumqi, where Han Chinese now comprise more than three quarters of the population.

Han migrants are perceived as disproportionately benefiting from the economic development policies in Xinjiang. Economic integration between the province and the rest of China has led to the growth of Xinjiang’s energy sector, as would be predicted by the models in section IV since the province is relatively rich in resources. However, the accompanying benefits have not always gone to the local population. Since state-owned energy companies are not based in Xinjiang, a large portion of their profits return to other parts of China. Additionally, in Xinjiang’s oil industry, many of the managers and construction workers are Han Chinese. In other areas of the economy, Han Chinese have also displaced Uighurs. Cross-border barter trade with Central Asia was once largely organized by Uighurs, but is now led by Han merchants. Disparities in opportunity have resulted in high unemployment rates in the Uighur population, even among those who are well-educated. Han Chinese migrants are often richer than Uighur residents and occupy higher-class positions. As of 2014, just 13 percent of Uighurs worked in managerial and professional positions compared to more than 35 percent of the employed Han population. While there are clear benefits from greater investment, it is consistent with the findings of the aforementioned models that because Uighurs tend to occupy lower-skilled positions they might have more reservations about opening their province to further investment.

In recent years, acts of Uighur-led hostility have increased not just in Xinjiang, but also in other parts of China. In October 2013, the East Turkestan Islamic Movement claimed responsibility for a car attack in Tiananmen Square. In March 2013, stabbings by Uighurs occurred at a railway station in the city of Kunming. In the wake of unrest, the “stick” of increased political, social, and religious restrictions has been paired with the “carrot” of economic development policies in Xinjiang.

In this period of increased unrest, there remained a clear commitment to using economic development, including through the New Silk Road, to address tensions. A 2014 Xinhua article said that the best way of handling the current social issues was through “improving the quality of living for all ethnic groups through balanced development.” However, some also expressed skepticism about the continued use of development in Xinjiang. For example, Kendrick Kuo writes in Foreign Affairs, “Beijing’s drive to develop the region economically—in the face of an already resentful and restless minority—has failed to create stability there.” While improving standards of living in the province is a positive development, once residents achieve a certain level of economic security they may be able devote more
time to promoting and organizing around their ethnic identity. Thus, further development through the New Silk Road may not necessarily serve to improve relations in Xinjiang in the way the Chinese government might desire.230

b. Implications of the New Silk Road

Analyzing the record of economic development campaigns in Xinjiang reveals a risk that despite the hopes that the New Silk Road will improve the province’s economy, it may ultimately provoke new frustrations among the Uighur population. The spokesman for the World Uighur Congress, Alim Seytoff, said,

“The Chinese investment of $40 billion that Xi revealed is really bad news for the Uighur people... Chinese investment has not brought so-called prosperity, stability or peace for the indigenous Uighur people in East Turkestan. In light of the strategic importance of East Turkestan, which is a gateway to Central and South Asia for China, we have seen more of the repression Uighurs have faced over the past decade.”231

The network of trade routes that will run through Xinjiang as a result of the New Silk Road will make ensuring a stable environment in the province all the more important. The desire to maintain stability in turn could lead to increased restrictions on religious, political, and educational freedoms and fuel Uighur resentment.

The effects of Chinese investment in Xinjiang have also raised doubts about Chinese investment in Central Asia; the New Silk Road may exacerbate these doubts. Kazakhstan’s first ambassador to China, Murat Auezov, said, “What is happening in Xinjiang is the building of a platform for the next leap forward into the Central Asian and Kazakh territory.”232 Central Asians worry that the pattern of Han migration that has occurred in Xinjiang will eventually expand into Central Asia.233 However, most experts do not think that the same level of migration will occur outside of Xinjiang.234

X. THE ETHICS OF REGIONAL DEVELOPMENT AND THE NEW SILK ROAD

The New Silk Road will not only affect the political and economic situation in Xinjiang and Central Asia, but will also raise important considerations regarding the ethics of economic development and trade. This section will give a brief overview of those considerations and how the Chinese government has addressed them.

China’s foreign investment strategies have been criticized as being “neo-colonial.” Such criticisms have largely been levied in the context of China’s involvement in Africa; however, similar critiques could be applied in Central Asia. In both regions, China’s investment is largely focused on the extraction of resources and building the infrastructure necessary to do so. An economy can be considered “neo-colonial” when it is “… geared toward the promotion of the interests of foreign capital that dominates a particular location.”235 As China’s role in Kazakhstan’s oil sector and Kyrgyzstan’s re-export market has grown, the economies of both Central Asian nations have become increasingly geared towards an outside power. However, neo-colonial or neo-imperial endeavors also often include the imposition of values on another nation. This is something that China explicitly avoids in its public statements and in fact part of appeal of its investment to other nations. While arguments about neo-colonialism can draw attention to some worrisome aspects of China’s policies, it is hyperbolic to suggest that with the New Silk Road China is becoming a “neo-colonial” power. China is engaging in activities beneficial to its domestic economy and international status, but these actions are not designed to subsume the existing political or cultural systems in the nations in which it trades or invests.

Additionally, countries subject to “neo-colonialism” often lack an alternative partner besides the dominant nation. This is clearly not the case in Central Asia where local governments have played Russia, China, and the United States against one another in both the political and economic spheres.236 Moreover, other Asian nations now appear to be increasing their focus on Central Asia. Japanese President Shinzo Abe visited five Central Asian states in October 2015 and emphasized opportunities for trade with Japan.237 Under Prime Minister Narendra Modi, who also visited all five states in 2015, India has begun to expand the “Connect Central Asia” policy begun in 2012 and to pursue trade and resource agreements with Central Asia.238 Central Asian states clearly will not lack
for outside partners even if the Russian economy remains weak and U.S. involvement in the region declines. While China still retains a dominant economic position in the region, the increased competition from other nations may lead China to pursue policies that have broader appeal to local populations.

Accusations of neo-colonialism have been explicitly made regarding Chinese economic development programs in Xinjiang. While there is a clear economic rationale for the government’s investment in the region, these programs have raised concerns about distributive justice and the effects of development on local customs.\textsuperscript{239} For instance, the “Develop the West” campaign project was billed as bringing more “civilization” to the province, but also contributed to the weakening of regional culture. One instance of this was the razing of large sections of the old city of Kashgar, located in southern Xinjiang, to make room for new buildings.\textsuperscript{240} Some types of “civilization” were thus privileged above others. The government’s encouragement of Chinese migration and of Han-Uighur intermarriage, and discouragement of Uighur women wearing headscarves all raise similar concerns about cultural and demographic dilution and the imposition of outside values on the region’s population.\textsuperscript{241}

The Chinese government has begun to recognize that some policy changes must be made to ensure that issues of justice do not undermine its development program in Xinjiang. During a visit to the province in April 2015, President Xi indicated that the focus of development would shift toward “labor-intensive industries, agriculture industrialization and other traditional local industries,” in order to promote the employment of Uighurs and ensure greater equality of opportunity.\textsuperscript{242} Editorials in the Chinese state media have also expressed a greater degree of recognition that economic development alone cannot solve the challenges in Xinjiang and that even with continued development, the benefits will need to be more evenly distributed.\textsuperscript{243} Similar recognition of the need for inclusive development will be required to reduce ethical concerns surrounding the New Silk Road.

\textbf{XI. CONCLUSION}

The New Silk Road builds on ideas, including reducing conflict through economic relations that have previously guided the Chinese government’s development policies in Xinjiang and its trade and investment policies in Central Asia. The Chinese government continues to view economic engagement with Central Asia as a tool for reducing ethnic tensions and unrest in Xinjiang, promoting regional stability by strengthening the economies of surrounding nations, gaining access to overland energy resources, and opening new markets. However, resentment toward the Chinese government’s policies has also arisen. In Xinjiang, local concerns center on Han migration and the unequal distribution of the benefits from development. In Central Asia, domestic concerns center on the extractive nature of the economic relationship, the effect of Chinese goods on local industries, and the arrival of Chinese merchants and laborers. The New Silk Road will bring a further increase in the construction of infrastructure, reduction of trade barriers, and growth in China’s regional economic clout, all of which may exacerbate these grievances. Nonetheless, given the power imbalance between China and its neighboring states and the ability of the autocratic Central Asian governments to suppress domestic frustration are large, it is unlikely that any of the grievances outlined above will derail the New Silk Road policies.

The implementation of these policies will likely be more effective if past reactions to trade and investment are considered and used to design more inclusive policies. The Chinese government has repeatedly articulated the belief that the project should benefit all parties. A government framing document stated that the initiative must be “jointly built through consultation to meet the interests of all.”\textsuperscript{244} Moreover, Chinese foreign policy experts already recognize the importance of making the plan more inclusive. Shi Yinhong, a professor at Renmin University, wrote, “It’s vital to fully engage the countries on whose sovereign lands the infrastructure systems are to be built, and this includes conducting far more international consultations than has been the case up to now.”\textsuperscript{245} Concrete actions, however, are necessary to demonstrate consideration of these joint interests. The Chinese government should highlight the ways that the “one belt, one road” initiative can contribute to economic diversification and employment in Central Asian nations. Some analysts already see shifting patterns of Chinese investment in Central Asia away...
from the resource sector and toward tourism, farming, and other industries. Some of these sectors, particularly tourism, would provide more opportunities for domestic development. Additionally, increasing efforts to hire local workers might quell some of the unrest regarding unemployment. Otherwise, a failure to engage with regional concerns may hamper some of the grand ambitions for the New Silk Road.

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