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EDITED BY MARLENE LARUELLE

CHINA'S BELT AND ROAD INITIATIVE

AND ITS IMPACT IN CENTRAL ASIA

CHINA'S BELT AND ROAD INITIATIVE AND ITS IMPACT IN CENTRAL ASIA

Marlene Laruelle, editor

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China's Belt and Road Initiative (BRI) was announced by Chinese President Xi Jinping in September 2013 at Nazarbayev University. It is therefore natural that, for its launch, the NAC-NU Central Asia Studies Program, in partnership with GW's Central Asia Program, seeks to disentangle the puzzle of the Belt and Road Initiative and its impact on Central Asia.

Selected from over 130 proposals, the papers brought together here offer a complex and nuanced analysis of China's New Silk Road project: its aims, the challenges facing it, and its reception in Central Asia. Combining methodological and theoretical approaches drawn from disciplines as varied as economics and sociology, and operating at both micro and macro levels, this collection of papers provides the most up-to-date research on China's BRI in Central Asia.

It also represents the first step toward the creation of a new research hub at Nazarbayev University, aiming to forge new bonds between junior, mid-career, and senior scholars who hail from different regions of the world and belong to different intellectual traditions.

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Acronyms

AIIB—Asian Infrastructure Investment Bank
BRI—Belt and Road Initiative
CAREC—Central Asia Regional Economic Cooperation
CI—Confucius Institutes
CNPC—China National Petroleum Corporation
CPC—Communist Party of China
CPEC—China–Pakistan Economic Corridor
CRBC—China Road and Bridge Corporation
CSR—Corporate Social Responsibility
CSTO—Collective Security Treaty Organization
DAC—Development Assistance Committee of the Organisation for Economic Co-operation and Development
EAEU—Eurasian Economic Union
EBRD—European Bank for Reconstruction and Development
EITI—Extractive Industries Transparency Initiative
FDI—foreign direct investment
HDI—Human Development Index
ICG—International Crisis Group
KISI—Kazakhstan Institute for Strategic Studies
KMGI—KazMunayGas International
LPI—Logistical Performance Index
MFA—Ministry of Foreign Affairs
MHSD—Ministry of Health and Social Development of the Republic of Kazakhstan
MOC—Ministry of Commerce
NDRC—People’s Republic of China, National Development and Reform Commission
NGO—nongovernmental organization
OBOR—“One Belt, One Road”
ODA—Official Development Assistance
OECD—Organisation for Economic Co-operation and Development
PLA—People’s Liberation Army
PRC—People’s Republic of China
RATS—Regional Anti-Terrorist Structure of the Shanghai Cooperation Organisation
SCO—Shanghai Cooperation Organization
SEZ—Special Economic Zone
SME— Small and medium enterprises
SOE—state-owned enterprise
SREB—Silk Road Economic Belt
TBEA—Tebian Electric Apparatus
UNWTO—UN World Tourism Organization
WEF—World Economic Forum
WITS—World Integrated Trade Solution
XUAR— Xinjiang Uyghur Autonomous Region

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Brief Sketch of Belt and Road Initiative

Table A. Cumulative China Aid by Central Asian Countries (2010–2014)

Country	US\$, million
Kazakhstan	6,756.2
Uzbekistan	1,998.2
Kyrgyzstan	2,143.6
Tajikistan	717.2

Source: AIDDATA, china.aiddata.org

Table B. China's Loans as Reported by Kyrgyzstan, Kazakhstan and Tajikistan (in US\$, million)

	2013	2014	2015	2016	2017 (Jan-Aug)
Kyrgyzstan total debt	758	1,116	1,296	1,483	1,639
Loans from China	3,159	3,437	3,601	3,743	3,985
Loans from China (in percent, total)	24	32	36	40	41
Kazakhstan total debt	148,753	157,062	153,456	163,758	167,890*
Loans from China	15,840	15,969	13,248	12,589	11,975*
Loans from China (in percent, total)	11	10	9	8	7
Tajikistan total debt	2,188.5	2,095.9	2,194	n/a	n/a
Loans from China	915	915	1,080	n/a	n/a
Loans from China (in percent, total)	42	44	49	n/a	n/a

*Data for the second quarter 2017.

Sources: Ministry of Finance of the Kyrgyz Republic; National Bank of the Republic of Kazakhstan

Table C. Gross Inflow of Foreign Direct Investment (FDI) (in US\$, million)

	2010	2011	2012	2013	2014	2015	2016
Total FDI in Kazakhstan	22,246	26,467	28,885	24,098	23,726	14,847	21,006
FDI from China	1,718	1,693	2,415	2,246	1,861	504	961
Percent of Chinese FDI inflows	8	6	8	9	8	3	5
Total FDI in Kyrgyzstan	666.1	849.2	590.7	964.5	727.1	1,573.2	814.0
FDI from China	70.8	149.6	141.2	468.3	221.6	474.4	301.3
Percent of Chinese FDI inflows	11	18	24	49	30	30	37

Source: National Statistics Committee of the Kyrgyz Republic; National Bank of the Republic of Kazakhstan

Table D. China's Projects and Labor in Central Asia

Value of Turnover Fulfilled of Contracted Projects (US\$, million)					
	2011	2012	2013	2014	2015
Kazakhstan	1,242	1,568	2,917	2,358	2,347
Kyrgyzstan	209	351	712	587	549
Tajikistan	228	252	445	409	644
Uzbekistan	228	252	445	409	644
Central Asia, total	1,907	2,423	4,518	3,764	4,183
Number of Dispatched Labor of Contracted Projects (number of workers)					
Kazakhstan	3,455	3,394	7,109	9,720	13,588
Kyrgyzstan	1,575	3,049	3,258	2,153	1,947
Tajikistan	1,060	1,199	2,032	2,033	1,670
Uzbekistan	763	943	2,505	1,970	1,352

Source: National Bureau of Statistics of China

Table E. China's Trade with Central Asia (in US\$, million)

		2010	2011	2012	2013	2014	2015	2016
Kyrgyzstan	Export to China	28.25	42.04	61.37	35.85	32.78	36.16	80.09
	Import from China	666.30	923.54	1,214.91	1,452.76	1,200.25	1,049.51	1,468.40
	Total trade with China	694.56	965.58	1,276.28	1,488.61	1,233.03	1,085.66	1,548.49
	Percent in total trade	14	15	16	17	15	19	28
Kazakhstan	Export to China	10,121.6	14,777.5	14,227.8	14,373.7	9,799.4	5,480.1	4,228.4
	Import from China	3,962.5	4,928.8	7,444.8	8,364.5	7,357.2	5,087.8	3,668.0
	Total trade with China	14,084.1	19,706.3	21,672.7	22,738.2	17,156.6	10,568.0	7,896.4
	Percent in total trade	17	20	20	21	17	17	16
Tajikistan	Export to China	447.0	254.6	181.1	85.9	39.0	29.1	44.0
	Import from China	238.2	408.0	488.1	607.4	726.5	763.9	841.1
	Total trade with China	685.1	662.6	669.2	693.4	765.5	792.9	885.1
	Percent in total trade	18	15	13	14	15	18	23
Uzbekistan	Export to China	1,300.8	807.3	1,091.8	1,938.1	1,597.9	1,267.1	1,607.1
	Import from China	1,181.0	1,359.2	1,783.3	2,613.4	2,678.2	2,228.8	2,007.5
	Total trade with China	2,481.8	2,166.6	2,875.2	4,551.4	4,276.1	3,495.8	3,614.5
	Percent in total trade	12	9	12	18	17	3	17

Sources: Kyrgyzstan: National Bank of the Kyrgyz Republic;

Kazakhstan: Committee on State Revenues under the Ministry of Finance of the Republic of Kazakhstan; Tajikistan: National Bank of the Republic of Tajikistan;

Uzbekistan: mirror statistics with China, COMTRADE, World Bank

Introduction. China's Belt and Road Initiative. Quo Vadis?

Marlene Laruelle

(Director, GW's Central Asia Program, Washington, D.C.)

China's Belt and Road (BRI) Initiative was announced by Chinese President Xi Jinping in September 2013 at Nazarbayev University. It is therefore natural that, for its launch, the NAC-NU Central Asia Studies Program, in partnership with GW's Central Asia Program, seeks to disentangle the puzzle of the BRI Initiative and its impact on Central Asia. Selected from over 130 proposals, the papers brought together here offer a complex and nuanced analysis of China's New Silk Road project: its aims, the challenges facing it, and its reception in Central Asia. Combining methodological and theoretical approaches drawn from disciplines as varied as economics and sociology, and operating at both micro and macro levels, this collection of papers provides the most up-to-date research on China's BRI in Central Asia. It also represents the first step toward the creation of a new research hub at Nazarbayev University, aiming to forge new bonds between junior, mid-career, and senior scholars who hail from different regions of the world and belong to different intellectual traditions.

The BRI Initiative, previously referred to as "One Belt, One Road" (OBOR), has been among the most heavily debated issues in both Central Asia and China—in 2016, it was the most frequent subject of articles in China's official daily, the *People's Daily*—as well as outside the region¹. The scale of the project is unique, theoretically involving about 60 countries. BRI is not simply the sum of individual projects centered around the idea of connecting China to the rest of the world via new continental and maritime infrastructure. Rather, it is a metadiscourse on the Silk

Road and a new manifestation of China's soft power, of its "peaceful" and "multilateral" rise. In addition, despite the rhetoric about its role as a generous donor and investor country, the BRI is first and foremost a response to China's domestic economic woes, serving to postpone the decisive moment when Chinese production will need to be transitioned from a low-cost model ("Made in China") to a value-added production model ("Created by China"). Finally, the BRI includes a vital security dimension, namely China's gradual "securitization" of the continent in response to the United States' renewed focus on the Asia-Pacific region and the revival of tensions in the South China Sea.

In part, BRI entails repackaging and bringing together the many ongoing or completed China-funded infrastructure projects in Central Asia under the umbrella of the new metaproject. A new dynamic has been unleashed and cooperation has reached new levels, at least in terms of the number of contracts signed. That being said, it remains to be seen which ones will take hold; several have already been delayed. In addition, not all Central Asian states are involved to the same degree: Kazakhstan is at the forefront, followed by Tajikistan and Kyrgyzstan. Uzbekistan is somewhat on the sidelines, although things could change if the new President, Shavkat Mirziyoyev, takes more decisive steps in favor of Chinese investment. For the most part, Turkmenistan's gas trade is already dominated by China, but this is a specific sector that has few ties with BRI infrastructure programs.

Generally speaking, Chinese aid is presented as being free of political conditionality, in contrast to aid from the West and international financial institutions. However, Beijing expects recipient countries—and Central Asian states in particular—to be loyal to the "One China" policy, which includes refusal to

1 See Nadege Rolland, *China's Eurasian Century? Political and Strategic Implications of the Belt and Road Initiative* (National Bureau of Asian Research, 2017).

support the Uyghur cause, collaborating in the “hunt for dissidents” within the framework of RATS (the Regional Anti-Terrorist Structure of the Shanghai Cooperation Organisation), limited relations with Taiwan, silence on the Tibetan issue, and (in some cases) alignment with China at the UN Security Council.

There are many questions about the sustainability of the Chinese BRI and its economic success. It is fairly implausible that Chinese banks will be able to outperform their international competitors in terms of efficient resource allocation. Chinese investors themselves complain about unfulfilled contracts and high level of corruption; like all foreign investors, they are evidently not immune to the region's ills. Moreover, there are several aspects of Chinese aid that are problematic. The first one is the lack of coordination with other donors: despite Beijing's thundering declarations of multilateralism, BRI financial mechanisms are poorly integrated with those of other multilateral financial institutions. The second is the lack of transparency in the aid-granting process: since China is not a member of the Organisation for Economic Co-operation and Development (OECD), it is not required to adhere to the OECD's requirements and recommendations regarding international aid. Furthermore, China typically provides foreign governments with loans in exchange for the right to extract mineral resources, fostering a pattern of “predatory aid” that captures foreign resources and subjugates partner countries by locking them into the role of raw material exporters. Last but not least, a large share of the funds injected by China into Central Asia never leaves the Chinese system: a loan granted by a Chinese bank to a Central Asian government is reinvested in the Chinese company that got the contract, which brings Chinese equipment and a Chinese workforce to Central Asia to carry out the project.

For Central Asia, Chinese aid—much needed in so many spheres—brings with it two critical issues. The first is China's lack of interest in soft infrastructure. Indeed, in the Chinese vision of BRI, building hard infrastructure should naturally spur the improvement of the investment climate, increase good governance, and foster the emergence of new tertiary economic sectors requiring high-level human skills. The Central Asian states, however, continue to grapple with a problematic business environment, endemic corruption, and brain drain that threatens the improvement of their human capital. Second,

China's generous loans are contributing to a serious debt spiral in Central Asia—about 40 percent (or US\$1.5 billion) of Kyrgyzstan's public debt, and 50 percent (or US\$1.1 billion) of Tajikistan's, is owed to Chinese institutions (mainly, China Export-Import Bank, or Exim Bank). The financial and political consequences of this debt dependence is still to be predicted but have the potential to affect these countries' futures for decades to come. Last but not least, ultra-connectivity to China is not without its risks, as the case of Turkmenistan demonstrates: transferring its gas allegiance from Russia to China did not result in economic development. In the case of Kazakhstan, there are also unresolved tensions with China over two trans-border rivers, the Ili and Irtysh.

In implementing the BRI, China also has a more global issue to face: the gap between its massive economic presence and its minimal cultural role. The issue of perception is a delicate topic that neither the Chinese nor the Central Asian authorities know how to handle, with discretion being the easiest card to play. Central Asians' thirst for learning Chinese has thus far been the only cultural success story China can boast in the region. People-to-people programs—including student mobility, cultural exchanges, and tourism promotion—have developed, but their impact remains uncertain. There are historical reasons for China's difficulty in establishing itself in Central Asia; these involve not only mutual ignorance, but also ancient fears rooted in Central Asian societies, reactivated by media-fed frenzy—inspired by the Russian tabloids of the 1990s—about the potential for a massive influx of Chinese migrants into Central Asia. The available numbers convincingly dispel the myth of such a migrant surge.

Few wide-scale public opinion polls have measured Sinophobia and Sinophilia in Central Asian societies, but the limited data that are available confirm popular concern about the Chinese presence. These concerns can be broken down by subject and by country. There are two prevalent fears in the three border countries, Kazakhstan, Kyrgyzstan, and Tajikistan. The first is that there will be an “invasion” of Chinese migrants who will settle, take jobs away from locals (particularly in agriculture), and marry local women. The second fear is that China will start to question the border agreements and will suddenly demand more land. These two fears are not supported by the facts, given the available numbers on Chinese migration and China's expressed satisfaction with its diplomatic relations with Central Asian states.

However, there are more objective reasons for Central Asian anxiety toward its neighbor: increased nationalist sentiment towards land ownership, as demonstrated by the spring 2016 protests in Kazakhstan; trade competition; and Chinese firms' lack of transparency on contract negotiations, their lack of visible Corporate Social Responsibility, their non-respect for environmental laws, and their difficulties in complying with existing norms in terms of hiring local employees. Yet attitudes toward China appear to be becoming more complex and nuanced. Regions close to the borders display more favorable views of China, a sign that everyday interactions at the grassroots level contribute to decreasing tensions and phobias. The country is also increasingly attractive to younger generations, who display interest in following China's developments.

Through BRI, China is and will certainly remain the largest investor in Central Asia. It is the only country that can mobilize huge investments for the region, far above what Western countries and Russia can offer. However, the success of this connectivity is relative: in practice, some of the money committed is lost to corruption and administrative dysfunction; projects are not upheld to higher sustainability standards and are mainly assessed for their profitability. In addition—and this is a critical issue—it seems that the Chinese projects have difficulties in attaining a higher economic impact which could translate in more local jobs and transfer of knowledge. Yet whatever its outcomes, China's growing involvement in Central Asia is a long-term phenomenon and a turning point in Central Asia's post-Soviet history and economic development.

PART I. CHINA'S BRI: MEANING, OPPORTUNITIES, AND CHALLENGES FOR CENTRAL ASIA

Chapter 1. The Potential and Pitfalls of Connectivity along the Silk Road Economic Belt

Sarah Lain

(Royal United Services Institute, London)

China's Belt and Road Initiative (BRI) is far from an empty vision. China is investing heavily in the project, which encompasses multiple international transport and infrastructure corridors on land and at sea.¹ A spokesman for the Chinese Ministry of Commerce noted in April 2017 that since 2013, the year in which President Xi Jinping announced the land-based Silk Road Economic Belt (SREB) at Nazarbayev University, US\$304.9 billion in contracts have been signed between China and the economies along the route.²

Of particular importance to the SREB are the five Central Asian states, which form the gateway for China's increasingly diversified land routes to other markets located to the west of China. Billions of dollars of bilateral deals between China and the five Central Asian states have been signed since President Xi's announcement in 2013, with a focus on infrastructure, energy, and trade. Chinese investment in Central Asia is not new, of course; SREB represents an amplification of China's existing economic policy in the region. Since the project was announced, however, most Chinese investment projects or loans, both existing and new, have been placed under the SREB umbrella, more explicitly positioning trade enhancement and prosperity as a goal of China's foreign policy relations. Regionally and internationally, the SREB framework has also increased expectations of the impact Chinese mon-

ey could and should have on the development of Central Asian economies.

"Connectivity" is the buzzword of BRI. The "Visions and Actions on Jointly Building the Silk Road Economic Belt and the 21st Century Maritime Silk Road of March 2015" document, released by China's National Development and Reform Commission (NDRC), Ministry of Foreign Affairs (MFA), and Ministry of Commerce (MOC), sets out China's vision in more detail—it mentions some form of connectivity 24 times. Connectivity is not seen only in terms of building and improving transport, communications, and energy infrastructure to facilitate trade and investment. It also relates to improving cross-border trade: information exchange, customs clearance, cooperation in inspection and quarantine, and the removal of investment and trade barriers. Financial connectivity—which focuses on currency swaps, the issuance of RMB (Chinese yuan)-denominated bonds, and cooperation in financial regulation—is also a priority area.³

The Chinese leadership explicitly links connectivity with economic development and, by extension, security and stability. At the Fourth Summit of the Conference on Interaction and Confidence-Building Measures in Asia (CICA) in 2014, Xi Jinping highlighted this, stating that, "For most Asian countries, development means the greatest security and [is] the master key to regional security issues." Asia needed

1 This report will use the more up-to-date Belt and Road Initiative (BRI) acronym to describe China's broader global policy, which includes land and maritime routes. It will use Silk Road Economic Belt (SREB) to describe the land corridor involving the Central Asian states.

2 Jing Shuiyu, "Belt and Road Initiative Exceeds Initial Expectations—Business," *Chinadaily.com.cn*, April 11, 2017, http://www.chinadaily.com.cn/bizchina/2017-04/11/content_28878446.htm.

3 "Visions and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road," NDRC, People's Republic of China, March 28, 2015, http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html.

to “actively improve people’s lives and narrow the wealth gap so as to cement the foundation of security.” Integration and regional economic cooperation are the way to achieve this.⁴ Nadège Rolland has noted that the desired result of the two-pronged economic security approach also seeks to preserve the political status quo, which is an aim shared by some of the authoritarian governments immediately to the west of China.⁵

China’s motivations for increasing connectivity are not only development abroad but also economic stabilization at home. BRI uses China’s capital reserves to invest overseas and stimulate foreign economic demand for Chinese goods and services, in part to tackle slumping demand at home.⁶ It provides further political direction for China’s “go out” policy, which encourages Chinese companies to invest overseas. It also aims to export the product of China’s excess capacity, particularly in heavy industry and construction. A report by the Hong Kong-based investment banking company CLSA has noted that within BRI, “China’s top priority is to stimulate the domestic economy via exports from industries with major overcapacity such as steel, cement and aluminium [sic].”⁷ It is unlikely that the problem of excess capacity can be completely addressed, but from the Chinese perspective such efforts are an important interim measure as China rebalances its economy away from investment and toward consumption. BRI allows the country to maintain stable investments, thus avoiding shocks during the transition period.⁸ This also means that Chinese exports are a key driver behind economic connectivity in this context.

Most importantly, with the underdeveloped Xinjiang Autonomous Region bordering three of the five Central Asian states—Kazakhstan, Kyrgyzstan and Tajikistan—Chinese investment into Central Asia is about creating markets to stimulate trade with a province that preoccupies Beijing immensely.

By better connecting Xinjiang to both the domestic Chinese market and markets abroad, Beijing hopes to quell economic and political discontent, which has often resulted in violence, among the region’s predominantly Muslim Uyghur population. The BRI contains a financial commitment to this goal: the Xinjiang government said it had earmarked approximately US\$24.6 billion for roads in 2016.⁹

Greater economic development in Xinjiang will not necessarily address Uyghurs’ concerns, namely discrimination that they believe limits their cultural expression and practices. Nor are there guarantees that the Uyghur population will feel the trickle-down effects of these policies, given the economic dominance of Han Chinese migrants in Xinjiang. Chinese policymakers tend to assume, however, that efforts to promote economic development will naturally help bridge the social, political, and economic divide.

There are likewise some risks that the economic benefits felt by local populations in Central Asia will not be as substantive as the Chinese BRI vision suggests—namely, if projects and investments are not managed properly. Three aspects of typical Chinese investment highlight their potential limits.

First, a key role for Central Asia within the SREB is as a transit route. For example, Kazakhstan and China are investing to increase the number of freight routes to Europe. In 2016, the number of services between Kazakhstan and China increased by 21 percent, with 84 percent of the total being freight services.¹⁰ In February 2016, cargo trains began running from China to Iran via Kazakhstan and Turkmenistan.¹¹ Transit alone, however, is not necessarily going to develop economies.

A second aspect of economic relations has been the export of raw materials from Central Asia to China, often with little transparency around the terms and conditions of deals. In time, therefore, there is a risk that Central Asian states could become

4 “New Asian Security Concept for New Progress in Security Cooperation,” Ministry of Foreign Affairs, People’s Republic of China, http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1159951.shtml.

5 Nadège Rolland, “China’s ‘belt and road initiative’: Underwhelming or game-changer?,” *The Washington Quarterly* 40, no. 1 (2017): 127–142.

6 Richard Ghiasy and Jiayi Zhou, “The Silk Road Economic Belt: Considering Security Implications And EU–China Cooperation Prospects,” SIPRI, Friedrich Ebert Stiftung, 2017, <https://www.sipri.org/sites/default/files/The-Silk-Road-Economic-Belt.pdf>.

7 Francis Cheung and Alexious Lee, “A Brilliant Plan: One Belt, One Road,” CLSA, 2017, <https://www.clsa.com/special/onebeltoneroad/>.

8 “Chi on China. China’s “One Belt One Road”: One Stone Kills Three Birds,” BNP Paribas, 2015, http://institutional.bnpparibas-am.com/wp-content/uploads/2015/06/Chi_Lo_Chi_on_China_China_One_Belt_One_Road_Part1.pdf.

9 Mao Weihua, and Cui Jia, “Xinjiang to Invest Huge Amount for Highway Network—China,” *Chinadaily.com.cn*, January 18, 2017, http://www.chinadaily.com.cn/china/2017-01/18/content_27984032.htm.

10 “Ob’em kitaiskikh investitsii v Kazakhstan vyros v 7 raz,” *Forbes Kazakhstan*, January 1, 2016, https://forbes.kz/news/2017/01/26/newsid_133690.

11 Jack Farthy, “New Silk Road will transport laptops and frozen chickens,” *Financial Times*, May 9, 2016, <https://www.ft.com/content/e9d35df0-0bd8-11e6-9456-444ab5211a2f>.

over-dependent on exporting goods to China, and the opacity of contract details means that the trade-offs for national economies are unclear. The three Turkmenistan-China gas pipelines, discussed below, exemplify this.

Third, China has invested to stabilize domestic energy supplies, such as the Chinese-financed Datka-Kemin power line in Kyrgyzstan, as well as productive infrastructure like oil refineries.¹² Such infrastructure is valuable to Central Asian countries, but must be managed as part of a broader economic strategy in order for real benefits to be felt.

This is certainly not an exhaustive list of all the investments China is making in Central Asia as part of the SREB. However, these are the best-developed “connectivity-specific” investments into visible infrastructure in the region. The aim here is to illustrate that connectivity through physical infrastructure and investment alone is not necessarily enough to develop Central Asian states and create meaningful interconnectedness, much though China may suggest that it is. Below, I set out some of the risks of a development strategy driven by Chinese infrastructural investment.

Risks of Over-Connectivity with China

Although China has long been an economic power in Central Asia, regional and international players will likely be watching Chinese investment under the SREB particularly carefully—the SREB is a key component of China’s foreign policy strategy, and investment in Central Asia may be seen as a test case for the BRI as a whole. There are clearly lessons to be learned from the manner in which investments have been made, and applying these lessons can help ensure that the SREB lives up to its expectations.

For BRI to be successful in the way China suggests, it must both stimulate industry that channels more trade to China and allow for the diversification

of trade away from China. Over-reliance on China as a market and foreign investor creates significant risks that the Central Asian states, some more than others, are already aware of. Central Asian states must leverage Chinese investment appropriately to build up manufacturing and services, as well as ancillary industry around transit infrastructure, in their domestic economies. This would be facilitated by greater use of local skilled labor in Chinese projects, as well as investment in training programs for local populations.

Over-dependence on China as a buyer of commodities is a particular risk. Turkmenistan is currently feeling the pressure: China has been the sole foreign importer of Turkmen gas since Russia halted gas imports from Turkmenistan in 2016,¹³ and Turkmenistan halted gas exports to Iran after a payment dispute.¹⁴ Luca Anceschi of Glasgow University has highlighted the difficulties that stem from contractual arrangements when broader economic pressures are felt. He noted that the three Turkmenistan-China pipelines were constructed thanks to Chinese loans and investments. As a result, Turkmenistan is not necessarily earning hard currency for the gas exports; the exports themselves are repayments in kind.¹⁵

Changing demand in China will also negatively impact Central Asian states that earn transit revenue on commodities and goods. Kyrgyzstan, Tajikistan, and Uzbekistan will lose out on transit fees if China completely halts its plan to build a fourth pipeline, the so-called Line D of the Turkmenistan-China pipeline. Construction has been repeatedly delayed, possibly due to diminished demand for imported gas in China. One researcher at CNPC allegedly told the press that China could face a gas surplus of 50 billion cubic meters a year by 2020 due to long-term contracts for imports of liquefied natural gas and pipeline expansion plans.¹⁶ An economist has noted that the fall in demand from China “will reduce the attractiveness of oil and gas transit projects, and will also

12 “Kyrgyzstan hails ‘historic’ China-financed power line,” *The Straits Times*, August 28, 2015, <http://www.straitstimes.com/asia/kyrgyzstan-hails-historic-china-financed-power-line>.

13 “Rossiia otkazalas’ ot pokupki turkmenskogo gaza,” *Ru.Delfi*, January 4, 2016, <http://ru.delfi.lt/abroad/russia/rossiya-otkazalas-ot-pokupki-turkmenskogo-gaza.d?id=70019492>.

14 “Turkmenistan Halts Gas Exports to Iran over Payment Dispute,” *Radio Free Europe/Radio Liberty*, January 1, 2016, <http://www.rferl.org/a/iran-turkmenistan-gas-dispute/28208537.html>.

15 “Workshop on EU-Turkmenistan Relations,” Policy Department, Directorate-General for External Policies, March 2017, [http://www.europarl.europa.eu/RegData/etudes/IDAN/2017/578041/EXPO_IDA\(2017\)578041_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/IDAN/2017/578041/EXPO_IDA(2017)578041_EN.pdf).

16 Michael Lelyveld, “China Shelves Central Asia Gas Plan,” *Radio Free Asia*, March 20, 2017, http://www.rfa.org/english/commentaries/energy_watch/china-shelves-central-asia-gas-plan-03202017103720.html.

increase the negative effect on the reduction of export earnings in commodity-exporting countries.”¹⁷ Other Central Asian goods are also struggling to retain market share in China. Between January and November 2016, Kazakhstan’s food exports to China dropped by 28 percent compared to the same period in 2015. The country’s exports of fuel and energy products declined by 33 percent in the same period.¹⁸

The success of China’s SREB project may present a further challenge to the competitiveness of Central Asian exports. As noted above, China is keen to build up markets and increase cross-border trade in Xinjiang. This may be far from realization: Xinjiang’s trade with Central Asia has not yet increased as a share of Chinese trade with the region.¹⁹ However, if economic development in Xinjiang is successful, the Central Asian states may find themselves competing with Xinjiang to sell their products to eastern China. This threat is particularly acute because Xinjiang is seeking to grow its mineral, energy, food, and textile industries, all of which are key sectors for Central Asian states.

One example of this is cotton. Central Asian countries export cotton to China. In March 2017, cargo train services began between Xian, in China’s Shaanxi Province, and Uzbekistan. In these initial services, Tashkent sent 1,000 tons of cotton yarn, with the eventual goal of delivering 3,000 tons of cotton per month.²⁰ However, China is also trying to build up Xinjiang’s cotton industry—Beijing has invested US\$3 billion in tax benefits, rent and power subsidies to attract textile and apparel companies to Xinjiang, and aims to create one million textile jobs in the province by 2023.²¹ Several issues in the supply chain remain to be addressed: it is still more expensive to ship textiles from Xinjiang than from eastern China, and the dyeing, bleaching, and washing

processes would require substantial water resources that the region lacks.²² Still, if the Xinjiang market truly develops, then Chinese demand for foreign textiles might drop, meaning Central Asian states would need to look elsewhere to find markets for their products.

In Central Asia, China’s economic dominance and surge in investment has been met with both optimism and suspicion, given the likely increase in political and geo-economic influence that might accompany it.²³ The Central Asian states would benefit from using Chinese investment to help build up their own economic resilience and independence in order to protect against Beijing’s efforts to leverage the influence it is accumulating.

Risks of Financial Over-Connectivity

Another concern is the commercial logic behind Chinese investments. Given that part of China’s strategy is to find new markets to absorb excess capacity, there have been occasional suggestions that not all the investments are necessarily economically logical. For example, the *Financial Times* has cited industry experts who note that rail transport heading west from China is heavily subsidized by local and regional governments, more to demonstrate their commitment to the vision than because it is sound financial planning.²⁴ Although freight transport is quicker than sea, it is also more expensive, which may explain the subsidies. One economist based in Bishkek echoed this concern, stating that China is sometimes “spending for spending’s sake.”²⁵

Fiscal planning has also been raised as an issue. In January 2017, Fitch Ratings released a report that commented on BRI as a whole, saying, “Fitch

17 Bakhriddin Karimov, “Zamedliaushchiisia Kitai i ekonomiki Tsentral’noi Azii,” Central Asia Analytical Network, April 10, 2016, <http://caa-network.org/archives/6950>.

18 Comments from RUSI conference on BRI in Shanghai, June 2015.

19 Raffaello Pantucci and Anna S. Young, “Xinjiang trade raises doubts over China’s ‘Belt and Road’ plan,” *Financial Times*, August 10, 2016, <https://www.ft.com/content/dd55c5e4-ba94-33b2-bcaf-c6d4dc042824>.

20 “Cargo train services launched between China’s Xi’an, Uzbekistan,” *Xinhuanet*, February 25, 2017, http://news.xinhuanet.com/english/2017-02/25/c_136084888.htm.

21 Mark Magnier, “How China is Changing its Manufacturing Strategy,” *The Wall Street Journal*, June 7, 2016, <https://www.wsj.com/articles/how-china-is-changing-its-manufacturing-strategy-1465351382>.

22 Dominique Patton, “Xinjiang Cotton at Crossroads of China’s new Silk Road,” *Reuters*, January 11, 2016, <http://www.reuters.com/article/us-china-xinjiang-cotton-insight-idUSKCN0UQ00320160112>.

23 Interviews with various experts in all five Central Asian states, conducted between 2014 and 2016 as part of research for a forthcoming RUSI Whitehall Paper, “China’s Eurasian Pivot,” by Raffaello Pantucci and Sarah Lain.

24 Farchy, “New Silk Road will transport laptops.”

25 Economics academic, personal interview with the author, April 2017.

has doubts that China's banks can identify profitable projects and manage risks better than international commercial banks and multilateral lenders ... after all, Chinese banks do not have a track record of allocating resources efficiently at home, especially in relation to infrastructure projects—they are unlikely to have more success overseas.”²⁶ The report goes on to say that the “lack of commercial imperatives behind OBOR [One Belt One Road] projects means that it is highly uncertain whether future project returns will be sufficient to fully cover repayments to Chinese creditors.”²⁷ Representatives from foreign firms who have experience working with Chinese companies echoed this, expressing doubts that Chinese banks and companies always conduct appropriate planning and feasibility studies to ensure the commercial viability of infrastructure projects.²⁸

Repayments to Chinese creditors are also a risk, in part because they increase Central Asian states' debt exposure to a single country. China is a significant lender, particularly to the less developed states of Kyrgyzstan and Tajikistan. For Kyrgyzstan, the biggest soft loan lender is China's state Exim Bank, a key policy bank involved in BRI funding. Between 2011 and 2016, the amount owed to Exim Bank increased five-fold;²⁹ in September 2016, Exim Bank debt accounted for approximately 38.1 percent of Kyrgyzstan's total external debt.³⁰ For Tajikistan, Chinese credit from Exim Bank accounted for 59 percent of external debt in 2016.³¹ Moreover, information on these loans is generally poor compared to non-Chinese development banks.³² Nor are these loans only a problem for the debtors: the Fitch report indicated that the “generous grace and repayment pe-

riods” could cause long-term asset-quality problems for China's banks.

This debt may become more significant with the slowing down of the Chinese economy. China's GDP officially grew 6.7 percent in 2016, which was the slowest rate in 26 years, although still within the government's target range.³³ Although the impact of China's economic slowdown on BRI is not yet clear, there have been concerns about its interaction with debt. Paul F. Glaser, Professor of Economics at the University of Washington, noted in 2016 that “this growth slowdown has come in conjunction with an increasingly worrisome situation in the Chinese banking sector,” adding that “loosely regulated lending” contributed to a large number of non-performing loans.³⁴ A representative from China Development Bank in Beijing told me that issuing new credit was often a way to deal with old, unpaid debts in developing countries.³⁵

Despite this, there is also an expectation that China will write some of these loans off, which could reduce the debt exposure risks. Tom Miller, an analyst at Hong Kong-based financial research company Gavekal Dragonomics, has said, “Chinese officials privately admit they expect to lose 80 percent of their [infrastructure] investment in Pakistan, 50 percent in Myanmar, and 30 percent in Central Asia.”³⁶ As early as 2009, Wikileaks expressed skepticism that Tajikistan, in particular, would repay the loans, stating, “No one in either the Chinese or Tajik governments is speaking about paying back Chinese loans.”³⁷ This could still raise questions about the sustainability of such a model as China's economic situation becomes more difficult.

26 Don Weinland and Peter Wells, “Fitch warns on expected returns from One Belt, One Road,” *Financial Times*, January 26, 2016, <https://www.ft.com/content/c67b0c05-8f3f-3ba5-8219-e957a90646d1>.

27 Don Wienland, “China warned of risk to banks from One Belt, One Road initiative,” *Financial Times*, January 26, 2017, <https://www.ft.com/content/6076cf9a-e38e-11e6-8405-9e5580d6e5fb>.

28 Round table in Beijing with industry representatives, November 2016.

29 “Foreign debt 1992–2016,” *KNews*, September 2016, <http://knews.kg/2016/09/foreign-debt-1992-2016/>.

30 “Vneshnii dolg Kyrgyzstana: skol'ko dolzhny i chto izmenilos' (grafika),” *KNews*, September 6, 2016, <https://www.akchabar.kg/news/75-vneshnego-dolga-kyrgyzstana-prihoditsya-na-treh-kreditorov-eksimbank-kitaya-vb-i-abr/>.

31 Karim Abdusalom Kurbonien, “Otchet o sostoianii gosudarstvennogo dolga na 2016 god,” Ministerstvo finansov Respubliki Tadjikistan, 2016, http://minfin.tj/downloads/otchet_2016.pdf.

32 Weinland and Wells, “Fitch warns on expected returns.”

33 Sophia Yan and Everett Rosenfeld, “China aims for around 6.5 percent economic growth in 2017,” *CNBC*, March 4, 2017, <http://www.cnbc.com/2017/03/04/china-sets-2017-economic-growth-target.html>.

34 Mercy A. Kuo, “China's Economic Reforms: Global Outlook,” *The Diplomat*, July 29, 2016, <http://thediplomat.com/2016/07/chinas-economic-reforms-global-outlook/>.

35 Representative from China Development Bank, personal interview with the author, November 2016.

36 James Kyngé, “How the Silk Road plans will be financed,” *Financial Times*, May 9, 2016, <https://www.ft.com/content/e83ced94-0bd8-11e6-9456-444ab5211a2f>.

37 “Chinese interest in Tajikistan increases,” Wikileaks, August 7, 2009, https://wikileaks.org/plusd/cables/09DUSHANBE954_a.html.

Tapping into the Potential Benefits of Connectivity

Along with the risks, China's SREB policy clearly offers opportunities that can be realized with strong management by both China and the partner countries. A recent report by SIPRI aptly noted that, "improved infrastructure can certainly serve as a catalyst for employment and economic activity, but tapping the developmental potential of infrastructure requires investment in human and institutional capital and the right economic policies from local states. This is an inherently political process, one that is not necessarily in the hands of China."³⁸ Some of the Central Asian states have taken steps toward harmonizing policies and trying to build on Chinese investment, which offers some useful ideas for how it can be maximized.

Kazakhstan has taken the lead in responding to the SREB concept by aligning its national Nurly Zhol strategy, announced by President Nursultan Nazarbayev in November 2014, with the Chinese vision. Nurly Zhol sets out an economic stimulus package of US\$9 billion for 2015–2019. Its goals sound similar to China's BRI policy: it focuses on the development of transport, logistics, industry, energy, housing and utilities infrastructure; education; and support for small and medium-sized business activity.³⁹ Nurly Zhol also aims to attract investors from countries other than China—an approach China rhetorically advocates for BRI as a whole (though the reality is, as noted above, somewhat different).

Nazarbayev has symbolically endorsed the Chinese project by saying that Nurly Zhol is part of the SREB, while also placing his own national stamp on the Kazakh "section" of the belt.⁴⁰ As one Kazakhstani economist has noted, "the hope is that the development of transport infrastructure will have

a multiplying effect on other sectors of the economy: production of building materials, equipment and related services. The [Nurly Zhol] program will also increase the level of employment and income growth."⁴¹

Some of China's investments appear to be aimed at building up local industry to help diversify Central Asian economies. For example, China's Xinjiang Zhongtai Group has invested in a textile mill in Dangara, Tajikistan, which will be part of a New Silk Road Agriculture and Textile Industrial Park. The Chinese side has introduced much-needed technology, and three Chinese agricultural and textile companies now operate in the park.⁴² The Chinese Ambassador in Dushanbe was quick to note that this was part of various investments to enable the "social-economic development of the country, increase employment and improve people's welfare."⁴³ Chinese companies have also invested in the textiles industry of Uzbekistan's Jizzakh Special Economic Zone, established in 2013.⁴⁴ Crucially, this investment supports the country's national economic strategy of investing in the production of clothing rather than exporting raw cotton. In April 2017, Uzbekistan complemented this by setting up a new foreign trade organization, Uztuqimachilikexport, to help further upgrade domestic textile enterprises.⁴⁵

The question is: where will the products resulting from these investments go? Connectivity will not necessarily be diversified if exports go back to China. In September 2016, China and Kazakhstan agreed to establish joint industrial projects worth US\$26 billion, including mining, smelting, engineering, chemicals and petro-chemicals. It was noted that as part of the program, all products produced by the Kazakh-Chinese joint ventures would be directly exported to China.⁴⁶ Although boosting exports is of course positive, connectivity necessitates that this should extend beyond China.

38 Ghiasy and Zhou, "The Silk Road Economic Belt"

39 "The Address of President of the Republic of Kazakhstan N. Nazarbayev to the people of Kazakhstan," November 11, 2014, <http://www.akorda.kz/en/addresses/the-address-of-president-of-the-republic-of-kazakhstan-nazarbayev-to-the-people-of-kazakhstan-november-11-2014>.

40 "Nazarbayev: Nurly zhol is a part of New Silk Road Economic Belt," *Kazinform*, September 17, 2015, http://www.inform.kz/en/nazarbayev-nurly-zhol-is-a-part-of-new-silk-road-economic-belt_a2819255.

41 Economist based in Kazakhstan, email exchange with the author, April 2017.

42 Zhou Liang and Fei Liena, "'Green silk road,' with cotton on the way," *Xinhuanet*, January 1, 2019, http://news.xinhuanet.com/english/2017-01/19/c_135997216.htm.

43 "Yue Bin: Tadzhijsko-kitajskoe strategicheskoe partnerstvo vykhodit na bole vysokii uroven," *Avesta*, September 7, 2016, <http://avesta.tj/2016/09/07/yue-bin-tadzhijsko-kitajskoe-strategicheskoe-partnerstvo-vykhodit-na-bolee-vysokij-uroven/>.

44 "Uzbekistan: Information about the Free (Special) Economic Zones," Ministry of Economic Development of the Russian Federation.

45 "Uzbekistan ups exports of textile and light-industry products," *The Times of Central Asia*, April 11, 2017, <https://www.timesca.com/index.php/news/17896-uzbekistan-ups-exports-of-textile-and-light-industry-products>.

46 "Kazakhstan, China to create 50 joint enterprises," *Kazinform*, September 21, 2016, http://www.inform.kz/en/kazakhstan-china-to-create-50-joint-enterprises_a2951403.

Another important area for development is agribusiness. Land is a particularly sensitive issue for some Central Asian states. In April 2016, there were protests in cities across Kazakhstan about changes to the land law; these changes would have allowed foreigners to rent land for 25 years, as well as for land to be sold or leased at auction. Some of the protestors were explicit in their opposition to Chinese investors,⁴⁷ but there was also concern about perceived corruption on the part of the political elites involved in investment deals with China.⁴⁸ Investing in joint ventures would therefore help alleviate some of these concerns.

This has been highlighted by Irna Hofman's research into the importance of Chinese investment in Tajikistani agribusiness. Although a land acquisition deal in Tajikistan in 2011 still sparked opposition, she suggests that by working together, local people have begun to overcome their prejudices toward Chinese investors: "A change in perceptions of China particularly occurs through personalized encounters on the work floor or in business, where the grander 'China' is being unpacked and challenged."⁴⁹ She argues that Chinese investment in the agricultural sector in Tajikistan has been commercially, rather than politically, driven and has presented genuine opportunities for local Tajiks and the local economy, particularly given that it has brought new technology and introduced new seed varieties, highlighting a market niche captured by Chinese firms.

The first venture took place in 2012 (before the SREB announcement) by Jing Yin Yin Hai Seeds, which developed new varieties of vegetables, wheat, and cotton. They have employed local labor to work in the fields and greenhouses, as guards, and as field supervisors. They have set up contract farming schemes with local Tajik farmers, in which they provided credit and farm inputs. Importantly, the venture has offered an alternative employment source for local male Tajiks, which is crucial in light of the worsening economic situation in Russia, a prime market for Tajik migrant workers. Moreover, the venture seeks to export the produce grown in Tajikistan to

markets in Russia, Afghanistan, and further afield, highlighting the commercial nature of the enterprise, in contrast to other industrial initiatives. This also shows the importance of the Chinese investors' local knowledge, which Chinese state-owned enterprises (SOEs) are often criticized for lacking.⁵⁰ Having a market niche is important, given that agribusiness is something pursued in other Central Asian states, particularly Kyrgyzstan and Kazakhstan. Duplication of exports would reduce competitiveness.

Another key challenge requiring investment and expertise in this sector is Central Asian supply chains. There are some non-BRI specific funding vehicles that are exploring this. Samruk-CITIC, a joint fund between China's state-owned conglomerate CITIC and Kazakhstan's sovereign wealth fund, Samruk-Kazyna, are looking at the beef industry in Kazakhstan, for example. However, Kazakhstan needs to develop processing facilities and put a centralized market system for beef in place. Currently, the farms in Kazakhstan are too spread out, and cattle must be transported for days to get to bigger markets. This is an area where SREB investments could be channeled and expertise could be brought in from other international partners.

A historical challenge for the Central Asian countries is that loans are often accompanied by a Chinese workforce in Central Asia. Although infrastructure projects still provide employment opportunities for Central Asian workers, the SREB is also an outlet for Chinese SOEs, which often means that loans are conditioned on the use of a Chinese contractor and a Chinese workforce. Experts such as Kazakhstan's Konstantin Syroezhkin have expressed concern that such practices do not help address the region's high unemployment.⁵¹

This has led to fears of a Chinese "takeover," which are particularly pronounced in Kazakhstan and Kyrgyzstan. The idea is that an increased number of Chinese workers are gradually settling in the region as a result of a rise in Chinese economic influence. However, this may be based more on perception than reality. Elena Sadovskaya researched this myth

47 "Kazakhstan's land reform protests explained," *BBC News*, April 28, 2016, <http://www.bbc.co.uk/news/world-asia-36163103>.

48 Almaty-based political analyst, personal interview with the author, November 2015.

49 Irna Hofman, "Politics or profits along the 'Silk Road': what drives Chinese farms in Tajikistan and helps them thrive?," *Eurasian Geography and Economics* 57, no. 3 (2016): 457–481.

50 Discussions with representatives from Chinese Academy of International Trade and Economic Cooperation (CAITEC), Islamabad, and Beijing, November 2016

51 "Vsled za kitaiskimi dengami prikhodiat kitaiskie rabochie, chto ne vseгда khorosho—ekspert," *365info.kz*, April 5, 2016, <https://365info.kz/2016/04/vsled-za-kitaiskimi-dengami-prihodyat-kitaiskie-rabochie-chto-ne-vseгда-khorosho-ekspert/>.

of mass Chinese migration in Kazakhstan: in a study conducted between 2007 and 2012, she found that a lack of knowledge about China was one of the causes of these fears. Chinese workers may live and even settle in Central Asia, but Sadovskaya argues that the “impact of [the] Chinese labor force on Kazakhstan’s labor market was minimal.”⁵²

Dirk Van Der Kley has also questioned some of the assumptions around Chinese workers, noting that China is waking up to the reputational damage it suffers from such perceptions. It has realized the “public relations benefits” of hiring locals, and Chinese companies investing in the region have promised work to local populations.⁵³ The Chinese telecommunications company Huawei appears to employ Tajik workers in senior engineering and management positions. Xinjiang Zhongtai claims that it will employ more than 3,000 locals at a textile park it is constructing in Dangara, Tajikistan; it is not clear whether this will come to fruition.

To create jobs for local workers in Chinese-owned firms, Central Asian states have instituted quotas of local workers. A representative of a development bank in Ashgabat confirmed that Turkmen law requires that 70 percent of a project workforce be local, although it does not specify what positions they should hold.⁵⁴ The representative also noted, however, that in practice this is often not obeyed.⁵⁵

For local economies to truly benefit from Chinese investment, it needs to be accompanied not only by employment but also by training, professional development, and Corporate Social Responsibility activities. China is gradually realizing that these practices are key to countering fears of Chinese dominance, but Central Asian states could be putting more pressure on Chinese investors to provide such services.

The issue of training is also linked to manufacturing, which has become more expensive in China as labor costs rise. This has driven China to look to

other markets, such as Bangladesh, Vietnam, and Cambodia. Kyrgyzstan saw an opportunity for itself as a manufacturing hub, and when Chinese Foreign Minister Wang Yi visited Kyrgyzstan in May 2016, economic officials in Bishkek suggested that Beijing relocate manufacturing operations from China to Kyrgyzstan.⁵⁶ It is unclear how seriously China took this suggestion, but investment would certainly be needed to restore and expand Kyrgyzstan’s ailing industrial base. An expert in Bishkek was skeptical that China would pick somewhere like Kyrgyzstan over other Asian markets. They were of the opinion that Kyrgyzstan’s labor force is “expensive in comparison,” in part because it is “less disciplined.”⁵⁷ As such, Kyrgyzstan in particular needs a better-trained workforce, which Chinese investment, as well as assistance from other countries, could help with. Steps must be taken to improve the quality of the workforce before China would seriously consider basing its manufacturing activities there.

Special Economic Zones (SEZs) are another way to build up domestic manufacturing and ensure investment reaches local economies. China has invested in these zones, particularly in Kazakhstan and Uzbekistan. In 2013, a Chinese company, Kunming Pharmaceutical, agreed to invest US\$7 million in a production facility in Uzbekistan’s Angren SEZ, established in 2012.⁵⁸ In January 2017, President Shavkat Mirziyoyev signed a decree creating four new economic zones, in Samarkand, Bukhara, Fergana and Khorezm.⁵⁹

The full potential of these zones is unlikely to be achieved if the home country does not also invest in ensuring their efficiency. Though Kyrgyzstan has SEZs, they do not seem to be particularly common or effective.⁶⁰ There have also been imbalances for certain joint ventures. In the case of Khorgos, the best-known SEZ in Kazakhstan, the Chinese side is much more developed than the Kazakhstani side, giving

52 As quoted in Vladimir Prokopenko, “Chinese Migration to Kazakhstan—Threat Or Myth?” *TengriNews*, September 26, 2014, https://en.tengrinews.kz/politics_sub/Chinese-migration-to-Kazakhstan-threat-or-myth-256372/.

53 Dirk Van der Kley, “Chinese companies increasingly employ Central Asians,” *China in Central Asia*, December 27, 2016, <http://chinaincentralasia.com/2016/12/27/chinese-companies-increasingly-employ-central-asians/>.

54 Representative from development bank, personal interview with the author, October 2014.

55 Raffaello Pantucci and Sarah Lain, “China’s Eurasian Pivot,” RUSI Whitehall Paper (forthcoming).

56 Anna Lelik, “Kyrgyzstan: Bishkek Hopes Chinese Investment Can Produce Industrial Breakthrough,” *EurasiaNet*, June 22, 2016, <http://www.eurasianet.org/node/79346>.

57 Economic expert, personal interview with the author, April 2017.

58 Ibid.

59 “Uzbekistan to set up free economic zones in 4 regions – presidential decree,” *Interfax*, January 14, 2017, <http://interfax.com/newsinf.asp?y=2017&m=1&d=14&pg=2&id=727427>.

60 Financial expert, personal interview with the author, April 2017.

the impression that the zone is primarily a hub for Kazakh traders to buy cheap Chinese goods to sell in Kazakh markets. One Western visitor described it as “less an international center for commercial and cultural exchange than a Chinese wholesale market flung out on the Central Asian steppes.”⁶¹

This may be inevitable, given the very different economies of the two countries, but Khorgos has also suffered from poor governance, demonstrated by a number of corruption scandals. In September 2016, Vasily Ni, the head of Khorgos Immigration and Customs Control Zone (the free-trade zone), was arrested for accepting bribes to award a hotel construction tender to Khorgos Tulpan LLP.⁶² In 2015, a businessman reportedly bribed a customs official to move goods without paying taxes or customs tariffs.⁶³

Poor governance is one of the most significant potential barriers to connectivity in Central Asia. This is certainly a two-way issue. On the one hand, there may be “local rules” to play by. For example, in 2003, CNPC acquired a 25 percent stake in Kazakhstan’s Aktobemunaigas, a Kazakh oil and gas company. There is documentary evidence⁶⁴ to suggest that this sale involved a repurchase scheme of shares in Aktobemunaigas from a company controlled by a former business associate of the Kazakh president’s son-in-law, through a complex set of business transactions involving a group of offshore entities. In 2016, Kyrgyzstan’s Prime Minister Temir Sariyev resigned over allegations of corruption after a road construction tender was allegedly rigged so that a Chinese company without the required license would win the contract.⁶⁵

On the other hand, China may exploit poor governance practices to get the best deal. This is often

made possible by the lack of transparency around the deals they are making. For example, there have been suspicions that Tajikistan’s 2011 agreement to settle a land demarcation issue with China, in which the latter gained 1,000 square kilometers, was an “unofficial debt writing-off agreement, although no documentary evidence exists to support this.”⁶⁶

China has reassured the global community that its BRI initiative has good governance at its heart. A lot of this discussion has centered on the Asian Infrastructure Investment Bank (AIIB), a development bank created by China. It is a truly international bank, with over 50 member states, and will have an authorized capital stock of US\$100 billion.⁶⁷ Although it is not officially linked to the BRI policy, given its focus on infrastructure, it clearly furthers the aims of the BRI.

The AIIB has made it clear that corporate governance is central. For example, it has adopted the list of sanctioned firms and individuals under the Agreement for Mutual Enforcement of Debarment Decisions, which means that the AIIB will not work with entities debarred by five other multilateral development banks (African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development (EBRD), Inter-American Development Bank, and the World Bank Group).⁶⁸ It has a corporate procurement policy,⁶⁹ and the Articles of Agreement mention the transparent and merit-based process by which executives and staff should be appointed.⁷⁰

However, bilateral funding through policy banks will likely remain China’s favored approach. David Dollar of the Brookings Institution has noted that the AIIB will be “too small to make a dent in China’s ex-

61 Wade Shepard, “An Inside Look at China and Kazakhstan’s ‘Absurd’ Cross-Border Free Trade Zone,” *Forbes*, July 26, 2016, <https://www.forbes.com/sites/wadeshepard/2016/07/26/an-inside-look-at-icbc-khorgos-china-and-kazakhstans-cross-border-free-trade-zone/#680790835c8f>.

62 “Za vziatku v million dollarov zaderzhan prezident MTsPS Khorgos,” *TengriNews*, September 5, 2016, <https://tengrinews.kz/crime/vzyatku-million-dollarov-zaderzhan-prezident-mtsps-horgos-301613/>.

63 “Samye gromkie skandaly vokrug ‘Khorgosa,” *Olimp*, September 6, 2016, <https://www.caravan.kz/news/samye-gromkie-skandaly-vokrug-khorgosa-382272/>.

64 <http://www.compromat.ru/files/32382.pdf>.

65 “Kyrgyzstan: PM Resigns Amid Corruption Controversy,” OCCRP, April 2016, <https://www.occrp.org/en/daily/5127-kyrgyzstan-pm-resigns-amid-corruption-controversy>.

66 Anvar Sattori, “China as Tajikistan’s Lender of Last Resort,” The Jamestown Foundation, June 2013, <https://jamestown.org/program/china-as-tajikistans-lender-of-last-resort/>.

67 David Keohane, “Of China’s capital outflows and foreign banks,” *Financial Times*, August 3, 2015, <https://ftalphaville.ft.com/2015/08/03/2135707/taking-a-longer-look-at-chinas-capital-outflows/>.

68 “AIIB Says No to Doing Business with Corrupt Bidders,” Asian Infrastructure Investment Bank, March 7, 2017, https://www.aiib.org/en/news-events/news/2017/20170307_001.html.

69 “Corporate Procurement Policy,” Asian Infrastructure Investment Bank, January 2016, https://www.aiib.org/en/policies-strategies/_download/corporate-procurement-policy/corporate-procurement-policy.pdf.

70 “Articles of Agreement,” Asian Infrastructure Investment Bank, https://www.aiib.org/en/about-aiib/basic-documents/_download/articles-of-agreement/basic_document_english-bank_articles_of_agreement.pdf.

cess capacity problem” and that the BRI will mainly be implemented bilaterally with different partners.⁷¹ The dispensation of funds through the AIIB will be gradual, despite its significant authorized capital stock. Only approximately US\$10–15 billion will be lent a year for the first five or six years.⁷² In its first year, it loaned US\$1.7 billion.⁷³ In contrast, in 2015, reports indicated that Beijing was planning to inject at least US\$32 billion into China Development Bank and US\$30 billion into Exim Bank for BRI projects.⁷⁴ The AIIB is more about demonstrating China’s capacity as a contributor to development than about cutting deals with Central Asia.

As noted previously, the exact terms and conditions of some of the policy bank investments have been non-transparent. If China is sincere in its rhetoric, governance is a key factor to the success of the SREB, and BRI more broadly. If political elites or large enterprises gain more from the SREB than local economies, then the “win-win” prosperity and trade connectivity envisaged by Beijing will turn out to be empty.

Conclusion

China’s SREB has the potential to be transformative. Kazakhstan is leading in terms of proactive responses to Chinese investment, particularly by aligning its national stimulus package with the essence of the Chinese proposal. At the same time, SREB risks exacerbating existing inequalities or economic challenges if not implemented appropriately and fairly. Corporate governance, true diversification, fiscal management, and commercial feasibility of the projects will be a key factor in determining its impact. This is where other foreign actors and companies could assist with expertise and training, acting as a

force multiplier for Chinese investment. The Central Asian states themselves can also influence Chinese policy by taking initiative and making proactive responses.

Through the BRI, China is advocating connectivity and, ultimately, increased integration. This does not necessarily always have positive connotations for the Central Asian states. The Eurasian Economic Union is a formal integration project that has caused frustration among some member states, including Kyrgyzstan and Kazakhstan, in part because it has been politicized by Moscow. However, the beauty of the SREB and the BRI is that although they advocate integration, they do not stipulate how it should be achieved. Instead, “integration” is a catch-all term for greater economic cooperation, which is the essence of the connectivity Beijing wishes to achieve.

This helps to combat a super-imposed “regionalism” that many other international actors and organizations have often taken. As Marlene Laruelle and Sebastien Peyrouse have noted, Central Asian “states, for their part, deny the existence of any regional identity, which they confound with a regionalism that is endowed with a supranational driver, and view nation-building and region-building as largely contradictory pursuits.”⁷⁵ This is not to say that regional economic cooperation should not or cannot take place, as the existence of transnational pipelines and railroads highlights. However, China’s approach has been to strengthen bilateral economic cooperation first and to recognize that broader regional economic trade and cooperative initiatives must come from states themselves. The focus of Chinese, and reciprocal Central Asian and other foreign investment, should be to ensure that these initiatives are grounded in commercial sense and facilitate genuine connectivity.

71 “Beware the Dragon. Expert views on risks and opportunities in China,” Oliver Wyman, Brink Compendium, [http://www.oliverwyman.com/content/dam/oliver-wyman/v2/publications/2017/feb/Beware percent20The percent20Dragon_Expert percent20Views percent20On percent20Risks percent20And percent20Opportunities percent20In percent20China.pdf](http://www.oliverwyman.com/content/dam/oliver-wyman/v2/publications/2017/feb/Beware%20The%20Dragon_Expert%20Views%20On%20Risks%20And%20Opportunities%20In%20China.pdf).

72 Sue-Lin Wong, “China launches new AIIB development bank as power balance shifts,” *Reuters*, January 17, 2016, <http://www.reuters.com/article/us-asia-aiib-investment-idUSKCN0UU03Y>.

73 Wade Shepard, “The AIIB One Year In: Not As Scary As Washington Thought,” *Forbes*, January 16, 2017, <https://www.forbes.com/sites/wadeshepard/2017/01/16/the-aiib-one-year-in-not-as-scary-as-washington-thought/#5d26bc005e83>.

74 Thomas Zimmerman, “The New Silk Roads: China, the US, and the Future of Central Asia,” New York University, Center on International Cooperation, October 2015.

75 Marlene Laruelle and Sebastien Peyrouse, “Regional Organisations in Central Asia: Patterns of Interaction, Dilemmas of Efficiency,” University of Central Asia, Institute of Public Policy and Administration, 2012, <http://www.ucentralasia.org/Content/Downloads/UCA-IPPA-WP-10-RegionalOrganizations.pdf>.

Chapter 2. China in the Heartland: The Challenges and Opportunities of OBOR for Central Asia

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This chapter assesses the impact of BRI in Central Asia. Since it is not limited to the logistical issues around railway lines, I support the postulate that it is a coherent, dynamic, and holistic strategy: that is, that its political and logistical issues are complementary to economic interests. My analysis is based on a qualitative methodology (essentially hermeneutics), supported by interviews conducted in Kazakhstan, Kyrgyzstan, and Tajikistan in 2011 and 2012. I have adopted the conceptual lenses of the so-called Copenhagen School, in particular the word “securitize.” According to the Copenhagen School, securitization is a process whereby a securitizing agent tries to establish the existence of a threat to the survival of a unit. When a subject is securitized, it moves beyond the scope of normal policy and into the realm of emergency policy, which usually legitimates the use of force.¹ Besides including securitization at the level of logistics, I argue that BRI also expresses China’s desire to securitize its access to energy and mineral resources. In addition, BRI also aims to achieve military, political, and cultural objectives by increasing China’s capacity to project influence in the regional and global sphere.

To defend its national interests, China focuses its internal efforts on the development of BRI at the international level. It is a holistic securitization, since the various Chinese provinces (metaphorically, “the constituent parts of the whole”) are called on to contribute, in their individual ways, to the attainment of a higher goal. This higher goal consists of a project that begins by being internal, extends to China’s

periphery, and gradually expands to other corners of the world. The revival of the East–West corridors thus aims to achieve multiple securitizations in the spheres of politics, economics, military might, and soft power. BRI is composed not only of infrastructure and investment, connectivity, and a thirst for resources, but also of a narrative developed by the government for internal consumption and to allay the fears of the international community regarding China’s real intentions in this century.²

The revival of China’s “Silk Road” is not only reminiscent of mythical history, but it also says much about the strategic direction of the country.³ Beijing sees BRI as a way to find new markets, reduce the development imbalance between its coastal provinces and the poor interior, and preserve national stability.⁴ Under the aegis of BRI, Chinese political leaders have promoted the creation of important hubs in remote provinces in China, such as Chongqing, Kunming, Xi’an, Xining and Chengdu, which have modern logistics infrastructures that allow for rapid connection to the country’s major coastal cities.⁵

Another important goal of OBOR is stability. In this sense, BRI is largely driven by Beijing’s strategy for the development and stabilization of Xinjiang, which the government wants to protect from any terrorist or separatist aspiration.⁶ In view of Xinjiang’s proximity to the Central Asian republics and Xinjiang’s access to the Indian Ocean, Chinese political leaders have adopted a “Go West” policy, complemented by what Nadège Rolland calls “China’s infrastructure diplomacy.”⁷ The latter is based on the construction

1 Barry Buzan, Ole Waever, and Jaap de Wilde, *Security—A New Framework for Analysis* (Boulder, CO: Lynne Rinner Publishers, Inc., 1998).

2 Shao Binhong, ed., *Looking for A Road: China Debates Its and the World’s Future* (Brill, 2016).

3 Julian Snelder, “Why China’s Silk Road initiative matters,” *The Interpreter*, July 29, 2014.

4 Yang Minghong, “Understanding the One Belt One Road Initiative: China’s Perspective,” in *China’s One Belt One Road: Initiative, Challenges and Prospects*, ed. B. K. Sharma and Das Kundu (Delhi: Nivedit Vij Books India Pvt Ltd., 2016).

5 Tai Wei Lim et al., *China’s One Belt One Road Initiative* (London: Imperial College Press, 2016).

6 Zhao Minghao, “China’s New Silk Road Initiative” (paper presented at the Istituto Affari Internazionali (IAI), Rome, October 1–12, 2015).

7 Nadège Rolland, “China’s New Silk Road,” *The National Bureau of Asian Research*, February 12, 2015, 1–4.

of a corridor of interconnectivity that aims to turn China's remote provinces into economic and logistical hubs connecting Asia and Europe.⁸ The approach is also intended to integrate China's neighbors more closely with the Chinese economy, enmeshing them in a network of trade ties, transportation links, and multilateral institutions that have China at their center.⁹

BRI also qualifies as an instrument for the securitization of Chinese interests due to the momentum that this mega-project will bring to the Chinese economy as a whole. There are four economic areas in which it can be decisive: driving the internationalization of its construction industry, encouraging exports, reducing risks in the supply chain, and attracting investment in the interior of the country.¹⁰ Metaphorically speaking, BRI is a two-way route, spurring the expansion of Chinese companies around the world and inviting foreign investors to bet on the Chinese market.¹¹ Furthermore, BRI can be an important lever counteracting the construction slowdown in China, since it provides Chinese construction companies with promising opportunities abroad.¹² All these reasons help in understanding why BRI makes sense, although there is another, equally or more important, reason: energy. As Lan underlines, energy cooperation and the construction of infrastructure will be new engines for cooperation between China and Central Asian countries, powered by the Chinese Silk Road Economic Belt.¹³

The Chinese Communist Party's ability to remain in power depends partly on the way it is able or not to securitize the factors described above. The Party is the guarantor of the securitization of BRI's aims, which serve, in turn, to securitize the mainte-

nance of the political regime. Zheng Wang's contribution is helping us understand that, except for Mao, China's leaders have sought to consolidate power around a narrative that explores a past of humiliation or nostalgia for the glorious times when China was the civilizational and economic center of the world.¹⁴ According to Wang, the Chinese Dream is simply a new way of self-legitimizing that fits in a logical continuum of other narratives advocated by leaders who preceded Xi Jinping.¹⁵ In Chinese strategic circles, the idea that soft power is an aspect of comprehensive power—an important indicator of a state's international status and influence, and a tool for maintaining advantageous positions in international competition—has gradually become more influential.¹⁶ In fact, it is President Xi Jinping himself who recognizes the potential of soft power by declaring: “We should increase China's soft power, give a good Chinese narrative, and better communicate China's message to the world.”¹⁷

To better demonstrate the holistic securitization inherent to BRI, this chapter begins by analyzing its impact on the economic security of Central Asia and highlighting three key components: the railways, the China-Pakistan Economic Corridor, and the water issue. In the second section, I assess the potential opportunities for Central Asian countries that may emerge from the interest competition between external powers. Although China's soft power is another pillar of BRI, it will not be analyzed here, both to make the text more concise and because it is still a relatively new concept and, to this point, perhaps the least successful BRI component. Indeed, as Chen notes, foreigners are generally still skeptical about China's values and ideas, since they tend to view governmental efforts as pure propaganda.¹⁸

8 Helen Wang, “China's Triple Wins: The New Silk Roads,” *Forbes*, January 15, 2016.

9 Rolland, “China's New Silk Road.”

10 Mario Esteban and Miguel Otero-Iglesias, “What are the prospects for the new Chinese-led Silk Road and Asian Infrastructure Investment Bank?” *Elcano Royal Institute* 23 (2015): 1–10.

11 Chen Lanjian and Zhang Wei, “China OBOR in Perspective of High-Speed Railway (HSR) - Research on OBOR Economic Expansion Strategy of China,” *Advances in Economics and Business* 3, no. 8 (2015): 303–321.

12 Qinhua Xu and William Chun, *China's Energy Policy from National and International Perspectives: The Energy Revolution and One Belt One Road* (Hong Kong: City University of Hong Kong Press, 2016).

13 Lan Lan, “Experts say energy and infrastructure will drive Silk Road policy,” *China Daily*, 2014.

14 Zheng Wang, “China and UNCLOS: An Inconvenient History,” *The Diplomat*, 2016.

15 Zheng Wang, “The Chinese Dream in an International Context,” *Journal of Chinese Political Science* 19 (2014): 1–13.

16 Sompong Sanguanbun, “China's Soft Power Policy: Lessons and Implications,” *RJSH* 2, no. 2 (2015): 19–26.

17 “Xi eyes more enabling int'l environment for China's peaceful development,” *Xinhua*, November 2014, http://news.xinhuanet.com/english/china/2014-11/30/c_133822694_4.htm.

18 Dingding Chen, “The Rise of China's New Soft Power,” *The Diplomat*, 2015.

How BRI will Impact the Economic Security of Central Asia

Rail Logistics

At the logistical level, BRI's impacts are positive for Central Asia in terms of making it a link between East and West, i.e., creating a transit area. In practice, the railway networks are an important logistical alternative to sea routes, likely to help Chinese companies distribute their products to European and Central Asian markets more effectively. It is not, therefore, by chance that the Chinese government has recently made railway connectivity a central feature of its new economic development strategy, which focuses on the development of inland connections to address the congestion in China's eastern regions (i.e., congested ports and rising labor and land costs).¹⁹

Railways offer an alternative route for Chinese products, allowing them to reach European markets without crossing Russian territory. Chinese policymakers are aware that if relations between Russia and the European Union worsen, or if the sheer trade volume between China and the EU forces them to resort to inland routes, Moscow's power vis-à-vis Beijing would increase significantly.²⁰ Another point in favor of the railways has to do with the fact that Chinese goods shipped by train from Chongqing to Western Europe take only 16 days to reach their destination, whereas sea transport requires about five weeks.²¹ The main disadvantage of the continental option is the higher cost inherent to the transport of a container by rail—about US\$7,000—which is almost three-and-a-half times the cost by sea. Yet the rail option allows for a more effective logistics securitization of perishable or high-value goods that are not worth transporting by air because of their volume or weight.²² In addition, Beijing conceives of the railways as complementary instruments to promote the development of the provinces of western China, as well as to facilitate oil and mineral imports from Central Asia.

At first glance, it is understandable that Beijing seeks to securitize logistical access to its Central Asian periphery, but the “Iron Silk Road”—the metaphor for these new railway networks—does not stop there. In fact, it consists of a global project, likely to revolutionize communications infrastructure across the globe.²³ As such, even if it is a priority for China to securitize its access to the European continent—with the project of convergence of the Sino-Central Asian High Speed Rail with the European railway network to link London to Beijing in just 48 hours—Beijing aspires, in the long term, to more ambitious and utopian projects, such as connecting China to North America²⁴ by rail, as Figure 2.1 shows.²⁵ Considering that Chinese engineers have repeatedly proven their ability to overcome obstacles often considered technically impossible, we can speculate that China's strategy in the coming decades may be not only to securitize an East–West route, but all the logistical links connecting China to the rest of the world, thus making the country a global “megacity,” where all paths converge.²⁶

Figure 2.1. China-North America Railway Line



Source: Lanjian and Wei, “China OBOR in Perspective of High-Speed Railway”

The basic motivation behind China's proposal of the Iron Silk Road appears to be a long-term vision of linking the country's main trade routes with those passing through the Middle East and Central Asia (see Figure 2.2) in an attempt to create a unified net-

19 Ussal Sahbaz “The Modern Silk Road: One Way or Another,” The German Marshall Fund of the United States, On Wider Europe Series, 2014, 1–8.

20 Camille Brugier, “China's way: the new Silk Road,” European Union Institute for Security Studies, May 2014, 1–4.

21 Lim et al., *China's One Belt One Road*.

22 Esteban and Otero-Iglesias, “What are the prospects?”

23 Yang, “Understanding the One Belt One Road Initiative.”

24 By building an underwater tunnel, about 200 kilometers long, at the Bering Strait.

25 Lanjian and Wei, “China OBOR in Perspective of High-Speed Railway.”

26 Lim et al., *China's One Belt One Road*.

Figure 2.2. China–Central Asia–Europe Railway Line



Source: Lanjian and Wei, "China OBOR in Perspective of High-Speed Railway"

work of complementary economies with China as the center of gravity.²⁷

Yet there are several obstacles to overcome before Central Asian countries can maximize their logistical potential as part of a high-speed link between East and West. For instance, the different rail gauges along the route from China to Western Europe affects the overall efficiency of rail as a transport option. All the states of the former Soviet Union use broad, 1,520 mm gauge track, while China, Iran, Turkey, and mainland Europe use standard gauge—1,435 mm.²⁸ This means that at the crossing points between the systems—at Dostyk, at the Chinese border with Kazakhstan; at Serakhs, between Turkmenistan and Iran; or at Akhalkalali, on the Georgian–Turkish border—containers must be offloaded from one train and loaded onto another that uses a different wheel gauge.²⁹ It is therefore essential that the various gauges along the trans-Asian railway tracks be standardized. The trans-Asian railway network must also overcome one of its greatest challenges: bureaucracy. Indeed, with trains crossing different jurisdictions, a

simplification of customs agreements along the route is urgently needed. On top of this, it is essential that there be an effective effort to combat corruption at border checkpoints in order to reduce additional costs.³⁰

Besides their logistical potential, railways play an extremely important role in terms of military securitization within BRI, insofar as they are part of a defense strategy and China's projection of power in Eurasia, protecting supply lines and allowing for possible militarization.³¹ Railroads simultaneously support China's counter-containment strategy: building railroads across Eurasia and China can move the economic center of gravity toward Asia, which constitutes a securitization response to the U.S. attempt to contain China's influence.³² In the context of the "Great Peripheral Strategy," Pandey and Kusum³³ explain that China is willing to take proactive military actions in several theaters. As such, China's Iron Silk Road aims to allow potentially for rapid mobilization of troops if necessary. This makes the rails a strategic instrument at the

27 Selçuk Çolakoğlu and Emre Sakaoğlu, "Iron Silk Road: Dream or Reality?," *Turkish Weekly*, May 26, 2015.

28 Catherine Putz, "Can China Fix Central Asia's Soviet Rail Legacy?," *The Diplomat*, January 14, 2016.

29 Michael Binyon, "The Iron Silk Road," *The Ukrainian Week*, 2013.

30 Çolakoğlu and Sakaoğlu, "Iron Silk Road."

31 Lim et al., *China's One Belt One Road*.

32 Nathan Beauchamp-Mustafaga, "Rolling out the New Silk Road: Railroads Undergird Beijing's Strategy," *China Brief* XV, no. 8 (April 2015), The Jamestown Foundation, Washington, D.C., 1–3.

33 Sheo Pandey and Hem Kusum, "Wherewithal of China's Grand Periphery Military Strategy," ISPSW, 2011, 1–9.

disposal of the People's Liberation Army (PLA), which has already used the Shanghai–Nanjing express railway to transport troops at speeds up to 350 kilometers per hour, touting the practice as an ideal way to move personnel and light equipment in military operations other than war.³⁴

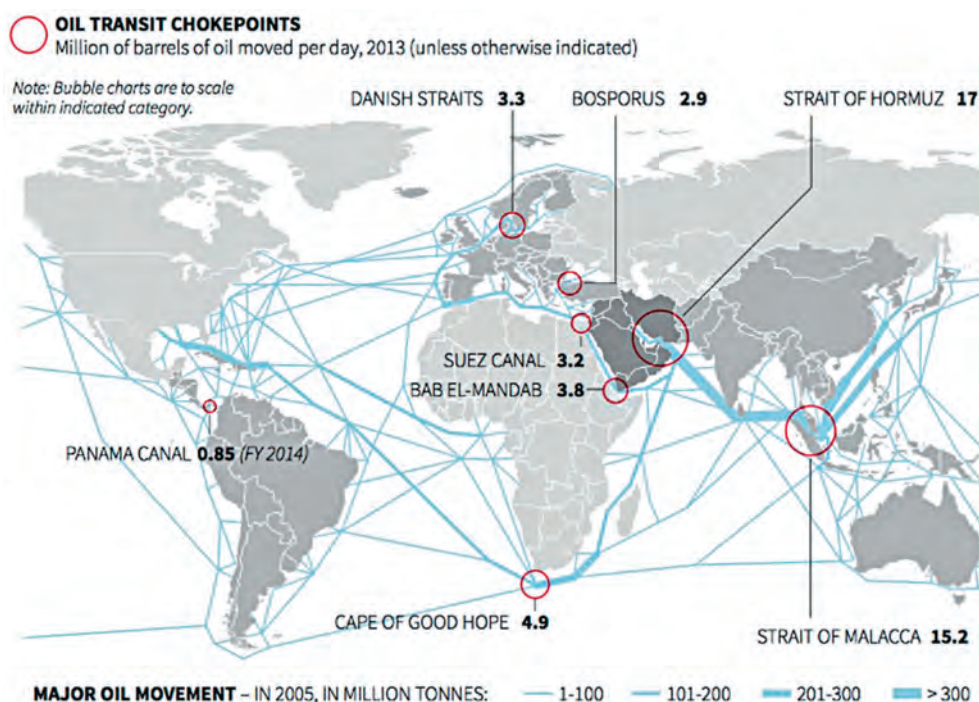
To better understand the impacts of the above-mentioned practices in Central Asia in the medium- and long term, it should be highlighted that in December 2015 China adopted its first anti-terrorism law, which allows the PLA to operate abroad to combat terrorism and to defend Chinese interests.³⁵ It is therefore not unreasonable to speculate that, concomitantly with the development of the Chinese military strategic doctrine, the intensification of trade with foreign countries, and the need to protect energy supply lines and ensure the stability of the periphery, the militarization of the railroads will be the subject of more attention in the context of BRI, with implications for Central Asia. In fact, despite the

“soft” nature of China’s strategy in Central Asia (in contrast with the “harder” policy that it demonstrates in the South and East China Seas), exceptional measures (including military) are an ever-present possibility in the face of threats Beijing considers existential (such as energy supply and territorial integrity). In particular, the aggravation of tensions in Xinjiang may prove to be a crucial element in the turn to a more active or “hard” securitization with recourse to exceptional measures.

China–Pakistan Economic Corridor

Like the Iron Silk Road, the China–Pakistan Economic Corridor (CPEC) is a crucial component for the development of Central Asia and Xinjiang. Gwadar is one of the Indian Ocean ports with overland links to western and southern China that can help Beijing to avoid the “Malacca Dilemma”—China’s over-reliance on the Malacca Straits as major oil transit chokepoints.³⁶

Figure 2.3. Malacca and Other Major Oil Transit Chokepoints (Million of Barrels of Oil Moved per Day), 2013



Source: “The World’s Eight Oil Chokepoints,” *Business Insider*, <http://www.businessinsider.com/worlds-eight-oil-chokepoints-2015-4>

34 Christina Lin, “China’s Strategic Shift towards the Region of the Four Seas: The Middle Kingdom Arrives in the Middle East,” *Middle East Review of International Affairs* 17, no. 1 (2013): 1–25.

35 “China adopts first counter-terrorism law in history,” *Xinhua*, 2015.

36 Xu and Chung, *China’s Energy Policy*.

In fact, the Malacca issue and, *lato sensu*, fears of a disruption in China's oil supply, are the major reasons behind Beijing's interest in the construction of the CPEC. China has not, to this point, been the object of a maritime blockade—but in a context where the power outages and pollution linked to coal constitute a real domestic issue, Beijing seems to believe that the greatest threat to its energy security will come from abroad with the risk of interrupted oil supply lines.³⁷ Pakistan can thus provide China with a trade and energy corridor, via Gwadar, through which the oil from the Middle East—which is stored in refineries in Gwadar—can reach China through pipelines and railroads.³⁸ This corridor offers a shorter route between Western Asia and China, potentially saving considerable time and money. In fact, the current route for transporting oil and other commodities from western Asia to Chinese ports, via the Strait of Malacca, is roughly 12,000 kilometers long, with another 3,500 kilometers of overland travel from Chinese ports to Xinjiang. By contrast, the route from Gwadar Port to Xinjiang is just 3,000 kilometers.³⁹

If at the level of logistical and energy securitization the CPEC will include the construction of highways, railways and pipelines linking China to the Middle East, at the geopolitical level China's participation in Gwadar will also allow it to expand its influence in the Indian Ocean, a vital route for oil transportation between the Atlantic and the Pacific.⁴⁰ Thus, China claims that Gwadar will be able to generate a win-win result for itself, as well as for Islamabad and Central Asia.⁴¹ In fact, the port could be the beginning of a southern route for BRI, through which China could more easily exchange goods with Central Asia and the Middle East.⁴² Besides economic securitization, the CPEC also assumes a physical/military securitization of Xinjiang. In fact, by offering Xinjiang and Central Asia access to the sea—and simultaneously making Kashgar and Gwadar major

commercial hubs—Beijing sees the CPEC as an instrument likely to mitigate the separatist feelings that threaten the stability of Xinjiang.⁴³

Figure 2.4 illustrates the difference between the conventional route from the Middle East to Chinese ports and the significantly shorter route provided by the CPEC.

In terms of military operations other than war, the logistics inherent to the CPEC can help China securitize its interests by rapidly mobilizing troops and military equipment, whether from ports to the interior of China or via railroads to ports for deployment to a theater offshore.⁴⁴

Central Asia's Liquid Gold

The CPEC and oil and gas pipelines between Central Asia and China are an economic component of undeniable importance to BRI. However, it would be simplistic to limit the analysis of the economic nature of the Grand Chinese project regarding Central Asia to a systematic emphasis on gas and oil. Therefore, I have chosen to focus the analysis below on water and hydroelectricity, another important energy issue and component of the synergies between China and the Central Asian republics. Countries like Tajikistan and Kyrgyzstan, though apparently insignificant in terms of their oil and gas reserves, are central to the dynamics of regional conflict thanks to their vast "liquid gold" (water) resources.

Water management in Central Asia has proved to be a substantial source of enmity among the states of the region, particularly between Kyrgyzstan and Tajikistan, on the one hand, and Uzbekistan, on the other. This is a complex situation, battered by intra- and inter-state tensions relating to the water distribution system. As the specialist Christian Mellis explained, "the water issue in Central Asia is like a bomb: if we touch it, we won't survive."⁴⁵ To date, the regional states have managed to avoid military hostilities, although relations remain

37 Ibid.

38 Zhiqin and Yang, "The Benefits and Risks."

39 Sudha Ramachandran, "China-Pakistan Economic Corridor: Road to Riches?," *China Brief*, 2015.

40 Fazl-e-Haider Syed, "A Strategic Seaport: Is Pakistan Key to China's Energy Supremacy?," *Foreign Affairs*, March 2015.

41 Guo Xuetang, "Pakistan Ambassador: Belt and Road Initiative win-win for all," *China.org.cn*, March 10, 2016.

42 Richard Weitz, "Beijing Builds its Eurasian Transportation Network," *China Brief* 13 (2013): 6–9.

43 Shi Zhiqin and Lu Yang, "The Benefits and Risks of the China-Pakistan Economic Corridor," Carnegie-Tsinghua, Center for Global Policy, December 21, 2016.

44 Vijay Sakhuja and Gurpreet S Khurana, eds., *Maritime Perspectives 2015* (New Delhi: National Maritime Foundation, 2016).

45 Christian Mellis, personal interview with the author, 2012. Christian Mellis is an expert on energy and water issues in the region with the Organisation for Security and Cooperation in Europe.

Figure 2.4. Comparison between the Oil Traditional Route (on the Left) and the CPEC Route (on the Right)



Sources: Steve LeVine, “China’s Silk Road: How China is Building the Biggest Commercial-Military Empire in History,” *Offiziere.ch*, February 2, 2016, www.offiziere.ch/?p=26318, and <http://broadmind.nationalinterest.in/wp-content/uploads/2015/10/i--e1444035160760.png>

strained. The case of Uzbekistan, which has consistently reiterated its opposition to the Rogun dam in Tajikistan until early 2017, is illuminating in that matter. The fact that Tajikistan is capable of storing large amounts of water increases its influence in relation to Uzbekistan, and could indeed act as a “game-changer.”⁴⁶

The water crisis in Central Asia is it is not a crisis of quantity but of distribution, due to the way water has been allocated and managed. The Central Asian countries tend to perceive the water issue as a zero-sum game. They are divided as to whether the water is a public good or a commodity. Upstream states argue that water should be treated as a commodity and purchased by downstream states. Downstream states contend that international rivers must be regarded as a common good shared by all countries in the region.⁴⁷ The divergence of national interests has reduced political will to prioritize regional objectives, and the lack of consensus on a mutually beneficial agreement has prevented effective cooperation. Downstream countries favor maintaining the former Soviet water allocation quotas, while Kyrgyzstan

and Tajikistan expect payment for providing water to downstream states.⁴⁸ During the Soviet period, downstream republics paid upstream republics in winter with natural gas and coal for electricity, and upstream states returned the favor in summer by releasing the water stored during winter. Moscow spent billions of rubles to construct dams, reservoirs, canals, and other water structures throughout Central Asia to increase the area of irrigated land, although it paid little concern to the resulting environmental damage.⁴⁹ Nevertheless, the system worked within its own logic.

Water is part of the complex issue of electricity in the region. In the case of Kyrgyzstan, for instance, the country cannot produce sufficient electricity to meet domestic demand. Furthermore, although the maintenance of dams and hydropower plants does not constitute a considerable burden, existing infrastructure remains hostage to poor management. Moreover, the energy system is not even likely to control the produced electricity—Keneth Sturrock estimates that one in every two kilowatts produced is “stolen.”⁵⁰ However, the figures have been ma-

46 Jeanne Féaux de la Croix and Mohira Suyarkulova, “The Rogun Complex: Public Roles and Historic Experiences of Dam-Building in Tajikistan and Kyrgyzstan,” *Cahiers d’Asie centrale* 25 (2015): 103–132.

47 Lisa Izquierdo et al., “Water Crisis in Central Asia: Key Challenges and Opportunities,” Graduate Program in International Affairs, New School University, 2010.

48 Lioudmila Chatalova et al., “The Paradox of Water Management Projects in Central Asia: An Institutional Perspective,” *Water* 9 (2017).

49 Stephen Hodgson, “Strategic Water Resources in Central Asia: in search of a new international legal order,” EUCAM, EU-Central Asia Monitoring, 2010, 14.

50 Keneth Sturrock, personal interview with the author, 2012. Keneth Sturrock is a USAID representative in Bishkek.

nipulated such that losses go relatively unnoticed. Companies that are responsible for domestic electricity transmission lack modern measurement and accounting systems, a legacy of the Soviet era, when electricity was regarded as a public good.⁵¹ Everything and everyone is interconnected in such a way it is impossible to touch one element without disturbing the chain—if, for example, Kazakhstan were to withdraw from the grid because Uzbekistan did not pay for the “stolen” electricity, then Kyrgyzstan would be unable to export the electricity it produced. At the same time, bringing the stakeholders together to enact comprehensive measures is a challenge, as there is no common will.⁵²

In view of all this, how can China securitize its interests in Central Asian hydroelectric resources? Beijing is an increasingly important actor in the management of water resources in Central Asia.⁵³ But, unlike its interest in oil and gas, Beijing’s commitment to Central Asian hydroelectric resources has gone almost unnoticed. Although China is a late-comer to the Central Asian hydroelectric market—the largest projects for hydroelectric power plants were launched during Soviet times and are today in the hands of Russian companies—Beijing has, in recent years, cooperated with Kazakhstan, Kyrgyzstan, and Tajikistan in terms of know-how and investments in the construction of new electric lines.⁵⁴

China is not trying to deliver this hydroelectricity to its large cities in the east (the electrical lines would have to stretch over at least 6,000 kilometers); rather, it seeks to make up for the energy shortfall in Xinjiang.⁵⁵ After ensuring a constant, cheap energy supply to Xinjiang, China could sell surplus energy produced in Tajikistan and Kyrgyzstan to Afghanistan, Pakistan, Iran, and India. To achieve these goals, Beijing has focused on the construction of hydroelectric power plants and the installation of

high-voltage lines, likely to distribute electricity both to the region and beyond. In fact, China follows a securitization strategy similar to the one used in the exploration of Central Asian oil and gas. The difference here is simply the energy source: instead of oil and gas pipelines, China constructs high-voltage lines to provide Central Asian electricity to Xinjiang and, in the future, to the southern corridor. At the same time, it is helping modernize Central Asian electric lines, which in most cases have been poorly maintained since the Soviet era.⁵⁶

Although Chinese investment and know-how may be needed to construct essential high-voltage lines, China’s interest in the Central Asian hydroelectric sector is generating growing concern among the states of the region.⁵⁷ Although China controls the water flowing into neighboring countries, as it is the upstream country for most of Asia’s major rivers, Beijing has not signed any comprehensive river treaty that regulates the distribution of water, and it has even been reluctant to join existing inter-state river commissions.⁵⁸ In Central Asia, as in other Asian regions, the effects of Chinese hydro-hegemony are worrisome. Kazakhstan has expressed concern about China’s diversion of water from the Ili River in arid northwestern China, which is contributing to the drying up of Kazakhstan’s Lake Balkash, the second-largest body of water in Central Asia.⁵⁹ China has also diverted part of the Irtysh River. Although China and Kazakhstan have signed a number of agreements on the use of trans-border rivers, they do not regulate the water intake.⁶⁰

In addition to these concerns, there is a certain ambivalence about the role of China. The region needs the Chinese, but it does not want to rely too much on them, explained Joellyn Murphy⁶¹ in an interview during my second research journey to Central Asia. As Murphy notes, Chinese-operated high-voltage

51 Ibid.

52 David Gulette, personal interview with the author, 2012. David Gulette is a researcher at University of Central Asia, Bishkek.

53 Hongzhou Zhang, “Sino-Indian water disputes: the coming water wars?,” *WIREs Water* 3 (March/April 2016): 155–166.

54 “Kyrgyzstan: China Replaces Russia as Hydropower Investor,” *EurasiaNet*, April 8, 2016.

55 Sebastien Peyrouse, “China as an Economic Actor in Central Asia: Between Development and Concerns” (testimony before the U.S.-China Economic and Security Review Commission, March 18, 2015, 1–9).

56 Zhuwei Wang, “Securing Energy Flows from Central Asia to China and the Relevance of the Energy Charter Treaty to China,” Energy Charter Secretariat, 2015.

57 Miao Lu, “One Belt, One Road: Risks and Countermeasures for Chinese Companies,” *Brink News*, April 28, 2016.

58 Sebastien Biba, “China cooperates with Central Asia over shared rivers,” *China Dialogue*, 2014.

59 Simone Bohnenberger-Rich, “China and Kazakhstan: Economic Hierarchy, Dependency and Political Power?” (PhD diss., London School of Economics, 2015).

60 Sebastien Peyrouse, “Discussing China: Sinophilia and sinophobia in Central Asia,” *Journal of Eurasian Studies* 7 (2016): 14–23.

61 American expert on energy issues in Central Asia.

lines in Tajikistan use and even provide Tajiks with their own equipment.⁶² Instruction manuals written in Chinese, which accompany Chinese equipment, have been translated into what the Tajiks call *Chirussian*, a sort of incomprehensible mix between Chinese and Russian.⁶³ It is therefore understandable that Kyrgyz and Tajiks do not want to become hostage to Chinese expertise, tools, and workers currently operating their domestic high-voltage lines. In fact, the Chinese monopolization of technique and instruments helps to cement local fears that China will control the flow of electricity, possibly to the detriment of Central Asian republics, thus creating a relationship of dependency.⁶⁴ Besides these social and economic damages, there is also a (geo)political issue: Kyrgyzstan and Tajikistan are in Moscow's "sphere of influence," and so their governments are often confronted with the dilemma of whether to please Moscow or Beijing, and an excessively pro-China attitude is likely to strain relations to Moscow.⁶⁵

The complexity of the water and electricity challenges in Central Asia would significantly benefit from more active collaboration and diplomacy on the part of China to diffuse the existing tensions and secure a stable periphery for BRI. Moreover, Beijing could also a major investor in Central Asia's crumbling and wasteful irrigational infrastructure.

Whose Silk Road?

Central Asian countries are crucial to the energy, logistical and military securitization pursued by China and Russia, but unlike the Great Game of the past, they are now themselves securitizing agents of the current New Great Game, seeking to maximize their goals regarding superpowers without compromising their independence.⁶⁶

Given that there is not a single New Silk Road, but several regional integration projects—China's BRI, the U.S. New Silk Road (officially announced by

Washington in 2011), the Eurasian Economic Union (EAEU, Russia's regional integration project)—the concept of New Silk Road is ambiguous and encompasses different views on Central Asian regionalism according to the interests of each external player. Among the various projects that coexist in post-Soviet space, China offers the most promising proposal for regional integration. The Russian Eurasian Economic Union seems not to have learned the lesson of the failure of Eurasian Economic Community (EurAsEc). Indeed, experts such as Dumitru⁶⁷ and Tarr⁶⁸ are skeptical about the potential of the EEU, as its real driver is not economy but geopolitics. In other words, Russia sees the EEU as a political project, whereas Kazakhstan and other members view it as a way to further their own economic interests. In launching the EEU, Russia's goal was to adapt the essence of economic and political cooperation (as well as the EU model of supranationalism) to the cases of Central Asia, Belarus, and Armenia. However, its member states are not willing to give up their national sovereignty for a single currency or a regional parliament that would likely follow Moscow's dictates.⁶⁹

The US New Silk Road, in turn, seems to have lost the impetus that powered it when it was announced in 2011. It is mere rhetoric, with a discourse of vague promises and achievements. However, China's march to the West could become complementary to the efforts of an EU seeking to develop partnerships in Central Asia. China aims indeed to make the EU an important partner, as evidenced by its investments in Europe; the geostrategic importance of the Port of Piraeus; Chinese interest in collaborating on the Juncker Plan; a China–Europe railway link; and the interests of several European States for the Asian Infrastructure Investment Bank.

According to the CEO of Partex Oil & Gas, António Costa Silva, the Central Asian republics play several games to defend their independence

62 Joellyn Murphy, personal interview with the author, 2012.

63 Ibid.

64 Ibid.

65 Nicola Contessi, "Central Asia in Asia: Charting growing trans-regional linkages," *Journal of Eurasian Studies* 7 (2016): 3–13.

66 Richard Weitz, "Averting a New Great Game in Central Asia," *Washington Quarterly* 29 (2006): 155–167.

67 Adelin Dumitru, "Whither Development? The Effects of the Eurasian Union on the Central Asian Republics," *The Romanian Journal of Society and Politics* 10 (2015): 94–118.

68 David Tarr, "The Eurasian Economic Union among Russia, Belarus, Kazakhstan, Armenia and the Kyrgyz Republic: Can it succeed where its predecessor failed?," *Eastern European Economics* 54 (2016): 1–22.

69 Karen Stegen and Julia Kusznir, "Outcomes and strategies in the 'New Great Game': China and the Caspian states emerge as winners," *Journal of Eurasian Studies* 6, no. 2 (2015): 91–106.

and prevent themselves from becoming excessively mortgaged to China or any other great power.⁷⁰ Acting tactically, they use an ambivalent diplomacy regarding Russian, U.S., and Chinese interests in the region.⁷¹ It is therefore in their interest to make the most of BRI's economic potential, at the expense of EEU but without excluding the Russia-led Collective Security Treaty Organization (CSTO) in terms of security. This does not prevent the Central Asian countries from simultaneously cooperating with Chinese intelligence in an anti-terrorism effort.

Conclusion

At a time where the world has other more mediatized foci of analysis, Central Asia has often been neglected by political commentators, although the region offers extraordinary opportunities for China's BRI policy to deploy and be tested. Yet, it will be essential to first overcome bureaucratic obstacles and mistrust between states engaged in the revitalization of the logistical corridors so that this giant project can produce genuine results. Given the reconfiguration of Central Asia's role (in a context that Khanna calls "post-American"), the Eurasian Heartland could emerge, little by little, from its isolation, affecting the future position of the United States in a world where

more people would travel across Eurasia by rail than fly across the Atlantic to America.⁷²

Another conclusion is that the East–West railway lines on which China is betting can have a military capability, allowing for the rapid mobilization of Chinese troops. But the main conclusion of this chapter is that through BRI, China is attempting to revive a continental unity and weaken the long transatlantic momentum. BRI is thus the response of a pragmatic and nostalgic China to internal instability and economic downturn, providing leeway to a China that goes west in a context where its eastern flank is plunged into tension.

The success of BRI will depend on the receptiveness of Central Asian elites to these projects, as well as the process of institutional reforms, the struggle against corruption, bureaucratic simplification, and the leadership succession. Indeed, no investor feels tempted to engage in large-scale projects if Central Asian states do not create the necessary conditions for instilling confidence, and for creating an environment more conducive to economic and political interaction with neighboring countries. If such steps were taken, one might speculate that projects that had stalled until this point—such as cooperation in the field of water resources or electricity transmission into and out of Central Asia—would, in time, become feasible.

70 António Costa Silva, personal interview with the author, 2012.

71 Igor Torbakov, "The West, Russia and China in Central Asia: What kind of game is being played in the region?," *Transition Studies Review* 14 (2007): 152–162.

72 Parag Khanna, "The new Silk Road is made of iron and stretches from Scotland to Singapore," *Quartz*, 2012.

PART II. BRI'S ECONOMIC PROJECTS FOR CENTRAL ASIA

Chapter 3. China's Conditional Aid and Its Impact in Central Asia

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Since the disintegration of the Soviet Union in 1991, China's foreign policy has aimed to create a stable international environment that allows its "peaceful rise" and continuous economic development. The beginning of the 1990s saw a dramatic surge in the volume and forms of Chinese aid to the five newly formed Central Asian republics. After their independence, Beijing was quick to establish direct bilateral relations, sign demarcation treaties, and establish a presence in the region. As market reforms and the sustained growth of the Chinese economy have led many Chinese companies to seek opportunities overseas, China's foreign aid policy has adapted to promote China's development needs and expand its global influence by emphasizing reciprocity and mutual benefit, as well as the integration of economic benefits with political interests.¹

With President Xi Jinping's Belt and Road Initiative (BRI), announced in 2013, China seeks to forge connections and bolster economic development in Central Asia through infrastructural aid programs, technical assistance, and increased trade. Arguably, the primary attraction of this approach for Central Asian governments is the common belief that China's aid does not come with the sort of political conditions demanded by Western donors, including human rights conditions, economic liberalization, and good governance.² However, since it serves Beijing's economic and political interests, China's foreign aid is not at all free of conditionality. Many of the conditions take less explicit forms that grant unique access to Chinese state-owned enterprises, and these

are often intentionally overlooked, perhaps due to the aid's positive role in stabilizing local regimes and maintaining a sense of progress.

This chapter examines the mechanisms of allocating and receiving Chinese foreign aid on the part of both donor and recipient, and asks how unconventional conditions attached to Chinese aid politicize narratives of assistance—for example, in exploiting Sinophobia as political leverage or acting as a counterweight to Russian monopoly. Specifically, I will answer the following questions: how has China's aid approach evolved and diversified over time, both before and after the announcement of BRI? What is the local discourse on the role of Chinese aid and conditionality in creating the spectacle of infrastructure projects, influencing local rent-seeking behaviors, and increasing Chinese presence? Moreover, are Chinese pragmatism and non-interference aid only of short-term benefit to the Central Asian republics, or might they have a long-term impact, as OBOR's design proclaimed?

Given the lack of literature on this topic, this chapter does not seek to test a theory or prove a specific causality. Rather, it aims to better understand the phenomenon of Chinese aid and explore the mechanism of its controversial conditionality in a broader social context. By examining the creation and evolution of China's foreign aid, I argue that although the aid's implicit conditionality helps to rally diplomatic support and provides political benefits to Beijing as well as to Central Asian elites, Chinese aid delivery and presence are not viewed positively in local dis-

1 Sara Lengauer, "China's Foreign Aid Policy: Motive and Method," *Culture Mandala* 9, no. 2 (September-December 2011): 52.

2 Fabienne Bossuyt, "The EU's and China's Development Assistance towards Central Asia: Low Versus Contested Impact" (paper presented at the 46th Annual Conference for the University Association for Contemporary European Studies, London, September 5–7, 2016); Lengauer, "China's Foreign Aid Policy: Motive and Method," 72; Nargis Kassenova, "China as an Emerging Donor in Tajikistan and Kyrgyzstan," *Institut Français des Relations Internationales—Russia/NIS Center*, January 2009.

course. In practice, the home country's government plays an important role in influencing the public perception of Sinophobia. As manifested by the cases of Kazakhstan and Kyrgyzstan, governments' restrictive policies on foreign labor can affect the public discourse on the Chinese presence and its social relations to varying degrees. In the long run, Chinese aid will have to balance its political, state-led strategy with other social approaches that foster better relationships with local civil society and communities.

This chapter is arranged as follows. It first provides an overview of Chinese foreign aid and their key features in Central Asia. After examining the motives behind Chinese aid and the creation and diversification of its conditionality, the chapter then looks at the local discourse on and political impact of China's aid delivery. After that, I use case studies from Kazakhstan and Kyrgyzstan to show what happens when unacknowledged Chinese conditions clash with local agendas, and ask whether China's "development assistance" benefits or disrupts the political, economic, and demographic activities of local societies in serving China's own development needs. Through the lens of Central Asia, this chapter will shed light on the new development paradigm that China is introducing in the world, which provides a competitive alternative to the Western model of foreign aid that has long dominated development discourse and narratives of change.

Foreign Aid at a Glance

Foreign aid, also referred to as development assistance, is government-funding provided to poorer countries to promote their economic and social development. It is one of the most common instruments used by governments to achieve their foreign policy goals. According to the definition formulated

by the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD),³ Official Development Assistance (ODA) refers to resource transfers from one government to another, which may consist of technical aid, official grants, or loans promoting economic development and welfare.⁴ While the effect of foreign aid is very context-dependent and is highly influenced both by donor conditions and the recipient's circumstances,⁵ criticism of OECD foreign aid has been directed at donors' conditionality, which takes the form of a wide range of policy incentives and sanctions serving different objectives.⁶ Although foreign aid conditions are important to push developing countries' governments and economies along the path toward market-oriented and democratic societies, the intervention of donor states can sometimes distort the original purpose of development assistance and result in aid being ineffective.⁷

However, China is not a member of the OECD and is not obliged to comply with DAC guidelines on foreign aid. Nor does it have a clear definition of its own foreign aid policies.⁸ Chinese aid often falls between development loans and foreign investment, especially when aid provides access to natural resources or contract packages in recipient countries. As one Chinese scholar highlights, the evolution of Chinese aid toward being "demand-driven, project-based, and flexible in modality"⁹ means that the Chinese prefer to talk about cooperation that involves a win-win situation, referring to their economic programs as *development assistance*. Hence, Chinese aid differs from Western equivalents in both the content and the norms of aid practice.

At the general level, the core principles that guide China's foreign relations and foreign aid are equal treatment, respect for sovereignty, non-interference, mutual benefit, and co-development. First introduced in 1964 by Premier Zhou Enlai as the

3 The Organisation for Economic Co-operation and Development (OECD) is an intergovernmental economic organization based in Paris with 35 member countries.

4 Charles Wolf, Jr., Xiao Wang, and Eric Warner, "China's Foreign Aid and Government-Sponsored Investment Activities: Scale, Content, Destinations, and Implications," RAND Corporation, 2013, 3, https://www.rand.org/content/dam/rand/pubs/research_reports/RR100/RR118/RAND_RR118.pdf; Lengauer, "China's Foreign Aid Policy: Motive and Method," 37.

5 Lawrence McMillan, "Foreign Aid and Economic Development," *School of Doctoral Studies (European Union) Journal* 3 (2011): 158.

6 Sarah Babb and Bruce G. Carruthers, "Conditionality: Forms, Function, and History," SSRN Scholarly Paper, Social Science Research Network, Rochester, December 23, 2008, 14.

7 Janet Hunt, "Aid and Development," in *International Development: Issues and Challenge*, ed. Damien Kingsbury et al. (New York: Palgrave Macmillan, 2008), 87; Vasile Dedu, Gabriel Staicu, and Dan Costin Nitescu, "A Critical Examination of Foreign Aid Policy: Why It Fails to Eradicate Poverty," *Theoretical and Applied Economics* 18, no. 4 (April 2011): 43.

8 Lan Xue, "China's Foreign Aid Policy and Architecture," Final Technical Report supported by the University of Pennsylvania Institute for the Advanced Study of India, March 2004, 19; Bossuyt, "The EU's and China's Development Assistance towards Central Asia," 9.

9 Xue, "China's Foreign Aid Policy and Architecture," 19.

“Eight Principles for Economic Aid and Technical Cooperation to Other Countries,” these principles are still the cornerstone of China's foreign aid policy today. According to the *White Paper on China Foreign Aid* released in 2011, there are three types of financial resources for aid: grants, interest-free loans and concessional loans. They are defined as follows:¹⁰

1. *Grants* are used to build medium and small projects for social welfare, such as hospitals, schools, and low-cost houses. Grants also facilitate human resources development cooperation, technical cooperation, assistance in kind, and emergency humanitarian aid.
2. *Interest-free loans* are used to construct public facilities and launch projects to improve people's quality of life. The duration of such loans is usually 20 years, including five years of use, five years of grace, and ten years of repayment.
3. *Concessional loans* are provided for large- and medium-sized infrastructure projects, as well as for productive projects generating both economic and social benefits for the recipient country, and they incur interest payments. The current interest rate of China's concessional loans is between 2 percent and 3 percent, with a repayment period of 15 to 20 years (including five-to-seven years of grace).

The existing literature has used these definitions to capture China's alternative norms and regime of foreign aid.¹¹ Without detailed official records of its assistance, the scope of China's aid remains broad and vague compared to that made using the OECD measurement. In addition to traditional grants and loans, financial assistance for joint ventures or coop-

eration may also be included in China's foreign aid envelope.¹² As the Chinese highlight the cooperative nature of development assistance, the question of whether government-backed or subsidized investments in infrastructure and natural resources should be categorized as aid is controversial.¹³ Some of China's loans are accompanied by rigorous debt-servicing conditions, such as access to resources or contracts, which distinguishes China's aid from that of traditional Western donors.¹⁴ Therefore, China's aid is closely intertwined with its foreign direct investment.

Another key feature of China's aid that attracts attention in the literature is its organizational structure—it lacks transparency and a dedicated managing body. This also makes China's aid difficult to quantify. Without a centralized foreign aid agency or regularized funding report, decisions regarding foreign aid—including aid directions, scale, and major changes—are usually made according to a complex top-down management system involving several ministries and institutions.¹⁵ In practice, China relies on complex coordination among different state institutions, provincial authorities, and state-owned enterprises to manage and evaluate its development assistance.¹⁶ Although this structure is headed by the Ministry of Commerce and China's State Council, the working mechanisms and the decision-making process, such as the precise role of state-owned enterprises and China Development Bank in the planning and decision-making process, remain unclear.¹⁷ Beijing, however, contends that such organizational flexibility is due to China's expectation that the recipient countries would learn from China's experience but pursue an individualized development path that meshes with local circumstances and needs.¹⁸ As a result, to an outside observer, China appears to manage its foreign aid in an ad hoc fashion that lacks transparency.

10 “White Paper on China's Foreign Aid,” State Council Information Office of the PRC, 2011, http://english.gov.cn/archive/white_paper/2014/08/23/content_281474982986592.htm.

11 Xue, “China's Foreign Aid Policy and Architecture”; Wolf, Wang, and Warner, “China's Foreign Aid and Government-Sponsored Investment Activities”; Lengauer, “China's Foreign Aid Policy: Motive and Method”; Thoms Lum et al., “China's Foreign Aid Activities in Africa, Latin America, and Southeast Asia,” Congressional Research Service, February 25, 2009.

12 Xue, “China's Foreign Aid Policy and Architecture,” 21.

13 Bossuyt, “The EU's and China's Development Assistance towards Central Asia,” 9.

14 Wolf, Wang, and Warner, “China's Foreign Aid and Government-Sponsored Investment Activities,” 3.

15 Lengauer, “China's Foreign Aid Policy: Motive and Method,” 39; Lum et al., “China's Foreign Aid Activities in Africa, Latin America, and Southeast Asia,” 1.

16 Bates Gill and James Reilly, “The Tenuous Hold of China Inc. in Africa,” *The Washington Quarterly* 30, no. 3 (2007): 44.

17 Xue, “China's Foreign Aid Policy and Architecture,” 30; Wolf, Wang, and Warner, “China's Foreign Aid and Government-Sponsored Investment Activities,” xii.

18 Xue, “China's Foreign Aid Policy and Architecture,” 41.

Last but not least, the most salient—and constantly criticized—characteristic of China's foreign aid is the lack of conditionality to its aid programs. As opposed to many Western donors, who demand that recipient countries make changes concerning human rights performance, good governance, or even environmental issues, Beijing does not attach any such political conditions to its foreign aid.¹⁹ Chinese politicians and experts emphasize that they are committed to the principles of equal treatment of other countries and non-interference in these countries' internal affairs. Thus, the lack of conditionality not only makes recipient countries feel more comfortable with the assistance, but also promotes China's image as a benevolent great power sensitive to local concerns and as an alternative source of wellbeing and order.²⁰ However, the absence of political conditions on Chinese foreign aid has also been criticized as exploitative and indifferent to local societies, especially when their governments are considered corrupt and repressive. While many Western countries use international aid to promote democracy and human rights, China's presence as an alternative investor with no such demands is perceived to undermine the effectiveness of these tools.²¹ Some literature uses the term "rogue donor" to depict China as an irresponsible power.²² China seems to present a different development paradigm, a competing alternative to the Western model of foreign aid that results in competition for political and economic influence in developing countries.

Significant attention has been paid to China's foreign aid following the announcement of OBOR and China's New Silk Road Economic Belt. Earlier academic literature, however, mainly focuses on Chinese development assistance in Africa; Central Asia, though a key region neighboring China, has been relatively neglected. Even when attention is paid to South and Central Asia, existing research on China's foreign aid programs tends to look at their forms, policies, and economic impacts. The social consequences, by contrast, remain under-examined. It is therefore necessary to assess China's aid design and delivery from a holistic perspective, in order to

appreciate how aid is perceived in local public discourse and to understand the intense social reactions it generates. This approach may shed light on China's future engagement in Central Asia.

Aid Creation and Diversification: From SCO to BRI

China's aid to Central Asia is driven by a variety of motives, of which the top foreign policy priority is to create a stable international environment that allows its "peaceful rise" and continuous economic development. Scholars generally agree on three main categories of aid motives: economic, political, and ideological.²³

Economic motives are closely aligned with China's development interests in opening up export markets and securing natural resources. Given China's sustained growth, China's foreign aid is tightly linked to the promotion of national companies' overseas expansion and the export of their excess production capacity. Aid delivery is also used to facilitate intercontinental transportation and trade, granting Chinese goods and commodities access to the local market. Moreover, in order to fuel its continued economic growth, Beijing also offers development assistance and concessional loans as a vehicle to diversify its energy supplies abroad and invest in developing countries that are rich in oil and gas reserves, as well as minerals and agricultural resources. In the political sphere, China is motivated by domestic concern about separatist movements in Xinjiang, as well as the goal of establishing strategic diplomacy that accompanies China's rise. As China's aid stresses the promotion of economic integration and the improvement of transport connectivity in Central Asia, Beijing hopes to stabilize Xinjiang through joint efforts in the areas of regional security and economic development. Meanwhile, China uses its consistent development assistance to promote the One China policy, upholding its strong commitment to non-interference in internal affairs and spreading its soft power and regional influence. The establishment of strategic diplomacy through China's aid would con-

19 Bossuyt, "The EU's and China's Development Assistance towards Central Asia," 5.

20 Kassenova, "China as an Emerging Donor in Tajikistan and Kyrgyzstan," 8; Bossuyt, "The EU's and China's Development Assistance towards Central Asia," 10.

21 Xue, "China's Foreign Aid Policy and Architecture," 41.

22 Moises Naim, "Help Not Wanted," *The New York Times*, February 15, 2007, http://www.nytimes.com/2007/02/15/opinion/15naim.html?_r=0.

23 Deborah Brautigam, *The Dragon's Gift: The Real Story of China in Africa* (New York: Oxford University Press, 2009), 15; Lengauer, "China's Foreign Aid Policy: Motive and Method," 44.

solidate its geopolitical influence in Central Asia, diffuse potential tensions with deepening engagement and leverage, and provide a better international environment for China.

While continuing to recognize Russia's role as a privileged power in Central Asia, China has sought to carefully cultivate relationships with Central Asian republics and deepen its engagement in the region. This attempt was first justified through the framework of the Shanghai Cooperation Organization (SCO), a regional security organization founded in 2001. Through this multilateral platform, which involves Central Asian republics as well as Russia, Beijing advocates for a new form of multilateralism that promotes cooperation based on the principle of sovereign non-interference. The SCO was initially designed to foster security cooperation, but later found great success in promoting China's economic and trade relations with Central Asia states.²⁴ In China's policy toward Central Asia, the economic pillar of SCO is becoming of prime importance, if not replacing the SCO's initial focus on security cooperation. Regional security and development issues raised by Beijing in the framework of the SCO can be transformed into bilateral assistance agreements.²⁵ The scope and magnitude of economic cooperation, particularly through cooperative financing of large-scale projects and substantial investments by China, underscore the practical implications of the SCO's regional influence.²⁶ For instance, at the June 2009 SCO summit in Yekaterinburg, Chinese officials proposed the establishment of a US\$10 billion anti-crisis fund within the SCO, offering cheap and short-term financing for Central Asian energy and infrastructure. After Moscow refused multiple requests to co-finance the fund, Beijing announced in

2010 that it would provide the entire US\$10 billion on its own.²⁷

As such, through a number of non-security initiatives in the areas of economic cooperation and social development, the SCO has been successful in generating the impression that it is a leading provider of "public goods" in Central Asia and actively facilitates cooperation among SCO member states.²⁸ Despite the implementation lag, China has devised other SCO initiatives, such as a Business Council and Interbank Association in 2005, and later an SCO-based regional trade agreement and an SCO Regional Development Bank.²⁹ In 2015, Chinese Premier Li Keqiang proposed that the SCO establish platforms for cooperation in six areas: security, production capacity, connectivity, financial mechanisms, regional trade, and social affairs. China's leading role in these regional designs is evident: Li explained that "the SCO should establish a production capacity cooperation mechanism under which China is willing to provide SCO members with its mature technology, equipment, and contracting services."³⁰ Moreover, by promoting economic cooperation and organizational capacity, China also deploys the SCO as a strategic means of accessing the oil and gas resources of Central Asia.³¹ Promoting the optimal allocation of natural resources—in many respects on China's terms and in accordance with China's needs—is an important way to strengthen regional financial cooperation, which, in turn, benefits the whole region and assists China's energy strategy.³²

The One Belt, One Road initiative (or Belt and Road Initiative, BRI), today the primary driver of the China–Central Asia relationship, is in many ways an extension of the preexisting SCO framework. Increasingly, however, it is superseding the SCO and

24 Liu Junmei and Zheng Min, "Financial Cooperation among SCO Member States: Review and Prospects from China's Perspective," in *The Shanghai Cooperation Organization and Eurasian Geopolitics: New Directions, Perspectives, and Challenges*, ed. Michael Fredholm (United Kingdom: NIAS Press, 2013), 266, 273.

25 Sebastien Peyrouse, "Central Asia's Long-Term Questions Remain Unanswered After the Shanghai Cooperation Organization Summit," Policy Brief, The German Marshall Fund of the United States, July 13, 2012, <http://www.gmfus.org/publications/central-asia%E2%80%99s-long-term-questions-remain-unanswered-after-shanghai-cooperation>.

26 "Counter-Terrorism and Human Rights: The Impact of the Shanghai Cooperation Organization," Human Rights in China, March, 2011, 25, http://www.hrichina.org/sites/default/files/publication_pdfs/2011-hric-sco-whitepaper-full.pdf.

27 Alexander Cooley, *Great Games, Local Rules: The New Great Power Contest in Central Asia* (New York: Oxford University Press, 2012), 89–90.

28 *Ibid.*, 75, 88.

29 Cooley, *Great Games, Local Rules*, 88; William Piekos and Elizabeth C. Economy, "The Risks and Rewards of SCO Expansion," Expert Brief, Council on Foreign Relations, July 8, 2015, <http://www.cfr.org/international-organizations-and-alliances/risks-rewards-sco-expansion/p36761>.

30 "China Proposes Six Platforms for SCO Cooperation," *Xinhua News*, December 15, 2015, http://news.xinhuanet.com/english/2015-12/15/c_134920075.htm.

31 Liu and Zheng, "Financial Cooperation among SCO Member States," 266, 269, 273.

32 Michael Fredholm, "Understanding China's Policy and Intentions towards the SCO," *Himalayan and Central Asian Studies* 17, no. 3–4 (July–December 2013): 49.

becoming the overarching umbrella under which China will engage with the region. The domestic nature of BRI contrasts with the SCO's multilateral approach, highlighting the evolution of Beijing's perception of Central Asia. At the heart of the regional design are improved connectivity, regional development, and investment.³³ Despite the complex security environment that the BRI faces in various countries and regions, security arrangements are not explicitly included in China's BRI design. Instead, the BRI is first and foremost about China-centered international economic integration enabled by China-led international development financing, along with China-oriented networks of international trade and an internationalized currency, RMB.³⁴ It is an effort to transcend the existing international governance and development system by employing "infrastructure diplomacy" and deploying coordinated policies, while bearing greater investment risks as China waits for this strategy to come to fruition.

Moreover, since China has yet to clarify the nature of BRI—whether a project, a policy initiative, or a long-term vision—the BRI does not have a defined framework within which countries can operate, nor is there agreement on the list of projects in which China should invest. For instance, the Silk Road Fund, a state-owned investment fund established to support BRI, has thus far made three major transactions, which range from a hydropower dam in Pakistan to a liquefied natural gas (LNG) project in the Arctic.³⁵ However, some Chinese scholars view the unclear nature of BRI as an evolving and improved model of foreign aid, which allows Beijing to tailor its aid to local countries' development needs while facilitating economic upgrades and transformation within China.³⁶ While BRI as a massive strategic initiative is arguably held up by a lack of shovel-ready projects and successes,³⁷ it is open to local countries' development plans, as manifested by the so-called integration or alignment of BRI with Kazakhstan's national

infrastructure development program, Nurly Zhol. In short, unlike the multilateral efforts of the SCO that took the region as a whole and focused on engaging multiple parties—notably Russia—in managing Beijing's ties with Central Asian countries, BRI highlights China's vision for Central Asia in accordance with its own interests and needs. BRI is therefore characterized by bilateral approaches, an open and flexible framework, and a focus on investment and connectivity that supports China's prominent role in the region.

China's Implicit Conditionality in Central Asia: A Closer Look

In accordance with the principle of non-interference, China attaches no economic or political conditions to its development assistance that would require recipient countries to explicitly change their internal legislation and policies. However, China's assistance often comes in packages that mix aid, concessional loans, trade agreements, and investment deals; these packages frequently include certain kinds of Chinese requirements, or implicit conditionality. It is worth noting that conditionality here does not refer to demands for outright changes of a country's policies, of the kind that can be found in Western aid agreements; rather, conditions are either embedded in Chinese project financing requirements or expressed as broad political "bottom lines" for diplomatic relations.³⁸ While some scholars have divided these conditions into different categories,³⁹ I describe them broadly as "diplomatic conditionality" and "embedded conditionality" in the context of Central Asia.

Diplomatic conditionality refers to an unofficial requirement that the recipient country acknowledges and supports Beijing's fundamental diplomatic and political stances prior to receiving any funding. This includes demands regarding diplomatic relations

33 Raffaello Pantucci, "China's Pace in Central Asia," *EurasiaNet*, June 20, 2016, <http://www.eurasianet.org/node/79306>.

34 Dalton Lin, "Exclusive: 'One Belt, One Road' and China's International Relations," *US-China Perception Monitor*, The Carter Center, September 2015, <http://www.uscnpm.org/blog/2016/03/21/one-belt-one-road-and-chinas-international-relations/>.

35 Greg Shtyrak, "Search China's One Belt, One Road Initiative and the Sino-Russian Entente: An Interview with Alexander Gabuev," *The National Bureau of Asian Research*, August 9, 2016, <http://www.nbr.org/research/activity.aspx?id=707>.

36 Phoenix International Think Tank, May 17, 2016, http://pit.ifeng.com/a/20160517/48784288_0.shtml.

37 Shtyrak, "Search China's One Belt, One Road Initiative."

38 Mikael Mattlin and Matti Nojonen, "Conditionality in Chinese Bilateral Lending," *BOFIT Discussion Paper* No. 14, 2011, 20–23.

39 Mikael Mattlin and Matti Nojonen divided these conditions into four categories: political conditionality, embedded conditionality, emergent conditionality, and cross-conditionality. A brief overview can be found at: <http://carnegieendowment.org/2012/01/10/conditionality-in-china-s-aid-model-event-4024>.

and Beijing's sensitive political "bottom lines," such as China's territorial integrity and other areas Beijing considers its "core interests." First and foremost, recipient countries are expected to support the One China policy and affirm that the People's Republic of China is the legitimate government of all of China.⁴⁰ No further action is expected, but taking such positions shows willingness to align with Beijing's principles and befriend Beijing, a key gesture before cooperation can occur.

In the early 1990s, all five Central Asian republics made these commitments when they established formal diplomatic relations with China. Local states have aligned with China on numerous occasions, driven by economic incentives as well as their own domestic concerns. For instance, Kyrgyzstan and Kazakhstan have both deported alleged Uyghur terrorists at China's request.⁴¹ On the eve of an SCO summit in June 2004, Uzbek President Islam Karimov publicly stated that, "We are in full solidarity with China in the fight against the three evils—international terrorism, extremism, and separatism."⁴² These verbal commitments are also clarified to cement the political and economic relationship between China and aid recipient countries. In February 2011, following the conclusion of fruitful deals between Kazakhstan and China that included a nuclear cooperation agreement and generous Chinese loans to develop Kazakhstani industrial facilities, President Nazarbayev made a strong statement of support for China's One China policy, describing Beijing's course as something "we also firmly uphold." This support was reiterated by Astana in the joint statement, where it "confirmed its support for the One China policy and the position of the Government of China in relation to questions of Taiwan, Tibet and Xinjiang."⁴³

This behavior was observed in another post-Soviet scenario in 2007, where Belarus stated in a joint communiqué that it would adhere to the One China policy and China's position on Taiwan and Tibet after the parties reached a framework agreement for the first Chinese concessional loan to Belarus.⁴⁴

Another type of conditionality with high relevance to Central Asia is embedded conditionality. Also known as "tied aid," money from China comes in packages that are tied to the interests of Chinese firms. Concessional loans for infrastructure and technical assistance projects stipulate that no less than half of the materials, equipment, technology, and services procured under the contract should come from China.⁴⁵ Another key condition of soft loan provision is the participation of Chinese companies, which enables China's state-linked enterprises to expand abroad, gaining overseas contracts and resources.⁴⁶ Many believe that this policy is designed to allow Chinese companies to compete with their Western counterparts, which have already established their dominance in many foreign markets.⁴⁷ Given the "terms and complexities" of Chinese investment packages, Chinese "tied aid," one U.S. official noted, makes it hard for others to compete.⁴⁸

To secure Chinese investments in some high-risk yet low-return regions, China applies a distinct resources-backed loan scheme, which provides loans on the condition that they be repaid in the form of natural resources. Also known as the Angolan model, this aid model is in line with the Chinese government's preference for financing acquisitions that give China direct ownership of resources.⁴⁹ In 2009, China provided US\$10 billion in loans to Kazakhstan in return for access to its oil and gas sector, of which US\$5 billion was provided by China National Petroleum

40 Mattlin and Nojonen, "Conditionality in Chinese Bilateral Lending," 17.

41 "Kazakhstan Deports Uyghur Teacher," *Radio Free Asia*, June 2, 2011, <http://www.rfa.org/english/news/uyghur/deportation-06022011174917.html>; "China's Growing Influence in Central Asia," *Radio Free Asia*, November 29, 2004, http://www.rfa.org/english/news/in_depth/central_asia_terror-20041129.html.

42 Kathleen Moore, "Central Asia: China's Mounting Influence, Part 4—Facing Militant Threats," *RFE/RL*, November 18, 2004, <http://www.rferl.org/a/1055959.html>.

43 Joanna Lillis, "Kazakhstan: Astana Taps China for Help Building 'Cosmic' Rail Project," *EurasiaNet*, February 25, 2011, <http://www.eurasianet.org/node/62962>.

44 "China, Belarus Sign Joint Communiqué," *Xinhua News*, November 6, 2007, <http://www.china.org.cn/english/wen/230951.htm>.

45 Kassenova, "China as an Emerging Donor in Tajikistan and Kyrgyzstan," 10.

46 Aliaskar Adylov, "The Big Friendly Giant: China's Development Assistance in Central Asia" (Master's thesis, Central European University, 2016), 31.

47 Daniel C. O'Neil, "Risky Business: The Political Economy of Chinese Investment in Kazakhstan," *Journal of Eurasian Studies* 5, no. 2 (2014): 150; Adylov, "The Big Friendly Giant China's Development Assistance in Central Asia," 31.

48 O'Neil, "Risky Business: The Political Economy of Chinese Investment in Kazakhstan," 147.

49 Kassenova, "China as an Emerging Donor in Tajikistan and Kyrgyzstan," 8; Bracken et al., "China's Quest for Energy Security: Redefining and Driving Foreign Aid," *Michigan Journal of Public Affairs* 10 (2013): 11.

Corporation (CNPC) for investment in Kazakhstan's energy sector. This agreement therefore gave Chinese energy companies direct control over 15 percent of Kazakhstan's total oil output for 2009.⁵⁰

The Central Asian republics' economic difficulties and isolated geographic locations make them unusually receptive, or vulnerable, to Chinese embedded conditionality. In 2006, China proposed providing Kyrgyzstan with US\$1.2 billion in preferential credits to build a railway in return for access to mineral resources.⁵¹ And in 2009, China provided US\$4 billion to Turkmenistan in exchange for the right to exploit the South Yolotan, one of the largest natural gas fields in the world, which is located near the border with Afghanistan. As a result, the loan, part of a 30-year agreement, gives China about 40 billion cubic meters of gas per year.⁵² In essence, as Takaaki Kobayashi noted, "Chinese aid follows the win-win principle and is given in 'exchange' for 'something' that contributes to its national interest. This 'something' may change in different times and with different countries,"⁵³ but Chinese conditionality always looks for "something" as its ultimate goal.

In the foreseeable future, China is very likely to attach other kinds of implicit conditionality to its foreign aid. One approach may be to use lending to increase the international use of the Chinese yuan. China's central bank has already announced relevant measures regarding the use of yuan; how China will require the use of the Chinese currency in bilateral lending and how it may translate into actual policy objectives and practices remain evolving issues for the next five-year plan.⁵⁴ However, because China's approach to providing foreign aid is very much focused at the government-to-government level, this strategy is facing increasing challenges, including in the practical implementation of projects and social discourse among civil society and local communities.

China's Aid in Social Discourse and Its Implications

The relations between China and Central Asian states are accurately described by David Kerr as "warm politics, cold public."⁵⁵ Given the "no strings attached" aid offered by Beijing, the political elites of Central Asian republics enthusiastically welcome Chinese investment and feasible development assistance. Compared to the EU or other Western donors, who demand onerous and time-consuming reforms, China impressed Central Asia with its practical focus on building infrastructure and achieving results quickly, as well as its consistent non-interference in internal affairs. As Sebastien Peyrouse noticed, "The pragmatism of Chinese businessmen is often praised by Central Asians, and contrasted with [the] indecision and broken promises of their European and Russian counterparts."⁵⁶ The Chinese have proved to be a reliable provider and partner whom political elites can approach in times of need.

Not only does Beijing share political elites' concern about stability, but the inflow of Chinese money also provides elites with more political resources to consolidate their rule. Since the shadow of color revolutions continues to loom over Central Asian authoritarian regimes, political elites naturally emphasize the importance of stability over the criticism of human rights and democracy records. Precisely because of the Chinese principle of non-interference in domestic affairs, local elites therefore tend to be more receptive to the aid provided by China than to the aid provided by OECD donors.⁵⁷

Chinese development assistance stabilizes the rule of local regimes in at least two ways. First, the inflow of financial resources sustains the corrupt bureaucratic and political system. In a context where corruption is a fundamental part of the political system,⁵⁸ China's development assistance indirectly helps

50 Bracken et al., "China's Quest for Energy Security: Redefining and Driving Foreign Aid," 14.

51 Kassenova, "China as an Emerging Donor in Tajikistan and Kyrgyzstan," 13–14.

52 Erica Downs, "Inside China, Inc: China Development Bank's Cross-Border Energy Deals," *John L. Thornton China Center Monograph Series No. 3*, Brookings Institute, March 2011, 76.

53 Takaaki Kobayashi, "Evolution of China's Aid Policy," *Working Paper No. 27*, JBIC Institute, 2008, 36.

54 Mattlin and Nojonen, "Conditionality in Chinese Bilateral Lending," 15.

55 David Kerr, "Central Asian and Russian Perspectives on China's Strategic Emergence," *International Affairs (Royal Institute of International Affairs)* 86, no. 1 (January 2010): 134.

56 Sebastien Peyrouse, "Central Asia's Growing Partnership with China," *EUCAM Working Paper No. 4*, October 9, 2009, 10.

57 Soyeun Kim and Simon Lightfoot, "Does 'DAC-ability' Really Matter? The Emergence of Non-DAC Donors," *Journal of International Development* 23, no. 5 (July 2011): 711–721.

58 David G. Lewis, "Tackling Corruption in Uzbekistan: A White Paper," Open Society Foundation Policy Report, June 2016, 6.

authoritarian regimes to survive at a time of growing vulnerabilities and long-term challenges. In particular, by reinforcing Kazakhstan's position as a repressive rentier state, Chinese aid, loans, and partnerships with Kazakh oil companies enhance the Kazakh leadership's ability to stay in power.⁵⁹ Second, the visibility of infrastructure projects gives people at least a sense of progress.⁶⁰ This point echoes what Laura Adams calls "the spectacular state," where the government celebrates its national identity and strengthens its rule through the spectacle of state-sponsored construction projects.⁶¹ As a result, Central Asian governments speak very positively about their "excellent relations" with Beijing and encourage Chinese companies to settle in their countries while declining to comment on contentious issues publicly.⁶²

However, many experts privately express concern about the silence cultivated by the authorities in relation to Beijing. They worry that China's increasing influence in and dominance over the region has been concealed under an atmosphere of suspicion and a dearth of information about opinion toward China.⁶³ Others believe that while Central Asian political elites seem to speak with one voice on the question of China, they do not truly embrace China but are rather acting with circumspection, seeking to appease a large and feared neighbor.⁶⁴ Despite the economic spectacles provided by China, the growing Chinese presence in the region is sometimes regarded in the Central Asian public and political discourses as an attempt by Beijing to gradually subdue Central Asia economically.⁶⁵ As China gains more leverage to structure the domestic order, social policies, and national narratives of these countries, it may weaken the Central Asian republics' sovereignty and further establish their status as China-dependent protectorates.

If Chinese soft power and national image are truly not well-received among Central Asian political elites, the response is even worse among the local public, most of whom do not directly benefit from the inflow of Chinese aid. Due to the historical legacy of confrontation between China and Central Asian nomadic tribes, as well as the memory of Soviet propaganda and threat perceptions, it is hard to expect a positive public attitude toward the Chinese presence in the region. According to Edward Chow, senior fellow in the Energy and National Security Program at CSIS, under the Soviet education system, Central Asian children were taught to fear the Chinese, and that attitude still prevails in the region today.⁶⁶ Moreover, Sinophobia is growing and transforming due to the increasing Chinese presence and Beijing's active promotion of loans-for-resources schemes across the region. The sharp contrast between the populations of China and the Central Asian republics further aggravates the fear of "yellow peril." As a surge in the number of Chinese laborers escalated competition for jobs in Central Asia, prejudice against Chinese migrants intensified; people complained about a decline in job opportunities, poor working conditions at China-owned enterprises, and environmental degradation. Moreover, Chinese investment and presence can fuel popular anger and protest when they are associated with negative side effects for the local community and environment. Sinophobia may therefore be the biggest regional obstacle to China's dream of a Silk Road Economic Belt in Central Asia.⁶⁷

Since the authorities are aware of local Sinophobia, they tend not to disclose the type of conditionality that is associated with Chinese aid and investment. In most Central Asian states, protests are rare because governments maintain firm control

59 Michael L. Ross, "Does Oil Hinder Democracy?," *World Politics* 53, no. 3 (April 2001): 335.

60 Stephen J. Blank, "Dragon Rising: Chinese Policy in Central Asia," *American Foreign Policy Interests* 33, no.6 (December 11, 2011): 268.

61 Laura Adams, *The Spectacular State: Culture and National Identity in Uzbekistan* (Durham: Duke University Press, 2010).

62 Sebastien Peyrouse, "Discussing China Sinophilia and Sinophobia in Central Asia," *Journal of Eurasian Studies* 7 (2016): 17.

63 Marlene Laruelle and Sebastien Peyrouse, *The Chinese Question in Central Asia: Domestic Order, Social Changes and the Chinese Factor* (New York: Columbia University Press, 2012).

64 Peyrouse, "Discussing China Sinophilia and Sinophobia in Central Asia," 19.

65 See the Kazakhstani political specialist's opinion: A. Arzygulov in G. Ashakeeva and A. A. Eshmatov, "Kitai—Central'naia Aziia: Kto za kem?," *Radio Azattyk*, March 12, 2013, http://rus.azattyk.org/a/kyrgyzstan_china_central_asia/24926252.html, cited in Peyrouse, "Discussing China Sinophilia and Sinophobia in Central Asia."

66 Edward Chow, personal interview with Paulo Duarte, United States of America, 2011. Cited in Paulo Duarte, "The Dragon in Its Backyard: The Chinese Question in Central Asia," *Revista Estudos Políticos* 5, no. 2 (2014): 647.

67 Kemel Toktomushev, "The Silk Road Economic Belt's Impacts on Central Asia," *China-US Focus*, May 8, 2015, <http://m.chinausfocus.com/article/3524.html>; Raffaello Pantucci, "Looking West: China and Central Asia," Hearing before the U.S.-China Economic and Security Review Commission, May 12, 2015, <http://origin.www.uscc.gov/sites/default/files/transcripts/Marchpercent2018,percent202015percent20Hearingpercent20Transcript.pdf>.

over state, independent, and social media, thereby limiting the flow of information. Since government officials are often directly or indirectly involved in the most profitable sectors of the national economy, their private interests orient them toward China. Central Asian oligarchs also turn out to be supporters of pro-Chinese policies, since the Chinese presence in Central Asia offers a useful counterweight to the Russian monopoly when they compete for access to oil and natural gas.⁶⁸ Therefore, Central Asian political and economic elites have every incentive to continue their engagement with China and prevent the local discourse from becoming too negative toward China. A closer examination of two countries, Kazakhstan and Kyrgyzstan, is helpful to further understand China's encounters in Central Asia.

Case Studies

Kazakhstan

Kazakhstan is one of China's most important energy suppliers, offering abundant Caspian oil through large-scale collaborative development and serving as a key transit partner for natural gas from Turkmenistan eastward to Xinjiang. Given its centralized political authority and stable economic growth, Kazakhstan is confident in leveraging its natural resources to diplomatic advantage.⁶⁹ Thus, it was the first Central Asian state to actively pitch its investment projects to China, seeking to translate its growing partnership with China under BRI into positive developments and better economic prospects for its citizens.⁷⁰ Recognizing the limitations of its transportation infrastructure, Astana created a comprehensive infrastructure development plan that is directly tied to BRI.⁷¹ During his September 2015 visit to Beijing, Kazakh President Nursultan Nazarbayev

signed a declaration of coordination between BRI and the country's infrastructure development plan, Nurly Zhol, signaling the growing partnership between the two countries.⁷²

China's development assistance has left an important footprint on Kazakhstan, and the scale of Chinese-driven projects is spectacular. The influx of Chinese money has given China control of up to 30 percent of all oil extraction in Kazakhstan as of April 2016, according to Ardak Kasymbek, managing director for economics and finance at Kazakhstan's state energy company, KazMunayGas.⁷³ Moreover, the launch of the China-Kazakhstan Railway and China-Kazakhstan International Border Cooperation Center at Khorgos in December 2011 also manifested the tightened business relationship between the two countries.⁷⁴ They intend to work together to develop public infrastructure in Kazakhstan, meaning that large-scale construction projects are heavily reliant on Chinese laborers who come to Kazakhstan on work visas. Despite substantial growth in the Chinese migrant population of Kazakhstan, its presence is not overt. Given Kazakhstan's centralized society and the fact that it has the highest per capita GDP in the region, the Kazakh government closely watches Chinese activities and regulates their presence.⁷⁵ On the other hand, Chinese workers in Kazakhstan tend to accept the country's laws and social norms; they maintain a low profile with minimal contact with anyone outside the enclaves where they live.⁷⁶ Therefore, public contention over social disruption due to the presence of Chinese migrants rarely leads to violent disputes.

However, negative stereotypes about China and the Chinese remain visible. Despite the fact that Chinese labor works on the development projects in Kazakhstan that aim to unlock Kazakhstan's mining and transit potential, public opinion abounds with

68 Duarte, "The Dragon in its Backyard: The Chinese Question in Central Asia," 652.

69 Nicholas J. Steiner, "Chinese Migration to Central Asia: Contrasting Experiences between Kazakhstan and Kyrgyzstan" (Master's thesis, University of Washington, 2013), 19.

70 Ramtanu Maitra, "OBOR Brings New Life to Central Asia: Kazakhstan in Focus," Schiller Institute, February 2017, <http://schillerinstitute.org/economy/2016/1212-obor-kazakhstan/ok.html>.

71 Greg Shtraks, "Search China's One Belt, One Road Initiative."

72 Alexander Gabuev, "Friends with Benefits? Russian-Chinese Relations After the Ukraine Crisis," Carnegie Moscow Center, June 29, 2016, <http://carnegie.ru/2016/06/29/friends-with-benefits-russian-chinese-relations-after-ukraine-crisis-pub-63953>.

73 Aigerim Toleukhanova, "Kazakhstan & China: Fear, Loathing and Money," *EurasiaNet*, June 21, 2016, <http://www.eurasianet.org/node/79336>.

74 Kenjali Tinibai, "Kazakhstan and China: A Two-Way Street," *Transitions Online*, May 27, 2010, <http://www.tol.org/client/article/21490-kazakhstan-and-china-a-two-way-street.html>.

75 Steiner, "Chinese Migration to Central Asia," 22.

76 Raffaello Pantucci and Alexandros Petersen, "Chinatown, Kazakhstan?," *China in Central Asia*, September 20, 2012, <http://chinaincentralasia.com/2012/09/20/chinatown-kazakhstan/>.

concerns about unchecked Chinese influence.⁷⁷ For instance, when Kazakhstan passed legislation to extend the maximum lease on farming land for foreigners from 10 years to 25 years, the Chinese were the sole target of angry rhetoric in street protests that had their zenith in spring 2016 (though all foreigners were eligible to take advantage of the change).⁷⁸ According to Sadovskaya's surveys, public awareness of Chinese interests in Kazakhstan is heavily weighted toward demographic issues such as migration, and significant gaps in awareness about Chinese people and customs due to different levels of exposure create alarmist misconceptions about China's presence.⁷⁹ A qualitative sampling of the views of Kazakh experts and public opinion reveals that, while Kazakh experts are skeptical of Chinese goals and intentions and critical of Astana's approach to Beijing, public opinion tends to be more anti-Chinese in general.⁸⁰ Moreover, discourse analysis of different newspapers in Kazakhstan further shows that views toward China and the Chinese are divided. While the official discourse in state-sponsored newspapers is in line with Astana's policies of supporting further engagement with Beijing, privately-owned Kazakh- and Russian-language newspapers are more critical, reflecting—or underpinning—pervasive skepticism toward, and negative stereotypes, of China.⁸¹

Within anti-China rhetoric, a major social anxiety ties domestic political corruption to China's involvement in Kazakhstan's economic interests.⁸² By exploiting Kazakhstan's high levels of corruption, weak checks on the executive branch, and low levels of transparency, Chinese foreign aid and loans secure the Kazakh leadership's approval for and maintenance of Chinese state-owned enterprises' investments in natural resources.⁸³ For example, Timur Kulibayev, President Nazarbayev's second son-in-law, who heads the country's most influential financial group, was accused of taking hundreds of

millions of dollars from China's CNPC by facilitating energy deals. The authorities had to step in and halt the discussion, fearing that public opposition might galvanize against the government and its relationship with China. Thus, despite social criticism that accuses the regime of overly exploiting natural resources and thereby making Kazakhstan vulnerable to Dutch Disease,⁸⁴ the authorities manage to contain public contention and portray their Chinese partners as amenable to Kazakhstan's development. At the same time, China's investment and aid regime fuel social anxiety among local elites, which in turn fuels the growth of anti-China rhetoric.

Overall, Kazakhstan is orienting itself toward China's BRI initiative and welcomes China's development assistance and its corresponding presence in the country. It has therefore taken the initiative to tailor Chinese aid to its own infrastructure development plan, Nurly Zhol. Meanwhile, a strong state manages China's presence in the country and social relations between Chinese and Kazakh citizens, which results in China facing limited public criticism in Kazakhstan and a positive partnership between the two countries.

Kyrgyzstan

Whereas Kazakhstan is a major energy resource partner for China, Kyrgyzstan offers important transit routes and provides the region's wholesale market for affordable Chinese consumer goods. Since Kyrgyzstan has been the only country in Central Asia to share World Trade Organization membership with China for several years, the two countries' low trade protection barriers have allowed Kyrgyzstan to become a major trade and re-export hub to the rest of the region. However, political turmoil and weak economic development make Kyrgyzstan vulnerable to (and overwhelmed by) China's commercial and economic expansion.

77 Steiner, "Chinese Migration to Central Asia," 22.

78 Toleukhanova, "Kazakhstan & China: Fear, Loathing and Money."

79 Yelena Y. Sadovskaya, "Patterns of Contemporary 'Chinese' Migration into Kazakhstan," in *Chinese Migrants in Russia, Central Asia and Eastern Europe*, ed. Felix B. Chang and Sunnie T. Rucker-Chang (Hoboken: Taylor & Francis, 2011), 124–125.

80 Michael Clarke, "Kazakh Responses to the Rise of China: Between Elite Bandwagoning and Societal Ambivalence?," in *Asian Thought on China's Changing International Relations*, ed. Niv Horesh and Emilian Kavalski (New York: Palgrave Macmillan, 2014), 155.

81 Aziz Burkhanov and Yu-Wen Chen, "Kazakh Perspective on China, the Chinese, and Chinese Migration," *Ethnic and Racial Studies* 39, no. 12 (2016): 2144.

82 Natalie Koch, "Kazakhstan's Changing Geopolitics: The Resource Economy and Popular Attitudes about China's Growing Regional Influence," *Eurasian Geography and Economics* 54, no. 1 (April 2013): 127.

83 O'Neil, "Risky Business: The Political Economy of Chinese Investment in Kazakhstan," 146.

84 Sebastien Peyrouse, "The Kazakh Neopatrimonial Regime: Balancing Uncertainties among the 'Family,' Oligarchs and Technocrats," *Demokratizatsiya: The Journal of Post-Soviet Democratization* 20, no. 4 (Fall 2012): 365.

While the Silk Road Economic Belt initiative, a local component of BRI in Central Asia, brands itself as an all-inclusive project that would reach even the outskirts of Kyrgyzstan,⁸⁵ the Kyrgyz market is literally flooded with Chinese consumer goods. Up to 80 percent of finished goods in Kyrgyzstan's bazaars arrive from China before being re-exported to the rest of Central Asia, Russia, and elsewhere.⁸⁶ As a result, Chinese migrants, businesses, and goods are nowhere more visible and controversial than in Kyrgyzstan's bazaars. A prime example of this trend is the giant Dordoy container bazaar in Bishkek's northern suburb, the region's largest hub for wholesale and retail trade transactions.⁸⁷ Meanwhile, while Bishkek is heavily dependent on workers' remittances and trade with Moscow, money provided under China's Silk Road Economic Belt initiative offers an alternative way to boost economic development and provide employment, as demonstrated by the construction of new hydropower projects in Kyrgyzstan.⁸⁸ Under China's foreign aid regime, Exim Bank is the largest single creditor to impoverished Kyrgyzstan, holding 36 percent of its government debt.⁸⁹ Though Kyrgyzstan lacks energy resources, Chinese investors are attracted to its mineral resources, including gold, copper, iron, and coal. Since 2009, many Chinese enterprises, both state-owned and private, have come to Kyrgyzstan to engage in the mining business.⁹⁰ As such, China has gained increasing economic influence.

In most cases, China's investment and presence benefit local economies, although they are not always perceived to do so. An open trade policy and the flood of affordable Chinese imports have helped many Kyrgyz cushion the impact of persistent inflation.⁹¹ Kyrgyz entrepreneurs also profit from re-ex-

porting Chinese goods to larger, better-protected markets: Kazakhstan, Uzbekistan, and even Russia. Despite constant criticism, Chinese manual laborers working in Kyrgyzstan have filled critical vacancies in key industries such as construction and foundry work.⁹² As a result of China's pragmatic expansion into Kyrgyzstan, Chinese investment in industry injects energy into the landlocked country and, in a way, contributes to flexible and innovative entrepreneurial development in Kyrgyzstan, such as an emerging sewing industry in Bishkek.⁹³

Despite regional leaders' desire to balance public opinion with economic reality, China's more visible presence in Kyrgyzstan results in greater contestation than in Kazakhstan, and occasionally leads to violence.⁹⁴ In a context of decentralization, weak economic development, and comparatively high social unrest, China's growing presence in Kyrgyzstan continues to evoke Sinophobic sentiment. The rise of China's economic influence has fostered concerns about sovereignty; many Kyrgyz worry that their country has become a dumping ground for cheap Chinese products.⁹⁵ This is further aggravated when Chinese projects are associated with corruption in the region. The overwhelming majority of Chinese investments in Kyrgyzstan are made on a loan basis, a fact that led Kyrgyzstan's former ambassador to China, Kamil Sultanov, to condemn Chinese businesses as corrupt. He also criticized their many violations of environmental protection standards.⁹⁶ Moreover, concerns about job creation and wages persist, as Chinese companies fail to meet local expectations or to hire enough local staff. For instance, the China-backed Zhongda oil refinery in the town of Kara-Balta faced local protests against its environmental impact and strikes for higher wages. A similar

85 Christine R. Guluzian, "Making Inroads: China's New Silk Road Initiative," *Cato Journal* 37, no. 1 (Winter 2017): 137.

86 Cooley, *Great Games, Local Rules*, 86.

87 Henryk Alff, "Flowing Goods, Hardening Borders? China's Commercial Expansion into Kyrgyzstan Reexamined," *Eurasian Geography and Economics* 57, no. 3 (July 2016): 434.

88 Dmitriy Prolovskiy, "Amid Russian Downturn, Kyrgyzstan Turns to China," *The Diplomat*, July 14, 2016, <http://thediplomat.com/2016/07/amid-russian-downturn-kyrgyzstan-turns-to-china/>.

89 Jack Farchy, "China Seeking to Revive the Silk Road," *Financial Times*, May 9, 2016, <https://www.ft.com/content/e99ff7a8-0bd8-11e6-9456-444ab5211a2f>.

90 Li Deming, "Kyrgyzstan still a mine field for investors," *Global Times*, October 28, 2012, <http://www.globaltimes.cn/content/740848.shtml>.

91 Chris Rickleton, "Kyrgyzstan: China's Economic Influence Fostering Resentment," *EurasiaNet*, April 28, 2011, <http://www.eurasianet.org/node/63383>; Tinibai, "Kazakhstan and China: A Two-Way Street."

92 Steiner, "Chinese Migration to Central Asia," 18.

93 Alff, "Flowing Goods, Hardening Borders?," 435.

94 Steiner, "Chinese Migration to Central Asia," 7.

95 Rickleton, "Kyrgyzstan: China's Economic Influence Fostering Resentment."

96 Alff, "Flowing Goods, Hardening Borders?," 434.

situation also emerged in the Orlovka village in Chui province, where the Altynken gold mining company co-founded by the Chinese is based.⁹⁷

The lack of government oversight and effort to compartmentalize the Chinese presence further contributes to social concerns. This is primarily because Chinese migrants have an overt presence in Kyrgyzstani society, openly competing with local labor and business.⁹⁸ For example, in Kyrgyzstan, “Chinese mining companies are accused of generating pollution, taking jobs from locals, [and] offering little in return.”⁹⁹ As part of the implicit conditionality of Chinese loans, many Chinese companies working on large infrastructure projects bring their own Chinese labor force. Sultan Sarigaev, a Kyrgyz official at the Foreign Investment Department of the Transport and Communication Ministry, says that joint Kyrgyz-Chinese projects usually reserve 70 percent of the available jobs for Chinese engineers and technical staff, leaving only 30 percent for local hires.¹⁰⁰ Meanwhile, local mistrust of the Kyrgyz government further drives the public to view the Chinese presence with suspicion. There is an overwhelming belief among ordinary people that corrupt Kyrgyz officials allow China and its firms to behave with impunity.¹⁰¹ In April 2016, a scandal over the allocation of a road-building contract to a Chinese company led the Kyrgyz prime minister to resign.¹⁰² Therefore, as indicated by Beknazarov's Aksy campaign, social and political elites have incentives independent of the state to take advantage of popular concerns about China and mobilize popular opposition to Chinese entities.¹⁰³

Consequently, China's development assistance and presence in Kyrgyzstan encounter less favorable social responses. In the face of China's overt presence, which is the result of a high trade volume and

other business activities between the two countries, the Kyrgyz government fails to act as an effective buffer between incoming foreign presence and local societies. Moreover, due in part to previous political turmoil in Kyrgyzstan, local mistrust of the authorities can easily influence perceptions of government policymaking and the parties with which they work, in this case China. Therefore, China's development assistance is underappreciated and seen primarily as exploitative opportunism toward Kyrgyzstan.

Conclusion

Chinese aid has proven to be a very useful vehicle for promoting China's interests and extending its influence in Central Asia. By upholding the principle of non-interference, Chinese development assistance opens up the region to China's march forward by making Central Asian political elites more receptive to China's advances. Moreover, implicit conditionality in both the political and economic realms helps China spread its political principles and creates a friendly international environment for its “peaceful rise.” More importantly, conditionality allows China to open up the local market, promote its own business interests, and serve its development need for energy resources. Despite the enormous amount of money China has invested in the region—and the visibility of its infrastructure projects, which increase development and connectivity—the country is far from well-received in local discourse, as the cases of Kazakhstan and Kyrgyzstan demonstrate. In order to be sustainable in the long run, Chinese aid will therefore have to balance its political, state-led strategy with other social approaches that foster better relationships with civil society and local communities.

97 Anna Lelik, “Kyrgyzstan: Bishkek Hopes Chinese Investment Can Produce Industrial Breakthrough,” *EurasiaNet*, June 22, 2016, <http://www.eurasianet.org/node/79346>.

98 Steiner, “Chinese Migration to Central Asia,” 7.

99 Jonathan Manthorpe, “China Faces its Imperial Burden in Central Asia,” *Vancouver Sun*, March 11, 2013, <http://www.vancouversun.com/jonathan+manthorpe+china+faces+imperial+burden+central+asia/8076499/story.html>.

100 Bakyt Asanov and Farangis Najibullah, “Kyrgyz Ask Why Jobs at Home Are Going to Chinese,” *Radio Free Europe*, November 16, 2013, <http://www.rferl.org/a/kyrgyzstan-chinese-jobs-unemployment/25170163.html>.

101 Tom Miller, *China's Asian Dream: Empire Building along the New Silk Road* (United States: Zed Books, 2017).

102 Farchy, “China Seeking to Revive the Silk Road.”

103 Steiner, “Chinese Migration to Central Asia,” 35.

Chapter 4. Chinese Loans in Central Asia: Development Assistance or “Predatory Lending”?

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There are continuous debates among scholars, politicians, and analysts about the benefits and threats of BRI to Central Asian countries. Some have a positive attitude toward the integration of individual countries' development projects with BRI, expecting that it will create a “multiplier” effect that develops a broad range of industries in the region. BRI's focus on building communications infrastructure, they suggest, may help Central Asian states overcome the centuries-long handicap of their geography, turning these states into transit countries for trade across Eurasia.¹ Others take the opposite view, arguing that China's intervention in the region—particularly the hefty loans for infrastructure projects—could create financial and technological dependency,² turning Central Asia into a Chinese colony.³ On the other hand, recent changes in U.S. policy under President Donald Trump, the uncertainty of future U.S. policy toward the region, Russia's unwillingness to finance huge infrastructure projects, and Central Asian countries' lack of alternative investment sources, make BRI exceptionally important and timely.

Since BRI has been officially launched in 2013, Chinese officials and scholars have re-aligned most related projects launched before this date with it. Even before the announcement of BRI, China had already significantly increased its investment in infrastructure projects, not only in Central Asia but also in most developing countries around the globe. This suggests that Chinese officials underwent a long process to create a program that would reformulate

existing and planned infrastructure investment as a strategic initiative allowing China to play a greater role in regional and global affairs.

Along with the steady increase of Chinese infrastructure loans to Central Asian countries, Chinese business has also expanded in the region. At first glance, this tendency suggests mutually beneficial cooperation, but closer investigation indicates that Chinese lending policy is closer to “predatory lending”⁴: by lending to Central Asia, China seeks to promote its own political and economic interests more than to work in the best interest of borrowers. In order to characterize Chinese lending policy in Central Asia, I thus apply to it the term “predatory lending,” which refers, among other situations, to “a bilateral credit deal between two countries that, in addition to the paying back of principal and interests, pushes a borrower country to make statements that are promissory in nature and/or ensure economic/political concessions in favor of a lender country or its agent/business company/representative.”⁵ Needless to say, Chinese credit increases economic activity and facilitates trade growth in Central Asia. However, the latter risk becoming addicted to—and dependent on—Chinese investment to maintain and develop infrastructure constructed under BRI. Another concern is that in a context of facilitated trade, Chinese companies' comparative advantages might destroy the competitiveness of local companies and create more demand for Chinese imports to Central Asia.

1 National Development Strategy of the Republic of Tajikistan for the period until 2030.

2 Konstantin Bondarenko, “Vneshnii dolg Tadjikistana: rastushchie riski na fone khрупkoi stabilnosti,” *OZODAGON*, October 17, 2016, <http://catoday.org/centrasia/29647-konstantin-bondarenko-vneshniy-dolg-tadjikistana-rastushchie-riski-na-fone-hrupkoy-stabilnosti.html>.

3 O. V. Kojevnikov, “Chinese Expansion in Central Asia,” Higher School of Economics and Management, Ural Federal University, 2015; Alexander Shustov, “Kitai poglashaet Tadjikistan: ekonomicheskaya expansiya KNR mozhet prevratit' respubliku v kitayskuyu koloniyu,” *russkie.org*, March 11, 2011, <http://www.russkie.org/index.php?percent20module=printnews&id=21103>.

4 According to InvestorWords, “predatory lending” is “any of a number of fraudulent, deceptive, discriminatory, or unfavorable lending practices. Predatory lending is not in the best interest of the borrowers.” See “Predatory Lending,” InvestorWords: http://www.investorwords.com/5728/predatory_lending.html.

5 *Ibid.*

Chinese Loans: Handy for Central Asian Countries

Despite the predicted economic slowdown as a result of the 2008 financial crisis, the Chinese economy has demonstrated relatively stable rates of growth over the past 10 years, even though below 7 percent lately. Its foreign exchange reserves have also been increasing gradually over the past decade, from US\$1.5 trillion in 2008 to US\$3 trillion in February 2017.⁶ China has accumulated enormous foreign reserves, which Chinese leaders plan to utilize for long-term development strategy—in which BRI has a prominent role to play.

As the holder of the most foreign reserves in the world and as a country with strong economic potential, China initiated BRI as a long-term strategy for boosting its own economic leadership and ensuring growth for decades to come. It is obvious that Central Asian countries do not have many options in terms of their borrowing policies. Their geographical locations, political situations, comparatively small domestic markets, unfavorable investment climates, and high levels of corruption make them unattractive to Western investors. Since China was willing to provide loans to its economically underprivileged neighbors,⁷ it naturally became Central Asian governments’ main investment partner.

As of the early 2000s, the majority of the debt owed by Central Asian countries was to the international financial institutions (IFIs) that were asked to help the former Soviet republics enter the global economic system.⁸ Until 2008, Chinese loans made up a negligible share of Central Asian debt, but over the past decade Beijing has become their leading lender. The ready availability of Chinese loans tends to decrease borrowers’ sense of responsibility, making politicians unconcerned about designing policies that involve borrowing a lot of money. This is evident from the way in which Chinese loans are rapidly growing as a share of external debt in Central Asia (see Table 4.1).

Likewise, Chinese loans constitute a growing share of Tajikistan’s external debt. Whereas in 2006 Dushanbe did not have any Chinese debt, by 2016 the country had borrowed more than US\$1.1 billion. Furthermore, the share of debt to China increased continuously over the past last decade. As Figure 4.1 below indicates, Chinese loans constituted 88 percent of Tajikistan’s bilateral debt portfolio (and over 50 percent of sovereign debt) by the end of 2015. Such drastic changes to the country’s external debt structure suggest that China’s interest in the country’s natural resources has increased; and that the government of Tajikistan has found a new, convenient source of credit for its extremely expensive intensive

Table 4.1. Share of Chinese Loans in the External Debt Burden of Selected Central Asian Countries (in US\$, million)⁹

Country	Type of Loan	2006	2007	2009	2011	2013	2015	2016
Kazakhstan	Total	74,014	96,893	112,867	125,321	150,033	153,696	165,364
	Bilateral	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	Chinese	n/a	1,000	7,810	n/a	16,600	13,600	12,328
Kyrgyzstan	Total	1,980	2,077	2,476	2,803	3,159	3,602	3,743
	Bilateral	334	356	757	1,032	1,518	2,060	2,210
	Chinese	14	9	47	273	758	1,296	1,483
Tajikistan	Total	866	1,120	1,691	2,124	2,188	2,195	2,276
	Bilateral	185	386	792	1,018	1,058	1,216	1,296
	Chinese	0	217	631	878	900	1,069	1,163

Source: National Bank of Kazakhstan; Ministry of Finance of the Republic of Tajikistan; Ministry of Finance of Kyrgyz Republic

⁶ “China: Foreign Exchange Reserves,” Trading Economics, <http://www.tradingeconomics.com/china/foreign-exchange-reserves>.

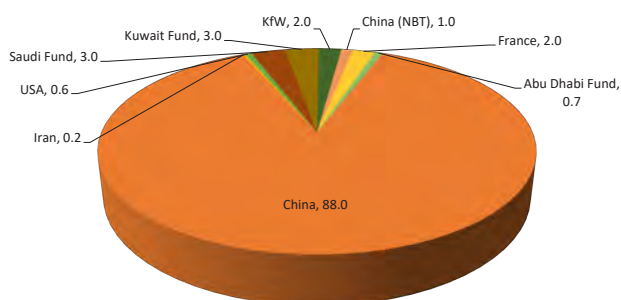
⁷ I participated in the highest-level meeting between the Vice President of JICA and the Government of Tajikistan in 2010. During the meeting, the Vice President of JICA asked the Tajik side, “Don’t you have any concern about increasing Chinese loans in your country’s external debt structure?” The Japanese side was surprised by the answer. A high-level official replied, “Can you provide loans for our infrastructure projects instead of China? If yes, we are happy to diversify our external debt by borrowing Japanese ODA loans.”

⁸ “Poverty Reduction, Growth and Debt Sustainability in Low-Income CIS Countries,” IMF and World Bank, February 4, 2002.

⁹ There is a lack of data on the official websites of the governments of Uzbekistan, Turkmenistan, and (to some extent) Kazakhstan.

infrastructure projects. At the same time, Chinese preferential loans to Tajikistan, like those to other Central Asian countries, have a negative aspect. On top of the requirement to repay the principal and accrued interest, the creditor puts forward additional conditions. As a rule, the main precondition is involving Chinese companies in the implementation of projects backed by Chinese loans.¹⁰

Figure 4.1. Tajikistan's Bilateral Credits: Share from Each Country (percent), 2015

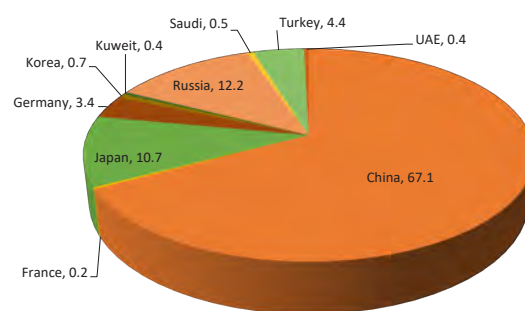


Source: Created by the author based on data from Ministry of Finance of the Republic of Tajikistan

Kyrgyzstan's dependence on Chinese loans has been also growing rapidly over the past decade. As Figure 4.2 shows, the country had US\$1,483 billion in Chinese loans by 2015, compared to just US\$14 million in 2006. By the end of 2016, Chinese credits constituted 67.1 percent of total bilateral loan portfolio, compared to 4.1 percent in 2006. As in Tajikistan, there is an unwritten condition that projects financed by Chinese loans use Chinese labor, materials, and companies. The same goes for Turkmenistan. According to President Gurbanguly Berdimuhamedov, the country was free of external debt as of 2009.¹¹ This situation quickly changed, however, as Ashgabat began taking substantial loans from China, the total amount of which is unknown.¹²

The availability of Chinese loans has mitigated Central Asian elites' sense of responsibility, making politicians feel increasingly comfortable borrowing, since there is always investment available for their

Figure 4.2. Kyrgyzstan's Bilateral Credits: Share from Each Country (percent), 2016



Source: Created by the author based on data from Ministry of Finance of Kyrgyz Republic

potential financial needs. Moreover, this money is often appealing to local elites as an additional income stream, even if it was originally intended to finance a public good, with the result that elites are keen to take more loans.¹³ However, Central Asian governments neglect the fact that China uses its lending policy to promote its own economic and political influence in the region by enhancing the presence of Chinese companies in various sectors of the economy, particularly energy, construction, and natural resource extraction.

Foreign Direct Investment in Extractive Industries

Along with enhancing its concessional loans to Central Asia, China has significantly increased its natural resource extraction in the region. China's planners have studied the art of using economic pacts to pursue strategic objectives; BRI and the Asian Infrastructure Investment Bank (AIIB) are prime examples. Infrastructure investment confers power to influence regional affairs. BRI serves as a buffer: debt finances infrastructure projects abroad to provide short-term employment, create some growth abroad, unload industrial overcapacity, and cement

10 Bondarenko, "Vneshnii dolg Tadjikistana."

11 "Turkmenistan ne imeet vneshnego dolga—President Gurbanguly Berdimukhamedov," *Trend News Agency*, November 27, 2009, <http://www.trend.az/business/economy/1589470.html>.

12 "Turkmenistan i Tadjikistan privykaiut k zavisimosti ot Kitaia," *EurasiaNet.org*, June 28, 2016, <http://russian.eurasianet.org/node/63201>.

13 Alexander Cooley, "The Emerging Political Economy of OBOR: The Challenges of Promoting Connectivity in Central Asia and Beyond," A Report of the CSIS Simon Chair in Political Economy, The Center for Strategic and International Studies, Washington, D.C., 2016, https://reconasia-production.s3.amazonaws.com/media/filer_public/fc/c7/fcc79a22-e218-4a1b-8494-0220337ab2f5/cooley_the_emerging_political_economy_of_obor.pdf.

14 Nicholas Trickett and Oliver Thomas, "China, Russia, Iran: Ports and Power Along the Belt and Road," *The Diplomat*, March 23, 2017, <http://thediplomat.com/2017/03/china-russia-iran-ports-and-power-along-the-belt-and-road/>.

influence and ownership of assets in other countries.¹⁴ Chinese companies’ increased access to the extractive industries of Central Asia clearly suggests that China uses its soft power to get access to the natural resources of the region. Critically, the main contractors of all these construction projects are Chinese companies, including such corporations as Tebian Electric Apparatus (TBEA), China Road and Bridge Corporation (CRBC), China National Petroleum Corporation (CNPC), and China Railway.

In Tajikistan, Chinese gross foreign direct investment passed US\$1 billion in 2016, which made China the leading investor in the country.¹⁵ Tajikistan is rich in over 50 types of natural resources and more than 600 deposits have been discovered in the last few decades. There are more than 40 coal deposits, as well as reserves of lead, zinc, copper, bismuth, antimony, mercury, gold, silver, iron, and tungsten. Despite only partial exploration, oil and gas fields promise to bring Tajikistan over US\$1,033 billion of conventional fuel equivalent.¹⁶

In 2014, TBEA completed a power plant worth US\$350 million in Dushanbe. In 2009, the Chinese company spent US\$400 million on another power project in Tajikistan—the 325-kilometer electrical transmission line that connects key areas across the country. Officials said TBEA could use a gold mine north of Tajikistan to offset the cost of the power plant:¹⁷ “China has negotiated from Tajikistan two gold mines as payment for the power plant and electrical transmission line constructed in the country and the good thing for Tajikistan is that we could do nothing with these mines at least for the next half-century,” a Tajik official said.¹⁸

China’s long-term plan to play a central role in Tajikistan’s natural resource extraction sector is also evident from the fact since 2011, when the Tajik parliament ratified the protocol on demarcation and delimitation of the state border, according to which Dushanbe officially transferred three percents of

the disputed territories to China,¹⁹ Beijing has been actively conducting a comprehensive geological investigation of natural resources. This is reminiscent of the comprehensive geological studies conducted by Soviet geologists during the 1960s and 1970s. According to the Tajik and Chinese geologists, they have discovered 43 new deposits of precious metals such as gold, silver, palladium, and platinum near the border between the two countries.

In other words, Tajikistan is simply swapping its natural resources for infrastructure projects without proper economic, risk, and environmental analysis. Compared to Kyrgyzstan and Kazakhstan, where large-scale infrastructure commitments are routinely the subjects of political posturing, nationalist appeals, and competitive politics,²⁰ there is no public awareness about China’s rapidly increasing control of natural resources extraction in Tajikistan and Turkmenistan. Due to controls placed on the media, the general public has limited—if any—access to information related to Chinese involvement in these countries’ economic affairs. Most of the companies operating in Tajikistan’s extractive sector are either Chinese or Tajik.²¹ According to official data, Chinese companies own 60 percent of the shares of more than half of the gold mines in Tajikistan.²²

Chinese economic expansion in Kyrgyzstan has, too, increased drastically in recent years, with the volume of investment growing from year to year. Historically, economic cooperation was mainly taking the form of imports of Chinese goods, but now Chinese companies have also become extremely active in the energy and mining sectors. China has allocated millions of dollars in soft loans to implement projects in these sectors: two Chinese investors built an oil processing plant for US\$250 million, with processing capacity of 800,000 tons of oil per year. Most importantly, China is trying to gain access to the deposits of rare earth elements and non-ferrous and precious metals, and several Chinese compa-

15 “Kitai oboshel Rossiyu po priamym investitsiiam v Tadjikistane,” *Asia-Plus*, February 2, 2017, <https://news.tj/news/tajikistan/economic/20170202/kitai-oboshel-rossiyu-po-priamim-investitsiyam-v-tadjikistan>.

16 “Tajikistan,” Extractive Industries Transparency Initiative, <https://eiti.org/tajikistan>.

17 “Chinese firm completes multimillion-dollar power plant in Tajikistan,” *PressTV*, December 8, 2016, <http://www.presstv.com/Detail/2016/12/08/496995/China-Tajikistan-power-plant-Tebian-Electric-Apparatus>.

18 Tajik official, personal interview with the author, February 2017.

19 “Tadjikistan i Kitai ‘proshupali’ nedra Badakhshana,” *Radio Ozodi*, March 16, 2017, <http://rus.ozodi.org/a/28372760.html>; Geoportal of Tajikistan, <http://www.geoportal-tj.org/ru/index.php/waves/co-operation-projects/china>.

20 Cooley, “The Emerging Political Economy of OBOR.”

21 “Tajikistan,” Extractive Industries Transparency Initiative.

22 “Tadjikistan i Kitai ‘proshchupali’ nedra Badakhshana.”

nies are currently involved in the exploration and development of gold deposits in Kyrgyzstan.²³ The situation in Kazakhstan is different, given the economic success of the country, yet it still shares several similarities with its neighbors. Its extractive sector plays an important role in the country's development, with revenues constituting more than half of the state budget. It has the largest recoverable crude oil reserves in Central Asia and its current oil production is approximately 1.73 million barrels a day.²⁴ Consequently, over the past quarter-century, instead of promoting the establishment of companies that produce final products, Kazakhstan has concentrated on increasing raw material extraction.²⁵ By providing multi-billion-dollar loans to Kazakhstan, China is, here too, positioning itself to get ownership rights to Kazakhstani companies in the future.²⁶

Typically, Chinese companies like to use their own people, bringing in Chinese labor to get a job done. This has led to problems in the oil fields of western Kazakhstan, where Chinese employees work; in mining areas in Kyrgyzstan, where Chinese employees work; and along various parts of the roads being constructed in Kyrgyzstan and Tajikistan where locals work alongside Chinese workers. In the latest country, Chinese farmers are also lending agricultural land vacated by local farmers who left to migrate to Russia.²⁷ Chinese companies also secure their success in Central Asia through corruption, and unfair competition, which are common ills in Central Asia. According to the Extractive Industries Transparency Initiative (EITI) standards, implementing countries are required to report related government policies and disclose information about signed contracts and issued licenses. However, Kazakhstan and Tajikistan are among the countries that do not disclose any information about contracts and licenses to the public. Kyrgyzstan has disclosed information about only one contract, published on the Parliament's website.²⁸

Mehrinamo Jonmammadova, deputy minister of finance and chair of the EITI Council in Tajikistan has stated that: "The EITI Validation helps us to highlight areas for improvement. It stimulates the continuation of reform within the extractives sector and attracts 'quality' investments for sustainable economic growth."²⁹ Tajikistan's efforts to improve its natural resource governance through the EITI Standard were discussed on March 8, 2017, by the international EITI Board. The Board agreed that the country had made progress overall in implementing the 2016 EITI Standard but that significant areas of improvement remain. Following the recently published EITI Validation Report of Tajikistan, the international EITI Board concluded that, overall, inadequate progress had been made, and therefore, the candidacy of Tajikistan was suspended—the same happened to Kyrgyzstan.³⁰

Trade

One of BRI's chief purposes is to facilitate trade between China and other participating countries. For China, easier trade with Central Asia means decreasing transportation costs for both the export of its final products and for the import of minerals and energy resources from the region.

Like Chinese loans and foreign direct investment, trade between China and Central Asia has increased noticeably over the past decade. Starting in 2008, China displaced Russia as Central Asia's largest trading partner. China's trade with the five Central Asian states increased from about US\$1.5 billion in 2001 to approximately US\$50 billion in 2013, compared with Russia's US\$31.5 billion. Even when Central Asian trade fell to US\$32.5 billion in 2014 because of the economic crisis, the country still promised Central Asia US\$64 billion in infrastructure investment.³¹ Of

23 A. Tolmakov, "Ekspansia Kitaia v Kirgizii—ugroza interesam Rossii?," *Deutsche Welle*, December 12, 2012, <http://dw.com/p/16vBD>; Kojevnikov, "Chinese Expansion in Central Asia."

24 "Kazakhstan," Extractive Industries Transparency Initiative, <https://eiti.org/kazakhstan>.

25 Madi Bekmaganbetov, "Rastushchii vneshnii dolg Kazakhstana," *Radio Azzatyk*, October 6, 2016, <http://rus.azattyq.org/a/vneshniy-dokg-kazakhstan/28034846.html>.

26 "Kitai samyi krupnyi kreditor Kazakhstana," First Drilling.

27 Bruce Pannier, "What Does China's One Belt, One Road Project Mean For Central Asia?," *Gandhara*, November 12, 2016, <http://gandhara.rferl.org/a/china-central-asia-obor/28112086.html>.

28 Don Hubert and Rob Pitman, "Past the Tipping Point? Contract Disclosure," Natural Resource Governance Institute, March 2017.

29 "Tajikistan EITI assessment identifies issues that deter foreign direct investments," Extractive Industries Transparency Initiative, <https://eiti.org/news/tajikistan-eiti-assessment-identifies-issues-that-deter-foreign-direct-investments>.

30 "Tajikistan EITI assessment identifies issues that deter foreign direct investments"; "Status Tadjikistana v IPDO priostanovlen," National EITI Council of Tajikistan, March 30, 2017, <https://news.tj/ru/news/tajikistan/economic/20170330/status-tadjikistana-v-ipdo-priostanovlen>.

the Central Asian countries, Turkmenistan is China’s largest trade partner; bilateral trade reached more than US\$15 billion in 2015. Kazakhstan was the second-largest trading partner for China in the region (US\$14.2 billion), followed by Kyrgyzstan (US\$4.3 billion), Uzbekistan (US\$3.4 billion), and Tajikistan (US\$1.8 billion).

While Central Asian countries’ exports to China consist mainly of oil, natural gas, mineral resources, and metals, imports from China are primarily processed industrial products.³² The total volume of Chinese exports to Central Asian countries amounted to US\$17.6 billion in 2015, with over 38 percent of exported goods belonging to the category “miscellaneous manufactured articles” (final products), chiefly footwear and furniture. The second-largest share of Chinese exports is “machinery and transport equipment,” with the most common items being electrical machinery, apparatus and appliances, vehicle parts and accessories, heating and cooling equipment, and telecommunication and sound recording apparatus. “Manufactured goods” accounted for 25 percent of Chinese exports to Central Asia, with textile yarn, cotton fabrics, and manufactures of base metal being the most traded goods. Chinese imports from Central Asian countries are dominated by mineral fuels, lubricants and related materials—mostly natural gas—which accounted for over 67 percent of total imports. Manufactured goods accounted for 14 percent of Chinese imports, with the most traded goods in this group being copper, pig iron, and zinc. Chemicals and related products, mostly radioactives and associated materials, also represented a 12 percent share of exports.³³

These statistics paint a clear picture of the export–import relationship between China and Central Asia, which primarily consists of Chinese imports of energy and natural resources from Central Asia and the export of processed goods to these countries from China. China’s policymakers, on the other hand, are pleased with the focus on energy and infrastructure projects promoted by BRI and regard them as integral to Chinese economic growth. Infrastructure-related

enterprises in China are indeed currently operating at just 70 percent utilization, and even China’s ambitious urbanization plans will not be able to absorb that excess capacity. From the Chinese perspective, that excess could usefully be applied to infrastructure projects in other parts of Asia—the more than 400 million tons of excess steel produced in 2014 could be used for constructing railways across Central Asia, for instance. The construction of new transport facilities in Asia would also reduce transport time and costs and stimulate demand for Chinese construction material, construction services, and high-value manufactured goods. It is therefore not a coincidence that China will support the construction of 4,000 kilometers of railways and 10,000 kilometers of highways in Central Asia with nearly US\$16 billion of funding in coming years.³⁴ This strategy would spur another wave of China’s companies “going out” or “going global,” in order to take advantage of investment opportunities, explore new markets, and gain experience from international exposure.³⁵

Conclusions

Central Asian countries are approaching a watershed. For the first time in modern history, their economies—and, to some extent, their policies—are oriented more toward China than Russia. Russia’s two-century-long dominance is receding and likely to shrink further in the decades to come. Given the extent of the BRI project and the financial resources it has attracted, BRI itself indirectly challenges Russian influence in the region and set up the “Chinese century.”

BRI seems exceptionally beneficial for Central Asian states, since it facilitates trade and develops infrastructure in the region. However, closer analysis suggests that these changes predominantly serve the interests of China, expanding its export markets and increasing its companies’ access to the foreign natural resources, rather than creating a foundation for long-term economic growth in Central Asia, and im-

31 “China’s Long March Into Central Asia,” *StratforWorldview*, April 27, 2016, <https://worldview.stratfor.com/analysis/chinas-long-march-central-asia>.

32 “World Economic and Financial Surveys, Regional Economic Outlook: Middle East and Central Asia,” IMF, October 2015.

33 M. Kralovicova and M. Zatzko, “One Belt One Road Initiative in Central Asia: Implications for Competitiveness of Russian Economy,” *Working Paper* No. 2016/9, The Maastricht School of Management, August 2016.

34 Talmiz Ahmad, “Who’s Afraid of One Belt One Road?” *The Wire*, June 3, 2016, <https://thewire.in/40388/one-belt-one-road-shaping-connectivities-and-politics-in-the-21st-century/>.

35 “One Belt, One Road (OBOR): China’s regional integration initiative,” Briefing, European Parliament, July 2016.

proving local producers' competitiveness. There is a strong correlation between Chinese credit expansion and Chinese business engagement in Central Asia. By providing convenient loans, accesses the natural resource reserves of Central Asia. Kazakhstan and Turkmenistan are expected to continue and even increase their supply of mineral fuels such as oil and natural gas. Kazakhstan, Kyrgyzstan, and Tajikistan are projected to become major sources of copper, zinc, titanium, aluminum, gold, pig iron, zinc, radioactives isotopes and associated materials, and other mining metals and stones, all needed for the Chinese economy. Chinese loans also support Chinese firms because, despite extremely high unemployment rates in the borrower countries, most projects financed by Beijing are implemented by Chinese companies using Chinese equipment and laborers.

All in all, the current China–Central Asia relationship parallels the Soviet economic system, where the souther republics mainly supplied energy resources and raw materials to the more industrialized regions of the Soviet Union. During the Soviet era, Central Asia's natural resource- and agriculture-based economies were tightly linked with the country's manufacturing efforts, predominantly located in the European regions. To facilitate access to Central Asian resources, Moscow built infrastructure and energy networks through which the southern republics supplied raw materials and energy resources to the industrially developed northern regions of the country and in return the latter supplied the former with finished industrial goods and machinery. After the collapse of the Soviet Union and the resultant breakdown of the aforementioned system, Central Asian countries fell into a deep poverty trap that still lingers today. Today, China, like the Soviet Union, is primarily interested in importing raw materials, energy, and mining resources from the region, and

exported there its finished products. China's lending policy thus matches the definition of "predatory aid" given in this introduction.

In the short run, Chinese loans are vital for development, for overcoming current economic and social problems, as well as for ensuring political stability in Central Asia. However, in the long run, this cooperation will make Central Asian states heavily dependent on Chinese credit, as well as economically and politically vulnerable to its influence. Central Asian ruling elites underestimate the long-term negative consequences of China's generous loans. Economic policies designed to attract enormous financial resources for the promotion of infrastructure development without adequate emphasis on industry will not lead to sustainable development. Instead, relatively cheap and handy loans will create dependence on credit.

To mitigate growing dependency on Chinese loans, detailed projections of future external borrowing are crucial for each of the Central Asian countries to ensure diversification of their credit sources. Unstable local currencies are another risk that threatens sustainable external debt management: continuous depreciation of national currencies increases the burden on local budgets and thereby limits social expenditures. As such, adequate external debt sustainability analysis should be conducted on a regular basis by each country, taking into account external shocks threatening the value of national currencies. Thus, Central Asian ruling elites should look beyond their current investment needs and make informed political decisions that not only promote the interests of the current generation, but also protect the rights of future generations to use natural resources and prevent them from having to take on an excessive burden of external debt created by their ancestors.

Chapter 5. Hegemonic or Multilateral? Chinese Investments and the BRI Initiative in Tajikistan and Kyrgyzstan

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Since its inception via Xi Jinping's speech in September 2013, the Belt and Road (BRI) initiative has found its way into multiple collaborative declarations and messages of intent issued by Central Asian states. The governments of Kyrgyzstan and Tajikistan are no exception to this rule. Both Bishkek and Dushanbe have been eager to connect their economic development strategies to the vision promoted by the Chinese leader. And in both countries, the official and public discourses herald the start of an entirely new era of relations with the People's Republic. The present chapter concentrates on the underlying dynamics of this new relationship-building. Against the background of a vivid—and thus striking—disregard for the spirit of multilateralism, my inquiry seeks to find the rationale behind the tension-loaded and often contradictory discourses and practices that frame, shape, and reference BRI.

Some analysts argue that BRI is designed more as a way for the parties involved to stake claims and build legitimacy than it is to transform investment strategies and modes of development cooperation. BRI supposedly signifies the predominance of multilateral agreements, a new connectivity between equal partners, and a commitment to collaborative learning across borders. On the ground, however, this vision is turned upside down: China is progressing unimpeded toward uncontested economic and, as might be expected, political hegemony. In this chapter, I draw on interviews with state representatives, experts, and development practitioners to make my case.

The chapter begins with a short background section on formal relations and declarations made between Kyrgyzstan and Tajikistan, on one side, and

China, on the other. It then proceeds to discuss economic relations between the two sides and dynamics in recent relationship building, taking the new BRI framework into account. These two sections serve to outline differences and similarities between Tajikistan and Kyrgyzstan in their attitude toward Chinese investment and its corresponding opportunities and challenges. The next section focuses on the attempts by all stakeholders to lay claim to BRI and its promises in order to advance particular political agendas—that is, to infuse new legitimacy into otherwise contested relationships. I wrap up the chapter by providing commentary on these attempts from experts and observers in the region, as well as offering their estimates of the impact of BRI in terms of economic development and political implications.

The Formal Underpinnings of Cooperation

Both Kyrgyzstan and Tajikistan signed Strategic Partnerships with China in 2013, and these still form a major baseline for cooperation with Beijing. In the case of Tajikistan, the Partnership was signed during President Imomali Rahmon's visit to China in May 2013, which invigorated the dormant relationship between the two countries. Despite a Friendship Pact formed in 2007, only the later agreement to cede approximately 1,000 kilometers² to China seemed to open the path to mutual trust and a willingness to build better relations. The Strategic Partnership was quickly followed by major treaties and declarations, signed and adopted during President Xi Jinping's state visit to Dushanbe in September 2014.¹

¹ See "Kitai i Tsentral'naia Azia: osnovnye napravleniia razvitiia sotrudnichestva v sfere ekonomiki i energetiki," *Materik*, June 6, 2016, <http://materik.ru/rubric/detail.php?ID=24124&print=Y>. A first agreement for a Strategic Partnership between both countries was concluded during Rahmon's visit to Beijing in May 2013: see Rashid Alimov, "Strategicheskoe partnerstvo Tadjikistana (RT) i Kitaia (KNR): mezhdunarodno-politicheskie, ekonomicheskie i gumanitarnye izmereniia" (Ph.D. diss., Diplomatic Academy of the Ministry of Foreign Affairs of the Russian Federation, Moscow, 2014), 74–75.

This unusual event resulted, among others, in the “Mutual Declaration between the RT and the People’s Republic about the further Expansion of the Strategic Partnership” and in the “Program for Collaboration between the RT and the People’s Republic in the Years 2015–2020.” Further agreements targeted the work of Trans-Tajik Gas Pipeline Company Ltd. to construct Line D of the Turkmen–China gas pipeline and corresponding credit commitments. In total, 16 agreements were signed during Xi’s visit.² The strength of current cooperation has been confirmed by meetings on the highest level: Xi Jinping and Rahmon met each other seven times in the last three years alone.

Kyrgyz–Chinese relations followed a similar trajectory. A Strategic Partnership was formed in September 2013, followed by a Mutual Declaration in May 2014 and a Mutual Communiqué in December 2015. Like Tajikistan, Kyrgyzstan saw the establishment of a Gas Pipeline Company, Ltd. tasked with the planning and construction of the Kyrgyz section of Line D in Spring 2014. A major difference between Kyrgyzstan and Tajikistan has been relations between the highest echelons of power, at least in symbolic terms. Xi Jinping visited Bishkek within the framework of the 13th Shanghai Cooperation Organization summit in 2013, quite a contrast with the bilateral performance in Dushanbe a year later, when Rahmon hosted the Chinese leader in his family home.

The Silk Road Economic Belt (SREB) has been mentioned in official documents in both countries since 2014. The Mutual Declaration between Kyrgyzstan and China stipulates the “importance of the realization of the initiative for the common creation of the Economic Belt of the Grand Silk Road,” while the Mutual Communiqué, produced one year later, states in Point 3 that both “sides shall undertake efforts to connect the development strategies of both countries, that they shall formulate and adopt cor-

responding documents, as well as further promote Cooperation within the framework of the common creation of the Economic Belt of the Silk Road.” In the case of Tajikistan, the SREB is mentioned in the Mutual Declaration of fall 2014; both sides underline the “new historical possibilities for comprehensive collaboration between the RT and the People’s Republic created by the SREB.” In particular, the Tajik side highlights the congruence between SREB and Tajikistan’s strategic development goals, namely energy independence, breaking communication isolation, and sustainable food security. Furthermore, during Xi Jinping’s state visit to Dushanbe, the Ministry of Economy and Trade of Tajikistan and the Chinese State Committee for Development and Reforms signed a Memorandum of Understanding aimed at promoting the creation of the SREB. Such a Memorandum of Understanding is reportedly being drafted in Kyrgyzstan, according to the Ministry of Economy, yet by 2017 no such document had been adopted, and informants described the content of the draft memorandum as vague.³

Institutional ties haven’t been expanded with reference to SREB in trade relations in the case of both Central Asian republics. And while Tajikistan has actively participated in governmental commissions, Kyrgyzstan’s Chamber of Industry and Commerce has been active for three years now organizing business forums with Chinese investors in Kyrgyzstan in Bishkek and at Lake Issyk-Kul.⁴ The Kyrgyz Union of Industrialists and Entrepreneurs now has a presence in Chengdu and intends to open further branches in other major cities in China.⁵ Furthermore, both countries have been using their relations with the neighboring Chinese province of Xinjiang, through the establishment of a joint economic and trade commission (in the case of Tajikistan) and within the framework of increasing private entrepreneurial initiatives (in the case of Kyrgyzstan).⁶ Here, a certain

2 “Hod i rezultaty tadjzhiksko-kitaiskikh vstrech i peregovorov na vysshem urovne,” Prezident.tj, September 13, 2014, <http://www.prezident.tj/ru/node/7499>.

3 Representative of Kyrgyz Ministry of Economy, personal interview with the author, October 18, 2016.

4 Lidia Savina, “Issyk-Kul’skii forum: investitsionnye proekty prezentovany, soglasheniia podpisany,” *IBC*, August 29, 2015, http://www.ibt.kg/ru/analysis/articles/1370_undefined_index; also “Po itogam 3-go Ekonomicheskogo foruma ‘Issyk-Kul’-2016’ podpisany riad soglashenii,” Ministerstvo ekonomiki Kyrgyzskoi Respubliki, July 24, 2016, http://mineconom.gov.kg/index.php?option=com_content&view=article&id=6490&catid=63&lang=ru.

5 See “V gorode Chendu poiavilos’ ofitsial’noe predstavitel’svo kyrgyzskogo Soiuza predprinimatelei,” *Kabar*, October 24, 2016, <http://kabar.kg/ru/economics/full/112844>.

6 See, for Kyrgyzstan, representative of Kyrgyz Chamber of Commerce and Industry, personal interview with the author, October 17, 2016; and for Tajikistan, “Vstrecha Saidrahmona Nazrizoda s predstaviteliami Departamenta torgovli Xinjiang-Uigurskogo avtonomnogo raiona Kitaiskoi Narodnoi Respubliki,” Ministerstvo ekonomicheskogo razvitiia i torgovli Respubliki Tadjhikistan, November 8, 2016, <http://www.med.tj/ru/news/novosti-ministerstva-ekonomiki/379-vstrecha-saidrahmona-nazrizoda-s-predstaviteliami-departamenta-torgovli-sintzyan-ujurskogo-avtonomnogo-raiona-kitajskoj-narodnoj-respubliki>.

distinction is starting to emerge—albeit slowly—between partnerships initiated by the Tajik state, on the one hand, and collaboration primarily conducted by the Kyrgyz private sector, on the other.

On Economic Relations and Dependencies

Chinese investment in the economies of both states has long outpaced that of other economic partners. In terms of debt alone, China is the sole creditor of relevance: Kyrgyzstan currently owns the Chinese People's Republic about US\$1.6 billion, while Tajikistan has more than US\$1 billion in debts, amounting to 50 percent of sovereign debt.⁷ China maintains its leading position among creditors even when multilateral donors are considered. From a comparative international perspective, the overall figure is tolerable, but in view of its structure and the speed of debt accumulation, some experts express concerns.⁸ The main Chinese institution providing credit to both countries is the Exim Bank).

In general, this money has been used to fund the construction of large infrastructure projects. High-profile examples in Kyrgyzstan include the US\$400 million alternative North–South artery, which leads from Balykchy in the Northeast to Djalal-Abad in the South. The heat and power station in Bishkek is also being renovated with the help of Chinese investments to the tune of US\$386 million. In August 2015, a new high voltage power line to connect the north and south of the country was put into operation. The costs for this project added up to US\$390 million.

Similar projects were implemented in Tajikistan. The first power line was completed by Tebea Electric Apparatus (TBEA) in 2009, with a US\$420 million credit from the Exim Bank. The construction of a second power line was initiated in April 2015, with the goal of connecting the capital, Dushanbe, with distant regions. Road construction has been another major area into which Chinese investments have been channeled. The road from Dushanbe to Khujand in the north was renovated for US\$300 million, as were tunnels along mountain routes in Tajikistan, such as Shakhriston and Khatlonskii (for equally high sums).

Like Bishkek, Dushanbe saw its heating system overhauled: TBEA began construction on a second plant in 2013, financed by credit from the Exim Bank, and the Chinese Development Bank secured by licenses for gold mining in the north of the country.⁹ Both Tajikistan and Kyrgyzstan have seen an array of smaller credits and investments pouring into the construction of road and canal systems—in the towns of Qurghonteppa and Kulob in Tajikistan, as well as all over Bishkek, the capital of Kyrgyzstan. Many similar investments are planned in other towns, according to Ministry of Economy investment strategy documents.¹⁰

Recent reports indicate that investment in Tajikistan is about to reach new levels. Certainly, investments in the construction of factories for the production of cryolite, sulfuric acid, and aluminum fluoride have helped diversify the processing industry of the main exporter, Talco, which has seen drops in revenue due to supply chain gaps that have impeded production of aluminum. The Chinese machine manufacturer Sinomach invested US\$85 million, in line

7 See, for Kyrgyzstan, Sarah Lain, "China's Silk Road in Central Asia: transformative or exploitative?," *The Diplomat*, April 27, 2016, and Damira Baigonushova, "Public External Debt of Kyrgyzstan," *emercs.org*, 2016, <http://www.emercs.org/boardfile.do?action=download&brd-no=109&brdctsno=183472&brdctsfileno=64395>; for Tajikistan, "Sootnoshenie vneshnego dolga Tadjhikistana k VVP za god vyroslo na 5,4 protsenta," *Asia-Plus*, January 20, 2016, <https://news.tj/ru/news/sootnoshenie-vneshnego-dolga-tadjhikistana-k-vvp-za-god-vyroslo-na-54>; and "Vneshnii dolg Tadjhikistana za god uvelichilsia na \$86 millionov," *Sputnik*, February 2, 2016, ru.sputnik-tj.com/economy/20160202/1018324174.html.

8 See "Vnesnii dolg Tadjhikistana dostig 35,9 protsenta k VVP," *Asia-Plus*, July 29, 2016, <http://www.asiaplus.tj/ru/news/vneshnii-dolg-tadjhikistana-dostig-359-k-vvp>. The banking crisis in Tajikistan, which has been unfolding since spring 2014, has led to two leading institutes, TojikSodiroBank and AgroInvestBank, being subjected to state supervision. To support the banking sector in the face of dwindling reserves, China granted Tajikistan a US\$500 million loan. Read also the fatalistic statement of deputy finance minister Dzhamoliddin Nuraliev concerning borrowing from China in Michail Overchenko, "Tadjhikistan privlechet \$6 mlrd kitaiskikh investsii," *Vedomosti*, October 22, 2014.

9 This concerns the gold reserves East-Duoba and Upper-Kumarg (see "China to develop Tajik gold deposits," *Chinamining.org*, January 8, 2015, <http://en.chinamining.com.cn/Investment/2015-01-08/1420686103d70786.html>).

10 Data about investment projects taken from internal reports of the Kyrgyz Ministry of Economy. See "Informatsiia po proektu stroitel'stva i ekspluatatsii gazoprovoda 'Kyrgyzstan-Kitai,'" Ministerstvo ekonomiki Kyrgyzskoi Respubliki, 2016; and "Sotrudnichestvo v sfere okazaniia grantovoi pomoshchi Pravitel'stvom Kitaiskoi Narodnoi Respubliki," Ministerstvo ekonomiki Kyrgyzskoi Respubliki, 2016. A "Letter of Intent" of the Kyrgyz government, dated July 2, 2016, and addressed to the IMF, reports interruptions in the realization of the project in 2015. See "Kyrgyz Republic: Letter of Intent, Identified Fiscal Measures to Close the 2016 Fiscal Gap, and Technical Memorandum of Understanding," International Monetary Fund, June 2, 2016.

with the state's strategy to substitute domestic production for imports.¹¹ Heavy investment in cement factories follows a similar logic. However, investment in facilities in the northern town of Zarnizor to produce lead or zinc (ongoing since 2012) is currently overshadowed by news about Chinese investments in the construction of large minerals-processing facilities; the establishment of new settlements for more than 250,000 inhabitants in the neighborhood of Khujand speaks of a different kind of engagement. A reported US\$500 million is to be invested in the industry zone of the town of Istiklol.¹² Nothing comparable is currently taking place in Kyrgyzstan.

Trade is another major sphere in which relations between China and the republics of Tajikistan and Kyrgyzstan have been developing rapidly. Variations in data make it difficult to accurately describe current trade dynamics, however. In the case of Tajikistan, for example, Chinese sources claim that US\$2.5 billion in trade passed between the two countries in 2014, but imports from China in 2015 are listed at just US\$764 million.¹³ Given that China is the dominant exporter of goods to Tajikistan, it is important to understand any changes in trade dynamics.

For Kyrgyzstan, trade relations seem to have been affected by the country's accession to the Eurasian Economic Union. The bazaars that were once the center of Kyrgyzstani trade—chiefly the famous Dordoi bazaar, located north of Bishkek—has reportedly seen a huge decline in resale trade. In other words, accession to these trading unions appears to have diminished the value of old trading posts.¹⁴ As in Tajikistan, imports from China far outpace exports to it, and experts believe this is unlikely to change in the near future.¹⁵

In summary, a general pattern of the investment dynamics between China, on the one hand, and Tajikistan and Kyrgyzstan, on the other, emerges: historically, similar sums have been invested in similar types of infrastructure projects and in similar business spheres. More recently, however, Tajikistani mineral production facilities have seen large-scale investment and new settlements have been construct-

ed, all of which has yet to occur in Kyrgyzstan. This makes Tajikistan increasingly dependent on China as an investment partner compared to Kyrgyzstan, which is reflected in a slight difference in the two states' official relations with China. The other slight difference is in the area of trade: Kyrgyzstan's integration into the Customs Union has created obstacles for its trade with China that Tajikistan has yet to experience.

The New Label BRI/SREB

Several respondents characterized many of the above-mentioned projects as initiatives that are in the spirit of BRI, even if they do not explicitly follow its investment schemes or implementation practices. A selection of projects was also singled out as initiatives that would eventually fall in line with BRI and its goals of regional integration and multilateralism. Of these, the most frequently cited are plans to build a railway connecting western China to the Persian Gulf via Kyrgyzstan, Tajikistan, and Afghanistan; and the construction of Line D of the Turkmenistan–China pipeline, which would transport Turkmen gas to China via Uzbekistan, Tajikistan, and Kyrgyzstan. Both of these projects would mean less involvement by Kyrgyzstan than by Tajikistan, yet both countries have sent officials to Beijing to advocate for continued investment.

The Line D project, conceptualized and presented as an effort to unite four Central Asian states to jointly profit from the sale and transportation of gas, has been institutionalized in bilateral agreements between China and each state. Kyrgyzstan's agreement was signed in 2013, during Xi Jinping's visit to Bishkek for the SCO summit. According to this agreement, Line D is expected to run through the southern regions of Chong-Alay and Alay. Originally, the pipeline was expected to be completed by the end of 2017, and the Kyrgyz authorities hoped to profit from transit fees on the order of US\$40 million annually.¹⁶ In the meantime, funding for the construc-

11 "Tajik-Sino Mining Company to develop lead and zinc deposits," *Azernews*, July 28, 2014, www.azernews.az/region/69212.html.

12 There is no information concerning the investment sum for this project. See "Kitai investiruet polmilliarda dollarov na stroitel'stvo 7 predpriiatii v Sogde," *Radio Ozodi*, January 20, 2016, <http://rus.ozodi.org/a/27498712.html>.

13 "China, Russia and Kazakhstan are leading trade partners of Tajikistan," *KazInform*, January 27, 2016, http://www.inform.kz/en/china-russia-and-kazakhstan-are-leading-trade-partners-of-tajikistan_a2740639.

14 Henryk Alff, "Markt unter Druck. Der Dordoi-Basar in Kirgistan unter dem Einfluss von Eurasischer Wirtschaftsunion und Wirtschaftskrise," *Zentralasienanalysen* 105 (2016): 2–6.

15 Representative of GIZ in Dushanbe, personal interview with the author, October 2016.

16 "Informatsiia po proektu stroitel'stva i ekspluatatsii gazoprovoda 'Kyrgyzstan-Kitai'"

tion of Line D in Kyrgyzstan was supposed to come from CNPC. Yet despite Kyrgyz officials' calls for the work to start, as of the end of 2016, the Trans Kyrgyz Gas Pipeline Company, a subsidiary of CNPC Trans Asia Gas Pipeline Company specially created for this purpose in spring 2014, had yet to take any action.¹⁷ The press cited problems with the negotiations in Turkmenistan and delays in corresponding construction work in other countries as reasons for the delays.¹⁸ The whole project has been stalled so far.

A similar scheme has been concocted in Tajikistan, where a far greater share of Line D (a total of 400 kilometers) is slated to be constructed. Construction costs were estimated at US\$3.2 billion, and the Trans-Tajik Gas Pipeline Company Ltd., the beneficiary of a US\$300 million grant to Tajikistan from China, was expected to complete the project. In July 2016 Tajik Energy Minister Uzmonali Uzmonzoda assured the public that exploration tests were being finalized and that preliminary construction had already begun.¹⁹ That month, the Chinese affirmed their commitment to proceeding with the project, even as rumors circulated that the project was facing problems in other states, particularly Uzbekistan.²⁰ A respondent in Dushanbe suggested that the Chinese partners were in fact unhappy with Tajik mismanagement and that it was them, more than anyone else, who stalled the construction process. Several other respondents highlighted the fact that Tajikistan was not supposed to take any of the gas for domestic purposes, a concession made to Uzbekistan, which

sought to retain its power to blackmail Dushanbe using gas exports.

With Uzbekistan and China's recent decision to cancel any further works on Line D, Kyrgyzstan's and Tajikistan's hopes of seeing the pipeline cross their respective territories have been brought to naught.²¹ A similar, if darker, outlook pervades the discussion and negotiation of railway construction. To build a railway from Xinjiang to the Persian Gulf would require construction of a rather long section through Tajikistan, connecting the Vakhdat station east of Dushanbe with Karomik at the Tajik–Kyrgyz border. Owing to the mountainous terrain of the route, construction costs are estimated at US\$2.5 billion, and the cost alone has led some experts to advise shelving the project. Moreover, this particular route from Xinjiang to the Persian Gulf has drawn criticism from the political leadership in Bishkek.²² The proposed rail line would simply parallel Line D without creating further connections to populated areas, let alone industrial centers. As such, Kyrgyzstan has been keen to propose alternative routes. One respondent, a multinational donor, believes it is precisely such efforts to shape Chinese investment to their purposes that will determine the viability of SREB for Kyrgyzstan.²³

One of Bishkek's proposals is a line running from China to Uzbekistan, specifically Torugart—At-Bashy—Kazarman—Djalal-Abad. President Atambayev lobbied for this approach in October 2016, during his most recent visit to China.²⁴ A much more ambitious plan is to finally create a link between the northern and southern railway networks. To this

17 See "Vsled za Atambaevym vopros zh/d KNR — KR — RUz podniyal pered Kitaem Tursunbekov," *Sputnik*, October 15, 2016, <http://ru.sputnik.kg/economy/20161015/1029761654/vopros-zh-d-kr-ru-z-podniyal-pered-kitaem-tursunbekov.html>; and "KR podpisnet soglasenie o stroitel'stve gazoprovoda v KNR," *Sputnik*, December 25, 2015, <http://ru.sputnik.kg/economy/20151215/1020900775.html>.

18 "Srok stroitel'stva gazoprovoda Kyrgyzstan - Kitai sdvigaetsia na neopredelennoe vremia," *24.kg*, May 25, 2016, http://24.kg/tsentralnaja_aziya/32447_srok_stroitelstva_gazoprovoda_kyrgyzstan_-_kitai_sdvigaetsia_na_neopredelennoe_vremia/.

19 "Kto postroit gazoprovod Tadjikistan—Kitai?," *Asia-Plus*, July 24, 2015, <http://www.news.tj/ru/news/kto-postroit-gazoprovod-tadjikistan-kitai>; and "U. Usmonzoda: 'Slukhi o priostanovke stroitel'stva gazoprovoda Tsentral'naia Azia-Kitai, bespochvenny...'" *Dialog.tj*, July 29, 2016, <http://www.dialog.tj/news/u-usmonzoda-slukhi-o-priostanovke-stroitelstva-gazoprovoda-tsentralnaya-aziya-kitaj-bespochvenny>.

20 A respondent from EBRD in Dushanbe reported delays in the realisation of the project, caused not least by scepticism among Chinese investors vis-à-vis their increasingly problematic partnership with their Tajik counterparts (Representative of EBRD in Dushanbe, personal interview with the author, November 8, 2016). For the official narrative, see "Kitai ne sobiraetsia otkazyvat'sia ot 4-i nitki gazoprovoda iz TsA," *Sputnik*, July 23, 2016, <http://ru.sputniknews-uz.com/economy/20160723/3420381.html>.

21 See Casey Michael, "The Central Asia-China Gas Pipeline Network: Line D(ead)," *The Diplomat*, March 21, 2017, <http://thediplomat.com/2017/03/the-central-asia-china-gas-pipeline-network-line-dead/>.

22 "Proposed projects to be included into the TSCC five-year investment plan (2011–2015) under the CAREC," Tajik Ministry of Transport (Dushanbe, 2016); see also Arina Mordvinova, "Kitaiskii Shelkovyi put' proidet po zheleznyim dorogam Tsentral'noi Azii," Rossiiskii institut strategicheskikh issledovani, 2016, <http://riss.ru/analytics/27356/>; and "Proekt zheleznoi dorogi po marshrutu Kitai-Tadjikistan-Iran nikogda ne budet priinat: eksperty," *Regnum*, June 19, 2012, <https://regnum.ru/news/1543222.html>.

23 Representative of IMF in the Kyrgyz Republic, personal interview with the author, October 17, 2016.

24 "Gazoprovod i zh/d: Atambaev uveren v skoroi realizatsii proektov s Kitaem," *Sputnik*, October 1, 2016, <http://ru.sputnik.kg/society/20161001/1029487840/atambaev-pozdravil-si-czinpina.html>.

end, the route from Torugart to Djalal-Abad in the south would need to reach Balykchy in the north.²⁵ The Kyrgyz side has sought to justify this much more complex route with reference to the increased possibilities for exploiting the massive coal reserves in the Kara-Keche fields located in the geographical center of Kyrgyzstan. In fall 2016, state officials explained that they were considering further alternative routes, such as a Soviet-era proposal to simply expand the Irkeshtam—Karamyk route to reach out to Osh in the Fergana Valley.²⁶ The lack of any progress on either of the routes suggests that China has been not only hesitant to consider these suggestions, but outright dismissive. Respondents in Kyrgyzstan highlighted the poorly conceived economic rationale behind Bishkek's plans, noting that the promise of increased coal production is not enough to justify such investments.²⁷ Another factor preventing the realization of Chinese-backed railway projects in Kyrgyzstan is Moscow's geopolitical reservations. Some experts observed that Russia is interested in eventually engaging in north-south connections and would like to block any further links between China and Uzbekistan to prevent Tashkent from drifting further into Beijing's geopolitical orbit.²⁸

For this study, the actual status of the proposed railway projects is less important than the fact that they all have been framed as SREB initiatives, as new forms of engagement in line with the vision laid out by Xi Jinping. More than that, the media and officials touted the new rail link between Vakhdat and Yovon, opened at the end of 2016, as the first project under SREB or BRI rules of engagement.²⁹ This link, a vital connection between the northern and southern railway networks in Tajikistan, had been planned some time ago and was financed by the Exim Bank.

In Kyrgyzstan, attempts to modernize and reinvigorate decaying industries have led to multiple (spurious) claims that projects are being funded by SREB. For example, in May 2016, a list of 42 enterprises that had allegedly been chosen for Chinese investment circulated in the media. Visits for potential investors from China were organized, and the supposed BRI imprimatur served to keep hopes up, but concrete programs to regulate investment and handle state-supported business cooperation were never adopted.³⁰ More recently, there has been an attempt to establish two special economic zones to facilitate trade between China and Kyrgyzstan. One zone is supposed to serve as an industry park, while the second is designated as a logistics center. The plans for both zones are being managed by Kyrgyzstan's Agency for Investment Support, which noted in an internal paper that having access to the sea would increase Kyrgyzstani export potential.³¹ The internal paper also notes that these zones are supposed to be erected in Lianyungang at the Yellow Sea and that they are designed as special economic zones for *all* BRI partner countries if they attempt to find ways to export their goods. The actual effect on the Kyrgyz economy, however, is close to zero, considering the lack of production facilities within Kyrgyzstan that would be able to potentially exploit increased trade opportunities.

In reality, only a single project can claim to have received funding from one of the newly established financial institutions that are intended to serve the BRI strategic goals. In June 2016, the EBRD and the recently established Asian Infrastructural Investment Bank (AIIB) agreed to divide costs for the renovation of an outward road in Dushanbe (the Dushanbe-Uzbekistan Border Road Improvement Project).³²

25 "Novyi variant stroitel'stva zheleznoi dorogi vnesut v pravitel'stvo," *Vechernii Bishkek*, November 18, 2015; "Mintranskom predstavil proekty marshrutov zheleznoi dorogi Kitai-Kyrgyzstan," *StanRadar*, March 2, 2015, <http://www.stanradar.com/news/full/15317-mintranskom-predstavil-proekty-marshrutov-zheleznoj-dorogi-kitaj-kyrgyzstan.html>.

26 Representative of the Kyrgyz Ministry of Transport and Communication, personal interview with the author, October 17, 2016.

27 Representative of IMF in the Kyrgyz Republic, personal interview with the author, October 17, 2016.

28 Independent expert on transport and railway systems, personal interview with the author, October 18, 2016; Yu Bin, "China-Russia Relations: Putin's Glory and Xi's Dream," *Comparative Connections* 14, no. 1 (2014): 121–133.

29 "Proburen vtoroi tunnel na stroiasheisia zheleznoi doroge 'Vakhdat-Iavan,'" *Radio Ozodi*, December 29, 2015, <http://rus.ozodi.org/a/27454963.html>; see "Chinese-built Tajikistan railway starts operation," *China Radio International*, August 25, 2016, <http://english.cri.cn/12394/2016/08/25/4203s938410.htm>.

30 "Stal izvesten spisok iz 42 predpriatii KR, predlozhennykh Kitaiu," *Sputnik*, May 31, 2016, <http://ru.sputnik.kg/Kyrgyzstan/20160531/1025969166.html>; and "Investoram iz Kitaiia pokazhut prostaivaiushchie predpriatii Kyrgyzstana," *Sputnik*, May 31, 2016, <http://ru.sputnik.kg/economy/20160531/1025920609.html>.

31 "Videnie kyrgyzskoi storony i perspektivy sotrudnichestva po initiative kitaiskoi storony 'Odin poias i odin put,'" Ministerstvo ekonomiki Kyrgyzskoi Respubliki, 2015.

32 "AIIB's Board of Directors Approves \$509 M Financing for Its First 4 Projects: Power, Transport and Urban Investments Span South, Southeast and Central Asia. Asian Infrastructure Investment Bank," Asian Infrastructure Investment Bank, June 24, 2016, http://euweb.aiib.org/html/2016/NEWS_0624/120.html.

The overall amount of money spent on this project is US\$55 million, with the two partners sharing the financial burden equally. This project distinguishes itself by its multilateral funding context and, according to one respondent, it serves China's increasing interest in adapting its own funding strategies and practices to global standards and in paving the way for more projects and investment in Tajikistan.³³ However, considering China's dominant role in all spheres of the Tajikistani economy, one can only surmise which path still needs paving.

In sum, while Tajikistan indeed can present one original BRI project, Kyrgyzstan is unable to do so. Though the opening ceremony of the Vakhdat-Yovon rail corridor resembled a new stage in infrastructural investment, Kyrgyzstan has seemingly exhausted itself in its unanswered calls for the Chinese leadership to invest into railways and pipeline construction. Furthermore, one feels compelled to compare Kyrgyzstan's latest pledges to finance outdated industrial facilities within the framework of BRI (extensively covered in the media) with the slow but persistent penetration of different economic segments by Chinese money in Tajikistan. Tajik leaders have long received the investment they want, where they want it, whereas Kyrgyzstan makes extensive rhetorical claims about BRI but has little to show for it. This pattern suggests that decision-makers in Bishkek are attempting to compete with Tajikistan (and, presumably, Kazakhstan) to attract the attention of Chinese investors by making ever-louder appeals to the vision of BRI. A closer look at the discourses on BRI/SREB in Tajikistan and Kyrgyzstan helps further trace this dynamic.

Debates on BRI in Tajikistan and Kyrgyzstan

In Tajikistan, official and public discourses treat Chinese engagement very similarly. The state set the official tone with its ceremonial welcome of Xi Jinping

in fall 2014: China is considered a great friend and savior that offers its help without "strings attached." For example, the state-owned *Narodnaia gazeta*, writing about the visit of the Chinese Communist Party leader, described China as a "Good Neighbor, True Friend, [and] Reliable Partner," and went on to list all the great opportunities that would emerge as a result of this new partnership.³⁴ Other media take a similar line, while critical commentaries are harder to come by. Exceptions are the Tajik outlet of Radio Free Europe (Radio Ozodi) and the news agency Asia-Plus. But even their critical observations cannot change the overall public impression in Tajikistan that there is simply not much of an alternative to Chinese investments.

That is not to say, however, that some observers or parts of the general public do not feel uneasy about current developments. In my conversations with experts and members of international organizations, they were strongly critical of Chinese investment practices.³⁵ Particular grievances included the environmental problems surrounding the renovation and construction of heating plants in Dushanbe, as well as the lease of agricultural land that is subjected to intensive farming methods (Open Asia reports that more than 15,000 hectares have been leased to Chinese farmers).³⁶ Some respondents mentioned the "invasion" of Chinese workers. Officially, the number of Chinese migrants to the republic is 6,500, yet unofficial estimates multiply the number many times over.³⁷ To what extent the feeling of being overwhelmed by immigrants pervades the general population is hard to evaluate. But based on online surveys that mirror diffuse fears of users and the stories about clashes between Tajik and Chinese workers that sporadically pop up on the Internet, the relationship is not free of tensions.³⁸ In interviews, however, respondents were quick to dismiss such cases as isolated episodes or professed not to have heard about them. Instead, they affirmed the official line of tolerant neighborly relations.

33 Interview, representative of EBRD in Tajikistan, Dushanbe, November 8, 2016.

34 "Dobryi sosed, vernyi drug i nadezhnyi partner," *Narodnaia Gazeta*, September 19, 2014, <http://narodnaya.tj/component/content/article/46-tema-dnya/716-2014-09-17-11-10-20>.

35 Representative of Tajik Customs Service, personal interview with the author, October 20, 2016; representative of US Embassy, personal interview with the author, October 27, 2016.

36 According to an Open Asia report, the amount of land leased to Chinese investors has increased to about 15,000 hectares. See "Neskol'ko gluboko kitaittsy pronikli v Tadzhhikistan?," *Open Asia*, July 1, 2016, <http://theopenasia.net/articles/detail/naskolko-gluboko-kitaittsy-pronikli-v-tadzhikistan/>.

37 "Neskol'ko gluboko kitaittsy pronikli v Tadzhhikistan?"

38 Ibid.

This official backing for SREB has had two effects on the current political climate in Tajikistan. First, the new partnership with China opens the doors wide for any economic project Beijing is interested in. Second, such state-controlled consecration of the new partnership draws a clear red line for anybody who wants to comment on it. Against this backdrop, the debate among Tajik experts about the importance or relevance of BRI offers markedly less insight. China specialists like Rashid Gani Abdullo express their hope for new Chinese–Tajik cooperation. For example, at a conference organized back in April 2011 about geopolitical constellations in Central Asia, Abdullo focused more on disturbances in relations among the Central Asian neighbors that would jeopardize Tajikistan’s ability to reap the benefits of Chinese investment.³⁹ He later repeated that position and rejected warnings that Tajikistan would become financially dependent on China and risk being overtaken by Chinese immigrants.⁴⁰ Experts typically follow this discursive model. Abdugani Mamadazinov and journalist Maksim Vedeneyev confront potential scaremongers and describe the partnership with China as the “Path toward the future well-being of independent Tajikistan.”⁴¹ The fact that these voices so often have to reject critical opinions betrays that not all in Tajikistan are comfortable with China’s rising and unchecked economic and political dominance. However, the state’s official claim that China is the partner for Tajikistan’s future and that BRI promises rising well-being and prosperity prevents any such worries from finding their way into the public discourse.

In Kyrgyzstan, things are quite different. A distinction needs to be drawn between official and public discourse. Politicians repeat the official line, while the general public discourse hardly mentions SREB. There is no doubt that Chinese investment and its impact on society and economy are constant topics of public debate, though they are discussed less

against the backdrop of BRI than as part of a broader geopolitical shift that Kyrgyzstan finds itself exposed to. This discrepancy might be partly explained by the lack of actual initiatives that bear BRI’s name. Since work has not begun either on pipelines or railways, there is very little connecting current Chinese investment with BRI. As of the end of 2016, only two commentaries in the “Readers and Experts” section of the news agency Akipress were dedicated explicitly to BRI. The first was written by Valerii Dil, former vice-prime minister for economic affairs, while the second was a commentary by the Chinese ambassador to Kyrgyzstan, Zi Dayui.⁴² Both contributions lobby for BRI and simply repeat the positions one might expect from public officials. Other news agencies, such as 24.kg and knews.kg, also parrot official positions—even sometimes, in the case of 24.kg, Chinese positions that find their way to the Kyrgyz agency via Russian media.

This copying should not be mistaken as fear of harassment by state organs or as self-censorship. Controversial questions like Chinese immigration and environmental pollution are being debated, and respondents are not shy in expressing their concern about growing Chinese influence. Unlike in Tajikistan, the lack of proper reporting about BRI, the lack of any systematic discussion of possibilities and risks, opportunities and challenges, has been mentioned by the expert community in Kyrgyzstan as one of the factors inhibiting a potentially beneficial partnership with China. Authors like Shestakov and Taabaldiyev warn against the discursive hegemony of nationalists, which they fear destroys hope of a partnership: “If not, this topic will be chaired by the opponents in the expert community and in the media. And against the background that talks about the Chinese economic expansion, the loss of sovereignty and identity, about the process of Sinozation of Central Asia are widely circulating already.”⁴³ The concern expressed in

39 Rashid Gani Abdullo, “R. Abdullo: Tadzhijsko-kitaiskie otnosheniia (novye niuansy),” *Centrasia.ru*, May 6, 2011.

40 Rashid Gani Abdullo, “Tadzhijskistan i Ekonomicheskii poias Velikogo Shelkovogo puti,” *Dialog*, September 13, 2015.

41 “Ne nuzhno boiat’sia KNR, nuzhno razrabotat’ natsional’nuu strategiiu razvitiia s pomoshch’iu Kitaia — Mamadazimov,” *Avesta*, September 16, 2014, <http://avesta.tj/2014/09/16/ne-nuzhno-boyatsya-knr-nuzhno-razrabotat-natsionalnuyu-strategiyu-razvitiya-s-pomoshhyu-kitaya-mamadazimov/>; “Kitai: nadezhnoe investirovanie kapitala—zalog budushchego blagosostoianiiia suverennoogo Tadzhijskistana,” *Tajmigrant.com*, September 26, 2016, <http://tajmigrant.com/kitaj-nadyozhnoe-investirovanie-kapitala-percent80-percent93-zalog-budushchego-blagosostoyaniya-suverennoogo-tadzhijskistana.html>. For a general discussion of the Tajik debate on Tajik-Chinese relations, see Alimov, “*Strategicheskoe partnerstvo Tadzhijskistana (RT) i Kitaia (KNR)*,” 33–40.

42 “Kyrgyzstan: Na puti mnogovektornoi Evrazijskoi integratsii,” *Akipress*, September 10, 2015; “Sovmestnoe stroitel’stvo Ekonomicheskogo poiasa Shelkovogo puti,” *Akipress*, May 20, 2015.

43 Igor Shestakov, “Proekt Velikogo Shelkovogo puti v SMI Kyrgyzstana: realii i perspektivy” (paper presented at the annual Abdurazakovsky Experts’ Forum, Bishkek, April 29, 2016); see also K. A. Taabaldiev, “Ob aktual’nosti sozdaniia na Shelkovom puti soglasovannogo informatsionnogo polia” (paper presented at the annual Abdurazakovsky Experts’ Forum, Bishkek, April 29, 2016).

this commentary is about the danger of Sinophobic tendencies among ethno-nationalists in Kyrgyzstan. In the past, such tendencies manifested themselves in violent action on a few occasions, for example in raids of brothels visited by Chinese workers. These incidents then went viral, with videos of such raids published online.⁴⁴ Experts' concerns are, therefore, not without substance; yet so far the usual practice of Chinese engagement has not faced any limitations. Without doubt, there is discernible public unease in Kyrgyzstan vis-à-vis Chinese investment, but these worries have not translated into systematic discrimination or clear-cut policies to stem the rising dominance of China.⁴⁵

On the contrary, the two other aspects often mentioned by the expert community in discussions about BRI/SREB are the lack of initiative on the part of the Kyrgyz state and the destructive role of the corruption and informality that governs Kyrgyz politics.⁴⁶ One respondent explained that current negotiations between Kyrgyzstan and China for the construction of the railway must be understood as a new administration's predictable attempt to receive another grant to conduct a feasibility study. Eighteen feasibility studies have already been drafted since the first collaborations began in the 1990s. Each new prime minister commissioned his own feasibility study in order to extort money from all kinds of donors ready to pay for it.⁴⁷ In view of such corruption, the calls for Kyrgyzstan to elaborate an independent policy to shape emerging economic relations with China—to use BRI for its own purposes—eventually come close to zero. Given the informal actions of officials and politicians and due to their short-sighted pursuit of particular goals, some experts fear that SREB will most likely develop into a project to advance Chinese hegemony.⁴⁸

In Tajikistan, official and public discourse combine to shape the opinions of the expert community, whereas loose—if not disconnected—discourses

about BRI in Kyrgyzstan cause the expert community to demand that the state and opinion-makers make greater efforts to shape the public debate. Relating these discourses back to the initial hypothesis that Kyrgyzstan and Tajikistan deploy two different strategies to make claims to BRI, it is clear that, in Kyrgyzstan, new administrations refer to BRI to attract Chinese attention, but these efforts hardly translate into systematic policies of partnership-building. Informal politics and the failure to generate legitimacy are also problematic. Tajikistan, on the other hand, has reframed a controversial relationship with China as the discovery of new lands, and no actors mount a serious critique to the very obvious truth that Tajikistan needs China. These different constellations in Tajikistan and Kyrgyzstan are also revealing in terms of China's BRI strategy, partly betraying China's unchanged approach to investment in Central Asia. The final section uses commentaries from international development experts to highlight these characteristics.

BRI and the Question of Multilateralism

It is not only since European states' recent rejection of Xi Jinping's vision for cross-Eurasia trade that BRI's claim of multilateralism and equal partnership has been questioned.⁴⁹ Observers working in development organizations in Tajikistan and Kyrgyzstan said that Chinese economic development engagement in the region remains unchanged. In the case of Kyrgyzstan, respondents repeatedly noted that Chinese representatives would continue to pursue their own agenda rather than cooperating with other donors. For example, a Chinese representative had yet to show up at the Development Partners' Coordination Council in Kyrgyzstan, the main platform for exchange and cooperation between bilateral and multilateral donor organizations. The

44 Anna Lelik, "Kyrk choro" - groza kyr-prostitutok. Politsiia npravov ot kyrgyzskikh natsionalistov," *Centrasia.ru*, February 16, 2015.

45 Kemel Toktomushev, "Central Asia and the Silk Road Economic Belt," *Policy Brief* 2016/1, Institute of Public Policy and Administration, Bishkek, 2016; compare risk indicators, among them demography, in N. T. Muratalieva "Geostrategiia Kitaia i bezopasnost' Kyrgyzstana," in *Materialy mezhdunarodnoi konferentsii "Sovmestnoe razvitie i protsvetanie stran vdol' Velikogo Shelkovogo Puti,"* Bishkek, November 28, 2014, 97.

46 For call to initiative, see M. S. Imanaliev "O nekotorykh vazhnykh momentakh stroitel'stva Novogo Shelkovogo Puti," in *Materialy mezhdunarodnoi konferentsii "Sovmestnoe razvitie i protsvetanie stran vdol' Velikogo Shelkovogo Puti,"* Bishkek, November 28, 2014; and independent expert on Chinese affairs, personal interview with the author, October 12, 2016.

47 Independent expert on transport and railway systems, personal interview with the author, October 18, 2016.

48 "Kyrgyzstan prevrashchaetsia v stranu, ne imeiushchuiu perspektivy," *Akipress*, December 9, 2015.

49 See "EU backs away from trade statement in blow to China's 'modern Silk Road' plan," *The Guardian*, May 15, 2017.

EBRD, EDB, and others did not report about any contact with Chinese partners.⁵⁰ Within the framework of the Development Assistance Committee of the OECD, one respondent reported about potential partnership with Chinese investors to introduce international standards to the Central Asian mining sector. Germany's GIZ had started negotiations with Chinese mining companies, which was considered a potential cooperation initiative under the BRI umbrella.⁵¹

The case of Tajikistan exhibits similar characteristics: Chinese representatives have been absent for years from the Donor Coordination Council, while credit lines have been handed out without due diligence and agreed upon by direct negotiations with the political leadership. Respondents from the international donor community in Dushanbe were more or less in accord about the continuation of Chinese development practices that were isolationist in nature and exploitative in their implementation.⁵² In addition, society and politics in Tajikistan were silenced while massive Chinese investments threatened livelihoods and, eventually, the economic and financial sovereignty of the country. Beyond that, no respondent claimed to know of any alternative to Chinese investment. Both in terms of the instantaneous availability of credit in times of money shortages and of the sheer size of the loans offered, China continues to outbid any competitor in Central Asia.

Tajikistan and Kyrgyzstan have been subject to different dynamics in their efforts to build relationships with China. Leaving to one side such dynamics, the results of actual investment in the Central Asian republics, and the current course of integration into a wider sphere of Chinese economic influence, the very mechanisms applied to shape development on the ground do not follow established standards of multilateral cooperation. If development experts in

the countries are to be believed, despite continuous affirmations of the new spirit of BRI, Chinese initiatives tend to follow tried-and-tested methods for maximizing their effect.

Conclusion

The cases of Tajikistan and Kyrgyzstan highlight stark differences in the way the Chinese BRI initiative is being presented and discussed by state and society. They also exhibit differences in the ways officials lay claim to BRI to call for or legitimize action. In Tajikistan, the state simply imposes a narrative that almost seems to welcome emerging dependency on Chinese investment. Meanwhile, in Kyrgyzstan, informal bargaining results in fruitless attempts to achieve more investment, causing experts to call for more concerted actions vis-à-vis Chinese opportunities. And while Tajikistan sees a heavy influx of Chinese investment in all spheres of the economy, to the point where Chinese money looks set to finance the construction of entire cities, Kyrgyzstan's dependency is less pronounced and more contested. The set of actors involved, public controversies regarding Chinese investment, and the integration of Kyrgyzstan into the Eurasian Economic Union have made its relationship with China and the potential for Chinese investment much more complicated. In the end, all difference in actors and discourses aside, Chinese investment practices have not changed since Xi Jinping announced the One Belt, One Road initiative. The Chinese continue to distinguish themselves by means of direct state-to-state contacts, they avoid cooperation with other donors present on the ground, and they can rest assured that the economic expansion will continue undisturbed as long as no other relevant source of funding or form of development emerges in the region.

50 Representative of IMF in Kyrgyzstan, personal interview with the author, October 17, 2016; representative of EBRD in Kyrgyzstan, personal interview with the author, November 2, 2016; representative of Eurasian Development Bank in Kyrgyzstan, personal interview with the author, November 1, 2016; representative of German Embassy in Kyrgyzstan, personal interview with the author, November 3, 2016.

51 Representative of GIZ in Kyrgyzstan, personal interview with the author, October 25, 2016.

52 Representative of KfW in Tajikistan, personal interview with the author, October 21, 2016; representative of GIZ in Tajikistan, personal interview with the author, October 21, 2016; representative of EBRD in Tajikistan, personal interview with the author, November 8, 2016; representative of German Embassy in Tajikistan, personal interview with the author, November 23, 2016.

Chapter 6. Can the Silk Road Revive Agriculture? Kazakhstan's Challenges in Attaining Economic Diversification

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President Nursultan Nazarbayev's two initiatives, "Kazakhstan-2030," announced in 1997, and "Kazakhstan-2050," announced in 2012, embrace the long-term development goal of economic diversification. However, due in part to the oil price boom of the 2000s, which reduced incentives for diversification, and in part to the state's steadily increasing role in the economy, Kazakhstan's economy is more dependent on oil and less diversified today than it was 10 years ago. To wit, Kazakhstan's non-oil GDP fell from 25 percent of total GDP in 2004 to 12 percent in 2016.¹

The dramatic and protracted fall of oil prices since mid-2014 seems to have prompted the Kazakhstani state to renew its emphasis on diversification, particularly investment in transport infrastructure within the framework of the Nurly Zhol economic policy, announced in late 2014. The Silk Road Economic Belt (SREB), a part of China's Belt and Road Initiative (BRI) that passes through Kazakhstan, has the potential to contribute to the state's economic diversification efforts through the development of transport infrastructure.

The Kazakhstani state is looking forward to the inflow of transit fees, Chinese contributions to the

improvement of its transport infrastructure, and the general inflow of Chinese investment into the national economy, but does not seem to have a clear strategy for using SREB to develop its non-energy sectors. In what follows, I put forward one possible approach: focusing on exporting agricultural products along the routes developed by SREB and investing in transport infrastructure in the rural areas around Kazakhstan's major cities.

The Challenge of Economic Diversification

Economic diversification has become such a buzzword that it is important to revisit why the lack thereof is a crucial problem. Kazakhstan's heavy reliance on oil exports (as Figure 6.1 shows, crude oil constituted 71 percent of Kazakhstan's total exports between 1995 and 2015) has two major consequences. Firstly, the country's dependence on oil revenues leaves its economic growth highly vulnerable to oil price fluctuations. Low oil prices can result in the abrupt contraction of public resources, with negative spillover effects on the rest of the economy.

Figure 6.1. Kazakhstan's Export Composition between 1995–2015



Note: Exports of crude oil amounted to US\$485 billion (or 71 percent of Kazakhstan's total exports) between 1995 and 2015.
Source: The Observatory of Economic Complexity database (atlas.media.mit.edu)

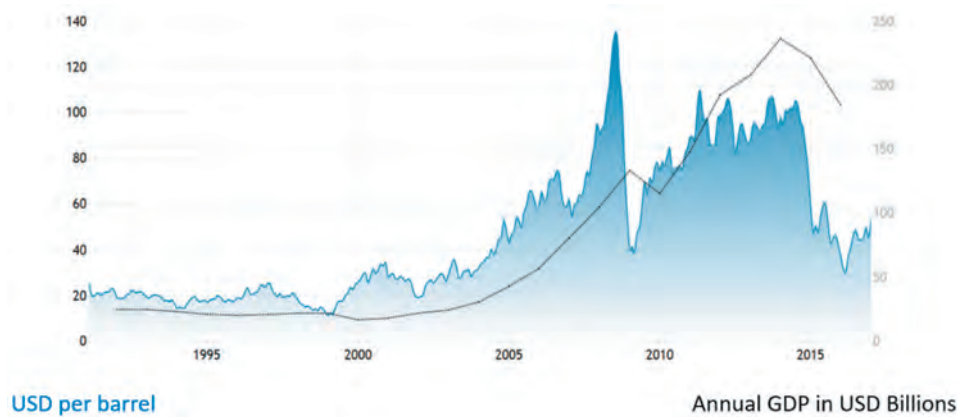
¹ International Monetary Fund, Non-oil Revenue for General Government of Kazakhstan, retrieved from FRED, Federal Reserve Bank of St. Louis, <https://fred.stlouisfed.org/series/KAZGGRXOGDPXOPT>.

Figure 6.2 illustrates how closely Kazakhstan’s annual GDP (in billions of US dollars) tracked the annual average price of crude oil (in US dollars per barrel) between 1991 and 2015. Accordingly, Kazakhstan’s GDP growth rate fell from 5.8 percent in 2013 to 1.2 percent in 2015,² largely in response to the decline in oil prices since mid-2014 (oil prices peaked at US\$94.25/barrel in 2013 and stood at US\$42.53/barrel in 2015, adjusted for inflation).³ Driven in part by the need to limit the loss of oil revenues in its local currency, the government devalued the tenge by almost 20 percent in 2014. After it allowed the currency to free-float in 2015, the tenge fell by a further 20 percent or more.⁴ This substantial devaluation pushed the

inflation rate to an average of 14.6 percent, decreased average real wages by 0.9 percent, and increased the poverty rate to about 19.8 percent in 2016.⁵

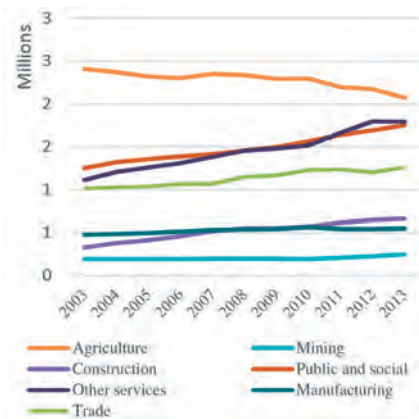
Secondly, extractive sectors are generally capital-intensive and, as such, do not generate much employment. Figure 6.3 shows that between 2003 and 2013, the mining sector (led by oil and gas production) consistently accounted for the smallest proportion of total annual employment in Kazakhstan. Between 1999 and 2010, average annual employment levels for mining were the lowest of any sector, at 2.5 percent; by contrast, in the same period, average annual employment in agriculture was 31 percent—the highest share of the total.⁶

Figure 6.2. Kazakhstan’s GDP (Black Line) Closely Follows the Price of Crude Oil (Blue Line)



Source: TradingEconomics.com

Figure 6.3. Employment in Kazakhstan by Sector between 2003–2013



Source: World Bank, “Low Oil Prices; An Opportunity to Reform,” *Economic Update on Kazakhstan, Spring 2015*, 13

² “GDP growth rate of Kazakhstan, 1990–2016,” World Bank, <http://databank.worldbank.org/data/reports.aspx?source=2&country=KAZ>.

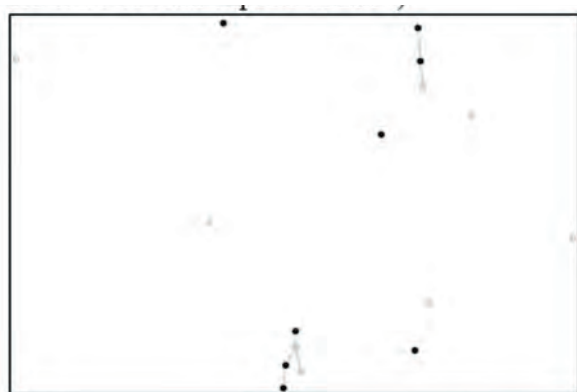
³ Tim McMahon, “Historical Crude Oil Prices (Table),” InflationData.com, May 1, 2015, https://inflationdata.com/Inflation/Inflation_Rate/Historical_Oil_Prices_Table.asp.

⁴ Charles Riley, “Kazakhstan’s Currency Just Lost a Quarter of its Value,” CNN, August 20, 2015, <http://money.cnn.com/2015/08/20/investing/kazakhstan-tenge-currency/index.html?iid=hp-stack-dom>.

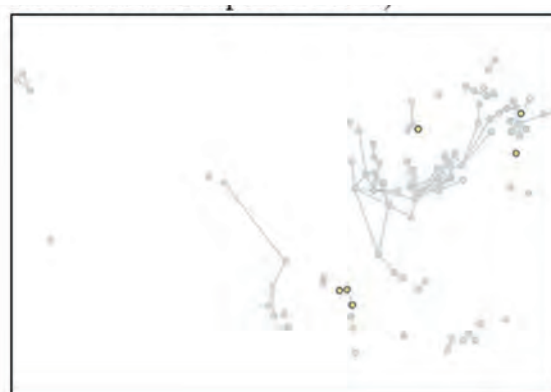
⁵ “Kazakhstan. The Economy Has Bottomed Out: What is Next?” World Bank, Spring 2017, v, <http://documents.worldbank.org/curated/en/585891494402103086/pdf/114856-9-5-2017-20-39-19-KAZCEUclearedforpublication.pdf>.

⁶ “Republic of Kazakhstan: 2012 Article IV Consultation,” International Monetary Fund, *IMF Country Report* 12/164 (June 2012): 19.

Figure 6.4. Links Created by Kazakhstan's Mining Sector and Agriculture in 2014



Note: Links created by the mining sector (accounted for 69 percent of total exports in 2014).



Note: Links created by agriculture (accounted for 4 percent of total exports in 2014).

Source: The Observatory of Economic Complexity database (atlas.media.mit.edu)

On the whole, extractive sectors have weak links with—and a limited effect on—other sectors of the economy and thus do not contribute much to the productivity of the economy as a whole.

The government of Kazakhstan, led by President Nursultan Nazarbayev, is aware of the vices of oil dependency. Nazarbayev first announced the goal of diversification in the 1997 “Kazakhstan–2030” strategy, specifically stating that “the priority until 2010 should be given to those sectors with the best prospects in terms of competitiveness and possible benefits for the country: agriculture, forestry and wood-processing industries, light industry and food processing, tourism, construction, and infrastructure.”⁷ The diversification plan was outlined in the National Strategy of Innovative Industrial Development for 2003–2015 (NSIID). NSIID’s major program was the Diversification of Kazakhstan’s Economy through Cluster Development in Non-Extraction Sectors, announced in 2004, which focused on seven sectors: food processing, textile manufacture, transportation logistics, tourism, metallurgy, construction materials, and oil-and-gas machine building.

In 2003, three major tools were established to implement the NSIID: the Investment Fund of Kazakhstan (which supports private initiatives, es-

pecially those engaged in processing raw materials, by holding non-controlling shares of enterprises); the National Innovation Fund (which supports high-tech and knowledge-intensive industries); and the Corporation of Export Insurance (which provides risk insurance for the export of non-commodity goods, works, and services in priority sectors). These new development institutions were to complement the Development Bank of Kazakhstan, established by a 2001 Presidential Decree to finance high-risk, long-term projects in industries such as processing, production, transport, and energy infrastructure that are not supported by second-tier banks. While the NSIID clearly specified development targets for each sector and identified financing institutions, how this development was to be carried out and monitored was not clearly outlined. Given that the oil price boom in the 2000s further dampened the incentive for the government to diversify and for the public to keep an eye on diversification efforts, it is no surprise that the NSIID failed to reach its ambitious targets.⁸

Furthermore, the government’s diversification strategies increasingly gave the state a greater role in the economy than the private sector, leading to inefficient management of resources and the creation of unsustainable industries.⁹ In 2006, the gov-

7 Nursultan Nazarbayev, “Programma Kazakhstan—2030: Prosvetaniye, bezopasnost’ i uluchsheniye blagosostoianiiia vseh kazakhstanstsev,” Embassy of the Republic of Kazakhstan, 1997, <https://www.kazembassy.ge/rk2030.pdf>.

8 Akram Esanov, “Economic Diversification: The Case for Kazakhstan,” Revenue Watch Institute, 2011, 15–16.

9 Jesus Felipe and Changyong Rhee, “Report to the Government of Kazakhstan: Policies for Industrial and Service Diversification in Asia in the 21st Century,” Asian Development Bank, October 2013, 11; “Strategy for Kazakhstan as Approved by the Board of Directors at its meeting on 17 December 2013,” European Bank of Reconstruction and Development, 2013, 1; “Enhancing Competitiveness and Diversification of the Kazakhstan Economy,” Islamic Development Bank, December 2011, 69.

ernment established Samruk Kazakhstan Holding for Management of State Assets to streamline the management of the state's five largest monopolies (KazMunaiGas, KazRail, KazTelecom, KazPost, and KeGok)¹⁰ and founded the Kazyna Sustainable Development Fund to oversee the management of the major national development institutions (the Development Bank of Kazakhstan, the Investment Fund of Kazakhstan, the National Innovation Fund, the Corporation of Export Insurance, the SME Fund, the Center for Market and Analytical Research, and Kazinvest).¹¹ During the 2008 banking crisis, these two entities were merged to create the Samruk-Kazyna National Welfare Fund.¹² Samruk-Kazyna was expected to support economic diversification through investments in the oil and gas, energy, metallurgy, chemistry and petrochemicals, and infrastructure sectors. On top of facing bureaucratic overload, however, the efficiency of the Fund was obstructed in two main ways: the lack of transparency and of a system of checks and balances reduced its accountability, while the broad formulation of the Fund's goals obscured its social and commercial objectives, making it difficult to quantitatively assess its performance.¹³

With regard to agriculture, the government struggled to reorganize the agricultural sector in a market-based economy. The Agriculture and Food Program for 2003–2005, announced in 2002, aimed to “ensure food security, establish an efficient agro-industrial system, increase sales of farm products and processed farm products in domestic and foreign markets, and optimize state support for agriculture.”¹⁴ The budget of the Ministry of Agriculture increased from 26 billion tenge (2.5 percent of the total state budget) in 2001 to 81 billion tenge (6.5 percent) in 2005. To stimulate output through price support schemes, the government increased the flow of funds to the Food Contract Corporation, established

in 1997.¹⁵ However, financial assistance needed to be accompanied by sector-specific reforms as well as broader institutional ones, and this failed to happen. In agriculture, for instance, the effectiveness of subsidy programs for grain and livestock producers was undermined by corruption-fueled discrimination.¹⁶

The systemic flaws in the strategy of reorganizing rather than reforming institutions were reflected in the agricultural sector with the consolidation of policy-related institutions in 2007–2008, first under the Ministry of Agriculture, then under KazAgro, which was established in December 2006 to streamline the operation of seven institutions that provided support to agriculture. In 2008, KazAgro received about 45 percent of the 139 billion tenge budget of the Ministry of Agriculture. The agricultural policy was almost entirely supply-side oriented, dominated by the provision of subsidies rather than incentives to improve productivity. Between 2001 and 2009, subsidies as a share of Ministry of Agriculture spending increased from 6 percent to 39 percent, while spending on infrastructure fell from 16 percent to 5 percent of the total and expenditure on crop and livestock service declined from 19 percent to 17 percent. In 2011, 92 percent of KazAgro's budget was focused on price support and financing. KazAgro Marketing's consulting services mainly advise businesses on how to obtain state support, while the Food Contract Corporation focuses on quantitative targets for supplying grain rather than helping farmers increase the unit value of their sales by improving supply chains or promoting higher quality standards.¹⁷

In 2010, the NSIID was replaced by the State Program for Accelerated Industrial-Innovative Development for 2010–2014 (SPAIID). SPAIID focused on seven sectors: agriculture; construction and construction materials; oil and gas products and infrastructure; metallurgy and metal products; chemicals and pharmaceuticals; energy and transport;

10 Halil Burak Sakal, “Natural Resource Policies and Standard of Living in Kazakhstan,” *Central Asian Survey* 34, no. 2 (2015): 244.

11 Gaukhar Abdygaliyeva et al., “Economic Diversification in the Republic of Kazakhstan through Small and Medium Enterprise Development: Introducing New Models of Funding for SMEs,” 2007, 11.

12 “JSC Samruk-Kazyna of Kazakhstan,” International Forum of Sovereign Wealth Funds, <http://www.ifswf.org/member-profiles/jsc-samruk-kazyna>.

13 Esanov, “Economic Diversification,” 30.

14 Richard Pomfret, “Using Energy Resources to Diversify the Economy: Agricultural Price Distortions in Kazakhstan” (paper presented at the American Economic Association annual conference, May 2008).

15 Richard Pomfret, “Kazakhstan's Agriculture after Two Decades of Independence,” *Central Asia Economic Paper* No. 6, The George Washington University, Washington, D.C., January 2013, 4.

16 *Ibid.*, 5.

17 *Ibid.*

and telecommunications infrastructure. In 2012, the State Commission on the Modernization of the Economy of Kazakhstan was established, leading to the launch of the program “30 Corporate Leaders of Kazakhstan,” which sought to increase the competitiveness of domestic companies in non-oil sectors through public–private initiatives. Plagued by the same flaws as the NSIID, however, SPAIID did not live up to expectations. In July 2014, Nazarbayev declared:

We have achieved positive results, but, despite the positive shifts, the implementation of the program has not had a substantial enough effect on our economy. The growth of the processing industry has decreased. Its share of the GDP has decreased from 11.3 percent in 2010 to 10.9 percent in 2013. Experts note a reduction in the share of non-extractive goods in the country's exports from 30 percent to 20 percent, while the mining industry has not grown significantly either.¹⁸

The 2015 Presidential Decree approved the State Program of Industrial-Innovative Development of Kazakhstan for 2015–2019 (SPIID). The SPIID will focus on 14 priority sectors: iron and steel; non-ferrous metallurgy; oil refining; oil and gas production; food production; agro-chemistry; industrial chemicals; motor vehicle parts, accessories and engines; electrical machinery and equipment; agricultural machinery; railway equipment; machinery and equipment for the mining industry; machinery and equipment for oil refining and the oil industry; and construction materials. However, without an emphasis on execution, monitoring, transparency, and private-sector leadership, the SPIID is doomed to prove as ineffective as its predecessors. So far, the only major difference between the government's early diversification efforts and recent ones is the low price of oil since mid-2014, which will hopefully help maintain the government's commitment to diversification and keep public attention on the progress of these efforts.

Agriculture-Led Diversification

In expert recommendations for Kazakhstan's economic diversification, agriculture emerges as the leading priority sector, with a particular focus on grain, meat, and dairy products. There are three main reasons for this. With the rapid growth of the energy sector, agriculture's share of Kazakhstan's GDP fell from 34 percent in 1990 to 4 percent in 2014. Since the mid-2000s, Kazakhstan has become a net importer of agro-food products, even the most basic ones, leading to concerns that Kazakhstan is increasingly incapable of ensuring its own food security.¹⁹ At the same time, almost half (49.6 percent as of June 2017)²⁰ of Kazakhstan's total population is rural, and agriculture currently accounts for one of the highest proportions of total employment (18 percent as of 2015),²¹ despite offering some of the lowest wages.²² Thus, agricultural development could not only increase economic diversification, but also address problems of poverty and social inequality. Finally, Kazakhstan has a significant, not yet fully exploited comparative advantage in agricultural production: as of 2011, up to 3.5 million hectares of arable land remained unused (about 15 percent of the country's total arable land), while the country's land endowment and cheap labor allow for relatively low production costs (50 percent of those of France, and about 60 percent of those of Ukraine and Russia, in the case of wheat).²³

Apart from industry-specific risks, such as weather and climate change, the development of agriculture in Kazakhstan faces several important systemic obstacles. Firstly, poorly designed land rights are a primary factor in the very low productivity of Kazakhstani agriculture. As of 2011, only 1 percent of all agricultural land was in full private ownership, while 99 percent was based on 49-year leases that prohibit subleasing. This system of land rights promotes low mobility of agricultural land, which in turn leads to limited capital investment, low labor productivity,

18 Gyuzel Kamalova, “Industrial State Program Had Little Effect on Kazakhstan's Economy: Nazarbayev,” *TengriNews*, July 21, 2014, https://en.tengrinews.kz/politics_sub/Industrial-State-Program-had-little-effect-on-Kazakhstans-254638/.

19 “OECD Review of Agricultural Policies: Kazakhstan 2013,” OECD, 2013, 13.

20 “Kazakhstan Population,” Worldometers, <http://www.worldometers.info/world-population/kazakhstan-population/>.

21 “Labor force—By occupation, Kazakhstan, 2015,” US Central Intelligence Agency, <https://www.cia.gov/library/publications/the-world-factbook/fields/2048.html>.

22 “Average Wages in Kazakhstan Are Over 92 Thousand Tenge,” *TengriNews*, September 12, 2011, <https://en.tengrinews.kz/finance/Average-wages-in-Kazakhstan-are-over-92-thousand-tenge-4355/>.

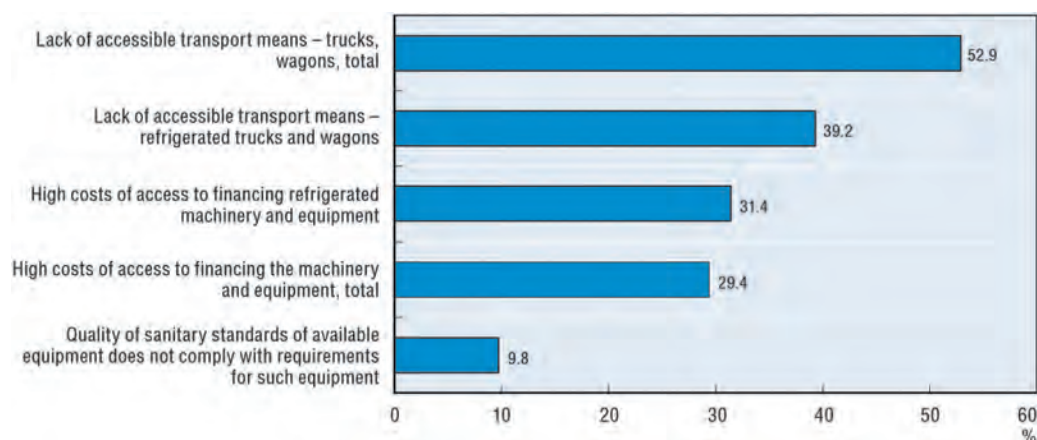
23 “Competitiveness and Private Sector Development: Kazakhstan 2010,” OECD, 2011, 20.

and a barely competitive farm sector.²⁴ Secondly, FDI in agriculture and the agro-food industry is only a small share of total FDI inflow, fluctuating between 0.5 percent and 2 percent.²⁵ Although subsidized credits from government resources are available, most small and many medium-size farms—which account for more than 70 percent of livestock production and 45.5 percent of crop production—have limited access to financing. Small-scale producers face problems acquiring agricultural machinery, fertilizer, seeds, animal feed, and POL (petrol, oil, and lubricants). Due in part to the absence of a mortgage industry, they cannot attract low-interest credits.²⁶ Finally, agricultural productivity depends on public investment in rural roads, cold storage, warehousing, distributional infrastructure, and processing facilities. In the OECD's 2010 agribusiness survey, 60 percent of Kazakhstani respondents cited public infrastructure as a major problem for the development of their business. To illustrate, the average transport cost of grain from farm to export terminal reached as high as US\$70 per ton (or 28 percent of total cost), significantly higher than Ukraine (US\$30) or France (US\$20).²⁷ See Figure 6.5 for a more detailed breakdown of the transport-related challenges faced by agricultural producers.

However, the new economic policy “Nurly Zhol,” announced by the government in November 2014 to complement the “Kazakhstan-2050” strategy and SREB's transport development plans, does not include development of agricultural supply-chain infrastructure. With Nurly Zhol, the government added US\$9 billion into a US\$32 billion investment portfolio comprising both government and private investment in infrastructure development in six key areas: (1) development of transport and logistics infrastructure (mainly those linking China to Western Europe); (2) development of industrial infrastructure (mainly in existing and new special economic zones); (3) development of energy infrastructure (to ensure balanced energy supply throughout Kazakhstan); (4) modernization of public utilities infrastructure, and water and heat supply networks; (5) strengthening of housing infrastructure; and (6) development of social infrastructure.²⁸

On September 2, 2016, during Nazarbayev's visit to the G20 summit in Hangzhou, Kazakhstan and China signed the Cooperation Plan on the Integration of the New Economic Policy “Nurly Zhol” with the Silk Road Economic Belt.²⁹ The Ministry of Investment and Development of Kazakhstan and the

Figure 6.5. Breakdown of Transport-Related Challenges Faced by Agricultural Producers (percent)



Source: “Competitiveness and Private Sector Development: Kazakhstan 2010,” OECD, 2011, 201

24 Martin Petrick and Richard Pomfret, “Agricultural Policies in Kazakhstan,” *Leibniz Institute of Agricultural Development in Transition Economies, Discussion Paper No. 155*, 2016, 12, https://liter.kz/ru/articles/show/10166-kazahstan_ozhidaet_novaya_zemelnaya_reforma.

25 “Kazakhstan. The Economy Has Bottomed Out,” World Bank, 19.

26 “KazAgro: Rashshiriat’ pole dlya biznesa v APK,” *Kazinform*, May 3, 2017, http://www.inform.kz/ru/kazagro-rasshiryat-pole-dlya-biznesa-v-apk_a3023153.

27 “Competitiveness and Private Sector Development,” OECD, 99.

28 “Invest in Kazakhstan 2015,” Ministry of Investment and Development of Kazakhstan, 20.

29 “EXPO “Kitai-Evraziia” ukrepliaet torgovo-ekonomicheskie otnosheniia mezhdru Kazakhstanom i Kitaem – posol Kazakhstana v KNR,” *Russian News.Cn*, September 20, 2016, http://russian.news.cn/2016-09/20/c_135699773.htm; “Posol Kazakhstana v Kitae predlagaet sdelat’ sotrudnichestvo mezhdru RK i KNR obraztsovoi model’iu vzaimodeistviia v ramkakh ‘Poiasa i Puti’,” *Russian.News.Cn*, May 10, 2017, http://russian.china.org.cn/china/txt/2017-05/10/content_40781282.htm.

National Development and Reform Commission of China designed the Joint Kazakh-Chinese Program of Industrial and Investment Cooperation; the working group created for its implementation, the Kazakhstan-China Cooperation Committee, had already held 8 meetings as of April 2017.³⁰ Unfortunately, the Ministry of Investment and Development of Kazakhstan has not published the Program and the full list of collaborative projects, which is amended every year. Initially, at the December 2015 government meeting, Minister of Investment and Development Aset Isekeshov announced that the Program included 52 projects with a total value of US\$22 billion in six priority sectors: (1) manufacturing, productive services (including engineering and personal services); (2) transport and logistics, geological exploration, healthcare and educational development; (3) agriculture; (4) infrastructure development; (5) public-private partnership; and (6) information technologies.³¹

However, at the September 2017 government meeting on the progress in implementation of the SPIID for 2015–2019, Minister of Investment and Development Zhenis Kassymbek announced that, “51 projects worth \$27-28 billion are being implemented within the framework of Kazakh-Chinese cooperation in the industrial sector.” According to Kassymbek, 5 of the 51 projects have been implemented since 2015–2016 and 13 more projects are underway. He added, “We met with our Chinese colleagues a week ago and removed seven projects from the list, replacing them with new ones.”³² He explained that this was part of a shift away from rare-earth metal projects.

More recently, at the fourth meeting of the Kazakhstan-China Business Council in June 2017, CEO of Samruk-Kazyna JSC Umirzak Shukeyev stated that, “Kazakhstan and China are collaborating on 51 projects worth a combined US\$25

billion, of which 14 are being implemented by Samruk-Kazyna portfolio companies.” He added that the majority of the collaborative projects were “within the oil and gas, chemical, energy, mining and metallurgy, agricultural and machine-building sectors.”³³

Thus, the sector-specific distribution of Kazakh-Chinese investment projects—and how this has changed over time—is not entirely clear, though the marginal role of agriculture-related infrastructure in Nurly Zhol program seems to give Kazakh-Chinese collaboration on agricultural development a lower priority. Another potential reason might be the political sensitivity of Chinese investment into land-related projects: anti-Chinese sentiments are evident among Kazakhstanis, who express fears of an influx of Chinese migrants and distrust Chinese companies’ labor and environmental practices.

In May 2015, to implement the “Kazakhstan-2050” strategy, Nazarbayev announced “100 Concrete Steps to Implement Five Institutional Reforms,” including “Industrialization and Economic Growth.” The first step to achieving industrialization and economic growth was “privatizing agricultural land in order to improve its efficient use, introducing amendments to the land code and other legal acts.”³⁴ To improve the design of land rights and bring transparency to land purchases, the Ministry of Economy proposed to increasing the number of years for which foreigners could rent land from 10 to 25 years and allowing land to be sold to joint ventures at auctions, as long as the controlling stake was owned by a citizen of Kazakhstan. The land reform was approved in November 2015 and was to come into effect on July 1, 2016.³⁵ Yet Kazakhstanis’ fears that Chinese investors would buy all their land out from under them sparked a wave of protests in April and May 2016, with 1,000–2,000 people gathering in each of the major cities across western and southern Kazakhstan. In re-

30 “Astana Hosted the 8th Meeting of the Kazakhstan-China Cooperation Committee,” *PrimeMinister.Kz*, April 19, 2017, https://primeminister.kz/en/news/mezhdunarodnie_otnosheniya/8-oe-zasedanie-kazahstansko-kitaiskogo-komiteta-po-sotrudnichestvu-sostoyalos-v-astane-14420.

31 “Kazakhstan i Kitai realizuiut 52 investproekta na \$22 mlrd,” *Kapital*, December 8, 2015, <https://kapital.kz/economic/46097/kazahstan-i-kitaj-realizuyut-52-investproekta-na-22-mlrd.html>.

32 “Kazakhstan, China Work On Over 50 Joint Industrial Projects - Minister,” *Inform*, September 2017, http://www.inform.kz/en/kazahstan-china-work-on-over-50-joint-industrial-projects-minister_a3067335.

33 “Astana Hosts Fourth Meeting of Kazakhstan-China Business Council,” Samruk-Kazyna, June 8, 2017, <https://sk.kz/en/ifswf/news/media/19444/>.

34 “100 Concrete Steps to Implement the 5 Institutional Reforms,” Embassy of the Republic of Kazakhstan, <https://www.kazakhembus.com/content/100-concrete-steps-implement-5-institutional-reforms>.

35 “S 1 iulija 2016 goda vvoditsia v deistvie novyi zakon po zemlepol'zovaniuu,” *Zakon*, November 13, 2017, <https://www.zakon.kz/4755911-s-1-ijulja-2016-goda-vvoditsja-v.html>.

sponse, Nazarbayev delayed the implementation of the reform until December 31, 2021.³⁶

Nevertheless, in May 2016, Gulmira Isayeva, Kazakhstan's deputy agriculture minister, announced that Chinese companies were in talks to invest US\$1.9 billion in 19 agricultural projects as part of the BRI, though the announcement emphasized that Chinese companies would not be allowed to own Kazakh land. Indeed, according to Isayeva, Chinese investors do not, in general, seek to rent large plots of agricultural land; instead, they seek to partner with Kazakh companies to invest in processing facilities. According to a list of prospective investments that Isayeva showed to the *Financial Times* and statements from the project planners, agricultural investments under consideration include: US\$1.2 billion by Zhongfu Investment Group in oilseed processing; US\$200 million in beef, lamb, and horsemeat production by Rifa Investment; US\$80 million in the production of tomatoes and tomato paste by Chinese agriculture conglomerate COFCO and Evraziya Agroholding; and US\$58 million in a grain processing venture between China's AIJI and Kazakhstan's Total Imepx in northern Kazakhstan.³⁷ According to leading Kazakh sinologist Konstantin Syroezhkin, other Kazakh-Chinese agricultural projects include the establishment of feed lots and broiler poultry farms by CITIC and Kazakhstan's Baiterek and an approximately US\$500 million investment by a finance group from Hong-Kong Oriental Patron in the development of "Kazexportastyk" for deep processing of agricultural products in Kazakhstan for export to the Chinese market.³⁸

Furthermore, the National Agency Kazakh Invest JSC (previously Kaznex Invest) signed a memorandum of mutual understanding with Jiangsu Muyang Group Co., Ltd., one of the largest Chinese

producers of agricultural machinery, for storing and processing commodities in crop production and livestock farming. The company has several production bases in China and Egypt, as well as research institutions and joint enterprises in the United States, Europe, and Asia. With investment from this company, Kazakhstan hopes to make itself a hub for service provision, storage, assembly, and production of agricultural machinery.³⁹

In the future, Kazakhstan might also become a platform for certification and export of Central Asian agricultural products to China. According to Isayeva, laboratories are currently being established in the East Kazakhstan and Almaty oblasts. These labs will have technical equipment that meets the requirements of the General Administration of Quality Supervision, Inspection and Quarantine of China, a Chinese government body that will have the final say over whether or not to accredit enterprises. Using these laboratories, farmers from across Central Asia will be able to certify their products to be exported to China. China will trust the laboratory test results and will not re-examine the goods.⁴⁰ Between December 14, 2015 and June 8, 2017, the Ministry of Agriculture of Kazakhstan and the General Administration of Quality Supervision, Inspection and Quarantine of China signed 6 protocols on phytosanitary requirements for export of wheat, horses, soy beans, wheat bran, honey, and the frozen meat of small cattle from Kazakhstan to China.⁴¹

More recently, on July 11, 2017, Kazakhstan and China signed seven agreements worth a total of US\$160 million at the Kazakh-Chinese Agriculture Investment Forum in Astana. Kazakhstan's National Company Food Contract Corporation signed agreements with Xi'an Aijugrain & Oil Industry Group Co Ltd, Xinjiang Zhaofenghe Bio-technology Co.,

36 "Central Asia's Silk Road Rivalries," *Report* No. 245, International Crisis Group, July 27, 2017, <https://www.crisisgroup.org/europe-central-asia/central-asia/245-central-asias-silk-road-rivalries>; Abduljalil Abdurasulov, "Kazakhstan's Land Reform Protests Explained," *BBC*, April 28, 2016, <http://www.bbc.com/news/world-asia-36163103>; "Moratorii na popravki v Zemel'nyi kodeks RK prodli na 5 let," *Inform*, December 2016, http://www.inform.kz/ru/moratoriy-na-popravki-v-zemel-nyy-kodeks-rk-prodlili-na-5-let_a2978294.

37 Jack Farchy, "China Plans to Invest \$1.9 bn in Kazakh Agriculture," *Financial Times*, May 9, 2016, <https://search.proquest.com/docview/1794698091/fulltext/940E9658D08B469DPQ/1?accountid=11091>.

38 Konstantin Syroezhkin, "Kazakhstan i Kitai: analiz poslednikh dogovorennosti," Central Asian Bureau for Analytical Reporting, November 3, 2016, <http://cabar.asia/ru/konstantin-syroezhkin-kazahstan-i-kitaj-analiz-poslednih-dogovorennostej/>.

39 Sadyk Akizhanov, "Kazakhstan i krupneishii v Kitae proizvoditel' sel'khozoborudovaniia zainteresovany v sotrudnichestve," *Kazinform*, March 31, 2017, http://www.inform.kz/ru/kazahstan-i-krupneyshiy-v-kitae-proizvoditel-sel-hozoborudovaniya-zainteresovany-v-sotrudnichestve_a3012902.

40 Sadyk Akizhanov, "Kazakhstan budet sertifikirovat' vvozimuiu v Kitai sel'khozproduksiu," *Kazinform*, May 15, 2017, http://www.inform.kz/ru/kazahstan-budet-sertificirovat-vvozimuyu-v-kitay-sel-hozproduksiyu_a3026243.

41 "Kazakhstansko-kitaiskoe sotrudnichestvo po razvitiuu sel'skogo khoziaistva vykhodit na novyi uroven'," Press Service of the Ministry of Agriculture of Kazakhstan, MGov, July 11, 2017, <http://mgov.kz/ru/auyl-sharuashlyy-y-salasynda-aza-stan-ytaj-yntyma-tasty-y-zha-a-de-gejge-k-terildi/>.

LTD, and Zhongxinjian LLC to supply 200,000 tons of grain and 100,000 tons of oil-producing crops to China, as well as construct a grain and oil-producing crops terminal at the Kazakh-Chinese border. Furthermore, Zhannur-Astana and Tianyang Yin Hai Seed Co. agreed on the establishment of a seed cluster with a full grain processing cycle, including the transfer of advanced practices in seed production. The two countries also signed a memorandum of understanding aimed at the establishment of a model zone of agricultural cooperation on the basis of the National Agricultural Research and Education Center, which will contribute to the establishment of joint processing plants and the introduction of new innovations in agricultural production. Finally, Kazakh Agro-Technical University signed an agreement with China's Northwest University of Agriculture and Forestry to create a joint agricultural technology park and with Chinese potato company XISEN on a joint experimental demonstration lab for growing potatoes.⁴²

In his January 2017 public address, "The Third Modernization of Kazakhstan: Global Competitiveness," Nazarbayev called agriculture "a new driver of the economy."⁴³ The State Program of the Agribusiness Complex Development of the Republic of Kazakhstan for 2017–2021, announced during the address, includes the development of the export potential of Kazakhstan's agricultural products. This objective requires a complex set of measures that will address the fundamental challenges facing the country's agricultural development. While increased economic collaboration with the Chinese government and Chinese companies is one way in which the SREB can contribute to Kazakhstan's agriculture-led diversification, I will now focus on how the transport infrastructure investments made within the framework of the SREB can help Kazakhstan's agricultural producers address transport-related challenges.

Transport-Related Obstacles

Due to the peculiarities of Kazakhstan's geographic and demographic situation, improving the competitiveness of the country's non-extractive sectors is highly contingent on the development of a high-quality transport system and its effective integration into international transport networks. Firstly, Kazakhstan has vast territory (at about 2.7 million square kilometers, it ranks 9th largest in the world) but low population density (with about 7 persons per square kilometer, it ranks 224th in the world). Furthermore, Kazakhstan's population is unevenly distributed: half (49.6 percent) of the country's 18 million inhabitants live in rural areas,⁴⁴ while urban areas are located far apart. Three cities on the southeast border with Uzbekistan and Kyrgyzstan—Almaty, Shymkent, and Taraz—account for half of Kazakhstan's urban population.⁴⁵ There is regional variation in the pace of development as well: Almaty (the country's financial center and former capital) and Astana (the country's political center and current capital), along with oil-rich regions on the Caspian Sea, have been advancing rapidly, in contrast to depressed regions in the north and south.⁴⁶ Furthermore, Kazakhstan's landlocked position adds a "distance tariff" to both its imports and exports: of the 44 landlocked countries worldwide, Kazakhstan is the furthest from a sea (3,750 kilometers).⁴⁷ Consequently, one of the main drags on prices is high transport cost, which accounts for 8–11 percent of the final cost of goods in Kazakhstan, compared to 4–4.5 percent in industrialized countries.⁴⁸

Connecting Kazakhstan to international routes has the potential to transform the country from being landlocked to being land-linked with the large markets of China, Europe, India, and the Middle East, facilitating its diversification away from oil. Again, to its credit, the government has invested in improving and expanding the railways inherited from the Soviet era. In the World Bank's trade logistics performance index

42 "Kazakhstan, China Sign Agricultural Agreements of \$160 Million," *SilkRoadNews*, July 18, 2017, <http://www.silkroadnews.net/index.php/ob-or/20-europe/761-kazakhstan-china-sign-agricultural-agreements-of-160-million>; "Kitaiskie predprinimateli vlozhat v APK Kazakhstana \$160 mln," *Mir24*, July 11, 2017, <https://mir24.tv/news/16257292/kitaiskie-predprinimateli-vlozhat-v-apk-kazakhstana-160-mln>.

43 Nazarbayev's Address to the Nation of Kazakhstan, January 31, 2017, http://www.akorda.kz/en/addresses/addresses_of_president/the-president-of-kazakhstan-nursultan-nazarbayevs-address-to-the-nation-of-kazakhstan-january-31-2017.

44 "Kazakhstan Population," *Worldometers*, <http://www.worldometers.info/world-population/kazakhstan-population/>

45 Jiawen Yang and Patrick McCarthy, "Multi-Modal Transportation Investment in Kazakhstan: Planning for Trade and Economic Development in a Post-Soviet Country," *Procedia—Social and Behavioral Sciences* 96 (2013): 2107.

46 *Ibid.*

47 "Kazakhstan's Growing Economy," *Eurasian Council on Foreign Affairs*, April 2015, 8.

48 Yang and McCarthy, "Multi-Modal Transportation Investment," 2107.

(LPI), Kazakhstan improved its ranking from 133rd in 2007 to 77th in 2016 (out of 160 countries). In regard to the quality of trade and transport infrastructure—one of the six components of LPI⁴⁹—it improved from 1.86 (1 = low to 5 = high) in 2007 to 2.6 in 2016.⁵⁰ According to the World Economic Forum's Global Competitiveness Report, the quality of Kazakhstan's railroad infrastructure improved from 3.3 (1 = underdeveloped, 7 = as extensive and efficient as the world's best) in 2006–2007⁵¹ to 4.3 in 2016–2017.⁵²

Kazakhstan improved its transport infrastructure through regional rail and road development initiatives—of which the most notable are the *Central Asia Regional Economic Cooperation*, CAREC, and the Transport Corridor Europe Caucasus Asia, TRACECA⁵³—in which Kazakhstan has participated since the late 1990s. However, as of 2009, almost all goods (99 percent) that moved between the Asia-Pacific region and the EU were shipped by sea; moreover, even when land corridors through Central Asia were used, oil products still dominated the trade.⁵⁴

The CAREC partnership was launched in 1997 to develop regional cooperation in transport and energy, as well as to facilitate trade, between ten countries (Afghanistan, Azerbaijan, China, Kazakhstan, Kyrgyzstan, Mongolia, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan) and six multilateral institutions (Asian Development Bank, European Bank of Reconstruction and Development, International Monetary Fund, Islamic Development Bank, United Nations Development Program, and World Bank).⁵⁵ CAREC corridors run either north-

south or east-west (see Figure 6.5 for key CAREC projects by corridor). In all, the project comprises 271,000 kilometers of roads and 25,700 kilometers of railway lines, with Kazakhstan accounting for the largest proportion: 30 percent of roads and 55 percent of rail lines. The Xinjiang Uyghur Autonomous Region ranks second (22 percent of roads and 11 percent of rail), followed by Uzbekistan (16 percent of roads and 15 percent of rail).⁵⁶ According to a 2008 study by the Asian Development Bank, oil and oil products constituted 30 percent of total freight movement along these routes and were the most common commodities transported by rail, along with minerals and metals (coal and copper), construction materials (mostly cement), and cotton.⁵⁷

TRACECA, an EU-led program, was launched in 1998 to strengthen economic relations, trade, and transport links between Armenia, Azerbaijan, Bulgaria, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Romania, Tajikistan, Turkey, Ukraine, and Uzbekistan.⁵⁸ TRACECA includes 22 road and rail routes and 12 ports (see Figure 6.7 for TRACECA rail and road routes in Kazakhstan). Ukraine accounted for the greatest share of rail freight transport, while rail container transport was the highest in Kazakhstan (473,000 TEU),⁵⁹ followed by Ukraine (327,000 TEU).⁶⁰ According to a 2009 update by TRACECA's Transport and Trade Atlas, the main commodities that traveled along TRACECA routes were petroleum products, followed by crude and manufactured minerals (including building materials) and metal products.⁶¹ It is yet to be researched

49 (1) The efficiency of customs and border management clearance; (2) The quality of trade and transport infrastructure; (3) The ease of arranging competitively priced shipments; (4) The competence and quality of logistics services; (5) The ability to track and trace consignments; (6) The frequency with which shipments reach consignees within scheduled or expected delivery times. According to the World Bank, the LPI components were "chosen based on recent theoretical and empirical research and on the practical experience of logistics professionals involved in international freight forwarding." See World Bank, Logistics Performance Index (LPI) database, <http://lpi.worldbank.org/international>.

50 "Logistics Performance Index (LPI), Country Scorecard: Kazakhstan 2016," World Bank, <http://lpi.worldbank.org/international/scorecard/line/160/C/KAZ/2016/C/KAZ/2014/C/KAZ/2012/C/KAZ/2010/C/KAZ/2007>.

51 "Global Competitiveness Report 2006–2007," World Economic Forum, 435.

52 "Global Competitiveness Report 2016–2017," World Economic Forum, 221.

53 For a review of all regional transport initiatives, see I. Davydenko et al., "Potential for Eurasia Land Bridge Corridors and Logistics Developments along the Corridors," European Commission on RETRACK, July 2012; and Cordula Rastogi and Jean-Francois Arvis, *The Eurasian Connection: Supply-Chain Efficiency along the Modern Silk Route through Central Asia* (Washington, DC: World Bank, 2014).

54 Davydenko et al., "Potential for Eurasia Land Bridge Corridors," 13.

55 "Building Cooperation through Partnership," Central Asia Regional Economic Cooperation, <http://www.carecprogram.org/index.php?page=-carec-partners>.

56 Davydenko et al., "Potential for Eurasia Land Bridge Corridors," 15.

57 "Central Asia Regional Economic Cooperation Transport Sector Strategy Study," Asian Development Bank, December 2008, 86.

58 "History of TRACECA," Transport Corridor Europe-Caucasus-Asia, <http://www.traceca-org.org/en/traceca/history-of-traceca/>.

59 TEU (Twenty Foot Equivalent Unit) is the unit for measuring the capacity of a container ship, a container terminal and the statistics of the container transit in a port. See <http://www.logisticsglossary.com/term/teu/>.

60 Arnaud Burgess et al., "TRACECA Transport and Trade Atlas," November 2009, 49.

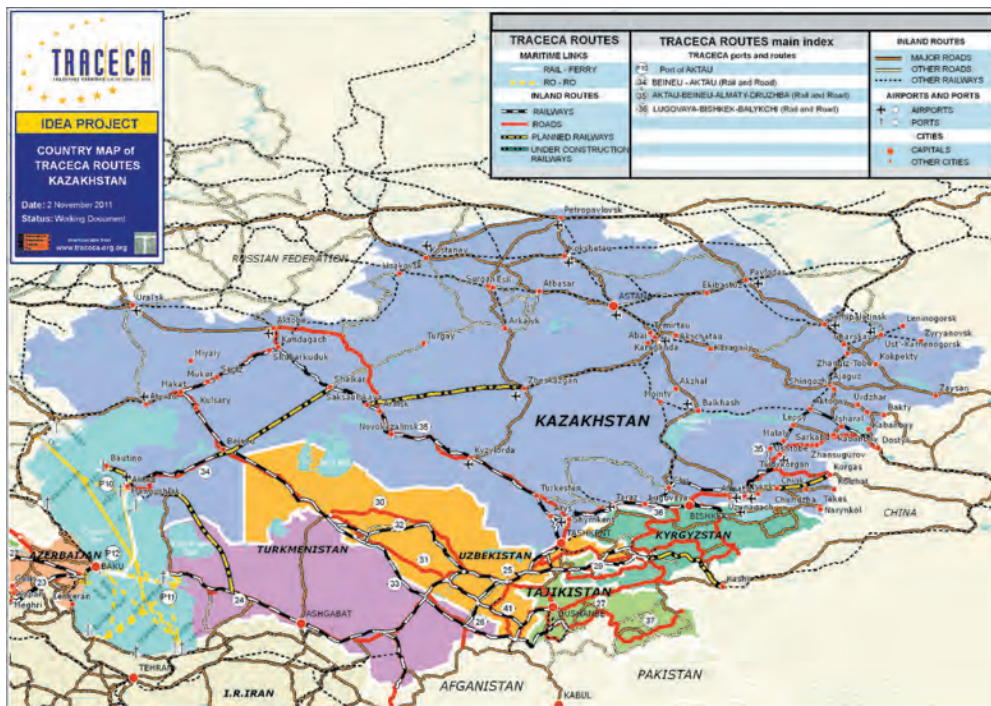
61 *Ibid.*, 47.

Figure 6.6. Key CAREC Projects by Corridor



Source: Central Asia Regional Economic Cooperation, carecprogram.org

Figure 6.7. TRACECA Road and Rail Routes in Kazakhstan⁶²



Source: Transport Corridor Europe-Caucasus-Asia, traceca-org.org

how and to what extent, if any, these regional transport projects contributed to Kazakhstan's economic diversification, and, if they didn't, what lessons can be

learned from these experiences to allow for more successful diversification while interacting with China's Silk Road Economic Belt initiative.

62 See overall maps of TRACECA at <http://www.traceca-org.org/en/routes/gis-database-maps-downloads/>.

SREB and Kazakhstan's Agriculture-Led Economic Diversification

As Figure 6.8 illustrates, two of the three proposed SREB corridors—the China–Mongolia–Russia–Europe economic corridor; the China–Kazakhstan–Russia–Europe economic corridor (also called the New Eurasian Land Bridge); and the China–Central Asia–West Asia–North Africa economic corridor—cross Kazakhstan.⁶³ China has long been connected to Europe through its northeastern rail links to Russia's Trans-Siberian railway (completed in 1916, it is the longest national railroad in the world), through Mongolia (Ulan Bator–Naushki–Irkutsk–Omsk–Yekaterinburg–Moscow), and, since the early 1990s, through Kazakhstan (Dostyk–Aktogay–Petropavlovsk–Yekaterinburg–Moscow) (see Figure 6.8).⁶⁴

The Chinese railway corporation Express CR currently has 51 routes connecting 28 Chinese cities with 29 cities in 11 European states. According to their most recent data, in the first few months of 2017, freight trains from China to Europe increased by 168 percent (from 1,000 to 1,612) compared to the same period in 2016. The trains follow one of the three routes: eastern—through Manzhouli and Suifenhe on the border with Russia; central—through Eren-Hoto on the border with Mongolia; and western—through Alashankou and Khorgos on the border with Kazakhstan. The range of products transported by Express CR from China to Europe expanded remarkably, from basic items and electronic products to textile products, automobiles and their parts, machine-building products, and furniture. Trains from Europe have stopped returning to China empty and now transport various products, including Spanish wine, Polish milk, Bulgarian pink butter, and German automobiles.⁶⁵

Evidently, the first two northern economic corridors of the SREB are already operational; the goal

is to optimize them. Currently, the major challenges to overcome are the facilitation of customs border inspections, keeping track of the cargo during the whole journey, and the need to transfer the containers from one train to another or to exchange the bogies due to gauge differences on the borders, since China, Iran, and Turkey use the same standard rail gauge as most countries in Europe (1,435 meters), whereas the former Soviet states and Mongolia use a broader one (1,520 meters).⁶⁶ At present, a major project that aims to complement the northern routes of the SREB is the construction of a 8,500 kilometer-long highway “Western Europe—Western China” that will pass through the following cities: Lianyungang, Changzhou, Lanzhou, Urumqi, Khorgos, Almaty, Kyzylorda, Aktobe, Orenburg, Kazan, Nizhny Novgorod, Moscow and St. Petersburg.⁶⁷ Some 2,493 kilometers go through Russia, 2,787 through Kazakhstan, and 3,425 through China.

In contrast to the northern routes of the SREB, the third southern route, China–Central Asia–West Asia–North Africa, required filling in missing links first. The major rail line is Kazakhstan–Turkmenistan–Iran–Turkey–Europe; the arrival of the first cargo train from China through Kazakhstan and Turkmenistan to Tehran in February 2016 was a major milestone in its development.⁶⁸ One branch of this rail line is expected to link Kashgar in western China with Osh in Kyrgyzstan through Irkeshtam at the Kyrgyz–Chinese border and continue through Uzbekistan, Turkmenistan, Iran, and Turkey to Europe⁶⁹ (see Figure 6.10 for an illustration of the southern route and its branches). Another branch has recently been extended to the Caucasus through Kazakhstan and the Caspian Sea: the inaugural train on the Baku–Tbilisi–Kars (BTK) rail line, originally launched in 2007, set out on October 30, 2017, traveling some 826 kilometers (523 miles) from Azerbaijan, across Georgia, and into northeast Turkey, where, in the city of Kars, it connected to Turkey's railway net-

63 *Building the Belt and Road: Concept, Practice and China's Contribution* (Beijing: Foreign Languages Press, 2017), 9–10.

64 Shigeru Otsuka, “Central Asia's Rail Network and the Eurasian Land Bridge,” *Japan Railway and Transport Review* 28 (September 2001): 42–49.

65 “Nazarbayev v Kitae: Kak Kazakhstan uchastvuet v forume ‘Odin poias, odin put’,” *Regnum*, May 15, 2017, <https://regnum.ru/news/economy/2275020.html>.

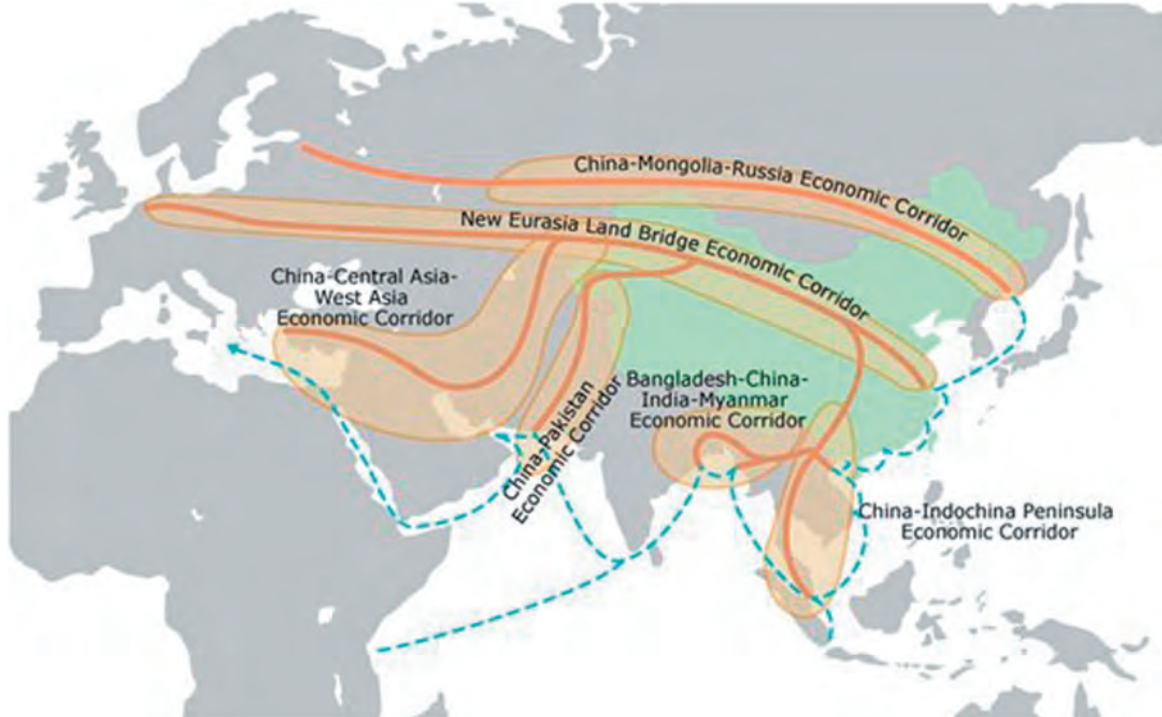
66 John Kemp, “China Develops Continent-Spanning Railroad to Europe,” *Reuters*, April 8, 2016, <http://www.reuters.com/article/us-china-railway-kemp-idUSKCN0X41U7>.

67 A. Idrisov, “Ekonomicheskii poias Shelkovogo puti i Eraziiskaya integratsiia: konkurentsiia ili novye vozmozhnosti?,” *Bridges* 5 (2016): 4–11.

68 “First Train from China to Iran Stimulates Silk Road Revival,” *Xinhua*, February 16, 2016, http://news.xinhuanet.com/english/2016-02/16/c_135100997.htm.

69 Tristan Kenderdine, “Kitai ispytyvaet trudnosti so svoim krupneishim proektom v Tsentral'noi Azii,” *INOSMI.RU*, May 5, 2017, <http://inosmi.ru/politic/20170505/239290874.html>.

Figure 6.8. SREB Economic Corridors



Source: "Chinese Spending Lures Countries to its Belt and Road Initiative," Bloomberg News, May 10, 2017, <https://www.bloomberg.com/graphics/2017-china-belt-and-road-initiative/>

Figure 6.9. China's Connection to the Trans-Siberian Railroad



Source: I. Davydenko et al., "Potential for Eurasia land bridge corridors and logistics developments along the corridors," European Commission on RETRACK, July 2012, 50

work. The new link has the potential to reduce journey times between China and Europe to around 15 days, which is more than twice as fast as the sea route, at less than half the cost of air transportation. Yet for now, the BTK offers railway transportation only from the Caspian Sea to the Sea of Marmara. On its western end, a railroad tunnel under the Bosphorus Strait needs to be finished before it can reach Europe.⁷⁰ Nearly 1,000 cargo trains are slated to be sent from Chengdu to Europe in 2017; the transport hubs of the southern rail corridor will be the cities of Chengdu, Lodz, Almaty, and Istanbul.⁷¹

Besides the “Western Europe–Western China” highway, another major SREB project in Kazakhstan related to both the northern and southern routes is the Khorgos Special Economic Zone (SEZ),

which emerged from a 2010 agreement between Kazakhstan and China. The Khorgos SEZ is intended to become a transport and logistics center at the Kazakh–Chinese border. The project expanded with the 2011 Presidential Decree of Kazakhstan, which established a dry port SEZ “Khorgos–Eastern Gate” in the Panfilov district of Almaty region, bordering China. The dry port is supposed to transcend its current status as a transport and logistics hub linking the Asian-Pacific and European markets to become a facility for storage and transport, food production, textile manufacturing, and chemical and metal treatment.⁷² Construction work on infrastructure projects at the dry port in the Khorgos–Eastern Gate SEZ was completed in October 2016. According to Kanat Alpybayev, president of Kazakhstan’s national

Figure 6.10. SREB Southern Route and Its Branches



Source: Sergey Cherkasov, “Novyyi Shelkovyyi put’—s Rossiei ili bez?,” *Politrussia*, October 10, 2016, <http://politrussia.com/world/novyyi-shelkovyyi-put-325/>

70 Giorgi Lomsadze, “How Competitive is the Caucasus Train to China?,” *EurasiaNet*, October 31, 2017, <http://www.eurasianet.org/node/85801>.

71 Sadyk Akizhanov, “Novye poezda ‘Kitai-Rossii’ i ‘Kitai-Iran-Turtsii’ proidut cherez Kazakhstan,” *Kazinform*, March 4, 2017, http://www.inform.kz/ru/novye-poezda-kitay-rossiya-i-kitay-iran-turciya-proydu-t-cherez-kazahstan_a3004978.

72 Aigul Islamjanova, Issah Iddrisu, Rathny Suy, and Dinara Bekbauova, “The Impact of Silk Road Economic Belt on Economic Development of the Republic of Kazakhstan: The Case of Khorgos City,” *Journal of Social Science Studies* 4, no. 2 (2017): 187.

railway company, Temir Zholy, container cargo flows are currently being redirected from the Chinese–Kazakh station Alashankou–Dostyk to Khorgos–Altynkol, with processing at the dry port SEZ Khorgos–Eastern gate.⁷³

In November 2014, both to complement the SREB and to address the two objectives of the “Kazakhstan–2050” strategy—development of infrastructure and the broadening of the industrial base—Nazarbayev introduced the Nurly Zhol program, which is expected to invest a total of US\$9 billion over the next three years into infrastructure development in seven major areas: transport and logistics; industrial infrastructure; energy infrastructure; modernization of public utilities; housing; social infrastructure; and support for small and medium-sized businesses.⁷⁴ Nurly Zhol supported the construction of the Kuryk port, a new ferry terminal near Aktau that was launched in 2016, and the 14 kilometer-long Borzhakty–Ersay railway line, built to link the port with Kazakhstan’s railway network. 65,000 tons of freight have passed along this route since the beginning of 2017.⁷⁵ Kazakhstan also plans to put more than 600 kilometers of roads into service in 2017, including roads between Astana and Temirtau, Almaty and Kapshagay, and Almaty and Khorgos.⁷⁶

In the recommendations for how Kazakhstan should diversify, city-led diversification (especially by Kazakhstan’s three largest cities, Almaty, Astana, and Shymkent) emerged as the most prominent theme, for two major reasons. Given Kazakhstan’s geographic and demographic constraints, the most effective way of getting diversification started is to stimulate the economic activity that is already concentrated around major cities, leveraging the spillover effects of this activity to strengthen other sectors. Food constitutes 93 percent of the top 10 products produced in Shymkent and the rural areas around it, 63 percent in Almaty, and 43 percent in Astana.⁷⁷ Since Kazakhstan’s three leading cities also provide exit

points to regional and global markets, Kazakhstan can improve and expand the cities’ connectivity to the international railway network. Its two most prominent logistics centers—the High Tech Logistics Center (run by a Russian–Kazakhstani joint venture) and DAMU (run by the Amanat Invest Group)—are located in and near Almaty, respectively.⁷⁸

From farm to city: The rural areas around Kazakhstan’s three leading cities have strong agricultural potential, yet the recurring impediment to their development is the poor quality of roads connecting them to the cities, which impedes products from reaching global markets. As of 2013, around 76 percent of meat and 88 percent of milk in the country are produced by households, primarily for their own consumption. If marketed, these products are typically delivered to local bazaars or local processors by primitive means and with uneven quality. Modern cold supply chains that allow high-quality products to be sold beyond the local market are rare. The processing sector operates in a situation of uncertain supply of local raw materials and excess capacities; as such, processors have tended to switch to imported raw materials.⁷⁹ In order to intensify agro-processing activities in these city agglomerations, the connection between cities and their rural surroundings should include not only road infrastructure, but also marketplaces for the collection and consolidation of agricultural products, and adequate storage facilities on the outskirts of the city. Since China is unlikely to invest in such non-transit road infrastructure, the investment should be driven by Kazakhstan’s own public–private initiatives. Hopefully, this will finally give a voice to the users of logistics, such as retail companies or exporters of time-sensitive goods, who are the ones who suffer from supply-chain inefficiencies.⁸⁰

From city to foreign markets in the west and southwest: Russia and other Central Asian republics have continued to be primary export markets for Kazakhstan since independence, yet many of

73 Aigerim Seisembayeva, “Kazakhstan, China to Launch China-to-Europe Container Train Route through Kazakhstan,” *AstanaTimes*, April 18, 2017, <http://astanatimes.com/2017/04/kazakhstan-china-to-launch-china-to-europe-container-train-route-through-kazakhstan/>.

74 “Invest in Kazakhstan,” 20.

75 “Kazakhstan ne gotov k rostu ob’emov konteynernykh perevozok iz Kitaya,” *RzdD-Partner.ru*, June 16, 2017, <http://www.rzd-partner.ru/logistics/news/kazakhstan-ne-gotov-k-rostu-obemov-konteynernykh-perevozok-iz-kitaya/>.

76 Zhanbolat Mamyshev, “Kazakhstan i Rossiya ispol’zuyut do 5 protsentov ot chisla vzaimnykh aviareisov,” *Atameken Business Channel*, February 14, 2017, <http://www.abctv.kz/ru/news/kazakhstan-i-rossiya-ispolzuyut-do-5-ot-chisla-vzaimnyh-avia>.

77 *Trade Expansion through Market Connection: The Central Asian Markets of Kazakhstan, Kyrgyz Republic, and Tajikistan* (Washington, D.C.: World Bank, 2011), 38.

78 “Competitiveness and Private Sector Development: Kazakhstan 2010,” OECD, 198.

79 “OECD Review of Agricultural Policies: Kazakhstan 2013,” OECD, 21.

80 Rastogi and Avris, “The Eurasian Connection,” 3.

them have ramped up their own production of wheat and emerged as new competitors and net exporters.⁸¹ Apart from China, other optimal markets for Kazakhstan (based on their geographic location, transport accessibility, and agricultural market) are: the Eurasian Economic Union and other post-Soviet states; Iran; Afghanistan; and the United Arab Emirates. The southern SREB rail link passes through Almaty and Shymkent on its way to Iran and Turkey and has the potential to connect Kazakhstan to agricultural markets in the Middle East and North Africa (MENA). Indeed, wheat exports were one reason for building the rail line to Iran, so that wheat to MENA did not have to pass through Ukraine and Russia, Kazakhstan's major competitors in grain export.⁸² Kazakhstan has a freight cost advantage: it is two to three times cheaper to transport wheat from Kazakhstan to Egypt than from other major grain exporters like Australia, the EU, and the United States.⁸³ Yet poor tracking systems of transported goods and underdeveloped logistics services are major impediments to the popularization of the southern SREB rail link. At the same time, Kazakhstan, especially Almaty, is well-positioned to become the IT and logistics services center for Central Asia, given its stable political and macroeconomic systems, relatively low labor costs (half as expensive as Central Europe), and the fast-paced skills improvement of its human capital.⁸⁴

From city to foreign markets in the east:

Although China has a quota of 9.6 million tons of wheat imports per year, it imported only 3 mil-

lion tons of wheat in 2015 (30.8 percent of the total quota). There is, therefore, an opportunity for Kazakhstan to provide the remaining 6 million tons per year to the Chinese wheat market. First, however, it needs to upgrade its production and supply value chain to comply with Chinese wheat export standards. The fact that more than half of the eastbound trains return from Europe to China empty can serve as an incentive for farmers to improve the quality of their products.⁸⁵

Conclusion

The Silk Road Economic Belt has the potential to help develop Kazakhstan's non-extractive sectors, yet no clear strategy for integrating the two projects has yet emerged. Concerned with the extent to which Kazakhstan might become merely a land bridge for shipping Chinese products to more sophisticated markets in Western Europe and with what has been done (or should be done) to make SREB support Kazakhstan's economic diversification, I have suggested ways in which agricultural producers in the rural areas surrounding Kazakhstan's largest cities might ultimately reach foreign markets along SREB routes. Public-private partnerships should drive investment in roads from farm to city, while the Kazakhstani government should further invest in cold stores and refrigerated cargo capacity along international rail routes.

81 "Competitiveness and Private Sector Development," OECD, 105.

82 Richard Pomfret, personal email to Madina Bizhanova, June 2017.

83 "Competitiveness and Private Sector Development," OECD, 21.

84 Ibid., 22.

85 Valerii Surganov, "Pervye zavody kitaiskikh investorov v RK uzhe vyshli na eksport," *Kapital*, June 8, 2017, <https://kapital.kz/business/60474/pervye-zavody-kitaiskih-investorov-v-rk-uzhe-vyshli-na-eksport.html>.

Chapter 7. China's BRI Investments, Risks, and Opportunities in Kazakhstan and Kyrgyzstan

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Over the past three decades, China has become a major economic power with an increasingly global role and agenda. Although its GDP growth has slowed to an average of 7 percent annually, in 2010 the country became the world's second-largest economy and largest exporter. Moreover, in 2015, China—with a US\$128 billion foreign direct investment (FDI) outflow—became the second largest foreign direct investor worldwide, behind the United States and on a par with Japan. Today, China is no longer heavily dependent on exporting goods and attracting foreign investment. Rather, it has been actively making its own investments abroad and strengthening “Chinese brands” with high added values (often tech products).

One of the major tools facilitating China's foreign investment is the Belt and Road Initiative (BRI). This paper aims to provide an in-depth analysis of the foreign investment that is carried out within the BRI framework, its motives and priorities, looking at both the broad political context and two specific country cases: Kazakhstan and Kyrgyzstan. The case study was carried out using an online survey of some 300 respondents from within the two countries' young, educated elite. Based on the results of this study, we were able to elaborate the risks and opportunities connected with BRI investment in Central Asia.

BRI: An Overview

Chinese officials describe the BRI as a Chinese initiative to bring together 65 countries (see Figure 7.1)

with a combined population of 4.4 billion to co-build land and maritime “Silk Roads” in order to foster regional economic development through economic integration and resource sharing. This is to occur by means of Chinese investment focused on selected priority countries/regions/industries, with the goal of creating a vast, interconnected economic space. In total, across countries and over the currently envisaged time horizon, between US\$4 and 8 trillion are projected to be invested.³

From the Chinese perspective, the initiative is part of a broader philosophical vision of a “community of common destiny.” Westerners, meanwhile, view BRI as a continuation and formalization of “China Going Global,” a proclaimed attempt by the Chinese government to advance the country's position as a global economic leader and ultimately reconfigure the global economic balance of power.⁴ In a sense, China wants to achieve what other major economies (such as the United States) managed in earlier decades of globalization. This entails establishing long-term economic relations with BRI recipient countries; securing additional markets (for current and future high-tech, high value-added products); sourcing the inputs (raw materials, components and energy); and moving some industry sectors abroad. This increases the investing country's political leverage and control over the region where it chooses to invest. This control is, in turn, the source of additional economic power and further benefits, as the countries receiving foreign investment commit to using technology, engineering, supplies, financing, servicing, etc. provid-

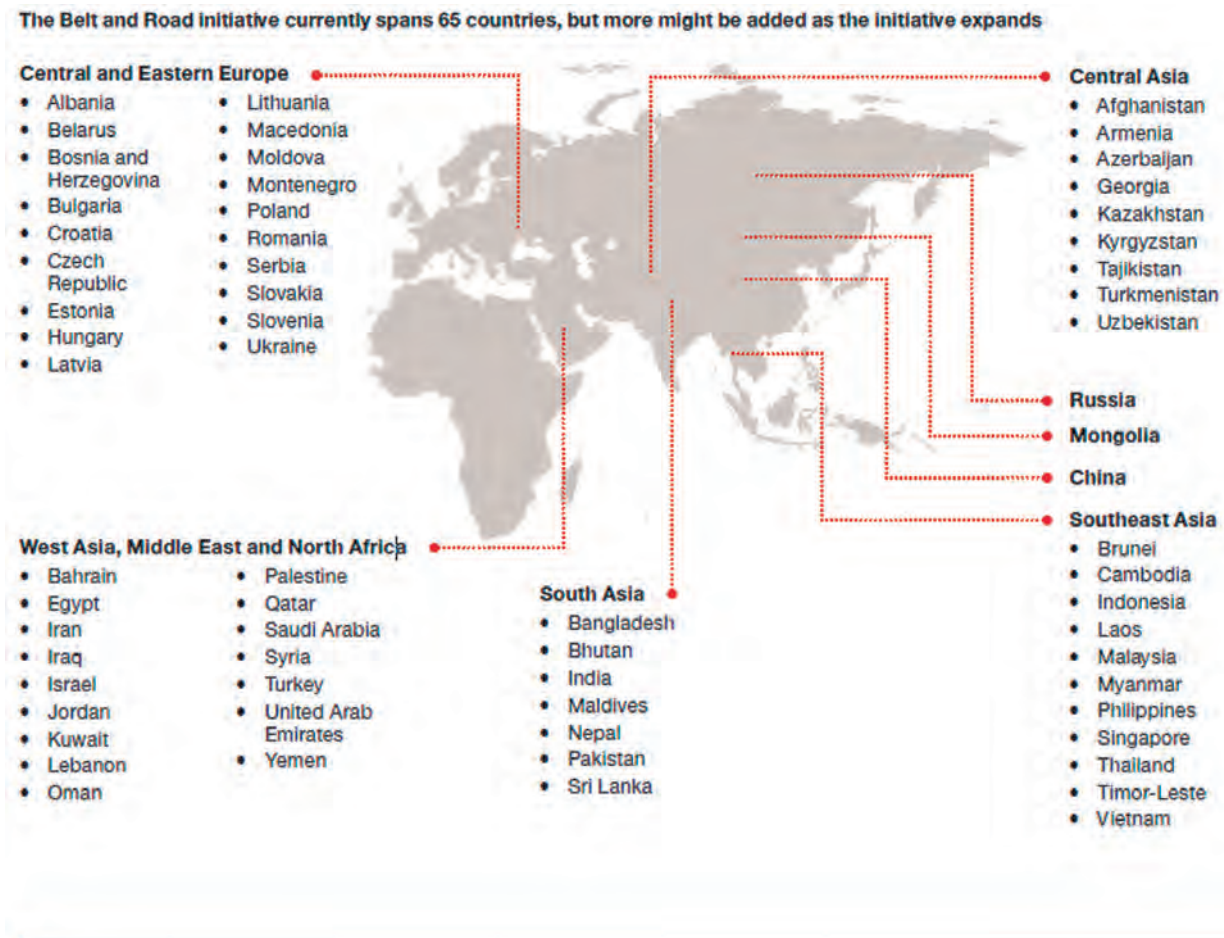
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3 The BRI countries need an estimated US\$26 trillion in development funding between now and 2030. Thus, BRI funds are only part of the solution; Chinese and foreign investors will have to follow it up with private money for bankable projects.

4 This is not a new phenomenon—“China Going Global” began in the late 1990s.

Figure 7.1. The Belt and Road Initiative Participating Countries



Source: PwC, "Repaving the Ancient Silk Routes,"

<https://www.pwc.com/gx/en/issues/high-growth-markets/publications/repaving-the-ancient-silk-routes.html>

ed by the donor country.⁵ The recipients of foreign investment usually benefit, too. They receive capital, knowledge transfer, and employment and productivity gains, all of which drive economic development and generate wealth. Over time, recipient countries, if they manage the process well, have the potential to become equal trade partners—that is, everybody gets to enjoy a fair share of the trade surplus created through "Ricardian specialization." Each country has its own comparative advantages, and the economic expansion of one country can create a win-win situation for other countries.

The Chinese took the initiative to design the BRI process, set priorities, amass the necessary financial

resources, and orchestrate the project at the highest governmental levels through diplomacy and new international organizations (the Silk Road Fund, the Asian Infrastructure Investment Bank, etc.)⁶

Motives for BRI

It is only natural that with a growing Chinese economy, we see more Chinese economic expansion abroad. Nevertheless, it may be useful to list the specific drivers of BRI. According to BMI Research,⁷ China pursues BRI for three broad reasons: 1) the Initiative provides external stimulus for Chinese companies (construction of foreign projects financed by China is done mostly by Chinese firms); 2) through

5 BRI projects consist not only of infrastructure and industrial construction, but also include services such as feasibility and legal studies, project consulting and engineering, servicing and maintenance, standardization and unification, platform creation, etc.

6 The West also has governmental and supranational organizations, such as the World Bank, IMF, and individual countries' Eximbanks, but their role is to complement or assist the private sector, not to act as a substitute for it.

7 Find the BMI Research home page at <https://www.bmiresearch.com>.

BRI, China expands its geopolitical influence (engaging India's neighbors and thus preparing its position for its expected future rivalry with India); and 3) the Initiative provides resource security (building alternative energy supply routes and increasing supply chain flexibility).⁸ Looking at the phenomenon in even greater detail, we identified the following motives for BRI:

- China's manufacturing capacity has exceeded the ability of domestic and traditional foreign markets (the United States, Japan, and Europe) to absorb it. China wants to relocate some of this surplus capacity to BRI countries ("Capacity Relocation" or "Capacity Coordination," as the Chinese refer to it). At the same time, Beijing is looking for new export markets. BRI helps the countries along the Belt to develop their economies and become new markets for Chinese goods when they increase domestic consumption.
- Labor in China is not as cheap as it was 20–30 years ago, and therefore no longer constitutes a significant competitive advantage in attracting foreign investment. Currently, manufacturing wages average US\$4,000–5,000 a year. As a result, more and more foreign investors have moved their factories from China to Vietnam and other Southeast Asian countries with lower labor costs. Chinese investors are likewise looking for manufacturing locations with cheap labor. This is another motive for "Capacity Relocation" within the framework of BRI.
- China faces a severe development gap between its eastern/southern and western regions, with western regions being less developed. Within the framework of BRI, China hopes to catalyze the development of its western provinces: fourteen Chinese provinces are targeted as strategic spots on the New Silk Road, nine of which are located in western China.
- By 2020, China is to have transformed the way it markets its manufacturing from "Made in China" to "Created in China." The Chinese

have started paying attention to innovation, internet+, high-tech sectors, intellectual property rights, the environment, and climate management, among other issues, with the goal of strengthening China as a brand. Moreover, programs such as "1,000 Talents" encourage Chinese scientists and professionals living abroad to return to their homeland by providing competitive salaries and resources to incubate and accelerate their projects.

- China needs energy recourses. By using BRI to build transmission grids and pipelines, the country will be able to source oil, gas, and electricity from the energy-rich countries nearby. China is already the primary importer of Kazakhstani energy.
- China has funds to invest abroad: it held US\$3 trillion in foreign-exchange reserves as of 2017.
- BRI is a Chinese response to programs such as TPP (Trans-Pacific Partnership) and TTIP (Transatlantic Trade and Investment Partnership). It is also an opportunity for China to step into positions that could be vacated by America under the Trump administration.⁹
- BRI does not only concern economic development. In various indirect ways, the initiative aims to reduce poverty and support education and the sciences. These indirect benefits help China score diplomatic points in the international arena and increase its political clout.

Financing of BRI

China's ability to finance BRI projects depends on its ability to generate additional funds and control their use. It is important to understand where these government funds come from: China is a country with some free-market elements, but also significant features of a state-planned economy. In such systems, the government surplus (the money available for investment) is produced, broadly speaking, by using government power to extract rents from citizens.¹⁰ The success of BRI depends, to some extent, on the

⁸ The creation of alternative corridors reduces risks to trade, as it is no longer possible to block a single transport artery and halt trade. It also increases the rents that countries can extract for their own uses. Comparatively low transportation prices are an important component of Chinese goods' global competitiveness.

⁹ Experts disagree on whether the US will become more isolationist; some consider this only a political rhetoric.

government's ability to keep extracting these rents and on its continued limited accountability to citizens regarding how public money is spent.

Financing for the foreign infrastructure grid and the companies to be connected to it is available through the Silk Road Fund (US\$40 billion for equity investments) and the Asian Infrastructure Investment Bank (US\$100 billion for loan financing, of which \$50 billion is from China; the remaining funds have been provided about 50 other member states, predominantly in Asia). On top of this, the central government obliges each Chinese province to finance BRI-related projects from its regional budget. There are also traditional sources of funding, such as China's Exim Bank, and supranational sources such as the "BRICS Bank," in which China participates.

BRI has inaugurated a period of profound changes in China's foreign investment. Chinese outbound foreign direct investment has caught up with inbound FDI from other countries to China. According to China's National Bureau of Statistics, in 2016, China's foreign inbound investment was US\$126 billion¹¹ and its overseas direct investment was US\$170 billion, excluding investment in banking, securities, and insurance. That amounts to a 44-fold increase in China's outbound FDI compared to 2015 and makes China the third-largest investor worldwide, behind the United States and Japan.

Of the US\$126 billion, US\$14.5 billion was directly invested by Chinese investors in countries along the Belt and Road. The top five sectors in which Chinese invested abroad were: leasing and business services; manufacturing; wholesale and retail trade; software and information technology; and real estate.

Sectoral Priorities of BRI

BRI investment focuses on infrastructure, energy and natural resources, the creation of industrial zones, and capacity cooperation (relocation). The sectors and industries most affected by BRI are therefore transportation; mining; energy, power plants and transmission grids; manufacturing; and technology,

media and telecommunication infrastructure and services.

1) Infrastructure

The construction of infrastructure is, for the moment, BRI's top priority. The Asian Development Bank estimated that at least US\$8 trillion investment is requisite between 2010 and 2020 to develop infrastructure in Asia.¹² BRI envisages the creation of a network of transportation corridors and routes for goods, materials, and energy. These would be in the form of complete logistical systems: transport lines; logistical centers with state-of-the-art warehouses, freight services, unified legislation, standardized norms, and simplified customs procedures; trade financing; and insurance. The goal is to increase connectivity within the BRI region, using quality value-added logistical services to produce a rapid, cost-efficient flow of goods.

China has plenty of experience in building infrastructure: according to Fung Business Intelligence Center, China has spent US\$20 trillion on its own infrastructure over the past four decades. The Chinese model of economic development actually starts with building infrastructure: in the 1970s and 1980s, domestic infrastructure facilitated China's economic and industrial development.¹³ Chinese companies have demonstrated that they have the expertise and resources to tackle even the most ambitious projects, Chinese high-speed trains going through massive areas at high altitude with extreme climates being a case in point.

Infrastructure projects can be divided into two types: reactive and proactive. Reactive projects respond to bottlenecks, increased demand, or demographic shifts. Proactive projects try to anticipate future needs and spark the necessary change. At the same time, infrastructure projects are risky: throughout history and across countries one can find overly ambitious projects that wasted money, such as Sri Lanka's Mattala Rajapaksa International Airport, which *Forbes* dubbed "the emptiest airport in the world."¹⁴

10 Rent extraction can be carried out by direct as well as indirect means, from explicit regulations such as normative wages to the indirect effect of the failure to create an environment in which people could make free, more optimal economic choices.

11 "Statistical Communiqué of the People's Republic of China on the 2016 National Economic and Social Development," National Bureau of Statistics of China, February 28, 2017, http://www.stats.gov.cn/english/PressRelease/201702/t20170228_1467503.html.

12 Lu Feng et al., "Why China? The Economic Logic behind China's OBOR Initiative," in *Looking for a Road: China debates its and the world's future*, ed. Shao Binhong (Asian Studies E-Books Online Collection 4, 2016).

13 There is a Chinese saying: "If you want to get rich, start with building a road."

14 Wade Shepard, "The Story behind the World's Emptiest International Airport," *Forbes*, May 28, 2016, <https://www.forbes.com/sites/wadeshepard/2016/05/28/the-story-behind-the-worlds-emptiest-international-airport-sri-lankas-mattala-rajapaksa/>.

2) Energy and Natural Resources

The energy and natural resources sectors traditionally attract massive foreign investment. Energy security is an important part of China's strategic plan: China imports almost 60 percent of the oil and more than 30 percent of the gas it needs, and the government encourages the domestic petroleum and natural gas companies to actively exploit energy resources at home and abroad.

As of 2017, China's two biggest energy-sector investment projects are in Central Asia. The first is a crude oil pipeline from Kazakhstan. The overall length of the pipeline is 2,800 kilometers (1,740 miles). Since 2010, this pipeline has been exporting 10 million tons of crude oil to China annually, with capacity projected to reach 20 million tons annually by 2020. In March 2017, the two countries celebrated when total crude oil exports from Kazakhstan to China surpassed 100 million tons.

The second project is a Central Asia–China gas pipeline that involves all five Central Asian countries. Of the four lines, three are currently operational, exporting 55 billion cubic meters of natural gas annually. By 2020, with the completion of the fourth line (Line D), annual gas export capacity from the pipeline will reach 85 billion cubic meters. This represents 20 percent of China's demand. To make up for some of the energy shortfall, China also plans to build 172 hydropower stations by 2020.

BRI in a Broader Political Context

According to China, BRI is a part of an ambitious foreign policy approach known as “harmonious neighborhood.” The philosophy consists of five principles: 1) respect other nations' unique civilizations and do not interfere in their internal affairs; 2) do not try to forge alliances with them or develop an exclusive sphere of influence; 3) offer unconditional economic assistance to countries in need; 4) emphasize equality to solve border disputes; and 5) focus equally on political and economic security in the region. For BRI, China underlines five cornerstone principles of cooperation between the countries along the Belt & Road: policy coordination, facilities connectivity, unimpeded trade, financial integration, and people-to-people bonds.

The first principle (“policy coordination”) aims to create inter-governmental trust and multi-level stakeholder communication. The role of governments

and specific government BRI policies is highly valued. In our interviews, representatives of the Chinese business community who have been implementing public-private partnership projects in Kyrgyzstan indicated that, “serious investment projects must be guided by government policy. If not, we would not be interested in coming here.” The governments play a key role in endorsing and promoting the grand strategy of the BRI and mediating potential risks to Chinese investors. The second principle (“facilities connectivity”) is about infrastructure development, as mentioned above. The third principle (“unimpeded trade”) is to continue increasing foreign trade with BRI countries. In the next ten years, China plans to have over US\$2.5 trillion in foreign trade with BRI countries, and 500 million Chinese tourists are expected to visit the countries along the Silk Road. The fourth principle (“financial integration”) is embedded in the establishment of the Silk Road Fund, Asia Infrastructure Investment Bank, and other institutions. Chinese policymakers expect to increase financial integration with measures such as enabling direct currency conversion with RMB and diversifying financing systems.

The fifth principle (“people-to-people bonds”) entails increasing cross-cultural and cross-regional communication through educational institutes, media agencies, training programs, service centers in medicine and social welfare, and a serial of community-based activities. In Central Asia, there have already been a couple of new policy study centers established with Chinese academies and think tanks; Kazakhstan recently opened its fourth study center in Xi'an; Uzbekistan welcomes the proposal of building a joint Uzbekistani-Chinese university; and Chinese newspapers and bookstores have been established in Kyrgyzstan. Nevertheless, many Western and Chinese experts have raised concerns that China has devoted insufficient resources and effort to the fifth principle compared to the other four.

BRI vs “Larger EEU” (Eurasian Economic Union)
Russia formulated its “Larger EEU” (Eurasian Economic Union, consisting of Russia, Kazakhstan, Belarus, Kyrgyzstan, and Armenia) concept to invite China to cooperate with the EEU. But China regards the EEU as little more than a possible transit route to Europe. The prospects of creating a larger EEU—something like the European Union, the Shanghai Cooperation Organisation (SCO), or NATO—are, despite political proclamations, distant. There are

major disparities and conflicts of interest between China, India, and Russia. We expect China to remain largely an independent player in Eurasia, charting its own course.

BRI in Kazakhstan and Kyrgyzstan

The potential for China and BRI recipient countries in Central Asia to cooperate is high. China needs energy (oil and gas), raw materials, and food and agricultural products. It also wants to develop Xinjiang province, which is far from a development hub. Central Asia, for its part, needs new and modernized infrastructure, industrialization, and diversification away from energy and raw materials. Here we look into China's investment in Kazakhstan and Kyrgyzstan, analyze their economic relations, and provide early data on how Chinese investment is perceived in these two countries.

Over the past 25 years, China has provided US\$30 billion of loans and equity investment to Kazakhstan, including purchases of existing enterprises. The Silk Road Fund, with US\$2 billion of investment earmarked for Kazakhstan, aims to provide equity for projects which have potential but which would have too high a debt ratio if financed with debt. According to one expert interviewed, the total planned capital expenditure under the Kazakhstan-China Program of Industrial Investment Cooperation (*Dorozhnaia karta sotrudnichestva mezhdru Kazakhstanom i Kitaem*) worked out by the Ministry of Investment and Development of Kazakhstan and the National Development and Reform Commission of China is US\$26 billion (a mix of Kazakhstani and Chinese money) over the next five years. These include various forms of investment: most are new projects (70 percent), while the rest will be spent on modernizing existing companies. Some investors are buying minority (25 percent) shares in an existing company (financial investment). In some of these projects, the Chinese party plays the role of EPC (engineering, procurement, construction) or EPCF (engineering, procurement, construction, and financing) providers, while the Samruk-Kazyna national fund—or another party—is the investor. The Kazakhstani government is often the guarantor of loans.

Central Asian governments plan to complement the BRI infrastructure with their own infrastructure projects: regional corridors with branches shooting off central lines (existing or planned) or connecting

different routes or nodes. These branches link countries and the regions within them to the BRI grid. The countries will also use the structure created by BRI for their own domestic and regional transportation needs. Indeed, some projects started off as regional ones and have initially had a largely regional impact. For example, the infrastructure projects administered under the *Nurly Zhol* (“Path of Light”) program in Kazakhstan currently serve local needs, though they could become part of the larger BRI network in the future. China provides financing in some cases; the credit must be repaid independently of whether Beijing will use the new infrastructure or not.

Yet building roads and railways is not an end in itself. While it creates construction jobs and demand for inputs and spurs local economic development, the main goal is to achieve long-term economic development in the region along the transportation route. Transportation is one of the factors of competitiveness. Both Kyrgyzstan and Kazakhstan have either mountainous terrain or sparsely populated areas (deserts, semi-deserts and steppe), making infrastructure projects technically challenging and extremely expensive. Both also lack the economies of scale that would make state-of-the-art infrastructure economically viable on a large scale (i.e. sufficient volumes of transported people and goods). But with the additional flow of goods and people from China (international outbound tourism by Chinese people, for instance, is expected to grow), the volumes necessary for the new infrastructure to make economic sense may be achieved.

Foreign Investment in Kazakhstan and Kyrgyzstan

Kazakhstan has an export-oriented economy, highly dependent on shipments of oil and related products (73 percent of total exports). The country's exports to China totaled US\$4.2 billion in 2016, divided mostly between mineral fuels, oils, and distillation products (24 percent), copper and copper products (21 percent), inorganic chemicals, precious metal compounds and isotopes (20 percent), and iron and steel (14 percent).¹⁵ Kazakhstan's imports from China amounted to US\$3.7 billion in 2016, including mainly machinery, nuclear reactors, boilers (24 percent), electrics, electronics (19 percent), iron and

15 “UN COMTRADE database,” United Nations, <https://comtrade.un.org>.

steel (9 percent), and plastics and plastic articles (5.4 percent).

Table 7.1. Gross FDI Inflows to Kazakhstan

	2011	2012	2013	2014	2015	2016
FDI (US\$ billion)	26.5	29	24	24	15	20.5
FDI from China (US\$ billion)	1.7	2.4	2.2	1.8	0.4	1.0
Percentage of overall FDI	6	8	9	8	3	5

Source: *stat.gov.kz, tradingeconomics*

Due to its smaller economy, Kyrgyzstan finds itself in quite a different situation. Its small market size means that the majority of the goods exported from China to Kyrgyzstan are re-exported to other countries in the region. Exploiting this advantage and its early WTO membership, Kyrgyzstan has long been the logistical hub of foreign trade in the region. The prosperity of the Dordoy and Karasuu bazaars demonstrate the intensity of foreign trade with China.

In August 2015, Kyrgyzstan entered the Eurasian Economic Union. Despite the increased custom tariffs on goods imported from China, in 2016 trade from China to Kyrgyzstan totaled nearly US\$1.6 billion (exports—US\$80 million; imports—US\$1.5 billion), a 45 percent increase over 2015. China is Kyrgyzstan's largest foreign trade partner, accounting for almost 30 percent of total trade. The top three export categories from Kyrgyzstan to China in 2016 were raw precious metals (53 percent), food products (16 percent), and unprocessed leather (9 percent). The top three import categories from China to Kyrgyzstan were textile products (45 percent), machinery equipment (26 percent), and chemical products (7 percent).

In January 2016, Kyrgyzstan was granted the European Union's GPS+ (Generalized Preferences System). As a result, more than 6,000 kinds of agriculture and light industry goods can now be exported from Kyrgyzstan to the EU duty-free. This provides favorable benefits in terms of trade and FDI.¹⁶

According to the Kyrgyz Ministry of Economy,¹⁷ overall FDI was US\$814 million in 2016, a 42.3 percent decrease compared to 2015. Nevertheless, FDI from China constituted 37 percent of overall foreign investment, and China has become the largest FDI investor in Kyrgyzstan.

Table 7.2. Foreign Direct Investment in Kyrgyzstan

	2011	2012	2013	2014	2015
FDI (US\$ millions)	850	591	965	727	1570
FDI from China (US\$ millions)	150	141	468	222	474
Percentage of overall FDI	18	24	49	30	30

Source: *Investment Promotion Agency under the Ministry of Economy of the Kyrgyz Republic*

Analysis of Opinion Survey

In the framework of this research, we administered an anonymous online opinion survey in spring 2017 to find out how informed, influential people in Kazakhstan and Kyrgyzstan—those with the power to shape policy—felt about foreign direct investment from China. The survey was sent to several email lists of people in business and government; it was also distributed via social networks (such as LinkedIn, Facebook, local business school alumni associations, etc.). The channels and means of distribution were selected such that the target audience could reasonably be expected to be educated people actively working in business and government. Some 95 percent of respondents were citizens of Kazakhstan or Kyrgyzstan.

234 people in Kazakhstan participated in the survey, as did 76 people in Kyrgyzstan. The total number of responses varies from question to question, as 20 percent of respondents skipped some questions or did not finish the survey. Some 76 percent (89 percent) of respondents in Kazakhstan (Kyrgyzstan) described themselves as ethnic Kazakhs (Kyrgyz), 9 percent (3 percent) as Russians, 15 percent (8 per-

16 FDI from China in 2016 decreased 39 percent compared to 2015. The representative of the Ministry of Economy of the Kyrgyz Republic explained that investment projects with China have certain periods. For example, the main investment projects were launched in 2015, and in 2016 these projects began to be implemented. Therefore, there was not a significant FDI increase in 2016.

17 "Postupleniia priamykh inostrannykh investitsii za 2016 g.," Ministry of Economy of the Kyrgyz Republic, http://mineconom.gov.kg/Docs/orrm/_2016_.pdf.

cent) as other. The largest group was 25–34 years old: 46 percent (47 percent). The second-largest group in Kazakhstan was older people (28 percent 35–44 years of age), while in Kyrgyzstan it was younger people (32 percent less than 25 years old). This reflects the differences in distribution channels. In Kazakhstan, 75 percent received the link to the survey by email and 18 percent through social networks, whereas in Kyrgyzstan 13 percent received it via email and 87 percent came across it using social networks. About 20 percent (5 percent) of respondents in Kazakhstan (Kyrgyzstan) were over 45. 35 percent (57 percent) earn less than US\$1,000 a month, 44 percent (35 percent) bring in between US\$1,000 and 3,000, and 21 percent (5 percent) make more than US\$3,000. (The lower average income in Kyrgyzstan is due to both lower GDP and respondents' comparative youth.) Some 66 percent (57 percent) were males and 63 percent (50 percent) were employed (as opposed to self-employed). Overall, our sample represents the young and middle-aged local educated elite. We believe that they tend to be more informed about the status quo and more influential in policymaking than the average member of the population.

Interestingly enough, there was no significant difference between how people in Kazakhstan and Kyrgyzstan viewed foreign investment. As such, we present combined results for the two countries. The overall opinion of this educated class on Chinese foreign investment is quite liberal. They almost unanimously agree that foreign investment is good for their country (96 percent agree or strongly agree). There is neither a strong preference for limiting foreign ownership to minority stakes nor a preference for local ownership over foreign ownership. Some respondents (54 percent) agree (vs. 33 percent who disagree) that having a foreign investor is better as the business is likely to be more successful.

We sought to determine whether there are any countries that are considered desirable (or undesirable) in terms of providing foreign investment. We presented respondents with a list of countries and asked them whether the country was strongly preferred, somewhat preferred, neutral, or undesired as a foreign investor. Countries on the list included traditional partners (Russia, EEU neighbors), major developed economies, Gulf countries, some emerging markets, and China. Japan scored highest in both Kazakhstan and Kyrgyzstan, followed by Germany, Switzerland, South Korea, the United Kingdom, the Netherlands, Scandinavian countries, Canada,

France, the United States, and Australia. The least desired (though not undesired) investor is Uzbekistan; other low-scoring countries, in order of increasingly high scores, are China, Iran, Russia, Belarus, Saudi Arabia, Turkey, and Eastern European countries. The average score is positive (53 in Kazakhstan and 55 in Kyrgyzstan), and there are no negative scores, meaning that no country is undesired on average; this corroborates the earlier finding that respondents are open to foreign investment.

We also wanted to understand which country characteristics are the most important determinants of a country's attractiveness as a foreign investor. The answers were similar in Kazakhstan and Kyrgyzstan. The most important selection criterion is that a country has advanced science and engineering and functioning markets/market institutions, followed by low corruption and functioning democracy. Similar culture, geographic proximity, and political alliances are seen as less important.

Our next question asked respondents to list the three largest foreign investors in their respective countries, to the best of their knowledge. If the previous questions asked which countries are desirable, this question asked about the perceived status quo: which countries are, in respondents' view, present. In both countries, the number one perceived investor is China, followed by the United States and Russia (in Kazakhstan) and Russia and Turkey (in Kyrgyzstan).

The next two questions of the survey asked respondents to evaluate the benefits of the EEU for Kazakhstan (Kyrgyzstan) and the perceived investment climate in their country. Here, too, results are quite similar in both countries. Some 62 percent of respondents indicated that they know a Chinese individual in person and 50 percent that they or their company have worked with Chinese. Some 10 percent indicated that they can say at least few words in Chinese. Some 94 percent said that economic cooperation with China is important or very important.

The next question asked about the perceived risks of increasing Chinese investment. The most feared negative impact is the influx of Chinese immigrants: about 80 percent of respondents tend to agree that this constitutes a risk. Next came pollution and environmental damage (70 percent), followed by Chinese management practices (65 percent in Kazakhstan and 52 percent in Kyrgyzstan). By contrast, only 25 percent of respondents think that Chinese investment would upset Russia, and 30–40 percent that it would disrupt the geopolitical

balance of power. Some 59 percent (44 percent) of respondents tend to agree that Chinese investment constitutes a threat to their country's independence (although we did not elaborate on what we meant by "independence," hence respondents could have interpreted it as anything from increased interference with internal decisions to the complete loss of sovereignty). About one-third of respondents would limit Chinese investment to large companies; two-thirds would also allow it in small and medium-size businesses. Some 72 percent believe that in Chinese-owned or Chinese-operated companies, only the top management should be Chinese; 22 percent would allow Chinese to hold middle management positions; and only 6 percent would allow Chinese workers to be physically present in Kazakhstan or Kyrgyzstan.

Kyrgyzstan seems to be more open to closer cooperation with China. Between 65 percent and 75 percent of people agree with some form of customs union, free movement of goods, and free movement of capital with China (in Kazakhstan, support for such measures is 35–50 percent). Some 43 percent of respondents in Kyrgyzstan would also support free movement of people, compared to 23 percent in Kazakhstan. We surmise that respondents understood "free movement of people" as the ability to cross the border with valid documents, not necessarily the uncontrolled free movement that characterizes the Schengen area in Europe. These figures seem to contradict other figures indicating a fear of Chinese immigration; one possible explanation is that respondents balance the the risk of immigration against the benefits brought by Chinese investment.

Conclusions

BRI's Risks for Central Asia

BRI is a very large, cross-regional economic program that is vaguely defined, since it takes an open approach to development by taking the initiative and inviting other countries along the Silk Road to participate. Having studied only Kazakhstan and Kyrgyzstan, we do not attempt to generalize our findings to other Central Asian countries, but we hope this research can provide a solid foundation and research model for further research.

Infrastructure projects undertaken by Central Asian governments should be evaluated in terms of their domestic and international potential. The clear candidates for selected infrastructure projects are those that make economic sense domestically (either addressing existing needs or anticipating future needs) without relying overly on Chinese transit volumes. The potential that China might use an infrastructure corridor increases a project's economic value, as it adds Chinese transit volume to the local flow. However, Central Asian countries should be cautious when extrapolating BRI ambitions into specific future flows. There is a risk that the planned transit volume will not be achieved and the infrastructure investment will not pay itself back. Uncertainty regarding the success of BRI—and, in the case of success, which competing corridors are the future winners—is the major source of risk for Central Asian states in deciding on the right strategy.

On a broader level and over a longer horizon, the continuing success of the Chinese economy is also a risk factor. Will China indeed become the world's leading economy? The Chinese autocratic/bureaucratic political system might have worked in the early stages of industrialization, when it was more obvious what investments needed to be made, but this may no longer hold true. One risk of close integration with China is that the domestic situation may evolve dramatically in the future. Starr et al. state that, "Kazakhstan must expect important, even momentous, changes in both China and Russia, countries whose evolution in the past has been characterized by abrupt and dramatic tectonic shifts."¹⁸ One should also consider demographic trends: China is becoming an upper-middle-income state with an aging population that will constitute a challenge for its central planners (the dollars earmarked for foreign expansion might be redirected to domestic uses); also, the population of China will soon be lower than that of India, which may change the balance on the continent at large.¹⁹

It would be wise for Central Asian countries to have a "Plan B" in case the expected Chinese economic prosperity and dominance in the Eurasian region is not achieved for whatever reason. At a minimum, the infrastructure and industrial investment projects should be evaluated in terms of their

18 Svante E. Cornell, Johan Engvall, and S. Frederick Starr, "Kazakhstan 2041: The Next Twenty-Five Years," *Central Asia-Caucasus Institute & Silk Road Studies Program Silk Road Paper*, November 2016, <http://isdpc.eu/content/uploads/2016/11/2016-cornell-engvall-starr-kazakhstan-2041.pdf>.

19 Ibid.

domestic potential and accepted only if they make economic sense domestically (or regionally, such as within the EEU or within Central Asia). This would make Central Asian countries less dependent on the fortunes of China, while keeping the upside potential should Chinese prosperity be realized.

A final risk factor is Chinese companies' increasing debt leverage. Although China has significant reserves (US\$3 trillion in foreign currency and gold and US\$5 trillion in foreign assets), Chinese companies and citizens are increasingly taking on debt. BRI leads to additional borrowing, often at low subsidized interest rates. The exposure to bad loans and defaults is rapidly increasing. Uncontrolled escalation would likely lead to a reduction in the budget available for BRI investment or to increased financing costs.

BRI's Opportunities

Central Asia once played an important role in the old Silk Road, but this region has not appeared on the global stage for several centuries. Since the collapse of the Soviet Union, Central Asian countries have faced tremendous political, economic, and social difficulties. The New Silk Road (BRI) may be the initiative that provides Central Asia with opportunities to actively engage with global trade once again. Moreover, studying the BRI in Kazakhstan and Kyrgyzstan can better equip policymakers with a comprehensive understanding of regional economic integration and help develop genuine partnership strategies with China.

Our research provides fresh perspectives on China—specifically, how Central Asian respondents see Chinese's investment impact in the region. In general, respondents are positive toward foreign investment, including Chinese investment, in Kazakhstan and Kyrgyzstan. Comparatively, respondents in Kyrgyzstan appear to be more positive about and open to a relationship with China, in line with the fact that China is the country's largest trade partner and FDI investor. In Kazakhstan, where Chinese FDI is newer and in competition with European actors,

educated public opinion is more circumspect toward China.

Another significant finding is that despite active engagement with Chinese FDI within the framework of the BRI in both countries, "China mainland" ranked 20th out of 22 economic partners on our list of "favorable FDI source countries" for Kazakhstan and Kyrgyzstan. In view of the criteria our respondents gave for a "good" investor, China should continue promoting and developing high-tech, scientific-based, and engineering products/projects clearly identified as "Chinese brands." Especially in the "Capacity Relocation/Cooperation" program, China should filter out low-tech and more polluting entities²⁰ that seek to come to Central Asia and institute serious anti-corruption measures in its firms working abroad. Next, China should increase Central Asians' familiarity with the Chinese market and its institutions. China could overcome the language barrier and the lack of informative publications and communication channels by strengthening its partnership with local organs.

In assessing the risks associated with partnering with China, respondents from Kazakhstan and Kyrgyzstan listed Chinese labor migration, ecological pollution, and Chinese management. Before making investment in Central Asia, Chinese companies are thus advised to study local labor laws. (The Kazakhstani government has more effective policies and laws on foreign labor, and this "best practice" could be shared with Kyrgyzstan.) China should also be aware of the sustainability issue: companies should be ready to provide more employment opportunities to local people, as well as training for local workers and experts at the managerial level. To address the fear of "ecological pollution," China should work on breaking stereotypes and building a more positive image of its climate change policy. Last but not least, the Chinese management approach should be taken into consideration—and potentially reconsidered—when partnering with locals, by developing trainings on cultural competency, cross-cultural communication, teambuilding, and the like.

20 "Ecological pollution" was respondents' second-greatest fear.

Chapter 8. One Belt, One Road: A New Source of Rent for Ruling Elites in Central Asia?

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Although One Belt, One Road (BRI) is being hailed as one of Beijing's grandest flagship projects, it may have a bumpy start in Central Asia. As the leaders of Central Asian states struggle to advance good governance and curb corruption, rent-seeking schemes emerge as an important part of political processes. Ruling elites in the region are notoriously experienced at capturing the state and directing state resources toward personal enrichment. The Silk Road Economic Belt, which will provide an unprecedented influx of funding into poor Central Asian republics, has the potential to become a new source of rent for Central Asia's ruling elites and to cause divisions between different Central Asian political clans.

This chapter attempts to pragmatically assess the threats of rent-seeking behavior for the successful implementation of the Silk Road Economic Belt project in Central Asia. It seeks not only to expose illicit practices within the domestic politics of Central Asian states, but also to demonstrate that Chinese modes of foreign investment do not often comply with the normative expectations of responsible development, instead exacerbating the problems of political accountability and economic governance in Central Asia.

The overall aim of this research is to promote evidence-based decision-making in Central Asia's China policy. BRI offers an excellent opportunity for Central Asian leaders to capitalize on China's willingness to advance regional integration for the benefit of the broader population. However, the de facto role of China as the main economic and development player in Central Asia goes unrecognized in local official and public discourses. Beijing-supported development projects in Central Asia are often viewed as attempts by China to subdue Central Asia economically and assert its regional hegemony. These fears are

often bolstered by a lack of understanding of China's foreign policy goals on the part of Central Asia's political elites, the prevalence of opinion-based policymaking, and growing Sinophobia in the region.

As such, Central Asian leaders must revisit their approach to China and utilize the opportunities presented by having China as a neighbor in a more pragmatic and mutually beneficial way. Evidence-based policymaking, which involves quality research and applied analysis, will be instrumental in producing better policy options, reducing poverty, stimulating economic growth, and enhancing the quality of life in Central Asia.

Chinese Bogeymen

The era of confrontation between the Chinese empire and the nomadic tribes of Central Asia is long gone. Nevertheless, in Central Asia, China is still viewed through the prism of distrust and fear. Local public opinion and political discourses often attribute Beijing's bilateral and multilateral initiatives in Central Asia to a secret, imperialist Chinese agenda of establishing regional and global hegemony. As Sebastien Peyrouse noted, views of China in the region have not evolved from Soviet clichés that cast China as an enemy, and these perceptions continue to portray Beijing's actions as soft expansionism and civilizational differences.¹

The March 2016 unrest in Kazakhstan revealed that even this country, which aspires to become one of the world's top 30 developed economies by 2050, may be struggling to curb local people's growing Sinophobia. The government's decision to institute changes to the Land Code sparked a public outcry, and the country, which takes such pride in its po-

¹ Sebastien Peyrouse, "Central Asia's Tortured Chinese Love Affair," East Asia Forum, November 30, 2016, <http://www.eastasiaforum.org/2016/11/30/central-asias-tortured-chinese-love-affair/>.

litical stability, suddenly found itself facing political crisis and turmoil. The new legislation would have extended the period for which foreign companies could lease agricultural land from 10 years to 25 years.² The bill also permitted the sale of agricultural land to Kazakhstani citizens through public auctions. Though the goal of the changes was to attract critical investment to the country's agricultural sector, rumors that the amended Land Code would allow foreigners to own land in Kazakhstan fanned public dissatisfaction and protesters were quite selective in identifying what they considered the foreign threat. It was Chinese investors whom protesters feared the most. To dampen protesters' revolutionary fervor, Kazakhstani President Nursultan Nazarbayev was forced to fire his national economy and agriculture ministers, place a moratorium on land reform, and create a special committee on the issue.³

While there is plenty of empirical data on the importance of land reform, the protests demonstrated that the government's efforts bore little relation to evidence-based policymaking: they were riddled with speculative assumptions and untested evidence. There was no queue of foreign investors eager to rent foreign land, nor was there a shortage of farmland. The existing legislation already allowed foreigners to rent Kazakhstani agricultural land for 10 years, yet they currently rent just 65,000 hectares of a total of 99.5 million hectares of leased farmland, or 0.06 percent of all available farmland in the country. Chinese entrepreneurs, for their part, lease a combined total of 282 hectares.⁴

Yet during the protests, China emerged as the country's most fearsome bogeyman, as it is in the other Central Asian countries. Separate land deals between China and Kyrgyzstan and China and Tajikistan caused fractures in these states and were used as a rallying-cry for local opposition against the ruling authorities. As Marlene Laruelle and Sebastien Peyrouse noted, government opponents have often instrumentalized the question of China to discredit ruling authorities.⁵ For instance, in 1999, the government of Kyrgyzstan reached an agreement with China

under which 125,000 hectares of land in the Issyk-Kul region of Uzengu-Kuush were ceded to Beijing. Political opposition to then-president Askar Akayev immediately accused him of secretly selling the land to Beijing and demanded his impeachment. When Azimbek Beknazarov, a member of parliament and one of the most vocal critics of the Kyrgyz-Chinese agreement, was detained on corruption charges in March 2002, nearly 1,000 of his supporters gathered in the Aksy district. The police opened fire on the protesters and brutally suppressed the demonstration. These actions sparked protests across the country and ultimately contributed to the downfall of the Akayev regime in 2005.

While the subject of land reforms is politically explosive by nature, a broader picture reveals that anti-Chinese sentiment is still deeply rooted in the region. Chinese engagement there is inevitably a target of conspiracy theories: some suggest that infrastructure projects seek to obscure China's goal of turning Central Asia into its personal source of raw materials and natural resources, while others propose that China aims to use Central Asian land to address its overpopulation problem. Fears that China's plan is to co-opt the Central Asian states and turn them into clientelist states dominate public and political discourses. Such discourses often lack analytical rigor and evidence-based analysis, making them unhelpful in producing better policy options.

One Belt, One Road

Despite the prevalence of Sinophobic discourses, China has emerged as the primary economic and development player in Central Asia. In around a decade, it has grown to account for more than 10 percent of Central Asia's total imports, while simultaneously becoming one of the main export destinations for Central Asian commodities and goods.⁶ If, in the early 2000s, Chinese–Central Asian trade was estimated at around US\$1 billion, that figure came to

2 Maximum ownership of 50 percent.

3 Kemel Toktomushev, "Chinese Bogeymen and Land Reform in Kazakhstan," *China-US Focus*, October 3, 2016, <http://www.chinausfocus.com/finance-economy/chinese-bogeyman-and-land-reform-in-kazakhstan>.

4 According to the Ministry of National Economy of Kazakhstan. See, for instance, "Skol'ko gektarov zemli i v kakikh regionakh Kazakhstana arenduiut inostrantsi," *Today.kz*, April 29, 2016, <http://today.kz/news/ekonomika/2016-04-29/716031-skolko-gektarov-zemli-i-v-kakih-regionah-kazakhstana-arenduyut-inostrantsyi/>.

5 Marlene Laruelle and Sebastien Peyrouse, *China as a Neighbor: Central Asian Perspectives and Strategies* (Singapore: Central Asia-Caucasus Institute and Silk Road Studies Program, 2009), 64.

6 Roman Mogilevskii, "Trends and Patterns in Foreign Trade of Central Asian Countries," *Working Paper No. 1*, University of Central Asia, Institute of Public Policy and Administration, Bishkek, 2012.

nearly US\$32 billion in 2015.⁷ The large volume of informal imports and exports means the real numbers might be even more staggering.

Aside from being a key trading partner, China has become the region's largest de facto lender and source of development financing.⁸ For instance, Beijing had financed several multi-million dollar projects in the Kyrgyz Republic, such as the construction of the 405-kilometer Datka–Kemin transmission line and the Datka electricity substation. Beijing also agreed to loan the government US\$400 million to construct an alternative road connecting Northern and Southern Kyrgyzstan. As of April 2017, Kyrgyzstan owed the government-sponsored Exim Bank approximately US\$1.6 billion,⁹ which comprises about 40 percent of Kyrgyzstan's total external debt.¹⁰ Similarly, Exim bank is Tajikistan's largest single creditor, holding almost 50 percent of its total external debt.¹¹

China is also well situated to act as a mediator in the region: the China–Central Asia pipeline consists of three separate enterprises, based on a 50 percent ownership agreement among China and Kazakhstan, China and Uzbekistan, and China and Turkmenistan, respectively.¹² Moreover, through its China National Petroleum Corporation (CNPC), Beijing continues to invest heavily in Central Asia's transport and energy infrastructure, including the construction of the Atyrau–Alashankou crude oil pipeline.

Considering these developments, the inclusion of Central Asia into BRI could have been anticipated. China has long used the Silk Road discourse in the context of Central Asia, and once this discourse emerged as official Chinese policy, Beijing was quick to prove its commitment to the initiative. Chinese President Xi Jinping paid a personal visit to each Central Asian state, where he reiterated Beijing's willingness to invest US\$40 billion into Central Asia's poor (and deteriorating) infrastructure.

Moody's, one of the Big Three credit-rating agencies, has already given a vote of confidence in BRI. Its reported that the Chinese initiative to enhance economic integration with the countries across Asia, Europe, and the Middle East is "credit positive" for the emerging market sovereigns involved.¹³ As Moody's emphasized, BRI will predominantly benefit smaller states with relatively low per capita incomes, low investment rates, and financing constraints on their current account positions. Accordingly, the Central Asian states are expected to be among the greatest beneficiaries of BRI interventions. Moreover, it appears that BRI is more than an infrastructure project. Based on implementation guidelines released by China's National Development and Reform Commission, BRI seeks to promote policy coordination, facilities connectivity, unimpeded trade, financial integration, and people-to-people bonds.¹⁴ The latter component includes joint research, personnel training, cultural and academic exchanges, forums, fairs, and visits under the framework of both bilateral and multilateral cooperation mechanisms.

The Chinese strategy of reviving the classic Silk Road and constructing new economic routes is an ambitious plan with many unknown variables. Political risks are among the challenges that may jeopardize the reputation and deliverables of BRI. Most post-Soviet countries struggle to curb corruption and promote good governance. As a result, rent-seeking has become an integral part of political processes in such states, and BRI is not immune to the encroachments of kleptocratic elites.

Doing Business in Central Asia

The term "rent" is often understood as income returns that are higher than the minimum that an eco-

7 In 2013, the volume of trade between China and Central Asia was nearly US\$50 billion. All numbers were retrieved from the World Integrated Trade Solution (WITS) database.

8 Alexander Cooley, "China's Changing Role in Central Asia and Implications for US Policy: From Trading Partner to Collective Goods Provider" (remarks made at "Looking West: China and Central Asia," US-China Economic and Security Review Commission, 2015).

9 "Struktura gosudarstvennogo vneshnego dolga," Ministry of Finance of the Kyrgyz Republic, April 30, 2017, <http://minfin.kg/ru/novosti/mamlekettik-karyz/tyshky-karyz/struktura-gosudarstvennogo-vneshnego-dolga-kr-po-s4046.html>.

10 As of April 30, 2017, Kyrgyzstan's total external debt was US\$3.8 billion, according to the Ministry of Finance of the Kyrgyz Republic.

11 "Tajikistan: A moderate slowdown in economic growth coupled with a sharp decline in household purchasing power," World Bank Group, Tajikistan Economic Update 2, 2015.

12 Cooley, "China's Changing Role in Central Asia and Implications for US Policy."

13 "China's Belt and Road Strategy—Credit Positive for Emerging Market Sovereigns," Moody's, July 28, 2015, https://www.moody's.com/research/Moodys-Chinas-Belt-and-Road-Strategy-Credit-Positive-for-Emerging--PR_331106.

14 "Vision and actions on jointly building Silk Road Economic Belt and 21st-Century Maritime Silk Road," National Development and Reform Commission of the People's Republic of China, March 28, 2015, http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html.

conomic actor can gain in a competitive market.¹⁵ Weak and underdeveloped states offer extraordinary economic opportunities for privileged groups to extract this rent and enrich themselves.¹⁶ Powerful individuals and special-interest groups tend to capture the state and pursue their economic interests, predominantly through corrupt and nefarious practices. Yet rent-seeking behavior is not limited to illegal activities such as corruption and bribery. It often takes the form of legal and semi-legal activities, such as political lobbying and monopoly rents.

Central Asia provides many opportunities to examine the dynamics of rent-seeking and its transnational outreach. Kazakhstan, Uzbekistan, Kyrgyzstan, Tajikistan, and Turkmenistan offer numerous examples of overt state capture by ruling elites. In Uzbekistan, for instance, the Swedish-Finnish telecommunications company TeliaSonera became embroiled in a scandal after allegedly paying US\$300 million to the daughter of now late Uzbek President Islam Karimov.¹⁷ In Kazakhstan, the U.S.-based oil field services company Baker Hughes made illegal payments to Kazakh oil officials through a British tycoon to win a US\$219 million contract in Karachaganak.¹⁸ In Kyrgyzstan, the families and entourages of both the first and second presidents were accused of turning the U.S. air base in Bishkek into a personal source of rent.¹⁹ In March 2010, the German automotive corporation Daimler AG agreed to a deferred prosecution agreement, admitting that the company might have violated the Foreign Corrupt Practices Act by giving improper gifts and cash payments to officials in Turkmenistan in order to ensure Daimler sales in the country.²⁰ A lawsuit in London's High Court that centered on al-

legations of corruption in the Tajikistan Aluminum Company's supply chain became one of the most expensive legal cases ever held in the United Kingdom.²¹

The cases are diverse and demonstrate how well Central Asia, purportedly an isolated region, is integrated into the global political economy via contemporary financial vehicles and informal and offshore enterprises. The examples also expose an ongoing quest for the redistribution of rents in the region. As such, BRI runs the risk of becoming a new source of rent for Central Asia's kleptocratic elites, meaning that it may have a rocky start in the region. Moreover, the unprecedented influx of funding promised by BRI the impoverished republics may exacerbate political instability and foster inter-clan rivalries over access to lucrative projects.

There are already alarming signs. In 2010, Tajikistan opened the Dushanbe–Chanak highway, which connects Tajikistan's capital to Uzbekistan. This 345-kilometer highway was upgraded by the Chinese companies thanks to a US\$296 million loan from Beijing.²² However, what was regarded as an investment in Tajikistan's poor infrastructure seemed to become a source of rent for the ruling elites. The Dushanbe–Chanak highway soon transformed into a toll road run by Innovative Road Solutions, a company registered in the British Virgin Islands. Initially, Tajikistani law prohibited the establishment of toll roads, unless there were no alternative routes.²³ However, the country's parliament scrapped this condition by amending the law on transportation.²⁴

Deutsche Welle reported that Innovative Road Solutions belonged to Jamoliddin Nuraliev, the pres-

15 Kwame Jomo and Mushtaq Khan, "Introduction," in *Rents, Rent-seeking and Economic Development: Theory and Evidence in Asia*, ed. Mushtaq Khan and Kwame Jomo (Cambridge: Cambridge University Press, 2000), 5.

16 Joel Migdal, *State in Society: Studying How States and Societies Transform and Constitute One Another* (Cambridge: Cambridge University Press, 2001); Robert Rotberg, "Failed States, Collapsed States, Weak States: Causes and Indicators," in *Weakness in a Time of Terror*, ed. Robert Rotberg (Washington: Brookings Institution Press, 2003); Kemel Toktomushev, *Kyrgyzstan—Regime Security and Foreign Policy* (London: Routledge, 2017).

17 Daisy Sindelar and Farruh Yusupov, "New Documents Suggest Fresh Evidence of TeliaSonera Ties to Karimova," *Radio Free Europe/Radio Liberty*, May 22, 2013, <http://www.rferl.org/a/sweden-teliasonera-uzbekistan-karimova/24993135.html>.

18 David Leigh, "Wikileaks Cables Name UK Banker as Middleman in Kazakh Corruption Ring," *The Guardian*, December 12, 2010, www.theguardian.com/world/2010/dec/12/wikileaks-british-banker-kazakh-corruption.

19 Toktomushev, *Kyrgyzstan—Regime Security and Foreign Policy*.

20 "Turkmenistan: Ashgabat on Receiving End of Daimler Bribes—US Federal Court Documents," *EurasiaNet*, March 29, 2010, <http://www.eurasianet.org/departments/insightb/articles/eav033010a.shtml>.

21 Megan Murphy, "Tajikistan Case Set to Test Fee Records," *Financial Times*, May 1, 2008, http://www.ft.com/cms/s/0/24f3b976-1717-11dd-bbfc-000079fd2ac.html?ft_site=falcon&desktop=true#axzz4cKZfS6vh.

22 Konrad Mathesius, "Tajik Toll Road Raises Public Ire, Stokes Corruption Concerns," *EurasiaNet*, September 17, 2010, <http://www.eurasianet.org/node/61959>.

23 *Ibid.*

24 *Ibid.*

ident son-in-law.²⁵ Though he denied the allegation, the company, which had no public record of running highway projects, received preferential treatment from the government of Tajikistan. Innovative Road Solutions was exempt from more than a dozen different taxes.²⁶ The government of Tajikistan justified the decision to change the status of the road by its inability to repay the Chinese loan. It has not disclosed the specifics of how it plans to service the Chinese loan, while the terms of the agreement between the government of Tajikistan and Innovative Road Solutions have been classified.²⁷ The leadership of Innovative Road Solutions has stated, however, that the company's activities do not depend on the repayment of the loan and all profits from the toll belong solely to Innovative Road Solutions.²⁸

It is nearly impossible to trace the real beneficiaries of Innovative Road Solutions using public sources because the company is registered in a hyper-secretive tax haven. Offshore jurisdictions are typically the major obstacle to tracking down the real owners of companies believed to be affiliated with those in power. After the March revolution of 2005 in Kyrgyzstan, for instance, a state inquiry commission was established with the express goal of locating and repatriating the assets and accounts affiliated with ousted president Akayev. However, these efforts bore no fruit, since most of the companies were run from overseas havens such as Panama, Cyprus, the Seychelles, and Liechtenstein.

Nonetheless, what the case of the Dushanbe-Chanak highway exposed is that in Central Asia, the mercantile interests of ruling elites often prevail over long-term state-building objectives. Powerful interest groups are experienced at capturing the state for personal gain, and the prospect of rapid enrichment through Chinese rents provides a strong incentive for ruling elites to engage in illicit income distribution. Thus, not only can corruption scandals overshadow development efforts, but the association of these scandals with BRI may intensify anti-Chinese sentiment among ordinary Central Asians.

The latter notion is particularly challenging and worrisome for BRI because the plans for constructing economic corridors along the classic Silk Road are accompanied by the discourse of building "a community of common destiny." Coined by former president of China Hu Jintao and initially applied to China-Taiwan relations, the phrase emerged as a framework upon which BRI could be built. Xi Jinping underlined that modern Chinese diplomacy rests on the principles of a community of common destiny, which entails a new official foreign policy priority for Beijing: neighborhood diplomacy.

However, at this stage, the question of whether China can reconcile differences between states and create mutual benefit from Chinese integrationist initiatives remains unanswered. A community of common destiny is far from an easily attainable goal, and if BRI is marred by rent-seeking practices and corruption scandals, it is highly unlikely that the notion will appeal to the common people of Central Asia. It may be difficult to lead by example if one is not exemplary oneself.

Politics of Guanxi

Corruption in the Central Asian states is usually presented as a phenomenon inherent to weak states or, in a transnational context, as an indispensable part of criminal networks that link illicit activities to state officials and illicit non-state actors, including organized crime factions, weapons and drug traffickers, money launderers, and terrorists.

It would be misleading, however, to assume that corruption is confined to the Central Asian states. The illicit enrichment of local elites could have not been achieved without the support of licit actors that operate within the realm of legal and formal norms and practices.²⁹ The whole system of global governance has been undermined by networks of intermediaries, company service providers, offshore jurisdictions, and tax havens, which have embedded corrupt

25 Khairullo Mirsaidov, "Platnye dorogi v Tajikistane sdelali gosudarstvennoi tainoi," *Deutsche Welle*, July 6, 2010; "Tajik President's Son-in-law Denies Ties to Company," *Radio Free Europe/Radio Liberty*, July 12, 2010, http://www.rferl.org/a/Tajik_Presidents_SonInLaw_Denies_Ties_To_Company/2097815.html.

26 Ibid.

27 "Tadzhikskii Platon: kak sobiraut dan' na platnoi doroge strany," *Current Time*, February 23, 2016, <http://www.currenttime.tv/a/27567321.html>.

28 Mirsaidov, "Platnye dorogi v Tajikistane sdelali gosudarstvennoi tainoi."

29 Peter Andreas, "Illicit Globalization: Myths, Misconceptions, and Historical Lessons," *Political Science Quarterly* 126, no. 3 (2011): 403-425; Michael Findley, Daniel Nielson, and Jason Sharman, *Global Shell Games: Experiments in Transnational Relations, Crime, and Terrorism* (Cambridge: Cambridge University Press, 2014).

elites within a dense fabric of legal protections that conceal their transgressions from those at home.³⁰ In other words, corruption does not exist solely within weak Central Asian states, but flows from the transnational through the national to the local.

Thus, BRI may not only fall victim to the predatory behavior of Central Asian elites, but it may also inadvertently contribute to the advancement of corrupt practices in the region. Chinese modes of foreign investment often fail to comply with the normative expectations of responsible development. There is no law that prohibits Chinese companies from making payments to—or engaging in illicit activities with—foreign companies and officials of foreign government to assist in obtaining or retaining business.³¹ As a result, China's efforts to expand foreign direct investment and its growing appetite for adventuresome entrepreneurship frequently do not match the anti-corruption standards of doing business abroad.³²

According to a survey conducted in fifteen sub-Saharan African states by the Ethics Institute of South Africa, the region has an overall negative impression of the presence of Chinese companies, with nearly 61 percent of respondents believing that Chinese companies engage in corrupt practices when doing business in Africa.³³ As many observers note, these accusations are not baseless. From allegations of illicit diamond deals in Zimbabwe to reportedly paying a US\$350 million entry fee to secure a US\$6 billion ore-for-infrastructure venture in the Democratic Republic of the Congo, Chinese corpo-

rations' illicit and semi-illicit activities in Africa are well documented.³⁴

Indeed, corruption has traditionally been widespread in China's private sector,³⁵ with Chinese state-owned enterprises more often the targets of domestic anti-corruption campaigns.³⁶ Nearly 35 percent of the Chinese firms that participated in a Charney Research survey confirmed that they had to pay bribes or give gifts to operate their ventures in China.³⁷ No wonder, then, that Xi Jinping has launched an unprecedented campaign against corruption in China since assuming office in 2012. He vowed to clean up the party ranks and clamp down on all manifestations of "disciplinary violations"—a euphemism for corruption and graft in China. As of January 2017, the anti-corruption campaign has netted 185 "tigers" (senior officials) and 1,714 "flies" (lower-ranking cadres), including such high-profile figures as former minister of commerce Bo Xilai and former minister of public security Zhou Yongkang.³⁸

Yet it appears there is still a long way to go. Judiciary and legal issues aside, social customs and cultural norms may be contributing to endemic corruption in China. *Guanxi* or *guanshi* is one of these social norms. Problematic from an international legal perspective, it has a positive connotation from a cultural standpoint. *Guanxi* can be roughly translated as "an interdependent relationship." Fundamentally, *guanxi* is about building and maintaining a personalized network of trustworthy and mutually beneficial relationships that can be used for personal and business purposes.³⁹

30 Alexander Cooley and John Heathershaw, *Dictators Without Borders: Power and Money in Central Asia* (New Haven, CT: Yale University Press, 2017).

31 Richard Ghiasy and Jiayi Zhou, *The Silk Road Economic Belt: Considering Security Implications and EU-China Cooperation Prospects* (Solna: Stockholm International Peace Research Institute, 2017), 23.

32 Deborah Bräutigam, "When China Goes Shopping Abroad: New Pressure for Corporate Integrity?," in *Global Corruption Report 2009: Corruption and the Private Sector*, ed. Dieter Zinnbauer, Rebecca Dobson, and Krina Despota (Cambridge: Cambridge University Press, 2009), 67–69.

33 Sofie Geerts, Namhla Xinwa, and Deon Rossouw, *African's Perception of Chinese Business in Africa: A Survey* (Pretoria: Ethics Institute of South Africa, 2014), 24.

34 Tom Burgis, "HSBC Freezes at Least US\$87m in Accounts Linked to China's Sam Pa," *Financial Times*, March 14, 2016, <https://www.ft.com/content/e003f136-e9fa-11e5-888e-2eadd5fbc4a4>; David Connett, "Sam Pa: The Fall of China's Trailblazer in Africa," *The Independent*, October 23, 2015, <http://www.independent.co.uk/news/business/analysis-and-features/sam-pa-the-fall-of-china-s-trailblazer-in-africa-a6707031.html>; Eric Olander and Cobus van Staden, "Inside China's Role in Corruption in Kenya," *Huffington Post*, September 14, 2016, http://www.huffingtonpost.com/entry/china-corruption-kenya_us_57d984fde4b0aa4b722dcded.

35 Zinnbauer, Dobson, and Despota, eds., *Global Corruption Report 2009: Corruption and the Private Sector*.

36 Ghiasy and Zhou, *The Silk Road Economic Belt*.

37 Craig Charney and Shehzad Qazi, "Corruption in China: What Companies Need to Know," *White Paper* No. 1, Charney Research, New York, 2015.

38 Susan Jakes, "Visualizing China's Anti-Corruption Campaign," *ChinaFile*, January 21, 2016, <http://www.chinafile.com/infographics/visualizing-chinas-anti-corruption-campaign>; "Catching Tigers & Flies," *ChinaFile*, January 1, 2017, <https://anticorruption.chinafile.com/>.

39 Anthony Goh and Matthew Sullivan, "The Most Misunderstood Business Concept in China," *Business Insider*, February 24, 2011, <http://www.businessinsider.com/the-most-misunderstood-business-concept-in-china-2011-2>; Kai-Ping Huang and Karen Wang, "How Guanxi Relates to Social Capital? A Psychological Perspective," *Journal of Social Sciences* 7, no. 2 (2011): 120–126; Xiaoying Qi, "Guanxi, Social Capital Theory and Beyond: Toward a Globalized Social Science," *British Journal of Sociology* 64, no. 2 (2013): 707–723; Scott Lane and John Hoffman, "Taking a Strategic View of Anti-Bribery Compliance in China," *Compliance Insider* (September–November 2012): 26–31.

Guanxi is an indigenous term and an important element of the traditional Chinese social fabric. Despite Communist attempts to uproot traditional components of Chinese culture, *guanxi* persisted, as party members themselves used it to achieve their political goals.⁴⁰ *Guanxi* is, to some degree, similar to the Western concept of social capital.⁴¹ Social capital is a form of capital in which active networks of civic engagement are central, while the engagement of actors is marked by cooperation and trust. A central idea of social capital is that networks and the associated norm of reciprocity have value.⁴²

Nonetheless, *guanxi* is more often associated with corruption, graft, and nepotism because it provides exclusive access to resources and operates through informal personal connections and practices.⁴³ While *guanxi* itself is not necessarily a source of corruption, if corruption takes place, then *guanxi* will likely emerge as one of its mechanisms.⁴⁴ Although most scholars and observers note that the emphasis of *guanxi* is on cultivating human sentiments, obligations, indebtedness, and reciprocity, rather than on material gains, many of them still recognize it as a rent-seeking practice.⁴⁵

Benefits derived from *guanxi* are based purely on personal relations and asymmetrical access to resources. As Andrew Kipnis wrote, although material motives in *guanxi* must be shunned, it should not be romanticized.⁴⁶ The unity of human feelings and economics implies that the dyadic exchange has both a moral dimension and an economic calculation.⁴⁷ Unsurprisingly, *guanxi* is one of the most misunderstood concepts in a business context. As Scott Lane and John Hoffman advise, the greatest challenge is to

retain the benefits of “good *guanxi*” to advance daily business operations while maintaining ethical business conduct.⁴⁸

As such, there are many concerns about BRI’s business projects in Central Asia: in particular, how will Chinese modes of foreign investment, along with indigenous social practices such as *guanxi*, evolve in the graft-prone region of Central Asia? There is no equivalent idea of *guanxi* in Central Asia. The USSR emerged as an authoritarian state with a highly atomized society. Soviet political machinery sought to destroy all uncontrolled voluntary associations and networks in order to suppress the possibility of collective action, and such practices have certainly affected the development of social capital in the region. Although there is an immense social fabric left over from both the Soviet and pre-Soviet eras,⁴⁹ *guanxi* in the Central Asian context would likely have a negative connotation and be juxtaposed with corruption and nepotism.⁵⁰

Nevertheless, it appears that ruling elites in Central Asia are keen to explore the potential of *guanxi*, while Chinese companies are content to indulge them in these endeavors in order to pursue their interests in the region. In November 2016, the Chinese Consulate General gifted the mayor of Kyrgyzstan’s southern capital, Osh, with a new Toyota Land Cruiser. The mayor’s office was quick to announce that the car would be put on the balance sheet of the mayor’s office. While on the Chinese side the car could have been considered simply a gift to establish *guanxi* with the municipal government, for many in Kyrgyzstan the gift suggested a clandestine and devious arrangement between the local govern-

40 Qi, “Guanxi, Social Capital Theory and Beyond.”

41 Qi, “Guanxi, Social Capital Theory and Beyond”; Huang and Wang, “How Guanxi Relates to Social Capital?”

42 Robert Putnam, “Bowling Alone: America’s Declining Social Capital,” *Journal of Democracy* 6, no. 1 (1995): 65–78; Robert Putnam “Social Capital: Measurement and Consequences,” Working Paper, Organisation for Economic Co-operation and Development, 2001.

43 Irene Yeung and Rosalie Tung, “Achieving Business Success in Confucian Societies,” *Organizational Dynamics* 25, no. 2 (1996): 54–65; Qi, “Guanxi, Social Capital Theory and Beyond.”

44 Yeung and Tung, “Achieving Business Success.”; Qi, “Guanxi, Social Capital Theory and Beyond.”

45 Goh and Sullivan, “The Most Misunderstood Business Concept in China”; Huang and Wang, “How Guanxi Relates to Social Capital?”; Andrew Kipnis, *Producing Guanxi: Sentiments, Self, and Subculture in a North China Village* (Durham: Duke University Press, 1997); Lane and Hoffman, “Taking a Strategic View”; Qi, “Guanxi, Social Capital Theory and Beyond”; Mayfair Yang, *Gifts, Favours and Banquets: The Art of Social Relationships in China* (Ithaca: Cornell University Press, 1994).

46 Kipnis, *Producing Guanxi*.

47 *Ibid.*, 24.

48 Lane and Hoffman, “Taking a Strategic View.”

49 For instance, see Olivier Roy, “Soviet Legacies and Western Aid Imperatives in the New Central Asia,” in *Civil Society in the Muslim World*, ed. Amyn Sajoo (London: IB Tauris, 2002), 123–148.

50 For instance, Kyrgyz journalist Aliya Suranova tried to unpack the term ‘kyrgyzchylyk,’ which bears a certain resemblance to *guanxi*, but with a vividly negative connotation. See Aliya Suranova, “Kyrgyzchylyk. Chast’ 1—Parazitizm,” *Radio Free Europe/Radio Liberty*, February 13, 2013, http://rus.azattyk.org/a/kyrgyzstan_blogs_suranova/24900934.html.

ment and Chinese diplomats. The mayor's office had to officially dismiss such claims, stating that the gift was not related to the rehabilitation of the road next to the Chinese consulate or to the allocation of a land plot for the construction of a Chinese hotel.⁵¹

Six months earlier, in April 2016, a more serious scandal involving Kyrgyz civil servants and Chinese vendors led to the resignation of Temir Sariyev, then the prime minister of Kyrgyzstan. Sariyev stepped down amid corruption allegations involving a US\$100 million road construction project that has been carried out by Chinese construction company Longhai. As EurasiaNet reported, the downfall of Kyrgyzstan's 27th prime minister was precipitated by his confrontation with Minister of Transportation Argyzbek Malabayev over a tender to build a 104-kilometer road in a touristy area of Issyk-Kul.⁵² Malabayev accused Sariyev of personally profiting from Longhai's victory and blamed his own deputy for lobbying for Sariyev and Longhai's interests.⁵³ Sariyev's application to sack the minister of transportation was dismissed by Kyrgyzstani President Almazbek Atambayev, while a parliamentary committee recommended dismissing Sariyev himself. Though Sariyev had to resign, Longhai remained the main contractor in charge of completing the road.

Such infamous cases demonstrate that Chinese companies' adventuresome entrepreneurship in the region and a lack of transparency surrounding their deals feed into accusations that Chinese companies enable government corruption in Central Asia. As Joe Zhang wrote for the *Financial Times*, it seems that parts of the Chinese business world prefer to follow the old Chinese saying, "It's easier to catch a fish in muddy waters."⁵⁴ This business philosophy not only exacerbates local problems associated with good governance and accountability, it also strengthens homegrown animosities. The perception that China is contributing, even indirectly, to social injustice, poor governance, and economic challenges can lead

in Central Asia to social unrest and violent manifestations of anger against both ruling elites and their Chinese counterparts.⁵⁵

Since Chinese engagement in Central Asia is often limited to loans that benefit predominantly Chinese contractors or is focused on resource extraction for export, it becomes difficult for the leadership of Central Asian states to justify the need for Chinese investments and ensure that these investments benefit local economies.⁵⁶ In other words, the Beijing-led BRI project may end up being difficult to sell to the people of Central Asia, its ambitious plans and estimated impacts notwithstanding. The symbiosis of illicit practices that exists in the domestic politics of Central Asia and peculiar modes of Chinese entrepreneurship and investment may emerge as the greatest stumbling block of BRI in Central Asia, as both the deliverables and the reputation of the project will be jeopardized—not something that is currently expected from this initiative.⁵⁷

Conclusion

BRI is an ambitious and unprecedented project that could have a cathartic effect on China's impoverished neighbors while helping Beijing advance its political goals and economic interests. Although BRI is, as yet, an evolving model of regional integration, there are real and existential threats that can jeopardize the successful implementation of Chinese-led projects in Central Asia. Powerful individuals and special interest groups are infamously experienced at capturing the state through corrupt and nefarious practices. As such, BRI runs the risk of becoming a new source of rent for Central Asia's kleptocratic elites.

Nonetheless, it would be wrong to assume that corruption exists solely within the domestic realm of the Central Asian states. Chinese companies themselves often do not comply with the normative expect-

51 "Toyota Land Cruiser Presented to Osh Mayor by Chinese Consulate General Causes Quite a Stir," *AkiPress*, November 17, 2016, <http://akipress.com/news:585274>.

52 "Kyrgyzstan: PM Resigns Amid Corruption Spat," *EurasiaNet*, April 11, 2016, <http://www.eurasianet.org/node/78246>.

53 "Kyrgyzstan," *EurasiaNet*.

54 Joe Zhang, "A Cautionary Tale from the Muddy Waters of Chinese Business," *Financial Times*, May 21, 2015, <https://www.ft.com/content/88d03210-ffb0-11e4-bc30-00144feabdc0>.

55 Ghiasy and Zhou, *The Silk Road Economic Belt*.

56 Raffaello Pantucci, "China's Place in Central Asia," *EurasiaNet*, June 20, 2016, <http://www.eurasianet.org/node/79306>; Ghiasy and Zhou, *The Silk Road Economic Belt*.

57 Kemel Toktomushev, "One Belt, One Road: A New Source of Rent for Ruling Elites in Central Asia?," *China-US Focus*, August 20, 2015, <http://www.chinausfocus.com/finance-economy/one-belt-one-road-a-new-source-of-rent-for-ruling-elites-in-central-asia>.

tations of responsible development, exacerbating the problems of political accountability and economic governance in Central Asia. Thus, one of the most paramount questions to explore is how China's peculiar and non-transparent modes of foreign investment, along with their indigenous social practices

(such as *guanxi*) will evolve in the graft-prone region of Central Asia. Not only can such a way of doing business jeopardize the deliverables and reputation of BRI, but it can also antagonize national communities and feed the rapidly growing Sinophobia in Central Asia.

Chapter 9. The Importance of Anticorruption, Trade, and Investment Climate Reforms in Central Asia in the BRI Context

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The rapid economic expansion of China has created an unprecedented opportunity for Central Asia to emerge as a hub for trade and commerce. China's Belt and Road (BRI) initiative has the potential to be a major opportunity for the Central Asian countries to develop physical infrastructure, access new markets via cheaper routes, generate revenues, and strengthen their competitiveness. In the long term, the project could transform Central Asia from landlocked to land-bridged region.

However, while financial resources are not a major constraint on the success of BRI, prevailing trade, non-trade, regulatory, and administrative barriers—extensively and randomly imposed by Central Asian regulatory authorities—could significantly delay or undermine its success. For BRI to be effective and attractive to global cargo carriers and investors, all participating countries must ensure simple, fast, harmonized, and efficient transport and logistical infrastructure; liberal customs and trade regimes; security and safety; convenient infrastructure; connectivity; and services.

So far, many Central Asian countries are faced with the “prisoner's dilemma” of isolationist, protectionist trade and transit arrangements that result in poorly harmonized trade, investment, and border crossing procedures, thus causing Central Asian countries to fall below international standards for trade logistics and regulation. Even Chinese companies, which are typically highly tolerant of risk, often complain about endemic corruption and the burdensome barriers imposed by Central Asian business, tax and trade regulators.

BRI initiative, with its large resources committed, represents a great opportunity for Central Asia to be transformed from landlocked to land bridged,

an open and more prosperous region. For this to happen, decisive reforms coupled with a strong political commitment are required to overcome vested interests, remove corruption, and liberalize border, trade, and investment policy. This will help to make the region more open and attractive for foreign and domestic investors, including those from China. It is also important to pursue a more harmonized trade and investment policy within Central Asia, given the high internal barriers imposed as a result of political and isolationist policy incentives of local elites.

Chinese Investment in Central Asia Prior to “One Belt, One Road”

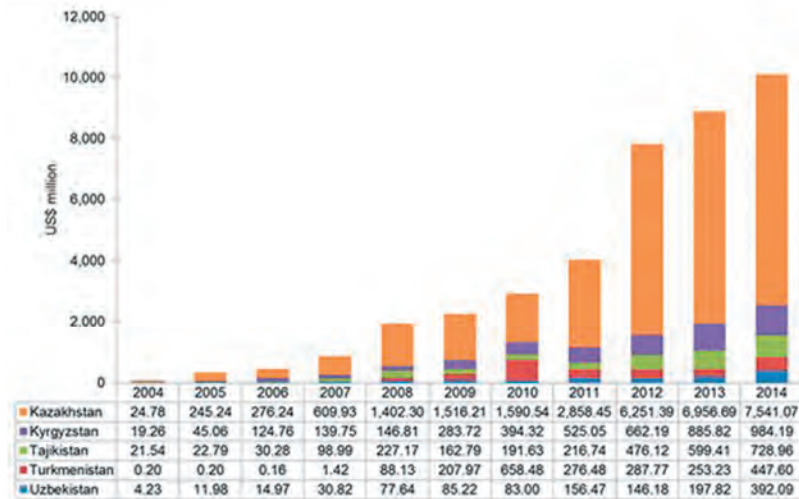
When BRI was launched in 2013, trade between China and the five Central Asian states totaled US\$50 billion, while the five states' trade with Russia—previously the region's top economic player—amounted to only US\$30 billion.¹ Indeed, over the past two decades, Chinese investment in Central Asia has grown exponentially; Figure 9.1 shows the increase in direct investment between 2004 and 2014.

Even before BRI was launched, Chinese companies funded and built roads, bridges, and tunnels across the region, increasing transcontinental trade and making China the region's dominant economic power. The latest examples of Chinese infrastructure investment are the Khorgos dry port at the Kazakh–Chinese border and the railway link connecting Kazakhstan with Turkmenistan and Iran.

China has also redrawn Central Asia's energy grid. Chinese companies now own close to one-quarter of Kazakhstan's oil production and account for well over half of Turkmenistan's gas exports. Chinese

¹ Helen Wang, “China's triple wins: The New Silk Road,” *Forbes*, January 15, 2016, <https://www.forbes.com/sites/helenwang/2016/01/15/chinas-triple-wins-the-new-silk-roads/#47f3ca526f7f>.

Figure 9.1. China's Stock of Outward Direct Investment to Central Asia



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

investments in Central Asia are largely driven by Beijing's strategic interest in developing its Eastern territories, especially Xinjiang; accessing Central Asia's natural resources; and expanding its geopolitical influence in the region. Large investment projects are typically funded by state-owned companies and banks that benefit from political support and are therefore less concerned about the underlying investment climate and trade barriers than private investors.

China has backed the BRI initiative with considerable resources. It has set up a US\$40 billion New Silk Road Fund (NSRF) to promote private investment along the BRI route. The Fund is sponsored by official foreign exchange reserve agencies: China Investment Corporation, the Export-Import Bank of China, and the China Development Bank. It is widely expected that a considerable share of the Asia Infrastructure Investment Bank's (AIIB) US\$100 billion lending power will support the initiative as well.²

Why is the BRI project so important for China? Currently, some 13 percent of China's US\$100 billion foreign direct investment (FDI) already goes to BRI countries. (Chinese FDI could increase to US\$250 billion in the next 10 years, according to some estimates.) The China Development Bank said it would invest more than \$890 billion into more than 900 projects involving 60 countries as part of its efforts

to bolster the initiative.³ *The Economist* reported that about US\$1 trillion in "government money" is to be spent on the initiative.⁴

How Central Asian Countries May Benefit from BRI

With its highways, fast trains, pipelines, and maritime transportation, BRI is obviously a very ambitious infrastructure program that requires vast amounts of resources, planning, implementation capacity, and finance. While the financial resources and ability to design and implement physical infrastructure projects are not a significant constraint, soft infrastructure—mostly investment and trade policy harmonization and liberalization—is critical for BRI's success in Central Asia. To succeed, BRI benefits must not just pass through the region but create positive, lasting impact within it. For that to happen, the countries of the region will have to make a collective effort to improve their business climates, reduce trade barriers, increase market competitiveness, and increase productivity.

A literature review of the benefits of "soft connectivity reforms" indicates that many potential benefits of greater connectivity (trade volumes, growth, reductions in the costs of delivered goods, and firm competitiveness) are derived not so much

² Wang, "China's triple wins"; "China's Huge 'One Belt One Road' National Interest; "China expected to invest 1.6 trillion yuan in Belt and Road areas in 10 years," *XinFinance*, <http://en.xinfinance.com/html/OBAOR/Analysis/2015/122326.shtml>.

³ He Yini, "China to invest \$900b in Belt and Road Initiative," *China Daily*, May 28, 2015, http://usa.chinadaily.com.cn/business/2015-05/28/content_20845687.htm.

⁴ "Special Section on Business in China," *The Economist*, <https://www.economist.com/sections/china>.

from the infrastructure itself as from the connectivity of services—namely, the availability and quality of third-party logistics; trucking services; storage and warehousing; intermodal integration; customs administration; and border management.⁵ The same is true for energy: dispatch, market operations, price regulation, and contract or purchase agreements are just as important as the construction of core physical infrastructure. In short, the quality of BRI infrastructure (management, operations, and maintenance) is as important as its quantity.

To realize the full benefits of BRI, Central Asian countries therefore need to make determined efforts to ensure that logistics and services are improved, and that there are sufficient resources and capacity for the long-term operation of investments. A friendly institutional and business climate is also vital to make the best use of trade, transport, and connectivity infrastructure envisaged by the BRI project.

Regulatory, Trade, and Investment Barriers in Central Asia: Their Potential Effect on BRI

All the Central Asian countries suffer from rampant corruption; weak rule of law; poor law enforcement; unpredictable, complicated trade and customs policies; an underdeveloped framework for the implementation of public-private partnerships; and an unpredictable and excessive tax and regulatory burden.⁶

According to the NGO “Control Risks,”⁷ corruption is particularly acute in the construction sector, on which hinge the prospects of the BRI pipeline. State tender processes are often beset by a lack of transparency, and with mega-budgets like those of BRI, the temptation for contractors to inflate prices for their own gain will be particularly high. This has implications for project compliance and efficiency. Road and rail projects often suffer cost overruns that compromise quality.⁸

Figure 9.2, compiled from the World Bank’s Worldwide Government Indicators database, is a good illustration of the gap between OECD coun-

tries, China, and Central Asia on key governance indicators such as business regulation, the rule of law, and corruption prevention. The OECD countries are considered to set the standard for best performance, while Central Asian countries lag behind on all indicators.

Figure 9.3 shows the gap in trade logistical performance between China and Central Asia as measured by the Logistical Performance Index (LPI). The LPI is an interactive tool created to help countries identify the challenges and opportunities they face in the sphere of trade logistics and what they can do to improve their performance. The LPI 2016 allows for comparisons across 160 countries. For example, while infrastructure continues to play a significant role in assuring basic connectivity and access to trade outlets for most developing countries, border management reforms are a serious concern. Countries at the bottom of the rankings continue to struggle with paperwork and long delays. This is especially true for low-income economies that are constrained by geography, such as the landlocked Central Asian countries.

Finally, Figure 9.4 shows the differences in the ease of doing business in China and Central Asia, measured by tracking changes in regulations affecting 11 areas in the lifecycle of a business: starting a business; dealing with construction permits; getting electricity; registering property; getting credit; protecting minority investors; paying taxes; trading across borders; enforcing contracts; resolving insolvency; and labor market regulation.

While Kazakhstan has high overall rankings compared to China and its Central Asian neighbors, all Central Asian countries perform poorly compared to China in terms of cross-border trade, as illustrated by Figure 9.5. “Ease of Trading Across Borders” is of particular importance for the success of BRI, as it measures the time and cost (excluding tariffs) associated with three sets of procedures—documentary compliance, border compliance, and domestic transport—within the overall process of exporting or importing a shipment of goods.

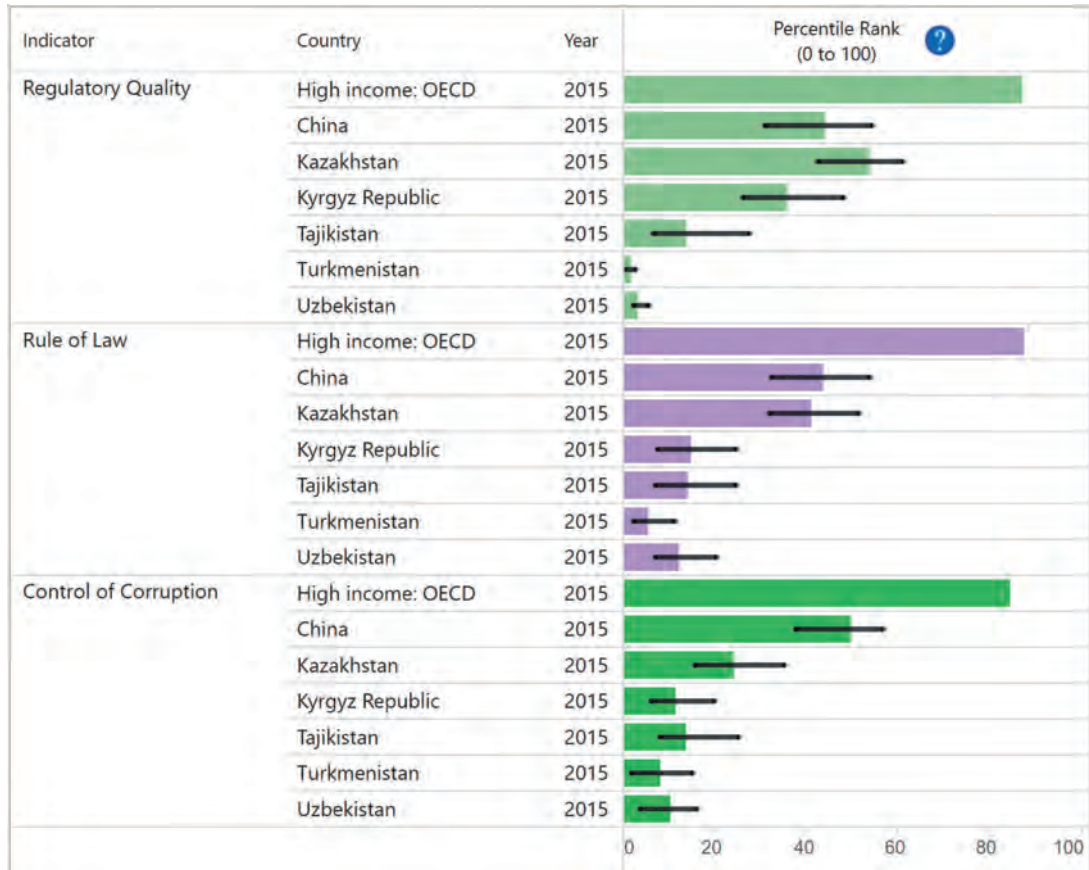
5 “Connecting South Asia and South East Asia,” joint study of AsDB and AsDB Institute, 2015, <https://www.adb.org/sites/default/files/publication/159083/adbi-connecting-south-asia-southeast-asia.pdf>.

6 “Europe and Central Asia: An Overall Stagnation,” Transparency International, https://www.transparency.org/news/feature/europe_and_central_asia_an_overall_stagnation; Bruce Pannier, “The Perfect Storm of Corruption in Central Asia,” *Radio Free Liberty*, June 4, 2016, <https://www.rferl.org/a/corruption-central-asia/27779246.html>.

7 Einar O’Casey, “China in Central Asia Belt and Road: China’s delicate path through Central Asia,” Control Risks, 2016, <http://riskmap.controlrisks.com/where-next/china-in-central-asia/>.

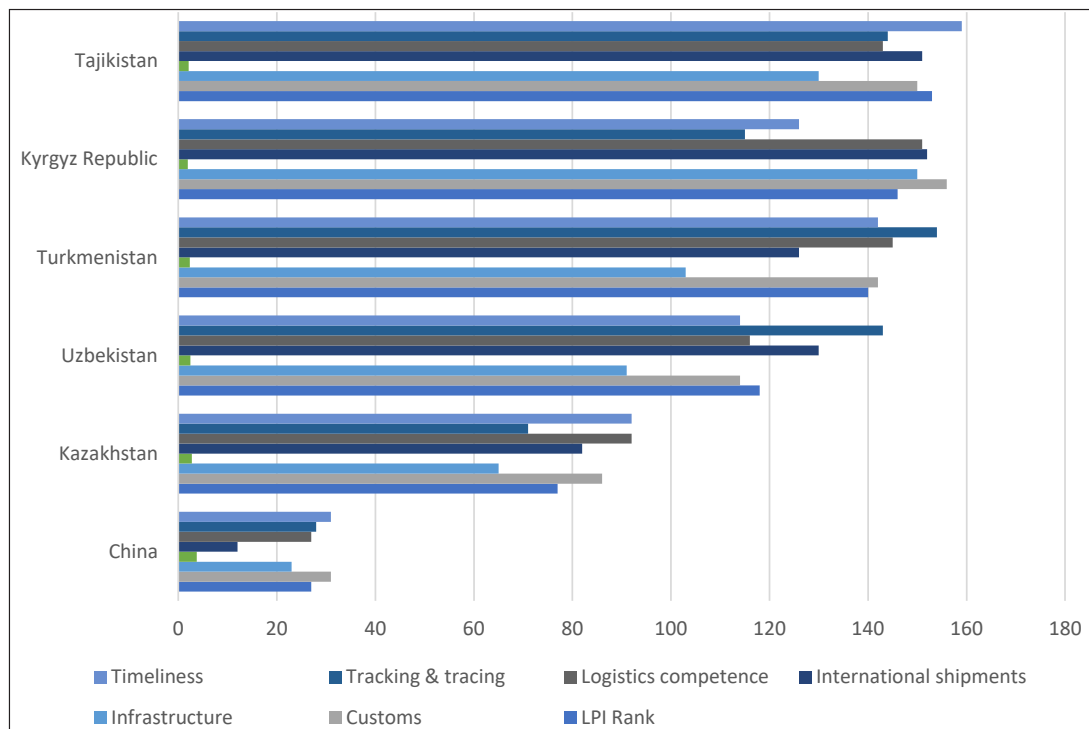
8 Ibid.

Figure 9.2. Selected Worldwide Governance Indicators: China vs. Central Asia



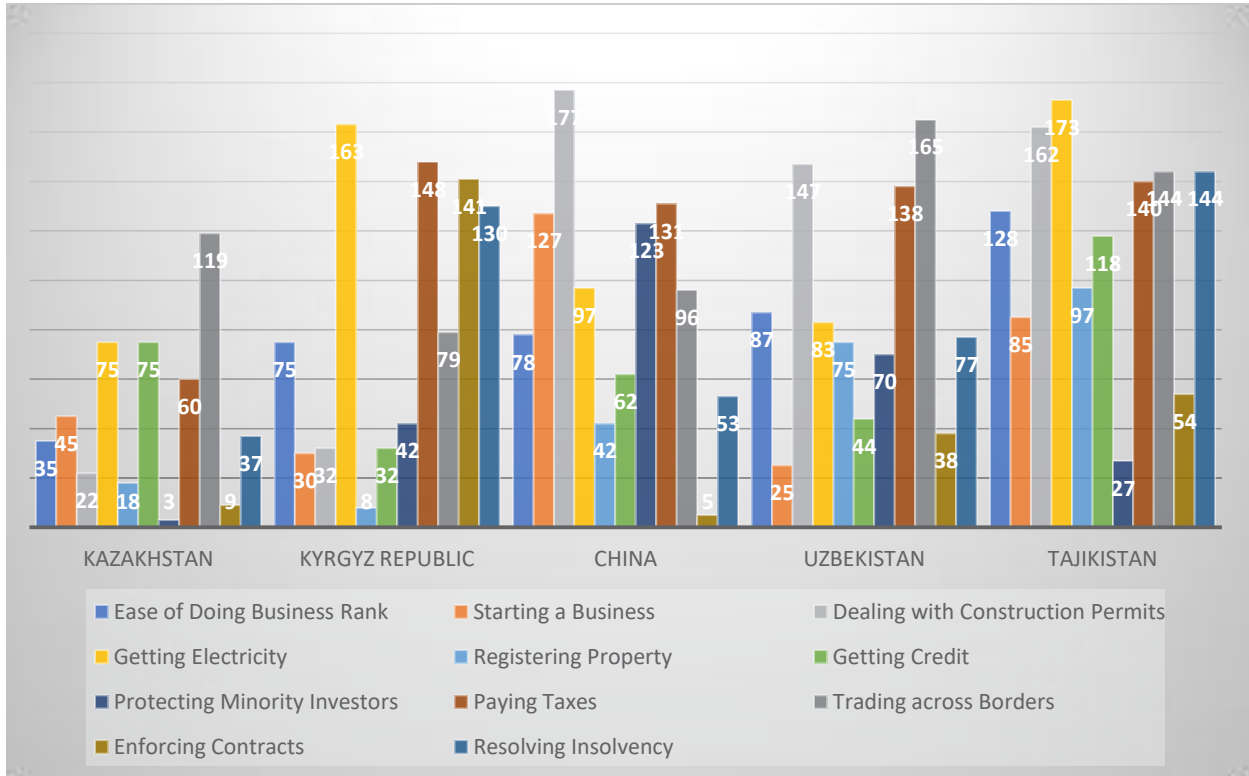
Source: "Worldwide Governance Indicators," World Bank, <http://info.worldbank.org/governance/wgi/#reports>

Figure 9.3. Logistical Performance Index, China and Central Asia, Country Rankings, 2016



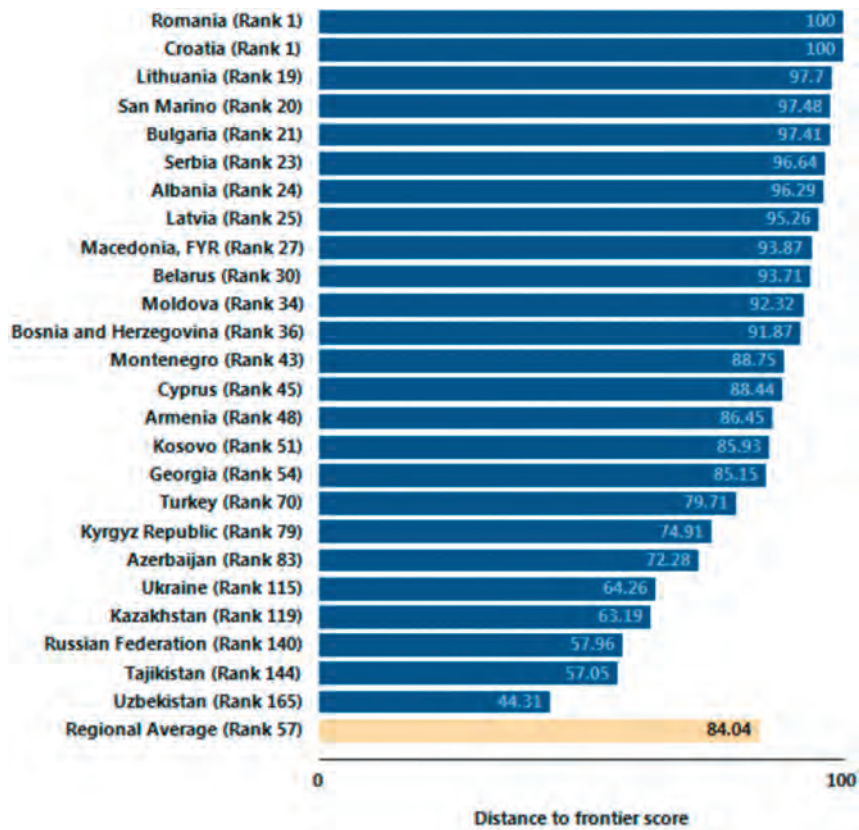
Source: "Logistical Performance Index," World Bank, <http://lpi.worldbank.org/international/global>

Figure 9.4. Doing Business Rankings, China and Central Asia, 2017



Source: "Doing Business Rankings," *Doing Business*, <http://www.doingbusiness.org/rankings>

Figure 9.5. Ease of Trading Across Borders in Europe and Central Asia



Source: *Doing Business*, http://www.doingbusiness.org/reports/~/_/media/WBG/DoingBusiness/Documents/Profiles/Regional/DB2017/ECA.pdf

According to the CAREC (Central Asia Regional Economic Cooperation) secretariat,⁹ private companies face multiple difficulties in trading across borders in most CAREC countries, particularly: 1. lack of coordinated border management; 2. poor regional and interregional cooperation to address cross-border trade issues; 3. inadequate investment in infrastructure and trade logistics services; and 4. high behind-the-border costs. These costs particularly affect the private sector, as it often lacks the means to comply with complex rules. The compliance costs for customs and border procedures and other non-tariff measures are significant relative to trade volumes.

According to World Bank analysis,¹⁰ there are still significant trade barriers in Central Asia that could impede the success of BRI. These barriers pertain to tariff, as well as non-tariff, measures in the Central Asian countries, their neighbors, and trading partners. The most significant trade policy barriers include:

- Relatively higher tariffs in Uzbekistan as part of its import-substitution-oriented industrial policy
- Complex tariff schedule in Kazakhstan and Uzbekistan, especially affecting trade and investment flows from non-Customs Union countries, including China
- Escalation of tariffs in all Central Asian countries
- Frequent and unpredictable changes in tariffs (Kazakhstan, Tajikistan, and Uzbekistan)
- Taxes levied on imported goods but not on domestically produced goods (Uzbekistan)
- Explicit export taxes (Kazakhstan)
- Licensing of exports and imports of certain commodities (all countries)
- Restrictions on foreign exchange (Uzbekistan)
- Standards and other non-tariff measures and their application (all countries)

On top of their already complicated geography, weak economic structure, and low productivity, Central Asian countries have imposed significant official and unofficial barriers to trade and transit. Estimates of the logistical costs of transit in Central Asia vary from 20 percent (World Bank)¹¹ to 40 percent (business associations and logistical companies operating in Central Asia).¹² Either figure is significantly higher than in China, Europe, and the United States, where the value of logistical costs typically represents 5–10 percent of the total.

While being landlocked explains a significant part of the extra costs of trading across borders, domestic regulatory and institutional issues are also a factor. Central Asia requires more documents for cross-border trade than is typical in Europe, and it also takes considerably longer to prepare these documents. Reforming document-preparation, customs clearance, and terminal handling to parallel Armenia (likewise a landlocked country) or the Slovak Republic, for example, would cut import times by 21 days, according to World Bank analysis.¹³ The greatest time savings would be achieved in document preparation, while the most financial savings would come from lowering terminal handling costs.

Border-crossing activities add significantly to trade costs. According to the ADB, border-crossing activities tend to increase transit time by 50 percent, while border-crossing charges account for between 40–70 percent of total costs (between US\$700 and US\$1,750 to move 20 tons of cargo over 500 kilometers in Central Asia).¹⁴ Waiting in queues and customs clearance are some of the most costly and time-consuming parts of the transport process.

Further, according to World Bank analysis,¹⁵ there are restrictions on the movement of drivers and trucks. Some countries restrict the movement of people (Uzbekistan does not allow Kyrgyz and Tajik drivers, while Turkmenistan requires visas for all its neighbors). Central Asian traders also face dif-

9 “Central Asia Regional Economic Cooperation: Working with the Private Sector in Trade Facilitation,” AsDB TA Report, October 2014, <https://www.adb.org/sites/default/files/project-document/151093/47380-001-tar.pdf>.

10 “Central Asia: Opportunities and Challenges for Trade,” World Bank internal analytical paper, May 2014, not disclosed externally.

11 “Logistical Performance Index,” World Bank, <http://lpi.worldbank.org/international/global>.

12 ABBAT Tajikistan; Kyrgyz transit and traders association; “ECO Regular Monitoring of Trucks, NELTI: New Eurasian Transport Land Initiative,” International Road Transport Union, http://www.iru-nelti.org/index/en_nelti3_index.

13 “World Bank in Central Asia,” World Bank, <http://www.worldbank.org/en/region/eca/brief/central-asia>.

14 “Central Asia Regional Economic Cooperation,” Technical Assistance proposal, Asian Development Bank, <https://www.adb.org/projects/49224-001/main>.

15 Ibid.

difficult visa requirements to enter the EU and China. Furthermore, some borders in Central Asia remain completely closed to goods, while there are limits on how far beyond national borders trucks registered in a given country can go. Transporters in the Kyrgyz Republic, Kazakhstan, and Tajikistan have all described transit through and access to Uzbekistan as problematic.

Other administrative measures affect trade and generate possibilities for rent-seeking. Traders mention frequent transport controls, excessive weight controls, convoying, and customs escorts as some of the biggest obstacles to efficient logistics in Central Asia. In addition to adding to transport time, these checks create opportunities for corruption. According to NELTI monitoring,¹⁶ approximately 30 percent of transport costs were due to randomly imposed, informal payments at the discretion of border and customs officials, both en route and at border crossings.

Both in the private and public sectors, there is limited capacity to make logistical and transport services more affordable, compounded by a lack of proper competition in Central Asia. Freight forwarders, third-party logistics providers, and customs brokers are essentially freelance local companies that provide a limited range of services. Forwarders are often connected to customs authorities, but they are unfamiliar with basic international commercial norms, an information gap that breeds confusion.

Furthermore, according to the World Bank, Kazakh freight forwarders find the continuously changing rules of interaction and conditions of business relationships, combined with a lack of information on practices and loads from trading partners, to be problematic. In Kazakhstan, customs and other regulatory agencies often deliberately delay shipments, and the costs of the additional work are borne by the freight forwarder. A lack of standard time limits for the customs inspection of goods on borders adds to the unpredictability. Getting information on requirements related to transiting Uzbekistan also appears difficult.

Delays and monetary costs could be avoided or at least reduced by adhering to and implementing the International Road Transport (TIR) Convention, as well as abolishing customs escorts of normal, non-suspicious cargo, and harmonizing border procedures and transit fees. These reforms would re-

quire efficient public-private dialogue and regional cooperation, along with systematic monitoring of the performance of the main international transport corridors in Central Asia, as is being done under the CAREC initiative. However, China itself is not a member of the TIR convention.

While tariffs in Central Asia are not particularly restrictive by global standards, tariff structures are complex and non-trade barriers are high and non-transparent. For example, the weighted tariff rates on Kazakh and Kyrgyz imports from China and Turkey are substantially higher than the weighted average tariff rate for overall imports. The difference in the Kazakh rates became especially pronounced following the country's accession to the Customs Union. This could also impede closer links with the countries involved in BRI.

Finally, the administration of non-tariff measures (NTMs) provides considerable scope for discretion and delays. On paper, Central Asian countries have been modernizing their sanitary and technical barriers to trade arrangements. In practice, however, regulation is still burdensome, the permit issuance procedures are complex and not transparent, and the system infrastructure is inadequate to protect legitimate concerns. Standards and technical requirements remain an area of frequent change in the Kyrgyz Republic, especially in terms of SPS issues.¹⁷ Consequently, compliance with these measures adds to the time and costs of trading and crossing borders. Moreover, national standards diverge widely, and there is no regional harmonization.

Corruption as a Threat to Foreign Investment: The Case of The Mining Industry and Links to BRI

BRI is not only about roads and pipelines. It also represents a major opportunity to open up the region to a much larger inflow of foreign investment, from China and beyond. However, there are still significant barriers to doing business in Central Asia, starting with corruption.

As commonly accepted by many international and domestic sources (OECD, World Governance Indicators, Transparency International, Business Anti-Corruption Portal, The Bertelsmann Foundation: Transformation Index, local business

¹⁶ "ECO Regular Monitoring of Trucks," IRU-NELTI, http://www.iru-nelti.org/index/en_nelti3_index.

¹⁷ World Trade Organization, 2013.

associations, and NGOs), corruption is deeply entrenched into all parts of life in Central Asia (government, public, social, and economic), making it a systemic and endemic phenomenon.¹⁸ In terms of the investment climate, this makes it a high-risk environment that only politically motivated or speculative investors would be willing to invest in, despite the possibility of high return. SMEs, entrepreneurs, shuttle traders, large companies, importers, exporters, and logistical and transport companies all face corruption-related barriers to economic. High corruption is a function of poorly implemented laws, complicated regulations, excessive bureaucracy, business informality, high and poorly administered taxes and tariffs, non-transparent and unaccountable government regulators and civil servants, and so on.

There is an array of evidence of the corrupt behavior faced by traders and small businesses. It includes bribes to customs and border control officers, under-invoicing during tax declarations, arbitrary sanitary and phytosanitary controls, tax declarations, and multiple inspections. For example, according to the Business Anti-Corruption Portal, in Kazakhstan, the customs administration carries a high risk of corruption. The border administration lacks transparency, and irregular payments and bribes are widespread when trading across the borders of Kazakhstan: to wit, almost three in ten companies expect to give “gifts” to officials to obtain an import license. Business executives report that exporting and importing procedures are burdensome, making the process vulnerable to corruption and demands for bribes by customs officials.¹⁹

Even highly risk-tolerant Chinese investors often complain about unpredictable, random, and generally high corruption-related barriers. For example, in 2011–2014, large public Chinese companies involved in road construction and oil and gas exploration in Tajikistan complained, through China’s ambassador,²⁰ to the government of Tajikistan about random and unexpected tax liabilities imposed by the Tax Committee; these were not in line with original agreements and contradicted tax legislation. Settling this case involved high-level government officials. As such, small-scale Chinese traders and businesses

operating in Central Asia typically (and unfortunately) prefer not to report and resolve corruption cases legally, but handle them informally, pay bribes, and fold the costs into the product price. This not only increases costs for the customers, but also discourages many other investors from coming and doing business in Central Asia.

Many Central Asian countries are competitive in extraction and mining, and China is already widely involved in this sector. Chinese investors have been willing to bear the risk of investing in high-return resource extraction of oil, gas and minerals, despite the heavy bureaucracy involved in obtaining mining licenses and other permits; unclear and constantly changing tax regulations; corruption; and other barriers imposed by the host countries. Nor is China an ideal investor: Chinese funds are typically accompanied by low levels of transparency; mining sector monopolization; and poor compliance with social and environmental standards, which often results in environmental degradation, resource over-depletion, and social tensions.

The low transparency and corruption-tolerant practices of Chinese extractive and mining companies in Central Asia provide a good illustration of what may have happened to other foreign businesses that might be attracted by the opportunities stemming from BRI investment. Corruption increases the cost of doing business and deters investment, while reducing the attendant benefits to the country’s budget and citizens. It lowers the revenues from the extractive industry and compromises the quality of goods and services produced.²¹ It may also contribute to environmental degradation. Therefore, tackling corruption in the extractive sector is not only important in itself, but also has the potential to benefit countries’ economic and social development, while making them reliable routes for large-scale transit.

International studies show that the mining, oil, and gas sectors are some of the most corrupt and prone to high-value bribes. This is explained by the fact that they tend to involve large and complex financial transactions, as well as advanced technology and legal processes. Often, the remoteness of activi-

18 “Country Profiles,” Transparency International, <https://www.transparency.org/country/>; “Country Profiles,” Business Anti-Corruption Portal, <http://www.business-anti-corruption.com/country-profiles/>; “Transformation Index: BTI, 2016,” Bertelsmann Foundation Transformation Index, <https://www.bertelsmann-stiftung.de/en/publications/publication/did/transformation-index-bti-2016/>.

19 “Kazakhstan Corruption Report 2016,” Business Anti-Corruption Portal, <http://www.business-anti-corruption.com/country-profiles/kazakhstan>.

20 Statement by the Ambassador of People’s Republic of China, Mr. Fan, during the Development Coordination Council, Tajikistan, August 2015.

21 Organization for Economic Cooperation and Development, 2016.

ties complicates effective oversight.²² Mining, oil, and gas activities in emerging markets encounter a pervasive bureaucracy with multiple interfaces and officials with relatively low salaries, increasing the risk of bribery.²³

According to the OECD,²⁴ corrupt behavior—including in relations between regulatory bodies and investors in Central Asia—may occur in different components of the extractive value chain, for example:

- Awarding of mining, oil, and gas exploration rights
- Procurement of goods and services
- Selection of joint ventures or other business partners
- Hiring of local staff
- Enforcement of local content obligations
- Commodity trading
- Non-compliance with environmental norms and regulation during explorative works
- Revenue management
- Customs clearance and immigration
- Tax collection
- Social expenditures
- Management of fossil fuel subsidies
- Regulation and monitoring of operations

An Extractive Industries Transparency Initiative (EITI) created a framework for accountability in managing revenues from mineral resources extraction. On paper, Central Asian governments, specifically Kazakhstan and the Kyrgyz Republic, have undergone validation and are now compliant with EITI requirements that they publish company payments and government receipts related to extracting and exporting natural resources. In reality, however, there is little enforcement of national legislation adopted to prevent corruption at the company level. Foreign investors still encounter corruption, political interference, and unclear regulations, especially in Kyrgyzstan's politically sensitive natural resource sector. The legislative and executive branches of government constantly debate the allocation, reallocation,

and suspension of mining licenses, and investors waste considerable time defending and re-negotiating their contracts.

While Tajikistan became an EITI candidate in 2013, the validation process has been very slow. The EITI Secretariat has uncovered issues that deter investment, such as cumbersome, lengthy, and arbitrary licensing procedures; an unclear fiscal regime; hidden company ownership; and a lack of up-to-date geological data.

According to the EITI Secretariat, Chinese companies are broadly compliant with EITI standards of disclosure. They provide information about how much they pay to governments that implement the EITI. In some cases, such payments included oil and mining production contracts, social payments, and beneficial ownership. To date, there do not appear to be any cases in which a company based in China has refused to collaborate with a host country implementing the EITI.

Conclusion

As reviewed above, the investment, trade, and transit barriers imposed by Central Asian border, customs, and regulatory authorities often disqualify the region as a destination for doing business or scaling up trade and investment activity, not to mention the BRI project. If these barriers are not removed, Central Asian countries will only reap the benefits of BRI as transit countries, not as destinations for much larger investments. Even highly risk-tolerant Chinese investors find it difficult to trade and invest in Central Asia. Given the ambitious agenda and transformative potential of the BRI project, there is high risk that its benefits will be greatly under-realized by Central Asian countries, unless the institutional and governance aspects of trade and investment policy and customs and border administration are addressed at the highest level. The China-proposed BRI initiative will only succeed in Central Asia when the underlying barriers to trade and investment are removed and critical reforms are implemented.

22 Ernst & Young Global Limited, 2014.

23 Ibid.

24 "Promoting Investments and Job Creation in Central Asia through Business Linkage Programmes," OECD Handbook, May 2013, <https://www.oecd.org/globalrelations/BusinessLinkageProgrammes.pdf>.

Recommendations for Reforming Trade and Investment Regulation

Overall improvements in trade policy and in trade and transport facilitation frameworks are needed to meet the changing needs of Central Asia. Lower costs, shorter turnaround times, and more predictability will benefit consumers and businesses in Central Asia, China, and any other countries involved in trade and transit through the region as part of BRI. It will allow Central Asia to capture part of the increasing BRI Eurasia trade, mostly in time-sensitive, high-value products, given that the land bridge through Central Asia is not likely to be able to compete with the maritime route through the Indian Ocean and the Suez Canal in terms of volume.²⁵

More specifically, the following reforms are needed in order to fully realize BRI in and for Central Asia:

- 1) *Improving the business environment, which should make Central Asian countries an attractive destination for foreign investors, trade and logistical companies, the financial sector, and other businesses that create the enabling infrastructure for global trade and the investment transactions required for any large regional trade and investment arrangement.* While Central Asian governments have made good progress in improving regulation and developing core automation of customs administration, business registration, and trade procedures—using so-called one-stop shop offices—the hard work of ensuring that these laws are implemented properly, and that automated procedures work in practice, remains. Without these steps, investors will continue to see Central Asian countries as lacking predictability and stability in their investment climate.
- 2) *More liberal and internationally complaint trade policy arrangements are needed to boost trade.* Trade policy regimes throughout Central Asia vary from liberal (in the Kyrgyz Republic), to fairly liberal (in Kazakhstan and Tajikistan), to quite restrictive (in Uzbekistan). While tariffs are not particu-

larly restrictive by global standards, tariff structures are complex and changes are not transparent or predictable. Non-tariff measures are extensive and pervasive. Trade policy arrangements with emerging markets in the broader region appear to be particularly restrictive, and Central Asia countries should renew efforts to improve access for their products in these markets. While hard data on non-tariff measures (NTMs) in the region is still scant, anecdotal evidence suggests that NTMs and their associated implementing procedures leave considerable room for discretion and time-delays.

- 3) *A joint approach to education policies, NTMs, corridor management, and border-crossing procedures would considerably facilitate the movement of goods and people between BRI countries.* Shortcomings in trade facilitation arrangements are making today's Silk Road a very expensive one. Border crossing arrangements are burdensome, restrictions on the movement of trucks and drivers persist, and extensive administrative measures add to costs and enable rent-seeking behavior. While connectivity has improved, there is much more to do to improve traditional infrastructure sectors—including roads and railways—and to increase utilization of ICT. These points stand out and are a call to action for Central Asian states to proactively pull down barriers to efficient trade facilitation. Regional cooperation can also pay a huge dividend in facilitating trade.
- 4) *It is also critical to address the problem of informal barriers and payments in cross border trade, which could impede the trade, transit, and investment flow through BRI corridors.* The most important way that companies can deal with pressing informal barriers in cross-border trade is using various communication channels (state-business associations, public-private partnerships, etc.) to gain state support. Companies seek to gain state support while lobbying for their interests with respect to entering foreign markets. Thus, it is necessary to account for the effects

25 Saroj Kumar Jha, "Twenty-First Century Silk Road: Trade Integration in Central Asia: Overview of Trade Policy Developments in Central Asia," WTO, https://www.wto.org/english/thewto_e/acc_e/Session1SarojKumarJha12stCenturySilkRoad.pdf.

of communication between private businesses and the state. For most private companies, frequent communication with the state is indeed a key factor for success, as communication channels help companies to access state support.

Other important recommendations include the following:

- 5) Reforming the management of infrastructure to open opportunities for public–private partnerships or management contracts. Establishing sustainable financial frameworks such as cost-recovery pricing, as well as continuing the liberalization of air transport, railways, and ICT would also be important.
- 6) Investing in skills: educational programs and curricula should be aligned to labor market demands, and access to education at all levels should improve.
- 7) Improving the overall quality of institutions. Further opening-up of economies currently dominated by the public sector, ensuring the rule of law, and improving governance should be priorities.

8) A reinvigorated trade policy and trade facilitation agenda: improving access to Central Asia markets, including through WTO accession but also by forging closer links with emerging growth poles, including China, India, and Pakistan.

9) Simplifying and automating trade procedures, as well as increasing institutional capacity in the private and public sectors to reduce costs of trading.

10) Reviewing and streamlining non-tariff measures to promote trade in goods.

11) Supporting services trade, which plays a central role in facilitating FDI, provides critical inputs to other economic activities, and contributes to competitiveness and diversification.

In summary, broadening the opportunities for trade in Central Asia will require strong reforms, with considerable scope for regional cooperation. Better infrastructure and skills and more efficient institutions will lower trading costs, improve the reliability and predictability of the investment climate, and therefore make China's BRI initiative an attractive and doable endeavor in Central Asia.

PART III. CHINA'S "SOFT POWER" TOOLKIT: THE ISSUE OF PERCEPTIONS

Chapter 10. Silk Road Economic Belt: Effects of China's Soft Power Diplomacy in Kazakhstan

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It was in September 2013 at Nazarbayev University in Astana that the Chinese President Xi Jinping launched the "One Belt, One Road" initiative, a massive Chinese-led infrastructural development strategy for establishing connectivity across Central Asia, and onward, through the Gulf and Mediterranean region, with Europe. Its Central Asia component, which he referred to as the Silk Road Economic Belt, was a pledge to revive the fabled ancient route by means of massive infrastructural investment in roads, rail links, bridges, pipelines, and commercial networks, as well as expanded socio-cultural ties, including people-to-people linkages.

The title "*One Belt, One Road*" highlights the principles of unity and one-ness that underlie China's infrastructural construction strategy. Its goal is to attain shared developmental and security goals through cooperation and the complementarity of objectives and strategies benefiting all. The choice of Astana, and of the Nazarbayev University in particular, as the venue for unveiling SREB could not have been more symbolic and astute. Hailing the Silk Road initiative as a "golden opportunity for development" in the region, Xi emphasized the special place of Kazakhstan by quoting the Chinese proverb that "a close neighbor is more valuable than a distant relative."

In China, the launch of BRI has led to the rapid rise of institutions, centers, and think tanks for developing and promoting the various components of the strategy. China has held a series of conferences and workshops within the country and abroad to promote its vision, implement construction projects,

and garner local support through engagement with officials, business experts, and a variety of non-state actors. BRI has spurred a flurry of public diplomacy to engage the various stakeholders within society and reinforce high diplomacy—the handshakes between the leaders of China and the Central Asian states that serve as affirmations of friendship, a common vision, and the convergence of goals and priorities.

Over the past two decades, the Communist Party of China (CPC) leadership has established a wide-ranging economic and trade partnership with the Central Asian states. It has also forged a close personal bond with local ruling elites, pledging support to state sovereignty and non-interference in internal matters. These promises have boosted the durability of authoritarian regimes in the region and weakened social and political challenges.¹ However, the warm and deferential political rhetoric has not overcome public unease, fear, and skepticism. On the contrary, the rapidly widening economic partnership with China has intensified public fears about China's economic and political ambitions, the attraction of the region's natural resources and raw materials, and the influx of Chinese migrants—in other words, what locals perceive as China's creeping economic, commercial, and demographic expansion.

Indeed, the gap between Central Asian leaders' support for China and pervasive public distrust persists despite increasingly cordial official ties.² China's policymakers are mindful of the lingering negative perceptions about China in its neighbor-

1 Alexander Cooley, "Authoritarianism goes global: Countering democratic norms," *Journal of Democracy* 26, no. 3 (July 2015): 49–63.

2 Marlène Laruelle and Sebastien Peyrouse, *The Chinese Question in Central Asia: Domestic Order, Social Change, and the Chinese Factor* (New York: Columbia University Press, 2012).

hood and beyond, as well as the fear of being “taken over” by China in economic and demographic terms. The Chinese expression “warm politics, cold public” (*zheng re, min leng*) reflects an acknowledgement on the part of the Chinese leadership that notwithstanding very good elite relations, public opinion in neighboring states remains wary of, if not completely hostile toward, China.³ Kazakhstan and Kyrgyzstan share a long border with it, which simultaneously offers an opportunity for close partnership and serves as a source of angst. China’s official rhetoric and public diplomacy have sought to curb these widening disparities using the language of “complementarity” and mutually beneficial economic development.

As China invests vast amounts in enormous infrastructural projects and in agriculture in parts of Africa and Asia, the ruling authorities are becoming sensitized to local resistance to China’s growing influence in the economic, business, and sociocultural spheres. In response to local protests demanding better labor conditions, transparency, and accountability, the Chinese have adjusted their policies and made appropriate concessions, as the cases of Sri Lanka and Thailand show.⁴ Greater engagement of private and state-affiliated Chinese companies with societal groups, local communities, and trade unions has produced a learning curve, resulting in an increasingly cordial and mutually beneficial partnership in a number of African states.

China has embarked on a concerted public diplomacy drive, emphasizing people-to-people contacts in order to transform the way it is perceived in the region and engaging with a broader array of societal actors and stakeholders in order to alter the prevailing stereotypes. A vital component of its new strategy is the desire to convert its economic and commercial power into an important educational and cultural resource by offering scholarships and numerous opportunities for Central Asians to learn the Chinese language and familiarize themselves with China’s culture and history. China has already allocated vast funds to enhancing educational, cultural, and social cooperation. China’s recent initiatives to enhance people-to-people contacts have in-

creasingly relied on projecting its “soft,” or persuasive, power through education, propaganda, PR, and public diplomacy.

This chapter analyzes China’s projection of soft power and numerous public diplomacy efforts to promote close people-to-people relations. It assesses China’s efforts to mitigate widespread concerns about its goals and activities among neighboring populations by representing itself as a benign peaceful actor, committed to development and connectivity that benefit all. I also look at how China’s public diplomacy efforts resonate with various economic and social actors in Kazakhstan, to what extent they challenge the prevalent stereotypes, and how they contribute to building a more favorable image of China. The chapter contributes to debates on China’s soft power and public diplomacy in the region within the context of important geopolitical shifts and economic partnerships.

Economic Power and Infrastructural Investment as Cornerstones of China’s “Soft Power”

Joseph Nye defined soft power as a form of non-coercive power which has the effect of “getting others to want the outcomes that you want” through the “ability to attract, [which] leads to acquiescence.”⁵ Hard economic and military power constitute the necessary foundation enabling persuasive power and influence to emanate from intangible resources such as culture and norms. Soft power develops organically with the involvement of societal actors; it cannot be consciously cultivated, and is not directly mustered by state efforts.⁶

China’s economic and commercial power, enormous production capacity, and demographic and military strength are the foundations of its hard power. It has all the geopolitical assets for projecting its power: vast territory; huge population; a qualified labor force; a large middle class and high number of professionals; natural resources; production capacity; military forces; a unified political system; a strong cultural tradition; and political stability. The impact of China’s hard power has been magnified by the

3 David Kerr, “Central Asian and Russian perspectives on China’s strategic emergence,” *International Affairs* 86, no. 1 (2010): 127–152.

4 Tom Miller, *China’s Asian Dream: Empire Building along the New Silk Road* (London: Zed Books, 2017).

5 Joseph S. Nye, *Soft Power: The Means to Success in World Politics* (New York: Public Affairs, 2004), 5–6.

6 Nye, Josef S., “Hard Power, Soft Power and the Goals of Diplomacy,” in *American Power in the 21st Century*, ed. David Held and M. Koenig-Archibugi (Cambridge: Polity Press, 2004), 114–133.

asymmetry between China and Central Asian states in terms of development and demography.⁷

BRI is an element of “China’s Dream,” which encompasses the country’s strategy from establishing supremacy in Asia to attaining global ascendancy.⁸ It is also a personal initiative by Xi Jinping to revitalize domestic support for—and thus increase the legitimacy of—the leadership of the CPC by carrying out further economic reforms that will bring the vision of development to life and deliver on the promise of material prosperity. At the international level, meanwhile, BRI is a narrative of China’s peaceful model of growth and development, particularly for its less developed neighbors and isolated regions in Africa.

China has long since replaced Russia as the number one trading partner of Kazakhstan and the other Central Asian states. When Xi unveiled BRI, trade between Kazakhstan and China amounted to US\$28.9 billion, whereas with Russia it was US\$23.5 billion.⁹ China is the largest investor in Central Asia; it invested about US\$19 billion in Kazakhstan’s economy in the first two decades of the latter’s independence, before the launch of BRI. It has also made significant investments in the energy sectors of Kazakhstan, Turkmenistan, Uzbekistan, as well as Russia. China’s economic and commercial success, its ability to carry out enormous development projects efficiently at low cost, and the affordability of Chinese goods—from necessities to “cheap chic” fashion—have helped to extend its impact, a form of “soft power,” to every household.

China’s billions of dollars of infrastructural investments link the border territories of Central Asia ever more closely with the developmental plans and priorities of adjacent Chinese regions. Kazakhstan and Kyrgyzstan have been pivotal in the securitization of Xinjiang and allowing China to extend its economic and security axis to the west. The establishment of cross-border Special Economic Zones and logistical cooperation centers is one of the key highlights of SREB. The development of Khorgos, on the China–Kazakhstan border, as a key transit hub and logistical center for cargo on the Silk Road

between China and Europe is one of the BRI’s flagship projects, comparable with the China–Pakistan Economic Corridor (CPEC) and the construction of the Hambantota port in Sri Lanka. All three have been described as “game changers” with the potential to deliver huge benefits to the host countries and benefit all parties. Khorgos is also being developed as the world’s largest dry port, and the one located furthest away from any ocean; this enables Kazakhstan to link up to the port of Lianyungang, where China is building a China–Kazakhstan international logistic cooperation base.¹⁰

The global scale of BRI has inspired widespread debates about China’s efforts to restructure the global order, financial institutions, and international society. It is too early to know whether China is trying to reshape the global order through BRI, which is both a vision as well as a strategy. While the debates on China’s global and geopolitical salience are ongoing and inconclusive, it is clear that in its immediate vicinity—in Central Asia and the border regions of the Russian Far East—China is emerging as the uncontested, number one external economic actor and, increasingly, as a norm-setter.

Coordination of the Silk Road Economic Belt and Nurly Zhol

In 2014, a year after Xi Jinping unveiled the BRI, Nazarbayev announced the coordination (*sostykovka*) of his national development vision, *Nurly Zhol* (“Bright Path”), which is part of the Kazakhstan-2050 strategy, with the Silk Road Economic Belt strategy. The Kazakhstan-2050 strategy also contains the program “100 Concrete Steps,” launched soon after Nazarbayev’s re-election in 2015 to undertake “innovative modernization” and realize the country’s ambition of joining the top 30 developed countries by 2050.¹¹

By emphasizing coordination and complementarity between Nurly Zhol and SREB, both states brought the economic cooperation between them to

7 Kerr, “Central Asian and Russian perspectives,” 137.

8 Miller, *China’s Asian Dream*.

9 Olga Sokolai, “Aktual’nyi aktsent Kazakhstanskoi ekonomiki: Nihao, Podnebesnaya!,” *Ritm Evrazii* 22 (November 2016), <http://www.ritm Eurasia.org/news--2016-11-22--aktualnyj-akcent-kazahstanskoj-ekonomiki-nihao-podnebesnaja-26987>.

10 “Kazakhstan: Khorgos East Gate Special Economic Zone (SEZ) is an important part of transport and logistic system,” *Kazakhstan Temir Zholy*, January 12, 2016, http://uic.org/com/uic-e-news/480/article/kazakhstan-khorgos-east-gate?page=iframe_enevs.

11 “Kazakhstan: Strategy 2050,” <https://strategy2050.kz/en/>.

a new level. They signed investment agreements for the colossal sum of US\$54 billion¹² and forged a long-term partnership and coordination.¹³ Kazakhstan is the only state in the region to have already established an “all-round strategic partnership” with China.¹⁴ It is not only an invaluable supplier of energy and key mineral resources to China, but also a keen supporter of its securitization-oriented development of the Xinjiang Autonomous Republic, and now a vital transit corridor linking China to Europe. As part of its multi-vector foreign policy, Astana has emphasized partnership with the West as well as cooperation with Russia; it has pledged to strengthen the Russia-forged Eurasian Economic Union (EEU), of which Kazakhstan is the second most vital partner.

More recent statements by Kazakhstani officials, experts, and media continue to highlight the “coupling” (*sopriazhenie*) or “aligning” (*sostykovka*) of the country’s own developmental objectives and strategic visions with SREB. One analyst defined Kazakhstan as the “buckle” (*priazhka*) in the Silk Road Economic Belt, fastening the various links together.¹⁵ Many others note the changes leading to a positive reception of China’s role.¹⁶ The “coupling” of the two projects rests on the existing framework of bilateral economic partnership and trade and commercial ties, as well as a multilateral partnership within the SCO framework.

At the same time, SREB, as part of China’s BRI, is seen as coterminous with China’s foreign policy rather than its global vision. In many ways, SREB is an extension of China’s massive developmental investments in its “peripheral regions” in the northwest (notably the Xinjiang Autonomous Region), geared at an aggressive securitization of its restive western borderlands through infrastructural development.

The distinction between bilateral agreements, partnerships and new projects being launched under SREB is blurred, as many bilateral agreements are now being brought under the Silk Road and BRI umbrella. While delivering a talk on the effects of on Central Asia in August 2016 at the Kazakhstan

Institute of Strategic Studies under the President in Astana, I asked the audience what the appropriate Russian abbreviation would be: OBOR or SREB? Both sound rather too flippant in Russian to be taken seriously. The chorus of voices advised me, “Just say OBOR,” but finally one person said, “Simply say China—it’s all the same!” which prompted laughter from the audience.

SREB, and earlier SCO, together with China’s policy toward the region, have had common elements: emphasis on the principles of non-interference, strong support for the regime, and aversion to any form of externally induced “regime change.” This agnosticism about values and the nature of the regime, with a lack of regard for human rights, civil society, and normative concerns, has bolstered state power and the hold of despotic and authoritarian political elites in the region.

The coordination of Nurly Zhol with China’s Silk Road development strategy in 2014 provoked mixed reactions in Kazakhstan, though media and public debates remain circumscribed. Many voiced concerns about the lack of specific details of Chinese investments and specific projects, despite huge promises. One well-known expert on China mentioned that so far, these investments and projects are like apparitions: everyone talks about them, but nobody has seen them.¹⁷ Others echoed the sentiment that details are deliberately kept vague, and the lack of a legal framework raises questions about the terms and conditions of investments, the transfer of production, and the hiring of workers and specialists from China. Many also warned that the inevitable influx of workers from China would squeeze out Kazakhstani workers. The latter concern is, however, exaggerated, as the number of Chinese workers and traders in Kazakhstan is far smaller than estimated. Kazakhstan’s migration laws, devised to protect the national labor market, use quotas to impose strict limits on the share of foreign workers and the allocation of top management position to foreigners.

12 Sokolai, “Aktual’nyi aktsent Kazakhstanskoi ekonomiki.”

13 Sanat Kushkumbayev, “Kazakhstan’s Nurly Zhol and China’s Economic Belt of the Silk Road: Confluence of Goals,” *The Astana Times*, September 22, 2015, <http://astanatimes.com/2015/09/kazakhstan-nurly-zhol-and-chinas-economic-belt-of-the-silk-road-confluence-of-goals/>.

14 Michael Clarke, “Kazakh Responses to the Rise of China: Between Elite Bandwagoning and Societal Ambivalence?,” in *Asian Thought on China’s Changing International Relations*, ed. Niv Horesh and Emilian Kavalski (Houndsmills: Palgrave Macmillan, 2014).

15 Shaimerden Chikanaev, “GRATA,” February 17, 2017, [http://www.gratanet.com/up_files/\[GRATA\]-FDIs_in_Kazakhstan-Key_Legal_Challenges_Feb_percent202017_rus.pdf](http://www.gratanet.com/up_files/[GRATA]-FDIs_in_Kazakhstan-Key_Legal_Challenges_Feb_percent202017_rus.pdf).

16 Yaroslav Razumov, “Kazakhstan i Kitai: sblizhenie ili imitatsiia?,” *Global Affairs*, May 31, 2016, <http://www.globalaffairs.ru/global-processes/Kazakhstan-i-Kitai--sblizhenie-ili-imitatsiya-18190>.

17 Adil Kaukenov, China expert. Personal interview with the author, August 2016.

Andrey Chebotarev, a political analyst, lamented Kazakhstan's failure to formulate its own strategy for defending its national interests despite widespread panic and fear about China's expansion. By contrast, Valikhan Tuleshov, the director of Institute of Regional Development of the International Academy of Business, echoed the official line and portrayed public concerns as an affirmation of the correct direction of Kazakhstan's multi-vector policy, saying, "Our political leadership has learnt to balance the political wind from Russia and the economic one from China."¹⁸ Tuleshov blamed the Russian-controlled media for projecting Sinophobia and framing Russia and China as rivals in Central Asia, noting that such fear-mongering about China ("*strashilki o KNR*") is expediently used by Russia to strengthen its geopolitical project of forging the EEU, while at the same time Russia seeks to forge multilateral cooperation both between the EEU and SRB and between Russia's own developmental projects and those initiated by China under BRI.¹⁹

Public opinion surveys funded by the Russia-based Eurasian Development Bank (an organ of the EEU) found that only one in six Kazakh citizens see China as a "friendly country," in contrast to 84 percent and 48 percent who see Russia and Belarus, respectively, as "friendly." Furthermore, these surveys found that China was among the top three nations most likely to be named an "unfriendly country." The in-built bias in the survey (it was conducted by a pro-Russia bank)²⁰ and lack of any details on methodology prove that the data is used for propagandistic purposes. Other reports simply note in very general terms that Sinophobia—and other negative public perceptions—could pose a major challenge to the Silk Road project, while failing to provide specific details.²¹

As Kazakhstan's Foreign Minister in 2016, Erlan Idrissov rather contentiously invoked the phrase "new Great Game in Central Asia," alluding to prevalent Western concerns about Central Asia tilting toward China only to rebuke them. Evoking the official platitudes, he added, "the strengthening of our

role as a bridge between Asia and Europe is in our raw economic interest and initiatives such as the Silk Road Economic Belt will create a wealth of opportunities in the region and beyond." He dismissed the concerns raised by journalists about asymmetry between Kazakhstan and China as "a neat headline" that ignores the reality: "a hard-headed and mutually beneficial partnership involving Kazakhstan, Russia, China, and others which is creating the jobs and investment Kazakhstan needs."²²

These officials' assessments indicate Kazakhstan's pragmatic embrace of SREB, its coordination with China's developmental goals, and also the latter's ability to use its persuasive power by deploying its economic and manufacturing capabilities alongside an invigorated public diplomacy. As cooperation between both states deepens and benefits start trickling in, the asymmetries are likely to widen and trigger further concerns about several details that have yet to be worked out. Unintended and unanticipated consequences of the partnership will also come to the surface. Kazakhstan must simultaneously appease national interests, manage popular expectations, and be seen as prioritizing its national interests and safeguarding its sovereignty and well-being.

Changing Perceptions and Stereotypes about China

As mentioned earlier, Kazakhstanis' perceptions of China are dynamic and complex. Growing familiarity and contacts with the Chinese are bringing about shifts in perceptions and attitudes. With the invigoration of China's public diplomacy, its diplomats and other emissaries are also becoming more approachable and more engaged with the local milieu. Studies of perceptions of China's role and practices conducted by Kazakhstani scholars in the late 1990s and 2000s revealed a widespread pattern of distrust of China and anxiety about its ambitions in the region, with stereotypes and prejudices running rife.²³ Noted

18 "Eksperty rasskazali ob ekspansii Kitaia v Kazakhstan," *Nur.kz*, December 6, 2013, <https://www.nur.kz/293563-eksperty-rasskazali-ob-ekspan-sii-kitaya-v-kazakhstan.html>.

19 "Eksperty rasskazali ob ekspansii," *Nur.kz*.

20 Eurasian Development Bank, http://eabr.org/e/research/centreCIS/projectsandreportsCIS/integration_barometer/index.php?id_16=48994.

21 Dmitriy Frolovskiy, "Kazakhstan's China Choice," *The Diplomat*, July 6, 2016, <http://thediplomat.com/2016/07/kazakhstans-china-choice/>.

22 Erlan Idrissov, "Kazakhstan: 100 Steps Toward a New Nation," *The Diplomat*, July 25, 2015, <http://www.kazakhembus.com/content/khorgos-opens-new-opportunity-eurasia#sthash.24yNkZHJ.dpuf>.

23 Elena Sadovskaya, "Chinese migration to Central Asia," *Central Asia and the Caucasus* 49, no. 1 (2008). See also Laruelle and Peyrouse, *The Chinese Question in Central Asia*.

Kazakhstani sociologist Konstantin Syroezhkin identified the pervasiveness of “myths” about China, propagated in media, public discourse, and even official publications.²⁴ Researchers in Russia have similarly reported widespread distrust and stereotypes that have no empirical basis.²⁵ The mix of a lack of familiarity, ignorance, disinformation, prejudice, and anxiety has resulted in exaggeration of the number of Chinese in the region, their interests and influence. This is compounded by the absence of reliable statistics or methodology for identifying the different categories of Chinese living in and visiting Kazakhstan.

Survey research and interviews reveal the scale of ignorance and disinformation about the Chinese, which are shaped by respondents’ level of familiarity with China, their geographical location, social status, and level of education.²⁶ Burkhanov and Chen have analyzed the differences in Russian and Kazakh media’s perceptions of the “threats” posed by Chinese migration to Kazakhstan, with the latter tending to be more nationalistic and xenophobic.²⁷ The prevailing prejudices and distrust, including Sinophobia, are rooted in a lack of first-hand contacts between the Chinese and Kazakhstani, and a lack of knowledge about one another.

The availability of new information, direct experience of dealing with the Chinese at various levels, and travel to different parts of China are contributing to a greater sense of goodwill and trust. However, the picture is diverse, mixed, and dynamic, and growing familiarity and knowledge do not necessarily and consistently lead to greater amity and trust. Attitudes are contingent and liable to undergo quick shifts, showing that longstanding distrust cannot be easily untangled.

The next sections analyze the protests on proposed amendments to the Land Code to allow foreigners to lease agricultural land for up to 25 years and the debates about the proposal to transfer a number of Chinese production facilities to Kazakhstan. These developments indicate shifting attitudes, as well as efforts by both China and Kazakhstan to frame China’s role in the region favorably.

The Debate on Leasing Land

Protests broke out in several towns in Kazakhstan in April and May 2016 against proposed amendments to the Land Code that would have increased the term for which foreigners could lease agricultural land from 10 to 25 years. The scale and intensity of protests against the proposed legislation in various cities—including Almaty, Astana, Atyrau, Uralsk, and Pavlodar—took the state by surprise, and it struggled to control this opposition.²⁸

The proposed law was interpreted as allowing the Chinese to take over farmland for agricultural as well as commercial purposes. The protests were ignited by the fears about the rapid pace of Chinese investment under SREB, which was seen as turning Kazakhstan into a vast transit corridor, opening up the country’s rich resources for exploitation by China, and making the country a “dumping ground” for China’s surplus production. Kazakhstan and other Central Asian states have seen several popular protests sparked by reports—verified and unverified—that their governments had ceded or leased territory to China as part of border demarcation or for agricultural cultivation. Furthermore, the terms and conditions of leasing land have been seen as unfavorable for Kazakhstan; they lack environmental safeguards, not to mention a clear legal framework on land lease to foreigners, property ownership, and the employment of foreign workers. These dynamics are seen as aiding informal and quasi-legal patterns of land lease and production in Kazakhstan from which foreigners benefit at the expense of Kazakhs—with Chinese the most important foreign economic influence. The absence of credible statistics, facts, and informed debates on the scale of Chinese factories, workers, and investments has contributed to public anger.

Over the past decade, the Kazakhstani government has sought to feel the popular pulse, moderate public opinion, and cautiously lay the groundwork for popular acceptance of a closer embrace of China. The leadership would like the population to adjust to a growing Chinese presence in the country and increasing Chinese access to Kazakhstan’s raw materials and land resources. Kazakhstan First Deputy Prime

24 Konstantin Syroezhkin, “Social Perceptions of China and the Chinese: A View from Kazakhstan,” *Journal of Eurasian Studies* 7, no. 1 (2009): 29–46.

25 Vilya Gelbras, “Chinese migration in Russia,” *Russia in Global Affairs* 2 (April–June 2005), http://eng.globalaffairs.ru/number/n_4962.

26 Sadovskaya, “Chinese migration to Central Asia”; Aziz Burkhanov and Yu-Wen Chen, “Kazakh perspective on China, the Chinese, and Chinese migration,” *Ethnic and Racial Studies* 39, no. 12 (2016): 2129–2148.

27 Burkhanov and Chen, “Kazakh perspective on China.”

28 “Kazakhstan: Crackdown on peaceful protests,” *Human Rights Watch*, May 23, 2016, <https://www.hrw.org/news/2016/05/23/kazakhstan-crackdown-peaceful-protest>.

Minister Bakythan Sagyntaev rather confidently endorsed the existing scheme for leasing land to foreign citizens on May 13, 2014. He stated that the citizens of China, Russia, and other states were leasing land in Kazakhstan, adding that “there is no problem” with this, since Kazakhstan’s Land Code does not prohibit leasing land to foreigners or foreign companies: “It is another question to sell the land to foreigners—the law does not allow it—it only allows lease for up to 10 years.” He also acknowledged that land in Akmola oblast and in East Kazakhstan was leased for agricultural production: “We know who it is leased to, for how many years and how many hectares.”²⁹

It was clear that the government had been complacent and failed to anticipate the scale of protests. The protests may have had the covert or tacit support of officials and notable figures within the government, given the large scale of public participation and popular fury (at least by Kazakhstani standards). After initially appearing ineffective and tolerant, the authorities cracked down on protestors, making numerous arrests. Nazarbayev announced a moratorium on the proposed amendment until the end of 2017 and pledged to protect national sovereignty and interests.³⁰ Prime Minister Karim Masimov, who is seen as very close to China (he speaks fluent Chinese and has mixed Kazakh–Uyghur origins), issued a rare apology for the government’s handling of plans to auction off agricultural land to private bidders, and announced the formation of a State Commission for Land that will include opposition politicians and serve as a forum to discuss the contentious issue of land privatization.

Having made crucial symbolic concession to nationalist concerns, the regime also took harsh measures, designed to send the message that unauthorized rallies and protests would not be tolerated. Social activists Max Bokayev and Talgat Ayan were sentenced to three-year prison terms for inciting social unrest, spreading false information, and disrupting public order by holding unsanctioned rallies. Another individual, Tohtar Tuleshov, who was

alleged to have given Ayan US\$100,000 to finance the protests, was sentenced to 21 years in jail on charges of plotting a coup.³¹

Transfer of Chinese Production Capacity to Kazakhstan

Another sensitive issue is the proposal to transfer a number of Chinese manufacturing enterprises to Kazakhstan and uncertainty about the legal framework within which Chinese managerial staff and workers are brought in. At the G20 summit in Hangzhou in 2016, China proposed moving the production capacity of 51 plants to Kazakhstan under the Silk Road development plan, in order to enhance its US\$20 billion investments. These include work on the new railroad transit route Altynkol–Khorghos, the Sarybulak–Zimunay gas pipeline, and the Beyneu–Bozoy pipeline. Details on the plants and their locations have not been forthcoming, fueling suspicions that the transfer of Chinese production capacity to the natural resource base for “industrial purposes” will generate favorable conditions for them to acquire control of land and use it covertly for commercial, including agricultural, purposes. This has led to fears that the moratorium on leasing land to foreigners could easily be circumvented by giving these lands to Chinese for industrial construction and staff housing, which would, de facto, present Chinese with the opportunity to use the land for commercial and agrarian purposes.³²

Opposition activists allege that the transfer of Chinese factories to Kazakhstan raise many questions about the “real interests” of Chinese capital and will be followed by the arrival of engineers, technicians, and labor from China, pushing out local staff and requiring them to learn Chinese.³³ There are widespread reports, again lacking sufficient evidence, that the local affiliate of China National Petroleum Corporation in Aktobe has been asking its workers to take Chinese language tests.³⁴ There is also resentment toward KazMunayGas, which sold a crucial share to Chinese companies and established a joint

29 “Kazakhstan dal zemliu v arendu grazhdanam Kitaia,” *Nur.kz*, May 13, 2014, <http://finance.nur.kz/313398.html>.

30 “Kazakh president postpones land privatization until 2017,” *Radio Free Europe/Radio Liberty*, May 5, 2016, <https://www.rferl.org/a/kazakhstan-Nazarbayev-delays-land-privatization/27717597.html>.

31 Aigerim Toleukhanova, “Kazakhstan: Land protests trial ends with 5 year jail sentences,” *EurasiaNet*, November 28, 2016, <http://www.eurasianet.org/node/81441>.

32 “Why China transfers production to Kazakhstan?,” *Kazworld*, September 7, 2016, <http://kazworld.info/?p=56343>.

33 “Kazakh KazMunayGas to transfer shares to CEFC China,” *YiCai Global*, July 28, 2017, <https://www.yicaiglobal.com/news/kazakh-kazmunay-gas-transfer-shares-cefc-china-energy>.

34 Jack Farchy, “Kazakh language schools shift from English to Chinese,” *The Financial Times*, May 9, 2016, <https://www.ft.com/content/e99ff7a8-0bd8-11e6-9456-44ab5211a2f/>.

venture in which the Chinese CEFC holds a 51 per cent stake in KazMunayGas International (KMGI) while the latter retains the remaining 49 percent. The venture relies on Kazakhstan's energy and China's financial resources to expand Belt and Road-related business.

In view of the scant information about governmental negotiations on environment safeguards, production-sharing arrangements, and other issues, local activists allege a contradiction or double standard in terms of China's commitment to environmental protection. China is working to tackle domestic pollution and is also engaged in international efforts through multilateral fora such as the Beijing Consensus on environmental protection. At the same time, however, this lack of details about their environmental practices in Central Asia—coupled with credible analysis—suggests that China is moving high-polluting factories to neighboring states and selling crops cultivated through the use of toxic fertilizers and pesticides in the region. This has led to suspicions that key government figures are the special beneficiaries of business deals with China, are withholding information, and are thereby contributing to “Chinese state control” in Central Asia.³⁵

The absence of statistics and information make it difficult to estimate the number of Chinese migrant workers in Kazakhstan; the legal framework under which they are brought in; the national composition of the top management bodies; work conditions and wages paid to the Chinese; and relations between Chinese and locals. When I asked a leading Sinologist about the legal framework and staff composition of Kazakhstan's numerous Chinese enterprises in 2011, he noted that these enterprises seem to function as “states within states,” completely closed to outsiders and inaccessible to the media.

Kazakhstan's leading experts do not have a comprehensive understanding of the China–Kazakhstan economic partnership. Syroezhkin noted, “There is no clarity yet about the share of Chinese investments and their credit obligations—there are various statistics but it is not clear how to make sense of these. China is spending US\$2 billion from its US\$40 billion Silk Road infrastructure fund on a new investment fund to support ‘capacity cooperation’ with Kazakhstan, but all the remaining ones are credits.”³⁶

The conditions of credit are not known and contracts are not published, though talks about large-scale investment and massive projects in which the Chinese are participating make the headlines.

The lack of transparency regarding China's investments and activities and the process of concluding these deals and tenders also contributes to rumors, distortions, and myths, culminating in the proliferation of clichés such as “creeping expansion,” “covert settlements,” “yellow peril,” and the “use of local fronts for Chinese business.”

As with China's projects under BRI worldwide, there are questions about how Central Asian populations stand to benefit from the proposed investments and developmental plans. There is a perceived risk that while the various transport “corridors” will allow China to export its goods via Central Asia to Europe, they may also turn the entire territories of Kazakhstan and adjacent states into major transport corridors, fulfilling China's needs.

To a certain extent, the ruling authorities have allowed measured public debate. Public figures have been able to “air out” their grievances through spontaneous societal resistance to expanding Chinese influence, which is also a way to increase pressure on China and so secure better deals. Sinophobia is for instance a key instrument used by national-patriots who, over a decade and a half ago, were engaged in mobilizing public opinion to combat the hegemony of Russia and the Russian language.

China's Public Diplomacy and People-to-People Contacts

Since the launch of BRI, China has reinvigorated its global public diplomacy. The Chinese political establishment is taking determined steps to alter notions about it held in the West which have become hegemonic and been shared widely around the world. China wants to be seen as a reliable economic partner interested in the mutually beneficial pursuit of shared objectives but without any political goals. Chinese soft power strategy promotes an image of Beijing as a reliable and pragmatic economic alternative to the West and Russia. In promoting its traditional emphasis on infrastructural development and econom-

35 Kazworld, “Why China transfers production to Kazakhstan?”

36 “Private China firm to take control of unit of Kazakh state oil company,” *Reuters*, December 15, 2015, <http://uk.reuters.com/article/us-china-kazakhstan-idUKKBN0TY1D320151215>.

ic growth as prerequisites for security and political reforms, China is seeking support and legitimization for its development strategy by procuring wider public support in the region.

China has increasingly been sensitized into projecting its image as a peaceful, multicultural, tolerant, Muslim-friendly country, and is using its activities and engagement in the Muslim world—in Central Asia, Pakistan, and the Middle East, as well as among Muslims in Africa—to enhance its own image, both domestically and abroad.

In unveiling the SREB in Astana and emphasizing deep historical contacts between Kazakhs and Chinese, China has also invented connections and linkages that did not exist. Xi dated the establishment of close ties between the two peoples to 2,100 years ago, during the Han dynasty, when Chinese envoy Zhang Qian was twice sent to Central Asia with a message of peace and friendship. His journeys are portrayed as opening the door to friendly contacts between China and Central Asian countries along the Silk Road that links East and West, Asia and Europe. Xi also referred to Almaty as the “ancient city,” but while Kazakh nomads traversed these territories and established summer abodes (as evident from many archaeological relics), Almaty, then called Verny by the Russians, was founded in 1854 as a Cossack military outpost and was peripheral to the numerous Silk Road routes. Xi’s mention of the “Xian Xinghai Boulevard”—a name foreign to almost all of Almaty’s inhabitants—referred to a street which had been so named in 1992 after the signing of a treaty with China.³⁷

A central component of the strategy to promote “people-to-people” contacts is increasing the number of opportunities for Central Asians to familiarize themselves with Chinese culture, language, and norms, socializing them with China’s world view in order to transform negative stereotypes about the country.

Emphasizing people-to-people contacts while unveiling the Silk Road Economic Belt strategy, Xi an-

nounced that 30,000 government scholarships would be awarded to students of SCO member states. He also mentioned plans to invite a further 10,000 teachers and students from Confucius Institutes in these countries to visit China for study tours. Xi extended an invitation to 200 faculty members and students from Nazarbayev University to go to China the following year for summer camps. In addition, there are Chinese Government Scholarships, the Chinese Government Chinese Government Special Scholarship Scheme—University Postgraduate Program in designated universities, the Distinguished International Students Scholarship Scheme, the Chinese Culture Research Fellowship Scheme, and short-term scholarships for Chinese language studies. There are major centers for teaching Chinese language to students from SCO states at Lanzhou University in Gansu province, which is on the list of China’s top 100 universities, and at Xinjiang Pedagogical University in Urumqi.³⁸ China is already the third largest destination for international students after the United States and the United Kingdom.³⁹ Among international students, the perception of China has undergone a noticeable shift, with the country becoming an internationally recognized destination for high-quality education. After Russia, China is the second most popular destination for students from Kazakhstan.

Beijing has set up 11 Confucius Institutes to promote Chinese language and culture in the five Central Asian states. Confucius Institutes, Centers and Academies exist in virtually all Central Asian states, as well as in Russia, to facilitate knowledge and cultural exchanges.⁴⁰ China’s economic power in the region has led a growing number of Central Asians to learn Chinese. It is estimated that the number of students learning Chinese is increasing by 5 percent per month. Beijing has been actively offering scholarships to Kazakhstani students, and according to the China Scholarship Council, “the number of Kazakh citizens studying in China has risen more than fivefold in the past decade, to 12,000.”⁴¹ Dariga Nazarbayeva, deputy prime minister and daughter of

37 “Promote Friendship Between Our People and Work Together to Build a Bright Future” (speech by Chinese President Xi Jinping at Nazarbayev University, Astana, September 7, 2013), <http://www.fmprc.gov.cn/ce/cebel/eng/zxxx/t1078088.htm>. A Google search to locate this particular street in Almaty showed a string of numerous previous searches asking where the “Xian Xianghai boulevard in Almaty is located.”

38 Luftiya Abdulkholikzoda, “ShOS: novaia sila v novom mire,” *Znaniia, issledovaniia, nauchnyi poisk—prioritet respubliki Tadzhikistan* 6, no. 88 (2015), <http://pa-journal.ranepa.ru/articles/r102/3568/>.

39 “China’s rapid rise as an international students’ destination,” *University Business*, September 12, 2016, <http://universitybusiness.co.uk/Article/chinas-rapid-rise-as-an-international-student-destination>.

40 “Kitai vydelit 30 tysiach stipendii studentam iz stran ShOS dlia obuchenii v VUZakh,” *Kabar*, August 22, 2015, <http://old.kabar.kg/rus/society/full/61370>.

41 Farchy, “Kazakh language schools shift.”

the country's president, said in February 2016 that Kazakh children should learn Chinese in addition to Kazakh, Russian, and English.⁴² In Kazakhstan—and much of Central Asia—the attitude is, “If you want to go abroad, learn English. If you want to stay in Kazakhstan and do well, learn Chinese.” Nurzhan Baitemirov, founder of East–West Education Group, which specializes in teaching English to Kazakhs, reported increasing interest in learning Chinese among young professionals. Himself a graduate of Wuhan, Baitemirov said, “West Kazakhstan [the country's main oil-producing region] used to be dominated by Canadian companies, but they have shifted and it is now majority Chinese companies. It's better if you speak Chinese if you want to get a position.”⁴³

Vera Exnerova describes the broad group of non-state actors who are engaged in the process of norm socialization and public diplomacy, forming and transforming attitudes and knowledge about China.⁴⁴ China is particularly cultivating connections with the sections of the local society that have been socialized and acculturated into Chinese culture and norms, encouraging these individuals to speak with policymakers, experts, and the media, as well as to share their experiences with ordinary people and disseminate knowledge about the rising and globalizing China. In this way, China aims to socialize local citizens into the cherished norms of development, hard work, stability, harmony and one-ness.

Scholars analyzing China's use of soft power in other contexts have noted its increasing engagement of non-state actors and numerous “soft-power messengers” who have studied or worked in China, or have some other direct association. D'Hooghe suggests that, “a majority of these are, in one way or another, censured by Beijing.”⁴⁵ However, these non-state actors include those promoted by China, as well as those acting of their own volition with some approval and appreciation of Beijing. By and large, they are young and fluent in Chinese, with first-hand experience of living in China as students, function-

al socialization into Chinese culture and norms, and insight into the Chinese way of thinking and communication (thanks to their study and mastery of the language).

To what extent does Beijing control the message being transmitted and in what ways are these “soft power messengers” working in sync with Beijing's objectives? The people I talked to who have studied in China and/or have regular cultural or educational exchanges with institutions in China through contacts with the embassy conveyed enthusiasm, excitement, and a sense of novelty about having visited China and had discussions with officials. However, they cannot be seen as socialized primarily into Chinese values. They are living in a veritable marketplace of ideas, influences, and ideologies: the new nationalism, pride in nomadic values, and rising prosperity forged under Nazarbayev; the appeal of Western norms, cultural icons, ideas, and intellectual accomplishments; the enduring effects of Soviet norms and mindsets; and Russia's resurgent media space and soft power. Other influences and ideologies—Western liberal discourses as well as non-Western ones (“Asian values,” for instance)—also shape their outlook and preferences.

Aims and Limits of China's Soft Power

At the 17th National Congress of the CPC in 2007, Hu Jintao alluded to soft power as an important feature of China's national policy.⁴⁶ While obviously responding to Nye, his formulation sought to combine Confucian thought and other traditional Chinese philosophy with modern Marxism in order to create a notion of Chinese values, or “socialism with Chinese characteristics.” China's concept of external soft power includes “communicating Chinese positions and opinions, establishing a good international image for China, creating a favorable international environment, and promoting a peaceful, harmonious and cooperative world.”⁴⁷

42 “Nazarbayeva noted the need to learn English and Chinese languages,” The Prime Minister of Kazakhstan Official Website, 5 February 2016, <https://primeminister.kz/news/show/22/dNazarbayeva-otmetila-neobhodimost-izuchenija-anglijskogo-i-kitajskogo-jazykov-/05-02-2016?lang=en>.

43 “Ucheba v Kitae: chego khotiat i poluchaiut nashi studenty,” *Zakon.kz*, March 2, 2017, <https://www.zakon.kz/4846930-ucheba-v-kitae-chego-khot-jat-i-chto.html>.

44 See Vera Exnerova's chapter in this volume.

45 Ingrid D'Hooghe, “The limits of China's soft power in Europe: Beijing's public diplomacy puzzle,” *Clingendael Diplomacy Paper 25* (The Hague: Netherlands Institute of International Relations Clingendael, 2010), 31.

46 Hu Jintao, “Hold High the Great Banner of Socialism with Chinese Characteristics and Strive for New Victories in Building a Moderately Prosperous Society in All” (report presented at the 17th Party Congress, October 15, 2007).

47 Osamu Sayama, “China's Approach to Soft Power Seeking a Balance between Nationalism, Legitimacy and International Influence,” *Royal United Services Institute (RUSI) Occasional Paper* (March 2016), https://rusi.org/sites/default/files/201603_op_chinas_soft_power.pdf.

While Beijing has rhetorically launched its public diplomacy to emphasize its harmonious relationship with the world, its soft power is proposed as an alternative to U.S.-led globalization. These “Chinese values” are seen as being in competition with the “American values” of democracy, human rights, and freedom of speech. They seek to strengthen China’s voice and influence in the world, and, above all, to encourage a sense of pride in the country—a sense of nationalism—among Chinese living in China and overseas, with the goal of strengthening the regime’s control.

The narrative of China’s “peaceful rise” frames the country as an emerging Asian power committed to development, partnership, peace, and stability. It pledges respect to principles of state sovereignty, territorial integrity, and non-interference while seeking to promote close people-to-people ties. It is implicitly a legitimization of the Chinese model of promoting rapid economic development to establish a stable and secure environment, while emphasizing stability, security, and development as more fundamental values than the Western liberal norms of freedom and democratic choice. The narrative presents China’s “traditional” culture as pragmatic and peaceful, geared towards cooperation and the pursuit of mutual objectives.

As international relations theorists Paul Viotti and Mark Kauppi note, “Non-material capabilities such as reputation, culture, and value appeal that can aid the attainment of a state’s objectives” are crucial in the exercise of soft power.⁴⁸ China’s economic power, commercial strength, and production capacity—providing cheap products of decent quality that appear in every household—are the foundation of its socioeconomic and cultural influence.

Soft power emanates not only from the ideational and normative orientation of the state, but also from the engagement of civil society and non-state actors—including universities, educational and charitable foundations, religious and cultural institutions, NGOs, business, and commercial interests—in defining this vision and bringing it to fruition. China’s

record of censorship and monitoring civil society groups, NGOs, and trade unions is a major limitation. Nye notes that the CPC has not accepted that “soft power springs largely from individuals, the private sector, and civil society.”⁴⁹ Breslin writes that “soft power is conceived as the idea that others will align themselves to you and your policy preferences because they are attracted to your political and social system, values and policies.”⁵⁰ In this regard, though China’s progress and stability are envied by its neighbors, its political and social system and values lack broad appeal. Xi Jinping’s primary aim is to further consolidate the position of both the CPC and himself, rather than to export China’s developmental vision and state model abroad.

Civil society and non-state actors in Kazakhstan are subject to governmental regulations and restrictive laws. However, the numerous pockets of non-state actors and agencies—those not coopted by the state discourse and agenda—are enamored neither of China’s developmental discourse nor of Russia’s efforts to reclaim geopolitical and cultural space through the Eurasian Economic Union; they remain circumspect. Their sense of patriotism and national pride may coalesce with the state-promoted patriotism, but is also independent of it.

China’s experience of investing in Africa, and, more recently, in Sri Lanka and Thailand, reveals that public protests, anxieties, and expressions of Sinophobia are to be expected in response to rapidly expanding Chinese investments and China’s role in these countries’ economic development.⁵¹ How will its experience in Kazakhstan and Central Asian states be different? While China has deployed assertive and aggressive rhetoric toward its traditional rivals in East and Southeast Asia and become embroiled in maritime disputes, it has also built a close partnership with Central Asian states and Russia through securitization, economic investments, and popular diplomacy. China does not have an appealing global brand, but it is already transforming norms, practices, and institutions in its neighborhood and in far-off lands by building infrastructure and making huge investments.

48 Paul R. Viotti and Mark V. Kauppi, *International Relations Theory*, 5th edition (Needham Heights, MA: Allyn and Bacon, 2013), 207.

49 Joseph S. Nye, “The Limits of Chinese Soft Power,” *Today’s Zaman*, July 10, 2015.

50 Shaun Breslin, *The notion of China’s “soft power”* (London: Chatham House, Royal Institute of International Affairs, 2011), 8.

51 “Sri Lanka signs deal on Hambantota port with China,” *BBC World Service*, July 29, 2017, <http://www.bbc.co.uk/news/world-asia-40761732>; “Sri Lanka scales back Hambantota port deal with China after protests,” *The Quant*, July 26, 2017, “<https://www.thequant.com/news/sri-lanka-hambantota-port-deal-with-china>.”

China's active role in and strategic partnership with Kazakhstan, along with its promotion of the SCO as an inter-regional organization, also allows China to claim a greater Eurasian identity. This embrace of Eurasia is a way of promoting geopolitical expansionism alongside economic globalization. Beijing has tightened its control over Xinjiang through development and securitization, extending the arc of security further west into Central Asia, albeit without a military or formal security component as yet. Kazakhstani leaders are also interested in aiding China's efforts to promote its status as a Eurasian power and Muslim-friendly state committed to peace, security, and development, in order to promote multilateralism in the region and devise a balancing strategy. In the context of the Russian-Chinese tandem, which is likewise described as a "close strategic partnership," Kazakhstan seeks to maintain a balanced position by reinforcing its multi-vector approach of balancing close ties and partnerships with China, Russia, and the West. It continues to secure Chinese investments and access the bulk of its oil export routes through Russia, as well as serving as a solid ally of Russia in forging the Eurasian Economic Union. There are, however, concerns among Kazakhstanis about the lack of detail of all these projects, the benefits to their country, and Russia's geopolitical ambitions.

China's symbolic and rhetorical assurance supporting state sovereignty and territorial integrity offers important psychological assurance and also enhances legitimacy. It strengthens the position of Central Asian elites as leaders of sovereign states protecting their national interests, despite the fact that elites' legitimacy and their commitment to acting in the interest of their states has been questioned by scholars and policymakers.⁵² It is not "soft power" per se, but the attention and ideological support coming from Beijing, together with cash and rituals of deference and hospitality, that appeals to Central Asian leaders.⁵³

The lack of any detailed or in-depth account of how local actors—ordinary people, officials, and businessmen—as well as transnational actors are engaging with China's initiatives makes it difficult to assess the social and cultural consequences of implementing Chinese infrastructure projects, including effects that are unintended and unanticipated. Detailed empirical research and ethnographic studies of specific SREB construction projects or sites are needed to gain more specific information on and insights into how China's soft power, derived from the combination of its enormous infrastructure investments and active public diplomacy efforts, is reshaping local perceptions of and attitudes toward the widening asymmetry between China and Kazakhstan.

52 John Heathershaw, "The global performance state: a reconsideration of the Central Asian 'weak state,'" in *Ethnographies of the State in Central Asia: Politics Performing*, ed. Madeleine Reeves, Johann Rasanayagam and Judith Beyer (Bloomington, IN: Indiana University Press, 2013): 39–61.

53 Miller, *China's Asian Dream*.

Chapter 11. “Human Silk Road”: The People-to-People Aspect of the Belt and Road Initiative

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At a time of profound geopolitical and economic change in the world, with the increased trends of protectionism, narrowly understood nationalist interests, and Western opposition to globalization, the People’s Republic of China (PRC) has emerged as a global champion of free trade, connectivity, and economic integration, celebrating “multi-polarity, economic globalization, and greater cultural diversity.”¹ In his speech at the World Economic Forum (WEF) in February 2017, Chinese President Xi Jinping confirmed the importance of continued globalization and universally beneficial development in (the new) Chinese policy. Underlining the importance of cooperation, he stated, “Today, mankind has become a close-knit community with a shared future. ... We should commit ourselves to growing an open global economy to share opportunities and interests by opening up, and achieve win–win outcomes.”²

Xi’s speech was not focused purely on economics. He stressed the need for a more balanced, equitable, and inclusive development model, and the importance of human factors in development. All

people, he indicated, should have equal access to opportunities and share in the benefits of development: “Development is of the people, by the people, and for the people.”³ In addition to being an economic project, BRI presumably has important political, security, and foreign relations objectives. Through the BRI, observers contend, China seeks to promote its own model of development,⁴ an alternative to the Western model of globalization.⁵ The Chinese version of globalization emphasizes common interests, people-oriented development, achieving an inclusive and equitable society, and putting people’s interests first.

Unsurprisingly, one of the Belt and Road Initiative’s five goals—after policy coordination, facilities connectivity, unimpeded trade, and financial integration—is to promote people-to-people bonds. This component of the Initiative, which analysts frequently overlook, includes goals such as deepening political trust; enhancing cultural exchanges; encouraging different civilizations to learn from each other and flourish together; and promoting mutual understanding, peace, and friendship among people of all countries.⁶

1 “Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road,” People’s Republic of China, National Development and Reform Commission (NDRC), March 30, 2015, http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html.

2 Xi Jinping, “Speech to Davos World Economic Forum,” The World Economic Forum, January 17, 2017. <https://www.weforum.org/agenda/2017/01/full-text-of-xi-jinping-keynote-at-the-world-economic-forum>.

3 Xi, “Speech to Davos.”

4 Francis Fukuyama, “Exporting the Chinese Model,” Project Syndicate, January 12, 2016, <https://www.project-syndicate.org/onpoint/china-one-belt-one-road-strategy-by-francis-fukuyama-2016-01?barrier=accessreg>. For criticism of the Initiative, see Michael Clarke, “Cracks in China’s New Silk Road,” China Policy Institute, March 12, 2016, <https://cpianalysis.org/2016/03/15/cracks-on-chinas-new-silk-road-xinjiang-one-belt-one-road-and-the-trans-nationalization-of-uyghur-terrorism/>.

5 William Callahan, “China’s Belt and Road Initiative and the New Eurasian Order,” Norwegian Institute of International Affairs Policy Brief 22/216. See also Junhua Zhang, “What’s Driving China’s One Belt, One Road initiative?,” East Asia Forum, September 2, 2016, <http://www.eastasiaforum.org/2016/09/02/whats-driving-chinas-one-belt-one-road-initiative/>.

6 Activities to enhance people-to-people bonds within the BRI include, among others: cultural and academic exchanges; personnel exchanges and cooperation; media cooperation; youth and women exchanges; cooperation in education and scholarships; promotion of tourism, including facilitation of the visa regime; sports exchanges; cooperation in the medical field, including the training of medical professionals; cooperation in science and technology; the establishment of joint research centers; the promotion of sci-tech personnel exchanges and innovation capability; entrepreneurship training; vocational skill development; and public administration and management. The institutional level includes communication between political parties and parliaments; exchanges between legislative bodies, major political parties, and political organizations; cooperation among cities; the creation of think tanks to jointly conduct research and hold forums; and increased exchanges and cooperation between non-governmental organizations. See People’s Republic of China, National Development and Reform Commission (NDRC), “Vision and Actions.”

This chapter concentrates on the human element and the social benefits that the countries involved could achieve from the increased cooperation and ties encouraged by the BRI. We use migration—the embodiment of people-to-people bonds along the Silk Road—as the basis for our analysis. Mobility and migration as addressed in this chapter go beyond traditional, centuries-old movements across borders by traders and refugees. They reach a new level of trans-border human interaction, real and virtual, in fields such as entrepreneurship, education, science, culture and tourism, through a range of institutions/mechanisms: individual and spontaneous, government-organized or government-sponsored, and facilitated by various intermediary public and private organizations.

Since BRI is still only a strategy (“a vision”), and SREB is in the initial stages of implementation, where its technical/infrastructural components are the focus, this chapter will draw scholarly attention to the human component of the SREB/BRI and the challenges and possibilities connected with studying it. To achieve this goal, we plan to: 1) set up a framework for our studies; 2) explore key patterns of migration and human mobility, looking at their current ethnic, demographic, and regional characteristics; 3) investigate the impact of migration on human development since the rapprochement between China and Central Asia in the early 1990s and during China’s rise in the region in the 2000s; 4) highlight the potential contribution of diverse migration patterns to human capital development and achievement of BRI’s long-term goals; and 5) highlight the challenges to cooperation, as well as the gaps and difficulties faced by those studying human capital development in the region.

The chapter consists of three parts. First, we lay out the theoretical foundation and provide the context of the current migration-related Sinological discourse in Central Asia. We will briefly discuss the theoretical underpinnings of human capital development and its influence on the societies and economies of the countries involved. Second, we concentrate on the four types of trans-border mobility—trade/entrepreneurship, labor migration, educational (student) mobility, and tourism—and discuss how the diversity of ethnic groups and histories present a new level of cooperation for human development in the region.

Finally, we address the peculiarities and challenges of Central Asian relations with China and draw a brief conclusion regarding how to enhance people-to-people bonds across the region in order to ensure deeper cooperation and prosperity.

Laying the Foundation

Focus on Central Asia

Central Asia has a special role in the success of the BRI, particularly its Silk Road Economic Belt element. With major trade routes going through its territory, Central Asia was the heart of the historic Silk Road, which the SREB seeks to revive. Underscoring that the people-to-people element is not only the means, but also the end goal, of the BRI, we discuss how it may impact people and society in three Central Asian countries: Kazakhstan, Kyrgyzstan, and Tajikistan. These countries have been chosen for three main reasons: first, because of their active strategic partnership with China; second, because of the importance of movement across their long, shared borders (China’s border with Kazakhstan is 1,782 kilometers, with Kyrgyzstan 858 kilometers, and with Tajikistan 414 kilometers); third, because of their increasing role as transit territories within the SREB/BRI project (See Table 11.1).

In all three countries, the Chinese question is becoming increasingly central to political life.⁷ Since the dissolution of the Soviet Union in 1991, all have had tough moments in their relations with China—territorial disputes; water disputes; and security concerns, particularly the fight against extremism, terrorism, and separatism, the “three evils,” in China’s formulation. Some, such as territorial issues, have been resolved to Beijing’s liking, while others remain.⁸ Nevertheless, China is now focused on casting itself as a benefactor and good neighbor, using its investments and soft power to garner support in Central Asia while increasing its cultural attraction to generate more geopolitical and economic influence. What is the possible impact of this influence on the development of the human and social capital in the three countries under study?

It is too early to assess the implications of the many people-to-people activities announced as part

7 Sebastien Peyrouse, “Discussing China: Sinophilia and Sinophobia in Central Asia,” *Journal of Eurasian Studies* 7, no. 1 (January 2016): 18.

8 See Nishtha Chugh, “Will Central Asia Water Wars Derail China’s Silk Road?” *The Diplomat*, March 24, 2017, <http://thediplomat.com/2017/03/will-central-asia-water-wars-derail-chinas-silk-road/>.

Table 11.1. Key Indicators of the Human Development and Human Capital in China, Kazakhstan, Kyrgyzstan, and Tajikistan in 2015 (unless otherwise stated)

Category	China	Kazakhstan	Kyrgyzstan	Tajikistan
Population				
Population, million people	1,376	17.6	5.9	8.5
Share in total population, percent:				
– Urban	55.6	53.2	35.7	26.8
– Rural	44.4	46.8	64.3	73.2
Median age of population (years)	37	29.3	25.1	22.5
Human Development Index (HDI)				
Rank in the global rating by the Human Development Index (out of 188 countries)	90	56	120	129
Human Development Index	0.738	0.794	0.664	0.627
Life expectancy at birth, years	76	69.6	70.8	69.6
Expected years of schooling	15	11.7	13	11.3
Mean years of schooling	10.5	7.6	10.8	10.4
Gross National Income, per capita, in US \$	13,345	22,093	3,097	2,601
Human Capital Index and Labor Market (WEF, 2016)				
Human Capital Index and Score (out of 130 countries), 2016	71 (67.81)	29 (77.57)	47 (72.35)	58 (70.53)
Population Ratio (age cohorts, 2016), percent:				
– Under 25 years	30	41.4	49.4	54.6
– 25–64 years	60	52	46.3	42.4
– 65 years and above	10	6.6	4.3	3
Working age population, 2016 (million people)	1,005.3	11,764	3,851	5.37
Unemployment rate, 2016 (percent)	4.1	5.2	8.3	11.5

Sources: World Economic Forum, *Human Capital Report* (2016), <http://reports.weforum.org/human-capital-report-2016/economies/>; Human Development Report 2016. *Human Development for Everyone*. UNDP, New York, 2016

of the BRI, such as science and technology initiatives, sports, and healthcare. Regional human interaction and bonds spurred by migration have longer histories and provide ample basis for analysis. At the same time, only a few studies focus on people-to-people interactions and human development in the region in connection with China.⁹

By contrast, much has been written about the effects of outward migration from Central Asia. In fact, in the last two or three decades, the region's human capital has been significantly weakened by the "brain drain" of professionals and skilled workers; its social capital has been affected by the outward movement of millions of people.¹⁰ Partly due to the SREB,

9 Klara Khafizova, "Transgranichnye otnosheniia Sin'stzian-Kazakhstan," *Central Asia and Caucasus* 9 (2000), <http://www.ca-c.org/journal/cac-09-2000/12.Khafizov.shtml>; Elena Sadvovskaya, "Chinese Migration to Kazakhstan: a Silk Road of Cooperation or a Thorny Road of Prejudice?," *The China and Eurasia Forum Quarterly* 5, no. 4 (2007): 147–170, <http://www.isdp.eu/cefq>; Elena Sadvovskaya, *Kitaiskaia migratsiia v Respublike Kazakhstan: traditsii Shelkovogo puti i novye vektory sotrudnichestva* (Almaty: Publishing House Raritet, 2014); Yelena Sadvovskaya, *China's Rise in Kazakhstan and Its Impact on Migration* (Almaty-Moscow: MIRPAL Research Report, 2016); Nicholas Steiner, "Chinese Migration to Central Asia: Contrasting Experiences between Kazakhstan and Kyrgyzstan" (Masters thesis, University of Washington, 2013), https://digital.lib.washington.edu/researchworks/bitstream/handle/1773/23547/STEINER_washington_0250O_11745.pdf;sequence=1; Konstantin Syroezhkin, *Mify i realnost' etnicheskogo separatizma v Kitae i bezopasnost' Tsentral'noi Azii* (Almaty: Dyke-Press, 2003); Konstantin Syroezhkin, *Nuzhno li Kazakhstanu boi-at'sia Kitaia: mify i fobii dvustoronnikh otnoshenii* (Astana-Almaty: IMEP under the President of the RK, 2014); Amantur Zhaparov, "The issue of Chinese Migrants in Kyrgyzstan," *China and Eurasia Forum Quarterly* 7, no. 1 (2009): 79–91; Rashid Alimov, "K voprosu o tadjiko-kitaiskom sotrudnichestve v sfere obrazovaniia," in *Kitai v mirovoi i regional'noi politike. Istoriia i sovremennost'* 18, ed. Yelena Safronova (Moscow: IFES RAS, 2013), 254–265; Rashid Alimov, *Tadjikistan i Kitai: opyt i vozmozhnosti so-razvitiia* (Moscow: IFES RAS, 2011); Saodat Olimova, "The Multifaceted Chinese Presence in Tajikistan," *China and Eurasia Forum Quarterly* 7, no. 1 (2009); Marlene Laruelle and Sebastien Peyrouse, *China as a Neighbor: Central Asian Perspectives and Strategies* (Washington, DC: Central Asia-Caucasus Institute and Silk Road Studies Program, 2009); Marlene Laruelle and Sebastien Peyrouse, "Cross-border Minorities as Cultural and Economic Mediators between China and Central Asia," *China and Eurasia Forum Quarterly* 7, no. 1 (2009): 93–119; Elena Sadvovskaya, *Kitaiskaia migratsiia v Tsentral'noi Azii v nachale 21-go veka* (Saarbrücken: Lambert Academic Publishing, 2012).

10 See more in UNDP's 2013 Human Development Report, 17.

Central Asia is emerging not only as a source, but also as a destination and transit route for migration; academic and cultural exchanges; business development and entrepreneurship; and potentially tourism. These four types of mobility are of primary for the region and its relationship to China.

Regional studies are undermined by a crucial gap, namely a lack of Central Asian perspectives and region-centered, cost-benefit analyses of recent developments. The situation is exacerbated by the near-absence of a Sinology academic school in many Central Asian countries: there is a lack of scholars, research programs, and institutions dedicated to the study of China. This is further impeded by a lack of proficiency in China's languages, which impedes the sharing of knowledge and expertise. A variety of applied studies and new conceptual approaches are thus required in order to study and analyze these human developments along the new Silk Road.

Human Capital and Economic and Social Development: Conceptual Approaches

The World Economic Forum's *Human Capital Report* defines human capital as the knowledge and skills embodied in individuals that enable them to create economic value. It considers this an important determinant of a nation's success.¹¹ Human capital is critical not only to the productivity of society, but also to the functioning of its political, social, and civic institutions. Human capital development means building human capabilities—the range of things people can do and be in life—thus increasing possibilities for people to innovate and strive for higher productivity.

This idea is directly connected with the concept of human development that the United Nations uses in its development work. According to the UN's definition, people are both the ends and the means of development, as well as the true wealth of a country. Human development "is about creating an environment in which people can develop their full poten-

tial and lead productive, creative lives in accord with their needs and interests."¹²

Migration as the movement of people (including for labor, entrepreneurship, study, etc.) is one of the most important factors influencing human capital development. Human capital and migration are directly connected to the broader concepts of human development, economic prosperity, and individual and societal empowerment. Based on the experience of different institutions and the various UN agencies, the IOM developed an approach that measures the impact of international migration on human development in such areas as the economy, education, gender, health, governance, and environmental sustainability.¹³

The IOM compiled a list of indicators measuring the impact of migration on human development and vice versa.¹⁴ The indicators are divided into nine different areas: economics and assets; demography; education; gender; health; wider social impacts; governance and rights; environment; and other transfers. Each section contains subcategories, making it possible to conduct a detailed analysis of the positive or negative effect that migration has on any given country's human development.¹⁵

These indicators provide a useful framework for data collection and research on the migration-development nexus in Central Asia and China. For example, the individual, household, community, and national dimensions of migration's impact on the labor market may be assessed and followed by recommendations for policy reform. Various indicators may be used to measure the influence of migration on human capital: employment rates; changes in workforce employment in the agriculture, industry, and service sectors, including the informal economy; the impact of professional skills (acquired) on the effectiveness of labor and innovation; the increase of wages and consumption models; changing behavioral patterns, and so on.¹⁶ Another area to be studied at the individual, household, community and national levels is

11 "Measuring Human Capital," World Economic Forum, 2017, <http://reports.weforum.org/human-capital-report-2016/measuring-human-capital/#view/fn-1>.

12 "Human Development Report," UNDP, 2001. The most basic capabilities for human development are to lead long and healthy lives, to be knowledgeable, to have the resources needed for a decent standard of living, and to be able to participate in the life of the community. See also "Bringing Down Barriers: Regional Cooperation for Human Development and Human Security," Central Asia Human Development Report (2005), 28.

13 *Migration Profiles. Making the Most of the Process* (Geneva: IOM, 2011).

14 Susanne Melde, "Indicators of the impact of migration on human development and vice versa," ACP, Observatory on Migration (2012), <http://publications.iom.int/system/files/pdf/indicators.pdf>.

15 Melde, "Indicators of the impact of migration," 7–26.

16 *Ibid.*, 10–11.

the impact of educational type. Indicators to be used include enrollment in different levels of education; the number of courses and educational institutions; increase in the length of attendance/studies; the proportion of female students; increased quality of education; and knowledge and skills acquired and their role in increasing productivity or business and technological development.¹⁷

These indicators correlate with the 2030 Agenda for Sustainable Development (SDG), adopted by the UN in December 2015. For the first time, migration was included in the global development framework, recognizing the integral role that orderly and well-managed migration plays in sustainable development. The SDG indicators reflect the linkages between migration and development, and they help to plan and implement national migration policies worldwide.¹⁸ These indicators may also be used to measure the impact of different types of mobilities on human development in Central Asia.

The newly published WEF Human Capital Report 2016 also provides a sophisticated set of indicators for measuring human capital across the globe.¹⁹ The 2015 edition of the WEF Report explored the factors that contribute to the development of an educated, productive, and healthy workforce. The 2016 edition deepens this analysis by focusing on a number of key issues that can support better design of education policy and future workforce planning.²⁰

Before choosing any instruments for analysis, we should consider some specifics of the Central Asian case. There are multiple challenges in researching linkages between migration and (human) development in the region.

First, migration should be considered in the context of the new South–South migration, whereby the bulk of trans-border movements takes place between rapidly developing and less developed countries of the global South, with the most intensive migrations occurring between bordering countries.²¹

Second, migrations between these three Central Asian countries and China do not typically involve transfers of population to or from the whole of China. Instead, they center on China’s western Xinjiang region, which has its own specific historical, economic, and -ethnocultural background, as well as Silk Road traditions.

Third, while the Central Asian governments discuss the idea of mutually beneficial “conjunction” (linkages) between the SREB/BRI project and their National Programs for Development—Nurly Zhol in Kazakhstan and the “National Development Strategy for Tajikistan up to 2030”—we can also propose interlinkages between cross-country collaborative research activities that study the human component of the SREB/BRI Initiative.²²

Fourth, at a time when China’s impact in the region is intensifying, its influence on human development in Kazakhstan, Kyrgyzstan, and Tajikistan remains largely unstudied. To study it, researchers should assess the existing research gaps and use the variety of methods and analytical tools available for studying current multidimensional reality, undertaking comparative analysis, and—most important—modeling and forecasting human development in China and the region.

Last, but not least, theorizing the migration–human development nexus is not a purely academic exercise. It should be based on a range of applied interdisciplinary studies by international teams of scholars and practitioners, and take into account the specifics of Chinese history and culture, as well as those of Central Asian countries. Ideally, new findings and discoveries should lead to breakthroughs in new conceptual frameworks, as well as innovative policy recommendations.

When talking about the impact of mobility on human capital development, the impact of ethnic belonging on the variety of cross-border groups that exist in the region and the impact of ethnicity on the

17 Ibid., 14–15.

18 “Migration Population Facts 2015,” United Nations, <http://www.un.org/en/development/desa/population/migration/publications/population-facts/docs/MigrationPopFacts2015.pdf>.

19 “Measuring Human Capital,” World Economic Forum, 2016, <http://reports.weforum.org/human-capital-report-2016/measuring-human-capital/#view/fn-1>.

20 Ibid.

21 “The Rise of the South: Human Progress in a Diverse World,” Human Development Report, UNDP, 2013, hdr.undp.org/sites/default/files/reports/14/hdr2013_en_complete.pdf.

22 “Obzor: realizatsiia v RK gosudarstvennoi programmy “Nurly zhol - put’ v budushchee” (chast’ 2),” *Kazinform*, June 13, 2016, http://www.kazinform.kz/kz/obzor-realizatsiya-v-rk-gosudarstvennoy-programmy-nurly-zhol-put-v-budushee-chast-2_a2917668; ““Tadzhikistan 2030” otkryvaet novuiu stranitsu gosudarstvennogo razvitiia Tadzhikistana i kitaisko-tadzhikskogo prakticheskogo sotrudnichestva,” *China.org.cn*, May 25, 2017, http://russian.china.org.cn/exclusive/txt/2017-05/25/content_40889609.htm.

specifics of interaction and occupation are of special importance. Marlene Laruelle and Sebastien Peyrouse defined as “grassroots mediators” of Chinese–Central Asian relations cross-border ethnicities such as Uyghurs, Dungans, Oralman (Kazakh returnees), Han Chinese migrant traders and entrepreneurs, and young Central Asians looking for opportunities for upward social mobility.²³ The ethnic-specific context of their trans-border movement and engagement in trade, labor migration, academic mobility, and tourism has a profound effect on the specificity of the development of human ties and—ultimately—social capital. These are the people who contribute to the development of people-to-people connections within the BRI/SREB and facilitate cultural and economic exchange between their respective countries.

Social Capital Actors in Action

Petty (Shuttle) Traders

We will start our analysis with the petty traders who pioneered people-to-people interactions along the Silk Road at the end of the 1980s and the beginning of the 1990s.²⁴ Trade has been the most prominent sphere of economic interaction between China and Central Asian countries, dominated by Chinese petty traders, individual entrepreneurs, and local shuttle traders. The majority of these interactions and movements take place between these countries and the bordering province of Xinjiang.

This geographic dimension is grounded in historic and cultural forces responsible for the unique multiethnic profile of the area.²⁵ The diversity of historically established ethnic composition is evident in the population structure of Xinjiang and the bordering countries—one can find ethnic Chinese (Han), Uyghurs, Kazakhs, Dungans, Kyrgyz, Tajiks,

Tatars, Uzbeks, Koreans, Russians, and other ethnicities all living closely together. The similar ethnic composition of the population on both sides of the Central Asia–Xinjiang border is a key factor facilitating cross-border multiethnic migrations and shuttle trade. This results in migration patterns where communities in destination countries interact with “their” migrants through family and kin networks, further promoting cross-border trade and small businesses.

Uyghur traders and entrepreneurs from Xinjiang initially leaned primarily on the local (Kazakh and Kyrgyz) Uyghur communities that provided migrant reception areas through organizations promoting trade and small business development. In Kazakhstan, Uyghurs mostly reside in the border Almaty region and the city of Almaty, while in Kyrgyzstan they are most often found in Bishkek and Chui oblast.

The Tajik diaspora in Xinjiang has historically had fewer contacts with Tajikistan than its Kazakh and Kyrgyz counterparts did with their home republics, because the border passes through the mountainous Pamir region, where roads are closed for most of the year. Petty traders could reach Xinjiang or Tajikistan only in late spring, summer, and early fall. Despite these harsh conditions, Tajikistani petty traders took these opportunities to visit Kazhgar province in XUAR, since it is much cheaper to deliver goods by road than by rail or airplane—US\$90, \$130, and \$260 per cubic meter, respectively.²⁶ The trade volume between Tajikistan and China has risen immensely since the 2000s, when a mountain road was built through the Kulma–Karasy checkpoint at the Tajik–Chinese border (financed by Chinese investment and built by a Chinese workforce). According to official statistics, trade between the two countries at this checkpoint equaled US\$1.7 million in 2004, increasing to \$733 million in 2010, or 431 times in six years. During the same period, the number of pas-

23 Laruelle and Peyrouse, *China as a Neighbor*, 17.

24 Petty trade and labor migration emerged after the break up of the Soviet Union in response to the sharp economic crisis and large-scale unemployment of the 1990s. A type of economic mobilization and self-employment, it was historically a largely informal practice.

25 This history includes the relationship between the Qing dynasty and the Russian empire and between China and the USSR. Massive migrations of nomadic Kazakhs on the territory of the modern Kazakhstan and Xinjiang took place during the 18th and 19th centuries. After the delineation of the boundary between the Russian empire and the Chinese territories in the 1880s, Kazakh tribes found themselves on both sides of the border, which formed the basis of the contemporary Kazakh diaspora in China. Migrations in Kazakhstan and Kyrgyzstan were greatly affected by all key events of the 20th century, from the First World War to the forced sedentarization of Kazakhs and Kyrgyz (who were also nomads) in rural areas under Stalin in the 1930s. These dramatic decades saw forced emigration and refugee flow from Kazakhstan, including to China. After the Second World War, “return migration” from China to the Soviet republics was launched. The next migration wave from China to the USSR (in the 1960s) was both spontaneous and forced, in response to the Chinese Great Leap Forward economic policy. Thus, the wave-like migration movements over the last two centuries and government-organized migration in the border regions of Kazakhstan, Kyrgyzstan and China (predominantly in the latter’s western region, Xinjiang) produced a unique multiethnic profile in the area.

26 Saifullo Safarov, “Tadzhikistan i Kitai: dinamika vzaimovygodnogo sotrudnichestva,” in *Kitai i strany Centralnoi Azii v sovremennykh geopoliticheskikh realitakh*, ed. Leila Muzaparova (Almaty: Center for Chinese Studies under IWERP, 2008), 45–50.

sengers crossing the border here increased from 483 to 9,431, and the number of cars from 72 to 6,684.²⁷ According to Chinese customs, between 2005 and 2014, 120,000 people crossed the border at the Kulma–Karasy checkpoint from both directions.²⁸

Petty trade helped hundreds of thousands of Central Asian households—that is, millions of people—to survive the 1990s. The social and economic significance of trade is in its contribution to achieving a minimum standard of living; financing education and medical treatment; increasing connectivity; and networking, all of which are parts of human capital development that is hard to underestimate. Even small entrepreneurs generate new jobs by employing salespeople, administrators, and drivers; this increases employment, decreases poverty, and contributes to social and political stability across the region.

The influence of petty traders on human capital development is not straightforward. In some respects, their influence is negative, hindering the development of new enterprises and hindering the professional development of petty traders themselves. For a variety of reasons, very few of these individual enterprises rise to become successful companies.

Labor and Business Migration from China

The beginning of the 2000s saw the emergence of labor and business migration, which intensified as economic cooperation between China and Central Asia strengthened. Kazakhstan has been and is still a leader in attracting a labor force that now ranges from CEOs and professionals to skilled workers and entrepreneurs. While the economic benefits of recruiting foreign professionals and developing foreign business are clear, their contribution to human development in destination countries is often overlooked.

In particular, the emergence of big Chinese companies and increased presence of Chinese labor have had multiple social effects in Kazakhstan. Big Chinese companies such as CNPC–Aktobemunaigaz and PetroKazakhstan create new jobs, retrain local labor, and invest in educational, health, and other social programs. Today, CNPC–Aktobemunaigaz

employs 6,400 people, only 2 percent of whom are foreign nationals (primarily Chinese) hired on the basis of work permits. All the foreigners employed by the company are highly qualified specialists and managers.²⁹

Many Chinese companies and joint ventures are prominent sponsors of social and charitable projects in Kazakhstan. Within the framework of their Corporate Social Responsibility (CSR) projects, the companies provide safe working conditions, living wages, health and social insurance for employees, and capacity building through training, retraining, and career development. In 2000, for example, CNPC–Aktobemunaigaz set up a US\$1 million Special Education Fund that sponsors students sent by CNPC to study at universities in China, Russia, and Kazakhstan. In 2008, it supported 112 students, of whom 77 studied at the Chinese Petroleum University in Beijing and 35 at Kazakh universities. Over the course of many years, other companies have likewise invested in scholarships for young people at local, Chinese, and foreign universities.³⁰

CNPC–Aktobemunaigaz finances numerous community-based and socially-oriented projects—including the installation of telephone services, water lines, and power supply in various districts in the Aktubinsk region—and helps to promote local culture and sports. The company's key objectives, which constitute its contribution to human development in the region, are improving quality of life and raising social standards.³¹

While big Chinese companies are clearly contributing to the Kazakh economy and social sector, the impact of small and medium enterprises (SME) on domestic industrial sectors is controversial. On the one hand, these firms supply the market with goods and services; on the other, due to a variety of external and internal factors, domestic enterprises lose out to Chinese businesses. The most prominent negative impact of trade with China is the decline of Kazakhstan's footwear and textile sectors.³² The increased presence of Chinese goods also affects the local labor market, since people employed in the trade sector become fully dependent

27 Safarov, "Tadzhikistan i Kitai."

28 Rashid Alimov, "O roli Kitai v vykhode Tadzhikistana iz transportnogo tupika," in *Kitai v mirovoi i regional'noi politike. Istoriia i sovremennost'* 20, ed. Yelena Safronova (Moscow: IFES RAS, 2015), 292–303.

29 "Employment," CNPC–Aktobemunaigaz, 2017, <http://www.cnpc-amg.kz/?p=trudres>.

30 CNPC, 2017, http://www.cnpc.com.cn/ru/rcpx/rlzy_common.shtml.

31 "Social Corporate Responsibility and Public Dialogue: A Key Aspect of the Big Business Strategy," CNPC–Aktobemunaigaz, 2017, http://www.cnpc-amg.kz/?p=vnesh_blag.

32 Sadvovskaya, *Kitaiskaiia migratsiia v Respublike Kazakhstan: traditsii Shelkovogo puti*, 205–213.

Table 11.2. Chinese Labor Force in Kazakhstan, Kyrgyzstan, and Tajikistan, 2010–2016 (number of people)

Country	2010	2011	2012	2013	2014	2015	2016
Kazakhstan	6,858	6,379	4,290	4,290	11,860	13,733	12,700
Kyrgyzstan	6,991	6,498	8,455	7,280	8,721	9,522	9,318
Tajikistan	1,427	2,408	1,736	3,727	5,086	5,000	6,500

Sources: Official data from the governmental bodies of Kazakhstan (Ministry of Labor and Social Protection of the Population); Kyrgyzstan (State Migration Service under the Government of Kyrgyz Republic); Tajikistan (Migration Service of the Tajik Ministry of Labor, Migration and Employment) and expert interviews with the governmental officials, 2009–2017

on Chinese imports. Hundreds of thousands risk losing their jobs should trade be interrupted. National government policy is crucial to protecting and supporting Kazakhstani SMEs in this challenging situation.

In Tajikistan, there is likewise an increasing number of Chinese labor migrants. According to the Migration Service of the Tajik Ministry of Labor, Migration, and Employment, the number of migrants increased by 30 percent in 2016 compared to the year before (see Table 11.2). Official data shows that close to 6,500 migrants are employed in Tajikistan; but according to unofficial data, these numbers could be as high as 150,000 people.³³

Investment and trade cooperation between China and Tajikistan have been on the rise since 2004, and Chinese companies are implementing various projects in Tajikistan. The China Road and Bridge Corporation reconstructed, among others, the Dushanbe–Kul’ma motorway, which connects the capital to the Kul’ma check point at the Tajik–Chinese border. Sinohydro rebuilt the motorway from Dushanbe toward the Kyrgyz border and financed studies of proposed hydropower stations in Tajikistan.

Communication companies, such as Huawei Technologies and ZTE, have been actively involved in the modernization of the Tajik communication sector. As in other neighboring Central Asian countries, Chinese companies hire local staff (in late 2017, 52 out of 67 ZTE employees were local). They also implement various social and educational programs—for instance, Huawei equipped four

secondary schools with computers.³⁴ Other sectors and enterprises include mineral extraction and processing (lead, zinc, and gold); transport; trade; and services, ultimately contributing to Tajikistan’s strategic goals on transportation development and energy security.³⁵

In Kyrgyzstan, the Chinese workforce is employed at various large-scale infrastructural projects, such as the Kyrgyz–Chinese gas pipeline in Osh oblast; the Orbital road in Issyk-Kul oblast; the construction of the alternative North–South road and bypass roads in Batken oblast; the rebuilding of the thermal power station in Bishkek; and the construction and launch of oil refineries and a gold mining plant in Chui oblast.³⁶

By recruiting Chinese professionals and skilled workers, Tajikistan, Kyrgyzstan, and Kazakhstan are able to meet their economies’ acute need for qualified laborers. These gaps in the workforce emerged as result of “brain drain” in the 1990s and the destruction of the vocational education system. The Chinese workforce in Kazakhstan is also involved in constructing and operating a range of oil and gas pipelines, extraction and processing enterprises, and related infrastructure across the country. Chinese specialists and workers have contributed to the construction of industrial facilities including the Beyneu–Bozoy–Shymkent gas pipeline; the Atyrau and Shymkent oil refineries; the Zhanazhol gas processing plant in Aktubinsk region; the Pavlodar electrolysis plant; the Aktau plastics plant; and the Moynak hydropower station in Almaty region, among others.³⁷ Fifty-one

33 Arkadiy Baraev, “Chinese expansion in Tajikistan,” *TurkishNews*, July 22, 2016, [https://www.turkishnews.com/ru/content/2016/07/22/китайская-экспансия-таджикистана](https://www.turkishnews.com/ru/content/2016/07/22/китайская-экспансия-таджикистана;); “Naskol’ko gluboko kitaitsy pronikli v Tadjikistan?,” *Openasia.com*, July 4, 2016, <http://www.centrasia.ru/newsA.php?st=1467620340>.

34 Rashid Alimov, “Tadzhikistan i Kitai,” 100–109; “‘Tadzhikistan-2030’ otkryvaet,” China.org.cn.

35 “‘Tadzhikistan-2030’ otkryvaet,” China.org.cn.

36 “Otchet ob itogakh deiatel’nosti Gosudarstvennoi sluzhby migratsii pri Pravitel’stve Kyrgyzskoi Respubliki za 2016,” <http://ssm.gov.kg/reports/view/5>.

37 More on Chinese labor migration to Kazakhstan can be found in: Sadovskaya, *Kitaiskaia migratsiia v Respublike Kazakhstan: traditsii Shelkovogo puti*, 154–179; Sadovskaya, *China’s Rise in Kazakhstan*, 43–51, 59–67.

Chinese–Kazakhstani projects worth US\$26 billion were implemented in Kazakhstan in 2017, including several in agriculture, the most sensitive area of bilateral cooperation.³⁸

The diversity of the groups involved in trade and economic interaction between China and the three Central Asian countries is currently forging a new level of cooperation, as illustrated by the following case studies: Kazakhstani Dungans (Box 11.1) and Kazakh repatriates from China (Box 11.2).

Box 11.1. Case Study 1: Kazakhstani Dungans³⁹

Dungans—an ethnic group originally from China that now lives in southern Kazakhstan—are active participants in linking China to Kazakhstan (and Central Asia as a whole) along the modern Silk Road. They are descendants of the Hui people from the Chinese province of Shaanxi who fled from repressions in China in the 1880s. As of January 1, 2010, the number of Kazakhstani citizens of Dungan ethnicity was 51,600 people, or 0.3 percent of population. The majority of Kazakhstani Dungans live in rural areas (80 percent), mainly in the villages of Masanchi and Shortube in Zhambyl region and the Almaty region. Dungans are Chinese Muslims who speak Russian freely; around half of them speak the Shaanxi dialect of Mandarin.

The Dungan diaspora is successfully exploiting new opportunities to develop economic and cultural cooperation with China. This interaction is growing in the economic, business, cultural, and educational sectors, as well as in regional-level tourism. It is spurred by actors at various levels: officials, businessmen, civil servants, and representatives of Dungan civil society organizations. Interaction is accompanied by the

development of legal frameworks and active institutionalization of cooperation: memoranda and contracts are being signed, committees and working groups established, and cooperation "roadmaps" designed. Cooperation plans include Chinese investment in the agricultural sector, the transfer of innovative technologies, and training for specialists and workers. Educational and cultural cooperation with China helps bring in the professionals who are needed to support the development of Dungan villages.

Academic Mobility

Even though Russia, the United States, and the European Union⁴⁰ are the leading destinations for international students from Central Asia, Chinese education is gaining in popularity⁴¹ thanks to increased cooperation in the educational sector. This includes scholarships, the facilitation of academic exchanges, and the establishment of Confucius Institutes to promote Chinese language and culture abroad.⁴²

According to China's Ministry of Education, the numbers of foreign students in the country are constantly rising. Whereas in 2006–2007, only 1,200 students from Kazakhstan studied in China, by 2014–2015, this number had increased to 11,200 students⁴³ (see Table 11.3). A similar trend is evident with students from Tajikistan: whereas between 1993 and 2005, only 265 young people from the country studied at Chinese universities, between 2006 and 2011, 3,677 students at Chinese universities came from Tajikistan, a 300-fold increase between 1993 and 2011.⁴⁴

38 "Kitai i Kazakhstan: grandioznye rezul'taty, prekrasnye perspektivy," Chinese Consulate in Kazakhstan, January 24, 2017, <http://kz.china-embassy.org/rus/dszc/emba/t1433443.htm>.

39 Statistical Agency of the RK, 2011; Association of the Dungans of Kazakhstan of the Kazakhstan Peoples' Assembly, 2016; Kul'tura, <http://www.dungane.kz/kuljtura/>; *Khueyzu Bo*, <https://ru-ru.facebook.com/khueyzubol/>; Sadyk Akizhanov, "V khode vizita akima Zhambylskoi oblasti v g. Sian' podpisany soglasheniia na 400 mln dollarov," *Kazinform*, January 15, 2015, http://www.zhambyl.gov.kz/index.php?news_id=584; "Dungane," VKontakte, vk.com/dungane; Aidyn Olzhaev, "Kitaity postroiut krupnuiu vetrovuiu elektrostantsiiu v Zhambylskoi oblasti," *ZhambylNews*, January 17, 2015, <http://365info.kz/2015/01/kitajcy-postroyat-krupnuyu-vetryanuyu-elektrostanciyu-v-zhambylskoj-oblasti/>.

40 In 2016, in answer to the question, "If you could study abroad, which country would you choose?" 14.6 percent of Kazakhstani students would choose China, compared with 29.6 percent choosing Russia, 23.7 percent the USA, and 16.3 percent EU countries.³⁵ In Kyrgyzstan, 6.8 percent of young people would choose China, compared with 31 percent who want to go to the USA and 26 percent to Russia. See "Youth in Central Asia: Kyrgyzstan," Friedrich Ebert Foundation Kazakhstan (Almaty, 2016), 148.

41 Yelena Sadovskaya, "Obrazovatel'naia migratsiia iz Kazakhstana v Kitai: vpechatliaushchaia dinamika na fone drugikh vidov migratsii," *Kazakhstan-Spectr* 1 (2014).

42 "Confucius classes will be opened in some educational institutions of the city of Osh," Ministry of Education and Science of the Kyrgyz Republic, March 7, 2017, <http://edu.gov.kg/ru/news/v-ryade-uchebnyh-zavedenij-goroda-osh-otkroyutsya-klassy-konfuciya/>. In Tajikistan, the Confucius Institute at the Tajik National University is now open. There are 4 Confucius institutes in Kazakhstan (Aktobe, Karaganda, Astana, and Almaty).

43 Yelena Sadovskaya, "Kazakhstansko-kitaiskie otnosheniia: torgovo-ekonomicheskoe i politicheskoe sotrudnichestvo v prioritete, kul'turnoe i gumanitarnoe - v potentsiale," in *Economic Corridor of the Modern Silk Road and Kazakhstan: Status and Prospects* (Almaty: Research Institute for International and Regional Cooperation, 2015), 101–116.

44 Rashid Alimov, "Strategicheskoe partnerstvo Tadzhikestana (RT) i Kitaia (KNR): mezhdunarodno-politicheskie, ekonomicheskie i gumanitarnye izmereniia" (Ph.D. diss., Diplomatic Academy of the Ministry of Foreign Affairs of the Russian Federation, Moscow, 2014), 274–276.

Table 11.3. Kazakhstan's Students in China
in 2009–2015

Rank	Year	Number of Students	Percent of Total	Total Student Number in China
8	2015	13,198	3.3	397,635
9	2014	11,764	3.1	377,054
9	2013	11,165	3.1	356,499
9	2012	9,522	2.9	328,330
10	2011	8,287	2.8	292,611
9	2010	7,874	3.0	265,090
9	2009	6,497	2.7	238,184

Source: Institute of International Education, *Project Atlas*, <http://www.iie.org/Services/Project-Atlas/China/International-Students-In-China#.WMhBChlRKRt>

The number of Tajik students who study the Chinese language is also increasing. Between 1994 and 2004, only 199 Tajik students studied Chinese in China. Between 2005 and 2010, 1,631 did. In 2016, 4,500 Tajik high school and university students studied Chinese language, with 2,500 university students undertaking degree programs.⁴⁵ Needless to say, this Chinese language training and professional education are both extremely valuable to young Tajiks, since they open the way for employment opportunities with Chinese companies and joint enterprises.

There is also a modest flow of Chinese students to Central Asian universities, consisting mainly of people interested in studying Russian and local languages. For example, Xinjiang Pedagogic University sent its students to Tajikistan to study Russian and Tajik for six months.⁴⁶ Some 1,300 Chinese students are studying in Kazakhstan, and there are plans to increase these numbers further. These plans are connected to the line-up of events that the two countries held in 2017: the International Expo in Astana (where China expected to be represented by more than 350,000 tourists) and the Tourism Year of China in Kazakhstan. There was high demand for tour guides and customer service representatives for both events.⁴⁷

This collaboration affects the educational sectors of all the countries involved, encouraging the

emergence of highly qualified multilingual professionals. It contributes to increasing the professional level of the labor force in both China and Central Asia, spurs increased productivity, and stimulates business activity and engagement in entrepreneurship. China's rise to a new level of technological and innovation development may directly and indirectly contribute to the development of other economic sectors locally, regionally and nationally, specifically in China's western regions; these regions and Central Asia are emerging as a single, or at least interconnected, transport, logistics, and communications system. This process is undoubtedly conducive to the development of human capital in general, which is one of the goals of China in Central Asia within the BRI/SREB.

Box 11.2. Case Study 2: Kazakh Oralman⁴⁸

Returning diaspora members help bring the region closer together and facilitate trade and entrepreneurship. Oralman are ethnic Kazakh repatriates who resettled from China as part of Kazakhstan's state migration strategy. According to the Ministry of Health and Social Development of the Republic of Kazakhstan (MHSD), 268,000 families, or 972,700 ethnic Kazakhs (5.5 percent of the country's population), moved to Kazakhstan and received Oralman status between 1991 and July 1, 2016. Of these, 11.6 percent (112,800 people) came from China.

There is increasing cross-border interaction between Kazakh repatriates who are now Kazakhstani citizens and their relatives in Xinjiang. This cooperation is developing mainly at the kinship level. Moreover, to date, ethnic Kazakhs repatriates substitute for Uyghurs, and—in many cases—Han Chinese entrepreneurs in Kazakhstan, serving as representatives of Chinese companies and joint ventures of all kinds. They become intermediaries between local and Chinese traders, business owners, interpreters, co-organizers of trade events, and more.

The resettlement of Oralman and their integration into Kazakhstani society is by no means trouble-free. The prevailing negative discourse in Kazakh society relates to the perceived “parasitism,” “entitlement,” and “backwardness” of the newcomers. Some Oralman face difficulties adapting to urban and rural living (many used to be stock-breeders in China), and learning the Cyrillic version of Kazakh, as well

45 “Bezvozmednoe pol'zovanie’: Kitai aktivno osvivaet tadjhikskii Pamiir,” *FerganaNews*, December 22, 2016, <http://www.fergananews.com/articles/9204>.

46 Alimov, “Strategicheskoe partnerstvo Tadjhikistana (RT) i Kitaia (KNR).”

47 “Kitai planiruet uvelichit kolichestvo svoikh studentov v Kazahstane,” *Kazinform*, January 6, 2017, http://total.kz/society/2017/01/06/kitay_planiruet_uvelichit_kolichestvo_svoih_studentov_v_kazahstane.

48 “Informatsiia po etnicheskoi migratsii,” MHSD of the RK, 2016, <http://www.enbek.gov.kz/ru/node/338787>.

as the Russian widely used in Kazakhstan. Necessity forces them to engage in trade and re-connect with relatives in Xinjiang. These newest developments and perspectives require a deeper look at their impact on human development at the local and regional level in the context of the SREB/BRI implementation in Central Asia.

Tourism

The tourism industry has an indisputable impact on human capital development. It contributes to the development of the service sector, fosters a multilingual and globally minded workforce, and promotes connections with other countries. It facilitates development of infrastructure, travel networks, and internet technologies, all of which allow a highly skilled workforce to be competitive on a global scale. In this section, we explore this phenomenon from the regional perspective, looking at the current status of—and attitudes toward—outbound tourism in China, Kazakhstan, Kyrgyzstan, and Tajikistan. We then analyze current visa regimes, which can facilitate or impede tourism along the Silk Road, and undertake

a brief case study of how Kazakhstan “promotes” Chinese tourism (Box 11.3).

Tourism is emerging as one of the largest and fastest growing sectors of the global economy.⁴⁹ China is the top tourist destination in Asia and number four worldwide, according to tourist arrivals (57 million in 2015). China also earns the second-highest revenue from tourism globally (behind the United States), at US\$114 billion,⁵⁰ and its citizens spend the most money on international travel.⁵¹ Not surprisingly, the majority of the countries along the new Silk Road benefit from China’s outbound tourism growth (see Table 11.4).

Outbound tourism from Central Asia to China is also increasing. Many Central Asian tourists go to the neighboring Xinjiang region—in 2007, tourists from Kazakhstan and Kyrgyzstan comprised 17 percent of all tourists in this region (70,900 people).⁵² Even though there were mainly “shopping tourists” at that time, today more and more Central Asians visit Xinjiang for traditional tourism: sightseeing, cultural festivities, exhibitions, recreation, and medical treatment (see Table 11.5).

Table 11.4. Tourism to and from Central Asia and China in 2010–2015

	International Tourist Arrivals (1,000)					International Tourism Receipts (US\$ million)			
	2010	2013	2014	2015	Change from period to period	2010	2013	2014	2015
Kazakhstan	2,991	4,926	4,560	N/A	11.0 -7.4	1,005	1,522	1,467	1,625
Kyrgyzstan	855	3,076	2,849	N/A	27.8 -7.4	160	530	423	426
Tajikistan	160	208	213	414	-14.8 2.5 94.0	4	3	1	1
China (mainland)	55,665	55,686	55,622	55,886	-3.5 -0.1 2.3	45,814	51,664	105,380	114,109

Source: WTO Tourism Highlights, 2016, 8–9

49 Over the past six decades, tourism has experienced continued expansion and diversification to become one of the largest and fastest-growing economic sectors in the world. According to the UN World Tourism Organization (UNWTO), the tourism industry employs 1 in 11 of the world’s workers and accounts for a similar percentage of the world’s GDP. It grows more quickly than the economy as a whole, spurred by the various circumstances that encourage people’s movement across borders (*Asia Tourism Trends*, 2nd edition, World Tourism Organization and Global Tourism Economy Research Centre, 2016).

50 *Asia Tourism Trends*, 2nd edition, World Tourism Organization and Global Tourism Economy Research Centre, 2016, 5–9, <http://www.e-unwto.org/doi/pdf/10.18111/9789284416301>.

51 In 2013, mainland Chinese took more than 98 million international trips, resulting in a total spending abroad of some US\$128 billion. Spending by Chinese travelers increased by 26 percent in 2015 to reach US\$292 billion, as the total number of outbound travelers rose by 10 percent to 128 million (*Asia Tourism Trends*, 13).

52 Yelena Sadovskaia, “Kitaiskaia migratsiia v stranakh Tsentral’noi Asii: Kazakhstan, Kyrgyzstan, i dalee - vezde?,” *Kitai v mirovoi i regional’noi politike. Istorii i sovremennost’* 14 (2009): 141, <http://cyberleninka.ru/article/n/kitayskaya-migratsiya-v-stranah-tsentralnoy-azii-kazakhstan-kyrgyzstan-i-dalee-vezde>.

Table 11.5. China-Kazakhstan Tourism between 2000 and 2013

	2000	2005	2010	2011	2012	2013	Change (percent)	Average annual growth 00–13	Average annual growth 05–13	Average annual growth 10–13
Inbound China–Kazakhstan	42.7	85.7	108.6	128.3	154.2	205.1	20.2	12.8	11.5	23.6
Outbound Kazakh- stan–China	671	186.6	380.3	506.2	491.4	393.5	33.1	14.6	9.8	1.1

Source: WTO Tourism Highlights, 2016, 77–78

All three Central Asian countries under study have high tourism potential. In Kyrgyzstan, tourism contributed 4.2 percent of GDP in 2011, according to the Ministry of Tourism and Culture—an eight-fold increase since 2003.⁵³ That year, the tourism industry employed 118,000 people, or 5.2 percent of the labor force. Furthermore, one job in the tourism sector supports four jobs in other sectors. According to official statistics, 414,000 tourists visited Tajikistan in 2015, bringing US\$207 million of income, and virtually doubling international arrivals compared to the previous year (+94 percent).⁵⁴

According to the World Economic Forum (WEF)'s Travel and Tourism (T&T) competitiveness index for 2015, Kazakhstan ranked 85th (3.48 out of 5.31), Kyrgyzstan ranked 116th (3.08), and Tajikistan ranked 119th (3.03) globally, with China taking the 17th position (4.54).⁵⁵ Of the 14 pillars of T&T competitiveness identified by the WEF, all three Central Asian countries score high on health and hygiene; price competitiveness; safety and security; and human resources and labor market. Their lowest scores come in cultural resources; business travel; international openness; natural resources; and air transport infrastructure. Kyrgyzstan and Tajikistan also score low on tourist service infrastructure, ground infrastructure, and ICT readiness.⁵⁶ Furthermore, tourists' reservations about the region include bad road conditions, the low level of services and the general

lack of comforts. Communication problems, the inability to use credit cards or other cash-free methods of payment, and environmental pollution of natural tourism sites present further challenges.⁵⁷

Many international tourists prefer to visit several countries in the region on the same trip (e.g., Uzbekistan, Kazakhstan, and Tajikistan). In part, this is because tourists are interested in the region's rich cultures and unique historical legacy, and therefore think it better to see Central Asia in its entirety.⁵⁸ Favorable visa regimes and inter-state travel agreements, as well as improved services, are therefore central in attracting tourists to Central Asia. In general, larger investment, skilled customer service, better-planned infrastructure development, and increased attention to the quality of services are necessary to increase the industry's potential.

Travel facilitation is central to stimulating tourism growth. The most common facilitation measures include introducing "visas on arrival" and e-visas. In 2013, an average of 73 percent of the world's population required a visa prior to traveling to the Silk Road countries; only 12 percent did not require a visa, with a further 15 percent able to apply for a "visa on arrival" or e-visa. In comparison to the world average, the Silk Road countries are more inclined to favor traditional paper visas and tend to offer fewer visa exemptions and fewer visas on arrival.

53 "Study of the tourism sector of the Kyrgyz Republic, Report," SIAR Research and Consulting, December 2012, 20–21, <http://siar-consult.com/wp-content/uploads/Issledovanie-turisticheskoi-otrasli-24.12.12.pdf>.

54 "V 2016 kolichestvo turistov v Tadjikistane uvelichilos," *Rossia dlia vsekh*, April 14, 2016, <http://tjk.rus4all.ru/news/20160414/726588239.html>; Francois Laurant, Surat Toimastov, and Tahmina Karimova, "Tajikistan Opportunity Study, 2014," 87, <https://itctj.files.wordpress.com/2011/01/itc-report-on-tourism-final-draft-apr-2014-eng.pdf>.

55 "The Travel & Tourism Competitiveness Index Ranking (2015)," World Economic Forum, <https://reports.weforum.org/travel-and-tourism-competitiveness-report-2015/index-results-the-travel-tourism-competitiveness-index-ranking-2015/>.

56 See the WEF methodology and Reports on Kazakhstan, Kyrgyzstan, and Tajikistan at: <https://reports.weforum.org/travel-and-tourism-competitiveness-report-2015/>.

57 "Study of the tourism sector," SIAR Research and Consulting, 29.

58 *Ibid.*, 25.

However, as they work to facilitate tourism, the three governments under study have not neglected the importance of relaxing visa regimes for prospective tourists. In 2012, the government of Kyrgyzstan introduced a visa-free regime for citizens of 44 developed economies. Since Tajikistan introduced e-visas in 2016, citizens of 78 countries have been able to obtain them.⁵⁹ Under this simplified procedure, citizens of China can obtain online visas for a stay of up to 30 days. Kyrgyzstan and Kazakhstan also have plans to introduce e-visas. There have been announcements that Kazakhstan will not require visas for citizens of at least 45 countries (see Table 11.6).

Despite multi-billion dollar investment by China and its professed interest in enhancing peo-

ple-to-people bonds and cross-border connectivity, only Tajikistan has simplified the visa regime for Chinese visitors. Both Kazakhstan and Kyrgyzstan require visas for visitors from China who hold regular national passports; different rules apply to diplomatic and official/service passport-holders (see Box 11.3). One reason for this may be that governments like to introduce visa regimes bilaterally on the basis of reciprocity, and China requires visas for regular national passport-holders from these Central Asian states. However, all three countries have introduced non-reciprocal, visa-free regimes for visitors from developed countries in Europe and North America.

Table 11.6. Visa Regimes in China, Kazakhstan, Kyrgyzstan and Tajikistan in 2017

Country	Visa regime		
	Visa free	Simplified (on arrival, e-visa)	Visa
China	Kyrgyzstan - for holders of diplomatic and other official /service passports (based on bi-lateral agreement); Tajikistan (for diplomatic and official /service passports)		Kyrgyzstan, Kazakhstan, Tajikistan, regular national passport holders
Kazakhstan	Kyrgyzstan up to 90 days), Tajikistan (up to 30 days). Citizens of Hong Kong SAR can enter Kazakhstan without a visa for up to 14 days. PRC's diplomatic and official passport holders (up to 30 days) Total of 19 Western countries of the moment, Plans to expand to 45		China, regular national passport holders
Kyrgyzstan	Tajikistan, Kazakhstan. Up to 30 days for holders of diplomatic and official (служебные) passports of the People's Republic of China (also for holders of general civil passports for official use). Total of 45 countries.		China, regular national passport holders
Tajikistan	Diplomatic and service passport up to 90 days	78 countries, including China	

Note: Despite the news that starting from January 1, 2017, citizens of 83 countries can visit Kazakhstan visa-free, in reality citizens of only 19 countries could do it as of March 2017,

<https://airastana.com/ind/Information/Travel-to-Kazakhstan/Visa-and-Passport-Information>. Tajikistan: E-visa portal <https://www.evisa.tj/index.evisa.html>; <http://ru.sputnik-tj.com/country/20170125/1021570927/tadzhikistan-viza.html>.

Sources: Ministry of Foreign Affairs of the Kyrgyz Republic, <http://www.mfa.gov.kg/contents/view/id/216>; Embassy of the Kyrgyz Republic in the Russian Federation, http://kyrgyzembassy.ru/?page_id=10246#.WNQCirKrRv; Permanent mission of the Republic of Kyrgyzstan with the UN, <http://www.kgembassy.org/en/consular-issues/applying-for-a-visa/general-visa-information/>; Official site of the Ministry of Foreign Affairs of Kazakhstan, <http://mfa.gov.kz/index.php/ru/vizovyyj-rezhim-rk-s-drugimi-gosudarstvami>

59 "Tourism," Ministry of Foreign Affairs of the Republic of Tajikistan, <http://mfa.tj/ru/turizm/turizm.html?l=ru&cat=42&art=110>.

Box 11.3. Case Study 3. China's Tourism Year in Kazakhstan in 2017 and Visa Challenges⁶⁰

In April 2013, shortly after Astana was approved as the venue for the international exhibition EXPO-2017, Kazakhstani President Nursultan Nazarbayev declared 2017 the Year of China's Tourism in Kazakhstan during an official visit to China. At a briefing for Kazakh journalists, the president focused on the importance of tourism to the success of the EXPO, and expressed the hope that 5 million people would attend the exhibition in 2017. According to the president, China's pavilion would attract a huge number of visitors, of whom a significant share would be Chinese. In January 2014, PRC Ambassador to Kazakhstan Le Yuchen said, "By the year 2017 nearly half a million of Chinese citizens will visit Kazakhstan annually ... there will be the Year of China's tourism in Kazakhstan and Astana will be hosting the EXPO ... and using this chance, more Chinese tourists will come to Kazakhstan."

Since 2013, numerous meetings and consultations have been held, conferences and roundtables organized, and Memorandums of Understanding and bilateral agreements signed between China and Kazakhstan. These include the memorandum on a simplified visa regime for group tourism from China, signed in December 2015. Various plans were discussed and negotiated to develop a government tourism facilitation program which will include the development of bilateral tourism programs; the facilitation of online tourism service; an increase in the number and improvement in the quality of Chinese-language tour operators; accessible information about attractions and events; stimulation of air traffic, and more.

On June 3, 2017, on the eve of EXPO-2017, the Ministry of Foreign Affairs of Kazakhstan posted information about the updated visa regime. According to the MFA, visitors from China holding diplomatic and official/service passports could enter Kazakhstan visa-free for up to 30 days, while regular national passport-holders would require visas to visit the country. The agreement limits Chinese tourism to Kazakhstan to short-term group tours. Chinese visitors transiting through Kazakhstan can also remain in the country for up to 72 hours without a visa. This regime was piloted for Chinese citizens traveling on Kazakhstani airlines via Astana and Almaty during EXPO-2017 (June 9 to September 12, 2017). Even Chinese entrepreneurs participating in EXPO-2017 experienced some problems with obtaining visas to Kazakhstan.

This restricted visa policy resulted in a rather modest increase in a number of Chinese tourists: a 170 percent increase in 2015 compared to 2013 (4,077 and 2,372 people registered as tourists at Kazakhstan's Ministry of Internal Affairs, respectively), and 620 percent in 2015 compared to 2000 (4,077 and 659 people, respectively). Tourists made up 3.9 percent of the total 103,438 people from China registered in 2015. Chang Hong, the General Director of Travel Trade China notes that, "Kazakhstan is a country of great opportunities, however ... visa is a big problem for us [Chinese], otherwise it is a brilliant place and a very good destination."

According to Kazakhstan's Tourist Association, around 700 tourists from China arrived in Kazakhstan in the first three months of 2017. Gaukhar Zhenisbek, the head of the Association, considers this figure "very big" and a result of the "simplified visa regime" in Kazakhstan. She notes that China, with its more than one billion population, "can send 700 tourists to Kazakhstan weekly," however she doubts the country would be able to provide high-quality services for such a large number of tourists. Zhenisbek proposes creating one popular route that would provide the opportunity to visit several Central Asian countries at a time, as well as being convenient for tourists, tourist agencies, and the host countries.

Kurt Grötsch, the president of the Silk Road Grant Award Foundation and an affiliated member of the UN World Tourism Organization is enthusiastic about tourism opportunities along the Silk Road but critical of what tourists, including Chinese, actually get in Kazakhstan: "Silk Road ... is a brand, but there is no content." He implied that Chinese tourists would feel bored in Kazakhstan. These tourists come from big cities, and are looking for pure nature, active recreation, adventure, and risks, but instead they find themselves facing group city sightseeing and endless museum visits. "Kazakhstan needs more creativity," according to Grötsch.

This case demonstrates how far ahead tourism development and people-to-people connections are between China and Kazakhstan compared to other Central Asian republics. A deeper look at the causes of these policies reveals historical roots of Sinophobic attitudes and modern ignorance about China among Kazakhstanis, but these issues go beyond the scope of the present chapter.

60 "God 2017 budet ob'iaвлен Godom turizma Kitaia v Kazakhstane," *Kazinform*, April 6, 2013, <http://kzinform.com/ru/news/20130406/25404.html>; Zanolat Mamyshev, "Kazakhstan k 2017 godu budet ezhegodno poseshchat' pochti polmilliona grazhdan KNR," *KazTAG*, January 24, 2014, <http://zonakz.net/articles/76074>; Ministry of Foreign Affairs of Kazakhstan, <http://mfa.gov.kz/index.php/ru/vizovoy-rezhim-rk-s-drugimi-gosudarstvami>; "Priезд kitaitsev na EKSPo pod ugrozoi. Kto vstretit predprinimatelei Podnebesnoi," *BNews*, May 23, 2017, http://bnews.kz/ru/news/priезд_kitaitsev_na_ekspo_pod_ugrozoikto_vstretit_predprinimatelei_podnebesnoi; Ministry of Internal Affairs of Kazakhstan Statistics, 2016; "Pravitel'stvo rassmotrelo novuiu Kontseptsiuu razvitiia turizma v Kazakhstane," *Kaztour*, June 28, 2017, http://www.kaztour-association.com/news/news_062017/news_28062017concept.htm; Interview with Chang Hong, Chinese Friendly Kazakhstan, <https://www.facebook.com/Chinese-Friendly-Kazakhstan-129469777614990/>; Interview with Dr. Kurt Grötsch, <https://www.facebook.com/Chinese-Friendly-Kazakhstan-129469777614990/>; Zhanna Sagidullakzy, "Chto nuzhno dlia privilecheniia kitaiskikh turistov v Kazakhstan, rasskazal ekspert," *Informburo*, June 22, 2017, https://informburo.kz/novosti/chto-nuzhno-dlya-privlecheniya-kitaiskikh-turistov-v-kazahstan-rasskazal-ekspert.html?utm_campaign=7843278&utm_medium=banner&utm_content=26608005&utm_source=news.mail.ru.

To conclude, China's Tourism Year in Kazakhstan in 2017 was initially planned as an opportunity to increase the number of visitors at EXPO-2017, to facilitate cross-country people-to-people communication and networking, and to boost the tourism industry. As of June 30, 2017, Kazakhstan has not introduced a simplified visa regime for Chinese nationals. Furthermore, plans to develop tourism facilitation programs, online tourism services, accessible information, and the like have either not been implemented or only partially implemented. This has had the effect of curtailing the flow of tourists, resulting in a loss of potential profits, limited investment in local industry and the state budget in general, and a more negative image of Kazakhstan.

Building Relations by Building Human Capital: Benefits and Challenges

Despite China's efforts, anti-Chinese views are widespread in the region. The highest social groups in all three countries—government officials, political elites, business circles, and other rich and powerful individuals—usually display positive attitudes, driven mainly by economic logic, since they stand to benefit the most from close ties with China. Large groups within the general public, however, believe that China's interests and investment in the region mask some sort of hidden agenda. Experts note that anti-Chinese sentiment is fueled by a lack of information about Chinese culture and life, which gives rise to myths stemming from the country's extensive history.⁶¹

Of the three states, the poorest, Tajikistan, views Chinese presence most positively, although local experts and the general public still express concerns.⁶² Kazakhstan, the richest and largest by territory of the Central Asian states, has performed the most analysis of Chinese influence, and is also the most Sinophobic, both economically and culturally.⁶³ Tourism, migration, and the "infiltration" of Chinese citizens remain prominent themes in Kazakhstani media, with many articles expressing xenophobic sentiments toward Chinese people and using stereotypes to describe them.⁶⁴

The results of a representative sociological study conducted in Kazakhstan in 2012 demonstrate that Kazakhstanis' overall attitude toward Chinese is indifferent (44 percent). However, the share of those with indifferent attitudes was lower than in 2007 (55 percent).⁶⁵ The share of those with "poor" ("poor"/"very poor") attitudes amounted to 33 percent, a dramatic increase over 2007 (18 percent), while respondents with positive attitudes ("good"/"very good") accounted for only 23 percent (compared to 26 percent in 2007).

Although indifferent attitudes to Chinese migrants persist, they vary by region. The northern and western regions and Almaty saw the greatest increase in the share of those with negative attitudes, indicating lower tolerance to Chinese migrants compared to other regions. At the same time, there are two regions where the share of those with positive attitudes toward the Chinese increased: the eastern (36 percent in 2012, compared to 12 percent in 2007) and central regions (50 percent in 2012, compared to 25 percent

61 Konstantin Syroezhkin, "Social Perceptions of China and the Chinese: A View from Kazakhstan," *China and Eurasia Forum Quarterly* 7, no. 1 (2009): 29–46; Syroezhkin, *Nuzhno li Kazakhstanu boiat'sia Kitaia; Sadovskaya, Kitaiskaia migratsiia v Respublike Kazakhstan: traditsii Shelkovogo puti*, 289–327.

62 "Bezvozmezdnoe polzovanie," *FerganaNews*; "Naskol'ko gluboko kitait'sy pronikli v Tadzhikistan?," *CentralAsia.ru*.

63 Border issues, competition with local labor force, and the large numbers of Chinese traders in the bazaars fuel ethnic tensions in Kyrgyzstan. There have been protests against land leasing in Kazakhstan and Tajikistan due to concerns that local farmers do not have enough land for themselves (Anna Lelik, "Kyrgyzstan: Bishkek Hopes Chinese Investment Can Produce Industrial Breakthrough," *EurasiaNet*, June 22, 2016, <http://www.eurasianet.org/node/79346>). In Tajikistan, the influx of Chinese workers and unemployment has forced even more Tajiks to migrate in search of employment. Many Tajiks worry that the Chinese economic push into Central Asia is endangering Tajikistan's sovereignty. ("Tajikistan: China's Advance Causing Increasing Unease among Tajiks," *EurasiaNet*, February 14, 2011, <http://www.eurasianet.org/node/62894>). See also Marlene Laruelle and Sebastien Peyrouse, *The Chinese Question in Central Asia: Domestic Order, Social Change, and the Chinese Factor* (New York: Columbia University Press, 2012), 192.

64 Aziz Burkhanov and Yu-wen Chen, "Kazakh Perspectives on China, the Chinese, and Chinese Migration," *Ethnic and Racial Studies* 39, no. 12 (2016): 2129–2148.

65 The survey used a representative sample of face-to-face interviews. The sample included 588 urban residents aged 18 and above (2007) and 544 urban residents aged 15 and above (2012). Respondent selection was based on stratified random probability sampling. The strata included Kazakhstan's 14 oblasts grouped into five regions: northern, eastern, southern, western, and central; the city of Almaty was considered as a separate stratum. Fieldwork was conducted in May 2007 and in May–June 2012. Data was processed with the SPSS software; sample error did not exceed 4.1 percent. Fieldwork was conducted by Social and Marketing Research Agency 'BRiF Central Asia' (Almaty). Research was implemented with the financial support of the Norwegian Institute of International Affairs under MFA of Norway in 2007 and the World Bank (Washington DC) in 2012. Ref. Sadovskaya, *China's Rise in Kazakhstan*, 83–87.

in 2007). The predominance (93 percent) of positive and indifferent attitudes in the eastern region could be explained by the emerging regionalization of trade, economic and diasporic relations with neighboring Xinjiang, which has brought about greater cross-border business and personal interaction between traders and entrepreneurs. There are also kinship and family contacts, visits, and joint business ventures linking Kazakhs and other ethnicities.⁶⁶

Certain aspects of China's presence in the region remain negative. Experts note that although "with investment and infrastructure development, China contributes to diffusing tensions and potential social and political conflicts,"⁶⁷ it also supports authoritarian and corrupt regimes. China contributes to transforming local economies into raw material exporters by flooding their markets with cheap goods, thus destroying their industrial competitiveness.⁶⁸ Cooperation in the resource economy takes attention away from the development of labor-intensive industries, including agriculture, which impedes job creation and the development of the tech industry. It is therefore important for the Central Asian countries to ensure that cooperation and Chinese investment in the region benefit not only the service and extraction sectors, but also other (more labor-intensive) industries, such as agriculture and manufacturing.

Among the positive dynamics of social capital enhancement related to the BRI discussed in this chapter are the creation of new professions; the development of new cultural and social networks; and the transfer of skills, technologies, and innovation. Kyrgyzstan, in particular, has benefitted from a number of new professions linked to the service economy: transport, freight, logistics, translation, legal and-commercial services, and foreign sales networks.⁶⁹ Negative attitudes toward the "other" change as respondents gain information and personal experience. For example, in eastern Kazakhstan bordering Xinjiang, where there is more knowledge of and direct interaction with Chinese traders, entrepreneurs, and travelers, 93 percent of respondents had a neutral or positive attitude toward the Chinese.⁷⁰

As a Friedrich Ebert Foundation study conducted in 2015 showed, China is on the radar of young Central Asians. 52.7 percent of young people polled in Kazakhstan were interested or very interested in events in China. Another 30.7 percent of respondents would like Kazakhstan to develop closer ties with China. China was more popular than the United States as a model for development for Kazakhstan (9.5 percent wanted Kazakhstan to follow the Chinese model of development, while only 7.9 percent point to the United States; 46.7 percent supported following the Russian model).⁷¹ The people-to-people component of the BRI could and should support this interest and build on the increasing connectivity to promote understanding and inter-personal connection.

These people-to-people relations are mutually beneficial, but also mutually dependent. Willingly or not, China is entering the sphere of influence of the Central Asian countries. It remains to be seen to what degree Central Asian countries can shape China's policies in a way that maximizes the benefits they seek.⁷² They need to formulate an agenda, in order to be not only the subjects of Chinese influence in the region, but also active participants in the creation of a mutually beneficial strategy, the result of careful planning and identification of vectors of influence.

Central Asian states' interests in closer ties with China are manifold: economic, political, social, and cultural. From the economic perspective, the region is interested in avoiding becoming only a transit zone and a large market for Chinese goods. Central Asian states seek to become partners that benefit from their large neighbor's development by prioritizing their own national interests and developing the infrastructure and industries they need. They also need to diversify their economies beyond resource exports to guarantee their future economic wellbeing. From the security perspective, the region is interested in mutual programs and assurances of assistance from China should any risks or crises emerge.

From a social and cultural perspective, the region needs to benefit from active social interactions with China. Educational and academic programs;

66 Sadovskaya, *China's Rise in Kazakhstan*, 83–87.

67 Laruelle and Peyrouse, *The Chinese Question in Central Asia*, 271–300.

68 Ibid.

69 Peyrouse, "Discussing China: Sinophilia and Sinophobia," 14–23.

70 Sadovskaya, "Kazakhstansko-kitaiskie otnosheniia."

71 "Youth in Central Asia: Kazakhstan (2016)," Friedrich Ebert Foundation, 156–159.

72 See more in Raffaello Pantucci, "China's Place in Central Asia," *EurasiaNet*, June 20, 2016, <http://www.eurasianet.org/node/79306>.

joint research; cultural and sports exchange; media and civil society cooperation; tourism at the international, interethnic, and diasporic levels; and ties between diverse social and professional groups and organizations (youth and school children, women and seniors, academics and artists, journalists, and religious leaders and groups), as well as between individuals, enrich human capital and contribute to economic prosperity as well as cultural understanding.

Conclusion

In 2017—the year that all three Central Asian countries marked 25 years of diplomatic relations with China—the time is ripe to talk about how fruitful this cooperation has been, and what benefits it will bring in the future. China and Central Asia are bound together not only by geography, economy, and history—they are interconnected by deep, diverse inter-cultural and religious links, inter-ethnic and human ties, as well as concerns, grievances, inspirations, and demands.

The intensification in the movement of people and connectivity stimulated by the BRI/SREB is bound to bring the four countries closer together,

not only strengthening the ties between China and Central Asia, but also supporting relations between the Central Asian countries themselves.⁷³ The increased Chinese presence brings significant economic and social benefits along with challenges. Human capital development resulting from growing ties enriches the knowledge and skills of the population, diversifies the social fabric, feeds into human development more broadly, and serves as a conduit of globalization and connection to the larger world.

If indeed China's ambitions include advancing its development model globally and becoming a new world champion of globalization, it has to invest more in promoting a benign image on the world stage. The human interaction and exchange facilitated by the BRI is one of the best ways to do so, and thereby increase China's cultural appeal and its soft power.⁷⁴ The cross-border ambassadors of cultural exchange and understanding discussed in this chapter are also China's soft power champions, sharing their experiences and contributing to greater interest in China on the global stage. At the same time, a China with good governance, Corporate Social Responsibility, environmental protection, and respect for personal dignity and human rights will be a more likable China—and, consequently, a China with stronger soft power.⁷⁵

73 The Eurasian Development Bank notes that regional integration and cooperation is high in some areas (energy, agriculture, and education) and lacking in many others, see "Scenarios for South Caucasus and Central Asia, 2014," World Economic Forum, http://www3.weforum.org/docs/WEF_Scenarios_SouthCaucasusCentralAsia_Report_2014.pdf.

74 Joseph S. Nye, Jr. and Wang Jisi, "Hard Decisions on Soft Power: Opportunities and Difficulties for Chinese Soft Power," *Harvard International Review* 31, no. 2 (Summer 2009).

75 Wang Jisi, "China's Search for a Grand Strategy: A Rising Great Power Finds Its Way," *Foreign Affairs* 90, no. 2 (March/April 2011): 68–79.

Chapter 12. Transnational Ties and Local Society's Role in Improving the PRC's Image in Central Asia

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This chapter surveys the People's Republic of China's (PRC) efforts to influence society in Central Asia within the framework of its ambitious BRI. China has, among other things, invested considerable effort in improving perceptions of the PRC among local public opinions in Central Asian countries and addressing latent Sinophobia and fears of Chinese expansionism. PRC representatives have actively sought to involve local actors from different segments of society (elites, intellectuals, public organizations, civil society, etc.) in reinterpreting shared history and legitimizing the BRI project in the region.

From a theoretical perspective, the chapter draws on studies of transnational actors in international relations and the developing field of transnational studies. Specifically, it utilizes the concept of "transnational societal spaces" instead of automatically referring the research to a nation-state. The concept addresses the sustained ties linked to networks and organizations across national borders. Unlike other studies, which approach PRC initiatives as monocentric, center-periphery endeavors, the chapter proposes to study China's BRI and its social and cultural aspects as a polycentric effort. This analytical framework provides innovative and unique insights into the processes that are taking place in Central Asia in the fields of academia and civil society as a result of the PRC's efforts. Furthermore, it draws our attention to the role of domestic structures as they influence the BRI and the PRC's attempts to exercise soft power in Central Asia. Here I specifically review several concrete "sites" of transnational societal spaces, as well as the "people" and networks connecting them in the cities of Almaty and Tashkent. The chapter is based on field research in Kazakhstan and Uzbekistan and discourse analysis carried out between 2015 and 2017.

Analytical Framework and Contributions to Scholarship

In recent years, one of the PRC's goals in Central Asia has been to support geopolitical balance and achieve its initiatives such as BRI in the region by, among other things, "gradually forming a positive picture of China and the image of a hopeful economic and political partner within the understanding of the region's elites and populations."¹ In his speech at Nazarbayev University in Astana on September 7, 2013, Chinese President Xi Jinping explained the main principles underpinning China's political stance on Central Asia and the reasons for its involvement. He included, as the fifth principle, the strengthening of ties between nations:

Relations between states are based on close relations between nations. Regional cooperation should gain the support of the nations of all states; it should strengthen friendly exchange between nations, support the development of mutual understanding and traditional friendships, since in order to develop regional cooperation it is necessary to create a social base—the basis for which are the desires of individual nations.²

In recent years, strategic interest has therefore underpinned a variety of initiatives undertaken by PRC representatives, and it has extended to changing the perceptions of local representatives in the social and cultural spheres. Local opinion- and decision-makers, such as Professor Ablat Khodzhaev in Tashkent, who, in addition to being a professor at the Oriental Institute of the Academy of Sciences for many years, also served, between 1994 and 2006, in the Ministry of Foreign Affairs and as Uzbekistan's ambassador to the PRC, confirm this assessment:

1 Konstantin Syroyezhkin, *Nuzhno li Kazakhstanu boiat'sia Kitaia: mify i fobii dvukhstoronnikh otnoshenii* (Astana–Almaty: IMEP, 2014), 77.

2 *Ibid.*, 69–70.

If China seeks to implement its own interests in the region, without improving its image, without forming positive sympathy, it will be very difficult. It can have an impact on all issues, questions. ... If a concrete person, the head of a company, is well informed about the history of China and particularly Chinese politics in the Central Asian region, he will approach things with caution. Those who are unaware may find themselves outwitted.³

In scholarly literature, some of the scholars engaged in describing Chinese strategies have mentioned the transnational interactions and ties that exist between the PRC and local societies. Laruelle and Peyrouse have written that, in South Asia, the PRC has co-opted some intellectual and political entities in order to foster the development of pro-Chinese circles in neighboring countries. They argue that the same might be happening in post-Soviet states, including those in Central Asia, but do not elaborate further on this claim.⁴ D'Hooghe describes how, since the 2000s, the embassies of the PRC have gradually been accorded more space to engage with the local community and audiences and notes that Chinese diplomats have adjusted their strategies to meet local conditions, but does not explore this dynamic in any more detail.⁵ Shambaugh writes, "The Chinese government now monitors foreign China watchers' and journalists' writings more carefully than ever before and has stepped up its efforts to intimidate the foreign media—both inside and outside China."⁶ These authors mention the transnational relations that exist between the PRC and societies in the recipient countries on the margins, only hinting that the reality is more complex. The scholarly literature on China's BRI project in specific regions has, in general, predominantly addressed the economic, political, security, and IR implications of Chinese initia-

tives. Analysis of societal aspects has been framed in terms of the Sinophobe and Sinophile views that exist in local society, or it has been part of the effort to improve China's image within the society (addressing the claim that China is a threat and positing that the threat is actually a myth).⁷

One of the reasons why these transnational actions and interactions are not studied is a lack of appropriate theoretical frameworks. In studies of public diplomacy theory, for example, scholars have increasingly observed the involvement of non-state actors. Indeed, authors have adopted the term "new public diplomacy" in order to understand the effectiveness and impact of diverse public diplomacy initiatives in recipient countries.⁸ This framework, however, ignores the complexity of the dynamics and focuses primarily on the society of "origin" (the perceived center, the place of "departure" of the message and actors). It completely fails to take into account the society of "focus" (arrival) and the transnational actions and interactions taking place. In other words, the analysis looks at monocentric societal spaces, where distribution is center-periphery in nature.⁹

In studies on the PRC's efforts to build support for its economic and development initiatives (such as the BRI) via social and cultural projects, authors tend to focus on the involvement of Chinese actors (such as the Confucius Institutes, the Chinese media, businesses, etc.). Similarly, when regional media imagine Chinese tools aimed at nurturing soft power without reference to any in-depth studies, they focus primarily on Confucius Institutes, educational exchange programs, and the like.¹⁰ This chapter studies attempts to improve the image of the PRC in Kazakhstan and Uzbekistan as a polycentric effort, taking into account both the society of "origin" and "focus," and the transnational actions and interactions taking place.

3 Ablat Khodjayev, personal interview with the author, October 2016. A similar argument is offered by Mukhtar M. Ayuevov in Almaty and other personalities in Central Asian society (Mukhtar M. Ayuevov, personal interview with the author, February 2016).

4 Marlene Laruelle and Sebastien Peyrouse, *The Chinese Question in Central Asia: Domestic Order, Social Change and the Chinese Factor* (New York: Columbia University Press, 2012), 103.

5 Citing a Chinese source: Ji Lili, "Renmin: Guanfang waijiao yu minjian waijiao de gongtong luojiao dian," in Ingrid d'Hooghe, *China's Public Diplomacy* (Leiden: Brill, 2015), 141–142.

6 David Shambaugh, "China's Soft-Power Push. The Search for Respect," *Foreign Affairs* 94 (2015): 104.

7 See, for example, Syroyezhkin, *Nuzhno li Kazakhstanu*. See also Elena Yu. Sadovskaya, *Kitaiskaia migratsiia v Respubliku Kazakhstan: traditsii Shelkogo puti i novye vektory sotrudnichestva* (Almaty: Raritet, 2014).

8 This framework contrasts with previous studies that tended to focus only on the role of the state in changing perceptions within the societies of other nations. For more, see Jan Melissen, "The New Public Diplomacy: Between Theory and Practice," in *The New Public Diplomacy: Soft Power in International Relations*, ed. Jan Melissen (New York: Palgrave, 2005), 3–27.

9 See, for example, Lutger Pries, "Transnational societal spaces. Which units of analysis, reference and measurement?," in *Rethinking Transnationalism: The Meso-link of Organizations*, ed. Lutger Pries (New York: Taylor & Francis, 2008).

10 See, for example, "Uzbekistan i Kitai – druz'ia v trudnuiu minutu," *inosmi.ru*, June 27, 2016, <http://inosmi.ru/economic/20160627/236989499.html>. This was published after the visit of Xi Jinping to Tashkent in June 2016.

The chapter specifically draws on the literature on transnationalism and proposes exploring this process through the concept of “transnational societal spaces.”¹¹ This concept has been developed to incorporate a study of the sustained ties of networks and organizations across borders in multiple nation-states.¹² Scholars use it when studying “configurations of social practices, artifacts, and symbol systems that span different geographic spaces in at least two nation-states without constituting a new ‘deterritorialized’ nation state.”¹³ Pries argues that the spaces are separate from other types of inter-state relations:

the distribution of resources, culture, interests and power is polycentric and not monocentric; and, the relations and coordination between the different nations spanning local sub-units are strong, dense and durable.¹⁴

Transnationalism operates without a clear center or point of reference between different locales, countries, and regions.¹⁵ This is also the case with the transnational actions and interactions related to efforts to improve China’s image in Central Asia. This makes it different from those studies that seek to analyze questions of effectiveness (and credibility) by focusing on the tools employed by the country of “origin,” and specifically the involvement of non-state actors, particularly because we are considering the case of the PRC, perceived as a monolithic state-run regime with a poorly developed civil society. In this case, we study transnational actors and coalitions that attempt to change social outcomes, as well as policy outcomes, in a specific issue area.¹⁶ This is more specific than other concepts, such as “transnational networks,” “transnational fields,”¹⁷ or multinational

societal spaces in which the distribution is polycentric but the coordination is weak.¹⁸

Richter suggests that we should structure the transnational societal spaces into entities in order to study them empirically and that we should specifically explore “sites,” “people,” and the networks connecting them.¹⁹ What do we mean by “sites”? Essentially, such an approach involves concentrating on the concrete sites where transnational actions and interactions take place. These sites are “linked by networks of people that span across borders and are maintained through various forms of exchange and communication.”²⁰ The “sites” can be physical places, but also other fora, such as publications. In this way, we will develop a unique and innovative contribution to understanding China’s plan to revive the Silk Road via the BRI project, and, specifically, its popular diplomacy efforts in the Central Asia region. In the sections below, I present the results of a comparative case study exploring the concrete “sites” of transnational societal spaces in Almaty and Tashkent: local publications on China and centers focusing on Chinese culture.

Transnational Interactions Related to Local Publications on China

The “sites” of transnational societal spaces are the books and publications issued in Almaty and Tashkent about the PRC, its history and culture. In this section, the *Kitai glazami Kazakhstantsev* (China through the eyes of Kazakhstanis) book project is considered as a particular site of concrete transna-

11 For a detailed explanation of this conceptual framework (which provides a theoretical and conceptual background to the analytical discussion conducted in this paper), see Vera Exnerova, “Introducing Transnationalism Studies to the Field of Public Diplomacy,” *The Journal of International Communication*, forthcoming. See also Vera Exnerova, “Polycentrism and Transnational Societal Spaces: Exploring China’s Cultural Diplomacy in Central Asia,” *Asian Affairs*, forthcoming.

12 Thomas Faist, “The Transnational Social Spaces of Migration,” *Working Papers—Center on Migration, Citizenship and Development* 10 (Bielefeld: COMCAD, 2006), http://www.unibielefeld.de/tidrc/ag_comcad/downloads/workingpaper_10.pdf, 3.

13 Lutger Pries, “The approach of transnational societal spaces: responding to new configurations of the social and the spatial,” in *New transnational social spaces: International migration and transnational companies in the early twenty-first century*, ed. Lutger Pries (London: Routledge, 2001), 18.

14 Pries, “Transnational societal spaces,” 10.

15 *Ibid.*

16 Thomas Risse-Kappen, “Bringing transnational relations back in: introduction,” in *Bringing transnational relations back in: non-state actors, domestic structures, and international institutions*, ed. Thomas Risse-Kappen (Cambridge: Cambridge University Press, 1995), 3–36.

17 Nina Glick Schiller and Ayse Çağlar, “Beyond Methodological Ethnicity and Towards City Scale: An Alternative Approach to Local and Transnational Pathways of Migrant Incorporation,” in *Rethinking Transnationalism: The Meso-link of Organizations*, ed. Lutger Pries (New York: Taylor & Francis, 2008).

18 Pries, “Transnational societal spaces,” 10.

19 Marina Richter, “Researching Transnational Social Spaces: A Qualitative Study of the Spanish Second Generation in Switzerland,” *Forum: Qualitative Social Research* 13, no. 2 (2012): 4.

20 Richter, “Researching Transnational Social Spaces,” 4.

tional action and interaction. My argument is that the process of publication and the role of both the PRC and local actors reveal a number of interesting insights regarding BRI's influence and the PRC's "soft use of power"²¹ in Central Asia.

Kitai glazami Kazakhstantsev was published in 2012 by the Kazakhstan Institute for Strategic Studies (KISI),²² in cooperation with the China Foundation for International Studies.²³ The aim of the book is to introduce China, its nation, politics, culture, traditions, national cuisine, and other aspects of its development to a wide circle of Kazakhstani readers. It is presented as a collection of articles and essays by representatives of Kazakh society, all connected by a common theme: the development of mutually beneficial and good-neighborly relations between Kazakhstan and China, "our Eastern neighbor." This book was published at the initiative of the Chinese state representatives. "It was ordered by the Chinese Consulate in Almaty, which approached us [KISI]," explains one of its editors. According to him, representatives of various Chinese think tanks often visit the KISI and this request was not surprising.²⁴

It was actually the Chinese Consulate that requested that the book include non-state actors and a popular perspective. "On the basis of the Chinese request not only diplomats but businessmen, journalists and social personalities were included, i.e., they wished to involve as broad a group of participants as possible. It was ordered by the General Consulate of the PRC in Almaty. They paid for it and distributed it themselves, not particularly actively," the editor explains.²⁵ According to the editor, an analogous project was also carried out in Russia, and in the Kazakh case the Chinese side was interested in creating a more positive impression.²⁶

What insights can we gain from the book? It is clear that local actors, including elites and academ-

ics, are actually conducting "popular diplomacy" on behalf of the PRC.²⁷ The book in general explains and acclaims recent developments in China (the economic boom, modernization, and development) from a Kazakhstani perspective. It also highlights the specific geopolitical context in which Kazakhstanis allegedly find themselves: it mentions that the West's industrial-military complex forces other countries to acquire weaponry;²⁸ argues that Kazakhstan is witnessing a crisis of international law,²⁹ citing Nazarbayev, who claims that, "we are in the transitory period of an international system;" and explains the purely economic reasons for cooperating with the PRC.³⁰ The text is structured in such a way as to suggest that the agreement to foster good-neighbor status between Kazakhstan and the PRC should be taken seriously.

The book strives to portray the Chinese as a hardworking nation that respects traditions, high culture, and so on. Authors include the former ambassador of Kazakhstan in the PRC; a member of parliament (*majlis*); famous Sinologists and professors in the Sinology department of the Kazakh National University of Al-Farabi; a journalist from the newspaper *Kazakhstanskaya pravda*; students and doctoral candidates from Kazakhstan studying in China; the director of the Center for International Studies of the Institute of World Economy and Politics (IWEP); the senior researcher from the Oriental Institute named after R.B. Suleymanov; and independent experts. Some of these authors embrace China intellectually, their interest and comments being based on long-term academic interest, while other contributions are less sophisticated.

In private conversations, some of these experts claim that politicians—and experts in general—see Chinese influence in a positive light, viewing it as a counterweight to Western influence and as an alternative to Russia, irrespective of the persistent socie-

21 This concept is developed by Mingjiang Li, "Introduction. Soft Power: Nurture Not Nature," in *Soft Power: China's Emerging Strategy in International Politics*, ed. Mingjiang Li (Lanham, MD: Lexington, 2009), 1–18.

22 Established on June 16, 1993 by the decree of the President of the Republic of Kazakhstan, its goal is to "provide analytical support to the President of the Republic of Kazakhstan," but it is also one of the leading think tanks in Kazakhstan.

23 It was established in Beijing in 1999 as a national organization with legal person status under the patronage of the Chinese Foreign Ministry. It is one of the most influential non-governmental think tanks in China, and it promotes academic exchanges with other Chinese and foreign institutes, participates in public diplomacy, and engages in foreign economic and cultural cooperation and people-to-people exchanges. Its members are mainly senior diplomats, renowned researchers and scholars in international studies, as well as entrepreneurs in China.

24 Mukhtar M. Ayuevov, personal interview with the author, February 2016.

25 Ibid.

26 Ibid.

27 It is mentioned in the introduction to: B. K. Sultanov, A. K. Nursha, and Yu. Izimov, eds., *Kitai glazami Kazakhstantsev* (Almaty: KISI, 2012).

28 Ibid., 5.

29 Ibid., 6.

30 Ibid., 7.

tal fear of “Chinese expansion.” Certain intellectuals state that “we ourselves have asked China to come here,”³¹ thus explaining their actions, the dynamics, and the current situation.³² Most of the actors I interviewed travel to the PRC, some regularly, and mostly at the invitation of—and funded by—PRC institutions. Some of these figures occasionally help China by offering advice on how to organize cultural events, how to encourage the Kazakhstani people to endorse the PRC, its culture, and society.³³

It is unclear what the approach of these actors would be if the Kazakh governmental structures did not also seek to change the image of the PRC in the eyes of local society. In other words, analysis suggests that we need to assess the role of domestic structures in China-related popular diplomacy initiatives in Almaty. Domestic structures are “the normative and organizational arrangements which form the state, structure society, and link the two in the polity.”³⁴ This also includes political culture. Kazakhstani domestic structures have the capacity to motivate non-state actors and civil society to be more forthcoming, accommodating, and compliant with the wishes of the PRC, thus contributing to China’s soft use of power in the region. In other words, the PRC’s efforts in the field of popular diplomacy are boosted by Kazakh domestic structures and the country’s ambition to improve the image of China among its own population. Should Kazakhstan’s attitude toward the PRC change in the future, China’s soft power could be limited. This argument can be illustrated by referring to the process of finalizing the book described above. During the production process, the Chinese side requested the removal of some of the more controversial sections.

For KISI, however, the main concern was not whether to leave or remove any of the more controversial points. For them, it was a two-way process and an opportunity to show favor toward the Chinese side.³⁵

Such actors and actions are not necessarily viewed in a positive light by other actors within Kazakh society. Some claim that whereas ten years ago the elites were against China, now “they have all been bought; they have lost themselves in a fog of need and fame.”³⁶ However, the argument here is that some public figures have significantly contributed to the shaping of the debate and the discursive environment in relation to China’s role as a threat and/or myth within Kazakh society,³⁷ and we need to take this into account when studying BRI’s influence in the region.

“Sites” of transnational actions and interactions are also represented by the books and publications issued in Tashkent about China and the PRC. In Uzbekistan, the PRC Embassy, the Confucius Institute, the Center of Chinese Culture, and related institutions do not just distribute publications on the Silk Road, the history of Xinjiang, and Chinese culture, among others, published in the PRC.³⁸ They also underwrite the publication of articles and books on China authored by local members of society and academia. For example, according to scholars from the Tashkent State Institute of Oriental Studies, the Confucius Institute in Tashkent³⁹ annually provides financial support for the publication of papers presented at a joint conference.⁴⁰

The PRC Embassy also supported the publication of the book *Kitai: ekonomika, politika, kul'tura* (*China: Economics, Politics, Culture*) by the econo-

31 Professor Sultanov, personal interview with the author, February 2016.

32 Laruelle and Peyrouse note, “This is not a ‘Beijing lobby,’ or a presentation of only pro-Chinese positions. In Central Asia, one is pro-Chinese out of economic interest, or because one thinks that there is no other rational choice for the future of the country. Accordingly, such a stance is not born of ideological conviction” (Laruelle and Peyrouse, *The Chinese Question*, 99).

33 Interviews and participant observation, Almaty, Kazakhstan, February 2016.

34 Thomas Risse-Kappen, “Bringing transnational relations back in,” 20.

35 The editor explains: “I just asked them if the Chinese side would like to remove a particular part—how did they see it—and they said, ‘Yes, let’s remove it.’ Almost nobody protested, only one. This was a China specialist, who said that too little attention was paid to the study of China in Kazakhstan and that it was the Kazakhs’ fault. The Chinese side said this was unnecessary and that they did not want to include any criticism of Kazakhstan.” Almaty, February 2017.

36 KIMEP, personal interview with the author, February 2016.

37 The authors put forward views that they have also promoted elsewhere in their publications. The views of K. Syroyezhkin, senior researcher at the KISI, which seek to dismantle the idea of “China as a threat,” are promoted in numerous other publications published by the KISI and other Kazakhstani organizations without the direct support of Chinese institutions, or at least visibly so. See for example Konstantin Syroyezhkin, *Sin’ zyan. Bolshoi vopros dlia Kitaia i Kazakhstana* (Astana—Almaty: IMEP, 2015).

38 These publications are mostly in the Russian language and are distributed in all the post-Soviet countries, including Central Asian states.

39 Officially, it is called the Uzbek-Chinese Confucius Institute at the Tashkent State Institute of Oriental Studies.

40 *Xitoyshunoslikning dolzarb masalalari: filologiya, falsafa, tarix, iqtisod va siyosat* (On actual problems of Sinology: philology, philosophy, history, economics and politics). See A. A. Karimov and S. S. Nazirova, *Xitoyshunoslikning dolzarb masalalari: filologiya, falsafa, tarix, iqtisod va siyosat* mavzusidagi XII ilmiy-amaliy konferensiya materiallari to’plami (Toshkent: TDSHI, 2015).

mist Dodoboyev and the journalist Obidov, which is based on the works of the late president Islam Karimov and other secondary sources.⁴¹ Some scholars and experts on China have been invited to contribute to publications issued in China. For example, in 2013 the Embassy of the PRC in Tashkent invited Professor Ablat Khodzhayev to participate in the publication of a small book *Sbornik sochinenii o Kitae glazami inostrantsev (Volume on China through the eyes of foreign authors)*, in which he wrote a chapter on Chinese cultural ties with Central Asia, including Uzbekistan.⁴² Tashkent academia and scholars have also taken part in various international conferences on China, both in China and in Uzbekistan.

In Uzbekistan, there are few concrete transnational interactions such as the *Kitai glazami Kazakhstantsev* book published in Almaty. In 2009, there was a photographic exhibition, “China through the eyes of Uzbekistanis,” organized by the Council for Friendship Societies and Cultural and Educational Relations of Uzbekistan with Foreign Countries, as well as the Academy of Arts of Uzbekistan, and the Embassy of China in Uzbekistan.⁴³ Yet no related book based was actually published. Presumably, one of the reasons for this was the specificity of domestic structures in Uzbekistan. Two questions are of crucial importance.

The first relates to the description of the history of Xinjiang, or what has been referred to by some as Eastern Turkestan. For example, quite a large number of Uzbek academic publications on China in Uzbekistan discuss the history of Chinese–Central Asian relations. In books about the border regions and Chinese–Central Asian relations, Uzbek scholars put forward analysis that contradicts the Chinese version of the “incorporation of Eastern Turkestan.”⁴⁴ Professor Ablat Khodzhayev comments:

We start from our own interests when considering the history of our region and the history of our region's ties with China, and they—because they are the state of imperial significance—look at it little differently, as Russia did previously. For example, the Chinese government looks at Eastern Turkestan in the same way as Russia did in the past, i.e., as XUAR, although Eastern Turkestan and Western Turkestan existed within the framework of a single state for many centuries. When evaluating these events, they consider it to be an “attachment,” we consider it to be a conquest.⁴⁵

The second issue is related to the political ideology of Uzbekistan. In the 1990s, President Islam Karimov proposed renewing the Grand Silk Road, and this idea has become part of the official Uzbek political narrative, as well as of its general historical interpretation since then. According to Chinese publications, the origins of the Silk Road are rooted in the time when the representative of the Han dynasty, Zhang Qian, was sent “more than 2,100 years ago ... to extend the route.”⁴⁶ Uzbek academia has consistently provided a different picture of the origins of the Silk Road, despite the improving relations between Uzbekistan and China since 2013 and the increasing ties associated with their strategic partnership. For example, Professor Khodzhayev published a large study on the *Grand Silk Road* in Uzbek (first published in 2007) and Russian (2016) that explains that trade along the Silk Road was operated by Turkic merchants from a much earlier date than the time when the Chinese ambassador came to Central Asia—and provides historical evidence supporting this claim.⁴⁷

The PRC has therefore no other choice than to take into account the Uzbek authorities' will to advance a reading of ancient history that favors a Turkic-centric, and not a Han-centric framework.

41 In Tashkent, scholars usually publish the books themselves, so Chinese financial support is a welcome gesture.

42 Similarly, see, for example, “V Shankhae opublikovali sbornik sochinenii o Kitae glazami zarubezhnykh avtorov,” *cntv.ru*, December 24, 2012, <http://www.cntv.ru/2012/12/24/ARTI1356339969136794.shtml>. These books are distributed to libraries and are not for sale.

43 See, for example, “V Tashkente otkrylas' fotovystavka ‘Kitai glazami uzbekistantsev,’” *meta.kz*, September 29, 2009, <http://www.meta.kz/328447-v-tashkente-otkrylas-fotovystavka-kitaj-glazami.html>. It was dedicated to the 60th anniversary of the creation of the People's Republic of China. The exhibition included around 100 photographs detailing the history of towns in China, their present-day appearance, traditions, customs, and landscapes. Among them were photographs taken during the visit of President Islam Karimov to the country. The authors of the works include a number of famous photographers: Tursun Ali, Vladimir Zhirnov, Farhod Kurbanbayev, and others.

44 See, for example, Natalya Karimova, *Kitaiskie pismennye istochniki po istorii vzaimootnoshenii gosudarstv Tsentral'noi Azii i Minskogo Kitaia* (Tashkent: TashGIV, 2016), 7. Participant observation, Tashkent, October 2016.

45 A. Khodjayev, personal comment to the author, October 2016.

46 Ma Yuan, *Novyi Shelkovyi Put' . Zanovo proidennyi marshrut* (Mezhkontinental'noe izdatel'stvo Kitaia, 2014), 7.

47 Ablat Khodjayev, *Velikii Shelkovyi Put' : svyazi i sud'by (na osnove kitaiskikh istochnikov i literatury)* (Tashkent, 2016). This argument appears also in earlier books, for example, Ablat Khodjayev, *Kitaiskii faktor v Tsentral'noi Azii* (Tashkent: FAN, 2007).

China's efforts in the field of popular diplomacy are thus limited by Uzbekistan's ambition to maintain a distinctive national ideology, one that comes into conflict with the PRC's vision. In other words, governance structures have had the capacity to demotivate non-state actors in Tashkent and across Uzbekistan, making them less responsive, accommodating, and compliant in the face of the PRC's soft power efforts.⁴⁸ As such, it is also possible that China's efforts may be boosted in the near future if the new government takes a different approach to national ideology and transnational relations.⁴⁹

Transnational Interactions Related to Local Centers of Chinese Culture

Other concrete "sites" where transnational actions and interactions take place consist of several locally established and operated centers, or corners, of Chinese culture. A study of these sites reveals that all the actors seek to influence transnational societal spaces in their own particular way and that these actions cannot be studied by means of a simple Sinophile or Sinophobe framework. By studying this phenomenon as a polycentric effort, as well as by taking into account the diverse roles of domestic structures in the PRC's popular diplomacy in Central Asia, we are in a better position to understand the complex dynamics that are at play.

One such "site" is the study-room known as the Center for Chinese Culture in Almaty. It was created by a local actor within the context of its other activities: it was established in the National Library in Almaty, which is a Kazakh public institution and which also operates other, similar cultural "corners" (Iranian, Indian, Russian, etc.).

Over the years, the PRC's Consulate in Almaty has sought to influence the content of the center and to provide it with financial support. Library workers describe how the Chinese consulate has provided computers and scanners, as well as publications.⁵⁰

This literature includes books published by official Chinese publication houses, including books in the Arabic script for Kazakhs living in the PRC.⁵¹ The former director of the library, Murat Auyezov, who himself took part in the establishment of the Center for Chinese Culture and now runs his own association just next to it, confirmed that "The Chinese Center is a rich center [when compared to other centers], because the Chinese side supports it very actively, with both consular and private funds, and this tradition has continued even since the arrival of the new consul."⁵²

Auyezov is a Sinologist; he received his training at Moscow State University and served as the first ambassador of the Republic of Kazakhstan to the PRC after 1991. He is a well-known public figure who frequently comments on China and its history, and he also belongs to a group of experts who publicly express their concerns about Chinese intentions in the region.⁵³ Among other things, Auyezov has written an article that seeks to situate China's current efforts in Kazakhstan within a broader context. The article draws attention, for example, to the massive immigration of Han Chinese into Xinjiang and other neighboring regions populated mainly by Uyghurs, Kazakhs, and other Turkic groups. Auyezov demonstrates that the PRC government has not paid adequate attention to historical and archaeological excavations in Xinjiang when constructing pipelines and new infrastructure as part of the Western Development plan, thus destroying the heritage of these groups.⁵⁴

PRC representatives have nevertheless sought to involve some independent figures, or potential "critics," in their efforts to influence Almaty society in recent years. For example, the Consulate regularly invites Auyezov to its cultural events as an honorable guest. In January 2016, an event, "The Grand Silk Road—a day of Chinese culture," was jointly organized by the General Consulate of the PRC in Almaty and the Center of Chinese Culture at the National Library of the Republic of Kazakhstan.

48 At least in the discursive field.

49 There are already signs of changes and pressure from above to increase cooperation with the Chinese partners. Participant observation, April 2017.

50 Center for Chinese Culture, personal interview with the author, February 2016.

51 Participant observation, Almaty, Kazakhstan, February 2016. People in Kazakhstan are not usually able to read this script.

52 M. M. Auyezov, personal interview with the author, February 2016.

53 Usually, these figures maintain an independent position within society. This is also true economically.

54 M. M. Auyezov, "Istoriia i sovremennost' v kitaisko-kazakhstanskikh otnosheniakh," *unpublished manuscript*. This article has remained unpublished due to the position of M. M. Auyezov within the Kazakhstani political context and the specific domestic structures. In this article, as well as elsewhere, Auyezov frequently comments on other sensitive issues such as the border and water settlements between Kazakhstan and the PRC.

Auyezov was one of the guests who delivered a speech, and the PRC representatives introduced him as “the first ambassador of Kazakhstan to the PRC.”⁵⁵ Representatives of the PRC Consulate in Almaty have asked also to be involved in the informal intellectual initiative “Discussions on the Silk Road” organized by Auyezov and other Central Asian culturologists and literary figures.⁵⁶

It is clear that the processes adopted by the PRC in its effort to influence local society are complex, and this is also true of the approaches chosen by diverse local actors. Auyezov, for example, says:

I take such big players seriously; China is my destiny. ... Naturally it is a remarkably interesting country, in terms of their philosophy, literature and history. They have their own breath-taking epochs; that is why I enjoy studying China⁵⁷

In Almaty, Auyezov and others are respected for their knowledge. A professor in Chinese history at the private KIMEP University, explains, “We do not know the Chinese, we are far from their mentality ... [Auyezov] operates within this sphere; he has studied Chinese culture for a very long time, deciphering everything.”⁵⁸

In the case of Tashkent, the concrete “site” associated with transnational societal spaces is the Chinese National Cultural Center of Tashkent City. It was established in 2001 and falls under the authority of the Republican Interregional Cultural Center, a public organization established to represent and promote the cultures and languages of Uzbekistan's national minorities. The organization is an assembly of cultural centers representing 140 nationalities and ethnic groups living in Uzbekistan, who, according to the Constitution of the Republic of Uzbekistan, all have the right to maintain and develop their language, cultural traditions, and customs. The Chinese center is the smallest center. The director, Yang Yaoyun, explains: “We have very few native-born Chinese [in Uzbekistan] who participate; in fact, we do not work with them, because they are not [here].”⁵⁹

If the Chinese center is the smallest center in terms of the size of minority that it represents, it is by far the biggest in terms of the range of its activities and physical space. Yang Yaoyun states: “Instead [of working with our minority], we work on raising awareness within local society, education, and other spheres.” The Chinese Center has a separate entrance and includes a large multi-functional hall that is designed to host any event from workshops and dance performances to table tennis matches and exhibitions. It is obvious that the center receives substantial financial support from the PRC Embassy. According to the director, “there is very rich and mutually advantageous cooperation with the PRC Embassy in Tashkent,” although Yang Yaoyun repeatedly claimed that both the Embassy and the Center remain sovereign actors, mutually supporting each other in achieving their respective goals.⁶⁰ Without BRI the Center would be very small and underfinanced; it is because it provides a cultural program on behalf of the Embassy that it can be well supported.

While this is a local institution, Yang Yaoyun acts as a representative of the PRC, mixing up his language, using for instance “we” when referring to China, and “we here” when talking about Tashkent and Uzbekistan. Furthermore, in many respects, his views on Chinese culture mirror official PRC discourse. He does not agree that the Dungans are a separate national group, for example. In the past, he approached the Dungan Cultural Center and Uyghur Cultural Center to suggest that they should unite as one entity, since in his view they are all Chinese nationalities, and also “so that they would not need to run to the Embassy for help all the time.”⁶¹

On the other hand, the director argues that social exchange should come from the local society and not from Chinese institutions emanating centrally from China (irrespective of whether they are state or non-state in origin). The promotion of culture, in particular, should be undertaken by the local cultural center instead of by diplomats who know little about culture and cultural exchange, the

55 The PRC Consulate regularly invites him to Nauruz celebrations, etc.

56 For more, see Vera Exnerova, “Polycentrism.”

57 M. M. Auyezov, personal interview with the author, February 2016.

58 Professor at KIMEP, personal interview with the author, February 2016.

59 Within the structure of the Republican Inter-Regional Cultural Center, there are also the Dungan cultural center and the Uyghur Cultural Center.

60 His campaigning in support of Chinese culture fits into the timeframe that coincides with the period when China changed its approach—after 2008 in Uzbekistan (the past 7 years, he states).

61 He is not exceptional in holding this opinion. On the website of the inter-governmental society “Uzbekistan-China Friendship,” all three centers are listed under the heading of China.

director says.⁶² In other words, Yang Yaoyun takes into account the local dynamics and he claims to belong to the domestic structures in Uzbekistan. The Center of Chinese Culture also competes with the Confucius Institutes (CI). In Yang's eyes, the center is a representative of "civil society" or as a "public" organization (i.e. non-profit and non-state), as opposed to the CI, which is perceived as a commercial organization. CIs are restricted by their constitution, needing permission from the Ministry in Uzbekistan in order to organize an event.⁶³ CIs also encroach on the educational system. Compared to this, the Center of Chinese Culture has more freedom, which allows it to be involved in more activities and events: "We can engage in everything, particularly in the fields of culture, Chinese medicine, Chinese traditions, customs, the Chinese language, everything Chinese that relates to China, which is our homeland ... it is not against the law of Uzbekistan."

Conclusions

The main argument presented in this chapter is that to fully understand the impact of the BRI in Central Asia, we need to study transnational actions and interactions at the levels of society and culture. The chapter specifically adopts the concept of "transnational societal spaces" to explore the processes taking place in Central Asian societies with regard to the PRC's efforts to build a social basis for its foreign

economic development initiative, BRI. The analytical framework demonstrates that we need to conceptualize it as a polycentric effort and explore both the society of "focus" and society of "origin."

The findings of the field research are presented as examples of concrete "sites" where transnational actions and interactions between PRC representatives and various local actors take place in the cities of Almaty and Tashkent. The focus is not on particular actors, such as the PRC Embassies, the Confucius Institutes, or the Chinese media. Rather, this chapter explores "sites" that have societal influence in relation to the BRI and the PRC in Central Asia, such as local publications on China and its history and politics, as well as various local centers promoting Chinese culture. These "sites" of transnational societal spaces are the main channel through which we can study the BRI and its attempts to influence Central Asian societies. It also draws our attention to the role of domestic structures in determining the impact of particular "sites" related to the PRC's popular diplomacy, as well as the complex dynamics that lie beyond the simple duality of Sinophobe or Sinophile views.

This chapter has broader implications for studies on BRI in general. It reminds us that BRI is a polycentric, or at least a multinational, effort in all aspects, be they economic, political, social, or cultural. Therefore, we should adjust existing theoretical and conceptual frameworks that have been used to evaluate the BRI and its impact by looking at the multiplicity of actors involved in the interactions it produces.

⁶² Director, personal interview with the author, October 2016.

⁶³ Director, personal interview with the author, October 2016. This was confirmed at an interview with CI and Chinese embassy representatives in Tashkent (Representatives of the CI, the Chinese embassy, and the Chinese CI director, personal interview with the author, October 2016).

Chapter 13. Chinese Soft Power in Kazakhstan and Kyrgyzstan: A Confucius Institutes Case Study

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China's lavish infrastructure projects are working to boost economic ties with Central Asia, but the soft side of these ambitions is still dubious. According to Joseph Nye,¹ who coined the term "soft power," the more a country exposes its culture, political values, and foreign policies, the more it attracts others. Although it may seem easy to attain soft power in these three ways, a regime that lacks external legitimacy cannot do so. To improve its image abroad, Beijing invests between USD\$7 and 10 billion in "overseas publicity work" each year.² This strategy seems to bear some fruit: the country was ranked 28th in the Global Ranking of Soft Power in 2016, and improved to 25th in 2017.

Yet Ingrid D'Hooghe underlines that "the behavior of the messenger, the context [and] the perceptions of the targeted audience" are critical in determining whether soft power is effective or not.³ This point is particularly relevant to China. As Suisheng Zhao puts it, "The future growth of China's soft power...is seriously restrained by the fact that pragmatic political values behind China's rapid economic growth are attractive mostly to authoritarian elites."⁴ Some are more positive and see changes coming. Tommy Koh, Ambassador-at-Large at the Ministry of Foreign Affairs of Singapore, for instance, remarks, "I have every confidence that China will progress up the ranks in the coming years...China's soft power

will be enhanced by President Xi Jinping's campaign against corruption, by China's transition to a low carbon economy, and by the strengthening of the rule of law."⁵

Importantly, soft power must be generated without government regulation. For China, this would mean developing non-government controlled soft power mechanisms.⁶ Nye singles out China and Russia as two countries that struggle to deploy soft power effectively, stating:

China and Russia make the mistake of thinking that government is the main instrument of soft power. In today's world, information is not scarce, but attention is, and attention depends on credibility. Government propaganda is rarely credible.⁷

Central Asian states' attitudes toward China remain nuanced, with both Sinophobic and Sinophilic components.⁸ Aziz Burkhanov and Yu-Wen Chen studied stereotypical images of China and its people in Kazakhstani mass media, concluding that "Sinophobia is pervasive in private publications."⁹ Media alone cannot substantially impede Chinese investment in the region, but they can certainly be used as an instrument of local political games in the future. Indeed, despite the fact that the construction of new infrastructure intensifies commerce and expands economic opportunities, political circumstances may also result in populist appeals to anti-Chinese sen-

1 Joseph Nye, *Soft Power: The Means to Success in World Politics* (New York: Public Affairs, 2004).

2 David Shambaugh, *China Goes Global* (New York: Oxford University Press, 2013), 207.

3 Ingrid D'Hooghe, *China's Public Diplomacy* (Leiden, NL: Brill Nijhoff, 2014), Google Play Books, 24.

4 Minjiang Li, *Soft Power: China's Emerging Strategy in International Politics* (Lanham, MD: Lexington Books, 2009), 247.

5 "Soft Power 30. Global Ranking of Soft Power" (New York and Singapore: Portland Communications), 59.

6 Shambaugh, *China Goes Global*, 267.

7 Joseph Nye, "What China and Russia Don't Get About Soft Power," *Foreign Policy*, April 29, 2013, <http://foreignpolicy.com/2013/04/29/what-china-and-russia-dont-get-about-soft-power>.

8 Marlene Laruelle and Sebastien Peyrouse, *China as a Neighbor: Central Asian Perspectives and Strategies* (Washington, DC: Central Asia-Caucasus Institute and the Silk Road Studies Program, 2009), 203, <http://bit.ly/2zrilzI>; Thomas Fingar, ed., *The New Great Game: China and South and Central Asia in the Era of Reform* (Redwood City, CA: Stanford University Press, 2016), 360.

9 Aziz Burkhanov and Yu-Wen Chen, "Kazakh Perspective on China, the Chinese, and Chinese Migration," *Ethnic and Racial Studies* 39, no. 12 (2016): 17.

timent. Cooley explains that “local political actors embroiled China and its state companies in...conflict dynamics,”¹⁰ severely limiting the range of cards China can play in the region.

China’s BRI attempts to bridge these soft power gaps, and pays lip service to enhancing cultural collaboration along the way. One way for China to address its lack of soft power has been to promote Confucius Institutes (CI) abroad.¹¹ Though some consider these Institutes a “star of Chinese public diplomacy,”¹² others counter that their activities are too narrow, arguing that engaging universities cannot alone present a meaningful challenge to negative perceptions of China globally.¹³ How can Confucius Institutes reverse biases on China and contribute to the successful implementation of the BRI project? In this chapter, I aim to understand China’s difficulties in building a positive image through an examination of Confucius Institutes in Kazakhstan and Kyrgyzstan.

How to Study China’s Soft Power. An Approach

China’s geopolitical ambitions worldwide spark heated debates about everything from whether China rivals the United States in terms of its soft power,¹⁴ to the essence of Chinese soft power,¹⁵ to what theoretical framework should be used to analyze it.¹⁶ Some suggest that all soft power and public diplomacy innovations are initiated by the most educated officials, chiefly those who obtained their degrees in Western universities.¹⁷ Others examine Chinese public diplomacy and cultural diplomacy as soft power resourc-

es.¹⁸ A number of recent works have scrutinized the limitations of Chinese soft power worldwide and in Central Asia.¹⁹

This chapter complements those critiques by clarifying key points and countering misleading perceptions of the Confucius Institutes in particular. China’s presence in Central Asia showcases how its human assets have been perceived mostly negatively in the region for decades. Starting in the 1990s, when Kazakhstan and Kyrgyzstan obtained their independence, a number of countries conducted public diplomacy missions in the region, with varying degrees of success. China, though a neighboring country, lacked significant support in the hearts and minds of Central Asians. Its public diplomacy in Central Asia—or, as the region was historically described, the Western Lands (xīyù)—is nothing new, however; China has a long history of bilateral relations with Central Asia.²⁰

In this study, my conceptual approach is to test whether Confucius Institutes work effectively in terms of their organizational development. Experts agree that an organization cannot be effective without monitoring, evaluation, planning, and an effective communications strategy:

Monitoring and evaluation can help an organization extract relevant information from past and ongoing activities that can be used as the basis for programmatic fine-tuning, reorientation, and future planning. Without effective planning, monitoring, and evaluation, it would be impossible to judge if work is going in the right direction, whether progress and success can be claimed, and how future efforts might be improved.²¹

10 Alexander Cooley, *The Emerging Political Economy of OBOR* (Washington, DC: CSIS, 2016), 6–7.

11 Su-Yan Pan, “Confucius Institute Project: China’s Cultural Diplomacy and Soft Power Projection,” *Asian Education and Development Studies* 2, no. 1 (2013): 22–33; D’Hooghe, *China’s Public Diplomacy*.

12 Falk Hartig, *Chinese Public Diplomacy: The Rise of the Confucius Institute* (London: Routledge, 2016), Google Play Books.

13 James F. Paradise, “China and International Harmony: The Role of Confucius Institutes in Bolstering Beijing’s Soft Power,” *Asian Survey* 49, no. 4 (July/August 2009): 665.

14 Barthelemy Courmont, “What Implications for Chinese Soft Power: Charm Offensive or New Hegemony?,” *Pacific Focus* 28, no. 3 (December 2013): 343–364; Gilbert Rozman, *Chinese Strategic Thought toward Asia* (New York: Palgrave Macmillan, 2010), Kindle edition.

15 Minjiang Li, ed., *Soft Power: China’s Emerging Strategy in International Politics* (Lanham, MD: Lexington Books, 2009), Kindle.

16 Su-Yan Pan and Joe Tin-Yau Lo, “Re-conceptualizing China’s Rise as a Global Power: A Neo-Tributary Perspective,” *The Pacific Review* 30, no. 1 (2017): 1–25.

17 Henry Kissinger, *World Order* (New York: Penguin Books, 2015), 227–228; Li, *Chinese Politics in the Xi Jinping Era*, 528.

18 Jinjun Zhao and Zhirui Chen, ed., *Participation and Interaction: The Theory and Practice of China’s Diplomacy* (London: Imperial College Press, 2013), ProQuest Ebrary; Jiemiao Yang, ed., *China’s Diplomacy: Theory and Practice* (Hackensack, NJ: World Century Publishing Corporation, 2014), Google Play Books.

19 Zhenjie Yuan, Junwanguo Guo, and Hong Zhu, “Confucius Institutes and the Limitations of China’s Global Cultural Network,” *China Information* 30, no. 3 (2016): 334–356.

20 Klara Khafizova, *Chinese Diplomacy in Central Asia in XIV–XIX* (Almaty: Gylym, 1995), 203.

21 *Handbook on Planning, Monitoring and Evaluating for Development Results* (New York: United Nations Development Program, 2009).

Today, communication is a vital tool for advancing any activity. As such, in studying Confucius Institutes, I focus on three pillars to determine the Institutes' organizational capacity: 1) an institution has a well-developed communication strategy; 2) an institution has well-educated personnel; and 3) an institution has monitoring and evaluation (M&E) plans (see Figure 13.1). My conceptual approach gives rise to the following essential research questions: 1) How do Confucius Institutes supposedly contribute to China's soft power?; 2) How are their programs implemented and why they are critiqued in academia?; 3) Do the Institute programs differ in Kazakhstan and Kyrgyzstan and, if so, why? Are there differences worldwide?; and 4) What results have the Institutes achieved since their launch and how are these assessed?

My exploration of these questions was informed by acquainting myself with Institute documents (Hanban Constitution and By-Laws, and Application Procedures), as well as analysis of existing literature on the topic. The questions lend themselves to a discussion of what the Confucius Institutes do on a daily basis to promote China's agenda.

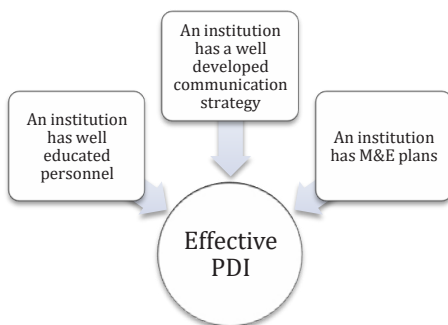
The interpretation of this research's results is based on Yin's framework for embedded multiple-case study analysis (see Figure 13.2).²² A case study should not be perceived as a single case for the purposes of analysis, since any given case may contain more than one case. As Yin explains, "The evidence from multiple cases is often considered more

compelling, and the overall study is therefore regarded as being more robust."²³

The research findings are based on fieldwork observations, a survey of students, and semi-structured interviews with six of the seven directors of Confucius Institutes in the countries under study, as well as one former director; four deputy directors; four local directors; seven students; one alumnus; and one administrative assistant. Fieldwork took place from mid-February to mid-March 2017 in Bishkek, Osh, Astana, Karaganda, Aktobe, and Almaty. A total of 27 interviews were conducted, each of which lasted an average of 40–50 minutes. The vast majority of interviews (22 out of 27) were conducted in Russian. Interviews were recorded on tape or in shorthand, and those in Kazakh and Kyrgyz were then translated into Russian. Due to the sensitivity of some topics, interviews were constructed like anonymous conversations.

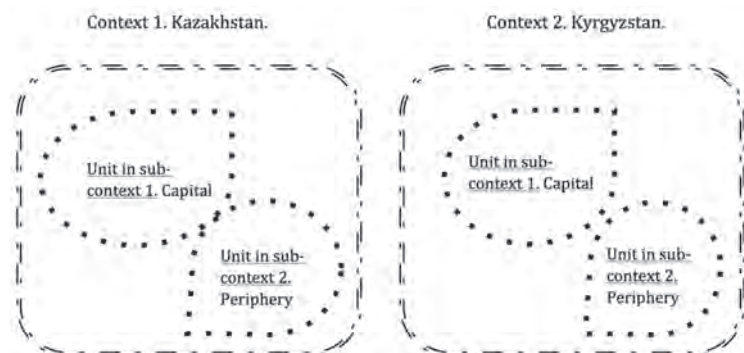
My analysis also draws on the results of a survey among Confucius Institute students conducted alongside interviews during fieldwork. The quantity of respondents from Kazakhstan is much higher due to the broader representation of Institutes there (four institutes in Kazakhstan compared to two in Kyrgyzstan). The majority of respondents were young people between the ages of 18 and 21, predominantly undergraduate students. 161 respondents answered the 15-question questionnaire. This approach to data-gathering was designed to collect information and triangulate between the available evidence (docu-

Figure 13.1. Pictorial Representation of the Article's Conceptual Approach



Source: Author's own figure

Figure 13.2. Embedded Multiple-Case Study Model Showcasing the Contextual Basis of Current Research



Source: Author's own figure

22 Robert K. Yin, *Case Study Research: Design and Methods*, 5th edition (Thousand Oaks, CA: Sage Publications, 2014), 91.

23 Yin, *Case Study Research*, 97.

mentation, interviews, direct observations, physical artifacts, and so on) to increase the validity and reliability of the study.

Interestingly, many respondents were suspicious of my research and concerned that people would gain more insight into the Institutes, prompting some respondents to refuse to meet with me. This attitude is likely connected with Chapter 7 of the Confucius Institute’s Constitution By-Laws, which tries to avoid whatever would “cause losses of capital or assets or damage or tarnish the reputation of the Confucius Institutes.”²⁴

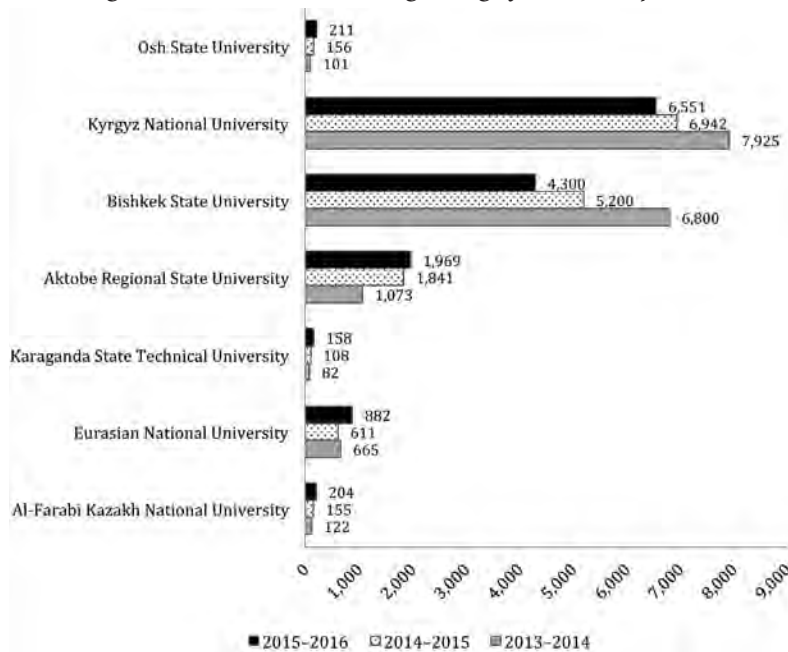
During the fieldwork, I struggled to get a clear and comprehensive picture of what has been happening in Confucius Institutes. Attempts to establish relationships of trust with the directors were not always successful. Some of them were reluctant to share information about some aspects of their activities or did not wish to disclose the details of their work. Others deliberately delayed the time and date of interviews and tried to send their deputies. Some interviewees expressed doubt about my status as a researcher; they were afraid of being interviewed and, especially, taped. However, most of the respondents ultimately agreed to speak, though they would sometimes shy away from answers and not always give

detailed responses about their personal experiences with the Institute. To ensure that the case studies would have sufficient data and be valid for assessment purposes, I obtained informed consent from all participants regarding their involvement in the study and guaranteed confidentiality regarding their location and identity.

Confucius Institutes in Kazakhstan and Kyrgyzstan

There is a pronounced difference in the number of people studying at the Confucius Institutes in Astana and Bishkek, despite the fact that both are capital cities (see Figure 13.3). The main reason for this is that the Bishkek State University’s Confucius Institute is located near the Kyrgyz–China Department, making its work more sustainable and the number of students much bigger. Nevertheless, the number of students in Bishkek is declining, possibly due to a growing number of Chinese learning centers and increased opportunity to apply directly to Chinese universities: many Kyrgyz who studied in China and returned home are now setting up businesses that specialize in foreign education and student exchanges.

Figure 13.3. Dynamics of Confucius Institutes Branches Attendees (Registered Students at the Beginning of Each Study Year)²⁵



Source: Author’s fieldwork

24 “Constitution and By-Laws of Confucius Institutes,” Hanban, http://english.hanban.org/node_7880.htm.

25 They do not break out those who received certificates and the number of students who continued their education from previous years.

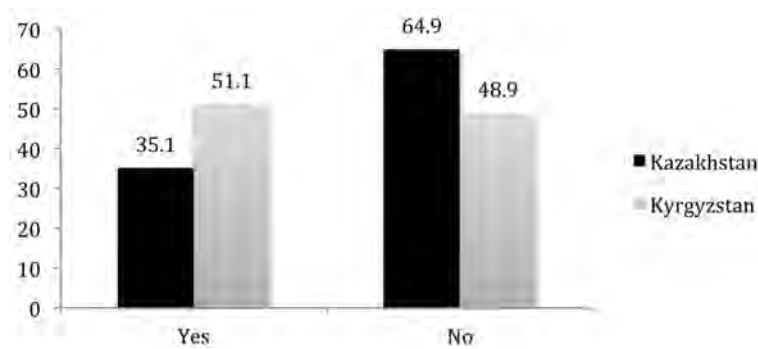
A worrying trend for CI in both countries is that Central Asian youth seems extremely interested in learning Chinese, but not in learning *about* China. Recent studies suggest that Western graduates are now less likely to pursue Chinese diplomas due to concerns about the pollution of Chinese cities and limited work opportunities.²⁶ Though Central Asian youth continue to express interest in studying in China, participation in non-language courses is quite low, as Figure 13.4 shows. This calls into question the success of China’s approach to “winning the hearts and minds” of Central Asian Chinese learners through additional training about its culture and traditions.

Confucius Institutes initially did not charge tuition for their courses. However, staff noticed that attendance started to decline after a few lessons. They were thus advised to charge fees, which resulted in students attending classes more often. Yet some CI

directors and teachers suggested during interviews that around 40 percent of students still give up after one or two months, or after receiving their HSK (the Chinese equivalent of TOEFL) certificates, therefore showing little commitment to in-depth study of Chinese and China.

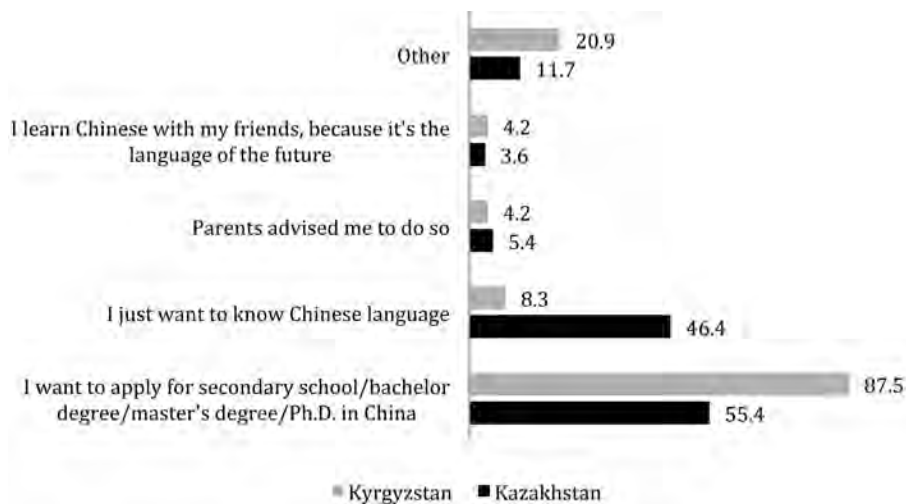
As shown in Figure 13.5, one of the main differences between Kazakhstani and Kyrgyzstani students appear to be what motivates them to study Chinese. Kyrgyzstani students typically attend classes with the goal of applying to Chinese universities, while Kazakhstanis are largely motivated by a desire to simply learn the language. This difference can be explained by the fact that job prospects are better in Kazakhstan than in Kyrgyzstan, meaning that knowledge of Chinese is sufficient to secure a good employment at home in Kazakhstan, whereas Kyrgyz students will be more successful if they study in China itself.

Figure 13.4. Do You Take Part in Additional Courses (Other than Language) Provided at CI?



Source: Author’s fieldwork

Figure 13.5. What Is Your Main Reason for Studying at a Confucius Institute?



Source: Author’s fieldwork

26 Alexandra Harney, “U.S. Students Losing Interest in China as Dream Jobs Prove Elusive,” *Reuters*, March 13, 2015, <http://reut.rs/2hlnhz0>.

Pitfalls Hampering Confucius Institutes’ Success

Confucius Institutes face many challenges to becoming established and successful in Central Asia. First, unlike many Western NGOs present in the region, Confucius Institutes are established within local universities and entirely dependent on the latter’s goodwill. This hinders their work in a variety of ways. First, physical accessibility to the buildings is limited; there are no signs outside indicating that they contain Confucius Institutes. Also, as the simplest Google search can show, the Institutes are not advertised at all, and therefore public outreach occurs only by word of mouth and within the student body.

When the local government is not imposing barriers to the work of a Confucius Institute, the application process for universities that wish to establish one is straightforward. They must meet the following criteria: 1) a demand for learning the Chinese language and culture in the applicant’s location; 2) available personnel, space, facilities, and equipment required for language and culture instruction; and 3) available capital for the establishment of an Institute, as well as a stable source of operating funds. Necessary documents include: 1) an introduction of the applicant site; 2) a floor plan for the required instructional space, and lists of the relevant equipment and facilities available for the proposed Confucius Institute; 3) a projection of market demand, managerial structure, and operational plans for the proposed Confucius Institute; 4) a statement detailing the source, regulation, and management of funds for the proposed Confucius Institute; and 5) other materials required by the Confucius Institute Headquarters.

The applicant is entitled to find a Chinese partner institute, and this institution should be noted in the application plan. The applicant can ask the Headquarters to recommend a Chinese partner institute if it is unable to find one (see Figure 13.6 for the Confucius Institutes’ accountability scheme). All documents should be submitted to the Confucius Institute Headquarters, Hanban, affiliated with the

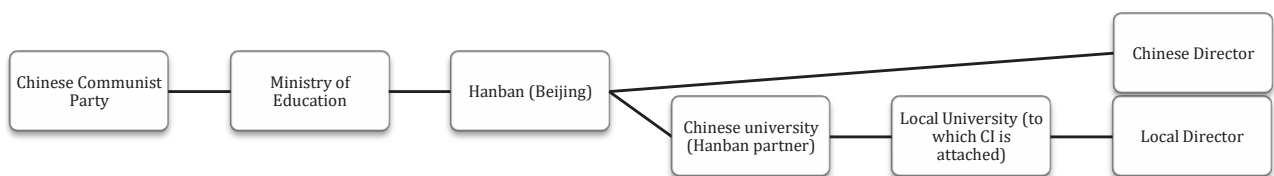
Chinese Ministry of Education, or to the Education Office or Culture Office of the local Chinese Embassy. While some institutes are launched by official decree on a bilateral basis, the poor quality of ongoing work procedures and standards tend to impede their stated goal of fostering mutual understanding.

Issues related to human capital are even more important for capturing the difficulties of Confucius Institutes face in succeeding in Central Asia.

Confucius Institutes are not only created from scratch at local universities, but they also have to contend with the absence of a good Central Asian school of Sinology. If local Sinologists were well-established, such individuals and centers might be good ambassadors and partners who could jointly address critical issues. At present, however, there are no effective associations of Sinologists and few experts on China, and the Confucius Institutes therefore had to build their human resources by bringing with them Chinese teachers.

Hanban has tried to establish a school for training local teachers and professors of Chinese, but Confucius Institute staff lament that students want native speakers to help them with pronunciation, a particular challenge when learning Chinese. The Chinese teachers and staff working at Confucius Institutes are rarely well integrated and informed about the Central Asian context. Although Hanban’s application requirements state that the Chinese director must know the local language, my interviews revealed that some of them are unable to speak Kazakh, Kyrgyz, or Russian to a level that would allow them to converse with locals. On top of that, few of the Chinese volunteers there could speak Russian, which is a real barrier to their teaching. In Kazakhstan, Russian-speaking students are also excluded, since the Confucius Institutes are established in Kazakh-speaking universities or departments. To summarize, the absence of a common language in which to teach Chinese or educate students about China fundamentally impedes the Confucius Institutes’ success and discourages many students from engaging with them.

Figure 13.6. Confucius Institutes’ Organizational Structure



Source: Author’s own figure

Cultural interactions may also be challenging. For instance, Chinese teaching volunteers are not particularly happy with local students, complaining that “in China, students study much harder and need no control, but volunteers have to adapt to local realities, where teachers make students study.” Some other confirmed this perception, declaring “locals are not very motivated and fail to work hard at the level at which Chinese are accustomed to work.”²⁷ This cultural gap sometimes makes interaction difficult.

Last but not least, the majority of Confucius Institutes seem to lack a long-term, holistic vision of their work. They content themselves to reproducing Hanban’s general strategy with no adaptation to local contexts; do not display any sustainability and organizational development strategy (poor fundraising practices, weak sense of “one team” stance); lack sound HR practices (the hiring process for volunteer teachers, in particular, is not transparent); and have no strategic communication methods. While some local Confucius Institute staff could articulate a clear vision, others were very uncertain about the future and sustainability of their institutes.

The Institutes therefore tend to become elementary-level language schools with low standards, weak accountability, and limited vision. Moreover, different Confucius Institutes seem to feel that they are competing with one another. The staff I interviewed, for instance, were not happy when other Institute opened, indicating that the central Confucius administration, Hanban, could not successfully communicate the message that they were not rivals but all part of the same global strategy of developing China’s soft power.

Chinese Soft Power Perspectives in Central Asia

Confucius Institutes’ affiliation with local universities and integration into a bilateral, state-to-state program guarantees China’s cultural agents access to Central Asia’s main asset—youth. Common premises and affordable or sometimes even no-cost courses absolutely wins the hearts and minds of these students without tremendous effort. Being in the same boat as the local government, makes their activities accessible and gives them credibility. On the other hand, it limits their opportunities.

In the near future, Confucius Institutes may find themselves facing transparency and accountability issues that put them far behind Western NGOs. However, the cases of U.S. and European NGOs show that openness does not make sense if elites are not ready for societal transformations and want the population to be less knowledgeable about democratic institutions and practices. This may be why China is so keen to declare at every turn that it is not interfering into politics and domestic relations, and why it prefers working with government-affiliated universities. As D’Hooghe puts it, “in spite of public diplomacy successes...China also seems trapped between its aim at perfection in image projection and...its inability to give up control.”²⁸

Yet despite state support, can we assume that Confucius Institutes will never face the constraints imposed on some U.S. NGOs such as the Peace Corps? In a fast-changing environment such as that of Kazakhstan and Kyrgyzstan, no international NGO—even one focused on cultural issues—is immune to failure. If local politicians want to win support by recourse to nationalism, they may choose to frame the Institutes as being harmful to domestic relations and appeal to the Sinophobia that surrounds workforce and demographic issues. In light of the current political and societal evolutions of both countries, which face a rise in the number of ethnonationalist and religious claims, Confucius Institutes would be wise to develop their communication strategies and become more transparent about their organizational practices in hopes of avoiding becoming scapegoats.

Even if Sinophobia will continue to have a strong foothold in Central Asian societies’ perceptions of China, Beijing can still operationalize positive views on several other elements. First, at a time where conservative values are on the rise among Central Asian youth, China can promote itself as a cultural and moral alternative to the liberal West and speak to a certain segment of the younger generation. Second, many young Central Asians are very attracted by China’s “economic miracle,” and the country’s geographical proximity allows them to travel easily to China, making exchange programs relatively cheap. Third, there are some cultural elements on which China could build on its soft power attraction, for instance martial arts—Jackie Chan is a real star in Central Asia. Moreover, while traveling

27 Confucius Institute staff member, interviewed by Gaukhar Nursha, Spring 2017.

28 Ingrid D’Hooghe, *Rise of China’s Public Diplomacy* (Hague: Clingendael, 2015), 38.

in Kyrgyzstan, looking for other Oriental schools and talking to the local population, I noticed a decline in the influence of Japan and South Korea, leaving more room for China to embody “Asian values” and display itself as a role model.

Conclusion

Chinese culture and the Chinese educational system are attractive to youth worldwide, as well as to Central Asians, who hope a Chinese diploma will give them an economic advantage when they return home. But difficulties with mastering the language itself, a comparatively low number of jobs where Chinese is a must, and stronger soft power attraction to the West make China’s efforts to popularize itself less effective than the Chinese authorities would like them to be.

To date, we cannot assume that Confucius Institutes are helpful in constructing a positive image of China, for a number of reasons. Confucius Institutes’ low representation in the region, along with poor networking among their alumni, mean that this social capital goes neglected and unused. While many academics state that Confucius Institutes play a sizable role in reinforcing Chinese political and

economic partnerships with other countries, the scope of what they have achieved in Kazakhstan and Kyrgyzstan over the last decade remains questionable.²⁹

Is China attractive? Yes. Is this attraction soft power? Definitely not, at least according to Nye’s concept. First, Confucius Institutes are not authentic tools of soft power, as they were created by government and remain tightly controlled by it. They are more public diplomacy and propaganda instruments than effective tools for creating a positive image and influencing local decision-makers.

Second, soft power is the ability to change someone’s behavior, which does not seem to happen in Central Asia. China has more of a “sticky power,”³⁰ created by its financial support. Central Asians do not admire China; they are afraid of and want to be closer to their blatantly ambitious neighbor, which they see as a “cash cow.”

A more in-depth study of Chinese “soft power” thus remains to be carried out, assessing how official statements mesh with reality on the ground. The West’s soft power in the region is also eroding, and its status as a cultural hegemon is now challenged, which potentially opens the door for new countries to emerge as cultural benchmarks. Whether China will be one of them is still unclear.

29 Pan and Lo, “Re-conceptualizing China’s Rise,” 16.

30 Walter Russell Mead, *Power, Terror, Peace and War: America’s Grand Strategy in a World at Risk* (New York: Knopf Doubleday Publishing, 2007), 29.

Chapter 14. Contemporary Chinese Labor Migration and Its Public Perception in Kazakhstan and Kyrgyzstan

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The Belt and Road Initiative has been positively received by Central Asian countries since it was announced by Chinese President Xi Jinping in Astana in 2013. The initiative promises significant investments in Central Asia, and the local governments are very enthusiastic about the prospects for receiving funding for major infrastructure projects. BRI also promises to create thousands of new jobs and to contribute to economic growth in the region. This is a key priority for Central Asia, which has suffered economic hardship following the collapse of energy prices, the economic crisis in Russia, and the slowdown of economic development in China.

However, one of the key challenges for China is the negative perception of Chinese labor migrants among local populations. After the announcement of BRI, the number of Chinese migrants in Central Asia grew rapidly due to increased Chinese investment. Some countries have witnessed a rise in alarmist attitudes toward China and a surge in incidents against Chinese migrants. In Kyrgyzstan and, to some degree, Tajikistan, anti-Chinese sentiment has led to protests. In Kazakhstan, which has long been considered the bastion of regional stability, news of the possibility of renting the country's farmland to China sparked the largest protests in two decades. Uzbek and Turkmen authorities have tightened migration controls and introduced strict limits on the number of Chinese workers who can be employed locally, with the goal of preventing the spread of such incidents to their countries.

This issue has been an important topic of debate in Central Asia over the past few years. In this chapter I selected two countries, Kazakhstan and Kyrgyzstan, for two reasons: first, they are the ma-

ior destinations of Chinese migrants in Central Asia; and second, they represent contrasting host country models for Chinese migration. In Kazakhstan economic grievances and unemployment are less urgent, the migration of Chinese is tightly controlled and regulated. Migrants reside mainly in enclaves, and thus have little contact with locals. The political system is highly centralized, and anti-Chinese sentiment is not so blatant—protests are a comparatively recent development, coming only with the farmland rental issue. This is similar to the situation in Uzbekistan and Turkmenistan. But in Kyrgyzstan, where the economic conditions are more difficult and the government is less centralized, anti-Chinese and anti-migrant sentiment has repeatedly surfaced in the form of protests against Chinese nationals. In Tajikistan, conditions for Chinese migrants are similar to those in Kyrgyzstan.

Contemporary Chinese Migration to Kazakhstan and Kyrgyzstan

China's working-age population has been growing rapidly since the beginning of the 2000s. According to estimates, up to 190 million persons were expected to reach working age between 2000 and 2015.¹ But despite the newly created jobs, and particularly given the recent economic slowdown, China has been unable to provide employment for all. The country has now almost 100 million unemployed people.² Many of them are seeking jobs abroad, making China one of the biggest exporters of migrant workers in the world. There are currently 60 million Chinese overseas, according to the *Annual Report on*

1 Elena Y. Sadovskaya, "Chinese Migration to Kazakhstan: a Silk Road for Cooperation or a Thorny Road of Prejudice?" *China and Eurasia Forum Quarterly* 5, no. 4 (2007): 150, https://www.academia.edu/14352395/Chinese_Migration_to_Kazakhstan_a_Silk_Road_for_Cooperation_or_a_Thorny_Road_of_Prejudice.

2 "China Unemployed Persons 2004–2017," Trading Economics, <http://www.tradingeconomics.com/china/unemployed-persons>.

Chinese International Migration (2015).³ There were a further one million Chinese migrant workers in temporary employment abroad in 2014 under the Chinese Ministry of Commerce's International Labor Cooperation program.⁴

Since the dissolution of the Soviet Union in 1991, a proportion of the Chinese nationals who leave the country in search of better employment opportunities have headed to Central Asia. In fact, even before that, the Sino-Soviet agreement of 1988 opened the borders for Chinese to go to Central Asia. Kazakhstan and Kyrgyzstan have since emerged as China's primary trade partners, and consequently are the major destinations for Chinese migrant workers in the region.⁵ Throughout the 1990s, there were comparatively few Chinese migrants in Central Asia, mainly working in the markets as wholesale or retail traders. However, since the 2000s, when Chinese investment started to grow, and following the 2008–2009 international financial crisis, China became the region's key investor and biggest creditor.

While migration from China to Kazakhstan and Kyrgyzstan was mainly spontaneous (primarily consisting of small traders) and loosely controlled during the 1990s, in later periods it became more regulated. Both countries sought to restrict migration to officially allocated annual quotas, though with varying degrees of success. It should also be taken into account that in the 1990s, the majority of Chinese migrants in Kazakhstan and Kyrgyzstan were Uyghur and Dungan people, who have linguistic, cultural and/or religious affinities with the people of their host countries,⁶ and therefore did not trigger the same negative reaction. In Kazakhstan, in the early 2000s, 95 percent of those who were originally from China and received permanent residency in Kazakhstan were ethnic Kazakh returnees (Oralmans).⁷

More recent migrants, particularly those who have moved to Central Asia via the quota system

since the beginning of the 2010s, are overwhelmingly Han Chinese. Contrary to early non-Han migrants who prefer to settle permanently in Central Asia, Han Chinese tend to move to the region temporarily, with contract-based or seasonal jobs. For example, between 1995 and 2014, only 80 Han Chinese obtained Kazakhstani citizenship and just 393 stayed on as permanent residents, according to Kazakhstan's Ministry of Interior Affairs.⁸ Thus, as Steiner argues, Han Chinese are more inclined toward short-term relocation to Central Asia, "while non-Han Chinese nationals have a tendency to integrate into the local communities with whom they share kinship ties."⁹ This chapter deliberately excludes early non-Han Chinese migration and focuses specifically on the contemporary migrants in Kazakhstan and Kyrgyzstan—predominantly Han Chinese—with a particular focus on the negative public perceptions of these migrants.

The key challenge in assessing contemporary migration from China to Central Asia, as many authors note, is the absence of consistent data and the significant contradiction between official figures and other estimates with regard to the scale of migration.¹⁰ It is widely believed that the real number of Chinese migrants is much higher than official statistics suggest, and that unregulated illegal migration to support black markets and industries is rampant.¹¹ Moreover, the majority of Chinese migrants to Kazakhstan and Kyrgyzstan tend to move quickly into and out of the country as their contracts start and end, a high turnover that makes it difficult to maintain accurate records.

Key Trends in Chinese Migration to Kazakhstan

If we look at contemporary Chinese labor migration to Kazakhstan and Kyrgyzstan, we can identify several governance, political, and economic factors

3 Wang Huiyao, "Annual Report on Chinese International Migration (2015)," *Center for China and Globalization*, <http://en.ccg.org.cn/annual-report-on-chinese-international-migration2015/>.

4 "China," Interantional Organization for Migration, https://www.iom.int/countries/china#_ftn1.

5 Marlene Laruelle and Sebastian Peyrouse, *The Chinese Question in Central Asia: Domestic Order, Social Change and the Chinese Factor* (New York: Columbia University Press, 2012), 46.

6 Yelena Sadovskaya, "Chinese migration to Kazakhstan: Reality and myth," *Tsentriaziia*, March 10, 2014, <http://www.centrasia.ru/newsA.php?st=1412322840>.

7 Yelena Sadovskaya, "The Mythology of Chinese Migration in Kazakhstan," *Central-Asia Caucasus Analyst*, January 7, 2015, <https://www.caciana-lyst.org/publications/field-reports/item/13112-the-mythology-of-chinese-migration-in-kazakhstan.html>.

8 Sadovskaya, "The Mythology of Chinese Migration."

9 Nicholas J. Steiner, "Chinese Migration to Central Asia: Contrasting Experiences between Kazakhstan and Kyrgyzstan" (MIS thesis, University of Washington, 2013), 11, https://digital.lib.washington.edu/researchworks/bitstream/handle/1773/23547/STEINER_washington_02500_11745.pdf;sequence=1. United Nations, Department of Economic and Social Affairs.

10 Steiner, "Chinese Migration to Central Asia," 4.

at play. These include official controls on migration flows, local labor laws, the work permit regime, its enforcement, and the availability and cost of skilled labor, all of which influence the divergent patterns of Chinese migration in these two countries. As Steiner writes, Kazakhstan “is firmly centralized, experiences little social unrest and the government pays keen attention to anything that might incur citizen protest”; thus, the presence of Chinese labor migrants is tightly controlled and highly regulated.¹² Sadovskaya also notes that Kazakhstan strictly monitors the issuance of visas to Chinese citizens,¹³ and most of the Han Chinese laborers stay in enclaves, limiting their visibility by the Kazakhstani public.¹⁴ Even ethnic Kazakhs from China, who live mainly in big cities like Almaty, are often subject to regular checks by the authorities to ensure the legality of their presence. Bilateral trade, which played a key role in facilitating Chinese migration to Kazakhstan in the early 1990s, is also now carried out via official channels, properly registered, and taxed.

Kazakhstan is the only Central Asian state to maintain relatively comprehensive statistical data on Chinese migration. According to available data, an average of 150 to 200 Chinese “tourists” entered the country per day from 1993 to 1995. Of these, 30 to 50 did not return to China, suggesting that they settled in Kazakhstan or left for other countries such as Russia.¹⁵ Based on these trends, Kazakhstan’s government estimated that between the early 1990s and the early 2000s no less than 130,000–150,000 Chinese illegally stayed and worked in Kazakhstan. To counter this wave of illegal migration, Astana tightened work permit and registration requirements, introducing a quota system for Chinese companies in Kazakhstan that wanted to hire migrant workers. In 2010, the government also adopted a regulation on the mini-

imum percentage of Kazakh workers to be employed by any project or company operating on the national territory.¹⁶

According to official statistics, between 2002 and 2005, 5,800 Chinese citizens received a work permit, which amounts to 12 percent of all legal foreign workers in Kazakhstan.¹⁷ According to the Ministry of Internal Affairs, as of 2013, there were 25,600 legal foreign workers, of whom 5,300, or 23 percent, were Chinese citizens.¹⁸ Since then, this figure has grown rapidly. In 2016 alone, the Ministry of Labor and Social Protection issued 36,800 work permits to foreign citizens, of whom 12,700 (or 34.5 percent) were Chinese. In addition to those with official work permits, there likely are significant numbers of Chinese citizens who, after getting a temporary visitor visa, stay in Kazakhstan for a longer period and work there without proper documentation.¹⁹

Key Trends in Chinese Migration to Kyrgyzstan

Compared with Kazakhstan, politics in Kyrgyzstan is more decentralized, and the level of social unrest is significantly higher. The presence of Chinese migrants is both less regulated and more visible: “Chinese traders and enterprises operate with little oversight and tend to be tied to black market activity.”²⁰ Moreover, the flow of unregistered (and not properly taxed) border or “suitcase” goods from China to the Kyrgyz black market is a serious issue. In 2014 alone, there was an almost five-fold difference between the official annual bilateral trade turnover figures reported by the Chinese and Kyrgyz authorities (US\$5.3 and US\$1.1 billion, respectively).²¹ As a result, the level of public dissatisfaction with Chinese migrants is higher in Kyrgyzstan than in Kazakhstan;

11 Yelena Sadovskaya, “Patterns of contemporary “Chinese” migration into Kazakhstan,” in *Chinese Migrants in Russia, Central Asia and Eastern Europe*, ed. Felix B. Chang and Sunnie T. Rucker-Chang (Hoboken: Taylor & Francis, 2011), 82. Cited in Steiner, “Chinese Migration to Central Asia,” 3.

12 Aleksandra Jarosiewicz, Marek Matusiak, and Krzysztof Strachota, “Bloody clashes in western Kazakhstan,” Centre for Eastern Studies, December 21, 2011, <http://www.osw.waw.pl/en/publikacje/eastweek/2011-12-21/bloody-clashes-western-kazakhstan>.

13 Sadovskaya, “Patterns of contemporary “Chinese” migration into Kazakhstan,” cited in Steiner, “Chinese Migration to Central Asia,” 6.

14 Raffaello Pantucci and Alexandros Petersen, “China and Central Asia in 2013,” *Jamestown Foundation China Brief* 13, no. 2 (2013), <https://jamestown.org/program/china-and-central-asia-in-2013/>.

15 Sadovskaya, “Patterns of contemporary “Chinese” migration into Kazakhstan,” cited in Steiner, “Chinese Migration to Central Asia,” 22.

16 Sadovskaya, “Chinese migration to Kazakhstan: Reality and myth.”

17 “Demograficheskii gigant’ Kitai budet davit’ na Kazakhstan,” *Regnum*, October 9, 2007, <https://regnum.ru/news/polit/896904.html>.

18 “Bolee 150 tysiach grazhdan Kitaiia priekhali v Kazakhstan za tri goda,” *TengriNews*, September 6, 2013, https://tengrinews.kz/kazakhstan_news/150-tyisyach-grajdan-kitaya-priehali-kazakhstan-tri-goda-241126/.

19 “Ibid., 52–53.

20 Steiner, “Chinese Migration to Central Asia,” 6.

21 “China Statistical Yearbook 2015,” National Bureau of Statistics of China, <http://www.stats.gov.cn/tjsj/ndsj/2015/indexeh.htm>.

this occasionally leads to anti-Chinese protests and violence against migrant workers.

An important driver of uncontrolled migration from China to Kyrgyzstan during the 1990s was a bilateral agreement on a visa-free travel regime, in force until 2003.²² Similar to Kazakhstan, Uyghur and Dungan migrants dominated Kyrgyzstan's urban markets in that period, and the country's numerous bazaars served as re-export bases for massive volumes of Chinese goods. However, the Kyrgyz authorities later began to tighten immigration laws in order to limit the number of Chinese migrants. They also imposed limitations on the unregulated flow of goods from China in 2007, though a moratorium was subsequently declared on this law.²³

In the mid-2000s, there were an estimated 10,000 Chinese migrants in Kyrgyzstan.²⁴ Similar to Kazakhstan, the country attempted to limit labor migration via official quotas, though with less success. In 2010, the Kyrgyz government set a quota of 13,000 new foreign workers; 70 percent of those spots were claimed by Chinese citizens.²⁵ In 2015 and 2016, the quota for bringing in new foreign workers remained the same, with 80 percent²⁶ and 85 percent²⁷ of places, respectively, going to Chinese citizens. Accordingly, the number of Chinese citizens as a share of the total migrant worker population in Kyrgyzstan rose from 67.8 percent in 2013²⁸ to 77 percent in 2016.²⁹

Yet there are no concrete figures about the total number of Chinese nationals permanently residing in Kyrgyzstan. According to the migration authorities,

around 28,000 of them were registered as living in the country in 2014, though officials admitted that the real number might, in fact, be as high as 40,000.³⁰ The Chinese Embassy in Bishkek gives a different number, claiming that there are about 20,000 Chinese migrants permanently residing in Kyrgyzstan.³¹ But local experts counter that the real number of Chinese workers is much higher. Conservative independent estimates put this number at 50,000.³² Others, particularly nationalist groups, claim that Kyrgyzstan is home to as many as 300,000 illegal migrants from China.³³

Key Reasons for Negative Public Perceptions of Chinese Migrants

Pantucci argues that there is a persistent sense among experts and officials in Central Asia that China's interests and investments in the region mask some sort of hidden agenda.³⁴ For instance, Konstantin Syroezhkin, an expert at the main Kazakhstani think tank, KISI, posits that Chinese money is often invested in infrastructure projects that serve Chinese interests, and investments rarely create lasting employment opportunities for local people, nor generate export revenues for the regional countries.³⁵ Although some take a positive view of the employment prospects created by Chinese-funded projects, in Central Asia, "many struggle with a deep-rooted fear of their large neighbor."³⁶ According to the International Crisis Group (ICG), the perception of

22 "Migratsiia po-kitaiski. Skol'ko uzhe zhitelei podnebesnoi v Kazakhstane?," *Exclusive.kz*, August 10, 2016, http://exclusive.kz/skolko_kitaicev_v_kazahstane.

23 Paul Goble, "Influx of Ethnic Chinese Worries Kyrgyz," *Window on Eurasia*, March 21, 2011, <http://windowoneurasia.blogspot.com/2011/03/window-on-eurasia-influx-of-ethnic.html>.

24 Erica Marat, "Chinese Migrants Face Discrimination in Kyrgyzstan," *Eurasia Daily Monitor* 5, no. 38 (2008), <https://jamestown.org/program/chinese-migrants-face-discrimination-in-kyrgyzstan/>.

25 "V Kyrgyzstane rastet chislo migrantov iz Kitaia," *RFE/RL*, November 11, 2013, http://rus.azattyk.org/a/kyrgyzstan_china_migrants/25164009.html.

26 "Kитайских мигрантов в КР в 4 раза больше, чем остальных иностранцев," *Sputnik*, December 18, 2012, <https://ru.sputnik.kg/migration/20151218/1021001371.html>.

27 Anna Lelik, "Kyrgyzstan Tightens Registration Rules For Visitors," *EurasiaNet*, November 3, 2016, <http://www.eurasianet.org/node/81151>.

28 "V Kyrgyzstane rastet chislo migrantov iz Kitaia," *RFE/RL*.

29 "China colonising Kyrgyzstan," *AsiaNews.it*, December 17, 2016, <http://www.asianews.it/news-en/China-colonising-Kyrgyzstan-39429.html>.

30 Anna Lelik, "Kyrgyzstan Tightens Registration Rules For Visitors."

31 Bakyt Asanov and Farangis Najibullah, "Kyrgyz Ask Why Jobs At Home Are Going To Chinese," *RFE/RL*, November 16, 2013, <http://www.rferl.org/a/kyrgyzstan-chinese-jobs-unemployment/25170163.html>.

32 Asanov and Najibullah, "Kyrgyz Ask Why Jobs At Home Are Going To Chinese."

33 Cholpon Orozobekova, "China Relocating Heavy Enterprises to Kyrgyzstan," *Eurasia Daily Monitor* 13, no. 114 (June 2016), <https://jamestown.org/program/china-relocating-heavy-enterprises-to-kyrgyzstan/>.

34 Raffaello Pantucci, "China's Place in Central Asia," *EurasiaNet*, June 20, 2016, <http://www.eurasianet.org/node/79306>.

35 Andrey Zubov, "Vsled za kitaiskimi den'gami prikhodiat kitaiskie rabochie, chto ne vseгда khorosho," *Inozpress*, April 5, 2016, <http://inozpress.kg/news/view/id/48238>.

36 Catherine Owen, "Chinese Expansion in Central Asia: Problems and Perspectives," Foreign Policy Center, July 2016, <http://fpc.org.uk/articles/688>.

China's expansion raises deep concerns in Central Asia,³⁷ and some politicians, activists, and media outlets have called for a halt on Chinese migration.³⁸ As mentioned previously, these anti-Chinese sentiments have led to some incidents, from the oil fields of western Kazakhstan to mining areas in Kyrgyzstan where Chinese laborers are employed, as well as at the sites of various infrastructure projects where locals work alongside Chinese migrants.

The reasons for the negative attitude toward Chinese migrants can be categorized in two, main broad categories: the general fear of "China's demographic expansion" into Central Asia, and competition between locals and Chinese migrants for the limited number of jobs in Kazakhstan and Kyrgyzstan, as well as bad reputation of Chinese firms.

Fear of "Chinese Expansion" and Its Impact on anti-Migrant Sentiment

Many nations that border China, particularly sparsely populated regions such as Central Asia and Russia's Far East, are wary of the massive influx of Chinese migrants. In Central Asia, a region with a population of only 68 million that borders the largest exporter of migrant workers in the world, media and populist politics exacerbate these fears, due to the significance of China's demographic power.³⁹ In 2015, 16.6 million people were born in China, a number that is almost equal to the total population of Kazakhstan.⁴⁰ Between 1991 and 2015, as many as 3.5 million people migrated from Kazakhstan, 2 million of them permanently. At the result of outward migration and the decline in birthrates, the country lost 18 percent of its population during the 1990s.⁴¹ Although it achieved positive population growth

through recent rising birth rates and the repatriation of Oralmans, any significant influx of foreign nationals is a concern for the public opinion. These fears also exist in Kyrgyzstan—as one local newspaper wrote, Kyrgyz people were deeply suspicious that "the enormous difference in the size of the two countries and peoples would mean that the Kyrgyz would soon drown in a Chinese sea."⁴² This fear is particularly pertinent given widespread and ongoing out-migration—there are an estimated one million Kyrgyz migrants abroad, meaning that every sixth citizen lives overseas.⁴³ Thus, in Kyrgyzstan, many fear that Chinese immigration "is out of control." Some even believe that "Kyrgyzstan will eventually become China's most westerly province."⁴⁴

The historical memory of Chinese invasions also feeds anti-Chinese sentiments; alarmism about China has long featured in the national consciousness of both Kazakh and Kyrgyz people.⁴⁵ For instance, Sadovskaya suggests that fears regarding Chinese migration can be traced to the collective historical memory of the Kazakh people: "the 'mythologization' of Chinese migration is a specific phenomenon rooted in the dramatic history of Kazakh tribes' struggle against Dzungaria and the Qing empire."⁴⁶ The same applies to Kyrgyzstan. For instance, Kyrgyz newspaper *Sayasat* recounts battles fought by national folk legend Manas against the "countless" armies of China.⁴⁷ Syroezhkin agrees that fears about the "Chinese invasion" still feature in the collective memory of Central Asians; however, they tend to be strongest among the older generation, while (with the exception of a small group of so-called national-patriots) young people have a more pragmatic attitude toward China.⁴⁸

37 "China's Central Asia Problem," *Report No. 244 /Europe & Central Asia*, International Crisis Group, February 27, 2013, <https://www.crisisgroup.org/europe-central-asia/central-asia/china-s-central-asia-problem>.

38 Orozobekova, "China Relocating Heavy Enterprises to Kyrgyzstan."

39 Laruelle and Peyrouse, *The Chinese Question in Central Asia*, 107.

40 "Number of births per year in China from 2006 to 2016," Statista, <https://www.statista.com/statistics/250650/number-of-births-in-china/>.

41 Elena Sadovskaya, "Mezhdunarodnaia migratsiia v Kazakhstane v period suvereniteta," *Kazakhstan Specter* 1, no. 75 (2016): 25, <http://www.kisi.kz/uploads/33/files/348Has08.pdf>.

42 Paul Goble, "Influx of Ethnic Chinese Worries Kyrgyz," *Window on Eurasia*, March 21, 2011, <http://windowoneurasia.blogspot.com/2011/03/window-on-eurasia-influx-of-ethnic.html>.

43 V. Pereboev et al., "Labor Migration and Human Capital of Kyrgyzstan: Impact of the Customs Union," EDB Centre for Integration Studies, http://www.eabr.org/general/upload/CII_percent20-percent20izdania/Proekti_percent20i_percent20dokladi/Kyrgyzstan_percent20-percent20CU/EDB_Centre_Report_13_Analytical_percent20Resume_Eng_1.pdf.

44 Catherine Owen, "Chinese Expansion in Central Asia."

45 Mukhit Assanbayev, personal interview with the author, March 2017.

46 Sadovskaya, "The Mythology of Chinese Migration."

47 Chris Rickleton, "Kyrgyzstan: China's Economic Influence Fostering Resentment," *EurasiaNet*, April 28, 2011, <http://www.eurasianet.org/node/63383>.

48 Konstantin Syroezhkin, personal interview with the author, March 2017.

Fear of “Chinese expansion” has repeatedly manifested itself in various land-related protests, taking place either with regard to ceding territories to China to resolve border demarcation issues or in relation to leasing land to Chinese companies for agricultural purposes. It is important to note that these protesters are targeting their own governments, while almost all land-related protests have taken place in opposition to agreements (actual or expected) with China. For example, the decision by the then-president of Kyrgyzstan Askar Akayev to cede 87,000 hectares of Kyrgyz borderlands to China to settle a long-standing border dispute caused mass protests and clashes with police, resulting in the deaths of six protesters. A few months later, a Chinese diplomat and his driver, also a Chinese citizen, were killed in Kyrgyzstan. Erica Marat notes that “the killings were allegedly motivated by nationalist hatred” against China triggered by the land deal.⁴⁹

In another case, at the end of 2009, Kazakhstani President Nazarbayev said that China had requested to rent up to 1 million hectares of agricultural land in Kazakhstan. The prospect of Chinese farmers tilling Kazakhstan’s soil sparked protests, and Kazakh officials spent the next several months denying allegations that the country was planning to “give” land to China.⁵⁰ Participants in a sanctioned protest in January 2010 portrayed the deal as a threat to national security. Some even “waved a turquoise Kazakh national flag with a yellow Chinese dragon imposed on it”⁵¹ and “publicly decapitated a toy panda.”⁵²

The issue resurfaced in March 2016, when the government announced changes to the Land Code extending the terms of leases on agricultural land from an initial 10 years to 25 years for entities with a maximum of 50 percent foreign ownership.⁵³ Upon hearing this, people took to the streets in Atyrau, Aktobe,

and Semey. Between 1,000 and 2,000 people gathered in each city, a significant number for a country with little tolerance for dissent.⁵⁴ Kemel Toktomushev suggests that, “internal political discontent aside, what this wave of protests exposed was strong enmity of the local population towards China.”⁵⁵ He argues that the protesters were quite selective in their identification of foreign threats—it was Chinese investors and migrants that they feared the most.

Fear of Competition for Jobs and Criticisms toward Chinese Firms

Although fears of Chinese expansion are an important factor in the emergence of the negative public attitude toward Chinese migrants, the key determinant is the belief that migrants increase competition in the local job market, depriving locals of the employment opportunities created by Chinese investments. According to Lewis, Chinese investments “do not always give people local jobs and employ local specialists.”⁵⁶ Thus, in Kazakhstan and Kyrgyzstan, Chinese migrants are seen as competitors: hardworking, entrepreneurial, and willing to live and work in poor conditions. There are fears that “they could take up a share of the already scarce labor market and even gain control over some sectors of the national economy.”⁵⁷

In Kazakhstan, where the unemployment rate is quite low (4.9 percent⁵⁸), concerns about job competition are less acute than in Kyrgyzstan. However, this concern is growing as the number of Chinese migrants continues to increase.⁵⁹ For example, according to a 2007 sociological survey conducted among the urban population in Kazakhstan, 24 percent of respondents believed that Chinese migration would negatively impact Kazakhstan’s labor market because it would increase competition. In 2012, this

49 Marat, “Chinese Migrants Face Discrimination in Kyrgyzstan.”

50 Bruce Pannier, “Central Asian Land And China,” *RFE/RL*, May 3, 2016, <http://gandhara.rferl.org/a/china-central-asa-land-sale/27711959.html>.

51 Joanna Lillis, “Kazakhstan: China Looking to Lease Land for Agricultural Purposes,” *EurasiaNet*, February 3, 2010, <http://www.eurasianet.org/departments/insight/articles/eav020410.shtml>.

52 “Rising China, sinking Russia,” *The Economist*, September 14, 2013, <http://www.economist.com/news/asia/21586304-vast-region-chinas-economic-clout-more-match-russias-rising-china-sinking>.

53 Kemel Toktomushev, “Rising China, sinking Russia,” *Chinausfocus.com*, January 27, 2017, <http://www.chinausfocus.com/author/25/Kemel+Toktomushev.html>.

54 “Kazakhstan’s land reform protests explained,” *BBC*, April 28, 2016, <http://www.bbc.com/news/world-asia-36163103>.

55 Kemel Toktomushev, “Rising China, sinking Russia,” *Chinausfocus.com*, January 27, 2017, <http://www.chinausfocus.com/author/25/Kemel+Toktomushev.html>.

56 Bruce Pannier, “What Does China’s One Belt, One Road Project Mean For Central Asia?,” *RFE/RL*, November 12, 2016, <http://gandhara.rferl.org/a/china-central-asia-obor/28112086.html>.

57 International Crisis Group, “China’s Central Asia Problem.”

58 “Kazakhstan, Unemployment Rate,” *Trading Economics*, <http://ru.tradingeconomics.com/kazakhstan/unemployment-rate>.

59 Lidia Parkhomchik, personal interview with the author, March 2017.

increased to 31 percent,⁶⁰ despite the fact that unemployment fell from 7.8 percent to 5.3 percent in the intervening years.⁶¹ The increased Chinese presence also strengthens these negative perceptions: in 2012 “positive” and “very positive” attitudes to Chinese migrants dropped to 23 percent (from 26 percent in 2007), while the share of “negative” and “very negative” attitudes increased to 33 percent (from 18 percent in 2007).⁶²

Perceptions of increased competition in the job market are particularly disturbing for the Kyrgyz public, where more than a quarter of the workforce has left the country due to high unemployment and low wages.⁶³ While official unemployment figures stand at around 8 percent, independent sources say the statistics do not reflect reality, as workers from Kyrgyzstan who find only seasonal work in Russia are listed as fully employed.⁶⁴ In order to address local concerns about competition with Chinese migrant workers in a tight job market, Bishkek has introduced quotas for Chinese businesses, outlining the number of Chinese workers they may hire as a proportion of their total number of employees. For example, in June 2016, Kyrgyzstan handed 40 companies over to China, the majority of which were at risk of bankruptcy and badly in need of investment. The two countries agreed that 80 percent of the employees in these companies should be Kyrgyz citizens for as long as the companies were under Chinese ownership.⁶⁵

In many cases, bringing in Chinese migrant workers is not a choice but a necessity for Chinese investors. Chinese companies bring in their own technology for their projects; thus, as one Kyrgyz official put it, “they also bring their own engineers, monitors, and other qualified specialists to operate the equipment.”⁶⁶ Some argue that locals are also very reluctant to take the jobs that are being taken by Chinese migrant workers, as they are very hard, low-

er-paid, and with longer working hours than other options. For instance, one Kyrgyz Labor, Migration, and Youth Ministry official claims that “many Kyrgyz prefer seasonal jobs in Russia, where they can make more money in a shorter period of time.”⁶⁷ According to the Ministry representative, in the case of Chinese projects, most of the local employees quit within months, complaining about harsh working conditions and low wages.

The tendency of Chinese businesses to employ migrants is not the only factor triggering public dissatisfaction. Many people who are employed by Chinese businesses are also unhappy with their situation and claim to face discrimination. As Radio Free Europe put it, these problems are sometimes caused “by rumors of the Chinese receiving better wages, sometimes by locals’ lack of ability to communicate with the Chinese workers, which leads to fights.”⁶⁸ In 2014 for instance, activists from the “New Generation Coalition” movement organized protests against Kyrgyzstan’s immigration policy, saying that most Chinese workers are paid higher wages than local people.⁶⁹ Interviews conducted by ICG in Kazakhstan in 2012 also offered a long list of the negative effects of Chinese investment, including poor and hazardous working conditions for locals, reported health issues resulting from environmental damage, alleged abuse of local workers, unfair pay, and insignificant economic trickle down for the region.⁷⁰

Looking at recent years, we can see many examples of protest and violence triggered by such concerns. For example, 300 workers protested against the Chinese-owned Solton Sory gold mine in Kyrgyzstan in 2011, accusing it of treating Kyrgyz workers poorly and ignoring environmental standards. They assaulted three Chinese workers and three policemen who were trying to protect them.⁷¹ In 2012, reports emerged from a gold mine managed by the Zijin

60 Sadvokskaya, “The Mythology of Chinese Migration in Kazakhstan.”

61 Trading Economics, “Kazakhstan, Unemployment Rate.”

62 Ibid.

63 Tatyana Kudryavtseva, “Number of Kyrgyz migrants in Russia grows by 2 percent per month,” *24.kg*, January 16, 2016, <http://24.kg/archive/en/evraziasoyuz/178857-news24.html/>.

64 Asanov and Najibullah, “Kyrgyz Ask Why Jobs At Home Are Going To Chinese.”

65 Orozobekova, “China Relocating Heavy Enterprises to Kyrgyzstan.”

66 Asanov and Najibullah, “Kyrgyz Ask Why Jobs At Home Are Going To Chinese.”

67 Ibid.

68 Pannier, “What Does China’s One Belt, One Road Project Mean For Central Asia.”

69 Orozobekova, “China Relocating Heavy Enterprises to Kyrgyzstan.”

70 “China’s Central Asia Problem,” International Crisis Group.

71 Tatyana Kudryavtseva, “Kyrgyzstan: Bishkek Missing Out on Gold Bonanza,” *EurasiaNet*, September 12, 2011, <http://www.eurasianet.org/node/64161>.

Mining group in Taldy-Bulak that locals had threatened to burn down a company office after a poison provided by the company allegedly killed a local horse.⁷² In the village of Kurshab in 2013, a brawl erupted between local Kyrgyz people and Chinese workers building a strategically important, high-profile power line to connect the south of the country to the north. The clashes left 28 people injured, including policemen.⁷³

One of the key Chinese investment projects in Kyrgyzstan, the Kara-Balta (Zhongda) oil refinery, once promised to employ over 2,000 locals. Now, it frequently experiences protests about economic and labor conditions. The first wave of protests began in 2014, with demands that the company address the pollution the plant was causing.⁷⁴ While the firm managed to resolve that complaint and resume operations, 2015 was another difficult year, as conflict broke out between the company and the local trade union. According to locals, the firm was violating their labor rights: management did not conclude employment contracts, made excessive use of temporary contracts without any legal grounds for doing so, and refused to pay extra charges and benefits, provide personal protective equipment, among other things. At that time, the company employed about 450 local and 550 Chinese workers, far short of its initial promise to provide employment for 2,000 locals.⁷⁵

In fact, despite the fear of competition and protests against Chinese workers, the Chinese migrants in Kazakhstan and Kyrgyzstan do not significantly impact local job markets, as demonstrated by data provided in the first section. Syroezhkin also argues that the presence of Chinese labor in joint Chinese–Kazakh companies is not particularly significant. For example, in Chinese-owned oil and

gas companies, Chinese nationals do not exceed 5 percent of the total number of employees.⁷⁶ In 2016, 3,768 Kazakh companies hired 36,800 foreigners via quota-based work permits, at the same time as they employed 470,000 local workers, meaning that 94 percent of all employees were Kazakh citizens.⁷⁷ Moreover, as mentioned above, the majority of Han Chinese come to the country to find temporary work or engage in trade; contrary to popular fears, they typically do not seek permanent residence.⁷⁸ However, many people do not trust the official statistics. Furthermore, given the difficulty in accessing systematic and comprehensive official statistics, much higher estimated figures are frequently cited, “furthering xenophobic sentiments, which Central Asian politicians and media anxiously exploit.”⁷⁹ Consequently, exaggerated figures and a lack of publicly available accurate information about Chinese migrant workers contribute to anti-Chinese perceptions in Central Asia.⁸⁰

To this issue should be added that Central Asian countries have a significant trade deficit with, and accumulated public debt to, China. Signs of China’s overwhelming economic influence in the region are abundant: “Markets are full of Chinese products, infrastructure is heavily built by Chinese firms with Chinese loans, leadership visits—either Chinese to the region or regional to China—are followed by announcements of massive deals being signed.”⁸¹ Therefore, there is a fear that this dependence may, in the future, compromise the sovereignty of Central Asian countries. As Parkhomchik argues in an interview, “The population fears that the governments will not be able to repay the debt, which might lead to a situation where Beijing can use this as a direct lever of pressure on the country’s leadership, including in matters of domestic policy.”⁸²

72 Pantucci and Petersen, “China and Central Asia in 2013.”

73 David Trilling, “Chinese Workers Fingering in Southern Kyrgyzstan Fracas,” *EurasiaNet*, January 9, 2013, <http://www.eurasianet.org/node/66372>.

74 David Trilling, “Kyrgyzstan Suspends Work at New Chinese Refinery,” *EurasiaNet*, February 19, 2014, <http://www.eurasianet.org/node/68061>.

75 “Chinese oil company attacks workers in Kyrgyzstan,” *Industrial-Union*, September 9, 2015, <http://www.industrial-union.org/chinese-oil-company-attacks-workers-in-kyrgyzstan>.

76 Konstantin Syroezhkin, personal interview with the author, March 2017.

77 “Kazakhstanskije rabotodateli v 2016 gody otdavali predpochtenie grazhdanam KNR,” *Regnum*, February 13, 2017, <https://regnum.ru/news/economy/2238331.html>.

78 Sadovskaya, “The Mythology of Chinese Migration.”

79 Steiner, “Chinese Migration to Central Asia,” 4.

80 “China’s Central Asia Problem,” International Crisis Group.

81 Raffaello Pantucci, “China’s Place in Central Asia.”

82 Lidia Parkhomchik, personal interview with the author, March 2017.

Other Factors Influencing Negative Perceptions of Chinese Migrants

Still more factors feed anti-Chinese sentiments in Kazakhstan and Kyrgyzstan. Among there are internal political dynamics—including attempts by politicians/elite groups to benefit from anti-Chinese grievances—and a lack of knowledge of China, its culture, language, and habits. The latter prevents the development of interpersonal relations and communication between locals and Chinese migrants and employers. An additional factor is the failure of Chinese companies to effectively address the concerns of locals, and to use Corporate Social Responsibility tactics to manage problematic relationships with local employees.

Several authors have identified internal political dynamics as an important factor in the emergence of negative public perceptions of migrants, as some politicians and regional elites use anti-Chinese and anti-migrant sentiments to attack the government and advance their own political agendas. As Kassenova describes it, these groups allege that Chinese emigration “is uncontrolled and accuse their governments of ‘giving’ or ‘selling’ land and natural resources to China.”⁸³ This is especially true in Kyrgyzstan, where government protests have been fairly commonplace. Orozobekova supports this position, stating that in Kyrgyzstan, opposition parties try to gain support by exploiting anti-Chinese anger and fear.⁸⁴ For instance, Omurbek Tekebayev, leader of the Kyrgyz parliament’s opposition Ata-Meken faction, participated in an anti-Chinese rally in Kara-Balta in 2014, in a clear attempt to harness local dissatisfaction as a means of discrediting the Atambayev government.⁸⁵

A sociological study by Sadovskaya reveals that a lack of knowledge about China drives fear and negative perceptions of Chinese migrants. According to the surveys, the respondents “demonstrated weak knowledge of Chinese culture (literature, art, traditions), as well as insufficient knowledge of its current affairs.”⁸⁶ Though knowledge of China’s economic, social, and political life was assessed at 49 percent in 2012—significantly higher than in 2007—famil-

ilarity with Chinese culture and history remained as low as 9 percent.⁸⁷ In order to address this lack of knowledge, as well as general negative perceptions of China and Chinese migrants, Beijing has drawn upon certain soft power instruments, such as opening Confucius Institutes, to raise awareness about China and its culture and language; funding scholarships for Central Asian students to study at Chinese universities; and so on. It remains too early to assess the success of these initiatives. As Parkhomchik puts it, “the region [has] not yet fully experienced the ‘soft power’ of China, which could have formed a positive image of the country and contributed to a deeper understanding of cultural traditions and codes of Chinese civilization.”⁸⁸

Chinese companies also often fail to communicate with their host communities, preferring to focus on developing relationships with power brokers in the capitals or, if need be, at the local level. As an ICG study demonstrates, there is little evidence that Chinese companies on the ground use Corporate Social Responsibility as a tactic to engage with locals.⁸⁹ According to the study, “rising nationalism, ingrained suspicions about Chinese expansionism, few tangible grassroots benefits and a sense that the companies respect only those who can assist their commercial ventures at the highest level have left many disinclined to view China as a beneficial force.”⁹⁰

Conclusion

The chapter uncovered the main characteristics of contemporary Chinese labor migration to Central Asia and reasons for locals’ negative perception of it, a perception that has led to many anti-Chinese and anti-migrant incidents of protest and violence in recent years. It uses the contrasting cases of Kazakhstan and Kyrgyzstan to study the phenomenon of Chinese migration and public perception. In Kazakhstan, anxiety toward migrants is not as high as in Kyrgyzstan, and it seldom leads to incidents. However, anti-Chinese and anti-migrant sentiment persists among the

83 Nargis Kassenova, “China in Central Asia,” cited in Steiner, “Chinese Migration to Central Asia,” 20.

84 Orozobekova, “China Relocating Heavy Enterprises to Kyrgyzstan.”

85 Trilling, “Kyrgyzstan Suspends Work at New Chinese Refinery.”

86 Sadovskaya, “The Mythology of Chinese Migration.”

87 Ibid.

88 Lidia Parkhomchik, personal interview with the author, March 2017.

89 “China’s Central Asia Problem,” International Crisis Group.

90 Ibid.

population and in the media. In Kyrgyzstan, on the contrary, anti-Chinese and anti-migrant attitudes are more obvious, and in recent years, these sentiments have led to repeated protests and violence against migrants.

A negative public perception of China and Chinese migrants remains one of the important, but under-researched, challenges to be addressed before implementation of BRI-related projects. The issue is complicated by the lack of consistent and comprehensive statistics on Chinese migration, as well as limited access to this information. This not only acts as an obstacle to studying the topic, but also often leads to the citation of much exaggerated estimates in the media, further exacerbating locals' anxiety. To address this problem, up-to-date and comprehensive statistics should be made available by the relevant state institutions of the Central Asian countries.

Chinese companies should also pay more attention to the understandable concerns of local people, including by upholding their promises to hire mostly locals, addressing wage discrepancies between Chinese and locals (though this frequently happens

because Chinese represent majority of skilled workers and managers), outlawing mistreatment, being more respectful of local traditions, and taking environmental concerns into account. Instead of almost merely relying on deals with power brokers in capitals or local elites, Chinese companies should use Corporate Social Responsibility to engage with locals and counter anti-Chinese sentiments.

To this end, efforts to raise awareness about China and its language, culture, and traditions, including by increasing people-to-people contacts, could bring benefits in terms of easing interethnic and intercultural tensions. Confucius Institutes and scholarship schemes for Central Asian students to study in China have already delivered some results, though it is mostly the younger generation that has benefited from such activities. Instead of the Kazakhstani tactic of confining migrants to enclaves in order to limit their visibility to the local public, it would be better to think of ways to integrate them into local societies. After all, the migrants cannot be hidden from public view forever: Chinese investment and the number of migrant workers in Central Asia look set to grow as a consequence of BRI.

Chapter 15. The Impact of Chinese Silk Road Strategy on National Identity Issues in Central Asia. A Media Review

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The BRI offered a new, enhanced form of cooperation among China, Central Asia, and Russia. For Central Asian countries, which have found themselves in a dynamic and challenging geopolitical environment since the collapse of the Soviet Union in 1991, this initiative opens many new opportunities for closer political and economic cooperation with China. However, domestic Central Asian public opinions have been more divided and less enthusiastic about expanding links with China than official speeches by state leaders. This chapter explores and discusses the political implications of the BRI initiative and its impact on the socio-cultural perception of China and Chinese in contemporary Kazakhstani and broader Central Asian media discourse.

Most Central Asian countries have certain societal prejudices toward China, primarily due to history and popular stereotypes. The legacy of the Sino–Soviet border conflicts of the 1960s and 1970s, an imbalanced demographic situation, and the lack of academic and scholarly expertise on contemporary China have all contributed to a stereotypical and alarmist view of China. In Kazakhstan, previous exploration of this issue demonstrated that Sino–Kazakhstani political and economic cooperation is generally perceived positively or neutrally in public discourse. At lower levels, however, many Kazakhstani media outlets and prominent opinion-makers often spread negative clichés sentiments about China.¹

Current literature demonstrates that ordinary Central Asians, including Kazakhstanis, do not necessarily agree with their leaders' assessment that gradually improving relations with China is in the country's national interest.² Survey analysis and expert observations indicate the presence of various phobias and prejudice-based myths in Kazakhstani citizens' perception of China and the Chinese people. In part, this negative perception is rooted in existing problems, including poor treatment of local workers employed by Chinese companies operating in Central Asia, who experience poor labor conditions, lower wages, and a lack of medical care.³ Local manufacturers perceive the influx of Chinese goods into Kazakhstan as a threat, since they cannot compete with Chinese companies.

Moreover, a fairly limited number of qualified researchers are studying contemporary Chinese politics and economic development, limiting the number of expert perspectives on Sino–Kazakhstani relations.⁴ In what follows, I first discuss the role of the Xinjiang factor in China–Central Asian relations. I then discuss the developments and popular manifestations that occurred in Kazakhstan in 2016, as well as recent media debates.

1 Marlene Laruelle and Sebastien Peyrouse, *The Chinese Question in Central Asia: Domestic Order, Social Change and the Chinese Factor* (New York: Columbia University Press, 2012).

2 Laruelle and Peyrouse, *The Chinese Question*.

3 Elena Sadovskaya, "Chinese Migration to Kazakhstan: A Silk Road for Cooperation or a Thorny Road for Prejudice?" *China and Eurasia Forum Quarterly* 5, no. 4 (2007): 147–170; Konstantin Syroezhkin, "Social Perceptions of China and the Chinese: A View from Kazakhstan," *Journal of Eurasian Studies* 7, no. 1 (2009): 29–46.

4 Syroezhkin, "Social Perceptions of China."

Identity-Related Issues in China–Kazakhstan Relations: The Uyghur Factor

Xinjiang and Kazakhstan share many similarities in terms of geography, culture, population, and historical destiny. For a long time, each was a backdoor province of its respective metropolis. Kazakhstan, however, was able to achieve independence with the collapse of the Soviet Union, whereas Xinjiang remains part of China and sees its demographics progressively marginalizing ethnic Uyghurs in favor of Han Chinese. There are numerous ethnic Uyghurs living in Kazakhstan and numerous Kazakhs living in Xinjiang. As such, many scholars explored what role Xinjiang would play in Kazakhstan–China relations and what approach Kazakhstan’s leadership would take in its policy toward Xinjiang: supporting the ethnically and culturally close Uyghur population of Xinjiang or developing good relations with China. More recent developments demonstrate that Kazakhstan has opted for the latter option, establishing close relations with China.

Uyghurs constitute a rather significant group in Kazakhstan’s population; they are the fifth-largest minority in the country behind Kazakhs, Russians, Uzbeks, and Ukrainians.⁵ Uyghurs began settling in Kazakhstan in the second half of the nineteenth century, when the Russian government granted them refuge from Chinese expansion. In the Soviet era, the number of Uyghurs in Kazakhstan grew considerably: significant influxes occurred in 1949, after the fall of the short-lived Eastern Turkestan Republic, and in 1962, following tensions between the Soviet Union and China. Most of the country’s Uyghur community is concentrated in southeastern Kazakhstan, living mainly in rural areas and, in many cases, in ethnically homogeneous villages. On some accounts, many villages and towns inhabited by Uyghurs in Kazakhstan bear the same names as the villages and towns they left on the other side of the border.⁶

According to the last Soviet census in 1989, the number of Uyghurs in Kazakhstan was about 180,000 people (1.1 percent of Kazakhstan’s population). In the southeastern Almaty region, where Uyghurs were concentrated, they accounted for 7.8 percent of the population; in the city of Almaty itself, Uyghurs made up 3.5 percent of the population.⁷ By the time of Kazakhstan’s first post-independence census in 1999, the number of Uyghurs had reportedly increased to 210,062 people (1.41 percent of the country’s population). At the regional level, this translated to about 9 percent of the population of Almaty oblast and 5.8 percent of the city of Almaty.⁸ The 2009 census again indicated a slight increase in the Uyghur population, with the total number now about 224,700.⁹ However, the *Demographic Annual Report of Kazakhstan*, published in 2008, gives slightly different figures, estimating the Uyghur population of Kazakhstan at 241,946, or 1.53 percent of the country’s population.¹⁰

There are, however, at least two factors that suggest these estimates should be considered with caution. First, Kazakhstan’s post-independence censuses were accompanied by numerous scandals; some officials were sentenced to prison terms for census-related corruption charges, and numerous concerns about the accuracy of data collection and processing have been raised. Second, there are reports that Uyghurs in Kazakhstan try to register as ethnic Kazakhs in their state-issued ID documents in hopes of obtaining more career opportunities. Some scholars mention estimations ranging from 250,000 to 500,000 Uyghurs in the country.¹¹ Whether these unofficial estimations are accurate or not, it can be said with a degree of certainty that the Uyghurs of Kazakhstan are one of the largest Uyghur diasporas in the world.

As mentioned above, the Uyghurs of Kazakhstan are concentrated predominantly in Almaty and Almaty oblast, in the southeastern part of the country. One of the districts¹² of Almaty oblast bordering China is actually called *Uigurskii rayon* (Uyghur

5 “Demograficheskii ezhegodnik Kazahstana–2009,” Statistics Agency of the Republic of Kazakhstan, 2008, http://wwwstat.kz/publishing/DocLib/Dem_Ezegod_2009CD.pdf.

6 Giulia Panicciari, “Across the Border: Uyghurs in Kazakhstan,” <http://www.forcedmigration.org/video/across-the-border/>.

7 “Kratkie itogi Vsesoiuznoi perepisi naseleniia 1989 goda po Kazakhskoi SSR,” Statistics Agency of the Republic of Kazakhstan, Almaty, 1989, http://www.stat.kz/news/Pages/n2_12_11_10.aspx.

8 “Demograficheskii ezhegodnik Kazahstana–2009.”

9 “Kratkie itogi Vsesoiuznoi perepisi naseleniia 1989.”

10 “Demograficheskii ezhegodnik Kazahstana–2009.”

11 Ivo Dokoupil, “A Door to the North,” *Transitions*, October 26, 1999, http://www.fsa.ulaval.ca/personnel/vernag/eh/f/cause/lectures/Chine_Uighurie.htm.

12 *Audan* (Kazakh) or *raion* (Russian)—an administrative unit in Kazakhstan that is smaller than a region (*oblast*). In terms of size, it can be compared to a U.S. county.

district),¹³ and Uyghurs form a majority here, with 34,900 inhabitants or 54.7 percent of the district's population of 63,870.¹⁴ Interestingly, since all the regions and district *akims* (governors) in Kazakhstan are centrally appointed in Astana, there seems to be a kind of unwritten rule that the akim of this Uyghur district must be an ethnic Uyghur. However, the district's akims are rather limited in their powers and policy implementation, and they are heavily dependent on the regional governor. The district's *maslikhat*, a local legislative body, is even more limited.

Uyghurs in Kazakhstan have several officially recognized and at least partially state-funded organizations, both on the regional and national level. Natsuko Oka points out that the most prominent among them formerly included the National Association of Uyghurs, established in 2002, and the Republican Cultural Center of Uyghurs of Kazakhstan. Besides the state, these organizations receive some support from prominent Uyghur businessmen, united under the Republican Uyghur Association of Manufacturers, Entrepreneurs, and Agricultural Workers, who provide financial support for Uyghur community facilities, such as the Uyghur theater, schools, and mosques.¹⁵ These groups have not been very vocal about the issues in Xinjiang, and if they are, they consider them as China's internal issue. There is also a weekly Uyghur-language newspaper called *Uigur avazi*, backed and funded by the state, but its circulation size and capacity to express opinions on politically salient issues are rather limited. The Uyghur theater in Almaty is used as a stage for various theater and music performances, and, interestingly, the Uyghur community of Kazakhstan has become quite successful in the country's nascent show business industry, with many popular performers and bands usually performing the adopted Western-style of pop music. As Paniciari implies, Uyghurs and other minorities of Kazakhstan are more or less free to do business, study their native language, and organize cultural events, as long as they do not touch upon politically charged issues.

This situation suggests that Kazakhstan's minorities certainly have the opportunity to survive as communities and enjoy the fruits of the country's rapid economic development and stability, unlike in the other countries of Central Asia, though their de facto political status is limited.¹⁶

Oka also mentions other groups whose activists struggle politically for the independence of Xinjiang but explicitly denounce violence. Among them is the—unregistered—People's Party of Uyghurstan (*Narodnaia partiia Uigurstan*), whose leaders call for a democratic restoration of the sovereignty of their historic homeland. They explicitly stress that they will use only political peaceful methods to achieve this goal and denounce terrorism, extremism, and religious fanaticism of any kind. However, Kazakhstan's laws on political parties ban any parties created on the basis of ethnic or religious affiliation, and therefore the party remains underground.¹⁷

Some observers claim that, in the 1990s, Kazakhstan actually permitted the Uyghur groups a certain degree of freedom to operate and that Uyghur-language newspapers could openly criticize Chinese rule in Xinjiang. As a result, in 1993–1994 the Chinese Foreign Ministry issued a number of protest notes to the Kazakh authorities, accusing them of supporting Uyghur separatist movements.¹⁸ Since then, the Attorney General's Office of Kazakhstan has banned the United National Revolutionary Front of Eastern Turkestan and the Uyghurstan Liberation Organization and closed their newspapers, *Voice of Eastern Turkestan* and *Uyghurstan*. Other sources indicate that Kazakhstani policy toward Uyghur activists was relatively repressive from independence onward, and the government shut down Uyghur newspapers and banned Uyghur demonstrations in Almaty in the early 1990s at the request of China.

In any case, things certainly changed during the 2000s, and several factors seem to account for this. First, in September 2000, four Uyghur activists (according to many sources, of Uyghur ethnicity with Chinese passports) were shot dead in a prestigious

13 Despite its name, this is not an autonomy.

14 "Sotsial'no-ekonomicheskii pasport Uigurskogo raiona po sostoiianiu na 01.07.08," Akimat Uigurskogo raiona, <http://www.uigur-akimat.kz/index.php?name=Content&op=view&id=49>.

15 Natsuko Oka, "The 'triadic nexus' in Kazakhstan: A comparative study of Russians, Uighurs and Koreans," in *Beyond Sovereignty: From Status Law to Transnational Citizenship?*, ed. Osamu Ieda et al. (Sapporo, Japan: Slavic Research Centre, Hokkaido University, 2006), http://src-h.slav.hokudai.ac.jp/coe21/publish/no9_ses/19_oka.pdf.

16 Paniciari, "Across the Border."

17 Oka, "The 'triadic nexus' in Kazakhstan."

18 V. Khlyupin and A. Grozin, "Uygurski vopros—razmennaia karta kazahstansko-kitaiskih otnoshenii," in *Respublika Kazahstan: Geopoliticheskie Ocherki*, http://www.eurasia.org.ru/archive/98/book1_.html.

and wealthy neighborhood of downtown Almaty after a several hours-long battle with anti-terror police units (heavy rifles and hand grenades were deployed on both sides). The Uyghur activists were under police surveillance because they had killed two Kazakhstani police officers making a regular neighborhood inspection. After this incident, the police searched numerous houses in compact Uyghur neighborhoods and brought many Uyghurs who had nothing to do with the incident to police stations for questioning. These events received considerable attention in the media and prompted widespread speculation; naturally, it also affected the popular perception of Uyghurs among Kazakhstan's population.

The second set of major contributing events includes the 9/11 terrorist attacks and the global war on terror led by the United States. The Chinese government began to demonstrate links between Osama bin Laden and militant Uyghur separatist groups. Already associated with terrorism in the aftermath of the Almaty shootings in 2000, Uyghurs in Kazakhstan have increasingly been labeled as "terrorists" and "extremists" in the popular discourse, and there were concerns that the eventual aim of their struggle for independence was to build an Uyghur state or an Islamic caliphate on the territory of Kazakhstan.

Apart from internationally inspired concerns about terrorism, Islamic fundamentalism, and relations with China, some observers also add a third, mostly domestic, factor to explain the reasons for Kazakhstan harshening its policies toward Xinjiang. The fact that many Uyghurs were born in Kazakhstan and consider themselves to be natives of the country has created a certain belief in some segments of Kazakhstani society that Uyghur groups will claim sovereignty over some territories of Kazakhstan. During the last two centuries, the Uyghurs settled in the Zhetisu area, the southeastern part of Kazakhstan, bordering Xinjiang. Multiple migrations occurred in both directions and those Uyghurs who have lived in Kazakhstan for generations have understandably developed a strong sense of attachment to the Zhetisu, considering themselves natives and not diasporic people.¹⁹

Yet Uyghur activists have been outspoken in stating that they will not demand territorial auton-

omy within Kazakhstan nor claim part of the country's territory to attach to an independent Uyghur state, should such a thing be created. Additionally, some Kazakh nationalist politicians have expressed concerns that if an independent Uyghur state were to appear, this new country might actually create more problems for Kazakhstan itself, because the new Uyghur state would have unclear economic prospects and could adopt expansionist rhetoric with potential territorial claims to Kazakhstan.²⁰ Though the likelihood of this occurring remains rather questionable, this idea has certainly contributed to Kazakhstan's general harder line on Xinjiang and Uyghur pro-independence activism.

Though this discourse has a certain explanatory power, even more can be explained by the nature of the governments in this region. The Shanghai Cooperation Organization (SCO) brings together six consolidated regimes that lack open public debates, influential interest groups, political parties, and independent mass media. Therefore, foreign policy choices are made by a few elites behind closed doors. As Kegley and Wittkopf point out, although realist theory assumes that all states will act similarly to protect their interests, a state's type of government demonstrably constrains important choices.²¹ Similarly, with regard to Central Asia, Bohr indicates that internal regime type is a particularly important constraint on foreign policies, given that regional dynamics there are defined by interactions between highly personalistic regimes and even individual leaders, rather than between states or societies. Therefore, Bohr focuses on another theoretical approach, the systemic theory of neorealism, which suggests that regional groupings, such as the SCO, form and act in response to external challenges.²² Indeed, although the foreign policies of the Central Asian states, China, and Russia may be substantially different in terms of content, they all see ethnic separatism as a challenge to their rule. Furthermore, thanks to the West's focus on and support for minority rights, secessionism has become associated with such issues as human rights and democracy, which the region's leaders consider to be more like external threats rather than internal ones, given leaders' Communist backgrounds and largely anti-Western mindset.

19 Sean Roberts, "The Uighurs of the Kazakhstan Borderlands: Migration and the Nation," *Nationalities Papers* 26, no. 3 (1998): 511–513.

20 Konstantin Syroezhkin, *Mify i real'nost' etnicheskogo separatizma v Kitae i bezopasnost' Tsentral'noi Azii* (Almaty: KISI, 2003).

21 Charles Kegley and Eugene Wittkopf, *World Politics: Trend and Transformation* (Belmont, CA: Wadsworth Publishing, 2009).

22 Annette Bohr, "Regionalism in Central Asia: new geopolitics, old regional order," *International Affairs* 80, no. 3 (2004).

In view of its connections with China, shared political culture, and similar approaches to ethnic separatism, Kazakhstan's leadership therefore decided to support the Chinese government in its struggle with Uyghur movements.

Protests over Land Ownership

In the spring of 2016, Kazakhstan experienced a series of massive and unprecedented public protests after the government announced changes to the country's Land Code. The proposed changes would permit the leasing of agricultural land to foreign citizens and foreign-registered companies for up to 25 years. In the wake of subsequent protests, which occurred in Uralsk, Atyrau, Semey, and Almaty, among others, the government decided to postpone the implementation of the suggested amendments and imposed a moratorium on changes to the Land Code. A new Commission on Land Reform was created; it was headed by the prime minister and included representatives from across society, including NGO leaders and some moderate opposition activists. The agriculture and national economy ministers were also asked to resign.

Historically, the land issue has been important and politically sensitive in Kazakhstan's domestic political discourse. It is often discussed not in economic terms, but from an emotional and symbolic perspective, as the cornerstone of national sovereignty and independence. Between 1994 and 2002, Kazakhstan and China signed several intergovernmental agreements in order to finalize their border demarcation agreement.²³ As a result of the settlement, 56 percent of the disputed territory was attributed to Kazakhstan and the rest was given to China. However, the very idea that Kazakhstan had given some of its land to China resonated negatively with the public; the potential for Chinese or other foreigners to come in and buy land in Kazakhstan exacerbated these concerns and raised questions about the nation's sovereignty. There was for instance extensive public discontent in 2003, when debate first began on the private ownership of land, something that had never really been part of Kazakhstan's nomadic pastoralism tradition. As a result, the prime minister and the entire Cabinet were compelled to resign.

In 2008–2009, there was another large public discussion about a potential lease of 1 million hectares of agricultural land to Chinese companies for growing soybeans. The state-backed information agencies mentioned that back in October 2008, some senior officials of Kazakhstan's government had met with representatives of Oriental Patron Financial Group and the land lease issue was discussed. The Chinese company expressed their intention to lease 1 million hectares to grow soy and other crops, primarily in southern Kazakhstan. Due to the public outcry, however, this project was postponed. At that time, the protest discourse was focused on unwanted migration by Chinese agricultural workers, whom protesters claimed would come and settle in Kazakhstan as part of this agreement, become eligible for residence permits and citizenship, and never leave the country.

In spring 2016, Minister of National Economy Yerbolat Dossayev publicly announced that 1.7 million hectares of land would go up for auction in July, when the amendments to the Land Code were expected to have passed. As part of this discussion, then-Deputy Prime Minister Bakhytzhhan Sagintayev mentioned that some portions of land had already been given to foreign citizens, including citizens of the PRC, which some observers framed as long-standing (and undesirable) Chinese involvement in Kazakhstan's land affairs.

The public responded with concern. According to different accounts, between 700 and 2,000 people joined the protests in western Kazakhstan, primarily in Atyrau. Some observers indicated that the protests demonstrated the mobilization potential of the Kazakh nationalist movement by merging two narrative discourses—the perception of land as the nation's main treasure (reflected in numerous proverbs and cultural elements) and concern about China—as well as western Kazakhstan's self-perception as defenders of the homeland. Prominent Kazakh sociologist Serik Beisembayev argued that these narratives are beyond rational and largely based on emotional discourses, so it is extremely difficult to fight them using logical arguments.

Several experts have observed that these protests were self-organized, with little involvement by current political forces. Strong interpersonal ties may also have played a role, since western Kazakhstan is a monoethnic region with a more cohesive social

23 Protocol on Demarcation of the State Border between the People's Republic of China and the Republic of Kazakhstan, 2003.

structure and strong existing anti-Chinese sentiments, because of the Chinese oil and gas companies that work in the region and mistreat local workers. Others connected the protests over land ownership with the broader context, such as popular dissatisfaction with the economy and the recession after the oil price collapse, both of which reduced trust in the government.²⁴ In such situations, any politically charged issue has the potential to trigger a sharp societal reaction. From a purely economic perspective, the concept of land sales in Kazakhstan may make some economic sense, due to the decline in revenues from the oil and gas trade over the last few years; however, this policy initiative seems extremely risky and politically sensitive, as people appear to still prioritize symbolic land ownership over potential economic benefits.

The next round of protests happened around the country on May 21, 2016, and the government finally decided to take a step back. The moratorium on land reform was imposed and a new land commission with broader societal participation was created under the chairmanship of the deputy prime minister. It has convened several times to discuss concrete recommendations for the Law.

Kazakh- and Russian-Language Media Perception of China

Media play a crucial role in the public representation of social relations, since they can highlight existing polarizations along social, political, economic, and ethnic lines. In ethnically diverse societies, mass media can reflect the different perceptions, prejudices, and stereotypes that various ethnic groups possess and express about each other. My discourse analysis focuses on several key areas: the political relationship between the leaders of the PRC and Kazakhstan; economic cooperation; and cultural perception, which is especially present in the Kazakh-language discourse.

Overall, Russian-language media portray political cooperation between China and Kazakhstan in neutral or positive tones. Except for the nationalist *Zhas Alash*, newspapers describe cooperation projects and exchanges between the leadership of

the two countries in a positive light. State-owned Russian-language newspaper *Kazakhstanskaya pravda* is a particular example of an almost exclusively positive view of Kazakhstan–China relations. For instance, the newspaper praised meetings between leaders of the two countries and various cooperation initiatives, including Chinese support for the Conference on Interaction and Confidence-Building Measures in Asia (CICA), a Kazakhstan-backed confidence-building foreign policy initiative; partnership during the EXPO-2017; and energy cooperation initiatives. Economic cooperation initiatives also receive a positive or neutral interpretation. For instance, *Kazakhstanskaya pravda* reported about Chinese car manufacturer Geely opening an assembly line in Kostanay, in northern Kazakhstan, with the goal of filling 50 percent of its positions with local workers by 2017.²⁵ In another article, the newspaper mentioned that Kazakhstan was to supply China with about 20,000 tons of wheat under an agreement signed in 2014.²⁶

Even in the area of culture and migration, where their Kazakh-language media counterparts take a fairly negative view, Russian-language media outlets tend to focus on positive achievements. For instance, *Kazakhstanskaya pravda* wrote about the first Kazakhstan–Chinese festival of snow and ice, which opened in the commercial area of Khorogos on the China–Kazakhstan border in December 2014. This festival has an exhibition area of about 5,000 square meters, in which multiple artists were to demonstrate their crafts. The newspaper quoted the head of the Chinese organizing committee, who said, “The goal is to show friendship and good-neighborly relations between our peoples.” The organizers even invited several couples from Kazakhstan and China to hold their weddings there.²⁷

The Kazakh-language newspapers, in contrast, takes rather hostile positions vis-à-vis China, largely based on cultural stereotypes. Land ownership and the migration of Chinese to Kazakhstan seem to be dominant themes; the One Belt, One Road initiative is seen as a pretext for Chinese expansionism. Echoing suspicions that Kazakhstan’s government is secretly trying to lease portions of the country

24 Catherine Putz, “Land Protests Persist in Kazakhstan,” *The Diplomat*, May 3, 2016, <http://thediplomat.com/2016/05/land-protests-persist-in-kazakhstan>.

25 *Kazakhstanskaia Pravda*, October 9, 2014.

26 *Ibid.*, October 3, 2014.

27 *Kazakhstanskaia Pravda*, December 24, 2014.

to China, Kazakh-speaking media and online portals publish articles that take a very alarmist tone. For instance, the *Zhas Alash* newspaper, known for its Kazakh nationalist tone, interviewed Amandyq Batalov, the akim of Almaty oblast,²⁸ on the land lease negotiations, and he had to make clarifications:

A billionaire investor from China came to see me recently. They want to develop lands on the border. They promised to build all the communications, develop it, and turn it into an oasis. But can we give such strategically located lands? Not even a centimeter of our land will be given to foreigners. The land issue is under [the government's] control.²⁹

In another article, *Zhas Alash* further discusses reasons for people's reluctance to lease portions of Kazakhstan's land to China, suggesting that the hesitancy comes back to a lack of trust in the government of Kazakhstan, as well as inefficient agricultural policies and a lack of subsidies:

In China, in order to enhance agricultural production, they provide [farmers with] tax-free periods for 5–10 years [and] give financial support for buying equipment and technologies; various subsidies are provided by many national companies directly to farmers. But we know that the same cannot be achieved here [in Kazakhstan]. Therefore, the people are against leasing land to China or creating joint enterprises with them. There is no guarantee that our corrupt system will not sell the country for Chinese red money!³⁰

Related to this, Chinese migration and demography is a significant area of concern for the Kazakh-language narrative. For instance, *Zhas Alash* discussed birth rates in China, emphasizing that in 2016 there were 18.46 million babies born in China, which is 11 percent higher than in 2015 and, in fact, exceeds the entire population of Kazakhstan: "Every year, a new Kazakhstan is born. We need to keep this in mind. On top of this, Kazakhstan's own birthrate and child mortality rates do not [inspire] optimism."³¹

Interestingly, Kazakh-language media gave significant attention to the possibility that masses of Chinese men would come to Kazakhstan to mar-

ry Kazakh women. The *Turkestan.kz* online portal published for instance an article entitled "Kazakh Returning from China Tells Everything about Chinese Son-In-Laws' Intentions," quoting a Kazakh woman who claimed to have lived in China:

I lived in China for a year. They have a clear policy. If a Chinese citizen marries a foreign citizen, they receive money from the government. For example, [they receive] somewhere around 10–15,000 [U.S.] dollars. I don't remember how much exactly. You only need to show the marriage documents to the authorities. So Chinese men are marrying Kazakh women for a particular and obvious reason. But if they marry for money, will they treat their wives with respect?³²

In a follow-up article, the *Turkestan.kz* portal analyzed marriage statistics between Kazakhstani and Chinese citizens, noting that, in 2016, 118 such marriages were registered. It also quoted a psychologist, who stated, without providing any evidence, that "in mixed families, children are more likely to pick up a psychological mental sickness."³³ In a similar vein, another Kazakh-language online news portal, *Juldizdar.kz*, which focuses primarily on celebrity life and news, interviewed a prominent Kazakh pop singer, Toqtar Serikov. The latter has intensified the debate around Kazakh–Chinese marriages by saying in an interview that "only prostitutes marry Chinese men." He elaborated further:

Kazakh women and men have dignity. That's the pride that they have, no one will mess with them. Who is marrying Chinese people? Prostitute girls, who have no any pride and dignity, only Kazakh appearance. If they do so, fine.... But real Kazakh girls are seeking love here [among Kazakhs]. Thank God, there are many of them.³⁴

The *Turkestan.kz* portal also reported about a street protest in Astana against mixed Kazakh–Chinese marriages. According to the article, about 30 people gathered and protested marriages between Kazakh women and Chinese men. The protesters were holding signs saying that Chinese men who want to marry Kazakh women should have to pay US\$50,000 to the authorities. The protesters also

28 Governor appointed by the President.

29 *Zhas Alash*, February 23, 2017.

30 *Ibid.*, February 9, 2017.

31 *Ibid.*, January 24, 2017.

32 *Turkestan.kz*, January 23, 2017.

33 *Ibid.*, January 23, 2017.

34 *Juldizdar.kz*, March 18, 2017.

called for closing an agency that specializes in matching Kazakh women and Chinese men.³⁵

A literary journal, *Abai.kz*, has explored the deeper fears of China that exist in Kazakhstani society. In an article entitled “Why is China a Scary State?” the journal describes the Chinese power structure and compares China with the Soviet Union, where on paper republics possessed many rights, but in practice all decisions were made in Moscow:

China is doing the same. In national autonomies, they increase the number of ethnic Chinese people and gradually increase their presence in local authorities ... In socialist societies, land is publicly owned. The government rules on the behalf of people and owns the land on the behalf of people. The power structures are in the hands of the Party. The Party will protect and increase the wealth of that nation, which is most present inside the Party. Marx’s public ownership theory, added to Chinese and Russian land colonization, led to new forms of rulership over peoples.³⁶

The fears of China that exist in Kazakhstani society were also analyzed by prominent political scientist Aidos Sarym. In an article he published in *Zhas Alash*, entitled “On the Chinese Threat and Kazakh Fears,” he tried to address the origins of existing alarmism toward China. His conclusion was that fear of China was not necessarily caused by China per se but by Kazakhstan’s internal issues, such as a lack of transparency and trust in the government. He thus called for the government to be more open and transparent about agreements involving China:

More information about these 51 Chinese enterprises should be published in the press. Information on each of these enterprises should be posted on the Internet; all detailed information about their locations and all financial and technical data must be disclosed. In each region where factories are to be built, public hearings should be held and the local population’s opinion should be taken into account. If all this happens, society’s worry will disappear and people’s discontent will be reduced. This can be overcome only through openness, truthfulness, and publicity [...] The same is true of loans [from China to Kazakhstan]. I did not see a minister who wanted to repay the loan out of his own pocket. We will pay for

it. The Kazakh people will pay for it with their taxes. If so, we have the right to know the interest rates, the calculations, and how they are made. All contracts and terms must be public. The government should be required to report each dollar and cent received to the Parliament and to the general public.³⁷

As mentioned, Xinjiang region plays an important role in Sino–Kazakhstani relations as well as perceptions of China in Kazakhstan due to the presence of a large Kazakh diaspora in the region. In spring 2017, the Chinese authorities made a series of allegedly terrorism-related arrests in Xinjiang and ethnic Kazakhs were among those arrested, which brought additional attention to the issue of ethnic Kazakhs’ rights in China. *Zhas Alash* raised the issue of arrests among the Kazakh diaspora and published an open letter signed by 56 prominent Kazakhstani academics and intellectuals calling on the government of Kazakhstan to be more proactive in the defense of ethnic Kazakhs’ rights in China. The letter said:

We know that the local government of Xinjiang has issued an order and does not give passports to Kazakhs who want to move to Kazakhstan [...] Many people were questioned and convicted of “politically motivated” charges—but their only “crime” was that they used the social network WeChat to communicate with relatives in Kazakhstan and talked about migration [...] Unfortunately, except for one or two media outlets, we sadly observe a lack of support from the media and intellectuals.³⁸

Similarly, *Zhas Alash* reported that during the Kazakh World Kurultay, held in Astana in June 2017, the question of the Kazakh diaspora in China was also discussed. Earlier, some Kazakh media outlets had emotionally reported on the arrests in Xinjiang, accusing the Chinese government of explicitly targeting ethnic Kazakhs. The *Zhas Alash* article, however, tried to ensure some objectivity on the matter:

From what we observed, it seems true that some religious fanatics were involved in terrorist groups. However, there is nothing that confirms that all ethnic Kazakhs in Xinjiang were called terrorists. Those who understand the situation will not make such judgements.³⁹

35 *Turkestan.kz*, January 13, 2017.

36 *Abai.kz*, February 22, 2017.

37 *Zhas Alash*, June 20, 2017.

38 *Ibid.*, June 15, 2017.

39 *Ibid.*, June 30, 2017.

As we see, the One Belt, One Road strategy is rarely mentioned in the Kazakhstani media discourse; discussion takes place primarily on online platforms and news portals. The general narrative is that BRI aims to serve China's interests first and foremost, and that Kazakhstan should not expect altruistic behavior from its neighbor. The *Dalanews.kz* online portal published for instance an article titled "What Is Behind the 'One Belt One Road' Strategy?" in which the BRI is analyzed from an economic point of view:

China is "the factory of the world" and its export has suffered considerable losses since the beginning of the global crisis, which led to the closure of many export-oriented factories. With the increase of domestic labor costs, foreign companies moved their manufacturing from China to third countries with cheap labor. Central Asia, the Middle East, East Asia, Eastern Europe, and North Africa have been considered as new target destinations for Chinese exports and infrastructure projects. In short, the "One Belt One Road" project is a means of fulfilling China's economic ambitions, a "Chinese Dream."⁴⁰

Another online portal, *Abai.kz*, also discussed the BRI from an economic perspective. In an article titled "What Is the Goal of Xi Jinping's 'One Belt One Road' Program?" it discusses Kazakhstan's role in the project:

Kazakhstan's role in the OBOR is not only as an oil and gas pipeline corridor, but also as a transmitter of energy resources to Western China. This, of course,

is not a rational step, as it makes our country a raw material base for China. Of course, if Kazakhstan upgrades its economy through the "One Belt, One Road" project and the products transmitted through the network are fuels and lubricants, it would not be a raw material base, but a full-fledged partner. This should be the main condition of our government's economic policy in this direction.⁴¹

Conclusions

This chapter reviewed perceptions of Chinese involvement by Kazakhstani public opinion. This perception is dual. In terms of the state-to-state relationship, political and economic cooperation between China and Central Asia is developing well and is well promoted by ruling elites. However, any expansion of Chinese involvement in Kazakhstan's economy also triggers pushback and enhances the negative perception of China in the local public discourse. The Chinese authorities try to improve the perception of their country by expanding contacts and exchanges with Central Asia. BRI, which aims to enhance economic cooperation between China and the Central Asian region, ultimately building trust and improving Kazakhstan's perception of China, has great potential—but it appears that to this point, its impact on Central Asian identity issues has been limited and even created some cultural resistance.

40 *Dalanews.kz*, May 18, 2017.

41 *Abai.kz*, May 15, 2017.

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China's Belt and Road Initiative (BRI) was announced by Chinese President Xi Jinping in September 2013 at Nazarbayev University. It is therefore natural that, for its launch, the NAC-NU Central Asia Studies Program, in partnership with GW's Central Asia Program, seeks to disentangle the puzzle of the Belt and Road Initiative and its impact on Central Asia.

Selected from over 130 proposals, the papers brought together here offer a complex and nuanced analysis of China's New Silk Road project: its aims, the challenges facing it, and its reception in Central Asia. Combining methodological and theoretical approaches drawn from disciplines as varied as economics and sociology, and operating at both micro and macro levels, this collection of papers provides the most up-to-date research on China's BRI in Central Asia.

It also represents the first step toward the creation of a new research hub at Nazarbayev University, aiming to forge new bonds between junior, mid-career, and senior scholars who hail from different regions of the world and belong to different intellectual traditions.

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