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The Belt and Road Initiative's Central Asian Contradictions

CATHERINE OWEN

On a chilly but snowless day in January 2019, around 300 men gathered on Bishkek's central Ala-Too Square to demand an end to a perceived rise in Chinese migration to Kyrgyzstan. The crowd whistled and cheered as impassioned speeches against growing Chinese influence were delivered by the organizers, members of the conservative-nationalist group Kyrk Choro. In an attempt to quell the protest, the deputy chairman of the State Migration Service took the stage to outline proposed legislation addressing the issue. When scuffles broke out following the rally, police moved in and detained 21 people.

This was just the latest in a string of protests against China's growing influence in the small Central Asian country. But such events are not limited to Kyrgyzstan. Nine months later, in its much bigger neighbor Kazakhstan, demonstrations against Chinese expansionism broke out in major cities. According to official figures, 57 people were arrested. Kazakhstan is no stranger to anti-China protests: in 2016, nationwide demonstrations erupted against proposed changes to the Land Code that would have enabled foreigners to rent Kazakh land for up to 25 years. In an uncharacteristic move, the authorities bowed to public pressure, and the changes were never enacted.

Is this groundswell of discontent the result of a combination of nationalist posturing and fear of the unknown? Or are the polities of Central Asia really at risk from China?

In the past decade, China has become the most important economic actor in this generally impoverished region, making large investments in infrastructure. Beijing has rebranded its growing engagement in Central Asia as part of its global foreign policy project, the Belt and Road Initiative (BRI). For the nations of the region, greater cooperation with China promises many benefits. But the BRI's fragmentary and haphazard implementation suggests that these potential boons could be squandered.

The BRI was first announced in 2013 by Chinese President Xi Jinping in a speech at Nazarbayev University in the Kazakh capital of Astana (since renamed Nursultan). The aim is to build a vast network of transportation, energy, and telecommunications infrastructure to connect Chinese manufacturers with consumer markets in Western Europe.

The BRI comprises two core strands: the Silk Road Economic Belt (SREB), which traverses the Eurasian continent, and the Maritime Silk Road, which runs south through the Strait of Malacca, around the southern tip of India, across the Red Sea, and through the Suez Canal to the Mediterranean. Central Asia was initially seen as the site for BRI's "hard" infrastructure, such as energy pipelines and rail networks, but is now participating in the expansion of digital infrastructure like surveillance technology, health apps, and 5G wireless communications systems. China's total investment exceeds $100 billion.

According to Chinese government figures, 138 countries to date, accounting for around a third of the global population, have signed memoranda of understanding with Beijing regarding BRI. This vast investment drive has produced huge benefits for Chinese businesses. Seven of the world's ten largest construction corporations measured by revenue are headquartered in China; two of the top ten telecommunications companies are Chinese; and Sinopec, China's state-owned oil and gas corporation, is the most profitable energy company in the world.

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Central Asia, by contrast, remains a poorly connected region. Due to its Soviet legacy, all oil and gas pipelines, as well as communications, air, and rail infrastructure, ran solely to Russia. Following the Soviet Union's collapse, the newly independent states had no direct links to world markets. Even thirty years later, the Central Asian economies—with the exception of Kazakhstan—are still some of the least diversified in the world.

Investment in infrastructure is desperately needed in the region; a 2018 United Nations report found that only 38 percent of roads in Kyrgyzstan are tarmacked. Low economic growth and high unemployment rates prompt many Central Asians to seek work abroad, mostly in Russia. Emigrants constitute 10 to 20 percent of the working population in countries across the region. Remittances sent home by those migrants account for 52 percent of gross domestic product in Tajikistan and 34 percent in Kyrgyzstan, among the highest levels in the world.

The question is whether the BRI will deliver the benefits Central Asia so clearly needs, or whether it is designed to primarily serve China's own interests. Answering this requires first taking a closer look at the nature of the China-led vision of international cooperation embodied in the BRI.

Central Asia is one of the most poorly connected regions of the world.

ALTERNATIVE MODEL?

Unlike the multilateralism underpinning the Western-led liberal international order, Chinese foreign policy is structured on its preference for bilateral relations. China seeks individually negotiated agreements with one other party rather than participation in collective organizations. When China does engage with groups of other states, it tends to do so bilaterally through specially created vehicles, such as the Forum on China–Africa Cooperation and the 17+1 Forum in Eastern Europe.

This commitment to bilateralism allows Chinese actors to negotiate discrete, flexible agreements with a variety of states, corporations, and agencies, promoting Chinese products and values according to the specific context. It is exemplified in the way the BRI has expanded across the globe. Yet such an approach lacks coordination, transparency, and accountability, preventing collective oversight of Chinese activities—which may be causing the BRI's image problem in countries along its route.

In the English-language scholarly literature, three strands of thought have emerged on the BRI. The first emphasizes China's national political economy, the second focuses on global geopolitics and the balance of power, and the third foregrounds nonstate, subnational, and transnational actors.

Analysts in the first group view the BRI chiefly as a response to a crisis in China's state-led capitalist system: a $586 billion rescue package for cash-strapped provinces following the 2007–8 global financial crisis led to overcapacity in the manufacturing, construction, and energy sectors. The BRI, in this view, is primarily an economic project, a "spatial fix" for Chinese capitalism that enables China to funnel its excess capital and production capacity abroad.

The second perspective notes that China and other developing countries have long been dissatisfied with the imbalance of power across the existing framework of intergovernmental institutions, which favors Western countries despite their relative decline in global influence. It proposes that the BRI is intended to be an alternative model of global order, a bid to shift both economic and normative power away from the West. Unlike Western-led institutions such as the International Monetary Fund and the World Bank, China typically offers loan packages free of conditions that require implementation of a "good governance" agenda or strict social and environmental protections. Its flexible repayment packages are often secured with commodities. The BRI is increasing Chinese lending to countries that do not receive loans from such institutions, and is reshaping the global order in the process.

The third perspective emphasizes the inherently fragmentary and ungovernable nature of BRI, which it depicts as a decentralized network of subnational economic and political actors. In this view, Chinese governmental discourse on BRI is a post hoc attempt to lend coherence to the localized practices of state-owned enterprises (SOEs) and subnational governments that operate beyond the purview of Beijing. The main driver of BRI is not the Chinese state implementing a coordinated and premeditated strategy in the national interest. Rather, the BRI is being steered by provincial government administrations, partially internationalized SOEs, and the flows of global capital.

While all three perspectives reflect truths about the nature of the BRI, I aim to flesh out the third view by highlighting the panoply of Chinese actors involved in the initiative, including lenders, SOEs, and provincial governments—and by exploring the projects themselves, many of which were begun long before the BRI was articulated. A variety of Chinese actors negotiate bespoke agreements with overseas counterparts that are often retrospectively labeled as part of the BRI.

In Central Asia, this lack of central oversight combined with an absence of mechanisms promoting transparency and accountability is fueling elite corruption and popular discontent. It is a trend that could foment political instability and ultimately prove detrimental to the BRI project.

RESHAPING A REGION

Chinese official discourse on BRI has given prime importance to the Eurasian region, drawing on the imagery of the ancient Silk Road, where traders from both East and West crossed paths on the Central Asian steppe. The boost to economic activity promised by the BRI has the potential to radically reshape Central Asia. The Center for Strategic and International Studies in Washington, which tracks all projects enacted under the auspices of the BRI, has identified 93 to date in Central Asia that are either fully or partly funded by Chinese financial institutions. These include the Five Nations Railway Project connecting China and Iran across Central Asia, numerous road improvement projects, and a plethora of mines, oil refineries, and power stations.

Special economic zones, which aim to attract foreign direct investment by offering lower taxes and looser regulations, are emerging across the region, modeled on the scheme that transformed the Chinese city of Shenzhen from a humble fishing village into a key node of the global economy. The most important ones are the Eastern Gate in Khorgos, Kazakhstan, and the Pengsheng Industrial Park in Jizzakh, Uzbekistan. Chinese companies have also invested heavily in agricultural projects: expanding farms into Tajikistan, establishing demonstration parks in Kazakhstan and Kyrgyzstan, and setting up processing facilities across the region.

As it cultivates these interests in Central Asia, Beijing is increasing security assistance to the region's states. One of the central strategic interests underlying Chinese engagement is in bolstering the region's security through rapid economic development. Central Asia's main strategic importance to China stems from its proximity to the far-western Chinese region of Xinjiang, which shares borders with Tajikistan, Kyrgyzstan, and Kazakhstan, as well as Afghanistan.

Xinjiang is largely inhabited by Uighur Muslims, who share many ethnic and cultural similarities with their Central Asian neighbors. According to official figures, the average economic growth rate in Xinjiang is 8.5 percent, approximately two percentage points above the national average. But since the 1990s, the region periodically has been beset by social unrest and terror attacks. The central government has dramatically increased its security presence and established what it calls vocational education and training centers for Uighur Muslims. Western researchers and human rights activists allege that they are really concentration camps.

Alongside their myriad infrastructure projects, Chinese companies have invested large sums in surveillance technologies that have been rolled out domestically under the banner of creating "smart cities" and are being marketed abroad as part of the Digital Silk Road. By the end of 2020, Huawei Technologies, the world's largest telecommunications equipment manufacturer, will have invested $1 billion in Uzbekistan's digital infrastructure, in areas ranging from e-governance to facial-recognition software. A similar Huawei surveillance system is already in operation in the Tajik capital of Dushanbe and in shopping centers in a number of cities in Kazakhstan. In Kyrgyzstan, Chinese-made surveillance software is in use with Russian-installed cameras.

China has also been strengthening military cooperation in the region through increased arms sales and a growing number of bilateral military exercises. In a secretive 2019 agreement, Tajikistan's government authorized China to build a training center, 11 outposts, and 30 to 40 smaller guard posts on the Tajik–Afghan border.

AGGRESSIVE ACTORS

There is no central Chinese institution coordinating the BRI. More than ten national government agencies are responsible for managing different aspects of the initiative, including the ministries of foreign affairs, culture, and commerce, as well as the recently created China International Development Cooperation Agency, which seeks to bring Beijing's foreign aid commitments closer in line with its foreign policy. For

BRI implementation, the three most important sets of organizations are China-owned or -led financial institutions, state-owned enterprises, and provincial-level governments.

Numerous Chinese or China-led lenders are involved in BRI. They include policy banks, such as the Export-Import Bank of China (ExIm Bank) and the China Development Bank; state-owned banks, including the China Construction Bank and the Agricultural Bank of China; state-owned funds, such as the Silk Road Fund; and China-led multilateral development banks, such as the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank.

Not all of these entities are involved to the same extent. The AIIB, established to support BRI development projects, has invested only $16 billion, according to its website. Meanwhile, the ExIm Bank had lent $149 billion by April 2019, reflecting China's general preference for bilateral arrangements over working through multilateral institutions.

Chinese SOEs are central to the BRI's economic objective of creating an attractive external environment for Chinese trade. They are the companies most often contracted to construct the new infrastructure. By 2018, Chinese SOEs had been awarded half of all BRI projects, worth 70 percent of their total value.

Sinophobia runs deep and does not appear to be abating.

These companies operate on a logic different from that of Western commercial enterprises. Since their financial security is often guaranteed by the government, they are able to engage in riskier projects, and are often accused by Western interests of violating World Trade Organization (WTO) limits on state aid. However, they are by no means fully under the control of Beijing. Just like other profit-making enterprises, they are also guided by commercial interests, local business opportunities, and the ambitions of their leaders.

Chinese provincial governments contribute to the BRI's expansion by managing the regulations for provincial-level SOEs and seeking out foreign projects that will drive local economic growth. Almost all provinces have developed their own BRI strategies and have looked for ways to internationalize their local economies. Xinjiang's BRI-related internationalization strategy is especially ambitious: not only is the region a central node in the SREB, it is also the starting point for the China–Pakistan Economic Corridor, which links the seaport at Gwadar on Pakistan's coast with Kashgar in southern Xinjiang.

While each of these three sets of actors—the lending institutions, state-owned enterprises, and provincial administrations—has its own priorities and operating logic, they can work together informally on behalf of Chinese interests overseas. Since institutions like the ExIm Bank are able to borrow at preferential rates, they can provide cheap credit to Chinese companies bidding for BRI projects, which in turn gives Chinese SOEs and private enterprises a comparative advantage in international tendering processes.

Many BRI projects are a result of bottom-up lobbying by individual companies that approach provincial governments with project proposals. The specifics of this process are notoriously opaque.

Retrospective Rebranding

The common perception that the BRI grew out of a grand strategy is further undermined by the fact that projects retrospectively rebranded as part of the initiative had been conceived much earlier. Although it was initially announced in 2013 (then called One Belt One Road in English, a direct translation of the Chinese *yi dai yi lu*), earlier iterations of the policy had been in operation since the 1990s. In 1999, President Jiang Zemin initiated the Going Out Policy, which encouraged Chinese SOEs to invest internationally. The policy made China one of the world's top overseas investors. In the same year, Jiang also introduced the Great Western Development Project, or "Go West" campaign, a comprehensive development plan for China's impoverished western regions. Infrastructure development was a key element of the campaign.

During the 2000s, the central government portrayed Xinjiang as a "Continental Eurasian Land-Bridge" connecting the rest of China with markets in Europe and Central Asia. Under the Go West Campaign, substantial Chinese investment was already flowing into Central Asia. By 2008, five years before the BRI was announced, China had already surpassed Russia as the largest investor in the region. The bulk of the investment allocated through the Go West policy was devoted to large energy and infrastructure projects such as power stations, railways, pipelines, and highways. Most of these have since been relabeled as BRI projects.

Examples of this relabeling practice abound. The Kara-Balta oil refinery—operated by an SOE, the Jun Da China Petrol Company, and framed as a signature BRI project in Central Asia—was begun in 2012. The Pengsheng Industrial Park in Uzbekistan, established in 2009, was later linked to the BRI. The Yu'Xin'Ou Railway, a transcontinental freight corridor linking Chongqing to Europe via Xinjiang, opened in 2012 and was also later rebranded as a BRI project. A transit hub in Khorgos, on Xinjiang's northern border with Kazakhstan, now a central BRI "land port," had been under development since 2005.

There are many more. The Chinese government has not established criteria for what constitutes a BRI project, so provincial governments and corporations can frame virtually any project as being part of the initiative.

An Ambivalent Reception

While the BRI's potential benefits for Central Asian economies are obvious, local populations remain deeply suspicious of their large eastern neighbor. For them, China remains something of an unknown entity after its decades of regional isolation following the Sino-Soviet split and resultant anti-Chinese propaganda.

Local political elites often act as gatekeepers to BRI projects. They are able to combine inner knowledge of patronage networks with technical understanding of transnational finance, and with their ability to bypass anti–money laundering laws, in order to secure access to Chinese companies—and payoffs for their efforts. But they are often caught in a bind. They want investment in much-needed infrastructure, and they enjoy the personal financial gains that come with Chinese contracts. But they also need to be seen as responsive to the concerns of their citizens.

Chinese investments have rendered this region, whose politics was already characterized by informal deal-making among elites, even more prone to clientelism and corruption. Research I conducted with John Heathershaw and Alexander Cooley demonstrated that the practices of Chinese transnational corporations and SOEs in the region are determined by localized practices of corruption and graft rather than by directives from Beijing.

In Kyrgyzstan, few political leaders have been untouched by China-related corruption. The country's second president, Kurmanbek Bakiyev, publicly criticized the regime of his predecessor, Atambek Akayev, for ceding over 1,250 square kilometers of land to China. But he subsequently reversed himself under pressure from the Chinese embassy, retracting his comments and confirming his support for bilateral agreements with Beijing.

Bakiyev's successor, Almazbek Atambayev, was embroiled in another scandal involving a Chinese investment. A power plant built by a Chinese company without going through a tendering process broke down in January 2018, depriving millions of heating during a bitter winter.

Kyrgyzstan's current president, Soronbay Jeenbekov, has been linked to Chinese businessman Aierken Saimaiti, who was assassinated in Istanbul in November 2019 after allegedly transferring almost $1 billion out of Kyrgyzstan's public coffers. The only Kyrgyz president to have avoided accusations of China-related graft happens to be the country's only female president to date, Roza Otunbayeva, who briefly held power between 2010 and 2011.

During my fieldwork in Kyrgyzstan studying local perceptions of China, I found that awareness of this high-level corruption was widespread. Ordinary citizens felt they were missing out on the benefits of Chinese investment. Chinese companies continued to bring in their own workers, while local laborers remained unemployed and in poverty. It was thought that the only locals truly benefiting from the Chinese presence were the political elites who could line their pockets with Chinese cash.

This public dissatisfaction breeds intermittent demonstrations that are nominally anti-Chinese, but often express concerns about local politicians' dealings with China. A number of protests have been sparked by environmental degradation caused by Chinese-run infrastructure projects. In August 2019, after livestock mysteriously began dying off, clashes broke out between Chinese mine workers and locals at a Chinese-operated gold mine in Kyrgyzstan's Naryn province.

In February 2020, shortly before the COVID-19 pandemic made such public gatherings impossible, nearly 1,000 protesters in Naryn, which borders China and hosts a struggling special economic zone, demanded the cancellation of plans to allow China to build a $275 million logistics hub. The government soon met the protesters' demand.

Despite China's efforts to promote its culture through its 11 Confucius Institutes in Central Asia, generous scholarships for study in China, and programs that facilitate visits to China by Central Asian public officials, Sinophobia runs deep and does not appear to be abating. One Bishkek resident told me, "In my childhood, if we didn't eat the food that our grandmother prepared, she would scare us by saying that the Chinese will come."

Chinese officials know that their image in the region is poor, but they are adept at playing a long game. As long as local elites take Chinese money, they will be the ones who have to manage—and possibly suppress—the simmering discontent.

Pandemic Complications

Repercussions from the COVID-19 pandemic are likely to compound the challenges of China–Central Asia cooperation. At the time of this writing, the pandemic is resurgent in the region following an easing of lockdowns.

Before the crisis, China was the destination for a fifth of all Central Asian exports and the source of a third of the region's imports. How the Chinese economy weathers the pandemic-induced storm will have a huge impact on Central Asian economies. Although Chinese gross domestic product shrank by 6.8 percent in the first quarter of 2020, compared with a year earlier, it rebounded to grow 3.2 percent in the second quarter. Annual growth is expected to be 1.8 percent, substantially lower than the usual rate of 6–8 percent.

The WTO expects global trade to fall by 32 percent this year. Developing countries, including those in Central Asia, are likely to be hardest hit. The largely remittance-based economies of Kyrgyzstan and Tajikistan are under pressure as many migrant workers are laid off from jobs in Russia, while the resource-based economies of Turkmenistan, Uzbekistan, and Kazakhstan suffer from plummeting oil and gas prices.

Two strategies in response to the pandemic are available to Chinese economic planners. They may take advantage of the dire global economic situation and purchase more failing assets abroad, which will lead to greater levels of engagement in Central Asia and an acceleration of the BRI. Or they may rein in overseas loans and development projects and turn their focus inward. There is evidence that different actors are pursuing different strategies, which reinforces the conclusion that Chinese organizations rarely follow a coherent, centrally decided directive.

In May, the Chinese government announced a $500 billion domestic stimulus package, financed by issuing special bonds for pandemic relief and local government bonds for infrastructure projects. The infrastructure funding has kick-started a revival of the Chinese construction industry. Local governments on China's periphery could expand their already extensive cross-border collaboration with low-income neighboring countries, such as those of Central Asia, that are desperate for infrastructure and investment. Such an expansion occurred following the 2008 financial crisis. While BRI construction has temporarily ground to a halt, the evidence suggests that once travel restrictions are lifted, BRI-related activities will resume with renewed zeal.

But Chinese investments abroad were already slowing in 2019 due to the US–China trade war. Low levels of liquidity, as well as directives to SOEs and provincial governments to channel what cash they do have into the domestic economy, could accelerate this trend. That might force a temporary lull in engagement in Central Asia. Given the entanglement of Chinese and Central Asian economies, even a brief pause in cooperation could have far-reaching social and political consequences. But the fundamentally decentralized nature of BRI is more likely to mean a ramping up of Chinese overseas activities in some areas and withdrawal from others.

Ordinary citizens felt they were missing out on the benefits of investment.

This all adds up to a picture of the BRI that contrasts with Beijing's narrative of win-win cooperation, carefully planned and executed from the center. On the ground in Central Asia, the BRI is a messy, bottom-up, contradictory network of transnational clientelist relationships and semi-autonomous profit-seeking institutions, which serves to enrich local political elites while fueling resentment and suspicion among local populations. Whether their concerns can be allayed by reforms of the tendering process and new oversight mechanisms remains to be seen.

The Chinese leadership is certainly aware of these problems. Whatever happens, we can be reasonably confident that China-led development as a model of world order will continue to gain influence as developing countries look for leadership in an increasingly post-Western world. ■