



The Political Economy of the China-Pakistan Economic Corridor

Edited by
Bai Gao · Zhihong Zhen

palgrave
macmillan

The Political Economy of the China-Pakistan Economic Corridor

Bai Gao • Zhihong Zhen
Editors

The Political Economy of the China-Pakistan Economic Corridor

palgrave
macmillan

Editors

Bai Gao
Department of Sociology
Duke University
Durham, NC, USA

Zhihong Zhen
School of Sociology and
Political Science
Shanghai University
Shanghai, China

Translated by

Lanyun Yang, Ling Zhang

ISBN 978-981-19-6867-9 ISBN 978-981-19-6868-6 (eBook)
<https://doi.org/10.1007/978-981-19-6868-6>

© Social Sciences Academic Press 2023

This book was translated from its original Chinese edition published in 2017 by Social Science Academic Press.

This work is subject to copyright. All rights are reserved by the Publishers, whether the whole or part of the material is concerned, specifically the rights of reprinting, reuse of illustrations, recitation, broadcasting, reproduction on microfilms or in any other physical way, and transmission or information storage and retrieval, electronic adaptation, computer software, or by similar or dissimilar methodology now known or hereafter developed.

The use of general descriptive names, registered names, trademarks, service marks, etc. in this publication does not imply, even in the absence of a specific statement, that such names are exempt from the relevant protective laws and regulations and therefore free for general use.

The publishers, the authors, and the editors are safe to assume that the advice and information in this book are believed to be true and accurate at the date of publication. Neither the publishers nor the authors or the editors give a warranty, expressed or implied, with respect to the material contained herein or for any errors or omissions that may have been made. The publishers remain neutral with regard to jurisdictional claims in published maps and institutional affiliations.

This Palgrave Macmillan imprint is published by the registered company Springer Nature Singapore Pte Ltd.

The registered company address is: 152 Beach Road, #21-01/04 Gateway East, Singapore 189721, Singapore

CONTENTS

| | | |
|----------|--|------------|
| 1 | China-Pakistan Economic Corridor and the Belt and Road Initiative | 1 |
| | Bai Gao | |
| 2 | Structural Factors of International Relations That Affect China-Pakistan Economic Corridor | 21 |
| | Xuemei Qian | |
| 3 | How Pakistan's Political System Works on China-Pakistan Economic Corridor: Dominant Politics, Embroilment and Economic Development | 47 |
| | Yao Huang and Yan He | |
| 4 | Research on the Relationship between Pakistan's Institutional Risks and China's Foreign Direct Investment in Pakistan from the Perspective of Bilateral Political Relations | 77 |
| | Dongkun Li | |
| 5 | Research on the Fiscal System and the Development of Baloch Nationalist Movement: On the Influence of China-Pakistan Economic Corridor | 107 |
| | Yuhang Xie | |

| | | |
|-----------|---|------------|
| 6 | Implications of Pakistani Dynastic Politics for the Construction of China-Pakistan Economic Corridor: Potential Risks and Policy Responses | 135 |
| | Ruoshui Jiao | |
| 7 | Research on the Industry Spatial Layout of China-Pakistan Economic Corridor | 155 |
| | Qingyuan Tang | |
| 8 | Changes on CPEC's Logistics Channel: Case Study on the Site selection for Kashgar-Gwadar Railway | 177 |
| | Fang Zhao | |
| 9 | Terrorism→Poverty→Road Building: Risk Analysis of the Underlying Logic of the CPEC Infrastructure | 205 |
| | Cheng Zhongxing | |
| 10 | Social Infrastructure Development Aid for Xinjiang and Lessons for CPEC: A Case Study of Shanghai-Kashgar Paired Assistance Program | 219 |
| | Bin Wang | |

LIST OF CONTRIBUTORS

Zhongxing Cheng School of National Politics, Yunnan University, Kunming, China

Bai Gao Department of Sociology, Duke University, Durham, NC, USA

Yan He Institute for International and Area Studies, Tsinghua University, Beijing, China

Yao Huang The Asian-Pacific Studies Institute, Duke University, Durham, NC, USA

Ruoshui Jiao School of History and Culture, Lanzhou University, Lanzhou, China

Dongkun Li School of Public Administration, Southwest Jiaotong University, Chengdu, China

Xuemei Qian Department of Comparative Politics, School of International Studies, Peking University, Beijing, China

Qingyuan Tang School of Public Administration, Southwest Jiaotong University, Chengdu, China

Bin Wang School of Public Administration, Southwest Jiaotong University, Chengdu, China

Yuhang Xie School of Public Administration, Southwest Jiaotong University, Chengdu, China

Fang Zhao School of Public Administration, Southwest Jiaotong University, Chengdu, China

Zhihong Zhen School of Sociology and Political Science, Shanghai University, Shanghai, China

LIST OF FIGURES

| | | |
|-----------|--|-----|
| Fig. 3.1 | Distribution of fiscal resources in Pakistan. (Source: Ijaz Nabi and Hina Shaikh, <i>Fiscal Federalism in Pakistan: A Radical Departure and Some New Challenges</i> (Lahore: Development Policy Research Center, 2010), 6) | 52 |
| Fig. 3.2 | Number of incidents in provinces (2001–2015). (Source: By author, data from Global Terrorism Database, http://www.start.umd.edu/gtd/) | 58 |
| Fig. 3.3 | Geographical distribution of terrorist incidents (2001–2015). (Source: By author, data from Global Terrorism Database, http://www.start.umd.edu/gtd/) | 58 |
| Fig. 4.1 | The flow of Chinese FDI in Pakistan and number of terrorist attacks in Pakistan from 2005 to 2014. (<i>Data source</i> : Statistical Bulletin of China’s Outward Foreign Direct Investment and Pakistan Security Report) | 87 |
| Fig. 4.2 | Relationship between the important documents of China-Pakistan bilateral relations and Chinese FDI in Pakistan from 2005 to 2014 | 92 |
| Fig. 8.1 | Growth rate of highway length in Pakistan’s four provinces from 2007 to 2015 | 186 |
| Fig. 8.2 | Changes in the Gini coefficient of Palestinians’ income from 1990 to 2012: urban vs. rural | 187 |
| Fig. 8.3 | Changes in the Wolfson coefficient of Pakistan’s provincial income from 1990 to 2012 | 187 |
| Fig. 9.1 | Time chart of terrorist attacks in Pakistan | 217 |
| Fig. 9.2 | Time chart of terrorism attacks in China | 217 |
| Fig. 9.3 | Time chart of terrorist attacks in Afghanistan | 218 |
| Fig. 10.1 | GDP and growth rate of Kashgar from 2000 to 2015 | 224 |

| | | |
|-----------|---|-----|
| Fig. 10.2 | Changes the ratio of three industries in Kashgar from 2010 to 2015 | 225 |
| Fig. 10.3 | Total trade volume between Kashgar and Pakistan from 2010 to 2015 | 225 |
| Fig. 10.4 | Per capita disposable income in Kashgar from 2011 to 2015 | 226 |
| Fig. 10.5 | Total paid-in funds for paired assistance for Xinjiang from four provinces and cities from 2010 to 2015 | 229 |
| Fig. 10.6 | Urbanization rates in Kashgar and in China from 2011 to 2015 | 232 |

LIST OF TABLES

| | | |
|-----------|---|-----|
| Table 3.1 | Provincial share of divisible pool under different NFCs (%) | 55 |
| Table 3.2 | Transfers to provinces in divisible pool (Rs. billion) | 60 |
| Table 3.3 | Balochistan and Khyber Pakhtunkhwa budget revenues (Rs. billion) | 62 |
| Table 4.1 | Major terrorist organizations in Pakistan and the demands thereof | 85 |
| Table 4.2 | Investors, industries and length of China's FDI in Pakistan | 97 |
| Table 5.1 | The composition of gas consumer prices in Pakistan (2012) | 119 |
| Table 5.2 | The wellhead prices of natural gas published by OGRA on July 1st, 2014 | 120 |
| Table 5.3 | Balochistan nationalist groups and political demands thereof | 123 |
| Table 5.4 | Major social and economic indicators of Balochistan in 2010–2011 | 124 |
| Table 5.5 | NFC Award 2010 Transfer payments based on divisible pool of taxes (%) | 128 |
| Table 5.6 | Comparison of provincial revenues of GDS and royalty under the new and old mechanisms | 129 |
| Table 7.1 | Investments of CPEC Gwadar Projects | 166 |
| Table 8.1 | Ranking of Pakistan's LPI in the world | 196 |
| Table 8.2 | Pakistan's infrastructure quality in the world ranking | 201 |
| Table 9.1 | PCPSR survey on the economic status of residents over 18 years old in the West Bank and Gaza Strip ^a | 209 |
| Table 9.2 | List of CPEC projects | 212 |

| | | |
|------------|--|-----|
| Table 9.3 | Statistics of terrorist attacks on railways in Pakistan (2000–2016) | 216 |
| Table 10.1 | Paired assistance for Xinjiang involving four provinces (municipalities) from 2011 to 2015 | 230 |
| Table 10.2 | Key indicators reflecting Shanghai’s paired assistance for Kashgar’s four counties | 244 |



CHAPTER 1

China-Pakistan Economic Corridor and the Belt and Road Initiative

Bai Gao

The China-Pakistan Economic Corridor (CPEC) is the pilot project of China's Belt and Road Initiative (BRI). This is China's first government-to-government project with an aim to comprehensively promote the economic development of another country along the Silk Road. As China's first overseas project with large-scale investment, CPEC has presented both the Chinese government and Chinese companies two major challenges: not only must they undertake an adjustment process to situate themselves within the foreign political, economic, cultural, and religious environments, but they must implement CPEC projects via Pakistani institutions and mechanisms which function under operational logics quite different from those at home. Analyzing the Chinese and Pakistani experiences during the early stage of CPEC can provide valuable insights that help us understand the political economy of the BRI.

There are five issues surrounding CPEC that are of importance to understand the BRI. First is the issue of China's and Pakistan's motivation

B. Gao (✉)

Department of Sociology, Duke University, Durham, NC, USA

e-mail: bai.gao@duke.edu

© Social Sciences Academic Press 2023

B. Gao, Z. Zhen (eds.), *The Political Economy of the China-Pakistan Economic Corridor*,

https://doi.org/10.1007/978-981-19-6868-6_1

for the implementation of CPEC. Essentially, we might ask how, at the international level, does China see its national interests as related to the economic development of an investment-receiving country, and how, at the domestic level, is Pakistan's economic development related to its political stability and national security? Second is the issue of terrorism. Can the promotion of economic development reduce terrorism in a country like Pakistan? Terrorist activities have become a major national security issue for many countries in recent years and are an issue of great concern among within the international community. Indeed, with its direct implications for public policy, the relationship between economic development and terrorism might be considered one of the most important and consequential subjects of academic research in the twenty-first century. The third issue is whether CPEC might trigger an influx of Muslim immigrants into China which some Chinese commentators view as a threat to national security. Over the past few years, populism and anti-immigration sentiment have formed part of the anti-globalization movements in western countries. Even in China, some commentators have expressed their worries online that certain CPEC projects, especially roads and railways, may lead to an influx of Pakistanis into China, changing the proportion of Muslims in the population and thus threatening China's national security. Fourth is the matter of the administration of foreign direct investment (FDI) while implementing CPEC. How ought China to work with the different political-economic systems and mechanisms in Pakistan? Or more specifically, how should China respond if the project is carried out under Pakistan's domestic political-economic systems and mechanisms in a way that differs from China's expectations, or even if the outcome of its FDI somehow goes against China's initial intentions? Finally, the fifth issue is China's investment and development plan's inclusivity. There is a risk that CPEC's benefits might not be shared equitably among all Pakistanis, which raises the question of whether China, as the principal investor of CPEC, should itself adopt the principle of inclusive development so that all social groups in Pakistan share the benefits of economic growth brought about by the CPEC projects.

China has already made heavy overseas investments through the BRI to promote economic development in developing countries. Now, China is faced with a serious question: Is such investment prudent if China neglects the social consequences of its FDI in recipient countries? An examination of the roots of the anti-globalization movements in developed countries indicates that the political sustainability of globalization largely depends

on whether globalization's benefits are shared among all social groups in a fair and equitable manner. If China continues to make FDI, but focus only on short-term political gains to the disregard of long-term social consequences, it will likely cause a political backlash in the recipient country and the outcome of the projects in that country will run counter to the investments' original intentions. For this reason, it is essential that China, when promoting a new international economic order amid the anti-globalization trend—as exemplified by CPEC and the BRI—adhere to the principles of socioeconomic justice and the shared benefits of economic development.

The remainder of this introduction will elaborate on the following five issues.

1.1 WHAT IS CHINA'S MOTIVATION FOR IMPLEMENTING CPEC?

Admittedly, there are several reasonable arguments against CPEC. Pakistan's geological conditions pose a significant technological and engineering obstacle. The China-Pakistan border is mountainous and roads and railways face threats including earthquakes and mudslides. Under these conditions, roads, railways, and oil pipelines constructed under CPEC projects will necessarily have very high maintenance and repair costs. Especially when compared to ocean shipping, inland transportation appears quite inefficient. Moreover, there are many poor, underdeveloped regions in China with inadequate infrastructure and that lack a social safety net; why should China make FDI in Pakistan instead of investing domestically?

While these arguments are reasonable, China apparently sees value in CPEC and the BRI which far exceeds any considerations about these economic costs or domestic factor.

A discussion of the CPEC project must begin with an analysis of China's motivations for the BRI more generally. Before the Chinese government officially announced the BRI in 2013, the idea to develop the Silk Road Economic Belt came about as a consequence of two important historical events. The first event was the 2008 global financial crisis. This crisis had an enormous impact on developed countries which had been China's traditional export markets. These countries were no longer able to absorb all of China's products. Prior to this, for the thirty years leading up to the BRI, China had exercised a "blue ocean" strategy in which domestic

economic development was promoted through the exportation of goods to Western countries via oceanic shipping. But after the 2008 global financial crisis, this strategy began to appear unsustainable. The second event was that the territorial disputes intensified between China and several neighboring countries amid the US' adoption of the "pivot to Asia" strategy in 2009. This placed immense additional strategic pressure on China, which in turn invigorated nationalist sentiment within China. Under such complicated historical circumstances, the westward "opening up" strategy with its aim to promote the economic integration of Eurasia by building the New Silk Road Economic Belt became an important hedging strategy through which China could promote free trade and maintain world peace [2].¹ To China, in the face of increasing economic difficulties, the essence of the BRI is to defend free trade by opening new international markets, identify new opportunities for economic growth, and create a hedge against market turbulence in developed countries. In addition, China considers a turn toward Eurasia as vital to the avoidance of direct conflicts with traditional sea powers because, in this way, it would no longer rely solely on the Asian Pacific region for its economic connection to the world, thereby maintaining world peace and reducing the intense geopolitical pressures of the Asia-Pacific region.

The BRI is geo-economic in nature. Traditional geopolitics characterizes international relations as a zero-sum game emphasizing conflicts of interest and competition among nation states. In contrast, geo-economics attaches importance to the shared interests and cooperation among nation states in international relations and emphasizes the search for win-win solutions. It holds that every country could gain more opportunities as long as they cooperate with each other to increase the size of the market. This perspective lies at the BRI: it is essentially a hedge against the strategic pressures put on China from the United States and its allies in the Asia-Pacific region. Hedging in this case is neither friendly diplomacy nor confrontation, but simply an option that induces cooperation by demonstrating the costs of non-cooperation.²

With long coastlines and vast inland territories, China's geological location boasts strategic advantages in geo-economics. Western China is

¹ Gao Bai, "Gaotie yu zhongguo 21shiji dazhanlue" (High-speed Rail and China's Strategy for the 21st Century), *Jingji Guanchabao (The Economic Observer)* (March 2011): 41–42.

² Gao Bai, "Gaotie yu zhongguo 21shiji dazhanlue" (High-speed Rail and China's Strategy for the 21st Century), *Jingji Guanchabao (The Economic Observer)* (March 2011): 41–42.

connected to Central and South Asia and is not far away from the Middle East where are located the world's main sources of oil, natural gas, and many other minerals. Connecting countries of abundant energy, resources, population, capital, and technology, Eurasian railways and roads can mobilize production factors and further improve the relative global economic status of these countries, and affect the future international political and economic order.³ China may put itself in a strong and favorable position within the international political economy if it utilizes its unique geographic advantages to create a hedge for itself. To do so, China must build railways and other infrastructure to promote economic integration with the Eurasian continent and promote the economic integration of the Pacific Rim. For China, the twenty-first century can be either a Pacific century, or a Eurasian century, or both. If the Pacific countries are hostile to China, it can turn westward to promote the economic integration of Eurasia; if the Eurasian countries are hostile to China, it can turn eastward to facilitate the economic integration of the Pacific Rim. If both sides show goodwill toward China, it can develop simultaneously in both directions.⁴

Why did China select CPEC to be the BRI's pilot project?

Unlike other neighboring countries, Pakistan offers unique political support for CPEC that other countries do not. Since both China and Pakistan consider each other all-weather strategic partners, domestic political support for cooperation with China is very strong in Pakistan; in fact, Chinese cooperation as a national policy is unanimously accepted by all political parties in Pakistan and has historically occurred through both governmental and military channels. In addition, Pakistan's political relations with other major powers are not as close as those it has with China, so it is less likely for Pakistan to be influenced by other countries when implementing CPEC projects. Perhaps most importantly, the Pakistani government recognizes that CPEC is a once-in-a-lifetime opportunity for the country's economic development. In consideration of these international and domestic conditions, therefore, starting the BRI from the southern route of the Eurasian land bridge seems to be China's best choice.

³ Gao Bai, "Gaotie yu zhongguo 21shiji dazhanlue" (High-speed Rail and China's Strategy for the 21st Century), *Jingji Guanchabao* (*The Economic Observer*) (March 2011): 41–42.

⁴ Gao Bai, "Gaotie yu zhongguo 21shiji dazhanlue" (High-speed Rail and China's Strategy for the 21st Century), *Jingji Guanchabao* (*The Economic Observer*) (March 2011): 41–42.

Pakistan's geographic location is of great importance to China. Whether China's BRI will succeed depends largely on whether China can develop and maintain good relations with neighboring countries and gain political support from them. The importance of a country's geographic location lies in the fact that location is a precondition for both geopolitics and geoeconomics. Without first considering the geographical environment of international political economy, it would be impossible to assess the value of various BRI route options in the context of big power relations. For instance, if Sino-US relations were stable, Pakistan's value to China, either as a pathway to the Indian Ocean, or as a route across the Eurasian land bridge, would be relatively low. If such were the case, China could ensure its ocean shipping route through the Pacific and Indian oceans and it would not need a land path to reach the Indian Ocean, nor a route across the Eurasian continent. Similarly, Pakistan's value to China would also be relatively low if China and Russia had an established strategic alliance, because in this case, Russia, rather than Pakistan could serve as China's main route to enter the European market.

China has given top priority to its diplomacy with its neighbors because the geographic locations of these countries are important. When China assesses the prospect of investment in neighboring countries, their values are not judged simply by whether investment will generate immediate financial returns, but by the manifold long-term political and economic benefits. Moreover, it is easier for China to protect its FDI in the event it falls under threat when that investment is in a neighboring country.

Pakistan's geographic location bears unique significance for the BRI. Situated on the other side of the Himalayas in South Asia, Pakistan is both an important pathway for China to reach the Indian Ocean and a vital route connecting all of South, Central, and West Asia. Gwadar Port, merely 400 kilometers away from the Persian Gulf, puts both the Middle East and Africa within easy reach. This route greatly shortens the logistic distance of both Chinese exports to markets in South Asia, West Asia, the Middle East, and Africa, and facilitates the import of energy and raw materials from these markets back to China. When CPEC is completed, Pakistan and China will be further bonded economically and Gwadar Port, sustained by newly built roads and railways, can serve as a major port for ocean shipping from the western regions of China, equivalent to the Port of Shanghai or the Port of Ningbo-Zhoushan that serve Eastern China. Eventually, it is possible that Pakistan's supply chains could become bonded with China's in a manner similar to that of Vietnam and South

Korea, effectively making China a true Indian Ocean country. This would further enhance its economic cooperation with surrounding countries. Such a mutually beneficial relationship is vital if China is to maintain the driving forces of its economic growth in both the Asian-Pacific region and the Eurasian continent. CPEC has expanded the demand for Chinese goods from not only the nearby Xinjiang region and other western Chinese territories; indeed, but also other regions of China with a strong manufacturing industry. By opening new markets for these regions, China can gain some cushion time while it shifts its model of economic development from external-demand-driven to domestic-demand-driven.⁵

The southern route of the Eurasian land bridge through Pakistan serves as an effective hedge to the northern route through Russia and to the middle route through Kazakhstan. Although there are multiple routes between China and Europe, each has its own risks, depending on the countries through which they pass. The best way to minimize these risks is to maintain each route's availability while keeping them in a managed competition. Russia has been sanctioned by Western countries since the Ukraine crisis. Kazakhstan, which has been greatly affected, is therefore trying hard to facilitate China-Europe freight trains, under pressure of survival. So far, two routes have been put into operation, including the China-Ukraine water-land transshipment route via Kazakhstan, the Caspian Sea, Azerbaijan, Georgia, and the Black Sea, and the China-Iran route via Kazakhstan and Turkmenistan. More recently, the China-Turkey route via Kazakhstan and Azerbaijan has started trial operation. Because the northern and middle routes are doing well, the urgency to build the southern route via Pakistan has declined. Yet, if the Kazakhstan route encounters problems, Pakistan's value to China as an alternative to enter the Middle East and Europe will increase.

China also considers Pakistan an important channel through which to communicate with the Islamic world. The Silk Road Economic Belt passes through two geopolitical zones: one is the sphere of influence of the former Soviet Union, the other is the Islamic world. Pakistan has long been closely related some countries in the Middle East, especially Saudi Arabia and the United Arab Emirates (UAE). Pakistan has sent many migrant workers to these two countries. In addition, The UAE has been a major provider of aid to Pakistan, and Pakistan has been one of the major sources

⁵ Gao Bai, "Gaotie yu zhongguo 21shiji dazhanlue" (High-speed Rail and China's Strategy for the 21st Century), *Jingji Guanchabao* (*The Economic Observer*) (March 2011): 41–42.

of mercenaries for Saudi Arabia.⁶ Pakistan may help China to extend the China-Pakistan railway to Africa with supports from Saudi Arabia and UAE. After the Gwadar-Kashgar railway is completed, it will further extend westward into Iran. If Saudi Arabia and the UAE are willing to fund the construction of an underwater tunnel across the Hormuz Strait between Iran and Amman and a bridge between Yemen and Djibouti, then the China-Pakistan railway would reach Africa through Iran and the Arabian Peninsula. These above-mentioned railway projects will become important Asia-Africa land routes if they can be materialized.⁷ One of Saudi Arabia's challenges is to adjust its economic structure while maintaining political stability in an effort to survive the increasing competition in the oil industry wherein the Caspian Sea region and the United States have become new energy sources. If a railway is built between Asia and Africa via the Arab peninsular, Saudi Arabia will have opportunities to develop new economic sectors to shoulder the economic pressures.

To China, if CPEC succeeds, it will set an example for other countries. As Pakistan's economic development increases due to China's FDI, other Indian Ocean countries such as Sri Lanka, Bangladesh, and Myanmar may follow suite to engage in economic cooperation with China.⁸ In this sense, CPEC is considered a test for the BRI. China has never before been involved as deeply in international affairs as it is now through the BRI. Although China has provided aid to other developing countries for years, these projects were normally idiosyncratic, tailored to individual entities. CPEC is China's most ambitious project by far and the first government-level project that provides substantial economic support to a foreign country through massive investments in multiple industries. An in-depth analysis of CPEC's outcomes will offer valuable insights.

⁶ Gao Bai, "Gaotie yu zhongguo 21shiji dazhanlue" (High-speed Rail and China's Strategy for the 21st Century), *Jingji Guanchabao (The Economic Observer)* (March 2011): 41–42.

⁷ Gao Bai, "Shate wenti de zhongguo jieju fangan" (China's Solution to the Saudi Problem), *Xinan Jiaotong Daxue Xuebao (Journal of Southwest Jiaotong University)* (July 2014).

⁸ Gao Bai, "Shate wenti de zhongguo jieju fangan" China's Solution to the Saudi Problem), *Xinan Jiaotong Daxue Xuebao (Journal of Southwest Jiaotong University)* (July, 2014).

1.2 CAN THE PROMOTION OF ECONOMIC DEVELOPMENT REDUCE OR ELIMINATE TERRORIST ACTIVITIES IN PAKISTAN?

Although China plans to invest \$46 billion in CPEC, to what extent this investment will reduce terrorist activities remains a controversial issue with scholars, journalists, and policymakers holding different views. The relationship between economic development and terrorism is a social science research subject with significant policy implications in the twenty-first century, drawing major attention in the international community. There are two schools of thought on the relationship between economic development and terrorism. On one hand, some journalists who have done in-depth investigations argue there is a positive correlation between poverty and terrorism. Sharing such assumptions, some governments have made concerted efforts to eradicate the perceived breeding grounds for terrorism by promoting economic development or providing humanitarian aid in those countries most affected by terrorism. For example, during the War on Terror following the 9/11 attacks in New York City, the US government increased its economic assistance to countries thought to harbor terrorists. On the other hand, “a substantial amount of scholarship casts doubt on the purported nexus between poverty and terrorism.”⁹ It is easy, then, based on the results of Western academic publications, for commentators to cast doubt on the BRI’s and CPEC’s ability to ameliorate terrorism.

With the sharp contrast between these two perspectives, we wonder why the conclusion of scholarly publications could be so different from that of journalists reporting on the ground and of the policymakers who intuit the connection and expend resources to deal with it? One explanation for this discrepancy is that there may be problems with the research methods of cited academic publications and an oversight in qualitative research on the subject.

Let us first consider those studies that find an insignificant correlation between poverty and terrorism. Adequacy can be an issue if studies use country-level analyses with partial, cross-border data sets collected from

⁹Jeff Burdette, “Rethinking the Relationship Between Poverty and Terrorism,” *Small Wars Journal* (June 19, 2014); <https://smallwarsjournal.com/jrnl/art/rethinking-the-relationship-between-poverty-and-terrorism#:~:text=U.S.%20Policymakers%20have%20generally%20accepted,are%20directly%20and%20causally%20linked.&text=Numerous%20empirical%20and%20anecdotal%20studies,connection%20between%20poverty%20and%20terrorism.>

different sources rather than complete data sets specifically designed to examine the relationship between poverty and terrorism. As Sanchez-Cuenca points out, conceptual ambiguity has led to no common ground for the selection of cases and measurement ambiguity in database coding rules has created controversies.¹⁰ Second, the unit of analysis may be another issue. When GDP per capita and income inequality are used to explain either the cause of or the lack of terrorism, the underlining assumption can be problematic, not only because terrorist activities take place in both rich and poor countries, but also because terrorist activities are usually limited to a small group of people within a small geographic area within a given country. There is therefore no theoretical reason to think wealth, either at the individual level or even at the national level, would reduce terrorist activities.¹¹ Nevertheless, as Victoroff points out, even if we were to assume that a country's economic development level was not significantly related to terrorism in a particular country, such a conclusion would still fail to answer a more fundamental question: if inequality in wealth distribution were drastically reduced in a given country, would the number of terrorist activities remain the same? In other words, if the average income and expected future income of Palestinians and Israelis were identical, would there still be Palestinians willing to become a human bomb?¹²

Piazza argues that cross-border quantitative analyses have neglected a theory widely used in mainstream sociology, anthropology, and criminology, that is; the personal experience of ethnic, racial, and class discrimination may be used to forecast the probability of future aggressive behaviors and violent crimes. Personal experience can be difficult to quantify, especially from data not specifically designed to do so, resulting in a poorly operationalized independent variable. It is precisely this point that some qualitative studies, focusing on a single country or single terrorist group,

¹⁰ Ignacio Sanchez-Cuenca, "Why Do We Know So Little About Terrorism?" *International Interactions* (Sept./Oct. 2014).

¹¹ Bryan Brophy-Baermann, "Democracy Causes Terrorism: Methodological Flaws, a New Approach, and a New Answer," *Journal of Pedagogy, Pluralism, and Practice*, (2014) 6 (1): 87-124.

Joseph K. Young and Michael G. Findley, "Promise and Pitfalls of Terrorism Research," *International Studies Review*, (2011) 13: 411-431.

¹² Jeff Victoroff, "Introduction: Managing Terror: The Devilish Traverse from a Theory to a Plan," in Victoroff, ed., "Tangled Roots: Social and Psychological Factors in the Genesis of Terrorism," *IOS Press* (2006): 10.

have underscored. However, this criticism is often ignored or treated as irreconcilable in the current cross-border quantitative studies. Consequently, there are virtually no studies that examine the relationship between terrorism and economic discrimination suffered by minorities. Piazza argues that when a minority has been marginalized in a society, it forms a “group grievance” that is often used by terrorists to recruit new members.¹³

Piazza operationalizes the concept of group grievance by measuring economic and social discrimination faced by a minority in employment, education, medical care and social services, formal and informal segregated areas of residence, and a lack of economic opportunities, as compared with other social groups. All these inequalities function as a catalyst for a minority group to oppose the government, the current economic situation, mainstream society, and majority groups and provide opportunities for terrorists to mobilize participation and recruit new followers.¹⁴

In short, the relationship between economic development and terrorism is far more complicated than either the poverty-terrorism hypothesis or its critics suggest. While economic development may not be solely sufficient to eliminate terrorism, it is an important and necessary condition.¹⁵ Therefore, BRI projects should address disparity in economic development, not only among countries and regions, but also among social groups within a particular country or region.

For China, CPEC serves to reinforce national security along its western borders. Although terrorism has been haunting Pakistan for years, the country has not found an effective way to counteract it. China’s promotion of Pakistan’s economic development is in fact a form of comprehensive cooperation that represents a joint effort at counter-terrorism. If Pakistan becomes safer because of its economic development, the same strategy may be also effective in Afghanistan and other Central Asian

¹³ James Piazza, “Poverty, Minority Economic Discrimination, and Domestic Terrorism,” *Journal of Peace Research*, (2011) 48 (3): 339–353.

¹⁴ James Piazza, “Poverty, Minority Economic Discrimination, and Domestic Terrorism,” *Journal of Peace Research*, (2011) 48 (3): 339–353.

¹⁵ Jeff Burdette, “Rethinking the Relationship Between Poverty and Terrorism,” *Small War Journal*, (2014) June 9. <https://smallwarsjournal.com/jrnl/art/rethinking-the-relationship-between-poverty-and-terrorism#:~:text=U.S.%20Policymakers%20have%20generally%20accepted,are%20directly%20and%20causally%20linked.&text=Numerous%20empirical%20and%20anecdotal%20studies,connection%20between%20poverty%20and%20terrorism>.

countries. In this sense, CPEC exemplifies a new anti-terrorism strategy adopted by China: instead of fighting against terrorism exclusively at home, China now actively invests in neighboring countries with the aim to curb the spread of terrorist activities by promoting economic development in these countries.¹⁶

A new study published in China shows that since the start of CPEC in 2013, Pakistan has not had any major political turmoil but has experienced a relatively long period of stability that the country has not seen in eighteen years. By investing heavily in Pakistan, China closely tied its own interest to Pakistan's national security. In an effort to counter terrorism more effectively and support the CPEC projects, Pakistan's army launched the Prophet's Sword operation. Since then, terrorist attacks and related casualties have been greatly reduced.¹⁷ However, China, as the principal investor of CPEC, must help Pakistan reduce regional disparity and inequality in wealth distribution when promoting economic development in the country. Only when Pakistan achieves these two goals can it reduce or eliminate terrorist activities. When the benefits of economic development are shared by all social groups, the appeal of extremism may lessen.

1.3 WILL CPEC TRIGGER AN INFLUX OF MUSLIM IMMIGRANTS TO CHINA, THEREBY POSING A THREAT TO CHINA'S NATIONAL SECURITY?

Recently, an online post spread widely in China. It argued that CPEC would trigger a huge influx of Muslims from Pakistan into China, these Muslim immigrants would ally with local Muslims in China, and this would pose a major threat to the country's national security. Some readers considered this populist opinion reasonable, but its logic falls apart quickly under social science scrutiny.

Connectivity in transportation certainly provides convenient mobility to human beings, but like the relationship between poverty and terrorism, convenient transportation is a necessary but not a sufficient condition for mass immigration. Convenient transportation does not necessarily lead to mass immigration, and mass immigration can also be realized without

¹⁶ Gao Bai, "China-Pakistan Railway: The Outline of China's Land Power Strategy," (April 2015), <https://www.guancha.cn/gaobai/2015-04-21-316648-s.shuml>

¹⁷ Zhou Rong and Chen Xiaochen, "Zhongba jingji zuolang jianshe jinzhan chaoyuqi (CPEC Progresses Beyond Expectation), *Diyi Caijing* (*China Business News*) (April 2017).

convenient transportation. Indeed, the railway and roads between China and Pakistan, as laid out in CPEC, are designed mainly for freight transport. China-Europe freight trains have already made thousands of runs, and we have not seen any Chinese using the trains to smuggle themselves into Europe.

Immigration status can be classified as one of three types: legal entry and legal stay, illegal entry and illegal stay, or legal entry and illegal overstay. “Illegal immigrants” belong to one of the latter two types. In any case, the issue of immigration is the concern of the immigration authority, not the transportation agency that provides convenient transportation. In other words, it is a government’s immigration policy that affects the volume of immigration, not the convenience of transportation.

Legal entry requires a valid passport and/or visa. All countries have strict rules for visa issuance, and any person entering a foreign country is required to go through a border inspection. It is hard to imagine that China would issue millions of visas to people from another country without regard to these established rules and let its borders be overwhelmed by an influx of immigrants. Admittedly, despite strict border controls to prevent illegal entry, border controls cannot prevent illegal overstay. Nevertheless, the fact remains that preventing illegal immigration depends on a host country’s immigration policy, and has little or nothing to do with the transportation connectivity between two countries. China, the most populated country in the world, is connected to Europe by railway, and although many Chinese wish to immigrate there, no part of Europe is being overrun by Chinese immigrants. Moreover, there already exists a means for Pakistanis to “conveniently” enter China: the Karakoram Highway between China and Pakistan has existed for over 40 years and yet rampant illegal immigration as described in the online post has not occurred. And even more evidence of the illogic of that argument: China and the United States are separated by thousands of miles across the Pacific Ocean, yet there are a significant number of illegal Chinese immigrants in America. Africa, too, is thousands of miles from China, yet there are many Africans overstaying their visas in Guangzhou, despite the fact that there is no land transportation between China and Africa at all.

Countries that allow immigrants to live legally as permanent residents need corresponding policies and social structures to support those immigrants—policies that in the Pakistani case, China doesn’t have. The increase of the Muslim population in European countries is not due to convenient transportation, but those European countries’ immigration