

## **The Natural Resource Curse in Xinjiang**

### **Abstract**

Natural resource abundance may have political and economic consequences. Some argue that natural resource abundance can have a negative effect on democratic transition and the consolidation of democracy, the so-called “natural resource curse” in political aspect. But the mechanism through which natural resource stock leads to a less democratic regime with more authoritarian features is not yet fully clarified. In this paper I will use a case study about Xinjiang to test my theory. That is, distributional inequality between Han Chinese and the ethnic minorities over the resource revenue results in more resistance from the Uyghurs, thus the government responds with stricter social control. This paper is aimed at offering both a theoretical creation and an explanation for the current instability in Xinjiang.

### **Key Words**

Natural Resource Curse, Xinjiang, Uyghurs, Political Economy

## Chapter I: Introduction

The Xinjiang Uyghur Autonomous Region has never been such a hot topic among scholars and politicians as it is now. Though the Uyghur separatists have been asking for independence ever since the Chinese Communists took the place in the late 1940s, and even earlier, they could never gain so much sympathy and support from the western world as the Tibetans have been enjoying. Xinjiang remained to be a relatively marginal topic for years, while Tibetans studies continued to thrive in universities and colleges in the U.S. and Europe. But things have changed after the collapse of the Soviet Union and the independence of Central Asian countries, and the bloody riots that caused hundreds of deaths on July 5, 2009 reminds us that Xinjiang should not be neglected anymore. Previously famous for its splendid scenery and delicious fruits, the region is now one of the most dangerous places in China under the threat of terrorist attacks. When President Xi Jinping was visiting Xinjiang and emphasizing a hardline policy against any terrorists and separatists in April 2014, he might not have been expecting another terrorist attack in Urumqi, the capital of the region, soon after he left the city. If someone is looking for any violent resistance that directly targets at the rule of the Chinese Communists in this country, Xinjiang can hardly be excluded.

The Chinese Communist Party after the Cultural Revolution upholds a creed that economic development is the best and final solution to all political and social problems, the so-called “Development is the Absolute Principle” (*fazhan jiushi ying daoli*). Contrast to the impression that Xinjiang’s economy falls far behind from coastal areas, its economic development has been very impressive since the 1990s. Oil and gas production is the pillar industry of Xinjiang,<sup>1</sup> and in the opinion of the authority and many people as well, it is supposed to bring prosperity and stability to the region. Obviously this is not true. We can’t help but wonder whether there are some political or economic consequences of resource abundance and ongoing resource exploitation in Xinjiang.

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<sup>1</sup> Xinjiang Statistical Bureau, “Energy Industry of Xinjiang is Playing a More Important Role in National Economy [xinjiang nengyuan gongye zai guomin jingji zhong de diwei tuxian],” see: [http://dss.gov.cn/Article\\_Print.asp?ArticleID=244017](http://dss.gov.cn/Article_Print.asp?ArticleID=244017). Last accessed: April 5<sup>th</sup>, 2014.

Both economists and political scientists have been studying the so-called “natural resource curse” for years, as they observe in many Middle Eastern and African countries that natural resource may not necessarily be a good thing for political and economic development. The second largest oil producing country in 2014, Saudi Arabia, along with her oil-rich neighbors, cannot be counted as democracies, even when we follow the minimum standards for what constitutes a democracy. The largest oil producer today, Russia, is more of a hybrid regime than a mature democracy. Another resource-dependent country Nigeria is not only suffering from political instability but also from economic downturn, high government debt rate, poverty, pollution, etc., while its oil production reaches its peak. In the field of political economy, the linkage that natural resource has a negative impact on either political democratization or economic growth, or to both simultaneously is conceptualized as the “natural resource curse”. If we are to find out whether natural resource also has some negative effects in Xinjiang, the natural resource curse may serve as a good theoretical framework for causal analysis. Of course, the author of this paper is not merely satisfied with application of theories, but also hopes that an empirical case about Xinjiang can deepen our understanding about the mechanism through which natural resource makes a difference to politics or economic growth. As is demonstrated in the following parts, the causal mechanism of natural resource curse is not yet clarified, because it cannot explain why outliers like Norway exist, where natural resource abundance is more like a “blessing” than a curse.

This paper argues that the natural resource curse exists in Xinjiang. Following this introduction, the second chapter will provide a literature review about theories and empirical studies of natural resource curse. The third chapter of this article will begin with a brief introduction to the contemporary politics, economy and society of the Xinjiang Uyghur Autonomous Region, with a focus on Xinjiang’s energy development in recent years. I will then employ the method of congruence procedures and process tracing to present a causal link between resource abundance and authoritarian rule: natural resource abundance and resource exploitation generate distributional inequality, since many Uyghurs youth who cannot speak Mandarin Chinese fluently are disadvantaged in the job market; then the Uyghurs have an

incentive to challenge the current regime, by means of mass protests and violence, including terrorist attack; the government responds with more repression, thus strengthening the authoritarian rule. The conclusion chapter will offer some further discussions about the economic effect of resources and the possible solution to the resource curse in Xinjiang, based on the causal link provided in Chapter Three.

## Chapter II: Literature Review

A large body of scholarship has been studying the so-called “natural resource curse”. After Mahdavy (1970) first raised the idea, much effort has been devoted to examining both the political and economic consequences of natural resource abundance. Many economists and political scientists observe that oil-rich countries tend to be less democratic, including Saudi Arabia, Iran, and Nigeria. The seemingly plausible argument that the price of oil and the pace of freedom always move in opposite directions in oil-rich states is also named “The First Law of Petropolitics” by Friedman (2006).<sup>2</sup> But this is not the end of the story. As Haber suggests (2011), the view that natural resources and democracy do not go together is often coupled with parallel literatures that find correlations between natural resources and slow economic growth or the onset of civil wars; taken together, these literatures have given rise to the stylized fact that there is a “resource curse.” Therefore, in our discussion about natural resource curse, neither the political dependent variable nor the economic dependent variable should be neglected. In this paper I will first address the political effect of natural resource abundance and postpone the discussion about economic effect till the last chapter, but it doesn’t mean that the economic effect is a trivial matter in our case.

The traditional thought is that natural resource abundance has a negative effect on either economic development, or political democratization, or both at the same time. In terms of the political effect, Ross (2001) starts this stream of literature. He points out that there exist three causal mechanisms through which oil does have anti-democratic effects: a “rentier effect,” which suggests that resource-rich governments use low tax rates and patronage to relieve pressures for greater accountability; a “repression effect,” which argues that resource wealth retards democratization by enabling governments to boost their funding for internal security; and a “modernization effect,” which holds that growth based on the export of oil and minerals fails to bring about the social and cultural changes that tend to produce democratic

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<sup>2</sup> Thomas Friedman, “The First Law of Petropolitics,” see: [http://www.foreignpolicy.com/articles/2006/04/25/the\\_first\\_law\\_of\\_petropolitics](http://www.foreignpolicy.com/articles/2006/04/25/the_first_law_of_petropolitics). Last accessed April 5<sup>th</sup>, 2014.

government. These social and cultural changes include occupational specialization, urbanization, and higher level of education. He tests all these explanations and finds them robust. Many other scholars also employ statistical methods to support such a curse effect. For example, Jensen and Wantchekon (2004) wrote one of the most cited papers in this field, and presented empirical evidence suggesting a robust and negative correlation between the presence of a sizable natural resource sector and the level of democracy in Africa. One can also find similar conclusions (though the explanations may be slightly varied) in Wantchekon (2002), Smith (2004), Goldberg et al. (2008), Norman (2009), Ross (2009), Aslaksen (2010), Ramsay (2011), etc. Interestingly, Ross (2009) rejects two of the three explanations given in Ross (2001) using improved empirical estimation strategies—only the “rentier effect” remains plausible. In terms of the negative economic effect, one can also see Sachs and Warner (1995), Sala-i-Martin and Subramanian (2003), Collier and Goderis (2009).<sup>3</sup> In Sala-i-Martin and Subramanian (2003), three channels of natural resource abundance to lower growth are raised, including institutional impact, fertility, and the famous notion of Dutch Disease.<sup>4</sup>

However, in recent years, more and more empirical researches cast doubt on the traditional thought. They believe that the negative effect of natural resource abundance does not exist, or even that resource stock helps to promote democratization. Among this stream of literature, Haber and Menaldo (2011) is worth mentioning in detail. They point out that previous empirical tests that have been used to test the resource curse hypothesis do not tend to employ time series–centric methods, nor specify counterfactual paths of political development; after improving the estimation strategy, they find that increases in resource reliance are not associated with authoritarianism. In fact, in many specifications they generate results that

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<sup>3</sup> In fact, the economic and political effect is not independent from each other, though most literatures focus on only one of the two aspects. As Ross (2001) indicates, claims about the rentier state can be sorted into two categories: those that suggest oil wealth makes states less democratic and those that suggest oil wealth causes governments to do a poorer job of promoting economic development. Often the two are conflated. Bulte and Damania (2008) also find that the main effect of resource abundance on growth occurs through interaction with political variables.

<sup>4</sup> In countries suffering from the so-called Dutch Disease, the resource boom causes an overvaluation of the domestic currency and makes imports cheaper and nonmineral exports more expensive, thus creating structural barriers to investment in nonmineral tradable goods and development more generally. Here I use the definition given by Goldberg et al. (2008).

suggest a “resource blessing”. Similarly, Wacziarg (2012) finds strictly no evidence in favor of the so-called “First Law of Petropolitics”, using a variety of time series and panel data methods over a wide range of country subsamples and time periods. While readers may challenge their position by referring to countries suffering from the resource curse like Nigeria, Haber and Menaldo (2011) respond in this way: this is not to say that there may not be specific instances in which resource rents might have helped to sustain a dictatorship; it is to say, however, that there is a big difference between pointing to these instances and making sweeping, law-like statements. Scholars in this stream of literature claim that they are in the direction to a correct causation, so as those who support the traditional thought.

The problem of these empirical researches is that they can only report the effect of natural resource on average, but fail to explain why the resource curse occurs in certain countries while resource blessing is dominant in others, like Norway. These countries’ varied paths from resource wealth to political and economic outcomes suggest the need for conditional theories of the resource curse (Dunning, 2005). As Dunning (2008) puts it in his classic book, there are indeed mechanisms through which resource wealth can promote the emergence or persistence of authoritarian regimes; however, there are also mechanisms through which resource wealth can promote democracy. He shows in his book that the claims that resources promote authoritarianism and that they promote democracy are not mutually inconsistent. Ross (2009) himself also agrees with Dunning at this point, and admits that the empirical analysis tells us something about the average effect that oil wealth has on democracy, but surely the ultimate effect of oil wealth will vary under different conditions—and identifying these conditions lies at the frontier of research on this problem. Obviously, large-n regression is not a very useful method to identify such conditions. Therefore, we must also have a close look at relevant propositions made by formal modelers, who have been contributing to our understanding about the causal mechanisms.

In terms of the economic effect of resource abundance, some try to explore the mechanism at a micro-level, modeling the interaction in a resource-rich country between elites who benefit

most from resource (particularly oil and gas<sup>5</sup>) revenue, and challengers who do not. In Caselli and Cunningham's model (2009), the elite is the direct recipient of resource revenue and its problem is how to allocate this revenue (and its energy) between its own enrichment, activities that increase the elite's chances of retaining power, and investments that can increase the economy's capacity to produce non-resource income. They suggest,

*“Broadly speaking, an increase in resource revenue affects the elite's decision problem through two main channels. First, since the elite is the direct recipient of the resource revenue, an increase in that revenue increases the value of staying in power, and hence the return to activities and expenditures that shore up the elite's political control. He thus substitutes away from productive activities into activities that preserve him in power. However, the vice of an increased desire to stay in power may easily turn into a social virtue as well, because one way to increase one's hold on power is to make citizens happy, i.e. to provide plenty of opportunities in the private sector. The second main way a resource windfall affects the leader's problem is by increasing the likelihood that he will face a challenge for his political control.”*

Similar to the first channel, the leader can choose to shift more resources into wasteful self-preservation schemes, or to invest more in the private sector in order to appease the challengers. Facing such trade-off, it is not easy to predict the economic outcome without specifying more conditions. Instead of leaders and challengers, Torvik (2002) focuses on the behavior of entrepreneurs. In his model with rent seeking, “a greater amount of natural resources increases the number of entrepreneurs engaged in rent seeking and reduces the number of entrepreneurs running productive firms. With a demand externality, it is shown that the drop in income as a result of this is higher than the increase in income from the natural resource.” More natural resources thus lead to lower social welfare.

One of the obvious drawbacks of the two models mentioned above is that they both fail to

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<sup>5</sup> Ross (2001) finds that oil and other minerals impede democracy, but other primary commodities—which generate few or no rents, produce less export income for the state, and employ a larger fraction of the labor force—do not.



incorporate political factors in the causal analysis. When we are discussing the economic effect of resources, political factors also matter.<sup>6</sup> Treating regime type as an exogenous variable—that is, to assume that resource abundance does *not* affect the survival or consolidation of democracy, we can understand better why the economic effect is conditional. For example, Damania and Bulte (2008) show why democracy (the existence of substantial competition) can help to overcome the negative effect of resource abundance on economic development. Their model identifies two key factors necessary for the resource curse hypothesis to hold: the absence of effective political competition and a set of specific technological production relationships in both the resource and the non-resource sectors. Based on the model, they predict that,

*“In autocratic regimes, resource endowments allow governments to extract greater surplus (bribes) by pursuing policies that are detrimental to growth. However, the desire to retain power implies that these incentives are greatly attenuated when the regime faces strong political opposition. Thus, in democratic regimes, the surpluses available from resource endowments are more likely to be used in ways that promote welfare and growth.”*

Similarly, the model of Robinson et al. (2006) that features an incumbent politician wishing to be re-elected also implies that countries with institutions that promote accountability and state competence will tend to benefit from resource booms since these institutions ameliorate the perverse political incentives that such booms create, while countries without such institutions may suffer from a resource curse.

However, people don't find too much legitimacy in exogenizing regime type. In fact, more work has been done to show that resource stock also has an effect on the endurance of democracy. Wantchekon (2002) shows that when the state institutions are weak so that budget procedures either lack transparency or are discretionary, resource windfalls tend to generate and consolidate incumbency advantage in democratic elections; such an advantage could

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<sup>6</sup> Indeed, as we mention before, it is difficult to separate politics with economy in the discussion about the resource curse.

incite the opposition to resort to political violence in competing for political power, thereby generating political instability and authoritarian governments. Caselli (2006) argues that countries with large amounts of natural resources experience power struggles, in the sense that potential challengers have a stronger incentive to seek to replace the existing government by means of *coup d'états*, or other forms of forced change in leadership. As a result, “the greater probability of losing power to a successful challenger reduces the effective rate of return to investing in the country’s development for the existing elite, and may induce them to undersupply human capital, infrastructure, contractual enforcement, and the rule of law.” In terms of rule of law specifically, Norman (2009) presents a model of endogenous rule of law, and shows resource abundance, as distinct from a resource extraction intensive economy, matters for rule of law, an important requirement for growth. He also provides empirical test result to support his theory.

Models that explore the causation at a structural instead of micro level should not be neglected either. Dunning (2008) develops a conceptual framework that not only highlights elites-masses interaction, but also takes structural variables like resource dependency level and public-private competition into consideration (see Figure 1). The variation between Norway and Nigeria can be explained through such framework. Again and again Dunning (2008; 4) emphasizes “the claims that resources promote authoritarianism and that they promote democracy are not mutually inconsistent — resource rents can promote authoritarianism or democracy, but they do so through different mechanisms.”

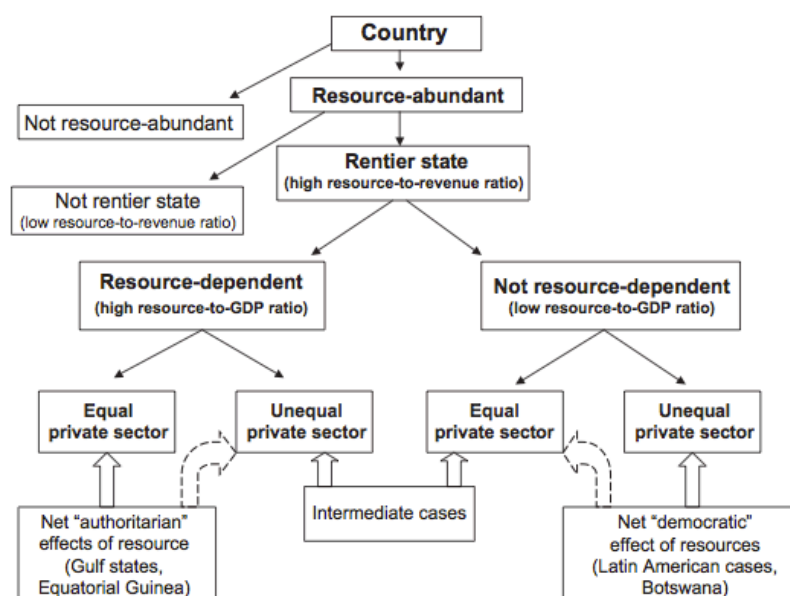


Figure 1

Source: Dunning (2008: 19)

These formal models are aimed at explaining why resource curse happens in some country but not others, and they do contribute much to our understanding on this topic. However, it doesn't mean that students of petropolitics have nothing to do any more. First, I would argue that treating leaders (or elites) as resource holder and the masses as challengers in the competition over resource revenue may result in a fallacy of oversimplification. In countries enjoying resource blessing, leaders still enjoy much more than the masses. Drawing a sharp line between leaders and masses may obfuscate who is the real challenger and who have the incentive to rebel. As Rosser (2006) suggests, existing explanations for the resource curse do not adequately account for the role of social forces or external political and economic environments in shaping development outcomes in resource abundant countries. Among these social forces or political environment, ethnic tension is an important intermediate variable. For example, Sudan is marked by tribal strife over oil; and in Aceh, Indonesia, regional separatism has been fanned by secrecy about oil payments and public misunderstanding about their scale (Palley, 2003). If distributional inequality over resource revenue exists between different ethnic groups, the negative effect of resource abundance may become much more significant. The second criticism against these deductive models (and also formal models used widely in many other topics) is that although they are always perfectly self-consistent,

empirical support is far from sufficient. Therefore, in this paper I will not only incorporate ethnic tension in the theoretical framework but also try to provide an empirical case to present the observable causal process.<sup>7</sup>

A case study about Xinjiang would be intellectually beneficial. In order to “test” a theory by using the method of case study when we have only one case at hand, “congruence procedures” and “process tracing” are needed. When using congruence procedures, the investigator explores the case looking for congruence or incongruence between values observed on the independent and dependent variable and values predicted by the test hypothesis (Van Evera, 1997: 58-63). For example, in our case, if distributional inequality over resource revenue truly causes more resistance from the Uyghurs and the government responds with more repression as our hypothesis predicts, we should observe the increase, or at least, variance in these key variables: resource production, distributional inequality, minority resistance (measured by the frequency of mass protests and terrorist attack, etc.), and government repression (using proxies like security budget, Internet access control, etc.).<sup>8</sup> However, correlation is different from causality. We should also present how these variables are connected with each other, and that’s why process tracing is needed. In process tracing, the investigator explores the chain of events or the decision-making process by which initial case conditions are translated into case outcomes (Van Evera, 1997: 64). Therefore, in our case we should present how resource abundance in Xinjiang leads to a strengthened authoritarian regime step by step.<sup>9</sup>

Some may also criticize that Xinjiang—a provincial unit but not a nation—is not a proper

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<sup>7</sup> Some people may argue that a single case is not enough for “testing” the theory, see King et al. (1994). For the defense of the validity of within case analysis in causal inference, see Bardy and Collier Eds. (2010: 205-243). The ample evidence in the causal link of this paper can serve as “smoking gun evidence”. See (Van Evera, 1997: 31; Bardy and Collier Eds., 2010: 210-219).

<sup>8</sup> Of course, Xinjiang is a special case, and some of the measurements mentioned above may work in a quite counter-intuitive way, which I will elaborate more below.

<sup>9</sup> In Jensen and Wantchekon (2004), the authors argue that executive discretion over resource rents leads to both less political liberalization (transition of democracy) and a greater likelihood of democratic breakdown (consolidation of democracy). They use various “proxies” to measure different dependent variables. In this paper, the likelihood of democratic transition rather than the likelihood of democratic breakdown is more relevant, as China is clearly not yet a liberal democracy like many western countries, but under a typical authoritarian regime. Besides, Jensen and Wantchekon (2004) treat the likelihood of democratic transition (the level of democracy) and the likelihood of being an authoritarian (the level of authoritarianism, or the endurance of authoritarian rule) as the same indication, as they are on the same the regime type spectrum. Similarly, the author of this paper is not going to differentiate the level of democracy with the level of authoritarian rule, following the tradition in resource curse literatures.

case, as almost all other works about this topic are based on nation(s). This is not true. For example, Goldberg et al. (2008) find considerable support for a resource curse with regard to politics, economic growth, and long-term development using a new data set for the U.S. states spanning 73 years and case studies of Texas and Louisiana. In particular, the authors find that “the presence of state income generated as an external rent allows political elites to remain in power without regard to the business cycle.” As a premise, they point out that the American states look a lot like “contemporary accounts of many mineral economies: economic decisions were driven by the prospect of huge returns in oil, rent seeking was prevalent, and state governments colluded with private firms and each other to maximize the rents they might extract from the oil industry.” If we consider the fact that almost half of the total value-added of the industrial sector in Xinjiang is from the oil industry (Xinjiang Statistical Yearbook, 2013),<sup>10</sup> and that oil and gas exploitation represents almost half of Xinjiang’s fiscal revenues (Becquelin, 2004), there’s no reason why we should exclude such a provincial unit in our discussion about the resource curse. Therefore, there’s no substantial difference whether we study a nation-state or a provincial unit.<sup>11</sup>

In this chapter, a literature review is provided, covering both empirical and formal theoretical researches that try to show whether natural resources abundance has some negative political and/or economic consequences and that try to explain why and why not these consequences exist. While empirical effort fails to address specific cases, or “outliers” in statistical terms, formal theories in this field are too often a framework that demands empirical support. Thus, a within-case analysis about Xinjiang that employs typical qualitative methods like

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<sup>10</sup> In the year of 2012, the total value-added of the industrial sector was 285.006 billion RMB in Xinjiang. Among them oil industry contributes 138.617 billion, coal mining contributes 14.161 billion, production of electric power (which is indirectly related to resource exploitation) contributes 25.762 billion. See Statistical Communiqué on the 2012 National Economic & Social Development of the Xinjiang Uyghur Autonomous Region, in Xinjiang Statistical Yearbook 2013, p.10.

<sup>11</sup> In fact, there’s one big advantage to study provincial level samples. As Goldberg et al. (2008) suggest, first, the popular Dutch disease argument, whereby resource booms generate real exchange rate appreciation that lead to poor economic performance, seems very unlikely to explain the curse, since there’s no exchange rate issue among different states in the U.S. Second, some have argued that it is the tendency for mineral wealth to be publicly owned that generates the negative relationship between resource endowments and poor economic and political outcomes (Weinthal and Jones-Luong, 2002). However, because oil and coal are for the most part privately held and developed in the U.S. states, this hypothesis also seems unlikely to explain the curse either. Therefore, whether oil companies are publicly or privately owned doesn’t make a difference. One important implication given by Goldberg et al. (2008) is that the ownership issue of energy companies doesn’t explain the occurrence of resource curse. Instead, it is resource abundance that accounts in the end.

congruence procedures and process tracing is worthy. Moreover, it is expected that such case study can also help us understand the origin of current instability in Xinjiang, a place that has both geopolitical and economic value to China.

## Chapter III: The Natural Resource Curse in Xinjiang

In this chapter the author will elaborate how natural resource abundance, distributional inequality, ethnic tensions, and tighter authoritarian control are related in the case of Xinjiang. Before we go into causal analysis, a brief introduction to contemporary Xinjiang with a focus on the development of energy industry is provided.

### 3.1. Natural Resource Abundance in Xinjiang

The Xinjiang Uyghur Autonomous Region (also called XUAR for short),<sup>12</sup> one of China's five autonomous regions for ethnic minorities, situated in the border area of northwest China and the hinterland of the Eurasian Continent, occupies an area of 1.6649 million sq km, accounting for one sixth of Chinese territory. As an important section of the ancient Silk Road, it has a land border of 5,600 km bounded by eight countries (Government White Paper, 2003).<sup>13</sup> In 2012, Xinjiang has a resident population of 22.32 million. Among them 8.47 million are Han Chinese, the majority ethnic group in China, and 10.52 million are the Uyghurs, the most populated ethnic group in the region (Xinjiang Statistical Yearbook, 2013). If we compare the Sixth National Population Census conducted in 2010 to the Fifth Population Census conducted ten years ago, Han Chinese population increases by 16.77%, while the increase rate for minorities is 19.12%.<sup>14</sup> Besides the Uyghurs and Han Chinese, there are many other ethnic groups in Xinjiang as well, mainly the Kazak, Hui, Mongolian, Kirgiz, Xibe, Tajik, Uzbek, Manchu, Daur, Tatar and Russian. The Gross Domestic Product (GDP) of Xinjiang in 2012 is 7505.31 million RMB, and the GDP per capita is 33796 RMB in that year (Xinjiang Statistical Yearbook, 2013).

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<sup>12</sup> Independence activists also use "East Turkistan" to refer to the region. The author agrees that both "East Turkistan" and Xinjiang (which means "new territory" in Chinese) are linked with politics. But in this paper I will follow the mainstream in official documents and academia, which is Xinjiang.

<sup>13</sup> Information Office of the State Council of the PRC, "History and Development of Xinjiang," May 2003, see: <http://www.china.org.cn/e-white/20030526/>. Last accessed: April 5<sup>th</sup>, 2014.

<sup>14</sup> Xinjiang Statistical Bureau, "Main Data Bulletin about the 2010 Sixth National Census in Xinjiang [xinjiang weiwuer zizhiqu 2010 nian diliuci quanguo renkou pucha zhuyao shuju gongbao]," May 6<sup>th</sup>, 2011, see: [http://www.stats.gov.cn/tjsj/tjgb/rkpcgb/dfkpcgb/201202/t20120228\\_30407.html](http://www.stats.gov.cn/tjsj/tjgb/rkpcgb/dfkpcgb/201202/t20120228_30407.html). Last accessed: April 5<sup>th</sup>, 2014.



**Figure 2: Xinjiang's Geographical Position**

*Source: Bovington (2013).*

The very first residents of Xinjiang may have been of Caucasian as mummified bodies found in the Tarim Basin suggest. But the ancestors of Xinjiang's most populated ethnic group today, the Uyghurs, came from what is now Mongolia. Being one of the Turkic people, they built an empire of the Uighurs (*Huihu* in Chinese annals) in the seventh and eighth centuries, and had a good relation with the Tang Dynasty. The Mongol Conquests in the thirteenth century left the famous Chagatai Khanate (1225-1687), and it is also in this period that Islam became the dominant religion in this region and replaced Buddhism, Christianity and local primitive religions by force.

The interaction between Xinjiang and the central dynasties in China can date back to 129 BC, when Zhang Qian was sent by Emperor Han Wudi and trying to form an alliance with the Yuezhi against the northern enemy, the Xiongnu (also known as the Huns in the west). Though he failed to deliver an alliance to his emperor, his effort stimulated the interests of the Chinese and paved way for Han's military and political presence in the region. China's influence remained after that, sometimes strong, sometimes weak, depending on the strength of the central dynasties. It is not until the Qing Dynasty that Xinjiang was formally



incorporated into the Chinese empire as a province in 1884 at the time of the intense British and Russian imperial rivalry in Central Asia known as the Great Game (Dillon, 2001). Before that, Emperor Qianlong (1763-1795) and Zuo Zhongtang (1812-1885)'s military victory against rebellions served to be the foundation for China's rule in the region. In the 1930s and the 1940s, China's rule was challenged again by the two "Eastern Turkistan Republics", and the second one was even influenced by the Soviet Union and the Chinese Communists (Dillon 2004: 32-33). But in late 1949, the KMT army in Xinjiang surrendered to Wang Zhen (1908-1993), a PLA general famous for his iron hand policy against any local rebellion, and Xinjiang became part of the newly founded PRC. In 1955, the Autonomous Region was established.

Xinjiang is important for China not only because of its geographical position but also its abundance in coal, crude oil, and gas. Xinjiang has 40% of coal reserve, 22% of petroleum reserve, and 28% of gas reserve in the country.<sup>15</sup> Besides, the coal deposits in Xinjiang are of higher quality compared to deposits in other provinces, as it contains less sulfur, while the oil deposits are more accessible because most of them are located in shallow and middle strata oil-reservoir. Oil-gas fields in Xinjiang are concentrated in Karamay, Tarim Basin, and Turfan Basin. They are three of China's 17 major gas-oil fields in the land, and are among the most productive ones.<sup>16</sup>

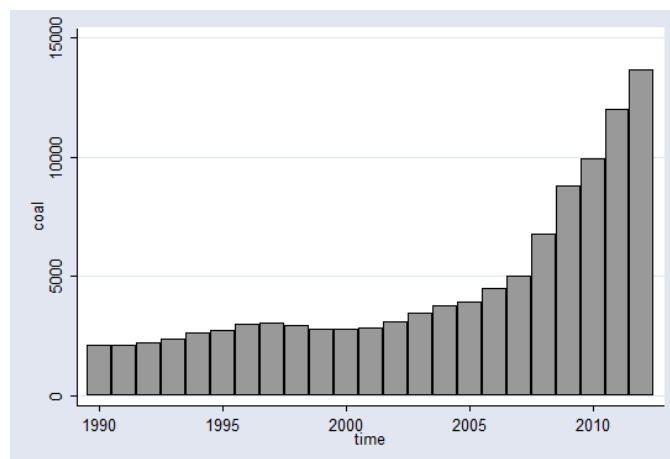
Energy development is no doubt a growth engine for Xinjiang's economy (See Figure 3). Ever since the 1990s, in the effort to boost the provincial economy—in part to attract and support a larger population—an economy strategy was devised to “rely on two pillars,” “one black, one white” (*yi hei yi bai*): oil exploitation and cotton cultivation (Becquelin, 2000). This is the so-called “Twin Strategy”, which China's plans to “Develop the West” (*xibu dakai*

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<sup>15</sup> “The Blowout-type Development of Energy Industry Has Taken Up in Xinjiang [xinjiang nengyuan chanliang de jingpen dashi yicheng],” see: <http://www.musilin.net.cn/2010/0805/47075.html>. Last accessed: April 5<sup>th</sup>, 2014. “Xinjiang's Oil Reserve is as much as 22% of the Country [xinjiang shiyou ziyuanliang zhan quanguo 22E%],” see: <http://oil.in-en.com/html/oil-08270827182117453.html>. Last accessed: April 5<sup>th</sup>, 2014.

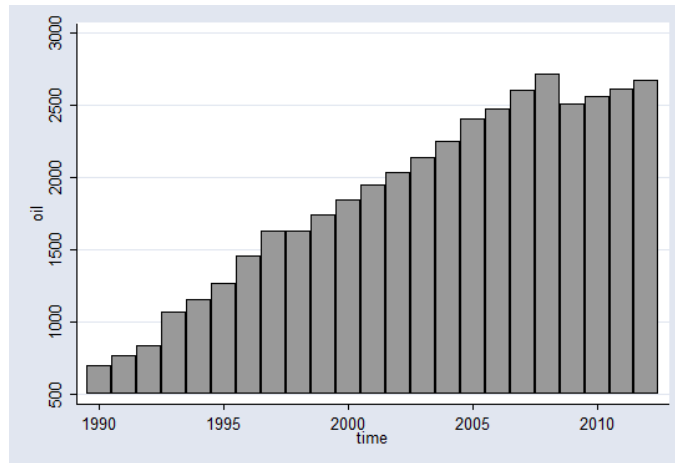
<sup>16</sup> CNPC, “Location of Oil Reserve in China [zhongguo shiyou fenbu],” see: [http://www.cnpc.com.cn/News/zzxw/sybk/syzs/sysh/201310/20131011\\_C191.shtml?COLLCC=7320640&COLLCC=2517866373&](http://www.cnpc.com.cn/News/zzxw/sybk/syzs/sysh/201310/20131011_C191.shtml?COLLCC=7320640&COLLCC=2517866373&). Last accessed: April 5<sup>th</sup>, 2014.

*fa*) are built on (Fuller and Starr, 2004: 69). Becquelin (2004) also indicates that “by far the two most critical projects designated as part of Xinjiang’s campaign to Open Up the West are the west to east natural gas pipeline and the comprehensive rehabilitation of the Tarim River,” both of them are energy related projects. The West-East Gas Pipeline is now not only transferring 12 billion cubic meters of natural gas annually from Xinjiang to coastal areas where demand for energy is the highest, but also connected to the gas field in Turkmenistan, and possibly Iran in the future (See Figure 4). As a result, oil and gas exploitation represents almost half of Xinjiang’s fiscal revenues (Becquelin, 2004). In other words, Xinjiang is not only abundant in natural resources, but also highly resource-dependent in accordance with Dunning’s (2008) definition, and even more resource-dependent than many major oil-producing countries like Indonesia, Mexico, Norway, etc. (Haber and Menaldo, 2011). What’s more, Xinjiang has been the only province in China with a steady increase on both oil and gas production.<sup>17</sup> We can’t help but wonder what social and political consequence of natural resource abundance would be in such a region.

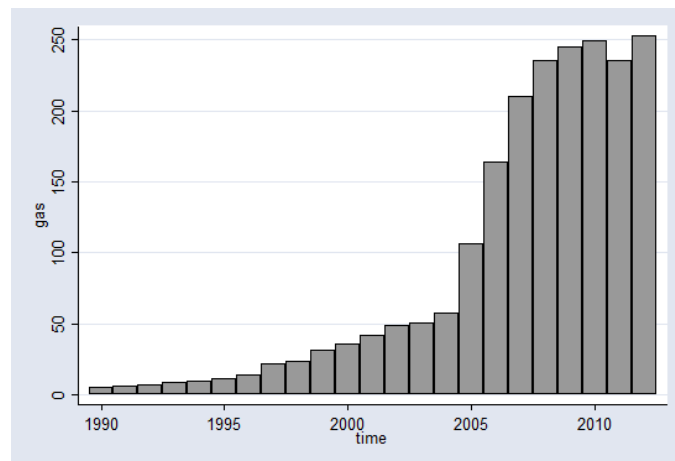


*Crude Coal (10000 tons)*

<sup>17</sup> Energytribune, “Xinjiang Enticement,” see: <http://www.energytribune.com/5028/xinjiang-enticements#sthash.BMnWbjsu.8A4ZIX2B.dpbs>. Last accessed: April 5<sup>th</sup>, 2014.



*Crude Oil (10000 tons)*



*Natural Gas (100 million cu. m)*

**Figure 3: Output of Major Energy Products in Xinjiang since 1990**

*Source: Xinjiang Statistical Yearbook 2013*



**Figure 4: The West-East Gas Pipeline in China**

Source:

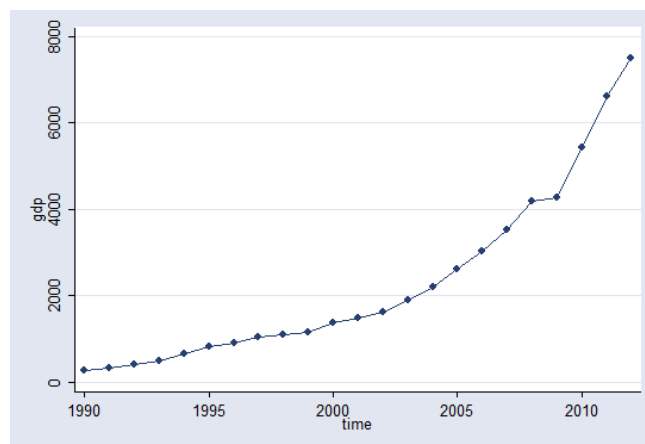
<http://www.scmp.com/lifestyle/technology/article/1261619/second-west-east-gas-pipeline-set-start-hong-kong-supplies>

### 3.2. Distributional Inequality over Resource Revenue

The development of energy industries leads to a rapidly growing economy in Xinjiang (See Figure 5). But the local residents in Xinjiang, particularly, the Uyghurs, may not enjoy the benefits of oil and gas exploitation. Some activists claim that those involved with the development of energy wealth are mainly Han Chinese, rather than the Uyghurs, and the profits go mainly to Beijing (Fuller and Starr, 2004: 6). But the fact that the profits go mainly to Beijing cannot explain the anger of the Uyghurs. As Xinjiang's "public economy" (*gongyou jingji*) is in a dominant position,<sup>18</sup> particularly in resource related industries, it would be a strange thing if the profits do not "go to Beijing" and into the pocket of big oil companies like CNPC and Sinopec. But in fact you can hardly find any Han people complaining about that, even though many of them are also ordinary people like the Uyghurs.

<sup>18</sup> Heavy industry represented almost two-thirds of the XUAR's GDP, and over 80 per cent of its industrial assets are under the management of state-owned enterprises (Becquelin, 2004). Even compared with other inland provinces in the west, the private sector in Xinjiang is still relatively weaker (Vicziány and Zhang, 2004).

The problem does not lie in how much the central government or state-owned companies gain from Xinjiang's abundance in coal, oil and gas, but in how little the Uyghurs receive compared to their Han neighbors in Xinjiang. The key point is, resource exploitation brings a large number of migrants from other provinces, and these migrants deprive the Uyghurs (and also many local Han people who have been living in Xinjiang since early 1950s) of employment opportunities. All these happen mainly because of an irreversible process of marketization: no one can get a job for sure in a relatively free market. In this section, I will first provide some empirical evidence on the correlation between energy development and migration boom in Xinjiang, then show why the newcomers have annoyed the Uyghurs through literature review and a case study at micro-level.



**Figure 5: GDP of Xinjiang (100 million RMB)**

*Source: Xinjiang Statistical Yearbook, 2013*

Human rights activists have been criticizing that the oil industry is now completely run by Han, and resource exploitation has brought most of its workers from other parts of China, thus deprived local minorities of employment opportunities (Uyghur Human Rights Projects, 2012). If we compare the ethnic minority proportion in areas where either oil or gas production is reported with areas without significant resource production, we do find that the minorities are usually outnumbered by the Han people in oil or gas-rich prefectures (see Table 1).<sup>19</sup>

<sup>19</sup> The Xinjiang Statistical Yearbook of Energy Development 2007[xinjiang nengyuan tongji nianjian 2007]

**Table 1: Ethnic Minority Rates and Energy Production**

	Percentage of Ethnic Minorities in 2010	Oil or Gas Output Reported in 2007
XUAR	59.52	Not Applied
Urumqi City	25.09	Yes
Qaramay City	18.35	Yes
Turpan Administrative Offices	74.98	Yes
Hami [Kumul] Administrative Offices	30.65	No
Changji Hui Autonomous Prefecture	24.69	No
Bortala Mongolian Autonomous Prefecture	35.04	No
Bayangol Mongolian Autonomous Prefecture	40.71	Yes
Aksu Administrative Offices	77.11	No
Kizilsu Kirgiz Autonomous Prefecture	93.22	No
Kashgar Administrative Prefecture	92.00	No
Hotan Administrative Offices	96.41	No
Ili Kazak Autonomous Prefecture	64.78	No
Tacheng [Tarbagatai] Administrative Offices	34.27	No
Altay Administrative Offices	61.45	No

*Source: The Sixth National Population Census and Xinjiang Statistical Yearbook of Energy Development 2007*

In order to confirm whether natural resource industry has brought too many workers from

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is the only source that we can know about the geographical allocation of resource production. In Table 1 I also exclude the four cities directly under the jurisdiction of XUAR government, as they are under the control of Xinjiang Production and Construction Corps (XPCC) that is a semi-military organization. See the following discussion about XPCC.

other provinces, I make use of the demographic information at the county level in the fifth and sixth national population censuses conducted in 2000 and 2010,<sup>20</sup> respectively, and estimate simple “First-differenced equations”.

**Table 2: Variable Descriptions**

Dependent Variable	
$\Delta mipop$	= migration population from other provinces in 2010 - migration population from other provinces in 2000
Independent Variables	
$\Delta segdp$	= GDP of secondary sector of Xinjiang in 2010 - GDP of secondary sector of Xinjiang in 2000, billion RMB
$\Delta gdp$	= GDP of Xinjiang in 2010 - GDP of Xinjiang in 2000, billion RMB
$\Delta enpop$	= population working in energy industry of Xinjiang in 2010 – population working in energy industry of Xinjiang in 2000

Sources:

*Xinjiang Statistical Yearbook, 2001, 2011.*

*National Population Census, 2000, 2010.*

**Table 3: Estimation Results**

	Model 1	Model 2	Model 3	Model 4
$\Delta segdp$	3167.94*** (315.47)		3000.14*** (237.67)	
$\Delta enpop$		151.28*** (28.21)	132.93*** (16.54)	73.16*** (13.04)
$\Delta gdp$				2151.68*** (115.48)
Constant	-3520.29 (2695.18)	6051.86 (3321.539)	-1707.492 (2035.16)	-5589.19*** (1582.11)
Number of Observations	84	84	84	84

<sup>20</sup> The seven municipalities directly under the jurisdiction of the Autonomous Region Government are excluded, as they are under the direct control of the Xinjiang Production and Construction Corps (XPCC). Thus these municipalities are more of a semi-military organization where migration registration is much stricter than common administrations. Moreover, missing data problem also occurs to these samples.

Prob>F	0.00	0.00	0.00	0.00
R-square	0.55	0.26	0.75	0.86
Adjusted R-square	0.55	0.25	0.74	0.86

Note: The numbers in parentheses are standard errors. \* $p < 0.05$ . \*\* $p < 0.01$ . \*\*\*  $p < 0.001$ .

Although the output of energy industry is not available at county level, the population working in energy-relevant industry can be the proxy of the development of energy industry. From Model 1, we can tell that general industrialization significantly affects the increase of migrants from other provinces: a one-billion increase in the GDP of secondary industry in ten years is associated with approximately 3200 more migrants at the local area. From Model 2, we can tell that the development of natural resource industry alone can also attract migrants, even though these new comers may not necessarily directly involved in the production of oil or gas. It's reasonable that energy exploitation may have some positive spillover effect, like attracting migrants to open restaurants or providing other services at local area, or these people are simply the family of employees working in energy industry. Controlled for different economic indicators (Model 3 and 4), the positive effect remains highly significant, even though it's less salient, since many other economic activities can also attract migrants. Thus, it is evident that between 2000 and 2010, the development of energy industry, along with the industrialization in a broad sense, is responsible for the migrant flood in Xinjiang. Interestingly, we can also tell from the constant in Model 4 that people would not have moved in if there were no economic development—the migrant flood is mainly driven by economic factors instead of political ones.

Concerning whether such migration flood has changed local ethnic compositions, I use the same data set and calculate the correlation between the absolute change of minority rates and the change of migrant rates as a percentage of local population. The correlation is -0.64, which indicates that migrants from other provinces did largely reduce the rate of ethnic minorities in Xinjiang as is expected.



Many scholars have also been studying the difference between Han people and the Uyghurs in terms of income level in an effort to assess the impact of migration boom, and they do have a similar conclusion that in fact looking at the so-called high-status jobs, particularly, the administrative jobs in the government and other public sectors, one could hardly find any ethnic differences. Minorities are not discriminated in receiving salary in these positions, if we examine various data sets spanning from the 1980s till present day (Hannum and Xie, 1998; Layne and Liang, 2008; Zang, 2011; Wu and Song 2014). The problem is, most minorities are not working in the public sectors. According to Layne and Liang's (2008) studies, Han Chinese occupy 71% of the high-end jobs such as officials and managers and 57% of professional jobs, while Uyghurs only comprise 17% of government officials. Han people are particularly overrepresented in two major economic sectors: the oil industry and the Xinjiang Production and Construction Corps (XPCC),<sup>21</sup> which together had Han Chinese as over 95% of their labor force (Zhu and Balchford, 2012). The preference of XPCC is not a secret. According to materials posted on the XPCC's Personnel Testing Authority, the Corps would hire 840 civil servants from the Xinjiang through its 2006 recruitment exam, of whom 38 would be ethnic minorities and the remainder Han Chinese.<sup>22</sup> Therefore, it would be meaningless if we only look at the salary level of the Uyghurs in high-end positions. We should instead pay more attention to those working as construction workers, farmers, etc., as these jobs are directly the target of migrants from other provinces.

But the author would disagree with Ilham Toxti, who firmly believes that the migration boom mainly is caused by political consideration, which is to assimilate the Uyghurs through encouraging more Han people to work and live in Xinjiang.<sup>23</sup> Instead, I would argue, based

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<sup>21</sup> The XPCC is a semi-military government organization that has its own administrative and judicial system in certain cities and settlements in Xinjiang. It was founded in 1954 by Wang Zhen, and has been playing a key role in maintaining the stability in Xinjiang. In 2012, XPCC has a population of 2648636, with an agricultural population of 1192468 (Xinjiang Statistical Yearbook, 2013).

<sup>22</sup> See: Congressional-executive Commission on China, "Civil Servant Recruitment in Xinjiang Favors Han Chinese," July 25<sup>th</sup>, 2006. See: <http://www.cecc.gov/publications/commission-analysis/civil-servant-recruitment-in-xinjiang-favors-han-chinese>. Last accessed: April 5<sup>th</sup>, 2014.

<sup>23</sup> Ilham Toxti, "Is There no Need to Rethink about China's Policy towards Ethnic Minorities [zhongguo de minzu zhengce bu xuyao fansi ma]?" See: <http://chilabagh.wordpress.com/2010/10/28/%E4%B8%AD%E5%9B%BD%E7%9A%84%E6%B0%91%E6%97%8F%E6%94%BF%E7%AD%96%E4%B8%8D%E9%9C%80%E8%A6%81%E5%8F%8D%E6%80%9D%E5%90%97%E6%BC%9F/>. Last accessed: April 5<sup>th</sup>, 2014.

on the estimation results above, it is the market that is responsible in the end. Though some label this type of migration “ethnic genocide” or “demographic annihilation,” Zhu and Balchford (2012) believe it is the self-initiated/market-driven migration that has a very direct impact on both demographic and employment situations in ethnic minority areas. As they suggest, “the real problem is, market mechanisms do not provide solutions to deal with the negative outcomes of economic competition but may in fact exacerbate problems.” And the difficulty for government is that “its intervention and regulatory power is constrained because of market mechanisms and private ownership domination in investment and business projects”: many jobs demand certain skills and education levels that many Uyghurs do not have, and many Han employers prefer hiring people with whom they find it easier to communicate.

In a relatively free market where companies, including state-owned ones, emphasize efficiency, Han Chinese do have more advantages simply because they can speak Mandarin Chinese more fluently than the Uyghurs, for whom Mandarin is a completely different language. According to a survey, only 19.88% of the Uyghurs have the ability to speak Mandarin, ranking the 50<sup>th</sup> among the 54 minorities surveyed (Han, 2013). The difficulty for the Uyghurs to master Mandarin also has a negative effect on their education level, which directly reflects an employee’s human capital. That’s the reason why the ADB report of 2001 identifies language policy in Xinjiang as one of the most fundamental obstacles to the upward mobility of the Uygur (Asian Development Bank, 2002: 276-277). More than a skill indispensable for job-hunting, language also matters for building connection with government in a “state-capitalism” country like China. Vicziany and Zhang’s (2004) case studies examine how Han Chinese businessmen and ethnic minority businessmen differ in terms of the connection with government officials inside and outside Xinjiang. As they suggest, language serves to be an obstacle for Uyghurs businessmen in developing good relationships with government officials, thus talented Uyghurs can only turn to private sectors like opening a restaurant. On the other hand, Han businessmen in Xinjiang like Sun Guangxin who is now one of the richest men in China can earn much more in a state-capitalism system, as they can use their influence in the government to participate in the highly profitable oil drilling or real

estate. Besides, Sun's experience in the army is also very helpful for his business. The result is, some Uyghurs businessmen even decide to shift their investment away from Xinjiang to foreign countries like Turkey, which is a Turkish country, and they do believe that they will face less suppression abroad.

Unfortunately, this situation is not going to change in the short term. Zhu and Balchford (2012) say that in the end there are few policy options available for the government: restriction of migration to Xinjiang and Tibet will not be a viable policy option, for both normative and practical reasons. If this is true, the future is not optimistic at all, as the marketization process seems irreversible. Wu and Song (2014) also analyze a sample from the 2005 mini-census of Xinjiang to examine ethnic stratification in China's labor markets, with a special focus on how ethnic earnings inequality varies by employment sector. They find that the Han-Uyghur earnings gap was negligible within government/public institutions, but increased with the marketization of the employment sector; it was the largest among the self-employed, followed by employees in private enterprises and then employees in public enterprises. Thus, as marketization continues, it is possible that the income gap will become larger, and the Uyghurs will have fewer employment opportunities.

Qaramay is a good case for us to see in detail how the ongoing energy exploitation brings no substantial good to local residents but a worse situation for young ethnic minorities to find a job. "Qaramay" means "black oil" in Uyghur language, and it is a very typical oil city in Xinjiang. Before oil was found in 1955, almost all local residents were Uyghurs and Kazakh. But at present only approximately 25% of the whole population are minorities (Xinjiang Statistical Yearbook, 2013), since energy industries have attracted migrant workers from other provinces for the past few decades, and many of them have become permanent residents in Qaramay. In 2012, Qaramay has a Gross Regional Product of 81.07 billion RMB, with the highest GDP per capita among all the cities in the country (Xinjiang Statistical Yearbook, 2013). There's no doubt that natural resources, particular, crude oil, have generated a great fortune for Qaramay.

However, not everyone feels that they can enjoy the wealth from the oil industry. Instead, many minorities believe that they are discriminated in the job market. It is not easy for the Uyghurs (and the Kazakh as well) to find a job in any well-paid oil company. In December 2012, many Uyghur and Kazakh parents went to streets to protest against oil companies in Qaramay, asking the government to solve the discrimination problems in the job market that have been existing for years. They believed that the recruitment process was unfair to ethnic minority young people, as oil companies imposed too many restrictions on ethnic ratio, maximum age, etc. Besides, they also complained about the lower salaries for minorities. The protest lasted for almost half a year, and in February and May 2013, some parents even resorted to petitioning (*shangfang*) twice. They claimed that they came to Beijing on behalf of 5000 unemployed minority youth, as the local government didn't respond to them at all. The parents were also worried about the increasing crime rate, divorce rate, and the proliferation of drugs among minority young people, which, they believe, are all attributed to unemployment.<sup>24</sup>

But their protest didn't change the situation. In March 2013, when Qaramay recruited graduates again, it is said that only those who took the university entrance exam in Mandarin Chinese instead of minority languages were eligible to apply. Although at the same time the authority announced that 88.5% of the graduates in 2012 were employed, Uyghur netizens criticized that the number must be exaggerated.<sup>25</sup> Xinjiang's former party secretary Wang Lequan pointed out two reasons why minorities are disadvantaged. First, China has been facing employment pressure for years, and in recent years annually more than 5 million graduates are looking for jobs. Xinjiang is no exception. Second, oil exploitation and mining create a huge demand for labors, but what companies need are engineering professionals and construction workers who can communicate freely in Mandarin. Wang admits, "minority ethnic groups have their own languages, and they don't know too much Mandarin. However,

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<sup>24</sup> "Minorities Mothers from Qaramay Went Petitioning, Protesting against Ethnic Discrimination in Employment [kelamayi shaoshuminzu muqin jiti shangfang, fandui zinv mianlin jiuye minzu qishi]," see: <http://www.boxun.com/news/gb/china/2013/05/201305290415.shtml#UzejmK2Sw8k>. Last accessed: April 5<sup>th</sup>, 2014.

<sup>25</sup> "Discriminative Clauses are Seen in Recruitment Process across Xinjiang [xinjiang duodi chegnxian qishixing tiaokuan]," see: <http://tibet.woeser.com/?p=35711>. Last accessed: April 5<sup>th</sup>, 2014.

people in these enterprises use Chinese. Without the ability to speak Mandarin, it is difficult for minority people to find a job. There's no way to solve this problem." Again and again, education and language problem becomes the obstacle for minorities to find a good job in profitable sectors and "share" the revenue of energy industries.<sup>26</sup>

In this section, we can see that the natural resource abundance in Xinjiang is not improving the life of the Uyghurs. Instead, it brings too many migrants from other provinces in China who have more advantages in looking for jobs when they compete with the local minorities. That said, the fluency in Mandarin makes migrants (including floating workers) more favorable in the job market.<sup>27</sup> Indeed, against the background of marketization, the era when minority graduates could be offered a job for sure by the government is gone forever.<sup>28</sup> That's the reason why Becquelin (2000) argues that political instability in Xinjiang cannot be attributed merely to the rise of ethno-national and Islamic-inspired political movements, but also to an influx of new migrants competing for jobs, public goods, land and water. One can understand why religion cannot exclusively explain the current instability in Xinjiang by referring to the status of the Hui People, the majority of whom are also Islamic practitioners, but speak Mandarin Chinese. In fact, the Hui People migrants to Xinjiang are also blamed by many Uyghurs for worsening the unemployment problem, along with the Han Chinese migrants. We now see natural resource doesn't necessarily lead to a better life. But how does it turn out to be a political or economic "curse"? How do the dissatisfactory and anger of the Uyghurs relate to the strengthening of an authoritarian regime? The next section will continue to trace the causal link and give the whole picture of the causal mechanism.

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<sup>26</sup> "Labor Redundancy Makes it More Difficult for Minorities to Find a Job [zhongguo laodongli guosheng xinjiang shaoshuminzu jiuye nan]," see: <http://www.voachinese.com/content/a-21-w2006-10-19-voa29-58455377/1089506.html>. Last accessed: April 5<sup>th</sup>, 2014.

<sup>27</sup> Migrants can be categorized as two groups: permanent migrants and floating migrants (floating workers), while the former have local household registration status (*hukou*), the latter is living without it. According to population census conducted in 2000, Xinjiang has 1.917 million floating migrants, approximately 10.4% of the provincial population. The share of floating population in Xinjiang is the highest among all western provinces, and one of the highest across the nation. See Liang and Ma (2004).

<sup>28</sup> This can partly explain why many people in the minority ethnic groups miss Mao Zedong's era, when there was no need for graduates to look for a job in a planned economy.

### 3.3. Challenges from the Uyghurs and Strengthening of the Authoritarian Rule

As we mention in the literature review about the natural resource curse, natural resource itself provides an incentive for “losers” in oil or gas exploitation to rise and challenge the position of those who benefit most from energy industry. This sort of rebel incentive has been treated as the link between natural resources and civil war (Collier and Hoeffler, 2004; Lujala, 2010). If ethnic tension is relevant to this issue, in other words, if one can draw a sharp line between ethnic groups that enjoy most revenue from natural resources and those that almost gain nothing, it is predictable that the conflict over the resource revenue will be more severe than in places where ethnic tension is not relevant.

This is exactly what’s going on in Xinjiang. Although we don’t have good data about how many mass protests like those in Qaramay broke out in Xinjiang, we do have another indicator to measure the “resistance” of the dissatisfied Uyghurs—the frequency of terrorist attacks. The Chinese government has been accusing the East Turkestan Islamic Movement (ETIM) of being responsible for the terrorist attack inside Xinjiang, and in recent years, outside the autonomous region. It is reported that the ETIM has close connection with the fundamentalists from the Taliban, who has been offering the Xinjiang separatists with training programs, weapons, and financial support. ETIM has also been listed as a terrorist organization by the U.S. government since 2002.

Although the terrorists in Xinjiang are mainly driven by religious fanaticism, the larger and larger income gap between the Han people and ethnic minorities also attracts many young Uyghurs to resort to violence. Then, we must clarify whether ethnic tensions in China are on the rise in recent years, in particular, whether they are on the rise in Xinjiang along with the ongoing energy development. The answer should be yes, but only in Xinjiang.<sup>29</sup> The following tables show the frequency of terrorist attacks in Xinjiang since the 1990s.<sup>30</sup>

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<sup>29</sup> A ChinaFile Conversation, “Are Ethnic Tensions on the Rise in China,” see:

<https://www.chinafile.com/are-ethnic-tensions-rise-china>. Last accessed: April 5<sup>th</sup>, 2014.

<sup>30</sup> Terrorist Attack in the Urumqi South Railway Station that caused at least 3 death and 79 injured on April 30<sup>th</sup>, 2014, has not been included in Table 2, when President Xi Jinping himself was visiting Xinjiang.

**Table 4: Major Terrorist Attacks in Xinjiang since the 1990s**

Year	Date	Place
1990	April 5 <sup>th</sup>	Akto County, Kizilsu Kirgiz Autonomous Prefecture
1992	February 5 <sup>th</sup>	Urumqi
1993	June 17 <sup>th</sup>	Kashgar
1997	February 5 <sup>th</sup>	Yining City, Ili Kazak Autonomous Prefecture
	February 25 <sup>th</sup>	Urumqi
2008	August 4 <sup>th</sup>	Kashgar
2009	July 5 <sup>th</sup>	Urumqi
2012	February 28 <sup>th</sup>	Yecheng County, Kashgar
	July 18 <sup>th</sup>	Hotan
2013	April 23 <sup>rd</sup>	Bachu County, Kashgar
	June 26 <sup>th</sup>	Shanshan County, Turpan
	August 20 <sup>th</sup>	Yecheng County, Kashgar
	November 16 <sup>th</sup>	Bachu County, Kashgar
	December 15 <sup>th</sup>	Shufu County, Kashgar
	December 30 <sup>th</sup>	Shache County, Kashgar
2014	January 24 <sup>th</sup>	Xinhe County, Aksu
	February 14 <sup>th</sup>	Wushi County, Aksu

Source: Zhang (2014).

**Table 5: Terrorist Attacks in China between 2000 and 2012**

	All	In Xinjiang	By Uyghur Separatists (including suspected, excluding unknown)
2000	4	0	0

2001	13	1	0
2002	2	0	0
2003	3	0	0
2004	2	0	0
2005	2	1	1
2006	1	0	0
2007	0	0	0
2008	20	4	6
2009	9	3	0
2010	1	1	0
2011	4	3	3
2012	4	3	2

Source: *Global Terrorism Database (GTD)*

From Table 2 we can see that since 2008 there is an increasing tendency in terrorist attacks. Most of these attacks happened in Southern Xinjiang, where most residents are the Uyghurs rather than Han Chinese. Besides, in recent years, the threat of terrorism is not limited in Xinjiang. For example, the crash incident in Tiananmen in 2013 and the Kunming massacre in March 2014 both show that any place in China can be the target of terrorists. Therefore, using the frequency of terrorist attacks as a “proxy” to measure the resistance of Uyghurs, we can conclude that the ethnic tensions are on the rise in Xinjiang, and the challengers will not easily give up their ambition in the revenue generated by oil exploitation.

Confronted by the challenges from ethnic minorities, what policy will the government adopt? As is mentioned above, political scientists and economists have contributed much to our understanding about the political “curse” of natural resources, and they have generalized some important concepts. Among them the widely discussed ones include the so-called “rentier effect” and “repression effect”. The “rentier effect” means that resource-rich governments use low tax rates and patronage to relieve pressures for greater accountability. In contrast, the “repression effect” argues that resource wealth retards democratization by enabling governments to boost their funding for internal security (Ross, 2001). We can say that almost all debates in this field originate from these two concepts. They are not only useful in theoretical discussion, but can also help us explain the reaction of the Chinese



government—both central and local—when the situation in Xinjiang deteriorates because of the challenges from the Uyghurs.

“Patronage” and “Repression” are just like “Carrot and Stick”. Indeed, this has been the approach Chinese government adopts to govern this resource-rich region.<sup>31</sup> On one hand, it is not a strange thing that an authoritarian regime will choose to impose more control over the society when the stability is threatened, and the Chinese government is not an exception. Sometimes such social control methods may do harm to the rights of citizens. The best indicator to measure accurately how much the Chinese government has strengthened its control in Xinjiang is the budget for “managing the stability” (*weiwen*): according to official statistics released in January 2013, regional authorities allocated 9.34 billion RMB to the public security sector in 2012, a 23-percent increase over 2011.<sup>32</sup> Besides, we can also see some other policies adopted that directly reveal a harder policy in Xinjiang. One of the most obvious evidence would be the information blockade that was introduced after the street riots on July 5<sup>th</sup>, 2009. The SMS system was completely shut down for almost 7 months, while it took 10 months to restore the very basic access to the Internet. Before the restoration, Xinjiang was almost isolated from the outside world. However, that’s not the end of censorship. Netizens are still strictly monitored, and emails with the so-called “sensitive words” (*minganci*) are always blockaded. The author did an experiment on March 27<sup>th</sup>, 2014 and found that no email can be sent out as long as its content (including the attachment) has the Chinese character “Xinjiang” if the Internet user is in Mainland China (not necessarily in Xinjiang) and using Chinese email box, even though the attachment is only a soft copy of a statistical yearbook published by the authority.

Another good measurement of the level of authoritarian is the frequency of mass protests that broke out in Xinjiang. Quite counter-intuitively, I have to emphasize that the number of mass

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<sup>31</sup> Energytribune, “Xinjiang Enticement,” see: <http://www.energytribune.com/5028/xinjiang-enticements#sthash.BMnWbjsu.8A4ZIX2B.dpbs>. Last accessed: April 5<sup>th</sup>, 2014.

<sup>32</sup> “Report on Xinjiang 2012 Budget Implementation Situation and 2013 Draft Budget [xinjiang 2012 nian yusuan zhixing qingkuang he 2013 nian yusuan cao’an de baogao]”, see: [http://www.gov.cn/gzdt/2013-02/19/content\\_2334747.htm](http://www.gov.cn/gzdt/2013-02/19/content_2334747.htm). Last accessed: July 8<sup>th</sup>, 2014.

protests in Xinjiang, and probably in many other provinces, is *negatively* related to the strength of authoritarian rule. The reason is that collective activities are most worrisome for the Chinese government, whose censorship program is aimed at curtailing collective action by silencing comments that represent, reinforce, or spur social mobilization, regardless of content (King et al., 2013). According to a report by Li and Tian (2014), Guangdong, which is supposed to be the most “open” and “freest” province partly because of its proximity to Hong Kong, has nurtured more mass protests in the past 13 years than any other province. There have been 267 mass protests with more than 100 participants in the past 13 years in Guangdong. In contrast, at the same period, the number is 5 in Xinjiang. Bovington (2013; 21-22) gives his explanation in this way: officials and public security personnel have kept a tight lid on public protest in Xinjiang; as a consequence, most protest has been individual or private. He also notices that the frequency of protests in Xinjiang was declining while they were on a dramatic rise in the rest of China. Thus, it is reasonable to interpret the declining frequency of mass protests in Xinjiang as a sign of strengthening social control and authoritarian rule. Besides, we can also see many other implications for “repression”. For example, in recent days, officials from courts of different ranks in Xinjiang have just signed a commitment letter, which requires more effort to eliminate “Three Evils”: terrorism, separatism, and religious fundamentalism.<sup>33</sup> Such policy is regarded as a shifting priority from stressing development to stressing stability.

When more “repression” is introduced, one will see more authoritarian features in the regime. That’s one of the causal links for the whole story: not every ethnic group benefits equally from the resource exploitation, and the “loser” will choose to rise and challenge the “winner”. The holder of natural resources may respond with more suppression, so that their dominant position will not be threatened. This logic is also in concert with many formal models that emphasize the “repression effect” in explaining the natural resource curse.

But that’s not the whole story. No regime can survive without any support from the people. In

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<sup>33</sup> “Leaders in Xinjiang Courts Signed a Commitment Letter on Social Management [xinjaing fayuan qian zhongzhi weiwen zeren shu],” see: <http://www.chinanews.com/gn/2014/03-29/6007798.shtml>. Last accessed: April 5<sup>th</sup>, 2014.

the case of Xinjiang, the Chinese government not only suppresses the resistance of the Uyghurs, but also uses patronage to improve the situation and appease the anger. Less than one year after the July 5<sup>th</sup> riots, in May 2010, top central government and Communist Party leaders held a “work forum” to set state economic and political objectives for Xinjiang. The meeting marks the first work forum directed at the XUAR (authorities have held five similar work forums to date addressing the Tibet Autonomous Region and, most recently, other Tibetan autonomous areas of China). The forum stresses development and stability as dual goals.<sup>34</sup> In terms of economic and social development, some reform methods are raised. First, 19 provinces and municipalities, places in the rest of China that get particular benefits from Xinjiang’s oil and gas, have been designated as Xinjiang partners. They are required to contribute 0.3 to 0.6 percent of their fiscal revenues from 2011 to 2020 to support Xinjiang’s development. Starting in 2011 the region will receive more than \$10 billion in financial aid from this program. Second, producers of crude oil and natural gas in Xinjiang will be levied a new 5 percent tax. This new tax system will be based on sales price instead of on volume as it was before. The new tax system, which went into effect on June 1<sup>st</sup> 2010, is aimed at increasing revenue for the local government and is part of the support package unveiled at the central work forum held in Beijing in May.<sup>35</sup> CNPC's annual crude oil production in Xinjiang is 18 million tons, while Sinopec produces 7 million tons each year. If the resources tax is collected at 5 percent, CNPC and Sinopec, China's top two oil companies, will add 5 billion RMB (\$732 million) in tax revenue to the region annually as oil prices stabilize at \$80 per barrel.<sup>36</sup> The central government expects that by increasing fiscal transfer and resource taxes, the local governments in Xinjiang will have more funding to provide public goods, like education, medical service, low-rent housing, etc. As a report by the Uyghur Human Rights Project commends, the work forum has slightly realigned the previous Great Western

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<sup>34</sup> Congressional-executive Commission on China, “Central Leaders Hold Forum on Xinjiang, Stress Development and Stability as Dual Goals,” see: <http://www.cecc.gov/publications/commission-analysis/central-leaders-hold-forum-on-xinjiang-stress-development-and>. Last accessed: April 5<sup>th</sup>, 2014.

<sup>35</sup> Energytribune, “Xinjiang Enticement,” see: <http://www.energytribune.com/5028/xinjiang-enticements#sthash.BMnWbjsu.8A4ZIX2B.dpbs>. Last accessed: April 5<sup>th</sup>, 2014.

<sup>36</sup> Li Woke, “Xinjiang Reportedly to Pilot 5% Tax on Gas, Oil,” see: <http://www.globaltimes.cn/business/china-economy/2010-05/535762.html>. Last accessed: April 5<sup>th</sup>, 2014.

Development Drive (GWDD in short, *xibu dakaiifa* in Chinese) policies when viewed from the grassroots. The new policies' small shift has been toward more investment in human development and more spatially dispersed infusions of capital, which differs from the GWDD large-scale investment in natural resources predominately located in the north of the region (Uyghur Human Rights Project Report, 2012). What's more, the Xinjiang government also tries to tackle the unemployment problem directly. For example, in state-owned firms ethnic differentiation regarding job attainment does not favor ethnic minorities such as Uyghur workers, mainly due to the market economy. But in state "redistributive agencies" like public institutions and work units (*danwei*), ethnic differentiation in employment and job attainment is very limited and actually favors ethnic minorities. This situation reflects the fact that the state's affirmative action policy continues to benefit local ethnic minorities in certain parts of the state sector (Zang, 2010; Zhu and Blachford, 2012).

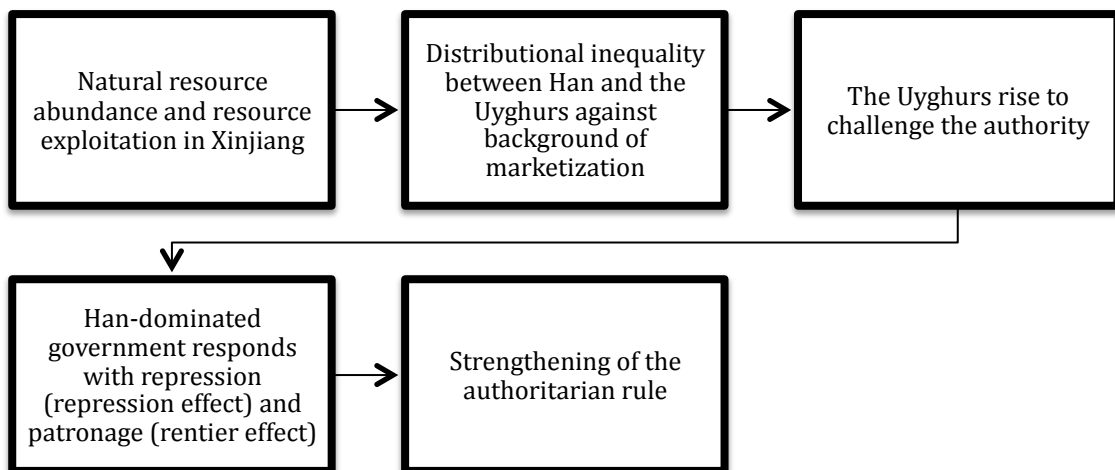
This is the "rentier effect" approach to explain the political natural resource curse, which argues that resource-rich governments use low tax rates and patronage to relieve pressures for greater accountability (Ross, 2001). But unlike the "repression effect" approach, the last step in the causal link is not yet thoroughly clarified in our case: we still are not sure whether fiscal transfer, resource tax reform and employment promotion for minorities are effective or not in a corrupted regime,<sup>37</sup> and if so, whether these methods can really relieve pressures for greater accountability, thus the authoritarian regime can survive without substantial democratization reform. Supporters for patronage approach assume that taxpayers tend to care less about democracy and political rights as the government can offer good subsidies. But more field research is still needed to explore the political attitude and political culture in Xinjiang, particularly among the Uyghurs, when they are offered so many good deals.

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<sup>37</sup> Wu and Wang's (2013) recently published paper finds that transfer dependency negatively affects expenditure decentralization in Chinese local governments. Intermediate governments, i.e. provincial governments, may have "grabbed" central grants for self-interests. In other words, fiscal transfer from the central government may not be able to reach South Xinjiang where poverty and income gap problem is the most severe, if their causal inference is correct.

## Chapter IV: Conclusion and Further Discussion

In Chapter Three the author developed a causal link in order to explain why a political natural resource curse exists in Xinjiang. The whole logic can be generalized as follows: natural resource abundance and resource exploitation attracts so many migrant workers from other provinces that local minorities, in particular, many Uyghurs youth, are deprived of employment opportunity, since they cannot speak Mandarin Chinese fluently and are disadvantaged in the job market; the unemployment problem is actually a form of distributional inequality, which serves as an incentive for the Uyghurs to resist and challenge the current regime, by means of mass protests and violence, including terrorist attacks; the government responds with “carrot and stick”, imposing strict control over the society as well as offering patronage; these methods will strengthen the authoritarian rule, but more field research is needed to clarify whether the Uyghurs will give up their appeals when patronage is offered. The whole framework can be simplified as the following path graph (see Figure 6).



**Figure 6: Path Graph of the Conclusion**

A counterfactual exercise based on empirical evidence in previous parts may be helpful in

clarifying the role of natural resource and the one of ethnic tension in strengthening the authoritarian regime. Obviously, if there were no natural resource abundance in Xinjiang, ethnic tension between Han Chinese and the Uyghurs would still be prominent anyway. One can refer to Bovington (2013: 174-190) for a detailed list of organized protests and violent events in Xinjiang between 1949-2005, when most of the time energy development had been absent in the region, thus cannot explain many of these protests and violent events. It is the suppression policy of CCP for years that should be blamed. The problem of natural resources is, they exacerbate the problem: the regime becomes even less tolerant for challengers. If Xinjiang were an independent country, or gained independence tomorrow, democracy and stability would not be likely to come either. Instead, we may have one more country in our world map suffering from ethnic conflicts and even civil wars caused by the struggle over resource revenue between two ethnic groups neither of which is in dominance, and may find that the “Palestinization of Xinjiang” will come true as Wang Lixiong (2007; 41) predicts. In a word, preexisting ethnic tension and ongoing resource exploitation jointly explain the current situation.

This paper may have made both theoretical and empirical contribution in relevant fields. In terms of theoretical debate, the author tries to incorporate the variable of ethnic politics in the mechanism through which natural resource abundance can (not must) have a negative effect on democratization, and a positive effect on the survival of authoritarian regime. I emphasize the tension between the “winner” and the “loser” in resource exploitation. And if one of the ethnic groups is the “loser”, our logic would be more powerful in explaining the political curse. As Ross (2001) suggests, if mineral wealth happens to be concentrated in a region populated by an ethnic or religious minority, resource extraction may promote or exacerbate ethnic tensions, as federal, regional, and local actors compete for mineral rights, and these disputes may lead to larger military forces and less democracy in resource-rich, ethnically fractured states such as Angola, Burma, the Democratic Republic of Congo, Indonesia, Nigeria, Papua New Guinea, Sierra Leone, and South Africa. This mechanism can help us understand why natural resource wealth tends to make civil war more likely to occur. On the other hand, the author also hopes that this paper can benefit us in understanding the ethnic

conflicts in Xinjiang, which are now attracting more and more attention from scholars and policy makers. I agree with the mainstream argument among sociologists: it is the market that is mainly responsible for the income gap and employment inequality between Han Chinese and the Uyghurs. I'm not claiming that the Chinese government has nothing to do with the current situation, I'm raising one important point that is always neglected by human rights activists who emphasize too much on state discrimination or religious persecution, which is hardly supported by empirical evidence.

The literature of natural resource curse is not limited to explaining the political effect. Indeed, as we mention in Chapter Two, some empirical researches present a negative effect of resource stock on the economic growth in many countries. The typical country-level case is Nigeria (Sala-i-Martin, X. and Subramanian, 2003). However, in our case of Xinjiang, the economic development has not been affected at all, at least in the short term (see Figure 5). I would argue that fiscal transfer from other more prosperous provinces and investment from the central government have mitigated the negative effect on economic development. One of the major causes of an economic curse is the crowd-out effect of resource exploitation: resource abundance attracts too much governmental investment that is supposed to be used in promoting the development of private sectors and long-term economic growth (Rosser, 2006). Xinjiang can avoid the economic tragedy of Nigeria because it has the financial support from the central government. Moreover, those "patronage" methods that are aimed at improving the lives of poor Uyghurs may also generate some "positive externality": an economy can always benefit from a higher education level of employees. Therefore, there's no economic curse in Xinjiang at this moment, but there is indeed a political curse of natural resources instead.

After presenting an explanation for the natural resource curse, the author would propose some suggestions to turn the curse into a blessing. In terms of avoiding a negative effect for economic growth, Frankel (2010) has done a very thorough literature review and raises a number of feasible policy solutions. Though there's still no conclusion among scholars about how to avoid the negative political effect of natural resource, in our case of Xinjiang, there

are still some policies available to improve the situation, at least to save Xinjiang from more turmoil. As far as we understand that the unemployment problem plays a key role in the causal link, once we solve this problem among the Uyghurs, it is expected that the resistance of the minorities can be softened. The inability of many Uyghurs to speak Mandarin Chinese directly results in their less competitiveness in a job market, where efficiency instead of equality is the ultimate goal for many companies. Therefore, unlike many human rights activists and Uyghur independence activists, I argue that promoting the usage of Mandarin Chinese will be beneficial for anyone in the job market. In fact, the communists' language policy before the 1990s should be responsible for the poor Mandarin Chinese knowledge of many Uyghurs youth. In Mao Zedong's era, the Uyghurs were not required to learn Mandarin but Han cadres in Xinjiang were required to learn minority languages. Such language policy continued under Hu Yaobang and Zhao Ziyang's liberalization. As Dwyer (2005) puts it, the 1980s were a period of enormous expansion of support for minority languages, with central and local governments establishing and revising writing systems and creating many new language materials and programs. Up to now the Uyghurs are not obliged by any legal rules to study Mandarin in school. I'm not saying that the current "bilingual education" is perfect, which may tilt too much towards Han Chinese as a survey shows;<sup>38</sup> I am arguing that offering a chance for the Uyghurs to learn and speak Mandarin Chinese, particularly those from rural areas, is beneficial for them in the job market. This is what the Chinese government is focused on in recent years.<sup>39</sup> Of course, it would be better if Han Chinese in Xinjiang can follow some good measures in Mao era and learn Uyghur language while Mandarin is promoted by the government, as this can mitigate ethnic estrangement between Han Chinese and the Uyghurs to some extent, and appease those who feel offended by the government's language policy.

This paper employs the case study method to clarify the causal mechanism of natural resource

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<sup>38</sup> "A Survey on the Attitudes of Uyghurs University Students in Beijing towards the Bilingual Education Policy in Xinjiang [zaijing weiwuerzu daxuesheng dui xinjiang shuangyu jioayu de taidu diaocha]," see: <http://www.peacehall.com/news/gb/china/2011/04/201104290545.shtml>. Last accessed: April 5th, 2014.

<sup>39</sup> "Labor Redundancy Makes it More Difficult for Minorities to Find a Job [zhongguo laodongli guosheng xinjiang shaoshuminzu jiuye nan]," see: <http://www.voachinese.com/content/a-21-w2006-10-19-voa29-58455377/1089506.html>. Last accessed: April 5th, 2014.



curse in Xinjiang, and possibly elsewhere. The author is not proposing a deterministic explanation for Xinjiang's current situation, but hopes to stress the complexity of its causes: no regime is born evil, but certain economic and social factors can affect the regime through uneasily observed mechanism. Thus, for the future research agenda of resource curse, ethnic tension and distributional inequality should be included as major independent variables in large-n empirical studies.<sup>40</sup> The argument in this paper is not counter-intuitive at all. It is common sense that if the Uyghurs are excluded from sharing the benefits of economic development that is mainly driven by energy resource exploitation, it is impossible to maintain the stability of Xinjiang in the long term, let alone a more democratic rule.

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<sup>40</sup> Some scholars have started to do so. For example, Morelli and Rohner (2014) show that war is more likely to happen when resource and group concentration are high, based on country level and ethnic group level data.

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