

Karzai's Balancing Act: Bringing 'China' In?

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Abstract

China's interests in Afghanistan are perceived to be mainly economic. It is unlikely that the March 2010 Sino-Afghan joint declaration, following President Hamid Karzai's visit to China, will bring about a dramatic change in the present Chinese policy of abstaining from military engagement in the conflict-ridden country. However, as the scenario of United States (US) withdrawal from Afghanistan looms large, China will have to prepare itself for a much larger and crucial role for long-term stabilisation and reconstruction of the war-ravaged country given that its interests would be at stake. Its friendly ties with Pakistan would continue to be a great leverage when it decides to pursue such a policy.

President Karzai's three-day state visit to China, beginning 23 March 2010, culminated with the establishment of the China-Afghanistan comprehensive cooperative partnership. This first visit after the Afghan President's re-election evoked immense international attention as an attempt by a beleaguered leader to indulge other big powers in the region at a time when he faces increasing criticism on corruption, cronyism and electoral reforms at home and abroad. Considering the fact that China's role in Afghanistan thus far has remained limited, this visit has sparked speculations regarding increased Chinese engagement in that country. In a joint declaration, Chinese President Hu Jintao emphasised on five aspects of the cooperative partnership - (1) political and diplomatic; (2) economic and trade; (3) humanitarian; (4)

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security and police affairs; and (5) multilateral efforts to build the comprehensive cooperative partnership of good-neighbourliness, mutual trust and friendship for generations.²

Both Afghanistan and China pledged to step up greater economic engagement and cooperation in the security sector. The three agreements signed by the two countries span wide-ranging economic and technological cooperation that include providing favourable tariffs for some Afghan exports and technical training programmes. The reported bilateral trade which reached US\$155 million in 2008, is set to further enlarge following the inking of these agreements.³ President Hu Jintao has called for deepening political ties, while urging greater cooperation in mining, agriculture, hydro-electric and irrigation and infrastructure projects.

China has further expressed its willingness to 'support and aid Afghanistan in its peaceful reconstruction and support Afghanistan's efforts to establish sovereignty, independence and territorial integrity'.⁴ Chinese Prime Minister Wen Jiabao pledged to extend aid and economic support for Afghanistan's reconstruction, while calling for both nations to jointly fight terrorism and drug trafficking. Beijing has pledged to provide a grant worth 160 million Yuan (US\$23.4 million) to Afghanistan. In a separate meeting, Chinese Defence Minister Liang Guanglie pledged military assistance to Afghanistan in talks with his Afghan counterpart Abdul Rahim Wardak.

China's Economic Strategy in Afghanistan

China's early economic assistance to Afghanistan dates back to the mid-1950s when the two countries established diplomatic relations and Chinese engineers built hospitals and water conservancy projects. During the Soviet intervention in Afghanistan, Beijing played an active role in the anti-Soviet resistance by providing weapons and training along with the US and Pakistan. Sino-Afghan relations did not normalise until 1992, when the mujahedeen captured Kabul and established a new 'Islamic State of Afghanistan'. In the ensuing fratricidal warfare between various mujahedeen factions, China withdrew its diplomatic staff from Kabul in

² (a) 'Karzai visit yields major pacts', *China Daily* (25 March 2010), www.chinadaily.com.cn/china/2010-03/25/content_9637982.htm. Accessed on 26 March 2010; (b) 'China, Afghanistan plan closer partnership as Karzai concludes state visit', *People's Daily Online* (25 March 2010), <http://english.peopledaily.com.cn/90001/90776/90883/6930867.html>. Accessed on 26 March 2010.

³ These levels are relatively low compared to bilateral trade between India and Afghanistan of US\$358 million for the fiscal year April 2007 to March 2008. Jayshree Bajoria, 'India-Afghanistan Relations', *Council on Foreign Relations*, Backgrounder, (22 July 2009), www.cfr.org/publication/17474/indiaafghanistan_relations.html. Accessed on 27 April, 2010. 'Afghan and Chinese presidents sign trade agreements', *BBC* (24 March 2010), <http://news.bbc.co.uk/2/hi/8584331.stm>. Accessed on 25 April 2010.

⁴ Afghan President Signs Economic Agreements on China Visit, Radio Free Europe Radio Liberty (RFERL), (24 March 2010), www.rferl.org/content/Afghan_President_Meets_China_Leadership/1992126.html. Accessed on 10 April 2010.

February 1993 and did not reopen its embassy until February 2002.⁵ Since then, China's interest in Afghanistan has been mainly economic. In May 2003, China and Afghanistan signed an Economic and Technical Cooperation Agreement, which provided US\$15 million to the Karzai government in Chinese grants. Since 2002, China has provided about 900 million Yuan (US\$130 million) in aid to Afghanistan. In 2009, China has almost written-off Afghanistan's debt by pledging US\$75 million as grant assistance over the next five years.⁶

The security and development agenda of Afghanistan has been largely dominated by the US and its allies. Though viewed with scepticism by Beijing, it has largely worked to its advantage. Since 9/11, the US' primary focus on the 'Arc of Instability' from the Middle East to South Asia has diverted critical military resources and high-level attention away from China and the Asia-Pacific, compelling the US to function in the region with 'one hand tied behind its back'.⁷ On the contrary, China having stayed out of military engagement has been able to focus on its economic growth and resource exploitation elsewhere as in Afghanistan and Africa.

China's interest in Afghanistan remained marginal until Karzai's government opened up its energy, mineral and raw materials to foreign investment. In 2007, China emerged as Afghanistan's fifth-largest trading partner, behind Pakistan, European Union (EU), the US and India. China has been involved prominently in Afghanistan's infrastructure development, including telephone networks, irrigation projects, public hospitals, and several other reconstruction projects. Chinese companies like Zhong Xing Telecommunication Equipment Company Limited (ZTE) and Huawei have sought collaboration with the Afghan Ministry of Communications to implement digital telephone switches. Moreover, Chinese companies and workers have been hired by the EU for various reconstruction projects, including road restoration and infrastructure development.⁸

Though the bilateral relations during 2001 - 2006 remained at best cordial, it was in 2007, having won the contract for the copper mines in Aynak that Afghanistan emerged prominently in China's economic calculus. Since then China's growing economic clout has

⁵ For further details on the history of Sino-Afghan relations see 'China and Afghanistan', *The Ministry of Foreign Affairs of the Peoples Republic of China* (25 August 2003), www.mfa.gov.cn/eng/wjb/zzjg/yzs/gjlb/2676/t15822.htm. Accessed on 15 April 2010.

⁶ China's assistance pales in comparison to India's pledge of US\$1.3 billion and is the sixth largest bilateral donor.

⁷ Abraham M. Denmark, 'The Impact of China's Economic and Security Interests in Continental Asia on the United States', *Testimony before the U.S.-China Economic and Security Review Commission* (20 May 2009), www.uscc.gov/hearings/2009hearings/written_testimonies/09_05_20_wrts/09_05_20_demark_statement.php. Accessed on 26 March 2010.

⁸ It would be pertinent to make a distinction between China's role as a donor and contractor. For example, the China Machine-Building International Corporation (CMIC) was awarded contract by the United States Agency for International Development (USAID) in January 2005 for the design, manufacturing and erection of a 18.5MW hydroelectric turbine-generator of the US-funded Kajaki rehabilitation project. Coincidentally, this is Afghanistan's largest integrated irrigation project built by the Morrison-Knudsen, a US firm in Helmand in 1953 and destroyed during the US military operations in October 2001. Likewise, Chinese companies are working as contractors mainly for USAID-funded projects as well as those of the Europeans.

been most telling in its relations with Afghanistan. It is already a major source of consumer goods for Afghanistan. Since 2006, China has applied zero tariffs on 278 items of export products from Afghanistan.⁹ Although the Afghan economy accounts for less than one-tenth of one percent of China's overall trade, the availability of cheap natural resources on its western border is of tremendous interest to China.

China's Quest for Resource and Energy

What attracts China to Afghanistan is the latter's reserves of unexplored natural resources and energy. Afghanistan, which has the potential of serving China's surging demand for resource and energy, has witnessed a parallel development similar to China's rapid advance in conflict-ridden and resource-rich countries of Africa.¹⁰ In 2007, China's Metallurgical group won the US\$3.5 billion bid to develop the 28-square-kilometre Aynak copper field in Logar province out-bidding Western competitors like the US firm Phelps Dodge. This group is also favoured to win the rights to iron ore deposits at Hajigak, when bids are considered in later part of 2010. The Aynak copper field, the largest foreign investment in Afghan history, is estimated to be the largest undeveloped field in the world with the potential for US\$88 billion worth of ore.¹¹ It also involves the construction of a US\$500 million worth of 400-megawatt coal-fired power plant, hospital, mosque and a freight railroad passing from the Xinjiang Uygur Autonomous Region (XUAR) through Tajikistan to Afghanistan.

The huge prohibitive costs notwithstanding, the Chinese Metallurgical group is willing to invest in the insurgency afflicted Logar province. This is in conjunction with China's larger regional economic strategy of development of its underdeveloped western regions and linking them with regional trade routes through Central Asia, South Asia, Iran and Middle East. In recent years, the region has witnessed highly visible and substantial Chinese investments into the Gwadar port (Baluchistan province) and Karakorum Highway in Pakistan and a multi-billion dollar pipeline from Kazakhstan to Xinjiang Uyghur Autonomous Region (XUAR). China has also inked a US\$100 billion 25-year energy contract with Iran. Afghanistan and Pakistan are seen as key transportation and trade links to actualise this strategy extending from Iran to China. The Gwadar port facilitates China to import 60 per cent of its energy needs from the Middle East.¹² Beijing plans to connect the port with Xinjiang to secure a more efficient delivery of energy resources to meet its surging domestic demands.

⁹ 'China, Afghanistan forge closer economic ties', *Xinhua*, (24 March 2010), <http://china.globaltimes.cn/diplomacy/2010-03/515723.html>. Accessed on 27 March 2010.

¹⁰ 'China & Africa' in *The Chinese Community in South Africa*, *The China Monitor*, Issue 21, The Centre for Chinese Studies, University of Stellenbosch, (August 2007), www.ccs.org.za/downloads/monitors/CCS%20China%20Monitor%20August%202007.pdf. Accessed on 27 April 2010.

¹¹ Ron Synovitz, 'China: Afghan Investment Reveals Larger Strategy', *Eurasianet* (3 June 2008), www.eurasianet.org/departments/insight/articles/pp060308f.shtml. Accessed on 21 April 2010.

¹² In 2003, China imported 51.0 per cent of its total crude imports from the Middle East. While the Gwadar port is perceived to provide 'strategic depth' for Pakistan against the Indian Navy southwest from its Karachi

Such investments are largely in sync with China's long-term goal of developing its volatile western region, an area of priority in China's 12th Five-Year Plan (2011-15). Following the July 2009 ethnic violence, Beijing has increased its attention and resources to the development of its two restive provinces - the XUAR and the Tibet Autonomous Region. In the narrow strip of the Wakhan Corridor, where China shares the shortest land border of 76km with Afghanistan, Beijing is funding the construction of a new road, supply depot, and mobile communications centre that will facilitate greater connectivity and trade across the border.¹³

There are numerous indications suggesting that China is set to increase its investments and presence in Afghanistan in the near future. Afghanistan has substantial reserves of oil and natural gas in the northern parts of the country. The Afghan oil reserves were recently upgraded 18 times by a US geological survey with estimates pointing to a mean of 1,596 million barrels, while its natural gas reserves were upgraded by a factor of three, at a mean of 15,687 trillion cubic feet.¹⁴ Likewise, Afghanistan has substantial deposits of iron ore between Herat and the Panjsher Valley, gold reserves in the northern provinces of Badakshan, Takhar and Ghazni, and copper fields in Jawkhar, Darband, and Aynak.¹⁵ Not all of these resource-rich areas are situated in the relatively stable northern and north-western regions.

These untapped resources would further increase China's interest in Afghanistan. For instance, China's demand for iron ore and copper has increased exponentially. The rising demand for natural gas has compelled China to explore alternate overland energy supply diversification in the neighbouring states in Central Asia, and also potentially in Afghanistan. China benefits from a comparative advantage to most other foreign companies, since the roof

naval base that has long been considered vulnerable to blockade by the Indian Navy. China's primary interests in the 'naval anchor' are to continue consolidating its all-weather relationship with Pakistan through large-scale collaborative development projects, to diversify and secure its crude oil import routes, and to gain 'strategic foothold' in the Indian Ocean, Arabian Sea and Persian Gulf. Ziad Haider, Baluchis, 'Beijing, and Pakistan's Gwadar Port' *Georgetown Journal of International Affairs*, (Winter/Spring 2005), www.stimson.org/southasia/pdf/GWADAR.pdf. Accessed 25 April 2010.

¹³ There are talks of China opening the Wakhjir Pass, the only high-mountain pass between Afghanistan and China in the Hindu Kush at the eastern end of the Wakhan Corridor linking it with the Tashkurgan Tajik Autonomous County in Xinjiang. See Christian Le Mière, 'Kabul's New Patron? The Growing Afghan-Chinese Relationship', *Foreign Affairs* (13 April 2010), www.foreignaffairs.com/articles/66194/christian-le-miere/kabuls-new-patron. Accessed on 17 April 2010.

¹⁴ Nicklas Norling, 'The Emerging China-Afghanistan Relationship', Central Asia-Caucasus Institute, (14 May 2008), www.cacianalyst.org/?q=node/4858. Accessed on 9 April 2010.

¹⁵ According to recent estimates, Afghanistan is projected to have 1.6 billion barrels of oil and 440 billion cubic meters (bcm) of gas, deposits of ferrous and non-ferrous metals, iron ore and gold. The Chinese are particularly interested in the country's extractive sector as noted by the frequency of visits by Chinese delegations. Author's discussions with government officials and locals during field visit to Afghanistan in May-June 2007. Also see Roman Muzalevsky, 'The Economic Underpinnings of China's Regional Security Strategy in Afghanistan', *Eurasia Daily Monitor*, Vol.7., Issue.75, Jamestown Foundation, Washington DC, (19 April 2010), www.jamestown.org/single/?no_cache=1&tx_ttnews%5Btt_news%5D=36285. Accessed on 23 April 2010.

of spending is almost limitless in sectors of strategic interest, which also speaks volumes about Beijing's advantageous position in Afghanistan.

Understanding China's Role and Interests in Afghanistan

A stable and strong government in Kabul with a capable military able to patrol the borders is surely in China's interest. To that effect, China over the years has offered Afghanistan military supplies and personnel training, some of it in the form of aid. However, Beijing has abstained from any military engagement in Afghanistan. The Chinese resource exploitation and 'free-riding' on the US and the North Atlantic Treaty Organization (NATO) security efforts in Afghanistan, while simultaneously out-manoeuvring American companies such as Phelps Dodge, has not been viewed positively by the American political elite. China's Metallurgical group has invested in the Aynak copper mines in the insurgency-affected Logar province where the US and NATO troops provide security.

There have been suggestions by the Western powers, particularly NATO that the Chinese match their increasing economic profile in Afghanistan with active participation in the security sector and long-term stabilisation of the country. It is argued that the Taliban insurgency could pose threats to the Chinese investments in the days to come. Moreover, the scourge of drug trafficking, cross-border crime and smuggling also affects China's interests. Heightened concerns about Islamic extremism on its western border have intensified particularly since the Uighur riots in July 2009 and are likely to amplify with the talks of the US withdrawal from Afghanistan in the summer of 2011.

There are reasons to believe that the Chinese policy towards Afghanistan has been significantly influenced by Pakistan. China, over the years, has not pursued an overtly aggressive anti-Taliban policy. During the Taliban years, China indulged in back door dealing with the Taliban through Pakistan. In August 2008, two Chinese engineers working on a cell phone project in the North-West Frontier Province (NWFP) were captured by the Pakistani Taliban. While one managed to escape to safety, the other was released by the Taliban after the Zardari administration intervened. China has significant leverage in Pakistan to influence its course of action both in Pakistan and Afghanistan. The Turkistan Islamic Party (TIP), formerly the East Turkistan Islamic Movement, which China holds culpable for attacks in its territory, is based in the tribal areas bordering Afghanistan and Pakistan. The killing of Hasan Mahsum, the former TIP leader in South Waziristan by Pakistani security forces supported by Chinese intelligence officers in September 2003, is illustrative of the levels of counter-terrorism cooperation between the two countries. China stands to benefit by supporting Pakistan's policy of regaining 'strategic depth' in Afghanistan, as a counterweight to increasing Indian presence and deepening the Indo-US partnership in the region.

What apparently is guiding the current Chinese policy in Afghanistan is its wariness of the US long-term presence in the region. China views the Af-Pak strategy as 'selective' in targeting the Taliban and *Al-Qaeda* and not addressing 'non-traditional security threats such as drug trafficking, arms smuggling and other cross-border crimes.'¹⁶ In 2007, according to Li Xianhui, Director of Drug Prevention in China's Ministry of Public Security, 386 kilograms of heroin were smuggled into China from the Golden Crescent of Afghanistan, Iran and Pakistan - a total that exceeds the cumulative figure for 2001 to 2004.¹⁷ The burgeoning counter-terrorism relationship between the US and Pakistan, its deepening relationship with India, and strengthening of linkages with Central Asia is viewed with concern by China as an American strategy of encirclement and undermining its spheres of influence.

There are significant differences in the Chinese and American perceptions regarding the nature of regime in Kabul. While the US emphasises on a Western type of democratic regime in Kabul, the Chinese leaders would rather let the Afghans choose a type of government based on their local culture, tradition and domestic conditions. The Chinese leaders have reassured President Karzai that Beijing will not join the chorus of disapproval over corruption, cronyism and electoral fraud plaguing his government.¹⁸ In a significant political move, taken at a time when President Karzai received a delegation from the Gulbuddin Hekmatayr's *Hizb-i-Islami* group of the Taliban insurgency for talks which the US views with scepticism, China has expressed support for the Afghan-led reconciliation and reintegration process. The March 2010 joint statement between Afghanistan and China further reaffirmed 'the principle of non-interference into other countries' internal affairs, its respect for Afghanistan's independence, sovereignty and territorial integrity, its respect for the Afghan people's choice of a development road suited to their national conditions'.¹⁹

Karzai's Search for Alternatives

President Karzai has publicly reiterated his ambition to emulate 'America's democracy and China's economic success' in Afghanistan. This has been seen as a policy to strike a balance amidst great power rivalry, in consonance with the traditional policy of *bi-tarafī* (non-alignment or neutrality) that Afghanistan adopted during the Cold War, which ensured competitive aid-giving between the two superpowers benefiting the country.

¹⁶ Sun Zhuangzhi, 'Afghanistan reflects US' self-obsession', *China Daily* (24 March 2010), www.chinadaily.com.cn/opinion/2010-03/24/content_9632407.htm. Accessed on 16 April 2010.

¹⁷ As quoted in Christian Le Mière, 'Kabul's New Patron? The Growing Afghan-Chinese Relationship', *Foreign Affairs* (13 April 2010), www.foreignaffairs.com/articles/66194/christian-le-miere/kabuls-new-patron. Accessed on 17 April 2010.

¹⁸ Christopher Bodeen, 'China Backs Karzai, Claims Total Agreement On 'Political Issues'', *The Huffington Post* (25 March 2010), www.huffingtonpost.com/2010/03/25/china-backs-karzai-claims_n_513113.html. Accessed on 26 March 2010.

¹⁹ Christopher Bodeen, 'China reassures Karzai of friendship', *The Washington Times*, (26 March 2010), www.washingtontimes.com/news/2010/mar/26/beijing-reassures-karzai-of-friendship/. Accessed on 10 April 2010.

President Karzai's visit to China, which was followed by his visit to Iran within a week, raised hackles in Washington. Significantly, Karzai's visit to China coincided with a high level US-Pakistan strategic dialogue. As the beleaguered Afghan president seeks to strike new relationships in the immediate neighbourhood, visits to these countries are being seen as attempts to break free from Western domination and criticism and establish his credentials as a regional leader. These visits described by the Western media as 'slipping from the west' have been linked to President Obama's unannounced visit to Afghanistan on 28 March 2010 for 'on the ground update'.²⁰

At one level, Karzai is taking a path to help develop an independent economic base and generate revenue for the Afghan economy to reduce the country's dependence on external aid, a significant and necessary step for a 'rentier state'. In this context, Chinese investments are seen to be generating invaluable service in generating employment, infrastructure development, and an enhanced state budget. The Aynak mine, in six years' time, will generate employment opportunities for nearly 10,000 Afghans and the US\$400 million of projected yearly royalties contributing to more than half of Afghanistan's current annual state budget. All these remain crucial in providing key services and extending Karzai's writ among the alienated populace in the insurgency-ravaged areas. A number of studies, including the World Bank's 2004 report *Mining as a Source of Growth* have identified the mining sector to be a potential engine in Afghanistan's state-building effort.

Karzai having emphasised on 'regional cooperation' as a plank for Afghanistan's development, has participated as an observer in the summits of the Shanghai Cooperation Organization (SCO). A grouping of Central Asian nations, SCO is viewed as a counter to the US dominance in the region. Afghanistan's entry into the South Asian Association of Regional Cooperation (SAARC) has opened its traditional economic and cultural linkages with other South Asian countries. President Karzai's increasing overtures towards India is seen as an effort to balance the influence of neighbouring Pakistan, with which Afghanistan shares a difficult relationship. In early March 2010, Karzai hosted the Iranian President Mahmoud Ahmadinejad, almost at the same time as the US Defence Secretary Robert Gates was visiting Afghanistan. While Karzai emphasised on the need to re-establish warm ties with a 'brother nation', Ahmadinejad used his brief visit to criticise the US military presence and increasing civilian casualties.

²⁰ 'In Afghan Trip, Obama Presses Karzai on Graft', *The New York Times* (28 March 2010), www.nytimes.com/2010/03/29/world/asia/29prexy.html?pagewanted=all. Accessed on 20 April 2010.

Conclusion

Economic interests remain central to China's involvement in Afghanistan. However, it remains to be seen for how long it can choose to pursue 'only economic activity' in Afghanistan. Given the dangers of Islamic extremism engulfing the region and spilling over into its restive Xinjiang province coupled with increasing cross-border drug trade, China will have to do a policy rethink. It may not tantamount to joining the US-led war, but would certainly involve steps that would have direct implications on the peace and stability of Afghanistan. China will have to prepare for a scenario of the US withdrawal from, or downsizing in Afghanistan, and the challenges posed by such an eventuality. In the prescription of a regional solution for Afghanistan's woes, China will have a critical role to play. The present Sino-Afghan cooperative partnership might not mean as much as the comprehensive strategic partnership agreements with its all-weather ally, Pakistan, but has significant pointers of a change in China's thinking in anticipation of the US draw down from Afghanistan. Given China's political and military relationship with Pakistan, it has considerable leverages to influence the latter's Afghan policy, which will be critical to any long-term stabilisation efforts in Afghanistan.

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