

An Odd Pairing: The Relationship between China and the Taliban de facto Authorities

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ABSTRACT

This paper discusses the degree to which Beijing's political approach towards the Taliban and its investment in Afghanistan's development will play a constructive role in bringing stability to the country. It examines the extent to which China's approach towards Taliban-controlled Afghanistan—and the political and economic incentives that have shaped Beijing's engagement—have helped to address the political and economic crises plaguing Afghanistan.

EXECUTIVE SUMMARY

More than three years ago in August 2021, the Taliban militarily seized control of Kabul. Since this takeover by the Taliban de facto authorities (DFA), Afghans have been mired in humanitarian, political, and economic crises.

United Nations Security Council (UNSC) sanctions and resolutions prevent Western aid beyond humanitarian assistance to be given to the Taliban DFA for distribution to Afghan citizens until such time as the Taliban DFA establishes “an inclusive and representative government,” and the “full, equal and meaningful participation of women, and [the] upholding [of] human rights.” In turn, the international community will not recognize the Taliban DFA and permit it to occupy Afghanistan's seat at the United Nations (UN) until the Taliban demonstrates its compliance with international law, a precondition to receiving financial and other support to help the country's development. The Taliban DFA have categorically refused the conditions, showing no intention of addressing such concerns.

The UNSC members and international community are deeply divided on how to break the stalemate between themselves and the Taliban DFA. The international community wants to wean Afghanistan off humanitarian aid and stabilize the economy—aims strongly endorsed by neighbouring China, Russia, Pakistan, and Iran, who find themselves at odds with the West. Against this backdrop, China has become a key voice in support of the Taliban's integration into the international system.

As a neighbouring state, a permanent member of the UNSC, and a major global power, China has clear interests in ensuring that Afghanistan is stable and adequately secure now and in the future. According to China, a stable Afghan future is one where:

- a. The Taliban are recognized by the international community as the legitimate government in Afghanistan;
- b. Afghanistan is integrated into the international system with Afghanistan's assets unfrozen; and
- c. Sanctions are lifted to allow for economic development and investments to flow into the country, thereby stabilizing Afghanistan's economy.

China is a potentially vital player in Afghanistan's economic and development sectors that believes other neighbouring states should also contribute to rebuilding and integrating Afghanistan into regional security, economic, and diplomatic networks. For this reason, China is leveraging its decade-long role as a promoter of regional and extra-regional dialogue and cooperation through the Meeting of the Foreign Ministers of Neighbouring Countries of Afghanistan.

In their first joint statement, the participating Neighbouring Countries identified three issues that they felt were imperative to solve to stabilize Afghanistan. First, they stated that “the people of Afghanistan now have to determine their own future, which should allow in practice to realize ‘Afghan-led, Afghan-owned’ processes for national peace and reconciliation.” Second, they underlined the need for more international humanitarian and economic aid, such as that halted in light of the UN, European Union, and individual states’ sanctions on the Taliban DFA for their human and women’s rights violations. The Neighbouring Countries stressed that the international community “should not abandon the people of Afghanistan” and urged the UNSC to “take responsibility for peace and reconstruction efforts” as the Afghan economy continued to contract. Third, the Neighbouring Countries emphasized the importance of creating an inclusive political structure in Afghanistan that would reflect the participation of all ethnic strata of Afghan society.

To a large extent, the Meeting of the Foreign Ministers of Neighbouring Countries of Afghanistan could be deemed effective in that participating countries have formed a political consensus to collectively respond to the evolving situation in Afghanistan. However, whether it can play an important role to “end the chaos and resume governance” is questionable at best.

Regional countries, under China’s stewardship, assume that transforming themselves into a group would enable them to “exert a positive influence” on the Taliban DFA. This may be true if “respecting the sovereign independence and territorial integrity of Afghanistan” becomes the sole basis for this influence, but it will not help to build an inclusive Afghan political structure nor will it allow for Afghan self-determination and ownership. It is not difficult to see that this platform is only meant to serve the interests of the Neighbouring Countries by placating the Taliban DFA.

The only positive contribution of this platform to the lives of Afghans is that it keeps Afghanistan on the agenda regionally and internationally at a time when the crisis in Ukraine had taken most of the political and financial attention away from Afghanistan.

China’s pragmatic approach has also yielded Beijing security assurances from the Taliban DFA, and some smaller-scale Chinese-financed economic activity has taken place in Afghanistan. However, the limits of this approach have begun to reveal themselves. In terms of security, while the Taliban DFA has reportedly contained one terrorist group on its territory, another one of equal concern to China and the Taliban has increased its activities.

As far as China’s economic interests are concerned, despite making substantial investment commitments to big ticket projects like the Mes Aynak copper mine and the Amu Darya oil extraction project, Beijing faces difficulties in coming up with economic incentives that it can offer the Taliban DFA or that it can realize a return on.

While women’s rights groups recognize the international community’s dilemma and the solution it seeks, i.e., continuing engagement with the DFA and hoping that doing so will convince the Taliban to reverse their restrictions, or, proceeding with integration first and hoping it will give the Taliban an incentive to reverse their restrictions, the advocates remain dubious. They point out that the international community’s political approach has not stopped or slowed the Taliban’s human rights violations, and that there is no guarantee that the Taliban DFA will change after the international community normalizes it and moves toward full recognition without first ending women’s rights violations.

In other words, the rights advocates fear that the UN will only achieve the same disastrous results as seen with the 2020 United States-Taliban deal known as the Doha Accord. The UN does not seem to have a viable solution on whether more engagement or less engagement, more pragmatic or more principled engagement, with the Taliban DFA would create the incentives needed for the Taliban to respect Afghanistan’s obligations under international law. Meanwhile, this conditionality runs contrary to China’s pragmatic approach to aid, under which international norms seem to have a much lower priority, and the emphasis is always placed on non-interference.

However, with the Taliban takeover in 2021, sanctions, the loss of financial aid, currency appreciation, and other fiscal changes have disrupted Afghanistan’s economic landscape, creating a gap that necessitated urgent foreign investment. China became a prominent investor in this period.

Although other trade partners have had relationships with Afghanistan for several decades, since August 2021, most have not been nor attempted to be the key foreign direct investors in Afghanistan. Nonetheless, Afghanistan remains attractive for investment due to its strategic geopolitical location and abundant natural resource reserves and as of 2024, China appears to be the biggest investor in the country. In addition to the mining and oil projects mentioned earlier, proposed projects involve over 20 Chinese companies and total investment nearly USD 2 billion.

Infrastructure development in Afghanistan will take many decades of work with significant demand for materials and labour, and therefore significant funding. However, such financing also comes with risks for both China and Afghanistan. One of the main risks to China of investments in Afghanistan is that contracts may not be enforced in a timely manner. Security threats also pose a major risk for China or any foreign investor in Afghanistan. These risks need to be viewed alongside potential opportunities for local Afghan communities. Given Afghanistan's high unemployment rate and declining GDP, it would be expected that any investment that generated jobs would be beneficial to the country.

However, there is justified scepticism that Chinese-financed projects might constitute an unsustainable debt or even a debt trap for Afghanistan without delivering the promised economic prosperity, and that the employment opportunities that these projects generate would benefit workers and companies from China—which has a labour surplus—rather than the local populace.

One challenge to Afghanistan is managing Chinese financing and maintaining a transparent overview of its public and private sector debts to China and Chinese-controlled companies. The visibility and accountability of such financing is crucial for Afghanistan, primarily to ascertain the aggregate financing received from a single country, and secondarily, to monitor the magnitude of borrowings, which directly influences Afghanistan's economic stability.

The key measure to mitigate such risks would be for Afghanistan to ensure that not all major projects require Chinese-led capital. The risks to China as an investor in Afghanistan can be largely mitigated since most of China's overseas lending portfolio is protected by credit insurance, collateral or other third-party repayment guarantees.



INTRODUCTION

More than three years ago, the Taliban militarily seized control of Kabul, establishing their Islamic Emirate in August 2021. Since this takeover by the Taliban de facto authorities (DFA), Afghans have been mired in humanitarian, political, and economic crises. Seeking a means to alleviate Afghans' suffering, the United Nations Security Council (UNSC) on 22 December 2021 enabled the provision of humanitarian aid to Afghanistan by creating an exemption to a sanctions regime that it had established through Resolution 1988 in 2011.¹ The exemption, Resolution 2615, was unanimously adopted. However, it ensured a minimal accrual of any benefits of aid to Taliban individuals and entities on the sanctions list. This meant that Western aid beyond humanitarian assistance could not be given to the Taliban DFA for distribution to Afghan citizens. In March 2022, the UNSC passed Resolution 2626, which extended the mandate of the United Nations Assistance Mission to Afghanistan (UNAMA). In this resolution, the UNSC emphasized the importance of establishing "an inclusive and representative government," and the "full, equal and meaningful participation of women, and [the] upholding [of] human rights."² The message this sent was that until the Taliban DFA respected and upheld these values, the international community would not take steps to recognize it, a precondition for permitting the Taliban DFA to occupy Afghanistan's seat at the United Nations (UN).

Resolution 2626 and the UNAMA mandate are very important because they allow UN activities beyond providing humanitarian aid, including fostering political engagement and promoting the rule of law, good governance and human rights. In many ways, the UNAMA mandate was intended to provide the Taliban with a framework for what the UNSC would recognise as a legitimate, credible and transparent government since the mandate emphasises the importance of establishing "an inclusive and representative government," and the "full, equal and meaningful participation of women, and [the] upholding [of] human rights"³). The Taliban DFA must respect these principles to ensure that the UN removes the Taliban from the UN sanctions list and thus formally recognises the Taliban DFA by giving it Afghanistan's seat at the UN. In short, as a precondition to receiving financial and other support to help the country's development, the Taliban must first demonstrate its compliance with international law, financial transparency, and women's and human rights obligations.

The multidimensional crises in Afghanistan and UNSC Resolution 2626 conditions present a dilemma for the international community. The UNSC members and international community are deeply divided on how to break the stalemate between themselves and the Taliban DFA. On one hand, the international community wants to wean Afghanistan off humanitarian aid and stabilize the economy—aims strongly endorsed by neighbouring China, Russia, Pakistan, and Iran. On the other hand, the Taliban DFA have categorically refused the conditions, showing no intention of addressing such concerns. Instead, the Taliban characterize them as “the latest episode in a long history of interference and intervention.”⁴ Consequently, the UN and Afghanistan find themselves at an impasse, and Afghanistan’s neighbours find themselves at odds with the West. Against this backdrop, a key voice is emerging in support of the Taliban’s integration into the international system: China’s.

During the preceding Islamic Republic of Afghanistan (IRA) era (October 2001 to 15 August 2021), China was primarily involved in regional economic initiatives and in bilateral, mini-lateral, and multilateral platforms that promoted regional dialogue and cooperation. Security concerns and geo-economic projects largely determined and guided China’s dialogue and cooperation vis-à-vis Afghanistan. On one hand, China was wary of the NATO and United States (U.S.) military footprint in Afghanistan, while on the other hand, it was particularly concerned about the power vacuum and security concerns a military withdrawal would create, particularly in China’s Xinjiang region. In addition, Chinese regional economic projects, such as the Belt and Road Initiative (BRI), became determining issues for Chinese policymakers from 2013 onwards.

Now, in the aftermath of the Taliban takeover and the withdrawal of U.S. forces from Afghanistan, China finds itself facing significant opportunities but also challenges. China needs a stable Afghanistan, but this begs the question as to how far China is willing to go to shed its staunchly held passive role to attain this stability. Other questions arise: How have recent geopolitical shifts and events impacted local dynamics in Afghanistan, and how are they informing China’s engagement with the Taliban DFA? Will the positive political and economic incentives that China is offering the Taliban DFA produce results in line with the former’s security concerns and goals for long-term stability in Afghanistan?

As part of a wider assessment of the geopolitical shifts that took place between August 2021 and the end of 2023, this study attempts to describe China’s behaviour, its economic and diplomatic relations with the Taliban DFA, where Afghanistan fits into China’s security and economic interests, and to estimate how much China’s approach to the Taliban will play a constructive role in stabilizing Afghanistan.



METHODOLOGICAL APPROACH

To answer these questions, this paper discusses China’s financial and diplomatic engagements with the Taliban DFA since August 2021 and provides historical context by very briefly juxtaposing China’s current stance with earlier Beijing-Taliban relations during 1996 to 2001, and Beijing-Kabul relations from 2001 to 2021.

Case Study 1 examines China’s investments and economic role in Afghanistan, particularly since August 2021. This is followed by an assessment of whether and to what extent emerging Chinese economic engagement with the Taliban DFA can deliver the stability that Afghanistan needs.

Case Study 2 analyses Beijing’s post-August 2021 Afghanistan policy and diplomatic manoeuvres at international and regional fora by examining the relevance and successes of four Meetings of the Foreign Ministers of Neighbouring Countries of Afghanistan. The case study considers the challenges and limitations of this mechanism’s ability to stabilize Afghanistan.

The paper concludes by summarizing its assessments and their implications.

This study rests on a qualitative literature review of publicly available primary source data, academic essays, research papers from credible think tanks, and articles from reputable digital newspapers and magazines.

Some relevant details were not included in the main text because of length constraints, but additional information may be found in an appendix, such as background material for Beijing-Taliban relations (1996-2001) and Beijing-Kabul relations (2001-2021).

China's Political and Economic Footprint in Taliban-Controlled Afghanistan (2021-2024)

After the Taliban's 2021 takeover of Afghanistan, China became a major player in the country's politics, economy, and security. As a neighbouring state, a permanent member of the UNSC, and a major global power, China has clear interests in ensuring that Afghanistan is stable and adequately secure now and in the future. Less obvious, however, is the extent to which China is willing to go to realize these interests, and whether its self-defined pragmatic approach vis-à-vis engagement with the Taliban DFA will yield the outcomes China desires.

According to China,⁵ a stable Afghan future is one where:

1. The Taliban are recognized by the international community as the legitimate government in Afghanistan;
2. Afghanistan is integrated into the international system with Afghanistan's assets unfrozen; and
3. Sanctions are lifted to allow for economic development and investments to flow into the country, thereby stabilizing Afghanistan's economy.

China has taken a "pragmatic"⁶ approach towards the Taliban DFA: both Beijing and the Taliban are seeking a transactional relationship that is based solely on mutual self-interest. The two may be seen as an odd pairing since they share neither an ideology nor a historical friendship. On the contrary, as far as China is concerned, the Taliban are an undeniable part of Afghanistan's political future and something that Beijing needs to deal with. Meanwhile, the Taliban DFA view China as a much-needed investor in Afghanistan and an ally who can help the Taliban DFA achieve international legitimacy. However, such a transactional relationship has inherent challenges. As Raffaello Pantucci of the Royal United Services Institute explains, "There's a lot of scepticism of one another in this dynamic. The foundation of it is that each side views the other as a means to an end."⁷

Thus, upon the Taliban DFA takeover, Beijing's interests were squarely focused on protecting the 92-kilometer land border it shares with Afghanistan, its investments, and its economic interests in the region. Consequently, diplomatic activity between China and the Taliban DFA greatly increased after 15 August 2021. In September 2023, Beijing appointed an ambassador to Kabul. In January 2024, China's President, Xi Jinping, accepted the credentials of the Taliban-appointed ambassador to Beijing—an act many have described as a sort of official recognition of the Taliban DFA.⁸ By the end of 2024, China had the "most active representation in Kabul."⁹

Considering that China had played a rather passive role in Afghanistan until 2021, this sudden surge in diplomatic and economic engagement can be seen as Beijing's effort to respond to the least favourable of two scenarios it had envisaged after the withdrawal of military forces in 2021: a destabilized Afghanistan.

The Taliban's August 2021 takeover presented China with a set of challenges. Like Beijing had long feared, the U.S. military withdrawal did lead to the collapse of the Islamic Republic of Afghanistan and all its security and economic institutions. International economic development aid—which accounted for nearly half of Afghanistan's gross domestic product (GDP)—halted in response to the Taliban's human rights violations, ethnic and gender-based discrimination, and insistence on closing girls' access to secondary education. The Afghan banking system became paralyzed, and the country plunged into multiple humanitarian crises. Although the security situation improved across the country as Taliban attacks ceased, the group nevertheless continued to shelter and maintain ties with international and regional terrorist groups.¹⁰

Despite these challenges, the Taliban takeover also presented a foreign investment opportunity, especially for China. The latter's ties with Afghanistan through BRI projects coupled with Afghanistan's increased economic isolation from the Western countries like the Group of 7, placed China in a favourable position for such investment, for which China has shown a growing interest (Table 1).¹¹ From Afghanistan's perspective, foreign investment would help strengthen the economy at an accelerated pace.

The following case studies will first examine the opportunities and challenges of China's economic engagement with the Taliban DFA and the international community and then discuss China's diplomatic engagement with the Taliban DFA as the pair seek ways of stabilizing Afghanistan and resolving its multidimensional crises.

CASE STUDY 1

How China is Emerging as the Dominant Foreign Investor in Taliban-run Afghanistan

This case study explores China's motives for investing in Afghanistan. It also examines large-scale China-financed projects that are either proposed or underway and assesses their financial magnitude and potential to stabilize Afghanistan's current and future economy. Given the scale of these projects, this case study also scrutinises the investment risks and implications of China emerging as a dominant foreign investor in Afghanistan. While this case study focuses on the post-August 2021 period under the current Taliban DFA regime, it also considers some relevant Chinese investments that predate that period.

The August 2021 Taliban takeover resulted in Afghanistan's economy contracting by 20 percent.¹² This was coupled with an overnight halt in foreign aid, a pause in the funding of development projects by the World Bank, and the U.S. Federal Reserve's freezing of Afghanistan's approximately USD 7 billion in foreign exchange reserves.¹³ Not wanting to be entirely dependent on foreign aid or investment, the Taliban DFA has prioritized raising revenue by tightening regulations on cross-border trade and by introducing new regulations on previously unregulated goods, such as smuggled fuel and drugs.¹⁴ These added controls have reduced corrupt practices at the border and increased revenue-generation efficiency.¹⁵

However, despite Afghanistan's efforts to increase revenue, its gross domestic product (GDP)¹⁶ declined from USD 20 billion just before the Taliban takeover in 2021 to approximately USD 17 billion in 2023.¹⁷ Furthermore, its trade deficit rose from USD 3.5 billion in 2022 to USD 4.8 billion in 2023.¹⁸ This pattern has three possible causes: One could be currency appreciation. In 2023, an estimated USD 1.8 billion cash shipment from the UN resulted in Afghanistan's currency appreciating by 27 percent against the U.S. dollar, making Afghan exports less attractive whilst making imports more affordable. Afghanistan's exports could also suffer because of Western-imposed sanctions and importers' negative perceptions of trading with Taliban-run Afghanistan, causing revenue stagnation. Afghanistan's economic decline could also stem from the country's need for capital. In the short term, its escalating trade deficit may be an indicator of a growing economy that would need greater capital inflows to finance development within the country while a long-term reliance on capital inflows can create the risk of irreversible foreign debt.

These fiscal changes disrupted Afghanistan's economic landscape, creating a gap that necessitated urgent foreign investment. China became a prominent investor in this period.

There are three main reasons to study Chinese investment in the context of Afghanistan's economic development:

1. China has a strong, established presence in Afghanistan's economic activity because of its projects under the BRI. This presence could potentially grant China an early mover advantage.
2. Afghanistan has abundant natural resources, many of which are highly sought after by China. By investing in the country, Beijing can diversify its resource sources and potentially add further stability to its supply chain.¹⁹
3. To examine whether the U.S. and NATO withdrawal from Afghanistan and Taliban takeover have caused a geopolitical shift such that China faces reduced Western competition, and subsequently, fewer barriers to access investments in Afghanistan.²⁰

However, before examining China's investments, it is important to understand which other countries trade with Afghanistan.

Afghanistan's International Borders and Investors

Afghanistan is a land-locked country that shares borders with Pakistan, Iran, Turkmenistan, Uzbekistan, Tajikistan, and China (Figure 1). Of these countries, Pakistan was its main export trading partner in 2023, accounting for 41.5 percent of Afghanistan's goods exports for the year, with coal briquettes the top product.²¹ India was the runner up, accounting for 40.1 percent of Afghanistan's exports that same year. Iran is also a key trading partner for Afghanistan, which exported USD 29.1 million worth of goods to Iran and imported USD 1.64 billion worth in 2022. In addition to coal briquettes, Afghanistan's main exports include raw cotton, grapes, and nuts.²² In addition to Iran, Afghanistan has primarily relied on imports from the United Arab Emirates (28.2 percent), Pakistan (14.9 percent), China (14.8 percent), Uzbekistan (11.8 percent), Kazakhstan (9.45 percent), and India (5.56 percent). These imports have been predominantly comprised of wheat, palm oil, and rolled tobacco, among other goods.^{23 24}

Although these trade partners have had relationships with Afghanistan for several decades, since August 2021, most have not been nor attempted to be the key foreign direct investors in Afghanistan.

Figure 1: Regional Map of Afghanistan



Source: UK Parliament²⁵

Forming and maintaining strong cross-border relations is imperative for ensuring the economic progress of any sovereign state. Doing so can also be instrumental for cultivating strong international relationships that lead to beneficial trade, goods supply chain movement, economic policy cooperation, positive foreign direct investment, and political stability.

However, Afghanistan faces some obstacles to cross border trade and foreign direct investment (FDI). The country has a history of sanctions: the UN put sanctions on Afghanistan as early as 1999 because of security concerns arising from the Taliban regime (1996-2001). As discussed earlier, various sanctions continue, including travel bans, arms embargoes, and asset freezes on the Taliban DFA.²⁶ These sanctions limit Afghanistan's ability to improve its potential for cross border trade and receive fair competition for FDI, since many countries do not want to be seen conducting trade with the Taliban regime and what it represents. Furthermore, sanctions have a direct impact on the country's banking system, making it challenging for all Afghans to access free financial markets.²⁷ Asset freezes are also a hindrance as they directly impact Afghanistan's access to funds. Not only did Afghanistan lose USD 8 billion in aid in 2022, but USD 9 billion of its central bank assets have also been frozen, directly halting financial liquidity.²⁸

Notwithstanding the fact that the international community has not officially recognized the Taliban regime,²⁹ Afghanistan remains attractive for investment due to its strategic geopolitical location and abundant natural resource reserves. Beyond China, Afghanistan has also secured foreign investments from countries like Turkmenistan and Qatar. The latter recently signed a 30-year USD 200 million contract to commence in 2024 with the Taliban-run Ministry of Mines and Petroleum.³⁰ In 2023, Turkmenistan signed USD 75 million energy supply contract with the Taliban.³¹ Nevertheless, as of 2024, China appears to be the biggest investor in the country. Chinese investments include all the projects under Beijing's BRI framework, the under-renegotiation Mes Aynak copper extraction project, and a contract to extract oil from the Amu Darya Basin.^{32 33}

The emerging dominance of Chinese investment in Afghanistan is apparent. In addition to the Chinese projects mentioned above, a few others are in the initial proposal stage. The scale of these proposed projects is substantial with over 20 Chinese companies involved and total investment nearly USD 2 billion. No country other than China is this heavily invested in Afghanistan. Therefore, it is important to examine China's motivations for investing substantially in Afghanistan, as well as to assess whether its investments will deliver the economic stability sought by Afghanistan.

Three Factors Driving China's Interest in Investing in Afghanistan Despite Uncertainty

1

Greater market access within Afghanistan and the surrounding region are key economic factors driving China's interest in Afghanistan. Connectivity provided by BRI projects could solidify China's geographic advantage and enable it to leverage its proximity to key trade routes. For example, China imports gas from Turkmenistan through four pipelines: in 2011, China proposed that one of them could transit via Afghanistan, a proposal rejected by the Afghan government at the time.³⁴ However, such a proposal may now have a much higher likelihood of being accepted by the Taliban DFA because of China's substantial investments in Afghanistan and the lack of international alternatives.

2

The possibility of gaining rudimentary control of resources could be another motivation for China to invest in Afghanistan's unexplored regions and thereby gain favourable access to potentially resource rich areas. Such investments provide China with a first mover advantage and a strategically influential footprint in areas that have not been thoroughly explored. Moreover, financial influence over Afghanistan would give China strategic leverage. Given the scale of China's current and proposed investments in Afghanistan, it is plausible that China will provide loans, aid or investments that may cause Afghanistan to incur debt. Such debt can be evidenced in Pakistan given how the current Chinese loans to Pakistan amount to approximately USD 30 billion.³⁵ China could wield such debt to influence and control economic policies and decisions and to secure future investments.

3

The lack of international competition to finance Afghan projects could be an economic, political, and strategic driver for China. A major advantage of such a position is the price advantage. For example, China imports oil from Russia, Iran, and Venezuela, all of which are under U.S. sanctions. China saved nearly USD 10 billion in 2023 by purchasing oil from these countries instead of paying the higher, open market-rate prices to non-sanctioned oil-producing countries.³⁶ Similar pricing differentials might influence China's future decisions to invest in Afghanistan.

China continues to express interest in investing substantially in several sectors of Afghanistan's economy, especially the natural resources sector. An 2019 estimate by Afghanistan's Ministry of Mines and Petroleum states that the country may hold 60 million tons of copper, 2.2 billion tons of iron ore, and a further 1.4 million tons of rare earth metals, such as lanthanum, cerium, and lithium.³⁷ Afghanistan also has a healthy level of crude oil reserves, valued between a conservative estimate of USD 1 trillion³⁸ to a liberal estimate of USD 3 trillion.³⁹ High Chinese demand for these natural resources makes Afghanistan a critical target for strategic investment. For example, China consumes 50 percent of the world's copper production.⁴⁰ Furthermore, some natural resources hold significant value due to their growing global demand. Lithium is sought after, for example, for batteries to power electric vehicles.^{41 42}

That said, China's interest and engagement in Afghanistan's natural resources sector is not a recent development. In 2008, the Metallurgical Corporation of China (MCC) signed a 30-year lease for the largest copper mining project in Afghanistan.⁴³ This project, however, has yet to begin and is undergoing contract re-negotiations because of to security and logistical concerns.⁴⁴

More recently, in 2023, a subsidiary of the Chinese state-owned China National Petroleum Corporation (CNPC), the Xinjiang Central Asia Petroleum and Gas Company (CAPEIC), signed a 25-year contract with the Taliban to extract oil from Afghanistan's northern regions.⁴⁵ The first year of investment is expected to be valued at USD 150 million, followed by USD 540 million investment over the next three years.^{46 47} Also in 2023, the Fan China Afghan Mining Processing and Trading Company (FCAMPTC), a joint venture between China's CAPEIC and Afghanistan's Watan Group, announced a USD 350 million investment in sectors ranging from the building of cement factories to public health.^{48 49} Another Chinese firm called Gochin (about which there is very little publicly available information) has also been in conversations with the Taliban to explore and develop Afghanistan's lithium reserves.⁵⁰

China's active and proposed projects in Afghanistan hold a significant financial value (Table 1). The existing contracts for copper and oil are worth over USD 1 billion. Should the lithium and other infrastructure projects also come to fruition, the total value of Chinese investment would exceed USD 10 billion. Details about the five investments outlined in Table 1 and their financial arrangements remain opaque. Nevertheless, the need for finance remains uncontested since the Taliban have frequently requested funding for projects related to the BRI.⁵¹

China's blueprint for the BRI and related projects extends to neighbouring countries, including Afghanistan, through six land-based corridors.⁵² China is building on its long-standing engagement in the region as evidenced in the China-Pakistan Economic Corridor (CPEC) under the BRI. Observers expect that infrastructure development in Afghanistan will take many decades of work with significant demand for materials and labour, and therefore significant funding.⁵³ However, such financing also comes with risks for both China and Afghanistan.

Table 1: China’s Growing Investment Interests in Afghanistan

	2008	2013	2023	2023	2023
Investment/Project	Mes Aynak Copper Mine contract by Chinese state-owned enterprises-the Metallurgical Corporation of China (MCC) and Jiangxi Copper Corporation Limited (JCCL) ⁵⁴	Variety of projects under the Belt & Road Initiative (BRI)	Amu Darya Oil Extraction contract by Xinjiang Central Asia Petroleum and Gas Company (CAPEIC)	Extension of Economic Corridor by China Afghan Mining Processing and Trading Company	Lithium project proposal by a Chinese Company, Gochin ⁵⁵
Sector/Resource	Copper	Infrastructure and several other sectors	Oil	Power generation, construction of cement factory and public health ⁵⁶	Lithium & related infrastructure
Value	USD 250-300 million per year to State revenues ⁵⁷ USD 800 million pin fees over the contract’s length ⁵⁸	A multi-billion- dollar project, ¹ but the specific value to Afghanistan is unknown	Investment of USD 150 million per year increasing to USD 540 million in 3 years ⁶⁰	USD 350 million ⁶¹	USD 10 billion ⁶²
Job Creation	Direct job - 3,000 to 4,000 Indirect jobs – 35,000 ⁶³	Unknown	Direct jobs – 3,000 ⁶⁴	Unknown	Direct jobs – 120,000 Indirect jobs – 1 million ⁶⁵
Project Status	Project suspended and under renegotiation ⁶⁶	In progress	In progress – contract signed for the length of 25 years ⁶⁷	Proposal stage	Proposal stage

Risks and Opportunities Associated with Chinese Investments

Risk—Unsustainable Debt

Between 2000 and 2021, China lent a total of USD 1.34 trillion to developing countries.⁶⁸ Such lending has imposed economic burdens on some of those countries. Part of Chinese lending has been for BRI projects to the countries involved.⁶⁹ These China-issued loans have shorter repayment windows and sometimes higher interest rates than loans issued by the International Monetary Fund (IMF) or the World Bank.⁷⁰

Zambia is a key example of a country that borrowed billions of dollars from China for infrastructure projects that it cannot repay according to loan terms. In the short-term, these projects boosted the Zambian economy, but in the longer term, they have resulted in a 50 percent rise in inflation, a rise in unemployment, and a 30 percent decline in the value of the local currency.⁷¹ Although China is cooperating with Zambia to restructure its debt, it will take time to reverse the economic damage to Zambia’s economy.⁷²

In Afghanistan’s immediate neighbourhood, Pakistan is a prime example of an over-borrower from China. A staggering USD 30 billion, 30 percent of Islamabad’s foreign debt, is owed to Beijing.⁷³ This amount does not include a recent loan of USD 700 million.⁷⁴ Pakistan is facing difficulties in repaying these loans, a situation highlighted by China rolling over one USD 2 billion loan in 2024.⁷⁵

Risk—Contract Enforcement Complications

One of the main risks to China of investments in Afghanistan is that contracts may not be enforced in a timely manner. For example, in 2008, Chinese companies won contracts to develop the Mes Aynak copper mine and to build associated infrastructure for the site that holds over 12 million tons of copper. However, the project never properly took off as it became entangled in logistical and contractual issues.⁷⁶ Over 15 years later, as the contract is being re-negotiated in 2024, the risk falls on Afghanistan since China's MCC and Jiangxi Copper Corporation Limited (JCCL) seek to reduce taxes and cut the royalty rate of 19.5 percent by almost half.⁷⁷ The higher royalty rate would have really benefited Afghanistan.

Similarly, a China-Afghanistan contract for oil extraction from the Amu Darya Basin was initially signed in 2011 but did not proceed due to security threats caused by the Taliban and because of profit-sharing issues.⁷⁸ The contract was renegotiated and implemented in 2023. Such delays bring scepticism vis-a-vis future contracts and actual implementations. Although the reasons for delays in project implementation may vary, the ground realities of investment deferral remain.

Risk—Security Threats

Security threats pose a major risk for China or any foreign investor in Afghanistan. In December 2022, for example, an attack at a Kabul hotel that is generally frequented by Chinese nationals caused no fatalities, but two foreigners were injured.⁷⁹ China needs Afghanistan to be secure to ensure that Chinese representatives remain safe while working on projects in the country.⁸⁰ China also wants to ensure that the Taliban DFA has a clear grip on and ability to counter terrorism and security risks for China's long-term investments.⁸¹ While the Taliban DFA can promise reforms, its intent and ability to enforce antiterrorism and other security measures remains unproven.

Opportunity—Infrastructure and Employment Generation Potential

Investment risks need to be viewed alongside potential opportunities for local Afghan communities. Given Afghanistan's high unemployment rate and declining GDP, it would be expected that any investment would be beneficial to the country. For example, under the lithium project contract proposed by Gochin, the Chinese company would process lithium, repair the Salang Pass within seven months, and carve another tunnel.⁸² Gochin has also proposed that the lithium deposits be processed in Afghanistan. In order to do so, Gochin would build a hydroelectric dam and cover the linking roads with asphalt.⁸³

For the people of Afghanistan, the active and proposed Chinese investments offer considerable employment potential. Should the proposed lithium contract materialise, it is expected to produce around 120,000 direct jobs and even more indirect jobs.⁸⁴ This would be a considerable boost to the economy of a country reeling under an unemployment rate of 15 percent.⁸⁵ This would also provide a substantial opportunity for the country's population of 42 million, 69 percent of whom are between the ages of 15 to 64.⁸⁶ Similarly, should the re-negotiation of the Mes Aynak copper mine contract succeed, the project is expected to generate 3000 to 4000 direct jobs and 35,000 indirect jobs in Afghanistan.⁸⁷

However, there is justified scepticism that Chinese-financed projects might constitute an unsustainable debt or even a "debt trap"⁸⁸ for Afghanistan without delivering the promised economic prosperity, and that the employment opportunities that these projects generate would benefit workers and companies from China—which has a labour surplus—rather than the local populace.⁸⁹ If Chinese labour migrants become a substantial portion of the Chinese projects' workforce in Afghanistan, hindsight would find the purported local employment related prospects of such projects were overstated. Also, whether financed by China or other investors, these job opportunities will be reserved only for men under the Taliban regime. Its gender segregation rules isolate women from participating in the economy and could cost Afghanistan USD 1 billion.⁹⁰

Can Chinese Investments Help Deliver the Economic Stability that Afghanistan Seeks?

The main drawback of Chinese investments would be their potential burden on future generations in Afghanistan. Since the duration of loans and project contracts can vary from 25 to 30 years and involve natural resources, the question arises as to how long contracted resources will last and what impact they will have on Afghans' long-term livelihood and overall economy. Notably, the financial terms of major Chinese projects in Afghanistan are ambiguous. Should Afghanistan rely (overwhelmingly) on China for financing, it would amplify the country's economic vulnerability, potentially exacerbating inflation and currency depreciation, thereby undermining rather than enhancing economic stability.

Local communities may have two positive views of Chinese investment in Afghanistan. The first pertains to the ability of infrastructure projects to provide greater connectivity to the population. Afghanistan's topography is highly varied, and the lack of development has resulted in isolated communities. Infrastructure built under the BRI framework, if it materializes, could enhance Afghans' connectivity within the country and externally. Second, considering the high unemployment rates, Afghan communities are expected to welcome the direct and indirect job opportunities created by such projects.

Nevertheless, although the contracts officially executed between Afghanistan and China ostensibly represent advantageous foreign investments, it is necessary to scrutinize the challenges that these contracts pose, considering their potential long-term ramifications.

One challenge to Afghanistan is managing Chinese financing and maintaining a transparent overview of its public and private sector debts to China and Chinese-controlled companies. Prior to the BRI project, sovereign loans from China were issued directly to foreign governments and therefore clearly visible on the borrowing government's public accounts. However, post BRI, nearly 70 percent of China's foreign lending has been from both China and Chinese enterprises to state-owned companies, banks and the private sector, all of which are not visible on the borrowing government's public accounts.⁹¹

The visibility and accountability of such financing is crucial for Afghanistan, primarily to ascertain the aggregate financing received from a single country, and secondarily, to monitor the magnitude of borrowings, which directly influences Afghanistan's economic stability. Should large-scale investments come to fruition, such as the lithium extraction project proposed by Gochin, then Afghanistan could incur very high levels of debt finance, up to USD 10 billion for the Gochin project alone.

The transparency and ethics of such financing is also crucial, particularly for Afghanistan. Notably, China has scaled up lending to resource-rich countries that suffer from high levels of corruption.⁹² While this may not be intentional, countries where corrupt practices are widespread find it more difficult to secure loans from international organisations like the IMF and the World Bank.

The risk of China becoming a dominant lender for natural resources related projects also comes with the risk of the loans being insured against the future of the commodity itself.⁹³ In practical terms, this implies that, in the event of any loan repayment difficulties, China will be able to offset the loan by claiming the natural resource itself as collateral, thus weakening Afghanistan's ability to generate sufficient revenue for domestic needs or other international payments.

The key measure to mitigate such risks would be for Afghanistan to ensure that not all major projects require Chinese-led capital. It would be prudent for Afghanistan to diversify its investor base to reduce the risk of being highly dependent on a single country as a source for investment and financing. As economically enticing the financial elements of the Chinese investments are to Afghanistan, diversification of large investments would help Afghanistan avoid becoming a victim of quasi-monopolistic practices.

The Taliban DFA appears to acknowledge this potential for monopolization since it invited investment from Japan in 2023.⁹⁴ However, Japan has refrained from official comment on such investment: unofficial sources suggest that Japan's key deterrent to investing in Afghanistan's natural resources is the country's lack of stability.⁹⁵ The Taliban DFA's eagerness to diversify investors was recently acknowledged by Sakhi Ahmad Payman, deputy head of the Chamber of Industries and Mines, who said:

“Most of our local businesses are eager to invest, and many international businesses as well as those from nations with better political interactions are also interested. The more our political interactions improve with the world, the more investments will flow in Afghanistan, it is both beneficial for Afghanistan and investing companies”⁹⁶

Put simply, FDI should have reciprocal benefits. Therefore, Afghanistan needs to ensure that it has negotiators in its corner who will ensure that it is getting a fair deal. For example, the renegotiation of the Mes Aynak copper mine contract should not result in Afghanistan having lower royalties than were initially agreed. When contract renegotiations are conducted under duress, one caused by China's decade-long delay, it tends to give an upper hand to one party over the other.

On the other hand, the risks to China as an investor in Afghanistan can be largely mitigated. Most of China's overseas lending portfolio is protected by credit insurance, collateral or other third-party repayment guarantees. Such measures have doubled in the last two decades, covering 60 percent of Chinese loans.⁹⁷ In developing countries, China has been known to use such protected debt to establish a dominant position of power and influence.⁹⁸

Compared with its lending activity, China has provided only USD 50 to 60 million in aid to Afghanistan since the Taliban takeover, an amount that pales in comparison to the USD 2 billion in aid provided by the U.S.⁹⁹ This seems to suggest that while China emphasizes the prioritization of aid provision at international fora, Beijing actually prefers funding investment over aid. For the preservation of its long-term economic stability, Afghanistan must avoid incurring excessive debt to China. It is also crucial that for any debt that is secured, Afghanistan ensures that its natural resources are not used as collateral in loan agreements.

That said, investment from China could play a pivotal role in stabilizing Afghanistan. First, Chinese investment and increased trade could break the cycle of economic stagnation by developing new export industries, diversifying the Afghan economy and improving its integration into international trade networks. Second, strategic international investment could address the Afghan economy's capital needs by encouraging long-term stable investment to provide a strong foundation for sustained growth. China's political involvement in the Taliban-controlled Afghanistan gives Beijing the right opportunity to be the major international investor that Afghanistan needs.

To conclude, in the post-Taliban takeover period, China appears to be emerging as a dominant foreign investor in Afghanistan. It is not yet dominant since some large-scale investments remain at the proposal stage (Table 1). Should the Taliban DFA agree those projects and their financing with China, China will be the dominant foreign investor in the Taliban-run Afghanistan. By supporting Afghanistan, which is currently focused on achieving economic stability and may primarily be concerned with short-term gains, with more aid and FDI China could secure more substantial and enduring advantages. In essence, if Afghanistan neglects mitigating these risk factors, then as an investor, China may triumph as the real beneficiary in the long term.

CASE STUDY 2

Stabilizing Afghanistan: How Far Will China Go?

China faces substantial challenges in managing diplomatic and economic engagement with the Taliban DFA. The latter espouses a domestic governing ideology that is fundamentally opposed to international norms, and it continues to harbour militant extremist groups that China sees as a direct threat to its domestic and international interests. China, a potentially vital player in Afghanistan's economic and development sectors, believes other neighbouring states should also contribute to rebuilding and integrating Afghanistan into regional security, economic, and diplomatic networks. For this reason, China is leveraging its decade-long role as a promoter of regional and extra-regional dialogue and cooperation through multilateral and mini-lateral platforms.¹⁰⁰ Since 2021, China has promoted the Meeting of the Foreign Ministers of Neighbouring Countries of Afghanistan, a platform that has played a constructive role in Afghanistan's development and security, one that has the potential to fulfil the same role in the future.

Overview of the Case Study

The Meeting of the Foreign Ministers of Neighbouring Countries of Afghanistan is an initiative of the governments of China, Pakistan, Iran, Tajikistan, Turkmenistan and Uzbekistan that was established on 9 September 2021, just weeks after the U.S. withdrawal from Afghanistan. According to China's Foreign Minister Wang Yi, it is intended to facilitate coordination and cooperation among Afghanistan's neighbours on a broad range of issues.¹⁰¹

The foundations for this platform were laid long before the Taliban takeover. In many ways China, hedging its bets on the possibility of Afghanistan's destabilization if and when the international community withdrew, began intensifying its engagement with the Taliban's political office in Doha after 2014.¹⁰² In July 2019, China announced the appointment of its first Special Envoy to Afghanistan. Beijing also hosted the Taliban several times before August 2021: the last such meeting took place in July 2021, one month before the collapse of the Government of the Islamic Republic of Afghanistan (GIROA). During that meeting, China "recognized the Taliban as a critical military and political force in the country."¹⁰³ China also "became proactive in political mediation between the Afghan government and the Taliban" when it began participating in the Quadrilateral Coordination Group (QCG) in 2016 and the Moscow Multilateral Security Dialogue in 2017.¹⁰⁴

In the last years of the international community's presence in Afghanistan, it became apparent that China did not necessarily care who would eventually govern Afghanistan. Irrespective of whether Afghanistan continued to be governed by the GIROA, the Taliban, or a power-sharing arrangement between the two, Beijing was only concerned with ensuring that it had access to whoever assumed power.

This stance was unsurprising for China, given how Afghanistan's future had become highly uncertain after the end of the U.S.-led NATO military operations in 2014, and the commencement of the U.S.-Taliban talks in Doha in 2018. Domestically, Afghan experts had sounded alarm bells at the time, cautioning against a hasty withdrawal. Frustrations grew rapidly along with a deep sense of uncertainty among Afghan civil society organizations, women's groups, security analysts, and the political elite. Afghans warned the international community that any kind of withdrawal "...without guarantees to safeguard the achievements of the past 17 years"¹⁰⁵ would be hasty and irresponsible, and would jeopardize the country's democratic institutions, its future development priorities, and the capacity of Afghan security forces to mitigate risks.

Thus, it was unsurprising that just days before the Taliban captured power in August 2021, China's Ministry of Foreign Affairs, when asked how it would respond to a Taliban takeover, stated that China was "ready to develop good-neighbourliness and friendly cooperation with Afghanistan."¹⁰⁶

Successes Achieved by China

Between 2021 and 2023, the Meeting of the Foreign Ministers of Neighbouring Countries of Afghanistan platform held four meetings. The first and second were held via video link on 9 September and 27 October 2021 respectively; the third was held in China on 31 March 2022; and the fourth was held in Uzbekistan on 13 April 2023.

At the first meeting, participants reached a political consensus to jointly address their own legitimate concerns while providing a favourable external environment for Afghanistan's stability and reconstruction.¹⁰⁷ The meeting was hailed by China and the region as a constructive platform with a nuanced approach.¹⁰⁸ At the first meeting, China also announced¹⁰⁹ emergency humanitarian assistance to Afghanistan worth RMB 200 million (USD 31 million) and expressed its commitment to continue its support. Beijing also expressed its willingness to work with all stakeholders to promote the sustained progress of the coordination and cooperation platform among Afghanistan's neighbours, and to help "the Afghan people realize a safe, secure, and happy life and achieve peace and development at an early date."

In their first joint statement, the participating Neighbouring Countries identified three issues that they felt were imperative to solve to stabilize Afghanistan. First, they stated that "the people of Afghanistan now have to determine their own future, which should allow in practice to realize 'Afghan-led, Afghan-owned' processes for national peace and reconciliation."¹¹⁰ Second, they underlined the need for more international humanitarian and economic aid, such as that halted in light of the UN, European Union, and individual states' sanctions on the Taliban DFA for their human and women's rights violations. The Neighbouring Countries stressed that the international community "should not abandon the people of Afghanistan"¹¹¹ and urged the UNSC to "take responsibility for peace and reconstruction efforts"¹¹² as the Afghan economy continued to contract. Third, the Neighbouring Countries emphasized the importance of creating an inclusive political structure in Afghanistan that would reflect the participation of all ethnic strata of Afghan society.

With a view to solve these issues, at the second meeting in October 2021, China's Foreign Minister Wang Yi put forth a four-point proposal that reflects Beijing's present attitude towards the Taliban DFA in particular, and Afghanistan in general.¹¹³

- 1 Wang urged regional and international actors to actively engage with the Afghan interim government (referring to the Taliban DFA).¹¹⁴ China believes that more engagement with the Taliban would prove helpful in exerting positive influence on the group, which Wang described as "adaptable and shapable."¹¹⁵
- 2 Wang called for expanding multilateral coordination. He explained that the UN should be supported as a "key coordinator in such fields as maintaining stability, preventing chaos, and providing emergency assistance"¹¹⁶ in addition to lifting UN sanctions like Resolution 2011, which has subjected 135 Taliban leaders (as of 2022) to asset freezes and travel bans. According to China's Permanent Mission to the UN, it is "counter-productive"¹¹⁷ to link human rights to travel bans.
- 3 Wang called for strengthening counter-terrorism cooperation. He argued that regional and international countries need to support the Taliban DFA in combating extremism and terrorist organizations including the Islamic State (IS) and the East Turkestan Islamic Movement (ETIM) through both bilateral and multilateral dialogues that can be forged through the UN as well as the Shanghai Cooperation Organization.
- 4 Wang called for promoting peace and reconciliation. According to Wang, Afghanistan's neighbours had to take "coordinated and robust actions to steadily increase economic and trade exchange with Afghanistan, explore infrastructure connectivity, and help Afghanistan take part in Belt and Road cooperation."¹¹⁸ He pointed to the World Bank and the IMF as avenues to consider to identify ways for the international community to resume financing support to Afghanistan.¹¹⁹ Wang asserted that as a responsible major country and Afghanistan's neighbour, China has been playing a constructive role on these issues.¹²⁰

To a large extent, the Meeting of the Foreign Ministers of Neighbouring Countries of Afghanistan could be deemed effective in that participating countries have formed a political consensus to collectively respond to the evolving situation in Afghanistan. However, whether it can play an important role to "end the chaos and resume governance"¹²¹ is questionable at best.

Regional countries, under China's stewardship, assume that transforming themselves into a group would enable them to "exert a positive influence"¹²² on the Taliban DFA. This may be true if "respecting the sovereign independence and territorial integrity of Afghanistan"¹²³ becomes the sole basis for this influence, but it will not help to build an inclusive Afghan political structure nor will it allow for Afghan self-determination and ownership. It is not difficult to see that this platform is only meant to serve the interests of the Neighbouring Countries by placating the Taliban DFA.

The only positive contribution of this platform to the lives of Afghans is that it keeps Afghanistan on the agenda regionally and internationally at a time when the crisis in Ukraine had taken most of the political and financial attention away from Afghanistan.¹²⁴ For instance, by highlighting the international community's double standard towards Afghanistan, China has pushed the U.S. and its Western allies to give Afghanistan's humanitarian crisis the same attention as they give to Ukraine. "The world should not forget about Afghanistan, and the U.S., as the culprit of the Afghan problem, should not deliberately ignore and avoid the country,"¹²⁵ Wang asserted at the second Meeting.

Challenges to (and Limitations of) China's Pragmatic Approach to Engaging the Taliban

China's pragmatic approach has yielded Beijing security assurances from the Taliban DFA, and some smaller-scale Chinese-financed economic activity has taken place in Afghanistan. However, the limits of this approach have begun to reveal themselves. In terms of security, while the Taliban DFA has reportedly contained ETIM members based in Afghanistan¹²⁶ by preventing Afghan soil from being used by militants for training, organizing and spreading propaganda – all of which are of equal importance to China¹²⁷ – it has not been able to contain the rise of the Islamic State Khorasan Province (ISKP), a violent transnational Sunni extremist group, which is equally concerning to China and the Taliban.

In December 2022, the ISKP carried out a coordinated assault on a Chinese-owned hotel in Kabul, specifically targeting Chinese guests. The attack left five Chinese nationals injured, prompting China to urge all its citizens and institutions to evacuate Afghanistan immediately.¹²⁸ However, this attack was not a big setback for China-Taliban relations.¹²⁹ On the contrary, it reinforced "Beijing's commitment to giving special attention to the security and stability of Afghanistan...[since] an unstable and volatile Afghanistan threatens Chinese [political and economic] interests and could be a hurdle to" the BRI's success.¹³⁰

Additionally, for China, any spillover effects into Central and South Asia are as much a concern as its own security since the Chinese presence in those regions is far greater in terms of investments and the numbers of Chinese nationals working there.¹³¹ The prevention of spillovers remains dependent on China's ability to continue to offer "economic, humanitarian and diplomatic benefits"¹³² to the Taliban DFA. Moreover, the limits of China's influence over the Taliban became more apparent when the latter refused to extradite Afghanistan-based Uyghur militants to China, including Turkistan Islamic Party (TIP) leader Abdul Haq al Turkistani. A June 2022 UN report suggested that the ETIM, the TIP, and other militant groups were enjoying unprecedented levels of freedom under the Taliban DFA.¹³³

As far as China's economic interests are concerned, despite making substantial investment commitments to big ticket projects like the Mes Aynak copper mine and the Amu Darya oil extraction project, Beijing faces difficulties in coming up with economic incentives that it can offer the Taliban DFA. The Afghan economy is shaky and aid dependent and the consumer market holds limited interest for China. There is the question of return on investments, which China realizes is improbable to imagine in a country that only has nominal institutions, including in the financial sector.¹³⁴

In Afghanistan, the exposure to economic and security risks would be considerably greater than in Pakistan, where China invested USD 25 billion in the initial phase of its CPEC project and numerous challenges have emerged. These include attacks on Chinese companies and nationals, as well as sluggish inflows of funds for planned projects.¹³⁵

Furthermore, China continues to face heavy opposition by other UNSC members, including the U.S., United Kingdom and France, on matters like lifting sanctions, unfreezing assets, and recognizing the Taliban DFA. So far, China has made little progress on addressing these issues with the international community.

As things stand, China appears to have a very limited ability to change the international community's policies toward the Taliban DFA, not least because strong advocacy by Afghan women and civil society organizations over the past three years has placed immense pressure on the UN to avoid any discussions about any path to recognition as long as the Taliban DFA continues to repress women's rights. Such advocates have repeatedly poked holes in China's pragmatic approach towards the Taliban DFA.

While women's rights groups recognize the international community's dilemma and the solution it seeks, i.e., continuing engagement with the DFA and hoping that doing so will convince the Taliban to reverse their restrictions, or, proceeding with integration first and hoping it will give the Taliban an incentive to reverse their restrictions, the advocates remain dubious. They point out that the international community's political approach has not stopped or slowed the Taliban's human rights violations, and that there is no guarantee that the Taliban DFA will change after the international community normalizes it and moves toward full recognition without first ending women's rights violations.

In other words, the rights advocates fear that the UN will only achieve the same disastrous results as seen with the 2020 U.S.-Taliban deal known as the Doha Accord, an agreement that set the parameters for the withdrawal of U.S. forces. At the time, Afghan women and civil society actors did not consider those parameters comprehensive enough. The deal included (1) a political settlement resulting from intra-Afghan dialogue and negotiations between the Taliban and an inclusive negotiating team of the Islamic Republic, and (2) a permanent and comprehensive ceasefire.¹³⁶ However, the Doha Accord was unable to lead to both objectives. While it paved the way for an intra-Afghan dialogue, that dialogue did not lead to a political settlement since the Taliban did not have any incentive and did not see any need to negotiate with the Islamic Republic once the U.S. had a confirmed date for its withdrawal. In addition, no permanent or comprehensive ceasefire was established during the intra-Afghan dialogue, so fighting continued throughout that process. Thus, the Doha Accord simply facilitated the return of the Taliban, and the U.S. withdrawal left behind a politically unstable Afghanistan. The failed peace deal eventually led to the present situation.

For the past 30 years, the Taliban have not changed their ways and continue to systematically discriminate against women as they did in the 1990s. They have shown no willingness to uphold the Afghan state's commitments under international law, and do not believe in developing an inclusive and representative government. For this reason, and in contrast to Wang's four-point proposal, Afghan experts, human and women's rights defenders, and Western and other multilateral donors continue to call for aid to be conditionally linked to the Taliban upholding international norms around human rights, women's rights, and good governance.

The UN does not seem to have a viable solution on whether more engagement or less engagement, or more pragmatic or more principled engagement, with the Taliban DFA would create the incentives needed for the Taliban to respect Afghanistan's obligations under international law. Meanwhile, this conditionality runs contrary to China's pragmatic approach to aid, under which international norms seem to have a much lower priority, and the emphasis is always placed on non-interference.



Conclusion

China views itself as a pivotal regional player in Afghanistan's security and developmental landscape. It advocates for a collaborative effort involving Afghanistan's neighbouring states to rebuild and integrate the country into regional security, economic, and diplomatic frameworks. This multilateral approach underscores China's interests in fostering stability and growth in the region through collective action and China's intention to influence regional dynamics.

Since 2021, China has markedly intensified its engagement with the Taliban, recognizing the group as a crucial military and political force and hosting multiple meetings with the Taliban DFA. Chinese investments in Afghanistan hold significant promise for creating both direct and indirect employment opportunities for Afghans. If China does not allocate the majority of project-related new jobs to Chinese nationals, these initiatives could play a pivotal role in alleviating Afghanistan's high unemployment rate. Chinese investments may also significantly improve Afghanistan's infrastructure. Enhanced connectivity and upgraded facilities could transform Afghanistan into a crucial transportation hub between the East and the West and facilitate economic integration with broader regional markets, further bolstering Afghanistan's economy. However, ensuring a stable, secure, and inclusive political environment is paramount for the successful implementation and sustainability of these projects. Additionally, whereas extensive Chinese investments can drive economic growth, they also raise concerns about increased economic vulnerability, transparency, and accountability. A potential dependency on debt and the use of natural resources as collateral could pose long-term financial risks for Afghanistan. For Kabul, it is crucial to balance investment opportunities with prudent economic management to avoid exacerbating the country's debt burden.

However, China finds itself performing a balancing act in what may be seen as its odd pairing with Afghanistan. China must deal with a cluster of issues, ranging from navigating Afghanistan's domestic challenges to addressing its own security concerns, protecting its economic interests, and navigating these interests while engaging with international and regional stakeholders at the UN and other international fora. The Taliban DFA, which is fundamentally opposed to international norms, women's rights, and continues to harbour militant groups, poses significant obstacles, not least because China encounters substantial opposition from other UN and UNSC members and pro-rights groups that challenge China's non-interference and pragmatic approach.

In summary, while China's strategic financial and diplomatic engagement with Afghanistan underscores its critical role in the region, Beijing must nonetheless navigate complex challenges and international opposition that often aligns with the goals of Afghans themselves. A balanced approach that integrates regional cooperation, pragmatic engagement, and responsiveness to human rights and governance issues will be crucial if China is to effectively contribute to Afghanistan's stability and development. Moreover, while Chinese investments in Afghanistan offer substantial opportunities for employment, economic growth, and infrastructure development, they nevertheless come with significant challenges. Addressing the risks of delays, managing debt, ensuring security, and promoting an inclusive government under the Taliban DFA will be essential for harnessing the full benefits of these investments and fostering sustainable development in Afghanistan.

APPENDIX

A Brief History of Relations Between China and Afghanistan 1996-2021

Sino-Afghan Relations during the 1st Taliban Regime (1996-2001)

China-Taliban relations were established in the 1990s during the Taliban's first regime (1996-2001) through the latter's ambassador in Islamabad, Abdul Salam Zaeef.¹³⁷ Although ties between the two were not official at the time, China, albeit hesitantly, viewed the Taliban as a plausible security partner. Concerned largely about bases that were being established in Afghanistan by the East Turkestan Islamic Movement (ETIM)¹³⁸ in 1998, China engaged with the Taliban to seek assurances that no terrorist group would be allowed to use Afghanistan's territory to conduct attacks on China.¹³⁹

According to Zaeef, in December 2000, China's ambassador to Pakistan met with the Taliban chief, Mullah Omar, in Kandahar, to obtain assurances that the Taliban would not harbour Uygur separatists.¹⁴⁰ In return, China abstained from opposing the Taliban, especially at United Nations Security Council (UNSC) debates on Afghanistan. China also refrained from joining the chorus of countries calling for more United Nations (UN) sanctions on Afghanistan in response to the human rights violations being committed by the Taliban regime.¹⁴¹ During the first Taliban regime, China continued visits to Kabul and held discussions with the Taliban on assistance regarding damaged power grids, reinstated direct flights between Kabul and Urumqi, initiated the involvement of Chinese firms like Huawei and ZTE in the Afghan telecommunications sector, and even assisted with arms and spare parts shipments through Pakistan.¹⁴²

From 1991 to 2001, Beijing's concerns and priorities related to the Xinjiang Uygur Autonomous Region¹⁴³ and China's Western border drove China's approach in Afghanistan, along with a few economic interests. Priorities changed from 2001 onwards, as a "broader geopolitical calculus"¹⁴⁴ emerged, under which China aimed to integrate Xinjiang and leverage the region's unique geopolitical position to establish a China-centric Eurasian geo-economic system, the One Belt, One Road strategy.¹⁴⁵

Consequently, as the international community consolidated its footprint in Afghanistan with counterinsurgency and state-building efforts, China's strategy found Sino-American security and economic interests conflicting with each other. China felt threatened by the growing presence of the United States (U.S.) in Afghanistan and the region. As a result, China became increasingly cautious of its role in Afghanistan as the country "transitioned in Chinese perceptions to the regional-global nexus of security challenges"¹⁴⁶ from the previously held "domestic-regional nexus of security challenges."¹⁴⁷

Strengthening "economic and diplomatic ties,"¹⁴⁸ had informed China's approach to both Central Asia and Afghanistan from 1996 until September 2001. The creation of the Shanghai Cooperation Organization (SCO) in June 2001 was a by-product of these interests. Through the SCO, China centred its multilateral diplomacy primarily around three interests as far as Afghanistan and Central Asia were concerned: security, development, and access to the region's energy resources.

After the first Taliban regime was toppled by the U.S. after the attacks of 11 September 2001 (9/11), China joined the international community in recognizing the Afghan Transitional Administration under interim President Hamid Karzai. In 2002, China was one of Afghanistan's six neighbouring countries that signed the Kabul Declaration on Good-neighbourly Relations with the Karzai government.¹⁴⁹ This declaration initiated a new chapter in Sino-Afghan relations as China pledged its "commitment to bilateral relations based on the principles of territorial integrity, mutual respect, and non-interference"¹⁵⁰ in the internal affairs of the country.

Sino-Afghan Relations during the Islamic Republic of Afghanistan Era (2001-2021)

After the 9/11 terrorist attacks, the international community was jolted into action, realizing the seriousness of the threat posed by terrorists. On 12 September 2001, UNSC Resolution 1368 (2001) was adopted. The Resolution condemned the 9/11 attacks and stressed that those entities (including states) responsible for aiding, supporting, and harbouring the perpetrators would be held accountable. Therefore, while China's approach in Afghanistan prior to 2001 was largely driven by security threats in Xinjiang focused on countering terrorism in Afghanistan – a goal shared with the US – after 2001, the two countries' interests began to conflict as the U.S. and NATO presence in Afghanistan threatened China's broader Eurasian geo-economic goals.

While China still held the desire to contain the Taliban and other Islamic extremists in Afghanistan and to prevent their spillover into the region, it viewed the U.S. and NATO military presence as a “potential threat to the geopolitical thrust of its post-Cold War foreign policy in Central Asia”¹⁵¹ and Afghanistan. Shortly after the 9/11 attacks, the U.S. launched an attack on al Qaeda and the Taliban regime in Afghanistan. By December 2001, the Taliban regime completely collapsed, and Afghanistan began rebuilding its infrastructure and a new democracy. For both China and Russia, the 9/11 attacks marked a significant diplomatic opportunity to strengthen cooperation with the U.S.¹⁵²

China still showed a willingness to cooperate in the fight against terrorism, but within the framework of Resolution 1368 and the declaration of the Group of Eight (G8)¹⁵³ it would do so to “check the unilateralism of the United States, but also in the hope of strengthening its position within the United Nations.”¹⁵⁴ The fight against remnants of Islamic extremists factions and separatist movements in Xinjiang played an important role in China’s decision to cooperate with the U.S.¹⁵⁵

However, China’s hope that the UN would take the lead in Afghanistan’s recovery and reconstruction phase, and its desire to avoid having a U.S. military footprint and pro-US regime established, never fully materialized. By 2003, it was apparent that an extended U.S. and NATO involvement in Afghanistan was inevitable because the Taliban, which had slowly transformed itself into an organized insurgency, began insurgent attacks across the country. Consequently, China began to engage more cautiously in Afghanistan, initially pursuing a policy of non-intervention.¹⁵⁶

One of the most significant outcomes of China’s engagement with Afghanistan was the December 2002 Kabul Declaration on Good Neighbourly Relations,¹⁵⁷ which was signed by the Transitional Administration of Afghanistan, and the governments of China, Iran, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan. According to Omar Samad, spokesperson for Afghanistan’s Ministry of Foreign Affairs, “the declaration was the first collective action taken by Afghanistan and its neighbours to respect each other’s sovereignty and territorial integrity and to promote cooperation and non-interference.”¹⁵⁸ China also maintained a limited degree of economic engagement, an even more limited political and security engagement, and no direct security engagement.

Instead, from 2000 to 2005, China’s engagement in Afghanistan was mostly aid focused (as compared to political): China disbursed a mere USD 4 million of humanitarian aid in 2001 followed by an even smaller pledge of USD 1 million at the Tokyo donor conference in 2002. China’s pledge was among the lowest among those of regional countries. For example, at the same conference, among the top 13 contributors to Afghanistan’s reconstruction,¹⁵⁹ Iran pledged USD 560 million over a five-year period, India pledged USD 100 million, and Pakistan pledged USD 100 million over a five-year period.¹⁶⁰ In 2006, China and Afghanistan signed the Treaty of China-Afghanistan Friendship, Cooperation and Good-neighbourly Relations, which opened the pathway for Chinese investment in Afghanistan. This included a 2008 deal to mine copper from Mes Aynak, under which China invested USD 4 billion in exchange for 100 percent of the mining rights. The two treaties cited here also enabled the establishment of a joint economic and trade committee that would later see China granting zero-tariff treatment on 278 items of Afghan exports to China as of 1 July 2006.¹⁶¹ According to China’s Deputy Foreign Minister, Yang Jiechi, “[u]nder the Treaty (Good-neighbourly Relations Treaty), China and Afghanistan will launch more military and security cooperation and expand exchanges in trade, agriculture, science, education, natural resources exploration.”¹⁶²

However, by 2010, China’s behaviour changed and it “dynamically started engaging with Afghanistan.”¹⁶³ First, China wrote off USD 19.5 million of Afghan debt. Then, the China National Petroleum Corporation (CNPC) signed a 25-year contract for oil extraction in northern Afghanistan’s Amu Darya basin. In 2012, China and Afghanistan signed a joint declaration on commencing Strategic and Cooperative Partnership. While China’s relationship with successive Afghan governments since 2001 remained cooperative, China “...never totally cut off contact with the Taliban.”¹⁶⁴ This relationship with the Taliban “intensified”¹⁶⁵ after 2014, when the NATO coalition’s engagement in Afghanistan—including the U.S. Operation Enduring Freedom—ended on 21 December 2014 and transitioned into a new, non-combat mission called Resolute Support.

At this time, and in light of the mounting security challenges, cessation of coalition combat operations, and the imminent and complete withdrawal of the international community from Afghanistan, China began preparing itself for two possible worst-case scenarios in the country as far as economic and security interests were concerned.¹⁶⁶

In the first scenario, Afghanistan would end up politically stable after the withdrawal of the international community. This would involve the U.S. stabilizing Afghanistan, setting up a stable government, and establishing frontline military bases. This approach would allow the U.S. to create a strategic foothold in Central Eurasia, effectively positioning itself to contain China from within Afghanistan and Central Eurasia.¹⁶⁷

In the second scenario, Afghanistan would be left destabilized after the withdrawal of the US and the international community, become a haven for international terrorism and narco-trafficking, and consequently, become a major “source of non-traditional security challenges for Beijing.”¹⁶⁸

China was also worried that the withdrawal of the international community, particularly the U.S., would trigger a significant reduction of the economic aid on which Afghanistan still depended and would need for more time to become self-sufficient. In 2019, donors (primarily Western) financed 75 percent of Afghanistan’s public expenditure.¹⁶⁹ A potential funding vacuum of this magnitude was one that Beijing did not have the political intent to address on its own.¹⁷⁰ Therefore, China had to devise a strategy that navigated both of its worse-case scenarios, protected its interests in Afghanistan, and did not cost it a substantial amount, either diplomatically or financially. Since 2010, these recurring issues influence China’s policy towards Afghanistan.¹⁷¹

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