ECRAN
Europe China Research and Advice Network

Europe China Research and Advice Network (ECRAN)

2010/256-524

Short Term Policy Brief 34

China's 'Non-policy' for Afghanistan

February 2012

Author: Bernt Berger

This publication has been produced with the assistance of the European Union. The contents of this publication are the sole responsibility of ECRAN and can in no way be taken to reflect the views of the European Union.

This project is funded by the European Union

Steinbeis

This project is implemented by a Consortium led by Steinbeis GmbH & Co. KG für Technologietransfer

Background Brief: China's 'Non-policy' for Afghanistan

Executive Summary

The future security situation in Afghanistan following the disengagement of the International Security Assistance Force (ISAF) due to take place in 2014 is one of the great uncertainties in China's foreign policy. In fact, Beijing has no defined policy that deals with the security situation inside Afghanistan. China has not interfered into Afghanistan's political development and has refrained from any direct involvement in the country's security affairs and cooperation with NATO. Instead, China has focused on the stabilisation of Afghanistan's neighbourhood. A stable regional environment may inter alia be conducive to the development of the country and possibly prevent Afghanistan returning to the role of a pawn in struggles between regional powers. Accordingly, China has promoted regional solutions for the mid-term development of Afghanistan in international forums.

So far China has exercised restraint in security affairs. Most of its own elementary security interests have been served by the US-led Global War on Terror and intervention in Afghanistan, as well as cross border missions into Pakistani territory. During confrontations of US and Pakistani military forces with Al Qaeda and other Islamist groups, the leadership of militant Uighur separatist groups was entirely eradicated.

China has been a stander-by in terms of direct engagement into Afghan security. Its main concern lies with the ongoing destabilisation of Pakistan, due to spillovers of militancy from Afghanistan and a fragmented, inefficient state system. Before the US reengagement in Afghanistan and Pakistan in 2001, Pakistan was Beijing's primary intermediary in dealing with Afghanistan. Beijing's policymakers still believe that Pakistan is key to the stability of the region.

Depending on the security situation in Afghanistan after 2014, China will mainly be concerned with two potential security risks:

- The possibility that a re-emergence of state-free regions could once more create safe havens for separatist militant mobilisation beyond China's influence;
- The possibility that the potential destabilisation of wider Central Asia could harm China's political and commercial interests.

In its multilateral engagement in Central Asia and the Shanghai Cooperation Organization (SCO), Beijing has promoted a stable neighborhood with existing security mechanisms. It has also started to engage in Afghanistan's economic reconstruction with risky investments that offer uncertain returns. In international forums such as the London Conference and Bonn II, it has consistently pushed this regional approach. The belief is that the stabilisation of the wider region surrounding Afghanistan:

- help to stabilise the country while preventing major external interference in its political development and internal power balance;
- it helps to prevent spillover of militancy into the neighborhood; and
- it reduces the need for extra-regional actors.

All in all China is the least problematic actor in the region and will most likely have a positive impact on the future of Afghan and Central Asian stability and development. Thus, for Europe, it is a likely partner in regional development. For this to happen, this would require:

- Following China's lead and considering the value of existing mechanisms such as the SCO;
- Defining issues of destabilisation as well as economic and development interests in the region and Afghanistan, and dovetailing them with the perception of needs by regional actors;
- Liaising with Beijing and creating channels of communication and cooperation within existing regional security mechanisms.

Main points

- The future security situation in Afghanistan following the disengagement of the International Security Assistance Force (ISAF) due to take place in 2014 is one of the great uncertainties in China's foreign policy.
- Beijing has no defined policy that deals with the security situation inside Afghanistan. It has not interfered into Afghanistan's political development and has refrained from any direct involvement in the country's security affairs and cooperation with NATO.
- Instead, China has focused on the stabilisation of Afghanistan's neighbourhood. It has promoted regional solutions for the mid-term development of Afghanistan in international forums.
- In its multilateral engagement in Central Asia and the Shanghai Cooperation Organization (SCO), Beijing has promoted a stable neighborhood with existing security mechanisms. It has also started to engage in Afghanistan's economic reconstruction with risky investments that offer uncertain returns.
- China is the least problematic actor in the region and will most likely have a positive impact on the future of Afghan and Central Asian stability and development. Thus, for Europe, it is a likely partner in regional development.

Afghanistan: China's strategic blind spot?

One of China's core priorities in security policy is the stabilisation of its immediate neighborhood. Beijing has pulled out all the stops to achieve this goal by means of multilateral and bilateral diplomacy, as well as aid. In so doing, it has sought to break into new markets, gain access to resources, move forward with confidence building and maintain peace in its own periphery. Yet, despite its common border with Afghanistan and its significance for regional stability, Beijing has adopted a surprisingly passive approach towards the country.

China's reluctant engagement with Afghanistan does not come as a surprise. After the International Security Assistance Force (ISAF) Mission in 2001 brought peace-enforcement under the aegis of NATO's leadership, China had little stake in the security and reconstruction of the war-torn country. Previously Beijing had engaged in the 'Six Plus Two Contact Group', a United Nations initiative of Afghanistan's neighbors plus Russia and the United States. The group sought to achieve peaceful conflict settlement and combat illicit drug trafficking, and continued even after the Taliban had taken over the Northern City of Mazar-e-Sharif and assumed full control over the country in 1998.

During the 1990s China was confronted with a first wave of separatist militancy and small-scale terrorist attacks in its Northeastern province of Xinjiang. At the time, China had a justified concern about connections between the Turkestan Independence Party/East Turkestan Independence Movement (TIP/ETIM) and Al Qaeda, who were rumoured to have hideouts in Afghanistan. Beijing's security agencies thus used their links to Pakistani military intelligence to broker an agreement with the Taliban. Following this, Beijing received guarantees that no terrorist activity would originate from Afghan soil, even though anti-Chinese militants have been trained in Afghanistan under the auspices of Al Qaeda.

After 2001, international efforts during the War on Terror served Beijing well. Although China provided full support to the US, it largely relied on third parties and had only limited ability to look after its security concerns itself. Nevertheless, between 2003 and 2010, US and Pakistani forces eliminated the leadership ranks of TIP/ETIM. Militant Uighur separatists have typically heavily relied on the support of other Islamist or pan-Turkic nationalist groups. After Al Qaeda's demise in the region they were left without support and either had to integrate with sympathetic movements or go into hiding in small cells. In recent years the main militant threat to China comes from Pakistani soil and from within China.

On the whole China's concern for developments in Afghanistan has been lukewarm. The security situation along the short border has been stable. Geopolitical threats have not played a role since the Cold War when Beijing feared encirclement by the Soviet Union. Neither are there any signs that China regards Afghanistan as a strategic buffer between the regional powers. Yet, Afghanistan's stability is essential for the whole of Central and South Asia and therefore China's immediate Western neighbourhood.

What is at stake for Beijing?

At present China does not face any organised militant threats from Afghan soil. Rather, it faces threats from separatist militant groups in Northwestern China, although this remains at a low organisational level. Small cells inside China, returnees from Pakistan and instigation

from cells based abroad are the main sources of violence on Chinese soil. The main motive of separatist militant assaults is to instigate social scission along ethnic lines and, to a much lesser extent, challenge the central state directly.

Beijing's biggest headache is an increasingly unstable Pakistan and increasing cross-border activity from Afghanistan aggravates this situation. Insurgent groups, such as the Haqqani network, operate on both sides of the border along Waziristan, one of Pakistan's Federally Administered Tribal Areas (FATA). These groups have erratic ties to the Pakistani military and its intelligence service (ISI) and have at times deceived them. US disengagement from cooperating with Pakistan creates new challenges for China because Beijing is financially and militarily unable to pick up the slack.

Greater destabilisation from a weak government, a faltering economy and an increasingly uncontrolled military in Pakistan has led to greater risks for Chinese interests. Pakistan has also become an unpredictable partner in dealing with Afghanistan. So far China has regarded the military as a guarantor for stability in Pakistan that is efficient at dealing with insurgent groups. However, this image has lately started to erode. While the Pakistani military has, more than ever, sought to secure China's support, in 2011 Beijing started to seek closer consultations with Washington.

In the event that ISAF disengages from Afghanistan after 2014, China will be faced with a range of uncertainties. It is possible that a weak government in Kabul might become a pawn in the hands of regional powers, which could seek to impose their blueprint of a regional order. Such a development might weaken the government in Kabul to such an extent that it would need to employ considerable diplomatic resources, in order to counter these actions. Chinese interests are at risk in mainly two ways. Firstly, a weak Afghan government or even a failing state would once again provide state-free zones where anti-Chinese militancy could be organised. Secondly, a spillover of Afghan insecurity into its neighboring Central Asian states would pose a risk for Chinese energy midstream operations, a range of infra-structure projects and citizens. This is because, in recent year, Chinese companies have, with the help of intense diplomatic efforts, managed to get a foothold in Central Asian energy markets. China's energy security increasingly relies on the region and uninterrupted overland-pipeline operations. So far, Turkmenistan supplies approximately 50 per cent of China's total gas imports. Kazakhstan only supplies 4 per cent of China's total crude oil imports. Yet, in both cases numbers are on the rise, as China tries to diversify its supply away from Gulf States such as Saudi Arabia and Iran.

Overall and despite its concerns, China has factored out proactive security measures for Afghanistan. It stands to reason that Beijing will remain sitting on the fence until 2014. For the time being there is little scope for long-term considerations until NATO and Washington clearly define the terms of ISAF's disengagement. Nevertheless, China's multilateral and economic initiatives have started to make an impact.

Risky direct investments and economic reconstruction

China has gained attention for its successful bids in tenders for development of resources and to a lesser extent investment in infrastructure development in Afghanistan. For China, direct investment is the least controversial and most frictionless way of engaging in Afghanistan and can be regarded as a contribution to economic reconstruction. Early investment projects such as the Aynak Coppermine were risky in terms of security and

offered little promise of returns. Newer oil projects might in the long run benefit Chinese companies but, for now, will only create revenues that will benefit Afghanistan's weak economy (if at all).

As early as 2007, the Beijing-based China Metallurgical Group (MCC) and Jiangxi Copper Co. won a bid for mining concessions in the so-called Aynak Coppermine in the Southwest of Kabul. The state-owned company won the tender with a deal that involved a USD 3 billion direct investment. Yet, the investment is not only risky in terms of the security situation surrounding the project. The development of the mine is accompanied by the requirement of high expenditures on transport, a power plant and social infrastructure for over 8,000 workers, and around 30,000 indirectly employed people who will, for example, develop roads, hospitals, schools, Mosques and water supplies.

Due to the lack of transport infrastructure, the MCC has engaged in a costly (estimated at USD 6-7 billion) railway project along a North-South corridor, connecting Kabul and Mazar-e-Sharif, and the copper mine with Pakistan, Tajikistan and Uzbekistan. The project is also part of a planned wider regional railway network. In 2010 the MCC commissioned a feasibility study and announced that if the security situation were to deteriorate in Pakistan's border region, it would have consequences on the future of the project. Rumour has it that cases of corruption and underhand payments have also led the MCC to reconsider the whole project.

In December 2011 China's state-owned National Petroleum Corporation International Ltd. (CNPCI) and the Afghan Ministry of Mines signed an agreement on the exploration of the three oil blocks in the Amu Darya Basin. The contract covers the tapping of new wells and extraction by the China National Petroleum Company International Watan (CNPCIW), a joint corporation under Afghan law between CNPCI and the local Watan Oil and Gas Company, where the former owns 75 per cent of the share. The Watan Group is an (controversial) Afghan conglomerate that already cooperates with Chinese companies in the telecommunication sector and metal processing. Under the agreement, the CNPCI agreed to pay a 15 per cent royalty on the gross sales revenue of oil for the lease of the blocs (according to Article 23, Afghan Hydrocarbon Law), 20 per cent corporate tax and up to 70 per cent of the net profit (depending on the quantity of produced hydrocarbons) as gain sharing to the Afghan State, represented by the Ministry of Mines.

The investment in Afghan oil is a risky undertaking, both in terms of expenditures and the unpredictable security situation. The expected net revenue for the CNPCI is low and the actual quantity and quality of crude oil is unknown due to incomplete geological data. In addition, viable infrastructure is lacking. It is possible that the CNPCI might be able to link potential oil production facilities with existing gas projects in Turkmenistan on the other side of the Amu Darya River; regardless, high expenditures for transport, housing and social infrastructure are inescapable.

All in all, economic engagement by Chinese companies in Afghanistan is marked by high risk and little returns. Yet, the investments also possess a dual security dimension. Economic development, increasing state revenues, development of social infrastructure and reduction of unemployment may contribute to greater stability in Afghanistan. However, in the face of uncertainties regarding the security situation after 2014 and its related threats to Chinese subjects, it appears more likely than not that companies will eventually start to move out of Afghanistan again.

China's multilateral engagement

Beijing has taken part in a range of international initiatives in dealing with the future of Afghanistan and is regionally involved by virtue of its Shanghai Cooperation Organization (SCO) membership. So far the SCO has served China's economic and security interests well. Yet, with regard to regional security affairs (including Afghanistan and a greater role for the SCO) Beijing has been noncommittal to international demands. Instead it has primarily used international forums to push its own security interests and principles related to the future of Afghanistan. During recent conferences Beijing highlighted what it believes to be the central role of regional solutions. However, it remains unclear whether this emphasis on a regional framework means anything more than restricting the influence of external actors. In the eyes of Beijing's policymakers, the current modus operandi of the SCO serves its preferred approach for stabilising the region. Yet, what has changed is that Beijing has shifted the organisation towards the centre of international attention.

Beijing's timely 1996 campaign for a regional initiative in Central Asia, namely the Shanghai Five and later the SCO, served its security interests well. Not only was it possible to resolve border disputes with Russia and the newly independent Eastern European states but, later, the campaign served as a framework for intelligence sharing, confidence building and military-to-military contacts. In 2005, the SCO-Afghanistan contact group was established as a consultation mechanism for proposals on cooperation between the SCO and Kabul and, in 2011, Afghanistan requested full observer status during the SCO Astana summit, receiving support from Russia. Decision makers in Beijing have not been pleased by these developments. From their perspective, greater Afghan participation has the potential to overburden the SCO with security issues, which may sideline Beijing's own goals within the forum. Current priorities lie with greater bilateral economic integration with SCO member states, thereby buttressing regional development and stability.

The SCO provides a platform that includes the most important Central and South Asian neighbours of Afghanistan such as China, India, Pakistan, Iran and Russia. Thus, it theoretically forms an ideal framework to reconcile conflicting approaches and stabilise Afghanistan in a common effort. Yet China, not to mention the other powers, will neither get involved in regional power struggles nor deviate from its bilateral approach. So far for Beijing, regional multilateralism has never meant integrating its partners nor being conducive to their mutual relations. Rather it is a means for trust building and establishing bilateral political and economic ties. In contrast to its regional approach, China has moved the SCO into the centre of attention even outside the region.

On the international stage Beijing has been more proactive and accommodating. In December 2001 Beijing approved United Nations Security Council Resolution 1386 and thus co-authorised the establishment of ISAF. During the London Conference on security, development and international support for Afghanistan in early 2009, Chinese Foreign Minister Yang Jiechi adopted a determined stance and most of China's proposals are reflected in the *Afghanistan Compact* that was adopted during the conference. The measures suggested by Beijing included:

- Enabling the Afghan government to take up responsibility for safeguarding the security of the country;
- Rendering support for the implementation of the Afghanistan National Development Strategy;

- Improving governance capacities by providing training to government officials, including among others, those in diplomacy, economy and trade, medical and health care, finance, tourism, agriculture and counter-narcotics;
- Enhancing coordination and cooperation to integrate, complement and reinforce the international community's efforts, particularly at the regional level among neighbouring countries under the leadership of the UN. Beijing also suggested the creation of a security belt around Afghanistan set up by its neighbors.

During the Bonn II Conference in December 2011, China joined Russia, Iran and Pakistan's opposition to a new framework for regional security and cooperation (including permanent US bases) that had been discussed at the Istanbul Conference earlier the previous month. Foreign Minister Yang Jiechi emphasised that the role of the SCO and other international organisations/mechanisms should be brought into full play in Afghanistan. However, he remained vague about how this idea could be practically implemented. Yet, the message implied that China prefers regional solutions without interference from what it regards as external actors.

Conclusion: Implications for the European policies

So far the main concern regarding China's approach towards Afghanistan and its possible future engagement has rested with NATO. However, the EU and China share a range of economic and security interests and acceptable modes of cooperation need to be established by both sides. Nevertheless, there are issues: divergences exist in their expectations of how regional actors should get involved in the reconstruction and future stabilisation of Afghanistan. They also need to overcome China's set priorities and its reluctance to fully engage in its Western neighborhood.

However, there is little to worry about Beijing's intentions in Afghanistan. Compared with other regional players such as Iran, Pakistan, Turkey, or even India, who could use Afghanistan as a proxy battleground for regional power struggles, China is the least critical actor. Dealing with China in Afghanistan and its neighbourhood requires greater understanding of how China perceives the challenges that it needs to confront in the short- to mid-term. It also involves Beijing's main security concerns in Pakistan. Pakistan is the weakest link in the stabilisation of Afghanistan's neighborhood and its 'outside-in' approach. Although Beijing is not keen to let third parties interfere into its close but onerous relationship with Pakistan, it will not be able to maintain economic and social stability in that country alone. Recent moves by the EU to lift tariffs on Pakistani textile products as a contribution to bolster Pakistan's economy are welcome. Yet, with greater engagement, Europeans might confront the same challenges as China: economic engagement mostly benefits Pakistan's small ubiquitous circle of elite families and is hardly effective in stabilising the country. For this reason, closer exchanges with Pakistan and consideration of its role in regional stability are necessary.

Beijing should be taken seriously regarding its demands for a greater role for existing regional mechanisms made at the Bonn II Conference. It will resist any approach that its decision makers perceive as interference into its regional ties. However, there needs to be more clarification and debate with regard to the role of the SCO in particular, how it seeks to deal with arising issues and what kind of capacities are needed. The question is how a stable Central Asia can help to stabilise Afghanistan and not the other way around; how possible negative developments in Afghanistan after 2014 might impact on the stability of Central

Asia. The Organization for Security and Cooperation in Europe (OSCE), which is gaining observer status at the SCO, and Track 1-2 dialogues are neutral but effective channels to establish common interests and approaches between wider Central Asia and Europe.

In sum:

- With regard to Afghanistan's future, China is the least problematic regional actor
- Beijing has proven readiness to take up responsibility within a self-defined framework of action
- So far, Chinese engagement includes stabilisation of the neighborhood by means of economic development, regional security mechanisms and economic reconstruction inside Afghanistan
- Cooperating with China on Afghanistan-related security issues means to cooperate and promote existing security mechanism in terms of capacity building. However, China needs to explain more explicitly what kind of channels of cooperation it has envisioned.