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**THESIS**

**CHINA'S INTERESTS IN AFGHANISTAN: CURRENT  
PROJECTS AND FUTURE PROSPECTS**

by

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December 2013

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**CHINA'S INTERESTS IN AFGHANISTAN: CURRENT PROJECTS AND  
FUTURE PROSPECTS**

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## **ABSTRACT**

With the United States and NATO mission coming to a close at the end of 2014, Afghanistan's future is in doubt. China shares a border with Afghanistan, shares terrorism and security concerns with Afghanistan, and shares an interest in developing the resources of the country.

In the scope of China's foreign policy, its dealings with Afghanistan are not unique. Chinese state-owned enterprises hope to extract resources to fuel the Chinese economy. Beijing hopes to use its economic influence to stabilize the country as it waits for the security situation to improve. Afghanistan would benefit from Chinese investment and infrastructure development, but the role China will play in Afghanistan's future is unclear.

By looking at Chinese activity in Afghanistan, this thesis will show how Beijing's actions have shaped development in Afghanistan and how it could shape its development in the future. The United States and China are both interested in stability in Afghanistan, but have pursued different policies to achieve stability. In the end, Chinese investment in Afghanistan could result in the emergence of the region either as a world economic player or as a continuously watched trouble spot.

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## LIST OF ACRONYMS AND ABBREVIATIONS

CCP	Chinese Communist Party
CNPC	Chinese National Petroleum Company
DoD	Department of Defense
ETIM	East Turkistan Islamic Movement
[E]TIP	[East] Turkistan Islamic Party
FATA	Federally Administered Tribal Areas of Pakistan
GIRoA	Government of the Islamic Republic of Afghanistan
ISAF	International Security and Assistance Forces
MoM	Minister of Mines (Afghanistan)
MCC	Metallurgical Company of China
NATO	North Atlantic Treaty Organization
PRC	People's Republic of China
SCO	Shanghai Cooperation Organization
SOE	state-owned enterprise
USGS	United States Geodetic Survey

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For those of you who read this, I hope it provides some insight—or at least some light reading.

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## **I. INTRODUCTION**

The economic engine China has built over the last 30 years has lifted hundreds of millions of people out of poverty and made China into a world power. While there is no doubt about China's economic clout, there are many who wonder how China will translate its vast wealth into geostrategic power. Afghanistan sits on China's border and its future depends in large part on how China addresses its myriad problems. By studying how China has interacted with Afghanistan, this thesis dissects China's policies toward Afghanistan, the implications of those policies, and how those policies interact with U.S. policy.

### **A. IMPORTANCE**

This thesis explores China's views on Afghanistan and the economic, security, diplomatic, and strategic motivations for its interests. China's economic interests in Afghanistan involve investments in mineral and hydrocarbon deposits. To develop those deposits, Afghanistan needs significant investment in its transportation infrastructure, which hinges on the security situation in Afghanistan. Beijing worries about security in Afghanistan because stability there affects terrorism in China, the economic and political future of Central Asia, and equilibrium of the region.

Stability in Afghanistan means different things to different countries. The American concept of a stable Afghanistan means a strong central democratic government that can provide services to the people and security for the country. This has devolved to a concept of a central government that can provide some services and will not allow terrorist organizations safe haven in Afghanistan. The Chinese concept of stability in Afghanistan differs slightly. China wants an Afghanistan that does not harbor ethnic Uighur terrorist organizations, does not attack Chinese nationals, and does not interfere with Chinese business and extractive industries. Both of these concepts of stability differ from the Afghan concept. Afghans want to be left alone by foreign powers and want the fighting to stop. After more than three decades of turmoil and war, Afghans just want to go about their lives.

After close examination of the security and economic interests of China in Afghanistan, this thesis will conclude with an exploration of the policy implications of Chinese interests in Afghanistan for the United States. This thesis recommends areas for possible cooperation between China and the United States, identifies areas where both powers disagree, and assesses areas where coordination is needed to prevent erosion of U.S.–China relations.

## **B. HYPOTHESIS AND ARGUMENT**

The PRC has deep misgivings about the current and past U.S. and coalition approach to Afghanistan. As a neighboring country, China has taken a cautious approach to Afghanistan that emphasizes long-term stability and relationships that until recently have minimized China’s engagement in Afghanistan.

Based on the information collected the following hypothesis is evident: China’s recent activity in Afghanistan represents a shift in China’s Afghanistan policy from minimum engagement to acceptance that stability in Afghanistan is essential because anarchy threatens China’s interests.

China stands to be the overall winner in Afghanistan, according to some experts. It is estimated that \$1 trillion worth of minerals lie beneath Afghan soil. As a result of the hybrid-capitalist Chinese economic model, China is favorably positioned to extract Afghanistan’s mineral wealth. How this came to be is a result of Chinese foreign policy, Chinese perspective, and China’s approach.

“Five Principles of Peaceful Coexistence” guide Beijing’s approach to Afghanistan. The principles are: mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in each other’s internal affairs, equality and mutual benefit, and peaceful coexistence.<sup>1</sup> Chinese foreign policy in Afghanistan shows

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<sup>1</sup> Andrew J. Nathan. “Principles of China’s Foreign Policy,” Asia for Educators, Columbia University, taken from Andrew J. Nathan and Robert S. Ross, *The Great Wall and the Empty Fortress: China’s Search for Security*. New York: W.W. Norton, 1997, accessed June 25, 2013. [http://afe.easia.columbia.edu/special/china\\_1950\\_forpol\\_principles.htm](http://afe.easia.columbia.edu/special/china_1950_forpol_principles.htm).

the influence of these principles, discussed in detail in Chapter II. The five principles are not to be construed to be an altruistic approach to foreign policy; China's interests in Afghanistan are real and enduring.

As a neighboring country, Afghanistan presents China with the potential for a long, beneficial economic relationship, but the relationship is overshadowed by 30 years of crisis, war, and strife. China has an interest in the future of Afghanistan because of its proximity and economic potential in the long-term, but in the short-term the security situation in Afghanistan poses a threat to China. Instability in Afghanistan threatens China because of the connections between Afghanistan and the western Chinese territory of Xinjiang, populated by the predominately Muslim Uighur ethnic group. The People's Republic of China (PRC) has made great efforts to subdue and integrate Xinjiang into China since the PRC was founded in 1949, but there is still deep Uighur resentment and resistance to the PRC. The Uighurs and the people of Afghanistan share the border between Xinjiang and Afghanistan, share the Muslim faith and some cultural traditions, and they share Islamic fundamentalist terrorist groups. At least one Uighur terrorist group is confirmed to have trained in Afghanistan prior to 9/11.<sup>2</sup>

Security in Afghanistan not only affects Xinjiang but plays a role in the security and stability of Central Asia. Terrorist organizations in the Fergana Valley of Uzbekistan have intimate ties with Al Qaeda and other terrorist organizations operating in Afghanistan.<sup>3</sup> Central Asian governments are predominantly autocratic and have been susceptible to coups since independence in 1991. To counter this threat, the Central Asian States have partnered with Russia and China and adopted the principles of fighting the three evils (or "three-isms") of separatism, extremism, and terrorism through their membership in the Shanghai Cooperation Organization (SCO).<sup>4</sup> China has made massive infrastructure developments in Xinjiang and across Central Asia for the purpose of

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<sup>2</sup> Phillip Potter. "Terrorism In China: Growing Threats with Global Implications," Working Paper for *Strategic Studies Quarterly*, forthcoming 2013, 20–22.

<sup>3</sup> Renel R. Hanks. *Global Security Watch: Central Asia*. Santa Barbara, CA: Preager, 2010, 53–54.

<sup>4</sup> Stephen J. Blank. *Central Asian Security Trends: Views from Europe and Central Asia*. Carlisle, PA: Strategic Studies Institute, 2011, 8–14; Andrew J. Nathan and Andrew Scobell, *China's Search for Security*. New York: Columbia University Press, 2012, 86.

bringing Central Asia's energy resources into China. Anarchy in Afghanistan threatens Central Asia, Xinjiang, and China's energy security. The Chinese perspective in Afghanistan, therefore, must account for the short-term security needs of the region, and middle to long-term development goals in Afghanistan.

The Chinese perspective on Afghanistan frames the government's approach toward activities there. The most visible of those activities is the copper deposit concession Chinese companies won in 2007. This concession provides billions of dollars of investment into the mine at Mes Aynak and billions more in development of Afghan infrastructure to build the mine, power the mine, and transport the raw materials out of the country. This multi-billion dollar 30-year stake in the future of Afghanistan is matched with the 25-year stake in the development of Amu Darya oil field in northern Afghanistan. China's long-term investment proves to the Afghan government and people that China is interested in the long-term success of the country, but it also limits what China can do in the short term.

Chinese SOEs have made extensive investments in Central Asia over the last 10 years and have begun to make significant investments in Afghanistan. The maturing of this investment has given the Chinese direct access to energy and mineral resources needed to continue economic growth. The products of resource extraction in Central Asia flow through the western region of Xinjiang. Because of Xinjiang's strategic location connecting China to Central Asia, the PRC has used the carrot of economic development and the stick of suppression against the "three-isms" to pacify the region. This uneasy balance lies at the core of Chinese interests. The legitimacy of the Chinese Communist Party and the PRC is tied to continued economic growth, stability, and the pursuit of territorial claims over territory "China" once "controlled."

China sees Afghanistan in transition but does not see who the apparent winner in the struggle for power will be. Unlike the United States, Russia, or Pakistan, China comes to Afghanistan without having prior conflict with past Afghan governments. This unblemished record makes it easy for Chinese diplomats and businessmen to approach Afghans and work out agreements. China's reputation, however, could only be sullied unless Beijing is extremely careful with who and how it engages in Afghanistan. China

has hedged its strategy by conducting relations with the Taliban prior to 9/11 and has maintained relations through their ally, Pakistan. Because of China's long-term interests in Afghanistan, this cautious approach will continue to be the norm for years to come.

SOE investment occurs in this cautious context and as U.S. forces begin drawing down before the proposed departure at the end of 2014. Since the beginning of the war in Afghanistan in 2001, the PRC has minimized its presence, contributing only \$197 million, ranking twenty-third on the international donors list. From early 2012, however, Beijing has changed its activities and elevated the development of Afghanistan in anticipation of the coming U.S. forces departure. This suggests that Beijing recognizes that Afghanistan is a contributing factor to China's future stability.<sup>5</sup>

All speculation about economic development in Afghanistan is projected on the premise of a stable and secure Afghanistan. To counter instability and terrorism, Beijing has expended vast efforts in economically developing Xinjiang while it maintains a tight hold on authority there.<sup>6</sup> The directed nature of the PRC's economic development and security practices invites the question: How important is Xinjiang to the PRC? Terrorism in Xinjiang was spawned by the oppression-rebellion cycle and lives on in organizations like East Turkistan Islamic Movement (ETIM). How China deals with the ETIM and its restive Muslim population will determine how international jihadi terrorist networks respond to China's rise on the world stage. Studies and articles about China's other interests in Central Asia shed some light on the significance of Afghanistan and Xinjiang to China. The underlying issue in the discussion on security in Xinjiang and Afghanistan is energy security for China from the extracted resources of Central Asia.

The implications of future stability in Afghanistan could mean future prosperity for Afghanistan, China, and Central and South Asia. Peace in Afghanistan allows China to build transportation networks that will further connect China to Central Asian energy resources and possibly to Iranian oil and gas. Security in Afghanistan allows Chinese

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<sup>5</sup> Erica Downs. "China Buys into Afghanistan." *SAIS Review* 32, vol. 2: 70.

<sup>6</sup> Sui Xiufei and Yang Weihang. "Chinese President Gives Instructions for Development of Xinjiang Region." *Xinhua*, June 2, 2011, trans. BBC Monitoring Asia Pacific–Political, BBC Worldwide Monitoring, Lexis Nexis, <http://w3.nexis.com/new/docview/getDocForCuiReq?lni=530T-HMV1-JC8S-C2KJ&csi=10962&oc=00240&perma=true>.

companies to build mines and establish railways to provide the mineral feedstock for Chinese industry and to ferry China's products to new markets. Afghanistan provides a strategic location for China to influence Central Asia's future and shape the balance of power among China, Russia, and the United States. Afghanistan's location and resources could give it a bright future, but the future direction of Afghanistan under China's patronage is unclear.

An economically vibrant and stable Afghanistan, closely tied to China, could be an acceptable outcome to the United States. Stability in Afghanistan would be in China's and the United States' best interests and is the best-case scenario. Based on the current situation in Afghanistan, three situations would harm U.S. and Chinese interests in Afghanistan:<sup>7</sup> the return of Taliban control of the government, further civil war or ethnic strife in the country, and Chinese investors sitting on the fence, having secured resource concessions.<sup>8</sup> Future scenarios in Afghanistan provide fertile ground for speculation, but analysis of current interests of China in Afghanistan must form the basis of any speculation. Chinese state-owned enterprises (SOEs) in Afghanistan comprise the largest investors in the country and the SOEs are committed to developing resources and infrastructure that could be a regulating factor in Afghanistan's future.

The current literature suggests that China will continue to be cautious in Afghanistan and unwilling to assert itself outside the diplomatic and economic sphere. This argument does not take into account the security vacuum that will exist in Afghanistan after the completion of the NATO mission. Anarchy in Central Asia could cause wild swings in China's rapidly expanding energy economy, and price spikes could sour domestic opinion and economic development faster than ethnic terrorism. With these threats to stability and sovereignty, China's interests may be threatened enough to provoke Beijing to insert itself into Afghan affairs through international organizations. In this scenario, Beijing could dispatch security forces to Afghanistan under a UN mandate and at the request of the Afghan nation.

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<sup>7</sup> Naveed Muktar. "Afghanistan: Alternate Futures and Their Implications." *Parameters* vol. 41 (Summer 2010), 62–75.

<sup>8</sup> *Ibid.*

## **C. THESIS OVERVIEW**

Chapter II of this thesis focuses on defining China's policy on Afghanistan in relation to China's foreign policy. China's international relations' perspective will be used to explain China's foreign policy with Afghanistan and the United States. Next, China's multilateral relations with the SCO and its formation and actions are explored to show the variety of outlets China has to shape events in Afghanistan's future.

Chapter III focuses on security in China's Xinjiang province and the overlap with Afghanistan. This section addresses the security relationships that China uses to deal with terrorism and how Afghanistan's past and current roles have impacted those relationships. The terrorist group East Turkistan Islamic Movement is analyzed on its ability to conduct operations and how potential operations could affect Xinjiang and China.

Following the security discussion, Chapter IV focuses on the Afghan economy and the economic relationship between China and Afghanistan. The details of the Mes Aynak and Amu Darya concessions are discussed, focusing on the controversy during the bidding processes and the factors preventing development. After elaborating the interests between the two countries, the rest of the chapter focuses on what drives those interests. The SOE projects at Mes Aynak and Amu Darya are analyzed for their implications to the future of Afghanistan and the role that China could play in it. Energy security is discussed in the context of connecting Afghanistan to China's plan for energy security. Finally, this chapter will look at the strategic context of China's actions in Afghanistan.

The final chapter discusses the areas of mutual interest and conflict between China and the United States. This section lays out what prevents China from engaging further in Afghanistan and why China currently refuses military engagement. The conclusion recommends policies for the U.S. to pursue in engaging China on the future of Afghanistan.

## **D. LITERATURE REVIEW**

As the literature in this field suggests, China's interests in Afghanistan align with economic and security concerns. Sources assess the PRC's actions in Afghanistan

through the mining concessions won by Chinese SOEs, the context of the Central Asian states, and the PRC's security pressures in Xinjiang. The literature projects the role China can and may play in Afghanistan's transition to full sovereignty leading up to 2014 and beyond.

The state of scholarship on Chinese interests in Afghanistan is limited. Few studies have been done, and even careful scholars steeped in Chinese culture and language rely on interviews with Chinese officials for opinions representing the PRC. Journalists who focus on this issue are the few Central Asian English-language reporters who are fluent in multiple languages. Such journalists are limited because they must write for an audience that barely understands the geography of the area they are reporting on. Other journalists who stumble into this area are usually financial reporters who look at the story from an economic angle and miss or do not write about the larger considerations. With limited academic work and constrained journalism, China's interests in Afghanistan is a prime target of further research.

One approach of researchers addresses China's role and interests in Afghanistan by analyzing high profile projects. While high-profile projects like the copper mine at Mes Aynak and oil and gas development of the Amu Darya concession have the potential for significant influence on Afghanistan, there has been little investigation of other aspects of the growing trade between China and Afghanistan. The linkage between the high-profile SOE projects and broader PRC policy is large. Some writers assume that SOEs are policy tools of the government and tie their action directly to national policy; others claim that SOEs are much more like Western corporations attempting to profit from their economic advantages and only tangentially reflect PRC policy. This perceived separation is unhelpful because China's SOEs are diverse, politically connected institutions in China's hybrid-capitalist economy. What is quantifiable are China's diplomatic initiatives regarding economic cooperation and development in Afghanistan, which signals the increased importance the PRC places on the future of Afghanistan.

## 1. Literature by Chapter

Two works have formed the framework of the characterization of China's foreign policy for this thesis: Evan S. Medeiros's *China's International Behavior: Activism, Opportunism, and Diversification* and Andrew Scobell and Andrew Nathan's *China's Search for Security*.<sup>9</sup> Medeiros's perspective on China's foreign policy emphasizes the priorities of maintaining sovereignty, promoting economic growth, and gaining prestige. He believes China acts as a defensive power that aims to control economic and security threats domestically and in the near periphery. Medeiros states that China has already integrated into the milieu of multilateral institutions and will continue to do so as long as it is in that country's interests. Scobell and Nathan's work characterizes China as a power that has increased in strength and capability, but still remains occupied with regional security issues. They believe that China's international engagement is driven by the necessity to secure resources to fuel Chinese economic growth. While engaging with the international periphery, Scobell and Nathan believe that China engages the international community to decrease its vulnerability to its many perceived threats. What this thesis emphasizes is China's economic foreign policy and how it relates to the periphery.

The vehicle China has used to organize its foreign policy goals in Central Asia is the Shanghai Cooperation Organization (SCO). Many authors have attempted to characterize the SCO as foil to NATO, but the evidence does not add up. Niklas Swanstrom in his work "China and Greater Central Asia: New Frontiers?" provided this work's discussion of the importance of Central Asia to China. In it, Swanstrom discusses the dimensions of security and economic cooperation in the SCO since its founding in 2001. While initially formed as a security organization, Swanstrom believes that actions by Chinese SOEs and concerns about energy security have shaped how China has addressed these issues in Central Asia. Several authors seem to agree that the SCO has a larger role to play in the future of Afghanistan. Whether diplomatic, economic, or military, the SCO can provide impetus to influence the outcome in Afghanistan. Zhao

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<sup>9</sup> Evan S. Medeiros. *China's International Behavior: Activism, Opportunism, and Diversification*. Santa Monica, CA: RAND Corporation, Project Air Force, 2009; Andrew Scobell and Andrew Nathan, *China's Search for Security*. New York: Columbia University Press, 2012.

Huasheng states how China ardently opposes military action with or subordinate to NATO forces, but actions taken under the auspices of the SCO would be another matter. To date, the SCO has yet to embark upon creating a multinational military cooperation institution, but the literature clearly shows a future for the SCO navigating Afghanistan's issues.<sup>10</sup>

The purpose of Chapter III is to outline security issues that face China in Xinjiang and how those issues relate and are connected to Afghanistan. James Millward's *Xinjiang: China's Muslim Borderland* extensively discusses the historical, cultural, economic, and security issues in Xinjiang. Millward's characterization of the instability in Xinjiang stresses the historical roots of tensions there. Xinjiang is a frontier province that has more in common with its Central Asian neighbors than with the majority ethnic Hans in the rest of China. The actions of the authorities in Beijing to control the province have exacerbated the tensions and oppressed the ethnic Uighurs of Xinjiang. Millward highlights the causal relationship between the suppression of Uighurs, the formation of uprisings, and the eventual formation of terrorist groups. Millward tries to downplay the terrorist threat posed by ethnic Uighurs in his piece *Violent Separatism in Xinjiang* written in 2004. His argument for the lack of terrorist activity holds for the time period he wrote the work, but his 2009 article "Does the 2009 Urumchi Violence Mark a Turning Point?" ignores evidence of Uighur terrorist activity in Afghanistan and Pakistan.

Brian Fishman and Phillip Potter connect Uighur terrorist groups operating out of Afghanistan and Pakistan to Xinjiang in their pieces. Both papers describe the links between Al Qaeda and the Uighur terrorist groups. These links are not superficial and show how Uighur terrorist-separatist groups have embedded their cause in the framework of Al Qaeda's global movement.<sup>11</sup>

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<sup>10</sup> Luftu Sagbansua and Nurettin Can. "Shanghai Cooperation Organization, Turkic Republics and Turkey: Economic and Business Dimensions." *Canadian Social Science*, 7, no. 2, 80–87 (ProQuest 873571336); Zhao Huasheng, *China and Afghanistan: China's Interests, Stances, and Perspectives*. Washington, DC: Center for Strategic and International Studies, 2012, 9–13; Richard Weitz. "The SCO's Failure in Afghanistan." Central Asia-Caucasus Institute, accessed August 29, 2013, <http://old.cacianalyst.org/?q=node/5494/print>.

<sup>11</sup> Potter. "Terrorism in China"; Brian Fishman. "Al-Qaeda and the Rise of China: Jihadi Geopolitics in a Post-Hegemonic World." *The Washington Quarterly* 34, no. 3, 47–62.

Chapter IV of this thesis will discuss the details of the economy of Afghanistan and Chinese SOE's involvement in it. Erica Downs's work, *China Buys into Afghanistan*, illustrates the Chinese approach to instability in Afghanistan. The Chinese National Petroleum Company (CNPC) and the Metallurgical Corporation of China (MCC) won resource extraction rights in Afghanistan over the last decade. In order to win the extraction rights, the MCC and the CNPC paid large bonuses to the government of Afghanistan and promised infrastructure development worth approximately \$10 billion. While the MCC and CNPC may be acting under the motivation of financial gain, the funds they are using to build the infrastructure projects are available because of PRC policies. Policy strategists believe this initial Chinese investment in Afghanistan will secure future access to the mineral wealth. Currently those investments may seem small when compared to the overall Chinese economy, but these investments establish relationships between the Afghan Ministry of Mines (MoM) and the government of Afghanistan that can later be exploited. These relationships potentially give China an advantage in future mineral resource extraction deals and also provide incentives to stabilize Afghanistan over the long term.<sup>12</sup>

The PRC has spent the last two decades developing ties and resources in Central Asia. There are numerous articles about China's energy extraction projects and pipeline projects in Central Asia.<sup>13</sup> Energy security is a topic of great importance to the PRC and to the general population. Jun Joo-Youn conducted a randomized, telephone public opinion study in ten major Chinese cities on security perceptions in China and found that 90 percent of respondents believed disruptions in China's energy supply "will threaten

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<sup>12</sup> Downs. "China Buys into Afghanistan," 65–84; Zhao Huasheng. *China and Afghanistan*, 5–7; Andrew Small. "China's Caution on Afghanistan–Pakistan." *The Washington Quarterly* 33, no. 3 (2010), 82–3; Alec E. Metz. "The Mine at Aynak." *The Culture and Conflict Review* 1, no. 2 (December 2007), 1–2.

<sup>13</sup> Xuanli Liao "Central Asia and China's Energy Security." *China and Eurasia Forum Quarterly* 4, no. 4 (2006), 61–69; Ramakant Dwivedi. "China's Central Asian Policy in Recent Times." *China and Eurasia Forum Quarterly* 4, no. 4 (2006), 139–159; Maria Kielmas. "China's Foreign Energy Asset Acquisitions: From Shopping Spree to Fire Sale?" *China and Eurasia Forum Quarterly* 3, no. 3 (2005), 27–30; U.S. Energy Information Administration, "China Analysis Brief," Updated September 4, 2012, <http://www.eia.gov/countries/cab.cfm?fips=CH>; Joachim Betz, "The Reform of China's Energy Policies," German Institute of Global and Area Studies, Working Papers no. 216 (February 2013).

China's national interests in the next decade."<sup>14</sup> As outlined in Corey S. Johnson's master's thesis, China is currently reliant on ocean tankers to receive the majority of its imported petroleum.<sup>15</sup> Imported petroleum is a problem for the PRC because it does not have parity of naval power compared to the United States. Chinese analysts fear that the U.S. Navy could shut down imports of petroleum and starve the Chinese economy. Johnson argues the limited impact of the PRC's attempt to rectify this with port and pipeline development projects in Burma and Pakistan. In the last two decades, Beijing has placed more effort in developing Central Asian pipelines to make China less susceptible to naval interference. Pipeline infrastructure now straddles Central Asia bringing petroleum and natural gas from production sites, through Xinjiang into China. A stable Afghanistan and Xinjiang would mean secure access to this network and the opportunity to connect to production areas around the Caspian Sea and Iran. Several authors address how the future in Afghanistan could play a significant role in China's strategic energy outlook.<sup>16</sup>

Chapter V of this thesis deals with U.S. policy in Afghanistan pre- and post-2014, China's policy and role in the future of Afghanistan, and areas where U.S. and Chinese policy diverge and overlap. Hu Shisheng wrote in the journal of the Chinese Institute for Contemporary International Relations that political reunification and reconstruction are possible in Afghanistan. "The four relevant parties of Washington, Kabul, Islamabad, and the Taliban share common interests in successful negotiations," Hu stated, but he does

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<sup>14</sup> Jung Joo-Young. "What Do the Chinese Think?: Security Perceptions of the Chinese Public." *The Korean Journal of Defense Analysis*. 24, no. 2, 160.

<sup>15</sup> Corey S. Johnson. "Transnational Pipelines and Naval Expansion: Examining China's Oil Insecurities in the Indian Ocean." Master's thesis, Naval Postgraduate School, 2008.

<sup>16</sup> Richard Weitz. "Beijing Builds Its Eurasian Transportation Network," *China Brief*, 13, no. 8, April 12, 2013, 6–9; Bernard D. Cole. *The Great Wall at Sea: China's Navy in the Twenty-First Century*, 2nd ed. Annapolis, MD: Naval Institute Press, 2010, xiii–xviii, 43–57, 169–188; Office of the President of the Islamic Republic of Afghanistan. "China Seeking to Build Gas Pipeline from Turkmenistan to China through Tajikistan and Afghanistan," June 6, 2012, accessed June 14, 2013, <http://president.gov.af/en/news/10262>; Alexandros Petersen. "How the West Is Wholly Missing China's Geopolitical Focus." *Foreign Policy: The Oil and Glory* (blog), last modified January 10, 2012, [http://oilandglory.foreignpolicy.com/posts/2012/01/09/how\\_the\\_west\\_is\\_wholly\\_missing\\_chinas\\_geopolitical\\_focus](http://oilandglory.foreignpolicy.com/posts/2012/01/09/how_the_west_is_wholly_missing_chinas_geopolitical_focus).

not hint at what China's role in those negotiations might be.<sup>17</sup> He does see a ripple effect from a future civil war affecting regimes in the region, but he is careful not to suggest what China's role might be in a future conflict and places responsibility for Afghanistan's future on the international community. Beijing believes in abstaining from meddling in the political affairs of another country, but it does see a role for the SCO to integrate Afghanistan into the security organizations in the region. Richard Weitz stated that the SCO has missed an opportunity to play a positive role in Afghanistan.<sup>18</sup> The SCO has held summits on Afghan counterterrorism and counternarcotics concerns, but has yet to galvanize around a plan to deal with the economic underdevelopment in Afghanistan. Hu Shisheng states that the PRC has relied upon Pakistan to deal with the Taliban and quell the activity of Uighur terrorist groups instead of addressing terrorism in Afghanistan through the SCO. China has a historical relationship of dealing directly with the Taliban and reportedly met with Mullah Omar prior to 9/11. In this way, China has hedged its security bets to suppress terrorist organizations no matter who comes back into power in Afghanistan.<sup>19</sup>

Beijing's response to President Obama's realignment of Afghan policy and troop surge also illuminates how it shapes its policy toward Afghanistan. Kerry Dumbaugh of the Center for Naval Analysis spoke with military leaders and analysts in Beijing after the announcement of the surge.<sup>20</sup> The officials were nonplussed about additional U.S. forces in Afghanistan and doubted their ability to make a significant difference in stabilizing the country. Dumbaugh mentions Beijing's reluctance for ISAF forces to drawdown in 2014 because PRC officials believe that a hasty exit of international forces from Afghanistan would hasten the downfall of the Afghan government. She goes on to state that Chinese

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<sup>17</sup> Hu Shisheng. "Afghan Reconstruction vs. Regional Challenges and Responsibilities." Chinese Institute for Contemporary International Relations, accessed May 16, 2013, <http://www.cicir.ac.cn/english/newsView.aspx?nid=4140>.

<sup>18</sup> Richard Weitz. "The SCO's Failure in Afghanistan." Central Asia-Caucasus Institute Analyst, February 16, 2011, accessed August 29, 2013, <http://old.cacianalyst.org/?q=node/5494/print>.

<sup>19</sup> Shisheng. "Afghan Reconstruction."

<sup>20</sup> Kerry Dumbaugh. "U.S. Strategy in Afghanistan-Pakistan: Chinese Views and Interests." Center for Naval Analysis, September 2010, accessed May 30, 2013, <http://www.cna.org/sites/default/files/research/D0023594.A1%20U.S.%20Strategy%20in%20Afghanistan-Pakistan%20Chinese%20Views%20and%20Interests.pdf>, 10.

policy toward Afghanistan before 2012 was one that neither directly aided the U.S. and coalition mission in Afghanistan, nor hindered it. The PRC's cautious actions may be attributed to a longer term perspective: Beijing did not want to jeopardize future investments, agreements, or relationships if it did not have to. This lack of engagement in Afghanistan contrasts sharply with China's long, deep relationship with Pakistan. Because the PRC views its alliance with Pakistan as separate, this thesis also will view the relationship between China and Afghanistan as separate. The similarity between the two relationships is that Beijing "continues to have a high tolerance for economic risk and a low tolerance for political risk."<sup>21</sup>

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<sup>21</sup> Dumbaugh, U.S. Strategy in Afghanistan–Pakistan. 6–10, 19.

## II. FOREIGN POLICY

### A. INTRODUCTION

China's foreign policy toward Afghanistan is not unique in the realm of China's foreign relations. It fits into the overall framework of China's approach to foreign policy by promoting stability through economic development. Beijing believes that foreign policy, economics, and stability are mutually reinforcing areas that support the nation's interests. This chapter asks: What are the elements of China's foreign policy in Afghanistan? This question is crucial to understand how Afghan foreign policy relates to China's global foreign policy. By the conclusion of this chapter, it will be evident that China's foreign policy in Afghanistan follows the pattern of China's foreign policy toward developing nations.

From the U.S. perspective, there cannot be economic development in Afghanistan until there is peace; from the Chinese perspective, there cannot be peace until there is economic development.<sup>22</sup> China has used the strategy of economic development to pacify restive areas for some time, but economic development as a part of diplomacy is a relatively new occurrence.

Economic diplomacy serves the dual purpose of strengthening China's foreign policy relationships and providing a market for Chinese goods while SOEs purchase resources for industry. Diplomatic support of economic activities includes opening markets for trade and investment while providing financial assets to native Chinese firms for economic development. Economic emphasis in Chinese foreign policy has emerged as a trend only in the last decade. The pattern follows a steady path: China opens relationships bilaterally, both parties sign a friendship accord, this is followed up with conciliatory trade agreements that normally benefit Beijing, potentially, there will be a free trade agreement, and finally Beijing will sign a "strategic partnership" with the foreign country. Beijing has placed special emphasis on luring partners with free trade

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<sup>22</sup> Niklas Swanstrom, *China in Greater Central Asia: New Frontiers?* Central Asia–Caucasus Institute and Silk Road Studies Program. Washington, DC: Johns Hopkins University-SAIS, 2011. 40–41.

agreements since its acceptance into the World Trade Organization. Overseas direct investment through Chinese state-owned enterprises and state-controlled banks has become commonplace in developing countries. Loans for infrastructure projects and free trade agreements have given Chinese firms access to new markets and resources. Beijing's previously modest foreign aid programs have been dramatically increased and reached \$27.5 billion in 2006.<sup>23</sup>

## **B. FUNDAMENTALS OF CHINESE FOREIGN POLICY**

When the Chinese Communist Party (CCP) emerged victorious in the Chinese civil war in 1949, Beijing was isolated internationally and needed assistance. Mao's decision to aid the Democratic People's Republic of Korea against the United States further isolated Beijing. This experience of international isolation produced five principles that have guided Chinese foreign policy thinking: "mutual respect for sovereignty and territorial integrity, mutual nonaggression, noninterference in internal affairs, equality and mutual benefit, and peaceful coexistence."<sup>24</sup>

The history of the PRC reflects the personal battles for power among elites and the chaos consolidation of power can bring. Mao Zedong's battles for power began after the disastrous Great Leap Forward that began in the late 1950s and continued through the Great Proletarian Cultural Revolution that began in the mid-1960s. During this time of internal conflict, China participated only slightly on the world stage. At first, Mao aligned the PRC with the Soviet Union under Stalin, but after Stalin's death Mao became increasingly frustrated with Soviet policy. This eventually led to the Sino-Soviet split that further isolated China. With few friends and no allies, Chinese foreign policy largely languished until rapprochement with the United States in 1972. The rise to power of

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<sup>23</sup> Swanstrom, *China and Greater Central Asia*, 61–68.

<sup>24</sup> Andrew Scobell and Andrew Nathan. *China's Search for Security*. New York: Columbia University Press, 2012, 27–28; Marc Lanteigne, *Chinese Foreign Policy: An Introduction*. New York: Routledge, 2009, 3.

Deng Xiaoping in 1978 solidified China's return to the world stage. The five principles of peaceful coexistence were exercised during this period because China had no other options to exert its will on the world stage.<sup>25</sup>

The twentieth century in China was marked by periods of instability and war, with little peace and prosperity. These tumultuous times allowed the Communist Party to consolidate its grip on China but also cause immense instability. When Deng Xiaoping changed China with economic reforms, he brought stability and wealth. Fear of instability, whether from internal disputes or from terrorist and separatist elements, became a dominant factor in China's internal and external policy.

Economic reforms ushered in a new era of relative peace and stability in China that has allowed the economy to grow exponentially, and for China's influence to grow with it. Beijing was able to industrialize rapidly over the last 30 years by allowing foreign companies to invest in China. Foreign direct investment in China has produced astounding results that Communist China has been able to capitalize on. The process of economic development and rising foreign influence was highlighted by China's acceptance to the World Trade Organization in 2001. Beijing has learned from its experience with foreign direct investment and has aimed to replicate it. Economic growth has brought prosperity and relative stability to China, and in turn that nation hopes to export prosperity and stability to neighboring countries.

### **C. CHINA IN CENTRAL ASIA**

China uses the Shanghai Cooperation Organization (SCO) as the multilateral forum to promote issues in Central Asia. This forum allows China to put a multilateral spin on its predominantly bilateral efforts. Russia and China cooperate in the SCO as a means of playing regional powers like India, Iran, and the United States off each other, but the forum offers little action or solutions to regional problems. The charter of the

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<sup>25</sup> Ibid., 3-5.

organization defines the security threat in the region as the three evils of terrorism, separatism, and religious extremism.<sup>26</sup> Security cooperation in fighting terrorism has been the organization's biggest success.

China's new engagement with Central Asia began when the region split into independent republics after the fall of the Soviet Union. The relationship developed initially to settle border disputes but quickly evolved into deeper security ties to help quell separatist-terrorist groups in Xinjiang. Beijing's campaign to "open up the west" predominantly focused on economic integration with Central Asia. Deepening security and economic ties have worked to prevent the separatist movement in Xinjiang from growing, even though it is popular with the citizens of Central Asia. The dual track of developing economic and security relationships is the major theme of the SCO.<sup>27</sup>

The SCO was built as a forum to construct ties with Central Asian countries to fight terrorism, increase stability, and promote economic development. This began in 1996 when China, Kazakhstan, Kyrgyzstan, Russia and Tajikistan—the Shanghai Five—joined to settle border disputes and enhance border security. In 1998, the forum began to focus on regional security and economic integration. The Shanghai Five had expressed concern about developments in Afghanistan through communiqués released in 1998 and 1999. While the member states were affected by terrorism in Afghanistan, they were "neither qualified for, nor capable of, solving the Afghan issue on their own."<sup>28</sup> The attacks of 9/11 and the subsequent invasion of Afghanistan accelerated the creation of the SCO, according to Vladimir Putin. The forum became the SCO in 2001 and began to focus on fighting the three evils of terrorism, separatism, and religious extremism.<sup>29</sup>

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<sup>26</sup> Kucera, Josh. "Shanghai Cooperation Organization Searches for Role in Afghanistan." *Security Assistance Monitor*, September 18, 2013, <http://securityassistancemonitor.wordpress.com/2013/09/18/shanghai-cooperation-organization-searches-for-role-in-afghanistan/>.

<sup>27</sup> Niklas Swanstrom. "China's Role in Central Asia: Soft and Hard Power." *Global Dialogue* 9, no. 1–2 (Winter/Spring 2007), accessed September 15, 2013, <http://www.worlddialogue.org/print.php?id=402>.

<sup>28</sup> Zhao Huasheng. *China and Afghanistan: China's Interests, Stances, and Perspectives*. Washington, DC: Center for Strategic and International Studies, 2012, 10.

<sup>29</sup> Ibid., 9–10; Lutfu Sangbansua and Nurettin Can. "Shanghai Cooperation Organization, Turkic Republics and Turkey: Economic and Business Dimensions." *Canadian Social Science* 7, no. 2 (2011): 80–87 (ProQuest 873571336).

The pre-9/11 conflict in Afghanistan was viewed by the SCO as an internal conflict that needed a negotiated political solution, not a military invasion. This viewpoint aligns with the five principles of peaceful coexistence and shows the dominant position of Chinese thought and opinion in the organization.<sup>30</sup> After 9/11, the SCO endorsed the United Nations as the organization that should play the leading role in reorganizing Afghanistan, but acknowledged that the international community would require external forces to complete the mission. The SCO parsed its position on military force in Afghanistan this way because the organization lacked the military capability to take on the mission itself, but did not want to see foreign nations establishing military presence in the region. Neither China nor Russia had the military capability or will to oppose the United States from interceding in Central Asia; possibly, they looked favorably upon U.S. involvement because each lacked the capabilities to fight the Taliban. U.S. military facilities and Kyrgyzstan, Manas Airbase, and other military facilities in the region have been a source of contention and competition for Russia. Russia has pressured Kyrgyzstan to cancel or not renew the lease for Manas. When the lease for Manas was extended in 2009, Russia extracted its revenge on the president of Kyrgyzstan by using its soft power to destabilize his regime. Opposition to U.S. military forces in Central Asia has allowed Russia to maintain its status as a dominant player in security matters in the region, while Beijing has emphasized counterterrorism and economic integration.<sup>31</sup>

Russia has emphasized its security relationship with Central Asia through the formation of the Collective Security Treaty Organization (CSTO) in 2002, under the backdrop of rising terrorist threats in the region. Anti-terrorism exercises were held in Kyrgyzstan and Tajikistan and the CSTO broadly supported crackdowns on dissent by local governments. The organization formed a rapid reaction force of 15,000 troops to

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<sup>30</sup> Premier Li Peng released four principles for China–Central Asia relations in 1994: “(1) peaceful coexistence; (2) promotion of mutually beneficial cooperation; (3) non-interference in domestic affairs; and (4) respect for one another’s independence and sovereignty.” From Jing-Dong Yuan, “China’s Role in Establishing and Building the Shanghai Cooperation Organization (SCO).” *Journal of Contemporary China* 19, no. 67, 857.

<sup>31</sup>Huasheng. *China and Afghanistan*, 10–11; Jing-Dong Yuan. “China’s Role in Establishing and Building the Shanghai Cooperation Organization,” 859; Alexander Cooley. *Great Games, Local Rules: The New Great Power Contest in Central Asia*. New York: Oxford University Press, 2012, 7, 127–33.

increase military integration, fight terrorism, and curb narcotics trafficking. The reaction force was not used to support the Kyrgyz regime in 2009 and received much criticism for its inaction. Russia has used CSTO to open two military bases in Kyrgyzstan and one in Tajikistan. While the functionality of these bases remains vague, they do promote the prestige of Russian military strength in the region. Central Asian states view the CSTO as a way to placate Russia's interests while continuing to develop ties with China.<sup>32</sup>

While Russia's interests and prestige are being placated through the CSTO, China has deepened its efforts in Central Asia through trade and infrastructure development. To date, China has built pipelines, roads, rails, and hydroelectric power projects in many Central Asian countries. These initiatives serve to provide China with new trading partners and promote stability in the region, but more importantly, they provide access to resource extraction to fuel China's economy. After Western companies secured lucrative energy extraction deals in Kazakhstan in the 1990s, China moved to diversify its energy sources in Central Asia.<sup>33</sup>

The SCO has played an increasing role in the economic sphere in Central Asia. In 2003, member states of the SCO signed a framework agreement to facilitate economic cooperation. At the same meeting, the Chinese premier, Wen Jiabao, announced the long-term intention of turning the SCO into a free trade area and take short-term action through 100 projects to begin the process of economic integration. In the 2005 SCO meeting, Russia announced energy sector development projects along with agreements on the joint use of scarce water resources in Central Asia. These efforts were aided by the announcement of the SCO Interbank Association to fund development projects in Central Asia. Beijing has had success in promoting trade in the region: in 1992 trade between China and Central Asia equaled \$459 million and by 2008 trade had reached more than \$30 billion.<sup>34</sup> Promotion of trade has allowed China to take advantage of Central Asia's

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<sup>32</sup> Ibid., 56–59.

<sup>33</sup> Swanstrom. *China in Greater Central Asia*, 21–26, 32; Alexandros Petersen, "China's Latest Piece of the New Silk Road." *Eurasian Daily Monitor*, January 10, 2013; Petersen. "How the West Is Wholly Missing"; Raffaello Pantucci and Alexandros Petersen. "Russia's Eastern Anxieties." *IHT*, October 17, 2011.

<sup>34</sup> Yuan "China's Role." 859.

vast hydrocarbon resources, which represents the largest proportion of the trade increases. Overall, economic cooperation has not been as successful as security cooperation in the SCO. This is mainly due to China's sensitivity of respecting Russia's traditional sphere of influence in Central Asia, but also reflects Russian efforts to prevent further economic agreements in the SCO.<sup>35</sup>

Afghanistan became an observer in the SCO in 2012 and is looking to increase its economic and diplomatic ties with China. If Afghanistan were to become a full member of the SCO, Afghanistan would receive support and be expected to participate in counterterrorist operations. SCO countries have undertaken security exercises focusing on border security, which may protect them if the situation in Afghanistan worsens. Afghanistan may also benefit from SCO quick-reaction forces if the central government was in crisis. Most of all, the SCO offers Afghanistan a vehicle for engaging the Central Asian region for access to trade, aid, and military assistance as U.S. and NATO forces prepare to exit. The problem with the SCO is that its utility is limited by its members' ability to come to a consensus, even on pressing issues like Afghanistan. Competition between China and Russia limit most actions except for vague terrorist-related exercises. Disagreements between Central Asian states also prevent accord on issues. It is apparent that acting to stabilize Afghanistan is in SCO-member nations' best interests, but divisions may continue to prevent action.<sup>36</sup>

## **D. CHINA, SOUTH ASIA, AND AFGHANISTAN**

### **1. Pakistan–China**

China's relationship with Pakistan has a long history that dates back to 1950 when Pakistan was one of the first countries to recognize the PRC. The basis of cooperation between the two countries is their shared suspicion and antagonism toward India. More

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<sup>35</sup> Ibid., 855–69.

<sup>36</sup> *Xinhua*. "SCO Accepts Afghanistan as Observer, Turkey as Dialogue Partner." *People's Daily Online*, June 7, 2012, <http://english.peopledaily.com.cn/90883/7839137.html>; *Xinhua*. "Afghanistan Wants to Further Promote Partnership with China: Official." *People's Daily*, September 25, 2013, <http://english.peopledaily.com.cn/90883/8409564.html>; Raffaello Pantucci and Li Lifan, "Shanghai Cooperation Organization: Not Quite the New Silk Road." *The Diplomat*, September 12, 2013, <http://thediplomat.com/china-power/shanghai-cooperation-organization-not-quite-the-new-silk-road/>.

recently, the relationship has expanded because of terrorist organizations operating in the Federally Administered Tribal Areas (FATA) along Pakistan's border with Afghanistan. These organizations are discussed in the next chapter. Terrorism and religious extremism are potent concerns of China because of security problems in China's western province of Xinjiang.<sup>37</sup>

China's economic cooperation with Pakistan deals primarily with major infrastructure projects. The first major project built by China was the Karakorum Highway that connects the two countries. Chinese companies were involved in the construction and operations of the deep-sea port of Gwadar in western Pakistan. China is also building highway and rail links in Pakistan that will connect China's interior to the sea, and give Chinese goods manufactured in central and western China access to the sea and global markets. Transportation infrastructure development parallels energy infrastructure development in Pakistan. Beijing has backed plans for the construction of a refinery in Gwadar and pipeline connecting Gwadar to Xinjiang. If built, the pipeline would provide China access to another route for petroleum resources to fuel China's growing economy. China is heavily involved in building hydroelectric dams in Pakistan to alleviate energy shortages.<sup>38</sup>

Defense cooperation between the Chinese and Pakistani armed forces has a long history. The Chinese defense industry has cooperated with Pakistan to build aircraft, tanks, and frigates. Joint exercises between the militaries of China and Pakistan are a staple of cooperative efforts. The relationship has such depth that China provided nuclear weapons assistance to Pakistan in the past and is currently working with Pakistan on the Chashma nuclear power plant. The deep, "all-weather" alliance between China and

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<sup>37</sup> Dumbaugh, Kerry B. "Exploring the China-Pakistan Relationship: Roundtable Report." Center for Naval Analysis—China Studies, June 2010, i-ii, 1-5.

<sup>38</sup> Khan, Mhemood-Ul-Hassan. "Pak-China Strategic Friendship" *Defense Journal* 15, no. 7: 17-25 (ProQuest1022706698); Johnson, "Transnational Pipelines," 1-7; 31-38.

Pakistan focuses on military matters in order to contain India and combat terrorism, and focuses economic cooperation to promote regional development and stability.<sup>39</sup>

## **2. Pakistan–Afghanistan**

Afghanistan and Pakistan have historic colonial and ethnic conflicts that are still alive today. As a part of delineating the boundary between the British Empire and the Russian Empire, the Durand Line was drawn to separate Pakistan from Afghanistan in 1893. This line cut through Pashtun and other ethnic minority lands, and is still disputed by the Afghan government. When Pakistan achieved independence in 1947, it continued the British policy of allowing the area along the Durand Line to be administered by local, tribal, and ethnic leaders only weakly affiliated with the central government.<sup>40</sup>

The Afghan government has supported ethnic Pashtun claims on territory in Pakistan's North-West Frontier Province since 1947, and has been the primary source of poor relations with Pakistan. The Afghan government passed a resolution abrogating all diplomatic agreements between Afghanistan and British Indian government in 1950 and proceeded to deploy military forces along the Durand Line. This incident was followed by a civilian demonstration that attacked the Pakistani Embassy in Kabul in 1955, which occurred after Pakistan consolidated the territories in the disputed Pashtun areas of Pakistan. The relationship continued to ebb and flow with new leaders in Afghanistan and Pakistan, but remained on the cusp of hostilities with the slightest provocation. The relationship reached another low point in the 1970s when both governments in Afghanistan and Pakistan tried to destabilize each other's government by supporting dissident forces. Agreement on the Durand Line was almost reached in the late 1970s, but coups prevented the leaders from signing an agreement. Relations between Pakistan and Afghanistan improved during the Soviet invasion of the 1980s, but soured again when the Taliban refused to recognize the Durand Line. The current government in Kabul made its

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<sup>39</sup> Dumbaugh, "Exploring the China–Pakistan Relationship," 8; Khan, "Pak-China Strategic Friendship," 20–21; Murray Scott Tanner, Kerry B. Dumbaugh, and Ian M. Easton. "Distracted Antagonists, Wary Partners: China and India Assess Their Security Relations." Center for Naval Analysis-China Studies, September 2011, 17.

<sup>40</sup> Tariq Mahmood. "The Durand Line: South Asia's Next Trouble Spot." Master's thesis, Naval Postgraduate School, 2005), 1–7, 13, 21–24. 50.

intentions on the Durand Line known in 2003 when the government celebrated Pashtunistan Day and attacked the Pakistani Embassy in Kabul once more.<sup>41</sup>

### **3. India**

China and India share a long and disputed border that triggered a brief war in 1962. The conflict ended without an agreement delineating the border between India and China and has been a source of tension since. China's close ties with Pakistan, and continuing support of Pakistani actions, have strained China and India's relationship since the war in 1962. The relationship between the two countries is clouded by competition for regional superiority. India wants to be seen as an international great power, at least economically, on the same level as or superior to China. China officially states that India is a secondary security concern after Taiwan, but the sum of writings and comments on the issue point to deeper concern with the Indian security issue. At the most basic level, geography accounts for the tensions between the two countries. Because of India's location, China and India compete for influence in neighboring countries and compete for some of the same resources to feed their economies. Trade between India and China has increased in the last decade, but little progress has been made in resolving the distrust and enmity that characterizes the relationship.<sup>42</sup>

In Afghanistan, India has successfully developed a relationship on multiple levels. Indian government officials have been partnering with their counterparts in Kabul to help the government of Afghanistan. An Indian company won the rights to develop the Hajigak iron ore deposit in Afghanistan. India has also utilized its access to Afghanistan to further its own regional ambitions. India was involved in the construction of a deep-water port in Chabahar located in eastern Iran. India was positioning itself to use Afghanistan as a conduit to access the resources of Central Asia. This effort seems to

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<sup>41</sup> Ibid., 4, 35–50.

<sup>42</sup> Trade between India and China reached \$29.6 billion in 2009 compared to \$5.5 billion with Pakistan. From Dumbaugh. "Exploring the China-Pakistan Relationship." 5; Mark A. Ryan, David M. Finkelstein, and Michael A. McDevitt. *Chinese Warfighting: The PLA Experience Since 1949*. Armonk, NY: M.E. Sharpe, 2003, 173–81; Tanner. "Distracted Antagonists, Wary Partners." v–vii, 5–8; David M. Malone. *Does the Elephant Dance: Contemporary Indian Foreign Policy*. New York: Oxford University Press, 2011, 144–148.

have failed because of the deteriorating security conditions in southern Afghanistan. Intriguingly, India is rumored to have used its consulate in Kandahar and Jalalabad to fund anti-Pakistani government terrorist groups. India's relations with Afghanistan are merely another area of competition between Indian, Pakistan, and China.<sup>43</sup>

India, Pakistan, and Iran achieved observer status in the SCO in 2005. India and Pakistan's bid to join the SCO hinges on deliberations over Iran's bid to join the organization. As of the 2013 SCO meeting, all three nations have been rebuffed. The reason the SCO did not admit India and Pakistan is because of the ongoing hostilities between the two countries, and the fear that both countries would bring the organization into the conflict. This reason does not stand up to scrutiny because unlike other organizations, there are no clauses in the charter of the SCO to prevent it from meeting or passing agreements if one or both member countries are absent. In the event of another standoff between India and Pakistan, the SCO could continue function if one or both countries boycotted the proceedings. The benefits of membership to both countries would be substantial because both need better access to the energy resources of Central Asia. Membership in the SCO would further integrate India and Pakistan into the economies of the SCO and therefore increase the cost of conflict to both countries. Although India and Pakistan have a strong case to join the SCO as member states, their membership is tied to the accession of Iran. Iran's bid to join the SCO is dependent on resolution of its nuclear program with the UN and Western powers.<sup>44</sup>

#### **E. IRAN AND THE MIDDLE EAST**

Iran has shifted its focus eastward toward China and Russia as a result of UN sanctions from its nuclear program. Russia and China have taken advantage of Iran's economic position under sanctions by buying bargain-priced petroleum with consumer

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<sup>43</sup>Mahmood. "The Durand Line." 54; Francis Matthew. "China Needs Gulf Oil Regardless of Politics." Gulfnews.com, July 13, 2013, <http://gulfnews.com/opinions/columnists/china-needs-gulf-oil-regardless-of-politics-1.1215463>; Niklas Norling and Niklas Swanstrom. "The Shanghai Cooperation Organization, Trade, and the Roles of Iran, India, and Pakistan." *Central Asian Survey* 26, no. 3 (December 2007): 429–444.

<sup>44</sup> Ibid; Kevah L. Afrisiabi. "Iran Mulls over Eurasian Security Organization." *IDN-In Depth News*, August 24, 2013, <http://www.indepthnews.info/index.php/global-issues/1739-iran-mulls-over-eurasian-security-organization>.

goods. In this way, China and Russia are abiding by UN sanctions and economically benefiting from Iran's weakened position. The policy of "looking east" may be changing with the ascension of the new Iranian president Hassan Rouhani, whose foreign policy has taken on a more conciliatory tone because of his intentions to end the standoff with the West over the nuclear issue. This development would allow Iran to continue its intention of becoming a member of the SCO while reaping the benefits of Western foreign direct investment if and when sanctions are lifted. Until sanctions are lifted, Iran must still find markets for its oil. In 2011, Iran ranked third in the countries exporting oil to China. Iran has also shown interest in building a pipeline to connect its oil and gas fields with the port of Gwadar. This could eventually lead to a pipeline that runs from fields in Iran to Shanghai. Iran plays a significant role in China's energy security policy and can be expected to continue in that role in the future.<sup>45</sup>

Oil imports from the Middle East, minus Iran, made up approximately one-third of China's oil imports in 2011. China's relationship with the Middle East is predominantly concerned with energy security. China does not possess forward deployed troops in the Middle East, like the United States does, nor does it concern itself with the internal matters of Middle Eastern countries. For this reason, China is dependent on the United States to secure the sea-lanes necessary to import the oil from the Middle East. China will have to evolve its relationship with its Middle Eastern importers as the United States becomes less dependent on Middle East oil and China becomes more dependent. China has dealt with this by becoming closer diplomatically with Saudi Arabia and importing more oil from the kingdom. While closer ties with Saudi Arabia have alleviated U.S. concerns about China's relationship with Iran, China has misstepped in its policy in the region. During the Arab Spring, China's position of supporting current

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<sup>45</sup> Ibid; Somini Sengupta. "Rouhani, Blunt and Charming, Pitches a Moderate Iran." *New York Times*, September 26, 2013, [http://www.nytimes.com/2013/09/27/world/middleeast/irans-president-calls-on-israel-to-join-nuclear-treaty.html?pagewanted=1&\\_r=0](http://www.nytimes.com/2013/09/27/world/middleeast/irans-president-calls-on-israel-to-join-nuclear-treaty.html?pagewanted=1&_r=0); U.S. Energy Information Administration. "China Analysis Brief," updated September 4, 2012, <http://www.eia.gov/countries/cab.cfm?fips=CH>; Zeeshan Haider. "Pakistan, Iran Sign Deal on Natural Gas Pipeline." *Reuters*, March 17, 2010, <http://uk.reuters.com/article/2010/03/17/us-pakistan-iran-idUSTRE62G12C20100317>; *The Times of India*. "Iran-Pakistan Gas Pipeline Could Be Extended to China," August 24, 2013, <http://timesofindia.indiatimes.com/business/international-business/Iran-Pakistan-gas-pipeline-could-be-extended-to-China/articleshow/22030498.cms>.

governments caused problems after those governments fell. China's support of the new governments will allow relations to grow over time, but they do not bode well for China's Middle East foreign policy. China is reluctant to engage Middle Eastern countries because it does not wish to become entangled in their conflicts, but increasing demand for Middle Eastern oil will make this position untenable in the future.<sup>46</sup>

## **F. U.S.–CHINA RELATIONS**

The discussion of the foreign policy of China in relation to Afghanistan would not be complete without mention of the United States. As the world's leading power, the United States has shaped a large part of China's foreign policy. Beijing wants and needs cordial relations with the United States, but views the United States as a primary competitor and potential threat. China-U.S. relations in the last decade are relevant because they shape how China deals with Afghanistan. U.S. policy regarding China is addressed in a later chapter.

China's foreign policy toward the United States can be summarized as follows: "A core Chinese objective is to hinder the U.S. ability to constrain China; that is, it seeks to maximize its freedom of action and leverage as a means of countering perceived U.S. efforts to limit Chinese choices."<sup>47</sup> Globally, China seeks to engage the United States within the current world order to maximize current benefits. In Afghanistan, this objective has taken a different form. China has sought to engage Afghanistan economically while allowing the United States and NATO to deal with Afghan security issues. Some have termed this "free-riding" on the back of U.S. efforts, but this outcome is more of a result of China's view of the United States.<sup>48</sup> China was deeply concerned at the initial invasion of Afghanistan and immediately sent forces to the Chinese–Afghan border to monitor the situation. When the U.S. began to develop military bases in Central Asia to support the war in Afghanistan, this further worried Beijing. China has been

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<sup>46</sup> EIA. "China Analysis Brief"; Jon Alterman. "China in the Middle East." Statement before the U.S.–China Economic and Security Review Commission, June 6, 2013, published by the Center for Strategic and International Studies, [https://csis.org/files/attachments/ts130606\\_alterman.pdf](https://csis.org/files/attachments/ts130606_alterman.pdf).

<sup>47</sup> Medeiros, *China's International Behavior*, 209.

<sup>48</sup> Robert Kaplan. "Beijing's Afghan Gamble." *New York Times*, October 6, 2009, [http://www.nytimes.com/2009/10/07/opinion/07kaplan.html?\\_r=0](http://www.nytimes.com/2009/10/07/opinion/07kaplan.html?_r=0).

worried about “encirclement” in East Asia because of U.S. alliances with Japan, South Korea, the Philippines, and others. Having a U.S. military presence in Central Asia was a disturbing development for Beijing. Because of the U.S. and Western military monopoly of power in Afghanistan, Beijing has sought other ways to exert its influence. Economic activity in Afghanistan presented a viable, long-term engagement strategy for Beijing to counter U.S. military power. China is truly concerned about the security situation in Afghanistan, but has not found common ground with the United States to work together toward stability in Afghanistan because Beijing believes there is a better way to achieve security and eventual stability.

Competition and distrust have prevented the United States and China from working together to find a solution for stability in Afghanistan. Relations between the United States and China took a downward turn in 2011 with the announcement of the U.S. pivot to the Pacific. The pivot reignited old fears of encirclement and containment of China. The pivot to the Pacific comforted U.S. allies but it also encouraged fears in Chinese policy circles. U.S.–China foreign policy maintained its rocky state in 2012 when the United States made allegations of cyber espionage.<sup>49</sup> In 2013 both countries began a rapprochement with a visit between President Obama and President Xi Jinping.<sup>50</sup> On par, China and the United States maintain a strong relationship that shows signs of strain. The common ground between the United States and China is that both countries have the goal of promoting stability in Afghanistan, but there are significant impediments to cooperation.

## **G. CHINA’S FOREIGN POLICY IN AFGHANISTAN**

China’s multifaceted foreign policy adjusts to a country’s internal dynamics, resources, and goals. One must ask if China’s policy in Afghanistan is unique or does it

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<sup>49</sup> Derek Scissors and Steven Bucci. “China Cyber Threat: Huawei and American Policy Toward Chinese Companies.” *The Heritage Foundation*, no. 3761, October 23, 2012, <http://www.heritage.org/research/reports/2012/10/china-cyber-threat-huawei-and-american-policy-toward-chinese-companies>.

<sup>50</sup> David E. Sanger. “Obama and Xi Try to Avoid a Cold War Mentality.” *New York Times*, June 9, 2013, <http://www.nytimes.com/2013/06/10/world/asia/obama-and-xi-try-to-avoid-a-cold-war-mentality.html?pagewanted=all>.

fit into the broader patterns of China's foreign relations? The following will show that relations with Afghanistan are not unique and fit into China's overall pattern of foreign policy.

The 68th UN General Assembly opened on September 17, 2013, and various heads of state including President Obama addressed the General Assembly the week of September 23–27. Notably absent from this year's events was Afghanistan's President Karzai. President Karzai was in Beijing conducting a state visit hoping to deepen ties between China and Afghanistan. During his visit, President Karzai met with President Xi Jinping and Premier Li Keqiang, praised China's wisdom, and emphasized the importance of the relationship. The 2013 visit was President Karzai's fifth trip to China. President Karzai's absence at the UN could be a strategic move to symbolize unhappiness with the lack of an agreement between the United States and Afghanistan on the number of forces that will remain there after 2014. The move may also have an additional goal of trying to convince China to exert pressure on Pakistan to stop supporting Taliban forces. The most plausible reason for the timing of Karzai's trip to Afghanistan is to highlight the importance of the growing economic relationship between China and Afghanistan.<sup>51</sup>

Chinese firms have many dealings in Afghanistan and have the largest deal to date. In 2007, the Metallurgical Company of China won the concession to develop the Aynak copper mine in Logar province. This deal was worth \$4.4 billion with the possibility of approximately \$10 billion worth of infrastructure development; this deal will be discussed at length in Chapter IV.<sup>52</sup> This deal allows Chinese companies and Beijing to exert tremendous influence in Kabul. China has the second largest economy in the world and borders Afghanistan; therefore, officials in Kabul believe that China is the key to Afghanistan's economic future. The Aynak mine and additional development has the potential to provide 50,000 Afghans with jobs and generate hundreds of millions of

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<sup>51</sup> BBC Monitoring. "Afghan Media Divided Over Goal, Outcomes of Karzai China Visit." Open Source Center, September 29, 2013 (IML2013092945364584); *Xinhua*. "Xinhua 'Interview' With Afghan President Karzai." Open Source Center September 28, 2013 (CHR2013092854645850); UN News Centre. "General Assembly Opens Its 68<sup>th</sup> Session with Long-Term Development a Prime Goal," September 17, 2013, accessed September 29, 2013, <http://www.un.org/apps/news/story.asp?NewsID=45868#.UkhrFLzFZhE>.

<sup>52</sup> Downs. "China Buys into Afghanistan," 65, 69.

dollars a year in taxes to the government of Afghanistan.<sup>53</sup> These funds will be crucial to the government because between 70 and 90 percent of the Afghan economy is currently based on the expenditures of ISAF forces in the area.<sup>54</sup> This issue is such a priority that President Karzai himself spent a large part of his recent trip to China encouraging economic partnerships. Part of President Karzai's trip was to court Chinese investors and convince them to invest in Afghanistan. Karzai also wanted to encourage Beijing to apply pressure to increase the pace of development of the Aynak copper mine. Future events will determine the success of Karzai's visits, but there is ample proof of the growing importance of China's influence in Afghanistan.<sup>55</sup>

As evidence of the growing relationship, PRC Politburo member Zhou Yongkang visited Afghanistan in September 2012. This was the first visit of a high-ranking Politburo official since Liu Shaoqi visited in 1966.<sup>56</sup> During his visit, Zhou highlighted the elevation of relations between Afghanistan and China to the level of the Strategic Partnership. He pledged that the PRC would "continue to encourage Chinese enterprises to invest in [Afghanistan], strengthen economic, trade, project contracting, resource development, agriculture, infrastructure construction and other fields [of] pragmatic cooperation."<sup>57</sup> President Karzai responded by ensuring the safety of Chinese nationals in Afghanistan. Economics was not the only thing on the agenda during this visit. Zhou also emphasized fighting "terrorism, drug trafficking, and transnational organized crime,"

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<sup>53</sup> Steven A. Zyck. "The Role of China in Afghanistan's Economic Development and Reconstruction." Civil Military Fusion Center, March 2012, [https://www.cimicweb.org/cmo/afg/Documents/Economic/Role\\_of\\_China\\_in\\_Afghanistan\\_Economy\\_Development.pdf](https://www.cimicweb.org/cmo/afg/Documents/Economic/Role_of_China_in_Afghanistan_Economy_Development.pdf).

<sup>54</sup> The World Bank. *Afghanistan in Transition: Looking Beyond 2014, Volume 2: Main Report*, accessed June 10, 2013, [http://www-wds.worldbank.org/external/default/WDSCContentServer/WDSP/IB/2012/07/04/000333038\\_20120704045213/Rendered/PDF/708510v20WP0Bo0ansition0Beyond02014.pdf](http://www-wds.worldbank.org/external/default/WDSCContentServer/WDSP/IB/2012/07/04/000333038_20120704045213/Rendered/PDF/708510v20WP0Bo0ansition0Beyond02014.pdf), 10–12.

<sup>55</sup> Anis. "Paper Sees Effective Role of China in Afghan Reconstruction." Open Source Center, September 28, 2013 (SAL2013092942505177).

<sup>56</sup> Raffaello Pantucci and Alexandros Petersen. "Shifts in Beijings Afghan Policy: A View From the Ground." *China Brief* 12, no. 21, [http://www.jamestown.org/programs/chinabrief/single/?tx\\_ttnews\[tt\\_news\]=40070&tx\\_ttnews\[backPid\]=25&cHash=612a73f86de1415ea70c005ba7a73510#.Uiw\\_k7zFZhE](http://www.jamestown.org/programs/chinabrief/single/?tx_ttnews[tt_news]=40070&tx_ttnews[backPid]=25&cHash=612a73f86de1415ea70c005ba7a73510#.Uiw_k7zFZhE).

<sup>57</sup> Embassy of the People's Republic of China in the Islamic Republic of Afghanistan. "Zhou Yongkang Held Talks with Afghan President Hamid Karzai." September 25, 2012, translated by google.translate.com, accessed September 29, 2013, <http://af.china-embassy.org/chn/zagx/sbwl/t972952.htm>.

along with the three evils represented by the ETIM terrorist group.<sup>58</sup> By partnering as an observer in the SCO, Zhou said that Afghanistan could work to fight these forces. This visit began a new chapter in China–Afghan relations and highlights the economic and security areas where the two countries have mutual interests.

Another small move that highlights the growing integration of China and Afghanistan: the PRC granted tariff exclusion on 95 percent of Afghanistan’s imports to China.<sup>59</sup> This agreement will provide a bigger market for Afghan agricultural products and support the licit Afghan economy. This arrangement coincides with Afghanistan’s effort at accession to the World Trade Organization, which has been put on priority status by the organization. Accession would give Afghan goods access to a wide variety of markets, including China’s.<sup>60</sup>

China’s influence in Kabul has grown as relations between the two countries have deepened. The trajectory of the relationship indicates that the two countries will continue to find common ground on economic and security issues. Economics and security have formed the basis of the relationship between China and Afghanistan and will be evaluated in subsequent chapters.

China’s foreign policy approach promotes stability and antiterrorism cooperation to counter the threats of terrorism and separatism. Afghanistan shares a 70-kilometer border with China in the western province of Xinjiang. Ethnic Uighur elements in Xinjiang pose a stability threat in China because of active terrorist elements that wish to cleave a separate country from western China. This will be discussed in depth in the following chapter. Terrorist and separatist elements threaten China’s sovereignty and the legitimacy of the CCP’s grip on power. These groups have received shelter, aid, and

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<sup>58</sup> Ibid.

<sup>59</sup> Economic and Commercial Counselor’s Office of the People’s Republic of China in the Islamic Republic of Afghanistan. “China to Afghanistan 95% products exported to China to Give Zero-Tariff Treatment,” October 15, 2012, translated by google.translate.com, accessed September 29, 2013, <http://af.mofcom.gov.cn/article/zxhz/sbmy/201210/20121008382592.shtml>.

<sup>60</sup> USAID. “WTO Prioritizes Afghanistan’s Accession: WTO Members Commended Afghanistan on its Progress Toward Accession,” March 2, 2013, accessed September 29, 2013, [http://afghanistan.usaid.gov/en/USAID/Article/2931/WTO\\_Prioritizes\\_Afghanistans\\_Accession](http://afghanistan.usaid.gov/en/USAID/Article/2931/WTO_Prioritizes_Afghanistans_Accession).

training in Afghanistan because of the lawlessness and instability there. An unstable Afghanistan will increase terrorist activity and will threaten Xinjiang and China.

Beijing uses economic policy to fight the three evils of extremism, terrorism, and separatism and to promote social stability. Economic development has been used as a tool to fight social instability in Xinjiang for decades. Development policy brought wealth to Han migrants but has become a source for grievances for ethnic Uighurs in Xinjiang. As politicians in Xinjiang are aware, economic development does not erase societal grievances against the state.<sup>61</sup> In order to pacify Xinjiang, Beijing has embarked on a multifaceted strategy of suppression that has created a security state in Xinjiang. This environment has deterred terrorism but has created more grievances. In Afghanistan, Beijing would not be able to project a force capable of carrying out congruent operations as it did in Xinjiang for three reasons: (1) the People's Liberation Army (PLA) does not have the capability to conduct long-term deployments;<sup>62</sup> (2) China's neighbors would consider an international deployment of PLA forces as a worrisome development; and (3) deployment to Afghanistan would violate the sovereignty of Afghanistan, go against the Five Principles of Peaceful Coexistence, and undermine China's image as a benevolent power. In lieu of projecting a massive police force, Beijing uses economic enticements to lure potential allies into agreements that will hopefully support the current government and provide stability.<sup>63</sup>

Stability may no longer be the defining principle of China's foreign policy, but it will be a primary characteristic. Chinese domestic demand for natural resources has pushed Chinese industry further afield into Latin America, Africa, and Central and South Asia. These areas will provide the resources necessary to fuel China's economy. The five principles of peaceful coexistence will be reinterpreted to allow China maximum freedom

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<sup>61</sup> Nicolas Becquelin. "Staged Development in Xinjiang." *China Quarterly*, no. 178 (June 2004): 358–378, 374.

<sup>62</sup> Dennis C. Blair. "Military Power Projection in Asia," in Ashley Tellis et al, ed., *Strategic Asia 2008–2009: Challenges and Choices*. Seattle, 2008, 391–420.

<sup>63</sup>Swanstrom. "China in Greater Central Asia," 26.

of maneuver in each nation. Beijing has begun to take domestic affairs of other states into consideration in its foreign policy. Beijing supported the government in Sudan and heavily invested in the country until international groups threatened to label the Beijing Olympics the “Darfur Olympics.” After the international pressure and pressure from the United Nations mounted, Beijing was willing to intervene to help solve the humanitarian crisis in Darfur, Sudan. In the future, Beijing may be willing to meddle more directly in the domestic affairs of other states so that foreign governments will be stable enough to provide China with the resources it requires. To achieve resource security, China’s foreign policy strategy will continue to display the following objectives: “economic growth and development, reassurance, countering constraints, [and] resource diversification.”<sup>64</sup>

Beijing has followed a pattern of economic diplomacy in Afghanistan. After normalizing relations in 2002, Beijing waited on the security situation to stabilize before taking any major steps. Beijing took small steps toward diplomatic engagement by inviting Afghanistan to the SCO summit meeting in 2005. Multilateral engagement with Afghanistan began in 2005 as China waited to develop an Afghanistan strategy. The Regional Economic Cooperation Conference on Afghanistan (RECCA) constitutes a multilateral effort to emphasize the development of the Afghan economy, and has met five times between 2005 and 2012. The number of participants has been as high as 70 countries and has involved representatives from the Shanghai Cooperation Organization, the Economic Cooperation Organization, the South Asian Association for Regional Cooperation, the Central Asia Regional Economic Cooperation Program, and the Central and South Asia Transport and Trade Forum. The RECCA’s fifth meeting in Dushanbe in 2012 prioritized the development of railways and highways connecting Afghanistan to its neighbors, completing the TAPI pipeline project, and integrating Afghanistan into the

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<sup>64</sup> Medeiros. *China’s International Behavior*, 152–54, 201–203.

regional electric power infrastructure under development. The RECCA has been a vehicle for regional integration, but China has been more focused on developing the Afghan economy bilaterally.<sup>65</sup>

Beijing supported efforts to develop Afghanistan diplomatically by signing the Treaty of Good-Neighborly Friendship and Cooperation in June 2006. This general declaration mentions the mutual benefits of trade and economic integration, but more importantly it was signed as the Aynak copper tender was being developed.<sup>66</sup> As stated earlier, the Aynak mine is the flagship investment of China in Afghanistan. This deal forced Beijing to reevaluate relations with Afghanistan and put Afghanistan on the economic diplomacy track. A Strategic Partnership Agreement was signed by President Karzai and President Hu Jintao in June 2012, and in October 2012, the PRC granted tariff exclusion on 95 percent of Afghanistan's imports to China.<sup>67</sup> This sequence of events follows the pattern China has used in its relations with many countries: China opens relationships bilaterally, both parties sign a friendship accord, this is followed up with conciliatory trade agreements that normally benefit Beijing, potentially, there will be a free trade agreement, and finally Beijing will sign a strategic partnership with the foreign country.

Beijing has spent \$58 million from 2002 to 2010 on soft power projects in Afghanistan. These projects included humanitarian aid, an irrigation project, the establishment of a Confucius Institute in Kabul, and a hospital construction and rebuilding project. While these projects have provided substantial improvement of

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<sup>65</sup> Declaration of the Fifth Regional Economic Cooperation Conference on Afghanistan (RECCA-V). "A Result-Oriented Partnership for Promoting Regional Integration, Stability, and Prosperity," March 27, 2012, From the Embassy of Afghanistan: Washington, DC, <http://www.embassyofafghanistan.org/article/declaration-of-the-fifth-regional-economic-cooperation-conference-on-afghanistan-recca-v>; Economic Cooperation Organization. "The International Naruruz Day Celebration and the Fifth Regional Economic Cooperation Conference on Afghanistan (RECCA-V), March 27, 2012, accessed September 29, 2013, [http://www.ecosecretariat.org/ftproot/Press\\_RIs/2012/afg-conf.htm](http://www.ecosecretariat.org/ftproot/Press_RIs/2012/afg-conf.htm).

<sup>66</sup> Afghan Ministry of Foreign Affairs. *Treaty of Good-Neighborly Friendship and Cooperation Between the Islamic Republic of Afghanistan and the Peoples' Republic of China*, accessed August 31, 2013, <http://mfa.gov.af/Content/files/Afghanistan-China%20Frienship%20accord.pdf>.

<sup>67</sup> Economic and Commercial Counselor's Office of the People's Republic of China in the Islamic Republic of Afghanistan. "China to Afghanistan 95% Products Exported to China to Give Zero-Tariff Treatment," October 15, 2012, translated by google.translate.com, accessed September 29, 2013, <http://af.mofcom.gov.cn/article/zxhz/sbmy/201210/20121008382592.shtml>.

services in their targeted areas, China's aid to Afghanistan is a pittance compared to international donations. From 2002 to 2010 the Organization for Economic Cooperation and Development estimates that the international community donated \$33.46 billion. When compared to the \$800 million gratuity to the government of Afghanistan as part of the Aynak copper mine concession, China's soft power efforts in Afghanistan are negligible.<sup>68</sup>

China has not wed its Afghan foreign policy and economic future to the Karzai government. Before 9/11, China was in the process of normalizing relations with the Taliban and met with Mullah Omar. Through contacts with the Inter-Services Intelligence in Pakistan, China has maintained relations with the Taliban. China supports rapprochement and dialogue between the Taliban and the government of Afghanistan.<sup>69</sup>

Even as China continues to garner a relationship with the Taliban, Beijing is not in favor of a Taliban-led central government. China has supported the sclerotic governments of autocrats in Central Asia for fear of the alternatives. If secular and corrupt Central Asian governments were to fall, more religiously oriented governments may take their place. More religious governments in Central Asia would likely see Beijing's suppression of the Uighur minority as unjust and actively support terrorist elements inside Xinjiang. China hedges against this possibility by supporting secular, corrupt rulers in Central Asia and will likely do the same in Afghanistan.<sup>70</sup>

## H. CONCLUSION

As the U.S. experience in Iraq and Afghanistan shows, even tremendous military force cannot defeat a determined insurgency. China has learned this lesson and will be very wary to get involved in the internal affairs of any nation, not to merely adhere to the five principles, but to prevent ownership of an internal conflict in a foreign country. Beijing has engaged Afghanistan in the context of its general foreign policy. It does not

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<sup>68</sup> Zyck. "Role of China in Afghanistan's Economic Development and Reconstruction."

<sup>69</sup> Andrew Small. "China's Afghan Moment," *Foreign Policy* October 3, 2012, [http://www.foreignpolicy.com/articles/2012/10/03/chinas\\_afghan\\_moment](http://www.foreignpolicy.com/articles/2012/10/03/chinas_afghan_moment).

<sup>70</sup> Swanstrom, *China in Greater Central Asia*, 27–28.

get involved militarily, but strives to engage and shore up current governments with economic development projects. As the following chapters will show, both security and economic development are key components to security.<sup>71</sup>

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<sup>71</sup> Medeiros, *China's International Behavior*, xix.

### **III. CHINA'S SECURITY CONCERNS AND AFGHANISTAN**

#### **A. INTRODUCTION**

China has insulated itself from instability in Afghanistan, but the withdrawal of U.S. and NATO forces will place the future of Afghanistan in China's hands. The triumvirate of ethnicity, religion, and statehood has shaped events inside Afghanistan and China. The tensions between the three have created terrorist and separatist elements that threaten the governments of Afghanistan and China. China's goal is stability both internally in Xinjiang and externally in Afghanistan. To achieve stability in Xinjiang, China has expended tremendous resources on security and economic policy. Instability in Afghanistan threatens the stability in Xinjiang and Central Asia, but how Beijing opts to promote stability in Afghanistan is limited by China's respect for sovereignty. This chapter will evaluate China's internal security threats in Xinjiang and assess religious-separatist terrorist groups and their ties with Afghanistan. Historical grievances with PRC policies of migration, clashes between ethnic Han and ethnic Uighurs, the drive for Uighur statehood, suppression of Uighur Muslim faith and culture, and the effects of life in a repressive environment have coalesced to form militant religious-separatist terrorists groups. These factors have coincided with the timing of world events to take Xinjiang into a nexus of dissent primed for the formation of terrorist groups.

Beijing focuses its attention on terrorist activity because of the significance of Xinjiang in Beijing's development plans. Xinjiang, Central Asia, and Afghanistan are linked by geography, ethnicity, religion, and history. Geopolitical competition for security in Central Asia is not new, but has changed character since the fall of the Soviet Union, creating strategic factors that motivate China's interest in Afghanistan. Russia attempts to influence events in Central Asia through its military and security agreements. In the past decade, the United States has attempted to play a new role in the Central Asian region because of the war in Afghanistan. Meanwhile, China has developed influence in the Central Asian region by focusing its economic engine westward and in turn gaining political influence and securing resources. The most unstable area of Central Asia is Afghanistan, and its future will have strategic implications for the balance of power in

Central Asia. Since 9/11 and the U.S. invasion of Afghanistan, China has emphasized its cooperation with the United States on counterterrorism in order to deal with threats to China's domestic stability. The U.S. war in Afghanistan allowed Chinese state-owned enterprises to invest in Afghanistan's mineral wealth and develop a stake in its transportation infrastructure. Beijing's investment goal in Afghanistan is stability, and China has aimed to achieve that goal by enhancing the economy and security of Afghanistan. If Afghanistan were to become unstable, it would threaten Chinese investments in Central Asia and, more importantly, domestic stability in China.

Stability in Afghanistan is crucial to China's regional development strategy. Peace and stability in Afghanistan allow China to build transportation networks that would connect it to Iranian oil and other Central Asian energy resources. It would also allow SOEs to build mines and establish railways to provide the mineral feedstock for Chinese industry and to ferry China's products to new markets. Afghanistan provides a strategic location for China to influence Central Asia's future and shape the balance of power between China, Russia, and the United States. Afghanistan's location and resources could give it a bright future, but the future direction of Afghanistan under Beijing's patronage is unclear.

The stability of China is threatened by tensions and turmoil in the western region of Xinjiang. Terrorist elements in Xinjiang have found safe haven in Afghanistan and Pakistan in the last twenty years. Stability in Xinjiang is threatened by religious-separatist terrorist operations. Since Xinjiang connects China to Central Asia geographically, it is crucial to China's regional development strategy. Stability in Xinjiang is threatened by the ethnic Uighurs who have historical grievances with the majority ethnic Han Chinese of the People's Republic of China. The PRC has dealt with Xinjiang by combating the three evils or "three-isms" of religious extremism, terrorism, and separatism. This policy has led to militarization and religious repression in Xinjiang. The PRC has used the carrot of economic development and the stick of suppression against the "three-isms" to pacify the region. The legitimacy of the Chinese state is tied to continued economic growth,

stability, and maintaining control of its territory. Terrorist, separatist, and religious extremist elements in Xinjiang threaten the state's control on power.<sup>72</sup>

## **B. TERRORISM IN CHINA**

Beijing typically conflates political opposition and terrorism; individuals willing to express views different from those of the sole power of the Chinese Communist Party have been routinely persecuted. In the case of religious-separatist terrorist groups in Xinjiang, political opposition has resorted to violence to achieve their goals. Western-style terrorist groups have emerged from Xinjiang for a variety of reasons. Western terrorism experts generally agree on the following definition of terrorism: premeditated politically motivated violence, perpetrated against non-combatant targets by sub-national groups or clandestine agents, usually intended to influence an audience.<sup>73</sup>

By Western definitions, the East Turkistan Islamic Movement (ETIM) and other groups have resorted to terrorism because of increasingly repressive and successful campaigns against rebellious elements in the western province of Xinjiang. The ETIM traces its beginnings to a Soviet-backed group in 1940. Over time, the group has changed opinions, tactics, and members, but has relied on violent clashes with authorities to communicate its message. The group surfaced in the 1980s and began gathering followers for a coordinated action that succeeded in taking over a township in 1990. This incident became known as the Barren Rebellion. Hasan Mashum participated in the Barren Rebellion and was imprisoned multiple times in the 1990s. After his last release, he went abroad to secure funding and re-formed ETIM in the late 1990s. Mashum met with Osama Bin Laden and moved the ETIM's headquarters to Afghanistan in 1998. There, he established training centers for terrorists. Mashum was killed in a joint U.S.-

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<sup>72</sup> James Millward. *Violent Separatism in Xinjiang: A Critical Assessment*. Washington, DC: East-West Center, 2004, 17.

<sup>73</sup> Alan B. Krueger. *What Makes a Terrorist: Economics and the Roots of Terrorism*. Princeton, NJ: Princeton University Press, 2007, 54.

Pakistani raid in 2003 but the ETIM found a new leader and continued operations. The ETIM is not the only terrorist organization in China but is the highest profile group.<sup>74</sup>

The world focuses on the ETIM as the primary terrorist group threatening Xinjiang and China, but the ETIM played a small role in terrorist activity prior to 9/11. China's role in the war on terrorism after the 9/11 attacks was to root out and crush its domestic terrorist elements in Xinjiang. Chinese reports attributed hundreds of attacks and deaths to Uighur terrorist groups in Xinjiang, and requested that the United States place the ETIM on the nation's black lists.<sup>75</sup> When the United States elevated the ETIM to its black list, it elevated the profile of terrorism in China to the international stage. The meteoric rise of ETIM and terrorism in China raises many questions: Who are the Uighurs? Why are they opposed to the central government in China? Why have they resorted to terrorism? The Chinese government censors its media reporting and Xinjiang has the tightest state control of information and daily life. State control applies to foreign journalists as well. In order to travel in Xinjiang, which has only been possible in the last twenty years, foreigners must apply for permits and then be escorted by handlers and followed by the intelligence apparatus. This leaves scholars and policymakers with an incomplete picture of what is happening in Xinjiang and allows the Chinese government freedom of action.<sup>76</sup>

Terrorism in China is a symptom of the repression of the Uighur ethnic minority by the Chinese government. Without a means for discourse with the government, the Uighur ethnic minority cannot address their ethnic, cultural, religious, and political grievances with the state. Repression of terrorist activity has created a security state in Xinjiang. Under constant pressure, terrorist groups from Xinjiang fled China to

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<sup>74</sup> J. Todd Reed and Diana Raschke. *The ETIM: China's Islamic Militants and the Global Terrorist Threat*, ed. James J.F. Forrest, PSI Guides to Terrorists, Insurgents, and Armed Groups. Santa Barbara, CA: Praeger, 2010, 47–9.

<sup>75</sup> Brian Fishman. "Al-Qaeda and the Rise of China: Jihadi Geopolitics in a Post-Hegemonic World." *The Washington Quarterly* 34, no. 3, 55. Citation of the original *Xinhua* News Agency source can be found at, [http://webcache.googleusercontent.com/search?q=cache:Xify0\\_26VbYJ:news.xinhuanet.com/english/2002-01/21/content\\_247082.htm+http://news.xinhuanet.com/english/+2002-01/21/content\\_247082.htm.&cd=3&hl=en&ct=clnk&gl=us](http://webcache.googleusercontent.com/search?q=cache:Xify0_26VbYJ:news.xinhuanet.com/english/2002-01/21/content_247082.htm+http://news.xinhuanet.com/english/+2002-01/21/content_247082.htm.&cd=3&hl=en&ct=clnk&gl=us).

<sup>76</sup> Martin I. Wayne. *China's War on Terrorism: Counter-insurgency, Politics, and Internal Security*. New York: Routledge, 2008, 35–48.

Afghanistan and Pakistan. The security state in Xinjiang exacerbated the grievances of the ethnic Uighurs, guaranteed the future rise of terrorist elements, and will continue to pose a threat to the government of China.

### **1. Why Is the State So Concerned with Resistance in Xinjiang?**

The Chinese Communist Party controls the system of government in China—there are no opposition parties. In China, one-party-rule seeks to perpetuate itself and has “infinite political will” to do so.<sup>77</sup> Currently, “the perception of stability, [and] the projection of the image of the Party as the great protector of the Chinese nation, is the sole good the Party is producing for society.”<sup>78</sup> Stability and prosperity are tenuous in China and terrorism and separatism in Xinjiang threaten the legitimacy of the government by threatening the goods the government provides.

### **2. Who Are the Uighurs? Evolution of an Ethnic Identity**

The identity of the Uighur ethnicity is a construction loosely based on the history of the people of the region. Many powers have conquered the geographic area of Xinjiang over the centuries: Turkic peoples, Mongols, Russians, and Persians, to name a few. The geography of the region consists of mountain ranges and the high, arid Taklimakan and Gobi Deserts that are bordered by oases.<sup>79</sup> The Han Dynasty began fighting for and controlling part of Xinjiang in approximately 57 BCE. This is the historic date that the PRC uses to justify its claim to Xinjiang. In 744 BCE, the Uighurs began conquering Mongolia and the area now known as Xinjiang. Their dynasty lasted until 840 BCE when they were conquered. The remnants of the empire settled near modern Urumchi and Turfan, where they enjoyed successful relations with Chinese dynasties until they were crushed by the Mongols in the 14th century. The people of Xinjiang have fallen under the rule of the PRC, the USSR, and the Qing Dynasty in the 20th century.

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<sup>77</sup> Ibid., 55–64.

<sup>78</sup> Ibid., 65.

<sup>79</sup> James A. Millward and Peter C. Perdue. “Political and Cultural History of the Xinjiang Region through the Late Nineteenth Century,” in *Xinjiang: China’s Muslim Borderland*, ed. S. Fredrick Starr. Armonk, NY: M.E. Sharpe, 2004, 27–30.

Xinjiang, or the Xinjiang Uighur Autonomous Region, was created in 1949 by the PRC and represents many ethnicities with various claims that loosely relate to history, religion, and geography. The term *Xinjiang* translates to “new frontier,” and was adopted as the name for the region in the late 19th century. The Uighur national story traces its claim for independence to the Communist independence from 1945–49 and the nationalist independence from 1932–34.<sup>80</sup>

### **C. UIGHUR GRIEVANCES, COUNTERTERRORISM, AND BEIJING’S ATTEMPTS TO STABILIZE XINJIANG: FOUNDATIONS OF SOCIETAL WARFARE**

Uighur grievances with the PRC stem from policies that prevent a Uighur nation-state and appear aimed at the destruction of Uighur culture through policies of migration and homogenization. Uighur separatist groups strive for an independent nation based on the periods of independence in the 20th century. The drive for independence increased when the Central Asian republics became independent countries in 1991. Historical grievances can be a powerful motivating factor in the formation of terrorist groups, but they alone do not account for the rise of terrorism in Xinjiang. Historical grievances on PRC policies of migration, clashes between ethnic Han and ethnic Uighurs, the drive for Uighur statehood, suppression of Uighur Muslim faith and culture, and the effects of life in a repressive environment have coalesced to form militant religious-separatist terrorists groups.

Uighur grievances with the PRC go back much further than the last two decades. PRC policies in Xinjiang go back to the founding of the PRC in 1949. Shortly after the PRC came to power in 1949, it began a resettlement campaign in Xinjiang. The Xinjiang Production and Construction Corps (XPCC) was formed out of demobilized army units to serve as a backstop against rebellion, a basis for development of infrastructure, a model for developing loyal Communist cooperatives, and a bulwark against further Soviet influence. Migration to Xinjiang has produced startling results. In 1954 there were 200,000 members in the XPCC; as of 2000, there were 2.48 million members of the XPCC, which translates to approximately ten million ethnic Hans living in Xinjiang. The

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<sup>80</sup> Ibid., 36–42, 44–48.

campaign to Open Up the West, revealed in 1999, was a continuation of a campaign of Western development begun in 1992, and has been part of the PRC's strategy for ruling Xinjiang since 1949. Migration has accompanied infrastructure projects that include water reclamation, transportation projects, and most importantly a west-to-east gas pipeline to bring energy from the Central Asian states into China.<sup>81</sup>

Martin Wayne believes that in the last 20 years the PRC engaged in "society-centric warfare" to counter resistance in Xinjiang.<sup>82</sup> This strategy combines the efforts of the army, police, and security apparatus who engage Uighurs at the lowest level of society and enforce rules on reporting on their friends and kin, collectively penalizing families and villages when individuals conduct seditious activity. Wayne gives examples of how work groups, villages, street committees, neighbors, and heads of families were coerced to cooperate with authorities. In the early 2000s, the deployment of 150,000 People's Liberation Army soldiers combined with the People's Armed Police and intelligence personnel proved successful in containing any event that occurred. This force prevented unknown numbers of incidents and rooted out any elements that might be planning an attack. Constant pressure has prevented groups from forming and individuals from coordinating. Repression has a price and the PRC has imprisoned and killed many who have been guilty by the slightest association.<sup>83</sup>

Society-centric warfare included a cultural campaign to curtail all aspects of ethnic Uighur life. The Uighur language was banned from use at Xinjiang University, but parents of school-age children could still choose to send their children to Uighur- or Mandarin-speaking schools. At school, children were banned from wearing traditional Muslim dress. At work, Uighur men were not allowed to have beards or facial hair, and were not allowed to publicly practice their Islamic faith if they wished to hold a government job.<sup>84</sup> Religious practices were strictly curtailed in Xinjiang in order to fight

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<sup>81</sup> Nicolas Becquelin. "China's Campaign to 'Open Up the West': National, Provincial and Local Perspectives." *China Quarterly* no. 178 (June 2004), 358–365.

<sup>82</sup> *Ibid.*, 98–100.

<sup>83</sup> *Ibid.*, 98–103.

<sup>84</sup> Reed, *The ETIM*, 21; Wayne, *China's War on Terrorism*, 74, 105–6.

what Beijing labeled as extremism. Youth under the age of 18 were not permitted to worship in mosques. Imams were not permitted to discuss religious matters in small groups at residences or cafés. These practices show the extent the representatives of Beijing were willing to go to prevent any means of religious resistance in Xinjiang; the price of religious repression was increased ethnic tensions. Religious practices were strictly curtailed in Xinjiang in order to fight what Beijing labeled as extremism. During this time, a male teenage group movement began as a way to teach Uighur culture and the Muslim faith. These groups were eventually banned and prevented from organizing a soccer tournament. Government officials went so far as to confiscate all soccer goals in the city and occupy the main soccer field with a company of tanks. While it is unclear how much of a threat teenagers playing soccer pose to the central government, it does show the extent of effort the representatives of Beijing are willing to go to prevent any means of resistance in Xinjiang.<sup>85</sup>

Bombings, assassinations, and riots in the 1990s showed Beijing that there was growing momentum for a separatist movement in Xinjiang. Local party officials were unable to stop the tide of resistance from growing. Uighur nationalists had usurped the Chinese Communist Party's control of local governing organizations, while mosques and religious groups were allowing resistance members to organize. The events of 9/11 provided a pretext for Beijing to replace officials at all levels, dramatically increase military and police presence in Xinjiang, and create a police state where every action was believed to be monitored by secret police. This counterinsurgency strategy was successful by all accounts until the riots in 2009.<sup>86</sup>

The repressive counterinsurgency strategies in Xinjiang make no distinction between political activities and terrorism:

The PRC does not recognize such distinctions; its rhetoric and policy routinely conflate terrorism with separatism and separatism with dissent. They also fail to distinguish extremism from religious belief. Chinese

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<sup>85</sup>Millward, *Violent Separatism in Xinjiang*, 17.

<sup>86</sup> Wayne, *China's War on Terrorism*, 81–87, 98–99.

government officials refer to "the three evils" of terrorism, separatism, and extremism in Xinjiang, thus linking the three concepts rhetorically and working to elide the distinction between terrorism and nonviolent dissent.<sup>87</sup>

The tendency to confuse the Western definition of terrorism with political activity suits the Chinese government. It allows them to color any political action as terrorism and gives them the freedom of maneuver to enforce increasing levels of intrusion on ethnic Uighur life.

While conducting religious suppression, Communist party officials began replacing local leaders. Upwardly ambitious ethnic Uighurs replaced local Communist party leaders and local bureaucrats. Uighurs were brought into People's Armed Police units and intelligence units to provide cultural understanding to government enforcement. This Uighur face on Beijing's activities did little to quell the frustration of the Uighurs. Opposition groups have accused Beijing of adopting and promoting a Han migration campaign that has resulted in Uighurs becoming a minority in their own homeland.<sup>88</sup> This accusation resonated deeply when the one-child policy was extended to the Uighur ethnic group. Societal warfare through homogenization practices and restrictions on religious worship have created deep antipathy in the Uighur ethnic minority. Even when Beijing has created programs to economically help Uighurs, such as the a program aimed at temporarily migrating western China's population eastward for better jobs, they were seen as a conspiracy to prevent Uighur women from marrying and raising families. These efforts were magnified by massive influx of infrastructure development in Xinjiang.<sup>89</sup>

The PRC used economic development as a tool of pacification for Uighurs in Xinjiang. Xinjiang contains 30 percent of China's domestic oil reserves and geographically connects China to vast energy deposits of Central Asia.<sup>90</sup> The Westward Development program brought highways connecting the area, pipelines for the transport

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<sup>87</sup> Reed, *The ETIM*, 32.

<sup>88</sup> Potter. "Terrorism In China," 20–26.

<sup>89</sup> *Ibid.*, 92–96; James Millward. "Introduction: Does the 2009 Urumchi Violence Mark a Turning Point?" *Central Asian Survey* 28, no. 4 (December 2009), 347–360; Reed, *The ETIM*, 14.

<sup>90</sup> Reed, *The ETIM*, 10.

of oil produced in Xinjiang, and a corridor for energy and trade with Central Asia. China's state-controlled investment banks and corporations have expended large amounts of time, money, and effort to bring in oil, gas, and trade to China from Central Asia. The population of Xinjiang does not currently justify the need for massive highways, but their presence facilitates military reaction times in case of an outbreak of violence. More money in the province has raised the standard of living in the area, but it is believed that the wealth has been unevenly distributed. This belief has furthered the idea that economic development is just another tool of suppression by the Chinese state.<sup>91</sup>

The rise of terrorism in Xinjiang since 1990 can be attributed to multiple reinforcing factors. One factor was that historical narratives made the Uighur ethnic minority proud of past glories. A second factor was the grievances from the repressive policies of the Communist Party contributed the motivation for individuals to become religious-separatist terrorists. Another factor was that the allocation of funds for economic development favored Han Chinese at the expense of Uighurs. These factors fueled religious and ethnic tensions but were magnified by the timing of world events. The fall of the Soviet Union and the independence of neighboring Central Asian states increased hope and nationalism in Xinjiang in the early 1990s. The final factor was the Tiananmen Square crisis in 1989, which made some Uighur groups believe that the Chinese Communist Party was losing its grip on power. This time period of perceived opportunity coincided with the return to Uighur mujahedeen who had recently returned from fighting in Afghanistan against the Soviets. This situation created an environment ripe with capability, opportunity, and animosity for terrorism to fester. Grievances, timing, and opportunity combined to fuel the formation of religious-separatist terrorist networks.

Terrorism in Xinjiang arose from cultural grievances of the ethnic Uighurs but also reflect the persecution of a minority Muslim population by the secular Chinese state. While these grievances have not gone unnoticed in the Muslim world, they have not brought

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<sup>91</sup> "Circling the Wagons; Settlers in Xinjiang." *The Economist* 407, no. 8837 (May 25, 2013), 45–46; Wiemer, Calla. "Economy of Xinjiang," in *Xinjiang: China's Muslim Borderland*, ed. S. Fredrick Starr. Armonk, NY: M.E. Sharpe, 2004, 171–173, 177, 179.

about a call for jihad against the Chinese state. In essence, China has been able to fly under the radar of U.S. missions in Iraq and Afghanistan. Repression of Uighur Muslims will garner more attention as China's international prestige increases.

#### **D. THE ETIM'S ACTIVITIES AND CONNECTIONS**

While many terrorist groups and umbrella organizations claim the Uighur ethnic minority, the ETIM is the only group internationally recognized and blacklisted. The ETIM's nationalist goal was to establish the state of East Turkistan and to ultimately create the Caliphate in accordance with their fundamentalist Islamic beliefs. One of the group's main tenets was the "divinely ordained duty" of jihad but their focus was on China instead of the West.<sup>92</sup> The group condones violence for the purpose of achieving their goals and their language is highly suggestive of their Al Qaeda links. The group's focus on China was justified because they believed that China was the *near* enemy that must be defeated before the West.<sup>93</sup>

The relative calm of the early 2000s eroded in the lead-up to the 2008 Beijing Olympics. Tensions in the government were so high that ethnic Uighurs were not allowed to buy hotel rooms in Beijing during the Olympics.<sup>94</sup> Attacks varied but were unsuccessful at disrupting the Olympic games: in April, a woman on a plane headed for Beijing attempted to start a fire; in May, bus fires in Shanghai were claimed by the ETIM; and in August, a grenade and knife attack on police officers occurred in Kashgar. ETIM threatened more attacks on the Olympics, which did not occur but raised their profile internationally and highlighted their cause of Uighur nationalism.<sup>95</sup>

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<sup>92</sup> Ibid., 51.

<sup>93</sup> Ibid 50–3.

<sup>94</sup> Millward. "Does the 2009 Urumchi Violence," 349.

<sup>95</sup> Stephanie Sy. "Terrorism and the Beijing Olympics: Chinese Official Says Government Will Fight 'Evil Forces.'" *ABC News*, March 10, 2008, <http://abcnews.go.com/International/print?id=4420970>; Moore, Malcolm. "Beijing Olympics was 'Muslim Jihad.'" *The Telegraph*, August 5, 2008, <http://www.telegraph.co.uk/sport/olympics/2504478/Beijing-Olympics-Terror-bombing-was-Muslim-jihad.html>; Hooker, Jake. "During Olympics, Ethnic Uighurs for West See Increasing Scrutiny." *The New York Times*, August 14, 2008, [http://www.nytimes.com/2008/08/14/world/asia/14iht-muslims.1.15286171.html?pagewanted=all&\\_r=0](http://www.nytimes.com/2008/08/14/world/asia/14iht-muslims.1.15286171.html?pagewanted=all&_r=0); Spencer, Richard. "Islamic Terrorists Threaten Beijing Olympics." *The Telegraph*, July 27, 2008, <http://www.telegraph.co.uk/sport/olympics/2463090/Islamic-terrorists-threaten-Beijing-Olympics.html>.

The 2009 riots in Urumchi were blamed on terrorist elements, but this was more likely a case of popular uprising being cast as terrorism in order to justify the police state in Xinjiang. The riots began after a series of exaggerations and rumors circulated that were based on hearsay and rooted in ethnic tensions. The story starts at a factory in eastern China. There, a group of Uighur laborers were attacked after a rumored sexual assault of a Han Chinese woman. Uighurs died in the incident, but the official news covering the event lacked credibility because of state censorship. Because of the censorship, both the Han and Uighur population in Xinjiang did not believe the figures posted by Chinese state media. This incident prompted a small demonstration by Uighurs in Urumchi a week later. Military riot police were quickly brought in and suppressed the demonstration. News of the violent suppression of the initial demonstration sparked impromptu demonstrations by Uighurs across the city that led to another round of violent suppression by military police. Officially, 197 people died as a result of the violence. There are unconfirmed stories of piles of dead Uighur demonstrators being burned in the city, so the figure given by the state media is doubted as well. The 2009 riots symbolize the mischaracterization of political activism in Xinjiang as terrorism.<sup>96</sup>

The 2009 riots cannot satisfactorily be labeled “terrorism” and the incidents leading up to the 2008 Beijing Olympics hardly disrupted the event. One conclusion from these events is that the ETIM is an ineffectual terrorist group. From this view, the PRC’s counterterrorism policy of societal warfare against the three evils has been successful in preventing terrorist attacks. Another conclusion is that the ETIM and other groups lack the capability to effectively organize and carry out attacks in China. A third possible conclusion is that the ETIM, or its successor [East] Turkistan Islamic Party ([E]TIP), are paper tigers that Beijing uses to justify its repression in Xinjiang. What appears likely from the evidence is that the ETIM has moved its operations to the Federally Administered Tribal Areas (FATA) of Pakistan and they are continuing to plan future attacks.

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<sup>96</sup>Millward, “Does the 2009 Urumchi Violence,” 347–60.

Phillip Potter makes the case that the ETIM has become a major player in the Al Qaeda network. Adul Haq Turkistani was the leader of ETIM from 2003 until he was killed in a U.S. drone strike in Waziristan in 2010. He had risen to become the leader of Al Qaeda forces in FATA and the *Shura Majilis* (executive council). When he was killed, Abdul Shakoor Turkistani took his place until his rumored death by U.S. drone strike in 2012. Potter makes the further deduction that if the leaders of ETIM are intimately involved in the leadership with Al Qaeda, then they will have greater access to training, funding, and supplies to grow ETIM into a larger terrorist threat in China. A Pakistani news report details a video released in 2013 showing children training to fight for the ETIM, or as they are now known [E]TIP. This video indicates that terrorist actions in Xinjiang have been curtailed but future attacks are likely.<sup>97</sup>

## **E. CONCLUSION**

The Uighurs of Xinjiang have a separate cultural identity and story from the predominant ethnic Han in China. In order to subdue the population, integrate it into China, and develop Xinjiang economically, Beijing has engaged in harsh tactics that have been largely successful in stamping out resistance. Continued suppression of Uighur culture and religion has come at a price. The group formerly known as ETIM has definite and deep links to Al Qaeda and the insurgency in Afghanistan. Chinese suppression of ethnic Uighurs will raise the profile of the PRC's harsh treatment of its Muslim citizens. The terrorist threat from Xinjiang is likely to increase because of continued repression and lack of political means to protest grievances.

It will become increasingly difficult for Beijing to pursue repression as a means of dealing with Xinjiang. The rise of *Sina Weibo* (Chinese twitter) and other social networks and micro blogs are preventing the government from having complete control of information coming out of Xinjiang. The loosening of control will create a media market ripe for terrorists to exploit. If the ETIM were to shift tactics and attack less secure targets in Eastern and central China, then they could find a large audience for their

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<sup>97</sup> Potter, "Terrorism In China," 20–22; "Pakistan: Chinese Rebels Operating Camps in Waziristan." *The News Online*, April 27, 2013, Open Source Center (SAP20130427963002).

actions. It is likely that China will be forced either to accept more terrorism domestically, continue to increase the repression in Xinjiang, or improve efforts to co-opt Uighur nationalism into Chinese nationalism.<sup>98</sup>

Regardless of domestic actions, China's exposure to international terrorism is growing. China is working closely with the Middle Eastern and African governments that jihadists have dedicated themselves to overthrowing. Extractive industries in Libya, for example, put Chinese nationals at risk.<sup>99</sup> China's relationships and rising profile will eventually make it a target for international jihadist groups. There is little doubt that terrorism will shape China's domestic and international foreign policy in the decades to come.

Terrorism will remain a main preoccupation of the Chinese state because it threatens the legitimacy of PRC and CCP system. If Afghanistan is allowed to descend into anarchy, it could become a source for unrest in Xinjiang and China. Beijing is intimately aware of this and has hedged its bets: Beijing has continued to develop its relationship with the Taliban even as it continues to support the current regime in Kabul. The future stability and security of Afghanistan will dictate events in Central Asia and in Xinjiang.

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<sup>98</sup> Potter, "Terrorism in China," 25–30.

<sup>99</sup> *Ibid.*, 16.

## **IV. THE AFGHAN ECONOMY AND CHINA'S INTERESTS**

### **A. INTRODUCTION**

The theme of diplomatic relations between Kabul and Beijing has centered on the deals between Chinese SOEs and the development of Afghan resources; the Aynak copper mine and the Amu Darya oil field concessions present the public face of China's activity in Afghanistan. These highly visible multi-billion dollar projects prominently figure into the media's discourse on China's role in Afghanistan and the significance of its involvement. As the largest projects to date in Afghanistan, this chapter discusses the content, motivations, and implications of the Mes Aynak and Amu Darya projects. Each project is a case study of the interplay of state-owned enterprises, the Chinese government, and the Afghan government. By analyzing these projects, this chapter illuminates the patterns and motivations in the relationship between the two countries and parses out possible motivations and policies that drive them. The chapter then turns to a discussion of how Afghanistan fits into the regional economic development program from which Beijing appears to be operating. Economic relationships among Afghanistan, Central Asia, Pakistan, and Iran present opportunities for growth in market share for Chinese companies, but more importantly, they offer a window into how China views energy security and economic development on its periphery. As stated before, Beijing believes that economic development presents a win-win situation for China and foreign countries, and allows China to positively influence stability on the periphery. By exploring future projects and their significance we can define the possible policy stance of the People's Republic of China on Afghanistan.

Generally, Asia-Pacific countries are wary of China's growing military power but are eager to encourage more trade with China. This circumstance has created a reliance on U.S. security relationships and economic integration with China. Beijing is keen to develop military assets that can be used to defend its territory but refrains from massive military expenditures in order to focus on domestic growth. Beijing has tried to ease neighboring countries' fears by signing strategic partnership and trade agreements that tie them to the Chinese economy and portray military activity as part of China's "peaceful

rise.” Increased trade between China and its neighbors has not drawn countries into China’s sphere of influence. Key economic partners like Japan, South Korea, and Australia have security alliances with the United States while they are deepening trade with China. This allows China’s influence to grow in the region and offset influence lost to the United States. In this way, Beijing’s foreign policy maximizes economic relationships and influence while keeping security issues at a relative status quo.

Beijing’s emphasis on economic foreign policy allows SOEs to take the lead while the government supports their actions. Outwardly, Beijing invests in foreign nations to provide win-win scenarios that benefit China and the target country. Investments grant access to markets and develop influence in foreign countries without meddling in the affairs of other nations. This soft approach relies on China’s state-owned enterprises to make investments supported, financed, and backed by the power of the state. By allowing state-owned enterprises to take the lead, China’s foreign policy follows state-owned industries into countries and then supports their activities. This is the general shape of affairs in Afghanistan.

## **B. SECTION I: THE AFGHAN ECONOMY**

Lack of modernization in Afghanistan is attributed to structural and cultural factors unique to the country. As an economic, cultural, and geographical crossroads, Afghanistan has been influenced by successive waves of conquerors and empires. The past is evident in the wide range of languages still used in Afghanistan to include Persian, Pashtu, Dari, and Urdu, to name a few. The country’s ethnic and tribal groups distrust outsiders, but intermix on the periphery while they maintain separate identities. The economy supports a wide array of agricultural and animal products grown by subsistence farmers who trade for what they need in bazaars in the cities and villages. Even rural population centers have cottage industries that produce goods for those in the countryside. Nomads and caravans still dot the landscape and farmers must migrate from higher and lower altitudes throughout the year to earn their living. This rustic existence has been able to produce the goods necessary for survival for centuries and has operated independently from central governments. Geography also plays a role in preserving

traditional ways of life. High mountains and deep valleys have isolated enclaves of people and allowed them to continue their traditions.<sup>100</sup>

Afghanistan suffers from a long history of dependence on foreign aid. Prior to British influence in the region, the Afghan economy was supported with plunder from raids into the Indian subcontinent. After the British incursions into Afghanistan in the 19th century, the Afghan government received subsidies from British controlled India to act as a buffer state between the British Empire and czarist Russia. High-level Soviet aid from the 1950s through the 1980s produced modest infrastructure improvements but did not modernize or industrialize the Afghan economy. More importantly, aid has been primarily used to buy influence and loyalty of local tribal leaders, not to develop the country. High levels of foreign aid have created a situation where the people have become unaccustomed to supporting the national government or expecting much from it.<sup>101</sup>

Since 2001, the overall performance of the Afghan economy and the government's control of inflation seem commendable. The Afghan economy has grown at a rate of about 9 percent annually since 2001 and has managed to avoid even moderate inflation. These positive economic indicators are only skin deep. The high level of aid dependency and security-related spending has propped up the Afghan economy, but it is not representative of growth in the overall economy. Other indicators of future economic performance are more worrisome. There has been little progress in rule of law, government effectiveness, control of corruption, and political stability when compared to other post-conflict countries. These factors promote uncertainty on the viability and future of the Afghan economy after the NATO transition in 2014.<sup>102</sup>

NATO presence in Afghanistan has grossly distorted the Afghan economy. The World Bank estimated 97 percent of the Afghan economy is related to or a direct result of

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<sup>100</sup> Thomas Barfield. *Afghanistan: A Cultural and Political History*. Princeton, NJ: Princeton University Press, 2010, 9–14, 18–23, 32–35, 38–40.

<sup>101</sup> *Ibid.*, 10.

<sup>102</sup> The World Bank. "Afghanistan in Transition: Looking beyond 2014," Vol. 2: Main Report, May 2012, 1–7.

foreign military presence.<sup>103</sup> Aid to the government and security-related aid amounted to 47.5 percent of gross domestic product in Afghanistan in 2011. If aid to the government were to fall precipitously it could drastically affect the government budget and lead to instability if security forces are not paid.<sup>104</sup> The Tokyo Donors conference in 2012 resulted in \$16 billion pledged by the international community to assist Afghan government with the transition, but it is unclear how much of the pledged funds will materialize. The conference highlighted how \$1 billion out of every \$8 billion donated to the Afghan government was unaccounted for and lost to corruption. Although the loss through corruption is disconcerting, the illicit Afghan economy has robbed the licit economy of its potential for growth and sustainability. Opium production has distorted economic development and exacerbated the growth of good governance practices. Illicit narcotics and arms trafficking are estimated to have reached \$12 billion of illegal trade annually. While illicit activity eats away at government legitimacy, licit infrastructure and mining projects are not slated to come online until 2016–17. With NATO forces leaving and large extraction projects not coming online in the immediate future, the Afghan government is placed in a position of continued reliance on the international community until other revenues are generated.<sup>105</sup>

## 1. Corruption

Understanding how corruption affects the Afghan economy shows how Chinese SOEs can use the corrupt system to their advantage. Chinese companies are no strangers to corruption, but by comparison, China ranks 80th and Afghanistan ranks last on Transparency International's annual corruption index. Transparency International placed Afghanistan in a three-way-tie for most corrupt country in the world, tied with Somalia and North Korea, according to their 2012 corruption index.<sup>106</sup> By Transparency

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<sup>103</sup> Cheryl Benard and Eli Sugarman. "Afghanistan's Copper Conundrum," *Caucasus International* 2, vol. 3 (Autumn 2012) 152; Thomas H. Johnson. "Déjà Vu: Afghanistan Prepares for Another Withdrawal." *Jane's Intelligence Review*, October, 2011, <http://www.nps.edu/programs/ccs/Research.html>.

<sup>104</sup> The World Bank. "Afghanistan in Transition," 28.

<sup>105</sup> Huguette Labelle. "Billions Down the Afghan Hole." *New York Times*, July 6, 2012.

<sup>106</sup> Transparency International. "Corruption Perception Index 2012," <http://www.transparency.org/cpi2012/results>.

International's definition, corruption is the "abuse of entrusted power for private gain."<sup>107</sup> Corruption has two expressions, paying a bribe for preferential treatment or paying a bribe for an official to break the rules. Lack of rules, institutional weakness, little respect for the rule of law, lack of oversight, meager incomes for public officials, and little fear of getting caught or suffering consequences all play a role in fostering corruption in Afghanistan. When the large sums of money associated with international aid and the impending withdrawal of NATO forces are added to the mix, it is easy to see how corruption flourishes. It is important to remember that international aid did not cause corruption in Afghanistan, it only exacerbated it. Corruption follows the historical pattern of patronage in Afghanistan: the central government buys the allegiance of local leaders in order to consolidate power.<sup>108</sup>

Rampant corruption in Afghanistan has detrimental effects on the economy and the government because corruption accounts for 30–50 percent of the Afghan economy.<sup>109</sup> Chinese interests should be concerned about corruption in Afghanistan since corruption erodes confidence in the central government. Corruption hampers public works and infrastructure projects, which further erodes the confidence of the people in the government. Beijing is not wed to the government in Kabul, but needs it in order to proceed with development and to prevent Afghanistan from slipping back into a breeding ground of international terrorist activity located on China's border. Grand-scale corruption may have enabled the Metallurgical Company of China along with the Jangxi Copper Company to secure the bid for Aynak, but continuing endemic corruption will hurt China's long-term interests in Afghanistan.<sup>110</sup>

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<sup>107</sup> Eray Basar. "An Overview on Corruption in Afghanistan," in *Corruption and Anti-Corruption Issues in Afghanistan*. Civil Military Fusion Center, February 2012, [https://www.cimicweb.org/cmo/afg/Documents/Governance/Afghanistan\\_Corruption\\_Volume.pdf](https://www.cimicweb.org/cmo/afg/Documents/Governance/Afghanistan_Corruption_Volume.pdf), 2.

<sup>108</sup> *Ibid.*, 1–3.

<sup>109</sup> Cindy Hurst and Robert Mathers. "Strategic Implications of the Afghan Mother Lode and China's Emerging Role," working paper 2013, 12.

<sup>110</sup> Corruption surrounding the Aynak copper mine bidding process is discussed in the following section.

## 2. Mining and the USGS Report

One of the success stories of the U.S. war in Afghanistan is the completion of the United State Geodetic Survey (USGS) of Afghanistan in 2007. Soviet-era surveys turned up at the Afghan Ministry of Mines in 2004. These surveys were reportedly kept safe during the Taliban period by Afghan geologists. Based off these findings, the USGS and British counterparts conducted aerial and ground surveys of Afghan minerals. This data has been input into modern three-dimensional mapping software and has generated popular and commercial interest.<sup>111</sup>

Task Force Business and Stability Operations (TFBSO) was a DoD project that began in 2006 as a way to promote “economic stabilization in order to reduce violence, enhance stability, and restore economic normalcy in areas where unrest and insurgency have created a synchronous downward spiral of economic hardship and violence.”<sup>112</sup> TFBSO released the 2007 USGS report in 2010 and estimated that there were \$1 trillion of minerals waiting to be extracted in Afghanistan. James Risen of the *New York Times* published an article about the report that highlighted Afghanistan’s vast “previously unknown” mineral wealth and quoted the then CENTCOM commander, General Petraeus, who called the find “hugely significant.”<sup>113</sup> TFBSO, whose mission was to bring private investment into Afghanistan, had its funding cut in 2011 as a result of a disagreement in Congress over whether the DoD should promote private development in

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<sup>111</sup> Lorimar Wilson. “\$1 Trillion Motherlode of Lithium and Gold Discovered in Afghanistan,” *Mining.com*, June 16, 2010, accessed August 23, 2013, <http://www.mining.com/1-trillion-motherlode-of-lithium-and-gold-discovered-in-afghanistan/>; Katie Drummond, “No, The U.S. Didn’t Just Discover a \$1 Trillion Afghan Motherlode,” *Wired.com*, June 14, 2010, accessed August 23, 2013, <http://www.wired.com/dangerroom/2010/06/no-the-military-didnt-just-discover-an-afghan-mineral-motherlode/>; Ali, Saleem H. and John F. Shroder. “Afghanistan’s Mineral Fortune: Multinational Influence and Development in a Post-War Economy.” University of Vermont, 2011, <http://www.uvm.edu/ieds/sites/default/files/IEDSAfghanistan2011.pdf>.

<sup>112</sup> From TFBSO website accessed October 27, 2013, <http://tfbs0.defense.gov/About.aspx>.

<sup>113</sup> James Risen. “U.S. Identifies Vast Mineral Riches in Afghanistan,” *New York Times*, June 13, 2010, <http://www.nytimes.com/2010/06/14/world/asia/14minerals.html?pagewanted=all>. The \$1 trillion figure has since been revised by the Afghan MoM to \$3 trillion of minerals and hydrocarbons. The media criticized Mr. Risen’s article for being unaware of previous publications that had outlined the depth and scope of resources in Afghanistan, but the TFBSO-Risen article was the first to place a notable price tag on the mineral wealth in Afghanistan.

Afghanistan. This cut in TFBSO's funding is a prime example of how the United States has prioritized stability through security, not through economic development.<sup>114</sup>

### 3. An Afghan Resource Curse?

A country with a resource curse is defined by the presence of abundant natural resources with poor gross domestic product growth.<sup>115</sup> Afghanistan has an abundance of natural resources, but may not be subject to a resource curse. The Afghan economy could be used as tool to bring prosperity and stability to the country, as a tool to subdue the Pashtun people, or as a tool to empower and entrench the current government. As the USGS study points out, Afghanistan has tremendous potential for development of extractive industries. The history of developing countries with abundant natural resources contains many instances of continued civil war and instability. Cindy Hurst of the U.S. Army's Foreign Military Studies Office envisions a future in Afghanistan where terrorist elements control the mineral wealth of Afghanistan and use it to fund their operations.<sup>116</sup> While this may have been the case in Sierra Leone, this does not have to be the outcome in Afghanistan. The World Bank was aware of the potential for economic development to sputter and began working with the government to promote best practices immediately after the initial 2001 invasion. Even though Afghanistan has abundant mineral resources, the resource curse has not necessarily been a curse in most circumstances. The Fraser Institute conducted a study and found that in two out of three countries, resource booms were more likely than resource curses. While corruption and weak institutions have the potential for fueling a resource curse, a Taliban funded by resource extraction is unlikely because of the lack of infrastructure in Afghanistan and the presence of other sources of

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<sup>114</sup> Rajvi Chandrasekaran. "Defense Task Force on Afghanistan Development Unravels." *Washington Post*, March 24, 2011, [http://www.washingtonpost.com/world/defense-task-force-on-afghanistan-development-unravels/2011/03/22/ABe2PHSB\\_story.html](http://www.washingtonpost.com/world/defense-task-force-on-afghanistan-development-unravels/2011/03/22/ABe2PHSB_story.html); Congresswoman Betty McCollum. "Statement on the Task Force for Business and Stability Operations in Afghanistan." (Amendment to H.R. 2219), <http://mccollum.house.gov/congresswoman-mccollums-statement-task-force-business-and-stability-operations-afghanistan-amendment>.

<sup>115</sup> Paul Stevens. "Resource Curse and Investment in Energy Industries," *Encyclopedia of Energy2004*, Credoreference.com, accessed October 27, 2013, <http://www.credoreference.com.libproxy.nps.edu/entry.do?id=9647387>.

<sup>116</sup> Hurst. "Strategic Implications," 11.

funding for the Taliban.<sup>117</sup> Despite the fragility of the Afghan government, insecurity, and the lack of infrastructure, private investment will continue to be drawn to Afghanistan because of the vast quantities of untapped mineral wealth.<sup>118</sup>

#### **4. Why Chinese Businesses are Interested in Afghanistan**

China has a rapidly growing diverse economy with wide-ranging interests and requirements. Because of China's export-led growth, China has a large stockpile of foreign reserve currency that it has used to fund projects through state-backed development banks. These banks allow China's SOEs easy access to capital to fund large projects. When the Afghan government opened the Aynak copper deposits for bid, the Metallurgical Company of China (MCC) along with the Jangxi Copper Company (JCC) were able to access financial assets that enabled them to outbid all other competitors. As Erica Downs points out in her paper "China Buys into Afghanistan," MCC and JCC's successful bid was not the result of an explicit policy of involvement in Afghanistan orchestrated by the PRC, but more the result of structural factors.<sup>119</sup> The policy of China's state-owned banks was to grant loans at favorable terms to companies securing resources in foreign countries. MCC and JCC were looking to diversify their holdings, and the MCC already had experience in the Sandiak copper/gold mine in Pakistan. In this case, MCC and JCC led the way for China's involvement in Afghanistan.<sup>120</sup>

China is not the only country or multilateral institution focused on developing Afghanistan's mineral wealth. The World Bank had been involved in developing the Aynak deposit since it issued a report on mining prospects in Afghanistan in 2002. Many

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<sup>117</sup> The Taliban are believed to be funded largely by the opium trade and wealthy donors from the Persian Gulf States. Additional sources of revenue are byproducts of foreign aid to Afghanistan and taxes extracted from Afghans. From Ahmad Masood, "Who is Funding the Afghan Taliban? You Don't Want to Know." *Reuters*, August 13, 2009, <http://blogs.reuters.com/global/2009/08/13/who-is-funding-the-afghan-taliban-you-dont-want-to-know/>.

<sup>118</sup> Alan W Dowd. "Afghanistan's Rare Earth Element Bonanza." *The American: The Journal of the American Enterprise Institute*, August 13, 2013, <http://www.american.com/archive/2013/august/afghanistans-rare-earth-element-bonanza/?searchterm=Afghanistan%27s%20Rare%20Earth%20Element>; Macartan Humphreys, Jeffrey D. Sachs, and Joseph Stiglitz. "What Is the Problem with Natural Resource Wealth?" in Macartan Humphreys, *Escaping the Resource Curse*. New York: Columbia University Press, 2007, 2–20.

<sup>119</sup> Downs. "China Buys into Afghanistan."

<sup>120</sup> Foreign Policy Association Administrator. "China's Afghan Investment," January 17, 2010, <http://foreignpolicyblogs.com/2010/01/17/china-s-afghan-investment/>.

international institutions attempted to donate funds and implement best practices in developing Afghanistan's mineral wealth, but the Minister of Mines (MoM) Mohammad Adel took control and corrupted the process to ensure that the Aynak tender was awarded to MCC. Multilateral institutions have had successes and failures in attempting to encourage development in Afghanistan, but international organizations have played other roles as well.<sup>121</sup>

China and the Shanghai Cooperation Organization (SCO) were deeply concerned about the illicit aspects of the Afghan economy. The SCO held a special conference on Afghanistan in March 2009 that focused on stemming the flow of narcotics and terrorism from Afghanistan.<sup>122</sup> The spread of opium from Afghanistan to neighboring countries in the region was a significant concern. It was estimated that opium production represented 49 percent of the Afghan economy in 2004, but has dropped to 15 percent as of 2011.<sup>123</sup> This is due to a combination of eradication efforts and promotion of other crops, but also because of the growth of the licit Afghan economy. Poppy cultivation presents a large hurdle to the future development of the Afghan economy because it provides funding to criminal and terrorist organizations, distorts the market for agricultural products, and fuels corruption of public officials in the country.<sup>124</sup>

## 5. Section Conclusion

This section has described the intricacies of the Afghan economy along with the potential windfalls of mineral and hydrocarbon extraction, and the potential downfalls of corruption and the resource curse. Chinese businesses are genuinely interested in Afghanistan because of its vast mineral resources, and the Chinese government facilitates

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<sup>121</sup> James R. Yeager. "The Aynak Copper Tender: Implications for Afghanistan and the West," Civil-Military Fusion Cell, accessed August 31, 2013, <https://www.cimicweb.org/cmo/Afghanistan/Crisis%20Documents/Economic%20Stabilization/Recent%20Publications/Aynak-Copper-Tender-Implications.pdf>, 17–18, 24–33.

<sup>122</sup> "Declaration of the Special Conference on Afghanistan." Shanghai Cooperation Organization. Moscow, March 27, 2009, [http://www.afghanistan-un.org/wp-content/uploads/2009/03/declaration\\_of\\_the\\_special\\_conference\\_on\\_afghanistan2.pdf](http://www.afghanistan-un.org/wp-content/uploads/2009/03/declaration_of_the_special_conference_on_afghanistan2.pdf)

<sup>123</sup> Civil-Military Fusion Center. *Counter Narcotics in Afghanistan*, August 2012, [http://reliefweb.int/sites/reliefweb.int/files/resources/CFC\\_Afghanistan-Counter-Narcotics-Volume\\_Aug2012.pdf](http://reliefweb.int/sites/reliefweb.int/files/resources/CFC_Afghanistan-Counter-Narcotics-Volume_Aug2012.pdf), 17–19.

<sup>124</sup> *Ibid.*, 17–28, 41, 55.

investments to secure those resources. The following section will provide an in-depth analysis on the Aynak and Amu Darya concessions.

### **C. SECTION II: RESOURCES IN AFGHANISTAN**

The mineral wealth of Afghanistan is estimated to be worth \$1–3 trillion when extracted. Taxes and royalties from mining companies could provide income for the Afghan government and tens of thousands of jobs for Afghans. The most significant deposits of minerals are the copper deposits at Mes Aynak and the iron deposits of Hajigak. Mining is not a new business in Afghanistan. Lapis and emeralds have been mined in Afghanistan for centuries and mining operations have continued through war and peace, because the mines are small and worked by groups of prospectors. Afghanistan also has world-class deposits of rare-earth elements, including lithium, which could make it a world player in that market. Even though Afghanistan’s hydrocarbon resources are smaller than some of its Central Asian neighbors, Afghanistan has enough hydrocarbon resources to be energy independent for a long period. An American geologist, Bonita Chamberlin, worked on surveys of Afghanistan’s geology in the 1970s and wrote a book about them in 1995. In total, she identified 91 minerals at 1,407 locations. The biggest problem that is preventing the development Afghanistan’s mineral wealth is the lack of transportation infrastructure to move the materials to market.<sup>125</sup>

### **D. THE MES AYNAK COPPER MINE**

The Aynak copper tender is located in Logar province, approximately 25 miles from Kabul. The site is in a high, arid desert lacking transportation infrastructure access. The area receives snowfall because its altitude ranges from 7,300–8,500 feet, but remains accessible throughout the year. The most recent occupant of note, Osama Bin Laden, established an Al Qaeda training camp on the land that was destroyed in a 2002 airstrike.<sup>126</sup> The 240 million tons of ore present at the site is of world-class caliber, at

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<sup>125</sup> Drummond. “No, The US.”

<sup>126</sup> Yeager. “The Aynak Copper Tender,” 16–19.

2.4 percent concentration, and could produce six million tons of pure copper that could be worth over \$100 billion when extracted.<sup>127</sup> The Aynak copper project needed significant transportation infrastructure development in order to be viable. The potential impact of infrastructure development associated with the Aynak tender persuaded President Karzai to call Aynak “one of the most important economic projects in Afghan history.”<sup>128</sup> Other projects in Afghanistan have the potential to have a significant impact on the future of the country. The Amu Darya oil field concession, while small, was won by the China National Petroleum Company in 2011 and has already produced oil. The Hajigak iron ore deposit tender was won by an Indian consortium and infrastructure development related to the project is completed. The TFBSO report in 2010 called Afghanistan the future “Saudi Arabia of Lithium,” the rare-earth element used primarily in batteries for a wide variety of modern technology.<sup>129</sup> Any of the deposits described would make Afghanistan a noteworthy player in the world market for that commodity, but combined they make Afghanistan an attractive future source of resources.

This section discusses in detail the development of the concessions won by Chinese SOEs at Aynak and Amu Darya. At both sites, the bidding process for the tenders was surrounded by controversy and allegations of corruption. Since the concession was awarded, both sites have had success and failures due to local politics and security concerns. Different factors have postponed the development of the sites but both present the potential for mineral extraction in Afghanistan.

Before the Mes Aynak copper tender could be put out for bid, the Afghan government had to create a regulatory bureaucracy and laws to support the mining sector. The Minerals Law of the Islamic Republic of Afghanistan was drafted and partially enacted in December 2005. The legislation officially created the Afghan Ministry of

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<sup>127</sup> Ibid., 7–8; Benard. “Afghanistan’s Copper Conundrum,” 153.

<sup>128</sup> Raffaello Pantucci and Alexandros Petersen. “Shifts in Beijing’s Afghan Policy: A View from the Ground.” *China Brief* 12, no. 21 (November 5, 2012), [http://www.jamestown.org/programs/chinabrief/single/?tx\\_ttnews\[tt\\_news\]=40070&tx\\_ttnews\[backPid\]=25&cHash=612a73f86de1415ea70c005ba7a73510#.UjkSTbzFbu0](http://www.jamestown.org/programs/chinabrief/single/?tx_ttnews[tt_news]=40070&tx_ttnews[backPid]=25&cHash=612a73f86de1415ea70c005ba7a73510#.UjkSTbzFbu0).

<sup>129</sup> Risen. “U.S. Identifies.”

Mines and a general framework of regulatory and licensure procedures. As of 2013, the specifics of royalties and obligations of investors are still being debated after another minerals law was passed in 2009.<sup>130</sup>

The World Bank had been working with the Government of Afghanistan on developing Aynak and minerals legislation since 2002. A different international organization fought the World Bank framework while funding the bidding process, which resulted in the requirement of hiring of a company to oversee the bidding process for Aynak. The company hired as the consultant to the Afghan Ministry of Mines, or transaction advisor, was a firm from Boulder, Colorado. This firm was woefully unprepared to conduct the tender bidding process. The result was that the Afghan minister of mines, Mohammad Adel, was able to appropriate the process and assert his preferences. The minister went so far as to personally collect the expressions of interest from companies, locking them in a safe in his office. This arbitrarily limited the number and size of firms allowed to compete for the tender. The minister further manipulated the process when he handpicked the committee that would award the tender. The committee selected nine companies to enter the final round of selection and four withdrew their bids. Even though commercial experts were available to help evaluate the expressions of interest, Adel did not allow them to participate in the process. Evaluation of the final bids proceeded along the same lines with the minister of mines monopolizing and strong-arming the proceedings to fit his desires. The Metallurgical Company of China (MCC), 44 percent owned by the government of China, had the financial resources to make the most attractive bid but also had the unwavering support of the Afghan Minister of Mines, Mohammad Adel.<sup>131</sup>

A summary of the bids for the Aynak project is shown in Figure 1.

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<sup>130</sup> Rosenberg, Matthew. "Afghan Cabinet Raises Concern About Mining Legislation, to West's Unease." *New York Times*, July 23, 2013, [http://www.nytimes.com/2012/07/24/world/asia/afghan-cabinet-blocks-new-mining-laws.html?pagewanted=all&\\_r=0](http://www.nytimes.com/2012/07/24/world/asia/afghan-cabinet-blocks-new-mining-laws.html?pagewanted=all&_r=0); Yeager. "The Aynak Copper Tender," 19–22.

<sup>131</sup> *Ibid.*, 2–52.

Company	MCC	Hunter Dickinson Inc.	Kazakhmys Corporation, LLC	Phelps Dodge Corporation, LLC	Strikeforce Limited Cyprus
Total Investment	2.9 Billion USD	1.7 Billion USD	2.2 Billion USD	0.9 Billion USD	2.4 Billion USD
Production Process (Phases)	All production Concentration, Smelting, and Cathode Copper to be Processed in Afghanistan	Initial Production of Concentration and Cathode Cu via SX/EW in Afghanistan, Potential for Proprietary Concentration Leach	All Production- Smelting, and Cathode Copper to be Processed in Afghanistan	Initial Production of Concentration and Cathode Cu via SX/EW in Afghanistan, Potential for Proprietary Concentration Leach	Production of Concentration in Afghanistan
Start of Production	Initial Heap Leach, SX/EW, Year Five, Based On REF Year Six	Year Seven	2 Years Heap Leach 4 Years Concentration	Year Six	Year Four
Maximum Royalty Percentage	19.5%	15%	18.1%	12.5%, Capped at 100 M USD/year	7.5%
Energy Production	400 Mw	100 Mw	350 Mw	15 Mw	Import Power from outside
Environment	World Bank Equator Standards	World Bank Equator Standards	No Commitment	World Bank Equator Standards	World Bank Equator Standards
Bonus to Government of Afghanistan in Millions	\$808 3 Installments	\$100 Multiple Installment	\$2 1 installment	\$243 Multiple Installment	\$238 Multiple Installment
Infrastructure (Railway Investment)	Yes	No	Yes	No	No

Figure 1. Comparative Table of Bidding Companies for AYNAK Copper Mine, from Afghan Ministry of Mines.<sup>132</sup>

Key components of the bids were the amount of time to start production, the royalty rate, infrastructure included in the bid, and the bonus paid to the Afghan government. What is not evident from this table is the amount of infrastructure development promised in the MCC bid. The actual bid has not been made public, but from discussions about the project, the following infrastructure developments are believed to be attached to the MCC bid:

- 400 Megawatt thermal, coal fired power plant
- A coal mine developed to feed the power plant
- A water supply for the mine
- Locally sourced minerals for smelting copper
- A rail line connecting Pakistan to Kabul and an additional rail line from Kabul to Tajikistan that connects to China
- Area development to include roads, homes, schools, and hospitals
- Technical training in mining at Kabul University for Afghans<sup>133</sup>

<sup>132</sup> Afghanistan Ministry of Mines, “Comparative Table of Bidding Companies for (Aynak Copper Mine), accessed October 28, 2013, <http://mom.gov.af/Content/files/List%20of%20Companies%20for%20Aynak.pdf>.

<sup>133</sup> Downs. “China Buys into Afghanistan,” 71; Ali and Shroder, “Afghanistan’s Mineral Wealth,” 15–16.

In total, the infrastructure attached to the project could cost upwards of \$10 billion.<sup>134</sup> Because of the scope and depth of the investment that this bid represents for Afghanistan, it is easy to see how this bid can be viewed as strategically linking China and Afghanistan rather than a commercial mining bid. It is also easy to comprehend how bidders in this process viewed their competition as unfair since private firms competed against the resources of the Chinese state.

As Alexander Bernard points out, the trend toward public–private partnerships in mining deals is not a new phenomenon. China has been using this strategy in Africa, South America, and Central Asia to secure deals for Chinese firms. He goes on to describe how the Chinese have been the most successful at this tactic but even European states routinely mix diplomacy and business interests. The Aynak deal represents part of a larger trend in the mining industry to public–private partnerships, but also toward developing resources in remote parts of the world that require infrastructure for development. Bernard also infers that that President Bush declined an opportunity offered by President Karzai to tilt the bidding process in the United States’ favor. If President Karzai could influence the outcome, there should have been no surprise at the award of the Aynak bidding process to the MCC.<sup>135</sup>

Aynak has a troubled history and faces many obstacles to development. The start date for mining at Aynak was originally planned for 2012. Estimates on the mine’s start date now ranges between 2015 and 2017. Reasons for the delay on the start of operations range from the practical to the theoretical. The obvious reason for delay of the project is the deteriorating security situation in Logar province. In 2007, when the project was rumored awarded to MCC, tribal leaders from Logar province went to Kabul to protest the tender and they stated that they could not “guarantee the security for the workers of the company.”<sup>136</sup> This foreshadowed the problems the workers at Aynak would face. There are 1,500 guards around the Aynak facility from the Afghan National Police that are directly paid by the MCC. Even with this protection force, Aynak was attacked 19

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<sup>134</sup> Ibid., 69.

<sup>135</sup> Alexander Benard. “How to Succeed in Business.” *Foreign Affairs* 91, no. 4 (July 2012), 91–101.

<sup>136</sup> Yeager, 52.

times in 2012–13. A Chinese reporter visited Aynak in 2010 and heard heroic stories of Afghan defenders fighting off assaults by Taliban forces. As of December 2012, the majority of workers had returned to Aynak to continue the necessary assessments and planning for mining to begin operations. Security of the facility is a priority for work to resume and begin operations by the end of the decade.<sup>137</sup>

The Taliban forces prevented some of the development of the Aynak site, but the historical significance of artifacts and structures found on the site have played an important role in delaying development. The finds at the site include fourth- to eighth-century Buddhist monasteries, and more importantly to archeologists, and the cities that supported those facilities. Manuscripts from the Hellenistic age of Alexander the Great have been found at the site as well. The site sits along the ancient Silk Road and is so rich with potential archeological finds that some have called Aynak a “potential Pompeii” of Central Asia.<sup>138</sup> The archeology of Mes Aynak was first made public in 1963, but MCC claims to have been unaware of the discovery. In order to save what artifacts they can, salvage archeologists have taken frescoes and any other portable artifacts in order to preserve them. It is assumed that the open-pit mine will destroy the relics at the site or the shock waves from blasting will destroy what is left in the ground. Archeology of the site may have legitimately stalled development of the site, but may have also provided a convenient excuse for MCC to stall the contract.<sup>139</sup>

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<sup>137</sup> Greg Kleponis. “China’s Role in the Stabilization of Afghanistan.” Strategic Studies Institute, July 8, 2009, accessed September 2, 2013, <http://www.strategicstudiesinstitute.army.mil/pubs/display.cfm?pubID=1006>; Alexandros Petersen, “China’s Strategy in Afghanistan,” *The Atlantic*, May 2010, <http://www.theatlantic.com/china/print/2013/05/chinas-strategy-in-afghanistan/276052/>; *People’s Daily*, “Mining Giant Dare to Enter Afghanistan, the West Wants China to Play Before the Station— 礦業巨頭不敢輕易進阿富汗 西方想讓中國打前站,” July 20, 2010, translated by translate.google.com, <http://world.people.com.cn/BIG5/12190205.html>; Michael Geogry, “Chinese Return to Afghan Mine Project- Minister,” Reuters, November 29, 2012, <http://in.reuters.com/article/2012/11/29/afghanistan-mining-china-idINDEE8AS0E220121129>.

<sup>138</sup> Benard and Sugarman. “Afghanistan’s Copper Conundrum,” *Caucus International* 2, vol. 3 (Autumn 2012) 154–55.

<sup>139</sup> Downs. “China Buys into Afghanistan,” 77–78; Cheryl Benard, Eli Sugarman, and Holly Rehm. “Cultural Heritage vs. Mining on the New Silk Road? Finding Technical Solutions for Mes Aynak and Beyond.” Conference Report, June 4–5, 2012, School of Advanced International Studies, Johns Hopkins University (Washington DC: Central Asia-Caucasus Institute, 2012), 14–21; Global Witness. “Copper Bottomed? Bolstering the Aynak Contract: Afghanistan’s First Major Mining Deal,” accessed July 8, 2013, <http://www.globalwitness.org/sites/default/files/library/Copper%20Bottomed.pdf>.

With the continued attacks on the site, it is likely that locals or Taliban-related elements want bribes to secure the area around the mine in Logar province. Doubts raised of the viability of the project with ISAF forces withdrawing at the end of 2014 could contribute to the project's slow progress. Other potential explanations are that MCC may be focusing its efforts on problems with its Papua New Guinea mine or its project in Australia. Since there are many reasons for MCC to be concerned about their investment it is understandable that they are taking a cautious approach to the project. With so many uncertainties, MCC may also be reconsidering the cost of the infrastructure promises of the initial bid.<sup>140</sup>

Because the Aynak project is the premier minerals and foreign direct investment project in Afghanistan, President Karzai believes that the project is directly tied to the future of Afghanistan. This puts Afghanistan in a deleterious negotiating position. It is not uncommon for Chinese SOEs to try to renegotiate deals after they have been signed because it places host nations in a poor bargaining position. Afghanistan cannot afford to revoke or lose the Aynak bid, especially when it still has not finalized its Minerals Law. If Afghanistan were to try to revoke the contract before the withdrawal of ISAF forces, it is unlikely that they would receive bids anywhere near comparable to the bids presented in the first offering. There would be significant effects on private foreign direct investment in Afghanistan if it were to revoke the deal as well. In this case, Afghanistan will likely be forced to renegotiate the deal, but the international community may be able to invoke enough pressure on Beijing to prevent significant alteration of the agreement.<sup>141</sup>

The government of Afghanistan and the Afghan Ministry of Mines learned lessons from the Aynak bidding process. The controversy around the awarding of the Mes Aynak concession reached a conclusion when the former Afghan Minister of Mines Mohammad Adel was accused of accepting a \$30 million bribe. He was replaced without going to trial and the new minister has taken steps to increase transparency at the

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<sup>140</sup> Waslat Hasrat-Nazimi. "Afghan Mining Deal with China Facing Failure," ed. Sarah Berning, *Deutsche Welle*, July 31, 2013, <http://dw.de/p/19Hoz>; Downs. "China Buys into Afghanistan," 78.

<sup>141</sup> *Ibid.*; Benard, "How to Succeed in Business."

Ministry of Mines. The Global Witness Report on the Mes Aynak project listed ten areas where the Ministry of Mines could improve the process. The ministry responded to the report and it seems that the agency is moving toward the best practices that the World Bank attempted to establish at the onset.<sup>142</sup>

#### **E. THE AMU DARYA OIL FIELD**

The Amu Darya oil field project is the second piece of economic evidence of China's interests in Afghanistan. The Amu Darya concession has been much more successful and less controversial than the Aynak concession. The concession was awarded in 2011 and a year later the project was bringing oil out of the ground. This concession shares some of the same characteristics as Mes Aynak: the bidding process was controversial and was awarded to a Chinese company, the project appears more of a foreign-policy aid program than a commercial venture, Beijing's diplomatic representatives have played a role in securing the contract, and the project has been plagued by setbacks, including lack of infrastructure and insecurity. The Amu Darya bidding process also marks a stark contrast in the improvement of the bidding process under the leadership of the Minister of Mines, Wahidullah Shahrani. The project has proceeded to the point of extraction of resources, but has stalled because of a blend of issues that highlight the interconnectedness of Afghanistan and China with Central Asia.

Afghanistan's hydrocarbon endowments were first found in the 1930s with major exploration commencing in 1956 and deposit development started by the Soviets in 1959. The USGS survey estimated that Afghanistan holds 1.6 billion barrels of crude oil and 16 trillion cubic feet of natural gas. The Amu Darya deposit holds 80–90 million barrels of

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<sup>142</sup> Graham Bowley and Matthew Rosenberg. "Mining Contract Details Disclosed in Afghanistan." *New York Times*, October 14, 2012, <http://www.nytimes.com/2012/10/15/world/asia/afghan-minister-discloses-details-of-mining-contracts.html>; Joshua Partlow. "Afghan Minister Accused of Taking Bribe." *Washington Post*, November 18, 2009, [http://articles.washingtonpost.com/2009-11-18/world/36875491\\_1\\_aynak-afghan-minister-metallurgical-group-corp](http://articles.washingtonpost.com/2009-11-18/world/36875491_1_aynak-afghan-minister-metallurgical-group-corp).

oil with potentially significant amounts of natural gas. The basin is part of a larger field that stretches into Turkmenistan and has vast proven gas reserves.<sup>143</sup>

After a failed bidding process in 2009, the U.S. Department of State commissioned analysis from TFBSO. The bidding process for Amu Darya proceeded from TFBSO's analysis in 2009 and TFBSO became intimately involved in getting the process off the ground. TFBSO funded a project to restart a Soviet-developed oil field to prove the viability of one of the three blocks of the Amu Darya tender. By December 2010 TFBSO had worked with the Ministry of Mines to initiate the tender process with a team of experts. The process was dictated by the 2009 Afghan Hydrocarbons Law and subsequent Hydrocarbons Regulations. The tender program was announced to the industry at a petroleum conference in London on March 1, 2011. These were all improvements when compared to the Aynak bidding process.<sup>144</sup>

Consistent with the Minister Shahrani's push for transparency in the bidding process, measures were taken to conform to best practices. These included developing an economic model that would reasonably assure the highest rate of return on royalties for the Afghan government by providing consistent way to measure each companies bid. This drastically differed from the lack of an economic model for consistent comparison for the Aynak tender process. Information about the tender was available online including a question and answer session to address the concerns of bidders. International bidders interested in developing the concession needed to partner with local Afghan firms to have a qualified bid, and Afghan companies were brought in to help them organize and partner with international firms. Twelve entries were submitted with nine complete expressions of interest approved by the deadline of March 29, 2011. The group was further winnowed

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<sup>143</sup> Deloitte. "Amu Darya Basin Oil Tender 2011," accessed October 27, 2013, [http://www.psg.deloitte.com/NewsLicensingRounds\\_AF\\_110412.asp](http://www.psg.deloitte.com/NewsLicensingRounds_AF_110412.asp); The Marx Group LLC. "Amu Darya Oil Tender Process and Transparency Review Final Report: Public Disclosure of the Tender Process," published December 20, 2011, accessed September 7, 2013, [http://mom.gov.af/Content/files/Hydrocarbhone%20Contracts/MOM\\_Amu\\_Darya\\_Process\\_and\\_Transparency\\_Review.pdf](http://mom.gov.af/Content/files/Hydrocarbhone%20Contracts/MOM_Amu_Darya_Process_and_Transparency_Review.pdf), 4.

<sup>144</sup> *Ibid.*, 4–6, 10–11.

to five after analysis from the selection committee using the Hydrocarbons Regulations. In all, the process was managed effectively, transparently, and expertly adhering to the legal principles outlined in the regulations.<sup>145</sup>

Evaluating the bids for the project did produce controversy but no evidence of direct impropriety. An unnamed U.S. government official submitted a letter complaining about information the evaluation committee received that was not presented to committee overseeing the process. The letter urged for reevaluation and higher scoring of a specific bid. This letter indicated that the confidentiality of the evaluation proceedings had been compromised, but the independent consultants present believed that the protest letter was handled appropriately and did not affect the outcome of the process. The Amu Darya Oil Tender was approved by the committee in August and signed in October 2011. At this point, the transparency and efficacy in the process seemed sound but the outcome seemed questionable to some.<sup>146</sup>

The Chinese National Petroleum Company (CNPC) in conjunction with the Watan Group won the concession for the Amu Darya oil field. Competitors for the concession headed by Tethys Petroleum, a company run by former UN Ambassador Zalmay Khalilzad and his son, did not finish well in the evaluation process and have been vocal with their grievances. Alexander Benard, Khalilzad's son, wrote two bitter and jingoistic opinion pieces stating that TFBSO of the Department of Defense should have been able to influence the process for a Western company to secure the concession. Khalilzad went on to clarify his position as criticizing TFBSO's role in establishing a process that ultimately favored a Chinese company over Western companies. He stated that CNPC's bid was not a commercial bid and asserted that Chinese companies have a poor track record in honoring the terms of their contracts. These criticisms fit into the narrative of the United States spending blood and treasure to secure nations and then allowing Chinese companies to free ride at the expense U.S. interests. Attacking TFBSO for assisting in the project shows the lack of clarity on how to achieve the strategic end state of stability in Afghanistan. TFBSO worked to implement a transparent process that

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<sup>145</sup> Ibid., 12–19.

<sup>146</sup> Ibid., 27–28, 37–39.

would provide legitimacy to the Afghan Ministry of Mines and help secure a source of revenue for the Afghan government that is desperately needed. Nationalist arguments on how an American taxpayer-funded program through the Department of Defense helped a Chinese company win the concession are shortsighted at best and contrary to the end state of a stable Afghanistan at worst.<sup>147</sup>

Despite the inappropriate calls to nationalism, questions about the Amu Darya concession remain. The Congressional Research Service identified that the Watan Group is owned by relatives of Afghan President Karzai.<sup>148</sup> This does not prove that impropriety manipulated the process to be awarded to CNPC, but it does raise the possibility that the process was influenced for personal gain. Fundamentally, CNPC is guilty of partnering with a politically connected Afghan firm. While this may be unsavory, it is not illegal. President Karzai is no stranger to allegations of corrupt family dealings, as the murder of his half-brother in 2011 shows.<sup>149</sup> What this deal shows is the susceptibility of any major deal in Afghanistan to allegations of corruption, whether real or imagined.

CNPC won the Amu Darya concession because of the superiority of its bid, which consisted of:

- A 15 percent royalty rate
- A 30 percent government tax on CNPC
- A profit sharing agreement of 70 percent with the Afghan Government
- A joint venture with a 75 percent / 25 percent split between CNPC and the Watan Group

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<sup>147</sup> Steve LeVine. "Zalmay Khalilzad's Not-So-Excellent Afghan Oil Adventure." *Foreign Policy*, October 6, 2011, [http://oilandglory.foreignpolicy.com/posts/2011/10/06/zalmay\\_khalilzads\\_not\\_so\\_excellent\\_afghan\\_oil\\_adventure](http://oilandglory.foreignpolicy.com/posts/2011/10/06/zalmay_khalilzads_not_so_excellent_afghan_oil_adventure); Zalmay Khalilzad. "How Many Ways Can We Lose in Afghanistan?: The Pentagon's Process for Awarding Contracts in Afghanistan Is Bad for U.S. Business, and Bad for the Rebuilding Effort in that Embattled Country." *Foreign Policy*, October 19, 2011, [http://www.foreignpolicy.com/articles/2011/10/19/afghanistan\\_us\\_oil\\_contracts\\_investment?print=yes&hidecomments=yes&page=full](http://www.foreignpolicy.com/articles/2011/10/19/afghanistan_us_oil_contracts_investment?print=yes&hidecomments=yes&page=full).

<sup>148</sup> Kenneth Katzman. *Afghanistan: Post Taliban Governance, Security, and U.S. Policy*. Congressional Research Service, September 212, 2012 (RL30588), 73.

<sup>149</sup> Alissa J. Rubin and Scott Shane. "Assassination in Afghanistan Creates a Void." *New York Times*, July 12, 2011, <http://www.nytimes.com/2011/07/13/world/asia/13afghanistan.html?pagewanted=all&r=0>.

- Creating an estimated 7,000 jobs
- Building a refinery in Afghanistan<sup>150</sup>

Even though CNPC's bid was superior, other factors were evaluated. CNPC has experience and future projects developing oil and gas fields in Turkmenistan and the pipeline infrastructure necessary to carry gas to China. The next highest bid offered royalty rates of 10 percent, and no other bid was guaranteed or had the financial backing of Chinese government banks.<sup>151</sup>

CNPC's bid represents a level of investment that other private companies were unable to counter. Ambassador Khalilzad's critique that China's state-owned companies have an advantage over Western firms is valid. Chinese SOEs do not have to answer to shareholders in the same way that Western publically traded firms do. With their access to capital, these firms are able to assume risks in unstable countries that Western firms cannot. SOEs are also able to offer infrastructure projects on a massive scale that would bankrupt Western firms. While these benefits offer an advantage to Chinese companies in gaining access to resources, they also leave Beijing with the bill if the deals fall through. Fortunately for Beijing, the impact of these deals failing is not enough to affect the financial health of China. This deal does point to Beijing's strategic investment in Afghanistan. Beijing has seen what military involvement in Afghanistan has cost the United States and NATO and wants no part in it. It has watched the Soviet Union and the United States try to intervene in Afghanistan and largely fail. Economic investment allows China to play a positive role in the stability of the country without becoming trapped by politics and insecurity. The investments in Aynak and Amu Darya positions China to take advantage of Afghanistan's natural resources in the future, while China waits for the security situation to improve.<sup>152</sup>

China's commitment Afghanistan's future was evident when a member of the Politburo, Zhou Yongkang, visited Kabul in September 2012. This was the first visit of a

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<sup>150</sup> Hurst. "Strategic Implications," 5; Downs. "China Buys into Afghanistan," 71.

<sup>151</sup> *Ibid.*, 71, 73–74.

<sup>152</sup> Zhou Xin. "Analysis: China Seeks Profits, Shuns Politics in Afghanistan." *Reuters*, October 4, 2011, <http://www.reuters.com/article/2011/10/04/us-china-afghanistan-idUSTRE79324R20111004>.

high-ranking Politburo official since Liu Shaoqi visited in 1966. As a former general manager of CNPC and a graduate of the Beijing Petroleum institute, Zhou's meeting highlighted the importance of CNPC's interests in Afghanistan. Zhou's primary objective during his visit was fulfilling his duties as domestic security representative on the Politburo. His visit emphasizes both the importance Beijing places on the security and stability of Afghanistan, and how it hopes to achieve stability through economic development.<sup>153</sup>

Just like Aynak, Amu Darya has faced obstacles to development. The Amu Darya concession is located in northern Afghanistan near Mazar-e Sharif, which is a relatively secure area of the country. CNPC began production at Amu Darya in October 2012. The original plan was to move the oil by truck and refine it in Tajikistan. The deal fell through and CNPC attempted a new deal to refine the oil in Uzbekistan. As of August 2013, production at the Amu Darya wells was halted until a deal with the Uzbek refinery could be reached. The problem is that Afghanistan does not have its own refinery and is forced to import its hydrocarbon needs. The expense of importing energy increases costs and hampers economic development. It is estimated that Afghanistan needs between 20,000–40,000 barrels of oil a day. A small refinery could meet the domestic demand for hydrocarbons and provide a boost to the economy.<sup>154</sup>

Until a refinery is built in Afghanistan, CNPC will be subject to the deals it negotiates with Central Asian countries. CNPC is obligated to build a refinery, and has proposed to build it in Jowzjan, Afghanistan. When complete, the refinery will have the capacity to refine products from Amu Darya as well as another Afghan oil field being developed by a Turkish-UAE-Kuwaiti consortium. Building a refinery will take years and will be dependent on the hospitality of militant groups operating in the area.<sup>155</sup>

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<sup>153</sup> Pantucci and Petersen. "Shifts in Beijing's Afghan Policy: A View From the Ground."

<sup>154</sup> Hurst. "Strategic Implications," 5; Jessica Dontai. "Update 1-Missing Refinery Deal Halts Landmark China-Afghan Oil Project." *Reuters*, August 18, 2013, <http://in.reuters.com/article/2013/08/18/afghanistan-china-idINL4N0GJ05G20130818>; Hamid Shalizi. "China's CNPC Begins Oil Production in Afghanistan," *Reuters*, October 21, 2012, <http://www.reuters.com/article/2012/10/21/us-afghanistan-oil-idUSBRE89K08G20121021>; Alexandros Petersen. "Afghanistan Has What China Wants." *Foreign Policy*, April 18, 2013, [http://afpak.foreignpolicy.com/posts/2013/04/18/afghanistan\\_has\\_what\\_china\\_wants](http://afpak.foreignpolicy.com/posts/2013/04/18/afghanistan_has_what_china_wants).

<sup>155</sup> *Ibid.*

Security issues have caused delays at the Amu Darya concession. An Uzbek warlord led attacks against workers at the site in June of 2012. The warlord was intent on receiving his rent for operating in the area, but since the attacks ceased, it is assumed that some kind of agreement was reached. As a result of the attacks, Beijing offered to train 300 Afghan policemen in order to protect the site. This is a prime example of the quid-pro-quo that is a reality of doing business in Afghanistan.<sup>156</sup>

From a strategic perspective, the Amu Darya concession was and is important to future investment in Afghanistan. The concession is one of the few international investment projects that have shown progress in Afghanistan. Production at Amu Darya bolsters confidence in the Chinese market for the beleaguered Aynak project.<sup>157</sup> It also represents the progress the Ministry of Mines has made to be more transparent and accountable. This small bright spot in the licit Afghan economy gives an example of what successful development in Afghanistan could look like.

#### **F. PATTERNS OF CHINESE INVESTMENT IN AFGHANISTAN**

After discussing the major projects of Chinese SOEs in Afghanistan, this thesis now pivots to the implications of Chinese involvement in the Afghan economy. Chinese SOEs have taken note of the mineral and hydrocarbon wealth in Afghanistan and have moved to take advantage of them. Robert Kaplan wrote in the *New York Times* that “the problem is that while America is sacrificing its blood and treasure, the Chinese will reap the benefits.”<sup>158</sup> Seeing Chinese investment as exploitative is accurate but not a complete assessment. As Andrew Small pointed out, “China would be making money in Afghanistan without a Western Military presence there—probably more—and they don’t see a [United States] security umbrella as the best way to protect their economic

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<sup>156</sup> Hamid Shalizi. “Afghans Say Former Warlord Meddling in China Oil Deal.” *Reuters*, June 11, 2012, <http://www.reuters.com/article/2012/06/11/us-afghanistan-dostum-idUSBRE85A15W20120611>; Pantucci. “Shifts in Beijing’s Afghan Policy.”

<sup>157</sup> Shalizi. “China’s CNPC Begins Oil Production in Afghanistan.”

<sup>158</sup> Robert Kaplan. “Beijing’s Afghan Gamble,” *New York Times*, October 6, 2009. [http://www.nytimes.com/2009/10/07/opinion/07kaplan.html?\\_r=0](http://www.nytimes.com/2009/10/07/opinion/07kaplan.html?_r=0).

projects.”<sup>159</sup> This argument gets at the crux of the separate views but common goals the United States and China have in Afghanistan. Both countries seek security, stability, and economic development, but both believe that these factors should be achieved in a different order.

Through the end of 2013, it is estimated that the United States will have spent \$641.7 billion on operations, security, and reconstruction efforts in Afghanistan.<sup>160</sup> What these efforts and policies have achieved will be the subject of Chapter V of this thesis. U.S. and ISAF forces have created a level of security in parts of Afghanistan that has allowed foreign investment into the economy. Security in Afghanistan is still relative, and even well-trained Afghan National Security Forces barely control the perimeters of their bases, even after a decade of investing in training and equipping them.<sup>161</sup> The U.S. and ISAF goal of securing Afghanistan in order to stabilize it has only been partially successful. The economics of the country are in disarray and the future stability of the country remains in doubt. China’s free riding on U.S. efforts should be seen as a positive outcome and not as a bitter pill.

Colonel Greg Kleponis wrote a position piece for the Strategic Studies Institute in which he laid out the case for welcoming and encouraging Chinese free riding in Afghanistan. He estimated that approximately 20,000–30,000 Afghan jobs will be created by the Aynak project and that around 200,000 people will be supported by those jobs. This combined with the infrastructure projects tied to the mine project have the potential to benefit the government and the people of Afghanistan. Projects like these have the potential to encourage the growth of small businesses in Afghanistan and to provide significant and reliable income to the Afghan government. What history should teach those who believe China is free riding on U.S. and ISAF efforts in Afghanistan is that Chinese investment is the positive outcome of a successful conflict.<sup>162</sup>

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<sup>159</sup> Andrew Small. “Andrew Small on China’s Role in Afghanistan.” German Marshall Fund, January 3, 2012, <http://www.gmfus.org/archives/andrew-small-on-chinas-role-in-afghanistan/>.

<sup>160</sup> Downs, “China Buys into Afghanistan,” 76.

<sup>161</sup> Anderson, Ben John. *What Winning Looks Like*, Youtube.com, accessed August 28, 2013, <http://www.youtube.com/watch?v=Ja5Q75hf6QI>.

<sup>162</sup> Kleponis. “China’s Role in the Stabilization of Afghanistan.”

Col. Kleponis offers a succinct interpretation of Chinese involvement in Africa that details the similarities between China's African investments and the trajectory of activity in Afghanistan. He highlights the work of Deborah Brautigam, who has done extensive work on Chinese mining investments in the Democratic Republic of Congo, and has identified patterns of activity from her study. There are two main strategies China uses in Africa to gain influence. First, China gains political influence by portraying itself as a developing country. Second, the Chinese model of economic development entices African countries, because it lacks the reliance on Western restrictions that are attached to aid and investment. According to critics, China's lack of restrictions on investments support governments that commit atrocities, like those in Darfur, Sudan, but are in compliance with the Chinese respect for sovereignty in another state's internal affairs. Because of lack of involvement in states' internal affairs, China can be portrayed as a morally blind investor. Chinese companies seem to emphasize business over humanitarian concerns. Chinese businessmen do not care if a government is authoritarian with a centralized economy, or democratic with a capitalist economy; Chinese companies emphasize the contents of deals. Beijing offers enticements to African governments to cooperate with Chinese firms. These come in the form of no-strings-attached loans for infrastructure and development projects. Beijing accepts repayment of these loans with commodities such as oil. When the China Export-Import Bank offers traditional loans, the terms offered beat those offered by the IMF or World Bank. Backed by government funds, China's SOEs offer higher royalty rates to host countries and guarantee that 30 percent of subcontracting work will be done by local firms. Cheap and easy access to capital, preferential contracts, and commodity-financed infrastructure development have made China a major player in Africa over a short time span.<sup>163</sup>

China's experience in Africa bodes well for the development of Afghanistan. The current infrastructure agreements from Aynak and Amu Darya can be improved upon with loans for infrastructure development or other resource-funded projects. This will allow Afghanistan to develop the infrastructure needed to take advantage of its mineral

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<sup>163</sup> Ibid., 4-7; Tendai Musakwa. "Deborah Brautigam Discusses Doing Research on China-Africa Relations." The China Africa Project, accessed October 27, 2013, <http://www.chinaafricaproject.com/deborah-brautigam-discusses-doing-research-on-china-africa-relations/>

wealth. The morally blind character of investment will allow any Afghan government to secure funding to grow the economy of the country.

Another pattern that might apply to future Chinese investment in Afghanistan relates to the PRC's experience in developing Xinjiang in order to pacify it. Xinjiang has benefited from two central government-led economic development programs in the last 20 years. When Deng Xiaoping created the special economic zones in the coastal provinces in the early 1980s, government investment flowed in to make the special economic zones a success. The special economic zones succeeded in developing the provinces and attracted vast amounts of foreign direct investment. The campaign to Open Up the North-West was initiated after the outbreak of separatism in Xinjiang in the early 1990s. In 1992, Deng said that the wealth generated in the coastal provinces needed to be redistributed to the western provinces by the turn of the century. This call spawned the campaign to Open Up the North-West. The campaign had multiple goals and did not uniquely focus on Xinjiang; simultaneously, there was a campaign to Open Up the South-West. Jiang Zemin emphasized Deng's challenge in a 1999 speech, which led to the campaign to Open Up the West. Five agendas for the new campaign emerged: a quest for equality between the rich coastal areas and the poor interior; the realization that accession to the World Trade Organization would benefit the dynamic areas of the Chinese economy and hurt areas where state-funded industry dominated; a need to connect and integrate geographic areas of China through transportation infrastructure; a long-held hope of assimilating ethnic minority groups and mitigating the threats they presented through economic development; and ecological improvement. The new campaign to Open Up the West promoted a strong central government role in economic development and showed populist consideration for the poor of China's interior. These political points were taken up by Chinese bureaucrats and became more important because of the selection of the ruling elite in the 2002 16<sup>th</sup> Party Congress; President Hu Jintao had experience in western provinces and Politburo member, Wang Lequan, served as Xinjiang Party Secretary.<sup>164</sup>

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<sup>164</sup> Heike Holbig. "The Emergence of the Campaign to Open Up the West: Ideological Formation, Central Decision Making and the Role of the Provinces." *The China Quarterly*, no. 178 (June 2004), 335–57; Nicolas Becquelin. "Staged Development in Xinjiang." *The China Quarterly*, no. 178 (June 2004), 358–78.

A more circumspect view of the campaign to Open Up the West emphasizes it as a way to end the violence in Xinjiang and promote Han migration. Officials believed economic development channeled through the XPCC and the provincial Communist party apparatus would pacify the area. The Party used economic development combined with migration incentives to make the area more “loyal.” Economic development did not pacify the area but made the contrast between “loyal” ethnic Hans and Uighurs more stark. Disproportionate economic growth of the ethnic Han community versus the ethnic Uighur community fueled new Uighur grievances with the government. What is new in recent years is that the government is no longer hiding their intentions. The migration and economic growth objectives are no longer couched in language designed to emphasize the benefits for all in Xinjiang. One interpretation is that the state believes it has enough control over the area that it no longer needs to placate the minority. The Xinjiang Party secretary believes this control is tenuous and has acknowledged that economic development alone would not pacify separatist groups:<sup>165</sup>

Currently there is a belief that the first priority for Xinjiang is to develop its economy. These people believe that after Xinjiang’s economy develops, people’s living standards will improve so the issue of stability will be resolved naturally. This belief is wrong and dangerous. Economic development cannot eliminate separatists and cannot prevent them from separating from the motherland and seeking independence.<sup>166</sup>

Beijing’s experience in Xinjiang could translate to Afghanistan. The PRC has used economics as a tool to pacify Xinjiang and as a tool to subjugate an ethnic minority. The government in Kabul has already made the Afghan National Security Forces (ANSF) a predominately ethnic Tajik or Northern Afghan organization.<sup>167</sup> Karzai has used patronage for Northern Alliance warlords to maintain his grip on power. In this way, Afghanistan has already separated itself ethnically between Pashtuns and non-Pashtuns. Chinese-financed economic growth from the Amy Darya oil field has centered on Northern Afghanistan because of its security and geographic proximity to other Chinese

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<sup>165</sup> Ibid., 358–78.

<sup>166</sup> Ibid., 374.

<sup>167</sup> Johnson. “Déjà Vu.”

investments in Central Asia. If this trend were to continue, it would further allow the stabilization and economic development of northern Afghanistan at the expense of the southern Pashtun areas. This would allow the ethnic minorities in northern Afghanistan to benefit economically while punishing the Taliban stronghold in southern Afghanistan. Lack of economic development in the Pashtun south could create instability that could spill over the border and further exacerbate the ethnic problems in Pakistan's Pashtun FATA region. A strategy like this could deprive the Taliban of its domestic allies and allies in Pakistan, weaken the Taliban economically, and eventually force the Taliban to the diplomatic bargaining table.

## **1. SECTION CONCLUSION**

This section described the Aynak copper mine and the Amy Darya oil field projects under development by Chinese SOEs in Afghanistan. Both projects have suffered from allegations of corrupt bidding processes and significant delays to development. These delays may be the product of internal politics and lack of security, may represent skittish Chinese investors worried about the viability of their investments, or may be the product of a policy from Beijing to stall development in Afghanistan until U.S. and NATO forces exit the country. The evidence given in this section should point to the delays being driven by internal politics and insecurity rather than a conspiracy originating in Beijing.

Beijing's involvement in Afghanistan represents a win-win for U.S. and Chinese interests. Chinese SOEs will provide the economic boost Afghanistan needs to sustain economic growth. U.S. interests are served because after more than a decade of fighting, the security-first approach has failed to achieve stability. Chinese SOEs may be free riding on American and NATO security gains, but future stability in Afghanistan is more important to U.S. security goals. Beijing's actions in Afghanistan are not unique and follow the pattern of development China has established in other areas, such as Africa. The United States should welcome and work to promote Chinese investment in Afghanistan in order to stabilize the government and the country.

Beijing has dealt with security problems emanating from ethnic minorities in Xinjiang and their experience could prove useful in dealing with the ethnic factions in Afghanistan. While Afghanistan is by no means the sole foreign policy focus of Beijing, it represents the potential for future economic integration for Central and South Asia, which will benefit China in the long term.

## **G. SECTION III: FUTURE CHINESE AND AFGHAN PROJECTS**

Beijing has invested in Afghanistan as a means of stabilizing the country without becoming involved in the politics or security of the state. In order to determine the current policy stance of the PRC toward Afghanistan, it is necessary to review current and future projects. These projects are a part of geopolitics of the region and highlight the potential and pitfalls of Beijing's current approach. Afghanistan's future depends on many factors, but it will be positioned for success if the Afghan economy can gain a foothold toward independence from foreign aid. Afghanistan will play a key role in the future stability and economic development of Central and South Asia. One of the key areas of insecurity for the region is energy-related infrastructure development. Only by understanding the economic necessity driving China's worldwide energy investment can Afghanistan's role in China's and South Asia's energy security be made clear. Energy security and economic revival of the region can be attained through economic and transportation integration. Afghanistan's geography connects it to Central and South Asia and can serve as a conduit for the transport of goods, or as a roadblock for commerce and energy transportation.

### **1. Afghanistan**

The first priority of the Afghan government should be to reduce dependence on foreign aid. In their paper "Finishing the Job: Jump-Start Afghanistan's Economy," Frederick Starr and Adib Farhadi presented a solution to provide the Afghan government and economy with income prior to mining projects being completed. The main tenet of the paper is that "economic development in Afghanistan is not something to be pursued after political stability and security have been established; rather, it is what must be

achieved in order to forge political stability and communal peace.”<sup>168</sup> Starr and Farhadi’s statement emphasizes the income critical to the future of the Afghan government before international aid decreases after 2014. Stability through economic development is the structure behind China’s approach to Afghanistan and fits Starr’s thesis. The paper establishes that the assumptions ISAF has been working under for the last ten years have not been successful. In order to avert the collapse of the Afghan economy, the international community must prioritize and strengthen their approach to the economy. Starr’s immediate priorities are to open up trade flows between Afghanistan and Pakistan, work with neighboring nations to reduce bureaucratic and corrupt impediments to border trade, establish three to four free-trade areas along the border of Afghanistan, and organize cotton caravans for transport of cotton from Central Asia to the ports of Gwadar or Chabahar. These short-term initiatives could provide income to the Afghan government and promote the Afghan economy. Conflict and tensions have prevented further integration of the Afghan and Pakistani economies, and are unlikely to be overcome in the short term. The same holds true for decreasing corruption and bureaucratic red tape along Afghanistan’s borders. Free-trade zones along the Afghan border could provide an impetus to develop the Afghan economy, but the central government would need to be compensated for lost tariffs. The simplest and most likely proposal is the establishment of cotton caravans from Central Asia to ports in Pakistan and Iran. The Afghan National Security forces could secure large convoys from Central Asia to the ports, but would need the cooperation of producers in Central Asia and their governments. The United States, China, or European Nations could champion this project readily and successfully. While Western nations struggle with the implications of their extraction from the war in Afghanistan, China is focused on longer-term economic development.

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<sup>168</sup> S. Frederick Starr and Adib Farhadi. “Finishing the Job: Jump-Start Afghanistan’s Economy (A Handbook of Projects).” Central Asia–Caucasus Institute, Silk Road Paper, November 2012. Washington, DC: Johns Hopkins University-SAIS, 2012, 6.

## 2. Energy Security

Afghanistan's geographic location and stability currently affect China's access to hydrocarbon resources from Central Asia, and could affect China's and South Asia's long-term access to hydrocarbons. The term *energy security* is generally defined in China as the "strategy the country uses to ensure adequate, affordable, and reliable supply of oil." To understand the importance of energy security in Beijing's foreign relations, it is necessary to understand the energy situation in China.

China became a net importer of oil in 1993 and the world's largest net importer of oil in 2009. In 2011, China accounted for half of the world's net increase in oil consumption; hence, China is the largest source of new demand in the world energy market. Since China imports 5.5 million barrels a day, and 69 percent of the imported oil comes from Africa and the Middle East, China is dependent on oil tanker traffic for the majority of its imports. Domestically, China produces 4.3 million barrels of oil, and that figure is projected to rise to only 4.7 million barrels a day by 2035. By 2035, it is estimated that China will import 75 percent of its oil. As a result of flat domestic production, China will need to import more oil in order to sustain economic growth, and will become more dependent on open access to sea-lanes for those imports.<sup>169</sup>

Energy security affects the security calculus in Beijing and has become a driving factor in formulating policy. The "Malacca Dilemma" was introduced to national prominence by Hu Jintao in a speech given in November 2003. In the speech, President Hu Jintao stated that 80 percent of China's imported oil from Africa and the Middle East passes through the Strait of Malacca on its way to eastern ports in China. First, the oil tankers must navigate through the Strait of Malacca between the Malaysian Peninsula and the island of Sumatra. This choke point facilitates interdiction by hostile parties. The strait has historically been home to pirate bands but the threat of interdiction by naval forces could halt tanker traffic. Because the U.S. Navy has a port in Singapore and is the world's predominate naval power, Beijing views the U.S. Navy blocking the Strait of

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<sup>169</sup> United States Energy Information Administration. "China Analysis Brief," Updated September 4, 2012, <http://www.eia.gov/countries/cab.cfm?fips=CH>; Erica Downs, "China," in *The Energy Security Series* (Washington, DC: Brookings Institution, 2006), 13.

Malacca as a serious threat to its energy security. Beijing has attempted to address this threat in a variety of ways. To avoid the dilemma, proposed pipelines will run from the port of Gwadar in Pakistan and the port of Kyaukphyu in Burma into China. These pipelines will divert traffic from the Strait of Malacca and slightly decrease the overall number of vessels traversing the strait. The downside is that pipelines in Pakistan and Burma will only modestly decrease Beijing's maritime vulnerability. As of 2013, the pipeline in Burma is operational but construction has not begun on the pipeline in Pakistan. Beijing must look for other sources of petroleum in order to diversify its production, or be able to project naval power to protect the sea-lanes. Both options will be expensive and building a vast blue-water naval fleet will increase tensions with China's maritime neighbors. Building a large blue-water navy would contradict China's "peaceful rise" policy, so it is likely that China will look northward and eastward to secure new sources of petroleum.<sup>170</sup>

There is a significant domestic component that pushes Chinese policymakers to prioritize China's energy security. In 2003–04 China experienced blackouts in 24 out of 31 provinces from power shortages. Blackouts forced consumers to use diesel-powered generators, which pushed refined petroleum demand up 15 percent and increased net imports by 50 percent. This forced the PRC to restructure the national energy sector management, to embark on a program to ease centralized price controls of petroleum products, and to establish a national petroleum reserve. The effects of this crisis still reverberate. In a 2012 poll, 90 percent of Chinese believed that energy security will affect China's national interests in the next decade. Energy security is a priority for China's policymakers but the options for supply are limited.<sup>171</sup>

Beijing has taken significant action to fortify Chinese energy security by developing Central Asian energy production and infrastructure. Beijing accomplished this by increasing SOE investment in Central Asia, and built numerous pipelines in order to

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<sup>170</sup> Ibid., 14; Johnson. "Transnational Pipelines," 1–7, 34–52, 67–68; Parameswaran, Prashanth. "China's Strategic Recalibration in Burma." *China Brief* 13, no. 9 (April 25, 2013), 14.

<sup>171</sup> Downs, "China," 6–7; Joo-Youn. "What Do the Chinese Think?" 160.

ensure “unfettered access to the natural resources of the region.”<sup>172</sup> China is Central Asia’s biggest trading partner with exports of manufactured goods and imports of extracted resources, totaling approximately 85 percent for each. China’s first international pipeline, the Sino-Kazakh pipeline, was completed in 2006 and connects Kazakh oil and gas to Xinjiang. During the 2008 financial crisis, China used its currency reserves and its state-owned banks to secure Turkmenistan’s largest gas field and the largest Kazakh state-owned oil company. Through various acquisitions and joint ventures, it is estimated that China now controls 50 percent of Kazakhstan’s oil and gas production. The biggest success story for China is the China–Central Asia gas pipeline, completed in 2012, which connects Turkmenistan’s vast gas fields to Xinjiang. These international pipelines have reversed the traditional flow of Central Asian hydrocarbons from Russia to China. Domestically, China has built pipelines to take in oil from its western areas and Central Asia. The West-to-East pipeline starts at the Central Asian border connecting that network to the oil and gas fields of the Tarim and Junggar basins in Xinjiang, then stretches all the way to the terminus along China’s industrial east coast. As of April 2013, there are three West-East pipelines with a fourth and fifth lines in the planning stages. These projects will alleviate some of China’s dependence on maritime imported oil, but China has bigger plans for development of hydrocarbons from Central Asia and possibly the Middle East.<sup>173</sup>

### **3. The Gwadar Port Project**

China’s long-standing relationship with Pakistan supports China’s geostrategic competition against India, but the Gwadar Port Project represents a new phase in that competition. On one level, the Gwadar Port offers potential access to the sea, and international markets, for Xinjiang and the Central Asian states. The port is located in the western Pakistan province of Baluchistan, not far from the border with Iran. Beijing paid a Chinese company to construct the deep-water port and a Chinese company now

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<sup>172</sup> David Finkelstein. “China and Central Asia: Enduring Interests and Contemporary Concerns.” Center for Naval Analysis—China Studies, September 2010, 3.

<sup>173</sup> EIA, “China”; Petersen. “How the West Is Wholly Missing”; Alexander Cooley. *Great Games, Local Rules: The New Great Power Contest in Central Asia*. New York: Oxford University Press, 2012, 85–88, 90–92.

manages it. On another level, the port is a linchpin in an overall Chinese–Pakistani infrastructure development project with multiple road, rail, and pipeline projects. Strategically located near the Strait of Hormuz, the Gwadar Port and its associated infrastructure would allow goods, trade, and energy transport from the Middle East to western China and Central Asia. This massive project would open up the region to world markets. At the strategic level, this project has major energy security implications. If built, the Gwadar pipeline would traverse 1,500 miles and rise to 15,000 feet as it followed the Karakorum Highway from Pakistan into China. Although the project is technically feasible, the pipeline and associated infrastructure could cost as much as \$20 billion for the completed project. Another energy security project in Gwadar is a proposed refinery. Feasibility studies point to a \$12 billion refinery being built at Gwadar to supply refined petroleum products to the region. The implications are vast for a completed Gwadar Port and associated infrastructure. First, the project would open up trade to Central Asia and western China. Second, the project represents the possible establishment of a second energy corridor into China from the Indian Ocean. While this corridor would only slightly improve maritime security for Chinese oil tankers, it would facilitate trade between the Middle East and Central Asia. Third, this project represents a significant investment in the future of the region and the role China wishes to play.<sup>174</sup>

From Afghanistan’s viewpoint, a deep-water port at Gwadar and the associated infrastructure in Pakistan would give Afghanistan access to international markets. Road and rail links from Pakistan into Afghanistan would promote the development of Afghan mineral wealth and of the overall Afghan economy. With links established to the sea, goods like cotton from Central Asia could reach international markets as well. North-south transport of goods would also supply a steady stream of income for Afghanistan.<sup>175</sup>

#### **4. The Port of Chabahar, Iran**

The Indian–Iranian partnership to construct the port has eroded after infrastructure in Afghanistan fell into Taliban control. The Indian government worked with the Afghan

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<sup>174</sup> Johnson, “Transnational Pipelines,” 31–42.

<sup>175</sup> Starr, “Finish the Job,” 18–19, 24–26.

government to build a road linking Delaram to Zaranj in western Afghanistan. This road connected the Afghan ring road to the Iranian border. A different project funded by the government of Iran linked the western Afghan city of Herat to Iran by rail. These infrastructure projects will allow goods to flow from western and southern Afghanistan to the port of Chabahar in South-East Iran. In June 2013, a Chinese company made a bid to take control of the development and operations of the port. This development enhances the possibility of an Iran–Pakistan gas pipeline that would create an energy corridor from Iran into China. This could further alleviate China’s reliance on maritime imported energy. The pipeline linking Iran and Pakistan has been under consideration since the 1990s, but the United States has strongly pressured Pakistan to drop the project in favor of the TAPI pipeline project.<sup>176</sup>

## 5. The TAPI Pipeline

The TAPI, Turkmenistan–Afghanistan–Pakistan–India pipeline, began in the 1990s with the goal of connecting the Caspian Sea to India. The intent was to supply South Asia with energy for its growing populations and alleviate chronic energy shortages. Following two key agreements on transit and dividing gas production in 2010, the project was to break ground in 2012 and finish in 2014 with a price tag of \$7.6 billion. The project would benefit the nations involved by providing energy, jobs, and fees to energy-starved markets. Several factors have delayed the start of the project. Turkmenistan backed out of the agreement because of group pricing and has since renegotiated prices with Pakistan and India, and recently signed an agreement with Afghanistan. Even though these obstacles have been overcome, other serious concerns remain. None of the TAPI countries have the necessary domestic technical experience

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<sup>176</sup> Zeeshan Haider. “Pakistan, Iran Sign Deal on Natural Gas Pipeline.” *Reuters*, March 17, 2010, <http://uk.reuters.com/article/2010/03/17/us-pakistan-iran-idUSTRE62G12C20100317>; *The Times of India*, “Iran–Pakistan Gas Pipeline Could be Extended to China,” August 24, 2013, <http://timesofindia.indiatimes.com/business/international-business/Iran-Pakistan-gas-pipeline-could-be-extended-to-China/articleshow/22030498.cms>; Matthew, Francis. “China Needs Gulf Oil Regardless of Politics.” *Gulfnews.com*, July 13, 2013, <http://gulfnews.com/opinions/columnists/china-needs-gulf-oil-regardless-of-politics-1.1215463>; Katerina Oskarsson. “The Rise of the Afghan Rails: Regional Railway Linkages and Economic Growth in Afghanistan.” Civil Military Fusion Center, [https://www.cimicweb.org/cmo/afg/Documents/CFC\\_Afghanistan\\_Update\\_Rise%20of%20Afghan%20Rails%20\(1\).pdf](https://www.cimicweb.org/cmo/afg/Documents/CFC_Afghanistan_Update_Rise%20of%20Afghan%20Rails%20(1).pdf).

running a pipeline of this size and complexity and have relied on contracted maintenance for other projects. The most significant hurdle this project faces is the most basic; how do you secure a 1,700-kilometer pipeline that runs through one of the most insecure countries in the world? Afghanistan has proposed using 7,000 security personnel to secure the line. These security personnel may not be enough since the Turkish Army has not been successful in securing the BTC pipeline in Turkey, and it is likely that problems in Afghanistan would be more severe. The United States is pressuring Pakistan to sign the deal, but security and diplomatic hurdles will prevent the project from completion within the next few years.<sup>177</sup>

President Xi Jinping and President Berdimuhamedov of Turkmenistan signed an agreement on September 3, 2013, on the maintenance and development of the gas fields that were the source of the TAPI pipeline. This agreement secures more gas resources for China, but also granted CNPC and China the primary decision on the future of the TAPI pipeline. This deal seems to have been accepted by U.S. interests since it was not blocked. This instance highlights the growing power and control China has in the Central Asian region and promotion of China's overall plan for economic development.<sup>178</sup>

## 6. Transportation

The lack of railroads in Afghanistan is not by accident but by design. As part of the original "Great Game" in Central and South Asia, the Russian tsars and British Empire agreed to create a buffer zone in Afghanistan. This agreement held until Afghan independence after WWI. The leader of Afghanistan at the time, Amir Abdul Rahman,

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<sup>177</sup> Rainer Gonzalez Palau. "The TAPI Natural Gas Pipeline: Status and Sources of Potential Delays." Civil-Military Fusion Center, [https://www.cimicweb.org/Documents/CFC%20AFG%20Social%20Well-being%20Archive/CFC\\_Afghanistan\\_TAPI\\_Feb12.pdf](https://www.cimicweb.org/Documents/CFC%20AFG%20Social%20Well-being%20Archive/CFC_Afghanistan_TAPI_Feb12.pdf); Pipelines International. "Afghanistan and Turkmenistan Sign 30-Year TAPI Gas Agreement," September 2013, [http://pipelinesinternational.com/news/afghanistan\\_and\\_turkmenistan\\_sign\\_30-year\\_tapi\\_gas\\_agreement/083138/](http://pipelinesinternational.com/news/afghanistan_and_turkmenistan_sign_30-year_tapi_gas_agreement/083138/); *The Times of Central Asia*. "TAPI Gas Pipeline Project Faces Hurdles," August 26, 2013, <http://www.timesca.com/index.php/m-news-by-category/economy-finance-and-investment-news/11518-tapi-gas-pipeline-project-faces-hurdles>.

<sup>178</sup> *South China Morning Press*. "China Asserts Clout in Central Asia with Huge Turkmen Gas Project," September 5, 2013, <http://www.scmp.com/news/china/article/1303385/china-asserts-clout-central-asia-huge-turkmen-gas-project>; ABC.AZ, "China Took Away the Turkmenistan–Afghanistan–Pakistan–India pipeline from USA," September 5, 2013, <http://abc.az/eng/news/75868.html>; *Fox News* (blog). "USA Loses Huge Energy Pipeline to China," September 15, 2013, <http://nation.foxnews.com/2013/09/16/usa-loses-huge-energy-pipeline-china>.

took it upon himself to prevent the construction of railroads by either empire in Afghanistan. The Convention of St. Petersburg, signed between Britain and Russia in 1907, ended the rivalry for territory in Afghanistan and the prospects of a railroad there. During the 20th century, many rail development plans were drawn up, and some even achieved preliminary financing, but they were all eventually abandoned. Lack of infrastructure has prevented investment and growth in Afghanistan to the present day.<sup>179</sup>

Afghanistan's development hinges on infrastructure development because it sits on the intersection of North-South and East-West routes that could connect Eurasia. The U.S. State Department started the "New Silk Road" strategy as way of promoting trade and fortifying Afghanistan against terrorist elements. The problem was that Afghanistan has only 100 kilometers of railway as of March 2013. To make matters worse, there are multiple different gauges, or distance between tracks, used in Afghanistan's neighboring countries. A Chinese company conducted a feasibility study of linking Aynak to Uzbekistan by rail and estimated the project to cost \$4 billion. There is currently no feasibility study of the rail link between Kabul and Gwadar. The proposed Afghan national rail network is estimated to cost \$54 billion and would have to be funded through resource-backed loans since Kabul does not have the hard currency to support such an endeavor. Beijing would be amenable to funding such a project since it already has similar agreements with Turkmenistan and Kazakhstan. The Asia Development Bank has highlighted the potential for Afghanistan to become a regional trade hub, but until a financial backer with deep pockets, patience, and leverage pushes the project forward, it will continue to be an unrealized dream.<sup>180</sup>

Beijing has already taken the initiative to develop trade routes in Central Asia and is working toward more interconnectedness. Hewlett-Packard is using a new rail line across Kazakhstan to get laptops from eastern China to Europe faster than it would take

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<sup>179</sup> Andrew Grantham. "Railways and the Great Game," accessed October 28, 2013, <http://www.andrewgrantham.co.uk/afghanistan/railways/the-great-game/>; Andrew Grantham. "Kabul and LoiShilman Railways," accessed October 28, 2013, <http://www.andrewgrantham.co.uk/afghanistan/railways/kabul-river-and-khyber-pass/>; Andrew Grantham. "International Plans," accessed October 28, 2013, <http://www.andrewgrantham.co.uk/afghanistan/railways/international-plans/>.

<sup>180</sup> Oskarsson. "The Rise of Afghan Rails.,"; Hurst. "Strategic Implications," 13.

by container ship, and cheaper than it would cost to transport by air. It is estimated that this rail line will carry \$1 billion worth of goods by 2014. Opening central and western China to trade with Europe allows China to continue its economic development by allowing companies to take advantage of lower labor cost in central and western China. The PRC has seen the benefit of developing its own Silk Road strategy. China's President, Xi Jinping, proposed a Silk Road economic belt in September 2013. While the details of this program are vague, Chinese emphasis on developing infrastructure and commerce in Central Asia has the potential to benefit to Afghanistan.<sup>181</sup>

## H. CONCLUSION

This chapter has focused on the Afghan economy, the economic interests of China in Afghanistan, and the future of Chinese involvement in Afghanistan and the greater Central and South Asia region. Afghanistan has large deposits of untapped resources that could fuel economic growth, stabilize government income, and promote stability in the country if managed effectively. Many factors work against future stability in Afghanistan. Corruption and the black market economy empower destabilizing forces while delegitimizing the central government. Chinese SOEs are capable of operating and taking advantage of corruption in Afghanistan, but it is in their long-term interests to promote transparency and the legitimacy of the central government.

As the Aynak and Amu Darya deposits show, there is large potential for Chinese investment in Afghanistan and an abundance of natural resources to choose from. Afghan-Chinese business partnerships will produce jobs for Afghans, profits for Chinese companies, and help to stabilize a country that has been at war for the last three decades. The United States should welcome Chinese investment as a way to stabilize Afghanistan in a way that the U.S. security-first policy has been unable to. Chinese SOEs have authentic interests in Afghanistan that do not represent a threat or denigrate American efforts in the country.

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<sup>181</sup> Bradsher, Keith. "Hauling New Treasure Along the Silk Road." *New York Times*, July 20, 2013, [http://www.nytimes.com/2013/07/21/business/global/hauling-new-treasure-along-the-silk-road.html?pagewanted=all&\\_r=0](http://www.nytimes.com/2013/07/21/business/global/hauling-new-treasure-along-the-silk-road.html?pagewanted=all&_r=0); *Xinhua*. "Xi's Speech on China-Central Asia Ties Catches Global Attention," September 8, 2013, <http://english.peopledaily.com.cn/90883/8393096.html>.

China's investment in Afghanistan could take many paths in the future. Beijing has shown that it is serious about development of the region through massive projects like the port of Gwadar and taking on the responsibility for development of the Chabahar port in Iran. Integrating Central and South Asia with pipelines and rail lines will only facilitate economic development of Afghanistan and greater Central and South Asia.

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## V. CONCLUSION

The purpose of this thesis is to show what motivates China's interests in Afghanistan through an analysis of its current and future activities. A few major themes characterize Chinese interest and activities in Afghanistan: China brings countries on its periphery into its sphere of influence through economic integration; the necessity and pattern of developing resource extraction in foreign countries; the emphasis Beijing places on the security of Xinjiang and the efforts the PRC goes to ensure that security; and the amoral business-centric focus of Chinese engagement in its periphery.

Beijing exercises similar foreign policy in its periphery by focusing on resource extraction and following a pattern in the development of relationships. First, China and the target country sign an agreement of friendship and good neighborliness. Next, Chinese companies begin to develop deals for resource extraction and trade between the countries. This tentative relationship is sealed with bilateral trade agreements focusing on win-win situations that tend to largely benefit Chinese business. Once this step is taken, Beijing offers a strategic partnership to the country in exchange for access to capital for infrastructure development and resource extraction projects. The process continues with abolishment of tariffs on the focus country's imports to China. It culminates with the partner countries inclusion in China's network of multilateral engagement. This pattern succeeds in tying the target country to China and bringing it into China's sphere of influence.

Beijing's diplomacy in Central Asia ties the development economic relationships to the adoption of Chinese norms with the goal of bolstering security in China and the target state. The major vehicle for achieving this in Central Asia is the Shanghai Cooperation Organization. The SCO has achieved some success in counterterrorism efforts in Central Asia and is pushing to develop better economic ties between nations through the development of Chinese infrastructure projects. CNPC and other SOEs are building pipelines, railroads, and highways to connect China's interior to Central Asia and eventually the Middle East, Europe, and South Asia. One of the main benefits to China of promoting the SCO is to encourage the target country fighting the "three evils"

of separatism, extremism, and terrorism as specified in the SCO's charter. This internationalizes Beijing's approach to the separatist province of Xinjiang and legitimizes China's repressive activities there.

Beijing and CCP bureaucrats are deeply concerned with fighting the three evils in Xinjiang. The CCP bases its legitimacy on holding onto and acquiring territories formerly held by the Qing dynasty.<sup>182</sup> If the active separatist movement in Xinjiang were to succeed, it could strike a mortal blow to the CCP's legitimacy. This is why Beijing puts much effort into maintaining the security state in Xinjiang and attempts to pacify it through economic development.

How Beijing has dealt with Xinjiang offers a window into how Beijing might react to a security threat in Afghanistan. The first objective in Xinjiang is to mollify rebellious populations with economic development. This has been achieved through massive government spending on building infrastructure and extractive industries. The second objective is pacification of the population through the actions of the security state. Building a security state in Afghanistan would not be possible for Beijing, but it could reinforce the Afghan National Security Forces (ANSF) and use the SCO as a tool to legitimize any military activity. One of the key takeaways from the Chinese experience in Xinjiang is Beijing's ability to navigate and subjugate ethnic clashes between peoples. Afghanistan is rife with ethnic and tribal tensions. Beijing will be able to manipulate those tensions through its allies in Pakistan and Central Asia. China will be the prime arbiter of security in Central Asia, and, together with Russia, has the ability to greatly influence the outcome of the conflict in Afghanistan and long-term stability in Central Asia.<sup>183</sup>

The high profile projects Chinese companies have taken on in Afghanistan illustrate Beijing's strategy of economic engagement. China's trade surpluses with the

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<sup>182</sup> The Qing dynasty collapsed in 1912 after the colonial occupations by Western nations severely weakened it. This is known as the century of humiliation, which continued until the People's Republic of China was founded in 1949.

<sup>183</sup> Georgiy Voloshin "Central Asia Prepares for a Post 2014 Afghanistan." *Eurasian Daily Monitor* vol. 9, iss. 225 (December 10, 2012), accessed October 28, 2013, [http://www.jamestown.org/programs/edm/single/?tx\\_ttnews\[tt\\_news\]=40226&tx\\_ttnews\[backPid\]=587&no\\_cache=1#.UoZqIo2HkXw](http://www.jamestown.org/programs/edm/single/?tx_ttnews[tt_news]=40226&tx_ttnews[backPid]=587&no_cache=1#.UoZqIo2HkXw).

U.S. and the rest of the world have enabled Chinese state-owned banks to fund high-risk investments in countries like Afghanistan. The copper mine at Mes Aynak and the oil fields of Amu Darya are typical of Chinese extractive industry investment. In both tenders, SOEs outbid other investors by taking advantage of financing from China's state-owned banks. The bidding process was highly corrupted in the Mes Aynak case, and suspicious in the Amu Darya case. Both projects have been plagued by delays because of security concerns, local political issues, and hesitancy among the SOEs due to the cost of associated infrastructure investment. While both projects have opened the door for future investment in the vast mineral resources in Afghanistan, their completion is dependent on the security situation in Afghanistan.

#### **A. THE UNITED STATES IN AFGHANISTAN**

The future in Afghanistan is inextricably linked to how the United States and NATO forces withdraw forces in 2014 and what they are able to accomplish before they leave. U.S. military leaders have followed a strategy since the start of the war that has produced successes and failures in the war in Afghanistan. The strategy contains five premises:

1. Afghan officials will attain Total domestic control.
2. The United States will supply billions of dollars of projects to woo the local tribes to cooperate.
3. The U.S. military will conduct a war of attrition to drive back the Taliban.
4. The United States will tolerate a sanctuary for the enemy in Pakistan.
5. The United States and NATO will slowly build up Afghan forces to fight their own war.<sup>184</sup>

This strategy is responsible for the mediocre successes of the Afghan government, the moderate successes of the Afghan National Security Forces (ANSF), and the initial defeat of the Taliban. What this strategy lacked was a historical and cultural understanding of Afghanistan and how those elements should shape the future of the

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<sup>184</sup> Bing West. "Groundhog War: The Limits of Counterinsurgency in Afghanistan." *Foreign Affairs* 90, no. 5 (September/ October 2011): 163–71.

country. The early tactical success of the initial defeat of the Taliban has led to a strategic failure and resulted in a prolonged war with a planned expiration date of December 2014.

The U.S. perspective on war termination in Afghanistan began with the heady resolve to create a vibrant democracy in Central Asia, and is ending with an explicit negative goal of denying sanctuary to terrorists. Some experts assess the administration's goal in Afghanistan to be: "one, that terrorists who wish to strike the United States and its allies not use Afghanistan as their base, and two, that insurgent groups not use Afghanistan's territory to destabilize its neighbors, especially Pakistan."<sup>185</sup> In other words, the future of the Afghan government and the Afghan people are secondary to the primary goal of preventing terrorist organizations from using Afghanistan as base of operations. Even this limited objective depends on the success and resilience of the Afghan government. The question then becomes: What will the U.S. and NATO forces accomplish before withdrawing, and will there be U.S. forces in Afghanistan after 2014?

The purpose behind setting an expiration date on the war in Afghanistan was to balance political and military realities. When the new Barack Obama administration debated about the number of troops to surge into Afghanistan in 2009, they were really debating on which tactics were to be used to fight the war. General McChrystal outlined a robust counterinsurgency strategy, a limited counterinsurgency strategy, and a limited counterterrorism strategy to fight the war in Afghanistan. The administration chose a limited counterinsurgency strategy of 30,000 additional U.S. troops. In addition, President Obama placated the war-weary faction of the Democratic Party by establishing an expiration date on U.S. involvement in combat in Afghanistan. This compromise was to handicap the U.S. counterinsurgency efforts before they began. In essence, the war in Afghanistan is not ending; only the timeline for U.S. participation in combat operations is expiring.<sup>186</sup>

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<sup>185</sup> Stephen Biddle, Fotini Christia, and J. Alexander Their. "Defining Success in Afghanistan." *Foreign Affairs* 89, no. 4 (July/ August 2010): 48–60.

<sup>186</sup> Rajiv Chandrasekaran, *Little America: The War Within the War for Afghanistan*. New York: Alfred A. Knopf, 2012. Kindle Edition, Chap. 3.

In order to achieve an orderly drawdown of forces in Afghanistan, the Obama administration realized that negotiations with the Taliban were necessary. Negotiations with the Taliban, however, are fraught with problems that may be insurmountable. The first problem is: Whom the United States should negotiate with. The standard answer is that we should negotiate with the moderate Taliban who are interested in taking a place in the Afghan government. This becomes problematic because the Taliban are a fractured network of ideologically driven elements loosely bound to their leader, Mullah Omar. Besides Omar, no single voice speaks for, or has credibility with, the coalition of the Taliban. Another problem with negotiations is the insistence of continuing to fight while negotiating. This is a structural problem with the negotiations in which both sides try to increase their bargaining position through continuing combat operations prior to coming to the negotiating table. The United States lacks credibility in negotiations because it has already stated that it will withdraw combat forces at the end of 2014. The Taliban's number one goal is expulsion of foreign powers from Afghanistan; they need only to wait until the end of 2014 to achieve it. Time is on the Taliban's side and there is little the United States can do to put pressure on the Taliban to negotiate.<sup>187</sup>

In order to get the Taliban to the bargaining table, some critics have called for Pakistan to exert their influence of the Taliban. This is not a feasible scenario for many reasons. The Taliban have some degree of sanctuary in Pakistan, therefore, Pakistan has some leverage over the Afghan Taliban, but the extent of that leverage is unknown. It is possible that Pakistan could exert some influence over the Taliban to force them to the bargaining table, but while possible, this scenario is not feasible. Pakistan has traditionally viewed Afghanistan within its concept of strategic depth versus India. The theory's foundation is based on Pakistan having an amicable and pliant relationship with whoever controls Afghanistan. This would allow Pakistan to avoid fighting a two-front war, avoid foreign power influence creating disturbances in Pakistan, and avoid further complications in another conflict over Kashmir. While strategic depth makes some sense as a war plan, the current relationship between Pakistan and Afghanistan would not

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<sup>187</sup> Thomas Ruttig, "Negotiations with the Taliban," in *Talibanistan: Negotiating the Borders between Terror, Politics, and Religion*, ed. Peter Bergen and Katherine Tiedemann. New York: Oxford University Press, 2013, 431–49.

support this strategy. The conflict over the Durand Line, Pakistani support for the Taliban, and the general blame placed on Pakistan by President Karzai for all of Afghanistan's problems negates the concept of strategic depth. Strategic depth may not be a feasible strategy but it is currently the policy of Pakistan and it would take great efforts and assurances by both the United States and China to change the policy. China and the United States both have some leverage in Pakistan; China, however, is much more popular than the United States in Pakistan and likely has greater influence. Trying to pressure the Taliban by asking Pakistan to use its leverage or trying to pressure Pakistan by asking China to use its leverage puts too many proxies with competing interests between the Taliban and the United States.<sup>188</sup>

## **B. POST-2014 AFGHANISTAN**

Prior to evaluating U.S. and Chinese policy leading up to and after 2014, it is necessary to look at what scenarios are likely post-2014. The Afghan government, the United States, and China all have a stake in the outcome in Afghanistan but to varying degrees. To the Afghan government, 2014 could mean the end of its existence or the dawning of a new age of progress and autonomy. To the United States, 2014 could mark the beginning of a strategic defeat and humiliation or a passable extrication from a foreign adventure. To China, 2014 could mark the return of terrorist threats or the beginning of a new strategic and economic relationship.

Some assumptions must be made in order to approximate outcomes in Afghanistan:

- The Afghan government will continue to be corrupt.
- The Afghan government has reached the limit of its control in rural areas and villages, and will likely lose some central control post-2014.
- The ANSF will continue to gain experience, and most likely capability, but will not be able to increase its end strength due to attrition.

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<sup>188</sup> Feroz Khan. "Politics and Security in Afghanistan and Pakistan-Pashtunistan," (lecture, Naval Postgraduate School, Monterey, CA, August 1, 2013); Brendan Smialowski. "Some 11 Percent of Pakistanis View the US Favorably, 81 Percent Hold Positive Views About China," *Newsweek Pakistan*, July 18, 2013, <http://newsweekpakistan.com/poll-has-china-rising-in-global-popularity/>.

- Presidential elections will occur and Karzai will no longer be in power.
- Once U.S. and NATO forces leave at the end of 2014, they will not return.

It is also assumed that a civil war in Afghanistan is unacceptable to Afghans, the United States, China, Pakistan, and the broader region. Although a civil war in Afghanistan is an unacceptable outcome to many parties, it may not be avoidable in the short or long term.

In 2010, Naveed Muktar, a major general in the Pakistan Army, laid out four scenarios for post-2014 Afghanistan and their implications. In the first scenario, “Fumbled Hand-off” negotiations give the moderate Taliban a place in government and U.S. and NATO forces withdraw. The Taliban eventually are able to take control of the government because the Afghan people lose faith in the central government due to chronic ineffectiveness and corruption.

The Taliban guarantee that Al Qaeda or other terrorist networks will not have safe haven in Afghanistan, and that poppy cultivation will be curbed. These assurances are enough keep regional actors from further interference and the Afghan economy sputters along. This is a “marginally acceptable” outcome for the U.S. and China because it prevents terrorism against the United States and China and allows Chinese SOEs access to Afghan minerals.<sup>189</sup>

The second scenario, called “The Whole Nine Yards,” states that the Afghan central government maintains power by giving up some control to the provinces and districts. This is reinforced by integrating the Taliban into the government through successful negotiations. In this scenario, Afghanistan receives substantial aid from the United States and the international community to increase its capability. This is the most stable and attractive scenario because it allows for robust international investment in Afghanistan. The United States would continue to support and develop the ANSF to prevent a resurgence of lawlessness. Regional powers are kept from interfering by the larger powers, and China and the United States no longer worry about terrorist threats emanating from Afghanistan. America would need to remain intimately involved in the

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<sup>189</sup> Naveed Muktar. “Afghanistan: Alternate Futures and Their Implications.” *Parameters* vol. 41 (Summer 2010), 68–69.

development of Afghanistan, but would retain international credibility and moral authority. Both of these scenarios provide for the U.S. objective of denying terrorist groups safe haven, and both allow for economic development of Chinese investments. The problem is that both of these scenarios are predicated on a negotiated settlement with the Taliban, which seems unlikely.<sup>190</sup>

The worst outcome, “Decline into Chaos,” is the outbreak of civil war after the implosion of the Afghan government. If U.S. and NATO forces leave hastily because a bilateral security agreement is not signed, the Afghan government will likely fail because of corruption and the desertion of security forces. Warlords, militias, the Northern Alliance, and the Taliban will again fight for control of the country. This civil war will be much worse than the last because allied forces have spent the last decade equipping and training the Afghan security forces while Taliban fighters have been gaining combat experience. To make matters worse, regional players will align with different factions and arm them. The fierce fighting will invite neighboring countries to provide conventional assistance, and forces from Pakistan, India, Iran, and Central Asian states could battle for control of Afghanistan or cooperate in the hopes of containing the fighting. Millions of refugees would flee Afghanistan into neighboring states, placing more pressure on volatile regions like the FATA. Eventually, insurgencies in the region could assert themselves as central governments become weakened or distracted by events in Afghanistan. The international community and the United States, which recently left Afghanistan, would have to stand by, helplessly, as the situation worsened. The only possible response to this scenario would be a UN-sponsored peacekeeping mission manned by Muslim countries. Beijing’s security state in Xinjiang would be tested, but would likely hold, but terrorist would be able to establish sanctuary in and around Afghanistan to export violence. This would be a humiliation for the United States and would destroy its reputation in the Muslim world for decades.<sup>191</sup>

The last scenario Muktar lays out is the “Dead Man Walking” scenario, in which the Afghan central government is able to cling to power, for a time. This scenario does

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<sup>190</sup> Ibid., 60–70.

<sup>191</sup> Ibid., 70–71.

not differ much from the civil war scenario because the central government eventually fails because of weakness and corruption. The main difference is that since there is no active terrorist threat from Afghanistan, the United States is unable to intercede in the conflict. Both this scenario and the civil war scenario are likely in the absence of an agreement with the Taliban.<sup>192</sup>

A few themes emerge from these thought experiments: primarily, negotiations with the Taliban are crucial to the outcome in Afghanistan. There are two courses of action for the Taliban: either become a part of the political system or seize power once the current system has failed. From the Taliban's perspective, they will win back control in Afghanistan regardless. The U.S. and China need to exert pressure and use their leverage if they value an outcome besides civil war in Afghanistan. Another major theme is the importance of how the U.S. and NATO forces withdraw from Afghanistan. A precipitous withdrawal will ensure civil war in Afghanistan. Even a well designed and executed withdrawal poses many risks because of the weakness of the Afghan government. That is why it is essential that the U.S. forces some changes in the Afghan government prior to December 2014. First, the single nontransferable vote must be repealed. This electoral arrangement allows candidates who receive less than 1 percent of the vote to serve in government. This delegitimizes the process because it allows for unequal representation. Next, the Afghan central government must be forced to decentralize some aspects of control. Historically, Karzai has been given the power to appoint provincial and district governors, and at times local government officials and clerks. Afghanistan has not had a strong central government that was able to push its authority into every corner of the country. It is illogical to try to increase the government's writ at this point because of the future absence of U.S. and NATO forces. A decentralized democracy would allow some areas of the country to be ruled by the Taliban or fall under sharia law, but this is a better outcome than the collapse of the central government.<sup>193</sup>

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<sup>192</sup> Ibid., 71–72.

<sup>193</sup> Stephen Hadley and John Podesta, "The Right Way Out of Afghanistan: Leave Behind a State that Can Govern." *Foreign Affairs* 91, no. 4 (July/ August 2012): 41–53; Biddle, "Defining Success."

The basic elements of a settlement between the Taliban and the Afghan government are conceivable: the Taliban must respect the Afghan Constitution, renounce armed conflict, and sever ties with Al Qaeda.<sup>194</sup> Decentralization in the Afghan government could be extended to accommodate the Taliban. Even if the central government divests control of the provinces it could still act as a stabilizing force as long as red lines are respected. As long as provinces do not violate the central government's foreign policy, do not infringe on a neighboring province, or seize natural resources or promote narcotics, the central government could give autonomy to the provinces. The central government would still maintain the ANSF to moderate disputes between provinces and clans. Warlords may wrest control from elected authorities, but would be kept in check by other provinces and the central government. This system would require few state institutions and would allow the people to decide their fate in each province. The central government would have a monopoly on foreign aid and could control its flow to assure allegiance. What each provincial government did would be transparent to the people, and each province could choose its own laws. While corruption and narcotics trafficking are a risk in this system, even this weak system is preferable to outright civil war.<sup>195</sup>

Afghanistan's future is currently in the balance, but the United States and China still can play a role in its outcome. Negotiations with the Taliban will determine a large part of the outcome in Afghanistan, but geopolitical rivalry between the United States and China may prevent negotiations from taking place. As stated earlier, the U.S.–China relationship is deep and collaborative, but shows signs of strain. Mutual mistrust of intentions prevents the nations from finding common ground on geopolitical problems. Mistrust is compounded by China's aversion to interfering in the internal matters of other

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<sup>194</sup> Stephen Biddle, "Ending the War in Afghanistan: How to Avoid Failure on the Installment Plan." *Foreign Affairs* 92, no. 5 (September/ October 2013): 49–58; Hadley, "The Right Way Out."

<sup>195</sup> *Ibid.*

states in accordance with the “Five Principles of Peaceful Coexistence.” In the event of a civil war in Afghanistan, China’s intervention policy may change because the stakes to its interests are so high.<sup>196</sup>

Even with mutual mistrust, there are areas where the United States and China can cooperate in Afghanistan. The United States could and should promote Chinese business ventures in Afghanistan. More Chinese nationals in Afghanistan means that China has a greater stake in the outcome of the 2014 transition. A larger stake means that Beijing may be more willing to use its leverage to affect the outcome in Afghanistan. While China is unlikely to use its own military forces in Afghanistan, SCO countries including Russia could be prompted to prepare to intervene in Afghanistan if necessary. In fact, Russia has already mobilized the CSTO to increase military air assets in the region and train peacekeepers specifically for this contingency. Although Russia and the Central Asian states are bitter about the United States and NATO departing Afghanistan before the country is stable, they will not sit idly while the country falls into chaos.<sup>197</sup>

Another area where the United States and China can find common ground is the Mes Aynak and Amu Darya projects. The United States and the international community need to pressure Beijing into upholding its contract obligations for infrastructure development. Chinese SOEs should not be allowed to renegotiate their way out of these commitments. The \$10 billion worth of infrastructure development around Aynak, and the billions around Amu Darya, could provide the stimulus necessary to jump start the Afghan economy.

While there are areas of collaboration in Afghanistan, there are also areas of concern that policy and decision makers should avoid. China will not be pressured into deploying troops to Afghanistan; pressuring Beijing to do so is counterproductive and a waste of effort. Beijing will decide to deploy troops to Afghanistan only under dire

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<sup>196</sup> EurasiaNet.org. “Central Asia: Report Looks at China’s Role in Central Asia.” February 26, 2013, accessed October 28, 2013, <http://www.eurasianet.org/print/66607>.

<sup>197</sup> Roger McDermott. “Moscow Promotes Airpower and Peacekeeping on Afghanistan-Linked CSTO Agenda (Part One).” *Eurasia Daily Monitor*, vol. 10, iss. 81 (April 30, 2013), [http://www.jamestown.org/programs/edm/single/?tx\\_ttnews\[tt\\_news\]=40812&tx\\_ttnews\[backPid\]=685&no\\_cache=1#.UoaH\\_o2HkXw](http://www.jamestown.org/programs/edm/single/?tx_ttnews[tt_news]=40812&tx_ttnews[backPid]=685&no_cache=1#.UoaH_o2HkXw).

circumstances, and even then deployment will be under the guise of international legitimacy through the UN and at the invitation of the government of Afghanistan.<sup>198</sup> Another area of concern is China's developing role in Central Asia. President Xi Jinping recently traveled through Central Asia and signed billions of dollars' worth of trade agreements on his way to the annual SCO forum. He has also stated the goal of developing a Silk Road economic belt, with Pakistan acting as the test case. It would be unwise for policy and decision makers to interfere with these efforts because they directly affect the future economic development and stability of Afghanistan. Central Asia is becoming more important to China's energy security, so U.S. efforts in the region would be looked at with great suspicion and hostility.<sup>199</sup>

The last area of concern is China's relationship with Pakistan. While the Sino-Pakistan alliance is healthy and vibrant, testing it is ill advised. China cannot be cajoled or pressured into exerting leverage over Pakistan. China values the relationship as a foil to India's ambitions and will not jeopardize it to assist the United States. It is not apparent if China can pressure Pakistan to change its policy of strategic depth in Afghanistan. The relationship between the Taliban and Pakistan is unclear as well. While some link definitely exists because the Taliban leadership has safe haven there, as a proxy, it is unclear how much influence Pakistan has over the Taliban.

Some see a future for Afghanistan in the strength of the ANSF, the government capacity U.S. and NATO forces have built, and the development of an Afghan economy. These trends may seem bright but they are overshadowed by the obstacles Afghanistan faces during this period of transition. The way forward in Afghanistan involves the best efforts of the Afghan government, the United States, China, and neighboring countries or the country will slide back into anarchy. Time has not run out on the experiment of nation building in Afghanistan, but the time to make a difference in Afghanistan's future is now.

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<sup>198</sup> Zhao Huashen. *China and Afghanistan: China's Interests, Stances, and Perspectives*. Washington, DC: Center for Strategic and International Studies, 2012, 11.

<sup>199</sup> Alexandros Petersen. "China Is Pivoting to Central Asia—But Is Washington Paying Attention?" *The Atlantic*, October 28, 2013, <http://www.theatlantic.com/china/archive/2013/10/china-is-pivoting-to-central-asia-but-is-washington-paying-attention/280921/>; Raffaello Pantucci. "China Re-Wires Its West." *Reuters*, October 4, 2013, <http://blogs.reuters.com/pakistan/2013/10/04/china-re-wires-its-west/>.

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