CHINESE INVESTMENTS IN AFGHANISTAN: Strategic economic move or incentive for the Emirate?

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When the West withdrew from Afghanistan, many assumed that its acquisitive neighbour, China, would reap the economic benefits of the change of government in Kabul. Afghanistan has immense, but largely untouched mineral and hydrocarbon wealth, including strategically valuable metals such as lithium. That assumption was fed in the first half of 2023 by a flurry of high-level business meetings and some potentially significant contracts between Chinese companies and the Islamic Emirate, including on mining projects. Given the perilous state of Afghanistan’s economy, major economic investment could help Afghans, as well as potentially stabilising the Emirate. However, in reality, Chinese engagement in Afghanistan is still tentative. This raises the familiar question of whether the Chinese government is pursuing real economic interests there or using them to incentivise the Emirate to play along with its security interests. AAN’s Thomas Ruttig tries to decipher the deals from the spin and weighs the arguments in the security versus economy debate.
INTRODUCTION

In the first six months of 2023, there was a series of business deals and contacts between Chinese companies and Islamic Emirate of Afghanistan (IEA) officials in mining and other sectors, supported by China’s leadership in Beijing and its embassy in Kabul.

The Afghan media, including state-owned media outlets, covered these deals and meetings between IEA officials and Chinese business delegations extensively, and a number of Western researchers have also weighed in on the issue. The coverage has been conspicuously less widespread in the Chinese media, perhaps reflecting Afghanistan’s relative insignificance for China. What might seem like ‘small fry’ projects for China – a mere slip road in its global Belt and Road Initiative – hold the potential to inject significant income into the Afghan economy and the Emirate’s lean coffers.

The following report brings together available details on the deals and highlights some contradictions and question marks in the media coverage. It also considers China’s engagement in the same sector under the Islamic Republic of Afghanistan in order to provide context and finds that although, at first glance, the Chinese players involved have changed, there is, in fact, some continuity.

WHAT HAPPENED IN 2023?

In January 2023, the Islamic Emirate of Afghanistan won its biggest economic deal since coming to power in August 2021. Acting Minister of Mines and Petroleum Shahabuddin Delawar and representatives of a little-known subsidiary of the China National Petroleum Corp called Xinjiang Central Asia Petroleum and Gas Company (CAPEIC) signed a contract to develop oil and gas fields in northern Afghanistan on 5 January 2023 (see also this Taipei Times report). The presence of China’s ambassador to Afghanistan, Wang Yu, and the IEA’s first deputy minister for economic affairs, Mullah Abdul Ghani Baradar, at the ceremony, combined with the live TV broadcast of the occasion on state-owned Radio Television Afghanistan, reflected the political significance both sides attributed to the deal.
The Chinese partner, CAPEIC,\textsuperscript{1} received a 25-year concession to drill three blocks in an area that spans more than 5,000 square kilometres, from eastern Faryab province through southern Jowzjan into Sar-e Pol. The three blocks – or concession areas – are called Qashqari, Bazarkhami and Zamarudzay.

There are five known fields in the Afghan part of the Amu Darya River Basin (see this map). The basin itself is an area that encompasses Afghanistan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan, and is home to the world’s third-largest oil and natural gas reserves after the Persian Gulf and Russia’s Western Siberia. Most of the basin – 95 per cent – belongs to Afghanistan’s northern neighbours, Turkmenistan and Uzbekistan.

Afghanistan has been exploiting its gas resources since the mid-20th century. The country’s then northern neighbour, the USSR, provided technological

\textsuperscript{1} A video of the ceremony, published on the Ariana News website on 8 January 2023, identifies CAPEIC’s chairman as Li Wenbin. However, CAPEIC does not provide a name for the individual it identifies as its chairman in a video on its website.
assistance and was also the main importer at a price well below the global market. The gas was used to repay earlier Soviet loans. The author recalls how, in those days, the rumour in Kabul was that the meter was on Soviet territory, so Afghanistan did not know how much it exported.

Later, in 2010, large oil fields were discovered in northern Afghanistan, with an estimated 1.8 billion barrels of oil. The CAPEIC concession, estimated at 87 million barrels (1 barrel = 159 litres), valued at seven billion US dollars when it was signed, covers less than one-tenth of those reserves.

As part of the deal, CAPEIC has committed to investing some 540 million USD over the first three years and creating 3,000 local jobs, with the Emirate receiving a 20 per cent share in the expected royalties, with a possible increase to 75 per cent, according to a number of media reports that covered the event. The media did not provide details of how the financial deal was structured.

The legal basis for the deal is unclear, with no indication that there was a bidding process and the framework for such foreign investments as yet unspecified. The Emirate’s leadership has repeatedly stated that it intends to abolish all laws not based on sharia but has not yet explicitly annulled the Republic’s laws. (For example, the Emirate seems to be using the former Republic’s tax laws and regulations; see our report Taxing the Afghan Nation.) According to the 2004 Constitution of Afghanistan (article 9), Afghanistan’s mineral resources belong to the Afghan state, and the “[p]rotection, management and proper utilization of public properties as well as natural resources shall be regulated by law.” The amended 2018 Minerals Law, which also applies to oil and gas reserves, does not make any specific references to requirements for foreign investments in Afghanistan’s mining sector. The law’s article 17 provides that eligible persons must be residents of Afghanistan and that legal entities (companies) must hold an investment licence (see also the law in Dari and Pashto as published in the Official Gazette).

While the 2005 Law on Domestic and Foreign Private Investment allows for 100 per cent foreign ownership, it does make exceptions for “investments in construction of pipelines, … oil and gas, mines and minerals” (Article 25), saying that investment in these sectors shall be regulated under separate legislation (presumably the Minerals Law).

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2 For further details, see Abdul Tawab Assifi’s ‘The Russian Rope: Soviet Economic Motives and the Subversion of Afghanistan’.
The political support that the mining deal received from the People’s Republic was significant, as expressed by Ambassador Wang, who praised it as “a model for Chinese-Afghan cooperation” and “a good illustration of the alliance and interaction between both countries.”

Also, in January 2023, reports about Afghanistan’s potentially valuable lithium reserves emerged. According to Afghan media, the IEA had arrested three Afghans and two Chinese citizens as they were allegedly caught trying to smuggle “1,000 tons of rocks containing raw lithium” out of the country (see for example here). While there is no evidence to suggest official Chinese state involvement in this activity, Afghanistan’s lithium reserves are of great interest to China, which now has the world’s largest market for electric vehicles, which rely on lithium for batteries.³

In April 2023, it emerged that a Chinese company called Gochin had offered Minister Delawar investments of ten billion US dollars for the exploration and extraction of lithium in another meeting in Kabul (as reported by Afghan media, including this Pajhwok story). The offer included refining the ore in the country and a wide range of infrastructure projects, including hydropower dams, roads and even a second Salang tunnel which would create some 120,000 jobs.

In May, ambassador Wang reportedly told the IEA that China would expedite “preliminary work” on the Ainak (also spelled Aynak) copper mine, where China has long had interests (see this Voice of America (VOA) report). This site in Logar province, just south of Kabul, is believed to be the world’s second largest open-pit copper mine. In 2008, a Metallurgical Corporation of China and Jiangxi Copper Consortium (MCC-JCL) consortium was awarded a 30-year concession based on a three billion US dollar project.⁴ The deal was concluded through an open tender under the oversight of the United States Department of Defence’s Task Force for Business and Stability Operations (TFBSO).⁵

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³ China has lithium reserves of its own, much of it in Chinese-annexed Tibet.
⁴ Jiangxi Copper Consortium was a subsidiary of the state owned MCC, which was absorbed in the Chinese state-owned conglomerate China MinMetals Corporation (CMC) in December 2015.
⁵ The US Department of Defence’s Task Force for Business and Stability Operations (TFBSO) was established in 2011 to lead US economic development efforts in Afghanistan (a SIGAR review here), with the aim to enable the Afghani government to increasingly pay for its own armed forces and ease the US’s financial burden in Afghanistan. TFBSO ceased operations in Afghanistan on 21 November 2014.
The deal caused criticism in the US at the time, including from a pressure group, the Alliance for the Restoration of Cultural Heritage (ARCH), ostensibly about the preservation of an ancient complex of Buddhist monasteries discovered on the copper deposit site in 1963. The group, however, likely had other interests. One of ARCH’s four directors, Eli Sugarman, accused the TFBSO of jeopardising US interests in Afghanistan, as it placed important “resources under the effective control of the Chinese government” (see this Foreign Policy report). None of ARCH’s then four directors – Sugarman, Zalmay Khalilzad, the US special envoy, later US ambassador to Afghanistan and finally the architect of the 2020 Doha agreement, his spouse Cheryl Benard and their son Alexander Benard “ha[d] a background in cultural heritage,” as the London-based daily The Guardian commented, but “several have connections to a US energy company interested in Afghan contracts.”

The Ainak project did not progress for a variety of reasons; first of all, lack of access due to the ongoing war, but also a drop in global copper prices and an overly-ambitious contract, given the deteriorating conditions, which the Afghan government refused to renegotiate (including commitments to build a processing plant in-country, a railway to the Pakistani border and a power plant to provide energy for the site and region, see analysis here). The government of President Ashraf Ghani reportedly threatened to revoke the concession in early 2021 (see Foreign Policy here), as the Chinese consortium was unable to make good on the

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6 It was only more systematically explored after 2001 and turned out to be one of Afghanistan’s most important archaeological treasures, alongside the destroyed Bamyan [also spelled Bamian] Buddha statues (See AAN’s report ‘The Destruction of the Bamian Buddhas (1)’. Artefacts found there were exhibited in Kabul during the Republic, and a debate was ongoing on how best to exploit Mes-e Ainak’s mineral wealth while at the same time protecting the site’s archaeological bounties.

7 Similarly, Robert Kaplan, one of the leading neo-con commentators of that time, had argued in an op-ed for The New York Times in 2009: “The problem is that, while America is sacrificing its blood and treasure, the Chinese will reap the benefits.”

8 Khalilzad, Benard and Sugarman were co-founders of Gryphon Partners, a consulting company that advised US Tethys Petroleum in its failed bid for the above-mentioned oil fields in northern Afghanistan, which CNPC won. In a response article published on the Foreign Policy website, Khalilzad wrote that: 

[They did not] have a problem with Chinese investment in Afghanistan as such. We do not believe that Afghans should be required to turn over the development of minerals to the United States as a reward for ongoing U.S. sacrifices in Afghanistan…. [W]e are upset because U.S. taxpayer money was used to set up a process that favored a state-owned Chinese firm against private Western companies. This runs against official U.S. government policy and regulations, which in fact require U.S. government entities to promote American investors’ interests overseas.
promised support infrastructure within the agreed timeframe, and float a new tender.

After the Taliban took control in August 2021, they reportedly contacted the consortium to resume its work. The Chinese government, according to its international daily newspaper, The Global Times, still saw itself “own[ing] the Aynak copper project” (here). Some of the Chinese concerns about the initial deal, such as the feasibility of building a power plant, railways and a processing plant are apparently still in question (see reports here and here).

Another hurdle arose in the meantime. To the astonishment of many, the Taliban, given their destruction of the Bamyan Buddha statues in 2001, are now insisting that the Chinese consortium extract the copper not through an open pit but by underground mining to protect the Buddhist site (see this CNBC report). This may be prohibitively costly for the consortium, which had already said it wanted to reduce the 19.5 per cent in royalties agreed with the Ghani government.

In another positive step for Afghan-Chinese commercial relations, also in May 2023, both countries resumed direct commercial flights operated by the Afghan state carrier Ariana (see VOA here), which had ceased during the Covid-19 pandemic. The opening of a land route for shipping cargo from China to Afghanistan followed in July (see Ariana news here and Pajhwok here).

More meetings between Emirate officials, the Chinese ambassador in Kabul and Chinese investors were held in the first three weeks of June, as the US-based Afghan online media platform Amu TV reported on 25 June, quoting “several Taliban ministries and the Central Bank.” Four Chinese companies had reportedly been involved; only one was mentioned by name, the HTC Group. The meetings

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9 There had been Afghan frustration about the lack of progress on the project for many years (see for example here).

10 Mohsin Amin, an Afghan researcher and analyst (who has also written for AAN), wrote on 18 August 2023 on Twitter that the Chinese consortium had indicated it was “willing to switch from open-pit to underground [mining].”

11 Ariana News reported on 10 July 2023 that a freight train carrying 39 containers of goods for Afghanistan, worth 1.5m USD, had left Lanzhou bound for the Afghan river port of Hairatan on 5 July, marking the launch of a new cargo route. The cargo was to be transferred to trucks in Kashgar in China’s Xinjiang province for onward transportation to Kyrgyzstan, where it would be reloaded on a railway to Hairatan (See Ariana News here). Pajhwok reported on 29 August 2023 that a “maiden shipment” of goods from China destined for Afghanistan was on its way through Pakistan, via the China-Pakistan border crossing at the Khunjerab pass (see Pajhwok here).
had “focused on issues around Afghanistan’s mines, including lead, zinc, gas, lithium, and talc.” The report went on to say that Chinese companies had “already started investing in producing energy using coal in Afghanistan,” without giving more detail. In December 2022, the Afghan power distributor, Da Afghanistan Breshna Sherkat (DABS), said Chinese investors might invest in coal-fired power, which could produce 500 megawatts of electricity. Another report cited the Chinese Chamber of Commerce suggesting they could deliver coal-fired power generation systems to every province of Afghanistan.

Finally, and of importance in particular because of the dire human rights situation under the Emirate, is a report by Kabul-based Ariana News, dated 15 August 2023, that Chinese telecom company Huawei had apparently offered the Emirate to install “an advanced CCTV system in every province of Afghanistan.” This report followed a meeting between Huawei representatives and Abdullah Mukhtar, acting Deputy Minister of Interior, in Kabul (here).12

AFGHANISTAN’S HYDROCARBON AND MINERAL WEALTH

The development of Afghanistan’s extractives industry began in the late 1950s, becoming a priority in the three 5-year plans between 1956 and 1972.13 It was mainly the USSR and France that supported prospecting in Afghanistan. In that period, the gas field in northern Afghanistan and iron ore deposits in central Afghanistan were discovered. Apart from gas, however, large-scale extraction was prevented by the decades of war. Some precious and semi-precious stones, coal, marble, talc and other minerals were mined locally and on a relatively small scale. Miners, often children as well as adults, worked under hazardous working conditions. This type of mining was only partially controlled by the central government or local authorities, with considerable influence from local commanders and the Taleban

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12 The report refers to “a series of posts on X (formerly Twitter)” by the ministry’s spokesman, Abdul Mateen Qani.

13 The 5-year plans were based on a Soviet model but designed with the help of (West) German experts. Industries, energy and mining received roughly one third of all planned investment in all three plans. The northern gas fields were the single largest project.
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(often collaborating across frontlines). Over the decades of war, the extraction and subsequent smuggling abroad of the yield fuelled Afghanistan’s war economy.

By 2018, Afghanistan was a modest contender in terms of oil and gas, with its natural gas reserves ranked globally at 62, and its oil reserves at 99th largest in the world.14 However, in 2010 the US government, drawing on the earlier French and Soviet research, “estimated the total value of Afghanistan’s mineral and hydrocarbon deposits at more than $1 trillion” (see SIGAR report ‘Afghanistan’s Extractives Industry’, p2). The realisation of this wealth would require peace, however.

Afghanistan’s lithium deposits could turn out to be of greater significance than its hydrocarbon reserves. In 2010, The New York Times cited an internal Pentagon memorandum stating that lithium-containing deposits in Afghanistan are so vast

14 Based on CIA data from 2018, it is ranked here in the World Factbook 2021 Archive. Such rankings can be contested by the front runners, but Afghanistan is generally accepted as only a mid-level player.
they could “fundamentally alter the Afghan economy” and the country “could become the ‘Saudi Arabia of lithium.’” That did not go unnoticed in Beijing, though some commentators warned that speculation of potential billions made from Afghan lithium was exaggerated. The real value of the deposits has to consider the cost of extraction, which is prohibitive in a landlocked country with poor infrastructure even after the war is basically over.

However, these complications have not deterred decades of interest by multiple countries with mining interests, including the US, India and China.

**A SLIP ROAD TO THE BELT AND ROAD INITIATIVE**

Afghanistan’s new rulers consider the May 2023 agreement between Beijing and Islamabad to extend its Belt and Road Initiative to Afghanistan as the most strategically important project in Afghan-Chinese cooperation (see here).\(^{15}\) Afghanistan’s involvement in the Belt and Road Initiative had been proposed by China as early as May 2016 when both countries signed a memorandum of understanding pledging to jointly promote cooperation under this framework (see here). However, Pakistan discouraged, if not blocked, similar Chinese ideas during the previous Afghan government’s tenure (see here). (It is still blocking Afghan-India trade via its territory by suspending the Afghanistan-Pakistan Transit Trade Agreement as a result of bilateral border tensions.)

The agreement aims to “improve connectivity among the three neighbours,” according to the *Global Times*, which quoted Chinese academia as saying: “China’s advanced agriculture and poverty reduction experience could be shared with Afghanistan to improve living standards there fundamentally.” The three parties “have already agreed on significant strategic projects, including the Trans-Afghan railway connecting Uzbekistan to Pakistan’s Gwadar Port and the China-Kyrgyzstan-Uzbekistan transport corridor, which includes road and rail connectivity,” reported the Pakistan-based Matrix Media (and also here).

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\(^{15}\) This agreement resulted from the China-Afghanistan-Pakistan Foreign Ministers’ Dialogue and the 4th round of the Foreign Minister-level Pakistan-China Strategic Dialogue attended by Beijing’s foreign minister Qin Gang in Pakistan’s capital Islamabad in early May 2023.
As things currently stand, Afghanistan would be a secondary road to the China-Pakistan Economic Corridor (CPEC), with the land-locked country remaining dependent on Pakistan for its connectivity. This, at least, is what many Afghans suspect, especially those who are critical of Pakistan, particularly because of its decades-long support for the Taleban (see here). Pakistan's foreign ministry also frames this agreement as an “extension” of CPEC (quoted here).

In order to escape this situation, the Emirate seems to be pushing the idea of a road directly linking China and Afghanistan across its common border in the Wakhan (see here). While this has an obvious appeal to Afghans, it would be an extremely costly endeavour, given the mountainous terrain of the Wakhan corridor, which is unpassable for much of the year, as well as the militarised nature of Xinjiang Province on the Chinese side of the border.
In two of the business deals, there are some intriguing questions about the identity of the Emirate's Chinese business partner and the legacy of similar Republic-era business deals. CAPEIC, which won the 25-year concession to drill for oil and gas in northern Afghanistan in January 2023, uses ambiguous language on its website concerning its connection to China's main state-owned China National Petroleum Corporation (CNPC), saying it “was founded in June 2000, and was restructured from PetroChina (CNPC) Xinjiang Oilfield Company.” Most external sources (see for example here) describe it as a CNPC subsidiary. This is significant because CNPC concluded a similar deal over oilfields in the same part of northern Afghanistan with the previous Western-backed government in 2011 (see here) but suspended the work after only one year, in 2013, due to security problems and other complications.

This insecurity, however, was not the result of Taliban attacks but of conflict between factions related to the central government (see here). In accordance with Afghan law at that time, the deal had involved a joint venture with an Afghan company, the Watan Group. This company was run by two cousins of then president Hamed Karzai, Ahmad Rateb and Rashid Popal. Government officials blamed the former warlord Abdul Rashid Dostum, who was at the time chief of the Afghan army’s general staff but was often at loggerheads with Karzai (see here). Dostum must have seen the CNPC deal as an encroachment on his home

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16 “Central Asia Petroleum & Gas Co., Ltd dates its history back to 2000, when several employees from Xinjiang Oilfield Bra[n]ch, which being subsidiary under China National Petroleum Corporation (CNPC), founded the company” (see here).

17 It is also strange why “Xinjiang Central Asia Petroleum and Gas Co” abbreviates to CAPEIC. Also, the company’s Chinese name (疆中亚石油天然气) does not refer to ‘Xinjiang’. To add to the confusion, the original Bakhtar report first mentioned CAPEIC, then said the contract was with “China Petroleum Economics and Information Research Center (CPEIC).”

18 Afghan officials at the time cited delays in reaching a transit agreement with Uzbekistan, where refinement was due to take place (see this report).

19 This 2014 CIDOB paper (p6) quotes sources, including from within the Taliban, that after Uyghur militants pledged allegiance to Talib Leader Mullah Muhammad Omar, he instructed them to cease their attacks against China, as alienating China ran counter to Talib interests. It is also true that Talib activity around the Ainak copper mine contributed to the lack of progress there.

20 One of the cousins, Rateb, had been convicted in the US for trafficking heroin in the 1990s (see here).
turf, as he had started his (para)military career at that very place as a member and later commander of the plant security of the gas fields of Sheberghan, Jowzjan’s provincial capital. Allegedly, Dostum’s militia had threatened Chinese engineers working at the site, hoping this would force Karzai to make sure the Watan Group gave him a share of the profits.

The Watan Group again seems to be involved in the current CAPEIC deal. Ariana News reported in early July, quoting the state-owned news agency Bakhtar, that “a joint venture between China’s Xinjiang Central Asia Petroleum and Gas Co (CAPEIC) and Afghanistan’s Watan Group” called the Fan China Afghan Mining Processing and Trading Company (FAMPTC) would “invest $350 million over the next few months in various sectors including power generation, construction of a cement factory and in health in Afghanistan.”

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21 This reportedly came after a meeting with Mawlawi Abdul Kabir, who was then acting Prime Minister of the Islamic Emirate of Afghanistan.
These factors suggest that the old deal was still considered valid by both parties (as is apparently the case for Ainak) and that CAPEIC is effectively just a front for CNPC. It could also mean that the Taleban are sticking to the Islamic Republic’s policy of insisting on joint ventures with an Afghan company, particularly in the mining sector. In contrast, Afghan academics Ghazaal Habibyar and Javed Noorani, writing for the Afghan Research Network, argued in a June 2023 paper on Afghan mining that the oil contract is illegal as it was cancelled and then reinstated without retendering.

There are also ambiguities about the Chinese company that is named as being interested in lithium investment. Analysts who followed this development could not identify ‘Gochin’ online (see here). A company of that name was not included in the list of the ten largest players in China’s lithium economy (see here). Gochin could be a newly created front company implementing Beijing’s interests in Afghanistan.22

In any case, the additional projects offered by Gochin, particularly the new and extremely costly Salang tunnel, seem unrelated to the planned exploitation of Afghanistan’s lithium reserves. Those are in the east and south-east of the country near its border with Pakistan, through which it could be exported relatively easily (see a detailed discussion of Afghanistan’s lithium deposits here). Pakistan’s roads and ports are already integrated with China’s mega Belt and Road Initiative, including the substantial USD 600 billion China-Pakistan Economic Corridor. This corridor links China with the Indian Ocean and significantly shortens its maritime trade routes to Europe, the Middle East and East Africa.

THE EMIRATE’S INTERESTS

For the IEA, the prospect of economic investments from China is tempting. It is possibly their biggest chance to, at least partly, fill the gap left by the sharp fall in foreign funds arriving in Afghanistan (in the form of military support to the

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22 It is also difficult to imagine that under Xi Jinping’s strict rule, any Chinese company could act outside the party’s resource policy Five-Year Plan (see ‘Rohstoffpolitik im Wandel’, Sausmikat/Wen, Südlind 204, pp 28-9, Berlin – not available online).
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The Republic’s security services) following the Taleban takeover (AAN reporting here). The Emirate’s main spokesman, Zabiullah Mujahed, expressed this idea less than a month after the Taleban captured Kabul: “China will be our main partner and represents a great opportunity for us because it is ready to invest in our country and support reconstruction efforts.” (Mujahed made these remarks in an interview with Italian daily La Repubblica on 2 September 2021, which is quoted here in Pakistan’s daily The Express Tribune).

The IEA sees such potential investments as contributing to its push for economic self-sufficiency. This aim was declared by the Emirate’s leader Hibatullah Akhundzada on 1 July 2022 when he addressed a high-profile ulema gathering (ghunda) in Kabul (see here). He said Afghanistan should not “rely on the foreign aid” as that “cannot lift us up and cannot put our economy back in order…. This [has to be] our effort.”23 Baradar also used the term ‘self-sufficiency’ in his speech after the signing of the CAPEIC contract.

From the Emirate’s perspective, China offers favourable conditions for cooperation. Unlike Western countries, which have imposed political and economic sanctions, including the freezing of Afghanistan’s assets, Beijing has a policy of non-interference in what it defines as the internal affairs of other countries.24 In a phone conversation with his IEA counterpart Amir Khan Muttaqi in January 2023, China’s new Foreign Minister Qin Gang said Beijing would “always respect […] the independence, sovereignty and territorial integrity of Afghanistan” and “never interferes in Afghanistan’s internal affairs, nor seeks any selfish gains in Afghanistan or the so-called sphere of influence,” as the Global Times reported. While China has not recognised the Emirate, it has given the Emirate unprecedented legitimisation

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23 See Taleban Supreme Leader Hibatullah Akhundzada’s speech with English subtitles translated by Ariana News and published on its YouTube channel here.

24 This needs to be taken with a pinch of salt, though. True, Beijing has rarely been involved in open regime change. But it has supported insurgent movements, such as the mujahedin in Afghanistan in their struggle with a regime propped up by the erstwhile USSR, then China’s main adversary in the divided ‘socialist camp’. It is propping up (some odious) regimes itself, such as in Burma/Myanmar, when it suits its interests in its neighbourhood. It is also influencing other regimes to change policy, if not their domestic policies, for example, to make them de-recognise Taiwan, officially the Republic of China. In recent years, it has been increasingly projecting its role in the global arena, including working more actively (sometimes together with Russia) to move governments out of the US’s or the wider West’s orbit by providing its famous non-conditioned aid and making big offers in the framework of its Belt and Road Initiative, sometimes profiting from the political mistakes of its Western adversaries.
by stating “that China respects the independent choice made by the Afghan people, their religious beliefs and national customs.”

Domestically, the Emirate has to show an increasingly impoverished population that they are working towards economic recovery, given the collapse since they took power. From the start, they took a number of steps in this direction.

The United Nations, World Bank and others have conceded a certain level of economic improvement and competence to the Emirate. According to Afghanistan economics expert William Byrd from the USIP in Washington: “The Taliban administration has generally kept to a responsible macroeconomic and monetary stance.” Afghanistan’s economy stabilised in mid-2022 after a 20 to 30 per cent slump, although it is on a “famine equilibrium,” according to Byrd. The World Bank, in October 2022, saw “slight improvement in some business indicators (revenues, employment, and relatively better sentiments related to security and low corruption” as well as an increase in exports. Martin Griffiths, the UN’s chief humanitarian coordinator, after a visit to Kabul in January 2022, refuted reports that the Emirate was relying primarily on international funding, including allegedly diverted development and humanitarian aid.

Politically, the IEA hopes to benefit from China’s pragmatic position. Despite not offering formal recognition, China has spoken out in the UN and regional bodies (often jointly with Russia and in China-inspired blocs such as the Shanghai Cooperation Organisation) for the Islamic Emirate of Afghanistan to be recognised.

25 With its vote for the minimum consensus reflected in UN resolutions, Beijing officially supports some political demands directed at the Emirate, such as an “inclusive government” and women’s rights, probably knowing that the Taleban will hardly be moved by them.

26 For example, the Ministry of Labour announced in November 2021 that it would implement agreements concluded by the previous government with Qatar, Saudi Arabia and Turkey to send 65,000 migrant workers, 15,000 of them as cattle herders, to these countries. Acting Minister of Commerce and Industry, Nuruddin Aziz, said in January 2023 that Iran, Russia and China had shown interest in converting former US bases into industrial parks and building thermal power plants there, among other things. The Emirate had previously increased coal exports to Pakistan in order to benefit from the rise in international fuel prices in the wake of Russia’s war in Ukraine. They also struck a gas, oil and wheat deal with Russia, in September 2021, to ensure their own fuel and food supplies against the backdrop of international market price hikes which resulted from Russia’s war in Ukraine (see here). Domestically, the Emirate is enforcing a policy of rigorous tax collection, including some tax increases (see AAN report here). The Finance Ministry began collecting debts owed by government institutions to state utilities, such as those for electricity, said to be in the tens of millions of dollars. At the beginning of January 2022, the cabinet instructed all government agencies to use domestically manufactured products whenever possible and to promote this policy in schools and universities.
by the international community, for unconditional assistance and the unfreezing of Afghan assets (see here). These are the Emirate’s main political aims and are brought up by its officials in every official meeting.

China also provides de facto engagement on many levels, including a very active embassy in Kabul, according to Kabir Taneja, a fellow at the New Delhi-based Observer Research Foundation (ORF). John Calabrese, of the Middle East Institute (MEI), has described China as the “most visible power” and the “predominant external actor” in Kabul since the Taliban swept back to power. Since August 2021, China has held more meetings with IEA officials “than any other country,” wrote US analyst Aaron Y Zelin in an article for the Washington Institute for Near East Policy. The highlight, wrote Zelin, was a visit to Kabul by then Foreign Minister

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27 Interestingly, the issue of recognition does not feature in the Chinese foreign ministry’s April 2023 11-point policy statement regarding Afghanistan.
Wang Yi on 24 March 2022, during which he planted “a commemorative tree in the Emirate’s Foreign Ministry compound ‘in hopes of a prosperous Afghanistan’.” In contrast, Western countries hold most of their meetings with the IEA in Qatar’s capital, Doha, where the Taleban’s liaison office, which was established during the insurgency, is still operating.

At the same time, a Hong Kong-based newspaper recently quoted a Chinese researcher from Shanghai as saying that “China’s biggest problem in Afghanistan was a lack of security guarantees,” a concern that “Beijing and its embassy in Kabul have repeatedly warned of the risks of investing in Afghanistan at this stage.”

For the IEA and Afghans in general, however, there are also reasons to be sceptical about the real domestic rewards of Chinese investment, given evidence that in many Chinese projects abroad, its own companies benefitted, not the local populations. Despite some general improvements, such as better rules for ecological compliance in investment projects, analysts see China’s mineral sector as particularly lagging in this field (see ‘Rohstoffpolitik im Wandel’, Sausmikat/Wen, Südlfink 204, pp 28-9, Berlin, not available online). The IEA, although attempting to present itself as environmentally aware (see, for example, this wind power deal, or their complaint about being excluded from the COP27 world climate conference in Egypt in late 2022), might be tempted by quick income, at the cost of the fragile, climate crisis-prone ecology of the arid country. In Mes-e Ainak, the ecological hazards related to such a project and the land conflicts in the area, described in earlier AAN research (see here, here and here), remain the same as under the previous government.

**CHINA’S INTEREST**

Western analysts have long pointed to China’s security interests in Afghanistan while being sceptical about its economic projects there. Barnett Rubin, who helped initiate a China-Afghanistan dialogue in 2012, characterised Chinese interests in Afghanistan in a 2015 interview as firstly, security and secondly, the creation of

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28 South China Morning Post’s 22 August 2023 report quoted Wang Duanyong, a research fellow at the Shanghai International Studies University specialising in China’s overseas interests.
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a stable regional environment (which would foster a good investment climate, particularly for interior and western China). Rubin dismissed Chinese interests in natural resources as a main driver, saying, “It is prepared to wait until investments can become genuinely profitable.” Raffaello Pantucci, from S Rajaratnam School of International Studies in Singapore and the Royal United Services Institute in London, has even spoken of a “myth of China’s investments.” While acknowledging that Afghanistan’s resources are “potential opportunities” for Chinese investors, they are not “a strategic priority for Beijing,” he wrote, one day after the Taleban’s 2021 takeover of Kabul (see NIKKEI Asia here). “If anything, China-Afghan economic relations will be driven not by the state, but by small private actors on the ground, just having a go.”

Infrastructure for such an approach already exists in Kabul. According to Zelin, there is an active Afghanistan-China Business Association that “focuses on helping Chinese companies invest in Afghan industries (e.g., antiquities preservation, coal and copper mining, infrastructure, oil and gas extraction, slaughterhouses)” and through which much of Beijing’s Afghan engagement related to business opportunities is directed (see his report ‘Looking for Legitimacy: Taliban Diplomacy Since the Fall of Kabul’). The Global Times, the Chinese Communist Party’s flagship newspaper, has reported the existence of a business group named “Chinatown in Kabul,” which it expects will “see considerable expansion,” with five Chinese companies currently operating in Afghanistan and at least another 20 state-owned and private companies interested in lithium projects in the country. The Washington Post recently described the Chinatown project as “a 10-story tower that China entrepreneur Yu Minghui sees as a kind of Chinese chamber of commerce and showroom for imported goods, adding, “Yu co-owns Afghanistan’s first steel mill and has permits for a 500-acre industrial park outside Kabul.”

Even before the Taleban’s second takeover of Afghanistan, China’s contacts with the movement had already attracted much attention. Between 2014 and 2019, China hosted Taleban representatives several times on its territory. In 2015, China even hosted direct talks between representatives of the Taleban and the Afghan government, which were not immediately publicised but were confirmed to have taken place later (see AAN reporting here). A planned “intra-Afghan conference” in Beijing in 2019 fell victim to the outbreak of the Covid-19 pandemic (see here). China described these meetings as attempts to persuade the Taleban to negotiate a power-sharing agreement.
Immediately before the takeover, in late July 2021, while American troops were withdrawing, foreign minister Wang received a nine-member Taleban delegation headed by Mullah Baradar. Earlier, China’s head of state and party, Xi Jinping, had told President Ghani on the phone that Beijing “firmly” supported “the Afghan government to maintain the nation's sovereignty, independence, and territorial integrity.”

For Zelin, the relatively high frequency of China-Taleban contacts is “illustrating how the Islamic Emirate’s return has a great-power competition angle that transcends the West’s focus on potential counter-terrorism ramifications.” This would bolster the argument that China might be attempting to fill the economic ‘vacuum’ in Afghanistan after the West’s departure.

Others, such as Yun Sun, director of the China programme at the US-based Stimson Center, see a relationship “born of necessity rather than preference” (see here). John Calabrese of MEI has described China’s response to the Taleban’s takeover as friendly, but circumspect. “Beijing does not necessarily view recent developments in Afghanistan as a geostrategic and economic windfall.” He suspects that the “diplomatic and economic incentives” China puts in front of the Taleban “might induce” them “to adopt positions that align closely with Chinese interests,” adding that China, “from the outset has followed its customary practice of being prepared to deal with any government, irrespective of composition and whatever the route taken to attain power.”

Regardless of whether China/Afghanistan watchers place economic or security interests first, there seems to be consensus that Beijing has two Afghanistan-related security concerns. Firstly, armed Uyghur groups fighting for cultural and other human rights for their ethnic group and/or independence from China, known by the Chinese as the East Turkestan Islamic Movement (ETIM) and by the group itself as the Turkestan Islamic Party (TIP) (hereafter, ETIM/TIP). Secondly is the Afghanistan branch of the Islamic State, known as ISKP, in the context of keeping Chinese citizens and interests in Afghanistan safe.

Beijing is most concerned with ensuring that the IEA prevents ETIM/TIP from using Afghanistan as a staging, recruiting and training ground for attacks on Chinese

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29 The East Turkestan Islamic Movement is a generic term used by Chinese authorities. As George Washington University’s Sean R. Roberts writes in his book, ‘The War On The Uyghurs’, no Uyghur group ever used the name ETIM (see here). The main militant Uyghur group calls itself Turkestan Islamic Party (see here).
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Its demand, as expressed by Foreign Minister Wang Yi in his July 2021 meeting with senior Taleban that they “sever all ties with all terrorist organizations, including the East Turkestan Islamic Movement” (quote taken from this report) has been a recurrent feature of China’s messaging to the Taleban since the first emirate (1996-2001), including during the insurgency and now with the Taleban in power.31

IEA actions regarding ETIM/TIP are seen as insufficient by Beijing. This has been underpinned by reports that the Chinese demand for harsher measures has again featured in recent China-IEA contacts, including at the trilateral meeting in Islamabad in May 2023. According to the news website Hasht-e Sobh, China even obtained written assurances from the Emirate that they would ‘do more’ against ETIM/TIP.

If correct, this could have been facilitated by Pakistan as it had received China’s assurance that it would help to “strengthen counter-terrorism and security cooperation with Afghanistan and Pakistan, and join efforts to firmly combat terrorist forces including the East Turkestan Islamic Movement and Tehrik-i-Taliban Pakistan [TTP]”32 (quote from this Chinese MFA press release).

Meanwhile, the Emirate tries to placate Beijing with its own policy of non-interference. The Taleban have never openly condemned Beijing’s policy of oppression of Uyghurs and other Chinese Muslims. The furthest they have gone was a July 2012 statement that said: “We care about the oppression of Muslims, be it in Palestine, in Myanmar, or in China, and we care about the oppression of non-Muslims anywhere in the world. But what we are not going to do is interfere in China’s internal affairs” (quoted here).

30 There was even a report in December 2020 of the Afghan authorities arresting an alleged Chinese spy ring that was allegedly in Kabul to hunt down Uighurs.

31 The chance of direct cross-border attacks from Afghanistan is minimal due to the relatively short and easy to control Afghan-Chinese border in the High Pamirs (see this AAN report). With its more significant border, Pakistan would be a more likely venue for such plans (see AAN report here), and there have been Chinese concerns in this regard. Significantly, there “has not been a direct attack on Chinese nationals attributed to ETIM/TIP members based on Afghan territory,” as SIPRI pointed out in a November 2022 report. It also states that “[t]he current reduced levels of propaganda from and campaigning activity by Uighur groups compared to previous years could well be an indication of Taliban efforts to restrain the group.”

32 Pakistan’s allegations that the Taleban are hosting the TTP has led to severe tensions between the two allies. Media reports that the Emirate was planning to move TTP fighters from refugee camps near the Afghan-Pakistan border to northern Afghanistan might be a concrete result of this assurance (see for example here).
Importantly for China, Muttaqi told then foreign minister Qin Gang in a January 2023 phone call that the Afghan interim government adhered to Beijing’s ‘one-China principle’ – a reference to China’s contention that Taiwan is part of the People’s Republic (reported by the Chinese government here).

ISKP is a more straightforward point of common concern for China and the Emirate, as the group attacks Taleban installations and personnel, as well as Chinese interests in Afghanistan. Then Chinese foreign minister Qin told his IEA counterpart Muttaqi in their phone conversation in January: “China attaches great importance to the safety of Chinese personnel, institutions and projects in Afghanistan … hoping the Afghan side will take strong measures to ensure the safety of Chinese personnel and institutions in Afghanistan.” Muttaqi was reported to have given Qin assurances, although the Taleban appear unable to fully destroy ISKP.

There were numerous ISKP attacks on Chinese interests in Pakistan, too.
In December 2022, ISKP fighters **stormed a Kabul hotel** occupied by Chinese businessmen, injuring five of them. An ISKP-claimed attack on 11 January 2023 in front of the Kabul Foreign Ministry could also have been directed against a Chinese target. As the US and other Western countries do, China banks on the Emirate’s declared and visible policy of ruthlessly cracking down on ISKP. However, the group’s continued activity may contribute to China’s reluctance to engage in Afghan economic activity in earnest.

**SECURITY VS ECONOMY?**

While these security interests loom large for China, it also has economic interests in Afghanistan. Resource policy figures high on Beijing’s agenda. Chinese researchers used to say that the People’s Republic “does not have a foreign policy. We only have a domestic policy, even in our relations with other countries,” as a Chinese scholar said in the margins of a think tank conference the author attended in Beijing in October 2013 (see also this AAN report here).

According to Jean-François Dufour, an expert on the Chinese economy and co-founder of Sinopole, a French resource centre on China, even the relatively modest-looking oil deal in northern Afghanistan is important for the country: “with China’s dependence on oil imports – which cover nearly 70% of its hydrocarbon needs – Beijing will not miss the possibility of securing a[nother] source of supply” (see here). If that’s correct, the same would apply to lithium. In the case of the Ainak copper and the size of the deposit, this also goes without saying.

It is much less clear whether China really wants the Emirate to “drift” into its “embrace,” as **forecast** by the Washington Post. China is aware of the consecutive categorical failures of two world powers, the USSR and the US, to get some control over Afghanistan. Its own very limited engagement in Afghanistan now and during the Islamic Republic does not indicate that Beijing wants to replace the US as the main sponsor of the government in Kabul. Security fears about ETIM/TIP and ISKP

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34 Muhajer Farahi, the Deputy Minister of Information, confirmed that a meeting with a Chinese delegation was scheduled at the foreign ministry, but could not confirm that they were in the building at the time of the attack (see this 17 January 2023 report).
and doubts about the Emirate’s ability, and possibly willingness, to deal with those two threats in a manner that would satisfy China’s leadership play a central role in its game plan.

If China’s interests are security-centred and have not substantially changed with the regime change in Kabul, there is reason for scepticism about Beijing’s willingness and ability to implement larger economic projects in Afghanistan. Under the Karzai and Ghani governments, its record was far from impressive. Afghan government sources say (quoted here) that, by 2017, China had committed around USD 250 million to the reconstruction of Afghanistan since the fall of the Taliban’s first emirate in 2001, a tiny sum by international comparisons. It is unclear how much of this actually was disbursed.35

After 2017, Chinese aid slumped again. In 2020, total Chinese foreign direct investment in Afghanistan was “$4.4 million, less than three percent of that type of Chinese investment in Pakistan, which was $110 million for the same year” (see here). In the first six months of 2021, it was only $2.4 million, and the value of new service contracts signed was merely $130,000, according to the Stimson Center’s Yun Sun. Ghani’s big hopes for Beijing failed to come true, symbolised by the failure of the mega project in Ainak to get off the ground.

China, up to 2021, had played a “largely passive role” in Afghanistan and had a “limited footprint in the country,” concluded a 2022 report by the Stockholm International Peace Research Institute (SIPRI).

That passivity, of course, could have had a political basis, namely not supporting a government backed by its major global rival and one that increasingly looked prone to collapse. As noted by Kabir Taneja in his article noted above: “[F]or China, keeping Afghanistan and Central Asia out of reach of the West has been a critical strategic aim.”

35 According to official Chinese sources (quoted here, pp 5-6), the country’s aid to Afghanistan totalled about USD 205.3 million from 2002 to 2010, plus debt relief of USD 19.5 million. In 2011, China added another 23.7 million USD of assistance. According to a Western source, China pledged $197 million to Afghanistan in the period 2002-13. From 2014 to 2017, a further $326.7 million was pledged following President Ghani’s official China visit, his first foreign trip after his election in 2014. However, this was just two per cent of the USD 17 billion in Overseas development Assistance (ODA) that Afghanistan received in that three-year period, according to the World Bank (quoted here). Moreover, many ‘Chinese’ projects – for example the Kabul-Jalalabad Road – were at least co-funded by international donors, in this case by the European Union.
The question now is whether there is qualitatively more Chinese engagement in Afghanistan under the Taleban. Since their takeover, two stalled projects (oil/gas and copper) have been renewed, with new ones (lithium, Belt and Road Initiative / China-Pakistan Economic Corridor extension) still at the contracting stage. When it comes to real work, so far, mainly smaller projects show some movement. This includes the development of an industrial park in Nangrahar province and another in Kabul (see here), which can hardly be considered major. There is also an agreement between the firm, Oxus, and the Afghanistan Oil and Gas State Company for a 20 per cent stake in a project to extract oil from the Qashqari site in Sar-e Pol province, according to Zelin. This is apparently independent of the CAPEIC deal described above. An early July 2023 Bakhtar news report about the start of oil drilling in Qashqari does not mention CAPEIC. But there could also be movement on the CAPEIC deal, with indications that a bilateral Afg-Chin Oil and Gas Limited has been formed to utilise the concession and has put out tenders for machinery and contractors.36

Notably, in contrast to Afghan state media, there are only a few reports about China’s deals in Afghanistan in the Chinese media. In the case of the CAPEIC deal, AAN found only a single mention, and even that was on the English-language website of China’s state broadcaster CCTV.37 The Belt and Road Initiative/China-Pakistan Economic Corridor extension is a noticeable exception. But that is a multilateral undertaking, while everything else is bilateral. Researcher Wang from Shanghai (quoted above) also said that Afghan trade accounted for only about one ten-thousandth of China’s foreign trade; therefore, Afghanistan was “of limited significance for China, especially economically.”

China’s relatively low profile, after the much-touted large deals on Ainak and the northern Afghan oil and gas fields, might also be the result of Chinese policy changes related to a downturn of the country’s economy caused by the Covid-19 pandemic.38 In 2019, after state banks had lavishly funded such business operations abroad, leading to some overstretch and growing protests by local populations, for example in various African countries and in Laos, China’s leader

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36 See this tender on the Ministry of Finance website, which says Af-Chin Oil and Gas Limited signed an exploration and production contract in January 2023.
37 Information gleaned with the help of a Chinese speaker. It was also on the English website of state broadcaster CCTV.
38 See for example, Shi Ming, ‘Heftige Stürme, furchtbare Wogen’, Le Monde diplomatique (German edition), April 2023.
Xi Jinping gave instructions to prioritise “small and beautiful projects” (see for example [here](#)). The newly envisioned projects in Afghanistan (oil/gas, lithium) could belong in this category.

**CONCLUSION**

China’s policy remains difficult to read. However, it is not indecipherable.

Its activity in Afghanistan looks big because of two facts: first, the US-led West has left, and this has opened more space for other actors; secondly, there is relative peace, making business easier. That does not mean that China will (or is inclined to) step in with investments to match the amounts the US invested in Afghanistan between 2001 and 2021, as the available facts and figures show.

There is no sign that Afghanistan, a country still in (domestic) conflict, has climbed much on China’s priority list. Neighbouring Pakistan, with its ports on the Indian Ocean, is still much more politically and economically important. This is reflected in the fact that the Belt and Road Initiative ‘extension’ to Afghanistan is designed to pass through Pakistan – mainly for geographical reasons – but it also echoes China’s strategic hierarchy. It also plays to Pakistan’s interests to keep Afghanistan dependent by making it a secondary road to the China-Pakistan Economic Corridor.

At the same time, China’s engagement needs to be seen in the context of its long-term strategy to secure access to strategic resources, including land and food (as do all other countries) and, increasingly, its global rivalry with the US. So, there is an element of influence-building, despite all claims of a non-existent foreign policy or China being not interested in building ‘spheres of influence’. China builds influence differently from the US.

Afghanistan is not an unimportant piece on this chessboard. Economically, it is not of first-rate interest to China. But it is a neighbouring country, if only with a short – and thus far geographically almost hermetic – border. (Connectivity through the Central Asian republics is far easier.) Given its wealth in minerals, gas and oil, Afghanistan has long-term potential for Chinese companies, small or large, private or state-owned, particularly if it remains relatively stable under the Emirate. It is
probably a good place for Xi Jinping’s small and beautiful projects, including as placeholders. The IEA, at least, seems to hope so.

Politically, becoming the major player in Afghanistan might also be seen as desirable in Beijing, after the failures of all other major international players there, the Soviet Union first and the US/NATO/EU later, although Beijing seems not to indulge in open triumphalism.

A freight train, the first since the fall of the Republic, arrives in Hairatan, Balkh province on a railroad linking Afghanistan to China.
Photo: Khibar Momand/Xinhua via AFP, 22 September 2022.

However, only two years after the Taleban’s second takeover, it is probably too early to say whether China and its (state-run or state-owned subsidiary) companies have now, in contrast to the two decades of the Islamic Republic, really started to work, including on such mega projects as the Ainak copper mine. Although investment conditions and the environment for starting real work on oil, gas, lithium and copper mining projects and a Belt and Road Initiative /China-Pakistan Economic Corridor extension into Afghanistan have considerably improved with the end of the war (in Ainak, the area around the mine is accessible again for the
first time since 1978, while in northern Afghanistan, Dostum’s and other militias have disappeared), there is not yet much pace. Realistically, the deals are only a few months old at this writing, with time required for logistical planning in a relatively complex environment (staffing, transportation, accommodation, equipment, etc). Also, security conditions (mainly because of ongoing ISKP activity) are not fully stable and China feels its personnel could still be vulnerable in Afghanistan.

The larger projects will take years to materialise. In the meantime, they will generate little immediate income for the ailing Afghan economy and the Emirate’s programme of self-sufficiency or be able to overcome the deep humanitarian and economic crisis in the country.

From the Emirate’s perspective and also for ordinary Afghans hoping for economic relief, any economic investment seems positive, as they do not have many alternatives. In Afghan terms, meaningful Chinese investment could help bring many people out of poverty, as China has done at home (albeit at the cost of individual and political freedoms). What might look like small projects (beautiful or not) in Chinese eyes could still be significant contributions to Afghanistan’s lean budget. On a larger scale, they could also help stabilise the Emirate’s position.

The jury is still out on whether China pursues real economic interests (and projects) in Afghanistan or uses them to incentivise the Emirate on security and other matters. This is not a yes/no question, or even a particularly important one, as the balance between both might alter according to the global and/or regional political climate. The following months and years will show whether the apparent momentum of 2023 translates into major developments in the extractive industries in particular. Whatever the case, given China’s high-profile engagement (at least as seen in Afghanistan and in media reports), eventually, some of these larger projects will need to be realised. Otherwise, at the very least, China might lose face in Afghanistan and the region.