

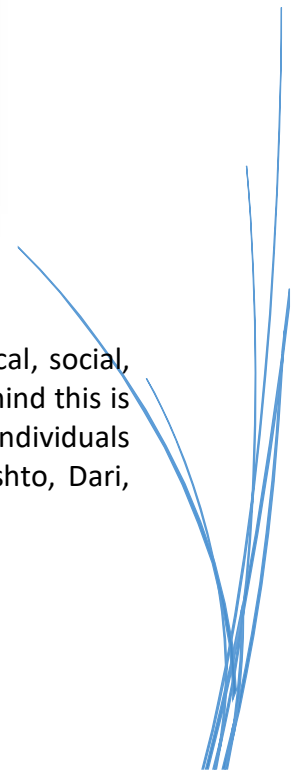
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A LOOK AT THE ECONOMIC RELATIONS BETWEEN THE ISLAMIC EMIRATE OF AFGHANISTAN AND CHINA



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A LOOK AT THE ECONOMIC RELATIONS BETWEEN THE ISLAMIC EMIRATE OF AFGHANISTAN AND CHINA

Introduction

Although the historical informal relations between Afghanistan and China have a long history, the political and modern relations of the two countries as two neighbors began officially in the middle of the 20th century. The normal and tension-free political relations between the two countries has gone through different phases following the developments in Afghanistan. The Soviet Union's invasion of Afghanistan in 1979 cooled official relations between Kabul and Beijing due to China's indirect support for the Mujahideen. With the collapse of the communist government in Kabul in 1992 and following the establishment of a government by the Mujahideen and the immediate start of civil wars in Afghanistan, relations between Afghanistan and China were almost closed. The emergence of the Tehreek-e-Taliban and the establishment of the Islamic Emirate in Kabul in 1996, along with the complete severance of relations between the two countries, caused China to fear Afghanistan due to the expansion of the activities of Islamic groups in the Xinjiang province of that country. Following the US invasion of Afghanistan in 2001 and the establishment of a republican system in Afghanistan under the full military support and protection of the US, China resumed its political relations with Kabul. During the period of twenty years, the relations between Afghanistan and China were warm and cordial, but they were severely affected by the American presence in Afghanistan. With the withdrawal of America from Afghanistan and the collapse of the republic, the Islamic Emirate gained sovereignty over Afghanistan once again, but unlike the previous era, China was one of the first countries that did not consider Afghanistan under the rule of the Islamic Emirate as a threat but also took action by maintaining its embassy in Kabul. It established de facto relations with the Islamic Emirate and sent his foreign minister to Kabul to strengthen relations with the Islamic Emirate as much as possible. Also, to establish greater coordination and proximity with Kabul, he entrusted the Afghan embassy in China to the representatives of the Islamic Emirate. Since there is a correlation between the political relations and the economic relations of the countries, the prevailing assumption is that in the shadow of the good political relations between the Islamic Emirate and China, the economic relations between the two sides are also good and developing. To



confirm this hypothesis, in this article, the economic relations between the Islamic Emirate and China are examined from various angles.

THE STATUS OF ECONOMIC RELATIONS BETWEEN AFGHANISTAN AND CHINA

In the past seven decades, the economic relations between Afghanistan and China have been influenced by the political situation of the two sides, but also by two other factors. One is that Afghanistan and China are two neighboring countries, and the reason for the neighborhood requires that they have extensive economic relations, although these two countries have a common border of 76 km, due to the high altitude of the border area, it is almost unusable and passable in most seasons of the year. It is possible that the two countries have never been directly connected through the common border and the trade between the two countries has been done through other ways. Second, Afghanistan and China did not have any special economic attraction for each other in the past, and bilateral trade between the two countries was only limited to providing certain items. The expansion of economic relations between the two countries in the last twenty years was caused by two factors. First, the rapid economic growth of China and the supply of consumer goods at a cheap rate, and Afghanistan becoming a consumer destination due to the high economic growth caused by the injection of billions of dollars of money for the reconstruction of Afghanistan by the international community led by the United States of America. It was for this reason that the growth of China's exports to Afghanistan in 2002, which amounted to 19.9 million dollars, gradually increased to 175 million dollars by 2010 and reached the highest figure of 668 million dollars by 2018. So this peak of China's exports to Afghanistan reached 474 million dollars by the last year of the republici.e. 2021. At the same time, the amount of Afghanistan's exports to China during the Republic period reached from 1.94 million dollars in 2008 to 31 million dollars in 2019, which shows significant growth.¹ After the re-establishment of the Islamic Emirate, China initiated good relations with the Islamic Emirate, China focused on economic investments in Afghanistan, provision of facilities helped China's exports to Afghanistan reaching to 550.13 million dollars in 2022. Afghanistan export to China also reached to 40.02 million dollars.² These figures show that with the return of the Islamic Emirate, there was a significant increase in bilateral trade. Also, according to the existing estimates of trade between Afghanistan and China, in November 2023 compared to the same month in 2022, there will be a 95% growth in China's exports to Afghanistan, from \$60.3 million to \$118 million, and a 15.1%



growth in Afghanistan's exports to China, which is It shows from 15.1 to 16.1 million dollars. ³ Based on this situation, it is predicted that China will become Afghanistan's second trading partner after Pakistan. The current trend of increasing the amount of bilateral trade between the two countries shows a growing trend compared to other neighbors. It will speed up the economy between the two countries.

THE REASONS FOR THE GROWTH OF BILATERAL TRADE BETWEEN THE ISLAMIC EMIRATE AND CHINA

In general, the set of reasons that made the economic relations between the two countries to enjoy a certain prosperity are several factors:

The first reason is the adoption of an economy-oriented approach in the foreign policy of the Islamic Emirate. Since the return of the Islamic Emirate to power in Afghanistan, the declared and practical foreign policy of the Islamic Emirate has been a strategy of neutrality with an economic-oriented approach. Adopting such a foreign policy, in addition to improved security i Afghanistan's agenda, opened the way for the expansion of Afghanistan's commercial and economic exchanges with other countries, especially its neighbors. Statistics show that in the past two years, Afghanistan's economic relations with all its neighbors have been expanding, and not only the exports of other countries to Afghanistan have increased, but Afghanistan's exports to other countries, especially its neighbors has also increased

The second reason is the special mutual attention of Afghanistan and China to each other: as mentioned before, with the return of the Islamic Emirate to power in Afghanistan, China paid special and positive attention to Afghanistan. Also, on the part of Afghanistan, the Islamic Emirate has a positive view of China and close interaction with that country. In this regard, we can mention the coming and going of the officials of the two countries, including the visit of the highest official in charge of China's foreign policy to Kabul. Such mutual good behavior of two countries towards each other has caused the expansion of economic interaction between the two countries.

The third reason is China's investment goals in Afghanistan. China needs a lot of raw resources due to its rapid economic growth and development, and Afghanistan also has considerable resources. That country started investing in the field of mining in Afghanistan, in the past, for two reasons, one is the presence of America in Afghanistan and the creation of obstacles by that country to the operationalization of Chinese economic projects in Afghanistan, and the other is due to unfavorable



security conditions in Afghanistan. He did not succeed in actually starting the work on the extraction of Afghanistan's mines, for which he had signed a contract with the Afghan government. The return of the Islamic Emirate and the complete removal of the American presence from Afghanistan, along with the improvement of the security situation in Afghanistan, encouraged and excited China to work on the implementation of pre-contracted projects.

To make new agreements with the Islamic Emirate in the field of extracting Afghanistan's mines, especially oil and gas. Although China's economic presence in Afghanistan through the signing of contracts has not been able to have a tangible effect on the increase in the volume of bilateral trade between the two countries, this issue can be evaluated in two positive aspects. Firstly, the level of increasing economic contact between the two countries was an inspiration and a good stimulus to increase the amount of trade between the two countries, and secondly, this issue will completely change the future perspective of Afghanistan's economy.

Another reason that can be seen as influencing the increase in bilateral trade between Afghanistan and China is the activation of the direct transit line through the railway between the two countries. Although in a symbolic way in the year 2015, a railroad was opened for the transfer of commercial goods between Afghanistan and China, passing through the two countries of Kazakhstan and Uzbekistan, and cargo was transferred from China to Afghanistan in a test form, in a more serious way and this time from Kyrgyzstan-Uzbekistan direct railway line was launched to transport goods between Afghanistan and China. Although there are no accurate statistics available that can be used to measure the specific impact of the transfer of goods through this railway on the increase in the volume of trade between the two countries, however, the activation of the direct transit line between the two countries has had a positive effect on accelerating the process of transferring goods and reducing the time gap; Because on the one hand, goods from China to Afghanistan and vice versa are loaded and unloaded only once, and on the other hand, they reach their destination in a very short time. Also, transferring a large volume of goods through a direct railway line reduces transportation costs to a great extent, which itself has a positive effect on the circulation of trade between the two countries. In addition to these, the new route from Kyrgyzstan to Uzbekistan is shorter instead of crossing from Kazakhstan to Uzbekistan and then to Afghanistan, which can have a positive effect on the field.



THE MUTUAL ECONOMIC ATTRACTIONS OF AFGHANISTAN AND CHINA FOR EACH OTHER

Although the current state of economic relations between Afghanistan and China shows an optimistic future, Afghanistan and China have many economic attractions for each other, and the high investment of each of them can create a revolution in the economic relations of the two countries. In the continuation of this discussion, some of the most important ones are mentioned.

China's diverse products and Afghanistan's market demand: China is perhaps the only country in the world that produces everything. In other words, this country is a complete production package in all fields. In addition to the production diversity of this country, its other feature is that the products of this country are many times cheaper than the products of other countries and are even made according to the customer's demand. That is why today Chinese products have been able to occupy almost all world markets. Although the Afghan market has seen an increase in China's production in the last few years, with the creation of direct transportation routes, especially the construction of a direct road through Wakhan Badakhshan and the direct connection of the two countries to each other, the Afghan market will witness the further growth of China's industrial production.

The attractiveness of Afghan products in Chinese markets: Just as Chinese industrial products can grow significantly in Afghan markets, Afghan products are also very attractive in Chinese markets. Although Afghanistan cannot have industrial production, products such as fruits (dry and fresh), handicrafts, carpets, animal textiles, precious stones, and marble, are among the products of Afghanistan that have very good demand in the Chinese market. They also include Afghanistan's exports to China.⁴

The attractiveness of China's advanced technology for Afghanistan: Currently, China is the only country in Asia that has the first place in the industry and technology sector. Even according to predictions, this country will become the main pole of industrial production in the world in the next few years. Since Afghanistan is a non-industrial country and in this field is completely consumer, cheap and high-quality Chinese products can be a good option in sectors such as electronics, telecommunications, home appliances, and various types of machinery.

The attractiveness of Afghanistan's mineral resources for China: Apart from everything else, what has made Afghanistan extremely attractive to China is the presence of a significant amount of mineral



reserves, including copper, coal, iron, niobium, cobalt, gold, molybdenum, silver and aluminum. And also sources of fluorspar, uranium, beryllium, talc, and lithium in Afghanistan. Also, Afghanistan has significant reserves of oil and gas, which are mainly located in the north of the country.⁵ It is even said that some of these items, such as lithium, are equal to the largest mine of this element in the world in the country of Bolivia. Based on initial estimates made in 2010, the estimated value of Afghanistan's reserves is up to three trillion dollars.⁶ China has paid special attention to Afghanistan due to its economic and industrial growth, which strongly needs mineral resources. In this field, the Chinese also paid attention during the Republic period, and despite the opposition of the United States, they were able to sign multi-billion dollar mining contracts (Aynak Logar copper mine contract and the contract in the Amu Darya oil field) with the Afghan government, but for reasons that have already been mentioned. Their operation did not start. Now that the Islamic Emirate is ruling in Afghanistan as an independent government and almost free from direct foreign influence, especially the US, China has once again shown its interest in investing in Afghanistan's mining sector. In this period, in addition to the fact that China announced its commitment to start the mining of the Aynak Logar copper mine, it also signed new contracts with the Islamic Emirate, the most important of which was the extraction of oil in the Amu Darya area. This agreement was signed with the Chinese company CPEIC with an initial investment of 150 million dollars and 540 million dollars for 25 years in the next three years. The initial stage starts with the extraction of 200 tons per day and increases to 20,000 tons per day.⁷ In addition, a Chinese company jointly with an Afghan company has won a gold mining contract in Takhar province worth 310 million dollars.⁸ Also, a large Chinese company is considering a large investment in Afghanistan's coal for electricity production. According to reports, about 100 Chinese companies have been registered in the Ministry of Mines of the Islamic Emirate, which are interested in investing in various sectors, and about 500 Chinese businessmen have entered Afghanistan to consider high investment in mines.⁹

The attractiveness of Afghanistan's transit route for China: Another thing that has made Afghanistan attractive to China is the transit position of this country. Afghanistan is the only country that connects China to West Asia by covering the shortest geographical distance. To be more precise, if China passes through Afghanistan, it can reach Iran as the gateway to Western Asia and Europe less than



2,000 kilometers away. This was while China had abandoned Afghanistan in the "Belt and Road" project. The only reason that can be given for this abandonment was the presence of America in Afghanistan and the unfavorable security conditions of Afghanistan under American occupation. With the meeting of the Islamic Emirate and the continuous and effective efforts of the officials of the Islamic Emirate, the Chinese government committed to making Afghanistan a partner in this big plan. In the initial plan, Afghanistan was supposed to join the plan through the CPEC* project.¹⁰ With Afghanistan's participation in the Belt and Road initiative, it will be possible for China to invest several million dollars in infrastructure projects in Afghanistan. Along with the inclusion of Afghanistan in the Belt and Road project through Afghanistan's participation in the CPEC project, efforts are also underway between the two sides to open an independent route through the Wakhan Corridor that will connect China to West Asia and through that to Europe.¹¹

In addition to this, apart from the direct railway line between Afghanistan and China through Kyrgyzstan, and Uzbekistan, other projects such as the railway line known as the Five Nations (Iran, Afghanistan, Tajikistan, Kyrgyzstan, and China) are also on the agenda of the concerned countries, which may be implemented in the future, practical steps should be taken to implement it.

CONCLUSION

As two neighboring countries, China and Afghanistan have a history of good political relations. Although the political changes and the double occupation of Afghanistan (by the Soviet Union and the United States of America) in the past had eliminated the possibility of expanding economic relations between the two neighboring countries in the shadow of good political relations, after the return of the Islamic Emirate to power in Afghanistan and the existence of good relations between the two sides, the adoption of an economy-oriented approach in the foreign policy of the Islamic Emirate and the economic attractions of the two sides towards each other, the economic relations between the two countries are also in an acceptable and growing state. In general, it can be said that the opportunities that have arisen in Afghanistan and the mutual capacities that Afghanistan and China have for each other economically have opened the possibility and space for the growth and expansion of economic relations in the future of both countries.

In addition to the fact that good economic relations can be useful in terms of further economic development, especially for Afghanistan, it can also politically bring the two countries closer



together. Although it was acknowledged at the beginning of this discussion that good political relations have a positive effect on the expansion of economic relations between countries, sometimes governments also seek political benefits from the expansion of economic relations, which can be considered true, especially in the case of China. Even one of the serious reasons why the Americans did not allow China's economic projects to be completed during their presence in Afghanistan was the fear that China would not secure and expand its political influence in Afghanistan under the shadow of its economic presence. Of course, this issue can be taken into consideration even now, but it is up to the statesmen of the country to neutralize the negative effects of political influence caused by the expansion of economic relations.

Regardless of this issue, considering the existing space and mutual capacities that exist for both countries, it is suggested that the governments of Afghanistan and China take more effective steps in the direction of operationalizing the existing projects and implement the existing agreements as much as possible, create specialized monitoring work committees. Also, since Afghanistan has a privileged transit position, it is better to take more practical and serious measures regarding the establishment of the Wakhan Corridor or Corridor so that both countries can be directly connected, and with the development of China through Afghanistan to the western regions of Asia and beyond. In the end, it is suggested that the Islamic Emirate think more about signing big contracts with China and sign the contracts with the Chinese side in such a way that more profit is given to Afghanistan. In other words, the Islamic Emirate should try as much as possible so that the management of the projects is more in the hands of the Afghan government.

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