EFSAS

STUDY PAPER

No. 10 | December 2023

China's Evolving Relationship with the Taliban

Introduction

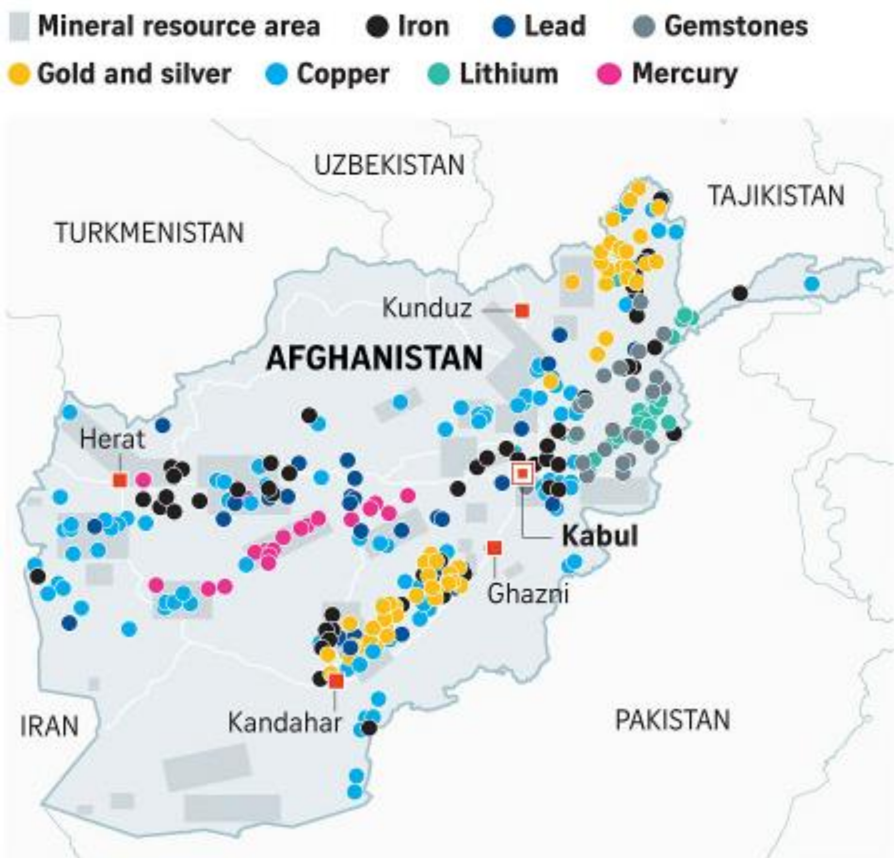
Since Kabul's fall to the Taliban in August 2021, Chinese policy in Afghanistan has focused on building strategic inroads into the country. Following the Taliban's takeover of Afghanistan, China provided $13 million as stopgap humanitarian aid as the provision of international development assistance dried up (Wani, 2023). Chinese State-owned enterprises (SOEs) have since intensified their investments in the resource-rich Afghan mining sector, specifically focusing on the extraction of Afghanistan's considerable copper, oil, and lithium reserves. Although Beijing has withheld formal diplomatic recognition from the regime, it has promoted the Taliban in international fora while advocating for an unfreezing of Afghan financial assets that were seized by the US in August 2021 (Naseem & Mehkri, 2023). In May 2023, Chinese and Taliban representatives also announced that Afghanistan would join the Chinese Belt-and-Road Initiative (BRI), which aims to expand economic connectivity throughout Eurasia by promoting China-led infrastructure investments (Bhattacharya et al., 2019). Four months later, China became the first country to reappoint an ambassador to Afghanistan after the country had fallen to the Taliban (Voice of America, 2023). For the Taliban, Beijing has thus emerged as a crucial strategic partner whose importance increases as the relationship between Kabul and the Taliban's former supporters in Islamabad deteriorates.

This paper examines the scope and nature of the expanding Chinese investments in Afghanistan and the evolving strategic China-Taliban relationship. Initially, the paper maps Afghanistan's natural mineral wealth and the exploitation strategies developed by Afghan and non-Afghan actors since the outbreak of the Afghan civil war in 1978. The paper then discusses China's strategic approach towards the Taliban and the Afghan republican government between 1996 and 2001, finding that China developed a two-pronged strategy that ensured communication with the Karzai and Ghani governments while providing China with access to the Taliban once the republican government collapsed in August 2021. The paper then moves to discuss the Taliban's current resource management strategies, the role of Chinese investments, and the challenges facing these investments. Lastly, the paper highlights considerations for Western policymakers.

Afghanistan's natural resources and exploitation strategies

Afghanistan is a country rich in natural resources. Significant mineral resources include deposits of copper, iron ore, marble, talc, coal, lithium, chromite, cobalt, lapis lazuli, gold, lithium, gemstones, and other rare earth elements (Bonesh, 2020; O'Donnell, 2022). Ghazni Province, located in southeastern Afghanistan, is believed to be home to one of the largest lithium reserves in the world (Risen, 2010). Lithium is crucial for the manufacturing of lithium-ion batteries that are built into electric vehicles (EVs) and other electric devices. As the global economy aims to shift from fossil-powered vehicles to EVs, accessing lithium deposits will be crucial to gain and sustain market shares in the EV and broader electrics industries. The country also holds significant potential energy resources, such as natural gas, coal, and hydropower. Parts of the country further possess highly fertile agricultural land that is suitable for the cultivation of crops like wheat, corn, cotton, and fruits. The agriculture sector has traditionally been a vital part of the Afghan economy. However, it is mostly its natural resource deposits that position Afghanistan as one of the potentially most resource-rich countries in the world (O'Donnell, 2022). Estimations of the total value of these resources typically range between $1 trillion and $3 trillion, highlighting the significant economic potential that would be generated by a successful exploitation of Afghan resources (Byrd & Noorani, 2014). Most of the mineral wealth can be found in the country's central belt stretching from Herat Province near the Iranian border to the Hindu Kush (see Figure 1).

Figure 1: Afghanistan's mining resources



Source: The Straits Times (2021).

Analysis surrounding the so-called 'resource curse' has indicated that the possession of significant natural resources is often detrimental to the development and maintenance of good governance. The resource curse, also known as the *"paradox of plenty"* or *"Dutch disease"*, describes a phenomenon in which countries that are rich in natural resources, particularly non-renewables like minerals and oil, come to overly rely on specific resources, leading them to experience negative economic, social, and political consequences instead of enjoying the expected developmental benefits (Natural Resource Governance Institute, 2015). This curse manifests in various ways, including economic volatility, corruption, poor governance, social inequality, and, partially, armed conflict. Nigeria, for instance, is one of the largest oil producers in Africa. The oil sector has dominated Nigeria's economy, leading to the neglect of other sectors and exacerbating social inequalities (Mohammed, 2021). Despite substantial oil revenues, overdependence on oil has contributed to the country facing issues like corruption, mismanagement, political instability, and a lack of diversified economic growth (Zak, 2022). Similarly, overreliance on oil revenues, mismanagement of the oil sector, and political instability have contributed to the contemporary crisis in Venezuela. In Sierra Leone, which is rich in diamonds, the blood diamond trade has seen diamonds being used to finance armed conflicts, which have had devastating social and economic consequences for the country (Wilson, 2013). Mineral wealth, in other words, does not necessarily or automatically translate into good governance but can actively contribute to socioeconomic conditions that are detrimental to political and economic stability.

The exploitation of Afghanistan's resource wealth has been a complex and challenging endeavor, influenced by various regimes and periods of instability from the Soviet era to the present. During the Soviet occupation of Afghanistan (1979-1989), the USSR initiated mineral exploration activities in Afghanistan. Soviet geologists conducted surveys and identified the country's significant mineral potential (Shroder, 1983). While geological exploration efforts were underway, the actual exploitation of resources was limited due to the ongoing instability and fighting between the Afghan government, its Soviet ally, and the various Mujahideen groups (Rupert, 1986). Following the Soviet withdrawal in 1989, Afghanistan plunged into a prolonged civil war that saw different factions exploiting localized resources to fund their war efforts (DuPee, 2012). By 1996, the Taliban had consolidated control over key areas in much of Afghanistan, with parts of northern Afghanistan being controlled by the Northern Alliance, an amalgamation of different opposition groups fighting against Taliban control of the country. Enjoying relative stability between 1996 and 2001, the Taliban attempted to exert authority over the country's resources by levying taxes on resource extraction. While the Taliban did control some resource-rich areas, the overall level of resource exploitation remained limited due to the isolated and pariah status of the regime. International sanctions and the absence of a legal framework for resource extraction hindered significant and effective exploitation.

Following the fall of the first Taliban government in the aftermath of the US-led invasion of Afghanistan in late 2001, resource exploitation became a focal point of the republican Afghan government backed by the international community. In the transitional period (2001-2004, ending with the finalization of the Afghan constitution and the holding of presidential elections), the Afghan Interim Authority and later the Afghan Transitional Administration expressed interest in reviving the country's resource sector. Initial exploration efforts by foreign companies and governments began during this period. During the Karzai and Ghani governments (2004-2021), both administrations attempted to develop a legal framework to govern the mining and energy sectors (Kullman & Lubold, 2012). They introduced mining laws and regulations aimed at attracting foreign investment and signed several resource contracts with international companies, particularly in the mining sector. Afghanistan signed several contracts with companies such as China National Petroleum Corporation (CNPC), a Chinese SOE, Afghan Tajik Group for the exploration and potential extraction of hydrocarbons (Downs, 2013). In 2007/2008, the Chinese SOE consortium of Chinese Metallurgical Group Corporation (CMCC) and Jiangxi Copper Company Limited (JCL) won the rights for the exploration of the Mes Aynak copper deposit in Logar Province (Felbab-Brown, 2020). In 2011, a consortium of Indian companies, led by Steel Authority of India Limited (SAIL), won the rights to develop the Hajigak iron ore deposit in Bamiyan Province (Parashar, 2011). The contract aimed to exploit one of the world's largest known iron ore deposits and included the construction of a steel plant. Exploration and mining deals for gold were also established with companies such as Afghan Gold and Minerals Co. (AGMC) and the Turkish firm Koza Gold. In 2016, the Ghani government signed the Lapis Lazuli Corridor Agreement with Turkmenistan, Azerbaijan, Georgia, and Turkey, which aimed to promote the trade of lapis lazuli and other minerals from Afghanistan to international markets (Rahim, 2017). The exploration of mineral resource wealth was subsequently a key economic policy priority for a republican Afghanistan that sought to reduce its dependence on international aid financing.

While these agreements represented significant efforts to harness Afghanistan's resource potential, they also faced numerous challenges. These challenges included security concerns, political instability, corruption, and issues related to infrastructure development. Many projects faced delays, and the full realization of the economic benefits from resource exploitation remained a work in progress. The Mes Aynak investment by MCC and JCL, for instance, was worth a total of $3 billion but never truly got off the ground after Taliban fighters killed Chinese workers (O'Donnell, 2022). The resurgence of the Taliban after 2010 reduced the government’s ability to assure investors, leading to a situation in which *“mining revenues were inconsistent, corruption was rife, and investment in the sector was low”* (O'Donnell, 2022). The government’s ultimate inability to sufficiently secure major parts of the Afghan countryside thus rendered it incapable of ensuring steady income streams, reinforcing its dependence on foreign aid.

In conclusion, the historical challenges of conflict, security issues, governance deficiencies, and infrastructure deficits hindered resource exploitation in Afghanistan between the late 1970s all the way to the present. Ongoing conflict, including under Taliban rule, posed significant security risks to resource extraction operations. This discouraged investment and hindered the development and/or maintenance of infrastructure, for instance in terms of access to water and electricity as well as road and rail access. Infrastructure deficiencies, in turn, make it challenging to extract resources and transport them to markets, with a lack of access to ports for export being another major constraint. Despite international investments in the past, the Afghan government and private sector have lacked the technical expertise required for sustainable and efficient resource exploitation. This has led to suboptimal practices and environmental degradation. Given the general governance deficiencies thus far demonstrated by the Taliban, this regime seems incapable of addressing these overarching structural challenges.

Afghanistan’s mineral wealth has thus far been an unfulfilled historical and economic promise. Decades of conflict and linked endemic corruption and mismanagement have led to an underdeveloped sector that neither has the scope to exploit resources nor is likely to develop them under Taliban rule. As Western countries have largely disappeared from Afghanistan, this has provided space for China to enhance its access to the Afghan mineral market.

China's relations with Afghanistan and the Taliban, 1996-2021

The relationship between China and the Taliban has evolved significantly over the years, particularly in the context of the events leading up to and following the 9/11 attacks in 2001 and the subsequent US-led intervention in Afghanistan. The relationship can be broadly divided into two phases: the relations prior to 9/11 and the relations after 9/11.

Prior to the 9/11 attacks, China pursued a largely pragmatic and transactional relationship with the Taliban that focused on ensuring Taliban support for China's interests vis-à-vis Uighurs militants in Xinjiang and Afghanistan. China, like most countries, did not officially recognize the Taliban regime as the legitimate government of Afghanistan and maintained diplomatic relations with the Islamic State of Afghanistan, led by the Northern Alliance, which was also backed by the US and its allies. However, China maintained links with the Taliban to ensure that the Taliban would not support the Eastern Turkestan Islamic Movement (ETIM), which had established bases in Afghanistan in 1998 (Wani, 2023). The ETIM is a Muslim separatist group made up by ethnic Uighurs from Xinjiang (Xu et al., 2014). Relations became more cordial from 1999 onwards and in 2000, the Chinese ambassador to Pakistan, Lu Shulin, met Taliban leader Mullah Omar in Kandahar (Felbab-Brown, 2020). During the meeting, which focused on the ETIM presence in Afghanistan, Omar made guarantees to Lu that the Taliban would not allow Afghanistan-based Uighurs to launch attacks in Xinjiang but that it would not reduce the number of Uighurs fighting in the Taliban's ranks (Wani, 2023). Following the US-led invasion of Afghanistan, China was concerned by the US' military presence along its borders but simultaneously hoped that enhanced stability brought by the US would reduce the scope for ETIM militants operating out of Afghanistan (Sun, 2020). China's interests in Afghanistan under the first Taliban regime were thus primarily centered on security rather than economic considerations.

Between 2001 and 2010, China focused on supporting the UN-backed government established in Kabul. China, along with Russia and Central Asian countries, welcomed the overthrow of the Taliban regime by US and coalition forces, viewing the regime change as an opportunity to eliminate the threat of Islamist extremism emanating from Afghanistan. Beijing recognized the Afghan government led by President Hamid Karzai and supported the democratic transition in Afghanistan. As part of its limited counterterrorism cooperation with the United States at the time, Beijing cooperated with the US and other countries in sharing intelligence and coordinating efforts against groups like Al Qaeda, which were rumored to be supporting the ETIM (Xu et al., 2014). Enhanced stability in this period also provided space for increased Chinese investment in Afghanistan. As discussed, Chinese SOEs and subsidiaries such as CMCC and JCL won major investment contracts with the Karzai government. In 2011, CNPC won a contract for the development of oil blocks in the Amu Darya basin in northern Afghanistan in a deal that was meant to generate $2 billion in revenue for the Afghan government over two decades (Harooni, 2011). This was part of a broader push by Chinese SOEs to expand their economic presence abroad in line with the *"Go Global"* policy after government-led stimulus in the wake of the Global Financial Crisis had created significant industrial overcapacity within China (Yu, 2012). Even then however, Afghanistan was not a major investment destination for Chinese SOEs, with the CMCC/JCL and CNPC investments in the Mes Aynak mine and the Amu Darya basin being the main exceptions to this (Sun, 2020). Enhanced stability thus invited some but ultimately limited investments.

China's contacts to the Taliban strengthened again from 2010 onwards. Following the initial invasion of the US and its allies, core Taliban factions had relocated their operations to the Pashtun-dominated, mountainous borderlands between Afghanistan and Pakistan in the Hindu Kush (Mohammed, 2021). There, the group reconsolidated itself before launching a renewed insurgency against US-led international troops and Afghan forces from 2005 onward, reestablishing a foothold in much of rural Afghanistan (Thomas, 2021). In response, the US announced a growing deployment of American military personnel that did not manage to successfully eradicate Taliban influence in the country (Felbab-Brown, 2020). As it became clear that the alliance between the international forces and the Afghan republican government would not be able to decisively defeat the Taliban, Beijing reestablished contacts with the group via Pakistani interlocutors (Felbab-Brown, 2020). Contacts intensified after the Taliban set up its office in Doha, Qatar in 2013, from where the group ultimately negotiated the withdrawal of the US troop presence in 2021 (Yousafzai, 2022). From roughly 2010 onwards, Beijing thus pursued a two-pronged strategy that saw it cooperating with the republican government while maintaining contacts with the Taliban to hedge its bets.

The two-pronged nature of China's diplomatic approach is perhaps most evident in the BRI-linked negotiations, which had begun under the Ghani government. In 2016, Afghanistan and China signed a BRI agreement that aimed to provide a $100 million investment in the country (Felbab-Brown, 2020). In 2017, an Afghan delegation attended the second International Belt & Road Forum in Beijing (Silk Road Briefing, 2023). However, these investments never materialized in practice, partially due to the deteriorating security situation at the time. During the republican era, there was also no concretely formulated plan of how Afghanistan would be linked to BRI infrastructure in the region, most notably the China-Pakistan Economic Corridor (CPEC) or an envisaged railway project that would link western China with Central Asia via Pakistan (Felbab-Brown, 2020). In general, China's economic role in Afghanistan during the republican era remained relatively marginal: in 2017, Afghanistan exported only $2.86 million of goods to China, compared to $411 million worth of exports to India (Felbab-Brown, 2020). Although bilateral trade improved slightly over the last years of the Ghani administration, the significance of bilateral trade between Beijing and Kabul remained negligible (see Figure 2).

Figure 2: China-Afghanistan bilateral trade, 2015-2020

Year	**2015/2016**	**2016/2017**	**2017/2018**	**2018/2019**	**2019/2020**
Afghanistan's total imports	7,723	6,534	7,793	7,407	6,777
China's share	13.5%	16.7%	15.1%	15.7%	17%

Afghanistan’s total exports	571	596	832	875	864
China’s share	1.75%	0.8%	1.44%	3.2%	3.6%

Source: China Briefing (2023).

In sum, Beijing’s approach to Afghanistan and the Taliban between 1996 and 2021 has spanned distinct phases over the past two decades. Prior to the 9/11 attacks, China engaged with the Taliban primarily on pragmatic and security-focused terms, particularly in its pursuit of guarantees that the Taliban would not support the ETIM. Despite the absence of formal recognition, China maintained discreet links with the Taliban to safeguard its security interests. Following the US-led intervention in Afghanistan and the ousting of the Taliban regime, China, alongside other regional powers, welcomed the change in Kabul and cooperated with the UN-backed government. This period witnessed China's limited participation in counterterrorism efforts, intelligence sharing, and economic investments in Afghanistan. Nevertheless, these economic endeavors were limited, reflecting a cautious approach towards investment in a still volatile investment space. The growing resurgence of the Taliban from 2010 onward prompted a shift in China's strategy. As the US-led coalition's attempts to eradicate the Taliban's influence faltered, Beijing rekindled contacts with the group, ultimately intensifying its engagement with the establishment of the Taliban's office in Doha. The BRI negotiations with the Ghani government epitomize this two-pronged approach.

Resource management under the Taliban and Chinese investments

Since coming to power, the Taliban have turned to resource exploitation as a key avenue for generating government revenues. Following the fall of Kabul in August 2021, the international community imposed a series of sanctions on the new regime. US-led sanctions have focused on restricting the administration’s access to global capital markets, including by freezing the Afghan Central Bank’s capital reserves (Byrd, 2022). These sanctions have further restricted the inflow of remittances and have led to a surging price for consumer goods, including food (Sinno, 2023). The sanctions have further exacerbated food insecurity: according to a 2022 report by the United Nations, 95% of Afghans are now insufficiently nourished. The sanctions also mean that the civilian population cannot access development assistance, which hampers the response to natural disasters such as the earthquakes in October 2023. To boost government revenue in the face of sanctions, the Taliban have sought to capitalize on the country’s mineral wealth. Particularly important have been coal exports to neighboring Pakistan, which have increased under the Taliban (Siddique, 2022). These export dependencies inevitably render the government heavily exposed to Pakistani policymaking: after Pakistan’s announcement that it would start paying for Afghan coal imports in Rupees rather than Dollars to save foreign exchange reserves, the Taliban regime effectively doubled the tax rate for coal exports (Greenfield, 2022). Such measures will inevitably hurt Afghans employed in the industry. Competition for resource consolidation also drove armed conflicts between Taliban forces and local Hazara communities in northern Afghanistan in 2022 (Glinski, 2022). International isolation has thus far created a path dependency for the regime to focus on resource exploitation.

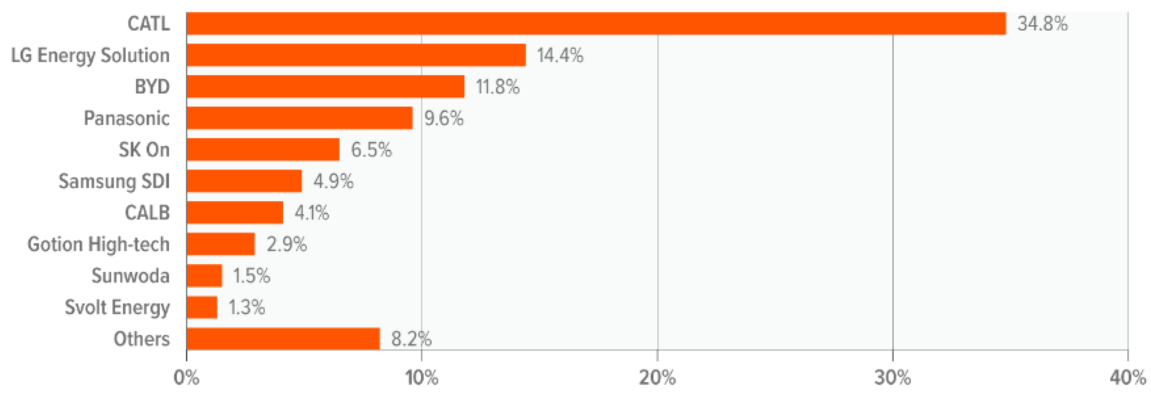
Control over resources and the mining sector has the scope to destabilize the Taliban internally. The Taliban does not represent a coherent group but an amalgamation of factions with partially competing outlooks and policy priorities (Watkins, 2023). One of the key factions has been the Haqqani Network, led by Sirajuddin Haqqani, who simultaneously operates as the acting Interior Minister of the regime. The Haqqani Network controls much of the chromite resources in central Afghanistan, including the transport infrastructure that connects the resources with markets in Afghanistan and the regional neighborhood (O'Donnell, 2022). This allows the Network and its leaders to extract revenues, thus weakening both the central government while enhancing the Network’s leverage vis-à-vis other factions. The partially unilateral and concentrated control over resource revenues has the potential to destabilize the Taliban from within while enabling specific groups to exert greater control over policies. Considering the Haqqani Network’s notoriously hardline position on various policy matters (Kugelman, 2022), this spells trouble for the Afghan civilian population and especially the female population. While allowing the regime to extract revenue, control over the mining industries is thus volatile and subject to further infighting.

The Taliban has sought to attract Chinese investment to fund the reconstruction and expansion of the mining sector. In June 2022, Chinese and Taliban representatives met to discuss the contract for the Mes Aynak mine, which had gone to the CMCC-JCL consortium in 2007 (O'Donnell, 2022). During the Chinese visit, the Taliban also flew the delegation out to Helmand Province to inspect uranium mines while assuring that it would protect Buddhist structures surrounding Mes Aynak, which stands in stark contrast to the Taliban’s destruction of the Buddhas of Bamiyan in 2001 (O'Donnell, 2022). Chinese investments accelerated in 2023. In January that year, the Taliban inked a contract with the CNPC subsidiary Xinjiang Central Asia Petroleum and Gas Company (CAPEIC), with CAPEIC winning rights to extract oil from the Amu Darya basin (Yawar, 2023). Under the contract, CAPEIC will invest $150 million per annum for the initial three years of the contract, with the annual payments rising to $540 million for the subsequent 22 years of the contract (Ramachandran, 2023). In April, Afghanistan’s Ministry of Mines and Petroleum released the information that the Chinese company Gochin expressed an interest in investing $10 billion in Afghanistan’s lithium reserves (The Economic Times, 2023). Following a trilateral meeting between Chinese, Pakistani, and Taliban representatives in 2023, it was further announced that Afghanistan would join the BRI and would be linked to CPEC in the future (The Times of India, 2023). In July, the Fan China Afghan Mining Processing and Trading Company (FAMPTC) announced that it will invest $350 million in various sectors in Afghanistan, including power generation and the construction of a cement factory (Qooyash, 2023). Representatives of CMCC, one of the companies that won the Mes Aynak contract, have also recently started discussions with Taliban officials on the launch of extraction operations, although these operations had not commenced by September 2023 (Voice of America, 2023). So far, the CAPEIC and FAMPTC contracts are the most substantial reflection of China’s growing investments in Afghanistan -

the CMCC contract existed prior to the fall of Kabul to the Taliban and the Gochin investments appear to be rumors at this point in time. There is nevertheless a growing push to enhance Chinese investments in Afghanistan's natural resources.

Chinese investments are aimed at tapping Afghanistan's resource wealth and boost the international market position of Chinese SOEs. As discussed, Afghanistan holds substantial untapped mineral resources, including copper, lithium, rare earth elements, and more. Extant Chinese investments have focused on ensuring access to these resources: the CMCC contract aims to create access to the copper deposits at Mes Aynak, CAPEIC extracts oil, and a potential Gochin investment would focus on extracting lithium. Copper is a fundamental industrial metal used in electrical wiring, construction, and manufacturing that plays a crucial role in infrastructure development and electrical grids. Over the past decades, China has emerged as both the world's largest consumer and producer of copper (Garside, 2023). The Chinese government has encouraged domestic production and overseas mining investments to secure a stable copper supply, with SOEs such as JCL and Chinalco expanding their presence in the global copper market through State-backed acquisitions and partnerships (Burrier & Sheehy, 2023). Rare earth elements, on the other hand, are essential for various high-tech applications, including electronics, wind turbines, and military equipment. China has aggressively pursued leadership in rare earth production and export and holds a near-monopoly on rare earth elements, which has given it significant influence over the global supply chain. Lastly, lithium is a critical component in the production of lithium-ion batteries, which, as discussed, power various electronic devices, EVs, and renewable energy storage systems. As the world transitions toward cleaner energy and electric mobility, lithium has become indispensable, and China has actively invested in lithium mining and processing abroad via SOEs to secure a stable supply (Blumenthal et al., 2022). In the process, Chinese companies like Contemporary Amperex Technology Co. Limited (CATL) and BYD have become global leaders in lithium-ion battery production and now control almost half of the global supply of EV batteries in market share (see Figure 3).

Figure 3: Market shares of top global EV battery producers in the first half of 2022



Source: Jaghory (2022).

As China aims to establish SOEs as global market leaders in advanced industries, maintaining their market share in key industrial sectors and technologies has emerged as a foreign policy priority. The US withdrawal from Afghanistan has subsequently created the strategic space required for Chinese SOEs to expand their extraction operations in the country.

Bilateral trade has expanded alongside China's growing investments in Afghanistan since August 2021. Huawei won a contract to provide CCTV surveillance systems to the Taliban and China momentarily imports Afghan goods without tariffs (Wani, 2023). China has now emerged as Afghanistan's second-largest bilateral trading partner after Pakistan, with Chinese exports to Afghanistan growing by 56.4% between December 2021 and December 2022 (Devonshire-Ellis & Bonesh, 2023). As Afghan exports to China have only marginally increased since the Taliban takeover, this produces a heavily skewed trade balance. Broadly speaking, growing trade connectivity amid high trade imbalances as well as growing Chinese investments have already made the Taliban regime more economically dependent on China, thus providing China with leverage over the group.

Yet, Chinese investments are likely to face similar structural issues that other international investors encountered between 2001 and 2021. During this period, ongoing violence and insecurity due to the Taliban insurgency made it difficult to undertake long-term and large-scale infrastructure projects. This deterred foreign investors and made it hard for Afghan institutions to function effectively. Furthermore, lack of good governance eroded confidence in the leadership and corruption at various levels of government siphoned off funds that were meant for development projects. Afghanistan's dilapidated infrastructure, including roads, power grids, and communication networks, presented a significant hurdle to economic development and limited the access to international markets. Additionally, a lack of skilled human capital in Afghanistan hindered the planning and execution of development projects and the use of local labor. The country also struggled with an underdeveloped legal framework and a weak regulatory environment that made it challenging to attract foreign investment. Frequent natural disasters, including earthquakes and floods, present additional challenges to infrastructure development. These events could disrupt ongoing projects and divert resources.

Many of these issues continue to persist today. Although Afghanistan is arguably more stable after the Taliban has consolidated its rule, the insurgency of the Islamic State Khorasan Province (ISKP) remains an ongoing threat to Afghans and internationals alike (Sayed & Hamming, 2023). ISKP has strongly criticized the Chinese oppression of Uighurs, further accusing China of imperialism in the form of BRI projects (Dehsabzi, 2023). ISKP attacks on Taliban targets have included venues in which Taliban officials meet with Chinese representatives (Ramachandran, 2023). Expanded infrastructure investments would likely become targets for ISKP attacks that would help undermine Taliban rule by preventing Chinese investments and, thus, limiting government revenues. As was the case under the republican governments of Karzai and Ghani, the scope of investments will depend on the willingness of Chinese companies to operate in largely unstable security environments and the profitability of individual projects (van der Kley, 2014), which will likely remain limited for the time being.

By aligning with the Taliban, China is likely to face a security situation reminiscent of that in Balochistan, where CPEC infrastructure and Chinese workers have been repeatedly targeted by Baloch militants fighting against the Pakistani government (Fazl-E-Haider, 2023). As the struggles of CMCC and CNPC in the late 2000s have shown, winning contracts does not equal the capacity to actually establish effective operations in Afghanistan. Indeed, many Chinese businessmen are said to visit Afghanistan and inquire about investments that do not materialize due to instability and security concerns (Ramachandran, 2023). By inheriting an inherently unstable social, economic, and security environment, the Taliban finds itself in a situation similar to that of the republican government: the security situation in Afghanistan is simply too unstable to attract significant, long-term investments. Even if investment partners are not concerned about the human rights of the country they invest in, they will be concerned with the security of their assets. As long as Afghanistan remains volatile, Chinese investments may thus expand but will likely be heavily limited in scope.

Similar limitations extend to the BRI. Formally including Afghanistan in the BRI is a relatively low-cost signaling effort that, as shown, predates the victory of the Taliban. Thus far, Chinese investment promises have not materialized because the economic incentives and the security stability that is required is simply not present. Chinese SOEs have shown that they remain market-driven entities: in Pakistan, CPEC investment and project delivery has significantly slowed down amid concerns over economic viability and a lack of security (Bhowmick, 2023). As the former US State Department official Bennett Rubin has summarized, *"the structural conditions required for large-scale infrastructure investments simply do not exist in Afghanistan [...] The expectation that they [China] would come in with big projects and do a lot, I think was much exaggerated"* (cited in Voice of America, 2023). Although China's interests in Afghan natural resources are unlikely to abate, its practical ability to extract the mineral wealth is likely to be severely limited by the persistent structural inadequacies of Afghanistan.

Considerations for Western policymakers

What policy approaches can Western policymakers develop and seek to implement, both in their broader strategy towards the Taliban regime and the evolving relationship between China and the Taliban? Thus far, the Western policy response has been focused on restricting the Taliban's access to international funding and the reserves that the transitional and republican governments had amassed since 2001. Much of this policy approach has been derived from concerns that the Taliban could once again transform Afghanistan into a base for transnational terrorist organizations such as Al Qaeda (Maizland, 2023). While this policy approach is broadly understandable, it comes at an immense humanitarian cost by deflating the Afghan population's access to development assistance, thus exacerbating food insecurity and the effects of the number of natural disasters that have rocked Afghanistan over the past years. The Taliban's diplomatic pariah status has also not prevented it from deepening its engagement with regional powers, including China. In effect, the complete Western withdrawal from Afghanistan has significantly reduced the policy space Western governments can operate in.

As Max Boot (2022), a senior fellow for the Council on Foreign Relations, summarized: *"The U.S. ability to affect Afghanistan's future - always more limited than many American officials would care to admit - is now nearly nonexistent. The Taliban are in control, and the people of Afghanistan are at their mercy"*.

In the long term, it must be questioned whether a total exclusion of Afghanistan from the global economy and international financial markets is a viable way forward. In 2001, the Taliban were brought to its knees by a decisive international intervention. The international environment the second Taliban regime operates in now is distinctly different. Simply put, there is no appetite for large-scale military intervention. Although ISKP is an Afghanistan-internal rival, the group has so far not shown the operational strength to truly and comprehensively challenge Taliban rule. As of late 2023, Taliban rule has become more consolidated and the Taliban will likely stay in power, at least in the short term. In the meantime, a lack of engagement with the de facto administration and, thus, the civilian population will only exacerbate civilian suffering. As Graeme Smith and Ibraheem Bahiss (2023) have argued, it is unclear what other policy choice besides cooperation with the Taliban Western governments will have.

Turning to China, the West's continued isolation of the Taliban regime, although understandable, will make the Taliban further economically and strategically dependent on China. China remains disinterested in the Taliban's human rights abuses, with its operations in Afghanistan being thus far largely impeded by the legacy of conflict and the subsequent destruction of infrastructure, governance, and human capital in the country. Continued international isolation will further push the Taliban into the arms of Beijing. The ultimate victims of this are once again Afghan civilians: as China is preoccupied with extracting resources, it has no immediate strategic interests in enhancing civil governance or sociopolitical justice as long as the Taliban can meet its strategic objectives. Indeed, a growing dependence on Chinese financing will exacerbate China's broader economic leverage over the regime. By isolating the Taliban, Western governments thus inevitably reinforce the organization's dependence on China.

Western policy in Afghanistan ultimately remains stuck between a rock and a hard place. The current policy approach, driven by justified security concerns, produces significant humanitarian costs and indeed intensifies the Taliban's push to deepen cooperation with actors Western countries have little leverage over, most notably China. This dependence will inevitably deepen over time. In summary, Western policymakers face a challenging dilemma in their approach to the Taliban and the evolving relationship with China. Security concerns must be balanced with humanitarian considerations, which may necessitate a reevaluation of policies in the long term.

Conclusion

China's building of inroads into Afghanistan has been fundamentally enabled by the Western withdrawal from the country in August 2021 and the Taliban's subsequent status as a pariah in the international arena. Since then, China's economic presence in Afghanistan has expanded substantially through various forms of economic engagement that are predominantly focused on contracts ensuring access to key mineral resources. By honoring the contracts struck under the republican government, the Taliban has notably sought to ensure buy-in and support from China. There has nevertheless been a clear additional expansion of Chinese investments, as evidenced by the CAPEIC and FAMPTC contracts and the rumored Gochin investment. Resource-focused extraction contracts aim to ensure Chinese access to critical mineral resources over which China has sought to develop a de facto monopoly on global markets. For the time being, China thus functions as a key partner for the Taliban regime due to limited diplomatic support, the delivery of some economic aid, trade, and broader investment contracts.

Yet, the limitations of this engagement are well worth noting. Beijing is not dealing with a coherently functioning and administratively capable entity but an armed umbrella organization in which different militant actors pursue various interests. This can affect policy coherence and the delivery of support. As a result, China remains concerned about the Taliban harboring Uighur militants, as it had done during its first time in government (Ramachandran, 2023). The ideological challenge from ISKP, which seeks to portray the Taliban as insufficiently hardline, may also push some Taliban factions to expand support for the ETIM and other groups as a means of shoring up support. The practical operational implementation of projects, in turn, is likely to be detrimentally affected by a lack of human capital, insufficient infrastructure, and a still volatile security situation. As a result, China will encounter the same issues it has in Pakistan on a much more significant scale. Chinese investments will thus remain likely limited in scope. When dealing with the Taliban, China ultimately does not cooperate with an authoritarian government like any other: it cooperates with a terrorist organization that has taken over the government without possessing any of the administrative skills and governance capacity to operate a functioning political and economic system.

Lastly, the Western policy prospects are relatively bleak. Western governments possess little to no leverage over the Taliban given the organization's unwillingness to comply with the norms and regulations governing interstate conduct. The continuation of the policy approach pursued thus far must also be questioned on humanitarian grounds, with the Afghan civilian population being the main victim of the current policy line. The current policy ultimately negates any potential Western leverage while enhancing China's economic and diplomatic position in Afghanistan. If left unchecked and unevaluated, this policy approach will thus inevitably continue to contribute to the suffering of ordinary Afghans.

References

Bhattacharya, A., Dollar, D., Doshi, R., Hass, R., Jones, B., Kharas, H., Mason, J., Solis, M., & Stromseth, J. (2019). *China's Belt and Road: The new geopolitics of global infrastructure development*. Brookings Institution. Retrieved October 12, 2023, from https://www.brookings.edu/articles/chinas-belt-and-road-the-new-geopolitics-of-global-infrastructure-development/

Bhowmick, S. (2023, June 24). *How CPEC went off the rails in Pakistan*. Asia Times. Retrieved October 12, 2023, from https://asiatimes.com/2023/06/how-cpec-went-off-the-rails-in-pakistan/

Blumenthal, L., Purdy, C., & Bassetti, V. (2022, August 3). *Chinese investment in Afghanistan's lithium sector: A long shot in the short term | Brookings*. Brookings Institution. Retrieved October 12, 2023, from https://www.brookings.edu/articles/chinese-investment-in-afghanistans-lithium-sector-a-long-shot-in-the-short-term/

Bonesh, F. R. (2020, July 30). *The role of Afghanistan's resources in security*. Asia Times. Retrieved October 5, 2023, from https://asiatimes.com/2020/07/the-role-of-afghanistans-resources-in-security/

Boot, M. (2022, August 16). *The U.S. Holds Limited Influence in the Taliban's Afghanistan*. Council on Foreign Relations. Retrieved October 12, 2023, from https://www.cfr.org/in-brief/us-holds-limited-influence-talibans-afghanistan

Burrier, E. A., & Sheehy, T. P. (2023, June 7). *Challenging China's Grip on Critical Minerals Can Be a Boon for Africa's Future*. United States Institute of Peace. Retrieved October 12, 2023, from https://www.usip.org/publications/2023/06/challenging-chinas-grip-critical-minerals-can-be-boon-africas-future

Byrd, W. (2022, September 28). *U.S. to Move Afghanistan's Frozen Central Bank Reserves to New Swiss Fund*. United States Institute of Peace. Retrieved October 11, 2023, from https://www.usip.org/publications/2022/09/us-move-afghanistans-frozen-central-bank-reserves-new-swiss-fund

Byrd, W. A., & Noorani, J. (2014, December 1). *Exploitation of Mineral Resources in Afghanistan*. United States Institute of Peace. Retrieved October 5, 2023, from https://www.usip.org/publications/2014/12/exploitation-mineral-resources-afghanistan

China Briefing. (2023, January 10). *China and Afghanistan: Bilateral Trade and Future Outlook*. Retrieved October 11, 2023, from https://www.china-briefing.com/news/china-and-afghanistan-bilateral-trade-relationship-and-future-outlook/

Dehsabzi, H. (2023, March 17). *Is a stable Afghanistan where China, Russia and the US cooperate?* Lowy Institute. Retrieved October 12, 2023, from https://www.lowyinstitute.org/the-interpreter/stable-afghanistan-where-china-russia-us-cooperate

Devonshire-Ellis, C., & Bonesh, F. R. (2023, February 16). *China To Become Afghanistan's Second Largest Trade Partner in 2023*. Silk Road Briefing. Retrieved October 11, 2023, from https://www.silkroadbriefing.com/news/2023/02/16/china-to-become-afghanistans-second-largest-trade-partner-in-2023/

Downs, E. S. (2013, February 21). *China Buys into Afghanistan*. Brookings Institution. Retrieved October 5, 2023, from https://www.brookings.edu/articles/china-buys-into-afghanistan/

DuPee, M. (2012). *Afghanistan's Conflict Minerals: The Crime-State-Insurgent Nexus*. Combating Terrorism Center at West Point. Retrieved October 5, 2023, from https://ctc.westpoint.edu/afghanistans-conflict-minerals-the-crime-state-insurgent-nexus/

The Economic Times. (2023, April 15). *China eyes Afghanistan's lithium reserves, offers to invest USD 10 billion*. Retrieved October 11, 2023, from https://economictimes.indiatimes.com/news/international/world-news/china-eyes-afghanistans-lithium-reserves-offers-to-invest-usd-10-billion/articleshow/99521732.cms?from=mdr

Fazl-E-Haider, S. (2023, August 1). *China's big gamble in Pakistan: A 10-year scorecard for CPEC*. Lowy Institute. Retrieved October 12, 2023, from https://www.lowyinstitute.org/the-interpreter/china-s-big-gamble-pakistan-10-year-scorecard-cpec

Felbab-Brown, V. (2020, June 15). *A BRI(dge) too far: The unfulfilled promise and limitations of China's involvement in Afghanistan*. Brookings Institution. Retrieved October 5, 2023, from https://www.brookings.edu/wp-content/uploads/2020/06/FP_20200615_china_afghanistan_felbab_brown.pdf

Garside, M. (2023, June 19). *Copper consumption share by world region 2022*. Statista. Retrieved October 12, 2023, from https://www.statista.com/statistics/693466/distribution-of-global-refined-copper-consumption-by-region/

Glinski, S. (2022, July 5). *Taliban Wage War Over Coal in Northern Afghanistan*. Foreign Policy. Retrieved October 11, 2023, from https://foreignpolicy.com/2022/07/05/taliban-afghanistan-coal-mining-resources-economy/

Greenfield, C. (2022, July 6). *Afghanistan lifts coal prices as exports to neighbouring Pakistan boom*. Reuters. Retrieved October 11, 2023, from https://www.reuters.com/article/afghanistan-conflict-coal-idUSL4N2YN2MF

Harooni, M. (2011, December 28). *Afghanistan signs major oil deal with China's CNPC*. Reuters. Retrieved October 5, 2023, from https://www.reuters.com/article/afghanistan-cnpc-idUSL3E7NS40J20111228

Jaghory, D. (2022, September 27). *How China Is Transforming the Global Lithium Industry*. Global X ETFs. Retrieved October 11, 2023, from https://www.globalxetfs.com/how-china-is-transforming-the-global-lithium-industry/

Kugelman, M. (2022, March 31). *In Afghanistan, Taliban Hard-Liners Are Winning*. Foreign Policy. Retrieved October 11, 2023, from https://foreignpolicy.com/2022/03/31/afghanistan-taliban-hard-liners-girls-education-press-freedom/

Kullman, R., & Lubold, G. (2012, December 18). *Mining for Peace in Afghanistan*. United States Institute of Peace. Retrieved October 5, 2023, from https://www.usip.org/publications/2012/12/mining-peace-afghanistan

Maizland, l. (2023, January 19). *The Taliban in Afghanistan*. Council on Foreign Relations. Retrieved October 5, 2023, from https://www.cfr.org/backgrounder/taliban-afghanistan

Mohammed, K. (2021, November 9). *A wealth of sorrow: why Nigeria's abundant oil reserves are really a curse*. The Guardian. Retrieved October 5, 2023, from https://www.theguardian.com/global-development/2021/nov/09/a-wealth-of-sorrow-why-nigerias-abundant-oil-reserves-are-really-a-curse

Naseem, N., & Mehkri, I. A. (2023, May 18). *Beyond BRI Connectivity: Chinese Access to the Indian Ocean Through Afghanistan and Pakistan*. South Asian Voices. Retrieved October 12, 2023, from https://southasianvoices.org/building-bri-connectivity-chinese-access-to-the-indian-ocean-through-afghanistan-and-pakistan/

Natural Resource Governance Institute. (2015). *The Resource Curse*. Retrieved October 5, 2023, from https://resourcegovernance.org/sites/default/files/nrgi_Resource-Curse.pdf

O'Donnell, L. (2022, July 11). *Afghanistan's Mineral Resources Are the Taliban's Cash Cow*. Foreign Policy. Retrieved October 5, 2023, from https://foreignpolicy.com/2022/07/11/afghanistan-taliban-mining-resources-rich-minerals/

Parashar, S. (2011, October 31). *Indian firms may land iron ore mining contract in Afghanistan - Times of India*. The Times of India. Retrieved October 5, 2023, from https://timesofindia.indiatimes.com/business/india-business/indian-firms-may-land-iron-ore-mining-contract-in-afghanistan/articleshow/10547450.cms

Qooyash, H. R. (2023, July 8). *Chinese Mining Company to Invest in Afghanistan*. TOLOnews. Retrieved October 11, 2023, from https://tolonews.com/business-184095

Rahim, S. A. (2017, December 22). *The Geopolitics of the Lapis Lazuli Corridor*. The Diplomat. Retrieved October 5, 2023, from https://thediplomat.com/2017/12/the-geopolitics-of-the-lapis-lazuli-corridor/

Ramachandran, S. (2023, May 19). *Can the Belt and Road Initiative Succeed in Afghanistan?* The Jamestown Foundation. Retrieved October 11, 2023, from https://jamestown.org/program/can-the-belt-and-road-initiative-succeed-in-afghanistan/

Risen, J. (2010, June 13). *U.S. Identifies Vast Mineral Riches in Afghanistan*. The New York Times. Retrieved October 5, 2023, from https://www.nytimes.com/2010/06/14/world/asia/14minerals.html

Rupert, J. (1986, October 20). *The Soviets' Underground War*. Washington Post. Retrieved October 5, 2023, from https://www.washingtonpost.com/archive/politics/1986/10/20/the-soviets-underground-war/dca6408b-8381-4631-a9b4-614b8ba3b5bb/

Sayed, A., & Hamming, T. R. (2023, June 7). *The Growing Threat of the Islamic State in Afghanistan and South Asia*. United States Institute of Peace. Retrieved October 12, 2023, from https://www.usip.org/publications/2023/06/growing-threat-islamic-state-afghanistan-and-south-asia

Shroder, J. F. (1983). The U.S.S.R. and Afghanistan Mineral Resources. In A. F. Agnew (Ed.), *International Minerals: A National Perspective*. Taylor & Francis Group.

Siddique, A. (2022, July 15). *Cash-Strapped Taliban 'Exploiting' Afghanistan's Natural Resources To Boost Revenue*. Radio Free Europe. Retrieved October 11, 2023, from https://www.rferl.org/a/cash-trapped-taliban-exploiting-afghanistans-natural-resources/31945420.html

Silk Road Briefing. (2023, May 29). *Afghanistan Accepted Into China’s Belt & Road Initiative*. Retrieved October 5, 2023, from https://www.silkroadbriefing.com/news/2023/05/29/afghanistan-accepted-into-chinas-belt-road-initiative/

Sinno, A. (2023, September 2). *Afghans stave off starvation in the face of economic sanctions*. East Asia Forum. Retrieved October 11, 2023, from https://www.eastasiaforum.org/2023/09/02/afghans-stave-off-starvation-in-the-face-of-economic-sanctions/

Smith, G., & Bahiss, I. (2023, August 11). *The World Has No Choice But to Work With the Taliban*. Foreign Affairs. Retrieved October 12, 2023, from https://www.foreignaffairs.com/afghanistan/world-has-no-choice-work-taliban?check_logged_in=1&utm_medium=promo_email&utm_source=lo_flows&utm_campaign=registered_user_welcome&utm_term=email_1&utm_content=20230816

The Straits Times. (2021, August 25). *China eyes Afghanistan's $1.35 trillion of minerals with risky bet on Taleban*. Retrieved October 11, 2023, from https://www.straitstimes.com/world/china-eyes-afghanistans-135-trillion-of-minerals-with-risky-bet-on-taleban

Sun, Y. (2020, April 8). *China’s Strategic Assessment of Afghanistan*. War on the Rocks. Retrieved October 5, 2023, from https://warontherocks.com/2020/04/chinas-strategic-assessment-of-afghanistan/

Thomas, C. (2021, October 14). *Taliban Government in Afghanistan: Background and Issues for Congress*. Congressional Research Service Reports. Retrieved October 5, 2023, from https://crsreports.congress.gov/product/pdf/R/R46955

The Times of India. (2023, May 8). *Taliban agree with China and Pakistan to extend BRI in Afghanistan*. Retrieved October 11, 2023, from https://timesofindia.indiatimes.com/world/pakistan/taliban-agree-with-china-and-pak-to-extend-bri-in-afghanistan/articleshow/100060511.cms?from=mdr

United Nations. (2022, March 15). *Afghanistan: Food insecurity and malnutrition threaten 'an entire generation'*. Retrieved October 11, 2023, from https://news.un.org/en/story/2022/03/1113982

van der Kley, D. (2014). *China's Foreign Policy in Afghanistan*. Lowy Institute. Retrieved October 12, 2023, from https://www.lowyinstitute.org/sites/default/files/chinas-foreign-policy-in-afghanistan_0.pdf

Voice of America. (2023, September 29). *Appointment of Ambassador Signals China's Ambition in Afghanistan, Experts Say*. Retrieved October 11, 2023, from https://www.voanews.com/a/appointment-of-ambassador-signals-china-s-ambition-in-afghanistan-experts-say-/7290869.html

Wani, A. (2023, September 26). *China's dichotomous ties with the Taliban and Uyghurs*. Observer Research Foundation. Retrieved October 5, 2023, from https://www.orfonline.org/expert-speak/chinas-dichotomous-ties-with-the-taliban-and-uyghurs/

Watkins, A. (2023, April 11). *What's Next for the Taliban's Leadership Amid Rising Dissent?* United States Institute of Peace. Retrieved October 11, 2023, from https://www.usip.org/publications/2023/04/whats-next-talibans-leadership-amid-rising-dissent

Wilson, S. A. (2013). Diamond exploitation in Sierra Leone 1930 to 2010: a resource curse? *GeoJournal*, *78*(6), 997-1012. https://www.jstor.org/stable/24432639

Xu, B., Fletcher, H., & Bajoria, J. (2014, September 4). *The East Turkestan Islamic Movement (ETIM)*. Council on Foreign Relations. Retrieved October 5, 2023, from https://www.cfr.org/backgrounder/east-turkestan-islamic-movement-etim

Yawar, M. Y. (2023, January 5). *Afghanistan's Taliban administration in oil extraction deal with Chinese company*. Reuters. Retrieved October 12, 2023, from https://www.reuters.com/business/afghanistans-taliban-administration-oil-extraction-deal-with-chinese-company-2023-01-05/

Yousafzai, Z. I. (2022). China's Interests in Afghanistan One Year After the U.S. Withdrawal. *China Brief*, *22*(18). https://jamestown.org/program/chinas-interests-in-afghanistan-one-year-after-the-u-s-withdrawal/

Yu, J. (2012). *China's geoeconomic strategy: firms with Chinese characteristics: the role of companies in Chinese foreign policy*. London School of Economics. Retrieved October 5, 2023, from http://eprints.lse.ac.uk/44205/1/__Libfile_repository_Content_LSE%20IDEAS_Special%20Reports_SR012%20China%27s%20Geoeconomic%20Strategy_China%27s%20Geoeconomic%20Strategy%20_Firms%20with%20Chinese%20Characteristics%20%28LSE%20RO%29.pdf

Zak, J. (2022, August 23). *Resource Curse Exacerbates Poverty in Nigeria*. The Borgen Project. Retrieved October 5, 2023, from https://borgenproject.org/resource-curse-extreme-poverty-in-nigeria/