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JOINT WARFARE
STUDIES
(CENJOWS)

1-15 JANUARY 2023



AFGHANISTAN WATCH

VOLUME 1 | ISSUE 1



Taliban Settle Oil Deal with Chinese Company

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AFGHANISTAN WATCH

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<https://thediplomat.com/2023/01/taliban-settle-oil-deal-with-chinese-company/>

On January 5, the Taliban held a televised ceremony heralding the signing of the group's first international agreement since taking over in August 2021. The agreement signed is a contract with a Chinese company for the exploitation of oil reserves in Afghanistan's north.

Chinese Ambassador to Afghanistan Wang Yu praised the signing, saying, "The Amu Darya oil project is an important project of practical cooperation between China and Afghanistan." He went on to say, "The progress of this project has created a model for China-Afghanistan cooperation in major projects in energy and other fields."

Under the deal, Xinjiang Central Asia Petroleum and Gas Co (CAPEIC) will invest \$150 million a year in Afghanistan, increasing to \$540 million in three years for the 25-year contract. The project targets a 4,500 square kilometer area that stretches across three provinces in Afghanistan's north: Sar-e Pol, Jowzjan, and Faryab. The latter two border Turkmenistan.

The Taliban government's Acting Minister of Minerals and Petroleum Shahabuddin Dilawar said that the Taliban will have a 20 percent partnership stake in the project, with the ability to increase that to 75 percent. He said the first three years of the project would be "exploratory," claiming that "[a]t least 1,000 to 20,000 tons of oil will be extracted."

Comments

Introduction

Since capturing the capital city in August 2021 and maintaining dominance over the rest of Afghanistan, the Taliban continues to undertake frequent rounds of diplomatic talks with an intent to bring an end to the country's depleting economic condition and continued political isolation.

JANUARY 1-15 2023

AFGHANISTAN WATCH

As sanctions imposed by the US & its allies continue cripple the nation's economy, local Afghan lives are further impacted by series of draught, that has plunged parts of the country into starvation, during the harsh winters. The Taliban had placed their hopes (to revive their economy) on Pakistan, but a leaked memo (from the Ministry of Interior Affairs) cited presence of ISKP training camps inside Pak's tribal area, raising questions on Islamabad's intent especially with the presence of independent radical factions sponsored by state operating in Logar, too close to the said camps. This makes it all the more interesting as, Taliban reported threats emanating from Pakistan where they thrived during the erstwhile government was in power. For Taliban, its relationship with Pakistan has reached an edgy slope. This memo not only point towards a threatened Taliban but also rampant demands for serious repercussions against Islamabad for supporting the group.



Source: The Hindu

This increase in demand has resulted in series of two-sided attacks from the Taliban and the Tehreek-e- Taliban Pakistan (TTP). It is interesting to note that since the takeover of Taliban in Kabul, Pakistan saw a whopping 50 per cent increase in terror attacks on Pakistani soil mostly by the Pakistani Taliban (TTP). This can also be attributed from the failed talks between the TTP and the Pakistan regime.

JANUARY 1-15 2023

AFGHANISTAN WATCH

What does it mean for China?

China thoroughly enjoys a steady relationship with Pakistan and a seasonal transactional relationship with Kabul. It although has not officially recognised the Taliban government, though local scholars and experts argue on their intent based on a certain level of confidence which is reflected from numerous semi-secret negotiations which continues to occur via its embassy in Kabul. Following the Taliban takeover in August, the Chinese Foreign Ministry announced their intent to establish friendly and cooperative relations with Afghanistan. Followed by this announcement, Beijing pledged a modest \$31 million in food, medicine, COVID-19 vaccines and in other aid.

Mapping China's economic interests in the region

With Pakistan's assistance ruled out, the Afghan consumer market becomes an open season for Chinese business, especially in the light of numerous economic concessions offered by Beijing, which includes the waiving of 98 per cent of tariffs and re-issuing of visas to Afghan businessmen. The renewed negotiations for the Mes Ayanak mine and the signing of agreement for the Amu Darya oil project, group's first international agreement since taking over in August 2021 speaks volumes on growing Chinese confidence in the regime, which many considered a riskier investment even for Beijing. The said confidence may have resonated from announcement by the regime leadership over a raid that resulted in eight militants Islamic State (IS) killed, and seven others arrested following. Experts argue on the timing of the said raids and a sudden appearance from Zabiullah Mujahid claiming these IS militant's role in the attack on a Chinese hotel in Kabul. Local experts who spoke to the author on the condition of anonymity, spoke of Uighurs presence in the camp western Nimroz province which the Taliban made the claim of numerous arrest. To this one scholar pointed towards a possible handing over of the said prisoners to the Chinese consulate. Although the author may not validate the said claims, the terms of the agreement points to a new confident Beijing which may prove the latter's claims true.

In accordance with the agreement, Xinjiang Central Asia Petroleum and Gas Co (CAPEIC) will invest \$150 million a year in Afghanistan, increasing to \$540 million in three years for the 25-year contract. The project targets a 4,500 square kilometres area that stretches across three provinces in Afghanistan's north: Sar-e Pol, Jawzjan, and Faryab, the latter's sharing borders with Turkmenistan.

AFGHANISTAN WATCH

This investment proved incorrect to the prominent theory of long-term gains and short-term investment propagated by leading economists in the context of Chinese future large scale-investments in Afghanistan. This daring step has broken many barriers which could have slowed the future prospects and possibly could have created friction within the leadership and the Beijing. This decision further instils Beijing's renewed confidence in Taliban, keeping aside the theory of regional security or the lack of infrastructure and necessary services, which many scholars spoke frequently.

Furthermore, this agreement could pave the way for numerous smaller-scale economic investment opportunities by private and public sector Chinese entities and individuals—especially those in steel manufacturing and precious metal trading—after Beijing's decision to also build its first crude oil refinery as part of the agreement. This renewed confidence and Taliban leadership's decision to push for a \$216 million Chinese investment project for an industrial park on the outskirts of Kabul, with the capability to hoist over 160 factories, further connects the dots of confidence.

If the Taliban regime continues to share this level of confidence with Beijing, we may witness an increased share of trade for agricultural products, which continues to stake over 80 per cent of livelihoods in the region. This is evident from the success of the pine nut corridor initiative by Beijing in January 2022, which saw a whopping 1500 tonnes of Afghan pine nuts imported by air. Beijing may further reinforce their commitment to find alternatives to the increasing opium production, which Afghanistan holds the title of principle exporter in terms of revenue. While Beijing, on numerous occasions, have resonated its desire to expand its investment within Afghanistan's economy by expanding broader regional trade, strengthening transport networks, land routes, and integrating movement of people with local markets which currently remains challenged due to heightened security posture employed by the Taliban regime. On this note, Beijing has already signed an agreement on a multi-modal economic corridor for movement of containers from China through Kyrgyzstan and Uzbekistan into northern Afghanistan, with the first batch of shipping containers had arrived in September, last year.

JANUARY 1-15 2023

AFGHANISTAN WATCH

The road ahead for China?

With this agreement in play, it is safe to say that Beijing's policies on Afghanistan are focussed on building practical relationships, based on theory of cooperation, between Taliban and Beijing. The regime's first international agreement also points towards Beijing's tacit acceptance of Taliban's control in Kabul, which will assist monetarily, provide local employment and economic assistance to the region as a whole. Most importantly, it has proved the effectiveness of large scale investment which, the Taliban had been longing for, for a very long. The raid on suspected ISKP hideouts also provides the regime's seriousness to strengthen state's security apparatus and if it continues to guarantee it, Beijing may put up more proposition for investment.

This confidence further reflects Beijing's ability to rely on state's security which means a lesser worry on deploying minimal security presence on the ground and instead focussing on greater economic footprint. This may mean expanding interests (greater investments) in Afghanistan's mineral resource sector, which was considered to be hypothetical by many as it had direct link to regional security and stability, which now seems to be guaranteed and by Taliban for foreign investors. Also, Taliban's political and economic isolation will bear more fruits for Beijing. If the confidence remained intact, China may increase development and humanitarian assistance providing them extended relief packages, to an extent, providing some relief to local Afghans.

It is safe to say that China is no longer the out-regionalised player in Afghanistan, engaging actively, and now with a serious investment covering vivid sectors of Afghanistan's economy, taking steps beyond humanitarian assistance. To this note, Taliban leadership will enjoy more closer working partnership with Beijing which the latter may exercise (and exert) pressure to ensure regional peace, security in the region. Now entering its second year, Beijing is no longer playing the cautious and selective approach as it was earlier, but we have is yet to see its full capability as the year goes by. Taliban's aggressive manoeuvre against its ideological adversary (as it has now identified ISKP training camps in Pakistan) or any change in regional political dynamics (inter-tribal tussle or dissatisfaction with the Taliban leadership) could force Beijing to retrace it steps or may bring other actors including Russia in ways we have never seen.

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