

# Global Implications of China's Big Investment in Iraq and Afghanistan

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This article assesses the significance of China's recently announced investments in large copper and oil development in Afghanistan and Iraq respectively, with potential significance not only for development and peace in the two war-torn nations, but also for China's global role and the US-China relationship. With foreign and domestic investment in both nations barely trickling in despite UN, World Bank, NATO and US efforts, the Chinese plans are highly significant.

of the Chinese investments, and notes reasons why the Chinese prospects of success may be brighter than those for US or other international investors at a time when the Taleban is on the march in Afghanistan and investors enter Iraq at their peril. She also notes the broader significance of the Chinese agenda including railroad links that would transform Afghanistan's linkages to the world economy. Yet surely there is great reason to doubt that the proposed investments will proceed any time soon, for precisely the same reasons why others have been so cautious: in both Afghanistan and Iraq, the security situation precludes, and is likely to continue to preclude, large scale investment of the kinds proposed. Time will tell. Mark Selden

They are indicative not only of China's aggressive search for energy and resource development opportunities, but also of a shift in US goals in the two countries: while all signs pointed to earlier US attempts to monopolize control of Iraqi oil for American companies, under present strategic conditions, the US appears to more than welcome the Chinese initiative.

Recent announcements of massive new Chinese investments in both Afghanistan and Iraq ([http://apjif.org/javascript:void\(0\);/\\*1220293353479\\*](http://apjif.org/javascript:void(0);/*1220293353479*)) and Iraq ([http://apjif.org/javascript:void\(0\);/\\*1220293311722\\*](http://apjif.org/javascript:void(0);/*1220293311722*)) signal the beginning of a completely new phase in international affairs: the phase in which China, cautiously, steps in to start cleaning up

the mess created in these crucial world areas by the reckless policy of the late-phase American empire, and thereby becomes a significant power in its own right in both Central Asia and the Persian Gulf.

From one perspective, these two large Chinese investments—\$3.5 billion to develop Afghanistan's Aynak copper field and \$3 billion to help develop a new oil-field in Iraq—might be seen as driven simply by China's need for increased access to the resources in question. But nothing is that simple. Oil and copper resources can be developed in many places around the world.



Afghan valley site of copper deposits

By making massive investments in these two countries China is also signaling that when the international community becomes involved—as certainly, sooner or later, it must—in the search for a broad and effective resolution of the thorny challenges these countries pose, Beijing will be occupying a substantial seat at that table.

It is difficult to determine what proportion of the

new external investment in each of these two countries, these Chinese deals represent. What is certain is that there hasn't been much external investment on any similar scale, in either of them.

Regarding Afghanistan, in this March 2008 study ([http://www.oxfam.org.uk/resources/policy/debt\\_aid/downloads/aid\\_effectiveness\\_afghanistan.pdf](http://www.oxfam.org.uk/resources/policy/debt_aid/downloads/aid_effectiveness_afghanistan.pdf)) Oxfam's Matt Waldman wrote (p.3) that since 2001, "Just \$15 billion in aid has so far been spent, of which it is estimated a staggering 40% has returned to donor countries in corporate profits and consultant salaries." So over seven years, about \$9 billion in external non-military aid of all kinds-- relief, reconstruction, and 'development'-- has ended up being disbursed inside the country. That's about \$1.29 billion per year.

Interestingly, the table on p.27 indicates that China has disbursed \$41 million of official development aid in that period, and has pledged to disburse a further \$84.15 million by February 2011. Compared with all those figures, for China to sink \$3.5 billion into development of the copper field—and the associated power plant and rail line—will be HUGE.

How much of the \$3.5 billion will go into paying and training Afghan workers, and buying goods from Afghan sub-contractors—and thereby, help to stimulate the Afghan economy directly, long

before the first copper ingot is pressed? This is a crucial question, that I hope the Chinese get right. (In many places where China does development projects, they do them on a turnkey basis that by all accounts is incredibly impressive and efficient, but does almost nothing to provide livelihoods and training to indigenes of the countries concerned.)

In Iraq, the general picture—and the associated concerns about the design and local economic effects of the project—are broadly similar. However, since Iraq already has a massive labor-pool of highly trained oil technicians, engineers, and administrators, the training needs will be completely different; the livelihood-provision needs are, however, equally important.



The Chinese oil service contract renegotiated a 1997 deal

Information about external investments of all kinds in non-military projects in Iraq is also difficult to quantify. However, the "International Reconstruction Fund Facility for Iraq" reports (<http://www.irffi.org/WBSITE/EXTERNAL/IR>

FFI/0,,menuPK:64168276~pagePK:64168245~piPK:64168275~theSitePK:491458,00.html) that "So far 25 donors have committed about \$1.84 billion to the Facility." IRFFI, as it is known, is a collaboration between the World Bank, the UN, and the Government of Iraq.

In the cancer-like proliferation of different agencies, "facilities", and the like that have grown up around the US-led project to "reconstruct" (or deconstruct) Iraq, there is also an "International Compact With Iraq", an Iraqi government initiative in cooperation with the UN and the World Bank, and including many of the same people who contribute to IRFFI., Its goal (<http://www.globalsecurity.org/wmd/library/news/iraq/2006/07/iraq-060706-unnews01.htm>) is "to build a framework for Iraq's economic transformation and integration into the regional and global economy." Stockholm provided a venue for the first annual review ([http://www.un.org/apps/news/infocus/sgspeeches/search\\_full.asp?statID=251](http://www.un.org/apps/news/infocus/sgspeeches/search_full.asp?statID=251)) of its activities which included high level representation from 88 nations as well as the IMF, World Bank, United Nations, Organization of Islamic Conference and other international organizations including Condoleezza Rice and Ban Ki-moon, the UN Secretary-General.

China is not recorded as a donor on IRFFI's list of (small-bucks) donors, but Assistant Minister of Foreign Affairs Liu Jieyi did lead a Chinese

delegation in the one year review. .

If you want to see how mind-bogglingly bureaucratic, goobledy-gookish, and colonialist the ICI seems to be, look at pages like this one ([http://apjff.org/javascript:void\(0\);/\\*1220295499860\\*](http://apjff.org/javascript:void(0);/*1220295499860*)) from the annual review on their website. Your eyes will glaze over, guaranteed.

China's two new investments are a huge deal for the two countries being invested in. And certainly not solely at the economic level.

But think about the challenges that Chinese engineers will face in Afghanistan. Not just the technical (and environmental-protection) challenges, which are huge enough. But also the political and security challenges. Some of these are described in the well-reported Eurasianet article (<http://www.eurasianet.org/departments/insight/articles/pp090708.shtml>) by Ron Synovitz.

Times Online  
(<http://www.rawa.org/temp/runews/2008/05/15/afghanistan-copper-deposits-worth-88-billion-attract-chinese-investors.phtml>)'s Jeremy Page is also informative. He writes, intriguingly,

"It was here, in the Aynak valley, that al-Qaeda trained and planned for the 9/11 attacks that triggered

the US-led invasion of Afghanistan in 2001. And it is here, seven years on, that Afghanistan – with the help of British geologists and a Chinese mining company – will lay the foundations of a new economy in the next few weeks..."

Aynak, Ground Zero for major geopolitical change. Who knew?

Aynak is a valley that, according to my Google map is, located a lot closer to Kandahar than to Kabul.... On the other hand, he was writing from there, so I guess he must know?) If the Chinese really are also going to build a rail line that comes from western China, through Tajikstan, down through Afghanistan (including Aynak) and through Pakistan to Karachi, then that is extremely significant.



Beijing 北京 Guangzhou 广州 Harbin 哈尔滨 Hainan Dao 海南岛  
Lhasa 拉萨 Lanzhou 兰州 Mount Everest 珠穆朗玛峰 Lanzhou 兰州  
Nanjing 南京 Shanghai 上海 Shenyang 沈阳 Taipei 台北  
Tianjin 天津 Wuhan 武汉 Xi'an 西安 Zhengzhou 郑州

I think the China-Tajikstan connector is already underway...

But the whole project, when completed, will have huge benefits:

- \* for China, in its continuing drive to bring economic development to its far-west regions,

- \* for Tajikistan and the other landlocked former-Soviet Stans, which have pretty good Soviet-era railway systems—but so far, most connect to the outside world only through Russia. This new connector would provide new outlets to both China and the Arabian Sea.

- \* for Pakistan, which gets access to a whole new hinterland and trading bloc there via Tajikistan, and finally--

- \* for Afghanistan, which gets its first ever long distance rail line— and one that connects, moreover, to many other interesting and potentially lucrative places. It also thereby gets a way to start exporting not just the massive amounts of copper said to exist in Aynak but all the rest of its barely scratched-at wealth of mineral resources.

But—and this is a huge but—how can the security of the people who work on these projects in Afghanistan be assured? All the more pressing a question since the Aynak-Karachi segment of the line will have to pass through some prime Taleban heartland.

It is worth noting that China has always had considerable influence in Pakistan. If it proceeds with the whole Aynak project, the task of steering the Pakistani state off its current path toward implosion will be very important indeed.

Anyway, security has been the biggest problem for all the (admittedly much smaller scale) "development" projects that the US and its allies have tried to launch during the lengthy and crushingly unsuccessful years of occupation in Afghanistan, as in Iraq.

Obviously, the Chinese must be discussing this question with the Afghan government. It is probably a huge advantage that the Chinese are not Americans, and not associated with NATO. On the other hand, Beijing does have its own considerable problems with hard-line Islamists among its citizens, who almost certainly have some connections with counterparts in Afghan movements, including the Taleban. So the Chinese security experts will have to work closely with the Afghan authorities to craft a plan that avoids arousing the opposition of the Taleban-- or perhaps, that even cuts them into the deal in some way?



Taliban forces in Afghanistan

Karzai has been known in the past to have favored using some form of 'big-tent' approach to reach out to the Taliban, although until now, his suggestions to that end have all been firmly squashed by the Americans. With this Chinese deal in hand, will he have more ability to stand up to the Americans and do what he thinks is best for his country?

One thing seems certain. The Chinese will most likely be very wary indeed of having the US Special Forces "terrorist killers" (or baby-killers, depending who you believe) operating anywhere near their worksites. So Karzai will have to start constricting the Special Forces' areas of operations considerably if and when the project gets underway. (Or, boot 'em out of the country completely. Probably the best solution all round.)

NATO? Well, perhaps the Chinese and Afghan security people could hire them to provide some security services! Who knows? Similar socio-political and security considerations may well come into play with regard to China's new

investment in southern Iraq.



Afghanistan's President Hamid Karzai with US and NATO commanders

The biggest shifts in global geopolitics have been those announced not with the rumbling of Georgian and Russian tanks but with the quiet signatures of Chinese business executives, bankers, and government officials on these massive contracts with two governments that the US created, from scratch, and put into power by force.

If these deals move ahead as Beijing plans (and it is hard to see what can stop them now) then Central Asia and the Persian Gulf will be

changing fast in both strategic regions.

And the air will also thereby be let out of the over-inflated balloon of America's global control-system. The most important point: This transformation has a good chance of being achieved through the efforts of contract lawyers, civil engineers, oil, mining, and rail technicians, and solid police work (to assure security)-- not through military power and violence.

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*This is a lightly edited version of a post published on Just World News (<http://justworldnews.org/>) August 30, 2008, published here with Ms. Cobban's permission, under a Creative Commons license ([http://en.wikipedia.org/wiki/Creative\\_Commons\\_license](http://en.wikipedia.org/wiki/Creative_Commons_license)) Published at Japan Focus on September 1, 2008*

See also Paul Rogers, *Iraq, Iran, China: the emerging axis* (<http://www.opendemocracy.net/article/iraq-iran-china-the-emerging-axis>) for further discussion of the role of China in Iraq and the Middle East.