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As US fights, China spends to gain Afghan foothold

TINI TRAN

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Gul Akbar's tiny store is crammed from floor to ceiling with rolls of electric cables, plugs of all sizes and piles of extension cords. Virtually everything comes from China, as do most of the appliances and electronics being sold in Kabul's busy Nader Pashtun Market.

Not far away, the sparkling 10-story glass-and brick Jamhuriat Hospital rises in the midst of Afghanistan's war-torn capital. Beijing gave \$25 million and the Chinese workers to build it.

Every day, Afghans wait in long lines at the Chinese Embassy for visas to let them cross the border to trade.

As the U.S. and its NATO allies fight to stabilize Afghanistan, China has expanded its economic footprint with several high-profile investments and reconstruction projects. In 2007, it became the country's largest foreign investor when it won a \$3.5 billion contract to develop copper mines at Aynak, southeast of Kabul.

The U.S. is in favor of the Chinese investment. "It can be a good thing. As a matter of fact, we encourage all of the international community to take an interest in the economic development of Afghanistan," said U.S. State Department spokesman Gordon Duguid.

"Working with our coalition partners and other interested partners, we are trying to establish a viable market economy in Afghanistan. This is one way to wean people from illicit activities and also to fight the ideology of the terrorists," he said.

For China, the reward is not only expanded trade and access to natural resources, it's also security for its western flank, the vast Xinjiang region that is home to a separatist movement of minority Uighurs, said Liu Xuecheng of the China Institute of International Studies, the Chinese Foreign Ministry's think tank.

"Our interest is clear. We need a peaceful neighbor because we have our own problems in Xinjiang," Liu said. "If we have a friendly country in Afghanistan, they can help us to manage issues on the separatists, security and territorial integrity. We want Afghanistan to be successful."

Though the two countries have always been friendly, the relationship has blossomed in recent years. In March, President Hamid Karzai made his fourth trip to Beijing, bringing back agreements on economic cooperation, technical training and lower tariffs for Afghan goods.

The emerging alliance is giving Kabul an alternative to its sometimes strained ties with the West. The two neighbors share a narrow, mountainous border, the Wakhan Corridor, and links that date back centuries to the caravans of tea, spices and other riches that traveled the Silk Road.

Afghanistan is "well aware that the U.S. is likely to only be a temporary ally so it's looking for a longer-term partner in the region. China would be an obvious choice," said security analyst Christian Le Miere, editor of Jane's Intelligence Review.

China drew worldwide attention with the \$3.5 billion winning bid by the state-owned China Metallurgical Group Corp. tap one of the world's largest unexploited copper reserves. That deal — which included commitments to build a power plant, railway, hospital and mosque, and to employ thousands of Afghans as miners — has dwarfed all other countries' foreign investments, including the U.S.

"China is the biggest buyer of raw materials in the world, whether that's in Africa, Asia or any other part of the world. So if China wants to come to Afghanistan, why not?" said Ghulam Mohammad Yalaqi, the Afghan commerce and industry minister. "We just like to do the deal."

The country's untapped minerals, including gold, iron, copper and cobalt, is valued by a U.S. estimate at nearly \$1 trillion. Afghan officials say it's triple that amount.

For Yalaqi, who led a group of Afghan government and business leaders to China last month, the Chinese contribution is as important as that of Western troops.

"If we can create jobs, then youths wouldn't turn to the Taliban. A good economy also has the impact of stability," he said.

Trade between the two neighbors has mushroomed over the past decade from \$25 million in 2000 to \$215 million in 2009, according to Chinese figures. Yalaqi's ministry estimates the actual figure, including unofficial border trade, to be closer to double.

On display in the crowded stalls of Kabul's main electronics market are the fruits of that trade: computers, cell phones, cameras, irons, heaters and washing machines.

Squeezed into a small space is Suliman Electric, the electrical parts business owned by Gul Akbar's family. Akbar and his brother used to travel to Iran and Pakistan to buy merchandise but switched four years ago.

"We started going to China because a socket made in Germany or Iran or the U.S. is more expensive — 200 Afghanis (\$4.40). But sockets from China are only one-fifth the price. The quality of Chinese goods is not the best, but it's good enough and the price is the lowest," he said.

"When I started traveling to China, my business increased by 50 percent."

Every four months, he makes the 4,800-kilometer (3,000-mile) flight to eastern China to fill up two 40-foot containers and ship them to Kabul.

"It takes two months to send it to Kabul and then another two months to sell it all. When we finish, I go back to China to buy more," he said. "I pay \$50,000 for one container's worth of goods and I sell it for \$60,000. I would go more often if I could afford to."

He is one of an estimated 30,000 Afghan traders shuttling between the two countries, said Sultan Baheen, Afghanistan's ambassador to China. Most head to the southern manufacturing hub in Guangzhou province, the far west city of Urumqi in Xinjiang, or the eastern city of Yiwu, home to a massive commodities market, he said.

The need to quickly shuttle goods between countries is huge. On the strength of cargo demand alone, privately owned Safi Airlines plans to launch the first-ever direct passenger and cargo flights between Kabul and Beijing this fall. Currently the only flights are between Kabul and Urumqi.

"What we found out is that the amount of visas being issued from Afghanistan to China, and vice versa, has increased dramatically. This is an indication that there's upcoming traffic, upcoming business," said Werner Borchert, Safi's chief operating officer.

China may be the biggest foreign investor, but its \$180 million in development aid over the past eight years lags far behind the U.S.'s \$12 billion.

Much of China's aid has gone on projects such as the Parwan irrigation system in the north, a conference hall for Karzai's presidential palace and the Jamhuriat Hospital in Kabul. It has also helped train some civil servants as well as teaching police and army officers in logistics and mine-clearance, said Baheen, the ambassador.

But by focusing on signature construction projects, often built with its own workers, China has made itself visible in a way that the U.S., has not, he said.

"America spends billions and billions of dollars, but they give out projects to contractors from different countries — China, India, Pakistan, etc. because the labor costs are low," Baheen said.

So when the average Afghan looks at an American project, "How does he know this is American money?"

The State Department's Duguid cautioned that while foreign investment is welcome, it should be done "according with Afghan laws and free and fair competition rules that much of the world respects. That would include investment from China."

The Aynak copper mine deal was shadowed by allegations that the Afghan mines minister, who has since been replaced, had collected huge bribes for steering the bid toward China.

China has also benefited by focusing its investments on Afghanistan's relatively safer north, while much of the U.S.-funded effort is in the more violent south and east regions. The Taliban is not known to have made threats against Chinese involved in Afghanistan.

Beijing has reaped admiration for projects such as the 350-bed Jamhuriat Hospital. Inaugurated last summer, it was built in three years by 200 Chinese workers who lived on-site in temporary lodgings, said hospital director Ramazan Karimi. The hospital sits empty, though, because the government hasn't allocated any operating funds, he said.

"The Afghan people prefer this gift from China. The Chinese side has done streets, roads and clinics in Afghanistan," Karimi said. "They didn't bring their troops here."

Liu, the Beijing think tank analyst, said he doubted China would ever send troops. "The war is not China's war," he said. "... But economically and socially, we can try to help."

For Afghans such as Akbar the merchant, China is an example to be emulated.

"When I travel to China, I feel safe. I see good roads and cars," he said. "I don't hear the sound of weapons. I don't worry about someone stealing. I wanted to stay there."