The Impact of China’s Economic and Security Interests in Continental Asia on the United States

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Chairmen, Commissioners, I thank you for inviting me to appear before you today to speak on this topic. Afghanistan and Pakistan are currently the most pressing national security challenge to the United States. At the same time, China’s rapid emergence as a political and economic power is a pivotal element in Asian security dynamics. While the United States normally sees China as an East Asian power, China’s relations with Afghanistan and Pakistan demonstrate that its interests and influence extend South and West as well. My testimony this morning will offer my own analysis of the strategic and geopolitical implications of China’s engagement in Afghanistan and Pakistan on American interests. These issues have important connotations for the region, for U.S.-China relations, and most importantly for U.S. national security. I commend the Commission for its interest in this topic.

Introduction

Determining a way forward in Afghanistan and Pakistan currently represents the most pressing national security challenge to the United States. Stability in Afghanistan and Pakistan both appear to be deteriorating, and President Obama’s recent trip to Europe revealed that NATO’s willingness to contribute substantial amounts of money or troops is limited. The U.S. economy continues to flounder, which will constrain the ability of the U.S. government to continue to support military operations and economic reconstruction in either country. At the same time, the U.S. military is strained by two ongoing wars, and it is unclear how much longer the American people will support continued deployments overseas.

The Obama administration’s recent “white paper” pronounced U.S. objectives to be the disruption, dismantling, and defeat of al Qaeda and its safe havens in Pakistan, and prevent their return to Pakistan and Afghanistan.1 To this end, the U.S. will use its military to degrade terrorist networks and train indigenous security forces while civilian efforts establish economic alternatives to the insurgency and improve the effectiveness, accountability, and popular legitimacy of the Afghan and Pakistani governments.

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This strategy, with the constraints detailed above in mind, clearly highlight the need for the U.S. to find partners in order to sustain momentum and preserve the progress we’ve made. Indeed, at several points of the white paper, the Obama administration calls for international assistance in our efforts to stabilize Afghanistan and Pakistan. Experts and policymakers emphasize that economic assistance and reconstruction will be critical to the long-term stability of the region. Most U.S. policymakers continue to focus on the European Union and NATO for assistance. However, some officials and analysts argue that China, as a neighbor to the region with significant amounts of liquid capital ready to invest, could play a major role in the international effort to defeat terrorism and maintain regional stability. This paper will describe China’s leaders’ views of Afghanistan and Pakistan, and will conclude by evaluating how China could play a significant role in the international effort to combat terrorism and instability in these countries.

China’s Strategic Perspective

China’s interests in Afghanistan and Pakistan are complex and multi-dimensional, and are primarily driven by internal considerations. Currently, China’s leaders are concerned that a significant drop in economic growth – a result of the global economic crisis – will lead to increased levels of unemployment and destabilizing levels of popular unrest. China’s need to maintain economic growth and domestic stability significantly inform its approach to Afghanistan and Pakistan. China certainly does not want to see nuclear-armed Pakistan be overrun by Islamic extremists. Nor does it want to see a degree of instability in either country that could complicate China’s access to their resources and transit routes. Additionally, of particular concern to Chinese authorities is the possibly that extremists could migrate from Afghanistan or Pakistan into China, or that their activities could catalyze extremists groups in its interior provinces.

Regionally, China sees Afghanistan and Pakistan as components of a broader struggle for dominance over South and Central Asia. China’s close relationship with Pakistan is largely a check against India’s rise as a dominant power in South Asia. From this point of view, a stable and friendly Afghanistan gives Pakistan an important degree of “strategic depth” against India’s nuclear capabilities and conventional military superiority. According to this logic, China benefits from an Afghanistan that is stable and friendly to Pakistan, because it allows Islamabad to focus on India. Thus, India’s forays into Afghanistan are seen by some in China as “designed to achieve four objectives: contain Pakistan, enhance energy security, combat terrorism, and pin down China’s development.”

Another key dimension of China’s approach to Afghanistan and Pakistan is Beijing’s perception of the United States. Since 2001, the United States has been profoundly focused on the “Arc of Instability” from the Middle East to South Asia, and the ongoing shift of military resources from Iraq to Afghanistan. In addition to requiring significant amounts of policymaker attention, this focus directly impacts the

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ability of U.S. leaders to engage in the Asia-Pacific region. This focus, combined with a difficult economic picture constraining future defense and international aid budgets, has necessarily diverted resources and high-level attention away from China and the Asia-Pacific, forcing the U.S. to essentially operate in the region with one hand tied behind its back. Washington’s focus elsewhere, and a relatively stable strategic environment with no military threats, reinforces Chinese perceptions of the current period as a “window of opportunity” allowing China to focus on its own economic growth and development.

To date, China’s leaders have not commented directly on the implications of the U.S. involvement in extended occupations in Iraq and Afghanistan. Beijing continues to view the United States as the world’s most powerful nation and China’s most important relationship, and does not want to jeopardize US-Sino relations with unvarnished criticism or harping about the ongoing wars. However, since the U.S. invasion of Afghanistan in 2001, official Chinese media has not hesitated to emphasize indications of instability, reports of civilian deaths, and questions about U.S. will to preserve stability in Afghanistan and Pakistan. China highlights problems in Afghanistan and Pakistan for several reasons. First, China perceives itself as the leader of the developing world and is therefore charged with highlighting what they see as victims of U.S. hegemony. Second, China seeks to cultivate positive relations with Muslim-majority countries for their natural resources and their votes in multilateral fora.

Another key driver of China’s perspective on Afghanistan and Pakistan is concern about ties between Islamic militants in Afghanistan and Pakistan and the the Uyghur Muslim minority population in Xinjiang province. China is concerned that the militant Islamist ideology in Afghanistan could bleed into China’s Uyghur population and feed what many in Beijing see as a terrorist problem. The difficulty for U.S. policymakers is distinguishing between terrorist groups and legitimate resistors against the Chinese Communist Party. China claims that a Uyghur separatist group called the East Turkestan Islamic Movement (ETIM) has had contacts with Al Qaeda, and the U.S. has designated ETIM as a terrorist organization. That being said, ETIM’s true size and the accuracy of its reported connections with Al Qaeda remain unclear.

However, Beijing’s concerns about its Uyghur population and possible connections with extremists in Afghanistan and Pakistan raise questions about China’s willingness to tolerate U.S. military forces in these countries as a tool to keep extremist forces pinned down and focused away from China. Chinese strategists are uncomfortable with a large U.S. military presence along China’s border, and some

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4 For example, see Li Xuejiang, “‘New Strategy’ is Biased,” Renmin Ribao, September 1, 2006 and “How has US Anti-Terror Strategy Lead to More Terrorism,” Renmin Ribao, September 11, 2006.
analysts have expressed concern that U.S. bases in the region supporting operations in Afghanistan are part of a plot to perpetuate U.S. domination of the region. At the same time, however, the U.S. presence in Afghanistan prevents Al Qaeda from focusing on China and helps suppress Islamist groups along China’s periphery.

**China’s Approach to Afghanistan**

China’s interests in Afghanistan are both economic and strategic. China was largely disengaged from Afghanistan until President Hamid Karzai’s government opened up its energy, mineral, and raw materials to foreign investors. In 2007, China was Afghanistan’s fifth-largest trading partner, behind Pakistan, the EU, the U.S., and India. China has developed significant portions of Afghanistan’s infrastructure, including telephone networks, irrigation projects, public hospitals, and several other construction projects. The crown in jewel in China’s investments is the $3.5 billion stake in Afghanistan’s Aynak copper field, one of the world’s largest with the potential for $88 billion worth of ore. This investment was coupled with the construction of a $500 million electrical plant and the development of a railway from Tajikistan to Pakistan for distribution. Equally important for Kabul is the project’s potential need to employ 10,000 Afghans and the $400 million of projected royalties it would accrue yearly, representing more than half of its current annual state budget.

Also important to China is Afghanistan’s potential as a source for raw materials. China’s booming economy is fueled by foreign natural resources like oil, natural gas, and other minerals. China’s iron-ore demand increased close to 15 percent in the first 8 months of 2007, while copper demand surged by almost 35 percent in the same period. This is driving an approach to the region focused on maintaining access to foreign resources and markets. Afghan oil reserves were recently upgraded 18 times by a U.S. geological survey, estimates standing at an average of 1,596 million barrels, while Afghanistan’s natural gas reserves were upgraded by a factor of three, standing at a mean of 15,687 trillion cubic feet. Afghanistan also has large iron ore deposits between Herat and the Panjsher Valley, and gold reserves in the northern provinces of Badakshan, Takhar, and Ghazni. Major copper fields also exist in Jawkhar, Darband, and in abovementioned Aynak, located around 30 km southeast of Kabul.

Also of great important to Beijing is Afghanistan’s geographic location, which sets it at the triangular cross-roads between China, energy suppliers in the Middle East, and key Indian Ocean transit points.

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8 Ibid.
9 Ibid.
10 Ibid.
11 Ibid.
12 Ibid.
from Pakistan. As the easiest transportation route for the exploitation of the estimated 23 billion tons of oil and 3 trillion cubic meters of gas in the Central Asian Republics, Afghanistan plays a central role in China’s attempts to diversify its access to foreign resources.13

**China’s Approach to Pakistan**

Pakistan is a tremendously important country in China’s foreign policy calculations. China sees Pakistan as its primary partner in South Asia, with a 50-year history of political and military ties. Pakistan serves as a conduit for China into South Asia and the Indian Ocean and, most importantly, as a foundation of its regional strategy to counter to Indian regional preeminence. For Pakistan, China has been a steady and (mostly) dependable provider of money and weapons and a deterrent against Indian regional domination.

It should be noted that China’s interest in Pakistan is purely strategic, and not economic. In 2005, bilateral trade was $4.26 billion.14 By October 2008, annual trade between Pakistan and China had already surpassed $7 billion, and the two sides set the target of $15 billion in trade by 2011.15 To put these numbers in perspective, the target 2011 trade level between China and Pakistan ($15 billion) is 4% of US-China trade in 2008 ($333.8 billion).16

China’s military relationship with Pakistan is deep and robust, including joint exercises, arms sales, and defense industrial cooperation. Beijing transferred equipment and technologies to Pakistan’s nuclear weapons and ballistic missile programs throughout the 1980s and 1990s. China is currently Pakistan’s largest weapons supplier,17 and Pakistan is by far China’s primary customer for conventional weapons: 36% of China’s arms sales from 2003 through 2007 were directed to Pakistan (the next-largest customer was Sudan with 7%).18 Sales include the co-developed JF-17 multi-role combat aircraft and related production facilities, F-22P frigates with helicopters, jet trainers, tanks, the F-7 fighter, anti-ship cruise missiles, missile technologies, small arms, and ammunition.19

The JF-17 program has important geopolitical ramifications beyond providing Pakistan with an improved combat aircraft. Pakistan has a longstanding, yet unfilled, order for American F-16s. The U.S. decision to not fill the order, while prudent, hurt our ability to cultivate closer relations with the Pakistani military. More important for this discussion, however, is that the JF-17 would primarily be useful to

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Pakistan in an India contingency. China’s continued selling of the JF-17 reinforces Pakistan’s focus on India, which the U.S. has been attempting to shift to the insurgents in Pakistan’s West.

For China, the relationship with Pakistan is also important because of its easy access to the Indian Ocean. China is building a major port in Gwadar that would enable support of a military presence closer to the Middle East and along vulnerable sea lanes of communication. Road and rail links would need to go through Afghanistan. Pakistan is interested in exploiting its geography as a Trade and Energy Corridor (TEC) for China. In February 2008, Pakistan’s then-President Musharraf told an audience at Tsinghua University in Beijing that “Pakistan is very much in favor of a pipeline between the Gulf and China through Pakistan and I have been speaking with your leadership about this. I am very sure in the future – it will happen”.  

Implications for US Interests

As elucidated in President Obama’s “white paper,” the new U.S. strategy toward Afghanistan and Pakistan involves several military and civilian initiatives intended to degrade terrorist networks, train indigenous security forces and focus them on counter-insurgency operations, establish economic alternatives to the insurgency, and improve the effectiveness, accountability, and popular legitimacy of the Afghan and Pakistani governments.

The United States has long called on China to be a responsible international stakeholder that helps solve common problems. China has contributed, to a degree, on international attempts to address problems with Iran and Darfur. Yet, even with Afghanistan and Pakistan on China’s periphery, Beijing has too long been on the sidelines of the international effort to defeat terrorism and improve stability in the region. China has often pledged its support for international counterterrorism efforts, and has even participated in some counterterrorism initiatives with the United States, such as the Container Security Initiative. However, some of China’s other actions, such as it’s pressuring of Central Asian military bases being used to support operations in Afghanistan, suggest a less-than-total commitment to contributing significantly to international counterterrorism operations. The renewed effort by the Obama administration to stabilize Afghanistan and Pakistan and defeat terrorism in the region gives China a new chance to demonstrate their substantive commitment to the international effort against terrorism.

As a neighbor to Afghanistan and a close partner to Pakistan, China potentially has a significant role to play. As already discussed, defeating terrorism and promoting stability are shared U.S. and Chinese interests. Yet, China to date has not yet joined the international effort toward Afghanistan and Pakistan, primarily because Beijing probably calculates that it can free-ride on the stability brought by the U.S. and its coalition partners. U.S. should initiate a sustained dialogue with their Chinese counterparts to

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emphasize shared interests and highlight the important role China can play in achieving our shared objectives.

At this point, I would like to review the U.S. initiatives toward Afghanistan and Pakistan proposed by the Obama administration, and discuss how China’s interests could support or undercut U.S. efforts.

Coordination of Effective International Economic Aid to Afghanistan and Pakistan

In September 2008, the “Friends of Democratic Pakistan” was established by several donor countries, including the United States and China, to coordinate international economic aid projects. The group pledged $5.28 billion in aid at a meeting of the group in April 2009, with the U.S. and Japan pledging $1 billion each. However, even though Chinese officials had previously stated that a “well-coordinated international cooperation was needed” to address Pakistan’s economic challenges,22 the Chinese representative emphasized the need to respect Pakistan’s sovereignty and announced that China’s economic assistance to Pakistan would be provided through bilateral means.23

This is a significant problem because China’s economic assistance practices are at odds with the international approach, which emphasizes the importance of coordinating international aide to Afghanistan and Pakistan in order to ensure that money is properly spent and does not contribute to local corruption, that the local government meets certain performance goals, and that economic alternatives for the local populations are created. Similarly, there are indications that the U.S. may condition future military assistance to Pakistan on Islamabad’s efforts to fight terrorism and permanently break the links between its security services and elements of the Taliban and other extremist groups.

China, on the other hand, typically focuses on ensuring its own access to resources and markets, and is not constrained by issues of good governance, lack of corruption, public accountability, and human rights. These differing approaches raise the possibility that Chinese economic aide to Afghanistan and Pakistan may undercut U.S. efforts to bundle international aide and condition it on Islamabad’s ability to achieve important objectives. Thus, Chinese economic aide to Afghanistan and Pakistan should be coordinated, if not integrated, with international aid efforts in order to promote good governance. The U.S. should engage China to discuss the benefits of the coordinated, international approach and publicly call on Beijing to participate in the international effort.

Assisting Afghanistan’s Military in Combating Terrorism

The U.S. has committed 21,000 additional troops to Afghanistan in order to secure the population, fight the insurgents, and train Afghanistan’s military and police forces. The U.S. has called on the international community, especially NATO, to assist in training police forces and fighting terrorists.

Cooperation between Washington and Beijing on Afghanistan is not unprecedented: following the Soviet invasion of Afghanistan, China provided the mujahedeen with significant amounts of arms in cooperation with the CIA. China and the United States had fewer common interests than they do now, yet opposition to the Soviet Union was enough of a reason to drive several years of significant cooperation.

While Beijing certainly has no interest in sending troops into Afghanistan, especially if they would be under NATO command, there are some indications that some security role in Afghanistan is not out of the picture. A foreign policy analyst from the Chinese Academy of Social Sciences – a Chinese think tank with close connections to the government – was recently quoted as saying that China may participate in an international peacekeeping effort in Afghanistan under the rubric of the UN.24

That being said, the United States should not look to China to play a significant direct military role in Afghanistan, for the foreseeable future. China would not want to be seen as meddling in Afghanistan’s internal affairs, nor would it want to be party to an effort that is unpopular in the developing world. Moreover, it is unclear if China’s military has the capabilities needed to substantially contribute to the international security effort.

**Assisting Pakistan’s military in combating terrorism and maintaining stability**

Since fiscal year 2002, the U.S. has given $10.4 billion and almost $12 billion to Afghanistan and Pakistan, respectively.25 Of the assistance to Pakistan, 73% has gone to security-related programs, including reimbursement for Pakistan’s support of U.S. military operations, and U.S. officials estimate that 70 % of aid to Pakistan was misspent.26 Of the $5.8 billion of U.S. aid to Pakistan spent in the Federally Administered Tribal Areas from 2002 through 2007, only 1% was directed toward economic development.27

A key, if largely unspoken, aspect of the U.S. strategy toward Pakistan is to convince Islamabad to shift the bulk of its forces from the border with India in the East into Pakistan’s West to battle the insurgents. Currently, 125,000 of Pakistan’s 650,000 man military are in the West, and Pakistan’s military appears to remain significantly focused on India.28 There is a great deal of discussion about tying future U.S. military aide to Pakistan to specific benchmarks to ensure that the aid is directed toward fighting

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27 Center for American Progress, “U.S. Aid to Pakistan by the Numbers,” August 21, 2008.
insurgents in the West and severing ties between Pakistan’s military and intelligence organizations and the Taliban. 29

While the U.S. has repeatedly urged Islamabad to shift more forces to the West, this message is clouded by perceptions that the U.S. is a “fair-weather friend” with quickly shifting interests that is too close to India. China’s “all-weather relationship” with Pakistan represents an important potential avenue of influence. Working with China to emphasize to Pakistan’s military the importance of fighting terrorism and preserving stability in the West while cutting its ties to terrorist groups would send a powerful message to Islamabad that this is not just a U.S. concern, but an international concern.

For 50 years, the strategic architecture in South Asia has focused on China’s support of Pakistan as a check against India, based on traditional balance-of-power concepts. The key for policymakers is not to abandon this architecture – which has been fundamental to the preservation of relative inter-state stability between China, India, and Pakistan – but rather to enhance the architecture to better deal with the realities of today. For example, one of the more likely risks of a India-Pakistan war would occur as the result of attacks in India similar to the 11/26 attacks in Mumbai, which occurred as a result of internal instability in Pakistan and terrorist group’s ability to train, equip, and seek safe harbor. Establishing a linkage between internal instability in Pakistan and a conventional war between India and Pakistan suggests a need to update the traditional South Asian strategic architecture to incorporate the fundamental need for stability inside Pakistan to guard against war. This would manifest itself in the Chinese assuring Pakistan of its continued commitment to Pakistan’s security and regional stability. With this assurance in place, the Chinese would need to recognize the importance of maintaining Pakistan’s internal stability to regional peace and its own internal security. Beijing then would be able to approach Islamabad and assure them they could shift the balance of their military forces to the West to combat the internal threat without diminishing its deterrent against an Indian attack.

The key to this approach will be in demonstrating to Beijing that such a position is in China’s interest. As discussed at the beginning of this paper, China is primarily interested in maintaining regional stability and ensuring that terrorism does not spread into China. It is clear that terrorism is a threat to the stability of Afghanistan, Pakistan, and the region as a whole. By coordinating its economic aid with the international system and encouraging Pakistan to focus on the systemic threat posed by domestic militants, China could play a significant role in reducing the threat of terrorism and instability. This will have the effect of enhancing stability in China’s Western provinces, preserving its access to regional resources, and contributing to the broader international effort.

Conclusions

It is clear that, while they share core interests, Washington’s and Beijing’s approaches to Afghanistan and Pakistan fundamentally differ in significant ways. While China has an important role to play in

making these countries more secure, U.S. policymakers must be realistic in what Beijing can do and what it will do. China could and should play an important role as a political and economic supporter of the international effort toward Afghanistan and Pakistan, and could play a decisive role in shifting Pakistan's attention toward its own internal militant problem.

China’s increasing economic, political, and military power has made it a significant regional power with global influence. The United States has urged China to act as a responsible international stakeholder, which means contributing to solving global and regional problems. The primary test of a responsible power should be its ability to effectively solve problems, especially along its periphery. To date, China’s performance related to the North Korea issue has been mixed. Afghanistan and Pakistan represent two areas where China has the potential to significantly influence events for the better.

U.S. policymakers should engage their Chinese counterparts and encourage them to integrate their efforts toward Afghanistan and Pakistan within the broader international effort. While China’s role will primarily be economic and political, U.S. policymakers should also encourage China to use its close connections with Pakistan’s military to encourage it to break connections with the Taliban and other extremists and focus on the threat of militants in its Western provinces.

The United States and China share two common goals: defeating the terrorist threat and supporting regional stability. While the United States has the lead role in achieving these objectives, Afghanistan and Pakistan are not solely a U.S. problem. They are an international problem, and as a neighbor and regional power, China has the ability to contribute to the international solution.