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China's Overtures to Afghanistan: Prospective Rare-Earth Mining

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The political scenario of Afghanistan is the current point of disquiet for the world at large. The sudden and alarming rise of Taliban breaking the twenty-year arrangement by US troops and Afghan army reflects on the fragility of their arrangement and continued uncertainty ahead. In this context, the neighbouring countries and the US have a different approach to balance their relations with Afghanistan under the Taliban. Some who are opposed to the Taliban would be wary of giving recognition to the new government, while others would like to wait and watch.

China however, is showing interest in active involvement in the region's mineral sites, as its foreign ministry spokesperson stated 'Beijing is ready for friendly cooperation with Afghanistan.' Using this context, this paper is an attempt to analyze the potential Chinese engagement/investment in the rare earth mining sites of Afghanistan, and its implications for India.

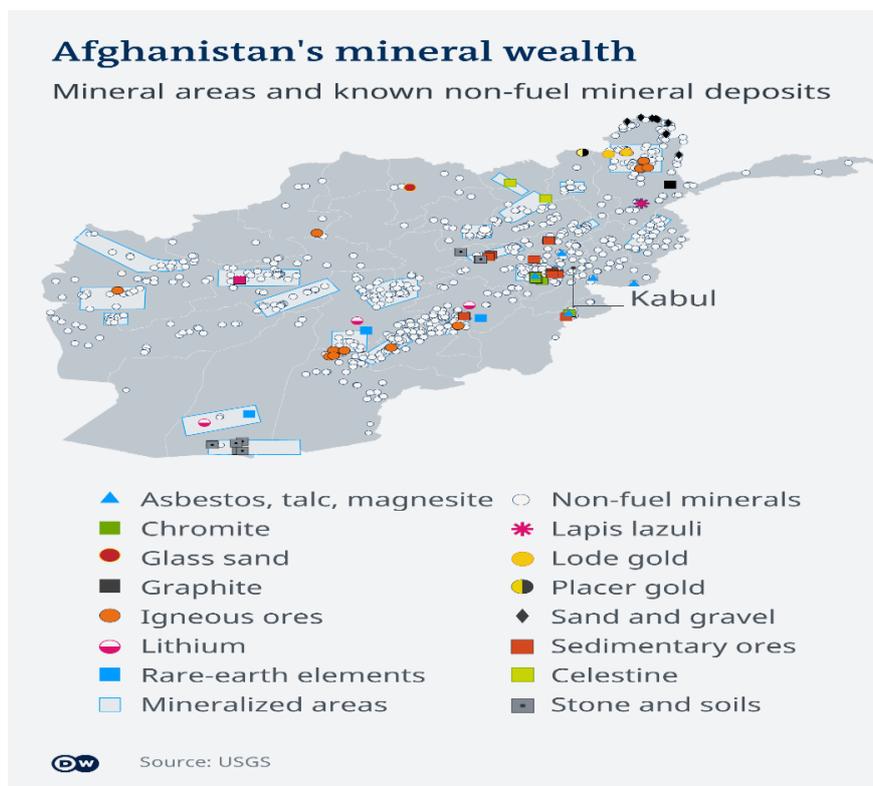
Need for China to explore alternative rare earth reserves

Since the 1980s, the role of China in the rare earth sector has been increasing by leaps and bounds, establishing its monopoly over the value supply chain. The dream to make China a leading rare earth producer reflected in the statements of Vice PM Deng Xiaoping in 1992, who said- "The Middle East has its oil, China has rare earth (中東有石油, 中國有稀土)."¹ The high production and exporting capacity of China has been shaping its geopolitical and economic development around rare earth minerals. This was reflected in the 2019 commentary of the Chinese people's daily stating- 'Don't say we didn't warn you' as part of its warning of the rare earth embargo during its trade war with the US.² However, this monopoly of China has been falling sharply in the past decades, with its reserve share reduced from 70% in 2000s to only 38% in 2020, and the declined production capacity of 58.3% in 2020 from 81.4% in 2016.³ In order to maintain its monopoly under these falling trends, China has begun investing in the rare earth mines of countries like Myanmar, Madagascar, Greenland, Pacific Ocean, Afghanistan and other possible sites.⁴

Geo-Economic Importance of Afghanistan

In 2010, a team of Pentagon officials and American geologists conducted a short survey in Afghanistan, and discovered a vast scale of untapped mineral deposits worth \$1 trillion. The US suggested that the Afghanistan government exploit the discovered minerals to advance its economy. It is noteworthy that Afghanistan had no mining industry or culture at that time and the US showed interest in helping Afghanistan to set up the mineral development system. At the same time, the US also feared that this discovery would attract resource hungry China as well.⁵ The US led aerial survey that found deposits of 60 million tons copper, 2.2 billion tons of iron ore, 1.4 million tons of rare earth

elements such as lanthanum, cerium and neodymium, and other elements like aluminum, gold, silver, zinc, mercury and lithium.⁶



Source- Nik Martin, "Afghanistan: Taliban to reap \$1 trillion mineral wealth", DW, 18 August 2021.

<https://www.dw.com/en/afghanistan-taliban-to-reap-1-trillion-mineral-wealth/a-58888765>. Accessed on 26 August 2021.

China-Afghanistan Energy Trade

The relationship of China with Afghanistan is multi-faceted.. From a geographical point of view, the cordiality with Afghanistan is important for trade facilitation of China with Central Asia and the Gulf region. On the geopolitical side, China needs positive engagement with Afghanistan for its national security considering the proximity between Afghanistan and the Uighurs of Xinjiang province. On the other hand their geo-economic engagement began to take shape after the discovery of unexploited and enhanced trade relations after 2001. The trade relations of both countries progressed with multiple geostrategic initiatives such as the Sino-Afghan Economic Committee in 2006, the signing of Comprehensive Partnership Agreement in 2010, and a custom free trade agreement in 2017.⁷

Potential Rise of Chinese Engagement in the mining sites of Afghanistan

The official response of China after the Taliban takeover of Afghanistan reflects its geopolitical and geostrategic outlook towards the region. China's official spokesperson said- 'Beijing is ready for friendly cooperation with Afghanistan'. This decision is very calculative considering China's need to maintain its rare earth dominance, and the necessity to protect its boundaries from Taliban

interference.⁸ The continuous presence of war-like conditions in Afghanistan in the past four decades restricted the country from developing its mining industry, and was thus unable to exploit the trillion dollar worth mineral deposits. With US withdrawal ending the two-decade war in Afghanistan, China can offer what Kabul needs the most under the Taliban rise, as mentioned by former PLA Colonel Zhou Bo in his statement to New York Times. Zhou also said- “China can offer both political impartiality and investment to Afghanistan, while in turn Afghanistan has what China most prizes: the opportunities in infrastructure and building and access to \$1 trillion worth untapped mineral deposits.”⁹

Implications for India

The opportunistic approach of China towards Afghanistan under the Taliban is a growing concern for India. India has already lost its stake in the Chabahar-Zahedan railway line project last year due to its delayed funding, which was followed by the opportunistic 25-year agreement between China and Iran. The rise of Chinese investment in Afghanistan would affect the geo-economic engagement plan of India with Central Asia via Afghanistan, as well as the geopolitical threat by Pakistan. Besides these implications, only time will unfold how this would impact the ongoing initiatives of India to secure its rare earth industry.

Notes

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³ Laura Wood, “China Rare Earth Market Investigation Report 2021-2025”, *Business Wire*, 1 June 2021, <https://www.businesswire.com/news/home/20210601005568/en/China-Rare-Earth-Market-Investigation-Report-2021-2025---ResearchAndMarkets.com>. Accessed on 22 August 2021.

⁴ Ariel Cohen, “China’s Journey To the Center Of The Earth - For Rare Minerals”, *Forbes*, 2 June 2021, <https://www.forbes.com/sites/arielcohen/2021/06/02/chinas-journey-to-the-center-of-the-earth/?sh=17ec3b2a131f>. Accessed on 22 August 2021.

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⁶ Charles Q. Chloi, “Rare Earth: Afghanistan sits on \$1 trillion in Minerals”, *NBC News*, 5 September 2014. <https://www.nbcnews.com/science/science-news/rare-earth-afghanistan-sits-1-trillion-minerals-n196861>. Accessed on 23 August 2021.

⁷ Shubhangi Pandey, “Understanding China’s Afghanistan policy: From calculated indifference to strategic engagement”, *ORF Issue Brief*, 6 August, 2019, <https://www.orfonline.org/research/understanding-chinas-afghanistan-policy-from-calculated-indifference-strategic-engagement-54126/>. Accessed on 28 August 2021.

⁸ Weizhen Tan, “China may align itself with Taliban and try to exploit Afghanistan’s rare earth metals, analyst warns”, *CNBC*, 17 August, 2021, <https://www.cnbc.com/2021/08/17/taliban-in-afghanistan-china-may-exploit-rare-earth-metals-analyst-says.html>. Accessed on 29 August 2021.

⁹ Iain Marlow and Enda Curran, China Eyes Afghanistan's \$1 Trillion of Minerals With Risky Bet on Taliban, *Bloomberg*, 24 August 2021, <https://www.bloomberg.com/news/articles/2021-08-24/china-s-eyes-1-trillion-of-minerals-with-risky-bet-on-taliban>. Accessed on 30 August 2021.

