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Occasional Paper

Communication, Co-operation and Challenges

A Roadmap for Sino–Indian Engagement in
Afghanistan

Shisheng Hu, Raffaello Pantucci, Ravi Sawhney and
Emily Winterbotham



About this Occasional Paper

This paper concludes a research project which brought together influential thinkers and experts from China, India, Pakistan, the UK and Afghanistan in a number of workshops in London, Beijing, New Delhi and Qatar. The project began in 2012 and was founded on the belief that it is Afghanistan's powerful neighbours who will be essential to the state's successful development. Its purpose has been to suggest specific ideas and pathways that might facilitate Sino-Indian collaboration in Afghanistan and protect the country's future stability and prosperity.

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Key Recommendations

1. China and India should increase the amount of training they are providing to the Afghan National Security Forces (ANSF), each choosing niche specialties they can lead on
2. China and India need to play a greater role in providing financial support to the ANSF and not solely in-kind support
3. China and India should work to fund and support a specific minerals-and-infrastructure protection force
4. China and India should both push to increase the presence and interaction of Pakistani and Afghan groups in regional fora, as well as finding ways of bringing Iran into conversations
5. The Shanghai Cooperation Organization (SCO) needs to leverage its many advantages to play a greater role in contributing to Afghan stability. Using their respective positions within the organisation, China and India can both play roles in advancing this
6. Iran needs to be brought more into the peace-process discussions
7. Beijing needs to build on previous momentum and host a larger regional Track II conference bringing together all of the key players in potential peace talks
8. China and India both need to enunciate more clearly how Afghanistan fits into their respective regional strategies: the Belt and Road Initiative for China, and the Connect Central Asia and International North–South Transport Corridor (NSTC) for India
9. Beijing and Delhi should discuss establishing a code of conduct for national companies in Afghanistan's mining industry
10. China and India should focus on establishing support facilities for microfinance projects and small and medium-sized enterprises (SMEs) to help develop this part of the Afghan economy, especially in farming, irrigation or food-processing techniques and urban service sectors
11. China and India should respectively hold large investment forums on alternate years bringing together Afghan officials, entrepreneurs and potential external investors
12. Both China and India should offer more technical scholarships at technical and training colleges and universities in their countries, as well as increase support to a broader range of educational institutions in Afghanistan
13. China and India should make co-ordinated efforts in international arenas to appeal for and encourage the international community and Western powers to sustain their support for the process of Afghan reconstruction.

Introduction

A YEAR INTO THE so-called ‘decade of transformation’, Afghanistan is plagued by challenging circumstances. The National Unity Government (NUG), inaugurated in September 2014, continues to be weak, the economy has failed to deliver on its promise and an increasingly fractured insurgency is making in-roads in parts of the country previously believed to be stable. Addressing these pressing concerns requires a concerted effort by Afghanistan’s international partners in support of the Afghan government. NATO, Western and, most significantly, US engagement in Afghanistan will continue.

The American announcement to extend its military engagement in Afghanistan beyond December 2016 is a reflection of growing concern in Washington about the deteriorating security situation on the ground. But the economy still holds little promise, with a continuing exodus of currency, as well as a brain drain, further weakening the economy. Major mining prospects, perceived to be the economic base upon which a sustainable Afghan economy could be built, have so far failed to deliver on their initial promise. Infrastructure projects are moving slowly forwards, though they are plagued by security threats and a difficult operating environment for companies. The long-term goal is for a stable and peaceful Afghanistan to be able to stand alone, but this vision is far from being realised.

Afghanistan will require significant military and financial support for the foreseeable future. Although there is recent evidence of the US and its Western allies bolstering their commitments, these are short-term responses to the situation rather than long-term solutions. The political calculus in most Western capitals continues to favour heading towards the exit, though increasing numbers are realising a substantial commitment remains an important pillar of their foreign policies. Whatever the case, improved regional dynamics are going to be crucial to the sustainability and prosperity of the Afghan state. Regional geopolitics has rapidly evolved with China’s and India’s growth presenting particular opportunities for Afghanistan and the region.

This *Occasional Paper* concludes a research project which brought together influential thinkers and experts from China, India, Pakistan, the UK and Afghanistan in a number of workshops in London, Beijing, New Delhi and Qatar, and outlines areas of common interest between China and India in Afghanistan. The project spanned several years, starting in 2012. Participants’ opinions and responses were therefore likely influenced by developments in Afghanistan at the time the workshops were held. It is, however, still possible to draw out the key commonalities and divergences between each country’s participants to map out policy ideas for co-operation and ‘burden-sharing’ between India and China in Afghanistan. Both have unique and strong relationships with Afghanistan and, in addition to co-operative efforts, both countries can play a number of bilateral roles. This paper presents some ideas for thinkers and strategists in Kabul, Beijing and New Delhi on how to help Afghanistan move forward and achieve stability.

The paper starts by offering a brief sketch of Sino-Indian relations, painting the broader regional context within which this project developed. Much has happened and developed since the project was conceptualised, both in terms of Sino-Indian relations and relations internal to Afghanistan, including, most recently, the setback in the Chinese-supported peace talks between the government in Kabul and the Taliban. The paper then looks in some detail at three topics that were repeatedly identified during the project as areas where co-operation might be possible: security, the economy and the politics of peace. In each, some ideas for potential co-operation are offered. In its conclusion this paper draws out what the parameters of future engagement might look like, as well as some ideas for future engagement by other powers, beyond China and India, to help collaboratively to stabilise Kabul.

I. Sino-Indian Relations

THE SINO-INDIAN RELATIONSHIP has often been disturbed by bilateral differences and has over it a heavy shadow of history. However, recent moves by the Narendra Modi administration in New Delhi and the Xi Jinping administration in Beijing have shown how both powers have an eagerness to at least explore the possibility of establishing a longer-term relationship that moves beyond historical tensions and commits both to building up a much closer developmental partnership. Both sides have actively courted the other (notwithstanding continuing frictions over disputed borders), with growing numbers of Chinese companies deciding to make major investments in India, while the government in New Delhi chose to be one of the early participants in the Chinese-instigated Asian Infrastructure Investment Bank (AIIB). More fundamental issues exist around Pakistan, though many in Beijing express concerns similar to those found in New Delhi about Pakistan's domestic stability. Notwithstanding these tensions, the underlying logic is towards co-operation.

Afghanistan, in particular, offers an interesting case study for enhanced co-operation. Concordance between the two powers may be the best way to establish the regional stability that Afghanistan needs for its future growth and security. Both regional powers have publicly expressed their willingness to work together and find avenues of co-operation, perhaps a sign that the 2005 China-India Strategic and Cooperative Partnership for Peace and Prosperity is producing some results. China's and India's diplomats at the director-general level held their first bilateral talks on Afghanistan in 2012 and, during a visit by Premier Xi to New Delhi in September 2014, agreed to 'strengthen strategic dialogue' on building 'peace, stability and prosperity in Afghanistan.'

Common interests in Afghanistan include security concerns emanating from terrorism in the region and the risk of spillover from Afghanistan; though there are significant public divergences in attitudes regarding Pakistan and its relationship with the Taliban and other militant proxies. This clear divergence notwithstanding, both China and India are still willing to participate in bilateral counter-terrorism 'hand-in-hand' training exercises, as well as border-dispute resolution talks. This shows a willingness to co-operate on difficult topics. Both countries also strongly agree about the importance of investment and economic development in Afghanistan, with a vision of the country as a regional trade hub, and both emphasise the need for an 'Afghan-owned, Afghan-led' political peace process.

Co-operation has so far been modest, as highlighted above, and results have not moved beyond statements of intent. Both China and India remain suspicious of or cautious about the other's intentions, and more generally about the strategic consequences of too much intervention in third countries (especially one, like Afghanistan, that both refer to as a 'graveyard of empires'). That said, the significance of any (even if largely symbolic) joint efforts to send a strong message to the region is increasingly being acknowledged. With that in mind, and at the request of Chinese and Indian interlocutors, this paper builds on the roadmap previously developed by RUSI and

tentatively outlines Sino–Indian co-operation in Afghanistan in the realms of security, political and economic affairs.¹ Regional co-operation is perceived as a cross-cutting issue in each of these sections. The question now is if the two Asian giants are willing to assume responsibilities commensurate with their greater economic capacity in order to meet the expectations of not only Afghanistan, but also the wider international community.

1. Shisheng Hu, Raffaello Pantucci and Ravi Sawhney, ‘A Roadmap for Sino-Indian Co-operation in Afghanistan’, RUSI Occasional Paper, July 2014.

II. Security

INTERNAL SECURITY IN Afghanistan continues to be a major concern. Throughout the early and middle part of 2015, peace talks appeared to be moving in a positive direction. These were abruptly scuppered in the wake of the revelation of Mullah Omar's death. Concerns had already been developing about the increasing fragmentation of the insurgency and the (albeit limited and unclear) emergence of Daesh in Afghanistan, but these concerns were seemingly pushed into overdrive following the announcement of Mullah Omar's demise. Recent events in Helmand and Kandahar, Kunduz and Faryab reflect the Taliban's determination to continue to wage war in Afghanistan, including in areas outside their traditional stronghold, despite hopes that internal political turmoil might weaken their military resolve and capacity. Events like the (albeit temporary) success of the takeover of Kunduz city have likely strengthened this resolve and helped to heal at least some internal rifts. The emergence of Daesh appears to be largely a product of internal tensions within the Taliban and other militant groups in the region, but there is some evidence of external support, which suggests that the organisation might still establish a more tangible and menacing foothold in the country.

The long-anticipated signing of the Bilateral Security Agreement between the US and Afghanistan took place on 30 September 2014. It allows for the presence in Afghanistan of US and foreign forces under the new NATO Resolute Support Mission, initially until the end of 2016, injecting much-needed confidence into the country's security sector. Meanwhile, the commitments made by NATO to Afghanistan at the 2012 Chicago Summit currently extend until 2017 and the next NATO summit – in Warsaw this summer – will discuss post-Chicago commitments to the Afghan National Security Forces (ANSF). While the ANSF appeared able to withstand some of the Taliban offensives and increased insurgent violence in the short term, recent setbacks have increased concerns in Western capitals enough to re-visit previous decisions to draw down forces. President Barack Obama's recent decision to extend the US troop mandate in the country was welcomed in Beijing and New Delhi, where there was concern about the growing violence in Afghanistan.

China and India are united by the common threat of a renewed and strengthened Taliban and the surge in terrorism that would likely accompany the collapse of the state in Afghanistan. India has considered the Taliban's Islamic Emirate to constitute a terror threat since it came into existence and has regularly found itself in the Taliban's crosshairs in Afghanistan: the Indian consulate in Kabul was hit by suicide bombers in 2008 and 2009, as were the consulates in Jalalabad and Herat, in 2013 and 2014 respectively. Most recently, attacks have targeted the Indian consulate in Mazar-e-Sharif, and there has been an incident near the consulate in Jalalabad (though it is

less clear that it was the target).¹ A number of Indian nationals died in these and other attacks, highlighting the challenge India faces engaging in Afghanistan.²

While Beijing is not overtly concerned about the instability in Afghanistan spilling directly across its borders into Xinjiang (during the Taliban regime it simply closed its borders), spillover into the poorly governed spaces of Central Asia – or worse, Pakistan – could provide the opportunity for terrorist groups to link up with Uighur fighters in Xinjiang.³ Beyond the direct threat of terrorists, the instability that this spillover might engender would potentially have repercussions for the signature foreign-policy initiative of the Xi administration, the ‘Belt and Road Initiative’, and one of its flagship projects, the ‘China-Pakistan Economic Corridor’ (CPEC).

In addition, while China has not been directly singled out for attack, the fact that Chinese workers operate in Afghanistan places them at risk. This risk is one of the key reasons behind the delays in the Aynak mining project, as well as problems with the reconstruction of the Jalalabad–Kabul road, which is being undertaken by Chinese road-construction firm Xinjiang Beixin. This threat is compounded by fears about the emergence of Daesh in Afghanistan. Since both India and China clearly see problems stemming from an increasingly unstable Afghanistan, co-operation in countering this would be an obvious step.⁴

Currently, China provides security support to Afghanistan within the framework of international agreements, though the principle of non-interference continues to dominate Beijing’s foreign policy. It has largely focused on economic development to promote stability in Afghanistan and has been reluctant to play a military role despite requests from NATO.⁵ Military support has been limited to providing some non-lethal equipment to the ANSF and some limited training of a few hundred Afghan national forces in counter-narcotics and counter-IED training.⁶ This

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1. See *Hindustan Times*, ‘Jalalabad Indian Consulate “Not Target” of Explosion: Sources’, *Hindustan Times*, 5 January 2016; Praveen Swami, ‘Indian Consulate Attack: Before Dying, Afghan Attackers Scrawled “Afzal Guru Avenged” on Walls’, *Indian Express*, 6 January 2016.
 2. Shisheng Hu, Raffaello Pantucci and Ravi Sawhney, ‘A Roadmap for Sino-Indian Co-operation in Afghanistan’, RUSI Occasional Paper, July 2014, p. 5.
 3. Edward Schwarck, ‘Can China and India Cooperate in Afghanistan?’, *The Diplomat*, 1 October 2014.
 4. Hu, Pantucci and Sawhney, ‘A Roadmap for Sino-Indian Co-operation in Afghanistan’, p. 5.
 5. Russell Hsiao and Glen E Howard, ‘China Builds Closer Ties to Afghanistan Through Wakhan Corridor’, *China Brief*, Vol 10, No 1, Global Research and Analysis, Jamestown Foundation, January 2010.
 6. On 10 August 2015, China’s ambassador to Afghanistan, Deng Xijun, held a ‘marathon meeting’ with Afghan National Security Adviser Mohammad Hanif Atmar. During the discussion, Deng offered China’s condolences over the recent bombings in Kabul. He promised that China was ready to offer equipment and support to Afghanistan’s security forces. When Chinese President Xi Jinping met Ghani again on the sidelines of the Shanghai Cooperation Organization (SCO) summit in Russia in 2015, he also pledged the same, that ‘China will continue to supply Afghanistan with security supplies, technology, equipment and training assistance.’ However, as mentioned by Deng to Atmar during the aforementioned meeting, China mainly limits itself to providing equipment and support (usually through training) for Afghan forces. In practice, China has taken care to limit its involvement in the actual conflict by mostly providing police – rather than military – training and by providing non-lethal security equipment. See *BBC News*, ‘Afghanistan: Taliban Attack in Kunduz Kills 29’, 9 August 2015.

limited support, accompanied by substantial economic investment, has not gone unnoticed by the international community, and China has faced criticism for free-riding on the security environment provided by US and ISAF forces.⁷

India has done more than China in the security sector and was the first country with which Afghanistan signed a strategic partnership agreement, in October 2011. But this has also come with caveats. While New Delhi has provided training in India to Afghan security personnel – at least 650 Afghan special forces and officers – it has expressed ambivalence about forming a stronger defence partnership largely due to concerns that any defence-related transactions with Kabul would provoke a violent Pakistani response.⁸ Requests to procure substantial amounts of Indian equipment have gone unanswered, although there has been some discussion of co-operating with Russia to help rebuild parts of Afghanistan's military-industrial base. More recently, India has agreed to contribute four Mi-25 attack helicopters, a contribution that President Modi assured President Ghani would still go ahead despite the recent attack against the consulate in Mazar-e-Sharif.⁹

However, in the context of a total ANSF force of 352,000, India's and China's contributions are minimal.¹⁰ This is particularly problematic given they are the states most likely to feel the immediate impact of growing instability in Afghanistan. If Afghanistan's future in part rests on the ability of the ANSF to defend itself, the way forward is to find a way for China and India to contribute more to the security sector, but to do so in support of an Afghan-led solution. In practice, this would mean continuing to refrain from deploying troops (something which remains a distant prospect for both powers, unless it is under the arrangement of UN peacekeeping efforts), while scaling up the number of all ranks of ANSF personnel being trained by China and India to strengthen its capacity.¹¹ Given the vast costs involved in maintaining the ANSF – \$5.1 billion to maintain the size at its current level until at least 2017 – this could also involve a commitment to engage in the direct financial sustainment of the ANSF rather than solely the in-kind support that they currently provide, especially after 2017.

Both China and India have suggested that they are willing to contribute more in terms of training, but this has yet to be realised. An increase in the number of ANSF personnel trained annually could serve as physical and psychological support to the ANSF. At the last Heart of Asia (HoA) ministerial conference in Beijing in October 2014,¹² China offered to train 3,000 Afghan professionals and offer 500 scholarships in the next five years, and hold training sessions on

7. Rabia Akhtar and Jayita Sarkar, 'Pakistan, India, and China After the U.S. Drawdown from Afghanistan: A Visiting Fellow Report', Stimson Center, January 2015.
8. Hu, Pantucci and Sawhney, 'A Roadmap for Sino-Indian Co-operation in Afghanistan'.
9. Swami, 'Indian Consulate Attack'.
10. Hu, Pantucci and Sawhney, 'A Roadmap for Sino-Indian Co-operation in Afghanistan'.
11. *Ibid.*
12. The Heart of Asia – also known as the Istanbul Process – was launched in 2011 in Istanbul and is aimed at getting Afghanistan's regional neighbours to take on a greater role in the country's future development, and at reconnecting Afghanistan with its region.

counter-terrorism, counter-narcotics and disaster management.¹³ To demonstrate commitment to the security sector, China could decide that training would focus on ANSF personnel.¹⁴ The areas outlined by China could also be those where China and India could collaborate, either in terms of burden-sharing or in pooling resources and expertise. Identifying training missions that might be of direct support to Chinese and Indian interests could strengthen the rationale for both countries' increased contribution to ANSF development and enhancement. At the same time, joint initiatives could help counter Pakistan's sensitivity to any increased Indian engagement in the security sector.

Border-security training along China's western border with Afghanistan to reinforce border-management capacity and transborder co-operation also offers another way to build on bilateral co-operation. In the area of counter-narcotics, the need is to increase the efficiency and capacity of the Afghan Border Police and Afghan Customs Department, improve communication and co-ordination, and counter flows of illicit narcotics and precursor chemicals. The UNDP's EU-funded Border Management in Northern Afghanistan project could perhaps be drawn on for guidance.¹⁵

In relation to counter-terrorism, a positive difference could be made through working together to develop an Afghan counter-terror force that is capable of dealing with the specific threats to their respective national interests – for example, by building on China's and India's 'hand-in-hand' bilateral training and counter-terrorism drills. Both countries could also look to expand the programme by training a mineral-assets protection force, potentially drawing on demobilised ANSF personnel and former employees of disbanded private security companies, as and when they are drawn down. These forces could then provide security at Chinese- or Indian-owned mining or infrastructure construction sites in Afghanistan, which will be a key area of both China's and India's economic interests in the coming years and will form a substantial part of Afghanistan's future revenue generation and tax base.¹⁶

To date, China has been silent on the issue of ANSF funding, while India claims it lacks the resources. Paradoxically, both countries have raised serious concerns regarding the necessity of securing long-term funding for the security forces. At the NATO summit in Wales in September 2014, the international community pledged an additional \$1 billion in funding for the ANSF, bringing the total amount to \$5.1 billion. Afghanistan will commit \$500,000 per year until the end of 2017. Post-Chicago, the funding picture is uncertain, but the intention is that by 2024 Afghanistan will assume full financial responsibility for its own security forces. The ANSF will therefore require significant international funding for years to come. In the context of burden-sharing and in the potential scenario of declining US financing, China and India should seek to

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13. Li Keqiang, 'Let us Join Hands to Promote Security and Prosperity of Afghanistan and the Region', speech delivered at the Heart of Asia meeting in Beijing, 31 October 2014, <http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1206566.shtml>, accessed 26 January 2016.
 14. Hu, Pantucci and Sawhney, 'A Roadmap for Sino-Indian Co-operation in Afghanistan', p. 4.
 15. UNDP, 'Border Management in Northern Afghanistan', <http://www.tj.undp.org/content/tajikistan/en/home/operations/projects/democratic_governance/bomnaf.html>, accessed 13 January 2015.
 16. Hu, Pantucci and Sawhney, 'A Roadmap for Sino-Indian Co-operation in Afghanistan', p. 5.

provide a proportion of future costs. These discussions should take place ahead of the 2016 NATO summit in Warsaw. At the same time, both countries should make co-ordinated efforts in international arenas in calling for the international community to continue to contribute to the reconstruction of Afghanistan and sustain their support for the ANSF.

Discussions between China and India on possible co-operation as part of reconstruction efforts can take place within various established mechanisms: the diplomatic-level bilateral strategic dialogues and the defence and security consultation between defence ministries; during trilateral meetings with Russia and the US; or at the sidelines of the Shanghai Cooperation Organization (SCO) or HoA meetings. Bilateral talks are often restricted, however, by the fact that China and India do not agree on all security-related issues, which can feed mutual suspicion. Beijing and New Delhi have divergent views regarding reconciling the Afghan Taliban and also on regional terrorism, in particular the role of the Pakistani state itself, rather than just rogue elements within it, in driving insurgent networks.¹⁷ India believes that China could play a stronger role in getting Pakistan to take a less permissive approach to some groups that it sees launching attacks against Indian interests.

Despite this, in 2009, China, India and Russia jointly agreed to expand co-operation in combating international terrorism, a topic they can increasingly discuss together at SCO summits. There is a precedent for discussion of these issues and numerous possible fora to build upon.¹⁸ Dealing with militancy and terrorism in Afghanistan is ultimately a transnational regional issue and finding more fora where regional powers – including Russia, China, India, Afghanistan, Pakistan, the Central Asian states and Iran – can discuss the common problems they face and develop a common response is key to finding a way to solve Afghanistan's and the region's current problems.

The HoA format could be better utilised in this sense by, for example, giving space on the sidelines for Afghanistan, Pakistan, China and India to address the issue of regional terrorism. The most recent meeting in Islamabad produced some positive indicators, and India's decision to host the next round is hugely positive – China should move to support India's stated intent to ensure that dealing with regional terrorism and safe havens should be top of the agenda of the next ministerial conference.¹⁹

Another forum that could be better used is the SCO. Founded on the principles of border security and counter-terrorism, it has been looking into developing itself as a vehicle for regional co-operation in terms of security issues, and also as a mechanism for conducting joint training drills. Afghanistan received observer status at the SCO in 2012, while India and Pakistan are on their way to becoming full members. This therefore provides a forum in which to engage China and India on the issue of Afghanistan, or China and Pakistan on regional security. The SCO already

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17. *Ibid.*
 18. Meena Singh Roy, 'Afghanistan and Regional Strategy: The India Factor', in M Laruelle, J Huchet, S Peyrouse and B Balci (eds), *China and India in Central Asia: A New 'Great Game'?* (New York, NY: Palgrave Macmillan, 2010).
 19. Shubhajit Roy, 'India to Host Heart of Asia Conference in 2016', *Indian Express*, 9 December 2015.

has numerous platforms to discuss security questions between the historically antagonistic countries of Central Asia, and so it should be possible to bring the equally complicated South Asian relationships between Afghanistan, Pakistan and India into these discussions. This could also be the forum in which to persuade bordering states to assume greater responsibility for security in their respective border regions. Both Chinese and Indian analysts agree that Central Asian countries are going to be affected by the continuing instability in Afghanistan and should be brought to the table to play a more constructive role.

While some scepticism exists as to how useful this forum could be – due to doubts about its credibility and strength – both Indian and Chinese diplomats have highlighted the potential benefits of the SCO's engagement in Afghanistan. In a speech at the heads-of-government meeting in Tashkent, Uzbekistan, in December 2013, then-Indian Foreign Secretary Sujatha Singh called for the SCO to play a greater role in rebuilding Afghanistan.²⁰ Chinese President Xi agreed, highlighting that China was 'ready to push the Shanghai Cooperation Organization to play a bigger role on the Afghan issue'.²¹

There are various ways that the SCO could play a bigger role. It could assist with infrastructure development and co-ordination, or act as a centre for regional co-operation on security measures in relation to Afghanistan. On security, the existing Regional Anti-Terrorism Structure (RATS) and regular ministerial-level interactions between member states both offer opportunities to engage in practical discussions about steps towards Afghan and regional security. The SCO could be used to collectively mobilise some substantial military assistance from its members to enhance the capacity of the ANSF on the battlefield. Although this does not, of course, preclude bilateral activity by any of the powers, it does offer an opportunity to explore regional co-operation in a framework that has managed, over time, to generate some mutual trust between the respective regional powers. In line with their public statements, China and India could be more politically active within the SCO to try and influence the direction the organisation takes in relation to Afghanistan – appointing senior, well-connected and effective diplomats to roles within the organisation, or as representatives at meetings. This could create the impetus from within that is required for the SCO to offer practical solutions to Afghanistan's problems.²²

The prevailing threat of terrorism and the emergence of Daesh have prompted Beijing and New Delhi to argue for an extension of the NATO and US troop presence. However, while recent declarations by Washington (and other Alliance capitals) have indicated that the withdrawal will be slowed down and the commitment extended, the simple reality is that the US's and its Western allies' interest in Afghanistan is fading. Both Beijing and New Delhi will therefore have to rethink their strategies to safeguard their own interests. The time may come when claiming (in the case of India) a lack of resources or (in the case of China) a reluctance to play some major role is no longer viable.

20. *The Hindu*, 'India Feels SCO Can Play a Bigger Role in Afghanistan', 1 December 2013.

21. *People's Daily*, 'Chinese, Afghan Presidents Agree to Promote Ties', 8 February 2014.

22. Hu, Pantucci and Sawhney, 'A Roadmap for Sino-Indian Co-operation in Afghanistan', p. 6.

Recommendations

1. The ANSF needs greater support. China and India could provide this in two key ways. First, they could increase the amount of training they are providing for ANSF forces. Second, they could offer to train Afghan forces in those areas where they have particular expertise (be it policing, gendarmerie, counter-terrorism, or even more technical skills such as counter-IED)
2. China and India need to play a greater role in providing financial support for ANSF forces. At the moment they are hesitant, claiming a lack of money, or will only provide in-kind support. However, given the impact of the spillover of insecurity in Afghanistan to the international community more broadly and regional powers in particular, China and India should not only find a way of providing financial support to the ANSF, but also make joint efforts in encouraging the international community to maintain their commitment in the reconstruction and long-term stabilisation of Afghanistan
3. China and India should work to fund and support a specific minerals-and-infrastructure protection force. The unit would be specifically tasked to provide security for Afghanistan's mineral assets and infrastructure projects that are, for the most part, being undertaken by Chinese or Indian companies. Should other countries become major players, they should also contribute to supporting this force
4. China and India are already involved in multiple regional security dialogues at a multilateral and bilateral level. They should both push to increase the presence and interaction of Pakistani and Afghan groups in all of them, as well as explore ways to bring other important regional powers, such as Iran, into the discussion
5. The SCO has woefully underperformed in its regional role. While it already has the infrastructure, the interest in security questions, and the involvement of key regional players to enable it to play a positive role in Afghanistan, it needs to step up its activity in various ways: bringing Afghans into the Regional Anti-Terrorism Structure (RATS); including Afghan forces in training missions; finding ways of providing aid and support for ANSF forces; and playing a more proactive role in counter-narcotics. The SCO has done a good job of consolidating itself over the past decade. Now that India and Pakistan are moving towards membership, and Afghanistan has observer status, the time is right for the SCO to show some regional leadership
6. China should encourage co-ordination between Afghanistan and Pakistan in carrying forward their anti-terror military operations in their respective tribal regions, as well as helping to encourage Islamabad to play a positive role in Afghanistan. India should maintain its existing military-to-military interactions with Afghanistan. For both China and India, it is imperative to utilise the SCO as a significant platform to mobilise its members' various resources in enhancing the battlefield capacity of the ANSF to fight against extremist and terrorist groups.

III. The Politics of Peace

THE INAUGURATION OF the National Unity Government (NUG) on 29 September 2014 marked a significant event in Afghanistan's history, with the first-ever peaceful transfer of power. Agreement was reached after lengthy, difficult and often confrontational negotiations that severely complicated the formation of the NUG, with its legitimacy based on intra-elite political consensus. Nevertheless, the elections, however flawed, allowed two Afghan politicians to emerge as the country's next leaders: Ashraf Ghani as the elected president and Chief Executive Officer Abdullah Abdullah as the government's de facto prime minister. The success of the new government will come down to the ability of the two leaders to work together to form a genuine political partnership that will enable the NUG to carry out its ambitious reform plans and ride out potential crises. A key aspect of this will be political reconciliation.

The peace deal will be up to the president to negotiate and both China and India have emphasised the need for Afghan-led and Afghan-owned processes.¹ President Ghani's main drive has, however, been to regionalise the peace process through outreach to China, Saudi Arabia and, more significantly, to Pakistan. This approach appeared to be bearing fruit, with Pakistan pressuring elements within the Taliban to come to the table and talk on a number of occasions in China and Pakistan with NUG representatives. This has in part been credited to Chinese pressure on Pakistan, reflected in the fact that at least one round of the discussions took place in Urumqi, Xinjiang. This served to highlight the importance of China's role as a mediator or confidence-builder, both between the governments in Islamabad and Kabul, and between Islamabad and the Taliban.

Unfortunately, the nascent peace process faced a major setback following the announcement of Mullah Omar's death, and the subsequent accelerating fragmentation of the Taliban. The Taliban's successful demonstrations of military strength in the latter half of 2015 – including high-profile gains like Kunduz, as well as gains in Helmand – mean that the Taliban is likely to anticipate that its bargaining position is improving over time, while the government's position is worsening. This, combined with the emergence of Daesh as an expression of the continuing fragmentation of the Taliban, as well as the sharp loss of confidence between Islamabad and Kabul, suggests that for the time being conclusive peace talks are unlikely.

Until the position of the new Taliban leader Akhtar Mansour is cemented and there is greater clarity about where power lies in the country between the Afghan government and the Taliban, and until Taliban leaders are convinced that the Kabul regime is capable of implementing any agreements that are reached, it is difficult to envisage decisive negotiations taking place. Nevertheless, long-term stability in Afghanistan will only be found through negotiation and therefore efforts are needed to find ways to lay out a process and a path which can ultimately

1. Observed by the authors during the Heart of Asia ministerial conference, 30 October 2014.

be taken by the respective factions. It is here that regional powers like China and India can still assume an enhanced role.

China's close relationship with Pakistan has already been capitalised upon in order to encourage Pakistan's support of an Afghan peace process. Afghan authorities have long wanted China to play a larger role in their country and, specifically, to use its historically strong links to Pakistan to persuade Islamabad to play a positive role in Afghanistan's future. During President Ghani's inaugural visit to Beijing for the HoA ministerial conference (his first official foreign trip) in October 2014, he lobbied China to use its links to Islamabad to help his country.² There was some evidence that this had paid off after these initial Chinese-brokered meetings led to peace talks. China has also started to demonstrate an increased interest in engaging through bilateral relations, such as the Sino-Afghan and Sino-Pakistani relationships, trilateral ties such as China-Pakistan-Afghanistan relations and China-US-Afghan discussions, and multilateral mechanisms such as the SCO and Istanbul Process. Similarly, within the framework of the SCO, major decisions on Afghan participation – like the establishment of the 'Afghan contact group' and the advancement to observer status – have all taken place during rotating Chinese presidency of the organisation.

Unsurprisingly, Pakistan is a key point of contention between China and India. India believes that the Taliban is not an Afghan movement but instead an international, jihadi terrorist organisation and a mere proxy of Pakistan and an instrument of pressure against Afghanistan and the US. Meanwhile, the Taliban's open-ended sanctuary in Pakistan has greatly reduced the incentive for them to talk to the Afghan government.

While China does not deny that Pakistan has proxies in Afghanistan, it believes that Islamabad has less absolute influence over these proxies than might be expected. Something certainly suggested by interviews with captured Taliban who expressed some unhappiness towards Pakistan.³ China largely appears to view the Taliban as a domestic, political group with legitimate grievances that needs to be worked with. Ultimately, China is uncertain about Pakistan's capacity to hold the situation together.

India directly opposes this viewpoint, stating that Pakistan has complete control over the Taliban, pointing to the fact that when militant Uighurs in Pakistan presented a threat to China, the Pakistanis clamped down on them, showing a high level of control when desired. While India agrees that in order to achieve peace and stability in Afghanistan, Pakistan's full co-operation is required, Indian analysts question whether Pakistan will actually deliver on its promises. India believes Pakistan's shift in favour of the peace process is driven by the realisation that if the time has come for a peace deal it has to create space for the Taliban through negotiations. In

2. Raffaello Pantucci, 'Will China Bring Peace to Afghanistan?', *RUSI Newsbrief*, 27 February 2015.

3. This NATO/ISAF report, leaked to the media from 6 January 2012, was based on interviews with Taliban prisoners. It takes the temperature of the insurgency and their views on a number of different issues, including the relationship with Pakistan. See NATO/ISAF, 'State of the Taliban', 6 January 2012, <http://www.nytimes.com/interactive/world/asia/23atwar-taliban-report-docviewer.html?_r=0>, accessed 26 January 2016.

this view, Pakistan realises that this is the only way for the Taliban (and, as a consequence, Pakistan) to obtain a role in Afghanistan, since the Taliban would be unable to win electorally and could suffer strategic defeat. India opposes political reconciliation with the Taliban through constitutional change rather than through a democratic election. The fact that Indian interests have been repeatedly targeted, along with evidence linking these attacks to Pakistan, only serves to further strengthen India's perspective.

China's willingness to co-operate with the governments of both Pakistan and Afghanistan may enable it to significantly reduce the degree of threat Pakistan sees from Afghanistan and the US. Pakistan and Afghanistan both trust China (insofar as the word 'trust' has any application in international affairs) and Chinese and US interests are convergent in the region, which has translated into direct co-operation – for example, the joint training programmes of Afghan diplomats. Therefore, a process of co-operation between these four countries could provide the best hope of persuading Pakistan it can achieve legitimate national objectives without the use of proxy forces. In this sense, the recent quadrilateral meetings in Pakistan and in Kabul in an attempt to create a roadmap for peace are positive measures taken by all sides. Pakistan is likely to be more willing to provide China with access to the exiled Taliban leadership on its territory than to provide Afghanistan or the US with access. Since China is a neighbour, its influence will also be more enduring.⁴ In this sense, the creation of a trilateral group of Afghanistan, Pakistan and China, which brings the Taliban in as a further participant, could increase hopes for peace in Afghanistan.⁵ Given current levels of violence and the fragmentation of the Taliban it is hard to see this being implemented now, but establishing the format and making it clear to the warring factions in Afghanistan that this is an option for the future could lay the foundations to be built upon later.

Expectations of China's influence over Pakistan should be qualified by the recognition of its policy of non-interference and acknowledgement of the limits of the Sino–Pakistan relationship. After all, China is concerned that pushing Pakistan too hard could trigger a backlash. China should make clear in bilateral discussions that any type of proxy warfare is unacceptable.

Iran is another important player that also needs to be considered. Fearing marginalisation, Tehran remains concerned about a regional peace discussion in which it is not involved. China could be proactive about reassuring Iran, which could be a potential spoiler in a peace process (there is evidence that it has supported the Taliban in an attempt to gain its own strategic depth in Afghanistan against the US and other regional powers it sees as potential threats). The regional emergence of Daesh, with its narrow anti-Shia agenda, is likely incentivising further Iranian support of the Afghan Taliban in an attempt to shore up the front against Daesh. Given India's and Iran's infrastructure co-operation that might support Afghanistan, India and China could consider establishing an Iran–India–China trilateral focused on Afghanistan, which would allow for greater discussion of regional development and a dialogue on regional insecurity.

4. Edward Wong, 'Q. and A.: Barnett Rubin on China's Role in Afghanistan', *Sinosphere, New York Times*, 20 February 2015.
5. *Ibid.*

Given the interconnections laid out above, China could also explore the utility of hosting a Track II event on the Afghan peace process, aimed at building confidence between all parties and helping to create a framework for future negotiations. An underlying goal could be to reach an agreement on a policy of non-interference in Afghanistan's internal affairs, an agreement to which HoA and SCO countries could also be signatories.

Recommendations

1. The recent setback in the process of political reconciliation and the growing fragmentation of the insurgency in Afghanistan suggest that comprehensive talks are likely to be off the table in the short term. Outside powers need to continue to keep the pressure on and find ways of offering platforms for eventual discussions. Ultimately, peace talks will be needed and a structure should be in place to support them, if and when they occur
2. China, in particular, has a positive role to play in mediating with Pakistan while reassuring India. While the Sino-Indian relationship is fraught on issues of security, both powers have found ways in the past to address sensitive security questions in a serious manner, including conducting bilateral counter-terrorism exercises. On Pakistan, China and India have also managed to maintain cordial relations, and both would do well to maintain the trilateral conversation which will undoubtedly play a strong supportive role in any eventual peace discussions
3. To date, Iran has played a more limited role in the Afghan peace process. This has been the case despite its proximity to Afghanistan, the vast numbers of Afghan refugees residing there and its strong links into the country. China and India are in unique positions, both politically and geographically, to engage with Tehran in ways that continue to be difficult for the West. Both should engage with Tehran more and explore what possible support for peace talks there might be
4. Finally, although the recent peace process – supported by China and the US and hosted by Pakistan – came to a stop following the first round of talks, Beijing should continue to build on the momentum developed by these talks and quadrilateral meetings in 2016 in order to support measures to bring together all of the key players to discuss the potential for peace talks.

IV. Economic Engagement

AFGHANISTAN'S LONG-TERM STABILITY is ultimately contingent on its ability to develop a strong economy. The country's economy is in dire straits. The protracted political crisis, a lack of confidence in the sustainability and future of the state, shrinking external aid and security spending, combined with an increasing fiscal gap meant that Afghanistan had an economic downturn in 2015.¹ Afghanistan will continue to rely on exceptional levels of donor assistance for success. However, vast mineral resources estimated by the US to be worth \$1 trillion (Afghan estimates place it at \$3 trillion) and the country's strategic location – Afghanistan is a natural corridor for trade and transit and provides a land bridge for Asia – could produce vast revenues for the country, if properly utilised. All of this is of course contingent on a certain level of security.

China and India are two of the biggest current and potential economic investors in Afghanistan, providing aid, infrastructure projects and investment in the country's nascent mining industry.² For both countries, economic initiatives must be prioritised and supported in order to guarantee the country's long-term stability. This is also the area in which Chinese and Indian interests are perhaps more closely aligned and where co-operation is seen as most necessary. Collaboration would serve the benefit of uniting two of the biggest investors and reflecting the significance of Afghanistan to both, providing a symbolic boost.

In the short term, it is in the interests of both China and India that Afghanistan is stable, since that would enable economic investment. In the long term, their interests lie in creating a transit trade area and undertaking mineral exploitation in Afghanistan to enable long-lasting stability in the country and the region. Afghanistan is a component of both countries' regional visions – China's 'Silk Road Economic Belt' and India's 'Connect Central Asia' – though in noticeably different ways.

Afghanistan is hoping to see substantial economic investment in the coming years, accompanied by the realisation that 'international community' should not be synonymous with Europe and the US. The truth is that the Afghan economy is more likely to be connected to the Chinese and Indian economies than to Europe, partly because of proximity, but also because of the availability of markets for Afghan goods in India and China.

The Chinese Silk Road Economic Belt – part of the wider 'Belt and Road' initiative – is a long-term strategy envisaging an extensive network of transport arteries and trade corridors connecting

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1. World Bank, 'Afghanistan Economic Update', April 2015, <http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2015/05/15/090224b082e8582d/2_0/Rendered/PDF/AfghanistanEconomicUpdate.pdf>, accessed 13 January 2016.
 2. Shisheng Hu, Raffaello Pantucci and Ravi Sawhney, 'A Roadmap for Sino-Indian Co-operation in Afghanistan', RUSI Occasional Paper, July 2014, p. 7.

China's western region of Xinjiang, Central and South Asia and, ultimately, Europe.³ At the November 2014 Asia-Pacific Economic Cooperation (APEC) summit, held in Beijing, China's President Xi announced a \$40 billion Silk Road Fund to help breathe life into this vision.

The first project to be funded by this vehicle was part of the China-Pakistan Economic Corridor (CPEC). This detail is telling, as it highlights the degree to which China has focused its investment through the 'Belt and Road' strategy *around* Afghanistan rather than *within* it. Looking towards Central Asia, the Silk Road Economic Belt route goes upward through Kazakhstan and Kyrgyzstan into Central Asia, Russia and ultimately to European markets. Currently, it is not entirely clear that Afghanistan fits into the initiative except as a potential spoiler for projects going through Pakistan or Central Asia. Direct Belt and Road Initiative projects that go through Afghanistan have not yet been announced by China, which instead continues to focus its investments in Afghanistan at a bilateral-aid or investment level. For example, at the HoA ministerial conference China increased its foreign aid to Afghanistan from \$32 million in 2013 to roughly \$300 million up to 2017, which would largely be allocated to the public health, education and agricultural sectors. Beijing has historically encouraged Chinese firms to invest in Afghanistan's mineral wealth, although, as outlined below, these projects have been fraught with problems.

India has demonstrated a strong commitment to development programmes in Afghanistan, with over \$2 billion allocated to infrastructure and education. India's 'Connect Asia' policy (or 'Connect Central Asia' policy), launched in 2012, promotes regional integration and sees Afghanistan as a regional trade hub, crossed by energy pipelines and air, rail and road links, which is hoped will one day link to the subcontinent.⁴ Underlying the Connect Asia policy is India's vision of an Afghanistan characterised by a vibrant civil society, economic growth, religious harmony and the rule of law. Regional integration is high on the economic agenda of the current Indian government, be it the 'Decade of Intra-Regional Connectivity in SAARC', announced by India at the 2009 SAARC summit, the 'Regional Comprehensive Economic Partnership', or the 'Bangladesh-China-India-Myanmar Economic Corridor' (BCIM-EC).⁵ The latter two are especially important to India's Act East policy. Both India's Connect Asia and Act East policies are conducive to greater collaboration with China.

On the ground in Afghanistan, the Chinese state-owned firms Metallurgical Construction Corporation (MCC) and Jiangxi Copper have taken the lead in developing the Aynak copper mine in Logar Province, while in the north the China National Petroleum Corporation (CNPC) has partnered with the Watan Group (an Afghan exploration company) to develop the oil fields in the Afghan part of the Amu Darya basin. Xinjiang Beixin has undertaken road-construction projects from Jalalabad to Kabul with Asian Development Bank (ADB) funding, while numerous smaller businesses have tried their hand at a lower level.

3. *Ibid.*

4. *Ibid.*

5. Manish Vaid and Tridivesh Singh Maini, 'BCIM: Can India Be a Driving Force?', *The Diplomat*, 1 January 2015.

India has more cautiously engaged in Afghanistan's mining sector with SAIL AFISCO (the seven-company Afghan Iron and Steel Consortium, led by the Steel Authority of India), and held back on committing to the contract it won to exploit the Hajigak iron ore mine while it waited for Afghanistan's mining legislation to be passed. The law was finally passed by parliament in August 2014, although the company still seems to be hedging. Similarly, Chinese firms had sought to delay all further work until the political situation was clearer and the law had been passed. Some Indian firms have undertaken infrastructure projects in the country ahead of the CASA-1000 project, including building electricity-transmission lines between Afghanistan and Pakistan. But, overall, both sides have been relatively hesitant players.

Many of the problems China and India face in investing in Afghanistan are similar: insecurity; a weak banking system compounded by local governance problems; pervasive corruption; and regional tensions, with difficult bilateral relations between countries obstructive to regional co-operation.⁶ This creates economic incentives for China and India to find shared solutions.⁷

Insurgent violence will pose obvious challenges for economic investors for at least the foreseeable future. As argued earlier, this will require concerted and substantial support of the ANSF. This could also be partially resolved by some of the security measures highlighted in the first section. Regarding the extractive industry, the creation of a mineral security force that previously protected military supply convoys, international aid programmes and foreign installations could provide a pool of trained, or semi-trained, men in the wake of the West's draw down in Afghanistan.⁸

Since India and China are two of the biggest investors in Afghanistan, as well as being, potentially, two of the biggest consumers of its resources and goods more broadly, both countries should discuss and seek to co-operate on their respective views of Afghanistan's economic future. While the Tokyo Mutual Accountability Framework (TMAF) allows for discussions in a multilateral format, there would be an added benefit in bilateral discussions between respective finance ministries. They could work with President Ghani's government to help him implement his ambitious reform agenda and assist in national development, urbanisation, five-year economic development, the establishment of stock markets, market-based rules and regulations, quarantine criteria and other practical economic structures. This could also facilitate discussion about how to bring other countries on board, including through regional trade treaties to guarantee the free movement of goods through, in particular, the harmonisation of customs and implementation of transit-trade agreements. For example, for India to establish a truly regional trade link, goods need to be able to pass through Pakistan. Overland trade with Central Asia has been geographically blocked for decades by Pakistan. While Afghan-Pakistani transit

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6. Murat Sadykov, 'Has Turkmenistan-to-Tajikistan Railroad Derailed?', *EurasiaNet*, 18 February 2014, <<http://www.eurasianet.org/node/68057>>, accessed 13 January 2016.
 7. Raffaello Pantucci, 'China's Leadership Opportunity in Afghanistan', Carnegie Endowment for International Peace, 9 April 2013; Jay Price, 'Delay in Mine Project Shadows Hopes for Afghan Economy', McClatchyDC, 21 May 2013, <<http://www.mcclatchydc.com/news/nation-world/world/middle-east/article24749320.html>>, accessed 13 January 2016.
 8. Hu, Pantucci and Sawhney, 'A Roadmap for Sino-Indian Co-operation in Afghanistan'.

trade is in the process of being extended through Afghanistan into Central Asia, Pakistan has resisted Afghan requests to allow territory for transit for Indian goods to or from Afghanistan. India would welcome any efforts on the part of China to persuade Pakistan that it should support the development of mutually beneficial economic links between Afghanistan and India in order to regularise the trade route through Pakistan. India expresses concerns that the TAPI natural-gas pipeline linking Turkmenistan, Afghanistan, Pakistan and India could be held hostage by Pakistan, which, if displeased, would be able to hold up Indian fuel, as it did occasionally with NATO supplies.

Iran offers an interesting alternative solution to this problem. The construction in the southeast of the country of Chabahar Port, which would offer a route for goods out of Afghanistan that bypasses Pakistan, could be one solution to the problem of Pakistani intransigence and is at the heart of 'strategic' discussions between India and Iran. The Chabahar-Central Asia route is part of an ambitious plan named the International North-South Transport Corridor (NSTC). This plan was put into motion in 2002 when India, Iran and Russia agreed to build parts of a massive project that would integrate Asian states for economic development. Rather than rely upon Western markets, the idea was to build complementary economic links within Asia. The development of the port is sometimes considered a gamechanger and the recent opening-up of Iran in the wake of the April 2015 nuclear deal makes this option seem increasingly viable. In fact, Iran's economic opening-up could be a boon across wider Central Asia – and especially for Afghanistan – both in terms of the impact across the region of increased wealth coming into the country, but also in terms of making Afghanistan an important part of regional connectivity. Both China and India are key potential players in this changing picture regarding Iran; ensuring that the connectivity this creates includes Afghanistan is a key part of any Afghan and regional economic revival.

China could benefit from India's cultural familiarities in Afghanistan. While India is better placed with its soft power, China is better in the infrastructure and manufacturing sectors. On this basis, India and China could find some common ground and the formation of partnerships or common groups for joint ventures could fulfil shared interests. This would help to overcome mutual fears, such as India's ingrained suspicion of China's long-term intentions on land and at sea, and avoid generating dangerous competition between the two economic powers in Afghanistan. China and India could highlight their respective support for Afghanistan's economic development by alternately hosting an annual Afghanistan investment forum.⁹ Countries like Afghanistan have complex political and social structures that warrant proper attention before investment decisions are made. An investment forum would generate lessons-learnt for investors, introduce potential business partners and help governments think through what obstacles still exist. Ensuring that other potential regional players are involved would be key, helping to breathe life into Afghanistan through the HoA concept.

Collaboration and caution is particularly relevant to the mining industry. Given the potential vast economic benefit of Afghanistan's mining industry and the money both China and India have already invested in this area, Indian and Chinese firms should be encouraged to co-operate

9. *Ibid.*, p. 8.

in the field of mining. Mineral reserves present opportunities but also considerable risks to a country, creating the potential for conflict driven by competition over natural resources. Already in Afghanistan there is some evidence that copper extraction is one form of revenue for the insurgency.¹⁰ Transparency groups have warned that the current mining law is not sufficient protection against corruption, and its failings could lead to forced displacements or even allow armed groups to take control of the sector.¹¹

Another problem Chinese and Indian firms encounter is local corruption – in the form of partners that fail to deliver despite having been paid, or those that offer themselves as shortcuts through the system in exchange for money. Corruption is both a consequence and a cause of the Afghan conflict. As the two largest external investors in Afghanistan's mining industry, China and India have an opportunity and a responsibility to establish some of the ground rules for the way in which business is conducted. Given that Chinese and Indian investment in Afghanistan is being led by state-owned enterprises, the governments in Beijing and New Delhi are in a position to ensure that those firms seeking to invest in Afghanistan adhere to some basic codes of conduct that prevent them from paying bribes or using corrupt methods to undercut competition.

While both nations already have strong codes of conduct in place for their companies operating abroad, the reality is that in a country like Afghanistan, these measures can sometimes get lost in the difficult terrain, and companies of both states have been guilty of bribing foreign officials. China and India could therefore be encouraged to work together on encouraging best practice amongst Afghan official bodies, including the Ministry of Mines. China and India could train officials and technocrats in the ministry and related institutions in contract transparency and establish international best practice. This would mean that two of Afghanistan's largest investors (and likely competitors in mineral-mining tenders) would be adopting the same approach, which may help to reduce problems experienced with and accusations of corruption relating to larger mining concessions.¹²

At the same time, it is important to capitalise on opportunities to assist development in Afghanistan. One suggestion by Chinese and Indian analysts is perhaps to encourage companies to focus on infrastructure (like local roads, hospitals, schools, power stations and so on) as ancillary benefits from their projects that will benefit local communities.

In fact, a positive step could be Sino-Indian collaboration in infrastructure development in Afghanistan. Given that the two Asian giants have both the wealth and companies to implement ambitious infrastructure projects in Afghanistan, China and India should drive them forward from rhetoric to action. Afghans desire credible feasibility studies for infrastructure projects

10. See 'Report of the Analytical Support and Sanctions Monitoring Team on Specific Cases of Co-operation Between Organised Crime Syndicates and Individuals, Groups, Undertakings and Entities Eligible for Listing under Paragraph 1 of Security Council Resolution 2160 (2014)', S/2015/79, <<https://unama.unmissions.org/Portals/UNAMA/SpecialReports/20150209%202160-1-p-special-report.pdf>>, accessed 13 January 2016.

11. IRIN, 'Afghan Mining Law "Could Strengthen Armed Groups"', 28 August 2014.

12. Hu, Pantucci and Sawhney, 'A Roadmap for Sino-Indian Co-operation in Afghanistan', p. 8.

in order to secure financing. President Ghani has called on China to support this work.¹³ This is something that would be to both China's and India's full advantage, not only because of the positive effect these projects would have on Afghanistan's stability, but also because they would help secure Chinese and Indian access to Afghanistan's mineral wealth – something both countries need to support their domestic economic growth.¹⁴ Support from China and India in creating physical infrastructure to connect Central Asia – such as the Turkmenistan-to-Tajikistan railroad connection through North Afghanistan, the extension of a railroad from Iran through Afghanistan to the Tajikistan border and the development of the Peshawar–Kabul motorway – would help facilitate regional trade, including the transportation of agricultural (and other) goods, and provide an efficient way out for Afghanistan's mineral wealth. It would also provide their large national companies with another area in which they could win major, lucrative infrastructure projects – projects that would help connect China and India to Middle Eastern markets and the opportunities inherent to these.¹⁵

For China in particular, exploring further opportunities about how the CPEC could benefit neighbouring Afghanistan or tie together economically Afghanistan and Pakistan is one idea that could bring substantial benefits to all three countries. One of the three proposed routes for the CPEC goes close to the border with Afghanistan. Exploring ways in which ancillary roads or links could be built across the border might open up local economic opportunities. Many of the 'early harvest' projects identified in the CPEC are related to energy (to answer the major electrical shortage in Pakistan). These will feed not only the local communities in Pakistan, but could also potentially provide energy across the border into Afghanistan and even prepare for the prospect of interfacing with the CASA-1000 project as well.

Longer-term collaboration in this direction could see regional infrastructure being developed at a multilateral level, strengthening regional trade and co-operation between China, India and Afghanistan.¹⁶ Currently, the World Bank and the ADB lead a number of economic and energy projects in Afghanistan and the region. These include: the Central Asia Regional Economic Cooperation partnership (CAREC) of ten countries, including China and Afghanistan; CASA-1000, an electricity and trade project focused on Central and South Asia that is overseen by the World Bank; and the ADB-led TAPI project (led by a consortium including a Chinese company; the construction of the Turkmen portion of the pipeline – which will eventually stretch over 1,800 km and reach into Afghanistan – began in December 2015).¹⁷

Given the leading roles played by the US and Japan in the World Bank and ADB respectively, China and India could explore funding through institutions where they have a more influential role. One potential avenue would be to establish a regional-connectivity fund by mobilising

13. *Ibid.*, p. 9.

14. *Ibid.*

15. *Ibid.*

16. *Ibid.*

17. *Ibid.*; see also ADB, 'TAPI Shareholders Agreement Signed at Groundbreaking Ceremony', press release, 15 December 2015, <<http://www.adb.org/news/tapi-shareholders-agreement-signed-groundbreaking-ceremony>>, accessed 13 January 2016.

private capital paid for by a joint China-and-India fund, perhaps supported by the BRICS New Development Bank created by the BRICS states (Brazil, Russia, India, China and South Africa). Another avenue to explore is the opportunity created by the newly established Asian Infrastructure Investment Bank (AIIB), proposed by China and joined by India. While the exact parameters of how this would happen are slightly unclear at the moment (given the nascent nature of the AIIB), the UK's Department for International Development (DfID) is supporting a project that could be considered part of the CPEC: ABD and DfID will co-finance the \$327 million cost of the 59 km-long Hassanabdal–Havelian expressway, which crosses the northern route of the corridor. This project will potentially receive further funding from the AIIB, showing how a multi-funded regional infrastructure project could work.

Large multilateral and corporate investment in Afghanistan is key to the country's long-term stability, but in the short term there will continue to be a need for large aid support. China and India should explore greater opportunities for common efforts in this direction. Both countries by and large identify education, agriculture, urban services and health sectors as of low political sensitivity and therefore areas of potential collaboration.

Agriculture, which continues to be the main source of income for around 80 per cent of Afghans, is an area that both China and India agree needs development. At the moment, poor infrastructure and unfair competition from neighbouring countries stifles the ability of Afghanistan's farmers to profit from their work and encourages communities to grow opium, which is more profitable and easy to grow and transport. China and India should support Afghanistan's agricultural sector at every level. This could be encouraged within a multilateral structure or bilaterally. Other areas to explore are small-scale projects providing Afghans with farming, irrigation or food-processing techniques – for example, enabling the processing of dried fruits by locals in Afghanistan rather than exporting fresh produce to Pakistan. Providing micro-finance loans to Afghan farmers could be one low-cost way to get some aid money into the hands of Afghanistan's poorest.

As for urban services, due to the lack of solid financial and intellectual support, different levels of government are short of capacity to provide public goods, including education, healthcare, gas, drinking water, electricity, social welfare, and – most importantly – good governance and employment opportunities in cities. In Kabul, for example, before the toppling of the Taliban regime, the capital's population was only about 300,000. Now it is around 6 million, nearly one-fifth of the total population of Afghanistan. How Kabul is managed could largely determine how successful the reconstruction of Afghanistan will be, and both India and China have the kind of experience, resources and expertise that could help the Afghan government think some of these questions through.

It is more worrying that Afghanistan's low levels of education and literacy are compounded by the ongoing problem of a brain drain. While some Afghans have returned home to help their country grow, the country continues to suffer from the loss of skilled and educated citizens as growing numbers of Afghans plot a route out of the country.¹⁸ In 2014, China announced it

18. Emma Graham-Harrison, 'Hope is Mingled with Guilt as I Bid Farewell to my Kabul Home', *Guardian*, 15 March 2015.

would provide 300 scholarships for Afghans, while India is the biggest provider of scholarships worldwide, including to Afghanistan. China and India could take an active role in preventing the brain drain by offering scholarships for young Afghans to take courses at Chinese and Indian technical colleges, with a surety built into the programme that guarantees they spend at least three years working in Afghanistan after gaining their qualifications.¹⁹ Provision of scholarships is an area in which each country can capitalise on its area of expertise or its traditional engagement with Afghanistan. For example, India could continue to provide scholarships to healthcare professionals along the lines outlined, perhaps with China's financial support.

In a similar manner, China and India could establish or develop training colleges or programmes in Afghanistan for technocrats working in mining, agriculture and engineering. India currently provides financial support to Kandahar's agricultural college. China could announce financial support to the college or seek to create an agricultural college in another part of the country with Indian co-operation. If this is too sensitive to be done at a bilateral (or trilateral) level, then international financial institutions like the AIIB or the BRICS New Development Bank, or even the SCO,²⁰ could be used to channel collaborative money to Afghanistan. India and China could also launch a joint exchange programme in these areas. Both should seek opportunities to do this publicly, standing alongside the Afghan government, which could inject much-needed confidence into the country.

Being conscious about Afghanistan's human heritage, both countries could also jointly rebuild Afghanistan's rich archaeological sites, which could single-handedly revive the Afghan tourism industry and could generate substantial revenue and jobs. These areas also provide the grounds for companies to explore co-operation with small and medium-sized businesses (SMEs). Afghanistan's economic development should not be solely dependent on the mining and exportation of natural wealth, given that the extractive industry is not particularly labour intensive. For example, India is focusing on expanding business and co-operation in the field of textiles and clothing following the January 2015 signing of a memorandum of understanding (MoU) between the Ministry of Commerce and Industries of Afghanistan and Ministry of Textiles of the Republic of India. India will provide all the necessary assistance to develop the Afghan textile industry and assist in skill development, research and development, technical collaboration in product development, and manufacturing, testing and certification. It will also organise joint trade missions for mutual collaboration.²¹ China could explore these types of small and medium-sized projects in Afghanistan as well.

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19. Hu, Pantucci and Sawhney, 'A Roadmap for Sino-Indian Co-operation in Afghanistan', p. 8.
 20. There is a precedent for this: in the wake of Kyrgyzstan's 2010 riots, the SCO provided financial support and development for a 'micro rayon' near Osh.
 21. *Khaama Press*, 'India Pledges Support in Developing Textile Industry in Afghanistan', 8 January 2015.

Recommendations

1. Both China and India have advanced visions for regional connectivity – the Connect Central Asia or the International North–South Transport Corridor (NSTC) for India and the Belt and Road Initiative for China. In addition, both are involved in a push towards new regional financial institutions. However, in most current iterations, Afghanistan sits outside these visions. Both Beijing and New Delhi should find ways of more explicitly weaving Afghanistan into their visions. In this regard, China and India could work together and even invite the US and Iran to jointly make efforts in promoting regional connectivity within and without Afghanistan through the construction of an Afghan–Iran trade corridor, TAPI or CASA-1000. In particular, the build-up of physical connectivity between Iran and Afghanistan could provide a significant extra trade route and even lifeline for Afghanistan, besides via Pakistan. At the same time, China could encourage Pakistan to speed up the implementation of the Afghanistan-Pakistan Trade and Transit Agreement (APTTA) and extend it to India
2. Both powers are major investors (or potential investors) in Afghanistan's extractive industry through state-owned or state-controlled enterprises. Given the potential for corruption and bad practice in this industry, Beijing and New Delhi should work to establish an agreement on behaviour in Afghanistan and maintain strict control over enterprises operating there. This could form the basis of the development of best practice in Afghanistan, which could even be used to draw in other potential investors
3. Afghanistan will only develop in the longer term if its small and medium-sized economic base is expanded. Through micro-finance support, active support of the Afghan agriculture sector, as well as aid donations of practical small equipment like gem-polishing tools, China and India can help to develop this. Both could choose sectors to focus on which are in desperate need of support and could harness the strengths of Afghanistan, as well as establish a micro-finance fund for Afghan entrepreneurs operating within their country
4. Afghanistan needs more external investment. As a show of support, both China and India should respectively hold large investment fora on alternate years bringing together Afghan officials, entrepreneurs as well as potential external investors. These could be held under the auspices of their respective Belt and Road and Look East policies, and be organised by trade and investment ministries
5. India is already a supporter of the Kandahar Agricultural College. China has given some support to Kabul University. Both should offer more technical scholarships at technical and training colleges and universities in their countries, as well as increase support to a broader range of educational institutions in Afghanistan
6. China and India could co-operate in assisting the authorities in Kabul in providing more public goods, including fundamental facilities for basic education, healthcare, tap water, electricity and, more importantly, to jointly provide subsidised fuels to the self-employed and small businessmen for their efforts in generating much-needed electricity for their business. This low-level practical support could generate many new local job opportunities.

Conclusion

THE GEOGRAPHICAL LOCATION of a country can be a strategic asset in its development within and without, but it can also prove to be a liability. Afghanistan is the best example of this.

Ultimately, the stability of Afghanistan, a landlocked country in Eurasia, will depend on its neighbours agreeing to make it a centre of co-operation rather than conflict. Whilst so far the Heart of Asia concept has not borne much fruit, as an underlying vision it should be central to regional considerations related to Afghanistan. Regional co-operation is needed to promote regional solutions to regional problems – such as terrorism, counter-narcotics and refugees – while also bringing the economic benefits that come with increased connectivity. As the two biggest regional (and increasingly global) economies, China and India should take the lead and help drive and shape regional co-operation. At a multinational level, China and India are both engaged in numerous initiatives, but neither side has tried to co-ordinate their efforts in a more focused and targeted manner, and there is a wasteful duplication of effort as a result. Greater co-ordination of the two states' positions within these organisations, and in relation to particular projects, would improve the likelihood and effectiveness of implementation.¹

At the same time, regional powers like Pakistan may cause some disturbance between the two countries. Top-down strategic Sino-Indian dialogue is therefore important. In terms of co-operative relationships and strategic thinking, Afghanistan and perhaps Pakistan and Iran are elements of this, and bottom-up activities can also complement it. On a practical, operational level, it might be preferable for Afghanistan if China and India did more bilaterally. The symbolism of China and India doing things together would have benefits beyond Afghanistan, including for the broader Sino-Indian relationship, highlighting that they do not have to compete in a regional context.

Indian and Chinese interests have historically converged in Afghanistan. A strong demonstration of their ongoing commitment to the country would help inject much-needed confidence into its National Unity Government and would be a strong signal of regional solidarity to the people of Afghanistan and to the world. Co-operation in Afghanistan could also set the stage for China and India to explore the nature of their wider partnership and the role of Asia in the future world order.

1. Shisheng Hu, Raffaello Pantucci and Ravi Sawhney, 'A Roadmap for Sino-Indian Co-operation in Afghanistan', RUSI Occasional Paper, July 2014, p. 9.

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