



AFGHANISTAN AND REGIONAL CONNECTIVITY

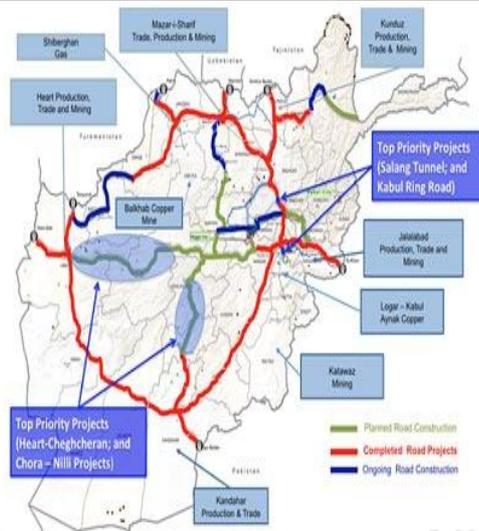
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(Views expressed in the brief are those of the author, and do not represent those of ISSI)



After over three decades of conflict and over 92,000 casualties (32,000 civilians killed and 60,000 injured in the last decade,¹ Afghanistan stands out as one of the biggest regional ironies in South and Central Asia today. With large untapped mineral reserves, fertile agricultural land, and most importantly, a geostrategic location which puts it at the crossroads of South Asia, Central Asia and the Middle East, Afghanistan is at the same time one of the poorest with rising rates of poverty which have left more than half the population living under less than one dollar a day.²

Recently in June 2019, during his visit to Pakistan, Afghanistan's President Ashraf Ghani while addressing a public forum at the Institute of Strategic Studies Islamabad spoke on the need to foster strong bilateral relations between Pakistan and Afghanistan, and said that the old narrative around Afghanistan being a landlocked country is highly outdated as rather Afghanistan is, "a roundabout or a land bridge".³ Despite the security situation, strong investment continues to drive competition in Afghanistan particularly in the private sector. In this regard, President Ghani highlighted that a private sector firm was in discussions with Turkmenistan, Afghanistan and Pakistan, about a 1.7

¹ "Another Sombre Milestone for Afghanistan: 2018 Saw Record Civilian Deaths – UN Report | UN News," *United Nations*, February 23, 2019, <https://news.un.org/en/story/2019/02/1033441>

² Rupam Jain, "Afghanistan's Poverty Rate Rises as Economy Suffers," *Reuters*, May 7, 2018, <https://www.reuters.com/article/us-afghanistan-economy/afghanistans-poverty-rate-rises-as-economy-suffers-idUSKBN1I818X>

³ Public Talk at the Institute of Strategic Studies Islamabad, June 27, 2019, http://issi.org.pk/wp-content/uploads/2019/07/Report_June_27_2019.pdf

billion dollars investment to try and transmit between one to two thousand megawatts of power from Turkmenistan via Kandahar to Pakistan.⁴ Hence, Afghanistan's potential is not just inflated jargon but rather the very real possibility of Afghanistan utilizing its unique geography, vast natural resource reserves and historical trade routes to not only develop strong trading partnerships and development projects within the region, but also propel its economy in the process.

Afghanistan has massive potential in fostering economic prosperity through regional connectivity, trade agreements and infrastructure development however a set of unique challenges stand in its way.

Regional Connectivity in the Past, Present and Possible Future

Afghanistan has exemplified its potential to become the promised regional roundabout through a wide array of projects with a multitude of its neighbours. In 2011, the Heart of Asia process, also known as the Istanbul Process (IP) was launched as a way to bring more coherence and streamlining the prospect of regional connectivity and cooperation, particularly in Afghanistan.⁵ The IP was launched as a joint venture between Afghanistan, Azerbaijan, China, India, Iran, Kazakhstan, Kyrgyzstan, Pakistan, Russia, Saudi Arabia, Tajikistan, Turkey, Turkmenistan, the UAE, and Uzbekistan, while USA, UK, France, Germany, Italy, Egypt and Iraq took on the role of 'supporting nations'.⁶

Although the Istanbul Process was primarily for enhancing regional security through strengthening of existing regional mechanisms, the IP also looked to utilize confidence building measures (CBMs) for stronger political and economic development. For example, the Indian-led CBM on trade, commerce and investment opportunities was successful in lifting tariffs on exports from Afghanistan to India and establish connections from Afghanistan's Bamiyan Province through the Iranian port of Chabahar to access Afghanistan's largest known iron ore mine in Hajigak.⁷ Furthermore, the IP's CBMs were also successful in establishing transit agreements with Afghanistan's neighbours such as the Afghanistan-Pakistan, Afghanistan-Tajikistan and Afghanistan-Kazakhstan-Pakistan-Tajikistan transit trade agreements and the CAREC Afghanistan-Tajikistan-Kyrgyzstan customs and trade agreements which stimulated regional trade.⁸ Even though the IP has had its shortcomings in

⁴ Ibid.

⁵ Gareth Price, "Afghanistan and Its Neighbours: Forging Regional Engagement", Issue Brief, May 2015, https://www.chathamhouse.org/sites/default/files/field/field_document/20150501AfghanistanNeighboursRegionalPrice.pdf

⁶ Marissa Quie, "The Istanbul Process: Prospects for Regional Connectivity in the Heart of Asia," *Asia Europe Journal* 12, no. 3 (2014): , doi:10.1007/s10308-014-0385-7

⁷ Ibid.

⁸ Ibid.

achieving targeted goals, it highlighted the prospect of strong regional cooperation and trade with Afghanistan with its regional neighbours.

Similarly, with the prospect of leaving Afghanistan looming in the back of their mind, the US launched the “New Silk Road” project in 2011 as a way to look towards regional connectivity in South Asia.⁹ Even though the effort largely failed to take off in any substantive way,¹⁰ it highlighted the US understanding that regional connectivity of Afghanistan with Central and South Asia through development projects is the key for Afghanistan to thrive in a post US-withdrawal setting.¹¹

In 2016, a \$1.16 billion power project called the Central Asia-South Asia Power Project, or CASA-1000, was launched as a way to export surplus hydroelectricity from Kyrgyzstan and Tajikistan to Afghanistan and Pakistan.¹² Under the project, 1,300 MW of electricity would be transmitted, with Afghanistan receiving 300 MW of electricity and Pakistan 1000 MW of electricity.¹³ The project, which was initiated with support from the World Bank and the Asian Development Bank, is expected to be completed in 2020 and work on the Tajik section of the project has already begun.¹⁴ Today, the project has support and funding from World Bank Group, Islamic Development Bank, US Agency for International Development (USAID), US State Department, UK Department for International Development (DFID), Australian Agency for International Development (AusAID), and other donor communities.¹⁵ The CASA-1000 project is expected to increase Tajikistan’s annual income to over \$ 150 million. However, more importantly, it will fuel industries and development in Afghanistan by providing a much needed boost to the country’s energy sector.¹⁶

In the same vein, on December 13, 2015, the TAPI gas pipeline project between Turkmenistan, Afghanistan, Pakistan and India was launched.¹⁷ Through TAPI, 33 billion cubic meters of natural gas will be transported from Galkynysh gas reserve of Turkmenistan annually via a 1,800 km route that

⁹ Joshua Kucera, "The New Silk Road?" *The Diplomat*, October 6, 2014, <https://thediplomat.com/2011/11/the-new-silk-road/>

¹⁰ Wade Shepard, "Afghanistan: China's 'New Silk Road' Picks Up Where Hillary Clinton's Flopped," *Forbes*, August 7, 2018, <https://www.forbes.com/sites/wadeshepard/2016/09/09/chinas-new-silk-road-picks-up-where-hillary-clintons-flopped-in-afghanistan/#a6c5a7b63f98>

¹¹ Marissa Quie, "The Istanbul Process: Prospects for Regional Connectivity in the Heart of Asia," *Asia Europe Journal* 12, no. 3 (2014): , doi:10.1007/s10308-014-0385-7

¹² "CASA-1000: Perspectives," The Chamber of Commerce and Industry Romania-Turkmenistan, January 10, 2018, , accessed July 29, 2019, <https://ccirom-tkm.ro/2018/01/10/casa-1000-perspectives/>

¹³ "Casa-1000 Formally Inaugurated," *Daily Times*, May 16, 2016, <https://dailytimes.com.pk/81955/casa-1000-formally-inaugurated/>

¹⁴ "Tajikistan Launches CASA-1000 Project," *AzerNews*, February 6, 2019, , accessed July 25, 2019, <https://www.azernews.az/region/145192.html>

¹⁵ Ibid.

¹⁶ Ibid.

¹⁷ "Turkmenistan starts work on gas link to Afghanistan, Pakistan, India," *Reuters*, December 13, 2015, <https://uk.reuters.com/article/turkmenistan-gas-pipeline-idUKKBN0TW05Q20151213>

passes through Herat and Kandahar provinces in Afghanistan, Multan in Pakistan and ends at Fazilka in India.¹⁸ Despite suffering delays, work on the Afghanistan side officially began in February 2018 with President Ghani calling the pipeline a "corridor of development".¹⁹ Work on the Pakistani side is expected to be completed by 2022.²⁰ Similar to CASA-1000, the TAPI pipeline is expected to bridge the energy shortfalls of Afghanistan and help boost development and regional cooperation.

Along with power projects, Afghanistan has also been a part of many railway and infrastructure projects in the last few years. On June 5, 2013, the construction of a tri-lateral railway agreement called Turkmenistan-Afghanistan-Tajikistan (TAT) railway project was inaugurated. The 400-kilometer railroad is expected to connect Panj in Tajikistan to Atamurat-Ymamnazar in Turkmenistan and finally connect to the Afghan town of Akina-Andkhoy in Faryab province.²¹ The project aims to be a part of a broader regional transportation initiative that will open a new transit corridor between Central Asia and world markets through Indian Ocean ports.²² Similarly, in December 2014, a preliminary agreement for developing a China–Kyrgyzstan–Tajikistan–Afghanistan–Iran railway line was signed which would connect these countries over a 2,100 km distance through a series of railways. In 2018, it was reported that the technical and economic survey for the establishment of the multinational railway project was about 50% complete.²³ The railway will also provide Afghanistan with access to the Iranian ports of Chabahar and Bandar Abbas,²⁴ thus stimulating trade and regional connectivity.

Despite Afghanistan's growing security concerns and internal instability, China has also recognized Afghanistan's unique potential as a center for regional trade and has shown keen interest in extending the Belt and Road Initiative (BRI) to Afghanistan, potentially by extending the BRI's \$64 billion China-Pak Economic Corridor (CPEC) to Afghanistan.²⁵ Thus recognizing the possibilities and benefits arising out of CPEC'S extension to Afghanistan. In December 2017, the Chinese Foreign

¹⁸ "Work on TAPI Gas Pipeline Starts in Afghanistan's Herat Province," *Xinhua*, February 23, 2018, , http://www.xinhuanet.com/english/2018-02/23/c_136994630.htm

¹⁹ "Work on TAPI Gas Pipeline Starts in Afghanistan's Herat," *China Daily*, February 24, 2018, <https://www.chinadailyhk.com/articles/165/28/152/1519445860174.html>

²⁰ "Multinational TAPI Gas Pipeline Project Inauguration Announced in Pakistan," *Times of Islamabad*, May 19, 2019, <https://timesofislamabad.com/19-May-2019/multinational-tapi-gas-pipeline-project-inauguration-announced-in-pakistan>

²¹ "Tajikistan and Turkmenistan Finally Reach Agreement on TAT Railway Project," *ASIA-Plus*, October 29, 2018, <https://news.tj/en/news/tajikistan/economic/20181029/tajikistan-and-turkmenistan-finally-reach-agreement-on-tat-railway-project>

²² Ibid.

²³ "China–Kyrgyzstan–Tajikistan–Afghanistan–Iran Railway Corridor to Boost Regional Economies," *Times of Central Asia*, February 15, 2018, <https://www.timesca.com/index.php/news/19352-china-kyrgyzstan-tajikistan-afghanistan-iran-railway-corridor-to-boost-regional-economies>

²⁴ Ibid

²⁵ Salman Siddiqui, "CPEC investment pushed from \$55b to \$62b" *Express Tribune*, April 12, 2017, <https://tribune.com.pk/story/1381733/cpec-investment-pushed-55b-62b/>

Minister Wang Yi stated that China was willing to extend CPEC to Afghanistan.....",²⁶ and that "through Afghanistan, CPEC could be connected with the China-Central and Western Asia Economic Corridor."²⁷ Furthermore, more recently in June 2019, President Xi reaffirmed China's interest in playing an active role in bringing stability to Afghanistan through the Belt and Road initiative which further shows China's avid interest in being economically involved in Afghanistan.²⁸

Although there has been a distinct lack of effort on this front from Kabul, it is clear that China realizes Afghanistan's potential and is very interested in investing in the country's future economic integration. Similarly, sitting at the heart of the new silk road, Afghanistan provides Beijing with the most economic route to Central Asia. Realizing this potential, in 2018, Beijing and Kabul agreed to construct a new silk route that would connect both countries via Wakhan - Afghanistan's north-eastern border with China.²⁹ This route could easily become a part of a CPEC extension to Afghanistan. Moreover, in 2018, Chinese firms also made deals with Afghanistan to mine the MesAynak copper fields in the Logar province of Afghanistan. Chinese estimates indicate that the fields contain some 450 million metric tonnes of ore worth at least US\$50 billion which could prove to be a major boost for the extraction industry in Afghanistan.³⁰

Challenges

Whether it is TAPI, CASA, TAT or CPEC's extension, Afghanistan has great potential to become a regional roundabout that connects Central and South Asia with massive benefits to its own development. However, a full realization of Afghanistan's budding economic capability, remains hostage to Afghanistan's internal weaknesses i.e poor economic and security situation, weak governance, corruption, political uncertainty and a durable peace solution.

In 2017, the World Bank reported that through proper resource management in mining and agriculture, Afghanistan's economy could grow by 6.5% per year between 2017 and 2030. This was a highly hopeful figure as according to Afghanistan's Ministry of Agriculture, Irrigation and Livestock

²⁶ Ben Blanchard, "China, Pakistan to look at including Afghanistan in \$57 billion economic corridor," *Reuters*, December 26, 2017, <https://uk.reuters.com/article/uk-china-pakistan-afghanistan/china-pakistan-to-look-at-including-afghanistan-in-57-billion-economic-corridor-idUKKBN1EK0EI>

²⁷ "China, Pakistan, Afghanistan agree to discuss extending economic corridor," *Xinhua*, December 26, 2017, http://www.xinhuanet.com/english/2017-12/26/c_136853623.htm

²⁸ "Chinese, Afghan presidents pledge joint efforts to promote ties," *China Daily*, June 14, 2019, <http://www.chinadaily.com.cn/a/201906/14/WS5d02f8aaa3103dbf14328293.html>

²⁹ Frank Sun, "The Wakhan Corridor: an opportunity," *Daily Times*, February 24, 2018, <https://dailytimes.com.pk/206501/wakhan-corridor-opportunity/>

³⁰ "Project to exploit Afghanistan's giant copper deposit languishes", *china dialogue*. 25-April-2018. (accessed 26-07-2019). <https://www.chinadialogue.net/article/show/single/en/10577-Project-to-exploit-Afghanistan-s-giant-copper-deposit-languishes>

(MAIL), 80% of Afghans were directly or indirectly involved with livestock and agriculture.³¹ However, this hope was short-lived as a World Bank report of July 2019 highlighted that the Afghan economy only grew by around 2% in 2018, in stark contrast to the hopeful 6.5%. Moreover, the report indicated that the slow growth rate was not necessarily due to poor government policies, but rather the result of “negative shocks” that have come as a result of “challenges of insecurity, election-related political uncertainty, potential declines in international security support, in addition to the drought in 2018.”³² This exemplifies the cost of insecurity and uncertainty for Afghanistan due to its ongoing conflict in hard numbers, and the urgent need for a political settlement. Unless the situation improves, security and political uncertainty in Afghanistan will continue to undermine the future progress of the country, as well as projects like CASA and TAPI.

Furthermore, Afghanistan needs to curb internal corruption and mismanagement of its natural resources which often allows militants to illegally exploit Afghan natural resources for their own funding.³³ The Afghan Taliban and terrorist groups such as the Islamic State of Khorasan Province (ISKP) have been carrying out illegal extraction of minerals such as Talc, chromite, as well as lucrative gemstones, particularly marble and lapis lazuli at massive expenses to the Afghan government.³⁴ Recently, in July 2019, another Lapis Lazuli mine in **KeranWaManjan district in Badakhshan**, fell to the Taliban.³⁵ The loss of this mine was not only a direct loss to the Afghan government’s mineral resources, but also fueled further insecurity in the region.³⁶

In an effort for establishing peace, numerous attempts have been made to establish meaningful dialogue with the Taliban. Unfortunately, for one reason or another, most of them have failed to deliver in what is now a history of failed dialogues and missed opportunities. Although the year 2018 and onwards has proved to be the most promising in terms of forward movement on the matter, as a number of unprecedented developments that showcase exceptional progress towards the Afghan peace process have taken place, the road to sustained Afghan economic prosperity is contingent upon a durable peace solution.

³¹ "Report Claims Local Economy Could Grow By 6% A Year," *Tolo news*, October 10, 2017, accessed July 24, 2019, <https://www.tolonews.com/business/report-claims-local-economy-could-grow-6-year>

³² "World Bank Reports Low Economic Growth In Afghanistan," *Tolo news*, July 21, 2019, , accessed July 24, 2019, <https://www.tolonews.com/business/world-bank-reports-low-economic-growth-afghanistan>

³³ "Baby powder helping fund Daesh in Afghanistan," *TRT* May 22, 2018, <https://www.trtworld.com/asia/baby-powder-helping-fund-daesh-in-afghanistan-17671>

³⁴ "At any price we will take the mines", *Global Witness*, May 2018, https://www.kpsrl.org/sites/default/files/2018-06/AfghanistanTalcInvestigation_May2018.pdf

³⁵ "Lapis Lazuli Deposit In Badakhshan Falls To Militants," *Tolo news*, July 17, 2019, <https://www.tolonews.com/afghanistan/lapis-lazuli-deposit-badakhshan-falls-militants>

³⁶ *Ibid.*

Hence, despite the challenges, Afghanistan should not simply wait around for a sustainable peace solution before developing Afghanistan's economy through regional connectivity and trade. Even though the security situation remains to be a major spoiler in Afghanistan's economic prosperity, many developmental projects, as described above, have not only been initiated, but have also thrived in some respect. Furthermore, the Taliban have also highlighted their support for development projects. In December 2016, the Taliban said that they are "committed to safeguarding" national infrastructure projects such as CASA and TAPI.³⁷ When the Afghan government questioned the Taliban's motive as lacking action, Qari Mohammad Yusuf Ahmadi, a purported Taliban spokesperson, in an emailed statement regarding TAPI said that the Taliban ensure, "*cooperation in providing security for the project in areas under our control*" as they believe the project is, "*an important element of the country's economic infrastructure.*"³⁸

Moreover, the Taliban have also shown inclination to welcome future development projects from foreign countries as well, especially China. Since 2014, China has moved away from its limited role in Afghanistan, to a more proactive one by not only supporting the Afghan government, but also facilitating the Afghan peace process. The Taliban have recognized this shift and have indicated their support for Beijing's inclusion in the peace process by suggesting that they would be open to China playing the role of a guarantor if a peace deal is reached with the US.³⁹ If the Taliban are inviting China to be so closely involved in the critical peace process, it stands to reason that they would also be open to Chinese investment and development projects in Afghanistan such as a possible CPEC extension. Such a possibility would greatly increase the investment potential in Afghanistan from China as one of Beijing's main concerns regarding investment in Afghanistan is the volatile security situation.

Analyzing the above, it is fair to reason that despite years of isolation and uncertainty surrounding Afghanistan's future, the country has massive potential. The need of the hour is to seize the moment and invest in Afghanistan's future by not only fostering security in the region, but also economic development. The time has come to recognize Afghanistan for what it is - a regional roundabout.

³⁷ Catherine Putz, "TAPI Moves Into Afghanistan, Taliban Promise to Protect the Project," *The Diplomat*, February 27, 2018, , accessed July 26, 2019, <https://thediplomat.com/2018/02/tapi-moves-into-afghanistan-taliban-promise-to-protect-the-project/>

³⁸ Ibid

³⁹ "Taliban Militants 'in Talks with Chinese Officials'," *Arab News*, June 16, 2019, <http://www.arabnews.com/node/1511686/world>.