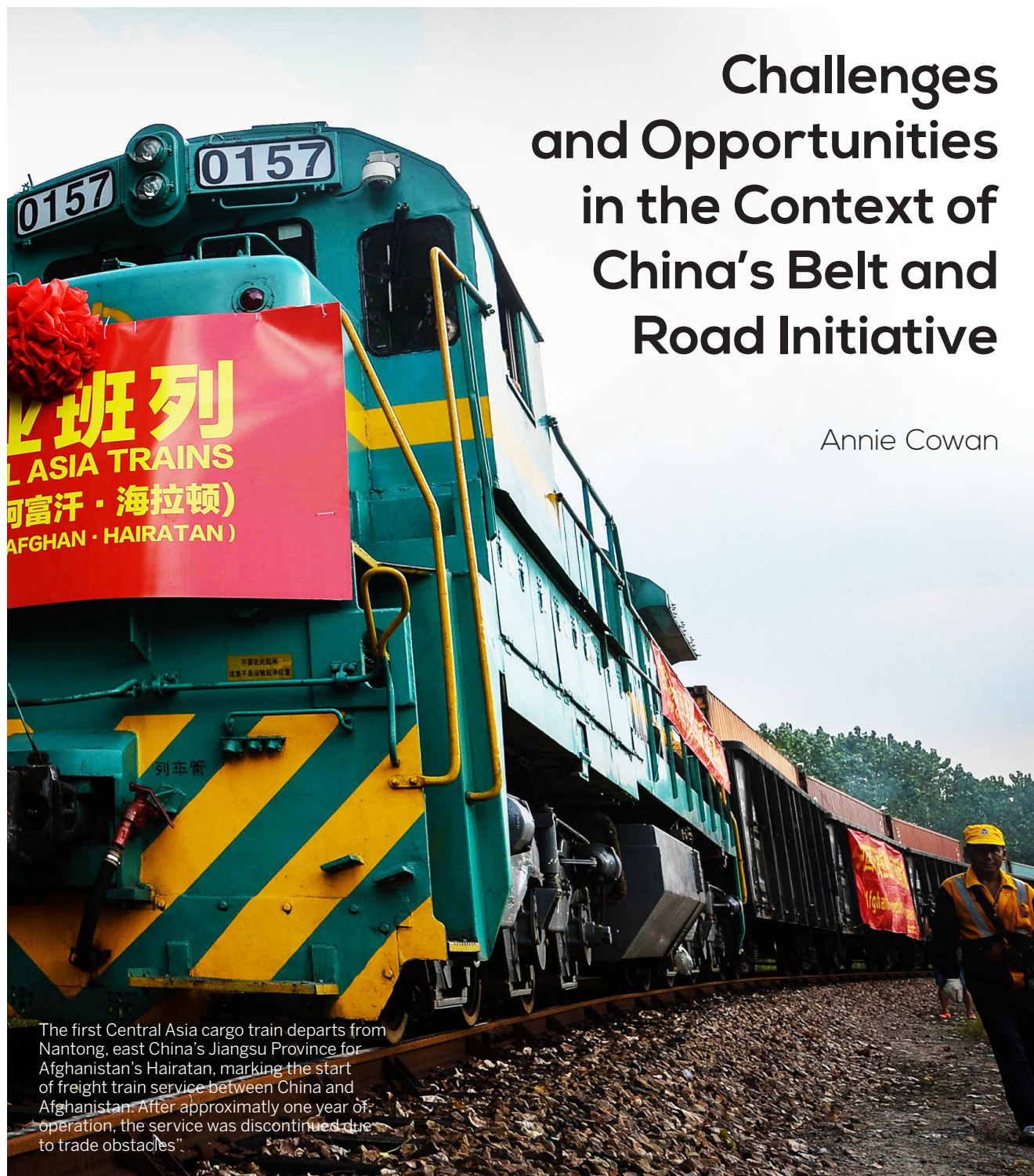




# Afghanistan Reconnected

## Challenges and Opportunities in the Context of China's Belt and Road Initiative

Annie Cowan



The first Central Asia cargo train departs from Nantong, east China's Jiangsu Province for Afghanistan's Hairatan, marking the start of freight train service between China and Afghanistan. After approximately one year of operation, the service was discontinued due to trade obstacles."

# Afghanistan Reconnected: Challenges and Opportunities in the Context of China's Belt and Road Initiative

**The government of Afghanistan, as indicated by President Ghani, holds both infrastructure and investment as key points in its development agenda. China's Belt and Road Initiative (BRI) presents an ideal opportunity for the government of Afghanistan to realize its historic potential in cooperation with China and other countries in the region.**

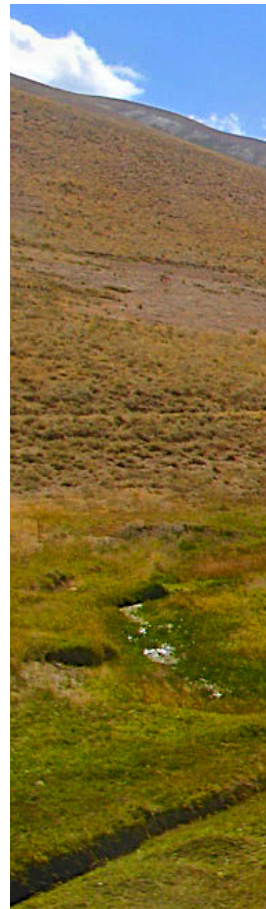
## Executive Summary

The government of Afghanistan, as indicated by President Ghani, holds both infrastructure and investment as key points in its development agenda. China's Belt and Road Initiative (BRI) presents an ideal opportunity for the government of Afghanistan to realize its historic potential in cooperation with China and other countries in the region. Repeated state-level visits, summits, and agreements between Afghan and Chinese representatives, including between Presidents Ashraf Ghani and Xi Jinping throughout 2017 were an important indication of the intention to work together towards this vital goal, yet practical realization of this partnership may be a complex task, as persistent security, political and logistical challenges must be faced to ensure the full incorporation of Afghanistan into BRI.

China-Afghan cooperation under the auspices of China's BRI represents a welcome and potentially-lucrative opportunity for both parties. However, geographic and physical connectivity alone cannot ensure the success of proposed projects. Both countries must take into account the region's political climate to address deficiencies in soft and hard infrastructure, as well as focus on enriching Afghanistan's human capital to ensure the development of a regional transportation hub in the heart of Asia.

Upon the conclusion of its five-year "Afghanistan Reconnected Process," the EastWest Institute held an international symposium in Beijing, China in cooperation with the National Institute of Strategic Communication at Peking University (NISC), the Centre for China and Globalization (CCG) and the Chinese

Academy of International Trade and Economic Cooperation (CAITEC). Following this and substantial subsequent consultation with experts, businessmen and policymakers from Afghanistan, its neighboring countries, the EU, and the U.S., the EastWest Institute has assembled an overview of the challenges and opportunities facing Afghanistan, China and the wider region as they pursue China's BRI for a cooperative, mutually-beneficial way forward. These conclusions are accompanied by a series of recommendations pertaining to the implementation of BRI and other initiatives as well as to the adoption of a coherent regional economic vision in the face of political, security and development challenges.







A family travel down the Hajigak pass, one of the two main routes from Kabul to Bamyan in Hazarajat.

## Introduction

At the heart of China's Belt and Road Initiative (BRI) is the concept that greater connectivity leads to greater growth. Inaugurated in 2014, BRI is China's 900 billion USD campaign to physically and economically link itself to diverse markets such as Central Asia, Southwest Asia, Europe and the Middle East through maritime and terrestrial transport corridors. It is, in essence, a resurrection of the old Silk Road trade routes that once served as the heart of the greater Eurasian economy.

Nowhere was more central to the Silk Road than the area that is now Afghanistan. Serving as a crossroads and vital marketplace, Afghanistan in the ancient past represented a flourishing confluence of diverse cultures, religions and economic opportunities for traders and travelers

At the heart of China's Belt and Road Initiative (BRI) is the concept that greater connectivity leads to greater growth.

from China, Europe, the Middle East, and Central and South Asia. Historically, says H.E. Janan Mosazai, Ambassador of Afghanistan to China, "Afghanistan connected markets and facilitated peaceful interaction across ethnic, regional, linguistic, and other lines." Today, BRI presents an opportunity for China and the region to help restore Afghanistan's potential to serve as the "beating heart of Asia" by fostering connectivity, security, stability, and growth through an increase of foreign investment and a renewal of opportunity for the people and economy of Afghanistan.

Afghanistan wisely aims to seize on the momentum provided by BRI and the development taking place around it to assume a renewed position as a regional hub of commerce and exchange. Geographically, the country is ideally-positioned to do this. Still, numerous

domestic, bilateral and regional challenges—including instability and insecurity in Afghanistan, insufficient transport and industrial infrastructure, prohibitive or unwieldy regulations and policies, combative or exclusionary political and trade dynamics, and a lack of existing/enforced transit and trade agreements—must be overcome before Afghanistan can fully capitalize on the rich opportunities emerging as a result of BRI and other regional initiatives.

## Challenges

The cornerstone of BRI is, of course, infrastructure development to encourage connectivity. For Afghanistan, this is a much-needed focus. The country has been embroiled in conflict after conflict since the late 1970s, causing infrastructure that would otherwise have been maintained and developed over time to have at best deteriorated or, in a great many worst cases, been destroyed outright.

**Possible Complications with CPEC:** The development of the China-Pakistan Economic Corridor (CPEC) presents an opportunity for Afghanistan to link up to and directly benefit from infrastructure projects linking Pakistan with China. By **beginning domestic infrastructure development with a focus on projects close to the border with Pakistan**, Afghanistan could more directly benefit from CPEC and more easily access the Chinese market. In December 2017, Chinese Foreign Minister Wang Yi announced China and Pakistan's openness to discussing Afghanistan's potential inclusion in the corridor.<sup>1</sup> However, the troubled relationship between Afghanistan and

By beginning domestic infrastructure development with a focus on projects close to the border with Pakistan, Afghanistan could more directly benefit from CPEC and more easily access the Chinese market.

Pakistan creates worries that tensions between the neighbors will complicate Afghanistan's practical inclusion, with President Ghani in October 2017 expressing reluctance to link up with CPEC projects as long as Pakistan prevents its access to India.<sup>2</sup> Stalled and cancelled negotiations—as well as the de facto discontinuation of the now-expired Afghanistan-Pakistan Transit Trade Agreement (APTTA), which was supposed to ensure Afghan access to India—represent a significant impediment to regional connectivity.

**Existing bilateral and regional trade and transit agreements need to be improved, implemented and adhered to in order to allow fair access to all markets for all parties, for the collective good of the entire region.**

**The Crisis of Implementation:** A lack of implementation and enforcement of existing trade and transit agreements is endemic throughout the region and represents a serious lack of the “soft infrastructure” necessary to ensure the success of physical projects. Despite the plethora of Memorandums of Understanding and other agreements signed between Afghanistan and its neighbors, including China, these agreements are frequently left unimplemented or unachievable due to practical and political impediments.

**Momentum gained by the signing of agreements and MoUs must be acted upon efficiently throughout the region, with agreements and policies being implemented, standardized, evenly enforced, and updated or expanded as necessary.**

The realization of expressed political will and commitment is critical to ensuring the efficient and smooth transit of goods across the region

1 Ministry of Foreign Affairs of the People's Republic of China (26 December 2017). Wang Yi: To Discuss Extending CPEC to Afghanistan in a Proper Manner. Available at [http://www.fmprc.gov.cn/mfa\\_eng/zxxx\\_662805/t1522540.shtml](http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1522540.shtml)

2 TOLONews (25 October 2017). Ghani Refuses To Join CPEC While Access To India Is Blocked. Available at <https://www.tolonews.com/afghanistan/ghani-refuses-join-cpec-while-access-india-blocked>

and access to diverse and lucrative international markets.

Pakistani reluctance to allow the transit of goods over land between Afghanistan and India drives both countries to pursue alternative routes bypassing Pakistan, such as Iran's India-backed Chabahar port, which has recently seen the sixth shipment of Indian wheat to Afghanistan<sup>3</sup>, or the nascent Afghan-India Air Corridor Program, which has since June 2017 conveyed 1000 tons of fruits and other goods prone to spoilage from Kabul to New Delhi when delayed by impediments to land-based transit routes.<sup>4</sup> A second corridor between Kabul and Mumbai was launched in December 2017.<sup>5</sup> Political tensions continue to spill over into punitive economic and trade consequences, including Afghanistan's reciprocal decision to prevent the transit of Pakistani trucks through its territory to Central Asia and other markets.<sup>6</sup> **It is in China's considerable interest to facilitate the smooth transit of goods to and through Pakistan and Afghanistan.** Though BRI represents a renewal of opportunity for connectivity

Existing bilateral and regional trade and transit agreements need to be improved, implemented, and adhered to in order to allow fair access to all markets for all parties, for the collective good of the entire region.

3 Financial Tribune (24 February 2018). India's 6th Wheat Consignment Unloaded at Chabahar. Available at: <https://financialtribune.com/articles/economy-domestic-economy/82371/india-s-6th-wheat-consignment-unloaded-at-chabahar>

4 TOLONews (9 February 2018). India A Better Market For Afghan Fruit: Officials. Available at <https://www.tolonews.com/business/india-better-market-afghan-fruit-officials>

5 Hindustan Times (27 December 2017). India, Afghanistan launch second air corridor linking Kabul and Mumbai Available at: <https://www.hindustantimes.com/world-news/india-afghanistan-launch-second-air-corridor-linking-kabul-and-mumbai/story-LF2ABpIZOomPf3VvzqxezN.html>

6 TOLONews (22 October 2017) Ghani Bans Pakistani Trucks From Entering Afghanistan. Available at <http://www.tolonews.com/business/ghani-bans-pakistani-trucks-entering-afghanistan>

for Afghanistan, it is heavily reliant on Pakistan as a corridor and gatekeeper for transit. Political and economic difficulties between Pakistan and Afghanistan lead the latter to seek alternative routes to access foreign markets, forgoing geographically expedient routes through Pakistan to develop new links through Iran and Central Asia. To ensure the success of its own initiatives, **China should leverage its economic and political influence to facilitate a harmonious regional trade environment, ensuring its own easy and reliable access to an Afghanistan with normalized economic relations with Pakistan and preventing the bypassing of markets that are vital to the impact and reach of its CPEC projects and the larger BRI.**

It can be hoped that the Chinese administration of Pakistan's Gwadar port—a keystone of CPEC— could potentially ease some of these bureaucratic and political hang-ups that tend to impede economic traffic between Pakistan and Afghanistan. Nevertheless, **further work to separate political disputes from economic retributions, such as border closures and punitive visa policies, must be continued and increased by both neighbors if an operable transit corridor is to be used as an incentive for investment and economic engagement in Afghanistan and the region.**

**Competitive Perceptions:** The development of other regional projects alongside BRI, such as the Chabahar port, the Lapis Lazuli Corridor, and the Five Nations Railway Corridor may stand to eventually provide Afghanistan with other cheap and efficient road, maritime and rail-based linkages to the Indian, Central Asian, Russian, Turkish and European markets which (at this stage) formally involve neither



Afghan military personnel unload packages during the handover ceremony as China delivers first shipment of military aid to Afghanistan, at Kabul military airport.



Pakistan, BRI or CPEC-linked projects.<sup>7</sup> These corridors should be perceived as potential complements rather than alternatives to BRI. Chinese access to these routes could be beneficial, and could be facilitated by steady access to Afghanistan through regular, standardized and uninterrupted flow of goods and transit through Pakistan. **China should encourage countries in the region to adopt the view that infrastructure and transit projects—including Iran’s Chabahar and Pakistan’s Gwadar ports—can be used in a complementary, rather than competitive or exclusionary fashion. A common regional strategy for affordable, convenient linkage to diverse markets—coupled with regional and bilateral transit policies and agreements conducive to functional, unimpeded trade—stands to benefit all parties.**

7 TOLONews (15 November 2017). Five Nations To Sign Lapis Lazuli Corridor Agreement. Available at <http://www.tolonews.com/business/five-nations-sign-lapis-lazuli-corridor-agreement>

Though at the surface, the near-simultaneous developments of the India-supported Chabahar and China-backed Gwadar ports seem to be in direct political and economic competition, the two can in fact be used to complement one another for the betterment of trade throughout the entire region. For instance, Gwadar can benefit Chabahar by handling spillover cargo, while both cargo and passenger services between the two ports could enhance economic interaction between Iran and Pakistan (and by extension China), in addition to benefitting travelers (such as religious pilgrims) by precluding the necessity of travelling by road through insecure Balochistan. Pakistan’s fears of losing Afghan and other business specifically to the Chabahar port are thus largely unfounded; **Chabahar port should be viewed as a facilitator for additional opportunity rather than as a competitor to Gwadar.** Pakistan’s proximity, existing trade ties, and ability to facilitate trade ties to other markets—particularly as CPEC projects continue to develop—ensures that trade from Afghanistan, though suffering greatly

at present due largely to bureaucratic and political blockages, will likely always flow in substantial volume through neighboring Pakistan in the absence of punitive economic policies.

**Logistical impediments:** However, Afghan trade need not flow exclusively through Pakistan. Just as Gwadar offers China increased access to new markets, so too can its neighboring Chabahar port. The potential benefits of direct connection between CPEC projects and Chabahar could create opportunity and incentive for China and other partners to invest in infrastructure and development in Afghanistan. In fact, in March 2018 Iranian Foreign Minister Javad Zarif indicated a willingness to explore Chinese and Pakistani involvement in Chabahar and the potential of using Gwadar and Chabahar in a complementary manner.<sup>8</sup> Currently, goods imported through Chabahar

8 Financial Tribune (14 March 2018). Pakistan Invited to Join Chabahar Project. Available at <https://financialtribune.com/articles/economy-domestic-economy/83569/pakistan-invited-to-join-chabahar-project>

reach Afghanistan via road as railway connections are not yet developed. **To maximize and incentivize Chabahar's use by diverse markets including China, further railway connections between Iran and its neighbors—in particular Afghanistan—will be necessary.** Railway connectivity both within Afghanistan and to neighboring countries is crucial to the economic development of Afghanistan and the region as a whole. India's commitment to help build a railway connection in Iran between Chabahar and Zahedan represents a good start; however, there remains only one realized rail link between Afghanistan and Iran, the Afghan portion of which is under construction and projected for completion in Spring 2018.

A railway connection from Afghanistan to China—called the Sino-Afghan Special Railway Transportation—was launched in September 2016 with rail linkage of Afghanistan's Hairatan to Uzbekistan and thus via Kazakhstan to China.<sup>9</sup> Unfortunately, the project, which was established with hopes of providing a steady connection through which China could import Afghan copper, was stalled by lack of a transit agreement between Afghanistan and Uzbekistan, meaning that though Chinese goods could and did arrive in Afghanistan, Afghan goods could not transit through to China and thus trains returned to China empty-handed. Due to the lack of a transit agreement, as well as insufficient infrastructure and loading capabilities on-site in Hairatan, the use of the nascent rail connection to Afghanistan was suspended by the Chinese side in summer 2017, less

9 Bloomberg News (11 September 2016) China Lays New Brick in Silk Road With First Afghan Rail Freight. Available at <https://www.bloomberg.com/news/articles/2016-09-11/china-lays-new-brick-in-silk-road-with-first-afghan-rail-freight>

The construction of further railway connections and sufficient supporting infrastructure between Afghanistan and its neighbors in the region to China should be a priority, and must include enforced transit agreements with all countries along the routes to ensure the smooth passage of goods.

than a year after its inauguration.<sup>10</sup> The project, though well-intentioned and heralded with excitement by both sides, was ultimately rendered ineffective due to unaddressed regional “soft infrastructure” deficiencies. In December 2017, talks were held between President Ghani and President Mirzoyev of Uzbekistan, during which plans were announced to extend the existing railway connection between the two countries further within Afghanistan and ultimately to Iran, and agreements were signed addressing bilateral trade and transit issues regarding roads and railways in particular.<sup>11</sup> The implementation of this new project and these agreements will stand to benefit both countries individually as well as Iran, greater Central Asia, and China, and should be prioritized in the coming months of 2018. **The construction of further railway connections and sufficient supporting infrastructure between Afghanistan and its neighbors in the region through to China should continue to be a priority, and must include implemented and enforced transit agreements with all countries along the routes to ensure the smooth passage of goods.**

## Security

Perhaps the most prominent—certainly the most publicized—barrier to Afghanistan's economic development is its insecure environment, the result of 40 years of prolonged conflict. Inability

10 TOLOnews (11 September 2017) Railway Route From China Grinds To A Halt. Available at <http://www.tolonews.com/business/railway-route-china-grinds-halt>

11 Office of the President, Islamic Republic of Afghanistan (5 December 2017). Joint Statement By the President of the Republic of Uzbekistan His Excellency Shavkat Mirziyoyev and the President of the Islamic Republic of Afghanistan His Excellency Mohammad Ashraf Ghani. Available at <https://president.gov.af/en/News/056666>

to guarantee the security of infrastructure and lack of consistent, secure access to contested areas severely inhibits investment opportunities and the viability of connectivity projects, leading to fears that many regional corridors may seek to bypass Afghanistan entirely.

**China has indicated that this is not its intention, recognizing that the route through Afghanistan, at the center of the region, represents the most geographically-expedient means of reaching the European market and thus seeks to integrate it into BRI.** The government of China has indicated a commitment to pursuing and facilitating a peace process in Afghanistan, understanding that economic development and investment in human capital can facilitate security and stabilization. Its strategy in Afghanistan is two-pronged, however, as it has in recent years begun to focus on leveraging its role politically as a mediator, in particular with regards to its relationship with Pakistan.

**Securing Investment in an Insecure Environment:** China's active involvement in Pakistan—a country that also suffers from areas of instability—demonstrates that cooperation and development in insecure environments is possible when political will is sufficient. Pakistan has prioritized the security of CPEC projects and Chinese workers, establishing a Special Security Division (SSD) in January 2017 specifically for the protection of CPEC projects.<sup>12</sup> The SSD aims to deploy approximately 15,000 specially-trained personnel, including 1,000 retired army officers, to protect China's substantial investments

in the country. In March 2018, the Afghan Ministry of Interior deployed significant security forces to protect the construction site for the Turkmenistan-Afghanistan-Pakistan-India (TAPI) Pipeline, a project slated to generate substantial economic returns in the form of transit duties and job creation for Afghanistan.<sup>13</sup> To expand this to **the formal designation and training of a division of Afghan special forces, similar to Pakistan's SSD, specifically to protect foreign investments and regional projects in Afghanistan could help to draw new investments as well as securing existing ones, facilitating economic development as part of a long-term stabilization strategy. As China seeks to further its military and security ties with Afghanistan alongside its economic ones, it could consider the training and support of such a division as a potential area of cooperation that would be to its direct benefit economically.**

**Safe Zones and Free Trade Zones:** In light of the current environment—in which foreign investors are discouraged by an inability to guarantee both the physical and economic safety of their investments—it is all the more necessary for Afghanistan to attract and reassure potential partners and investors where possible. While an inability to designate the entire country as a “safe zone” for investment does place limitations on its potential for growth, **the designation of certain areas—such as Mazar-i-Sharif—as official industrial parks** could draw cross-border trade and demonstrate the viability of certain

types of projects in the Afghan market, mitigating some negative perceptions. **The governments of China, Afghanistan, and Pakistan should work together to explore opportunities to create free trade zones and “safe zones” for foreign and regional business,** such as in the border area between Afghanistan's Badakhshan, China's Xinjiang, and Pakistan's Khyber Pakhtunkhwa provinces. Return on investment for those investors and foreign businesses willing to operate in these areas could be substantial, and could serve as an example to encourage future ventures.

#### **Regional Counterterrorism Strategies:**

Up to 20 violent non-state actors—including the Taliban, al Qaeda, the Haqqani Network, Islamic State, the Islamic Movement of Uzbekistan, and others—are operating in Afghanistan, many of them from surrounding states in the region and using the country as an incubator for violent acts abroad. Regional and state actors must accept that any violent non-state actor in Afghanistan—regardless of a particular group's pledged or de facto allegiance represents a threat to all. States in the region must be wary of supporting or tolerating specific groups as a counter to fears of other extremist groups or as a means of pursuing their own interests, and recognize that the lawlessness created by the prolonged Taliban insurgency is precisely the factor that creates the conditions that allow other groups to gain footholds and operate in the country. The idea that “good terrorists” exist as a counter to “bad” ones prolongs the internal strife in Afghanistan and threatens the security and economic outlook of the entire region in both the short- and long-term. Non-regional states interested in brokering or facilitating peace efforts—such as the United States, Russia, and China—must acknowledge the actual dynamics within the region and use their

12 The Express Tribune (22 January 2017). Special Security Division established to secure CPEC. Available at <https://tribune.com.pk/story/1303428/special-security-division-established-secure-cpec>

13 TOLONews (14 March 2018). Thousands Of Security Forces Deployed To Ensure TAPI Safety. Available at <https://www.tolonews.com/business/thousands-security-forces-deployed-ensure-tapi-safety>



political and economic influence to discourage the manifestation of this strategy in their regional allies.

**Countries in the region—with the support of stakeholders such as China—must develop and act on a cohesive, unified counterterrorism strategy and acknowledge that an insecure Afghanistan threatens the viability and geographic expediency of regional transport corridors and large-scale regional projects.**

#### Domestic Counterterrorism

**Strategies: Illegal mining operations in Afghanistan must be curtailed and brought under government control.**

Reports indicate that groups like the Taliban are profiting from the smuggling of illegally-extracted Afghan talc, precious stones, marble, minerals, and other resources, with lapis lazuli mines in Badakhshan province potentially out of government control entirely.<sup>14</sup> These operations enable terrorist groups and insurgents to generate steady revenue and perpetuate the security crisis throughout the country.

**The recent U.S. military strategy to curtail the revenue of insurgent groups by targeting opium production facilities should also focus on reducing illegal extraction and smuggling operations of raw materials. Afghan security strategy should prioritize this as well, and with the support of international partners increase surveillance and targeted operations against illegal extraction sites.**

The government of Afghanistan should deregulate and streamline procurement and approval processes to encourage investment in sectors like mining as well as the local construction of roads and infrastructure, while still combatting corruption.

## Opportunities

Despite the challenges the two countries must overcome in order to achieve efficient bilateral connectivity, much can be said for China's investment and interest in Afghanistan, which stands to be leveraged into a relationship that enriches both countries substantially. Afghanistan is a wealthy country in terms of natural resources, most of which have not yet been tapped. Chinese interest in accessing and extracting these resources is well-documented; with sufficient infrastructure development, normalized and standardized trade relations with transit countries, and a mutually-beneficial investment strategy, Chinese attention to Afghanistan could lead to new momentum and valuable new cooperation with significant incentives for both sides.

#### Education and Human Capital:

One facet of the Chinese strategy regarding Afghanistan features a view of human capital and education as its own particular type of infrastructure, one that can be developed alongside physical projects in order to strengthen people-to-people connectivity between the two economies and increase Afghanistan's ability to take advantage of the opportunities provided by BRI projects. **The Chinese commitment to foster the growth of human capital in Afghanistan in the form of scholarships, educational exchange programs and capacity-building, and professional training programs** demonstrates an investment in the future of the country that extends beyond China's own immediate economic benefit. It is an investment in a future trading partner and a vote for a thriving, interactive, self-sustaining and stable market down the line: a long-term, multifaceted strategy that is a diversion from

<sup>14</sup> TOLOnews (16 March 2018). Gemstone Smuggler Says Badakhshan Mines Out Of Govt Control. Available at <https://www.tolonews.com/index.php/afghanistan/gemstone%2%A0smuggler-says-badakhshan-mines-out-%2%A0govt-control>

previous “plug-and-play” solutions to combat stagnation in Afghanistan. China has demonstrated its keen willingness to invest in Afghan educational capacity with a number of projects, including the construction of substantial facilities at Kabul University.<sup>15</sup> Further investment in Afghanistan’s people—such as a **focus on developing medical and educational infrastructure in rural areas**—can drive Afghanistan’s human development in such a way as to contribute to an eventual viable trading economy. In terms of facilitating education, a special focus should also be paid to **building and supporting technical vocational schools** to cultivate local talent in the form of personnel essential to infrastructure development, such as airfield operators, dam operators and construction experts.

**Increased People-to-People Connectivity:** With China’s investment in human capital will come increased human and cultural exchange. As contact increases, encouraged by China’s initiatives like scholarships, ease of access must be facilitated to ensure maximum impact of Chinese investment. **Business visa policies between Afghanistan and China must be made significantly less prohibitive in order to encourage business and cultural exchange.** If these policies were to become sufficiently relaxed enough to allow for a passenger volume that would ensure the profitability of such a connection, **the establishment of direct commercial air connections between Kabul and Beijing could then be viable.** The creation of these direct flights would substantially enhance the ease of doing business between the two countries and the economic appeal of both markets to one another.

15 XinhuaNet (10 October 2017). Construction of two China-aided buildings start in Kabul University. Available at [http://news.xinhuanet.com/english/2017-10/10/c\\_136670303.htm](http://news.xinhuanet.com/english/2017-10/10/c_136670303.htm)

Business visa policies between Afghanistan and China must be made significantly less prohibitive in order to encourage business and cultural exchange. If these policies were to become sufficiently relaxed enough to allow for a passenger volume that would ensure the profitability of such a connection, the establishment of direct commercial air connections between Kabul and Beijing could then be viable.

**Construction and Use of Local Infrastructure:** In Afghanistan, **domestic infrastructure such as roads (including a direct link to Pakistan’s China-administered Gwadar port) must continue to be enhanced to fully take advantage of regional transport initiatives like BRI and connect rural Afghanistan with avenues to export agricultural and other goods abroad.** Further exploration of air corridors—such as the recent link to India—can enhance this capability and bypass areas of blockage or security risk. However, the development of air corridors will hinge on sufficient supply of cargo planes as well as access to secure airfields and the training of local talent to man them. In the short term, **the creation of pilot programs using existing airfields as secure hubs** for regional or international companies to transport Afghan agricultural goods or extractive products could illustrate Afghanistan’s potential to investors and the international community, and incentivize further development and investment in this area.

**Enabling Access to Resources and Refining Procurement Procedures:** An unwieldy procurement process presently hinders both domestic infrastructure development and foreign investment in Afghanistan. China demonstrates a keen interest in investing in mining operations in Afghanistan. However, lack of domestic infrastructure and access to potential sites, corruption and bureaucratic obstacles in Afghanistan present issues that often discourage foreign investors. Approval of extraction processes can be difficult to secure—the present approving body, the National Procurement Authority (NPA), was set up to centralize procurement processes across the government, but in some cases may lack the expertise to effectively and efficiently approve projects in certain sectors. Additional approvals required for the extraction





of lithium, which is considered a strategic resource, also impede efficient approval processes in the mining industry. In addition, unwieldy and lengthy procurement procedures impede the local construction of domestic infrastructure such as roads necessary to access sites and transport extracted materials. The Ghani administration's continued appointment of anti-corruption ministers and progress made by the NPA may have had the effect of lessening the need for overzealous or unwieldy regulation in certain ministries.<sup>16</sup> **Refining and streamlining procurement and approval processes to reflect, where possible, the progress made against corruption would assist in necessary domestic development as well as facilitate and encourage investment in sectors like mining.**

**Addressing Trade Imbalances and Creating a Viable Afghan Brand:** If domestic infrastructure is enhanced to allow linkage to regional corridors like BRI, the resulting increased transport connectivity with foreign markets will allow Afghanistan to diversify its exports and reduce trade imbalances with its neighbors and international markets. A substantially increased ability to export directly to foreign markets will also enhance the ability of Afghanistan to control its own brand and image, allowing it to benefit fully from its own products. **If transport corridors are developed, and regulations and trade transit agreements put in place and enforced, Afghan agricultural products can be exported directly to markets such as China and clearly branded as Afghan,** enhancing the country's image and marketability while creating direct economic benefits for Afghan farmers and businessmen. Steps toward this strategy are already being taken, with a team assigned by President Ghani to identify new markets for Afghan

Fraidoun Haji Bari checks a carpet at Xinjiang International Grand Bazaar in Urumqi, capital of northwest China's Xinjiang Uygur Autonomous Region. Fraidoun of Afghanistan has run carpet business in China for some 11 years by buying goods from his Afghan hometown and selling them in Xinjiang.

<sup>16</sup> World Bank (31 October 2017). Afghanistan's Public Procurement Racks Up Victories Against Corruption. Available at <http://www.worldbank.org/en/news/feature/2017/10/31/national-procurement-authority-racks-up-victories-against-corruption>

pine nuts,<sup>17</sup> which have historically been exported to Pakistan, which then exports them to China and other markets under Pakistani branding.<sup>18</sup>

**Further opportunities to promote uniquely-Afghan goods abroad could be identified and explored by engaging the extensive worldwide network of Afghan diaspora businesspeople.**

This could allow the country to take full advantage of increased connectivity, changing perceptions by building a brand that draws attention to quality or unique products and creates a demand for Afghan goods in diverse and widespread markets.

#### Encouragement of Green Development and Green Energy:

Advocates of BRI emphasize the sustainability of the initiative and the focus on limiting its environmental impact. A less-developed state like Afghanistan, lacking in existing infrastructure, has an opportunity to progress in this area by encouraging healthy, sustainable and affordable development projects over traditional environmentally-negative ones. Afghanistan has the potential to generate approximately 230,000 megawatts of hydropower and 220,000 megawatts of solar power. Prioritizing the generation of clean and renewable energy such as hydropower, solar power and wind energy could benefit both Afghanistan and its neighbors, many of whom—including Pakistan—are energy-deficient, as well as fall in line with BRI's focus on green

China's interest in Afghanistan's digital connectivity is well-placed.

Further prioritization of public and private-sector investment in the development and expansion of Afghanistan's fiber optic infrastructure will facilitate Afghanistan's long-term plan to serve as a major data transit route, bringing substantial benefits to internet users domestically, regionally, and internationally.

development. **Chinese expertise and demonstrated willingness in this field should be viewed as a strong potential asset for Afghanistan and drawn upon to facilitate the development of green energy projects.**

#### Opportunities for Digital Connectivity:

Currently, 23 of Afghanistan's 34 provinces have access to fiber optic networks, with plans underway to broaden connectivity and enhance infrastructure including the Afghan Fiber Optic Ring. To that end, the government of Afghanistan has adopted an open access policy for data, with the aim to encourage private sector investment in fiber optic and broadband infrastructure and connect rural areas more feasibly.<sup>19</sup> This represents an opportunity for China to contribute to the development of infrastructure that will benefit its long-term "Digital Silk Road" initiative. Afghanistan and China's April 2017 agreement to explore linkage of the two countries' fiber-optic networks through the Wakhan Corridor could improve Afghan digital connectivity as well as generate substantial economic returns for Afghanistan.<sup>20</sup> The proposed connection would serve as a conduit for Chinese data and enable Afghanistan to access internet services at a more affordable rate. Moreover, China also committed to facilitating the enhancement of Afghanistan's existing and developing fiber optic networks. This agreement has been followed by the signing of

17 TOLONews (27 November 2017). Ghani Assigns Team To Find New Markets For Afghan Pine Nuts. Available at <http://www.tolonews.com/business/ghani-assigns-team-find-new-markets-afghan-pine-nuts>

18 Pahjwok Afghan News (30 December 2015) 'Govt never tried to find market for chilgoza pine'. Available at <https://www.pajhwok.com/en/2015/12/30/%E2%80%98govt-never-tried-find-market-chilgoza-pine%E2%80%99>

19 Ministry of Communication and Information Technology, Islamic Republic of Afghanistan (28 September 2017). The Open Access Policy to Fiber Optic Renewals and Distribution of license to the Private Sector were Approved. Available at <http://mcit.gov.af/en/news/69987>

20 Regional Economic Cooperation Conference on Afghanistan (RECCA) (26 April 2017). Afghanistan and China Sign Fiber Optic Agreement. Available at <http://recca.af/?p=2387>



Memorandums of Understanding between Afghan and Chinese telecommunications companies, exploration of opportunities with Chinese companies like Huawei, and further plans to pursue linkage with Afghanistan and Central Asia. **China's interest in Afghanistan's digital connectivity is well-placed. Further prioritization of public and private-sector investment in the development and expansion of Afghanistan's fiber optic infrastructure will facilitate Afghanistan's long-term plan to serve as a major data transit route, bringing substantial benefits to internet users domestically, regionally and internationally.**

#### **Afghanistan as a Hub for Data**

**Transmission:** Afghanistan is presently connected to international fiber optic networks at six points along its borders with five neighboring countries, including Pakistan (with which it has two connections), Iran, Tajikistan, Turkmenistan and Uzbekistan. However, as a landlocked country, it has no direct access to undersea communication cables. This renders the country (and its northern neighbors) subject to poor and unreliable quality of service in terms of digital communications. Afghanistan's geographic location places it in a position to be able to reduce data transit time between India and Europe by as much as a millisecond—a substantial decrease that will drive faster economic and information exchange with broad worldwide benefit. Its position would also facilitate the connection of Central Asian and South Asian fiber optic networks. **Continued development of and investment in Afghan fiber optic networks could efficiently connect other landlocked countries such as the Central Asian republics to undersea cables via neighboring Pakistan or Iran, increasing the speed of international data**

**transmissions and providing significant economic benefits for Afghanistan and its neighbors as digital connectivity is made more efficient, reliable and affordable.**

## **Conclusion**

In the face of numerous decades-long security and development challenges, Afghanistan's current government is doing its utmost to lay out a detailed, thorough road map for the country's future growth, holding infrastructure and investment as the fundamental building blocks with which to construct the country's development agenda. Simultaneously, a revived and ambitious China seeks to resurrect ancient land and maritime trade routes throughout Eurasia, potentially placing Afghanistan and its neighbors at the center of a new international trading network. Afghanistan's location at the heart of Asia and its current development goals present a strategic complementarity with China, providing opportunities and significant potential for deeper cooperation within the framework of China's BRI.

Yet the fanfare of the Chinese dream and Afghanistan's potentially instrumental role within it must take into account the many challenges which stand to complicate the intended partnership. Tense relations and impediments to cooperation with China's foremost ally in South Asia, Pakistan, could undermine avenues for potentially integrating Afghanistan into BRI via the expansion of CPEC projects. Additionally, a lack of a cohesive regional development strategy, and the overabundance of unimplemented or unenforced regional and bilateral agreements between Afghanistan and its neighbors, also presents a practical problem to the planned implementation of BRI in the region. Pervasive security challenges in Afghanistan must be mitigated or

effectively worked around if foreign investments and integration into regional transport corridors are to contribute substantially to the country's development, and if its central location is to be leveraged to benefit neighbors and international partners.

Nevertheless, Chinese activity in neighboring Pakistan illustrates that cooperation and development in the face of challenges are possible when underscored by political willpower. China has communicated its strong political will to work in and with Afghanistan, with Chinese commitments to invest in the country's human capital and facilitate the development of infrastructure offering serious opportunities for Afghanistan's long-term growth and stabilization. Further opportunities are present in such areas as digital connectivity and sustainable development projects, and in China's potential to act as a mediator in tense regional political relationships. Both China and Afghanistan stand to benefit substantially from the country's integration into not only BRI, but other regional transport corridors, as do neighboring countries and diverse international markets, all of which would profit from efficient, affordable transit routes, enhanced economic and digital connectivity, and a stable, viable Afghan economy. These pervasive and overarching opportunities for long-term mutual benefit present a strong incentive for continued close Chinese-Afghan cooperation going forward. If serious efforts are undertaken by the Afghan and Chinese governments to address the significant, though largely surmountable, challenges facing the full incorporation of Afghanistan into BRI, the resulting growth and connectivity could contribute substantially to positive economic, political and social developments in Afghanistan, the region and worldwide.

# **Afghanistan Reconnected: Challenges and Opportunities in the Context of China's Belt and Road Initiative**

EWI Policy Brief by  
**Annie Cowan**

With contributions from  
**Muhammad Amin and Charles Elkins**

Brussels, March 2018



New York | Brussels | Moscow | San Francisco  
**[www.eastwest.ngo](http://www.eastwest.ngo) | t: @EWInstitute | f: EastWestInstitute**