Integrating Afghanistan into the Belt and Road Initiative

Review, Analysis and Prospects

Mariam Safi and Bismellah Alizada

FRIEDRICH EBERT STIFTUNG

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August 2018

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Abbreviations

ACCI	Afghanistan Chamber of Commerce and Industries
ADB	Asian Development Bank
AISS	Afghan Institute of Strategic Studies
AfRA	Afghanistan Railway Authority
ANPDF	Afghan government's National Peace and Development Framework
ANRP	Afghanistan National Railway Plan
APPRO	Afghanistan Public Policy Research Organization
APPTTA	Afghanistan-Pakistan Transit and Trade Agreement
ASEAN	Association of Southeast Asian Nations
BRI	Belt and Road Initiative (One Road, One Belt Initiative)
BRICS	Brazil-Russian Federation-India-China-South Africa
CAREC	Central Asia Regional Economic Cooperation
CASA	Central Asia to South Asia (in reference to the Central Asia-South Asia Regional Energy Market)
CEO	Chief Executive Officer
CPEC	China-Pakistan Economic Corridor
DROPS	Organization for Policy Research and Development Studies
FES	Friedrich-Ebert-Stiftung
ICT	Information and Communication Technologies
MOU	Memorandum of Understanding
RECCA	Regional Economic Cooperation Conference on Afghanistan
SCO	Shanghai Cooperation Organization
SAARC	South Asian Association for Regional Cooperation
SIPRI	Stockholm International Peace Research Institute
TAP	Turkmenistan–Afghanistan–Pakistan
TAPI	Turkmenistan–Afghanistan–Pakistan–India

Foreword

China's Belt and Road Initiative has become one of the largest and most ambitious strategic development plans in recent history. It intends to promote connectivity, economic integration and infrastructure building across Asia and all the way into the Middle East, Africa and Europe. Since the launch of the initiative by Chinese President Xi Jinping in 2013, the volume of research studies, policy papers and journalist articles discussing its political, security and strategic implications has steadily grown.

In 2017, the Friedrich-Ebert-Stiftung (FES) and the Stockholm International Peace Research Institute (SIPRI) published a report examining the wider security dynamics and the local and regional implications of the Silk Road Economic Belt. FES and SIPRI also initiated a workshop series on the Maritime Silk Road, which will result in a policy paper later this year.

Situated at the crossroads of Central Asia and South Asia and China and the Middle East, Afghanistan has significant potential as a hub for trade, transit and regional cooperation. But despite its strategic location, Afghanistan's integration into the BRI has received little scholarly or public attention. This paper contributes towards filling the research gap.

This uniquely comprehensive study is the result of a 15-month field research endeavour led by the Kabul-based Organization for Policy Research and Development Studies. It is the first study in Afghanistan that breaks down the country's regional and national projects in terms of transportation and resource corridors as well as "soft" infrastructure initiatives.

Bringing together diverse viewpoints from a range of decision-makers and senior experts from within Afghanistan and beyond, the report discusses the opportunities, challenges and barriers for Afghanistan's integration into the BRI to inform government officials, civil society experts, academics and the international public.

FES is grateful to all the interlocutors who shared their valuable insights. We are enormously indebted to the two authors, Mariam Safi and Bismellah Alizada—their hard work and original research resulted in this unique study.

Mirco Günther
Resident Director
FES Afghanistan
August 2018

Acknowledgements

The Organization for Policy Research and Development Studies and Friedrich-Ebert-Stiftung owe the completion of this research to the selfless contribution and dedication of many individuals, organizations and government agencies. The authors take this opportunity to thank all of them and acknowledge that this research would not have been possible without their support and cooperation.

We particularly thank the following individuals for granting their valuable time for in-depth interviews as well as sharing documents that helped immensely in developing this research: Mohammad Humayon Qayoumi, Chief Advisor to the President of Afghanistan; Yao Jing, former Ambassador of China to Afghanistan (2015–2017); Sultan Ahmad Baheen, former Ambassador of Afghanistan to China (2009–2015); Nasir Ahmad Andisha, Deputy Minister for Management and Resources at the Ministry of Foreign Affairs; Kamila Sidiqi, Deputy Minister of Trade Affairs at the Ministry of Industry and Commerce; Amanullah Ghalib, former Deputy Minister at the Ministry of Energy and Water; Sayed Yahya Akhlaqi, Director General of Trade and Transit at the Ministry of Industry and Commerce; Suhrab Bahman, Economic Advisor and Chief of Staff to the Minister of Economy; Atiqullah Nusrat, Chief Executive Officer at the Afghan Chamber of Commerce and Industries; Mohammad Yama Shams, Director General and CEO at the Afghanistan Railway Authority; Mohammad Sharif Rasikh, Human Resources Director at the Ministry of Public Works; Rahimullah Khan Wazir, Third Secretary at Pakistan's Embassy in Kabul (in 2017); Mohammad Aneel Zafar, First Secretary at Pakistan's Embassy in Kabul (in 2017); Saeed Parto, Director of Research at the Afghanistan Public Policy Research Organization; Abdul Qadeer Mutfi, Researcher at the Afghan Institute for Strategic Studies; Oktay Tanrisever, Chairperson of the Energy Diplomacy Working Group in the World Energy Council Turkish National Committee; Sherdil Baktygulov, Transition Cooperation Researcher based in Kyrgyzstan; and an expert from Uzbekistan who chose to remain anonymous.

The authors also express their immense gratitude to Sifat Rahimee, Chief of Staff and Director General at the Ministry of Finance, and Amir Ramin, Director General of Regional Economic Cooperation at the Ministry of Foreign Affairs, for their invaluable support and assistance in coordinating discussions with government institutions during this research.

Introduction

This paper highlights the findings of a 15-month desk and field study that examined the Chinese government's One Road, One Belt Initiative (known as the Belt and Road Initiative, or BRI) and how Afghanistan could integrate into the Belt component. The analysis draws on the perspectives of Afghan policy-makers, private sector and civil society representatives and Chinese and regional experts.

As the name implies, the BRI has two major components: the land-based Silk Road Economic Belt and the sea-based 21st-Century Maritime Silk Road. The "One" was dropped to better reflect the multitude of belts and roads that the initiative comprises.

The study is presented in three sections: (i) the evolution and status of the BRI, along with its challenges and barriers; (ii) the regional economic integration aspirations of Afghanistan and how that fits within the BRI framework; and (iii) the potential for Afghanistan to transform from an ancillary player to a partner with China, within the BRI.

Chinese President Xi Jinping launched the One Road, One Belt Initiative in October 2013. It promotes connectivity between China and Eurasia by integrating the region into a cohesive economic area through new infrastructure, increased cultural exchange and broadened trade. The BRI has northern, central and southern belts, with the northern belt going through Central Asia, the Russian Federation and then to Europe; the central belt traversing Central Asia and West Asia to the Persian Gulf and the Mediterranean; and the southern belt starting in China and proceeding to South-East Asia, then South Asia and the Indian Ocean.

Given its location at the crossroads of Central, South and South-West Asia, Afghanistan is poised to benefit from and provide benefit to China within the central and southern belts. Because these belts are still evolving, there is a dearth of research, and even less from the perspective of Afghans, that illuminates the national thinking (if any) on the BRI and on how policy-makers intend to link the country to the work being done. In the absence of any rigorous evaluation, debate on the integration of Afghanistan into the BRI relies on hyperbolism regarding the possibility, potential benefits and bottlenecks. China remains aloof to the internal political and security challenges for Afghanistan, which may be why the Chinese government has not yet discussed how the country will link to the BRI or any investment it will make in Afghanistan through the initiative.

Economic and trade relations between Afghanistan and China in general, however, have improved considerably in the past two decades. In the post-2001 era, China has emerged as the biggest trading partner for Afghanistan. In 2006, a Sino-Afghan Economic Committee was established to increase that bilateral trade; and in 2010, both governments signed the Comprehensive Cooperative Partnership Agreement to boost economic and technological cooperation. Then in 2017, both governments signed a customs free trade agreement and expanded private sector relations and cooperation between their respective chambers of commerce.

The wealth of mineral resources in Afghanistan has evoked great interest from China, which has become the largest investor in this sector. To date, China has won several of the country's largest mining contracts ever, such as the drilling rights in the Amu Darya Basin and exploration rights in the Aynak copper mine. Its aspiration for easy transport networks to export these natural resources have induced investment, capacity building and technical assistance to the Afghan ministries and authorities responsible for road, highway and railway development.

The Afghan government's proactive steps towards realizing Afghanistan as the "heart of Asia" by becoming integral for connectivity and regional economic cooperation has spurred its interest in deepening its presence in the BRI. This is reflected in the 2016 memorandum of understanding (MOU) both countries signed as an expression of commitment to jointly promote cooperation under the BRI. Thus far, Afghanistan and China have undertaken a few projects, such as the Digital Silk Road, the Sino-Afghanistan Special Railway Transportation Project, the Five Nations Railway Project and a Kabul–Urumqi air corridor. The two governments are also exploring links with the China-Pakistan Economic Corridor that can transform Afghanistan into a regional trade and transit hub.

Despite these activities, the Chinese government remains vague when it comes to drawing up plans for Afghanistan's integration into the BRI. The Chinese attitude towards Afghanistan's integration into the BRI appears to be enthusiasm, viewing its geographic location as its greatest asset, followed by its wealth of untapped energy resources. But, compared with the majority of the other 63 countries participating in the BRI, China does not seem to yet consider Afghanistan as an integral, contributing country.

The Afghan government, on the other hand, remains uncertain as to how it can induce greater interest from China. Afghanistan may have designed extensive and ambitious transportation, technology and resource corridor projects, but their timelines are improbable and lack due consideration for security, governance and other challenges. And many authorities in the country remain concerned about the lack of critical dissection, discussion and debate around the economic and political implications in deeply linking Afghanistan with the BRI, which they think only reinforces Afghanistan as a policy-taker and not a policy-maker. Others are worried about the lack of human capital to develop hard and soft infrastructure, if—and thus when—Afghanistan is integrated into the massive initiative.

The Afghan government views the BRI as an opportunity to enable it to transform its aid-dependent economy to one that is self-sufficient, stable and reliable. Such a prospect will depend on a cornucopia of factors that deserve examination beyond the scope of this research; in brief, they revolve around Afghanistan's ability to build the hard and soft infrastructure needed to facilitate the BRI while ensuring a degree of political stability and security. Afghanistan also must be mindful of protecting its economy in the face of growing economic interests by China as the BRI proceeds, ensuring that Chinese interests overlap with those of local actors and regional and global powers.

SECTION I

THE BELT AND ROAD INITIATIVE

Evolution and Status of the Belt and Road Initiative

Launch of the One Belt, One Road Initiative

During his trip to Kazakhstan in September 2013, Chinese President Xi Jinping announced the Silk Road Economic Belt as an enterprise to connect China with Eurasia and thus enable cooperation with and between Eurasian countries (see figure 1). The initiative was the first manifestation of the debates among the Chinese intelligentsia and politicians over China's more assertive role in Asia. One of the first advocates advising the government to revitalize three Silk Roads—to South-East Asia, to South Asia and to Central Asia[1]– was a Chinese scholar professor at Beijing University. President Xi then followed with the introduction of the 21st-Century Maritime Silk Road, another ambitious initiative to connect China to Africa and Europe through water. Together, the initiatives became the One Belt, One Road Initiative, now better known as the Belt and Road Initiative.[2]

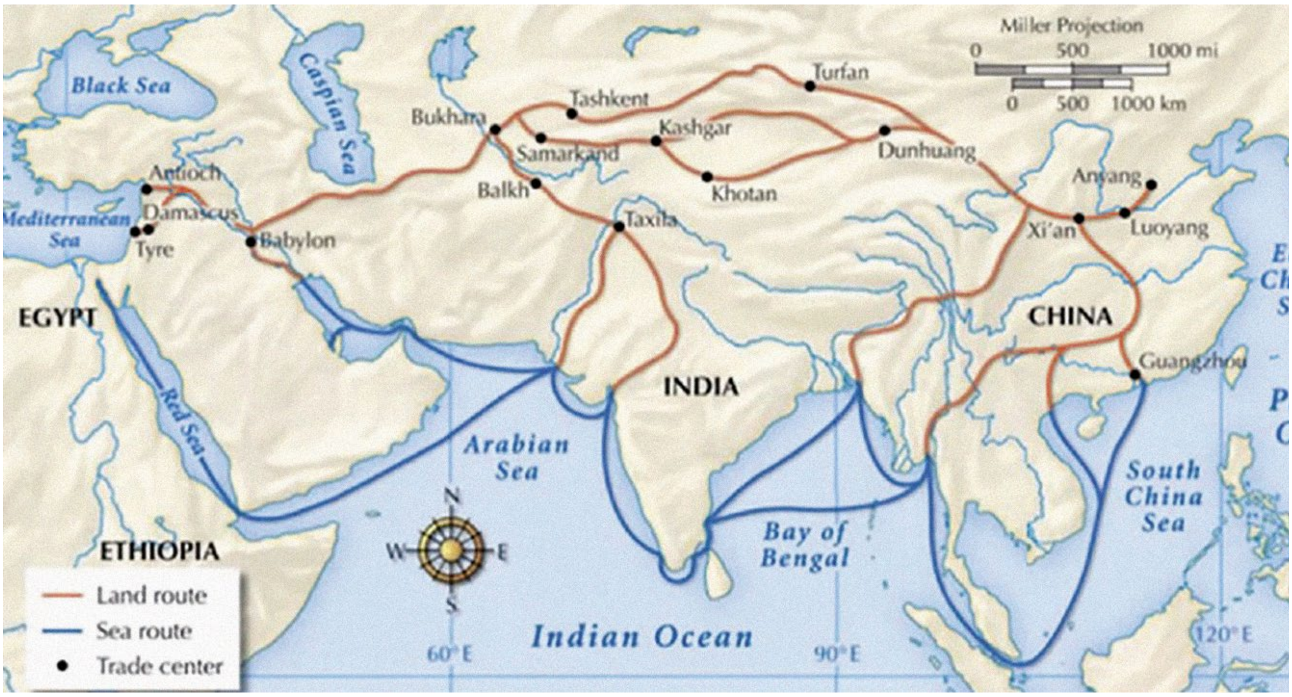
The Chinese government remained relatively silent on the depth and breadth of the BRI initially, which led to tremendous discourse and research outside of China. Some observers pointed out that the Chinse leadership actually encouraged "think tanks, research institutes and different government branches . . . to host international workshops and conferences to stimulate debates."[3] With the government's delay in officially defining the BRI and its geographic coverage, the discussions have continued, but clarity has been slow to take shape.

The "flexible, inclusive and open"[4] nature of the initiative gave it the unique chance of benefiting from all the literature and maps produced to reinforce the debates (and co-evolve with the debate). After all, the literature and maps were based on "interpretations of official statements or documents."[5]

Although still evolving, the BRI has morphed into a grandiose and ambitious initiative, connecting "China and 64 countries with a total population of 4.4 billion by building infrastructure and boosting financial and trade ties"[6] and involving 21 trillion US dollars of gross domestic

Figure 1: Map of the One Belt, One Road Initiative.

Source: Schiller Institute: http://schillerinstitute.org/economy/phys_econ/2015/18-29_EIR12-web-images/l3-silk_road_map_opt.jpeg.



product.[7] In some documents it is painted as an even bigger undertaking, covering 70 per cent of the global population and 75 per cent of known energy reserves.[8]

Other analysts contend the Chinese initiative is not only about infrastructure and trade. As one German researcher explained, the BRI is "a vision for building up a comprehensive cultural, economic and political network that promotes connectivity and cooperation between countries, regions and cities along the Silk Road,"[9] encompassing the Middle East, West Europe, West Asia, North Africa, South Asia, South-East Asia, the Commonwealth of Independent States, the Russian Federation and Mongolia.[10] BRI corridors reach as far as Rotterdam, Hamburg, Prague and Madrid in Europe and stretch to East and North Africa, making them a truly continental network of roads, railways and ports (and more).

Its implementation, however, might take decades. According to some sources, it may take around 35 years, reaching completion in time for the 100th anniversary of the People's Republic of China.[11]

While at the beginning it was presented as a paramount initiative of President Xi's administration, the BRI has grown into an overarching policy in which China has involved all its state apparatus and with which it has aligned various aspects of its politics. Some observers maintain that all areas of Chinese politics (domestic, foreign, regional, etc.) fall under the BRI framework[12] and involves a wide variety of actors, including regional state and non-state actors, regional organizations and all sorts of internal actors, including provincial and city governments, banks, Confucius institutes and national universities.[13] Although many specifics regarding the BRI have emerged, some observers still see it remaining undefined.[14]

As portrayed in a March 2015 white paper by the Chinese National Development and Reform Commission and the now rich literature on the initiative, the BRI primary goal of connecting and cooperation will take place through four major connectivity and cooperation areas across the involved countries: land-based economic corridors (the Belt), ocean-going blue economic passages (the Road), fibre optic connectivity (the Digital Silk Road) and energy cooperation. People-to-people bonds and soft infrastructure are also critical elements.

The Belt: Six land-based economic corridors

The initial Silk Road Economic Belt has expanded into a networked blueprint of land-based economic corridors that will connect China with regions in all directions. The specifics of this network, however, remain undisclosed. One of the most comprehensive studies (2017) of the BRI (and lauded by Chinese officials) refers to six land-based economic corridors: (i) the China-Mongolia-Russian Federation Economic Corridor, (ii) the New Eurasian Land Bridge, (iii) the China-Central Asia-West Asia Economic Corridor, (iv) the China-Indochina Peninsula Economic Corridor, (v) the China-Pakistan Economic Corridor and the Bangladesh-China-India-Myanmar Economic Corridor.[15] The official March 2015 "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road" white paper, based on two years of debate and research by Chinese and non-Chinese academics, experts, journalists and government officials, cites four economic corridors under the BRI (the first four cited above). Two other economic corridors are labelled as "closely related to the Belt and Road Initiative" (the latter two cited above).[16]

Of the six corridors, only the China-Pakistan Economic Corridor (CPEC) has gained the most attention, becoming the flagship BRI project.

Constructing these corridors will require decades of work and trillions of US dollars in investment. All six corridors pass through regions that have serious infrastructure deficits for linking with other regions, let alone infrastructure capable of intercontinental trade and transit. The Chinese government has made major strides in building up the rail and road networks.

As of February 2016, China had signed MOUs with almost 30 countries[17] to secure cooperation for implementing the BRI. In a seven-month period, more than 60 countries and several international organizations, including the United Nations Development Programme, pledged participation.[18] The development of the six corridors, however, will depend on the foreign policy and trade priorities of the Chinese government.

One of the most feasible options for Afghanistan to integrate with the BRI is to link with the CPEC. On

Afghanistan Railway Authority (AfRA) maps, Afghanistan connects to Pakistan at four railway points: in Helmand, Kandahar, Khost and Nangarhar provinces. These connections can potentially link Afghanistan to the CPEC. Nevertheless, the political relations between the two countries are marked by uncertainty and distrust. Fuelled by regional alliances, border disputes, the issue of terrorism and rocket attacks in the border areas of Afghanistan, the political tensions have led to border closures. The spirit of cooperation on linking Afghanistan to the CPEC, despite the benefits and turnovers it would have for Pakistan by giving it a short and easy access to the Central Asian market, remains low (see chapter 5).

Another option for Afghanistan to integrate with the BRI is through Central Asia, where there have been some achievements already. In September 2016, the first Chinese train carrying cargo from China to and Afghanistan reached the border town and port of Hairatan in the northern Balk Province (service was later suspended again due to security concerns and a lack of infrastructure). That links Afghanistan to China through railway from Central Asia, where the Silk Road Economic Belt of the BRI is also traversing, and provides more potential for Afghanistan to integrate into the BRI (see chapter 4).

There are other regional connectivity projects under way that are expected to link Afghanistan to Central Asia, China, the Islamic Republic of Iran (hereafter referred to as Iran) and finally to Europe. One such project is the Five Nations Railway, expected to connect China, Kyrgyzstan, Tajikistan, Afghanistan and Iran, thus linking China to the Middle East and eventually to Europe through Afghanistan. In a bigger picture, eventually these networks will be linked to the BRI in one way or another. Thus, Afghanistan can link to the Silk Road Economic Belt and it can link to the CPEC—although political tensions between Afghanistan and Pakistan hamper the prospects for this latter connection.

The Road: Three blue economic passages

Another vital segment of the BRI initiative is the 21st-Century Maritime Silk Road (see figure 2). Chinese President Xi Jinping revealed the Road segment of the BRI one month after the Belt was introduced, during a visit to Indonesia. It was initially introduced as an ocean-going economic passage through the Indian Ocean to link China with East Africa, North Africa and Europe. Along with the discourse and literature of the whole BRI endeavour came many maps of the Road, based on interpretations of official statements and discussions in academia and the research community. In response to the range of commentary from state and non-state actors, the Road became known as a bigger "Blue Partnership", a rather general and undefined term used by the Chinese government in an official document regarding development of the Road.

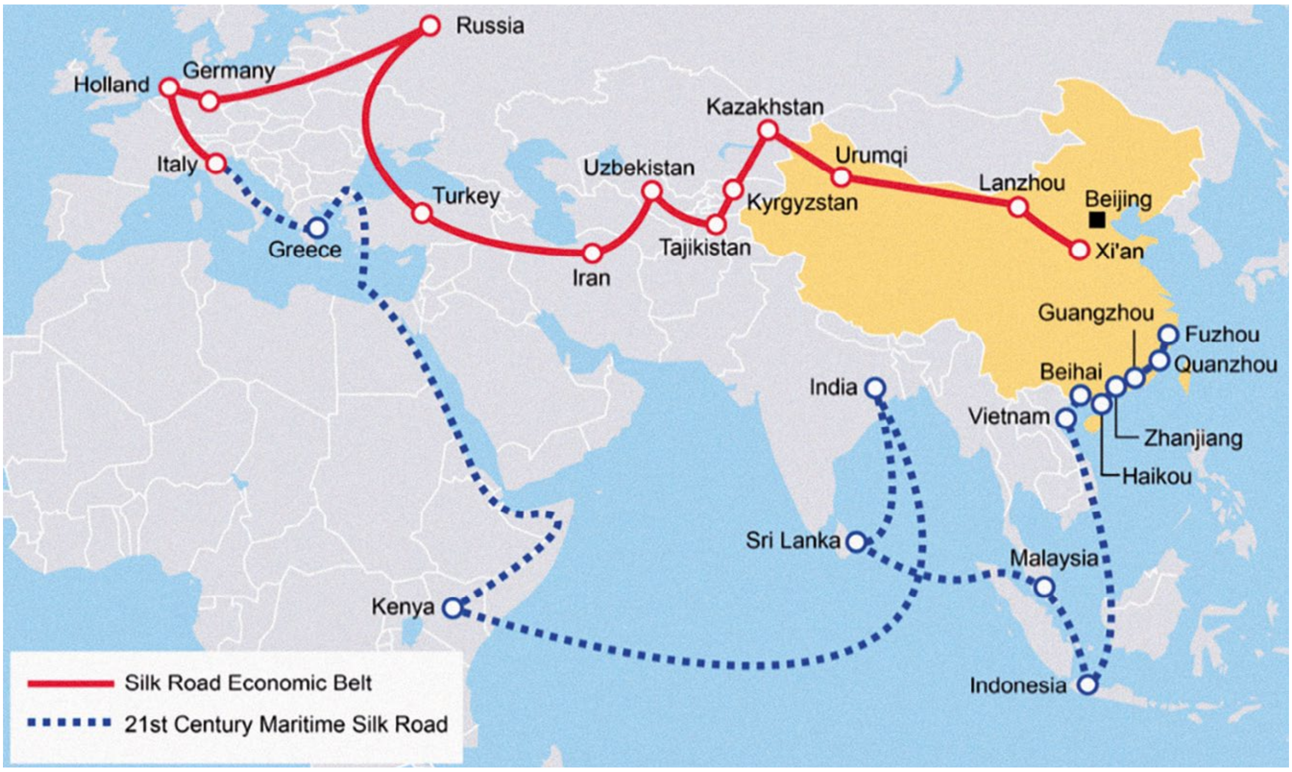
In June 2017, the Chinese government released another white paper, titled "Vision for Maritime Cooperation under the Belt and Road Initiative". Like the earlier Vision and Actions white paper, this one was informed by the accumulated literature and discussions on the Road segment of the BRI. As outlined in the white paper, the Blue Partnership encompasses wide areas of cooperation, ranging from building unobstructed, safe and efficient maritime transport channels[19] and emergency responses to preserving oceanic ecosystems, sea-based industrial parks, port alliances and sea tourism. As detailed in the white paper, the initial Road has become three Roads, joined by two other economic passages. The original one, which is now named the China-Indian Ocean-Africa-Mediterranean Sea Blue Economic Passage, will run westward from the South China Sea to the Mediterranean Sea, passing through the Indian Ocean and linking the China-Indochina Peninsula Economic Corridor with the CPEC along the way.[20]

Another passage will be the China-Oceania-South Pacific Economic Passage, going southward from the South China Sea to link China to Oceania. A third envisioned passage will link China to Europe via the Arctic Ocean.[21] The two latter passages are nascent ideas, the details of which have yet to be defined. The challenges, the amount of investment, the economic potential, geopolitical implications and the possible allies to shoulder the burden, together with China, are also not yet clear.

In the government's white paper, the vision for the Blue Partnership is "to forge a blue engine"[22] for sustainable development in countries along the Road by "pairing sister ports and forging port alliances."[23] Another component

Figure 2: 21st-Century Maritime Silk Road.

Source: http://beltandroad.zaobao.com/sites/default/files/inline_images/20170814/20170814-belt-and-road-across-europe-asia_Large.png.



of the Road is the construction of submarine cables to improve connectivity in international communications,[24] which is similar to the Belt-related fibre optic connectivity.

There is a "soft" aspect to the Road as well. According to the white paper, China will set up a Global Blue Economy Partnership Forum to "promote new concepts and best practices of blue economy and to boost marine industrial integration and capacity cooperation."[25] China has proposed that an Ocean Culture Year and Ocean Arts Festival be conducted in countries along the Road "to celebrate the Maritime Silk Road's spirit of friendly cooperation."[26]

There has been some progress towards realization of the first passage of the Road. According to the white paper, as of June 2017, China had singed MOUs, agreements and joint statements with several countries along the Road, including Cambodia, India, Malaysia, Maldives, South Africa and Thailand.[27] And there are several investment and infrastructure projects already under way: the Gwadar port, two port projects in Sri Lanka, one port project in Myanmar and two railway projects in East Africa.[28]

Although the Road is presented as a benign initiative meant to enhance maritime cooperation and stimulate joint development in a sustainable way, there are malign aspects to it. As a rising global power, China needs to assert control in international waters, expand its naval capabilities and secure its maritime trade routes. The Road is a means of maritime ascendance for China as a maritime power to challenge the United States' grip on the oceans.

Fibre optics connectivity: Digital Silk Road

Communication is vital for trade. Speed in communication matters greatly. The BRI vision for regional and intercontinental trade will be heavily dependent on communication speed, and in this context, the Digital Silk Road is an inseparable component of the Belt as well as the Road. The 2015 Vision and Actions white paper referred to the Digital Silk Road[29] as imperative to the BRI: "We should jointly advance the construction of cross-border optical cables and other communication trunk line networks, improve international communications connectivity and create an Information Silk Road." And the 2017 white paper on the Road noted that "projects for the planning and construction of submarine cables will be jointly advanced to improve connectivity in international communications."[30]

Through the Digital Silk Road, China aims to connect Afghanistan with Pakistan, India, Tajikistan, Iran, Uzbekistan, Turkmenistan and ultimately Europe.[31] The two major projects under the Digital Silk Road have been the Wakhan Corridor and CPEC fibre optic connectivity. Afghanistan and China signed an agreement in April 2017 to connect through a fibre optic line through the Wakhan Corridor,[32] a 50 million US dollar project funded by the World Bank. As of October 2017, according to the Ministry of Communications and Information Technology, 25 provinces in Afghanistan are connected by fibre optics,[33] and nine more provinces will be connected in three months.

China has invested 44 million US dollars for the CPEC fibre optic cable laying,[34] which commenced in October 2015 and was to be completed in December 2017;[35] but according to a Ministry of Communications and Information Technology official, the project will be finished by 2019.[36] Upon completion of the project, China will be connected to South Asia, Central Asia, Iran and ultimately Europe either through fibre optics or the Digital Silk Road.

Energy cooperation

In June 2017, the Chinese government issued an additional white paper, this time on "Vision and Actions on Energy Cooperation in Jointly Building the Silk Road Economic Belt and 21st-Century Maritime Silk Road", stating that "the Initiative . . . aims to improve regional energy safety and to optimize the distribution of energy resources. It will integrate regional energy markets and push forward the green and low-carbon development of regional energy."[37] The cooperation will cover policy coordination, energy investment, energy production capacity, energy infrastructure connectivity and global energy governance and structure.

There is a demand in both China and South Asia for gas and electricity, which is abundant in Central Asia. Therefore, energy cooperation and energy infrastructure connectivity will be an important topic under the BRI, which already provides other hard and soft infrastructure for regional and extra-regional connectivity.

There are no specifics on the BRI energy cooperation as of now, however; therefore, determining Afghanistan's role in the initiative is difficult. But Afghanistan will certainly have a significant role in energy cooperation between Central Asia and South Asia—a role that has been recognized, with several energy transmission projects under way. Given its location, Afghanistan of course will not have any role in energy transmission from Central Asia to China.

People-to-people bonds

The BRI provides plenty of opportunity for people-to-people bonds that can help support the implementing of the initiative. This encompasses cultural and academic exchanges, personnel exchanges and cooperation, media cooperation, youth and women exchanges and volunteer services.[38] On deeper consideration, these exchanges also read as an opportunity for the Chinese government to capitalize on the environment provided by the BRI to extend its cultural influence. For instance, the Chinese government will provide 10,000 scholarships to students in BRI-related countries every year (perceived as a considerable number) to study in China.[39] The government already supports other cultural programmes, such as festivals, book fairs and cooperation in science and technology.[40]

One physical manifestation of the cultural exchange and people-to-people bonding is the Confucius Institute at Kabul University, which was established in 2008 and is now running a Chinese Department.[41] The Chinese government has pledged to provide 500 scholarships for Afghan students to study at the university per year between 2015 and 2019.[42] The prospects for broader people-to-people relations between Afghanistan and China seem manifold.

Soft infrastructure

To prepare for implementation of BRI projects and to make the hard infrastructure function as desired, there is need for soft infrastructure across the Belt and Road countries. In this context, soft infrastructure refers to all the necessary bilateral, trilateral or multilateral agreements that facilitate and/or incentivize transport, trade and transit activities in the BRI countries.

Although China has signed MOUs with many of the BRI countries, conditions are not yet ideal. For instance, a Chinese train that reached Hairatan in 2016 returned without any cargo because there was no trade and transit agreement between Afghanistan, Uzbekistan and Kyrgyzstan. There are also disputes between Central Asian States, between Afghanistan and Pakistan and in other regions that remain challenges to progressing the initiative. Although Afghan President Ghani signed 23 trade and transit agreements with Uzbekistan in December 2017,[43] more needs to be done in terms of tariff policies, easy license issuing mechanisms and other port services. There are also disputes between Central Asian States, between Afghanistan and Pakistan, and in other regions that render the immediate prospects of soft infrastructure of the BRI bleak.

Vision and prospects for the Belt and Road Initiative

In the 2015 Vision and Actions white paper and in comments made by Chinese officials during formal occasions, the plans for the BRI echo the Silk Road spirit: "peace and cooperation, openness and inclusiveness, mutual learning and mutual benefit."[44] Some scholars (outside of China) see it similarly, pointing out that unlike the Marshall Plan, the BRI has no political agenda.[45] The BRI, however, is more complicated than that and more controversial. For instance, even though the Vision and Actions white paper presents a positive picture of the BRI as having no political or geostrategic agenda, it reveals that the initiative seeks "to jointly build the Belt and Road, embracing the trend towards a multipolar world, economic globalization [and] cultural diversity."[46]

The government's agenda for the BRI appears to differ from region to region within China. There is great potential for political instability due to unbalanced development across its territory, particularly in the northern and western autonomous areas where separatist sentiments are rife. As analyst Jacob Shapiro wrote, "BRI is one small part of Xi's attempt to accomplish what successive Chinese leaders have failed to do: distribute the wealth of the coast to the impoverished parts of China's interior without causing crippling levels of instability."[47] The Vision and Actions white paper acknowledges the need for development of China's different regions, including Inner Mongolia, Xinjiang Uygur, Tibet and Guangxi Zhuang autonomous regions, with each planned as a connection point between China and its surrounding regions through each of the economic corridors. According to authors Richard Ghiasy and Jiayi Zhou, the Chinese government believes that the country's economic growth can be maintained by expanding markets beyond its borders.[48]

Separatism, however, is not the only concern for the Chinese leaders. As scholars like Michael Clarke have pointed out, the government and the Shanghai Cooperation Organization (SCO) are determined to fight what the SCO terms as the "three evils" of "terrorism, extremism and separatism".[49] Containing and fighting terrorism and extremism is a real concern for the Chinese, particularly in the Xinjiang Autonomous Region, and for neighbouring governments who need stability to attract investments (see chapter 2).

Another facet of the BRI is to export Chinese labourers, particularly "excessive capacities in sectors such as steel, construction, transportation and manufacturing,"[50] and to create investment opportunities for the country's massive forex reserves,[51] which amounted to 3.21 trillion US dollars[52] as of March 2016. As a rising power in Asia, China needs to contain other players in the immediate region so that it can promote its influence; an important aspect of China's strategy in Central Asia, for instance, is "to combat the influence of the United States and India."[53] In doing so, China seeks to consolidate its foothold in the region by "bolstering the role of the SCO"[54] so as to provide the Central Asian States with a "viable alternative to closer security and military relations with the United States."[55]

Increasing the country's dominance in the Indian Ocean and finding an alternative route for its seaborne oil imports is another agenda for the Chinese under the BRI. China is dependent upon foreign supplies for 60 per cent of its oil need, half of which is supplied by the Middle East and another quarter of it shipped from Africa.[56] According to Ghiasy and Zhou, 80 per cent of China's energy supplies pass through the Strait of Malacca, which is controlled by the United States Navy.[57] The Chinese government plans to strengthen its control over its trade routes in the Indian Ocean and the Strait of Malacca to ensure the security of its energy supply while it also plans to build the CPEC as an alternative (shorter and thus cheaper) route.

In a nutshell, China's vision for the BRI is to seize the opportunity to "translate its economic prowess and capital into more political influence."[58] China's priorities are nuanced when different regions are concerned, but overall, the BRI is meant to enable China to rise as a world economic power with greater influence in security, geopolitical and political agendas across the BRI countries and beyond.

Supporting institutions

China has capitalized on existing institutions to promote the BRI but has also established new ones. These institutions can be categorized into financial and investment institutions, political and security cooperation institutions and multilateral forums as well as research institutions.

In April 2012, China approached 16 of the Central and Eastern European countries to create a mechanism for dialogue and regional cooperation that resulted in the "16+1" forum.[59] In the 2014 summit of the 16+1 countries in Belgrade, which ended with the Belgrade Guidelines, the Chinese prime minister stressed the importance of Central and Eastern European countries in the BRI and unveiled a package of 3 billion US dollars of Chinese investment in the region and another 1 billion US dollars of investment in the China-Central and Eastern European Investment Fund.[60] Other such cooperation mechanisms and platforms that China will avail, also mentioned in the Vision and Actions white paper, are the SCO, the Brazil-Russian Federation-India-China-South Africa (BRICS) alliance, the Association of Southeast Asian Nations (ASEAN) plus China (10+1), the Asia-Europe Meeting, the Asia Cooperation Dialogue, the Conference on Interaction and Confidence-Building Measures in Asia, the China-Arab States Cooperation Forum, the China-Gulf Cooperation Council Strategic Dialogue, the Greater Mekong Subregion Economic Cooperation and the Central Asia Regional Economic Cooperation.[61]

Although some researchers maintain that the BRI is underfunded,[62] the Chinese government has taken significant steps to establish financial institutions to buttress the implementation. The Asian Infrastructure Investment Bank was established in October 2014 with 100 billion US dollars—more than a third of which China contributed.[63] Another strong financial institution is the Silk Road Fund, established with 40 billion US dollars, all provided by the Chinese government.[64] The New Development Bank (previously called the BRICS Development Bank) has 100 billion US dollars of investment the BRI can draw upon.[65] The Export-Import Bank of China is reportedly another major funding mechanism for the BRI.[66] According to the Vision and Actions white paper, the Chinese government will strengthen practical cooperation with the China-ASEAN Interbank Association and the Shanghai Cooperation Organization Interbank Association.[67]

In the Road segment, as the Vision for Maritime Cooperation white paper claimed, "the Chinese government has mobilized domestic resources and set up the China-ASEAN Maritime Cooperation Fund and the China-Indochina Maritime Cooperation Fund."[68] The amount of available funds with these institutions, however, is not known. The Chinese government announced in 2015 a plan to invest 900 billion US dollars in the BRI.[69] In May 2017, the Economic Times, quoting a Chinese official, reported that China planned to invest

600 billion–800 billion US dollars in the BRI over the next five years.[70]

If the BRI is to move forward, estimates indicate it will require at least 4 trillion–6 trillion US dollars over the next 15 years.[71] This may well be an overestimated amount, but there is little doubt that the current level of needed investment is insignificant.

The government has also set up research institutions as "special leading groups" to oversee the coordination and implementation of BRI-related projects: the BRI Strategic Research Institute at Beijing International Studies University and the BRI Research Institute at the Beijing-based China Institute of International Studies.[72]

Challenges and Barriers to the Belt and Road Initiative

The BRI is a tremendously ambitious undertaking that has been successful to a certain extent but is also facing immense challenges and barriers across the involved countries. These challenges and obstacles range from terrorism and insecurity to regional and global rivalries, political instability and poor governance and the lack of infrastructure and resources. The presence of one or more of these challenges and their level of severity differ from region to region and, in many cases, reinforces each other. That there are no immediate solutions is a bitter pill for the Chinese (and BRI countries) to swallow.

In the overall picture, global rivalries and the lack of infrastructure are the main challenges for the implementation of the BRI. In the immediate vicinity of China, which includes Central Asia, Afghanistan and Pakistan, terrorism and insecurity further exacerbate the global rivalries and the infrastructure deficits.

Regional and global rivalries

Afghanistan and the wider region have been a battlefield for global rivalries ever since the 19th century, if not earlier. Colonial empires and ideological blocs engaged in bloody wars in this territory, infamously known as the Great Games. Afghanistan and the region remain a place in which geopolitical interests of an array of global and regional actors converge and conflict. Major actors like the Russian Federation, the United States, China, Iran, Saudi Arabia, Pakistan, India, Turkey and the European Union are involved in the geopolitical dynamics in South Asia and Central Asia. These rivalries will have significant impact on the BRI, particularly on the CPEC and the Silk Road Economic Belt.

South Asia is divided between the United States-India and the China-Pakistan blocs. CPEC has contributed to these political and security bloc formations.[73] In particular, the Indian government has expressed concern over the plan for CPEC to pass through the disputed Kashmir territory. India "sees the initiative not as an opportunity but as a threat or a form of competition"[74] and is concerned over Pakistan's alliance with China. It sees that Sino-Pakistani alliance as dominating India in its northern and western regions as well as the Arabian Sea. According to Ghiasy and Zhou, the CPEC has the potential to exacerbate three fault lines in South Asian security: The first is between China and India. The second puts China and Pakistan on one side and India on the other. The third is between China and India and its partners, mainly the United States and Japan but, to a lesser degree, Viet Nam.[75]

India also maintains a significant presence in South-East Asia, where the BRI China-Indochina Peninsula Economic Corridor passes and, together with the Road segment of the BRI, leaves India feeling encircled. In reaction, mainly to the Road component plans, India launched its Project Mausam, described by *The Times of India* as "a transnational initiative meant to revive its ancient maritime routes and cultural linkages with countries in the region."[76] Project Mausam was officially announced during the 38th World Heritage Session in Doha in June 2014. According to the website of the Ministry of Culture of India (which leads the endeavour), Project Mausam is meant to "link different parts of the Indian Ocean littoral as well as those that connect the coastal centres to their hinterlands."[77] Although the project is far more limited in its scale and scope than the Maritime Silk Road, it is a good means by which to gauge India's reaction to the Chinese maritime initiative.

India has also allied itself with the United States, Japan and Australia for a more robust counterweight to the BRI in the Indo-Pacific region.[78] The four countries started talks in February 2018,[79] but the ideas remain nascent and a clear strategy has yet to emerge. Nevertheless, it clearly bespeaks of regional and global rivalries.

The Silk Road Economic Belt and other BRI-related projects in Central Asia and Eurasia will also stir reaction by the United States and the Russian Federation. With China assuming a more assertive presence, "the United States will be forced to increase the attention it pays to Central Asia and to China's influence in the region," contend analysts François Godement and Agatha Kratz.[80] The United States presence in Central Asia, however, has been shrinking, giving the Russian Federation and China more opportunity for influence.

The Russian Federation is concerned about China's ever-growing presence in Central Asia. Since their independence from the Soviet Union in 1991, the Central Asian republics have been "characterized as a 'backyard' and zone of special interest for Russia."[81] In January 2015, the Russian Federation launched the Eurasian Economic Union as "an international organization for regional economic integration,"[82] with five member States: Armenia, Belarus, Kazakhstan, Kyrgyzstan and the Russian Federation. In the same year, China and the Eurasian Economic Union signed agreements to coordinate the Silk Road Economic Belt with its activities.[83]

Although the European Union seemed interested in the idea at first and welcomed the BRI in general terms, gradually they became more cautious. In April 2018, ambassadors of 27 of the 28 European Union states expressed their worries about the BRI,[84] questioning China's "win-win" rhetoric about the project.

Terrorism and insecurity

Terrorism is a major threat in Afghanistan and Pakistan. Terrorist networks also have strong footholds in the Middle East, Central Asia and many African countries. These countries comprise a significant area in which BRI projects are planned. The threat of terrorism and insecurity differs in level of severity from country to country, but its potential to obstruct BRI-related projects cannot be ignored or underestimated.

Afghanistan and Pakistan are in the immediate periphery of China, both sharing a border with the restive Xinjiang Uygur Autonomous Region. Both countries have been insecure and subject to terrorist attacks for nearly two decades. Pakistan in particular but also Afghanistan have been home to more than a dozen terrorist groups active there and beyond and possessing the potential to destabilize the region.

The Chinese government realized this threat when it established the SCO-Afghanistan Contact Group in 2005, having "recognized the near- and long-term significance of stability in Afghanistan."[85] The government's concern over instability and insecurity in Afghanistan and Pakistan has three aspects: First, China is worried about the spillover effects of terrorism, particularly in its Xinjiang Uygur Autonomous Region. Second, China fears that an insecure Afghanistan and Pakistan will provide a "haven for radical Uyghur Islamists"[86] from where they can set up terrorist cells and networks to further their cause of separation. According to Ghiasy and Zhou, Islamist Uyghur terrorist groups have links with al-Qaeda and the Pakistani Taliban and are "hosting the Turkistan Islamic Party in the lawless rugged border that divides Pakistan from Afghanistan."[87] Third is drug trafficking and cross-border crimes.[88] An insecure Afghanistan and Pakistan provide opportune ground for drug dealers and traffickers, which will have similar destabilizing effects, primarily in the Xinjiang Uygur Autonomous Region but also in other places in China.

The CPEC is the BRI flagship corridor that passes through Pakistan, linking Xinjiang Uygur Autonomous Region to Gwadar port. The terrorist groups in Pakistan are a potential challenge to CPEC. Chinese citizens, for instance, have been targeted in Pakistan by these groups. The kidnapping of seven Chinese women in June 2007 by students of an extremist group based in Lal Masjid provoked anger within the Chinese government that led to Pakistan's then President Musharraf to order a raid on the students' mosque.[89] Baluchistan, which is a vital province to CPEC, is "plagued by insurgency."[90] The CPEC implementation will be the first test for the BRI.

The effect of insecurity on the BRI, however, is not limited to its implementation period. Maintaining the CPEC as a viable corridor that is expected to serve as an alternative route for China's currently seaborne oil and gas supply is a long-term endeavour. This cannot be ensured if terrorist threats remain in Pakistan, Afghanistan and in the region.

The Silk Road Economic Belt—the original and most important component of the BRI—passes through Central Asia, a region that is no stranger to insecurity. The Islamic Movement of Uzbekistan is a decades-old terrorist group that has "pledged allegiance to global terrorist networks"[91] and whose members fight under Taliban, al-Qaeda and Islamic State flags in Afghanistan, Pakistan and the Middle East. Although Central Asian countries remain concerned about the spillover effects of insecurity from Afghanistan,[92] incidents have largely been limited to small-scale clashes along the borders with Tajikistan, Uzbekistan and Turkmenistan.[93] Still, the threat of destabilization from the southern neighbours remains real.

On the other hand, radicalization within Central Asia is growing, particularly among the youth.[94] Central Asia at one point was a major recruiting pool for the Islamic State of Iraq and the Levant. An estimated 2,000–4,000 Central Asians were reported as fighting in Islamic State ranks as of January 2015.[95] The attack on the Chinese Embassy in Bishkek in August 2016 portends that "Chinese assets and personnel in the region may continue to be targets of politically motivated attacks."[96] For now, the threat is not at a level that can obstruct implementation of the Silk Road Economic Belt, but it remains a major concern for the region and for the BRI.

In sum, insecurity is a major threat to the CPEC implementation or operation in Pakistan. It is a serious threat in Central Asia but without any potential to obstruct the Silk Road Economic Belt implementation, although it can threaten its operation in the long run. Insecurity in Afghanistan has inextricable links with insecurity in Pakistan and has great potential to destabilize both Central Asia and South Asia.

Other challenges and barriers

The BRI corridors will pass through regions where many of the countries "have underdeveloped market economies that are beset by problems of corruption and of low administrative efficiency."[97] Many of these countries have infrastructure deficits, which will further complicate progress, given that the BRI lacks resources to invest in infrastructure in all countries.

Political instability and bad governance are two other challenges. While leadership successions, particularly in Uzbekistan and Turkmenistan, did not result in anticipated destabilizing political struggles, the Central Asian countries continue to be at risk of political instability and poor governance. The region remains "strongly marked by patrimonialism and corruption."[98] In Transparency International's Corruption Perceptions Index 2016, Central Asian countries ranked between 131 and 154 on a scale of 176 countries.[99] Corruption and poor governance could hinder the Silk Road Economic Belt in Central Asia. The BRI "will likely exacerbate rather than improve problems associated with accountability and economic governance,"[100] resulting in a vicious circle. Central Asian countries are also mired in other conflicts, particularly disputes over border and resource-sharing issues, most prominently water and energy. With the recent change in leadership in Uzbekistan, however, relations between Uzbekistan and Tajikistan in particular appear to be steadily improving—direct flights between the two capitals have commenced, rail traffic resumed and border posts reopened.

The case with Pakistan is similar. In the Corruption Perceptions Index 2016, Pakistan ranked 116. Pakistan's economy is controlled by a small elite group with little accountability.[101] Compared with Central Asia, political stability seems an even bigger issue in Pakistan. The presence of more than a dozen Islamist militant groups, including parts of the Taliban, and the problem of its military becoming "a State within a State" presents a challenging scenario. Depending on how this scenario plays out, the CPEC could be affected, both during its implementation and its operation stages.

SECTION II

AFGHANISTAN AND THE BELT AND ROAD INITIATIVE

Afghanistan's Journey from a Buffer to a Hub

Throughout much of the modern era, Afghanistan has been seen by its neighbours as a rough, rocky and rugged mountainous land into which they could export their conflicts. It was only in the past 17 years, following international intervention and reconstruction of state institutions that the basis for regional cooperation in the political, security and economic arenas began to take shape. The altered political circumstances in the region after the United States-led intervention in 2001 provided opportunity to improve regional relations by expanding legitimate trade and initiating other forms of positive bilateral and multilateral cooperation. But it was not until 2003 that regional cooperation started to become an integral part of the country's foreign policy.

Regional neighbours wanted security guarantees from third parties, such as the United States and the United Nations, and remained wary (especially with the ensuing war with Iraq), that either country would remain committed to rebuilding Afghanistan.[102] Anticipating a shift in the American government's attention from Afghanistan to Iraq, States in the region resumed interfering in the country's affairs in different shapes and forms.[103] Afghan officials also remained wary of interference from neighbouring countries and thus focused on consolidating their cooperation with the United States, the United Nations and other major donors and global actors. This was reflected in the first National Development Framework created in 2002, which did not mention regional cooperation. One of its principal authors described the relationship between the country and its neighbours as a "cold peace,"[104] explaining that without "political progress and security guarantees,"[105] the country could not embrace regional cooperation even though it was a necessity. But alternatively, academics and analysts continued to stress the importance of regional economic cooperation, arguing that for the country to succeed, stakeholders needed to treat the reconstruction process and role of regional cooperation as interdependent and reinforcing pillars.

Thus, in February 2003, then Minister of Foreign Affairs Abdullah Abdullah (now the country's Chief Executive) announced that regional cooperation was to become a primary focus of Afghanistan's foreign policy, a measure that stands important to date and is often underscored by the Afghan government. In September 2017, Foreign Minister Salahuddin Rabbani reiterated this importance at the South Asian Association for Regional Cooperation (SAARC) meeting of the Council of Ministers: "Afghanistan has always maintained that cooperation and collaboration constitutes a strategic imperative for mutual gain. This is reflected by the fact that regional cooperation remains a cornerstone of our foreign policy architecture."[106]

Afghanistan: A hub for trade and transit?

"From an economic point of view, Afghanistan is not assumed as the heart of Asia—the heart pumps blood across the body but Afghanistan pumps nothing into Asia." Sayed Yahya Akhlaqi, Director General of Trade and Transit at the Ministry of Industry and Commerce.[107]

Afghan officials, civil society actors, the private sector and the international donor community have been working towards returning Afghanistan to its historical role as a regional trade and transit hub. Up until the 16th century, Afghanistan was a land of great wealth due to its geographical position. It sat in the heart of Central Asia, at the meeting point of ancient trade routes, known as the Silk Road, that led to all parts of Asia. Some routes led east to China, some north to the cities of Bukhara, Samarkand and Khiva and then to the nomadic steppe. Others went south-east into India, west into Iran and then flowed into the Mediterranean Sea and Europe.[108] Trade wanting to navigate any of these routes had to go through Afghanistan. Its cities were strategically located on these important trading routes and benefited tremendously as places of mercantile exchange.[109]

In 2011, a new initiative, the New Silk Road (see chapter 9), was envisioned for Afghanistan as a means of enabling the country to integrate further into the region by resuming the traditional trade routes and reconstructing significant infrastructure links that had been broken by decades of conflict. This was a United States-sponsored initiative, announced by then Secretary of State Hillary Clinton, but was later taken over by the China's BRI because the American initiative "lacked the Pacific-to-

Atlantic scope that would have made it more appealing to stakeholders across the world's biggest land mass and might have attracted more international support."[110] Additionally, it was underfunded, under-resourced and lacked the political determination to follow through such an ambitious vision. [111]

The 2016 report on the Regional Economic Cooperation Conference on Afghanistan (with the theme of "From Negotiation to Investment, Construction and Trade: A New Decade of Progress") illustrates the great advancements made thus far in realizing the country's potential to regain its Silk Road position. However, the report also emphasizes that while "the Silk Road through Afghanistan is becoming a reality brick by brick" and that although it has the potential to lift millions of Afghans out of abject poverty, its track record of recent years "tells a different story."[112] The majority of respondents interviewed during this study's research shared similar sentiments, explaining that progress notwithstanding, caution still needed to be heeded because many deep-seated challenges lie ahead for the Afghan government and invested stakeholders in realizing this renewed vision as a trade and transit hub.

Policy perspectives

" *"In foreign policy, mostly as a small country, landlocked, we are very much a policy-taker and not a policy-maker."* Nasir Ahmad Andisha, Deputy Minister for Management and Resources, Ministry of Foreign Affairs.

Afghanistan's geographic position steers many aspects of the country. This includes its foreign policies, which are founded on the notion that although the country is landlocked, economically weak and socially and politically fragile, it is also rich in terms of minerals and human resources, given that it has such a young population. In the past 17 years, the country has tried to project this image, one of being a "crossroad" rather than a buffer for the civilizations around it, which had become its role in the past 200 years.

According to Nasir Ahmad Andisha, Deputy Minister for Management and Resources in the Ministry of Foreign Affairs, to "wash out" this history and project Afghanistan as an important crossroad in Asia instead of as a buffer, the elements of regional connectivity, regional economic cooperation and regional economic integration became pillars of its foreign policies. In 2010, at the Kabul Conference, then President Hamid Karzai defined Afghanistan as the "heart of Asia", underscoring the centrality of its location, particularly those cities in the country that used to be part of the ancient Silk Road. He offered that Afghanistan could use its "newly affirmed natural wealth and the expanding Asian economy"[113] to facilitate the transit of trade and ideas in the region in what has become the new Silk Road.

"Afghanistan has to connect and integrate with this region. Regional interconnectivity has to be the way. It is the main pillar of our foreign policy, and we have to create interconnectivity—we have to connect Afghanistan to the region and the region to Afghanistan—for us to develop and for us to open up and for us to even politically stabilize Afghanistan,"[114] explained Andisha. But he admitted that these policies had not escaped criticism.

He explained that there is a narrative that espouses the conviction that Afghans and their international partners have invested too much in the idea of interconnectivity at the cost of "developing local industries, developing our own sources, developing our own capacity."[115] For instance, he pointed out, extensive government focus on the Turkmenistan–Afghanistan–Pakistan–India (TAPI) natural gas pipeline project took attention away from developing oil and gas resources in the northern and southern regions of the country, which would have generated sufficient supply for export after meeting local demand.

This point of view argues that regional economic integration is vital for Afghanistan's economic sustainability. For this to happen, Afghanistan must first offer a conducive environment for business and investment, whereby states and private companies can feel secure to enter the market, do business, have their business interests protected and leave when they want. This desired outcome, according to Andisha, will be good for the country.

The Afghan government has been open to all and any initiative that upholds its national interests and is premised on promoting national prosperity, national security and Afghan values. Therefore, any initiative that can "enhance and facilitate the building of our infrastructure and the capacity of Afghan businesses is very good," explained Andisha. But he cautioned that Afghanistan should develop its own proactive policies to entice others to connect with its initiatives rather than connecting continuously to other initiatives.

The United States-led New Silk Road (2011), the European Union-led Transport Corridor Europe-Caucasus-Asia (which Afghanistan is vying for membership) and the China-led BRI are examples of international and regional initiatives that Afghanistan has linked to or is intending to do so. Although Afghanistan defines connectivity as a national interest, it remains a small landlocked country plagued with ongoing conflict and political instability that prevents it from strengthening its position in the region. As a result, Afghanistan's role in regional and international economic integration initiatives has remained as one of a "taker" rather than as an initiator of policies. And as a taker, Afghanistan's interests remain secondary to others launching initiatives.

Infrastructure perspectives

"Afghanistan's strategy since the National Unity Government was formed is to make it a hub for energy, a hub for interlinkages and a hub for fibre optics." Amanullah Ghalib, former Deputy Minister of Energy, Ministry of Energy and Water.

Energy sector

According to Amanullah Ghalib, former Deputy Minister of Energy, the Afghan government's objective within the energy sector is to transform the State into a hub for energy and fibre optics. The goal is to make Afghanistan a land bridge between Central Asia and South Asia through energy linkages. The strategy envisions that Afghanistan will shift its narrative as a landlocked country to a "land-connected" country and a crossroad for the whole of Asia. To do this, the Ministry of Energy and Water has prioritized creating energy routes that travel through Afghanistan to connect Central Asia with South Asia. As Ghalib explained, Central Asian countries have a surplus of energy and South Asian countries have a deficit.[116] Thus, creating routes that go through Afghanistan would be economical because they would be the shortest routes. And Afghanistan will not only connect Central Asia to South Asia but will also provide links between Central Asian countries.

The Ministry is engaged with counterparts in Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. Turkmenistan has a 24-hour thermal gas power while Tajikistan gets most of its power from hydro sources and has surplus energy in the summer but shortages in the winter. Because it seems economically and politically less feasible for these two countries to link (for now anyway) through Uzbekistan, the alternative is to develop linkages through Afghanistan. This, Ghalib said, is one idea that the Ministry of Energy and Water will be working on to develop. Additionally, the Ministry has enhanced policies to enable it to work jointly with other ministries on energy-related initiatives. One primary example of such cooperation is the Afghanistan and China Fibre Optic Agreement (signed in April 2017). Ghalib said the Ministry is cooperating with the Ministry of Communications and Information Technology to connect Afghanistan with China, India, Iran, Pakistan, Tajikistan, Turkmenistan, Uzbekistan and ultimately Europe. The implementation of the fibre optic line will help in the realization of the Digital Silk Road Project.

Afghanistan has welcomed regional initiatives related to energy transmission from energy-rich Central Asia to South Asia (such as the Central Asia-South Asia Regional Energy Market, or CASA-1000), which is experiencing a serious energy deficit. These initiatives, if fully realized, would turn Afghanistan into an energy transit hub and benefit the country in terms of its energy needs and economic gains. One of the projects carrying significant potential is the CASA-1000 power transmission line from Kyrgyzstan to Tajikistan to Pakistan through Afghanistan. The agreement was signed between the four countries in April 2015,[117] and its related projects were in the tender phase at the time of this study.[118] Another major initiative is the TAPI natural gas pipeline project, through which gas-rich Turkmenistan intends to supply the gas demands of Pakistan and India via Afghanistan. The ground-breaking ceremony for Afghanistan's section of the TAPI took place in February 2018.[119]

Transportation sector

"It needs to be understood that Afghanistan is a poor country—not poor in terms of geographic location but poor in terms of management and its own governance." Mohammad Yama Shams, Director General and CEO, Afghanistan Railway Authority.

In an interview for this study, Mohammad Yama Shams, AfRA Director General and Chief Executive Officer (CEO), highlighted management and good governance as obstacles to realizing Afghanistan's full potential as a regional hub and ultimately as the "heart of Asia", as it has often been called during the post-2001 period. But the Afghan government cannot address these challenges alone, he stressed; a regional approach is necessary to help the country "turn these weaknesses into core competencies."[120] He said that AfRA has begun changing its management to bring about improved efficiency but that such change must be done in coherence with potential regional markets and with neighbouring countries and their infrastructure plans. In the past three years, Shams added, Afghanistan has started to transform itself into a hub similar to Singapore, which uses its geographic location as a strength. Connectivity and trade development within the region had long been facilitated by Afghanistan through the ancient Silk Road networks, he pointed out, and can be revitalized in the 21st century to meet its internal and regional demands.

In another interview for this study, Mohammad Sharif Rasikh, an engineer with the Ministry of Public Works, concurred with Shams that it is critical for Afghanistan to link itself to the region, particularly in terms of trade with India and Pakistan, using established road infrastructure like the Ring Road, a 2,200-kilometre road network connecting all major cities of Afghanistan. The Ring Road enables Afghanistan to link to its neighbours through road and highway construction. However, according to Rasikh, Afghanistan should prioritize the construction and improvement of its highways and roads because railroad construction takes time and is not always feasible, while air corridors are too expensive and inefficient.

Afghanistan has made a few significant breakthroughs in transportation and regional connectivity. After more than a decade of negotiations that began in 2003, the first shipment of goods from India was sent to Afghanistan through the Iranian port in Chabahar in October 2017, marking the official operationalization of a joint project signed between Afghanistan, India and Iran (2016). Another breakthrough is the Lapis Lazuli Trade and Transit Corridor Agreement signed between Afghanistan, Azerbaijan, Georgia, Turkey and Turkmenistan at the sidelines of the Seventh Regional Economic Cooperation Conference on Afghanistan (RECCA-VII) in October 2017.[121] The corridor will connect Afghanistan to Europe by road, rail and sea. Afghanistan is also linked to China by rail through the Hairatan port in northern Balk Province. The first-ever shipment of cargo from China arrived at the Hairatan port in early September 2016 (but as explained further on, the train did not return with any cargo at that time due to security issues; service resumed in October 2017 with cargo moving both ways).[122] Another initiative is the Five Nations Railway, which will link China to Iran through Kyrgyzstan, Tajikistan and Afghanistan; the feasibility studies of this railway line are under way.

Commerce sector

"Iran and Pakistan have occupied our local markets. Although I like open markets, I would like to highlight the fact that this is how our remiss has turned us into an utterly consumptive nation." Kamila Sidiqi, Deputy Minister of Trade Affairs at the Ministry of Industry and Commerce.

Like other ministry officials, those at the Ministry of Industry and Commerce also believe the country has yet to use its geographic location to its full potential. For instance, Kamila Sidiqi, Deputy Minister of Trade Affairs at the Ministry of Industry and Commerce, cited Iran and Pakistan as countries that have exported their goods to Afghanistan without impediment, while the same treatment has not been given to Afghanistan in those countries. As a result, the country has become a consumptive nation. Sidiqi noted that Afghanistan was given a "golden opportunity" in the post-2001 period[123] to make valuable use of its geographic location to promote economic connectivity with other countries while becoming the locus of this connectivity. However, she said that challenges related to trade rivalries, inexperience of traders compared with others in the region, insecurity and lack of infrastructure prevented Afghanistan from fully realizing this opportunity.

Sayed Yahya Akhlaqi, Director General of Trade and Transit at the Ministry of Industry and Commerce, believes that Afghanistan has not yet assumed its role as the heart of Asia. Instead, he said, the heart of Asia status belongs to China due to its growing economic influence in the region and beyond. But he noted that Afghanistan is determined to improve its status.

Both Sidiqi and Akhlaqi see Afghanistan as taking serious steps to address the gaps. "From a macro perspective,"[124] Sidiqi explained, "we have not been able to fully use the opportunities we had, but of course this does not mean the Afghan government has not done anything."[125] She added that the country still has a "golden opportunity and, should our relations with other countries remain friendly, we can utilize these opportunities very effectively."[126] She noted that the current and previous administrations had worked towards reopening connection arteries with countries in the region, citing the Chabahar Agreement between Iran and India and the agreement between Uzbekistan and Afghanistan, which was signed in December 2017 and will be extended to Kazakhstan and China. These initiatives, she said, reflect movement towards Afghanistan becoming a land bridge.

Private sector perspectives

Since the fall of the Taliban, Afghanistan has made economic advancements and achieved growth, remarked Atiqullah Nusrat, CEO of the Afghanistan Chamber of Commerce and Industries (ACCI). The transformation of Afghanistan to a land bridge and the potential this offers to connect South Asia, Central Asia and the Middle East as a hub is a joint aspiration of the government and the private sector, he added. Regional economic cooperation and integration is a key area for the private sector, which has developed specific programmes to realize it. The New Silk Road initiative is one such programme that private businesses believe could help connect Afghanistan not only regionally but globally. At the London Conference on Afghanistan (2014), private sector representatives offered recommendations and 11 priorities for reform to overcome the barriers preventing the country's further integration into the region.

One of the 11 priorities proposed by the private sector at the conference was regional cooperation. Measures should be taken, according to them, to connect Afghanistan to the region through railways, substitute transit routes and the recently launched second air corridor with India (2017). The private sector's views have also been incorporated in the discussions on energy projects currently under implementation, such as the TAPI natural gas pipeline and the CASA-1000, which Nusrat noted had "given the Afghan people much hope and helped create jobs and investment opportunities for the private sector."[127]

Notwithstanding this progress, there are several challenges the private sector has identified as impediments to connecting Afghanistan to the region. Nusrat argued that the Afghan government should not lessen its focus on existing trade routes while in search of alternatives. He added that it should not compromise its relations with neighbouring countries by adopting hostile economic policies while promoting favourable policies with other neighbours, that government initiatives should be complemented with infrastructure development and that procedures should be streamlined and simplified, especially at the borders. Cargo-handling facilities should be activated at the borders where cargo arrives by rail and one-stop shops should be created at customs offices to develop a more investor-friendly environment. Lastly, he said, existing policies should be reformed and laws amended to improve physical infrastructure.

Civil society perspectives

Saeed Parto, Director of Research at the Afghanistan Public Policy Research Organization (APPRO), sees little progress in Afghanistan diversifying its trading portfolio over the past 17 years. He pointed out that the main trading partner continues to be Pakistan and that the bulk of trade moves from Karachi to Torkham and into Afghanistan. This, he said, "is not really the most efficient way to get things into Afghanistan." Afghanistan's inability to diversify its trading partners is a result of the decades of conflict and the country's complex relations with the Russian Federation for most of its recent history, which have prevented stronger ties with the Central Asian countries. These relations, even after 2001, have not been fully reinstituted, argued Parto, despite room for building relationships.

Alternatively, Abdul Qadeer Mutfi, who is a researcher at the Afghanistan Institute for Strategic Studies (AISS), thinks that from a geostrategic and geopolitical standpoint, Afghanistan has the potential to not only become a land bridge but can assume an important role in improving the political and economic relations between countries in the region. Afghanistan's integration into the region is seen as both positive and negative, depending on whose lens is being used, he said. From his perspective, Afghanistan's integration into the region can wean the country from its dependence on neighbours for access and goods. Yet, from a geopolitical position, Afghanistan's economic integration can also turn it into a threat to its regional neighbours. This is because its neighbours will no longer be able to exploit its dependency for political or security reasons. Thus, Mutfi reasoned, Afghanistan must convince its neighbours that if Afghanistan prospers, so will they. And if it is mired in problems, then the spillover effects will impact them.

Afghanistan's Regional Connectivity Status and Potential for Integration into the Belt and Road Initiative

"We are seeing the clash of two models of Afghanistan's future. We can return to the corruption, the misery and the exploitation of the past 30 years. Or we can reform and build an Afghanistan for the people." Ashraf Ghani, President of Afghanistan.

Afghanistan's regional economic connectivity ambitions are closely tied to its strategic location, productive agriculture zones and mineral resources. There is a general belief throughout the government that optimizing growth in these three areas will lead to a sustainable and self-sufficient economy, which in return will unlock the country's potential to build regional economic cooperation, connectivity and mutual growth—the likes of which have not yet been seen. However, for Afghanistan to become self-sufficient, it will need to build the necessary economic conditions to wean its dependence on international aid in the near term. The international community affirmed support for Afghanistan through the Transformation Decade (2015–2024), but with a caution that aid will be given at a declining rate that is commensurate with the growth of the Afghan economy. Thus, the journey to self-reliance for Afghanistan is a rush against time.

Three months after the formation of the National Unity Government, President Ashraf Ghani and Chief Executive Abdullah Abdullah used the 2014 London Conference on Afghanistan to present to the international community their ambitious reform programme, Realizing Self-Reliance: Commitments to Reforms and Renewed Partnership. The reforms relate to ensuring that a credible budget is passed; scrutinizing expenditure and increasing revenue, including measures to broaden the tax base; strengthening financial sector supervision; and improving the conditions for responsible private sector investment.[128] The objective of this integrated approach to reform is to achieve self-reliance and move away from aid dependency in the coming decade.

At the 2015 RECCA in Kabul, participants for the first time delved deep into a greater definition and practical meaning of regional economic growth and resource corridors.[129] They argued that, for Afghanistan, a viable export-led growth and revenue option is the extractive industry but noted that the country is not ready to support such growth because it still has many logistical and other challenges to address before developing a mining sector that can become the backbone for economic development.[130] Thus, the participants highlighted that until Afghanistan is ready to take advantage of its natural resources, it should concentrate on its advantage for transit routes and on attracting private capital to the economy.[131] These two areas, transit routes and attracting private capital, have since become the focus for the Afghan government and its RECCA partners. Projects presented in the RECCA annual 2016 report reflect the progress made thus far in these areas.

The significance of focusing on building the transit routes and creating initiatives to attract private capital was also reinforced in the Afghan government's National Peace and Development Framework (ANPDF) and by the Heart of Asia-Istanbul Process, which is a multilateral regional platform established in 2011 to promote security, political and economic cooperation between Afghanistan and its neighbours. The ANPDF was presented to Afghanistan's international partners in the Brussels Conference (2016). It outlines the Afghan government's five-year strategic framework for achieving self-reliance in the Transformation Decade.

This framework, as opposed to its predecessor, the Afghanistan National Development Strategy, is viewed by stakeholders as presenting a more realistic picture of Afghanistan's future.

The Heart of Asia-Istanbul Process has built directly on the progress achieved by the seven RECCA forums conducted since 2005. In its most recent Ministerial Meeting (December 2017), the declaration of the Heart of Asia-Istanbul Process highlighted the status of RECCA projects that have been vital to enhancing regional economic integration. These projects include the MOU on Jointly Building the Silk Road Economic and the 21st-

Century Maritime Silk Road (referring to the Road and Belt components of the BRI) between Afghanistan and China, the Five Nations Railway Project, the Afghanistan National Railway Plan, the TAPI natural gas pipeline, the CASA-1000, the Turkmenistan–Afghanistan–Pakistan (TAP) 500-kV, the Digital Silk Road and the extraction of Afghanistan's natural resource deposits.

These projects reflect Afghanistan's comparative advantage in the region.

The Belt and Road Initiative and Afghanistan

The Afghan government has made involvement with the BRI a priority, representing it as a regional cooperation framework[132] in which Afghanistan and China stand to benefit in the areas of financial services, natural resource extraction and energy development.[133] During a state visit to China in May 2016, the Chief Executive of Afghanistan, Abdullah Abdullah, and his Chinese counterpart signed an MOU to boost areas of cooperation under the BRI. Through this MOU, it appears that China regards Afghanistan as a partner that is "well placed"[134] to help it connect to the wider region via the BRI.

According to Mohammad Humayon Qayoumi, Chief Adviser on Infrastructure and Technology to President Ghani, explained in one of the research interviews for this study,[135] the movement of goods, energy and data are three areas in which Afghanistan has a unique advantage under the BRI. Under the movement of goods, Qayoumi cited the Five Nations Railway as one of the critical pieces in Afghanistan's connectivity plans. Under the movement of energy, he cited the TAPI natural gas pipeline, the CASA-1000, the TAP 500-kV and the Kabul-Kunar River Basin as points of connectivity. And under the movement of data, Qayoumi pointed to the Digital Silk Road and specifically the fibre optic link with China through Afghanistan's Wakhan Corridor, achieved through an agreement signed in August 2017, as one of the most important points of connectivity between the two countries.

To realize its vision of becoming a major regional economic trade and infrastructure platform by building connectivity between China and the rest of Eurasia by way of the ocean-based Maritime Silk Road and the land-based Silk Road Economic Belt, China proposes building northern, central and southern belts.[136] Afghanistan fits well into its southern proposed belt, which starts from China and proceeds to South-East Asia, South Asia and the India Ocean.[137] The Five Nations Railway Project (linking China to Afghanistan via the Sherkhan Port), Corridor 3 of the Afghanistan National Railway Plan (Kunduz–Torkham railway) and the Digital Silk Road are all initiatives that the Afghan government and China have undertaken to realize Afghanistan's position within the southern belt of the BRI. Additionally, there is the Sino-Afghan Special Railway Transportation Project, which links China to Afghanistan via the Hairatan port (see figure 3), which received the first freight train from Nantong, China in August 2016.[138] Also, the first Kabul–Urumqi flights resumed in mid-2016.[139]

An MOU between the two countries requires that both governments promote cooperation on the BRI in a bid to realize the goal of common development and to translate the advantages of political ties, economic complementarities and people-to-people exchanges into a pragmatic relationship that increases growth.[140] To facilitate these objectives, a trilateral economic cooperation framework was recently initiated between Afghanistan, China and Pakistan. Afghanistan became a permanent member of the Asian Infrastructure Investment Bank in October 2017, which will help facilitate cooperation on infrastructure development between China and Afghanistan under the BRI and RECCA.

The RECCA-VII document proposes three recommendations for Sino-Afghan relations under the BRI:

1/ Build on the successful launch of the new Trans-Asian Railway project and pursue other areas of BRI-related regional economic cooperation, including energy development, natural resource extraction and financial services.[141]
2/ Promote the trilateral economic cooperation framework within the BRI.[142]
3/ Intensify efforts to transform Afghanistan into a regional trade and transit hub by expanding current trade and transport agreements both northward and southward to connect with the rapidly growing BRI corridors.[143]

Figure 3: Sino-Afghan railway.

Source: Regional Economic Cooperation Conference on Afghanistan: Annual Review 2017*, p. 18.*

Five Nations Railway

The Five Nations Railway Project illuminates Afghanistan's strategic location in the region. The transcontinental corridor, which will run through Afghanistan, has the potential of transporting 20 million to 30 million tonnes of cargo each year.[144] In 2009, the Asian Development Bank (ADB) financed a technical assistance project for a railway development study in the northern part of Afghanistan and assessed the long-term traffic demand and the sector's capacity, reviewed available options and developed recommendations for the Afghan government. It carried out technical, social, environmental, financial and economic evaluations. The resulting Five Nations Railway aims to facilitate and enhance regional business relations and promote regional stability.

Covering a total distance of 2,100 km, the Five Nations Railway is a vast and ambitious project that will not only give Afghanistan connectivity to Europe through Iran but will also link the country to China through Central Asia and thereby connecting China with Iran.[145] The corridor will traverse through Kashgar in China, Kyrgyzstan, Sherkhan Port (at the Afghan-Tajik border), six provinces in Afghanistan (Kunduz, Balkh, Jawozjan, Faryab, Badghis, Herat) before moving into Mashhad and Tehran in Iran.[146]

The estimated internal rates of return in Afghanistan and the region from investment in the Five Nations Railway range between 14 per cent and 25 per cent (or more). The wider economic impact on trade and transit will be considerable, spurring unprecedented trade volumes and opportunities to invest in ancillary and spin-off projects. According to Mohammad Yama Shams, AfRA Director General and CEO, ancillary and spinoff projects at different sections of the railway corridor can create numerous job opportunities for local Afghans, especially youth.[147]

The Afghanistan portion of the rail line will be partially funded by the ADB. That will eventually enable Afghanistan to access sea ports in Iran (Chabahar and Port Abbas) for expansion of trade and transit. Additional funding may be sourced from multilateral financial institutions. The development of railway townships may trigger business opportunities through the promotion of micro, small and medium-sized enterprises throughout the corridor.

Table 1: Five Nations Railway: Railway projects within Afghanistan.

Source: Regional Economic Cooperation Conference on Afghanistan: Annual Review 2017*, p. 21.*

#	Railway project	Length (km)	Pre-feasibility study	Feasibility study	Detail design & construction
1	Khaf (Iran)–Herat, fourth section, Phase 1	43	Completed	Completed	Planned
2	Sherkhan Port (border between Kunduz and Tajikistan)–Kunduz–Mazar-e-Sharif (Balkh)	187	Completed	Completed	Planned
3	Mazar-e-Sharif (Balkh)– Sheberghan (Jawozjan)– Andkhoy (Faryab)	220	Completed	Completed	Planned
4	Sheberghan (Jawozjan)– Maimana (Faryab)–Qala-e-Naw (Badghis)–Kushk (Herat)	472	Completed	Ongoing	Planned
5	Khaf–Herat third section	62	Completed	Completed	Ongoing
6	Torghundi (border between Herat and Turkmenistan)–Herat Airport	173	Completed	Completed	Planned

While China and Iran will be the direct connectivity points, there will be indirect connectivity points—Uzbekistan and Turkmenistan, for example, will be connected to this railway corridor, Shams noted.[148] The Five Nations Railway will also connect China and countries in the Commonwealth of Independent States to Europe through Iran and Turkey. Afghanistan stands to gain significant economic, political and social benefits as the central hub for this major Eurasian rail corridor. Furthermore, the railway corridor will complement Afghanistan's connectivity pursuits with China under the BRI.[149]

As of July 2017, a contractor had been hired to conduct the feasibility study of the railway corridor inside Afghanistan, which is to be completed in a year's time.[150] Of the 1,148-km stretch of the railway to be constructed inside Afghanistan, 654 km of the railway have been surveyed and their design has been completed.[151] Thus far, five of six feasibility studies (see the following table) have been completed. The remaining feasibility study and preliminary design covers the Sheberghan (Jawozjan)–Maimana (Faryab)–Qala-e-Naw (Badghis)–Kushk (Herat) line.

As of January 2018, no portion of the Five Nations Railway Project had been constructed inside Afghanistan. However, Shams noted that the third section of the Khaf–Herat line, which is 62 km, will be completed as soon as 90 per cent of the superstructure is completed; and the upper structure will be finished in the near future. An official of the Iranian Railways told the *Financial Tribune*[152] that the first section of the route, from Khaf to the city of Sangan, was operational as of late 2016 but the second section, which will extend to the border city of Shamtigh in Afghanistan, and the third section, which will connect Shamitgh to the Ghoryan district of Herat, have yet to be completed.[153]

Afghanistan Rail Network

The Afghanistan Rail Network, which is reflected in the Afghanistan National Railway Plan (ANRP), represents the primary pillar of the Afghan government's ambitions for promoting regional connectivity. It is the government's infrastructural priority, intended to situate the country as a regional transportation hub by providing corridor access to regional networks and to lead the way towards meeting the transportation needs of the agriculture, manufacturing, mining and other economic sectors.[154]

According to the Ministry of Public Works and AfRA, the Afghanistan Rail Network will help resolve the following transport needs of the country: (i) transporting, industrial and construction good and commodities, (ii) transporting the country's mineral products to regional ports, (iii) transporting agriculture products, (iv) providing facilities for the transporting of goods, (v) connecting provinces and economic centres of the country and (vi) providing long-term services for passengers.[155]

The ARNP entails construction of a Trans-Asian Rail Network (at approximately 5,550 km) throughout the country. It was designed in coordination with regional and international plans and corridors, such as the Transport Corridor Europe-Caucasus-Asia, the Central Asia Regional Economic Cooperation (CAREC) programme and the Economic Cooperation Organization routes, which are also working to turn Afghanistan into a transport and transit centre.[156] Ultimately, the ARNP will provide the infrastructure on which the country's major regional transportation initiatives, such as the Five Nations Railway, the Lapis Lazuli route, the Turkmenistan–Afghanistan–Tajikistan Rail Corridor and Afghanistan's link to the BRI, could be realized. When interviewed for this study, Mohammad Humayon Qayoumi, Chief Adviser on Infrastructure and Technology to President Ghani, described the ANRP as the most critical element in connecting Afghanistan to Iran, Central Asia, the Russian Federation, China, Pakistan and potentially India.[157]

The ANRP specifies four corridors: the West–North–North-East (described here as the North–East and North–West lines), the West–South–South-East (described here as the North–South lines), the North–South-East (described here as the East–North lines) and the Central Corridor. The ANRP classifies part of the North–East and North–West lines as a high priority that expands upon the existing 75-km line running between Haraitan and Mazar-e-Sharif, connecting the Central Asian Republics and Iran via Afghanistan. It classifies the North–South lines as the South–West and South–East lines, which connect southern Afghanistan with Iran (to the West) and Pakistan (to the East). It describes the East–North lines as the plan to connect the south-western, southern, north-eastern and eastern parts of Afghanistan to neighbouring Commonwealth of Independent States, Iran, China and Pakistan. The Central Corridor is a potential future line that will run across central Afghanistan connecting Herat to Bamiyan and, by extension, the Herat–Khaf line to the Bamiyan–Torkham line. The Central Corridor is not detailed in this study because it is only a potential line and has not been supported with a concept note by the relevant ministries.

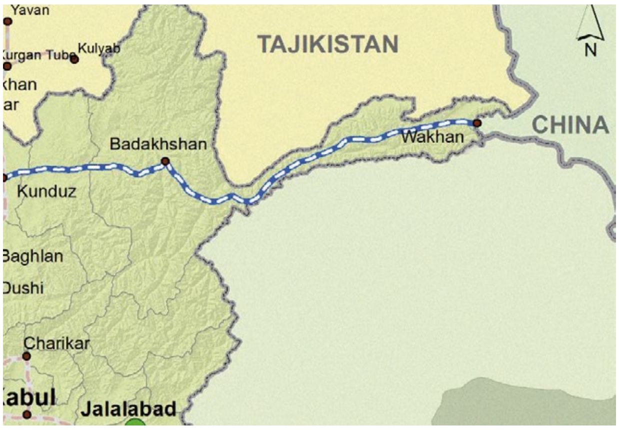
North–East and North–West lines

The North–East and North–West sections are part of one long stretch of railway line. The North–East section is projected to be operationalized by 2030, while the North–West section is expected to be operational by 2020.

Table 2: The four corridors of the Afghanistan National Railway Plan.

Source: See http://ara.gov.af/en/page/development/afghanistan-national-railway-plan-anrp.

No	Corridor route	Main corridor km	Regional route km	Total km
1	West–North–North-East	1.132 km	838 km	1.970 km
2	West–South–South-East	1.260 km	571 km	1.831 km
3	North–South-East	590 km	75 km	665 km
4	Central	574 km		574 km



Its subways consist of Kunduz–Sherkhan Port, which is 87 km; Hairatan–Mazar-e-Sharif, which is 75 km; Shabarghan–Andkhoe, which is 100 km; Kashk–Torghundi, which is 47 km; the third and fourth parts of the railway Khaf–Herat (Herat–Ghoryan–Chah-e-sorkh), which is 49 km; and finally, Kunduz–Takhar–Badakhsan–Wakhan, which is 700 km.

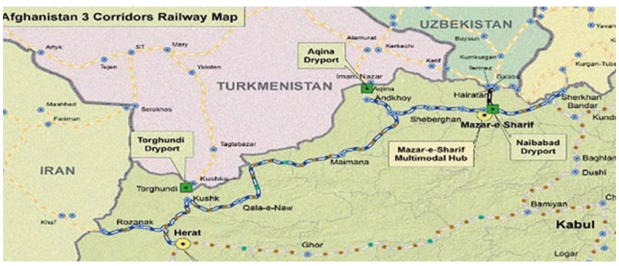
North–East section

The North–East section will stretch 700 km from Kunduz – Fayz Abad city, Badakhshan – Qale-e-Mafushad, Wakhan District, Badakhshan. The North–East line is a potential future line. According to Shams, although the Wakhan Corridor is one of the first corridors in the master plan, it is not currently financially feasible for Afghanistan to develop. He explained that through the Five Nations Railway Project, Kyrgyzstan and Tajikistan are already facilitating access for Chinese and Afghan goods to go between Kashgar, China and Sherkhan Port in Kunduz Province in Afghanistan. The development of the Wakhan Corridor in the immediate future seems both inefficient and ineffective for Afghanistan, he said. "It is all about economic comparison of the project," said Shams. "The construction of a railway from Kunduz to Wakhan is feasible, but it comes with a price, and we don't have the budget ourselves." Additionally, according to Shams, President Ghani is not considering linking Afghanistan directly to China through a railway line anytime soon; instead, there is focus on the possibilities of constructing a road to the Ishkashim District in Badakhshan, which can eventually be extended to Wakhan District, which is currently cut off from the rest of the province and the country due to the lack of basic transport infrastructure.

With regards to the Afghanistan-China border and possibilities for connecting Afghanistan to China, Shams said that the opportunities with the National Civil Optical Fibre Cable Ring Network under the Digital Silk Road framework is the optimal platform for connecting the two countries. Following this, access routes will be considered, but through the construction of roads; and then, potentially, the construction of railway lines will follow in the far future. "As a country, we always have the option to go to Wakhan District, but not today, maybe in 10 to 20 years," explained Shams.

North–West section

The North–West line stretches approximately 450 km, from Herat to Qala-e-Naw to Badghis to Maimana to Faryab to Sheberghan to Jawozjan to Mazar-e-Sharif to Balkh to Sherkhan Port in Kunduz Province. The Afghan government has prioritized the construction



of the North–West section before the North–East section, taking into consideration existing railway lines, economic and physical feasibility and the commitment of neighbouring countries. This section is expected to spur the Five Nations Commercial Transit and Freight Corridor, which has the potential to enhance the commerce and communication of the countries involved. This section has strong institutional sponsorship from all the countries for reviving the legacy of the old Silk Road. The North–West section will connect Sherkhan Port with Herat, thereby linking Tajikistan to Afghanistan and the latter to Iran and eventually Europe. The connectivity that will be established with Turkmenistan through Aqina, which is a small town located directly adjacent to the Afghan border with Turkmenistan, under the Turkmenistan–Afghanistan–Tajikistan railway line will give Afghanistan another access route to Europe through the Caucasus. The North–West section is called Corridor 1 and is broken down into two phases. Phase 1 includes the Sherkhan Port–Kunduz–Mazar-e-Sharif–Andkhoy. Phase 2 includes the Andkhoy–Maimana–Badghis–Herat–Shamtigh (Iran-Afghanistan border). This corridor constitutes five parts, as the following describes.

Sherkhan Port–Kunduz–Mazar-e-Sharif–Andkhoy

The geographical uniqueness of Afghanistan is that it has borders with six countries and has river ports—few countries have this kind of strategic opportunity. The bordering countries have business interests not only with Afghanistan but also among themselves. If those countries want to establish ground connectivity between them, they will need to operate through Afghanistan. Thus, the development of transport infrastructure in Afghanistan is not only important for its own economy but for neighbouring countries as well. This project is a part of the Transport Strategy and Action Plan agreed under the CAREC programme.[158]

As trade increases between Afghanistan and its neighbouring countries to the north, estimated at an annual growth rate of 10 per cent,[159] the construction of a new railway line from Sherkhan Port to Andkhoy (at approximately 405 km) will serve the cities of Sheberghan, Mazar-e-Sharif and Kunduz while also establishing links to the oil fields of the Amu Darya Basin and gas blocks.[160]

The Andkhoy–Kunduz–Sherkhan Port railway will connect with the existing railway networks of Tajikistan, Turkmenistan and Uzbekistan. This will give Tajikistan and Turkmenistan the shortest route for the exchange of resources, especially energy, without having to go through Uzbekistan, which may not be economically feasible[161] for the two countries. Additionally, once this railway corridor is attached to the other corridors of the master plan, such as the Sheberghan–Maimana–Qala-e-Naw–Kushkh (Herat) on the western zone; Kunduz–Baghlan–Bamyan–Parwan–Kabul–Jalalabad–Torkham on the eastern zone; and Herat–Farah–Zaranj–Ameeran–Lashkargha–Bahram Chah–Kandahar–Spin Boldak–Chaman (Pakistan border), it will ultimately provide Central Asian countries with the fastest access to sea ports in Iran and Pakistan while creating "natural pathways in Afghanistan for the transit of resources and goods between them and South Asia,"[162] states an expert interviewed for this study from Uzbekistan.

Additionally, the connection with the existing railway networks of Tajikistan and Uzbekistan will contribute greatly towards enhancing China's connectivity with Afghanistan. The BRI projects of the Afghan government are aligned with its railway master plan. Efforts to facilitate the BRI and ANRP are under way and providing corridor access to regional networks, including with China. There are two points of connection between China and Afghanistan along this corridor: Hairatan port and Sherkhan Port. The former, designed and constructed before the ANRP, ran its first train in Afghanistan in December 2016.[163] This line connects Mazar-e-Sharif to Hairatan port, from where it then connects to the railway network in Uzbekistan. As the first train line of connection between Afghanistan and China under the BRI, it is reflective of the Afghan government's determination to move away from dependence on the Gwadar port in Pakistan.

Using this line, the first train carrying freight containers from Nantong in eastern China, after passing through Kazakhstan and Uzbekistan, reached the border town and port of Hairatan in September 2016.[164] The journey of 7,300 km was completed in 14 days, a swift trip when compared with the two to three months journey it takes by sea. The train, sporting a headboard that read: Central Asia Train: Nantong–Afghan–Hairatan, comprised 45 wagons carrying 84 containers.[165] The westbound services carried Chinese-made mechanical equipment, IT products and clothes and, in theory, was to return with Afghan products, such as marble, saffron, dried fruits and carpets.[166] However, the train returned to China empty from Afghanistan because the Uzbek authorities stopped cargo arriving from Afghanistan via the railway for security concerns.[167] The initial two trains scheduled to run each month between China and Afghanistan were to become a weekly train route by the end of 2016. That plan was halted after the Chinese companies involved suspended their operations citing lack of transit facilities and infrastructure for loading and unloading.[168] Officials interviewed for this study in September 2017 affirmed that the signing of a transit and trade agreement with Uzbekistan at the end of 2017 would address the bottlenecks and enable exports to China through the route that runs through Uzbekistan. Despite the signing of 23 agreements between the two countries in December 2017, it remains uncertain whether or not the Afghanistan–China Railway link will follow the originally planned weekly schedule.

A lack of soft components, such as a customs-to-customs agreement with China, or a viable coordination mechanism with Uzbekistan and Kazakhstan to allow for Afghan goods to return to China through Hairatan, caused the disruption, explained Shams.[169] Approximately a year after the first freight train arrived to Hairatan from China, the two countries signed the Agreement on Cooperation and Mutual Assistance on Customs Matters (May 2017) at the sidelines of the BRI Forum for International Cooperation in Beijing.[170] The agreement was described by Ekilil Hakimi, Afghan Minister of Finance, as a "new step in Sino-Afghan relations."[171] Shams said it will enable the Afghan border customs officers to match what is in the cargo to the bill.[172] Qayoumi added that such an agreement would also facilitate discussions between the two countries on the kind of goods to be exchanged and allow Afghanistan to establish a two-way trade system that would lower transportation costs while establishing parity.[173]

The second issue that prevented the operability of the freight trains was the lack of coordination with Uzbekistan and Kazakhstan.[174] Uzbek authorities blocked loaded trains leaving Afghanistan, citing security concerns and calling for Afghan authorities to send goods through Hairatan on ships instead of rail and then cross the Uzbek border via the Amu Darya Basin, where they could be checked by Uzbek authorities.[175]

Because of the severe delays created for Afghan trade to China, Afghan and Uzbek authorities spent the better part of 2017 trying to reach an agreement to allow for Afghan commodities to be exported to China through Uzbekistan and Kazakhstan. According to the Chinese Embassy in Kabul, the Chinese government was also involved in facilitating talks between the Afghan and Uzbek authorities to find a speedy solution to the disruption. A much-delayed Bilateral Cooperation Agreement between Afghanistan and Uzbekistan was signed in December 2017, in addition to 31 other agreements on economic, transit, security, electricity, agriculture, health and higher education cooperation.[176] With the signing of the agreement, the Afghan government hopes that it can now move goods through Uzbekistan to China as well as to the Russian Federation and then even to Europe.[177]

The intention of this rail line was to operate a weekly train by the end of 2016 instead of two trains leaving monthly, but this was dependent on traffic levels increasing enough to support such an operation.[178] The blockade in 2017 meant that traffic levels did not increase sufficiently to support the weekly operations.

As of 2017, the pre-feasibility and feasibility study of this corridor was complete, the design and construction were planned; however, there is no sign of a start date for the construction of the corridor.[179] Funding for the construction was negotiated with the ADB, but according to Ministry of Finance documents, it is not clear whether the funds have been secured or are expected to materialize in the near future.[180]

Sheberghan–Maimana–Qala-e-Naw–Kushk (Herat)

Trade is increasing between Afghanistan and its neighbouring countries, with the annual growth rate exceeding 10 per cent and a volume of 2 million tonnes.[181] The Afghan government plans on having a comprehensive railway programme that not only improves connectivity for its own cities and commercial places but also with neighbouring countries. Thus, the objectives of this 472-km corridor, which stretches from Sheberghan to Maimana to Qala-e-Naw to Kushk in Herat, will improve the transport links from Iran through, to and between Turkmenistan, Uzbekistan and Tajikistan. It will also extend the Iranian line to Herat, creating a new rail corridor between northern Afghanistan, Central Asia and Port Abbas on the Persian Gulf.[182]

The movement of goods by rail from the border with Uzbekistan is relatively safe and can become cost-effective. Hairatan is Afghanistan's main dry and river port, accounting for close to 50 per cent of its total imports. But the movement of cargo is constrained by the unloading and reloading into trucks at the border.[183] This is costly, slow and limits volume flows. Removing this bottleneck is an urgent task that the Afghan government hopes to address with the railway line.[184]

The railway line between Sherkhan Port and Herat (Sheberghan–Kushk Herat) will connect Central Asia to South Asia, the Caucasus and the Middle East, mainly targeting the transport of bulk and non-perishable cargo, such as cotton, cement, bitumen, agricultural and off-highway construction equipment, oil and fuel, processed foods and consumer products.[185] It will facilitate the transit of oil and fuel at the railhead near Mazar town, so oil-carrying trucks will not have to travel 56 km for loading or unloading at Hairatan.[186] The trucks will move to the loading and unloading point near Mazar town, saving a distance of 37 km in one direction and substantial savings of energy.[187]

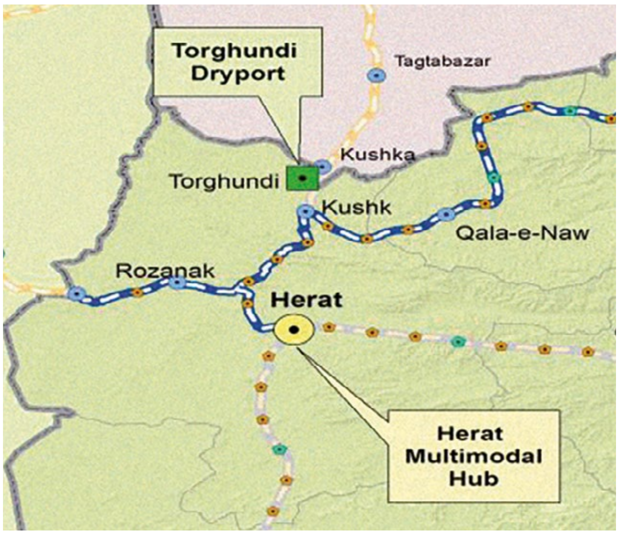
The international trade department of the Afghan Ministry of Industry and Commerce reported that, owing to a porous border with Uzbekistan and poor trade facilitation processes, official statistics reflect only 50 per cent of the actual number of trucks, with 1,073 trucks carrying freight per day. The divertability of truck transportation to rail mode will reduce the transportation costs by half. A diversion of 97 per cent of trucks to the railway mode is estimated.[188]

As of 2017, the pre-feasibility study of this corridor was complete; funds to conduct the feasibility study were provided by the Afghan government. The detailed design and construction of the corridor are in the planning stage. Funds for the construction of the corridor, however, have not yet been secured.[189]

Torghundi–Herat Airport

Torghundi is the second shared border crossing between Turkmenistan and Afghanistan, the other being Aqina in Faryab Province. The city of Serhketabat in Turkmenistan is located a short drive from the border crossing. Both a road and railway connect Torghundi to Serkhetabat.

On the Afghan side, a technical study for the development of a 173-km railway line between Torghundi and Herat Airport was completed in 2016 by Rail Canada. The implementation of this line is expected to bring revenue estimated at 1.78 million US dollars on average during the first year of operation from the transport of freight.[190] This railway line is part of the Lapis Lazuli route, which will connect Afghanistan with Europe through Turkmenistan and Azerbaijan.[191]



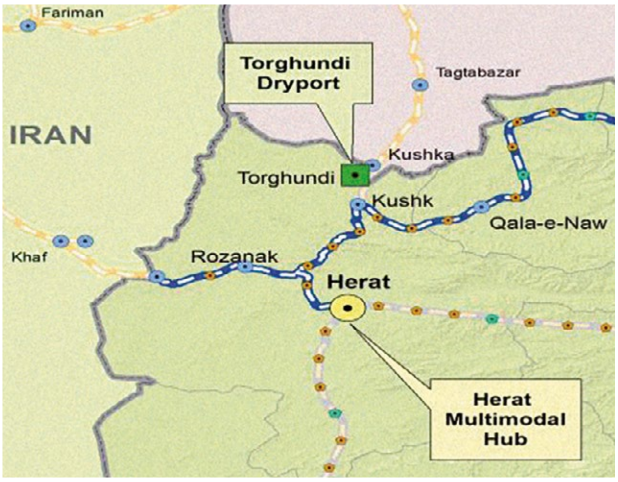
Through Torghundi, there are imports of approximately 730,000 tonnes per year and exports of 12,000 tonnes per year.[192] Current freight traffic is estimated at 1 million tonnes per year, consisting of 900,000 tonnes from Torghundi to Herat and 100,000 tonnes from Herat to Torghundi.[193] It is anticipated that all traffic will be containerized and handled in wagons capable of carrying double-stack containers. There will be an imbalance of directional traffic, however, with the backhaul of empty containers and rail wagons.[194] This line will connect with the Khaf–Herat line. [195]

As of 2017, the pre-feasibility and feasibility studies of this corridor were completed, with the detailed design and construction of the corridor beginning the planning stage. Funds for the construction of the corridor were made available by the Afghan government.[196] As part of the Five Nations Railway, this line will connect Iran to Kashgar, China, after running through Afghanistan, Tajikistan and Kyrgyzstan.

Fourth section Khaf–Herat

The recommended railway corridor plan of Khaf–Sangan–Shamtigh–Rozanak–Herat Airport, connecting to industrial parks, was co-agreed by the Afghan and Iranian governments in 2006.[197] The two governments signed an MOU that year to extend this railway line from Khaf in Iran to Rozanak in Herat, Afghanistan.

According to the MOU, the 191-km Khaf–Herat railway line will be constructed in four sections: the first and second sections (at 76.8 km) are in Iran from Khaf to Shamitgh, located at the Iran-Afghanistan border in Herat; the third and fourth section (at 114 km) are in Afghanistan from Shamtigh to Rozanak to Herat city, which is under construction. The feasibility study of this corridor was completed in 2006 by Iran.[198] The 2006 MOU covered construction of only three sections of the main corridor by a fund from the Iranian government. The first section of the route has become operational but the second and the third sections are yet to be completed. A fourth section, from Rozanak to Herat city, was also planned separately from the MOU, but when the master plan of Herat and the ANRP were developed, the chosen route for the fourth section was not consistent with the MOU specifications and has been undergoing revision with the Afghan government.[199]



The Afghan government is thus revisiting its plans for the fourth section. But as per the government's commitment in the RECCA, its completion in the next one to three years is a priority under the Five Nations Railway.[200] The Italian government will be contributing 65 million US dollars while the Afghan government will provide 6 million US dollars for its construction.[201] These four sections are also part of the CAREC corridor and will connect Afghanistan directly to the Iranian railway network, which will establish the only rail connection between the two countries.

Iran and Afghanistan signed another MOU in July 2017 to implement the rail line networks of both countries.[202] The MOU calls for acceleration of efforts to complete the line while opening both countries to further cooperation.[203] The railway will be used for freight transit in the first phase, with passenger transfer as a possibility in the future.[204] During the signing of the MOU, Iran Railways Managing Director Saeed Mohammadzadeh touched upon the critical importance of this corridor for the country, stating that the completion of the Khaf–Herat line was just a small part of a much bigger project.[205] Citing the Five Nations Railway, Mohammadzadeh noted, "With the establishment of the East–West corridor, Iranian railways will have the potential for transferring over 100 million tonnes of goods through the country in the next 10 years."[206]

This corridor will reduce the cost of imports for Afghanistan by as much as 40 per cent[207] and will improve the country's access to the Iranian ports of Chabahar and Port Abbas, thus providing trade expansion potential and the diversification of trade routes. It will also give India, a significant exporter of goods to Afghanistan, easier access through the Bandar Abbas and Chabahar ports, where Indian vessels can unload shipments that will be transferred to Khaf via the Bandar Abbas–Bafgh railway line and then sent to Afghanistan, where it will be offloaded in Herat.[208] Additionally, with Herat's abundance of natural resources, such as the copper mine of Shaida, the gold mines of Chesht, the Alabaster mine, the Sabzak coal mine, iron mines and the marble of Chesh-e-Sharif, the construction of the railway line will be important for the easy transportation of resources to the Iranian ports. According to Afghan Ministry of Finance documents, the Khaf–Herat railway project should have been completed in 2010, but the final parts of the project remain unfinished.[209]

North–South lines

This route will connect southern Afghanistan with Iran and Pakistan in the same manner it has operationalized railway freight corridors with Turkmenistan and Uzbekistan. The corridor entails three sections.[210] The first section will run between Herat Airport and Farah Province; the second will be between Farah, Ameeran (Zarang), Zaranj District (Nimroz Province), Lashkargah (Helmand Province) and Bahram Chah (Helmand Province); the third will run between Lashkargah (Kandahar Province), Spin Boldak District (Kandahar Province) and Chaman (Pakistan border). The Herat–Delaram–Zaranj component is slated to be finished by 2025, while the Delaram–Bahram Chah component will be done by 2030.[211]

The corridor will link Afghanistan and Pakistan for the first time ever. On Pakistan's side, a 128-km railway line between Chaman and Quetta already exists, which will guarantee the viability of the rail link.[212] When the Chaman and Spin Boldak line is extended into Kandahar, it will have the potential to develop transit routes with the SAARC and the Economic Cooperation Organization.[213] This component of the corridor is slated to be finished by 2020.[214]

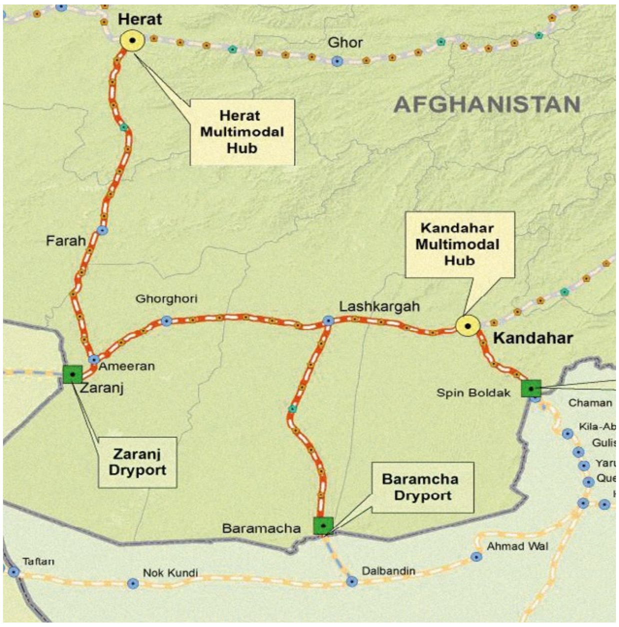
West–South:

Corridor 2A: Herat Airport–Shindand–Farah

The Herat Airport–Shindand–Farah corridor is 216 km[215] and is part of the Herat–Kabul railway line. Thus far, the pre-feasibility study of this route has been completed, with the Afghan government funding the feasibility study, which was planned for 2017.[216] This route will go directly from Herat Airport south to Farah Province. Construction has not yet started on this portion of the rail line.

Farah–Zaranj–Ameeran–Lashkargah–Bahram Chah

The planned line from Farah to Bahram Chah will be 675 km.[217] It will start in Farah and move to Zaranj then to Ameeran and Lashkargah and end at Bahram Chah. The feasibility study of the railway line from Ameeran to Lashkargah and Kandahar was planned for 2017.[218] This corridor will fulfil the essential railway link between Afghanistan and Pakistan's Gwadar port. In the future, the Farah–Zaranj–Ameeran section of the railway will provide Afghanistan with another connection point to Chabahar port through the Iranian railway line in Zabul city, located in the Sistan and Baluchestan Province of Iran.



The MOU for this corridor and other projects bordering Pakistan was finalized in the 10th session of the Pakistan-Afghanistan Joint Economic Commission in November 2015.[219] During this meeting, a Pakistan official stated that if the Afghan government prepared the Bahram Chah–Lashkargah railway path pre-feasibility survey and took practical steps towards its construction, Pakistan would connect Gwadar to Bahram Chah.[220] However, it is not clear how much progress has been made by the two countries because the Joint Economic Commission meeting has been repeatedly delayed. The 11th session was scheduled for September 2017 but was cancelled due to a deterioration in diplomatic relations and a decline in bilateral trade.[221] The Afghan government's development of alternative transit trade routes, such as through Chabahar, led to a drop in trade from Pakistan, down from 2.4 billion US dollars in 2010–2011 to 1.43 billion US dollars in 2015–2016.[222] It is not certain how much impact the development of the Farah–Iranian border railway line will have on the already challenged trade relations between Afghanistan and Pakistan.

Nevertheless, this corridor is considered vital for the development plan of regional and international corridors, such as the Transport Corridor Europe-Caucasus-Asia and the CAREC, and the Economic Cooperation Organization and the Lapis Lazuli routes.[223] Gwadar port is the nearest warm-water sea port to Afghanistan. Situated on the shores of the Arabian Sea, the port is located in Baluchistan State, Pakistan. It is 533 km from Karachi,[224] approximately 120 km from the Iranian border[225] and just 72 km from Chabahar port.[226] Gwadar is also 380 km from Oman and near oil shipping lanes in the Persian Gulf.[227] The region surrounding Gwadar port is home to around two-thirds of the world's proven oil reserves.[228] The port started operations in 2008 and was formally transferred to the China Overseas Ports Holding Company Ltd in 2013, which now controls all operations.[229]

China is expanding the port with heavy investment as part of its CPEC initiative. Gwadar is the most recent westerly port in a string of Chinese-funded ports in Nepal, Sri Lanka, Myanmar and India (and dubbed China's "string of pearls").[230] Experts say use of Gwadar would cut thousands of kilometres off the distance that oil and gas imports from Africa and the Middle East travel to reach China.[231] China will also create special economic zones in the port area that will include manufacturing, logistics hubs, warehouses and display centres.[232] Due to this expansion, Central Asian countries have announced plans to lay railway track from Tashkent, Uzbekistan towards Kyrgyzstan, with onward connections to China and Pakistan's coast, which would require the immediate construction of the missing railway link in Afghanistan.[233]

For Afghanistan, the proposed railway line between Bahram Chah and Lashkargah could lead to considerable economic growth and the development of railway transport infrastructure in Afghanistan. This railway path has the potential to facilitate the transit of goods between Central Asia and Pakistan through Farah Province, leading to Torghundi in Herat Province, the border town between Afghanistan and Turkmenistan.[234] It can also facilitate access via Herat to the North–West–North–North–East Corridor, which transits through Badghis, Faryab, Jawozjan, Mazar-e-Sharif, Kunduz, bordering Turkmenistan, Uzbekistan and Tajikistan.[235] Additionally, it can facilitate the connection between Kandahar and Spin Boldak towards Pakistan and the connection with Kabul through the passage from Zabul to Ghazni and Wardak provinces.[236]

This corridor will run parallel with road infrastructure throughout most of its length and has the potential to be linked to neighbouring countries.[237] The existing connection with Iran and with northern Turkmenistan will be enabled from Herat. Iran will also be reachable by the line leading from Lashkargah to Helmand. A connection with northern Uzbekistan will be made, and a new line from Kabul will lead east towards Pakistan, with a railway connection from Kandahar to Pakistan. The sequence in which the lines will be built will depend on the transportation needs in terms of freight and also of passengers and on the foreign policy framework with surrounding countries.[238]

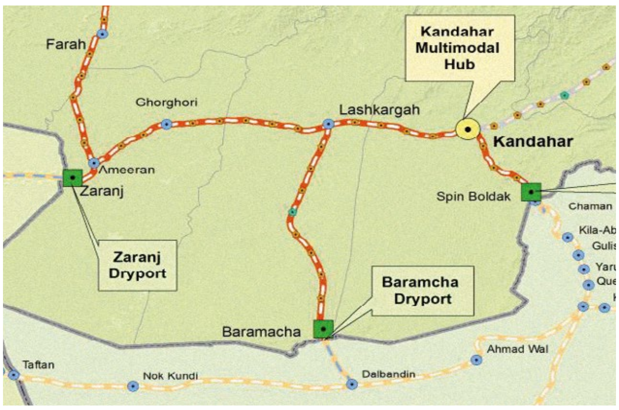
Lashkargah–Bahram Chah–Kandahar–Spin Boldak-Chaman

The Lashkargah–Bahram Chah–Kandahar–Spin Boldak–Chaman Corridor is 241 km[239] and, as of 2017, the Afghan government had allocated budget for the construction of this project and was waiting on bids. The corridor, according to Shams, is one of the first projects the Afghan government has envisioned for connecting to Pakistan by rail and possibly to the CPEC in the future.[240] The corresponding rail line that leads from Spin Boldak to Chaman in Pakistan is being developed by Pakistan and is 11 km[241] in length, while the Kandahar to Spin Boldak portion is 95 km[242] and is being built by the Afghan government.

East–North lines

This corridor is part of the CAREC Vision document.[243] It encompasses several routes, including the Lapis Lazuli route and the CAREC Corridor 3, which connects the Russian Federation to the Middle East and South Asia through Afghanistan to Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan;[244] CAREC Corridor 5, which connects East Asia to the Arabian Sea through Central Asia; CAREC Corridor 6, which connects Europe to the Arabian Sea ports of Karachi, Gwadar and Bandar Abbas in Iran.[245] The pre-prefeasibility study of this corridor has been completed and the feasibility study is pending.[246] This corridor is slated to be finished by 2025.[247]

The AfRA concept note for CAREC Corridor 3 lists many benefits. First, it will provide a large-capacity transport channel that will enhance the economic and social development of the country.[248] It will open opportunities for income-generating avenues for local cottage and micro, small and medium-sized enterprises for those living near the corridor (in Kunduz, Samangan, Parwan, Nangarhar, Nuristan, Kunar, Balkh and Maidan Wardak provinces).[249] The corridor has great significance for China because it can be linked with the CPEC and enable the



export of copper from the Aynak mine, the operations of which were awarded to two Chinese State-owned companies in 2008.

Second, it will lead to the development of the country's mineral resources. For instance, the Aynak copper mine is 41 km from the Torkham–Kabul–Hairatan railway line, and its connection to this corridor is part of the Afghanistan Resource Corridors Project, a flagship project of the Afghan government.[250]

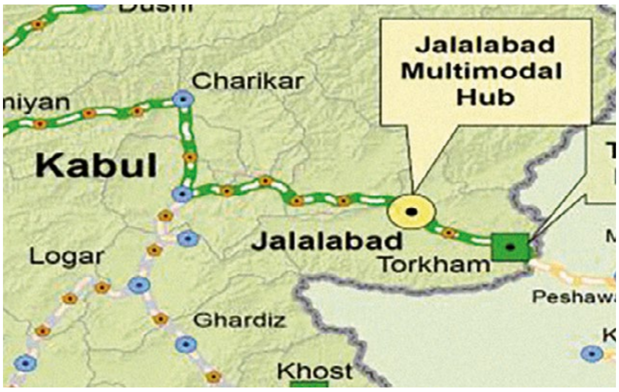
The Hajigak iron ore mine, located in Bamyan Province, is another mine that has the potential to facilitate this resource growth. Under this project, the Afghan government aims to service the mining sector with both hard and soft infrastructure development, such as roads, railways and power plants that enable the extraction and transportation of the resources from the mining sites to outside markets.

Third, it will promote the building of the north-south transportation artery through Afghanistan, which will enable the smooth exchange of goods with other countries.[251] It will also help the country connect with Commonwealth of Independent States and SAARC countries, as the AfRA has planned, through dry ports located in and around the corridor, such as in Torkham and Khost, and in the transport hub in Jalalabad.[252]

Fourth, it will create a multitude of employment opportunities within Afghanistan,[253] especially for youth. For instance, the development of resource transport along the railway corridor will create both direct and indirect employment and income.[254] Experience from other countries suggests that as many as five to ten indirect jobs are likely to emerge in the mining sector by providing contracts for numerous small businesses and services that supply the mine. Each of these jobs, in turn, will contribute taxes and other expenditures that benefit the economy.[255]

Kabul–Jalalabad

The proposed Kabul–Jalalabad Corridor is 95 km in length and will pass through the Hindu Kush mountains, which have long represented a vital communication line along the ancient Silk Road. The railway line will also connect Jalalabad to Parwan, Bamyan, Baghlan and Kunduz



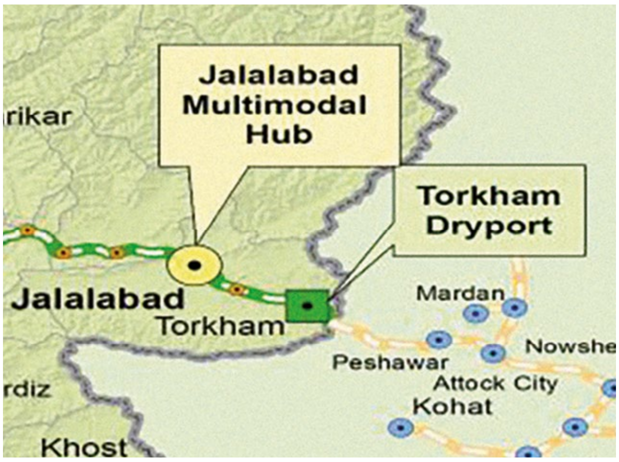
provinces through Kabul, running through troughs and valleys and near the Bandi-i-Amril Lake before leading to the Salang highway tunnel, which was opened to traffic in January 2004. l. It also will run through areas rich in mineral resources, such as the iron ore reserve in the Hajigak region.

Through the Salang tunnel, this corridor will reach Kunduz and Sherkhan Port, which will enable the transportation of goods and resources to and from Tajikistan and even China through Kyrgyzstan. The likeliest barrier to construction of this corridor is the mountain terrain and valleys.[256] The only progress made towards this corridor thus far is the feasibility study, which was slated to start in 2017.[257]

Jalalabad–Torkham

The 75-km Jalalabad–Torkham Corridor will provide a rail link between Afghanistan and Pakistan.[258] The Afghan government has provided the funds to conduct the feasibility study in Afghanistan. Under the CAREC framework, Tajikistan, Afghanistan and Pakistan have targeted the Sherkhan–Ninjpayan border route as a vital corridor for trade.[259] Pakistan is also working on improving the rail link with Afghanistan for enhancing bilateral trade.[260]

In Pakistan, the government is considering rebuilding the British-era railway track that starts from Peshawar and ends at Landi Kotal. This 52-km track is 100 years old and runs along the Kyber Pass route. The track was built between 1901 and 1925 and was declared the lifeline of



connectivity,[261] with traders on both sides of the Durand Line considering it a dynamic link for the promotion of mutual trade.[262] The Ministry of Railways in Pakistan has begun a feasibility study on the provision of a rail link from Peshawar to Jalalabad through Loi Shalman Valley to connect Peshawar with Jalalabad.[263] The Jalalabad–Torkham Corridor has been agreed upon by both Afghanistan and Pakistan.[264]

Central line

This corridor holds great strategic importance in providing an alternate route for trade between the north and central provinces in Afghanistan. It will allow for goods transport to avoid time delays during the winter months going through the Salang tunnel, which affects all north-south bound traffic. The construction of this railway corridor will improve both connections between Kabul and Herat but also boost economic development in the area, beginning with domestic trade and leading to international trade. The technical study of this corridor is ongoing.

Turkmenistan–Afghanistan–Pakistan–India natural gas pipeline

The TAPI natural gas pipeline, also known as the Peace Pipeline,[265] commenced its second phase in January 2017.[266] The pipeline is expected to export up to 33 billion cubic metres of natural gas per year from the Galkynysh gas field in Turkmenistan to Afghanistan, Pakistan and India over the next three decades. The TAPI pipeline is expected to generate an annual revenue of 400 million US dollars for the Afghan treasury once it is functional.[267] The pipeline construction gained some momentum over the past decade, with the ADB assuming both the role of its secretariat and transaction advisor for projects (as of 2013). A steering group was established with the four participating countries and the ADB, and their initial meetings led to progress on the commercial terms for the sale and transit rates for natural gas.[268] Additionally, leaders from the four countries signed an MOU on energy (in December 2015) at a ground-breaking ceremony in Mary, Turkmenistan to commemorate the start of the pipeline. The 18,000-km pipeline should be completed by 2020.[269] A second ground-breaking ceremony for Afghanistan's section of the TAPI pipeline took place in February 2018.

Despite the agreement on routes and other transit issues, there remain numerous security, infrastructure and financing challenges to the construction that have slowed the pipeline's progress. But, according to former Deputy Minister of Energy Amanullah Ghalib, construction has not stopped.[270] And the Afghan government is working to speed up the process, he emphasized when interviewed for this study. The challenges, he pointed out, relate to lack of funding and the Pakistan-India rivalry. He added that the ADB had promised funding to assist Afghanistan in building its portion of the pipeline that had not yet materialized. He also said the Afghan government is working to expand the funding source from each country involved.

An ADB official expressed openness in May 2017 "in principle to financing the TAPI project,"[271] although it was too soon to discuss what, if any, parts of the project the bank may be involved in.[272] Given the fall in global gas prices due to growing liquefied natural gas supplies, India no longer plans to enter into a long-term pricing contract for gas delivered from Turkmenistan via the TAPI pipeline. Its success will rely heavily on the continued pragmatic relations between Pakistan and India. Thus, there are concerns among project stakeholders that if rifts between the countries continue to grow, Pakistan might retaliate in a way that interrupts the flow of gas to India.

According to Ghalib, Pakistani and Indian officials are no longer coming to the steering group meetings. Although both countries want electricity and gas, the controversy between them is delaying the funding and the construction in their respective territory, which is a requisite for the Afghan government to begin building its portion of the pipeline.[273] "We are not going to build the whole gas pipeline in [Afghanistan] unless Pakistan starts it at the same time," argued Ghalib. "Otherwise, [we] will have a pipeline … without any gas to pass through it."[274]

Both Afghanistan and Pakistan launched a front-end engineering and design route survey for the gas pipeline in March 2017, marking the beginning of the project's practical phase.[275] A senior financial and banking affairs advisor to Afghan President Ghani remarked in December 2017 that the TAPI project would be up and running in 2019, with construction commencing in 2018.[276] He also stated that three gas distribution centres will be established in Kandahar, Herat and Helmand, the provinces through which the pipeline will run. The business plans for the use of the natural gas from these operational sites are still being developed; Afghanistan and Pakistan need to agree on various legal frameworks to facilitate the construction. Host government agreements with Afghanistan and Pakistan will also need to be signed to provide the legal stability to make the project plausible.[277]

India, previously reluctant to enter into a long-term pricing contract for gas delivered from Turkmenistan via the TAPI pipeline, has proposed to host the next steering committee meeting. The decision was made during the sixth joint India-Turkmenistan Inter-Governmental Committee meeting on trade, economic, scientific and technological cooperation in August 2017.[278] With Turkmenistan and China close partners in the BRI project and with China the largest buyer of Turkmen gas, this move by India could be an effort to "stave off any Chinese interest in the project."[279]

Central Asia-South Asia Regional Energy Market

The CASA-1000 is a network of transmission lines that will enable the trade of 1,300 MW of electricity between Central Asia and South Asia. CASA-1000 will accommodate the trade of surplus electricity each summer between Kyrgyzstan and Tajikistan in Central Asia to Afghanistan (receiving 300 MW of electricity) and Pakistan (receiving the remaining lion's share of 1,000 MW) in South Asia.[280] The project includes powerlines of 756 km length, with the largest portion of the infrastructure, some 560 km, to be built within Afghanistan. The project's life span is a 15-year period, with the possibility of a 15-year extension.[281]

CASA-1000 is expected to begin providing energy by early 2022 and to generate between 88 million US dollars and 175 million US dollars per annum in revenue for Afghanistan, as well as more than 100,000 indirect employment opportunities.[282] CASA-1000 is one of the biggest electricity transit projects in the region, with a total cost of 1.2 billion US dollars. The project has been in talks for the past decade, but significant progress only started in 2011, when the four participating countries signed an operationalizing MOU.[283]

According to Afghan Ministry of Water and Energy documents, the following tasks had been initiated or completed as of July 2017: construction companies for the high-voltage direct current line selected; environmental and social assessment of the routes in Afghanistan ongoing; work on the first phase (assessment and design for the line construction) approved by the Afghan government (to begin in the near future); and bidding documents for two convertor stations for Tajikistan and Pakistan under evaluation. However, as with the challenges that the TAPI project is experiencing, the timely progress of the CASA-1000 is dependent on how effectively other partner countries implement their activities.

Former Deputy Minister of Energy Amanullah Ghalib sees a double-edged sword in CASA-1000: While it will generate economic benefits, it will also create a common dependency between the partner countries, especially that of Afghanistan and Pakistan, along security and political interests. "We have always said that Afghanistan is a corridor, and for the first time, Pakistan will be dependent on Afghanistan through the TAPI and CASA-1000 projects,"[284] he explained in an interview for this study. He also stressed that, as with the TAPI project, Afghanistan will not start building the

CASA-1000 infrastructure until Pakistan and Tajikistan begin building their sections (as per a clause in the project's agreement).[285]

Turkmenistan–Afghanistan–Pakistan 500-kV line

The TAP 500-kV line seeks to export year-round power to both Afghanistan and Pakistan from Serhetabat, Turkmenistan (traversing down to Torghundi at the Afghanistan-Turkmenistan border and ending at Spin Boldak, at the Afghanistan-Pakistan border. Facilitating the TAP 500-kV line is Turkmenistan's projected energy availability: By 2020, the country expects to export 3,500 MW of excess power.[286] Turkmenistan has commissioned a 220-kV transmission line between Yolotan and Serhetabat on the border with Afghanistan, which should be completed in 2018.[287] Afghanistan intends to synchronize its power grid with Turkmenistan while also building a 500-kV line connecting Serhetabat and Spin Boldak.[288] Similarly, Pakistan, facing significant energy shortages, is open to the idea of interconnections with the proposed 500-kV line through its substation and transmission lines that originate in Chaman (bordering Spin Boldak). The TAP 500-kV line is still in the planning and design stages. A pledge to start trilateral negotiations was signed in December 2015 by Afghan President Ghani, Turkmenistan President Gurbanguly Berdimuhamedov and then Pakistan Prime Minister Nawaz Sharif.[289] Tripartite technical groups were established in May 2016, and in July of 2016, the ADB approved technical assistance in its capacity as secretariat for the project.

According to Ministry of Energy and Water data, the following tasks had been initiated or completed as of July 2017: four technical tripartite meetings conducted; a joint ministerial statement confirming the project's road map and implementation timelines agreed among the three countries; discussion among the three countries on the purchase of power from Turkmenistan to Pakistan via Afghanistan; Turkmenistan agreed to transmit 2,000 MW of power via a 500-kV direct current transmission line from Herat to Kandahar and leading to Chaman; joint ministerial statement signed at the seventh RECCA session in Ashgabat, Turkmenistan; coordination of the project planning and provision of financing, facilitation of energy trade negotiations among the three countries; finalization of the implementation road map deemed the next step. The Afghan government intends to request financing from the ADB through its Multi-Financing Facility. The ADB will assist in (i) preparation of the analytical studies for systems stability, reliability and grid interconnection; (ii) studies for regulatory and legal, technical, commercial and systems dispatch; and (iii) project assessment, including project feasibility, technical design and preparation.[290]

To date, there is no firm commitment from prospective donors or international financial institutions—in the form of grants or loans—to the project. As with the TAPI and CASA-1000 projects, Afghanistan can perform the important role of transit country for the TAP 500-kV line, which will pave the way for the creation of a Central Asia-South Asia regional electric grid powered by these regional mega-energy projects. Moreover, the TAPI project has the potential to fill an important part of the Afghan government's National Infrastructure Plan.

Digital Silk Road

The Digital Silk Road is enabling Afghanistan to become a major trade and transit hub for subsea and transcontinental communication.[291] Under RECCA, Afghanistan agreed to help improve regional connectivity and expand the regional knowledge economy through the Afghan Fibre Optic Ring (also known as the Afghan National Civil Optical Fibre Cable Ring Network) in Central, South and South-East Asia, which comprises one of the belts planned by China and Afghanistan under the BRI.[292] This is a 4,600-km line that will extend around Afghanistan's Ring Road (see figure 4) and connect Kabul to Chaghcharan and Daikundi via Bamyan.[293] It will also connect Mazar-e-Sharif via Kunduz and Takhar to Faizabad to the north-west.[294] The next goal of the Afghan government is to connect the Badakhshan and Bamyan provinces with the Optical Fibre Cable Ring Network and then to connect Kapisa and Kunar, with onward connections to Pakistan.[295]

As of 2017, 23 of 34 provincial capitals and more than 70 major districts had been connected and made operational for broadband connectivity. International connectivity with Pakistan has been established at two points,

Figure 4: Digital Silk Road.

Source: Regional Economic Cooperation Conference on Afghanistan: Annual Review 2017*, p. 30.*

Torkham and Spin Boldak, with Uzbekistan at Hairatan, with Turkmenistan at Aqina and Torghundi and with Iran at Islam Qala.[296] The Afghan and Chinese governments are working to extend the Optical Fibre Cable Ring Network to China through the Wakhan Corridor; as of 2017, consultation between Afghan and Chinese telecommunication companies were under way.[297]

A 480-km optical fibre cable is needed to connect Faizabad city in the Badakhshan Province with China.[298] The Afghan government believes this connectivity could be established and sustained through a public-private-partnership model, requiring an investment of 50 million US dollars over a period of five years, with the World Bank as the chief institutional partner of Afghanistan.[299] An MOU for Strategic Cooperation between China Telecom and Afghan Telecom was signed in 2017.[300] Another MOU, for the Silk Road Optical Fibre Cable System, was also signed by Afghanistan, China, Kyrgyzstan and Tajikistan.[301]

A major obstacle facing the expansion of the Optical Fibre Cable Ring Network has been the lack of road alignment and construction plan for the next decade (from the Ministry of Public Works) that is sensitive to current security problems and within the framework of a broader government infrastructure-sharing or coordination policy.[302] Once completed, the Optical Fibre Cable Ring Network will generate tremendous revenue for Afghanistan and transform the country into a regional internet exchange point and an information and communication technologies (ICT) hub for neighbours and markets beyond the region.[303] ICT currently generates 167 million US dollars per annum in public revenue for Afghanistan; the continued intercontinental demand from commercial bandwidth providers is driving interest in new and diverse routes. This will allow the Optical Fibre Cable Ring Network to provide lower-cost access, increase revenue and expand domestic penetration.[304]

Afghanistan's natural resources

At the Paris Conference on Afghanistan in 2008, the international community supported the five-year Afghanistan National Development Strategy, focusing on economic growth and development.[305] The National and Regional Resources Corridors Programme and the National Extractive Industries Excellence Programme were among the 22 national priority programmes that were introduced during the first Kabul Process Conference in 2010 and reconfirmed at the Tokyo Conference on Afghanistan in 2012.[306] Afghan authorities expected these programmes to generate 1 billion US dollars in annual revenue, as well as 8,500 direct and 30,000 indirect jobs by 2017.[307] As of early 2018, however, these expectations remained a farfetched dream.

Afghanistan sits on riches that range in estimated value of 1 trillion–3 trillion US dollars,[308] although there is little data to substantiate that claim. This section presents a general picture of the country's resources, based on the dearth of data available. With China's involvement in some extraction operations and other countries' interest in these resources, their economical and efficient transport will be of critical importance.

Copper deposits

Mes Aynak: The Aynak copper mine is located 40 km south-east of Kabul, in a barren region of Logar Province. According to the Afghan Ministry of Mines and Petroleum, the site contains the world's second-largest copper deposit, which looms as a major revenue source for Afghanistan.[309] In 2008, Metallurgical Group Corporation and Jiangxi Copper Ltd., two Chinese companies, were awarded a joint contract to recover the copper resources for the government of Afghanistan.[310]

That same Chinese partnership won a 30-year lease of exploitation in May 2008, but its operations were stalled in 2015 when the then Afghan Minister of Mines said it was "not in the interest of the country."[311] It has also been reported that the Chinese contractors wanted to renegotiate the terms following the fall of copper prices and security concerns in Afghanistan.[312] No agreement has been reached since then.[313]

Iron deposits

Hajigak iron ore: The Hajigak iron ore deposit is situated in the mountainous Bamyan Province, 130 km west of Kabul. According to a report by the Afghan Ministry of Mines and Petroleum, the Hajigak deposit trends north-east to south-west for about 9 km and consists of 16 separate ore bodies, each up to 3 km in length.[314] A study in the 1960s demonstrated the mineral potential of the region and estimated, at that time, that the Hajigak resource has some 1.8 billion tonnes of iron ore, with an iron concentration of approximately 62 per cent.[315] Additionally, there are other smaller iron ore deposits in Jabal-e-Seraj and Panjshir Valley.[316]

The Ministry of Mines and Petroleum announced winning bidders for Hajigak iron ore in 2011,[317] awarding three mines to a consortium of six Indian companies.[318] But they were all stalled due to unexplained reasons or the contracts were never signed.[319] The Ministry made fresh efforts as of early 2018 to resolve the issues and start the project.[320]

Syadara iron ore: The Afghanistan Geological Survey discovered massive magnetite bodies at Syadara in 2010.[321] According to the Ministry of Mines and Petroleum, the mine is located approximately 110 km west and along the strike of the Hajigak iron ore deposit, within a similar geotectonic setting.[322] According to a Ministry report and based on outcrop dimensions, an inferred resource of more than 400 tonnes of iron ore is plausible. Assay results from composite grab samples returned grades ranging from 50 per cent to 67 per cent iron (with a mean of 65 per cent iron) and were consistent with grades at Hajigak.[323]

Coal deposits

According to the United States Geological Survey, Afghanistan has moderate to potentially abundant coal resources.[324] Most of the coal fields are situated in the north-central region of the country.[325] These include the Pulikhumri coal mine in Baghlan Province, the Dara-i-Suf coal mine in Samangan Province and the Sayghan-Eshpushta coal mine in southern Baghlan and eastern Bamyan provinces.[326] According to the United States Geological Survey, only Dara-i-Suf hosts 14 coal deposit occurrences. A report by *Pajhwok Afghan News*,[327] coal is also found in Balkhab, Sayyad and Kohistanat districts of Sar-i-Pul Province.

Oil and gas resources

According to the Ministry of Mines and Petroleum, Afghanistan has five major and one minor sedimentary basins.[328] The basins include the Amu Darya Basin, the Afghan-Tajik Basin and Kushka Basin (northern region), the Tripul Basin (western region) and Katawaz and Helmand Basins (southern region). During the Soviet occupation of Afghanistan, there were explorations in the northern parts of the country that led to the discovery of seven oil and eight gas fields.[329] The other regions remain largely unexplored. The government-estimated mean volumes of petroleum in the northern assessment area were 1.6 billion barrels of crude oil, 16 trillion cubic feet of natural gas and 500 million cubic feet of liquified natural gas.[330]

Of six blocks of the Afghan-Tajik Basin tendered, the Sanduqli and Mazar-e-Sharif blocks were awarded in the last quarter of 2013 to a consortium consisting of Dragon Oil, Turkish Petroleum and the Ghazanfar Group.[331] The remaining four blocks have been tendered, but contracts have yet to be awarded.[332]

The first tender of the Kashkari, Bazarkhami and Zamarudsay blocks in the Amu Darya Basin were awarded in December 2011 to a consortium made up of CNPCI and the Watan Group, and production commenced in 2013.[333] According to government estimates, the current production capacity is approximately 2,000 barrels per day. A 2015 report by the US Special Inspector General for Afghanistan Reconstruction estimated the total production at that time at 314,000 barrels, with government revenue of about 6 million US dollars.[334]

Petroleum

According to a report by *Pajhwok Afghan News*,[335] petroleum was discovered in the Qashqari, Aqdariya, Angot and Bazar-i-Kami areas of Sari Pol Province. The report references 10 wells in Qashqari, eight wells in Aqdariya, 15 wells in Angot and eight wells in Bazar-i-Kami. The number of wells from which oil can be extracted, according to the report, are two, three, four and two, respectively.[336]

Other mineral riches

Various other minerals are found in Afghanistan as well, such as lithium. The US Pentagon has stated that Afghanistan's lithium reserves are as large as those of Bolivia,[337] amounting to the world's second-largest reserves, at 9 million tonnes, according to the United States Geological Survey.[338] A news report even ventured that Afghanistan will be the "Saudi Arabia of lithium."[339]

Various marbles are currently extracted from at least 14 provinces of Afghanistan (Badakhshan, Balkh, Bamyan, Helmand, Herat, Kabul, Kandahar, Logar, Faryab, Wardak, Nangarhar, Paktia, Parwan and Samangan).[340]

There are also four major gemstone-producing areas: Panjshir Valley produces emeralds, the Jegdalek area produces rubies and a range of coloured and blue sapphires, Badakhshan produces the world-famous and most recognized of Afghan gems, lapis lazuli, and Nuristan produces a wide range of semi-precious gems, such as tourmaline, kunzite, aquamarine, spodumene and beryl.[341]

Afghanistan also has uranium deposits that have been discovered in Khawaja Rawash, north of Kabul; Koh Mir Daoud in Herat; and Khakriz in Kandahar.[342]

SECTION III

AFGHANISTAN AND ITS POTENTIAL CONTRIBUTION TO THE BELT AND ROAD INITIATIVE

Afghanistan's Comparative Advantage

Literature sources put Afghanistan geopolitically in the South Asia region,[343] while in other sources it is deemed to be part of Central Asia.[344] Geographically, it is located between South Asia, Central Asia, China and the Middle East and therefore can link all these regions. As a landmass it historically served as a crossroad connecting civilizations through the famous Silk Road. Now that Afghanistan yearns to return to those days as a land bridge, its geostrategic location is of great relevance.

Given the security, infrastructure and political challenges, the present context is different in many ways from that of history. This is particularly true for the energy-rich Central Asia and energy-poor South Asia, especially due to the compelling need for trade and transit in these two emerging economic hot spots.[345] Central Asia has a surplus of gas and electricity for which it needs a market. South Asia, particularly Pakistan and India, needs gas and electricity, and given its population and proximity, it provides a desirable market for the energy surplus in Central Asia. For this energy trade and transit, Afghanistan provides a unique terrestrial corridor that no other country can offer—a value that has been recognized and emphasized over the past decade by the Afghan government, countries in the region and international organizations, such as the World Bank.[346]

An interest in reviving Afghanistan's crossroad status has advanced over the past decade. Under the general framework of turning Afghanistan into a land bridge, the country has initiated efforts to materialize this idea. The most prominent example of such efforts is the Regional Economic Cooperation Conference on Afghanistan that was initiated in 2007. Through RECCA, Afghanistan aspires to become a trade and transit hub and countries in the region want to be connected through Afghanistan are ready to engage in the initiative, which is a recognition of Afghanistan's location as a comparative advantage.

Based on interviews conducted for this study with officials from across government ministries, the Afghan government has a streamlined picture of how this comparative advantage could be comprehensively and sustainably used for the country's growth, development and security. This vision of turning Afghanistan into a trade and transit hub linking regions in the 21st century context exceeds the buffer context. This is largely due to the need for infrastructure that underpins any connectivity. In addition, the nature of connectivity and movement of goods and other supplies like energy is radically different from that of history.

As previously discussed, Afghanistan is working to change its narrative as a landlocked country into an optimistic tale of a newly modelled land bridge keen to connect with surrounding regions. It has projected an image of being a crossroad and a hub for trade and transit and the movement of ideas,[347] which was its role prior to becoming a "buffer zone" for the civilizations around it in the past 200 years.

This interest has manifested in several regional connectivity projects in recent years. The Chabahar Agreement, officially known as the International Transport and Transit Corridor, became operational in late October 2017, linking India to Afghanistan and Central Asian countries through both Afghanistan and Iran; the first Chinese train had reached Afghanistan's Hairatan port in the northern Balkh Province in September 2016 but continued service was held up for governance reasons (until December 2017 when an agreement between Afghanistan and Uzbekistan was signed). Another significant project is the Lapis Lazuli route, that links Afghanistan to Europe through Turkmenistan, Azerbaijan, Georgia, and Turkey, and for which Afghanistan signed an agreement with Azerbaijan, Georgia, Turkey and Turkmenistan in November 2017 (see the previous chapter for details).

All the government officials who were interviewed for this study highlighted the country's geographical location as its primary comparative advantage within the BRI. Mohammad Humayon Qayoumi, Chief Adviser on Infrastructure and Technology to President Ghani, for instance, perceives three roles that this geographic location engenders: the movement of goods, the movement of energy and the movement of data.[348]

Distance matters a great deal in trade and transit. Afghanistan offers China the shortest way to the Middle East and ultimately to Africa. China has shown interest in reaching the Middle East over land in recent years. The first Chinese train reached Tehran in February 2016,[349] but through a detour from Central Asia traversing Kazakhstan and Turkmenistan. More recently, China agreed to invest in the Five Nations Railway to reach Iran and the Middle East through Kyrgyzstan, Tajikistan and Afghanistan, which is a much shorter route compared with the one through Central Asia. China is willing to invest in projects to make condensed access a reality, despite the obstacles of insecurity and the infrastructure deficits.

Afghanistan can also give South Asia the shortest transit route to Central Asia, the Russian Federation and to Europe (through the Caucasus). It can give those areas the same access to South Asia. This is significant for Europe and South Asia, given that the current route of the Indian Ocean–Red Sea–Mediterranean–Europe is too long and thus, too costly in terms of expense and time.

Afghanistan can facilitate the movement of energy between energy-rich Central Asia and energy-deficient South Asia in the shortest way possible. South Asia has needed gas and electricity since the late 20th century. The idea of a TAPI natural gas pipeline has been around since the late 1980s. Now, it has become a priority for Pakistan and India as well as for Turkmenistan. There have also been similar gas transport initiatives, like the Turkmenistan–Afghanistan–Pakistan line and the Turkmenistan–Uzbekistan–Tajikistan–Afghanistan–Pakistan electricity grid, for which Afghanistan provides the only transit route.

Another aspect of moving energy is the movement of electricity from upstream countries in Central Asia to Pakistan and ultimately to India. The region's flagship energy project currently is the CASA-1000, which was initiated in May 2006.[350] As South Asia's ever-increasing population requires a constantly increasing supply of electricity, the issue of energy and electricity movement steadily gains more significance. Pakistan, for example, experienced a 58 per cent population increase between 1998 and 2017, according to its latest population census.[351] The World Bank estimates the demand for electricity in Pakistan will reach 44,700 MW by 2020.[352] Central Asia can potentially cater to that need, but that will be possible only through Afghanistan.

The demands for energy and electricity in Afghanistan alone are also on the rise. The country lacks a reliable electricity supply for its increasingly growing residential population[353] and for its impetus to jump start its industries and extract its natural resources. Industrial demand for electricity is expected to skyrocket, turning the country into a favourite nearby market for Central Asia's energy surplus.

In its third role, Afghanistan can offer data connectivity between Europe and Asia. As Qayoumi outlined, data connectivity will become far more important than the two earlier connectivity points (for energy and trade and transport). An accommodating path through Afghanistan could cut more than 40 milliseconds of the current 130 milliseconds that it takes for data movement between Asia and Europe.[354] In terms of money, he pointed out, every millisecond equates to 100 million dollars of savings in a year.[355] This means that digital connectivity through Afghanistan can save about 4 billion US dollars per year.

Within the BRI plans, data connectivity falls under the Digital Silk Road. Within this initiative, China has invested in the fibre optics sector in Afghanistan.[356] With Chinese investment, 25 provinces of Afghanistan are now linked to fibre optics in China through the Wakhan Corridor[357] and the other nine provinces will be linked in 2019, according to a Ministry of Communications and Information Technology official.

When interviewed for this study, Mohammad Yama Shams, AfRA Director General and CEO, discussed a second comparative advantage that the country offers. Afghanistan railways system is currently in the phase of construction for the very first time and this will give the country the advantage to build a state-of-the-art railway system without having to replace the old railway infrastructure. Other countries in the region, he noted, must replace parts of their railway infrastructure to meet modern standards.

In another research interview, Suhrab Bahman, Economic Advisor and Chief of Staff to the Minister of Economy, highlighted the rich mineral reserves of the country as another comparative advantage—with a value estimated at 3 trillion US dollars.[358] The regional infrastructure being built or planned to enhance the movement of goods can also provide access to new markets for those minerals. Not only does the investment in infrastructure connect the regions but it gives their industries access to raw materials available in Afghanistan.

Sayed Yahya Akhlaqi, Director General of Transit and Trade Facilitation at Ministry of Industry and Commerce stressed on Afghanistan's location as its comparative advantage under the BRI. During an interview for this research, he underscored the importance of Afghanistan's location by highlighting that "Afghanistan connects Central Asia and South Asia regions." This is an important in that it can link the two major terrestrial corridors of the BRI: CPEC and SREB.

Representatives from civil society and research communities who were also interviewed for this study echoed the many strengths of the country and its geographical value to the BRI. They also differed among themselves on some issues. Abdul Qadeer Mutfi, the AISS researcher, pointed out that the Wakhan Corridor can be an alternative to the CPEC. Saeed Parto, APPRO Director of Research, disagreed, however, arguing that the Wakhan Corridor is not a viable option current for the Chinese because it is undeveloped and lacks the necessary infrastructure. Yao Jing, former Chinese Ambassador to Afghanistan (2015–2017), agreed that the Wakhan Corridor is not an attractive option for the Chinese, whether as a railway or road, because it is not cost-effective. The current trade volume between Afghanistan and China, he noted, is about 400 million US dollars (Afghan officials estimate it at 1 billion US dollars), which is insufficient to justify a huge investment in the Wakhan Corridor by the Chinese.[359]

Parto also compared the advantage of Afghanistan as a single jurisdiction (and more market oriented) in terms of trade and transit rules and regulations, as opposed to multiple jurisdictions that China would have to deal with by routing through several Central Asian countries.

Obstacles to Afghanistan's Integration

Although Afghanistan's location is essential for regional integration and connectivity, it alone is insufficient. To realize Afghanistan's aspiration of becoming a land bridge and trade and transit hub between Central Asia, South Asia, China and the Middle East, obstacles must be addressed and an enabling environment created. The obstacles—hardly minor—include the security situation, the infrastructure deficit and the lack of bilateral and multilateral agreements to facilitate cross-border trade and transit.

Afghanistan's security situation has been deteriorating for years. The Taliban are stronger than ever since their ouster in 2001 and exercise or compete for control over nearly half of the country.[360] The insecurity hampers Afghanistan's connectivity with and integration into the wider region in many ways. First, it deters countries from choosing Afghanistan for trade and transit, thus delaying its integration into the region. The best example is the TAPI natural gas pipeline project, which was delayed for decades for mainly security reasons. The project entered its practical phase in Pakistan in early March 2017, after 22 years of delay, and it is due to be completed by 2020.[361] Given the security concerns in Afghanistan, however, it is uncertain whether that new deadline will be met.

Second, as previously noted, Afghanistan struggles with an infrastructure deficit and the lack of resources to strengthen the sector. The fragile security situation inhibits foreign investment, including for the infrastructure required for the country's connectivity and integration aspirations. Although Afghanistan offers the shortest route for countries in the region to connect with one another, its security situation makes it a less favourable option.

Afghanistan's trade and transit relations with the region are evolving—but slowly due to its soft infrastructure deficit. Proper trade and transit agreements are needed. Until recently, Afghanistan faced a huge trade and transit problem with Uzbekistan due to the absence of bilateral and multilateral agreements to facilitate the transfer of Afghan commodities through Uzbekistan to China. Additionally, the Afghanistan-Pakistan Transit Trade Agreement of 2010 expired in 2015 and has not been renewed due to political tensions between the two countries.

Efforts to create an enabling environment for the country's integration and connectivity needs to mitigate these three issues. Countries need to feel that Afghanistan is a safe trade and transit hub and that they can realize a return on their investments associated with the country, such as infrastructure.

An ACCI official recently stated during a conference gathering that insecurity is among the five major challenges businesses and investors face in Afghanistan.[362] "We should make sure they are safe," Mohammad Yama Shams, AfRA Director General and CEO, emphasized in an interview for this study.

The various officials and representatives interviewed for this study singled out the need to develop the infrastructure sector to attract foreign investment and to establish Afghanistan as a trade and transit hub.[363] Added Atiqullah Nusrat, ACCI CEO, "When it comes to railway, we should activate cargo-handling facilities on our borders. Now we import four wagons of oil through Uzbekistan—it takes more than 10 days to unload because we don't have the facilities." And the air corridor with India also lacks a cargo terminal, he said.

Sayed Yahya Akhlaqi, Director General of Trade and Transit at the Ministry of Industry and Commerce stressed that transit and trade agreements with the Central Asian countries are vital for Afghanistan to "access to the rail network of Central Asian countries and through some of the Central Asian countries to European markets in the framework of the BRI." Nusrat pointed out that air cargo to India "goes through too much checking, which is discouraging for the private sector". Said Abdul Qadeer Mutfi, an AISS researcher, "We need good trade diplomacy, but we unfortunately lack this in Afghanistan."

In the study interviews, the various officials and representatives agreed on the need to simplify and streamline procedures, set up rules and regulations and improve the Doing Business Indicators to build an enabling environment for investment, trade and transit. Shams highlighted that the policies pertaining to tariffs, taxation and foreign direct investment need reform. According to the ACCI, for example, as many as 2,000 traders had stopped trading in Afghanistan as of July 2016 due to the strict tax law.[364]

Nonetheless, Saeed Parto, APPRO Director of Research, is optimistic. "There are steps that the government and its donors have taken to standardize the customs systems," he said. "Afghanistan has now the most advanced customs system."

Shams looked at soft infrastructure through an institutional lens, noting that the Afghan government needs major reforms in its financial and banking institutions to make the environment investor friendly, such as safe and competent standardized transactions.

Another challenge is corruption and poor governance. Mutfi seemed sceptical about the prospects of fighting corruption because it "has become institutionalized in Afghanistan", but he sees institution building and good governance as solutions. Added Parto, "And arguably, if you have development, the possibility of dealing with corruption increases rather than losing more money to corruption."

The interviewees acknowledged efforts are under way by various ministries to address these issues but are slow for many reasons. Nusrat pointed to the lack of technical capacity and work overload. A few others cited lack of budget.

Can Afghanistan encourage China to facilitate the country's integration into the BRI?

The Chinese authorities now seem welcoming of Afghanistan into the BRI, with incentives outweighing the challenges. Afghanistan is the shortest pathway to the Middle East and can link the CPEC with the Silk Road Economic Belt, thus linking South Asia and Central Asia. Afghanistan also provides the shortest terrestrial path for China's fibre optics linkage to the Middle East and Europe—which is why China is the only country to invest in Afghanistan's fibre optics connectivity (it is an integral component of the Digital Silk Road under the BRI). China's investment in the Five Nations Railway is a sign of its interest in facilitating Afghanistan's integration into the BRI network of railways.

In an interview, Yao Jing, former Chinese ambassador to Afghanistan, insisted "it is not a question of whether Afghanistan is or is not a part of the BRI"[365] because, as he stressed, "Afghanistan is a very important part of this initiative." According to him, the Chinese government has no hesitation on integrating Afghanistan into the BRI—whatever apprehension comes from the Chinese private sector, who will be the ones to invest in the initiative in Afghanistan.[366] This private sector hesitation, he further explained, is based primarily on security concerns.

Security is one of the most serious impediments. Yao Jing agreed that insecurity can be a challenge, but he stressed that while insecurity can obstruct cooperation, cooperation can mitigate insecurity. He added that insecurity is a shared concern between Afghanistan and China, therefore it can encourage the two countries to work together for improvement of security by enhancing cooperation.

Amanullah Ghalib, former Deputy Minister in the Ministry of Energy and Water, pointed out that the region will remain insecure as long as Afghanistan remains insecure. And as Parto acknowledged, China is "the most likely actor" to bring Afghanistan into the BRI. And Mutfi added that China can help Afghanistan mitigate the insecurity issues by using its influence on Pakistan to advocate for stronger cooperation. He also said that China can help Afghanistan tackle its infrastructure deficit through investments.

China's Role in Afghanistan's Integration into the Belt and Road Initiative

When the Chinese president introduced the One Belt, One Road Initiative in 2013, nothing specific on how many countries would be included was mentioned. As the project took shape, it became clear that China prioritized certain countries, like Pakistan, and ignored some others, such as Afghanistan. For instance, President Xi Jinping visited Pakistan in April 2015 to announce the investment of 46 billion US dollars[367] in the country's energy and infrastructure as part of the CPEC under the BRI. Although an MOU was signed in May 2016 between Afghanistan and China to boost various areas of cooperation under the BRI,[368] it was only in May 2017 that China included Afghanistan in the BRI plans, potentially through the CPEC.[369] Then in a China-Afghanistan-Pakistan foreign ministers meeting in Beijing (December 2017), the three countries agreed to discuss ways to extend the CPEC to Afghanistan and to eventually connect it to the China–Central Asia–West Asia Economic Corridor.[370]

Over the past decade, China has improved its profile in Afghanistan, both through economic as well as political gestures. It has invested in a copper deposit in southern Logar Province (the world's second-largest deposit). The China Metallurgical Group Corporation and the Jiangxi Copper Company Ltd, both state-owned companies, won the bid for a 30-year lease for exploitation of Aynak copper in May 2008.[371] The project, however, has been stalled because both companies were unhappy with the conditions of development commitments under the contract, including the pending construction of a 400 MW power plant and a railway line from Sherkhan Port to Torkham.[372] The companies requested a review of the contract terms. Security issues were also reportedly a problem.[373] As previously noted, the Afghan Minister of Mines said in 2015 that the project is not in the interest of Afghanistan.[374]

China's interest in infrastructure in Afghanistan has been on the rise in recent years. And the Chinese government has pledged huge support to the country's railway sector. According to a draft brief on areas of cooperation between the AfRA and China, China has supported undertaking studies and wants to develop different railway networks, including the Kandahar–Spin Boldak–Chaman railway and the Jalalabad–Peshawar railway.[375] According to the brief, China has pledged to support the AfRA in the design of its railway governance system, in developing strategic maps and knowledge and technical competence sharing, among other areas.

More recently, the Chinese government expressed interest to invest in marble and alabaster mineral extraction in Afghanistan.[376] Reportedly, only 16 of 60 marble and alabaster mines are in operation.[377]

On the political and diplomatic fronts, China is assuming more significant roles, particularly in the peace talks with the Taliban as well as in the mitigation of tensions between Afghanistan and Pakistan. In the December 2017 foreign ministers meeting hosted in Beijing, for example, Pakistan and Afghanistan agreed to improve relations.[378] China is a member of the Quadrilateral Coordination Group, along with Afghanistan, Pakistan and the United States, which was formed in January 2016 to restart peace talks between the Afghan government and the Taliban.[379] China has reportedly hosted secret talks[380] with the Taliban as well as open ones[380] to encourage them to engage in peace talks with the Afghan government.

In addition to these developments, Yao Jing, former Chinese Ambassador to Afghanistan, also stressed the position of Afghanistan in the BRI initiative.[382] China is not deterred by the insecurity or infrastructure deficit, he said, but sees cooperation with and integration of Afghanistan into the BRI as an opportunity "to create a better regional situation" and partnership. Such a cooperation, he emphasized, can engender "better mutual trust and mutual confidence."

Despite China's interest in integrating Afghanistan into the BRI, according to Yao Jing, the Chinese are wary of the political tensions between Afghanistan and Pakistan. "There is this issue of the Durand Line between Afghanistan and Pakistan, and Pakistan is very sensitive about it," he said. "We don't want any disturbance arising from political involvement in these issues, rather we stress mutual development."

Another concern that Yao Jing referred to is the trade volume between Afghanistan and China. "The trade between Afghanistan and China is 1 billion US dollars according to Afghanistan's estimation, but only 400 million US dollars according to the Chinese estimations," and this, he argued, cannot justify huge amounts of investment.

The officials and representatives interviewed for this study had mixed views on whether China is open to include Afghanistan in the BRI. Sayed Yahya Akhlaqi, Director General of Trade and Transit at the Ministry of Industry and Commerce, believes the Chinese authorities want to give Afghanistan an active role. He said that role will take more practical shape as soon as Afghanistan signs trade and transit agreements with Uzbekistan, Kazakhstan and China.[383]

Mohammad Yama Shams, AfRA Director General and CEO, agreed that the Chinese are not reluctant, that trust building has been achieved due to efforts by the government and that "China is confident to come and invest." He described a "give-and-take" situation in which Afghanistan provides China a market to bid, construct and benefit and, in return, "we want them to come, invest, train and build capacity for sectors and have a good relationship in the future."

Abdul Qadeer Mutfi said that Afghanistan's unique location leaves China with no other option.

Sultan Ahmad Baheen, former Afghanistan Ambassador to China (2009–2015), noted that China sees Afghanistan as a linkage point, but Afghanistan wants to also be a transit hub. He added that for security reasons, Afghanistan has "tentatively" chosen routes outside of the country, such as the Hairatan port, to link with China. And China has chosen routes that bypass Afghanistan due to the insecurity and infrastructure-deficit challenges.

The interviewees also mentioned that Afghanistan is less attractive for China to invest in because it is a small market with a weak economy, while countries like Pakistan are more populous and thus provide a bigger market. "Afghanistan is a 25 billion US dollar economy, so an investment of over 15 billion US dollars is not economically logical," explained Suhrab Bahman, Economic Advisor and Chief of Staff to the Afghan Minister of Economy. The Chinese Ambassador shared a similar view when talking about China's investment interest in the Wakhan Corridor to link directly with Afghanistan. The trade volume (at around 400 million US dollars) makes huge investment from the Chinese illogical or not cost-effective from an economic point of view, he said.

Others reiterated how insecurity, corruption and the infrastructure deficit are the main deterrents. China has a conservative approach, they pointed out, and fears being mired in security and political problems. Nasir Ahmad Andisha, Deputy Minister for Management and Resources in the Ministry of Foreign Affairs, said that "security-wise it is difficult and infrastructure-wise it is very costly" for the Chinese authorities or businesses to invest in Afghanistan.

Atiqullah Nusrat, ACCI CEO, described China as "reluctant" because of "political instability and security concerns." He said the Chinese government has a "red line—they are not risk-takers"—and will wait for an opportune time to invest. Chinese partners are seeking contracts, he added, but then waiting until the time is right to launch a project, such as what transpired with the Aynak copper project.

As highlighted in the previous chapter, Yao Jing insisted that insecurity and corruption are concerns for the Chinese private sector but not for the Chinese government. He added that the government encourages the private sector to invest in Afghanistan.

Nusrat also remarked that Chinese investments come with a political string: Given the presence of Western powers in Afghanistan, he said, the Chinese intend "to play a role in the region with these investments", albeit with a cautious approach and a slow pace. Andisha argued that the Chinese "are very much aligned with what Pakistan thinks," even taking advice from Pakistan. This makes big-picture sense, he added. "If Pakistan was to succeed in convincing China to link Afghanistan to the BRI through CPEC, it will give Pakistan safe access to Central Asia under the larger framework of the BRI. If Pakistan secures access to Central Asia through Afghanistan through a bilateral agreement, Afghanistan can use the trade and transit route it provides Pakistan as leverage. But when it is bound by a trilateral agreement, or even the larger BRI framework, that no longer can be the case."

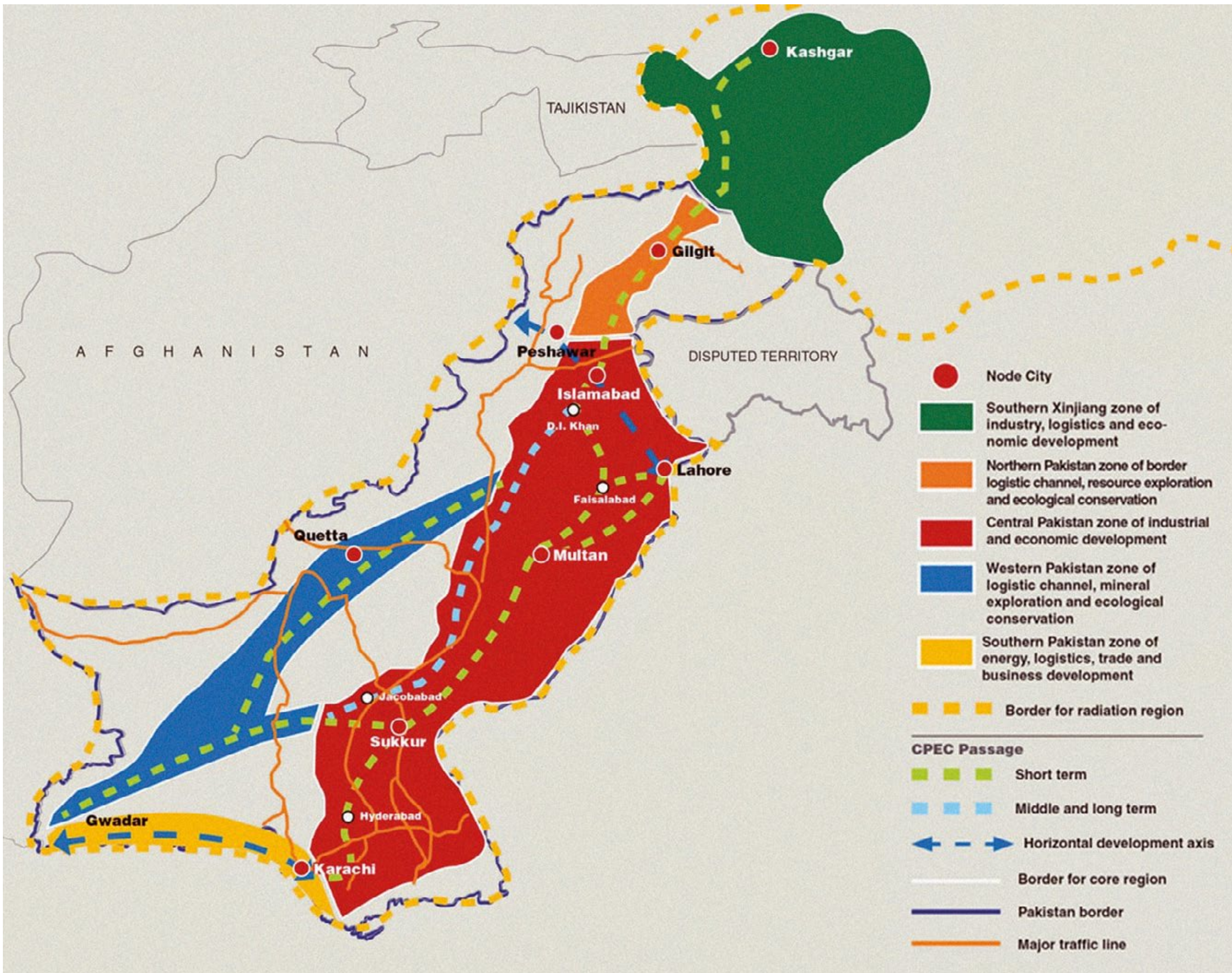
Afghanistan and the China-Pakistan Economic Corridor

The BRI has the potential to integrate Afghanistan into the regional economy in ways that other initiatives, such as the New Silk Road, have not done. Central to this is the Afghanistan participation in the China-Pakistan Economic Corridor project (see figure 5). There are several benefits to Afghanistan from linking with CPEC, many of which relate to newly acquired soft and hard infrastructure and others that relate to activities, which are still in the planning stages, but display great potential when completed. The general sentiment within the Afghan government towards the CPEC is positive; it is viewed as an opportunity,[384] a win-win game[385] and a chance to build closer economic ties.[386] In the interviews for this study, an optimism was apparent regarding the China-Pakistan bond and the former's interest and role in the development of Pakistan's economy and the region. Some interviewees, however, saw this bond as a potential hurdle for Afghanistan.[387]

Other interviewees remarked that the potential economic benefits for Afghanistan are unclear.[388] "What is in it for

Figure 5: China-Pakistan Economic Corridor.

Source: K. Hussain: "Exclusive: CPEC master plan revealed," The Dawn*, 21 June 2017, www.dawn.com/news/1333101.*



us?" asked Nasir Ahmad Andisha, Deputy Minister for Management and Resources at the Ministry of Foreign Affairs,[389] who calls for a national debate before any commitment is made. "We must ask what the short-term, medium-term and long-term impacts will be from these linkages," he said.[390]

The CPEC is the most tangible of the belt corridor projects to date and has the most concrete design.[391] As the flagship project under the BRI, the CPEC reflects the high level of political trust that exists between the two countries. Introduced in 2015, the CPEC has gained an investment package of 46 billion US dollars over a period of 15 years.[392] The investment is broken into two categories, with 76 per cent directed at addressing Pakistan's energy crisis[393] and 24 per cent directed at improving and building transport and communication infrastructure inside of Pakistan.[394] The initial investment has steadily grown, to the current 62 billion US dollars.[395] According to Waqar Masood, former Secretary at the Pakistan Ministry of Finance, the private sector in China was also funding different projects in Pakistan that did not fall within the purview of the CPEC but, if taken into account, would bring China's investment in Pakistan to a significantly larger figure than the current amount.[396] Chinese experts characterize the CPEC as an effort to increase Pakistan's economic resilience and encourage stability, as well as a way to reduce China's dependence on petroleum passing through the Strait of Malacca from the Middle East to China.[397]

In June 2017, two years after its initial launch, then Prime Minister of Pakistan Nawaz Sharif finalized the long-term plan for the CPEC during the One Belt, One Road Summit in Beijing.[398] That plan made public the details concerning China's intentions and priorities regarding CPEC for the next 15 years.[399] In the plan, the CPEC is defined as "a growth axis and a development belt featuring complementary advantages, collaboration, mutual benefits and common prosperity."[400] The main axis comprises the comprehensive transportation corridor and industrial cooperation[401] between China and Pakistan, which will be facilitated by economic and trade cooperation and people-to-people exchange and cultural communications (the "engine" of the axis).[402] The CPEC covers the Xinjiang Uygur Autonomous Region and the whole of Pakistan with "one belt, three axes and several passages."[403]

The "One Belt" refers to the core zone of the CPEC[404] and covers Kashgar, Tumshuq city, Atushi city and Akto country in the Kizilsu autonomous prefecture of Xinjiang, in addition to Islamabad, parts of Punjab, Sindh, Khyber-Pakhtunkhwa, Baluchistan, Azad Jammu and Kashmir and Gilgit Baltistan.[405] The "three axes" refer to three horizontal axes connecting Lahore and Peshawar, Sukkur and Quetta, and Karachi and Gwadar.[406] The "several passages" refer to the railways and highway trunk lines that stretch from Islamabad to Karachi and Gwadar.[407] The plan envisages a deep and broad-based penetration of most sectors of Pakistan's economy as well as its society by Chinese enterprises and culture in a way that is unprecedented in Pakistan's history.

How can Afghanistan connect with the CPEC?

The tumultuous nature of Afghanistan-Pakistan relations and the spillover of insecurity and political tensions into bilateral economic relations results in constant border closures, skirmishes and hurdles for traders. With Pakistani goods competitive against locally produced goods in Afghanistan, border closures tend to lead to a surge in price of certain items. The tension has pushed Afghanistan to decrease its reliance on the Karachi sea port and on goods from Pakistan in the past two years. Nonetheless, Pakistan remains the largest export destination for Afghan goods, and Afghanistan remains one of the largest importers of goods from Pakistan.

At the same time, Afghanistan has shifted an estimated 80 per cent of its cargo traffic to the Chabahar and Port Abbas ports in Iran.[408] This shift has led to a reduction of about 2 billion US dollars[409] in bilateral trade with Pakistan, which is expected to adversely hit the Pakistani economy.[410] While there is ongoing debate as to which country's dependence on the other is the most stark, the reality remains that if Pakistan wants the CPEC to connect with a corridor that runs through Central Asia, it needs to traverse through Afghanistan. And if Afghanistan wants the easiest and quickest access to the sea and to connect with China, India and the rest of the SAARC countries, it needs Pakistan's cooperation. The CPEC provides an opportunity for both sides to realize their independent vision for regional transport and energy connectivity while at the same time also creating an environment for closer economic ties and interdependence.

"There are four points at which we can connect to the CPEC by railway," Mohamma Yama Shams, AfRA Director General and CEO, highlighted during the study interview: (i) from Chaman to Spin Boldak, in which the track will run from Kandahar to Quetta; (ii) from Lashkargah to Gwadar, (iii) from Jalalabad to Peshawar, in which part of the line will be Jalalabad to Torkham, bordering Pakistan; and (iv) from Khost to Miramshah.[411] According to AfRA documents, the feasibility studies for these four corridors have been completed and AfRA is looking for technical assistance, training and academic knowledge exchange. AfRA is looking to the government of Pakistan to establish capacity-creation facilities for implementation of the entire national railway network.[412] These four connection points are part of Afghanistan's National Railway Plan (ANRP) for its Corridors 2 and 3 and its vision of linking to Pakistan with the potential for connectivity with SAARC, TAPI, the Turkmenistan–Afghanistan–Tajikistan Railway line, the Economic Cooperation Organization countries, CAREC, SCO and the Lapis Lazuli route.[413]

Chaman–Spin Boldak

Spin Boldak is a border town and district capital in the southern Kandahar Province of Afghanistan, next to the un-demarcated border (Durand Line) with Pakistan. A highway already links the town with Kandahar city to the north and with Chaman and Quetta in Pakistan to the south. Spin Boldak contains the second major port of entry between Afghanistan and Pakistan and is also a major transporting, shipping and receiving site between the two countries. Chaman is the capital of the Qilla Abdullah District in Baluchistan Province and has a railway station, with daily Kandahar services.

A slow passenger train travels between Chaman and Quetta. Chaman is an important trade point in Baluchistan Province, providing a gateway on the trade routes between Afghanistan and Karachi. A proposal in 2008 looked at extending this railway through Afghanistan to Central Asia, passing through Spin Boldak. According to the AfRA Concept Note on Afghanistan Railway Project Corridor 3, these proposals have the support of the Ghani government. In July 2010, Pakistan and Afghanistan signed an MOU on the laying of rail track between the two countries.[414] The proposed line from Chaman to Spin Boldak would be the linkage for cross-border extension of the 11.5 km of the Pakistan Railways to the first settlement on the Afghan side of the Durand Line. It will mark the start of the rail connection from Afghanistan to Pakistan and from Pakistan to Kandahar city and onwards to Kabul and potentially north of Kabul through Parwan, Baghlan and Kunduz to Sher-Khan Port (Tajikistan). According to Mohammad Humayon Qayoumi, Chief Adviser on Infrastructure and Technology to President Ghani, it could also be linked to the Torghundi border town (in Turkmenistan) through the Herat–Farah–Lashkargah–Chaman proposed railway line (part of the ANRP Corridor 2). Ultimately, the Chaman–Spin Boldak line has the potential to develop transport and transit with SAARC and the Economic Cooperation Organization countries, particularly facilitating mutual trade from and to Afghanistan, Pakistan, India and Central Asian countries and even possibly the Lapis Lazuli route through Turkmenistan.

Lashkargah–Gwadar

The Afghan government regards the proposed Lashkargah–Gwardar port line as vital for the development plan of its regional and international corridors, such as the Transport Corridor Europe-Caucasus-Asia and CAREC, the Economic Cooperation Organization and the Lapis Lazuli route.[415] Gwadar would give Afghanistan the quickest access route to the sea; the special economic zones being developed by China would exempt businesses from Pakistani income, sales and federal excise taxes for 23 years and fill Afghan coffers with transit fee payments and duties on goods accessing Gwardar from Central Asian countries transiting through Afghanistan. Central Asia depends on much longer routes now, and their transport expenses are significant. Afghanistan offers the most direct and economic route to the sea ports of Iran or Pakistan.[416]

Through the Gwadar and Bahram Chah link, this path could facilitate connection between Pakistan and Turkeministan (at Torghundi) through the ANRP Corridor

1 and Corridor 2. The connection to the ANRP Corridor 1 (the proposed railway line that traverses through Badghis, Faryab, Jawozjan, Mazar-e-Sharif, Kunduz via Herat) also has the potential to connect Gwadar to Uzbekistan and Tajikistan. During the last Pakistan-Afghanistan Joint Economic Commission, both countries agreed to work on improving their rail links and agreed that Pakistan would connect Gwadar to Bahram Chah if the Afghan government could prepare the railway path feasibility survey and take practical steps towards its construction.[417] Afghanistan is working on the financial resources to commence the pre-feasibility study.[418]

Jalalabad–Torkham–Peshawar and the Khost–Miramshah

The Jalalabad–Torkham–Peshawar and the Khost–Miramshah points of connection are part of the Afghanistan National Railway Plan's Project Corridor 3, which is the entry point of the north-south transport system. Through this system, Pakistan can connect to Hairatan and Sher Khan border points, moving through Jalalabad, Kabul, Parwan, Baghlan and Kunduz. This line would also include a link to the Aynak copper mine and potentially the Hajigak iron ore mine. With Kabul as a central node, it can provide the opportunity to develop an initial resource-growth corridor with significant mineral and socioeconomic development features. Through the Hairatan and Sher Khan border points, Pakistan would attain the fastest route to Tajikistan and Uzbekistan.

The significance of these four connection points for the CPEC are immense, particularly because of China's vast investment in developing a strategic trade route to the Indian Ocean through the Gwadar port to expand its influence in the region and respond to Pakistan's need for economic development and stability. Additionally, they provide the BRI with the possibility of linking its Central Asian belt to the CPEC to enhance the Central Asian countries' access to the sea ports in Gwadar and Karachi. This is particularly important because the trade conditions between the Central Asian countries often prevent easy and affordable trade among them. For example, Tajikistan's largely Soviet-era transportation infrastructure is mostly oriented northwards and depends heavily on Uzbekistan, which, until the recent improvements in their bilateral relationship, frequently restricted Tajik transit traffic. Regional transport integration between SAARC, SCO, CAREC and Economic Cooperation Organization projects will enable Afghanistan to become a hub for trade, transit and transport, not only for railways but for multi-modal transport.[419] "CPEC is not only about railway connectivity, [Afghanistan] can be connected through any means,"[420] said Shams.

Obstacles to Afghanistan's integration into the CPEC

While the CPEC is regarded as a viable and effective platform to create mutual interdependence and can act to "discourage Pakistan from intervening harmfully in Afghanistan and its affairs," according to authors Ghiasy and Zhou, security and political issues continue to make economic cooperation between the two countries difficult.[421]

To address the issues between Afghanistan and Pakistan, a trilateral connectivity cooperation forum was created, with Qayoumi as the chief coordinator for Afghanistan. According to Yao Jing, the Chinese Ambassador to Afghanistan at that time, China planned on hosting a consultation with the three countries in 2017 to find compatibility between its vision and that of Afghanistan and Pakistan that they could work on.[422] Yao Jing reiterated China's cautiousness to avoid involvement in the long-running Durand Line dispute.

The Afghan government sees the development of a trilateral committee as a good step towards resolving tensions with Pakistan and is encouraged by China's involvement. Qayoumi believes that having China as part of this forum is beneficial for Afghanistan, due to China's interest in development projects in both Afghanistan and Pakistan.[423] However, other policy-makers caution against an overreliance on China to support Afghan interests within the CPEC framework because the long-standing Sino-Pakistan ties suggest that China might defer to Pakistan's interests over Afghanistan.

Unlike in India, the CPEC has not raised any major concern in Afghanistan. Afghan policy-makers are aware and cautious of India's criticisms of the BRI. All policy-makers interviewed for this study characterized Afghanistan's position as open to all reginal initiatives that would assist it in becoming economically independent, whether that be from the CPEC or India-led efforts, such as the Chabahar port. These same policy-makers, however, remain cautious and are closely watching how China addresses India's criticism of the BRI plan to encompass territory it deems its sovereignty. The section of the CPEC that passes through Gilgit and Baltistan in Pakistan-administered Kashmir is territory claimed by both India and Pakistan. From a foreign policy perspective, Afghanistan signed a Strategic Agreement with India in 2011, which it does not want to jeopardize for an initiative like CPEC, which is still under development and its benefits are unclear to Afghan policy-makers.

Andisha cautioned that Afghans must do a cost-benefit analysis[424] before getting "too excited" about CPEC.[425] Pointing to India's various development-related projects in Afghanistan culminating to approximately 2 billion US dollars over the past decade,[426] he warned that Afghans must not compromise important partnerships with other nations for China's 100 million US dollar BRI package. Alternatively, other officials think that the CPEC would enable Afghanistan to rid itself of aid dependence on all countries, including India, by taking advantage of sea and railway routes to enhance its trading routes. Shams argued that "economic development is totally economic, which is to the benefit of both nations and the world. And the political issue is totally political, and we are not bothered at all as technical people … all this is not to politically say to India that we are doing something here, [that] no, this is our territory and we want to be connected, and there is nothing to stop us."[427]

Suhrab Bahman, Economic Advisor and Chief of Staff to the Minister of Economy, acknowledged that the controversy between India and China will have different impact on Afghanistan's integration into the CPEC;[428] as a result, Afghanistan will have a role in the BRI but only in terms of linking Central Asia to the ports in Iran.

Another obstacle is the lack of clarity among Afghan, Chinese and Pakistani policy-makers on the design of the CPEC and how to realize Afghanistan's potential (land connectivity, for instance) within this framework. The design thus far offers marginal impact on the Afghan economy, with merely local micro economies on the border with Pakistan possibly benefiting from the most westward-running corridor.[429] According to Bahman, the Minister of Economy has not yet evaluated or devised initiatives to connect with the CPEC, largely because the design is still in the planning phase.[430] He noted that to facilitate possible connections to the CPEC, there needs to be identification of common opportunities, investments and simultaneous development on both sides of the border.[431] This calls for a detailed development plan for the integration with Afghanistan and Central Asia, he said.[432]

Bahman added that Afghanistan's infrastructure cannot meet the requirements of large projects like the CPEC and large volumes of trade.[433] But investing in additional infrastructure, he said, is unlikely until there is mutual understanding, commitments and investments between Afghanistan, Pakistan and China.[434]

Additionally, the Afghanistan-Pakistan Transit and Trade Agreement (APTTA) has been at a standstill since 2015, with Afghanistan calling for a new agreement with the inclusion of India—a condition not acceptable to Pakistan.[435] APTTA, originally signed in 1965 by both countries to promote trade, was revised in 2010 to allow Afghan trucks to drive inside Pakistan to the Wagah border point and to its port cities. Under this agreement, Afghan trucks emptying goods at the Wagah border point are not allowed to return with Indian goods. According to Atiqullah Nusrat, ACCI CEO, "When Afghan trucks return empty from the Wagah border [point], this doubles the costs for the private sector."[436] In July 2012, Afghanistan and Pakistan agreed to extend the APTTA to Tajikistan in what was the first step for the establishment of a north-south trade corridor that would allow Tajikistan to use Pakistan's Gwadar and Karachi ports for its imports and exports, while Pakistan enjoys trade with Tajikistan under terms similar to the transit agreement with Afghanistan.[437] As a result, Afghanistan called for similar changes to the APTTA to allow for goods to and from India to transit through Pakistan. However, Pakistan refused to make these changes prompting Afghanistan to remove Tajikistan from the agreement and consequently abandoning the APTTA.

So far under the Afghanistan-Pakistan Transit Trade Coordination Authority, the two countries have had six meetings—the last in 2016 to resolve these matters and resume the APTTA. The seventh meeting was scheduled for September 2017 but was cancelled.[438] Due to the lack of resolution over the APTTA, Afghanistan has taken up alternate routes for its trade, such as through Chabahar, and new air corridors with India and now to China. Yet, according to Nusrat, the private sector in Afghanistan is still "mentally" dependent on the Wagah border point and Pakistan.[439] He said that "activating these alternate routes demonstrates our government's ability in regional cooperation and connectivity; however, this is not sufficient."[440]

Lastly, Afghanistan's economic challenges are a result of weak governance, poor support of the private sector, complex economic policies and the volatile security situation, all of which discourage investment and connectivity. These issues cannot be resolved by merely connecting Afghanistan to the CPEC. Afghanistan's tapping of the CPEC economic benefits will depend on its ability to address all the challenges and thus create a conducive environment for investment and connectivity.[441]

The New Silk Road and the Belt and Road Initiative

Former United States Secretary of State Hillary Clinton introduced the New Silk Road Initiative in July 2011 in a speech in India.[442] By reviving the ancient trade routes, the United States aimed to link Afghanistan with Central and South Asia and help the country stand on its own after the withdrawal of its troops. Secretary Clinton embraced it as the economic foundation for the United States' post-2014 strategy in Afghanistan,[443] hoping to tie security with the economy in the region to "turn enemies into friends and aid into trade."[444] It sought to help secure Afghanistan and prevent it from falling into the orbit of the Russian Federation[445] in the aftermath of the 2014 withdrawal of American troops. Other observers believed the move was aimed at uniting South Asia and Central Asia to weaken the economic, and eventually political, monopoly of the Russian Federation on these countries.[446]

The New Silk Road plan, developed by General Dave Petraeus and his team controlling the American presence in Afghanistan at that time, involved around 20 hard and soft infrastructure projects. Several of the hard infrastructure projects would fall into the transport, mining, energy and telecom sectors. Transport projects covered Afghanistan's Ring Road, the Afghan North–South Corridor, the Afghan East–West Corridor, the Kabul–Jalalabad–Peshawar expressway, the Salang Tunnel, the Northern Rail Corridor and commercial aviation. The Aynak copper mine and the Hajigak iron ore mine projects were complemented by energy trade projects between South Asia and Central Asia through Afghanistan, including the TAPI natural gas pipeline, the CASA-1000 electricity line and the Sheberghan gas-fired thermal power facility. The vision also encompassed the fibre optic ring in the telecom sector.[447]

The New Silk Road's budget was cut by General Petraeus's successor, General James Mattis, who argued that the State Department should work on the strategy for the projects.[448] But as author Leif Rosenberger reported, the State Department never wanted the New Silk Road. Whatever the cause, the initiative has yet to launch. According to some sources, the Chinese version of the New Silk Road (the BRI) took off from where the American version flopped.[449] China committed 1.4 trillion US dollars to fund its New Silk Road plan; to finance the commitment, the government created a New Silk Road Bank and an Asian Infrastructure Investment Bank.[450] The Chinese initiative seems to be rigorously under way, unlike its American counterpart, which seems dormant.

There is no overlap between the two initiatives, however. The American initiative focuses on infrastructure building inside Afghanistan, while the Chinese one bypasses Afghanistan by traversing Central Asia (with the Silk Road Economic Belt) and Pakistan (with the CPEC). The two initiatives do complement each other: infrastructure development in Afghanistan of one plan helps to placate the infrastructure deficit try while the other plan paves the way for Afghanistan's connectivity within the region and beyond.

The friction potential between the two initiatives should not be underestimated, considering they are led by rival powers. Recent developments in South Asia by India, Japan and the United States signify that the possibility for friction between these mega initiatives is more than scholarly hypothesis. According to some sources, the United States recently revived two major infrastructure projects in South and South-East Asia to counter the BRI:[451] the New Silk Road initiative to link South Asia and Central Asia and the Indo-Pacific Economic Corridor to link South and South-East Asia.[452] India and Japan, who are strategic allies of the United States, have also undertaken their own initiatives. One example is the Asia-Africa Growth Corridor project to link Asia with Africa[453] and can be a potential rival for the BRI.

The officials and representatives interviewed for this study had mixed views as to whether the American and Chinese initiatives overlap and/or whether the two can facilitate each other. Some of them essentially said the more connectivity, the better, while others expressed critical views. To all of them, however, the Chinese BRI seemed more practical, more viable and thus more beneficial for Afghanistan.

Sultan Ahmad Baheen, former Ambassador of Afghanistan to China, said that Afghanistan had officially endorsed the BRI and "excluded" the New Silk Road since its introduction in Berlin. But in practice, according to him, Afghanistan has also moved towards the Transport Corridor Europe-Caucasus-Asia and the North–South Corridor, which aim to link Central Asia to India through Chabahar, therefore, practically linking Afghanistan to the American initiative. He added that the Afghan government now approves of the American initiative of a modern Silk Road in practice but has not declared that at the policy level. Baheen cautioned that the Afghan government should keep a balance between the two initiatives: "If we look at our past, whenever we have had a balance and managed to keep the sound competition between other powers balanced, we have benefited. But when we have leaned towards one of them, we have not."

Abdul Qadeer Mutfi, the AISS researcher, spoke of support for both initiatives: "The more there are corridors and routes, the more we benefit." In former Deputy Minister of Energy Amanullah Ghalib's view, Afghanistan should create an environment for the economic competition of the United States, China and other countries in Afghanistan. For Afghanistan, he said, connection is important—not the country that offers an initiative. "We want the connection to happen, we want infrastructure to be built … we don't concern ourselves with the source."

Among the critical viewpoints, Saeed Parto, APPRO Director of Research, cautioned that because the initiatives are led by two opposing hegemons, there is definitely "friction potential" between them. He thought it "probably least likely" that the two initiatives could facilitate each other.

Nasir Ahmad Andisha, Deputy Minister for Management and Resources at the Ministry of Foreign Affairs, reiterated the need for cautious assessment and calculation. Instead of "jumping at" such initiatives and "being too excited about them," he said the Afghan government should assess "what is in it for us, keeping in mind our national interest, national prosperity and our values." He suggested that maintaining a balance between the two seems to be the better option. Still, he added, "we need a more vigorous debate among ourselves." He allows that Afghanistan could at least be part of one main corridor of the BRI as an alternative to the corridors that bypass Afghanistan. But he emphasized the need to keep in mind "what we lose by joining the initiatives: What about our place in the world order, our values as a nation, our alliances?"

Conclusion

Afghanistan has reigned as one of the main crossroads of the ancient Silk Road for centuries. Several of its cities, from Kabul and Balkh to Kandahar and Herat, are major transit corridors connecting the Eastern and Western worlds. Although the importance of the Silk Road declined around the 18th century, Afghanistan's terrain has become more accessible than ever before. To revive the country's potential as a critical crossroad—or a land bridge as it frames the ambition nowadays—connecting South Asia to Central Asia and beyond, the Afghan government, with the guidance of its international and regional partners, has reframed its focus on developing a new Silk Road. Central to this vision has been the development of hard and soft infrastructure, such as agricultural, energy, water and mineral resources and railways, roads and highways, in addition to regional customs and border management cooperation measures and bilateral and multilateral economic cooperation agreements.

With this infrastructure, Afghanistan can link its Silk Road vision with the Chinese BRI. This will not only ensure economic benefits for China and the region but also has the potential to contribute greatly to creating a sustainable Afghan economy and enabling it to become a vital hub for trade and transit. However, the immense ambitions, possible geopolitical implications and lack of clarity on the what, why and how of the BRI leaves much room for discernment. In Afghanistan, there is little discussion on the possible negative implications of the BRI, with most observers largely positive.

Global powers, such as the United States, Japan, India and, to a lesser extent, the European Union, have acknowledged the benefits of the BRI but are also concerned about the idea of China leading this initiative and the possible geopolitical implications. Authors Ghiasy and Zhou noted that "as long as it remains difficult to characterize the [BRI] at a conceptual level," scepticism will continue to grow.

Policy-makers should move forward with caution, counselled Nasir Ahmad Andisha, Deputy Minister for Management and Resources at the Ministry of Foreign Affairs: "We must know that [the BRI] is not about Afghanistan … we should understand that this is a Chinese project." The promotion of interconnectivity and regional economic cooperation is the cornerstone of Afghanistan's foreign policy and is characterized as the key to bringing security and stability to the war-torn country. While illustrating enthusiasm to connect Afghanistan to such initiatives that promote its foreign policy, Andisha argued that the government must also be cognizant of the international and reginal interests that buttress them and work to carve out their own national interests within these larger projects and create the right mechanism to protect those interests.

Other experts and policy-makers argue that the BRI needs to be examined from an international strategic perspective, especially looking at the interlocking geopolitical relationships between China, the United States, the Russian Federation and India and the impacts on Afghanistan. Atiqullah Nusrat, ACCI CEO, remarked, "Sometimes the decisions being made on China's relations with Afghanistan are beyond the control and authority of Afghanistan," suggesting that the United States and China negotiate their involvement in Afghanistan independently of the Afghan State. He argued that "while we are entertaining this initiative, it shouldn't always be about the benefits. We should also give deserved attention to the disadvantages."

Saeed Parto, APPRO Director of Research, added that due to the country's minimal infrastructure and capacity to have a key role in the BRI, China remains the dominate decision-maker in how Afghanistan can be drawn into the initiative. But AfRA Director General and CEO Mohammad Yama Shams argued that the Afghan government has set realistic goals for its involvement under the BRI, which have assisted in preventing expectations rising beyond what Afghanistan can offer in practical terms. This, he said, "ensures that China know that this is not for them, that they can't utilize it to whatever they want. This is a very clear message we have given to the authorities there."

Afghanistan is still in an infancy stage for the development of its economy, industries, trade, transit and transport infrastructure. Hence, it must be cautious of big economic giants like China and protect its economy from aggressive external penetration. Suhrab Bahman, Economic Advisor and Chief of Staff to the Minister of Economy, recommended that Afghanistan "link in a way that our market should not remain as it is now—as consumers of another country." Involvement with other nations' initiatives, he said, should happen in a way that strengthens and develops the indicators of the macro economy, like economic growth, economic sustainability, employment and trade balance. "We should be at a positive point, but we are at a negative point right now," he concluded.

Deputy Minister of Industry and Commerce Kamila Sidiqi echoed Bahman's position, stating that most of the country's challenges relate to trade competition among regional countries, for which institutions, such as the World Trade Organization, can assist Afghanistan. She argued that local businesses are unable to compete with markets in the region and require more experience, training and awareness of the World Trade Organization's standards. "Our neighbours benefit from trading with us more than we do," she declared.

"Before 2002, everything was lost. We started everything from 2002. Right now we are a country that is 15 years old. In this 15 years, we have established our institutions, have worked on our legal framework, have worked on capacity building, but we need to improve it," Sidiqi added.

The present economy evolved under the international community's reconstruction efforts that commenced in 2001, after the toppling of the Taliban regime. Since then, institutions, legal frameworks and the strengthening of human resources have brought the country a long way forward. However, as articulated by Bahman, "We may have achieved 5 per cent, but we need to work 95 per cent more" to improve and build upon these frameworks to enable Afghanistan to have a mutually benefical and constructive role in large initiatives like the BRI.

Areas that require immediate attention include the development of Afghanistan's human resources, particularly technical capacities that could be utilized in the development of hard infrastructure, such as railways; investment to facilitate the timely construction of planned railways, roads, dams, economic zones and resource corridors; mitigation of the predominance of corruption and promotion of good governance, with a heavy focus on the subnational level where most projects are implemented; and the building of the capacity of local stakeholders in the bargaining and negotiation of contracts.

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About the Organization for Policy Research and Development Studies

The Organization for Policy Research and Development Studies (DROPS) is an organization based in Afghanistan that is committed to strengthening democratic ideas and values by conducting research that provide policy-makers with sound alternative solutions to national issues.

The organization's objective of strengthening democratic institutions and processes is not only reflected in the aspirations of the Afghan people, but is also rooted in the Afghan Constitution and the commitments made by the Government of the Islamic Republic of Afghanistan towards the Universal Declaration of Human Rights and the Sustainable Development Goals.

As an interdisciplinary and independent research-oriented non-governmental organization, DROPS goal is to facilitate and encourage Afghanistan's transition to democratic governance through (i) policy-relevant research that provides information and makes available resources to decision-makers at the national and subnational levels, particularly the Upper and Lower Houses of the National Assembly; and (ii) increased women's involvement in policy dialogue and research on a diverse range of issues in building democratic governance.

DROPS believes that a strong policy-oriented research institute is vital for advancing and shaping the governance agenda in States undergoing transition from war to peace. By generating public policy research, building women's capacities in conducting evidence-based research and advocating relevant research findings to policy actors, DROPS ensures that well-informed policy decisions are constructed and result in the betterment of both State and society.

About the authors

Mariam Safi is the founding director of DROPS. She was honoured by the Diplomatic Courier media network as one of their Top Global Women in 2014 for her contribution to the research community in Afghanistan. She is a member of the FES Afghanistan Policy Group, a Senior Fellow at the Institute of National Security Studies Sri Lanka, an alumna at the Near East South Asia Center for Strategic Studies and a local peace-building expert for Peace Direct. Ms. Safi has an MA in International Peace Studies from the United Nations-mandated University for Peace in San José (Costa Rica).

Bismellah Alizada is the deputy director of DROPS. He holds a BA in political science from Kabul University. He has been involved in civil society and human rights activism since 2012, when he co-founded the Youth Development Association, a local civil society organization focused on youth and women empowerment through advocacy, training and awareness raising. He is a contributor to such international publications and organizations as *Global Voices, The Diplomat*, the Institute of Peace and Conflict Studies in New Delhi and the online policy platform *South Asian Voices* based in Washington, DC. He has co-translated into Persian the book *China in the 21st Century: What Everyone Needs to Know.*

Imprint

Email: mariamsafi@dropsafghanistan.org
Website: www.dropsafghanistan.org
Kabul, Afghanistan

Responsible:
Mirco Günther | Resident Representative

Phone: +93 (0) 700-280441
Website: www.fes-afghanistan.org
Social media: www.facebook.com/feskabul
Twitter: @FESKabul

To order publication:
info@fes-afghanistan.org

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