Afghanistan Beyond the Fog of Nation Building: Giving Economic Strategy a Chance

S. Frederick Starr

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S. Frederick Starr

Johns Hopkins University-SAIS, 1619 Massachusetts Ave. NW, Washington, D.C. 20036
Institute for Security and Development Policy, V. Finnbodav. 2, Stockholm-Nacka 13130, Sweden
www.silkroadstudies.org

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Paul H. Nitze School of Advanced International Studies
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Tel. +1-202-663-7723; Fax. +1-202-663-7785
E-mail: caci2@jhu.edu

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V. Finnbodavägen 2, SE-13130 Stockholm-Nacka
E-mail: info@silkroadstudies.org

Editorial correspondence should be addressed to Svante E. Cornell, Research and Publications Director, at either of the addresses above (preferably by e-mail.)

"The dogmas of our quiet past are inadequate to the stormy present...we must think anew, and act anew."

-- Abraham Lincoln

Message to Congress, December 1, 1862

The American public's mood regarding Afghanistan is grim and that of most experts darker still. The editors of *Foreign Affairs* summarized a recent lead article as offering insights on how the U.S. can "escape" from Afghanistan, as if a quick Houdini maneuver is the best that can be hoped for.[1] Those advocating such a course want the U.S. to concentrate single-mindedly on training the Afghan National Army and then to withdraw forthwith. To be sure, during last year's policy review, several officials opposed such a purely military approach. President Obama's then National Security Advisor, General James Jones, declared that 'the piece of strategy that has to work in the next year is economic development. If that is not done there are not enough troops in the world to succeed."[2] And Richard Holbrooke bravely proposed "the biggest civilian surge in history."[3] But Jones was fired and Holbrooke is no longer with us.

During the 2010 policy review any alternative to a military solution was summarily dismissed as "nation-building." Marine Commandant General James Conway counseled, "Mr. President, don't subscribe to long-term nation building."[4] Obama agreed, and has repeatedly assured us that he is not doing nation-building.

What does this actually mean? "Nation-building" is a buzzword that conjures up the worst days in Vietnam, a slogan for people who run from it out of fear of being caught at it. Never mind that Afghanistan's nationhood already exists, and does not need to be built. It is worth recalling that even after Afghanistan lost a tenth of its population during the Soviet occupation and civil war, no group ever proposed to secede from the national whole.

Many of those who squirm at the notion of nation-building are quite comfortable speaking about an "economic" strategy for Afghanistan. In 2009 General Stanley McChrystal and Ambassador Karl Eikenberry called for a "civilian-military campaign." Later, Holbrooke's office generated an Afghanistan-Pakistan strategy emphasizing "economic" development. But what is the economic strategy of which they speak with such confidence?

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[1] Robert D. Blackwell, "Plan B in Afghanistan," *Foreign Affairs*, January-February, 2011, Table of Contents, n.p.

[2] Bob Woodward, *Obama's Wars*, New York 2010, pp. 139 ff.

[3] Woodward, p. 258.

[4] Woodward, p. 258.

In September, 2009, an interagency group came up with a document entitled "U.S. Economic Growth Strategy for Afghanistan: FY 2009–2011." Its call for "job creation; the provision of basic services; the construction of infrastructure, and the development of fiscal sustainability," etc., made good sense. Taken as a whole, though, this "Economic Growth Strategy fell far short of the need. It consisted of a registry of individually worthy projects without prioritization, offered up on the basis of goals that were assumed but not stated and certainly not evaluated on the basis of their coherence and urgency. Thus, the the "U.S. Economic Growth Strategy" was really no strategy at all. Nor was any other prepared prior to Obama's crucial policy review. Thus, the "new" strategy that proclaimed the politically comforting but otherwise problematic "departure" date of July, 2011, was based narrowly on military considerations, with next to no consideration given to real economic strategy and the ways it might reinforce the military and advance the overall goals. "Economic strategy," too, has to now been just another slogan.

Why has it been so difficult for us to see the world clearly and to respond strategically to the facts before us? This may be due in part to the Administration's very negative assessment of the U.S. "economic" programs in Afghanistan to date. Back in March 2009, Secretary of State Hillary Clinton declared that it was "heartbreaking" to see that billions of dollars in U.S. assistance to Afghanistan had been wasted.[5] She went on to pronounce that "We are scrubbing every single civilian program."

This is a rather sweeping judgment on what had been Afghanistan's largest international assistance program, claiming fully 31% of the U.S.' expenditure in that country since 2002. The U.S. economic and social programs, sometimes working alone but often in coordination with other donors, have registered some real successes. Nearly every public health indicator for the population has improved, including infant and maternal mortality. 90% of Afghan children under five have been vaccinated and 670 clinics opened. Hundreds of schools have been built and equipped with new textbooks in Dari and Pushtun. By the time Clinton made her pronouncement, more Afghan girls were enrolled in school than at any time in the country's history. Other pro-

[5] Glenn Kessler, "Clinton Calls Years of Afghan Aid 'Heartbreaking' in Their Futility," *Washington Post*, March 31, 2009.

jects in areas as varied as banking reform, small business development, financial services, land titling, business parks, credit support, and the reconstruction of markets have brought genuine economic gain.[6]

To be sure, there have been some dubious initiatives, like a cricket program in Jalalabad or financing for the Kabul Marriott, and some bizarre ones, like support for a Coca-Cola factory in Kabul or the effort to equip every Afghan child with a computer. And no one can deny that there has been corruption aplenty.

Secretary Clinton wanted to correct these faults. Fair enough. But what she conspicuously failed to ask at the same time is whether such a hodge-podge of programs constitutes a strategy. They do not. In fact, the U.S. has no strategy for economic and social assistance to the new Afghanistan. USAID's former head in Kabul, William Frej, admitted as much, noting that while his agency had built many schools and clinics, it "*lacked an overarching strategy*."[7] Many other U.S. officials and most of our international partners, including the Afghans themselves, concur.

And so the question that was shoved under the carpet during the Obama policy review last year is still before us. Are there activities in the "economic" sphere that can substantially advance the U.S.' and NATO's overall goals in Afghanistan, now and for the longer term, and, if so, what are they? To answer this we must disburden ourselves of slogans and speak clearly of the goals that such a strategy must serve.

Five such measures head the list. First, an effective economic program for Afghanistan must bring *tangible and substantial benefits* to large numbers of ordinary Afghans throughout the country. Second, it must be capable of being advanced *simultaneously with the military effort* and in a way that enhances the "kinetic" (i.e. military) campaign. Any program that must wait until the military effort has succeeded would be useless. Third, it must provide the government of Afghanistan with a *sustainable income stream*, so that U.S. taxpayers will not forever have to pay the salaries of Afghan civil servants.

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[6] Office of the Special Inspector General For Afghan Reconstruction, "Audit of 2007–2009," 27 October 2010.

[7] Matthew Green, "US Rethinks its Afghan Aid Strategy," *The Financial Times*, October 14, 2009.

Fourth, a viable economic program must dovetail not only with the efforts of the Afghan government but also with those of its key regional neighbors across what might be called "Greater Central Asia."[8] Lest there be doubts on this point, recall that both Presidents Bush (in 2002) and Obama (in 2010) affirmed that any workable solution to the Afghan problem must be *regional* in scope. And, finally, while they may represent what Obama calls America's "long term [i.e. post-2014] commitment" to Afghanistan and the region, *such measures must begin to bear fruit quickly*.

These are the goals that any workable economic strategy for Afghanistan must serve. They are also essential for closing the gap that now exists between economic and military strategy. What, then, is the specific content of economic strategies that have been put forward to date, and does that content serve these ends?

Over the past two years civilian members of the Obama team have advanced two possible "economic" strategies. The first, championed by the late Richard Holbrooke, would focus on agriculture. This makes sense, given that more Afghans are engaged in agriculture than in any other activity. Also, such a focus might wean Afghan farmers away from raising opium poppies. Swayed by such arguments, USAID over the past two years shifted more of its resources to the support of agriculture.

The second, often mentioned by Secretary of State Clinton and members of her staff, would focus instead on the exploitation of Afghanistan's resource wealth. Recent estimates placing the value of Afghanistan's untapped reserves of metals, gas, and hydroelectric energy at a trillion dollars make this possibility attractive indeed.

Various State Department officers, sometimes working at cross purposes with each other, have advanced each of these possibilities. Unfortunately, both of them, while highly desirable in some general sense, are flawed at the strategic level. To upgrade Afghan agriculture takes more time than is available, is difficult to do in wartime, and provides no income for the government. Exploiting mineral wealth breeds governmentalization and corruption,

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[8] See S. Frederick Starr, *In Defense of Greater Central Asia*, Policy Paper, Central Asia-Caucasus Institute & Silk Road Studies Program, September 2008, originally published in *Politique Entrangere*, Vol. 73, no.3, 2008.

and also takes time. And who will do the exploiting? China, ever ready to eat America's lunch, shouldered its way past American and other bidders to claim the right to develop Afghanistan's $3.5 billion copper deposits at Aynak. Are American taxpayers prepared to do the dirty work for programs that will benefit mainly the Chinese?

More to the point, neither the development of agriculture nor the exploitation of natural wealth is possible without the prior development of *transport,* both within Afghanistan and between Afghanistan and the broader world. Farm produce is worthless until it reaches markets where it is can claim a higher price. Nor can value be derived from minerals, gas, or hydroelectric power until they are delivered to paying customers, whether by truck, railroad, pipelines, or electric transmission lines. Thus, both of these approaches—and many others that might advance both Afghan and Coalition goals—depend on transport. Without transport, none of these can rise above the level of well-intentioned pipe-dreams.

Given this, it is no wonder that the 2010 policy review ignored "economic" strategy. No economic strategy was considered because none existed and administration strategists had failed to call for one prior to the review.

This brings us once more to the question of whether there are activities in the "economic" sphere that can substantially advance the U.S.' and NATO's overall goals in Afghanistan.

Fortunately, there are. The U.S. must concentrate its "economic" energies on opening transport corridors within Afghanistan and between Afghanistan, its neighbors, and the broader world. Transport and trade in goods manufactured locally and abroad, resources, and energy are the essential foundation of any successful economic policy for Afghanistan and the region.[9] Systematically implemented, a strategy focusing on key corridors of transit and trade will meet all five criteria enumerated above. Afghan farmers, tradesmen, and manufacturers will benefit from access to better markets. And vastly expanded regional and continental trade will bring the Afghan government (and neighboring governments as well) a steady inflow of money from tar-

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[9] For a country-by-country analysis of this approach see S. Frederick Starr, ed., *The New Silk Roads*, Central Asia-Caucasus Institute/Silk Road Studies Program, Washington/Stockholm, 2007 (available in pdf).

iffs and taxes. Furthermore, the gains from improved transport begin immediately, with the upgrading of each road or the improved processing of papers at any border crossing.

But can local and continent-wide transport and trade revive while a war is going on at the center of this transport network, Afghanistan? The simple answer is that it is already happening. Thanks to reopened trade, Afghanistan's GDP since the fall of the Taliban has advanced each year at a double-digit pace, with the 2009 figures (the most recent available) being a high 22.5%. This is a stunning gain, even considering the dismally low starting point.[10] More than anything else, the transport of goods from farms and factories to better markets is the key to Afghanistan's wartime economic surge. Once the country benefits from the tariffs and taxes on continental trade that crosses its territory a true money machine will be in place. Provided some of these revenues devolve back to the provinces, it creates powerful incentives for peace.

But does not this mean large expenditures on infrastructure? Yes, but America has already had partners in this effort, including India, Japan, Saudi Arabia and China, and will have many more once it makes the *strategic* commitment to the project that it has withheld to now. Moreover, many fast gains can be made without building new roads and bridges. The hardy local truckers who work the highways of Afghanistan and its neighbors insist that the greatest impediment to their work is neither bad roads nor the threat of attack by the Taliban but the endless delays and shakedowns at border crossings.[11] Yes, the truckers sometimes pay off the Taliban and other local rent-seekers who man the road-blocks. But even in wartime they get through and make money in the process. Thus, a prompt focus on speeding border processing will bring quick and substantial dividends.

Why is transport so important to the present and future development of Afghanistan and the region of which it is the heart? The World Bank, in an important but neglected 2010 study, provides a concise and authoritative expla-

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[10] CIA World Fact Book for 2009, https://www.cia.gov/library/publications/the-world-factbook/geos/af.html

[11] Discussions by the author with truckers at the Afghanistan International Chamber of Commerce, 2005; reports from meetings with staff at the Asian Development Bank in Manila, 2010. and with American freight forwarders working in Afghanistan, 2010.

nation: *Afghanistan's single greatest comparative advantage is its geostrategic location.*[12] Positioned astride the great east-west trade routes of the Eurasian landmass, Afghanistan is the inevitable hub and pivot of continental trade extending across it from all directions: India, Southeast Asia, Europe, Russia, the Middle East, and China. Besides being a potential producer of agricultural products and manufactured goods, Afghanistan is an energy surplus country perched next to energy deficit countries. In the arcane language of international economics, the World Bank concludes that for Afghanistan, "proximity can generate huge cross border externalities…." [13]

To claim, as this paper does, that improved transport can trigger the economic and social transformation of Afghanistan and neighboring states, may seem a stretch. After all, is Afghanistan not a remote backwater rather than a central hub, the "end of the road" and not a key corridor? This is how the West has viewed the country for centuries. Soviet rule cut off its access to the north and west with the longest and most tightly closed border in the world. Then the India-Pakistan conflict closed Afghanistan's access to the east and the rise of Khomeini's Iran closed the door to the Middle East.

It was not always thus. Over two millennia Afghanistan was the place where trade routes to India, China, the Middle East and Europe all converged. This is why Marco Polo crossed the country en route to China, and why Arab travelers like Ibn Battuta crossed it on their way to India. Such trade along the misnamed "Silk Road" (in fact, every conceivable product was transported over it) produced immense wealth. Balkh, near Mazar-e-Sharif, was once among the largest and richest cities on earth. Medieval Arabs, who knew something about urban life, called it "the Mother of Cities." Bagram, where the major U.S. base is situated, once maintained lucrative ties simultaneously with ancient Greece and India, enabling it to flourish in opulent splendor.[14]

All this occurred with nothing more than camels for transport. Imagine, then, what might be possible when camels are replaced by eighteen wheelers,

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[12] "Afghanistan: Will Regional Cooperation Accelerate Peace and Development?" The World Bank, July 2010, pp. 1–2.
[13] Ibid.
[14] On the trade-based prosperity of this era and its positive impact on culture see S. Frederick Starr, "Rediscovering Central Asia," *The Wilson Quarterly*, Summer 2009.

railroads, modern pipelines, and hydroelectric lines? This prospect has already engaged the attention of every country along the continental routes that cross Afghanistan. With or without American support, they are all moving fast to claim the benefits which they consider their historical birthright.

For example, Uzbekistan, with financing from the Asian Development Bank, is extending its rail system to Mazar-e-Sharif and is already sending electricity to light Kabul. Neighboring Tajikistan, with help from China and Iran, has opened a road across the lofty Pamirs from China to the new American-built bridge to Afghanistan and also intends to lay a rail line from its capital of Dushanbe to the Afghan border. Pakistan and China are rebuilding the main north-south road across Pakistan that provides Afghanistan with a key link, through the Khyber Pass, both to China and the Arabian Sea. At its southern terminus at Gwadar they've already built a new port that will provide the most efficient sea link between Central Asia, Afghanistan and the burgeoning economies of southeast Asia. China also hopes to enhance Afghanistan's access to the East with a railroad through the Khyber Pass that will then connect to east-west lines across Pakistan. Iran, meanwhile, is extending its railroad and highway systems to Herat, the key city of western Afghanistan. Teheran is also constructing a new port at Chabahar rivaling Gwadar. India has helped build a road to connect Chabahar to Afghanistan's Ring Road. Afghanistan's neighbor to the northwest, gas-rich Turkmenistan, has meanwhile built a new port on the Caspian Sea at the city of Turkmenbashi that will transmit cargoes from Afghanistan and the East to Azerbaijan and then the Black Sea and Europe. And on December 10, 2010, Turkmenistan signed an agreement with Afghanistan, Pakistan, and India to construct a gas pipeline to deliver Turkmen gas across Afghanistan to India's energy-starved northwest, as well as to Pakistan.

Such initiatives have given rise to unlikely but revealing partnerships. China, Iran, and the U.S. found themselves collaborating (albeit at a distance) on transport from the Afghan border northward. India and Pakistan may fight over Kashmir but are glad to join together in the project to bring Turkmen gas across Afghanistan. Trade across the India-Pakistani border has also mushroomed to $15–20 billion a year, with manufacturers in India dreaming of the gains to come from being able to ship appliances and other goods to the West across Afghanistan. Pakistani businessmen are eyeing the prospects of exporting their own and European goods by rail to Southeast Asia.

Every one of these initiatives, and many more not enumerated here, are indebted to one transforming event: the U.S. Operation Enduring Freedom. By toppling the Taliban regime in 2001–2, the U.S. accomplished what the collapse of the U.S.S.R. failed to do, namely, to open the old southern border of the Soviet Union to transport and trade via Afghanistan to Pakistan, India, and beyond. The subsequent establishment of a trade-friendly government in Kabul completed the process, opening further potential corridors through Uzbekistan, Turkmenistan, and Iran to the Middle East, Turkey, and Europe. The impact of these epochal developments is bound to be felt in every part of Eurasia, from the Atlantic to the Pacific, but it will be centered on Afghanistan itself.

The reopening all these age-old transit routes across Afghanistan is the single greatest achievement of U.S. foreign policy in the new millennium. It was unintended, unrecognized, and, by most Americans, unacknowledged, even though they paid for it with the lives of loved ones and with hard-earned tax money. Nonetheless, this development offers the most promising solution to the U.S.' present strategic dilemma and the key to possible success in Afghanistan and the region.

American actions after 9/11 unleashed fundamental economic and social forces within Afghanistan that positively affect all its neighbors and the region as a whole. These energies are not directed from any one point. Instead, they are being channeled and shaped by vast market forces embracing all Eurasia, from Hamburg to Hanoi. A number of organizations and groups, both governmental and independent, seek to coordinate separate parts of this great opening, but the sheer scale of the emerging network of transport and trade prevents any one of them from exercising more than limited control. In a world of centralized, uniform, and top-down government-based management, this mighty process is decentralized, pluralistic, and market-driven.

Because these processes are rooted in the self-interest of governments, business communities, and whole societies in each of the many countries involved, they will continue to unfold with or without the United States' support or involvement. But because of the unique position of the U.S. *vis-à-vis* Afghanistan, and also the extent and depth of its relations with most of the other countries involved, decisions and actions in Washington will decisively influence the *pace* at which the process takes place, and also the *character* of the vast commercial network that is coming into being. For the time being, the U.S. possesses immense potential leverage over what is arguably the most transformative development taking place on the Eurasian land mass today.

Whatever its larger geopolitical significance, the reopening of continental transport and trade to, from, and across Afghanistan is the single most important determinant of the future of Afghanistan itself. When a team of World Bank analysts posed the critical question of whether regional cooperation in transport will accelerate peace they answered in the affirmative.[15] Borders regulated according to normal international practice mean better security. Moreover, the World Bank found, "Increased trade and regional cooperation will improve governance and reduce corruption."[16] Greater interaction with the broader world through trade will also open the windows of the closed and claustrophobic world in which the Taliban has been able to thrive. Members of Afghanistan's rising generation will find new possibilities in the fresh contacts, interactions, and influences from every direction that trade will open to them. Transport-borne trade will generate wealth both in the cities and countryside, and will eclipse drug trafficking as the main channel for Afghanistan's international commercial transactions. It will get Afghan farm produce to lucrative markets that are now beyond reach, and will carry resources and energy to consumers who are prepared to pay premium prices for them.

All this weaves into the logic of a U.S. embrace of transport and trade as the cornerstone of its strategy both for Afghanistan and for the broader region, including Pakistan and Central Asia. This is not a scheme devised by GS-12 bureaucrats in Foggy Bottom for some generic distant land. It is the logic of Afghanistan itself and has been validated by the experience of 3,000 years.

[15] "Afghanistan: Will Regional Cooperation Accelerate Peace and Development?" pp. 34–35.
[16] Ibid., p. 6.

No wonder it is vigorously supported by the most capable elements within the Afghan government and by millions of ordinary Afghans who agree on little else. And because such a strategy benefits all and is against no one, it will also bear positively on U.S. relations also with India, China, Russia, and even Iran. It is a winning logic.

But such a strategy will never see the light of day unless and until leaders in Washington deliberately embrace it, assign it the highest level of priority, and elaborate it in specific and tactical and operational measures. Only in this way can the United States disengage militarily from Afghanistan and lay the foundations for constructive longer-term relations with Kabul and its neighboring capitals.

At this point, the exhausted reader may well ask, "Well, if continental transport and trade across Afghanistan is so unstoppable a force, if it is going to prevail with or without us, why not let the Afghans and their neighbors do it on their own? What does it matter if America takes no role in shaping the pace or direction of this process if it eventually brings stability and prosperity to Afghanistan and the region? Given the pressing financial demands that face the new Congress, is this not the only responsible course?

In weighing this possibility, four considerations should be borne in mind. First, the failure by the U.S. to embrace a "Silk Road Strategy" for Afghanistan and adjacent countries will be a blow to Washington's credibility in Kabul and other regional capitals. This prospect of becoming strategically irrelevant is no trivial matter, given that Afghanistan and Central Asia are the only region on the planet surrounded by four, or possibly five, nuclear powers (Pakistan, India, China, Russia and, possibly, Iran). It means that in some future crisis Afghanistan, Central Asia, and Pakistan, too, will respond first not to Washington but to other voices, by no means all of which wish America well.

Second, if Washington takes a pass on a transport and trade-based strategy, it will have failed to seize and build upon its comparative advantage throughout the broader region. It will proclaim to anyone listening that the greatest commercial power in history now pursues its ends solely through military means. No less important, the U.S. will also have passed up an opportunity to engage NATO partners and other powers in a project to which even their most pacifist parliaments cannot object. In other words, if the U.S. fails to embrace and lead a transport- and trade-based strategy, NATO, too, will pay the price.

Third, a pass on transport will effectively deal the U.S. private sector out of what is bound to be a major opportunities as the new channels of transport and commerce come into play. Business leaders in China, India, Japan, and Iran, with strong encouragement and help from their governments, are already actively lining up transport-related projects that will cross Afghanistan and the region. As the new corridors open, opportunities in fields as diverse as insurance, freight forwarding, hotels, mining, hydroelectric production, agriculture, and manufacturing will open up. If the U.S. government fails to lead with a trade-based strategy for Afghanistan and the region, American businesses will be left to watch the ensuing game from the sidelines.

Some in Washington have no problem with this because Afghanistan and Central Asia are so distant from North America. But physical distance from the proposed transit corridors actually gives America a further comparative advantage. Alone among the continental powers, it can welcome the emergence of the network as a whole, and not just that one part that affects its territory. This lends legitimacy to its role as a facilitator, coordinator, and arbiter. This will translate into commercial prospects that America can ill-afford to ignore, especially at a time of economic crisis.

Finally, if the U.S. fails to open its eyes to a trade-based economic strategy, or rejects it as nation-building, it will have squandered its enormous investment in the form of American blood and treasure, and at a moment when a positive outcome is still within reach. This would be all the more regrettable in light of the fact that the United States has already been the biggest single investor in the new transport systems that will reconnect Afghanistan with the world.

Few policy makers in Washington appreciate the scale of America's existing commitment to transport and trade to, from, and across Afghanistan. Over the half decade after 2002 road construction consumed $1.43 billion, or 24% of the U.S. aid budget for the country. By 2008–9 the proportion had fallen to 6%, less than for "democracy and governance" and "elections." Nonetheless, by then USAID had built 1,700 km of paved highways and 1,100 of gravel roads. Add to this America's investments in air transport, the construction of electric power lines and support for governmental reforms to facilitate trade and you have an impressive commitment.

Even without an economic strategy, the U.S. has spent much diplomatic capital to promote transport and trade. Last July Afghanistan and Pakistan signed an important pact facilitating cross-border trade and transit. Decades in the making, this agreement is a lasting monument to Richard Holbrooke, who labored tirelessly to bring it into being. Estimates accepted by both countries place the eventual benefit to the economies of Afghanistan and Pakistan at $5 billion. In short, transport and trade are already America's game, whether or not Washington chooses to acknowledge and build on it.

Especially against the background of this great commitment, the difference between "a bunch of projects" and a strategic effort is stunning and depressing. Frej, USAID's former Kabul director, noted in 2009 that his agency had tripled funding to farmers for irrigation, seeds and tools. "But it does not appear," he wryly observed, "that we accompanied these efforts with a carefully planned strategy to facilitate the transport of these goods to markets which give them value."[17] The need today is for the U.S. to rise above this "bunch of projects" approach to transport and elevate it to the level of a coherent strategy.

Some may object that the cost of building so many roads, railroads, pipelines, and power lines is prohibitive. It is true that the use of U.S. and Turkish construction firms to build arterial roads drove average costs to as much as $548,000 per kilometer. This can be reduced by two thirds if USAID would instead engaged low-tech contractors from nearby Uzbekistan or Kazakhstan, or Tajikistan. Also, as noted above, the U.S. will not be the sole investor. Japan, India, Saudi Arabia, China, the Asian Development Bank, the World Bank, and the Islamic Development Bank have already made major investments in regional transport. American leadership will bring more help from these quarters, from our NATO partners, and from other donors who will step forward when they discern Washington's commitment.

[17] Green, "US rethinks its Afghan aid strategy,'" *The Financial Times*, October 14, 2009.

Also affecting costs is the fact that the quickest gains will flow not from the construction of new roads and bridges but from improvements in logistics, the reduction of tariffs in neighboring countries, and the removal of bureaucratic impediments, especially at border crossings. U.S. leadership in these and related areas is urgently needed. The challenge is not to write big checks to construction companies but skillfully to deploy America's diplomatic, legislative, and business skills, and above all, its unique convening power. Finally, if the cost of a transport-based strategy for Afghanistan and the region still seems high, recall that while it costs $1 million a year to deploy a single American soldier in Afghanistan, the annual cost of all non-military aid at its peak was a mere $93 per Afghan.[18]

Among the many reasons for adopting a "Silk Road Strategy" for Afghanistan and its neighbors, none is more important than the fact that it is what the Afghan and neighboring governments themselves are clamoring for. President Hamid Karzai has repeatedly put forward a transport-based strategy as critical for success on the military side. But Washington has turned a deaf ear. Thomas Barfield, in an essay tellingly entitled "The Roots of Failure in Afghanistan," observed that over the years the U.S. (and also American NGOs) has treated the government in Kabul "less as a partner than as a nuisance."[19] Frustrated by Hamid Karzai and by the perception that he is inextricably mired in corruption, Washington has disbursed fully 75% of non-military aid outside his government.

However, there is more to the Afghan government than its president. Talented ministers of finance beginning with economist Ashraf Ghani introduced and maintained a stable currency under the most daunting conditions. Sham Bathija, President Karzai's top economic advisor, would be a good candidate to head any multinational firm if he were not so committed to his job. At the Fourth Regional Economic Cooperation Conference on Afghanistan (RECCA) in November,

[18] "Quick Impact, Quick Collapse: The Dangers of Militarized Aid in Afghanistan," January 27, 2010, www.reliefweb.int/rw/RWFiles2010.nsf/FilesByRWDocUnidFilename/RMOI-8244U9-full_report.pdf/$File/full_report.pdf
[19] Thomas Barfield, "The Roots of Failure in Afghanistan," *Current History*, vol. 107, issue 713, December 2008, p. 413.

2010, Bathija was an outspoken champion of the Kabul government's "Silk Road Initiative."

Dr., Zalmai Rassoul, the Minister of Foreign Affairs, is also a strong supporter of this strategy. In his keynote speech at an International Investment Conference on Afghanistan held in Dubai in November, 2010, Rassoul underscored the depth of his government's commitment to a transport-based strategy for building security and prosperity. Without it, he argued, military gains will be unsustainable and progress in agriculture and mining impossible (*pace* Holbrooke and Clinton). With justified pride he noted that only 1,800 km of the 4,800 km of national highway system remain to be built. The Afghan government's National Rural Access Program has constructed or repaired over 50% of provincial roads and is completing 17,000 km of graded but unpaved rural roads.

With assistance from the Asian Development Bank in Manila, the government of Afghanistan in 2006 developed a Road Sector Master Plan, which has since been adopted by all major donors, including the U.S. Another master plan developed in Kabul addresses the complex but critically important issue of railroads. Afghan rulers in the early twentieth century watched with trepidation as new railroad lines approached the country from Iran, India, and Russia. Fearing a threat to their sovereignty, they slammed the brakes on all three projects, a strategic folly that is only now being redressed. The task is not easy, since all three systems employ different gauges and standards. But the Master Plan (supplemented by other studies done elsewhere) addresses these problems and sets forth practical steps for closing the last remaining gap in rail connectivity between Southeast Asia, the Indian subcontinent, and the West.

Afghanistan will be at the heart of this network of roads and railroads, and also of the TAPI pipeline from Turkmenistan to Pakistan and India and the power transmission lines from Tajikistan and Kyrgyzstan to northern Pakistan. Recognizing this, the Afghan government has liberalized its trade regime and rationalized tariffs, reducing duties to under 10%. Afghanistan was long at the bottom of the heap internationally with respect to modern and efficient customs. Recently, though, it has lifted itself to 104th out of 155 countries and is expected to rise much further. This has already led to a huge growth in trucking since 2008, even though prices remain comparatively high and logistics at the borders are still primitive. Active collaboration with the ADB's Central Asia Regional Economic Cooperation program (CAREC), the World Bank, World Customs Union, and the International Road Transit Union will produce quick progress on these issues.

This process reminds us how central will be the role of the major national donors and of the international financial institutions in the successful implementation of a regional strategy based on transport and trade. Like Americans, they were all slow to grasp the implications of the U.S. destruction of the Taliban regime and the opening of Afghanistan's borders to international commerce. The first UN-sponsored donor conference on reconstruction assistance to Afghanistan was convened in Tokyo in 2002. While calling for actions to strengthen the economy and rebuild capacity, its central concern was with stabilization and humanitarian assistance, as well with affirming the human rights that had been so abused under Taliban rule. Transport issues were barely noted.

By the time the same group convened in London in 2006 the focus had shifted from stabilization to security and governance, the rule of law, and generalized economic reconstruction, for which 51 countries and all the major financial institutions pledged 10.5 billion dollars. By now transport began to lose its status as a marginal issue. This exercise was organized according to the provisions of the Afghanistan Compact, a successor document to the Bonn Agreement of 2002 that was developed jointly by the Afghan Government and the United Nations.[20] This in turn was informed by a National Development Strategy that the Afghan government had worked out in the course of extensive consultations with ADB, the World Bank, and both U.S. and NATO officials. This document brought transport and trade further to the fore. The final Compact enumerated a laudable "wish list" that included the transport strategy but provided no mechanism for monitoring progress. One of the few measurable goals to emerge from the London meeting was to

[20] "The Afghanistan Compact. Building on Success," http://www.nato.int/isaf/docu/epub/pdf/afghanistan_compact.pdf

improve border management so as to reduce the transit time for shipments traversing Afghanistan.[21]

By the ninth UN donor conference, held in Kabul in July 2010, the limitations of the UN's process had become clear to all. Only a fraction of the money pledged in previous conferences had ever been delivered. Both the Afghan Minister of Finance, Omar Zakhilwal, and his predecessor, Ashraf Ghani, complained that of the $40 billion spent since 2002 less than a third went to development of any sort. Moreover, of that sum, only half went to projects that were in line with Kabul's own National Development Strategy that the international community had fulsomely endorsed in 2008, and few of these could be measured or evaluated according to the Afghan government's benchmarks.[22]

At the Kabul meeting President Karzai expressed his frustration with the well-intentioned yet scattershot nature of economic development assistance efforts, saying that "Despite some noteworthy achievements, we have learned together that delivering our resources through hundreds of isolated projects will not generate the desired results... It is time to concentrate our efforts on a limited number of national programs and projects... and create mechanisms of mutual accountability between the state and our international partners." [23] In other words, donors had to be cured of their *projectitis*. The situation urgently demanded a true strategy.

Speaking for his government, Karzai then proceeded to lay out the vision of Afghanistan "reemerging as the 'Asian Roundabout,' a central point of interconnection of goods, ideas, services and people in the fast expanding Asian economy."[24] Here, at last, was a clear and operational statement of a transport-based economic strategy that embodied Afghanistan's own priorities.

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[21] "The Afghanistan Compact. Building on Success. The London Conference on Afghanistan," http://www.nato.int/isaf/docu/epub/pdf/afghanistan_compact.pdf

[22] "Afghanistan, the Need for International Resolve," International Crisis Group, 6 February 2008, at http://www.crsis group.org/en/regions/asia/soluth-asia/Afghan istan/1454afghanistan-the-need-for-international-resolve.aspx

[23] Hamid Karzai speech at Kabul Conference, July 20, 2010, http://www.president.gov.af/Contents/72/Documents/2030/Statement%20by%20President%20Karzai%20at%20International%20Kabul%20Conference%20-%20English.pdf

[24] Ibid.

Even before the Kabul meeting the Afghan government had begun to institutionalize this transport-based strategy of development under the moniker of the aforementioned "Silk Road Initiative." To implement this conception of Afghanistan as a regional "roundabout" or "transport hub," the Ministry of Foreign Affairs established a Center for Regional Cooperation. On the eve of the 2010 Kabul Conference it convened representatives of the various regional organizations relevant to Afghan economic development. At the fourth Regional Economic Cooperation Conference on Afghanistan (RECCA) held in Istanbul on December 3, the Afghan delegation again led with its Silk Road Initiative. In his keynote address at a related forum held at the same time at Bosporus University in Istanbul, the Afghan Foreign Minister, Zalmai Rassoul, described regional economic cooperation in transport and other areas as "an important pillar of our foreign policy and an integral part of our National Development Strategy."[25] Making the same point in terms of Afghan-U.S. relations, President Karzai affirmed in the *Washington Post* that "Serious and effective regional cooperation backed by our allies is the best guarantee for success." [26]

How, then, has the U.S. responded to Afghanistan's call for an economic strategy that was regional in scope and focused on transport and trade? Even before the Afghans had announced their Silk Road Initiative publicly, key American military figures had come to the same conclusion on the need for a transport-based economic strategy. General David Petraeus, while still head of Centcom, had solidly endorsed it and championed the concept in meetings with colleagues in Washington. Admiral James Stavridis, former head of the U.S. Southern Command, whom Obama had named to NATO's top command post, solidly endorsed the concept after a presentation at the Pentagon's Federation Forum in July, 2010, as did Lieutenant General David M. Rodriguez, head of ISAF forces in Afghanistan. [27] Also in 2010, the U.S. Chamber of Commerce came on board, organizing a conference on the proposal for American firms and investors. And on November 17–18, 2010, the

[25] "Statement by H.E. Zalmai Rassoul ...at the Nineteenth Session of the ECO Council of Ministers," Istanbul, December 2, 2011, "http://www.mfa.gov.af/detail.asp?Lang=e&Cat=1&ContID=1160

[26] Hamid Karzai, "Afghanistan Ap[reciates Its Partnership with the United States," *Washington Post*, May 9, 2010.

[27] S. Frederick Starr and Andrew C. Kutchins, July 9, 2010.

Pentagon's European Command (Eucom) held an important meeting on the Modern Silk Road Strategy at Sonthofen, Germany.

At this conference Admiral Stavridis, now head of the U.S. European Command, again affirmed the view that "we will not deliver security in Afghanistan solely from the barrel of a gun," and endorsed the Modern Silk Road strategy for being comprehensive in scope and "a combination of international, interagency and private/public [initiatives]...We in the military are there to support [the Afghans] as we execute this comprehensive approach. That's what we're trying to accomplish with this Silk Road concept."[28] The fact that two thirds of the attendees at this conference were civilians or businessmen reflected the growing interest in the Silk Road concept as a potentially lucrative commercial prospect. However, if the U.S. fails to provide timely strategic leadership, firms from our NATO allies and other countries will be more likely to benefit from this than U.S. firms.

American military and business leaders have good reason to respond so positively to the strategy embodied in the strategy known variously as the "Silk Road Initiative" or the "Modern Silk Road." Over the years since 2002 the need to provision forces in Afghanistan had involved them directly in the logistics of region- and continent-wide transport to Afghanistan. By opening and maintaining supply routes from Pakistan on the east, Uzbekistan and Kyrgyzstan on the north, and the Caucasus on the west, they had long been practicing what the Afghans and international development institutions were now preaching. This culminated in the Northern Distribution Network (NDN) set up in 2009, a bold new transport corridor stretching from the Baltic via Latvia, Russia, Kazakhstan and Uzbekistan to Afghan territory.[29] American firms are among many to have benefited from this initiative.

Does NDN have a future beyond the current U.S. military "surge"? Probably not, but it could be reconfigured to become a channel for private commerce, a component of the web of transport corridors that will connect to and through Afghanistan. The Afghans have long since embraced this concept, as have

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[28] Admiral Stavridis' statement can be viewed at http://shape.smugmug.com/Other/Modern-Silk-Road-Brief/145074nSgHs#1077240216 DLxnD

[29] See the paper on this program, Andrew C. Kutchins and Thomas M. Sanderson, "The Northern Distrib- ution Network and the Modern Silk Road," Center for Strategic and Internal Studies, Washington, January 2010.

Kazakhstan and Uzbekistan. But lacking an economic strategy based on transport, the U.S. has dithered in its response.

Over several years Washington officials presented a picture of disunity and even disagreement as they sought to come to grips with the question of an economic strategy for Afghanistan and its neighbors. At a series of meetings held throughout the autumn of 2010 representatives of the State Department were, to say the least, reserved about a strategy based on the opening of transport corridors, presumably out of concern that it might be taken as an alternative to the development of agriculture or the exploitation of mineral resources rather than the essential and unavoidable measure for achieving them.

To some extent, less exalted concerns also hampered the American response. Within some quarters in the State Department questions were raised concerning the appropriateness of the Pentagon's championing of a non-military strategy and one involving the private sector, i.e., what they considered to be the State Department's proper and exclusive sphere. At times, this threatened to become a classic Washington turf war. Yet at the same time, cooler heads in Foggy Bottom were considering the proposal on its merits, seeing in it a unique means of accomplishing what is normally all but impossible within the U.S. government, namely, the integration of security and economic policy.

Even if Defense and State begin to speak in one voice, the results will be nothing more than better coordinated policies between these two agencies. But what about Transportation, Energy, Treasury, or the Export -Import Bank, to name but four of the many other agencies involved in Afghanistan? Until the opening of continental corridors of transport becomes a priority for the government as a whole, it is not strategy.

As the Silk Road concept advances within the corridors of Washington policy-making it comes up against what has been, to now at least, an intractable impediment. Both Presidents Bush and Obama acknowledged that any true solution to the Rubic's Cube that is Afghanistan will have to be regional in scope, involving not only Afghanistan but also Pakistan, all Central Asia, India, and Iran, not to mention countries further distant. Yet the designation of just two countries—Afghanistan and Pakistan—as the main locus of

American strategy denies the broader approach that is essential to long-term success. It is understandable that the "Afpak" bureau under Richard Holbrooke should have taken military concerns as its main focus, but this flies in the face of the integrated military and economic approach that is so urgently called for.[30]

There is no denying the fact that Washington is coming to acknowledge the need for a true economic strategy, and one that is closely knit with the military strategy. But progress on this front has been slow, and lags perilously behind the realities on the ground in Afghanistan. The danger is that further delays engendered by the intricate interagency process will cause the best means of reversing the situation to slip through America's fingers. Missing from this picture is decisive strategic leadership at the top levels in Washington. For various reasons the National Security Council has stood entirely aloof from most of the discussions of this crucial issue. Partly for this reason, the White House has yet to weigh in on the question of an "economic" strategy to reinforce and build upon the military program, let alone to embrace an actual strategy. Intoning dire warnings against "nation building," administration officials have yet to take up the essential tools with which to forge a sustainable future for Afghanistan between now and 2014, and thereafter. If at some future point Afghanistan, Pakistan, or some other country in the region is again reduced to harboring future terrorists America will have only itself to blame.

How can this outcome be averted? At least four actions are urgently called for:

1. President Obama must set aside the tired mantra against "nation building" and ask instead whether America's legacy in Afghanistan and the surrounding region will be defined by the endless resort to military force or include a coherent and integrated strategy of economic

[30] For two studies that analyze the regional dimension of Afghanistan strategy see S. Frederick Starr, "A Regional Approach to Afghanistan and its Neighbors," in Ashley J. Tellis, Mercy Kuo, and Andrew Marble, eds., Strategic Asia 2008-09: Challenges and Choices, Seattle: National Bureau of Asian Research, 2008. [online at http://www.silkroadstudies.org/new/docs/publications/2007/0810Starr-AfghCA.pdf]; and Asley J. Tellis, et al, "Is a Regional Strategy Viable for Afghanistan?" Carnegie Endowment for International Peace, May 2010.

and social advancement as well. If the latter, he should initiate the same kind of review for economic strategy as he did for military strategy a year ago, and to place the question of a transport- and trade strategy at the center of that study.

2. Following this course, the President should also announce that America's goal is to work closely with the governments of Afghanistan and its neighbors to reopen the great corridors of transport and trade that brought sustained prosperity, stability, and cultural interaction to them all in the past. He must assure doubters that the military effort, important in its own right, is a means to that end, and not an end in itself.
3. President Obama should also explain to Congress and the American people that they are not being asked for a blank check to fund infrastructure but to use America's power, leadership, and convening power to remove impediments to a network of trade that will replace desperation with opportunity, save American lives, and open prospects for American entrepreneurs.
4. Finally, U.S. officials must work with Afghan leaders, regional states, NATO allies and other principal donors, and the international financial institutions to set up and play the lead role in a Coordinating Council on Continental Transport and Trade. Such a body should take a truly regional approach, building on the work of the Afpak unit and other agencies but going far beyond them. Without pretending to control the process, the CCCTT would employ America's convening power to focus international attention and support on the opening of a few key road, railroad, and energy corridors. It would also become the central point for engaging America's private sector in the many profitable and job-creating enterprises that will arise as the new Silk Roads come into being.

At the present moment the temporal window for launching such a strategy remains open. But as the months wear on it will begin to close. To paraphrase Henry Ford's aphorism about money, "Leadership is like an arm or a leg: use it or lose it.

Appendix: Recent Publications of the Central Asia-Caucasus Institute & Silk Road Studies Program Joint Center on Transport and Trade in Greater Central Asia

Clarke,Michael, "China's Integration of Xinjiang with Central Asia: Securing a "Silk Road" to Great Power Status," *China and Eurasia Forum Quarterly*, Vol. 6 no. 2, 2008, [http://chinaeurasia.org/images/stories/isdp-cefq/CEFQ200805/cixcassrgps20050589-111.pdf]

Ibraimov, Sadykzhan "China-Central Asia Trade Relations: Economic and Social Patterns," *China and Eurasia Forum Quarterly*, vol. 7 no. 1, 2009, [http://chinaeurasia.org/images/stories/isdp-cefq/CEFQ200902/ccatr20090247-59.pdf]

Kaw, Mushtaq A., "Restoring India's Silk Route Links with South and Central Asia across Kashmir: Challenges and Opportunities," *China and Eurasia Forum Quarterly*, vol. 7 no. 2, 2009. [http://chinaeurasia.org/images/stories/isdp-cefq/CEFQ200905/risrlscakc020090559-74.pdf]

Kuchins, Andrew, and S. Frederick Starr, "The Key to Success in Afghanistan", Central AsiaCaucasus Institute & Silk Road Studies Policy Paper, 2010. [http://www.silkroadstudies.org/new/docs/silkroadpapers/1005Afghan.pdf]

Sachdeva, Gulshan, "Regional Economic Linkages", in Nirmala Joshi, ed., Reconnecting India and Central Asia: Emerging Security and Economic Dimensions, Central Asia-Caucasus Institute & Silk Road Studies Monograph, 2010, 115-171. [http://www.silkroadstudies.org/new/docs/publications/1004Joshi-VII-Linkages.pdf]

Starr, S. Frederick, ed., The New Silk Roads: Transport and Trade in Greater Central Asia, 2007. [http://www.silkroadstudies.org/new/inside/publications/GCA.html]

______ "In Defense of Greater Central Asia," Central Asia-Caucasus Institute & Silk Road Studies Policy Paper, 2008. [http://www.silkroadstudies.org/new/docs/Silkroadpapers/0809GCA.pdf]

______ "A Regional Approach to Afghanistan and its Neighbors," in Ashley J. Tellis, Mercy Kuo, and Andrew Marble, eds., Strategic Asia 2008-09: Challenges and Choices, Seattle: National Bureau of Asian Research, 2008. [http://www.nbr.org/publications/strategic_asia/pdf/Preview/SA08/SA08_CAsia_preview.pdf]

______ "Rediscovering Central Asia," Wilson Quarterly, Summer 2009. [http://www.wilsonquarterly.com/article.cfm?aid=1441]