The Key to Success in Afghanistan

A Modern Silk Road Strategy

S. Frederick Starr
Andrew C. Kuchins

With
Stephen Benson, Elie Krakowski, Johannes Linn, and Thomas Sanderson

SILK ROAD PAPER
May 2010

Central Asia- Caucasus Institute
Silk Road Studies Program

The Key to Success in Afghanistan

A Modern Silk Road Strategy

S. Frederick Starr and Andrew C. Kuchins
with
Stephen Benson, Elie Krakowski, Johannes Linn, Thomas Sanderson

Published by the Central Asia-Caucasus Institute & Silk Road Studies Program
In Cooperation with the Center for Strategic & International Studies

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

"The Key to Success in Afghanistan" is a *Silk Road Paper* published by the Central Asia-Caucasus Institute and the Silk Road Studies Program. The *Silk Road Papers Series* is the Occasional Paper series of the Joint Center, and addresses topical and timely subjects. The Joint Center is a transatlantic independent and non-profit research and policy center. It has offices in Washington and Stockholm and is affiliated with the Paul H. Nitze School of Advanced International Studies of Johns Hopkins University and the Stockholm-based Institute for Security and Development Policy. It is the first institution of its kind in Europe and North America, and is firmly established as a leading research and policy center, serving a large and diverse community of analysts, scholars, policy-watchers, business leaders, and journalists. The Joint Center is at the forefront of research on issues of conflict, security, and development in the region. Through its applied research, publications, research cooperation, public lectures, and seminars, it functions as a focal point for academic, policy, and public discussion regarding the region.

ISBN: 978-91-85937-83-7

Printed in Singapore

Cover Photos: Ministry of Foreign Affairs, Afghanistan; Ministry of External Affairs, India; the official website of the Prime Minister of India.

Distributed in North America by:

The Central Asia-Caucasus Institute
Paul H. Nitze School of Advanced International Studies
1619 Massachusetts Ave. NW, Washington, D.C. 20036
Tel. +1-202-663-7723; Fax. +1-202-663-7785
E-mail: caci2@jhu.edu

Distributed in Europe by:

The Silk Road Studies Program
Institute for Security and Development Policy
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.)

"...Once we are on our feet with our own economy, with our mineral resources, with our businesses, with Afghanistan becoming a hub for transportation in Central Asia and South and West Asia..., Afghanistan will remain a strong and good and economically viable partner with the United States and our other allies."

--President Hamid Karzai

"Sound strategy demands the use of all the instruments of power. This vision for Afghanistan and the region makes a compelling case that transport and trade can help restore the central role of Afghanistan in Central Asia. By once again becoming a transport hub, Afghanistan can regain economic vitality and thrive as it did in the days of the Silk Road."

-- General David H. Petraeus

Contents

Executive Summary

One of the most promising ways forward for the U.S. and NATO in Afghanistan is to focus on removing the impediments to continental transport and trade across Afghanistan's territory. Many existing international initiatives from the Mediterranean to the Indian sub-continent and Southeast Asia are already bringing parts of this network into being. Absent is the overall prioritization, coordination, and risk management that will enable Afghanistan to emerge as a natural hub and transit point for roads, railroads, pipelines, and electric lines. America and its coalition partners can provide these missing ingredients.

Opening the great channels of transport and trade will improve the lives of average Afghans, reinforce the military effort, and create a sustained income stream for the Afghan government. It will begin reaping these benefits within 18 to 24 months.

This strategy acknowledges the reality that the Afghan struggle is regional in scope, affecting the rest of Central Asia, Pakistan, India, China, Iran, etc., and must be resolved on a regional basis. Such a strategy benefits all and is directed against no one.

Priority projects include the completion of the Afghan Ring Road and Kabul-Herat highway and linking them to continental trunk routes, especially to the Pakistani port at Gwadar; completing trans-Afghan rail lines linking Europe and Asia; constructing the TAPI pipeline; and completing electrical transmission lines linking Central Asia, Afghanistan, northern Pakistan, and India.

Particularly urgent is the prompt removal of existing "corks" preventing the quick transit of goods, especially bureaucratic impediments at Afghanistan's borders and at key borders further afield. This requires prompt governmental action. But the larger task will involve, and be attractive to, the private sector. A transport-based strategy will open promising opportunities to businesses in Afghanistan, neighboring countries, and in the NATO countries, including the U.S.

The Government of Afghanistan affirmed in 2007 its commitment to a transport-based national strategy. Most of the prioritized initiatives listed above are already underway by the U.S., regional states, international financial institutions, or private investors. Others require immediate U.S. leadership and coordination, especially in the area of risk management.

To implement this strategy the U.S. must treat it as a matter of the highest priority, equal to and complementary with, the military strategy. In keeping with this, the U.S. must designate a high-level official to lead a major interagency task force that will work closely with military and civilian leaders in the U.S., Afghanistan, among coalition partners, and in regional states. Such an initiative must use all tools at the disposal of the U.S. government to engage the private sector.

Overview

American strategy in Afghanistan is at a crossroads. Expanded forces are implementing promising new approaches on the battlefield. But these have yet to be matched by economic measures. The U.S.'s stated goals—to destroy Al Qaeda and cripple the Taliban—do not engage most Afghans and people in countries neighboring Afghanistan, or even our own NATO allies. Notwithstanding many worthy projects, a robust non-military strategy has been lacking, and especially one that engages more deeply a broader regional set of actors. Only such a strategy will engage the local populace in Afghanistan and the region.

The U.S.'s current approach to economic renewal rests on four pillars: 1) job creation; 2) the provision of basic services; 3) the construction of infrastructure; and 4) the development of fiscal sustainability. Of these, job creation has been the main thrust to date, but it has yet to bear significant fruit. We accept these goals but propose to organize them around a more focused yet comprehensive strategy, one that embraces the expansion of transport and trade as the main engine of economic advancement.

To achieve success, an economic strategy for Afghanistan must meet these four criteria:

> **First**, it must directly and manifestly improve the lives of Afghans, Pakistanis, and people in those Central Asian states that are key to this region-wide project. As this happens, internal and external stakeholders will buy into the effort. Only through these means can one expect a decline in the resort to violent solutions. Only in this way will the need for a large and costly U.S. military presence begin to lessen in the immediate future, e.g., in next 18–24 months.
>
> **Second**, it must be possible to pursue the economic strategy *simultaneously* with the military strategy, and in *such a way that the two are mutually reinforcing*.

Third, it must leave the Afghan government with an income stream. Today the U.S. is paying the salaries of all Afghan soldiers and civil servants. This cannot go on forever.

Fourth, an economic strategy must work fast, showing substantial results within the next 18-24 months. An early focus on removing administrative and procedural blockages to trade will produce quick results. Overall, economic progress will create the conditions that will enable the U.S. to shift its main emphasis from military power to economic and social betterment.

The only approach that meets these criteria is one that focuses on reestablishing Afghanistan's traditional role as a *hub of transport* and trade linking Europe and the Middle East with the Indian sub-continent and all South and Southeast Asia. This transport-based strategy builds on Afghanistan's central location at the conjunction of age-old continental transport corridors. It seeks to remove existing impediments to long-distance road and railroad transport and to the transmission of hydrocarbon and hydroelectric energy within Afghanistan and across Afghanistan. By so doing, it will reconnect Afghanistan with both East and West, opening to its citizens to local, regional, continental, and global markets. This will also enable Afghans to participate in the huge, Eurasia-wide transport sector, and will provide the government with a steady source of funds from tariffs and taxes. This paper sets forth the elements of such a Modern Silk Road (MSR) strategy.

As detailed in Section I, below, many countries, international financial institutions, and private sector enterprises are already spending billions to construct Modern Silk Roads running from Hamburg to Hanoi, Mumbai to Morocco. But this enormous effort is blocked at key borders and especially within Afghanistan. Until these impediments are removed, Afghanistan will remain the "cork in the bottle," a barrier to continental transport via roads, railroads, oil and gas pipelines, and electrical transmission lines rather than its most important hub. This is the legacy of Afghanistan's recent history. First the tightly sealed Soviet borders, then civil war and Taliban rule in Afghanistan, and then unrest along the border between Afghanistan and Pakistan, stifled all prospects for continental transport and trade. The resulting isolation from the world of commerce condemned Afghanistan and its neighbors to backwardness and opened their people to extremist solutions.

The U.S.-led Operation Enduring Freedom radically changed this situation by reopening Afghanistan's northern border to long-distance trade for the first time since 1936, and by creating similar potential on Afghanistan's eastern border with Pakistan. This action, entirely unintended and largely unnoticed in America or elsewhere, is one of the most transformative developments on the Eurasian landmass in the past century. Today, the best, and possibly only, way for America to consolidate and expand its military gains in Afghanistan is to build on this achievement. America, as a disinterested party, is better positioned than any power in the region to promote this transformation, which will benefit all. This document shows how this can be done, in partnership with the Government of Afghanistan, other countries, international financial institutions, and the private sector.

Some argue that transport cannot improve until stability is established. However, they confuse cause and effect. If only a few trucks traverse a road bandits can easily interdict them. If hundreds of trucks do so, some vehicles may still be hit, but most will press on through. Soon locals will be providing the truckers with food, gas, storage, and repair services, as well as goods for shipment. As this happens, the local population gains an interest in keeping the road open.

But can this really happen quickly? Section II of this report details the argument for a transformative transport-based strategy. It demonstrates the huge potential scale and viability of continental land-transport across Afghanistan. It also points out that many of the key elements are already in place, merely waiting for the removal of bureaucratic impediments at the borders. Among the strongest arguments for a MSR strategy is that it is driven by inexorable market forces that are already poised to move.

Afghanistan cannot reap the financial rewards of being a transport pivot without improvements further afield, particularly the expansion of trade across the Pakistan-Indian border. Section II also demonstrates that such cross-border trade already exists in embryo and needs only to be allowed to expand. Since this would open both economies to vast new markets, it should be possible to remove this bottleneck, even as the two countries contend with each other over other issues. This section also notes that India and Pakistan are already collaborating on the TAPI pipeline project, which should become a key element of a MSR strategy. Uncorking the transport blockages will also facilitate Sino-Indian trade, as well as Pakistan's trade in every direction.

Why has the U.S. not seized this immense opportunity before now? Many have embraced the MSR concept but feared that it would be too expensive. Sections II and III of this report indicate that the main needs for road transit are leadership and diplomatic skill to sort out border impediments, not infrastructure. Completing the Ring Road and especially the highway between Kabul and Herat will come at a modest cost compared to what has already been spent. And while pipelines, railroads, and electrical transmission require larger infrastructure investments, there will be no shortage of international investors if the U.S. steps up to provide the needed strategic leadership.

So numerous are current projects to reclaim Afghanistan's role as the transportation pivot of Eurasia that priorities among them must be established. Section III of this report does just this, specifying those few initiatives that can become the main drivers of stability, security, and economic development within Afghanistan and the region. This section identifies key highway corridors, a trans-Afghan pipeline for oil and gas, a prime route for railroads, and main paths for high-voltage electrical transmission lines. It is important to note that concrete work has already begun in most of these areas.

Another reason for which an MSR strategy has not been implemented before now is that no single agency of the U.S. government has been responsible for what is inevitably a multi-agency process and none has been willing to proceed in the absence of the others. Section IV of this report addresses this important issue. It proposes that MSR will require an executive decision by the President and an inter-agency task force reporting directly to the President. Section IV also suggests steps for coordinating U.S. initiatives in this area with those of the Government of Afghanistan, as well as other entities.

The MSR Strategy proposed herein is not, and cannot be, a purely American initiative. Indeed, the Government of Afghanistan has long since embraced and championed every one of the key strategic projects identified below. And scores of international agencies and foreign governments are already developing the necessary approaches to Afghanistan. But without American leadership, the “Afghan knot” will never be tied. Thus, it is proposed that the U.S. become Afghanistan’s partner in this endeavor, not its leader and guide.

What is the cost of *not* embracing a MSR strategy? First, gains in the security area will prove short-lived; second, it will tell Afghans that U.S. interests are too self-centered to accommodate their own goal of economic betterment; third, it will fan the growing conviction in the region that the U.S.’s overall presence there will end soon; and, finally, it will undercut the willingness of NATO partners to join American-led missions in the future.

The biggest surge in Afghanistan will fail if it is not intimately linked with an economic program, and one that motivates Kabul to improve governance. The Government of Afghanistan strongly supports continental trade and the country of Afghanistan is ideally positioned to play the pivotal role in such commerce. By releasing the engine of continental trade, the U.S. and its partners in Kabul will also release a powerful force for better governance, and one that Afghans themselves can support, since they will directly benefit from it.

The good news is that prompt action can yield results. Once an MSR strategy is in place, the U.S. will have unleashed a force that generated wealth across Eurasia, and especially in Afghanistan and its neighbors, over several millennia. It is time to act.

I: Transport Initiatives to Date

The re-establishment of Afghanistan as a transport hub linking Asia, the Middle East, Europe, and South Asia is not a herculean task waiting to be designed and launched from scratch. Many international financial institutions and nations have already been building and refurbishing the roads, pipelines, airports, railroads, and seaports that connect these regions with one another. Much has been done and is being done, but unresolved impediments, especially at the "Afghan hub," prevent this network from coming into its own as a fully-functioning system.

No country, international agency or financial institution is better positioned than the United States to lead the removal of existing impediments to continental transport and trade in Afghanistan and the adjoining region. Timely strategic leadership by the U.S. will overcome procedural and administrative impediments at borders, help the Afghan government benefit from low tariffs systematically collected, and train Afghans in the skills necessary to play a role in the continental commerce that is already beginning to revive. In this manner the United States can show Afghans, their neighbors, and the private sector that its actions are informed by a *positive* vision and that the military campaign is not an end in itself but a necessary and temporary measure to unleash Eurasian trade. Afghans are well-aware of their country's long history as a hub of continental commerce. Their government has long since embraced the renewal of trade as a national priority. Both are ready to embrace an American-led effort designed to unleash this engine of development.

It bears repeating that when the U.S. brought down the Taliban government it opened to the new Afghan government the chance to reclaim its heritage as a prosperous center of long-distance trade. This was the great, unanticipated and, until now, largely unacknowledged and unheralded achievement of "Operation Enduring Freedom." Overland commerce between China and

Europe is about to flower as railroads and highways are opened across the Caucasus and Central Asia. But such development has yet to occur between Europe and the Indian sub-continent and Southeast Asia. Trucks and trains cannot travel from Almaty or Tashkent to Islamabad, let alone New Delhi. Afghanistan remains the cork in the bottle.

U.S. and NATO policy have failed to seize this potential. Some senior U.S. government officials have even expressed the view that transport initiatives going beyond those needed to support the immediate aims of the war should be left to Pakistan, India, or other states that will benefit from the trade. But is it not ironic that it is precisely the U.S.-led "Northern Distribution Network" (NDN) that is so powerfully making the case for the renewal of continental trade? Surely, the U.S. should build on the model it has created.[1]

Accomplishment

A remarkable quantity and variety of transport infrastructure has in fact been planned, initiated, or completed across Afghanistan and the region of which it is the heart. Some US$22 billion is being spent in Central Asia alone. These projects arise from initiatives by individual nations, multilateral and financial institutions, and the private sector. Most of these investments have been directed towards highways and roads, but railroads, aviation, and the transport of energy have not been neglected. Projects like the new railroad between Turkey and Georgia or the new rail line across northern India may seem remote from Afghanistan but Afghanistan is in fact the essential hub uniting them.

Who is Investing?

The Asian Development Bank (ADB) and the World Bank are the most significant international financial institutions involved in trade and transport development. Between 2004 and 2009 the ADB approved US$3.488 billion for

---

[1] For more information on the Northern Distribution Network, see Andrew C. Kuchins, Thomas M. Sanderson, and David A. Gordon, *The Northern Distribution Network and the Modern Silk Road: Planning for Afghanistan's Future* (Washington DC: Center for Strategic and International Studies, December 2009).

transport projects in Central and West Asia.[2] The World Bank invested US$5.329 billion in transport projects across the same set of countries over the same period.[3]

The European Bank for Reconstruction and Development is involved in a very wide range of transport initiatives across Eurasia. This includes air, maritime, railroad, and "general" projects in Azerbaijan, Central Asia, and Mongolia. Between 2000 and 2007 the EBRD combined forces with the Central Asia Regional Economic Cooperation (CAREC) program to rehabilitate the Almaty to Bishkek road (417 km) at a cost of 25 million Euros. In addition to the road rehabilitation, this EBRD/CAREC effort augmented "border control policies and procedures, provided upgrades cross-border facilities, improv[ed] coordination and management of road safety, and introduced an efficient road maintenance system."[4] The Islamic Development Bank has also funded several transportation projects in the region and remains open to further investment.[5]

---

[2] "Central and West Asia" includes: Afghanistan, Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan, Turkmenistan, Uzbekistan, and "regional project," Asian Development Bank, November 2009. Available at http://www.unescap.org/ttdw/common/TIS/CorridorStudy/EGM_Bishkek/13-ADB.pdf

[3] The data on World Bank efforts is derived from the World Bank's online project database. It includes all projects in the listed countries approved between 2004 and 2009 that were assigned "transportation" as a "major sector(s)." Many World Bank projects are multi-sector - meaning they include a transportation component in addition to other areas such as public administration, agriculture, etc. In order to ascertain the transportation costs of multi-sector projects, each project's total cost was divided by the percentage of funding allocated to the transportation sector. For example, Project P077454, Community Agriculture & Watershed Project in Tajikistan, costs a total of US$16.75 million. Eight percent of this cost is allocated to the transportation sector (roads and highways). The total share of transportation for this project is therefore valued at US$1.34 million. This list excludes projects whose status is listed as "dropped" or "pipeline."

[4] See the CAREC Institute Report, "CAREC Institute Foundation Study: Transport and Trade Facilitation," CAREC Institute, June 2009. Available at http://www.carec institute.org/uploads/docs/Foundation-Studies/Foundation-Study-Transport-and-Trade-Facilitation.pdf

[5] The Islamic Development Bank (IDB) with the Iranian government agreed to provide US$10.0 million to rehabilitate a 50 km portion of the ring road west of Herat. IDB support was cancelled after the Iranian construction company was accused of spying. The Bank however is still committed to supporting the projects if and when it is rebid.

The United States, China, India, Iran, Russia, South Korea and European nations have all contributed substantial sums to improve the region's transport sector. In many cases these investments have been guided by national interests. The United States has allocated the lion's share of its assistance to Afghanistan in order to bolster popular support for its counterinsurgency campaign; China has spent considerable sums improving the connections between Central Asia and its western frontier; while India constructed a highway connecting Afghanistan with the southern coast of Iran.

Roads

Highway projects fall into three different categories: the Afghan Ring Road and other roads within Afghanistan; roads connecting the Ring Road to key border crossings; and regional corridors that link these border crossings with Europe, the Middle East, China, and Russia.

Between 2002 and 2009 the U.S., through USAID, spent US$1.8 billion to redevelop 635 km of the Ring Road and 2700 km of other roads linking primary and secondary markets.[6] Other contributors to Afghanistan's road network include Iran (which spent a total of US$220 million on Afghan roads);[7] India, Japan, and Saudi Arabia, among others. The U.S. also built the large bridge connecting Afghanistan and Tajikistan.

The Indian-funded Zaranj-Delaram highway in Afghanistan is a good example of a project integrating internal road networks with neighboring countries. This 218 km-long highway between the border town of Zaranj and the Afghan Ring-Road at Delaram provides a corridor connecting western Afghanistan to the Iranian port of Chabahar, being built on the Gulf of Oman with Russian and Indian assistance.[8] This road reduces transport time from 12-14 hours to two hours and has led to a ten-fold increase in freight, with corresponding increases in state revenue from duties collected at Zaranj.[9]

---

[6] "USAID Afghanistan Infrastructure FAQs," U.S. Agency for International Development (USAID). Available online at http://afghanistan.usaid.gov/en/Program.25f.aspx

[7] "Iran Aid to Afghanistan at US$280 mn," Press TV, March 09, 2010. Available at http://www.presstv.ir/detail.aspx?id=120440&sectionid=351020101

[8] Ibid, p. 17.

[9] Ibid, p. 18.

China has been exceptionally active in the region, building roads connecting Xinjiang to Kyrgyzstan and Tajikistan, and then with Afghanistan, as well as the Karakoram highway that links to the Arabian Sea, the Khyber Pass and, potentially, India.[10] China has also built a road in Tajikistan connecting Xinjiang with Afghanistan via the American-built bridge over the Panj River. Within Afghanistan itself, a Chinese firm, the China Railway Shistiju Group Corp., is defying insecurity by building a US$50 million, 33-mile roadway in Wardak province.[11]

The World Bank's multibillion dollar South-West Roads Project, meanwhile "will help upgrade the trade route linking China to Russia and Western Europe though Kazakhstan."[12] This project ties in with continental corridors identified by CAREC.[13]

Railroads

Infrastructure and Equipment. Extensive rail infrastructures approach Afghanistan from the West, Northwest, North, and East and many of these lines are being expanded or improved. China has assumed a major role in this effort in both Turkmenistan and Pakistan,[14] China's long term intent is to connect the Pakistani port of Gwadar on the Arabian Sea with its own rail sys-

---

[10] This project was estimated to cost US$15 million. Sebastien Peyrouse, *Economic Aspects of the Chinese-Central Asia Rapprochment*, Central Asia-Caucasus Institute & Silk Road Studies Program, September 2007, p. 40. Available at http://www.isdp.eu/images/stories/isdp-main-pdf/2007_peyrouse_economic-aspects-of-the-chinese-central-asia-rapprochement.pdf

[11] It is worth noting that the U.S. Army's 87th Infantry Regiment is providing security for this effort. See article by Michael M. Phillips, *Wall Street Journal,* June 20, 2009. Available at http://online.wsj.com/article/SB124545705106832957.html

[12] See the World Bank Kazakhstan South-West Road Projects Overview. Available at http://www.worldbank.org.kz/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/KAZAKHSTANEXTN/0,,contentMDK:22160087~pagePK:1497618~piPK:217854~theSitePK:361869,00.html

[13] This includes CAREC Corridor 1B, connecting Russia, Kazakhstan, and China; and Corridor 6B, connecting Russia, Kazakhstan, Uzbekistan, Afghanistan, and Iran.

[14] Sebastien Peyrouse, *Economic Aspects of the Chinese-Central Asia Rapprochement,* Silk Road Paper, Central Asia-Caucasus Institute & Silk Road Studies Program, September 2007, p. 38. Available at http://www.isdp.eu/images/stories/isdp-main-pdf/2007_peyrouse_economic-aspects-of-the-chinese-central-asia-rapprochement.pdf

tem in western China.[15] Eventually, this line will also greatly strengthen Afghanistan's access to the South and East. Kazakhstan, Turkmenistan and Uzbekistan have all made large and often heavily subsidized purchases of diesel locomotives and other rail equipment from China.[16] China is also building a railroad within Afghanistan to export minerals via Pakistan as part of its US$3 billion investment in Afghanistan's Aynak copper mine.[17]

Iran, the Asian Development Bank, and Japan have also helped develop the region's railways. The Iranian government is currently constructing a railway between Khawaf and the city of Herat in western Afghanistan.[18] More recently, Iranian officials have discussed a rail connection between Iran and Tajikistan via Afghanistan.[19] The ADB is funding a US$165 million rail project connecting Mazar-e-Sharif along the Afghanistan ring road to the railhead at Termez on the Uzbek border.[20] Japan, meanwhile, is collaborating with India to construct a modern rail line across northern India that should eventually run all the way to Europe. Notwithstanding all this activity, there is as yet no agreed-upon route for the missing trans-Afghan railroad lines, without which much of the desired trans-continental shipping will remain impossible.

Aviation

Connecting Afghanistan with the larger world by air has proceeded slowly, and in a competitive environment in which most of Afghanistan's neighbors are striving to become the main stopover for East-West flights. Japan, how-

---

[15] Syed Fazi-e-Haider, "China-Pakistan rail link on the horizon," *Asia Time,* February 24, 2007. Available at http://www.atimes.com/atimes/South_Asia/IB24Df02.html
[16] Ibid.
[17] See article by Michael M. Phillips, "U.S. and China Work Together to Rebuild Afghanistan," *Wall Street Journal,* June 20, 2009. Available at http://online.wsj.com/article/SB124545705106832957.html
[18] Abbas Maleki, "Iran," in S. Frederick Starr, ed., *The New Silk Roads: Transport and Trade in Greater Central Asia*, Washington: Central Asia-Caucasus Institute & Silk Road Studies Program, 2007, p. 189. Available at http://www.silkroadstudies.org/new/docs/publications/GCA/GCAPUB-06.pdf
[19] 'Iran Plans Rail Line with Tajikistan through Afghanistan,' *Bakhtar News*, February 22, 2009. Available at http://www.afghanembassyjp.com/en/news/?an=1625
[20] See Asian Development Bank Projects, "Hairatan to Mazar-e-Sharif Railway Project : Afghani., Is Rep. of." Available at http://pid.adb.org/pid/LoanView.htm?projNo=42533&seqNo=02&typeCd=2&projType=GRNT

ever, has reconstructed the terminal at Kabul airport and a new private Afghan-owned airline is already flying into Frankfurt. Direct flights from Kabul to major air hubs are essential, as is the development of a reliable and Afghan-owned airline for internal travel. In Afghanistan and around the region there are many opportunities to implement relatively routine enhancements to commercial aviation operations that would result in more safe, secure and controlled airspace and ground operations. This would allow Central Asian countries along the MSR to assert rights and collect rents commonly associated with destination and en route flight operations in the developed world.

Building Institutions for Transport and Trade

Recognizing that inadequate infrastructure is not the only barrier to expanded commerce in the region, and arguably not even the main one, many donors have undertaken projects to address institutional impediments to efficient transportation. One example is the EU's initiative Transport Corridor Europe-Caucasus-Asia (TRACECA), designed "to facilitate trade and transport of perishable goods in the [Central Asia] region through improving and harmonizing the legal basis, technical standards, licensing and certification systems in the field of perishable goods road transport at both regional and national level."[21] To date, this long-term and otherwise worthy EU initiative does not extend to or through Afghanistan.

Most donors have emphasized big-ticket infrastructure projects over institutional capacity-building projects in the transport sphere. For example, of the US$5.329 billion in transport projects funded by the World Bank in Central and West Asia between 2004 and 2009, less than one percent went towards issues affecting the administration of transport or the collection of duties.[22]

[21] This program bears directly on an issue the authors learned of during a visit to Uzbekistan in 2009. U.S. Embassy staff indicated that one of the problems with increasing Uzbekistan's role in providing food items to U.S. forces in Afghanistan was the absence of the required "cold chain" delivery capability for Uzbekistani-sourced eggs to U.S. food service contractors. See Transport Corridor Europe-Caucasus-Asia (TRACECA). Available at http://www.traceca-org.org/default.php?l=en

[22] Same analysis as footnote 2.

Conclusion

This brief review of transport initiatives across Eurasia reveals meaningful, yet largely uncoordinated efforts by a range of important players. One can point to new highways and rail lines and to some cross-border cooperation on trade, but these positive steps have yet to release the vast potential of long-distance trade that nearly all analyses lead one to expect. The reasons are not hard to find. First, Afghanistan still remains the "cork in the bottle" that curtails or prevents trade along the major corridors leading to it. Secondary blockages exist elsewhere, notably to Afghanistan's East. To now, there has been no effective force pushing the relevant sponsors and parties to focus on the opening of even one or two major international corridors. Absent coordination, these projects too often fail to meet their potential.

Summarizing the many initiatives to renew continent-wide transport and trade across the Eurasian heartland, it is fair to say that the overall effort has been enormous but that, for now, the whole remains less than the sum of the parts. The reason for this is that key blockages and impediments remain. Most of these are either within or around Afghanistan or along the borders of its neighboring states. Absent a focused effort to remove these barriers, the enormous leverage which completed corridors or routes could bring will remain untapped. The U.S. cannot resolve these matters alone, but no country is better positioned to identify key blockages and organize the effort necessary to remove them.

II. Argument for a Highly Visible and Transformative Transport-based Strategy

If the U.S. and coalition forces are successful in bringing greater security to Afghanistan, these gains will be short-lived if the United States does not develop the kind of regional economic strategy described here. Meeting in Islamabad in 2009, twenty-four countries, including both Pakistan and Afghanistan, and eighteen international organizations, recognized "that trans-regional development cooperation has the potential to alleviate poverty and improve the socio-economic conditions of the people of Afghanistan and the region." As this declaration implied, a successful strategy must go beyond "AfPak" and should make the longer-term economic viability of Afghanistan as high a priority as enhancing its near-term security.

The bottom line is simple. According to the Agency Coordinating Body for Afghan Relief, "International assistance constitutes around 90 percent of all public expenditures in Afghanistan."[23] For the stabilization of Afghanistan to endure, the country must develop its licit economy. While much of the current debate has focused on how to protect the civilian population, professionalize the Afghan National Security Forces, and create a legitimate and effective Afghan government, these efforts will ultimately fail without a steady and sustainable revenue stream.

The Afghans themselves understand that their future prosperity is tied to Afghanistan's central role in a reconstituted Eurasian trading network that we call the Modern Silk Road. Indeed, this is one topic on which all leading figures in Afghanistan's otherwise deeply fractured polity agree. This view was highlighted most recently in the Afghan National Development Strategy of 2008:

---

[23] Matt Waldman, "Falling Short: Aid Effectiveness in Afghanistan," Agency Coordinating Body for Afghan Relief, March 2008. Available at http://www.acbar.org/ACBAR%20Publications/ACBAR%20Effectiveness%20(25%20Mar20%2008).pdf

> Afghanistan is a country with significant potential for economic development. It...is well positioned to become a trade and business hub linking the markets of Central Asia, the Middle East, South Asia, and China. The potential exists for sustainable economic growth in the future...Afghanistan's commercial connections to regional and global economies were severely disrupted and must be redeveloped. The development of a competitive private sector will depend on establishing access to foreign markets and developing viable export patterns.[24]

It is not hyperbole to assert that the potential for transcontinental trade linking East Asia, South and Southeast Asia, Europe, and the Middle East is staggering. According to the ADB, trade flows between South Asia and East Asia and the EU trebled between 1997 and 2007. Many U.S. observers view this economic linkage in a regional context but not yet as *continental,* and this failure causes them to miss the issue's larger strategic import. For a century Washington's perspective on Asia, for understandable reasons, has been oriented towards the Asia-Pacific zone. But the fundamental change going on today is the convergence of the interests of East and South Asia, the Middle East, Russia and Europe in Central Eurasia, what the famous geographer and geopolitician Sir Halford Mackinder described more than a century ago as the "heartland of Eurasia" and the "geographical pivot of history." Afghanistan, of course, has always been the hub of Central Asia. But the great economic and geopolitical forces at play in this region today dwarf the so-called "Great game" of Mackinder's day. And today, unlike then, the United States, with its important presence in Afghanistan and intense relations with its neighbors, is positioned either to unleash forces that will lift the region economically and socially or, failing that, to cause it to slip backwards.

The most powerful drivers of the expansion of transcontinental Eurasian trade in the coming years will be the rapid growth of the Indian and Chinese economies. To date, most of Chinese and Indian exports are shipped by sea, but the anticipated continued growth of such exports will increase demand for transcontinental road and rail shipping routes. Much shipping from Western China, for example, naturally lends itself to transcontinental trade,

---

[24] Islamic Republic of Afghanistan, "Afghanistan National Development Strategy, 1387-1391 (2008-2013)," p. 4. Available at http://www.ands.gov.af/ands/final_ands/src/final/Afghanistan%20National%20Development%Strategy_eng.pdf

given the long distance from production site to port and the slowness of maritime transport. Realistic estimates for Indian trade by land through Central Asia to European and Middle Eastern markets foresee a growth to US$100–120 billion annually by 2015.[25] Afghanistan and its neighboring Central Asian countries stand to benefit immensely from this trade through the collection of tariffs and through the growing role of their own transit-related industries.

Land transport between Europe and Asia will link the largest population centers on earth. Most will cross Central Asia and will involve the Caspian and Black Sea multi-modal transshipment nodes. To now, nearly all activity has focused on opening access to and from China. Only with the success of Operation Enduring Freedom has it become possible to focus on routes to India and Southeast Asia, Afghanistan is geographically centered within this transport corridor and shares borders with Pakistan (2,430 km), Iran (936 km), Turkmenistan (744 km), Uzbekistan (137 km), Tajikistan (1206 km) and, China (76 km). However, Afghanistan possesses an inadequate though improving road infrastructure, a nearly non-existent railroad network, no pipeline infrastructure for sending Central Asian gas or oil eastward or southward; only an embryonic network of international high voltage electrical transmission lines; and a neglected system of commercial aviation. In spite of its pivotal location, Afghanistan has been off the Eurasian transportation grid for centuries and remains so today.

Improvements in the 3,000 km Ring Road which connects the cities of Mazar-e Sharif, Kabul, Kandahar and Herat have facilitated Afghan internal transportation growth. The Asian Development Bank, which has invested US$600 million in roads in Afghanistan, believes the completed Ring Road will cut travel times between the north-east and south-west by up to five hours. One USAID study suggests that savings deriving from improved transportation infrastructure could reach 60 percent of present transport costs.[26] IMF and Afghan authorities estimate that there are now more than 600,000 vehicles in Afghanistan today, as compared to 175,000 in 2002, and they travel on more than 13 thousand kilometers of newly built or rehabili-

[25] Gulshan Sachdeva, "Regional Economic Linkages," in Joshi, ed., *Reconnecting India and Central Asia: Emerging Security and Economic Dimensions,* Central Asia-Caucasus Institute & Silk Road Studies Program, 2010.
[26] "Socio-Economic Baseline Study of Bamyan-Dushi Road - Draft" August 1, 2009.

tated roads. These improvements are part of a strategic priority placed on transportation by the Government of Afghanistan and they serve to enhance Multi-National Force sustainment operations.

If connectivity by road and rail into and out of Afghanistan is to be improved it will require a focused strategy. It is quite realistic to conceive of Afghanistan as the "roundabout" in the Modern Silk Road to India and Southeast Asia, with road and rail access routes to the North, South, East and West. Some of these access routes are already being built. With highway, railway, pipeline, and electrical transmission systems enhanced by normal distribution and storage facilities, Afghanistan will in short order join the elite community of the most rapidly developing nations.

Key Obstacles to a Modern Silk Road to the Indian Sub-Continent and Southeast Asia

While the Modern Silk Road represents the best hope for the long-term stabilization of Afghanistan, two common misconceptions have been allowed to prevent the realization of this goal: namely, that the main reasons for Afghanistan's failure to "breakthrough" to rapid development are, first, the absence of security there and, second, its poor infrastructure. This analysis, however, is flawed.[27]

It cannot be denied that sustained violence in Afghanistan—as well as areas like Baluchistan, Kashmir, and other parts of Eurasia—inhibits economic activity and dampens the private and public investment that could help foster continental trade and growth. Yet the continuing flow of Pakistani trucks ferrying NATO supplies from Karachi to Afghanistan through the epicenter of the Pashtun insurgency is proof that commercial activity can flourish amid instability. Any gains that militants would make from disrupting these vital supply lines on a strategic level are outweighed by the fact that local tribes derive significant income from the traffic. As long as such incentive structures hold, local populations have shown themselves ready to prioritize commerce over political violence. The U.S. and NATO would do well to re-

[27] See Andrew C. Kuchins, Thomas M. Sanderson, and David A. Gordon, "Afghanistan: Building the Missing Link in the Modern Silk Road," *The Washington Quarterly*, April 2010, pp. 33-47.

call that one reason the Taliban succeeded in gaining control of Afghanistan is that they promised to abolish local toll-collection points.

It is undeniable that Afghanistan's transportation infrastructure is acutely underdeveloped, as is that of its neighbors. That said, even the existing infrastructure can support greatly increased levels of trade. According to the International Road Transport Union (IRU) in Geneva, "The road network in transit countries [to Afghanistan] has sufficient reserves of capacity to allow for the mass expansion of cargo shipments."[28]

There is widespread consensus that the biggest obstacles to transcontinental trade are institutional, bureaucratic, and political. The most common of these obstacles are excessive duties imposed by governments, simple corruption on the part of border officials, and the failure of bordering states to cooperate to facilitate trade. A survey conducted by the ADB of nearly 1,000 continental truck drivers from various countries hauling goods across Afghanistan supports this assessment, with 90 percent pointing to the bureaucracy at borders as the greatest impediment to trade. A mere five percent considered security threats or poor infrastructure the main impediment. A study by the IRU argued that, aside from the delays and lack of excess capacity associated with ferry crossings over the Caspian Sea, bureaucratic difficulties are the "principal problem" that arises along routes from Europe to Afghanistan.[29] The IRU's New Euroasian Land Transport Initiative found that delays at border crossings account for up to 40 percent of the total travel time between Europe and Asia and about a third of the freight charges. The ADB reports that transportation costs may represent 50 percent of the price of nationally produced goods in Kyrgyzstan.[30] Borders, however, do not cause all of the bureaucratic obstacles to transcontinental trade. Disparate regulations across regional states make for a highly convoluted and inefficient transport sector. Breaking down these barriers requires leadership more than money and is thus a low-cost means of generating wealth in the region.

---

[28] International Road Transport Union (IRU), "Recommendations Prepared by IRU for the First Session of the Working Party on Afghan Transit," October 2009, p. 4.
[29] Ibid., p. 5.
[30] ADB, "Connecting Central Asia."

Internal incentives for promoting trade are growing. As increased trade begins to absorb unused capacity, each country begins to calculate how it might reap further benefits from trade. The possibility of expanding tariff yields through greater volume rather than higher tariffs presents itself, as do the prospects of expanding export markets and especially the providing services to the transit trade. The cooperative development by half a dozen countries of the U.S. military's Northern Distribution Network provides ample proof that regional nations appreciate the promise of expanded trade and wish to capture the revenue it generates.

Corruption and rent-seeking are major barriers to continental trade today. But as the region begins to achieve its transport potential, political leaders come to realize that their greatest benefit will come only from further expansion, and that this requires practical controls on speculation and graft.

A strategy of support for Afghanistan's transport infrastructure (both "hard" and "soft") will generate significant region-wide trade and investment, both of which will increase employment, expand economic activity beyond agriculture and extractive industries, and reduce Afghanistan's present reliance on U.S. assistance. This project will involve the harmonization of multimodal transport systems stretching across multiple borders and time zones, with varying design standards and operating procedures. As these issues are addressed, international investment in transport will become more attractive and help effect a transition from the current focus on military-related transport to civilianized versions of the Northern Distribution Network.

In 2008, the U.S. Chamber of Commerce examined the security prerequisites of a Modern Silk Road.[31] In its "SAFE Study", the Chamber proposed a dual approach based on a customs-to-customs network, and customs-to-business partnerships. The network would promote cooperation across national customs administrations by using a common IT infrastructure to identify risky shipments. The partnerships would link national customs administrations and businesses recognized as responsible shippers.

---

[31] U.S. Chamber of Commerce, "Balancing Security and Trade Facilitation in the 21st Century Global Supply Chain: A Study Evaluating International Agreements to Implement The SAFE Framework of Standards," (Washington, D.C., April 2, 2008).

The standardization and professionalization of customs administration is essential to unlocking Eurasia's trade potential.[32] They will reduce the opportunity for low-paid and untrained officials to extract illegal rents from shippers, and will also spur private investment. In addition, the modest expense of a comprehensive standardization and professionalization effort can be shared among leading trading nations or funded by multilateral financial institutions such as the World Bank. Both the political and financial risks involved are modest, and would decline further as success breeds success.[33] The resulting reductions in dollars-per-ton-mile costs will allow Afghanistan, Central Asia, Pakistan and their neighbors on the Modern Silk Road to compete favorably with other trans-continental transportation routes.[34]

As Afghanistan, Pakistan, and Central Asia improve their competitive position in transcontinental transport, large capital improvement projects will play a greater role. The World Bank has demonstrated that better roads increase intra-regional trade in Central Asia.[35] It goes on to argue, on the basis of a simulation study of roads linking 138 cities in 27 countries of the region, that an ambitious but feasible road upgrade could increase trade by 50 percent, exceeding the expected gains from tariff reductions or trade facilitation programs of comparable scope. A major reason is that, with 11 of the 27 countries in the region being landlocked, exporting firms must rely not only on domestic infrastructure but also on the infrastructure of neighboring countries through which goods flow. The Asian Development Bank shares this view and has therefore invested US$2.8 billion in regional transportation infrastructure, US$600 million in Afghanistan alone.

---

[32] Jenik Radon, "Land Transport, the Glue that Links Economies: Security, Land Transport and Central Asia – the Modern Silk Road," Columbia University, The Harriman Institute, January 25, 2010.

[33] Bretton Woods Project, "What are the main concerns and criticism about the World Bank and IMF?" Available at http://www.brettonwoodsproject.org/item.shtml?x=320869

[34] Planners at CENTCOM are looking at the feasibility of introducing the simplified custom and transit trade procedures established in association with the movement of U.S. military goods through Pakistan and the Central Asian States more broadly within the region to all commercial cargo.

[35] Ben Shepherd and John S. Wilson, The World Bank, "Road Infrastructure in Europe and Central Asia: Does Network Quality Affect Trade?" WPS4104, December 2006.

The World Bank has also found that improvements in Central Asia's and Afghanistan's transit infrastructure yield three times greater increases than they would in landlocked countries elsewhere.[36] The Bank cautions, however, that "...these investments will not reap envisaged economic benefits in the absence of genuine progress in improving trade and transport facilitation." Thus, a strategy that sequences major infrastructure projects after the removal of administrative and managerial barriers will bolster investor and donor confidence and enhance the prospects for funding the more expensive infrastructure projects.

This process can be launched at once. The U.S. should work closely with the Government of Afghanistan to leverage the logistics demands generated by the Multi-National Force so as to create a viable commercial transportation sector in and around Afghanistan.

The Role of U.S. Leadership and What it Entails

Each of the major regional players that will benefit from the Modern Silk Road—including, among others, India, Iran, Pakistan, China, and Russia—can, should, and in all probability, will invest in it. It is in their interest to do so. But each has competitive interests that can obstruct implementation of a broader regional effort that would benefit all. The United States must therefore leverage its ample investment in Afghanistan's future in order to attract other investors. It must do this in such a way that no one of the regional powers, or any combination of them, can control Afghanistan's status as the hub or pivot of continental trade and thereby diminish Afghanistan's hard-won independence. Only in this way will hoped-for gains on the battlefield be rendered permanent

Stability cannot be achieved or sustained in Afghanistan until the population at large sees the prospect of growing prosperity as well. Only then can the U.S. bring home its military forces in the knowledge that the effort had achieved its goal. The strategy proposed here makes possible a steady military draw-down. But it is not an "exit strategy" in the sense that that term is often used today. After all, the U.S. has long-term interests in both Afgha-

[36] William Byrd, Martin Raider. The World Bank, "Economic Cooperation in the Wider Central Asia Region," World Bank Working Paper No 75, April 2006.

nistan and the region which any workable strategy from this point forward must acknowledge and promote. The Modern Silk Road Strategy proposed here does not sacrifice these strategic concerns, any more than it sacrifices the gains that so many Americans, Afghans, and their NATO partners have worked so hard to achieve.

The U.S. cannot advance a Modern Silk Road strategy alone, but must work with and through a spirit of regional partnership involving Afghanistan and its neighbors.[37] This is the more necessary because those neighboring states that would derive major benefits from the MSR are the very ones that are constrained by history from acting in concert. In a post-colonial environment, they are all concerned first with the preservation and strengthening of their sovereignty and security and then with advancing their own economic aspirations, with or without collaborations with neighbors. A steady and effective U.S. commitment to opening continental transport addresses both concerns, and does so without disadvantaging anyone. Regional states will remain competitors, but a transport-based strategy will enable them at the same time to identify common interests based on long-distance trade.

The biggest impediment the United States faces in eliciting buy-in from both Afghanistan and other regional partners is the perception that Americans are "short-timers" in Greater Central Asia whose only real interest is in protecting the U.S. homeland. Yet the U.S. is now a key element, if not *the* key element, in building and maintaining sustainable stability. It must therefore not shy away from the role of honest broker as interconnections across Eurasia intensify. In this capacity its role is unique and indispensible to the economic progress which everyone in the region seeks.

Exercising that role will create a smooth transition from the current focus on provisioning U.S. and NATO forces in Afghanistan to a longer-term focus on the development of civilian transport there and in the larger region. Since the provisioning function will begin to decrease towards the end of 2010, it is important to act now so that contractors can start planning their future in the region. Henceforth, all logistics contracts into which the U.S. enters must include performance measures based on long-term sustainability. This is not

[37] S. Frederick Starr, "A Regional Partnership for Central Asia," *Foreign Affairs*, July/August 2005.

presently the case, with the result that there are few incentives for private businesses to consider the broader goals that inform the Central Command's work and that of the Multi-National Force. The looming decrease in logistics requirements in post-surge Afghanistan and the attendant decrease in the need for cooperation on regional transport will occur in late summer, 2010. The proposed transport-based strategy will mitigate the negative effects of the downturn that will inevitably accompany the winding down of the NDN. If the U.S. exercises the needed leadership, the end of NDN could even become a boon for Afghan and regional logistics businesses. Conversely, if the opportunity offered by the Modern Silk Road is ignored, everything the United States will have achieved in Afghanistan will be short-lived, and instability will likely remain a permanent presence in the heart of Eurasia.

III. What the United States Should Do Now: An Initiative to Reconnect Afghanistan with East and West

Our proposal to "Reconnect Afghanistan with East and West" is driven by the understanding that Afghanistan's economic potential will be most fully realized when it becomes a "pivot" in a Modern Silk Road connecting markets in East, South and Southeast Asia, Central Asia, Europe, and the Middle East. Tariffs collected at key border crossings already constitute 34 percent of Afghan state revenues and expanded last year by an impressive 50 percent. Assuming that transcontinental trade continues to grow at a brisk pace, this revenue stream can expand by several multiples in a relatively short period of time. Conservative Afghan Ministry of Finance estimates that reflect improved efficiencies in the collection of customs duties and very modest increases in trade suggest that over five years customs revenues will more than double, adding an additional US$1.4 billion to the government's coffers.[38] This figure does not include added profits that will accrue from Afghanistan's ability to get its own produce to major markets.

It must be stressed once more that this proposal does not pretend to "reinvent the wheel." Through the efforts of many states and multilateral donors over the past decade, a great deal has been achieved, both in Afghanistan and the longer transit corridors leading to and from Afghanistan. But the absence of an integrative strategic vision that can mobilize both public and private energies has led to sub-optimal results, in which the whole is less than the sum of its parts. The good news for hard-pressed U.S. taxpayers is that many of the key actions we propose are managerial and do not entail vast expenditure.

While ultimately we support improving Afghanistan's trade and transit connections in all directions, the United States must prioritize certain corridors, basing its choice on both commercial and political considerations. In particu-

[38] Internal memo issued by the USAID Economic Growth and Governance Initiative dated April 5, 2010.

lar, we would propose a major effort to link India's booming economy through Pakistan, Afghanistan and Central Asia to Caspian, European, Russian and Chinese markets. We also recommend that special attention be devoted to improving road and rail linkages to Turkmenistan and the multi-modal corridor through the Caspian Sea to the Caucasus.

Our proposals fall into three categories: 1) promoting more efficient road transit and trade; 2) building an Afghan rail system connected to those of bordering countries/regions; 3) developing Afghanistan's potential as an energy corridor sending Turkmen oil and gas to Pakistan and India and Tajik, Kyrgyz and Uzbek electricity to Pakistan. Because we believe that promoting more efficient road transit within Afghanistan and connecting it to regional markets offers the greatest near-term results with the least investments, this section will focus on the first category.

Promoting Afghanistan's Role in Road Transit and Trade

Improving the "Soft" Infrastructure

All recent studies on the potential for transcontinental trade in Eurasia concur that although road transit has overtaken rail transit in haulage, its potential for taking more market from shipping by sea is hampered by unpredictable delays at border crossings. These dramatically increase costs and undermine delivery schedules.

The Time/Cost-Distance (TCD) methodology developed by UNESCAP dramatically illustrates this problem, as shown by a number of comparative studies.[39] For example, a study of goods shipped from Bishkek, Kyrgyzstan, through Kazakhstan to Novosibirsk, Russia, revealed that 65 hours of the total 207 hours required for the trip (or 31 percent) was spent on the Kyrgyz-Kazakh border while 57 hours were spent stuck on the Kazakh-Russian border (31 percent). Nearly 60 percent of the trip time was thus spent at two border crossings, which accounted for 64 percent of the overall cost.[40] Unfortunately this is the rule rather than the exception for the region.

[39] See UNECE-UNESCAP Report 2008.
[40] Ibid., p. 130.

Corruption plays a significant role in such delays, but the lack of coordination between neighboring countries is also a major obstacle, and one that fosters corrupt practices. The United States, mainly through the Office of the U.S. Trade Representative and the Departments of Commerce, State and the U.S. Agency for International Development, together with other states and multilateral donors, has chipped away at this problem. Clearly, it demands far more attention, which must come initially from the United States. The following actions are required:

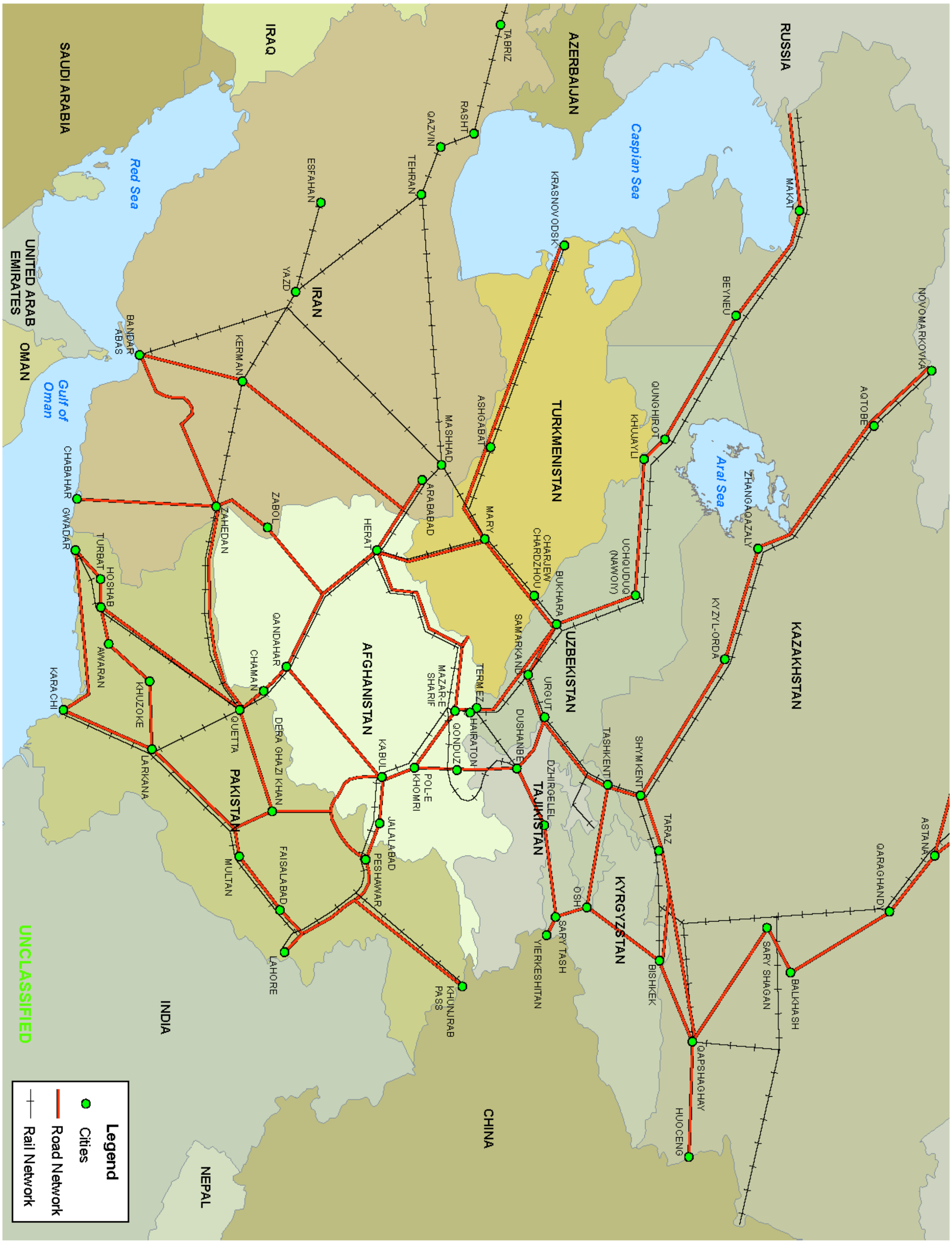
1. Redouble efforts to consummate a new Afghan-Pakistan Transit Agreement. This will require creative efforts to elicit buy-in from the Pakistani trucking industry, coupled with greater efforts to push the Afghans to address the illegal re-export of goods to Pakistan.
2. Promote closer India-Pakistani economic relations through the facilitation of legal transit and trade. The India-Pakistan border is already the scene of a very large documented legal trade, not to mention informal and illegal transport. Moreover, economists estimate that the level of informal trade is five times greater than the official figures and prominent Indian industrialists suggest the informal trade is even several times greater than that. Incentives to bring a higher percentage of this informal trade into a bilateral legal framework will positively affect both Afghanistan and Central Asia. Resolving Kashmir should not be a precondition for big progress on the transit/trade front. Instead, let economics lead politics in building build security.
3. Increase assistance to modernize and professionalize all Afghan border crossings to Pakistan, Tajikistan, Turkmenistan, Uzbekistan, Iran, and China. This will entail education and training, including English language training for border and customs officials.
4. Increase incentives for regional states along transit corridors, especially in Central and South Asia, to reduce the time and costs of border crossings. One promising idea is the Model Highway Initiative (MHI) developed by the International Road Transport Union (IRU) as a means of encouraging bordering states and Afghanistan to cooperate in breaking down bureaucratic barriers to road transit. The MHI propos-

es to create a consortium of multilateral donors led by the World Bank and the ADB to sponsor a competition to award major funding for the creation of up to three model highways that cross borders and contribute to the linking of Afghanistan with major transit corridors.

Improving the "Hard" Infrastructure

1. Complete the still unpaved sections of the Ring Road. This is essential to "pave the way" for enhanced Afghan governance. Without a completed, secure Ring Road, the government in Kabul cannot be more than an abstraction and an annoyance to millions of Afghans. Completing the Ring Road will allow the government to exercise governance and collect revenue across the core of its state territory.
2. Help the Afghan government to maintain the Road to a uniform standard. At present, the multiplicity of donors and contractors has produced wide variations in the quality and sustainability of the actual road beds and surfaces.
3. Pave the road from Herat to Kabul, Afghanistan's central highway. In combination with the Ring Road, this will give the Afghan government the ability to control and develop the core of the country and enable millions to get goods to market.
4. Work with the Afghan government to develop an effective highway security force. Without secure and safe transportation, Afghan farmers will never opt to grow anything but poppies.
5. Remove impediments to the fast transfer of goods between Kandahar and the Pakistani port at Gwadar and visa versa. This is the natural port for most of Central Asia, as well as Afghanistan. The U.S. should work with Afghanistan, Pakistan, and China to open easy transit to Gwadar from the North.

Map 1. Continental road and railroad corridors focusing on Afghanistan



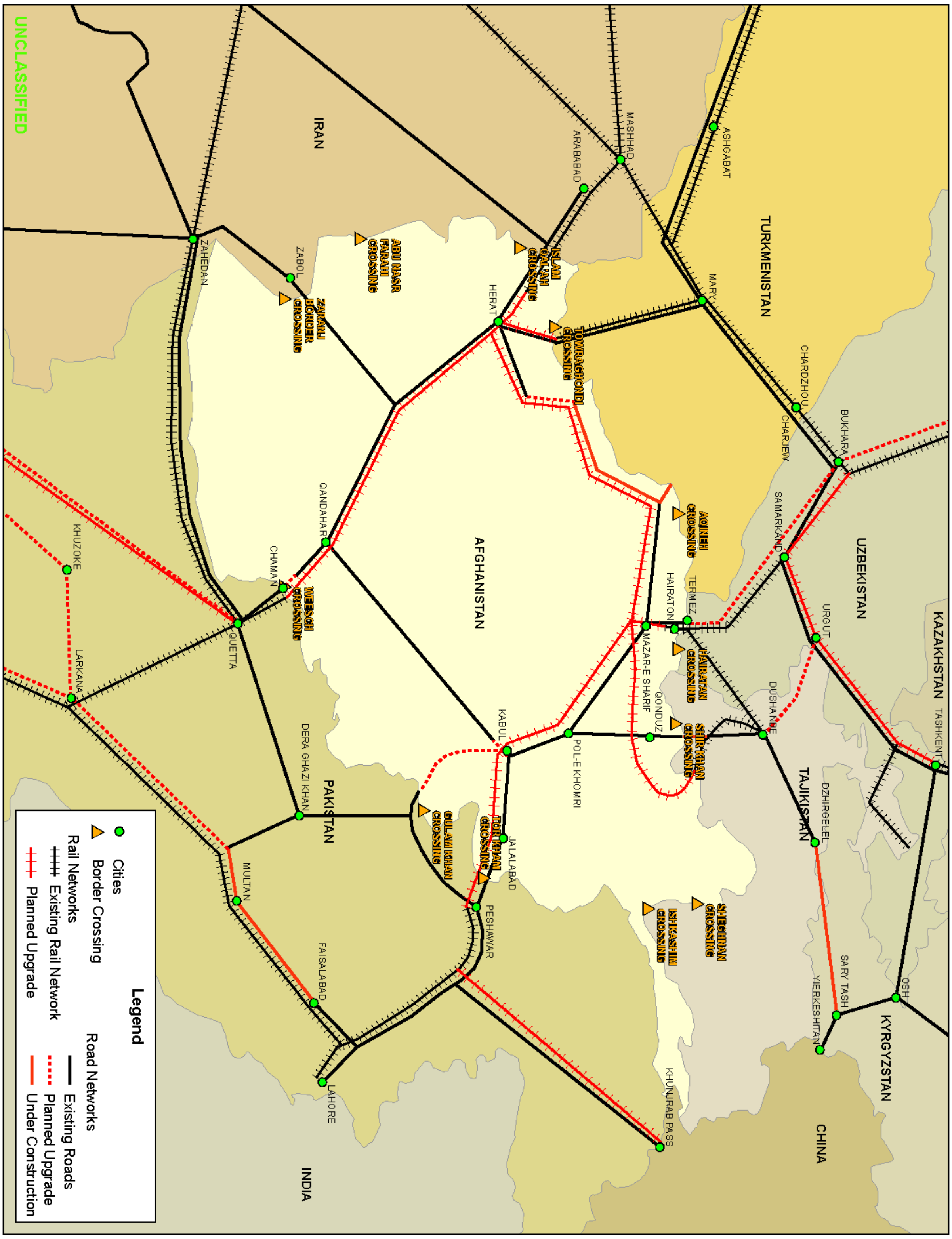
Connecting Afghanistan by Rail

While Afghanistan's road network is undeveloped, its rail network is virtually non-existent. Only in the fall of 2009 did the ADB approve a US$110 million project for Uzbekistan to build a railroad from the Uzbek/Afghan border to the Northern Afghan city of Mazar-e Sharif—a line that will, for the first time in history, link Afghanistan's Ring Road with European and Eurasian markets via a modern rail line. The Afghan government has insightfully compared the importance of building a national rail system to the building of the transcontinental railroad in the United States in the 19th century—an endeavor which helped unify the country as well as dramatically increase the ability of Afghans to exports East and West to global markets.

We must put a higher priority on connecting Afghanistan with the rest of the world through transcontinental rail lines. In the short-term, the currently stalled Afghan effort to link Herat with the Iranian system should be promoted. In the near-midterm, the rail line to Mazar-e-Sharif should be extended to the east and south, as well as to Herat in the west. Completion of the Kandahar rail line will link the Afghan system with the Pakistani rail system via the Spin Boldak extension to the port of Karachi. The final rail segment would connect the port of Gwadar via Quetta to Kandahar, thus opening Central Asian states to the world by the region's most promising port.

The importance of a railroad linking Afghanistan to the broader world is increased both by the fact that the country is landlocked and by the fact that it is situated at the confluence of the world's three dominant rail gauges—Standard, Indian, and Russian. This opens the prospect of Afghanistan becoming the rail-adaptor country par excellence.

Map 2. Road and rairoad networks, existing and planned, connecting through the "Afghanistan hub."



Connecting Afghanistan to Regional and Global Energy Markets

Electricity

Modernizing the flow of electricity to Afghan urban centers and the extension of the national electrical grid to rural areas is essential to the country's economic development. Since 2002, the U.S. has contributed US$732 million towards rebuilding Afghanistan's energy sector. The most significant development has been the linkage of Afghanistan to the Uzbek electrical grid for the provision of electricity to Mazar-e Sharif and Kabul. The Afghan electrical grid must now be extended to southern regions of the country and linked to the Pakistani grid.

Tajikistan, Kyrgyzstan, Uzbekistan and Turkmenistan all have the potential to become major sources of electricity, first to Afghanistan and then to Pakistan. Such commerce, dependent on Afghanistan, will be a key source of revenue to Tajikistan and Kyrgyzstan, as well as to Afghanistan, thus forging needed links within the region. The United States has already taken a lead role in opening these prospects and is committed to constructing transmission infrastructure to transmit electricity to and through Afghanistan.[41] The ADB is also very active in developing this key transport route, which will require some US$4 billion in investments, according to the Afghan government's current plan.[42]

Gas/Oil

The potential importance of the TAPI pipeline to send gas from Turkmenistan across Afghanistan to Pakistan and India is enormous. Long promoted by the ADB, this strategic project has already brought Afghanistan, Pakistan and India together in a common endeavor. The United States should make the development of the TAPI gas pipeline a high priority and lead in the organization of a balanced consortium of international funders for it. As the military consolidates security gains along the TAPI route, they must be

[41] Data presented is from the USAID "Energy Strategy" developed by the Office of Infrastructure, Engineering and Energy in May 2009.
[42] ADB Afghanistan Country Development Strategy: Energy Power Subsector, Appendix 6, pp. 76-81.

translated into economic gains through profit-sharing agreements with local jurisdictions.

In 2005 the ADB completed a feasibility study and in 2008 declared that it would consider financing the projected capital cost of US$7.6 billion.[43] The Afghan government meanwhile estimates its revenues from the pipeline at US$300 million annually.

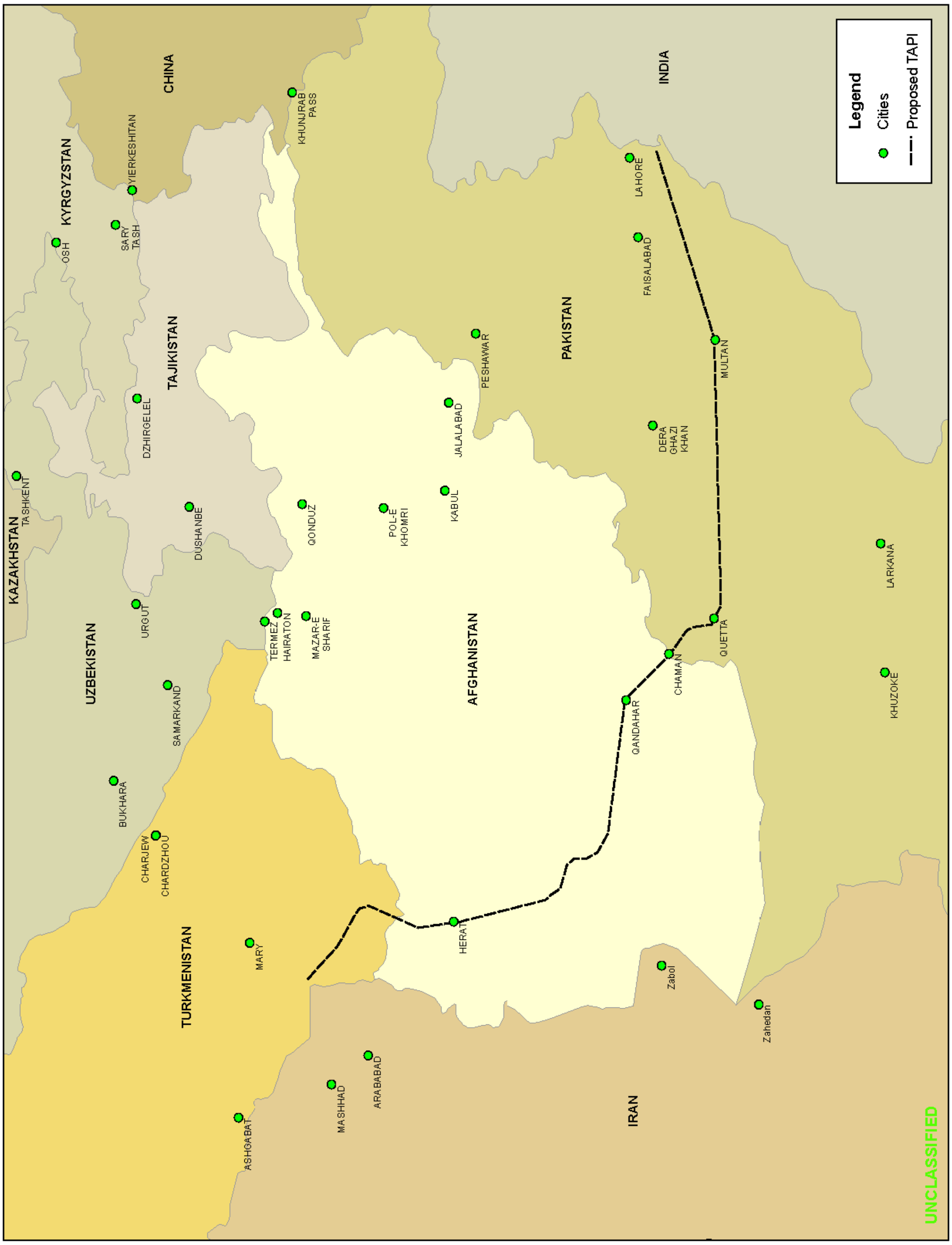
Oil pipelines linking the pipeline networks of Central Asia and South Asia should also be developed. Kazakh oil, for example, could flow through these pipelines to South Asian markets. Both India and Pakistan strongly desire to reduce their current massive dependency on Persian Gulf producers for oil and gas.

Connecting Afghanistan through Information Technology

The Afghan government has wisely supported the laying of fiber optic cable along the country's principal rebuilt highways. This should now be completed for both the Ring Road and Central Highway so as to form the backbone of the modern Afghan economy and more effective governance.

[43] See John Foster, "Afghanistan, the TAPI Pipeline, and Energy Geopolitics," March 23, 2009. Available at http://www.ensec.org/index.php?option=com_content&view=article&id=233:afghanistan-the-tapi-pipeline-and-energy-geopolitics&catid=103:energysecurityyissuecontent&Itemid=358

Map 3. Route of the proposed TAPI (Turkmeinistan-Afghanistan-Pakistan-India) Pipeline



IV. Institutional Steps to Embrace and Implement

A Transport Strategy

Afghans and their neighbors are deeply concerned that the U.S. will again withdraw from their region. This belief has caused many to avoid too close ties with the U.S. or the Afghan Government for fear of becoming targets in the event that Afghanistan once again slips into chaos following a U.S. withdrawal. Such worries are a brake on both military and political progress.

The best way to allay this concern is for the U.S., working with its partners in Kabul, to embrace publicly an economic strategy based on transcontinental transport and trade.

The strategy proposed here takes a host of disparate and unconnected undertakings by many actors and seeks to mold them into a systematic effort. Most of the existing initiatives either exclude Afghanistan or place it in a secondary position. The strategy suggested here integrates Afghanistan with the larger project, thus realizing its strategic potential as a hub for transcontinental transport.

The successful implementation of a transport-based strategy for Afghanistan and the region will depend as much on the ability of the U.S. government to organize itself as on circumstances within Afghanistan. At the least, this requires:

1. A concrete operational plan backed by the U.S. and other interested governments.
    a. The existence of a high-level inter-agency structure *within* the U.S. government empowered to initiate and implement such a plan.
    b. The existence of solid communication and coordination between government and the private sector, both in the U.S. and in the region.

This section is concerned with how the U.S. government should organize itself to implement such an operational plan.

Recommendation: A Special Presidential Special Envoy and Interagency Task Force

Past experience suggests that an effort of this magnitude can best be set in motion by a Presidential Directive. That directive should lay out clearly the importance of initiating and sustaining such a strategy. It should appoint a senior official, preferably a Presidential Special Representative or Envoy, to head an Interagency Task Force of senior officers from relevant agencies. The Presidential Directive should also spell out the financial authority and resources of the new envoy and Task Force.

The Presidential Envoy should be a prominent person with demonstrated executive ability. Such a person would work effectively with officials of the Republic of Afghanistan, ensure that issues relevant to the strategy receive focused and coordinated interagency attention, engage the private sector, and drive the process forward to meet strict deadlines.

A major objective of the Presidential Envoy and Interagency Task Force would be to create the conditions necessary for private sector involvement and to remove or minimize obstacles thereto.

The Interagency Task Force should comprise persons of senior decision-making authority from all relevant agencies and organizations within the U.S. Government. These would include the Departments of Defense (with the various relevant Military Commands and organizations, including Corps of Engineers), State (with USAID and other appropriate components), Commerce, Energy, Agriculture, and the Office of the U.S. Trade Representative.

The geographical reach of the Office of the Special Representative for Afghanistan and Pakistan is narrower than what is needed here, and focused on different subject matter. But since the two states are integral to the new strategy, and since some of the subject matter of the two bodies overlaps, the Special Representative and his office should be an important part of the proposed Task Force.

The possibility of placing this new major initiative under the aegis of a single Department was carefully considered but rejected.

Appendix

Draft Presidential Policy Directive

MEMORANDUM FOR THE VICE PRESIDENT
THE SECRETARY OF STATE
THE SECRETARY OF THE TREASURY
THE SECRETARY OF DEFENSE
THE CHAIRMAN OF THE JOINT CHIEFS OF STAFF
THE ATTORNEY GENERAL
THE SECRETARY OF COMMERCE
THE SECRETARY OF TRANSPORTATION
THE SECRETARY OF ENERGY
THE SECRETARY OF HOMELAND SECURITY
THE ASSISTANT TO THE PRESIDENT AND CHIEF OF STAFF
THE DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET
THE SPECIAL REPRESENTATIVE OF THE PRESIDENT FOR AFGHANISTAN AND PAKISTAN
ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT
THE UNITED STATES TRADE REPRESENTATIVE
THE CHAIR OF THE COUNCIL OF ECONOMIC ADVISERS
THE ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY AFFAIRS
THE DIRECTOR OF NATIONAL INTELLIGENCE
THE ASSISTANT TO THE PRESIDENT FOR ECONOMIC POLICY
THE COUNSEL TO THE PRESIDENT

Subject: Afghanistan and Transregional Transport Initiative

Introduction

Sustainable progress in Afghanistan will depend significantly on a successful economic program. Since 2001 the U.S. and its partners have fostered economic betterment in many ways. Among these, none holds more promise for the future than reopening the great corridors of transport and trade within Afghanistan and between Afghanistan, Asia, and Europe. Experience to date suggests that this can become the great engine for development in Afghanistan and the sensitive areas surrounding it.

The Northern Distribution Network – NDN – has demonstrated the real possibility and value of opening continent-wide transport routes to Afghanistan. It has also shown how transport and trade along key corridors involving Afghanistan can foster cooperation and stability over a wide geographical area with Afghanistan at its center.

Objective

Given this, and in light of the high priority I have given to promoting peace and stability in Afghanistan and the surrounding region, I am directing that we create the capabilities for the U.S. to implement an Afghan National and Eurasian Transport and Trade Hub Initiative. This initiative will reinforce and build upon our military effort in Afghanistan. It will bring tangible and immediate economic benefits to the population of Afghanistan and neighboring areas and will also provide an essential income stream for the Government of Afghanistan. It will facilitate the transition from war fighting to peaceful construction.

Accordingly I direct that a new implementing mechanism be created for the Afghan and Trans-Regional Transport and Trade Initiative. This mechanism shall consist of a Special Representative who will lead an Interagency Task Force made up of the Deputy Secretaries or their equivalent from the various relevant Departments and Agencies.

Structure

I appoint for this purpose a Special Representative for the Afghan National and Eurasian Transport and Trade Hub Initiative who will lead the Task

Force. The Special Representative and Task Force will have at their disposal a staff and have budgetary authority and the means to carry out and coordinate interagency actions in this subject area.

Tasks

Working with the Government of Afghanistan, the Special Representative and Interagency Task Force will identify and prioritize key road and railroad corridors, and routes for oil and gas pipelines and for the transmission of electrical power. Along with the Government of Afghanistan, they will work with the private sector, international financial institutions, donor countries and other partner countries to implement these projects. They will undertake activity to minimize or remove obstacles on existing routes and work with the Government of Afghanistan to assure the efficient and transparent collection of duties and the fair sharing of the yields on duties with jurisdictions through which the routes transit. To accomplish these tasks, the Special representative and Task Force will assign functions and roles to the appropriate Departments and Agencies and assure Interagency cooperation as the initiative proceeds.

Key Initiatives

Inadequate infrastructure is a main obstacle to Afghanistan's functioning as a regional and Eurasian hub of transport and trade. No less important are unresolved tensions and conflicts among some of the concerned states, ineffective border post management, corruption, and simple neglect or inattention. The Task Force and its director should consider all these issues to be within its purview.

Key initiatives include:

- The prioritizing of corridors with an eye to achieving the greatest positive impact on the lives of Afghanistan's civilian populace within the shortest period of time.
- Active steps to engage the private sector in the development and utilization of corridors in all the fields enumerated above, and others as the Task Force sees fit.

- The reduction or removal of bottlenecks on existing corridors, including some, such as those on the Pakistani-Indian border, that may be at some distance from Afghanistan itself but which thwart its serving as a hub for continental transport and trade.
- Legal and diplomatic measures to foster transport and trade agreements between Afghanistan and its neighbors and between neighbors and other states whose engagement is essential to the successful opening of transport corridors to and through Afghanistan.
- To help Afghanistan and its neighbors meet prevailing international standards for transport (trucking, etc., or, as in the case of railroad gauges, to adapt those standards as necessary to the Afghan situation.
- The above initiatives are not meant to be all inclusive, and the Special Representative and Interagency Task Force shall study the possibility for additional undertakings, propose, and implement them as appropriate.