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Comprehensive Information on Complex Crises

The Roles of India & Pakistan in Afghanistan's Development & Natural Resources

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This report addresses the roles of India and Pakistan on the economic development of Afghanistan based on the material provided in open sources. Related information is available at www.cimicweb.org. Hyperlinks to source material are highlighted in blue and underlined in the text.

The involvements of Pakistan and India in Afghanistan are often related to each other. Given that the research and materials concerning these two countries' involvement in Afghanistan heavily overlapped, the Civil-Military Fusion Centre ([CFC](#)) determined to address these two topics in one consolidated report.

It may be useful to preface the specific discussion of Indian and Pakistani contributions with a discussion of these countries broader strategies towards Afghanistan. For instance, an article noted by South Asia scholar Christine Fair in *Foreign Policy* indicates India hopes to [contribute to peace and stability](#) in Afghanistan and the emergence of an Afghan government which is on friendly terms with India. Similarly, a report from the [Jinnah Institute](#) and the United States Institute of Peace ([USIP](#)) indicates that [Pakistan wishes to have friendly relations](#) with Afghanistan and to ensure that events in Afghanistan do not contribute to instability in Pakistan. Such factors and many others, as demonstrated in the following sections, have led these two countries to make significant contributions to reconstruction, development and natural resource exploitation in Afghanistan.

India's Involvement in Afghanistan

As Rahul Roy-Chaudhury of the International Institute for Strategic Studies ([IISS](#)) stated at an event in September 2011, India has managed to develop [close relations](#) with Afghanistan and the Afghan government. It has pledged USD 2 billion for civil reconstruction and development, a fact which makes India the [largest donor](#) to Afghanistan in the region and fifth largest in the world.

According to *One India News*, four major [development projects](#) funded by India in Afghanistan are (i) the

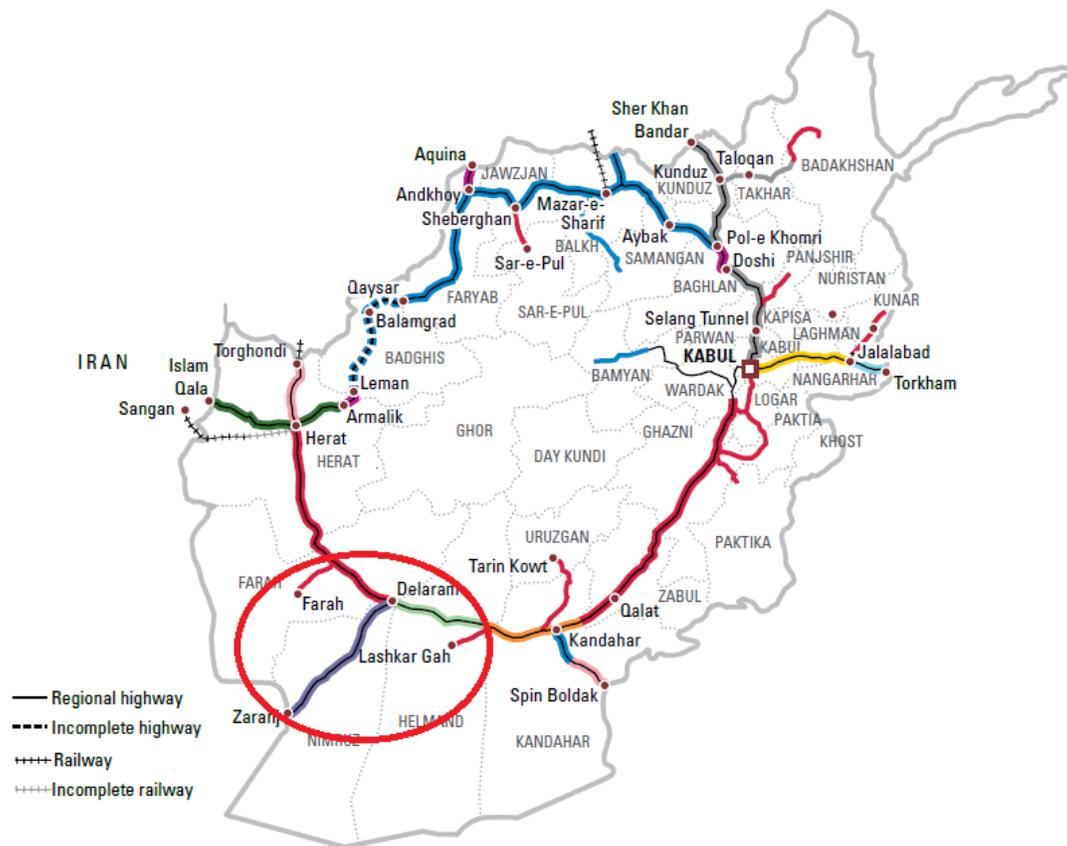
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Delaram-Zaranj highway, (ii) electricity transmission lines from Uzbekistan to Kabul, (iii) the hydroelectric Salma Dam and (iv) the new parliament building in Kabul. Construction of the latter two projects is currently on-going while the former two have been completed. In addition, the Afghan government recently awarded the [mining rights to the Hajigak](#) iron ore deposit in [Bamian](#) province to a consortium led by an Indian state-owned company, reports *Bloomberg*. These four projects and the Hajigak mine are addressed individually below.

Figure I. Delaram-Zaranj Highway



Source: [Where the road ends, the Taliban begins, Institute for International Strategic Studies](#)

Delaram-Zaranj Highway

The first major Indian development project in Afghanistan appears to have been the Delaram-Zaranj Highway (see *Figure 1*). The contract for the 218 km [highway was awarded](#) to India's Border Roads Organisation¹, a road construction body linked to the Indian military. The cost of the project [was USD 84 million](#), according to IISS. The [importance of the project](#) comes from its strategic location; the highway connects Zaranj, a border town on Afghanistan-Iran border, and Delaram, situated on the Garland highway, which links the major cities of Kabul, Kandahar, Herat, Mazar-e-Sharif and Kunduz. On the other side of the border, Iran is upgrading the road from Chabahar port, which is situated in a free trade zone on Iran's Makran Coast. This development gives Afghanistan the opportunity to link its major cities to the Iranian port. The construction of the highway [was completed](#) in the second half of 2008 despite the attacks from Taliban, which claimed several Indian and Afghan lives. During an appearance with President Hamid Karzai in Afghanistan, Indian Prime Minister Manmohan Singh [described the](#)

¹ More information on Indian Border Roads Organisation can be found at the following website: <http://www.facts-about-india.com/bro.php>



[successful completion](#) of the highway as “a major test of our joint resolve”. He went on to say that “[t]he road has brought our two peoples closer together.”

Electricity Lines from Uzbekistan to Kabul

The Afghan capital, Kabul, has long [lacked sufficient electricity supplies](#), according to the *Indian Express* newspaper. The city was powered by a single gas turbine and 25 heavy-duty diesel generators which were fuelled by the United States. The city faced long power outages which became worse during the winter. As such, an electricity purchase agreement was signed between Afghanistan and Uzbekistan. As part of this agreement [a 442 km power line](#) was built as a part of a USD 250 million project. The power line, carrying 150 megawatts (MW) of electricity, was partially funded by the Asian Development Bank ([ADB](#)). The [last 202 km](#) of the power line – from Pol-e Khomri to Kabul – and a [sub-station](#) were constructed by the India’s Power Grid Corporation, reports *Indian Express*. Moreover, [India had committed](#) to building two more electricity distribution substations at Charikar and Doshi for local use in Afghanistan. As a result of these developments, energy supply to parts of Afghanistan has reportedly been improved. *Indian Express* notes that [Pakistan refused](#) to allow India to send the equipment for this project via Pakistani territory. As such, the 613 power towers used in this electrification project were shipped to Iran and then transported over land into Afghanistan.

Salma Dam

India is rebuilding the Salma Dam in [Herat](#) province, which was built in 1976 but heavily damaged during the following decades of conflict. Located on the Hari Rod River, the [dam will produce](#) 42 MW of power and will irrigate 40,000 hectares of farmland once it is completed, says *Outlook Afghanistan*. Work was initiated on the dam in 2006 and was planned to be finished in four years at an estimated cost of USD 85 million. However, the rehabilitation of the dam has yet to be completed, and Indian officials inform *Outlook Afghanistan* that the cost has risen to USD 180 million.

Despite the potential benefits it is offering to the [Herat](#) province and Afghanistan as a whole, the project faces [several challenges](#), according to *The Indian* newspaper. The area is reportedly being contested by two militia commanders, which has threatened the lives of about 750 workers, 250 of which are Indians. In addition, [Iran reportedly opposes](#) the construction of the Salma Dam given that it would reduce the flow of the Hari Rod River into Iran, says a report by the US *Public Broadcasting Service’s (PBS)* Tehran bureau. In 2009, Iranian Ambassador Fada Hossein Maleki demanded that Afghanistan halt the project. Later in the same year, an Afghan police commander who was tasked with protecting the dam testified on Iranian intentions to sabotage the dam. Nevertheless, in an interview with *Pajhwok Afghan News* [Indian Consul General Tara Chand](#) stated that there was no evidence of an Iranian attempt to sabotage the construction. He also said that they had considered all possible challenges before the initiative and they are determined to execute the project. The project is expected to be completed by [the end of 2012](#), according to *Outlook Afghanistan*.

Kabul Parliament Building

Another major Indian project in Afghanistan is the construction of the new [Afghan Parliament](#) complex in Kabul, says *The Times of India*. An Indian firm, C&C Construction, is undertaking the construction. According to the company’s director, C&C is employing Afghans for unskilled work on the parliament and Indians for skilled work. The project is expected to be completed in mid-2012. The Indian government calls the new parliament “a visible symbol of India’s contribution in strengthening and rebuilding [democracy in Afghanistan](#)”.



Hajigak Iron Ore Deposit

In late 2011, *Bloomberg* reported that the Afghan government awarded the [mining rights](#) to the country's biggest iron ore deposit at Hajigak, in Bamian province, to a consortium of Indian firms led by India's largest, state-owned mining company. The Indian companies won the rights to operate three out of four mining "blocks" at Hajigak.² The [Hajigak deposit](#) is estimated to hold 1.8 billion tonnes of ore, according to *Bloomberg*. The Indian consortium of seven companies stated that it needs [USD 11 billion](#) to mine the deposit, build a power plant and steel mill and create transportation links to get equipment in and ore out of Hajigak.

The Afghan government is planning to tender the rights to additional [copper and gold deposits](#) in the future with the anticipation that foreign firms will submit bids. Afghanistan aims to attract USD 14.6 billion in foreign investment over 30 years, USD 10.7 billion of which Afghanistan's Ministry of Mines ([MoM](#)) believes may come from India.

Trade and Other Engagement

The relationship between Afghanistan and India is not limited to development projects and minerals. India is one of Afghanistan's [major trading partners](#). According to the European Commission's ([EC](#)) 2010 statistics, India was Afghanistan's fifth largest source of imports, with EUR 325 million (USD 413.8 million), which is equivalent to 5.2% of total goods imported by Afghanistan. In addition, Afghanistan exported EUR 97.9 million (USD 124.6 million) to India, which is equivalent to 25.4% of total Afghan exports. The trade between Afghanistan and India is strengthened by the [Preferential Trade Agreement](#) signed between the two countries in 2003. This agreement aims at expanding trade and developing economic relations between the two countries. It also reduces trade barriers and provides fair competition conditions for the trading parties. This process involves reducing tariffs and applying consistent, non-discriminatory taxes regardless of whether products originate in India or Afghanistan.

In addition to the agreement of 2003, India and Afghanistan had recently signed a [strategic partnership](#) agreement. According to a *BBC* article, leaders of the two countries are aiming to create an [institutional framework](#) to allow Afghan capacity building in education and development areas. The [trade and economic elements](#) of this agreement focus not only upon Indo-Afghan commerce but also upon the formation of a regional economic network integrating Central and South Asia. In addition, under the agreement, India will [train](#) Afghan National Security Forces ([ANSF](#)) and [equip](#) a portion of the Afghan forces. It will also establish the groundwork for [strategic dialogues](#) between the Indian and Afghan national security advisers.

Pakistan's Involvement in Afghanistan

Pakistan is also contributing to the development of Afghanistan. According to the Pakistani Ministry of Foreign Affairs ([MFA](#)), Pakistan's Ambassador to Afghanistan, Mohammad Sadiq, [characterized the Afghanistan-Pakistan relationship](#) in the following manner: "Mark Twain, the great American writer, once said Johann Sebastian Bach's music is better than it sounds. This is true of Pakistan-Afghanistan relationship. It was always better than portrayed." [Pakistan's involvement in Afghanistan](#) includes the building of several schools, hospitals and faculties for major Afghan universities, according to the Pakistani MFA. Another significant feature of the Afghan-Pakistani relationship is [trade](#), according to Sadiq's statement. In addition, Afghanistan's position as [a land-locked country](#) makes it highly dependent on Pakistan and Pakistani ports for importing and exporting goods.

The [USD 330 million](#) allocated for the reconstruction and development of Afghanistan by Pakistan is used to build projects such as the Rahman Baba High School, Allama Iqbal Faculty of Arts at Kabul University, Sir Syed Science Faculty Block in Nangarhar University and Liaquat Ali Khan Engineering Faculty at Balkh University. Each of these projects is briefly outlined below before turning to a discussion of trade-related issues.

² The fourth block was awarded to a Canadian company.



Rahman Baba High School

[Rahman Baba High School](#) was the first of the Pakistani development projects in the field of education. The USD 4 million project was transferred to the Afghan government's control in April 2008 upon successful completion. Located in Kabul, the school features 33 classrooms, science and computer labs and a canteen, and it is equipped with necessary furniture. It has a 1,200-student capacity. A 1000-student [dormitory](#) is planned to be added to the school by Pakistan. The [cost](#) of the residence hall will be USD 15.86 million, and it will feature seminar halls, recreation halls, stores, dining halls and kitchens.

Allama Iqbal Faculty, Sir Syed Faculty and Liaqat Ali Khan Faculty

The [Allama Iqbal Faculty](#) of Arts at Kabul University was built by the Pakistani government for the Kabul University. The USD 10 million [building features](#) 24 classrooms accommodating up to 2,400 students, two seminar halls, a library, two computer labs and 20 faculty offices. It also includes its own water supply, sewerage and power-generation systems. The building has also been fully furnished and equipped by Pakistan.

Sir Syed Postgraduate Faculty of Science at Nangarhar University is another initiative of Pakistan in the education sector of Afghanistan. This faculty also [shares similar features](#) as the Allama Iqbal Faculty. The USD 5 million project provides the students with 24 classrooms, science laboratories and seminar halls. It also features its own water, sewer and power supply systems.

Lastly, the [Liaqat Ali Khan Engineering Faculty](#) at Balkh University, which is nearing completion, is also constructed by Pakistani government with a cost of USD 10 million. The largest of these three faculty projects, it features 58 classrooms, 32 laboratories, 4 tea rooms, 13 warehouses and technical shops for its students.

A Pakistani envoy to Afghanistan, in an interview with *Outlook Afghanistan*, indicated that Pakistan had also [contributed to Afghanistan](#) in a number of other ways. The article notes that 6,000 Afghan students are currently studying in Pakistani universities and colleges and that Pakistan provides Afghans with 1,000 fully-funded university scholarships each year. In addition, the envoy noted that more than two million Afghan refugee children have attended Pakistani schools. Furthermore, approximately 90% of Afghans who seek medical treatment abroad go to Pakistan, where many receive free treatment in Pakistani healthcare facilities. Finally, the envoy noted that the Torkham-Jalalabad Road is currently being converted into a dual carriage way at the request of Afghan government and that Pakistan was engaged in a number of hospital building projects.³

Trade with Pakistan

Pakistan is currently Afghanistan's [largest trade partner](#) both in terms of imports and exports, according to data published by the EC. Moreover, trade statistics from the Federation of Pakistan Chambers of Commerce and Industry (FPCCI) indicate that Pakistan has been [Afghanistan's largest trade partner](#) throughout the past decade. According to the statistics published by the FPCCI, there has been [a steady increase](#) in Afghanistan's exports to and imports from Pakistan (see *Table 1*).

³ These projects include the Jinnah Hospital Complex in Kabul, the Nishter Kidney Hospital in Jalalabad and the Naib Aminullah Khan Logari Hospital is being built in [Logar](#).



Table I. Pakistan's total Exports to and Imports from Afghanistan, 2002-2008

Fiscal Year	Exports from Afghanistan (USD Million)	Imports from Afghanistan (USD Million)
2001-02	168.632	22.763
2002-03	315.699	34.809
2003-04	492.871	47.441
2004-05	747.722	38.971
2005-06	1,063.672	47.49
2006-07	753.939	76.23
2007-08	1,145.943	90.486

Source: [FPCCI Afghanistan Trade Data](#)

The [World Bank](#) indicates that Afghanistan is largely [dependent on other countries](#) for imports and exports given that it is land-locked and hence reliant on trade with or through its neighbours. At the same time, Pakistan must send goods via Afghanistan en route to markets in Central Asia. Given their economic interdependence, the [two countries in 2010 signed](#) the Afghanistan-Pakistan Transit Trade Agreement ([APTTA](#)), which replaced the 1965 Afghanistan Transit Trade Agreement (ATTA), according a document from the United Nations Conference on Trade and Development ([UNCTAD](#)). The APTTA increases the number of ports, carriers and border crossing points accessible to businesspeople in Afghanistan and Pakistan. It also provides a land route for Afghan exports to India as well as a route for Pakistani exports to the Central Asian republics. The implementation of this agreement and the potential for Afghanistan to export goods, particularly agricultural products and mineral resources, to India and beyond could serve as a major economic boon for the Afghan economy as international financing is expected to decline in the coming years.

Conclusion

This document provides a broad overview of Indian and Pakistani engagement in Afghanistan's development and in the exploitation of Afghan resources. While relatively little information is publicly available concerning many of the individual projects noted in this report, the broader issue of Indo-Afghan and Pakistani-Afghan relations has been the subject of a wide and growing body of research. For more information on these topics, please refer to the materials noted in Annex A on page 7.



Annex A: Additional Resources

The reader may wish to refer to the original text of the publications noted below for further information concerning India and Pakistan's engagement with development and natural resource exploitation in Afghanistan.

- “[Afghanistan Awards Indian Group Hajigak Iron-Ore Mining Rights](#)”, *Bloomberg*, November 2011, by Eltaf Najafizada.
- “[India in Afghanistan, part I: strategic interests, regional concerns](#)”, *Foreign Policy*, October 2010, by Christine Fair.
- “[Indian-Afghan strategic partnership: perceptions from the ground](#)”, *Foreign Policy*, October 2011, by Shanthie Mariet D'Souza.
- “[India's Engagement with Afghanistan: Developing a 'Durable Policy Architecture'](#)”, Institute of South Asian Studies, December 2011, by Daniel Norfolk.
- “[Journey of Friendship: Pakistan's Assistance to Afghanistan](#)”, Embassy of Pakistan, August 2010.
- “[Pakistan-Afghanistan Relationship: A Journey of Friendship](#)”, Embassy of Pakistan, by Pakistani Ambassador to Afghanistan, Mohammad Sadiq.
- “[Pakistan, the United States and the End Game in Afghanistan: Perceptions of Pakistan's Foreign Policy Elite](#)”, Jinnah Institute, 2011, by Moeed Yusuf, Huma Yusuf and Salman Zaidi.
- “[Transit Trade in Transition: The APTTA & the Afghan Economy](#)”, NATO Civil-Military Fusion Centre, November 2011, by Steven A. Zyck.
- “[UNCTAD-supported Afghanistan-Pakistan transit trade agreement to take effect on 14 February](#)”, UNCTAD, February 2011.