



The Role of Iran in Afghanistan's Reconstruction & Development

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*This report provides a broad overview of the contribution of the Islamic Republic of Iran to reconstruction and development in Afghanistan since the fall of the Taliban. It complements previous CFC reports discussing the role of [China](#), [India](#) and [Pakistan](#) in Afghanistan's reconstruction, development and exploitation of natural resources. Related information is available at www.cimicweb.org. **Hyperlinks to source material are highlighted in blue and underlined in the text.***

Iran has been an active player in Afghanistan's reconstruction and development since the fall of the Taliban in 2001, with the Afghan government frequently lauding Iran for its assistance to the country. For instance, in June 2013, Afghan Foreign Ministry spokesman Janan Mosazai praised [Iran as "a very good neighbour"](#), while stressing a need for expansion of ties and cooperation between the two countries. Similarly, in February 2013, Afghan Foreign Minister Zalmai [Rassoul hailed Iran's positive role in the reconstruction](#) of Afghanistan. While this report primarily focuses on reconstruction and development-related projects, it is useful to situate these within a broader context of Iran's regional economic objectives and its foreign policy toward Afghanistan. As noted by Ellen Laipson of the Stimson Center, Iran would prefer to see Afghanistan emerge from decades of conflict as "[a more reliable trading partner, transit route, and competent](#) state that can [reduce] the flow of drugs and refugees across its border, [as well as] prevent non-state actors from operating on its territory". These factors, among others, have guided Iran's reconstruction and development efforts in the country.

Development Aid

According to Kenneth Katzman of the Congressional Research Service (CRS), Iran has [committed about USD 1 billion in aid](#) to Afghanistan since the fall of the Taliban, of which approximately one half has been disbursed to date. An Iran expert, Mohsen M. Milani notes that Iran was [one of the leading contributors at the 2002](#) Tokyo Conference on Afghanistan Recovery and Reconstruction Conference, pledging USD 560 million

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in aid over a five-year period, or around twelve per cent of the total USD 4.5 billion in reconstruction assistance. At the 2006 London Conference on Afghanistan Reconstruction, Iran committed an additional USD 100 million, and announced that the last instalment of the initial USD 560 million commitment would be disbursed by the end of 2006.¹

At the 2008 Paris conference on Afghanistan, Iran pledged [an additional USD 50 million in aid](#) and USD 300 million in loans which were to be disbursed over a period of three years, according to the Iranian High Council for Human Rights. Research from the United States Institute of Peace (USIP) suggests that Iran has invested the bulk of [reconstruction aid in the Herat region](#) on its eastern border with Afghanistan in an effort to create “an economic sphere of influence in [Herat](#) and turn it into a security buffer zone”. Iran’s major reconstruction projects in Afghanistan will be discussed in more detail in the following sections of this report.

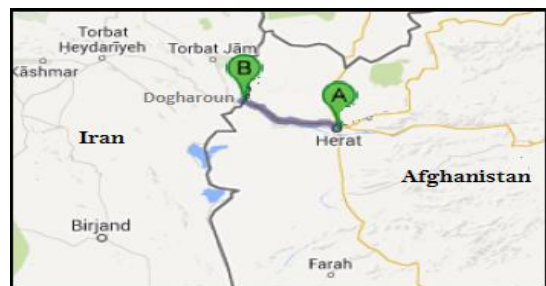
Strategic Infrastructure: Transportation and Energy

Transportation and power infrastructure, including roads, rails, and power transmission lines, have been the main beneficiaries of the Iranian aid, as these projects constitute [a speedy way to strengthen the Afghan economy](#), writes *The New York Times*. According to Milani’s 2006 article in *The Middle East Journal*, Iran’s efforts to upgrade and expand Afghanistan’s infrastructure – especially the reconstruction of highways – are part of its strategy to better link the two countries and “to [transform itself into a critical trade and energy bridge](#) between Central Asia, Afghanistan, and the Persian Gulf”.

Roads

In an effort to encourage trade between the two countries, Iran built a 123 kilometre-long [highway connecting the south-western Afghan city of Herat](#) with the Dogharoun region of north-eastern Iran (*Figure 1.*). According to Iranian officials, the highway, to which Iran allocated some USD 60 million, would serve as a conduit for more than half of Afghanistan’s imports and exports, writes *BBC*. The road was inaugurated during Afghan President Hamid Karzai’s visit to Iran in 2005. In tandem with India, Iran is also building [roads that would connect western Afghanistan to Iran’s port of Chabahar](#) in the Gulf of Oman, notes a study by the International Monetary Fund (*Figure 2.*). Under a Memorandum of Understanding (MoU) signed by Iran, India and Afghanistan in 2003, Iran has built a route connecting Chabahar with the border city Zaranj in Afghanistan’s [Nimroz](#) province, which includes the construction of Malik bridge over Helmand river.² For its part, India built a [new highway stretching from Zaranj](#) to the city of Delaram in Afghanistan’s [Farah](#) province. The highway establishes a link between Chabahar port and Afghanistan’s main ring road highway system, providing land-locked Afghanistan an alternative outlet to the Arabian Sea and the Persian Gulf. According to the Institute for the Study of War (ISW), Afghan President Hamid Karzai and Indian Foreign Minister Pranab Mukherjee [inaugurated this 215-km highway in 2009](#). Iran further contributed to this project by giving Afghan vehicles

Figure 1. Herat – Dogharoun Highway



Source: [Google Maps](#), modified by the author

¹ Mohsen M. Milani, “Iran’s Policy Towards Afghanistan,” *The Middle East Journal*, Vol. 60, No. 2, (Spring, 2006) pp. 235-256.

² According to the International Monetary Fund, the [bridge significantly shortens](#) the time taken to travel between Malik and Zaranj.

full transit rights on the Iranian road system, granting Afghan exporters a ninety per cent discount on port fees, and a fifty per cent discount on warehousing fees. The road [diminishes the economic significance of the Karachi-Kandahar road](#) – which used to be Afghanistan's only roadway to international markets – and enables Afghans to shift their transit of goods from Pakistani Karachi harbour to Chabahar port, according to the USIP's "Iran Primer" (*discussed below*). Importantly, the highway shortens the distance from the Persian Gulf to Afghanistan by some 700 kilometres. Furthermore, in July 2008, *Bloomberg* reported that [Iran paved fifty per cent of Herat's streets](#) and over sixty kilometres of highway leading north.

Rails

Iran is further enhancing the connectivity of Afghanistan by investing in rail projects. It has been [constructing a railway](#) from Iran to the Afghan city of Herat, according to the Afghan Ministry of Transportation and Civil Aviation (MoTCA). The railway consists of [four parts](#): two sections on Iranian soil and the other two in Afghanistan, writes *Wadsam* (*Figure 3*). In September 2012, Herat officials reported that [ninety per cent of work](#) on the railway was finalised. However, in October 2012, the governor of Herat appealed to the Iranian government to [expedite the construction](#) of the Herat – Khaf link. The project commenced in 2007, originally slated for completion in 2009. The first two phases of the railroad have been finalised, but the completion of the whole project has been postponed several times. According to Wali Mohammad Rassouli, Deputy Minister of the Afghan Ministry of Public Works, [Iran plans to invest USD 75 million](#) to complete the third phase of the project, with the Asian Development Bank (ADB) funding the last part, writes *The Tehran Times*. Once completed, the rail line is projected to bring annually around UDS 200-300 million in [trade revenues](#). It is also expected to enhance Afghanistan's trade with [Turkey and Europe](#) once Iran connects Khaf with the rest of its national railway network.

According to *Reuters*, Tehran is also involved in a project to [connect Iran, Afghanistan, and Tajikistan](#) via railways and "energy lines". Presidents of the three countries signed a joint declaration to improve their connection in March 2012 during their fifth trilateral summit in the Tajik capital of Dushanbe. In the future, Iran, along with China and Kyrgyzstan, also considers joining the [Turkmenistan-Afghanistan-Tajikistan \(TAT\) rail corridor project](#), on which construction commenced in June 2013, according to a report by the Strategic Planning Institute under the Ministry of Economy of Turkmenistan. The 400 kilometre-long railway is expected to be operational by 2015. The rail will open a new corridor between Central Asia and global markets through the ports of the Indian Ocean.

Figure 2. Chabahar-Milak-Zaranj-Delaram Highway



Source: [AutoNavi](#), [Google](#), [Basarsoft](#), [GIS Innovatsia](#), 2012.

Figure 3. Herat – Iran Railway



Source: [UNECE](#), 2012, modified by the author.



Energy

Tehran also invested in Afghanistan's energy infrastructure, helping to build [Afghanistan's power system](#). For instance, it financed 132 kV double [circuit line](#) running from Torbat-e-jam in Iran to Herat commissioned in 2005; and two 20 kV single circuits opened in 2004, according to a World Bank study. Iran is the [main supplier of electricity](#) to western Afghan cities, including Herat, notes *The Wall Street Journal*. In January 2013, Iranian Water and Energy Minister Majid Namjoo announced that the Iranian government would [increase its electricity exports](#) to Herat and the two other western provinces of Nimroz, and Farah, notes *Wadsam*. Under this [agreement](#) Iran will provide 24 MW to Nimroz, 140 MW to Herat and 100 MW to Farah. Moreover, the Iranian government provided Afghanistan with [two power generators](#), each having the capacity to produce 50 MW of electricity per hour, to be used in emergency situations, reports *Wadsam*. The generators, valued at USD 10 million, were inaugurated in January 2013 in [Kabul](#).

Iran is also main supplier of oil and fuels to Afghanistan. In December 2011, the two countries signed a contract under which Iran would annually export [one million tons of oil products](#) to Afghanistan, says *Wadsam*. In April 2012, Afghan deputy minister to Minister of Commerce and Industries, Anwar-Ul-Haq Ahady, told *Bloomberg* that [Iran provides around fifty per cent of Afghanistan's oil imports](#). Given this dependence, Ahady urged the US to grant Afghanistan leeway regarding economic sanctions intended to curb Iran's oil exports. According to Ahady, Afghanistan "[doesn't] have much of an alternative" to Iranian oil.

However, Afghanistan's fuel dependence on Iran has its downsides. During the harsh winter of 2008-09, [Iran supplied oil at a discounted](#), below-market price to assist Kabul's electricity supply; however, in December 2010 the Iranian government [restricted oil and gas shipments](#) to Afghanistan for political reasons. The ensuing shortage led to a near thirty per cent increase in diesel fuel costs in the first week of 2011 alone.³ Further adding to Afghan fuel issues with Iran, in December 2012, Herat's oil and gas department reported that [sixty tankers of poor quality oil](#) coming from Iran were prevented from entering Afghanistan in 2012, says *Wadsam*.

Lastly, in November 2012, Iran's *Azernews* reported that the two countries [agreed to build an oil pipeline](#) to help facilitate the export of Iran's oil products to Afghanistan. If implemented, the pipeline would run from Iran's Dogharoun city in Khorasan Razavi province to Afghan city of Eslam Qaleh in Herat province. In addition to reducing the opportunity for oil products smuggling, the pipeline will reportedly [eliminate long queues](#) at the border between the two countries as oil and oil products will be exported directly from the storage fuel tanks in Dogharoun. There appears to be no other publicly available information regarding the status of the project.

Trade Relations

The infrastructure projects described above have positively affected the economy of both countries, with the new road network reducing transportation costs and bolstering internal trade between the two countries. Milani suggests that these projects contribute to one of Iran's main objectives: namely the creation of "an ['economic sphere of influence'](#) in Afghanistan, with the ultimate goal of becoming the hub for the transit of goods and services between the Persian Gulf, Afghanistan, Central Asia, China, and India." Along similar lines, a *Eurasia Review* article suggests that Iran has a stake in Afghanistan's economic stability since the country represents a valuable [untapped export market for Iranian](#) products. On that note, Iranian Deputy Foreign

³ See the Civil-Military Fusion Centre (CFC) report entitled "[The Iranian-Imposed Slowdown on Fuel Imports into Afghanistan](#)".



Minister for Asia-Pacific Affairs Abbas Araqchi stated, “A peaceful and stable Afghanistan can [play an efficient role in the promotion of trade](#) and the transit [of goods] between the two countries and in the region,” quotes *Press TV*. As Milani concludes, “Clearly, the economic sphere of influence [in Afghanistan] would [also enhance Iran’s political and security objectives.](#)”

Economic activity between the two countries has been steadily growing since 2002. For instance, Geoge Gavrilis of The Council on Foreign Relations (CFR) notes Iran has [certified joint investment companies](#), sponsored food fairs, opened cement factories, extended purchase credits to traders, provided loans to Afghan businessmen and trained commercial pilots to boost trade between the two countries. In 2006, chief executive officer of the Afghanistan International Chamber of Commerce told the Institute for War & Peace Reporting (IWPR) that [an estimated 2,000 Iranian private companies](#), many funded by the Iranian government, operate in Afghanistan. According to a 2011 RAND Corporation study, many of these businesses are located in Herat and [contributed the city’s economic recovery](#) after 2001. Also, Afghan minister of commerce and industries, Anqarul Haq Ahadi, noted in January 2012 that Iranian companies are implementing [110 technical-engineering projects](#) in Afghanistan worth USD 360 million, reports *Tehran Times*.

The two countries also signed several agreements to enhance their economic engagement. The visit by former Iranian president Mohammad Khatami to Afghanistan in August 2002, the first such visit by an Iranian president in forty years, led to [several bilateral trade agreements](#), according to South Asia Monitor. To highlight a few recent ones, in 2008, Iran, Afghanistan and Tajikistan agreed to create the Economic Council of the Persian-Speaking Union, according to the ISW. In January 2012, a delegation of 55 Iranian businessmen [seeking investment](#) in Afghanistan’s mine, agriculture, and industries visited Kabul and inked trade agreements with Afghanistan’s Chamber of Commerce, notes *Tolo News*. During the same month, Herat’s Chamber of Commerce also signed a Memorandum of Understanding (MoU) with Iran encouraging [investment in Herat’s mining industry](#), according to a joint report by The American Enterprise Institute (AEI) and the ISW. Under this MoU, investors from Iran’s Markazi province pledged to export technology and machinery for mining into Afghanistan. In February 2013, the two countries [signed agreements regarding trade](#) cooperation, reports *Tolo News*. Iranian ministry officials have announced that as a part of the agreement, Afghanistan gains membership in the International Road Transport Convention, an agreement of trade regulations that dictates the flow of goods along international transit routes. As such, visa requirements for Afghan traders will be simplified and truckers will be granted entry to the Persian Gulf and Europe through Iran. “By the implementation of these agreements, we are trying to solve the transit problems that come between the two countries,” said Jariullah Mansory, Afghan Deputy Minister of Transport and Aviation. Most recently, in May 2013 during an Iranian visit to Herat, Governor of Iran’s north-eastern Khorassan Razavi province, Mohammad Hossein Forouzanmehr and Governor of Afghanistan’s Herat province, Daud Shah Saba, [inked a fourteen-clause MoU](#) to enhance bilateral ties and cooperation in economy, environment, agriculture, development and culture, reports *FARS News Agency*.

Bilateral Trade

USIP research indicates that Iran is among the top five Afghan trading partners, with cross-border trade between the two countries steadily growing since 2002. According to Milani, [the amount of trade](#) between the two countries increased from USD 120 million in 2002-2003 to USD 250 million in 2005. Trade relations have continued to grow, with Anwar-Ul-Haq Ahady, the Afghan Minister of Commerce and Industries noting in April 2012 that Afghanistan’s [trade with Iran has risen to more than USD 1 billion](#) annually, placing Iran second after Pakistan, writes *Bloomberg*. In December 2012, deputy head of Iran’s Trade Promotion



Organization Reza Tofiqzadeh lauded increasing cross-border trade, noting “[Iran has gained a 25 per cent share](#) of Afghanistan’s import in the [2012 Iranian] year”. In contrast to Ahedy’s figures, Tofiqzadeh claimed in December 2012 that the value of Iran’s exports to Afghanistan increased from USD 500 million in 2006 to over USD 2 billion in the 2012, notes *Iran English Radio/IRIB World Service*.⁴ Ahady acknowledged that Iran “is becoming a very large trade partner”, noting that oil and fuel, along with some consumer and industrial goods, account for the bulk of trade between the two countries.

Chabahar Port

In September 2012, Afghan Foreign Minister Zalmay Rasool and his Iranian counterpart, Ali Akbar Salehi, signed an agreement which [guarantees Afghanistan access](#) to Iran’s Chabahar port, reports *Outlook India*. In July 2013, *Reuters* reported that Afghanistan is [negotiating an agreement with Iran to use the port](#) to export goods such as fruit and carpets to India and central Asia and Europe. Afghanistan is currently dependent on Karachi port in Pakistan for the majority of its sea exports (see *Figure 2*). The agreement between Kabul and Tehran aimed at boosting Afghanistan’s exports to Europe and India would consequently diminish Afghanistan’s reliance on neighbouring Pakistan’s ports for trade. The current situation leaves traders vulnerable to political disputes between the United States and Pakistan, as experienced on regular occasions over the last several years. According to the spokesman for Afghanistan’s Ministry of Commerce and Industries, Wahidullah Ghazikhel, “If the Pakistani government’s relationship with the United States goes bad, this impacts our traders...We are very interested in exporting to European countries and working on other ways (that avoid Pakistan’s port)”.

However, [Afghan traders have expressed concerns](#) that the international economic sanctions against Iran will affect the Chabahar port project, reports *Tolo News*. In August 2013, the head of the Afghan Chamber of Commerce and Industries (ACCI), Mohammad Qurban Haqjo, dismissed the concerns, noting that “the sanctions will not affect trade”. Haqjo also urged Iran to start investing in infrastructure at the port. Amar Sinha, the Indian Ambassador to Afghanistan however assured “We [Indian government] have committed with the Iranian government [to] develop the Chabahar port”. Meanwhile, some observers warn Pakistan could attempt to prevent Afghan traders from using Chabahar port if it diverted trade from Pakistan. Similarly, some experts suspect Pakistan of intentionally destabilising the area around the Delaram-Zaranj highway which connects Afghanistan with Iran.

According to *The Wall Street Journal*, the international [sanctions against Iran are also having additional effects on Afghanistan](#). Unable to sell products domestically or export them abroad due to the weak economy, depreciation of the Iranian currency and international sanctions, Iranian businesses have reportedly dumped cut-price goods on Afghan markets, thus undercutting Afghan traders and producers. For instance, one Afghan businessman indicated that a cheap supply of Iranian gypsum had forced him to lay off seventy employees at his gypsum factory in western Afghanistan.

Social Infrastructure: Media, Education and Charity

Iran’s reconstruction and development efforts in Afghanistan have not been limited to transportation and energy infrastructure and have included support for a variety of other projects, including the construction of clinics, and support for telecommunications, education, and cultural and religious organisations. Specifically, Daud Moradian, a former Afghan Foreign Ministry advisor, noted that [much of the USD 100 million that Iran](#)

⁴ The Iranian fiscal year ended in March 2013.



[spends in Afghanistan](#) each year is allocated to the media, civil society projects and religious schools, reports *Reuters*.

Media

Iran has helped [fund and rebuild several media outlets](#), including Afghanistan's radio and television infrastructure, while also increasing its own radio and television programmes in Dari, reports *Reuters*. Afghan officials and media groups indicate that "nearly a third of Afghanistan's media is backed by Iran, either financially or through providing content". For instance, Ensaf and TV channels Tamadon and Noor, had received financial support from Iran, according to Afghanistan's intelligence department, the National Directorate of Security (NDS). While contributing to Afghanistan's reconstruction and development, Iran's media-related efforts are believed to be one of Iran's strategies to project "soft power" into Afghanistan to expand cultural and political leverage in the country and establish a political counterbalance against the US influence.

Education

Iran has also contributed to education-related projects in Afghanistan, building for instance a [dental college](#), water research facility, a USD 100 million [university](#) and the [Public Library and Cultural Center](#) in Herat. The USD 190,000 centre provides education for 700 Afghan students, writes *The Christian Science Monitor*. Nonetheless, in August 2013, the centre director, Seyed Alireza Razavi, complained that Iran has not provided sufficient support. "Our doors are broken, desks and chairs and tables are damaged, we need materials and the heating system fixed." In 2005, the Iranian Embassy in Afghanistan opened the [Iranian Corner, a room in Kabul University's](#) main library, providing computers, books and magazines from Iran, notes *The New York Times*. Additionally, Iran provided a handful of advisers to Afghan governmental ministries and experts to train more than 1,200 Afghan teachers, librarians and diplomats. Most recently, in January 2013, the Iranian Minister of Science, Research and Technology, Kamran Daneshjoo, announced that the two countries [consider establishing a shared university](#), reports *Wadsam*. The same article also notes that the Iranian government has offered five hundred scholarships to Afghan students and expressed an interest "to undertake joint technical and engineering projects".

Charity: Imam Khomeini Relief Committee (IKRC)

Iran's largest [charity organisation](#), the Imam Khomeini Relief Committee (IKRC) provides financial aid for a variety of projects across Afghanistan, such as payments of USD 220 to newlyweds and USD 600-800 loans for framers, writes *The Christian Science Monitor*. The charity has reportedly helped 7,000 families and 72,000 orphans across Afghanistan, also distributing thousands of student packages consisting of monthly allowances to students of needy families. In Herat province alone, the charity disbursed USD 623,000 in non-cash assistance during a half of 2011, handing out flour, sugar, cooking oil, and cleaning products, while also providing vocational training such as sewing and auto mechanic courses. Nonetheless, Western and Afghan officials say the IKRC gives economic help with a goal to gather intelligence, while providing [aid only to those deemed loyal to Iran](#), reports *The Wall Street Journal*.

However, whether Iran's development efforts in Western Afghanistan have translated into [influence remains questionable](#), partly because Afghan residents perceive Iran as privileging Afghan Persian-speaking minorities and Shi'ite factions, according to the August 2013 *The Christian Science Monitor* article. Some of Iran's funding has been intended to [support pro-Iranian groups](#) in the west as well as Hazara Shi'ites in Kabul and in



the Hazaras' heartland of Bamiyan, Ghazni, and Dai Kundi, in part by providing scholarships, funding for technical institutes, constructing mosques, and opening pro-Iranian theological seminaries as well as Shi'ite institutions, according to Kenneth Katzman of CRS. One Kabul resident complains "They [Iranians] build everything for Shi'ites. They don't help the Pashtun people. They use their money to win influence, like they do in Lebanon," where Iran supports the Shi'ite group Hezbollah, cites *The Christian Science Monitor*. According to the aforementioned report by the AEI and the ISW, "[Ostensibly a charitable organization](#), the IKRC promotes Iran's ideological and political goals and incites anti-American sentiments in Afghanistan". However, as one local Afghan journalist noted, "It has been like a [cold war between the US and Iran in Herat](#), and the US won. [...] Iran's influence is much less than eight years ago, because the US pushed it back. One thing we can say is the US has been effective in moving the media against Iran. Good thoughts toward Iran have changed a lot in eight years, negatively," cites *The Christian Science Monitor*. At the same time, Herat's provincial officials have become largely [reliant on Iranian investments and exports](#), according to the report by the AEI and the ISW. As noted by the head of Herat's provincial council, Nazir Ahmad Haidar, "[Iran has influence in every sphere](#): economic, social, political and daily life [...] When someone gives so much money, people fall into their way of thinking. It's not just a matter of being neighbourly", cites *Los Angeles Times*.

Refugees

Iran has indirectly contributed to Afghanistan's economic situation by hosting [over two million](#) Afghan refugees and migrant workers living within its borders.⁵ Afghans working in Iran play an important economic role, with their [remittance constituting six per cent](#), or around USD 500 million, of the Afghan gross domestic product (GDP), notes American Institute of Afghanistan Studies. Moreover, in August 2013, the United Nations Refugee Agency (UNHCR) lauded the Iranian Ministry of Education generosity in providing [access to primary and secondary education](#) to Afghan refugees, as well as literacy classes to older out-of-school Afghans residing in Iran. A 2009 census administered by the Iranian government indicates that literacy among Afghan refugees in Iran has increased from six per cent in 1981 to 69 per cent in 2009, notes the agency. Illustratively, Seyyed Zia Hosseini, a 28-year-old PhD graduate of an Iranian university was hired as a senior consultant to Afghanistan's Minister of Urbanisation, noting "I even have the opportunity to become minister", highlights UNHCR. However, in contrast to Hosseini's experience, a 2009 conference report released by The American Institute of Afghanistan Studies and the Hollings Center for International Dialogue indicates that Afghan refugees who [absolved their higher education in Iran](#) sometimes face discriminatory barriers when they return to Afghanistan. The report notes that ministries in Kabul have refused to accept their degrees or to certify the private schools that these Afghans have established. Furthermore, Kabul University has reportedly been reluctant to employ Iranian-trained scholars.

At the same time, Iran perceives the [Afghan refugees as a drain on its economy](#) and has threatened to deport them on numerous occasions, notes a 2011 RAND Corporation study. For instance in March 2008, Seyyed Taghi Ghaemi, director of the Bureau for Aliens and Foreign Immigrants at Iran's Interior Ministry, said Iran would [deport more than 1 million](#) Afghans living illegally in Iran, reports the UN's *Integrated Regional Information Networks*. Then during the summer of 2011, [Iran expelled 90,000](#) Afghans, threatening to forcibly repatriate 1.5 million others. In July 2012, *The Wall Street Journal* reported that the international sanctions against Iran have been taking a toll on Afghanistan, as weak economic conditions in Iran are pushing the Iranian government to [expel additional thousands of Afghan](#) refugees and labour migrants, including those

⁵ According to Kenneth Katzman of CRS, Iran hosts about 1 million [registered Afghan refugees](#), and about 1.4 million Afghan migrants (non-refugees).



who have resided legally in Iran for years. Afghanistan's Deputy Commerce Minister, Muzammil Shinwari, said that the Afghan government is "hugely concerned" about the situation and noted that Afghans working in Iran "will likely be the first to lose their jobs". The return of working-age Afghans to Afghanistan is, however, straining the country's economy, which is already facing challenges as a result of declining international spending, writes the article. Afghans working in Iran, who had previously sent money home to Afghanistan as remittances on a regular basis, are reportedly no longer able to do so, and the return of Afghans is likely to increase unemployment and potentially drive down wages.

The refugee situation between the two countries has also been complicated by the fact that "Afghan refugees and migrants are [becoming the victims of big political games](#) played between the Iranian and U.S. power", expressed Afghanistan's deputy minister for refugees, Abdul Samad, cites *Reuters*. For instance, in May 2012 Iran threatened to expel Afghan refugees and migrant workers if Afghanistan signed a strategic security pact with the United States.

Narcotics

Afghanistan is the [world's largest producer of opium](#), and Iran is the world's major consumer, with an [estimated sixty per cent](#) of Afghanistan's opium being trafficked across Iran's border, according to United Nations Office on Drugs and Crime (UNODC). Consequently, Iran has a strong interest in the effectiveness of Afghanistan's counter-narcotics efforts. Iran, which has a 900 km common border with Afghanistan, has been used as the main conduit for smuggling Afghan drugs to Europe. For this reason, since 2005, Iran has [contributed over USD 50 million annually](#) to Afghan anti-narcotics efforts to fight spiking drug addiction within its border, reports *Azeri Trend*. Iran has also spent around USD 700 million [to seal the border](#) and prevent the transit of narcotics, notes *Press TV*.

Water Issues

While playing an active role in Afghanistan's reconstruction and development, Iran has reportedly hindered some of the Afghanistan water development projects. Specifically, the Afghan government has accused Iran of supporting insurgents, including the Taliban⁶, in order to [prevent the building of the Bakhsh Abad and Salma dams](#), according to a RAND Corporation study.⁷ In March 2013, Humaira Ayubi, an Afghan parliamentarian, told *Central Asia Online* "Iran has hampered projects by [providing militants with money](#), weapons and mines." However, Iranian officials dismiss the accusations, claiming that they support the development of Afghanistan. Iran, and to a lesser degree Turkmenistan, are concerned that [dams will constrict cross-border water flow](#), writes *The Christian Science Monitor*. On one hand, Salma dam, slated for completion by the end of 2014, would increase the cultivable land in Afghanistan from 35,000 to 80,000 hectares and would produce 42MW of electricity, reducing Western Afghanistan's dependency on Iran. On the other hand, on the Iranian side, water flow of its Harirud River will shrink by over seventy per cent in a region where the population's dependence on the water flowing along the Harirud River is three times greater than on the Afghan side.

Conclusion: Iranian Engagement & Foreign Policy

⁶ For more information regarding Iran's support to the Taliban, please see a joint 2012 report by The American Enterprise Institute and The Institute For the Study of War entitled "[Iranian Influence in the Levant, Egypt, Iraq, and Afghanistan](#)", as well as a 2011 RAND Corporation study, "[Iran's Balancing Act in Afghanistan](#)".

⁷ For more details, please see the CFC report on "[Afghanistan's Transboundary Water Resources](#)".



While relatively little information is publicly available concerning many of the individual projects noted in this report, the research suggests that Iran has played an active role in Afghanistan's reconstruction and development since the fall of the Taliban. In line with these efforts, Iranian Ambassador to Kabul Abolfazl Zohrevand indicated in January 2013 that [Iran will continue to support Afghanistan's reconstruction](#) and development areas after the withdrawal of the foreign forces, writes *Wadsam*. Iran scholar Mohsen Milani notes, "While Iran has been guilty of extremism and adventurism in some critical aspects of its foreign policy [including its measured support to the insurgents], [its overall Afghan policy](#) has contributed more to moderation and stability than to extremism and instability". Along similar lines, in their 2011 study entitled "Iran's Balancing Act in Afghanistan", RAND Corporation analysts Alireza Nader and Joya Laha conclude that [despite its historical enmity toward the Taliban](#), Iran's occasional support⁸ to the militants is part of its broader geopolitical aim to counterbalance the US – the goal which sometimes overweighs and contradicts Iran's traditional support for the Karzai government and its interest in a stable Afghanistan.

⁸ According to the US State Department report on international terrorism for 2012 released in May 2013, the Qods Force of the [Islamic Revolutionary Guard Corps of Iran](#) (IRGC-QF) provided "select members of the Taliban with weapons, funding, logistics and training". However, according to a June 2013 study by the Center for Strategic & International Studies (CSIS), entitled "[US and Iranian Strategic Competition](#)", Iran's relations with armed anti-American groups in Afghanistan "are extremely limited".