



The University of World Economy and Diplomacy

Institute for Advanced
International Studies

Policy Report

Assessing the prospects
of Afghanistan as a
transport corridor
between Central Asia
and South Asia

RUSTAM MAKHMUDOV
AKRAM UMAROV

www.iais.uz

Assessing the prospects of Afghanistan as a transport corridor between Central Asia and South Asia

Introduction¹

Afghanistan's unique geographical position allows the country to be a link between Central and South Asia and the Middle East. However, for the last twenty years, during Hamid Karzai and Ashraf Ghani's reign such potential was not actually realised. This was largely seen as a consequence of the increasing year-on-year instability caused by the insurgent and terrorist activities of the Taliban and ISIS-Khorasan. It, thus, increased investment risks and threats related to the safety of cargo and the safety of personnel. At the same time, the Taliban's take over the country in August 2021 and the cessation of large-scale hostilities in the country created the prerequisites for considering all the factors pros and cons of the likelihood of realising the transit potential of Afghanistan at a practical level.

Factors in favour of transport projects through Afghanistan

The first and key factor that makes it possible to speak of an increase in the likelihood of the realisation of the transit potential of Afghanistan is the ability of the Taliban movement to control the situation within the border of the country. Unlike the previous Afghan authorities, the Taliban do not face large-scale military action from their opponents. Of course, ISIS-Khorasan is acting against them, however, so far, its actions are presented in the form of terrorist acts directed against the security forces of the Taliban movement, the Haqqani network, Hazara Shiites, supporters of Sufism and diplomatic missions of foreign countries². Also, there are no large-scale military actions by the Afghan National Resistance Front, led by Ahmad Masoud, who resisted the Taliban in the Panjshir Valley in August-September 2021, ending with the defeat of the Front.

The second factor favouring the transit projects is the Taliban Government's commitments for the economic recovery of Afghanistan, despite

¹ This paper forms part of a series commissioned by the Foreign, Commonwealth and Development Office. The views expressed are those of the authors alone and do not necessarily represent those of the British Government.

² ISIS-Khorasan Appears to Be Replacing the Taliban's Terror in Afghanistan By Mahmut Cengiz // Homeland security today.US, February 13, 2023. <https://www.hstoday.us/featured/isis-khorasan-appears-to-be-replacing-the-talibans-terror-in-afghanistan/>

having extremely limited financial resources, unlike the governments of H. Karzai and A. Ghani, whose budgets were 70-75% formed by foreign donors. Undoubtedly, international organizations and their donors play an important role in preventing a humanitarian crisis in the country. However, the efforts of the Taliban Government cannot be ignored. In particular, it managed to strengthen the Afghan currency, reduce inflation, partially restore imports, and double exports. The situation with the collection of taxes and customs duties has improved, which has been recognised by Western experts³.

The third important factor is both Uzbekistan and Pakistan interested in cooperation with the Taliban Government for developing transit transport communications and cargo transportation. These two countries are capable of providing Afghanistan with most of the land road and rail access to foreign markets along the North-South line. The interest of Uzbekistan and Pakistan in cooperation with the Taliban Government is based on several indicators.

First, the new Taliban authorities themselves are looking for cooperation in the transport and transit sector as evidenced by their participation in the Uzbek-Afghan-Pakistani meeting to discuss the construction project of the Termez-Mazar-i-Sharif-Kabul-Peshawar railway 6-7 December 2021 in Tashkent, as well as their contacts on this issue with Uzbekistan and Pakistan on a bilateral basis.

There is no doubt that the implementation of this project will allow Afghanistan to become an important player in international cargo transportation, competing with Iran, and this will become a source of constant foreign exchange income for Kabul. The Afghans understand their advantages over Iran in cargo transportation along the line of Central and South Asia. Imposed restrictions on activities with Iran create many barriers on using its territory for transit and also the Iranian railway infrastructure needs considerable modernisation⁴. For example, according to experts, the time of delivery of goods from Pakistan to Uzbekistan by rail will be reduced from 35 to 3-5 days. In turn, the cost of transporting a 20-pound container along the Tashkent-Karachi route, as of 2021, was estimated at \$1,400-1,600, which was

³ Afghanistan in 2023: Taliban internal power struggles and militancy By Vanda Felbab-Brown // Brookings, February 3, 2023. <https://www.brookings.edu/blog/order-from-chaos/2023/02/03/afghanistan-in-2023-taliban-internal-power-struggles-and-militancy/>

⁴ Iran: The Place Where The World's Rail Industry Goes To Feast. // Forbes, 31.10.2017. <https://www.forbes.com/sites/wadeshepard/2017/10/31/iran-the-place-where-the-worlds-rail-industry-goes-to-feast/?sh=691f78041ebf>

cheaper than delivery through the Iranian port of Bandar Abbas, which cost \$2,600-3,000.⁵

Another indicator for the interest of Uzbekistan and Pakistan in the development of transport and transit ties with the Taliban Government is the growth of a trade on a bilateral basis, which strengthens the material ties between countries and raises the level of mutual trust. Uzbek-Afghan trade, despite the change of power in Afghanistan in 2021, has not undergone catastrophic changes. If in 2020 the value of trade turnover amounted to \$779.1 million, having decreased by 13.5% to \$673.7 million in 2021, by the end of 2022 it won back most of the fall and even increased it to \$759.9 million USD.⁶

The power change in Afghanistan also did not have catastrophic consequences for the country's trade relations with Pakistan. Trade between the two countries increased from July to February 2022-2023 fiscal year by 28% compared to the same period last fiscal year - from 1.04 to 1.33 billion dollars. At the same time, Pakistani exports increased by 32% - from \$500 million to \$658 million. Pakistan's imports of goods from Afghanistan over the specified period also showed an increase of 24% - from \$544.17 to \$675.01 million, largely due to increasing purchases of Afghan coal (10,000 tons).⁷

An additional indicator is the Taliban's capability for providing security for the delivery of Uzbek and Pakistani cargo through their territory. The first test trials took place back in November 2021, when the first batch of Pakistani cargo arrived in Uzbekistan in transit through Afghanistan. From March 2022, deliveries of Pakistani meat to the Uzbek market has been going through the Afghan territory. Since May 2022, this route has been used to deliver Uzbek goods to Pakistan, which has made it easier for Uzbek truck drivers to enter by eliminating the so called "deposit rule".^{8,9}

⁵ «Мазари-Шариф — Пешавар»: коридор в новое будущее Центральной и Южной Азии // Газета.uz, 11.02.2021: <https://www.gazeta.uz/ru/2021/02/11/route/>

⁶ Сближение с Россией, Китай — главный поставщик. Как изменилась внешняя торговля Узбекистана в 2022 году // Газета.uz, 24 января 2023. <https://www.gazeta.uz/ru/2023/01/24/trade-partners/>

⁷ Pakistan's exports to Afghanistan increases by 32% // Ariana News, March 13, 2023. <https://www.ariananews.af/pakistans-exports-to-afghanistan-increases-by-32/>

⁸ Узбекистан и Пакистан договорились нарастить товарооборот до \$1 млрд // Spot.uz, 27 декабря 2022. <https://www.spot.uz/ru/2022/12/27/pakistan-trade/>

⁹ Пакистан упростил прохождение таможни для узбекского транзита // Spot.uz, 17 ноября 2021. <https://www.spot.uz/ru/2021/11/17/pakistan/>

According to the data provided by Akramjon Nematov, Deputy Director of the Institute for Strategic and Regional Studies (Uzbekistan), cargo transportation through Afghanistan increased 2.6 times in the first six months of 2022 and amounted to 330,000 tons. Out of these, 52,000 (15.7%) were transit traffic from the CIS countries, the Caucasus, the Middle East and the European Union, which is 3.5 times more than in the same period in 2021.¹⁰

The indicators mentioned above clearly justify the collaborative effort to elevate the enhancement of Afghanistan's transit capabilities to a significantly improved and more practical level. This involves the ongoing preparation of a feasibility study for a specific project, which the involved parties have already initiated. In the summer of 2022, a research expedition was organised from the city of Mazar-i-Sharif in Afghanistan to the city of Torkham in Pakistan.¹¹ Also, with the help of satellite imagery, a digital model of the route of the future railway was developed.¹²

In January 2023, Mulla Bakhtur Rahman Sharaft, the head of the Afghanistan Railway Authority (ARA) met with the deputy head of Pakistan Railways Zafar Zaman Ranjha, Pakistan Railways' Chief Executive Officer (CEO) in Pakistan to discuss the Trans Afghan Railway line. At the meeting, Sharaft assured the Pakistani side that the Afghan side is fully prepared for the technical studies of the Trans-Afghan Railway, read the ARA statement. The Pakistani side, also said it was ready to start its preliminary studies and said the country has a joint commitment with Uzbekistan to pay the costs of technical studies.¹³ In May 2023 a project office to coordinate the construction of the Uzbekistan-Afghanistan-Pakistan railway line was opened in Tashkent¹⁴. On August 26-27 the Minister of Transport Ilkhom Makhkamov and President's Envoy for Afghanistan Ismatulla Ergashev visited Afghanistan and

¹⁰ Транзит грузов через Афганистан при «Талибане» вырос в разы // Spot.uz, 16 августа 2022. <https://www.spot.uz/ru/2022/08/16/afghanistan-transit/>

¹¹ Началась реализация проекта Трансафганской железной дороги // Газета.uz, 26 июля 2022. <https://www.gazeta.uz/ru/2022/07/20/railway/>

¹² По ТВ показали маршруты крупных железнодорожных проектов и рассказали о финансировании// Кун.uz, 17.12.2022. <https://kun.uz/ru/news/2022/12/17/po-tv-pokazali-marshruty-krupnyx-jyeleznodorojnyx-proyektov-i-rasskazali-o-finansirovanii>

¹³ IEA and Pakistan railway officials discuss bilateral railway cooperation // Ariana News, January 4, 2023. <https://www.ariananews.af/iea-and-pakistan-railway-officials-discuss-bilateral-railway-cooperation/>

¹⁴ A Project Office for coordinating the construction of the Uzbekistan – Afghanistan – Pakistan railway line opens in Tashkent. // UZA, 15 May 2023. https://uza.uz/en/posts/a-project-office-for-coordinating-the-construction-of-the-uzbekistan-afghanistan-pakistan-railway-line-opens-in-tashkent_482783?q=%2Fposts%2Fa-project-office-for-coordinating-the-construction-of-the-uzbekistan-afghanistan-pakistan-railway-line-opens-in-tashkent_482783

discussed the enhancement of connectivity along Uzbekistan-Afghanistan-Pakistan automobile and potential rail routes¹⁵.

Notably, among the countries of Central Asia, Kazakhstan showed interest in participating in this project. As President Kassym-Jomart Tokayev said at the IV Consultative Meeting of the Heads of State of Central Asia, his country is ready to take part in the construction of the Trans-Afghan railway by ensuring the supply of materials and rolling stock.¹⁶

Russia also has a certain interest. In December 2021, the Russian Railways holding company announced its readiness to cooperate with the railways of Uzbekistan in terms of preparing a feasibility study for the Trans-Afghan Railway project.¹⁷ In the context of the war in Ukraine and a significant reduction in trade relations between Russia and European countries, Moscow may view the South Asian region as an attractive potential market for expanding trade and economic contacts. In this context, it becomes necessary to create an appropriate railway infrastructure to access this market.

It is possible that in the future, India may also be interested in the project, in March 2022 they tested the delivery of its goods by land along the Mumbai-Karachi-Kabul-Termez route.¹⁸

The fourth factor which favours the transit potential of Afghanistan, is the energy interests of Turkmenistan and Russia. After the Taliban take over, Ashgabat resumed its efforts to implement the Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline project, designed in the 1990s to export 33 billion cubic meters of Turkmen natural gas to the Pakistani and Indian markets. The project was not implemented due to the continuous instability in Afghanistan and high security risks of the construction on this territory. The estimated cost of the project is about 10 billion USD. The visit of the Minister of Foreign Affairs of Turkmenistan Rashid Meredov to Kabul on the 30 and 31 October 2021, during which the Taliban Government agreed in principle to

¹⁵ Uzbekistan plans to enter ports of Indian Ocean through Afghanistan and Pakistan. // Kun.uz, 28 August 2023. <https://kun.uz/en/26880684>

¹⁶ Александр Тен. Казахстан готов поддержать строительство Трансафганской железной дороги // Kursiv.media, 21 июля 2022. <https://uz.kursiv.media/2022-07-21/kazahstan-gotov-podderzhat-stroitelstvo-transafganskoj-zheleznoj-dorogi/>

¹⁷ Ксения Потаева. Казахстан готов поддержать строительство Трансафганской железной дороги // Ведомости, 02 ноября 2021. <https://www.vedomosti.ru/business/articles/2021/11/02/894016-rzhd-zainteresovalas>

¹⁸ In a first, Indian trader exports goods to Uzbekistan via Pak and Afghanistan// Tribune India, March 17, 2022. <https://www.tribuneindia.com/news/nation/in-a-first-indian-trader-exports-goods-to-uzbekistan-via-pak-and-afghanistan-378624>

cooperate. It can be considered a landmark event for establishing a dialogue between Ashgabat and the Taliban around the gas pipeline.

The Afghan side expressed willingness to resume work on bilateral project. "We want as soon as possible to launch national projects between the two countries, because for their implementation all the necessary conditions, including security, have been created," it quoted Afghan Deputy PM Abdul Salam Hanafi as saying. "We will spare no effort to ensure the security of infrastructure and economic projects between the two countries," another Afghan official, Defence Minister Mullah Mohammad Yaqoob, was quoted as saying.¹⁹

Against the backdrop of a sharp reduction in Russian gas supplies to the European market, Moscow with its urgent needs to redirect its gas flows to new markets has also become interested in the TAPI project. South Asia, with its growing energy hunger, seems to be a promising target. The first signal was sent by Energy Minister Nikolai Shulginov, who announced the following on January 19, 2023: "So far, we are not in this project (TAPI), but we do not exclude the possibility of Russia participating in this project. Of course, various issues must be addressed, including the security of its (passage) through Afghanistan. But I don't see any particular difficulties here, because this topic is being discussed, and we both understand that such security can be provided."²⁰

Fifth factor. There is a certain probability that China may act as an investor in transport projects. The implementation of Afghanistan's road and rail transit potential may be in Beijing's interests, as new transport corridors can link large-scale Chinese infrastructure projects into a single system within the framework of the One Belt, One Road and the China-Pakistan Economic Corridor, including the port of Gwadar.

Equally China is unlikely to act as an investor in the TAPI gas pipeline project, as it will enhance the energy security of India's regional counterpart and increase the competitiveness of its economy. Also, TAPI may weaken the dependence of Turkmenistan on the Chinese market.

¹⁹ Taliban assure Turkmenistan of gas pipeline commitment, security // The New Arab Staff & Agencies, 01 November, 2021. <https://www.newarab.com/news/taliban-assure-turkmenistan-gas-pipeline-commitment-security>

²⁰ В Минэнерго не исключили в будущем участия России в газопроводе ТАПИ // Interfax.ru, 19 января 2023. <https://www.interfax.ru/business/881467>

When speaking about the interest of China and Russia, and assessing their possible participation in financing transport projects through Afghanistan, it is also important to keep in mind that they may face the risks of new sanctions from the United States and its allies, which may limit participation from Chinese and Russian companies and banks in these projects.

Factors against transport projects through Afghanistan

Meanwhile, there are also a number of factors that can block the realisation of Afghanistan's transport and transit potential.

The first is the risks of a fraction within the Taliban movement, which theoretically could lead to a destabilisation of the existing ruling system and result in armed clashes. First of all, we are talking about contradictions regarding the issue of the distribution of power and the very model of Afghanistan's development.

The spiritual leader of the Taliban Government, Amir al-Mu'minin Haibatullah Akhundzada, is trying to build a system of government that would strengthen his own positions whilst also limiting the power and political resources of the powerful military leaders of the Taliban. To do this, he, apparently, is trying to use the model of Imam Khomeini, who created in Iran two parallel systems of power and law enforcement agencies (secular and religious) based on a system of checks and balances. Simultaneously religious structures are endowed with great influence.

Haibatullah relies on representatives of the clergy close to him. These representatives formulate his Office, the Kandahar shura of the ulema, and various provincial shuras. He also controls the Ministry of Justice and Sharia courts. Using his rich experience in creating the internal security system of the Taliban, acquired during his time as Mullah Omar's deputy, Haibatullah is attempting to create a similar system of control over influential Taliban leaders, which is expressed in controlling almost any appointment of top and middle officials.

Since Haibatullah relies on the clergy who think in the fundamentalist ideas of Islam, and he himself is considered the leader of the religious fundamentalists of Afghanistan, he gives priority to tightening the Sharia rules in society. At the end of December 2022, The Taliban prohibited women from attending university, working in non-governmental organisations and the UN structures, adding to directives in 2022 banning them from visiting gyms,

amusement parks and public baths, closing beauty salons, as well as curbing their ability to travel more than 70km without a male escort.²¹

Another pole of influence in the Taliban movement is formed by three of the most charismatic leaders of jihad and leading political figures in the Taliban Authorities - Deputy Prime Minister Mullah Baradar, acting Minister of Defence Mulla Yakoob (eldest son of Mulla Omar) and acting Interior Minister Sirajuddin Haqqani. They try to think more pragmatically, realising that an ultra-conservative approach towards women can have negative consequences for the power of the Taliban, as it further delays the likelihood of recognition, risks continued international humanitarian assistance and threatens the economic development of Afghanistan.

Currently they are not in a position of privilege. As some observers point out, these high-ranking Taliban officials failed to influence the decisions restricting women's rights that were made by Haibatullah and his inner circle, which demonstrates a significant shift in power towards the Supreme Leader. This, in turn, is the reason for the aggravation of the internal political struggle, which is increasingly beginning to acquire a public character.

The warning speech against the monopolisation of power within the Taliban delivered by Sirajuddin Haqqani in Khost on February 11, 2023, can be considered an indicator of its beginning. He was answered by a supporter of the Supreme Leader, Governor of Kandahar Province, Haji Yusuf Wafa, who stated that "they swore allegiance to the emir, which required sacrifices", i.e. he believed the interests of the emir and the interests of Afghanistan were synonymous, thereby justifying the harsh authoritarianism unusual for the culture of the Pashtuns.²² Defence Minister Mulla Yaqoob responded by saying at one of the events that "God has blessed us with wisdom and the ability to reason. We have to think carefully and make a decision. Therefore, we should not obey anyone with blind eyes."²³

So far, it is too early to talk about a single consolidated group opposing the monopolisation of power by Haibatullah, but certain prerequisites for rapprochement between Sirajuddin Haqqani and Mullah Yakoob, who compete with one another for influence, have already been noted.

²¹ Taliban divisions inflamed by sweeping restrictions on women // The Straits Times, 13 December November, 2022. <https://www.straitstimes.com/asia/south-asia/taliban-divisions-inflamed-by-sweeping-restrictions-on-women>

²² Akhundzada vs Haqqani, who will win the battle to lead the Taliban? By Kazim Ehsan // Kabul Now, March 15, 2023. <https://kabulnow.com/2023/03/akhundzada-v-haqqani-who-will-win-the-battle-to-lead-taliban/>

²³ *ibid*

The second factor, directly related to the first, is the likelihood of a sharp intensification of terrorist actions by ISIS-Khorasan, as well as military actions by the National Resistant Front of Afghanistan. If there are factions within the Taliban, this could lead to a weakening of its control over the internal political situation. With such a development of events, the risks for the current schemes of cargo transportation through the Afghan territory and investment in promising transport and pipeline projects will seriously increase.

The third factor could be the strengthening of the international community's position towards the Taliban in response to the refusal to follow the promises to form an inclusive government, respect the rights of women and girls, and ethnic minorities. This could have a number of unpleasant consequences for the Taliban, which could, among other things, create risks for transport projects.

Firstly, G7 countries and the largest international financial institutions associated with them, are unlikely to agree on investing in transport and pipeline projects, part of the profits from the use of which will end up in the pockets of the Taliban, strengthening their military and political positions.

Secondly, potential risks may be created by donors reaching a financial cliff edge resulting in a sharp decline in humanitarian assistance to Afghanistan, which will worsen the humanitarian situation, and then the domestic political stability in the country. Statistical data shows the level of Afghanistan's vulnerability. In 2022, the G7 countries provided \$3 billion in humanitarian aid to Afghanistan, while after December edicts that violated women's rights, the G7 countries said that there would be "consequences for how our countries engage with the Taliban"²⁴. As new priorities are arising for the major funders of the humanitarian aid programmes in Afghanistan, we may expect a decline in spending as the country moves further away from the immediate crisis. Furthermore, the donors are trying to find the difficult balance between looking for longer-term support to Afghanistan beyond humanitarian aid and the difficulty of not demonstrating political support to the Taliban authorities in the absence of formal political recognition.

Afghanistan will need even more humanitarian aid in 2023. The UN has already requested \$4.6 billion in aid, the largest single country request ever.

²⁴ Statement by the Chair of today's virtual G7 Foreign Ministers' Meeting. // Ministry for Europe and Foreign Affairs of France, 22 December 2022. <https://www.diplomatie.gouv.fr/en/french-foreign-policy/global-challenges/news/article/statement-by-the-chair-of-today-s-virtual-g7-foreign-ministers-meeting-22-dec>

This is because 28 million Afghans, or two-thirds of the country's population, are in need of humanitarian assistance.²⁵

The fourth factor which may stop the implementation of transport and pipeline projects through Afghanistan is the potential risks in the Taliban's relation with Uzbekistan and Pakistan.

In relations with Uzbekistan, the most likely risk so far is a water problem associated with the construction of the Qosh Tepa canal by the Taliban, designed to draw 10 cubic kilometres of water from the Amu Darya per year. This canal will reduce the amount of water used downstream in Turkmenistan and Uzbekistan. Which in turn will increase the risks for agriculture and increase the trend of climate migration in the most vulnerable areas.

The risks associated with Pakistan are mainly related to the aggravation of the security problem in bilateral relations. Islamabad periodically accuses the current Afghan authorities of harbouring militants from the Tehrik-i Taliban Pakistan, which is responsible for numerous attacks on the Pakistani military and police, as well as terrorist attacks in the Pakistani regions and cities bordering Afghanistan.

According to Voice of America, "violence claimed by or blamed on the TTP and other militant groups killed almost 1,000 Pakistanis, including nearly 300 security forces, in some 376 terrorist attacks in 2022." This represents an approximately 50 percent increase since the Taliban came to power in Afghanistan.

Conclusion

In the foreseeable future, the most likely option for Afghanistan to realise its transit potential will be the expansion of international road freight transportation, if there is no sharp deterioration in the internal political situation in the country and its relations with Uzbekistan and Pakistan. (To conclude, in the foreseeable future, the most likely option for Afghanistan to utilise its transit potential will be the expansion of international road freight transportation. However, tackling security risks in Afghanistan, providing stability and high commitment to creating conditions for smooth transit of goods via its territory is crucial for the sustainable development of the entire region. Moreover, the Taliban government should realise that the role of Afghanistan as the Eurasian connectivity hub would not be possible without predictable and partnering relations with its direct neighbours. As for the

²⁵ Report says donors 'turning away' from Taliban-ruled Afghanistan // Al Jazeera, February 23, 2023. <https://www.aljazeera.com/news/2023/2/23/report-says-donors-turning-away-from-taliban-ruled-afghanistan>

implementation of railway and gas pipeline projects, it would only be possible if there is at least partial international recognition of the Taliban authorities, which will reduce investment risks and provide a green light to the work of international financial organisations and construction companies.