



Concept Paper

I. Background

The Heart of Asia has emerged as an important initiative for connecting Afghanistan with the rest of the Asian countries. Obviously enough, in this context, the idea of connectivity assumes key significance. In our understanding, connectivity is not just transport connectivity. It entails connectivity in terms of economic connectivity such as development cooperation and linkages traversing trade in goods, services' trade and investment; hard and physical infrastructure; trade facilitation, digital connectivity and soft infrastructure; and people-to-people connectivity through educational linkages, tourism including medical tourism, among others.

It also has implications for an even deeper level of connectivity i.e. *Connectivity of Ideas*. This may encompass issues of cultural similarities, linguistic affinities and unified 'way of life'. The Asian-ness is best described as connectivity among people believing in peaceful co-existence and 'unity in diversity'. At this stage, it may be highlighted that connectivity needs to be viewed in a perspective of 'Borders serving as Bridges' and culminating into crucial economic, infrastructural people-to-people links across countries of Heart of Asia.

On a different note, connectivity would have to be also explored at two other levels, viz. physical connectivity and economic connectivity, indicating that the concept of connectivity is beyond mere transport connectivity. The physical connectivity entails development of a multimodal transport infrastructure, which was recognized as a major impediment at the Heart of Asia Ministerial Conference held in Almaty (2013). At this meeting, timely implementation of large infrastructure projects for facilitating trade and transit in energy and goods was also emphasized.

In terms of economic connectivity, two dimensions may be highlighted. First, trade facilitation measures strengthen economic connectivity through trade and travel related measures such as customs cooperation, harmonization of trade and travel procedures, trade facilitation mechanisms, due recognition of regulatory regimes, etc. This may entail digital connectivity to

facilitate EDI and many other trade facilitation measures that depend on ICT and other electronic support. Secondly, economic connectivity is enhanced by development projects, which would come in the form of strengthening transport linkages for air, water and rail.

In this context, the role of India becomes crucial as India is geographically situated in a manner that it connects South, Southeast Asia on the one hand with Central and West Asia on the other. India is also a country which is in a position to play a more dynamic role in the connectivity projects, especially given the fact that for India the Heart of Asia, i.e. Afghanistan, is already one of the most prominent destinations of its developmental projects and cooperative endeavors. Due to this, India's role in strengthening connectivity within the ambit of Heart of Asia becomes eminently more pronounced. This assumes even more importance as India has the wherewithal to effectively contribute towards the evolution of various facets of connectivity through mutually beneficial cooperative initiatives.

II. The Istanbul Process

The term 'Heart of Asia' refers to Afghanistan and its near as well as extended neighbours, however it does not denote a new geographical entity. It takes note of Afghanistan's crucial role as the land-bridge in the 'Heart of Asia', connecting South Asia, Central Asia, Eurasia/Europe and the Middle East. The Istanbul Process (2011) provides a new agenda for regional cooperation in the 'Heart of Asia' by placing Afghanistan at its centre and engaging the 'Heart of Asia' countries and result-oriented cooperation for a peaceful and stable Afghanistan, as well as a secure and prosperous region as a whole.

There are 14 Heart of Asia countries, namely Islamic Republic of Afghanistan, Republic of Azerbaijan, People's Republic of China, Republic of India, Islamic Republic of Iran, Republic of Kazakhstan, Kyrgyz Republic, Islamic Republic of Pakistan, Russian Federation, Kingdom of Saudi Arabia, Republic of Tajikistan, Republic of Turkey, Republic of Turkmenistan, United Arab Emirates and 17 supporting countries, namely Australia, Canada, Denmark, Egypt, European Union, France, Finland, Germany, Iraq, Italy, Japan, Norway, Poland, Spain, Sweden, United Kingdom, United States of America. These included organizations like, UN, NATO, SAARC, OIC, etc. which are supporting this initiative.

The main meetings were held in Istanbul in Turkey in 2011 — this is the place from where the procedure gets its name from. Subsequently, it was held in Kabul, Afghanistan in 2012; Almaty, Kazakhstan in 2013 and Beijing, China in 2014. The fifth 2015 meet was co-facilitated by Pakistan and Afghanistan and was held on December 8 and 9 in Islamabad. The sixth meeting is to be held in India on 3-5 December 2016.

III. Indian Initiatives in Afghanistan

India has played an active role in the reconstruction of Afghanistan. Based on the understanding that social and economic development, is the key to ensure that Afghanistan becomes a source of regional stability.

In line with the national development strategy, India partnered with Afghanistan in strengthening several socio-economic, health, education, water supply and many other related programmes for ensuring better quality of life. The programme also include more than 500 annual scholarships for higher education in India and more than 500 scholarships for training programmes for

Afghan public servants in Indian technical and professional institutions. Launching of small development projects, strengthening tube wells, installing solar panels, setting up of computer training centers, building clean toilets by Sulabh international, providing buses and ambulances, etc. are some of the other important areas of engagement. There is also an effort to build institutions like the Parliament building. Strong partnership exists in health sector that include setting up and later renovation of Indira Gandhi Institute of Child Health, Kabul and health centers in Herat and Kandhar, apart from many other institutions. Supply of high-protein biscuits to nearly 2 million school children and several metric tons of wheat are intended to provide nutritional security.

In other areas of development partnership, the recently inaugurated Salma Dam in any case has emerged as a modern landmark of our partnership. The broad based partnership encompasses agriculture, irrigation, power generation, education, transport and telecommunications, civil aviation, industry and rural development. Zaranj to Delaram highway, built at the cost of Afghan-Indian lives, is a symbol of mutual commitment for strong partnership. India has also extended support to civil society organizations while implementing the small development projects. In this context, India and Turquoise Mountain Foundation are working together for the regeneration of Murad Khana, the oldest part of the historic city of Kabul. Similarly, many other small projects are also being supported for strengthening the role of local people and civil society organizations for reconstruction and job creation. For this prominent organizations like SEWA are also being encouraged to work effectively in getting the desired outcomes. Similarly, role of several large and medium NGOs has been crucial for the reconstruction of war-torn Afghanistan's economy.

IV. Trade and Investment Linkages

Over the years Afghanistan has witnessed a declining trend in its total trade with its imports decreasing from USD 10780 million to USD 6637 million in 2015. However, Afghanistan's exports to the world increased to USD 644 Million in 2015 from USD 494 million in 2011 (see Table1). Constrained connectivity (both physical and economical) is one of the major reasons responsible for decline in Afghanistan's overall trade. Therefore, there is a need to bring reforms in the existing structure of connectivity.

Table 1: Afghanistan's Total Trade

	(USD MILLION)	
	2011	2015
Total Exports	494.143	643.958
Total Imports	10780.7	6637.38
Total Trade	11274.84	7281.338

Heart of Asia is a significant trade partner to Afghanistan as we can see through its increasing share as a % of Afghanistan's total trade with world (both exports and imports). Thus highlighting the importance of this grouping, this would also help Afghanistan in its economic and social development (See Table 2).

Table 2: Afghanistan's linkages with Heart of Asia initiative countries

	2011	2015
Afghanistan's % share of exports to HOA countries	74.88	88.99
Afghanistan's % share of imports from HOA countries	46.89	78.17
Afghanistan's % share of trade with HOA countries	48.11	79.13

Table 3 highlights Afghanistan's exports to Heart of Asia Countries and their percentage share to Afghanistan's total exports. The table shows that over the years India has evolved as a major trading partner with its percentage share rising from 22.06% in 2011 to 42.13% in 2015, surpassing Pakistan whose share has decreased from 31.23% to 28.86% in the respective years. This fact highlights the importance of India as a major trading destination for Afghanistan.

Table 3: Afghanistan's exports to Heart of Asia countries

	Exports (USD Million)		Share in Afghanistan's Total Exports (%)	
	2011	2015	2011	2015
Azerbaijan	0.02	0.00	0.00	0.00
China	3.97	10.91	0.80	1.69
India	109.01	271.30	22.06	42.13
Iran	13.49	16.05	2.73	2.49
Kazakhstan	3.48	2.91	0.71	0.45
Kyrgyz Republic	0.65	0.79	0.13	0.12
Pakistan	154.34	185.82	31.23	28.86
Russia	25.54	8.28	5.17	1.29
Saudi Arabia	1.19	1.42	0.24	0.22
Tajikistan	40.58	48.85	8.21	7.59
Turkey	4.36	10.81	0.88	1.68
Turkmenistan	0.93	1.10	0.19	0.17
UAE	12.44	14.80	2.52	2.30

However, Table 4 depicts a reversal in the trade destinations for Afghanistan in terms of imports. Both India and Pakistan witnessed an increase in their percentage share in Afghanistan's total imports from 5.12% in 2011 to 8.84% in 2015 and 19.70% in 2011 to 38.53% in 2015 respectively. Pakistan almost witnessed an increase to double the amount which wasn't seen in case of India. Thus highlighting the need for India to boost its exports to Afghanistan for which connectivity issues need to be taken care of.

Table 4: Afghanistan’s import from Heart of Asia countries

	Imports (USD Million)		Share in Afghanistan's Total Imports (%)	
	2011	2015	2011	2015
Azerbaijan	110.21	324.76	1.02	4.89
China	253.06	400.75	2.35	6.04
India	551.83	586.80	5.12	8.84
Iran	0.00	0.00	0.00	0.00
Kazakhstan	367.23	392.48	3.41	5.91
Kyrgyz Republic	62.90	75.73	0.58	1.14
Pakistan	2124.08	2557.36	19.70	38.53
Russia	862.10	164.91	8.00	2.48
Saudi Arabia	2.00	2.43	0.02	0.04
Tajikistan	64.37	77.50	0.60	1.17
Turkey	303.57	177.76	2.82	2.68
Turkmenistan	337.36	408.58	3.13	6.16
U A E	15.94	19.30	0.15	0.29

Given the importance of Heart of Asia member countries in trade with Afghanistan in terms of their share in Afghanistan’s total trade which accounts to almost 80%, there is a need to identify potential areas of trade along with the promising goods to be traded (both exports and imports) at HS 6 digit level among the countries. Further investments need to be made in trade-creating joint ventures for which specific areas needs to be identified.

V. Multi-Modal Transport and Transit

For lowering cost of trade, transport connectivity needs to be viewed in a multimodal context given the geography of countries participating in the Heart of Asia initiative. It would be pertinent to discuss all the existing efforts and projects for developing transport connectivity in the region in an integrated manner. This may include the Chabahar Port, International North-South Transport Corridor (INSTC), China-Pakistan Economic Corridor and the Gwadar Port, etc. Considering the export potential of Afghanistan being high value and low volume, Air Cargo and Air Transport Corridor becomes a more viable proposition and needs to be focused.

Energy transport connectivity is yet another important dimension which has a direct bearing on the prospects of development in the region. The major pipeline projects such as TAPI and IPI etc. may be provided a fresh impetus under the initiative.

Financing of transport infrastructure projects is a major constraint which needs to be addressed on a priority basis and in fact becomes a pre-requisite for initiating any new projects at the stage of conducting techno-economic feasibility studies itself.

Transit issues with respect to Afghanistan are very crucial and needs to be discussed. Some of the successful examples of the BBIN MVA could be studied for its application.

VI. Economic and Development Cooperation

As mentioned earlier, one important dimension of economic connectivity is trade facilitation which needs to be deliberated upon for faster customs clearance, unification of required trade documentation, simplification and harmonization of export-import procedures etc. which would help in reducing time as well as cost. In this context, Capacity Building via skill development and training programmes for young population is an important step that needs to be discussed, which could also help in poverty alleviation and job creation in Afghanistan as well as countries under consideration.

Development cooperation is yet another important dimension that needs to be considered. There are plenty of agreements designed and talked about as development projects to which a fresh impetus needs to be given by linking them in a jumbo regional agreement and this could be studied and explored. Moreover, feeder routes to connect INSTC, Chabahar Port etc. and rail connectivity, digital connectivity, telecom infrastructure are some of the specific areas in which development cooperation could be effected.

Private sector plays an important role in the development of any region therefore there is a need to boost private sector participation in facilitating development cooperation and overall connectivity under the Heart of Asia initiative. But private sector alone may not be able to steer the process at this stage which highlights the importance for discussing Public-Private-Partnerships (PPPs) in various trade, investment, and connectivity related issues.