

**‘India’s Economic Engagement with Afghanistan,2001-2014’**

*Thesis submitted to Jawaharlal Nehru University*

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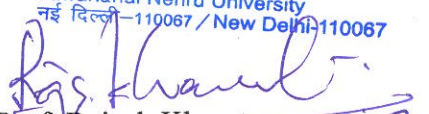
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**CERTIFICATE**

We recommend that this thesis be placed before the examiners for evaluation.

  
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## LIST OF ABBREVIATIONS

ADB	::	Asian Development Bank
ADF	::	Agricultural Development Fund
ALTID	::	Asia Land Transportation Infrastructure Development
ANSF	::	Afghanistan National Security Forces
ANSF	::	Afghanistan National Security Force
APTTA	::	Afghanistan-Pakistan Trade and Transit Agreement
ASP	::	Afghanistan Strategic partnership Agreement
Bcf	::	Billion Cubic Feet
BOT	::	Build-Operate-Transfer
BRO	::	Border Roads Organisation
BSA	::	Bilateral Security Agreement
CAP	::	Capacity for Afghan Public Administration
CAREC	::	Central Asia Regional Economic Cooperation
CARs	::	Central Asian Republics
CASA	::	Central Asia South Asia
CBM	::	Common Confidence Building Measure
CEPA	::	Comprehensive Economic Partnership Agreement



CSTO	::	Collective Security Treaty Organisation
DAC	::	Development Assistance Committee
DC	::	Double Circuit
DGFT	::	Directorate General of Foreign Trade
EEC	::	Eurasian economic Community
EIA	::	Environment Impact Assessment
EPAA	::	Export Promotion Agency of Afghanistan
ESCAP	::	Economic and Social Commission for Asia and the Pacific
EU	::	European Union
FICCI	::	Federation of Indian Chambers of Commerce and Industry
FTA	::	Free Trade Agreement
GAIL	::	Gas Authority of India Limited
GDP	::	Gross Domestic Products
GNP	::	Gross National Product
GoI	::	Government of India
HDI	::	Human Development Index
HPP	::	Hydro power projects
IAEA	::	International Atomic Energy Agency
ICAR	::	Indian Council of Agriculture Research
ICCR	::	Indian Council for Cultural Research
IGICH	::	Indira Gandhi Institute for Child Health
INSTC	::	International North South Transports Corridor
IPI	::	Iran-Pakistan-India
ITEC	::	Indian Technical and Economic Cooperation
ITEC	::	Indian Technical and Economic Cooperation
JCPOA	::	Joint Comprehensive Plan of Action
JNPT	::	Jawaharlal Nehru Port Trust
JNU	::	Jawaharlal Nehru University
KPT	::	Kandla Port Trust
LDCs	::	Least Develop Countries
LDM	::	Least Developed Member

MEA	::	Ministry of External Affairs
MoE	::	Ministry of Education
MoHE	::	Ministry of Higher Education
MoPH	::	Ministry of Public Health
MoU	::	Memorandum of Understanding
NAM	::	Non-Alignment Movement
NATO	::	North Atlantic Treaty Organisation
NGO	::	Non Governmental Organisation
ODA	::	Official Development Assistance
OECD	::	Organisation for Economic Cooperation and Development
ONGC	::	Oil and Natural Gas Corporation
POK	::	Pakistan Occupied Kashmir
RBI	::	Reserve Bank of India
RDTA	::	Research and Development Technical Assistance
RDTA	::	Research and Development Technical Assistance
SAARC	::	South Asian Association for regional Cooperation
SAFTA	::	South Asian Free Trade Agreement
SCCI	::	SAARC Chamber of Commerce and Industry
SCO	::	Shanghai Cooperation Organization
SDPs	::	Small Development Projects
SEWA	::	Self Employed Women Association
SPZ	::	Special Economic Zone
TAPI	::	Turkmenistan-Afghanistan-Pakistan-India
Tcf	::	Trillion Cubic Feet
TCIL	::	Telecommunication Consultants India Limited
TRACECA	::	Transports Corridor Europe-Caucasus-Asia
UN	::	United Nations
USAID	::	United States Agency for International Development
USSR	::	Union of Soviet Socialist Union
WFP	::	World Food Programme

# Chapter 1

## Introduction

### 1.1 Background

The strategic location of Afghanistan has been a matter of great significance for India as latter it bridges the Central and South Asia region. Being the connecting country, it offers an important route for trade and other services to move from the Central to South Asian countries and vice-versa. However, the political instability during the period 1991-2001 in the country has been major hurdle in this context. During this time the scope for external involvement in the country was limited. However, equations began to change when the main reason of instability, the Taliban regime came to end in the year 2001 with the advent of NATO forces in the country. The new equations have led to dilution of Pakistan's role as a regional player in the country. In this context, the growth of the role of India as a key partner in various economic and political developments has emerged as key to Afghanistan's development. The new levels of bilateral relations between Indian and Afghanistan have not only led to achieve better political and economic relations but also to reduced extremist ideology which was being promoted by Pakistan in the country. India active involvement has also been driven by its own national interest in terms of accessing the Central Asian region through Afghanistan. Indian involvement in Afghanistan has also led development in long Afghanistan after the lasting rule of Taliban regime. Since 2001, Afghanistan has shown remarkable growth in terms of developing its various sectors, resulting in an improved GDP growth.

Agriculture has been a key driver of economic growth in Afghanistan. It contributes 35 percent to the Gross Domestic Products (GDP) of Afghan economy. Agriculture production grew at over 2 percent per annum in the pre-conflict years from 1961-1978, and fell to 0.2 percent per annum from 1978-2001 (World Bank 2012). Since 2001 the agricultural sectors of Afghanistan has recovered and contributed much to its economy. While the agriculture sector dwindled, the resurgence of the public sector has led to growth in services, which now accounts for around 40 percent of the GDP. The construction sector, driven mostly by external aid, is improving. The country is rich in natural resources. There are more than 1400 identified mineral deposits like

natural gas, petroleum and coal, gold, copper, chromites, sulphur, zinc, etc, (World Bank 2014 ). However, the uncertain mineral laws have hampered the growth of the mining sector of Afghanistan. Moreover, even though there is a growing interest among the investors in this sector, the breaches in legal and regulatory frameworks of the sector do not provide satisfactory confidence to investors to undertake operations or make firm decision. Afghanistan has also some small scale industries like textile, soap, furniture, shoes, fertilizer and cement, food products, petroleum, coal and copper.

In the last decade, Afghanistan witnessed a new phase in its economic history. The post 9/11 has created the appropriate environment for the international community to develop its economic and political engagements with Afghanistan. Though, Afghanistan's economy recovered palpably after the fall of the Taliban, it still depends on foreign aid and trade with global actors, particularly with its neighbouring countries. In such a scenario, India as a neighbouring country has emerged as an important regional actor by providing political and economic assistance to the land-locked country. India's economic involvement is focused more on the development projects like building human capital, improving security and helping the agricultural sector of the Afghan economy. India has contributed to the physical infrastructure like building roads, improving medical facilities and helping with educational programmes as an effort towards economic development.

In 2003 India signed a Free Trade Agreement (FTA) with Afghanistan. Under the India-Afghanistan FTA, India has approved special and differential treatment to Afghanistan. It has granted 50-100 percent tariff concessions to Afghan exports of dried fruits, fresh fruits, seeds, medicinal herbs, and precious stones (Batra 2013:71). In turn, Afghanistan has also granted 100 percent margin of preference to India on some products such as, black tea, certain categories of medicines, refined sugar cement clinkers, and white cement. As a result of FTA the bilateral trade agreement has increased the market share of Afghan products in the Indian market. The total bilateral trade accounted for US\$ 684 million that is 0.08 percent of India's total trade with Afghanistan in the year 2014-15 (Ministry of Commerce and Industry, government of India 2016). The bilateral trade comprises exports of agricultural and horticultural products to India, where as machinery, medicines, textile and animal

products, etc are exported from India to Afghanistan. India has grown as a major trading partner of Afghanistan, receiving more than 20 percent of total Afghan exports worth of US\$ 291.91 million (Ministry of commerce and industry, Government of India 2016).

Under the South Asian Free Trade Agreement (SAFTA) provisions, India has offered tariff concessions separately to NLDCs (Non-Least Develop Countries) and LDCs (Least Develop Countries). However, concessions offered to NLDCs are applicable only to Pakistan, as India has an FTA with Sri Lanka. As a member of LDC Afghanistan has specified 858 items in sensitive lists under the SAFTA framework and more than 3,500 items of Afghanistan have tariff rates of 5 percent or less. SAFTA has also granted Afghanistan ten years to reduce tariffs till 2021 (SAARC Organisation 2016).

Afghanistan has a Transit and Trade Agreement with Pakistan which was signed in 2010. The agreement allows Afghan trucks to carry Afghan exports to the Wagha border where it is transferred into Indian trucks, but Pakistan does not permit Indian goods to enter Afghanistan via the same route. Hence, there is a need for the agreement to be developed for the trade and transport systems because transit via Pakistan will be crucial for India's trade with Afghanistan.

The diverse projects of India in Afghanistan can be categorised into humanitarian aid, infrastructure development and reconstruction projects. India is the fifth largest bilateral donor country to Afghanistan after US, Japan, UK and Germany (D'souza 2014). It has pledged US\$ 2.3 billion on various projects. In regards to humanitarian aid, India has established various medical missions in Kabul, Mazar-e-Sharif, Herat, Jalalabad, and Kandahar with around 15 doctors treating more than 3.5 lakhs patients every year since 2003 and has reconstructed the Indira Gandhi Institute for Child Health in Kabul. India has provided the protein fortified biscuits for School Feeding Programme in Afghanistan that is supplied through the World Food Programme (WFP) to around one million Afghan school children receiving a packet of 100 grams of biscuits every day<sup>1</sup>. It has also offered to help rebuild the Afghan National airline,

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<sup>1</sup>India and Afghanistan Development Partnership, Ministry of External Affairs, India 2008

Arianna. India has also donated three Airbus-300 aircraft in 2002 to Ariana despite a shortage in its own fleet and offered to train Afghan commercial pilots. India has donated 400 buses and 200 minibuses and has provided tele-communication personnel's who have successfully restored and digitized tele-communication networks in at least eleven provinces of Afghanistan (D'souza 2014).

India is also involved in infrastructure development projects like electricity transmission that is hydro-electricity generation, road construction, parliament building construction, industrial and infrastructure requirement. India's power Grid Corporations is constructing 220 KV double circuit transmission line from Pul-e-Khumari in the Banghlan province to Kabul (D'souza 2014). The central power utility is also offering consultancies for construction of 220/20 kV Aybak substation in neighbouring nations. India has also supplied equipment for the 110 kV transmission line (130 km long) and 20 kV transmission line (150 km long) along with 20/0.4 kV substation and 110 kV and 20 kV transmission line material, in Faryab province of northern Afghanistan at the costs of around Rs 39.2 crores (D Souza 2014).

India has also expanded its investment in Afghanistan in major sectors like airports, air traffic control system, tele-communications, and highways, in a manner that facilitates developments of regional trade. Moreover, the construction of highways and tunnels provide better access to trucks in enhancing their security that is recognised across borders which is vital to the economic relations. Some of the important infrastructure projects of India in Afghanistan are 218-km of Zaranj-Delaram highway, Salma-Dam project and CASA Electricity Transmission and Trade project (Basar 2012). The Zaranj-Delaram road was completed in 2008. It provides the shorter route for Indian goods easily to reach Afghanistan. The Salma Dam project in Herat province has estimated cost of US\$ 109.3 million. This project will provide 42 MW of power to the Herat province. This project also involves the erection of 110 kV power transmission lines from Salma Dam to Herat city over a distance of 143 km. Central Asia South Asia Electricity Transmission and Trade Project (CASA-1000) has been approved recently in March 2014 which aims at creating the conditions for sustainable electricity trade between the Central Asian countries of Tajikistan and Kyrgyz Republic and the South Asian countries of Afghanistan and Pakistan. It will help to establish the commercial arrangements for 1,300 megawatts

(MW) of sustainable, regional electricity trade between the two regions (CASA REA 2014).

Afghanistan has a rich repository of minerals which includes coal, copper, zinc, gold and rare minerals. But due to lack of adequate technology the Afghan Government has not been able to efficiently explore the natural resources and remains highly dependent on India in terms of technology. It has sought India's help in developing the inventory, exploration, and utilisation of mineral resources by inviting the Geological Survey of India, Indian Bureau of Mines, Mineral Exploration Corporations Ltd. and Coal Mines Planning and Design Institute of Revitalising and Development of Mining Industry in Afghanistan (Ministry of Coal, government of India, 2016).

Energy is one of the central components of Indian national security and foreign policy. India currently receives almost three quarter of its oil consumption from the Middle-east region. It has been the prime objective of India to connect with the Central Asia region. India is reducing the dependence on the Middle-East and instead trying to establish connectivity with Central Asia to fulfil the requirement of its energy resources. It is estimated that 4 percent of the world natural gas reserves and approximately 3 percent of oil reserves is concentrated only in Central Asia and is unevenly distributed. Kazakhstan has substantial oil; Turkmenistan has gas; Uzbekistan has hydrocarbon; and Kyrgyzstan and Tajikistan have surplus hydro power.

Moreover, Turkmenistan-Afghanistan-Pakistan-India (TAPI) project is on under construction since long time. The Asian Development Bank (ADB) is a transactional advisor for TAPI and its main task is to form the project company TAPI Ltd. The TAPI Project is intended to transport a design capacity up to 33 billion cubic meters of gas per year. In May 2012, Indian GAIL Ltd and State Gas Systems of Pakistan signed agreement for its sale and purchases. The same agreement with the Afghan gas corporation was signed in July 2013 (Asian Development Bank 2015). The TAPI pipe length is expected to reach 1,800 kilometres out of which 200 kilometres will run

through Turkmenistan, 735 kilometres through Afghanistan and the rest 865<sup>2</sup> kilometres will run through Pakistan to the settlement of Fazilka which is located in India (Asian Development Bank 2015).

Given the above background this study has undertaken a critical analysis of India's economic relations, aid, and developmental projects in Afghanistan. It has examined the economic integration of both countries through the bilateral FTA and SAFTA. It has also critically discussed India's relations with Afghanistan in the context of its connection with the Central Asia region for fulfil its energy demand.

## **1.2. Review of Literature**

The literature on India and Afghanistan is ample but work specific to India's economic engagement with Afghanistan is limited. So the review in this section covers issues related to connectivity of India with Central Asia in general and India's economic engagement with Afghanistan in particular.

### ***Evolution of economic relations between India and Afghanistan***

The economic involvement of India and Afghanistan is a major part of research in the South Asia region. The cultural similarity and historical relations are a major factor between both the countries to create space for the economic integration in the region (Chandra: 2001). In this context, Muni (2001), argues that, India had a strong hold in Afghanistan in the period of Soviet intervention in the years 1979. Since the withdrawal of Soviet Union India has been maintaining highly cordial relations with Afghanistan, particularly in economic and political areas. Post Taliban era has witnessed a strengthened bond between these two countries. India has set up various institutions to develop their economic integration with the Afghan economy. On the other hand Afghanistan has opened new opportunities for India to restore its presence and credibility in their traditional friendly country.

The writing of Sahgal (2011), Bhonsle and Manoharan (2011), Pant (2010), Fair (2010; 2011), D'Souza (2009), Upadhyay and Zafar (2012;2013), Khalid (2011),

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<sup>2</sup>Turkmenistan–Afghanistan–Pakistan–India Natural Gas Pipeline Project, Phase 3 (Financed by the Regional Cooperation and Integration Fund), Project Number: 44463-013 Research and Development Technical Assistance (RDTA) May 2012



Chandrasekher (2011), provide a more inclusive and thoughtful perspective on the India's economic relations with Afghanistan. Sahgal (2011) argues that, the presence of US forces in the Afghanistan is a great advantage for the Indian investment. US have a strong alliance with India to invest maximum amount of capital in the development of the Afghan economy. India's investment in the development of infrastructure, which has benefited the common people of Afghanistan, has been creating considerable goodwill among the populace. He also argues that the ongoing Indo-US dialogue on development in Afghanistan and its implication on Indian core strategic interests need more active engagement.

Bhonsle and Manoharan (2011), argues that the growing hostility between India and Pakistan placed Afghanistan in the centre of the confrontation in the wider dyad of mutual hostility. However, now there is greater acceptability by the international community for a role of India in Afghanistan. As the large, most diverse democracy in South Asia, India's engagement will determine stability in this fragile state, which is increasingly showing signs of recovery. Moreover, the historical linkage helps India to develop their presence in Afghanistan as well as integrate their respective economy. They also focus on agreement for cooperation in the field of economics, specifically the PTA between India and Afghanistan. Pant (2010), focuses on India's growing economic involvement with Afghanistan since 2001. He examines the long standing record of technical and economic cooperation in various fields. As prior to 1979 Afghanistan was the largest partner, India's technical and economic cooperation program promoted the economic development between the countries. He also focuses on India's extensive assistance program in Afghanistan since 2001 where it has pledged \$750 million toward reconstruction efforts and most of which is unconditional.

Fair (2010), argues that India is interested in Afghanistan, mainly for security interest in its extended strategic neighbourhood. She argues that the geo-strategic interest can drive to extend the economic investment in Afghanistan. Therefore, to maintain the physical presence in Afghanistan, India has been using two instruments of soft power: economic and political influences, which is helping India to economically integrate their economic as well as political relations with Afghanistan. On another study Fair (2011), argues that, beyond the strategic interest in Afghanistan. Economic is an

important factor for India to assert her presence in Afghanistan, besides the regional stability also essential for India. D'Souza (2009), on the other hand also argues that the long term stability of Afghanistan is mainly contingent upon its integration in a regional cooperative framework. Afghanistan compact adopted at the London Conference in January-February 2006 identified regional cooperation as a main plank of the international community reconstruction strategy. However, not all stakeholders in the region share similar perceptions or interests in promoting regional cooperation.

Upadhyay and Zafar (2012), argue that the security concerns are crucial in India's policy towards Afghanistan, but both the countries have been exploring opportunities for greater bilateral economic cooperation for mutual benefit. They have that focused, both the countries are strategic partners, but their economic relations have been limited. In this context they explore the hindrances, which have hampered the trade relations between India and Afghanistan. In another study, they focus the cultural linkages and historical relations provide a suitable environment for India to develop their trade ties through the silk route which has connected the two since the past. On the other hand the institutions are playing the significant role to promote the economic involvement between both the countries. India's economic presence in the country would drastically contribute to transform the aid-based Afghan economy to a self-sustaining and vibrant economy.

Khalid (2011) argues that Afghanistan's strategic and economic importance has hit the world actors. India's active economic involvement with Afghanistan since 2001 is quite realistic. India took the better part of the last decade in getting over her strategic timidity to assume a more assertive security role in Afghanistan. He also focuses on India's concerns and upholds that though is not a member of NATO still it is actively participating in the economic development and reconstruction programmes in Afghanistan. Currently India is one to the biggest donors of Afghanistan. Both states have signed many treaties and agreements of cooperation, and this shows the long term interest of India in Afghanistan. Chandrasekaran (2011), has argued that, India is seeking to develop long term diplomatic ties and economic arrangement with stable, popular, and pro-India regime in Afghanistan, which then would enable India to leapfrog Pakistan and build robust strategic and economic ties with the energy rich states of Central Asia.

The above literature deals with the evolution of India-Afghanistan economic relations. Some of the studies deal with the cultural and historical linkages and its contribution to the economic engagement of both the countries. In the above literature the authors have dealt with the Indian perspectives of economic engagement. This study will do critical analysis of India's engagement in terms of its various dimensions including regional integration through SAFTA which has not been undertaken so far.

### ***India's aid and developmental projects in Afghanistan***

The writings of D' Souza (2007), Joshi (2010), Raiphea (2013), Basar (2012), Ahmed (2014), Mishra (2011), provides the comprehensive information about India's aid and developmental projects in Afghanistan. D' Souza (2007), has pointed out that India is the fifth largest bilateral donor country to Afghanistan and most of India's aid is targeted at humanitarian assistance, small development and low visibility projects with community participation and long term development projects. She strongly argues that the aid of India has provided more benefit to the Afghan economy. It also critically examines the challenges which are faced by both the countries and tries to find the proper solution for further economic engagement or prospects of the aid program. Joshi (2010), has argued that, after the fall of the Taliban or since 2001, India has become Afghanistan's fifth largest donor, pledging \$US 2 billion in funds. The questions if this is an attempt to increase leverage over Pakistan, or could India become part of the regional solution on which Western powers have increasingly pinned their hopes? He critically examines India's aid program and says that it has limited Pakistan's influence in Afghanistan, which is technically true but a misunderstanding of the causality.

Raiphea (2013), attempts to analyse how India is the largest regional provider of aid to Afghanistan in the South Asian region. After the events of 9/11, India became an important partner for development and reconstruction in Afghanistan. High level visits and constant interactions of top dignitaries have signified the importance of Afghanistan in India's foreign policy. India's evident and intensive engagement in Afghanistan post 9/11 is guided by its interest to see stable and peaceful Afghanistan. In this context he analyzes the developmental projects of India, which is based on the understanding that social and economic development in Afghanistan. Ahmed (2014)

argues that the, India is one of the biggest donors of Afghanistan and both states have signed many treaties and agreement and cooperation. He argues that the Indian aid marginalizes the Pakistan's influence in the country by increasing its own influence.

D' Souza (2007) has discussed the developmental projects of India in Afghanistan both in small development (low visibility) and long term projects. Long term projects are based on the power generation, road construction, and building of new Afghan Parliament. The short-term projects designed by India are aimed at rebuilding the social, human, and economic capital that includes substantial investment in wide ranging sectors like education, agriculture, infrastructure development, telecommunication, and schemes targeting women beneficiaries. Basar (2012), argues that the role of India on the development of Afghanistan is based on the humanitarian purpose only. India has pledged \$US 2 billion for civil reconstruction and development. The major Indian development projects in Afghanistan have been the Zaranj-Dalaram Highway, which has provided easy access to India's entry into Afghanistan. India has also constructed sub-station to provide electricity from Pol-e Khomari to Kabul; moreover India has committed to building two more electricity distribution substation at Charikar and Doshi for local use in Afghanistan. India is rebuilding the Salma Dam in Herat Province, which was built in 1976 but heavily damaged during the conflict. India is playing a major role in construction of new Afghan parliament in Kabul. Which is visible symbol of India's contribution in strengthens and rebuilding democracy in Afghanistan.

Raiphea (2013) focuses on the events of 9/11 and acknowledges how, India became an important partner for reconstruction in that country by extending huge aid package. India's engagement in Afghanistan covers four broad area infrastructure projects, humanitarian assistance, small and community based development projects and educations and capacity development. Ahmed (2014), on the other hand, argues that the Indian assistance has focused on building human capital and physical infrastructure, improving security and helping the agricultural and other important sectors of the country's economy. The Indian government is building roads, providing medical facilities and helping with educational programs in efforts to develop and enhance long term Afghan capabilities. Mishra (2011), point out that the as India is the largest donor of the reconstruction projects and India's influence is now spread

across the spectrum in Afghanistan. The development projects intent to push for more security and political cooperation to the level of a strategic partnership.

The following literatures have focused on the India aid and reconstruction projects and its impacts on the Afghan economy. The various research deals with the India's development projects in Afghanistan. The assistance of India only focuses on the building of human capital. This study will further deal with the institutions, which play a major role in driving the investment in the proper way. The study will fill the gap of the function of the institution to protect the investment after the total withdrawal of NATO forces from Afghanistan. On the other hand, it will try to examine the responses of the Afghan population on the Indian investment in Afghanistan.

### ***India's connectivity to Central Asia through Afghanistan***

The writings of Khan (2012), panda (2011), Sachdeva (2006: 2011), Blank (2004), Roy (2008), Pattanaik (2012), Khalid (2011), Akbarzadeh (2003), Bhatnagar and John (2013), Campbell (2013), provide the clearest understanding of India's connectivity with Central Asia and the role of Afghanistan to provide a gateway for India energy connectivity with Central Asia. Khan (2012) argues that India's interest in the Central Asia region comes from a mixture of politico- strategic concerns and perhaps to a lesser extent, perceived commercial prospects. The rapid growth of Pakistan's, Iran, and Turkey's influence in Central Asia generated a growing concern and resentment in Indian nationalist circles. He basically explores the strategic aspect of India in Central Asia. Panda (2011) has argued that the geopolitics in Central Asia has had the consequence of limiting Central Asian regionalism. Whereas the politics of Central Asia is constantly influenced by external actors, the individual nations of the region have relied on the mode of the old balance of power politics to maximize their interest. On this condition, India's sphere of geopolitical and strategic influence and interest in Central Asia have widened considerably.

Blank (2004), has explored India's growing interest is not confined merely to the linked threats of terrorism, separatism, drug trading and incitement to civil violence but also focuses on the longstanding strategic and economic roots. Central Asia has newly and definitively entered into the mental map of India's sphere of interest. The

study has also focused that geo-strategically Afghanistan is more important for India to get connected with Central Asia. Central Asia is rich in energy resources and India can only access through Afghanistan. Sachdeva (2006), states that, geo-strategically Afghanistan is important for both India and China for the 'New Great Game' in Central Asia. However, as China increases its engagement in the region, India is watching carefully. Despite many positive developments and fruitful diplomatic engagements, India remains cautious of China. Both India and China are still very much concerned with basic balance of power consideration, although officially both deny this proposition. He also argues that with the formations of the Shanghai Cooperation Organization (SCO), India is not quite sure what priority this organization deserves. It provides China, Russia and the Central Asian states a delicate equilibrium in the new geopolitical situation. India has never featured in this equilibrium, though Central Asian states perceive India's potential to be a countervailing factor. The major objectives of the SCO have been projected as promoting trans-border peace, security, and counter terrorism. With the increasing profile of the organization, China's role is also becoming large in Central Asia. On another study Sachdeva (2011), argues that along with China and Japan, India is also a significant player in the Asian economic architecture. However, India is not an effective actor, whose economic relations with Pakistan and the Central Asian region remain marginal. Moreover, he tries to explore the various negotiations such as the South Asia Free Trade Agreement (SAFTA), Turkmenistan-Afghanistan-Pakistan-India (TAPI), and the Iran-Pakistan-India (IPI) gas pipelines which have provided enough inputs to Indian policy makers to shape their newly emerging Look-West policy.

Khalid (2011), has argued that the geographical location of Afghanistan makes clear the interest of India in Afghanistan. Afghanistan has a lot to gain in terms of energy supply and transit fees. By becoming part of this regional distribution network, India will tie itself into border Central Asian interest and acquire a foothold in the region. India inevitable needs Afghanistan's link to maintain its trade contacts with Central Asian countries because strategically Afghanistan is the gateway to India into the oil and gas rich Central Asian countries. Pattanaik (2012) argues that India-Afghanistan is not a simple bilateral engagement. It is seeking for a land transit to Central Asia through Afghanistan and Iran. He has also examined that Pakistan and Iran are the

two countries that would determine the success and direction of India's Afghan policy. On the other hand Pakistan has not allowed India to use its territory to connect with Afghanistan and Central Asia. However, India explores road and rail connectivity through Iran to connect with Afghanistan and Central Asia. On the other hand the response or reaction of China has not also been so positive because China never wants India's strong presence in Afghanistan. China has much interest in the various mining sectors of Afghanistan. Campbell (2013) has explored the two primary concerns, securing and diversifying India's energy supplies in order to sustain economic growth and keeping a check on the rise of radical Islamist groups that may pose a threat to India's security. In addition, India is keen to tap the considerable commercial potential of the Central Asia region. Moreover, the strategic location of Central Asia means that it is the crucial locus of geopolitical manoeuvres affecting India's relations with Pakistan, China, the US, and other regional powers.

Akbarzadeh (2003) opines that, Pakistan has suffered a serious blow to its regional aspirations since the toppling of the Taliban in Afghanistan. In contrast, its South Asian rival India is finding Afghanistan and its northern neighbours welcoming a larger role. Despite its late entry into the region India appears to be set to make significant gains at Pakistan's expense. India-Pakistan rivalry in Central Asia is concentrated on that region's vast energy reserves, its geo-strategic importance in relation to Russia and China. Roy (2008) has argued that Central Asia is a new geopolitical creation which has an important strategic role to play in the coming years. It is in the middle of three super civilisations such as the Islamic, the Christian and the Buddhist and is seen by many experts as one of the most vulnerable areas of instability among them. It can become a natural buffer zone as well as form the hub of Islamic extremism. Being placed in the middle of the Eurasian continent, it is also one of the most convenient routes to market that still remains to be exploited. All these factors lead to increased interest in Central Asian region by various countries. India as an extended neighbour of the Central Asian region has major geostrategic and economic interest in this region. India is more concerned to develop cooperation in energy security with this region. Peace and stability in Central Asian Region and Afghanistan seems to be the most crucial factor for India's security. Bhatnagar and John (2013), has argued, the importance of Chabahar port for India to develop its connectivity with Central Asia. They have pointed out that, the Chabahar port is one

such project that has assumed significant economic and strategic importance for India to get entry into central Asia. It has also focused on the Indian plans of developing the infrastructure that enhance its connectivity with Afghanistan and Central Asia. Pakistan is not in favour of India's investment in Chabahar port and other infrastructure projects. On the other hand, denying transit access to India is part of Pakistan's strategy to limit India in Afghanistan. Moreover, they also discussed the growing Chinese influence in the region, which is widely seen as driving the Chabahar plan. Therefore, India is more concerned about the 'strategic encirclement' with China through its efforts to develop a series of strategically located ports in India's neighbourhood states like Sri Lanka, Bangladesh, and Myanmar.

Although the literature available for the above study deals with India's engagement with Afghanistan as a factor to link the two regions of the Central Asia and South Asia. This study will focus more on the TAPI international gas pipeline project as well as trade routes connectivity between India and Central Asia through Afghanistan. This proposed study would try to explore India's energy connectivity with Central Asian States through Afghanistan.

### **1.3. Definition, Rational and Scope of the Study**

This study aims at exploring various dimensions of India-Afghanistan economic relations from 2001 to 2014. The political situation of Afghanistan has prepared new grounds for some of the countries trying to expand their political and economic influence in the country. India is one of them, which have taken the economic route to develop cooperation. The growing economic involvement of India with Afghanistan has provided additional space for regional diplomacy. India's role as a growing economic power makes the relations between two countries even more interesting in a globalized world.

It is well known that Afghanistan as a country has gone through a tumultuous time after the 9/11 event. Afghanistan is facing this turmoil and disorder due to the operation of NATO forces headed by the U.S. However, NATO forces are not the only stakeholders because India, China, Russia, Pakistan and Iran are also key actors in Afghanistan with their different interests. They are influencing the situation in



various ways to meet their respective strategic and political interests in the region. As a stable country in South Asia, India has the potential to play an important role in Afghanistan. As far as India is concerned, it is more focussed on the economic development, aid, and developmental projects in Afghanistan. On the other hand it also wants to secure and strengthen the TAPI gas pipeline to fulfil its energy requirements. Moreover, India's economic assistance has focused on building human capital and physical infrastructure, and helping agriculture, small industrial sector and other important sectors of the Afghan economy.

From 2006 Afghanistan is part of South Asia Free Trade Agreement (SAFTA) and has integrated its economy with South Asian countries. Participation in SAFTA has provided benefits for Afghanistan to access the two largest trading partners both India and Pakistan. Afghanistan has a FTA (Free Trade Agreement) with India and Trade and Transit Agreement with Pakistan, which have allowed its land to export the Afghan products to India. Due to the low per capita income of Afghanistan, it comes under least developed member (LDM) category hence, SAFTA has also granted special and differential treatment to Afghanistan. Similarly India has also provided the 'duty free and quota free' status to all the products of Afghanistan.

Moreover, Afghanistan has also bilateral FTA with India. Under this agreement Afghanistan's exports to India face maximum tariff of 5 percent of the products. India has also granted 50-100 percent tariff concessions for Afghan exports of dried fruits, fresh fruits, seeds, medicinal herbs, and precious stones. India has also been involved in the developmental and reconstruction projects in Afghanistan, through which India is trying to build up better governance in Afghanistan. India is also interested to explore the natural resources of Afghanistan. Therefore, the geological survey of India, Indian Bureau of mines, Mineral Exploration Corporation Ltd and Coal mine have been planning and designing institutes in revitalizing and developing the mining industry in Afghanistan. India is also more concerned to developed it's connectivity with Central Asia to fulfil the energy demand via Afghanistan.

The year between 2001 and 2014 is significant for both Afghanistan and India. The operation of NATO forces led by U.S has changed the situation of Afghanistan in the year 2001 after decline of Taliban. Since 2001, there has been a great opportunity for

India in engaging with Afghanistan. India has invested largely on economic, political and various developmental projects. But the year 2014 brings forth the challenge for India to maintain its presence in Afghanistan due to withdrawal of NATO forces and a situation of power vacuum in Afghanistan.

#### **1.4. Objective of the Study**

The study would critically examine India's economic involvement with Afghanistan from the period of 2001 to 2014. It has been challenging for India to engage with Afghanistan during the particular period. But as a regional actor and economic involvement of India's force to develop her presence in Afghanistan. The period is the dark time for Afghan economy, it is the period the economy faced lots of strain. In the whole difficult time, India has been playing a supportive role with Afghan government. After the fall of the Taliban, the constructive role of India has emerged. India signed the FTA with Afghanistan in the year 2003, which has provided concession to exports of Afghan product's in the state. The FTA also provides the space for both the economy to open their restricted areas for trade. There is asymmetry economy in the agreement but it is opportunities for Afghan economy to get benefit for the large economy from India.

Apart of India-Afghanistan bilateral trade agreement, Afghanistan is also member of the SAARC and signatory member of SAFTA. It is the opportunities for the Afghanistan to integrate their economy with the larger economy of South Asia region. SAFTA would provide big market for Afghan economy to engage. Under the framework of SAFTA, Afghanistan comes under the LDCs status, so the members of the region have granted special and differential treatment to the Afghan products.

Therefore, the SAFTA framework is a better institution for Afghan exporters to export their products to member's countries of South Asia. Afghanistan has also signed FTA with India in 2003 and the trade and transit agreement with Pakistan in the year 2010. So rest big market in South Asia is Sri Lanka and Bangladesh. Afghan economy is highly depended on the SAARC region, 30 percent of its total imports come from the region. In the current scenario, Afghanistan has only large trade relations with Pakistan and India. Afghan economy is depended on the Pakistani exports. It is easy to access their market, because both the countries have shared the

large part of the border. In case of India's trade relation with Afghanistan is different. The trading between both countries is going through the third country through Iran. Iran has allowed accessing the Chabahar port to India for export and import from Afghanistan.

Afghanistan is highly depended on the foreign aid to reconstruction their economy. U.S is one of the major donor countries to Afghanistan from the international communities. The other international players are Germany, France, China and Japan granted aid to Afghanistan. As a regional actor, India is the only state to provide aid to Afghanistan. It is the highest bilateral donor country in the region. The main objective of India is to promote a stable Afghanistan after withdrawal of the U.S forces from the state. The objective of India is developed a better security environment to protect her investment in the state. Moreover, India also has granted military aid to provide training facility to Afghanistan National Security Forces (ANSF). India is also engaged in the humanitarian and developmental projects in Afghanistan for a better society of the state. Apart of to promote security and stability in Afghanistan, another objective of India to engage with the state is to limit the influence of Pakistan and China. Pakistan and China has been maintaining a strong influence in the state because of its geographical proximity, however, to limit both the countries, India need to play her 'soft power' to engage with the state.

India is an emerging economy country; it needs energy to continue the growth rate. India and South Asia region whole is deficit in the natural resources, however, the region is depending on the other neighbour region like Central Asia. The region is rich in natural resources. The rich natural resource has attracted the South Asia in general and India in particular to engage with region to fulfil the energy demand. India has been an active member to invest large amount of capital to connect with Central Asia. The TAPI is a major initiative of the four members' (Turkmenistan-Afghanistan-Pakistan-India) to fulfil their energy demand. The CASA-1000 is another project between Central Asia and South Asia electricity transports. The project would transport 1300 Mgw electricity from surplus energy region Central Asia to deficit region to South Asia. The study will critically examine the challenges of these projects and how does the member countries deal with problems.

## **1.5. Research Methodology**

The proposed study is largely based on descriptive, analytical, and empirical methods. The study would also be based on inductive method, which will analyse the rationality of India's involvement with Afghanistan on economic and different developmental projects. The study proposes to refer to both primary and secondary sources of data. The primary data are the official documents and reports of both the Government of India and Afghanistan. The secondary sources include books, journal articles, newspapers, internet sources, and other relevant materials published. It also uses the statistical analysis to deal with the data about the trade of the two countries. The study initially uses the descriptive method to investigate the bilateral trade and the development projects of India in Afghanistan.

## **1.6. Organisation of the Study**

The thesis comprises six chapters. Chapter one examines the background of the India's involvement with Afghanistan. The chapter also briefly discuss about the provision of India-Afghanistan FTA. The second chapter of the study explores the evolution of economic relation of both countries. The chapter discusses broadly the theoretical aspects of India-Afghanistan drive force to involve in the economic relations. It also investigate India's place in terms of the economy relations with Afghanistan. The Chapter has broadly discussed the FTA framework and Afghan economy integrates in the SAFTA. It is also discussed the post transition 2014 of Afghanistan and role of India policy options. The third chapter of the study is based on the India's aid and developmental projects in Afghanistan. It is critically exploring the major areas, where India is keen interested to invest their capital. The chapter analysis the various developmental and humanitarian projects of India in Afghanistan. It is also discuss the categorisation of small and large developmental projects in Afghanistan. It is also try to reflect the India's aid benefit to Afghan citizen.

Chapter four is exploring the alternative route for India to trade with Afghanistan as well as Central Asia. It is focused on the connectivity of South Asia and Central Asia for economic integration. It is also examined how Afghanistan as a major player to bridge the two region. The role of Afghanistan is crucial in the chapter to link both the region in terms of the economic relation and energy connectivity. In the fifth chapter,

a broader perspective of India's energy connectivity with Central Asia is discussed. It is critically discussed the two major projects such as TAPI and CASA. It is also discuss the major challenge face by both the regions to execute the projects. The last and sixth chapter presents the finding and suggestions for the further research.

## **Chapter-II**

### **Evolution of India's Trade and Economic Relations with Afghanistan**

#### **2.1. Introduction:**

The process of bilateral economic relations between India and Afghanistan has been started after the Independence. Since 1947, both the countries have been maintaining good relations in all the areas such as political, economic, cultural and diplomatic level. Both the countries originated from the Indian sub-continent and during the cold war period both of them had a strong alliance with the Non-alignment Movement (NAM) according to their national interests and foreign policy considerations. The historical and cultural linkages has been developed the economic relations between the countries since the cold war and it continued after the post-cold war as well. Even though the period of cold war was a difficult phase for Afghanistan to nurture their economy. Because of the invasion of Soviet Union from the period of 1979 to 1989 did not allow Afghanistan's economy to emerge and integrate with the regional economy in South Asia. During this period of Soviet occupations, India had a keen interest to develop her involvement with Afghanistan because of its geo-strategic importance and crossroad to Central Asia.

On 4 April 1950, India and Afghanistan signed the treaty on trade and commerce at Delhi. The treaty of trade and commerce was the first official trade treaty between both the countries to led the economic relations further. Under provision of the treaty India developed economic relation with Afghanistan in the cold war period till 1990 (D'souza 2007). During the period of cold war the trading pattern of both countries was focused on the agricultural sector and the trading amount was less. The post-cold war period was the difficult period to engage in the economic and trade relations, because the period was dominated by the Taliban government in Afghanistan, which was supported by Pakistan government to limit India's economic integration in Afghanistan. After a decade of India's sluggish economic relations with Afghanistan, India-Afghanistan signed the Free Trade Agreement (FTA) in 2003 to strengthen their economic relation further (D' souza 2012). The decline of the Taliban in the year 2001 from Afghanistan creates a better environment for India to develop the

economic involvement with Afghanistan. Moreover, the free trade agreement has provided an instrument for both the countries to accelerate their economic growth and open their market for products of each other.

## **2.2. Economic Profile of Afghanistan**

### **2.2.1. Economic Status: A General Overview**

One and half decade of war has destroyed the basic economic structure of Afghanistan. The total area of the country is 6,52,864 km and the total population is around 32 million, out of which 78 percent is living in rural region and highly depending on agriculture sector (World Development indicators 2016). GDP per capita income of the state is estimated US\$ 633 in 2014 with a sluggish economic growth of 1.3 percent in the same year. In 2014 agriculture contributed 23.5 percent share to the GDP and involves nearly 85 percent of Afghan population (World Development Indicators, 2016). The inflations consumer price was high 12.7 percent in the 2005, but over the period the inflation rate has decline to 4.6 percent in the year 2014. Industry is at the infant level of development and most of the industry is running in the small scale basis. The industrial production consists of textile, soap furniture, shoes, fertilizers, leather, non-alcoholic drinks, cement, carpet and natural gas. The industrial commodities of the state are largely consumed in the domestic markets and it is not contribute in terms of export in the international market for foreign exchange earnings (Mobariz 2016).

Afghanistan is immensely rich in terms of natural resource like natural gas, coal, gold, copper, chromite, talc barites, sulphur, lead, zinc, iron ore, salt, precious and semiprecious stones and other raw materials necessary for producing cement. This mining sector of Afghanistan has not been explored because of the lack of infrastructure and technology advancement .India and China have a keen interest in the mining sector of Afghanistan, especially the south of Kabul. China has invested lots of capital in the Aynak copper mines. Similarly India has also invested large amount of capital in the Hajigak ore mining of Bamyan province of Afghanistan (Mobariz 2016).

**Table 2.1 Economic Profile of Afghanistan, 2001-14**

Sl. No.	Annual Indicators	Year(s)			
		2001	2005	2010	2014
1	GDP Growth Annual %	-	11.2	8.4	1.3
2	GDP Per Capita (US \$)	119.9	257.2	569.9	633.3
3	Export of Goods and Services (% of GDP)	-	27.4	10.0	6.6
4	Import of Goods and Services (% of GDP)	-	77.5	44.9	46.2
5	Inflation Consumer Prices (Annual %)	-	12.7	0.9	4.6
6	Inflation GDP Deflator (Annual %)	-	10.9	9.4	0.2
7	Adult Literacy Rate, Population 15+ years, Both Sexes (%)	-	-	-	-
8	Unemployment, Total (% of total labour force) modelled ILO estimate	8.4	8.5	8.7	9.1
9	Poverty Head Count Ratio at National Poverty Lines (% of Population)	-	-	-	-
10	Agriculture Value Added (% of GDP)	-	31.8	27.1	23.5
11	Population (in Million)	21	25	28	32

Source: World Development Indicators, World Bank Group, 2016.

### 2.2.2. Human Development Index of Afghanistan

The position of Afghanistan in the Human Development Index (HDI) is low, when measured by education, health and living standards (Mobariz, 2016). According to the Human Development Report, 2015, Afghanistan HDI value for 2014 is 0.465, which found the country in the low human development category placing it at 171 out of 188 countries. Between 2000 and 2014 Afghanistan's HDI value has increased from 0.334 to 0.465, an increase of the 0.131percent. Between the years 2000 to 2014 the life expectancy of the country has been increased from the age 55.1 in 2000 to 60.4 in 2014. Similarly the enrolment of the students has been increased in the same year (United Nation Development Program, 2015).The low level human development, in education, health and living standards, has indicated the implication of fifteen years of long war against Taliban by the NATO forces.



**Table 2.2 Afghanistan HDI trend from 2000 to 2014**

Year	Life expectancy at birth (%)	Expected years of schooling(%)	Mean years of Schooling(%)	GNI per Capital (million)	HDI Value
2000	55.1	5.6	2.2	745	0.334
2005	57.0	7.7	2.6	1,169	0.339
2010	59.0	9.0	3.2	1,606	0.449
2011	59.3	9.3	3.2	1,703	0.456
2012	59.7	9.3	3.2	1,902	0.464
2013	60.0	9.3	3.2	1,892	0.464
2014	60.4	9.3	3.2	1,885	0.465

Source: UNDP 2015

### **2.2.3. Afghanistan Sector wise Contribution to the GDP**

Agriculture sector is one of the important sectors of Afghanistan but the contribution in terms of GDP has been rapidly falling down, because of the unconditional weather and half of the fertile land has been covered up with land mines in the period of 2001 to 2014. However, the contribution of the agriculture in the GDP in the year 2003 was 42.9 percent but over the period it has declined to 25.6 percent (United Nations ESCAP 2015). In the last ten years, service sector has been doing well; it is a significant growth driver which is coming from communications, such as business and finance services, Government services and transport. The contribution of service has increased from 35.3 percent from 2003 to 53.9 percent in the year 2013<sup>1</sup>. The growth construction sector has contributed 11 percent of GDP in 2013, which was from 4 percent in 2002 and creating demand for construction materials. The mining has contributed low around 1 percent of GDP in 2013 and has had an insignificant share of growth. It would be perhaps potential growth driver in the long run, given the huge natural resource endowments of the countries (Mobariz 2016).

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<sup>1</sup>In the table 3.2

**Table 2.3 Sector Shares in GDP, (Figure in Percentage)**

Sectors	2003	2004	2005	2007	2007	2008	2009	2010	2011	2012	2013
<b>Agriculture</b>	42.9	35.7	36.6	34.9	35.4	29.2	33	29.6	28.7	26.4	25.6
<b>Mining, manufacturing and utility</b>	16.6	17	16	15.2	13.8	13.8	12.4	12.7	12.4	11.9	11.4
<b>construction</b>	5	7.6	9.2	11	10.4	11.2	10.2	10.6	11	10.8	11
<b>Other industry</b>	11.6	12.2	13.8	13.2	12.8	14.3	15	17.1	17.4	19.2	18.5
<b>Transport storage and communication</b>	12.6	13.6	11.6	12.4	14.4	17.1	17.2	20.6	20.8	22.6	23.6
<b>Wholesale.ratail sale, restaurant and hotel</b>	9.6	9.3	8.8	8.2	8.1	8.1	7.5	7.6	7.8	8.8	8.3
<b>services</b>	35.2	38	36.5	37.2	38.1	43.8	44.6	48.5	48.3	52.3	53.9

Source: (United Nations Economic and Social Commission for Asia and the Pacific, August 2015)

### **2.3.Theoretical Background of India-Afghanistan Bilateral Relations**

India and Afghanistan has civilizational linkages in the South Asian region. Historically, both India and Afghanistan has been maintained good cultural relations. It is found in stable and healthy political and economic ties between two states. Though, the colonial powers like Great Britain and Soviet Union used to use Afghanistan as a security for their ‘Great Game’ of colonization and drawn a disputed boundary between British India and Afghanistan (Pant 2010). After independence the time has changed, India had no cause to not to maintain good bonds with Afghanistan even though Pakistan is a major factor between two states. Both states are not sharing the common border, but continue to enjoy good political and economic relations since long time (Pant, 2010).

During the cold war era, both the countries adopted parallel foreign policy measures. India was one of the founding members of the Non-Aligned Movement, Afghanistan adopted the autonomous foreign policy for the state. India had a clear vision of not joining either bloc in the cold war period, be it the Capitalist led by United States of America or Union of Soviet Socialist Union (USSR). Similarly Afghanistan also did not want to join with any super power and played one superpower card against the other. But as a newly independent state, it required economic assistance for

development that forced itself to get trapped under the USSR. Further, America had gradually developed their close alliance with Pakistan (Pant 2010). On the other part, Soviet Union invested regularly in accessing extensive military and economic aid to Afghanistan and that gradually the military and economic assistance converted into the influence of Soviet Union and eventually into Soviet invasion in Afghanistan in 1979. In the cold war period India had a good relation with Soviet Union, India signed a friendship treaty with USSR in the year 1971 and it reflected India's acceptance of USSR invasion in Afghanistan. In South Asia region India was only country to support the Soviet invasion and occupations in Afghanistan, by this action, it has damaged its prestige and reliability in the international community (pant 2010 and Ghosh and Panda 1983). But the main motive of India to support Soviet invasion in Afghanistan was to stop the growing influence of Pakistan in Jammu and Kashmir and eliminate the Pakistan-based Mujahedeen group from Afghanistan through the help of Soviet Union.

The ultimate withdrawal of Soviet Union from Afghanistan in the year of 1989 had changed political and economic condition of Afghanistan. It impacted on the global politics as well as Indian foreign policy in South Asia region (Pant, 2010). End of cold war had changed the situation of Afghanistan; the Taliban regime came to power in the year 1996. In a short span of time, the country came under the influence of Taliban with corrupt and politically unreliable government, which dominated in the post-soviet Afghanistan. However in this context, India's relations with Afghanistan came to cessation and stayed overcome till 2001. The 9/11 attack of Al-Qaeda (terrorist organisation) on the World Trade Centre in US has changed the situation in Afghanistan. Immediately after the attack NATO forced by US eliminated the Taliban from Afghanistan. The elimination of Taliban regime from Afghanistan has definitely created better situation and space for India and other global actors to develop their engagement with the state (Pant 2010).

India has pursued a pro-active Afghanistan policy. High level of collaboration has taken place between two states. India has developed her political, economic and military relations remarkably with Afghanistan to secure and defining its foreign policy agenda in the region. "According to the realist theorist in International Relations, it is the international systemic constraint that determines the foreign policy

behaviour of states. While individual or domestic political variables may influence foreign policy margins, it is the structure of the international system that sets the terms of conducts of foreign policy across time and space. Realist focussed that the pressures of international competition consider more heavily than the ideological preference or internal political pressures” (Waltz, 1986 and Pant 2010).

On the other hand the structural realism of Kenneth waltz argues that, “the theory of international politics not a theory of foreign policy because structural realism tries to explain the outcomes of state interactions”<sup>2</sup>. But theories of foreign policy seek to explain the behaviour of individual states in the external state (Pant 2010). Moreover, in international politics the theory shows the interaction of states generates a structure that constrains other states, rewarding or punishing them for taking certain actions. A theory of international politics thus explains why states similarly placed in the system behave in similar ways, despite the differences among them. The neorealism clarify that any single state will respond to the constraint imposed by the international structure requires a theory of foreign policy (waltz 1996 and pant 2010). However, it is showed in the context of India and Afghanistan involvement. Since 2001, Afghanistan has moved toward integrate their economic and develop political alliance with India and other neighbouring countries.

The structural constraints force states toward a particular set of foreign policies in line with their relative position in the international system (pant 2010). That position undergoes a change, which change the foreign policy of that state. But Robert Gilpin

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<sup>2</sup>Neorealism is often called “structural realism,” which signifies that the theory primarily centers on the effect of the *structure* of the international system when it seeks to explain outcomes in international politics. In Waltz’s conception of structure, two things are especially noteworthy about the international system. Firstly, the international system’s ordering principle is *anarchy*. This simply means that there is no such thing as a world government; there is no higher authority above the main units that exist in the system the states. Furthermore, this results in an international system that is essentially a *self-help system* consisting of states that are autonomous, functionally undifferentiated actors each of which must always be prepared to fend for itself. The units of the system closely resemble each other with regard to the functions they perform, the tasks they face, the primary goals they seek (with survival always being the fundamental goal on which the attainment of all other objectives rests), and how they go about accomplishing their objectives. The main point is that, under anarchy, each and every state by and large operates on its own without having recourse to any higher authority. The second defining principle of the structure of international politics is the *distribution of capabilities* across the units inhabiting the international system. Capabilities, or power, vary significantly between states; states, though functionally undifferentiated, are differentiated according to how much power they possess. Variations in power yield variations in the types and magnitude of *structural constraints* that states face, thereby effectuating variation in how states behave (or *should* behave).

in his Book '*war and change in world politics*' argue that "more wealthy and more powerful state will select a larger bundle of security and welfare goals than a less wealthy and less powerful state there by trying to use the tools at its disposal to gain control over its strategic environment" (Gilpin 1981 and part 2010). Therefore, the state becomes more determined in defining the goal and scope of its foreign policy as its relative physical power capabilities increase and vice-versa. Moreover, Hans Morgenthau has argued in his book '*Politics Among Nations*', "the interests of a state are shaped by its power" (Morgenthau 1973).

The growth of a state's relative power capabilities will result in a corresponding increase in its interests in the state's foreign policy. And as it rises in interstate hierarchy, it will try to improve its economic, political and strategic interests, eventually leading to change to some extent in the international system as suited to its own interest (Gilpin, 1981). The economically emerging countries in the international structure will try to get an alteration in the status quo and establish new institutions and arrangements that would more precisely reflect their own interests as well as their power position in the world. The rising power seeks to ensure and improve their security by increasing their capabilities and their control over the external environment (part 2010). As an emerging economic power India is also adopting the pro-active role with its extending neighbouring countries in terms of economic, political and institutional levels. In that context Afghanistan has become the priority state for India to develop its economic and political relations. Although, Afghanistan is economically of a lesser scope but still India is much interested to develop its economic involvement with the state. India is also interested to explore Central Asian economy and sees Afghanistan as a bridge between both the regions.

#### **2.4. India's Economic Involvement with Afghanistan**

The fall of the Taliban in Afghanistan has provided the scope and hope for a better environment for the global actors to develop their relations with Afghanistan. The entire group of stakeholders, within the region and outside, are interested to develop their economic as well as political engagement with Afghanistan. Regional stakeholders such as Iran, Pakistan, China, Russia and India are more inclined towards making Afghanistan do well economically. Even though, the regional players

are having competition to limit each other to make her presence in the state. In that context, India is playing a significant role to develop their economic relations with Afghanistan. It is using the 'soft power' with Afghanistan to make her presence in the state more prominent.

Moreover, to develop the economic relation with Afghanistan, India signed a FTA with Afghanistan in March 2003. It came into force in May 2003. The objective of the agreement is to enhance the bilateral trade through the preferential access to each other's markets and focussing the development for national economies (Batra 2013:71). There is asymmetry between the two economy, India is a bigger economy in terms of its larger amount of export and import in the region and large in terms of the population and market size. On the other hand Afghanistan is a smaller economy with limited export items and small size in population and also a vulnerable market. Even though, there is asymmetry between these two economies but both the states are getting benefits from the trade arrangement. Under the framework or FTA, India provides preferential treatment<sup>3</sup> to Afghan products. India also provides a smaller negative list<sup>4</sup> for Afghanistan because it comes under the LDCs (Batra2013: 67). The phase out period of tariff reduction of India for Afghanistan is eight years and the special and differential treatment is a provision to create better option to integrate the Afghan economy with India.

#### **2.4.1. India-Afghanistan Trade Relations**

Security is an important concerned for India's foreign policy towards Afghanistan. India is training the Afghan National Security force and police forces to maintain stability in Afghanistan. Another objective of India is to protect her investments and promote her trade and economic relations with Afghanistan. India is in the second position in the trade relations with Afghanistan, therefore, India is interested to develop her economic and trade relations with Afghanistan through FTA. Under framework of FTA, India has allowed preferential tariff rates for 38 products from

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<sup>3</sup> It means any concession or privilege granted under this Agreement by a Contracting Party through the progressive reduction and/or elimination of tariffs on the movement of goods.

<sup>4</sup>Those items which are considered as sensitive to the domestic industry by each partner to FTA are included in the respective negative list. The items in negative list of Afghanistan are not entitled for any duty concessions for imports from India. The same thing applies in case of India's negative list for Afghanistan products.

Afghanistan including Raisins, Dry Fruits, spices, etc. Similarly Afghanistan has also granted preferential tariff rates to 8 items from India, such as Tea, Refined Sugar, Antisera and medicines, White Cement and Cement Clinkers. India's bilateral trade with Afghanistan has improved substantially from US\$ 52.45 million in 2001-02 to US\$ 684.47 million in the year 2014-2015 (Ministry of Commerce and Industry, Government of India 2016).

**Table 2.4 Bilateral Trade Between India and Afghanistan 2001-14**

(Value in US\$ Million)

Years	Import			Export			Total
	Value	% of Share	% of Growth Rate	Value	% of Share	% of Growth Rate	
2000-2001	26.59	0.0526	-22.94	25.86	0.058	-2.11	52.45
2001-2002	17.52	0.0341	-34.1	24.37	0.556	-5.77	41.89
2002-2003	18.46	0.0301	5.33	60.77	0.1153	149.36	79.23
2003-2004	40.51	0.0518	119.5	145.47	0.2279	139.38	185.98
2004-2005	47.01	0.0422	16.03	165.44	0.198	13.73	212.45
2005-2006	58.42	0.0422	24.29	142.67	0.1384	-13.76	201.09
2006-2007	34.37	0.0185	-41.16	182.11	0.1441	27.64	216.48
2007-2008	109.97	0.0432	219.92	249.21	0.1528	36.85	359.18
2008-2009	129.24	0.0416	14.8	394.23	0.2128	58.2	523.47
2009-2010	125.19	0.0434	-0.83	463.55	0.2593	17.58	588.74
2010-2011	146.03	0.0395	16.64	422.41	0.167	-8.88	568.44
2011-2012	132.5	0.0271	-9.26	510.9	0.167	20.95	643.4
2012-2013	159.55	0.0325	20.42	472.63	0.1573	-7.49	632.18
2013-2014	208.77	0.0464	30.84	474.34	0.1509	0.36	683.11
2014-2015	261.91	0.0585	25.46	422.56	0.1362	-10.92	684.47

*Source:* Department of commerce, Ministry of Commerce of Industry, Government of India, 2016.

The above table shows that the fluctuation of trade between India and Afghanistan. Immediate after the decline of Taliban from Afghanistan, the trade amount of the countries has increased. In the year 2000-2001, the amount of total trade of both countries was only US\$ 52.45million, it reached US\$ 201.09 million in the year 2005-06. Further it has achieved US\$ 568.44 million in the year 2010-2011 and finally it has touched US\$ 684.47 million in the year 2014-15 (Ministry of Commerce and

Industry, Government of India, 2016). Therefore, it shows that the presence of NATO forces in Afghanistan drive the Indian exporter to export their products into Afghan market and import the Afghan goods to India. Moreover, the amount of import from Afghanistan is less in compare to export. The bilateral trade between both countries has been growing rapidly under the protection of NATO forces and the presence of Indian military in Afghanistan as well. Further India-Afghanistan Strategic Partnership Agreement has also supported the growth of the trade relations between both countries.

The top ten commodities export form India to Afghanistan (at on 2 digit level) most of the commodities are consists on agricultural products such as coffee, tea, mate and spices, tobacco, rubber and articles, etc. Apart from agricultural products, the pharmaceutical products are in high demand in the Afghan market. In the year 2001 the export rate of pharmaceutical products was US\$ 1.23million. Since, the year 2005 the demand of pharmaceutical industry has been growing rapidly in Afghanistan, moreover the total export of these particular products has risen up US\$ 24.01 million in the year 2005 to US\$ 46.21 million in 2015 (Ministry of Commerce and Industry, Government of India, 2016). Hence, the Indian pharmaceutical industry is playing an important role to contribute the Afghan health sector in terms of providing medicine and other health facilities to the Afghan citizen. The clothing accessories are also major item in the export basket of India to Afghanistan, the demand of this item has gradually increased US\$ 24.58 million from the year 2005 to US\$ 57.04 million in the year 2015. The importance of these items have been growing in Afghanistan because India is a state developing as a centre of modern culture dominating the South Asia region; on the other hand Afghanistan is still believed to be a traditional society. In the manufacturing sector, India exports nuclear reactors, boilers machinery and mechanical appliances, the export rate of these sectors has increased from the US\$ 1.22 million in the year 2001 to US\$ 8.87 million in the years 2015 (Ministry of Commerce and Industry, Government of India, 2016).

The import basket of India from Afghanistan consists only of agricultural products. Afghanistan is an agricultural based economy. Moreover the supply of Afghanistan to India is based on the edible fruits and nuts, citrus fruits has demanded more in India, the total import of these items has increased US\$ 23.82 million in the year 2001 to



US\$ 177.76 million in the year 2015. Other items are lac, gums, resins and vegetables saps and extracts has demanded highly in India, the total export of the items in the year 2015 US\$ 58.25 million. In the manufacturing sector, Afghanistan has minimal efficiency to export to India (Ministry of Commerce and Industry, Government of India, 2016).

The export and import ratio of both India and Afghanistan is low, since there is no direct land route between them. However, both the countries depend on third party to exchanges their products. In that context India and Afghanistan depend on the Chabahar port of Iran to support and enhance trade and transit opportunities and provide an substitute transport routes for the prosperity and improvement<sup>5</sup> (Upadhayay and Zafar, 2013). The Chabahar port of Iran is also important for India to access into Central Asia through Afghanistan. For better access, India has granted funds to develop the capacity of Chabahar port, moreover, to access Afghanistan, India has built highway with the collaboration with the Iran government for the trade opportunities and connect with Central Asia region.

Pakistan is a major factor of India's low trade with Afghanistan. However, the growing presence of India would limit the influence of Pakistan. The reluctant approach of Pakistan not to open their territory to India for trade exchange, even though, Afghanistan can access the same territory under the Afghanistan-Pakistan Trade and Transit Agreement (APTTA) which was signed in the year 2010. Under the agreement, Afghan goods are allowed to pass through the territory of Pakistan. It also allows the Afghan trucks to carry Afghan transit export cargo to the Wagah border, where the cargo is transferred to Indian trucks. In the year 2013-14 more than 2000 trucks load of dry fruits and pulses crossed into Indian territory through Wagah border (Upadhayay and Zafar, 2013). However, the same territory is not allowed for India to export the products to Afghanistan. Pakistan is also not ready to revise the agreement because it is more concerned about its presence in Afghanistan rather than to open its territory for trade opportunities.

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<sup>5</sup>During the Non-Aligned Movement summit in August 2012 at Tehran, a tripartite agreement between India, Iran and Afghanistan official was successfully concluded and it was decided to set up a joint working group to boost trade and transit through Chabahar to Afghanistan and Central Asia.

Even though Pakistan remains reluctant to open its territory for trade with India, but still it has been in negotiation on the 1800 km long TAPI pipeline projects (Asian development Bank 2015). This project is cementing the bridge South Asia and Central Asia region, both the region open their border and economy for integration. In that context, the natural resources of Afghanistan have attracted Indian investors to invest large amount of capital in the mining sectors. China on the other hand has already invested a large amount of capital in various sectors, specifically in mining. The Aynak copper mine, east of Kabul, and the Amu Darya oil fields in north Afghanistan are the major areas representing the Chinese investment (Upadhayay and Zafar, 2013).

**Table 2.5 Top Ten Sectors India Export to Afghanistan 2001-14 (Values in US Million)**

S.No.	HS Code	Commodity	2000-2001	2004-2005	2009-2010	2014-2015
1.	<b>9</b>	COFFEE, TEA, MATE AND SPICES.	0.75	2.05	11.73	3.97
2.	<b>24</b>	TOBACCO AND MANUFACTURED TOBACCO SUBSTITUTES.	2.31	3.49	14.82	15.89
3.	<b>30</b>	PHARMACEUTICAL PRODUCTS	1.23	24.01	41.06	46.21
4.	<b>40</b>	RUBBER AND ARTICLES THEREOF.	6.99	8.3	28.86	7.23
5.	<b>55</b>	MAN-MADE STAPLE FIBRES.	0.93	10.23	13.52	27.2
6.	<b>61</b>	ARTICLES OF APPAREL AND CLOTHING ACCESSORIES, KNITTED OR CROCHETED.	0.3	1.54	13.00	30.74
7.	<b>62</b>	ARTICLES OF APPAREL AND CLOTHING ACCESSORIES, NOT KNITTED OR CROCHETED.	1.79	24.48	21.32	57.04
8.	<b>71</b>	NATURAL OR CULTURED PEARLS, PRECIOUS OR SEMIPRECIOUS STONES,	0.31	0.36	2.54	5.71
9.	<b>73</b>	ARTICLES OF IRON OR STEEL	0.54	4.17	13.28	6.55
10.	<b>84</b>	NUCLEAR REACTORS, BOILERS, MICS	1.22	8.29	9.31	8.87
<b>Total</b>			<b>16.37</b>	<b>86.92</b>	<b>169.44</b>	<b>209.41</b>

*Source:* Department of Commerce, Ministry of Commerce of Industry, Government of India, 2016,

**Table 2.6 Top Ten Sectors India Import from Afghanistan 2001-14, Commodities****(Values in US \$ Million)**

S.No.	HS Code	Commodity	2000-2001	2004-2005	2009-2010	2014-2015
1.	07	VEGETABLES& CERTAIN ROOTS &TUBERS.	0.01	0.02	9.38	4.72
2.	08	EDIBLE FRUIT AND NUTS; PEEL.	23.83	33.33	86.47	177.76
3.	09	COFFEE, TEA, MATE AND SPICES.	0.53	1.77	3.76	13.49
4.	12	OIL SEEDS AND OLEA. FRUITS, SEEDS	0.2	0.39	0.43	4.13
5.	13	LAC; GUMS, RESINS AND OTHER	0.75	10.88	25.04	58.25
6.	76	ALUMINIUM AND ARTICLES THEREOF.	0.02	0.02	-	-
7.	84	NUCLEAR REACTORS, BOILERS, MACHINERY AND MECHANICAL APPLIANCES.	0.01	0.01	0	-
8.	85	ELECTRICAL MACHINERY AND EQUIPMENT AND PARTS THEREOF; SOUND RECORDERS	0.02	0	0	0
9.	90	OPTICAL, PHOTOGRAPHIC CINEMATOGRAPHIC MEASURING, CHECKING PRECISION,	0.02	0	-	0.02
10.	99	MI SC GOODS.	0.2	0.15	0	0.02
<b>Total</b>			<b>25.59</b>	<b>46.57</b>	<b>125.08</b>	<b>258.39</b>

Source: Department of Commerce, Ministry of Commerce of Industry, Government of India, 2016,

India and Afghanistan are developing cooperation in the various areas such as Agribusiness and agro-processing, construction and construction materials, energy and natural resources, textiles and carpets, transport and logistics, chemical and pharmaceutical products, banking and financial services, telecom services, real estate and tourism, hydrocarbons, etc. Afghanistan offers immense possibilities for Indian investments in its area of reconstruction which could help build export and supply capabilities in Afghanistan (Alikuzai 2013). The strengthening of trade relations need to develop the better infrastructure and transit route for trade. Hence, India has invested in the major projects in Iran to connect with Afghanistan and Central Asia.

#### **2.4.2. India's Investment in Afghanistan**

Apart from the developmental and reconstruction projects, India has keen interest in investing in the mining sectors of Afghanistan. The rich natural resources have been accounted the key sources of attraction for Indian investor to explore the opportunities in Afghanistan. The country has untapped mineral wealth including huge reserve of oil, natural gas, copper, iron, gold and rare earth minerals like lithium and niobium. Afghanistan iron ore deposits are estimated to be worth US\$ 421 billion, copper deposits worth about US\$ 274 billion, niobium worth US\$ 81 billion cobalt worth

US\$ 51 billion and gold deposits are estimated to be worth US\$ 25 billion<sup>6</sup> (Upadhyay and Zafar, 2012). According to the Report of U.S Geological Survey 2006, the unexplored petroleum resources in north Afghanistan range up to 36.5 trillion cubic feet of natural gas, estimates of oil range up to 3.6 billion barrels and estimates for natural gas liquids range up to 1,325 million barrels. These estimates represent an 18-fold increase in Afghanistan's potential oil resources (Haidari 2012) .

Thus, the huge deposits of natural resource have provided a motivation for enhancing potential cooperation for both India and Afghanistan. For the Indian perspective to invest in the mining sector is a key area to explore in Afghanistan. Indian private enterprises have interest to invest up to US\$ 10 billion in sectors such as mining, steel plant, hotels, pharmaceutical etc. Indian companies have been financing the Hajigak iron ore mining<sup>7</sup> reserves and it is the biggest investment of Indian companies in Afghanistan. The estimation reserve of iron ore is around 2 billion tonnes. The mineral reserve would have created more than 90,000 direct and indirect jobs and around US\$ 500 million in annual fiscal revenue by 2020 (Haidari 2012)<sup>8</sup>.

In November 2011, a consortium of public and private Indian companies, led by the state-owned Steel Authority of India (the Indian consortium also includes the National Mineral Development Corporation, Monnet Ispat and Energy Limited, Rashtriya Ispat Nigam Limited, JSW Steel Limited, Jindal Steel Power Limited and JSW Ispat Steel Limited) won a bid to mine in three states in Afghanistan's Hajigak iron ore deposits, which includes the construction of a six million-ton steel plant, an 800-megawatt power plant and 200 kms each of road, rail and transmission lines-as well as a pledge to set aside one per cent of profits for establishing educational and medical facilities. Total investment by the Indian companies was pegged at US\$ 10.8 billion (United Nation ESCAP 2013). The Hajigak iron ore deposit is estimated to hold 2 billion tonnes of ore. Afghanistan's largely untapped mineral wealth is thought to be worth

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<sup>6</sup>BBC. "Afghan Minerals Mean 'Self Sufficiency' in 10 Years," 25 June 2010. <http://www.bbc.co.uk/news/10412085> (accessed December 10, 2012).

<sup>7</sup>Seeda Gouhari, Mining in Afghanistan, participate future workshop, Kabul, Afghanistan.

<sup>8</sup>Seeda Gouhari, Mining in Afghanistan, participate future workshop, Kabul, Afghanistan.

some US\$ 3 trillion, and is often talked about as key to ensuring the country's economy<sup>9</sup>.

The Afghan government has reformed the policies and regulations of mining and infrastructure sector to attract foreign investor. The Afghan constitution (in the year 2004) and the Afghan Investment Law (2005) has assured the external investors of complete safeguard for the investments, which is including 100 percent ownership and without any restriction on repartition of investment and revenue (Upadhyay and Zafar, 2012). But in the whole process of opening the mining sectors, security is the major concern for investors. Most of the mining areas are not control by the national government and it is situated in the volatile areas. The gold and copper mines are found in the Helmand and Kandahar province of Afghanistan, the areas is sharing the border with Pakistan and the Aynak Copper project is based on the Logar province, both the region are volatile in nature, where China has invested. Similarly Hajigak mining is also one of the most unstable places in Afghanistan<sup>10</sup>.

#### **2.4.3. Indian Private Sectors Enhancing the India-Afghanistan ties**

The Federation of Indian Chambers of Commerce and Industry (FICCI) and India's apex national chamber of SAARC Chamber of Commerce and Industry (SCCI) considered to be the voice of the industry in South Asia region, playing an important role in the process of economic arrangement of both the states, because these two institution are. The Kabul ministerial conference of June 14, 2012 set a common Confidence Building Measure (CBM). The objectives of the CBM is to promote the political and security cooperation in order to secure the economic engagement. FICCI of India and Chamber of Commerce and Industry of Afghanistan has been working on the joint collaboration to develop the industrial production in Afghanistan. It works in the region under the umbrella of SAARC Chamber of Commerce and industry

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<sup>9</sup>A working paper of FICCI, United Nations, Economic and Social Commission for Asia and the Pacific (ESCAP) South and South West Asia Office, Doing Business With Afghanistan Harnessing Afghanistan's Economic potential, November, 2013.

<sup>10</sup>But in the year 2013, country's mining minister, Wahidullah Shahrani, remains upbeat despite the risks and the planned withdrawal of foreign troops next year. In his interview with the ABC news in Australia he says; "Security is a concern, is challenge, but it doesn't mean the entire Afghanistan is insecure, and the more investment we get; it will also lead to higher degree of stability."

(United Nation ESCAP 2013)<sup>11</sup>. Moreover, FICCI aims to develop the economic cooperation between India and Afghanistan in the areas of energy, trade and also develop the transport linkage between the South Asian and Central Asian region.

FICCI has organised various events to develop the involvement of India with Afghanistan in different sectors, the list of events such as:

- A Capacity Building Programme was organised in June 17-24, 2013 in New Delhi by the TCI CBM. The objective of the program is to provide training on organisation events, involvement of members and expansion membership base, business development and export promotion and decision formulating process<sup>12</sup>.
- A Business to Business meeting was organised between Export Promotion Agency of Afghanistan (EPAA) with fresh and dry fruits traders delegation from Afghanistan and Indian traders from Hyderabad on June 24-25, 2013. Moreover, the Afghanistan delegation contained seven top fresh fruit and four dry fruit traders. The aim of this meeting was to provide opportunities to the Afghan traders to explore markets in India. The vendors and traders in Mumbai and Hyderabad usually buy from the traders based in New Delhi and do not directly import from Afghanistan. However, the event has solved the problem, now the Indian traders can easily import dry fruits and fresh fruits directly from the Afghan traders<sup>13</sup>.

FICCI is working for a better environment for more trade opportunities between two states and also at the regional level. The democratic idea in the state, the member countries must lead the interaction between, industry, academia, civil society and media for suitable space to economic integration. FICCI had organised an interactive meeting in May 2012, between legislators of Afghanistan, the president of commerce

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<sup>11</sup>A working paper of FICCI, United Nations, Economic and Social Commission for Asia and the Pacific (ESCAP) South and South West Asia Office, Doing Business With Afghanistan Harnessing Afghanistan's Economic potential, November, 2013.

<sup>12</sup>A working paper of FICCI, United Nations, Economic and Social Commission for Asia and the Pacific (ESCAP) South and South West Asia Office, Doing Business With Afghanistan Harnessing Afghanistan's Economic potential, November, 2013.

<sup>13</sup> ibid

secretary of India and Chamber of Commerce and Industry of SAARC'<sup>14</sup>. The agenda of the meeting was to provide the scope to Indian business group in the various business opportunities emerging in several sectors in Afghanistan. From Afghanistan's perspective, it was a better space to discuss the business opportunities with India as well as other South Asian countries. To be part of SAARC, Afghanistan need to expand her trade and economic relations apart from India, thus the government of Afghanistan needs to explore the trade opportunities with member countries of the region such as Sri Lanka, Bangladesh, Nepal and Bhutan.

## **2.5. India and Afghanistan in Regional Organisation: SAARC**

Economic policy in South Asia is vital for making regional economic integration. To promote the regional cooperation the then Afghan president Hamid Karzai introduced the development of regional cooperation by engaging with neighbours with signing 'Kabul Declaration on Good neighbourly Relations' in December 2002. Moreover, the major concern of the declaration is constructive and to support bilateral relationships between member countries in the region, which is based on a mutual respect, territorial integrity, cooperation and non-interference in each other's internal affairs.

Afghanistan became the member of SAARC on the April 4, 2007 and full time signatory member of SAFTA in May 2011 (SAARC organisation 2016). Even though, the SAFTA came in force in the year 2004, Afghanistan entered late in the regional economic integration process. Afghanistan has much to gain from this arrangement because, Afghanistan has been granted a longer SAFTA implementation period (SAARC organisation 2016). It is also expected to ensure significant benefit from accessing SAARC markets in terms of export their products to big markets like India, Sri Lanka and Bangladesh and import the manufacturing commodities from the growing economy such as India in South Asia region. Moreover, regional cooperation of South Asia is highest priority of Afghan economic and trade policy to integrate their market within the regional arrangement. Although, the intra-regional trade of South Asia is low in comparison to other regional organisation such as ASEAN,

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<sup>14</sup>working paper of FICCI, United Nations, Economic and Social Commission for Asia and the Pacific (ESCAP) South and South West Asia Office, Doing Business With Afghanistan Harnessing Afghanistan's Economic potential, November, 2013.

NAFTA and MERCOSUR. The bilateral tension of India and Pakistan, the lack of connectivity are important factor of low intra-regional trade in the region.

**Table 2.7 Reductions of the Sensitive List Under SAFTA**

Member state	Number of products in the original sensitive lists	Number of products in the Revised sensitive list (Phase-II)	Status of Receipt of Revised Sensitive Lists as per HS-2012
(1)	(2)	(3)	(4)
Afghanistan	1072	850	Not received
Bangladesh	1233(LDCs) 1241 (NLDCs)	987 (LDCs) 993 (NLDCs)	Received
Bhutan	150	156	Received
India	480 (LDCs) 868 (NLDCs)	25 (LDCs) 614 (NLDCs)	Received
Maldives	681	154	Received
Nepal	1257 (LDCs) 1295 (NLDCs)	998 (LDCs) 1036 (NLDCs)	Received
Pakistan	1169	936	Received
Sri Lanka	1042	837(LDCs) 963 (NLDCs)	Received

Source: [www.saarc.org](http://www.saarc.org) accessed on 27 April 2017

### **2.5.1. India and Afghanistan in SAARC**

India has been the key member in the region to promote Afghanistan in the economic integration with the South Asia region. India's supporting role toward Afghanistan inclusion in the SAARC has only intension to seeking economic and regional integration between South Asian and Central Asia region. It is a democratic and stable regional player, economically emerging country and energy thirsty with highly ambitious in the regional integration. India has been working with Afghanistan to develop the connectivity with Central Asia and South Asia to fulfil its energy demand. Apart of India's interest in Central Asia, India is promoting economic involvement under the framework of SAFTA by providing the preferential treatment to the state (D Souza 2014). The bilateral trade has been growing rapidly from 2001 to 2015. In the year 2001 the total trade amount of India and Afghanistan was US \$ 41.89 billion, which has increased to US\$ 684 billion in the year 2015. On the other hand India has keen interest to invest in mineral exploration and energy pipeline project which is



passing through the Afghan territory (Commerce and Industry, government of India 2016).

From the Indian point of view, Afghanistan is an important player in the regional cooperation in South Asia. Therefore, the then former prime minister of India Manmohan Singh has rightly pointed out that in the year 2007. He said “I dream of a day, while retaining our respective national identities, one can have breakfast in Amritsar, lunch in Lahore and dinner in Kabul”(D Souza 2014). Moreover, the dream of former prime minister has been followed by the current prime minister of India, Narendra Modi, which is found in his recent visit to Afghanistan in 5 June 2016. In his visit to Afghanistan, he has inaugurated the Salma Dam projects. It is a symbol of friendship of both countries, in this visit he said “your friendship is our honour; your dreams are our duty” (Swami 2017).

In the year 2011 came into the formalization of the Afghanistan Strategic partnership Agreement (ASP). The agreement is a strong message for the regional and international communities of India’s positive approach toward Afghanistan. Moreover, the objective of the agreement is to provide training to the Afghan security forces and maintain peace and stability in the state. The agreement is an instrument for both the countries to extend and spread cooperation in various sectors such as agriculture, rural development, mining and energy industry, ITC, transport including civil aviation (D Souza 2014).

### **2.5.2. Afghanistan in SAFTA**

The membership of Afghanistan in the SAARC is equally participation in the economic integration in SAFTA. Being a landlocked country Afghanistan needs to explore the regional trade opportunities to expand its economic growth as well as to integrate their economic with the regional players. Because of the lack of border connectivity, it is essential for Afghanistan to search the less cost transit route. It also needs the trade facilitation body to help the Afghan exporters to take benefit of market access in the South Asian region. Afghanistan has transit agreement with Pakistan, Iran and Uzbekistan and also a signatory member of the International Transit Convention. Moreover, Pakistan is a frontline state for Afghanistan to connect with the South Asian countries therefore, Afghanistan and Pakistan signed the Trade

and Transit agreement in the year 2010 (Upadhyay and Zafar, 2012). But the framework of the agreement is not win-win situation for South Asian member. The Pakistani territory is allowed for Afghanistan exporter to export their products to India but the same route is not allowed to carry Indian goods into the Afghan market.

Afghanistan membership in the SAFTA is an opportunity for Afghan exporter to explore the biggest market in the region. India and Pakistan are the two biggest markets for Afghanistan to access through opening of its market to the members of SAARC. Under the framework of SAFTA, Afghanistan would be classified as a Least Developed Countries (LDCs) and thereby could be granted a longer implementation period as well as special and differential treatment<sup>15</sup>. The provision of SAFTA is also providing tariff free and quota free to Afghan exporters to export their products to big markets like India, Sri Lanka and Pakistan (D Souza, 2014). Moreover, Afghanistan has been taking the advantage to export the agro based products such as dried fruits and nuts couples to the large and growing markets of South Asia.

**Table 2.8 Sensitive list and tariff rate of SAFTA Countries in the year 2014**

Member State	To Reduce Sensitive Lists up to	To Reduce Tariff to	Positions
Afghanistan	235 by 2030	0 to 5% by 2030	Confirmed
Bangladesh	450 by 2030	0 to 5% by 2030	Provisional
Bhutan	100 by 2020	0 to 5% 2020	Confirmed
India	100 by 2020 (for NLDCs)	0 to 5% by 2020	Confirmed
Maldives	100 by 2020	0 to 5% by 2020	Confirmed
Nepal	500 by 2030	0 to 5% by 2030	Provisional
Pakistan	100 by 2020	0 to 5% by 2020	Confirmed

Source: [www.saarc.org](http://www.saarc.org), accessed on 27 April 2017

### 2.5.3. Energy Cooperation with South Asia Role of Afghanistan

Afghanistan is strategically located in the surplus energy resources in one side and high energy demand on the other side. Afghanistan is the land bridge between surplus energy resource Central Asia and high energy demand South Asia region. Stability of Afghanistan is the major concern of the major regional stakeholders. The stability of

<sup>15</sup>Article 7(6) of the SAFTA agreement had stipulated imports from LDC to be duty free by 2008.

Afghanistan can only provide better environment to use the natural resources for the economic development for the both regions. In May 2002, three countries signed Turkmenistan-Afghanistan-Pakistan gas pipeline projects and India became the member in this project in the year 2007. Now the project has extended to Indian border at Fazilka. The objective of the project is to export up to 33 billion cubic meters of natural gas in a year. The project is approximately 1,800 km long, start from Turkmenistan –Afghanistan-Pakistan-India. Project cost initially estimated at \$7.6 billion in 2008 but now the estimation has reached to US\$ 10 billion in the year 2016 (Asian Development Bank 2015). The rationality of the project is to fulfil the energy demand of South Asia and also promote economic integration of the two regions. In that context Afghanistan is playing an important role to link both the regions in taking initiatives for fulfilling the energy demand.

While the project has proved to success by founding gas liquefaction plant at the Gwadar port of Pakistan (Balochistan) to export liquefied gas through sea route. It would be even more benefit to connect the gas pipeline through land route to India. (D'souza, 2009). Moreover, the membership of India in the project has provided enormous profits for Afghanistan and the whole region. The project will create approximately 10,000 jobs within the region itself.

CASA-1000 is another project in the regions. The Central Asia and South Asia Electricity Transmission projects will transport 1300 Mega-watt electricity from energy surplus areas like Tajikistan and Kyrgyzstanto energy deficit countries like Afghanistan and Pakistan of South Asia. The purpose of the project is to integrate their economies; therefore Afghanistan remains to be a major stakeholder to transport the electricity from Central Asia to South Asia (CASA, REA 2014).

#### **2.5.4. Afghanistan connectivity with South Asia: Transport and Infrastructure**

The construction of road and development in infrastructure is required in Afghanistan to connect South Asia and Central Asia region. Therefore, investment is the top priority in the process of connectivity in the region. Apart of investment, it is also required to focus on the improvement in the transportations like airport and air traffic control system, tele-communications. It is essential to develop the highway to facilitate the regional trade to meet the require trade in the region (D Souza, 2009).

Therefore, India has been developing highway in the Iran-Afghanistan border, the project is called as Zaranj-Delaram highway, which is 218 km long highway. It will link to Afghanistan through Iran. The highway would also extend up to Chabahar port for better access to Afghan market as well as Central Asian markets (Basar 2012).

The whole process of regional integration is not possible until and unless a stable Afghanistan is there. Stability in Afghanistan is essential for the regional integration in South Asia. The major challenges in Afghanistan for regional cooperation is political and security problems. The new political regime headed by Ashraf Ghani is more slanted with Pakistan side rather than Indian side. The security is a major concern in Afghanistan, the withdrawal of NATO forces from Afghanistan again create open space for the non-state actors to dominance in the state and in the region. Afghanistan is geo-strategically important for all the regional actors and international actors. It is a state which remains to be geopolitically important for the entire world. All the major stakeholders want to develop their influence in the state. However, it is matter of concern for the regional actors like India and Pakistan to maintain their presence in Afghanistan by developing stability in the state and provide a suitable space for economic benefits for Afghanistan.

Security is big challenge in Afghanistan, without stable security all the developmental projects is unconceivable. Therefore, Indian military are providing training to the Afghan national security and police force in order to develop more secure environment in Afghanistan. India has also deployed Indian military at the investment sites in Afghanistan. Moreover, till 2014, the NATO forces were playing an important role to deliver the security in Afghanistan. The NATO forces were active members to protect all the developmental projects in Afghanistan because, United State of America was involved in the various development projects and aid projects in Afghanistan. The withdrawal of NATO alliance from Afghanistan is a big challenge for the regional actors as well as international actors to protect the investment or the humanitarian projects. Although the 10,000 US troops will be remaining to continue but it is not enough to serve in the volatile state like Afghanistan (Mataconis 2014). Now the role of India becomes more important to promote better security and stable Afghanistan in the region. As a stable economy in South Asia, India's priority should be maintaining the security and stability of Afghanistan, because India has been

investing large amount of capital in different sectors in Afghanistan and it needs to be protected.

## **2.6. India's Option in Afghanistan post 2014**

The post withdrawal of U.S forces from Afghanistan obtain number of political and security challenges for India and regional member of South Asia and Central Asia as well (Jacob, 2014).The power vacuum in Afghanistan has raised the influence of Pakistan on one hand, while on the other, the new regime under the leadership of Ashraf Ghani has shifted the major policy in favour of Pakistan and has neglected India's priority (Tiwari, 2015). Although, during the period of Hamid Karzai's the two countries signed the Strategic and Partnership Agreement in 2011 making India the first regional strategic partner of Afghanistan. The new regime of Afghanistan came to power in 2014 and it is being speculated that India has less opportunities in Afghanistan.

India is a major regional power in South Asia, it is highly ambitious to extending its presence with neighbour. Therefore, it is working to get recognition the role of Afghanistan to cement the land bridge between two regions. Moreover, India is developing the greater economic integration between two regions, in order to achieve the economic cooperation; India is promoting Afghanistan in the regional economic integration process through SAFTA (D Souza, 2014). India not only promotes Afghanistan to integrate their economy with South Asian economy, but it has also been involved in carrying out several humanitarian and developmental projects in Afghanistan.

U.S and Afghanistan has signed the Bilateral Security Agreement (BSA) after the withdrawal of International forces from Afghanistan. The security agreement is backed by the international communities; the objective of the agreement is to develop peace and stability in the state and region. Hence, the bilateral agreement of U.S and Afghanistan get opportunities for India to enhance its economic relations and engage in the reconstruction process with developmental projects (Nair, 2015). The withdrawal of the ISAF delivers the responsibility to India to engage and maintain stability in Afghanistan. Moreover, India has been maintaining good relations with

US and India would have become the next major regional stakeholder in Afghanistan. The active presence of India will restrict the influence of Pakistan. It would also work to limit the Chinese presence in Afghanistan. The active involvement of India has found an effective counter to Chinese efforts to expand their footprints in Afghanistan. The involvement of India in several sectors encourages a stable environment of peace and stability in the state. The U.S. is also optimistic in the sense that the vital role of India in Afghanistan would have replaced the U.S involvement from Afghanistan.

The transition of post 2014, can be impacted largely on the Afghan economy. However, to moderate the economy, it is need to develop a stable institutional mechanism to control the economy. In that context, India is major player to strengthen the institution by providing joint collaboration with Afghan government. India is working on to build the sub-national administration, which is delivering key services like installing durable civil services and developing expertise in technical services. India associate with developed human capital, industry framework, technical institutions, medical facilities, training institution and educational infrastructure can be a prominent member in the sustainable development of Afghanistan (Nair 2015).

The post transition 2014 has been evolving ground the economic opportunities for India in Afghanistan and Central Asia region. But the indirect access to Afghan market or Central Asian market is a big problem for India. However, it is necessary for India to develop the alternative route to avoid the Pakistan territory. India has been investing large amount of money in the capacity building of Chabahar port in Iran. India has also developed a highway and railway line to provide better connectivity with Afghanistan and Central Asia through Iranian territory. The alternative trade route and stability is essential for India to make her stronger hold in Afghanistan.

The Afghanistan National Security Force (ANSF) is also crucial in maintaining stability in the state. It is an organised original military force to keep Taliban stay away from the interference in Afghan governance. The ANSF is also important to protect the Indian political and economic interest in the state (Nair, 2015). The budget

for the ANSF with a strength of 2,28,500 personnel is roughly US\$ 4.1 to 5 billion<sup>16</sup> per year. The total aid of Afghanistan is required US\$ 10 billion in next ten years to develop the stability and peace in the state. As a number one aid donor to Afghanistan, U.S has asked the regional and international communities to contribute in the development process of Afghanistan (Nair, 2015). At the regional level, India is a major donor country to Afghanistan. India indulges to support training facilities, equipment and capacity building programmes to strengthen the ANSF.

Further, India should continue to facilitate the necessary support to form a strong National Army and police force in Afghanistan. Apart of indirect military assistance, India needs to develop the defence relations with Afghanistan, before other state come into in. If all weather friends both China and Pakistan develop the military relations with Afghanistan, it would be perhaps weaken the Indian reconstruction projects and investment, which is building over past one decade. However, India should open maximum seats for Afghans in India military training institution or consider trainer and adviser to Afghanistan. The Indian presence should be seen and heard frequently in order to build up the image of a friendly and reliable country (Nair, 2015).

## **2.7. India's Role in the Transition Process of Afghanistan**

The new regime and transition process is a new challenge for Afghanistan as well as the regional actors of South Asia. India's potential role with Afghanistan has been changing from the Karzai government to new government headed by Ashraf Ghani. Both the countries have preserved the 'Strategic partnership Agreement' of 2011, thus, India continues to be the first regional strategic partner of Afghanistan. This agreement envisages close political cooperation with a mechanism for regular consultation (Kanwal, 2013). Moreover, to continue the framework of the agreement both the governments have agreed to develop the political cooperation by jointly inaugurating the Salma Dam on 4 June 2016. The Afghan government has called this dam as the friendship Dam. The Salma Dam is a multipurpose project planned for generating 42 MW of power, irrigating 75,000 hectares of land<sup>17</sup>, water supply and

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<sup>16</sup>World Bank, "Afghanistan in Transition: Looking Beyond 2014," May 2012, p. 110, retrieved October 11, 2014, from: <http://siteresources.worldbank.org/AFGHANISTANEXTN/Images/305983-1334954629964/AFTransition2014Vol2.pdf>

<sup>17</sup> Ministry of External Affairs, Government of India, June 02, 2016

providing other benefits to the people of Afghanistan. It is a landmark infrastructure project undertaken by Government of India on river HariRud in Heret province of Afghanistan. In the initial period of the transition both the countries engaged in the collaboration projects for the development of the Afghan people. The primary instrument to political alliance of India with Afghanistan is foreign aid, which has developed India's presence in the state. India has granted US\$ 2.3 billion of developmental aid to Afghanistan (Ministry of External Affairs government of India 2015).

National security in Afghanistan is the major concern for India. The withdrawal of the NATO troops from Afghanistan has created a security gap in the state. However, to fill the security gap, India has taken initiative by providing military support to Afghanistan. India assists 'training equipment and capacity building programmes' to reinforce the ANSF. India has provided the extensive supports to train arm and equip the military of Afghan. After the drawdown of the ISAF, India has increased the number of Afghan officers being trained in India to 1100 per year in 2014 (Nair, 2015).

The economic potential of both the countries depend the security and stability of Afghanistan and the region. Moreover, India is working hard to maintain stability in the region because India has been investing large amount of capital in Afghanistan and also both the countries are involved in the good amount of trade relations. The trade relations of both the countries are growing US\$ 201.09 to US\$ 588.36<sup>18</sup> from 2005 to 201 respectively. The bilateral trade is low because of the lack of direct connectivity. Therefore, India is now accessing the Chabahar port of Iran to export or import their goods and commodities from Afghanistan as well as Central Asia.

## **2.8. Conclusion**

The rich cultural and traditional ties between India and Afghanistan have created a suitable situation for both the countries to move towards an enhanced level of political and economic engagement. After the end of cold war, the political and economic relations between both countries have emerged to be smoother and stronger. Though,

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<sup>18</sup>Ministry of commerce and Industry, government of India, 2014



the period 1996 had a difficult period for both countries because of the Taliban regime. Since the collapse of the Taliban in the year 2001, again both the countries emerged as the partner countries. The period 2001 to 2014 was a difficult period for Afghanistan to nurture its economy. It was the time; Afghanistan used to be a battle field for U.S led NATO troops in one side and Taliban in the other side. Despite all the challenges, Afghanistan as a state has emerged to develop its relations with the regional and international communities.

In the regional context, Afghanistan is so much depended on Pakistan, because of its good political affiliation, common ethnic linkages and a larger common border in the region. Pakistan has been influencing strongly in the political, strategic and economic aspects of Afghanistan. However, to limit the influence of Pakistan, India as second popular state is playing an important role to restrict the influence in Afghanistan. India in the South Asia is one of the stable and friendly states with Afghanistan in the whole process of this transition. It is a significant actor to involve in the infrastructure and reconstruction process of Afghanistan. It is also an active member in the SAARC to economically engage since the bad times till good times.

The economic involvement of India and Afghanistan is growing day to day but not in the larger amount of trade in terms. The less visibility of the trade relation between both countries is responsible for lack of land connectivity. Pakistan is the mid-way between both states, although, Afghanistan and Pakistan are members of the trade and transit agreement but the same agreement is not flexible for India. Thus, India has explored the third country transit access and Iran has provided the Chabahar port and land connectivity to enter Afghanistan as well as Central Asia. India's private investors are also interested to invest in the mining sectors of Afghanistan. It has a rich natural resources and the state has less expertise to explore the natural resources. Also India is an active member to invite Afghanistan in SAFTA. It granted 50 -100 percent of tariff concession to Afghan products. India has taken initiative to integrate Afghan economy to rest of the SAARC members. Afghanistan comes under LDCs on the SAFTA framework and all the member countries provide special and differential treatment to the state. It is an advantage to the Afghan to integrate its economy with the big market economy such as Pakistan, India, Sri Lanka and Bangladesh.

In the whole process of economy integration, reconstruction and infrastructure development by India in Afghanistan would depend on the security of the state. The post 2014 will be crucial for the regional actors to provide stable Afghanistan. The secure state is main concern for India and the whole region. To provide a stable security, India has granted military aid to train the ANSF for the better security environment in Afghanistan. It has also granted aid in the various developmental and humanitarian projects. India is the main bilateral donor country in the region.

## Chapter-III

### India's Aid and Developmental Projects in Afghanistan

#### 3.1. Introduction

The transition process or the ongoing renovation and extensive development programme of Afghanistan rely heavily on the foreign aid of the international communities. The success of the transition process was needed to support the Afghans throughout the country as well as long term assistance from the international communities. International communities have been playing a significant role in the democratisation, reconstruction and development programme. Since the fall of the Taliban provided a better space for the foreign countries to look after the state the international communities have been providing aid to develop the livelihood of the Afghan people. Despite the regular flow of international aid, Afghanistan is still struggling with unemployment, underdevelopment, poverty and political instability. Among the international communities such as United States, Germany, United Kingdom, Japan are the major aid donors to Afghanistan. After these countries, India emerged as an important actor to grant aid to Afghanistan. India has significant role in the reconstruction and development programme of Afghanistan. Moreover, India's approach in the rebuilding process has focused on the underlying structural problems of Afghanistan. It has concentrated more on the effective role of political, security, economic and institutional process of reconstruction.

India is the highest bilateral donor in South Asia and fifth largest donor country to Afghanistan after (US, UK, Japan and Germany). India has provided US\$ 2.3 billion on various developmental and reconstruction projects to Afghanistan (D'souza 2014). Moreover, India has categories most of the aid in two different purposes one is humanitarian assistance, which is consist of the small development and low visibility projects with community participation. Second are the long term development projects includes power generation and road construction. Moreover, all the projects have been controlled by the Afghan government or work in combination with the donor community.

### **3.2. Foreign Aid**

Foreign aid refers to the economic, military and technical assistance to one country to another country. The main purposes of aid delivery are for economic stabilisation, relief and rehabilitation or the mutual defence. The standard definition of foreign aid has been given by the Development Assistance Committee (DAC) of Organisation for Economic Cooperation and Development (OECD), that refers to financial flows, technical assistance and commodities, which are designed to endorse the economic development and welfare of the receiving country (Randhawa, 2012).

Foreign aid is one of the essential elements of the foreign policy of many countries. Since World War I, the richest countries especially the victorious countries transferred goods, services and funds to the small countries as a means of interaction with the countries. Over the period a large number of states, of course, the economically sound countries have been giving increasing amounts of humanitarian and developmental aid to the small countries (Manalai 2012). Moreover, over the period the nature of aid has been changing with the time and situations. Such as in the initial phase, the foreign aid was concentrated on the transfer of goods and services to the recipient countries, from World War II the nature of assistance has been changed. The aids are categorised as military assistance, humanitarian, disaster relief and economic development.

World War I and II was the benchmark of the developed countries to grant foreign aid to the economically backward countries or newly independent countries. However, the aid regime developed during the cold war (1945-89) and underwent significant changes recently. The period of cold war created the situation for both the blocs<sup>1</sup> to make an alliance with the small countries and also this was the period, most of the Asian and African countries got independence from the colonial power. However, most of the countries were dependant on the foreign aid for their economic development and came forward to engage with the international institutions (Randhawa, 2012).

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<sup>1</sup>The capitalist bloc lead by the USA and the socialist bloc lead by the Soviet Union.

During the cold war period, the western countries started an aid program under the umbrella of the OECD for the abolition of communism and promotion of western values, e.g., democracy and market economies. In response, this, the Soviet Union and its allies started their aid programme to endorse the extension of communism. After the end of the cold war, the duelling support system changed dramatically. The western countries became the primary source of assistance in the world and developed a code of conduct for it through codified by the OECD. Further, the terrorist attacks on the US in 2001 added a new value to it, the “war on terror” is often stated to have significant changes in aid policies (Milner and Tingley, 2013).

### **3.3.Determinates Aid to Afghanistan**

The aid receiving countries must have some unique history and should be geo-strategically important for the donor country. In the case of Afghanistan, it is a historically rich civilisation as well as geo-strategically significant for South Asia. Moreover, in the context of the South Asian region, India is the largest bilateral aid donor to Afghanistan. Since 2001, India is playing a major role to involve in the developmental and reconstruction process of Afghanistan, because the state is geopolitical or ‘strategically’ important for India and South Asia as well.

#### **3.3.1.Geostrategic Importance**

Afghanistan is strategically located in the Central South and West Asia, which shares its border with central Asia in the north, Chinese province Xining in the east, Iran in the west and Pakistan to the south west. Afghanistan has a distinctive geostrategic location in South Asia, and it plays an important role in shaping its antiquity, economic conditions, cultural plurality and political scenario in the area. The British colonisers took cognizance of the geostrategic significance of Afghanistan. They considered it as a significant location for the defence of the Indian sub-continent. In contrast with their British counterpart, the Soviet Union had concluded a different notion regarding the geopolitical role of Afghanistan in the region. The Soviet Union has found a golden opportunity to extend its influence in Afghanistan on the pretext of the weakness of Pakistan, the attractive possessions of the oil rich region of the West Asia. This has made the Soviet to gain geopolitical opportunities on the Soviet controlled southern border through the utilisation of the central position of

Afghanistan. The economic interest of the Soviets inside Afghanistan was meagre, but the geographic location of the country was quite convenient (Khalid2011).

Indian perspective to the geostrategic importance of Afghanistan is crucial. It has concerned to make her presence in Afghanistan to check the influence of Pakistan. It has been interested to take its route into central Asia to explore the natural resources of the region. The regular influence of Pakistan has led the emergence of more non-state actors or the militant groups in Afghanistan, which has created instability in India as well as in the South Asian region.

### **3.3.2. Political Alliance**

Afghanistan and India have always enjoyed healthy political relations since independence. India supported Afghanistan continuously during the cold war, Even though there were some difficult times during the Taliban regime which adopted a hostile policy towards India but later on it has maintained good relations with Afghanistan. Pakistan has the upper hand to make her presence in Afghanistan because of their border sharing and strong political influence. On the other hand, India is in an advantageous position to share interest to develop peace in Afghanistan because India has a stable political system in South Asia and India believes in the democratic form of the government. Moreover, both Afghanistan and Indian government are working on to build the democratic institutions to develop peace and stability in the state.

India also established significant discrete existence in Afghanistan to promote its goals. After the collapse of Taliban, New Delhi instantly regenerated its embassy in Kabul and delegations in Jalalabad and Kandahar; later it opened consulates in Herat and Mazar-e-Sharif, the most important marketable centres in the western and northern parts of Afghanistan, respectively. These ambassadorial pillars facilitate India to build associations with local leaders, ease the trade and investment, and raise vigilance of territorial expansions in Afghanistan (Hanauer and Chalk, 2012).

### **3.3.3. Aid as a Foreign Policy Strategy**

Aid to foreign countries always treated as more of an instrument of economic development which is generally loaded with political agenda of alliances and other

diplomatic relations with the recipient countries. National security always remains as a matter of concern in the world politics. Develop country grant aid to small countries to make an alliance to protect the national interest of the state.

### **3.4. History of Aid Receiving in Afghanistan**

The history of Afghanistan to receive the aid from the international community's was complex. The political implication has forced the international communities to deliver the aid to Afghanistan. During the 1980s there was a massive influx of refugees from Pakistan and Iran to Afghanistan. However, the influx of massive refugees had created the space for Afghanistan to receive the aid from the international communities. The objective of the aid at that time was to assist the Mujahedeen and the refugees in the war against the Soviet Union. Thus, the aid had nothing to do with developing or helping to enhance the capacities or building the institutions of Afghanistan. Since almost everyone was occupied with either fighting the war or making adjustments to their new lives as refugees, there was no room for monitoring or making sure that the funds were spent in the right manner. The decision to use Jihadi commanders as the recipient and distributors of aid opened doors for not only for misuse of funds but it served as training experience for such people to head NGO's who later run programmes for Afghans in Afghanistan (Hamadi 2012).

During the occupation of Soviet Union in the years 1978-1989, the international communities were more focused on winning the war rather than for the development of Afghanistan. After the collapse of Soviet Union in 1991 the policy of aid was shifted to the development proposed. Moreover, the United Nations (UN) and other international aid organisations implemented development projects primarily in the rural Afghanistan. The international communities were concerned to focus in the countryside because it was more secure to work than in the cities (Hamadi 2012).

India has been providing economic and military aid in South Asia since independence. In 1958 India had committed Rs100 million multi-year grants to Nepal and Rs200 million loan to Myanmar. India also had financed nearly 60 per cent of Bhutan budget (Chanana 2009). India has been providing aid to Afghanistan since 1964 not in the larger amount, like a grant for Nepal and Bhutan. The nature of India's aid to Afghanistan has been shifting after 2001 with the weakening of the Taliban

regime. India since then has been giving substantial humanitarian and developmental aid to Afghanistan. It has granted \$2.3 billion to Afghanistan on the humanitarian projects and various developmental projects (D'souza 2014).

### **3.5. Nature of India's Aid to Afghanistan**

After the fall of the Taliban in the year, 2001 has changed the approach of India to develop her diplomatic ties with Afghanistan. India adopted the 'soft power' approach in the reconstruction process of post-2001 Afghanistan. The nature of Indian assistance to Afghanistan since 2001 indicated that most Indian projects had been provided based on the needs and requests of the Afghan government (D'souza 2014). India grants aid in the humanitarian and developmental areas. The humanitarian sector includes the education, healthcare, social welfare, training of officials, including diplomats and policemen. The development areas focused on the infrastructure, communication, building the roads, democratic institution, construction of the dam, hydro power projects basically for the economic development and institution building (D'souza 2016). These are identified as the priority sectors of development by the Afghan government. For India, it is cleared to invest the aid to these identified sectors. On the other hand, the international aid donors in Afghanistan have provided through embassies, provincial renovation teams or other delivery mechanism has been troubled by the lack of aid arrangement, corruption and sluggish interest of the Afghan government.

#### **3.5.1. Humanitarian Aid to Afghanistan**

In regards to humanitarian aid, India has established various medical missions in Kabul, Kandahar, Herat, Mazar-e-Sharif, and Jalalabad, about 15 doctors treating more than 3.5 lakhs patients annually, since 2003 under the provision the Indira Gandhi Institute for Child Health constructed in the Kabul province. India also provided the protein fortified biscuits for School Feeding Programme in Afghanistan that is supplied through the World Food Programme (WFP) to around one million Afghan school children receiving a packet of 100 grams of biscuits every day. It also offered to help to rebuild the Afghan National airline, Ariana. India donated three aircraft (Airbus-300) in 2002 to Ariana despite the shortage in its fleet and trained commercial pilots of Afghanistan. India donated 400 buses and 2003 minibuses and provided telecommunication personals; it has successfully restored



these-communication networks at least in eleven provinces of Afghanistan (Ministry of External Affairs 2014).

### **3.5.1.1. Medical Mission of India in Afghanistan**

India launched medical missions in Afghanistan in 2001-2002 in Kabul, Kandahar, Jalalabad, Herat and Mazar-e-Sharif. In the period of 2001 to 2012, there were several attacks on the medical mission camps. However, Mazar-E-Sharif medical mission was the only functioning normally in the period of war, and other four missions were under the Taliban control. In the war period, Kabul medical mission was suspended because of the lack of security<sup>2</sup>. Despite the challenges faced by the India the medical missions have a better hold on in Afghanistan more than 3.5 lakhs patients got treatment from the Indian medical mission including women and children (Ministry of External Affairs 2014). The mission provided free treatment and medicine<sup>3</sup>. India accepted the rehabilitation proposal of the Indira Gandhi Institute for Child Health (IGICH) in Kabul, which is the largest paediatric completing a new three stories Surgical Block in 2005. 2007 saw the completion of the Polyclinic Block and the diagnostic Block was equipped with advanced diagnostic equipment like CT scan and MRI facilities. The Afghan doctors were trained, and their capacity building was enhanced at All India Institute of Medical Sciences (AIIMS), New Delhi by the IGICH specialists (Ministry of External Affairs 2014).

India provides basic health facilities in the boarder provinces of Kunar, Balkh, Khost, Nangarhar, Nimroz, Kandahar, Nooristan, Paktia and Paktika, Badakshan under the Small Development Project Scheme. The Afghan ministry of public health in 2008 received ten ambulances for the hospital in Kabul and the regional hospitals of Herat, Kandahar, Mazar-e-Sharif, and Jalalabad. The hospitals of IGICH AND Malalai in Kabul are being operated by linking their activities with Indian hospitals through the SAARC Telemedicine Project.

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<sup>2</sup> The then External Affairs Minister S M Krishna talked with Afghan national security advisor Rangan Dadfar Spanta made aware the government of Afghanistan for its national security.

<sup>3</sup> India to resume medical mission work in Afghanistan, Times of India, July 2010.

### **3.5.1.2. Contribution to the School Feeding Programme**

The United Nations World Food Programme (WFP) received another important food consignment from India as a part of its promise to provide one million metric tonnes of wheat to feed school children in Afghanistan. The fortified biscuit made of the wheat from India with micronutrients that boost children's nutrition and improve their learning ability. India provides a total of 18,000 metric tonnes biscuits worth an estimated US\$19,390,000 as a part of its million-ton promise to WFP (Ministry of External Affairs 2014). In 2004, almost one million Afghan school children received highly nutritious biscuit under this program. United Nations plans to cover 1.1 million students through WFP in 2005 and India's latest contribution will be important for its achievement. The WFP is providing 500,000 four litres cooking oil to schoolgirls in Afghanistan in 2005 to encourage attendance. The oil provided by schools serves as an incentive for the parents to send their daughters to school. The gender ratio has improved in the attendance of girls and boys from 3:10 to 6:10 respectively in the sample schools (Ministry of External Affairs 2014).

The distribution of biscuit in schools not only encouraged but also provides nutrition for hungry children<sup>4</sup>. WFP will provide 12.5 kg of wheat every month to 350000 children. Further, it assisted more than five million vulnerable Afghans during 2004, including those of drought-affected, refugees, internally displaced, orphans, poor widows, urban and rural poor, tuberculosis patients, disabled, including 1.1 million schoolchildren through its school feeding programmes (Ministry of External Affairs 2014). Half of the Afghan people who benefited from WFP projects participated through food-for-work activities to create community assets<sup>5</sup>.

- The distribution of biscuits schools started in 2003 and is continuing; 32,000 tonnes of biscuits are being supplied to Afghanistan during 2011-12 school year.
- Every day, nearly two million school children received a packet of 100gm. biscuit in 33 out of 34 provinces (excluding Kabul).

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<sup>4</sup> The statement of Noria Framorz, the headmaster of Ashoqan and Arefan elementary school in Kabul to indicates the low enrolment in areas with high food insecurity.

<sup>5</sup> India helps WFP feed Afghan Schoolchildren, published in 2005, [www.wfp.org](http://www.wfp.org).

- It provided essential nutrients to prevent short-term hunger and proved as a way to increase school enrolment in Afghanistan (Ministry of External Affairs 2014).

### **3.5.1.3. Rebuild National Airline, Donation of Airbus and Buses to Afghanistan**

India assists in the reestablishment of Afghan's aviation infrastructure, the Kabul airport, training of pilots and ground staffs along with the up gradation of its air traffic control and other systems as well. Moreover, India donated three Airbus-300 aircraft to Afghanistan in the year 2006 to help the Karzai government to expand and strengthen its rundown airline (Ministry of External Affairs 2014). All the three planes, donated by Air-India, operated by Indian pilots for three months to enable Ariana, the official carrier of Afghanistan to start its flights to London, Paris, and Frankfurt besides Teheran, Tashkent and possibly Islamabad.<sup>6</sup>

### **3.5.1.4. Technical Support on Tele-Communication**

India helps the war-torn Afghanistan to restore its telecommunication services and also contributes to its development. Since 2001, the Telecommunication Consultants India Limited (TCIL), a New Delhi based public enterprise is working in Afghanistan. TCIL provides computer education in schools and trained Afghan government officials for the smooth functioning of the administration, it also launched telemedicine service in Afghanistan. The company trained the Afghanistan based doctors by the tele-conferencing from its Lucknow and Chandigarh based centres (Ministry of External Affairs 2014).

TCIL started its work in Afghanistan in 2001 with computer education after the war and trained around 300 leading government officials in computer and related education by establishing centres in various places. It also launched Microwave<sup>7</sup> services worth US\$3.54 million to improve the bandwidth services. It continues its works of developing telecommunication services in Afghanistan despite the threats from the Taliban ((Ministry of External Affairs 2014).

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<sup>6</sup>The agreement was signed between the Civil Aviation Minister Syed Shahnawaz Hussain and his Afghan counterpart Zalmy Rasool after the two extensive bilateral talks and co-operation in the aviation sector in 2014.

<sup>7</sup>The microwave network is connecting different parts of Afghanistan to capital Kabul. CDMA for mobile was also rolled out by TCIL in about 11 provinces of Afghanistan.

### **3.5.2. Infrastructure and development programme**

India has invested lots of capital on the various developmental projects in Afghanistan. The infrastructure and developmental projects are hydro-electric power generation, which includes the Salma Dam project, construction of the road, parliament building, along with industry and agriculture.

#### **3.5.2.1. Hydro-Electric Power Generation**

The Power generation and transmission line in Afghanistan is an important initiative of India to provide electricity to Afghan's remote areas. The two major projects are Pul-e-Khumri to Kabul transmission line and Chimtala substation. The Pul-e-Khumri to Kabul transmission line in Afghanistan is the 202km-long double-circuit line funded by the Government of India. The construction of transmission line for power generation and transmission in Afghanistan started in 2005 and also planned for the building of Chimtala substation. The Pul-e-Khumri to Kabul transmission line is supported by 613 towers and passes throughout a heavy snow zone (Ministry of Power and Energy 2010). The towers were built under harsh climatic condition and frightening logistical challenges in the difficult terrain. The 220/110/20 kV substation supplies electricity. Additionally, it provides 220kV from Pul-e-Khumri to Kabul Double Circuit (DC) transmission line. Passing over the Salang Range at an altitude of 3,800m, the transmission line is 202km long<sup>8</sup>. The substation was built by Power Grid Corporation of India (Power grid), a Government of India enterprise under the Ministry of Power. Regarded as a milestone in development and renovation of Afghanistan, the substation built has been constructed with the goal of Lighting Kabul (Ministry of Power and Energy 2010).

The construction of the Chimtala substation started in 2005 and completed in 2009. The project cost INR4, 050 million (approximately \$83m), less than the initial estimation of INR4, 780million. The Ministry of Energy and Water took the lead for the implementation of the project through the assistance by experts from the USAID, World Bank, ABB, ADB, SMEC International and Westhaus. The Chimtala substation of Afghanistan installed two 160MVA transformers of 220/110kV and

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<sup>8</sup>The substation was inaugurated by Hameed Karzai in the presence of I C P Keshari, joint secretary, Ministry of Power, GoI; Powergrid chief managing director S K Chaturvedi, and other senior officials of Government of Afghanistan.

three 40MVA transformers of 110/20/15kV. The 220kV and 110kV sides have ten bays each while the 20kV side has 15 bays. The 40MW of power supplied through the substation will increase to 150MW<sup>9</sup> with imports from Uzbekistan. The substation has been designed to intend for a capacity of 300MW for future requirements (Ministry of Power and Energy 2010).

### **3.5.2.2. Road Construction**

India has actively participated in construction of the roads and highways in Afghanistan to connect with Central Asia. India does not have a direct land route to Afghanistan. Hence, it has initiated to build highways to connect Afghanistan as well as central Asia. The major investment of India is Zaranj-Dalalram highway, the 218 km long highway. This Zaranj-Dalalram highway connected up to South-Western Afghanistan and Iran by linking Zaranj to the Kandahar-Herat highway. The highway connectivity will also enhance the regional cooperation through encouraging new trade and transit at the Iranian port of Chahbahar by providing an alternative and shorter access to Afghanistan to the sea (Sethi 2015). Since, the construction of the road through a new alignment of both human and material logistics involved, 339 engineers and workers from India and more than that from the Afghanistan were engaged in the project. Initially, the project was estimated to cost Rs 740 crore, but the Border Roads Organisation completed the project at the expense of Rs 600 crore before six months from its estimated schedule (Sethi 2015).

After the operationalization of the highway, the Indian goods are easily entered into Afghanistan. The Zaranj-Dalaram highway will considerably reduce land-locked Afghanistan's dependence on Pakistan for trade with Iran and Central Asia. It will also reduce Pakistan's influence over Afghanistan and increase India's active presence in the region.

### **3.5.2.3. Parliament Building Construction**

India committed to the establishment of democratic institutions in Afghanistan; it provided Rs 710 crores for the construction of the new Parliament building in Kabul.

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<sup>9</sup>It was inaugurated by Hameed Karzai and I C P Keshari, the joint secretary, Ministry of Power; Power Grid, GoI, the chief managing director S K Chaturvedi; and other senior officials of Government of Afghanistan were presented there.

Baba-e-Millat, Zahir Shah<sup>10</sup> laid the foundation stone of new building of Parliament in the presence of the Afghan President and Indian Prime Minister in 2005 (Sethi 2015). However, the construction work of the building started after the financial and architectural plans in January 2009.

#### **3.5.2.4. Industry and Agriculture**

India helped in the renovation of the industrial park in Pul-e-Charkhi, to start its industrial activities in Afghanistan very quickly and promotion of mutual trade and provided preferentially to entry in India for items of export interest to Afghanistan. India provided a given credit facility of US\$50 through EXIM Bank for small and medium enterprises of Afghanistan and supposed to be operationalised by mid-2009 to catalyse trade and investment between India and Afghanistan. When the government of Afghanistan decided to renovate the Industrial Park at Pul-e-Charkhi in 2005, India decided to make the Common Facility and Tool Room there (Ministry of External Affairs 2014). Now, they are providing facilities and tools required for the process of industrial productions, especially for automobile, general engineering, textiles and consumer products for the expansion of entrepreneurship and business-to-business cooperation in the medium and small enterprises of Afghanistan and India. Further, many multi-dimensional projects were designed, and 67 tonnes of vegetable seeds supplied to Afghanistan by the Ministry of Agriculture, India to stop poppy cultivation basically in Nangarhar province of Afghanistan (Ministry of External Affairs 2014).

#### **3.5.2.5. Salma Dam Power Project (Indo-Afghan friendship Dam)**

A significant undertaking on the part of the Indian government has been the construction of the Salma Dam on HeriRud river in the Chishti Sharif District of Herat Province in western Afghanistan at the cost of INR 1,775 crore (US\$ 290 million) (Ministry of Finance 2014). The 107 meter high and half a kilometre long dam was renamed as the Afghan-India Friendship Dam by the Afghan government in August 2015 (IDCR Ministry of Finance 2014). It holds importance for the transformation of Herat's agricultural and industrial sector and the overall economy of the Western Provinces due to its immense irrigation and electricity benefits. It is

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<sup>10</sup>Last king of Afghanistan

expected that upon operation, the dam will generate around 42 MW of power, which will help in the electrification of more than 2.5 lakh homes and provide self-sufficiency for powering of Herat's growing industrial needs. It has also been designed to irrigate around 80,000 hectares of agricultural land, covering fields in 640 villages (Ministry of Finance 2014).

Salma dam is the second largest overseas hydropower project built by India. The annual energy generation would be 86.6 gig watts per hour. The water of the reservoir spreads over an area of 20 km in length and 3.7 km in width. While the dam is 107 meters high, 550 meters long and 500 meters wide, it has the gross water capacity of 633 Million Cubic Metres. It is a "milestone" in the execution of the project, being implemented under challenging circumstances, with security and other constraints. The dam would be handed over to the Afghan Government, which would take care of the maintenance after the project has been completed. Security threats were not the only thing on the plate. Indian officials had to constantly engage with problems about rising costs and a shortage of funds arising from a lack of budgetary funds allocated to the Ministry of External Affairs by the Government of India in last few years. There were instances when the work came to a complete standstill, such as in 2013-14, when the project was stopped during two months of the year due to a three-year delay by the Government of India in giving approval to the revised project costs (Mullen and Arora, 2016). This further led to multiple delays in the project completion date with deadlines being pushed from December 2008 to December 2010, then January 2015 to July 2015 and finally June 2016. In addition to this, the final costing of the project also turned to be more than four times its original cost estimate of INR 351.87 crore (approx. US\$76.7 at July 2004 exchange rate) (Ministry of Finance 2014).

**Map 3.1 India's Aid projects in Afghanistan**



Source: Map by BriumBansin

### 3.6. Small and Community based Development Projects

The scheme relates to quick-impact including health, education, agriculture, rural development, vocational training, sectors with in a budget of less than 1 million US dollars<sup>11</sup>. The projects have been executed (in six to twelve months) and successfully realised at the ground. Local contractors implement the projects. It aimed at developing partnership and ownership at the local level, in particular among the vulnerable border districts of the eastern and southern provinces of Afghanistan and brings significant development. There are 84 small projects are at different junctures of implementation in 19 Afghan provinces, where 95 percent of the Small Development Projects (SDP) as the response to demands of provincial or local authorities (Ministry of External Affairs 2014). India also extended its support to two NGO-supported projects such as: **MuradKhane, Kabul:** India contributes to the renovation of the MuradKhane, the oldest surviving portion of the city on the north bank of river Kabul in cooperation with the Turquoise Mountain Foundation. The traditional commercial area of the city

<sup>11</sup>Prime Minister of India announced an innovative new scheme for Small and Community-based Development Projects during his visit to Kabul in August 2005.



contains several finest buildings of 18<sup>th</sup> and 19<sup>th</sup> century in Kabul, the Ziarat of Abu Fazl is among them. India is assisting in the renovation of Afghan culture creates opportunities for the craftsmanship, business and tourism at the same time serving the interests of the local communities.

**Hand-in-Hand Project, Balkh:** India contributes to the year-long pilot project in Balkh and Badakhshan for the mobilisation of rural poor into common interest groups, to promoting entrepreneurship, job creation and savings. The project estimated to mobilise 75000 people and create 15000 new jobs by self-help groups in Tamil Nadu and Madhya Pradesh, in India (Ministry of External Affairs 2014).

### **3.7. Capacity Building**

India provides several scholarships and training in various fields to Afghan nationals under many specialised schemes in India. The coverage of these schemes substantially increased given their demand and success.

#### **3.7.1. Special University Scholarship Scheme**

Under the special scholarship scheme of Indian Council for Cultural Relations (ICCR), India provides scholarships to 500 selected through a country wide competition among Afghan students annually for under graduate and post-graduate courses in Indian universities, after 2006 (Ministry of External Affairs 2014). To ensure its coverage in whole Afghanistan and representation from the remote areas six seats are reserved for each of the 34 provinces. Since 2006 many Afghan students are coming to India to pursue higher education. They are also getting admission in the central universities such as Jawaharlal Nehru University (JNU), Central University Hyderabad, etc. More than 25 students are getting admission in JNU in the different centres for every academic year<sup>12</sup>. The efforts of India in training Afghan students through ICCR scholarships have grown stronger in the last couple of years. India spent INR 550 million in ICCR scholarship scheme in during 2014-15 and given fellowship to nearly 1000 students. In FY 2015-16, India made a commitment to increase the budget of the ICCR scholarship scheme to INR 770 million (IDCR Ministry of Finance 2014).

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<sup>12</sup>A conversation with a group of students from Afghanistan in JNU, 22 September 2015

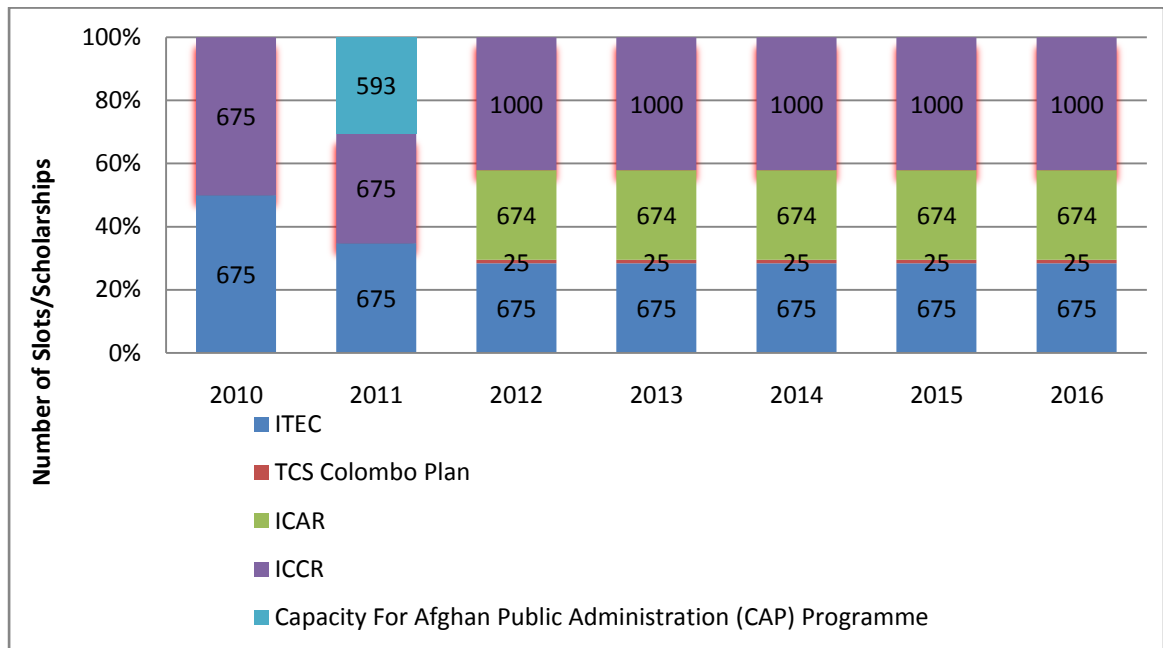
### **3.7.2. Indian Technical and Cooperation Programme**

The Indian government has been offering training to Afghan nationals to foster skill development capacity building. Importantly, New Delhi cooperation in three avenues comprises primarily of extensive vocational training programs, scholarship and other training incentives under its basic training program and schemes. These training programs and schemes comprise primarily of India's flagship Indian Technical and Economic Cooperation (ITEC) program, Indian Council of Agriculture Research (ICAR) scholarships under India-Afghanistan Fellowship program, Indian Council for Cultural Relations (ICCR) scholarship, etc. Approximately 675 training slots and 1000 scholarships are offered annually to Afghan nationals under the ITEC and ICCR scholarship respectively. Also, 674 ICAR scholarships have been offered annually by India since 2012-2013 until 2020-21 (Ministry of Finance 2014). During 2015, the Indian government also committed to extending its ICCR scholarship scheme until 2020 and offered another 500 scholarship for the children of the martyrs of Afghan Security Forces in school and colleges both in Afghanistan and in India. Altogether, India is currently committed to providing over 2000 annual training slots and scholarships to Afghanistan, thereby making significant investments in technical cooperation and capacity building in the country.<sup>13</sup>

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<sup>13</sup>Based on the data available from the 2014-15 Union Budget Ministry of Finance, GoI. and the initiative of Indian Development Cooperation Research (IDCR) at the Centre for Policy Research, New Delhi.

**Figure 3.1 Training programs and scholarship offered by Indian government to Afghanistan (2010/11-2015/16)**



Source: Indian Development Cooperation Research (IDCR) program at the Centre for Policy Research

### 3.7.3. Vocational Skills Development Programme

The Confederation of India Industries in cooperation with Afghan Ministry of Labour and Social Affairs conducted a pilot project to train the Afghan youths in various traits for example machinery welding, plumber, carpentry, and cutting and tailoring. The project will identify trainers and assessors among the trained personnel for the continuation of the training modules on a self-sustainable basis at the end of the project. This is expected to contribute to the improvement of skilled Afghan work force all over the country.

### 3.7.4. Community Learning & Business Resource Centre for Women

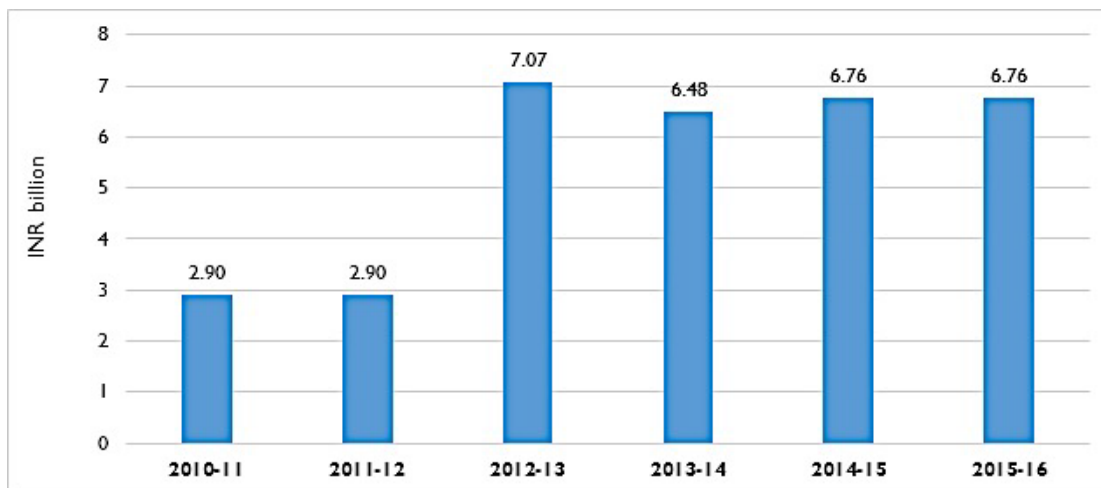
The reputed women organisation like Self Employed Women Association (SEWA) is providing vocational training to 1000 Afghan women under India's assistance programme. SEWA set up the Community Learning and Business Resource Centre at *Bagh-e-Zananainin* Kabul. As the single largest union of self-employed women in India, SEWA works for social empowerment using economic self-reliance through providing work, income and social security to women. The trainees for the project selected from amongst the neediest and destitute women among them 56% are war

widows and illiterate. Key areas of these training are embroidery and garment making, nursery plantation and greenhouse plants, food and fruit processing. Also, it provides training in accounts, management and marketing techniques. Thirty-two Afghan women master trainers in the three identified vocations have been trained in India with SEWA (Ministry of External Affairs 2013).

### 3.7.5. Capacity for Afghan Public Administration

Indian civil servants have been deputed in the government departments of Afghanistan under Afghanistan-India-UNDP a tripartite programme for Capacity of Afghan Public Administration (CAP) for nurturing professional skills in Afghanistan public administration, since 2007. There are 20 Indian CAP officers in the important Afghan ministries. They are working as the mentors and guides and for developing training modules for Afghan public servants. They are neither advisor nor do they perform line functions. They have been positioned expressly to develop Afghan capacities. This special programme has had great success requires more such mentors and guides to be brought in (Ministry of External Affairs 2013).

**Figure 3.2 Indian Grant and Loan-Based Commitments to Afghanistan in INR Billion (between 2010-11 and 2015-16)**



*Source:* The Indian Development Cooperation Research (IDCR), Centre for Policy Research, New Delhi.

### **3.8. Foreign Donor and India in Afghanistan**

#### **3.8.1. U.S Aid in Afghanistan**

Thirteen years of conflict devastated the Afghan economy, institutions, and the population. Afghanistan is moving towards a stable, secure and prosperous future, by the combined efforts of NATO, the U.S. government, and international partners. The United States Agency for International Development (USAID), working on capacity building for the government of Afghanistan and its people to take the renovation and ownership of long term development efforts, as a part of the U. S. Government's efforts. USAID's partnership with Afghanistan has done well, in the security transition to build Afghanistan's resilience to withstand economic, and governance challenges, while maintaining gains realised over the past 12 years. Sustainability and protection of women's rights will remain the primary focus of USAID's program in Afghanistan (USAID Country Profile 2013).

The US has involved in various humanitarian and developmental projects in Afghanistan. Moreover, the major projects are health, education, economic growth, infrastructure, agriculture and democratic institutions. Under the Taliban regime in 2001, no girls were enrolled in the schools while the enrolment of boys was much higher around 900,000. Now a day, more than eight million children are attending school, 37 percent of whom are girls. More than 11,700 professors and students have benefitted from USAID's English and professional development programs. USAID has set up 3,695 classes, in the area with no government schools and serving 52,500 students, 65 percent of them are girls (USAID Country Profile 2013). USAID trained 1,700 professors in modern teaching styles, and supported the development of two Master's degree programs, one in Education and the other in Public Policy and Administration to strengthened higher education. Today, university enrolment in Afghanistan has grown to 95,000 in the year 2014, from 8,000 in 2001, of which more than 20 percent are women. USAID's activities in higher education support the Afghan National Development Strategy and the National Higher Education Strategic Plan 2010-2014 (USAID Country Profile 2013).

The strategy envisions a reinvigorated, higher education system which plays a significant role in the materialisation of a pluralistic, democratic, and stable society. USAID coordinates closely with the Ministry of Education (MoE) and the Ministry of

Higher Education (MoHE) at the central level. The MoE developed a human resources management system, with technical support from USAID, which included the plan and execution of a teacher credentialing scheme along with salary reforms to improve teaching as a profession, especially among the women. USAID is also working together with other donors such as the World Bank in support of implementing the MoE's second National Education Strategic Plan in 2010-2014 (USAID Country Profile and Ministry of Education Government of India 2013).

USAID's approach to develop Afghan health includes: improving health-related behaviours, increasing demand and access to quality private sector health services, it is also strengthening the capacity of the Ministry of Public Health (MoPH). Since 2001, through MoPH leadership and multi-donor support, access to basic health services to the Afghan population has risen from 9 to 57 percent, and maternal mortality has decreased by 79 percent since 2002, with 60 percent (USAID 2013) of women receiving antenatal care. In 2013, the numbers of implemented primary health care services had increased from 498 in 2002 to more than 2,000. More than one million people treated at USAID-supported health facilities in every month, out of them 76 percent are women and children under the age of five. Additionally, infant mortality has decreased by 53 % and infant mortality by 62% since 2002 (USAID and Ministry of Public Health, Government of India 2013).

USAID works with the government of Afghan along with the private sector to develop the stable economy, attract investment, generate employment, and expand market linkages. Since 2002, the average economic growth rate in Afghanistan has been 9 to reach 12 percent in 2012. The government revenues have grown nearly 20 percent annually, and in 2012 the domestic revenue increased up to \$1.6 billion or 11.3 percent of gross domestic product (GDP). Revenue collected from customs increased over 400 % since 2006, as the fastest growing sector. A centralised custom collection system developed with the assistance of USAID which contributes to increasing the annual customs revenues of Afghanistan. USAID is also promoting the use of mobile technologies to improve transparency of payment systems. The government of Afghanistan has utilised mobile technology for the payment of government employees and police officers, along with more than 100,000 Kabul

households are now paying their energy bills by mobile phone (USAID Country Profile 2014).

The reliable infrastructure and energy networks are essential for economic growth. USAID's developed more than 2,000 km of roads networks including regional and national highways which help in increasing mobility, increasing access to services, and strengthening trade. USAID and other donors have made significant investments to improve Afghanistan's energy infrastructure. In 2002, only 6percent of Afghanistan had access to reliable electricity. Today that number has reached 30percent, including more than 2 million people in Kabul benefited from electric power round O'clock. USAID assistance works to make the Afghan national power company, self-sustaining by improved efficiencies and collection of revenue, resulting in more than doubling revenues since 2009. The rehabilitation of Kajaki dam by USAID doubled the region's hydroelectric capacity, in southern Afghanistan which enhanced access to reliable and affordable electricity for more than 40,000 households (USAID Country Profile 2013).

USAID aims at creating jobs and increasing incomes, and to improve agricultural productivity and food security, to ease marketing systems, and also to decrease its poppy production. USAID helped establish a \$100 million Agricultural Development Fund (ADF) for providing loans to Afghan farmers and lending organisations. To this date, the US \$37.6 million in loans have been disbursed through the ADF benefiting more than 21,000 farmers. It also supported the first women's farm service centre, which serves over 10,000 women working in agriculture. Also, USAID's assisted in water management and watershed conservation to enhanced irrigation for scarcely arable lands. It also helps private sectors to enhance the access of Afghan farmers to high-quality seeds, fertilisers, advanced technologies and financial services (USAID Country Profile 2013).

The U.S. Mission is working to improved the stability in Afghanistan and government legitimacy by strengthening democratic institutions and improving their accountability and performance. USAID helps in developing the capacity of major departments, including the Supreme Court, the National Assembly, the Independent Electoral Commission, the Independent Directorate for Local Governance, and the

Civil Service Commission. Further, it trained more than 16,000 civil servants (26% of whom are women) in the major administrative responsibilities and encouraged a new merit-based hiring system which has been used to place over 75 deputy governors and sub-governors. It also provides training to civil-society organisations of Afghanistan to the promotion of society-led reform. USAID supports Afghans in addressing the unstable situation and establishing an environment for stable social and economic development at the local level. USAID implemented more than 5,325 community stabilisation activities and is improving the ability of municipal governments to deliver service (USAID Country Profile 2013).

**Table 3.1 Aid Pledged, Commitment and Disbursement in Afghanistan by the Countries (Values in US\$ Billion)**

<b>Name of the Countries</b>	<b>Total pledged 2002-2014</b>	<b>Total committed 2002-2009</b>	<b>Total Disbursed 2002-2001</b>	<b>% Promised Disbursed by 2009</b>
<b>United States</b>	38.0	28.4	10.9	28.8
<b>EU institutions</b>	2.0	2.0	2.1	102.8
<b>U K</b>	2.9	1.8	1.8	63.3
<b>Germany</b>	1.2	1.0	1.3	108
<b>Canada</b>	1.7	1.2	1.2	70.3
<b>Japan</b>	1.9	1.4	1.0	52.5
<b>Netherlands</b>	0.8	0.9	0.8	102.4
<b>Norway</b>	0.9	0.6	0.7	71.0
<b>India*</b>	2.3	2.3	1.0	50
<b>Sweden</b>	0.3	0.5	0.4	147.3
<b>Italy</b>	0.5	0.4	0.4	79.6
<b>Turkey</b>	0.2	0.2	0.4	98.8
<b>Iran</b>	0.9	0.3	0.3	39.5
<b>Spain</b>	0.5	0.1	0.3	59.8
<b>Denmark</b>	0.7	0.3	0.3	40.2
<b>France</b>	0.2	0.2	0.2	105.9
<b>Finland</b>	0.2	0.2	0.1	97.0

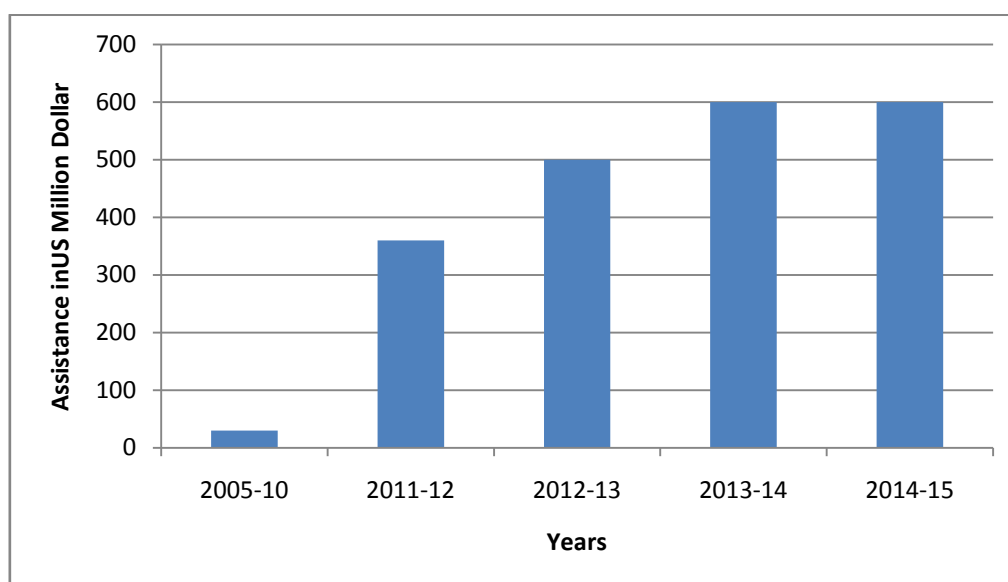


<b>Russia</b>	0.1	0.1	0.1	104.9
<b>Switzerland</b>	0.1	0.1	0.1	102.9
<b>Multilateral Agencies</b>	5.3	4.0	2.7	50.6
<b>Other</b>	5.9	3.3	0.7	12.3
<b>Total</b>	66.6	45.7	26.8	47.1%

Sources: Development Initiatives based on GIROA Ministry of Finance data; Afghanistan DAD; and OECD DAC data.

\*Note: All disbursements are based on OECD DAC data, excluding India and Russia, which is based on Afghanistan DAD data.

**Figure 3.3 India's Aid to Afghanistan from 2005 to 2014**



Sources: Global Assistance Country India brief of India

### **3.8.2. Investment of International Communities in Afghanistan**

Afghanistan has become one of those countries which are the major attraction for international aid along with military and security resources with around an estimation of US\$286 billion. In 2009 Afghanistan was the leading global recipient of Official Development Assistance (ODA) with an expenditure of about 26.7 billion dollars for the second consecutive year. Afghanistan also holds the record for receiving the most costly international peacekeeping force mandated by the United Nations. Volumes of financial assistance in support of establishing the security sector and of counter

narcotics activities are very difficult to trace but total at least US\$16.1 billion (GIROA, Ministry of Finance 2014).

There has been a pledge for a total of US\$ 62 billion aid for the renovation of Afghanistan in a series of donor conferences between the years 2002-2013. Between the years 2002-2005 about total US\$62 billion was released to be utilised for developmental projects and activities. Individual donor governments vary important in their delivery against promises. The list of the leading ten donors of Afghanistan are the European Union (EU) Institutions, Sweden, Germany and the Netherlands have disbursed more than what they committed, while the United States and India yet to deliver 60 percent of the amounts at the end of 2009 that they promised for the whole period up to 2013 (Poole 2011).

The donor countries which report to the OECD, DAC account for the lion share of the aid development towards Afghanistan. The United States is the largest donor provides almost 40.9 percent of the total aid received by Afghanistan during 2002 and 2009 followed by, the EU Institutions, United Kingdom, Germany and Canada provided 64.9 percent of rest. OECD, DAC members' provided a growing share of the total volume of aid to Afghanistan, from 72.5 percent in 2002 to 80.4 percent in 2009. Moreover, donor aid growing with the share of the United States increasing from 27.0% of the total in 2002 to 48.7 percent of all aid contributions in 2009 (USAID 2013).

### **3.9. An Assessment of Challenges and Prospects of India Aid Delivery to Afghanistan**

India's aid policy has been debated because of the domestic concern. The vulnerability of its projects and the personnel's life in Afghanistan is the major concern for India. Despite several attacks and high threat vulnerability, India directed for no military involvement in Afghanistan, though interest expressed by Afghanistan. The vulnerability such as the terrorist attack in 2008 on the Indian embassy. After the attack, defence minister of Afghanistan visited India and met with counter Indian defence minister A.K. Antony to discuss the possible military cooperation in 2008. However, India resists the temptation of direct military involvement (D' Souza 2010).

India is sceptical about the military involvement in Afghanistan. Perhaps Afghanistan is a long term strategic interest of India to continue the present aid policy. The military response to troop deployment in the state has limited utility to fight against Taliban and its sponsors. India is more concerned about eradicating terror activities from the volatile boarder of Pakistan and Afghanistan, which is spilling over into India. Moreover, only a strong and stable democratic Afghanistan would reduce the danger of extremism, violence and terrorist activities in the region.

From the year 2001, US led NATO has declared the “war on terror” in Afghanistan. India had been a helping hand of the U.S military action against the Taliban and established a strong democratic institution in Kabul. Though, the New Delhi policy has been some a similar with the US’s objective to eradicate the Taliban and Al-Qaeda and to develop a democratic regime in Kabul. While the objective of U.S. pursued was different from the objective of India. The goal of U.S. was to simply destroy and root away from the Taliban and al-Qaeda infrastructure from the state. However, the intention of India is to play a major role in the long term stability of Afghanistan. However, to achieve this propose it has adopted various small and large developmental projects in Afghanistan. Most of India’s aid has thus established significant goodwill even in the uprising belt of the south and east Afghanistan.

Despite the strain in major parts of Afghanistan, India has been increasingly involving in assistance programmes which need to be further expanded for the inclusion of new projects. Afghanistan is filled with foreign goods mainly from Pakistan, China and Iran. Thus, India could greatly contribute in establishing the small and medium scale industries and encouraging the growth of local indigenous industrial base including weavers and craftsman, carpet industries, ornaments and handicrafts to help artisan class more specifically development of agriculture. The rich experienced India on green revolution could be replicated in Afghanistan and replace poppy with saffron cultivation. It requires the periodical assessment of the projects for long term development strategy of the Afghan government (D’ Souza 2010).

### **3.10. Response of Pakistan on India's Aid Contribution to Afghanistan**

India's growing economic involvement and aid contribution to Afghanistan is a matter of concern for Pakistan. Though, the Indian Assistance program has been facing lots of obstacles to executing the projects in the field because of on-going conflict and instability in the state. The geopolitical conflict continues to determine for Pakistan to respond the growing friendly relations between India and Afghanistan. On Pakistani point of view, Afghanistan is the safe place to nurture the Taliban. Afghanistan is crucial for its strategic depth to provide preserves to the remnant Taliban<sup>14</sup>. While the economic involvement and political alliance of India has limited the Pakistani influence in the state. So that Pakistan reluctant on the membership of Afghanistan in South Asia Association of Regional Cooperation (SAARC), in the fear that it would increase the influence of India in Afghanistan and beyond. Moreover, Pakistan denied to access her land route to Indian goods to enter into Afghanistan with the objective to cut down the India's growing trade influence in Afghanistan.

Increasing presence and influence of India in Afghanistan has demeaned the Pakistan's military establishment's prolonged obsession with the pursuit for strategic profundity against India. As a result of disastrous defeat of Pakistan in the third Indo-Pakistan war in 1971 by India. The increasing insertion of India in Afghanistan has been seen by Pakistan as its strategic loss and as rolling back of decades of an established Islamic alliance between Islamabad and Kabul (Ganguly and Howenstein 2009).

### **3.11. Conclusion**

India's role on the economic reconstruction process of Afghanistan is gradually well recognised by the international community. India realises that, the instability and strong Taliban influence have limited political role to play and it is constrained as the less optimist option. Even though, the role of India is limited in compare to international communities. But it has much appreciated in the South Asia context. Moreover, India's involvement in Afghanistan is not power estimation but it plays a constructive role to the security interest of Afghanistan. However, some literatures argue that India's aid assistance to Afghanistan has a dominant role to play in the

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<sup>14</sup>The rising insurgency and violence in Afghanistan by the Taliban operating from the Pakistan cities and boarder area with Afghanistan is a testimony to this fact.

South Asian region. But the objective of India is clear as the only goal of India is to stable the condition of Afghanistan. Another major objective of India's involvement is to limit the Pakistani influence in Afghanistan because Pakistan is real promoter of Taliban in the region.

Further, India's interest in Afghanistan is not to reduce the importance of Afghanistan as a state rather to make it a secure state. India's constructive involvement has established the goodwill of the Afghan citizens and this could translate into political capital, allowing new government of India to deal with the new regime of Afghanistan. India's various developmental projects specially the infrastructure will help India to trade and transit connectivity with Afghanistan as well as central Asia. Such stakes will remain safe even after the manipulation of Pakistan and will continue to sustain India's presence over there. This will enable India to play a greater role in shaping the better future and stabilise Afghanistan.

## **Chapter-IV**

### **India's Connectivity with Central Asia through Afghanistan**

#### **4.1. Introduction**

Central Asia as a region has emerged in the year 1991 after the disintegration of the Soviet Union. The weakness of Russian result the immediate outcome to create opportunities for the international and regional stakeholders to engage with the region. But Central Asian countries attempted to develop cooperation with the multilateral organisations and foreign powers to define their new found independence and national identity. In the contemporary context, Central Asia is an important region in the globe. The region not only attaches Asia and Europe but also is a gateway to the shortest transit route from Asia to Europe continent.

The geographical location of Central Asia has a significant influence on the whole region. It has now become the region of geo-political, geo-economic and geo-strategic location in the arena of international politics. It is a region rich in natural resources such as crude oil, natural gas, gold, aluminium, iron etc. The exploring of maximum amount of crude oil and natural gas has created new interests and rivalries among international communities (Kothari 2014). India was late in entering in the Central Asian region. India struggled in the first half of 1990s with its economic difficulties, the on-going insurgency in Jammu and Kashmir. There was also an unstable political situation which disallowed it from taking major political initiatives in Central Asia. Later on, India identified the importance of Central Asian region in the international relations. For India, Central Asia played an important role not only in the matter of geographical proximity, its' historical and cultural links with the region, but also they are facing the common challenges of extremism and terrorism.

The positive aspects of India to extend its neighbourhood policy to Central Asia is established through its 'open diverse and democratic society and importantly liberalising market economy between the Mediterranean and the Indo-pacific. The whole region has the collective responsibility to defend their values and searches for a peaceful environment in the region. Moreover, presently there is an increasing demand for economic, political and defence engagement of India with rest of the

region, whether it is west Asia, the Gulf, Central Asia or the Indian Ocean region (Jhosi 2011). The role of India in Central Asia has seen as important because both have a common security threat arising from the changing geopolitical situation in the periphery. Where the role of the most regional and global actors viewed with a degree of suspicion by the Central Asian countries for their national security, competitive political interests and prescriptive political approaches, the role of India considered as the balancing factor in the region for its' engagement with cooperative and peaceful understanding towards the Central Asia (Chandra 2015).

The region is still under the process of political transformations and economic liberalisation at varying space. The economic liberalisation in Central Asia started from the year 1991, after the separation from the Soviet Union. In 1991, India adopted the liberal economic policies and opened up its market for rest of the world. India is also open their economy in several sectors after the liberalization, the sectors, such as manufacturing, industry, etc. Moreover, the emergence of Indian economy set a growing demand of energy and natural resources and fuel to maintain its' growth rate. The exploration of large reserves of hydrocarbons and other natural resources, which is necessary to sustain economic growth, makes the central Asian region immensely attractive to build beneficial cooperative relationship. Relations that are based on shared commitment to open and progressive societies such as secularism and democracy improve a lot of the interest of common people. Both, India and Central Asian states have common concern to fight against terrorism and drug trafficking along with many other areas of security. On the other hand, the dominant and influential role of Russia, China, US and the international communities in Central Asia created space for India to focus on 'soft power' to strike a positive attitude among these nations (Jhosi 2011).

India is important not only because of its growing market but also due to a competitive source of knowledge and technology based services. Being a major growing economy in the South Asia, India provides a bigger market in terms of exports their energy and other natural resources for the Central Asia. In the contemporary scenario, India is one of the big markets across the globe and interested in engaging as an important economic partner and seeking mutually rewarding economic and commercial links with its emerging economy. However, in the context

of economic and trade relations between India and Central Asia are less in comparison to that of Central Asian states with US and EU. The important factor of less trade relations with Central Asia is because of India's late entry in its volatile political situation in the region. It is an opportunity for India to integrate its economy with the whole Asian region, reinforced through 'Look East Policy' initiated in the year 1991.

#### **4.2. Geostrategic Importance of Central Asia for India**

The region is at the centre of the Eurasian land mass and historically important as it is a crossroad which is equally accessible for invaders and traders. It is both the facilitator and inhibitor to external players trying to achieve their strategic ambitions. Its conceptualization has taken many forms but one that perhaps confine the region best in geostrategic terms is as a term of 'Greater Central Asia'. In its extended geostrategic construction it comprises northern parts of Pakistan, the Khorasan province of Iran, (Tatarstan) in Russia and even northern part of India (Chandra 2015).

Since 1991, the geo-strategy of Central Asia has been playing significant role in the international politics. There are two main factors which are considered important in the Central Asian region. Firstly, Central Asia is becoming important for the energy hungry countries because of the discovery of hydrocarbon reserves. Secondly, it is the region passing through major transportation hub for gas and oil pipelines and multi model communication corridors connecting China, Russia, and Europe, the Caucasus region, the Trans-Caspian region and the Indian Ocean. Central Asia is the easiest route for South Asia to connect with the Europe and also, it is the gateway for India and all members of South Asian to integrate their economy with Central Asia and other parts of the world. Furthermore, whether, it is Russia or former Soviet Union or even the present Central Asian regimes, there has always been strategic ambition in the north to seek access to the warm water of the Indian Ocean. Thus, Afghanistan, which links Central Asia and South Asia is a strategic bridge between the two which are of great geopolitical significance. Central Asia and South Asia are closely connected not only geographically but also strategically (Jhosi, 2011).



The Central Asian states such as republic of Uzbekistan, Turkmenistan, and Tajikistan have shared borders with Afghanistan, Iran lies to its west and Pakistan to the east and South. Hence, the geo-strategic importance of Afghanistan is enhanced for South Asian region to land bridge between two regions, even though it may not be rich in natural gas and oil. Therefore, a stable government in Afghanistan can control the land routes between India and resource-rich central Asia which is a potential corridor to Iran and the Middle East. Thus, a stable government and peace in Afghanistan are absolute necessary to control the trade corridor and strategic importance for both South Asia and Central Asia.

India has activated its policy towards Central Asia at various levels. So far the strategic level is concerned; it is improving through numerous diplomatic and other official delegations' visit the Central Asian region. Narendra Modi(Prime Minister of India) made a tour of the Central Asian Republics in July 2015. His visits catalysed a more prominent presence of India in the region (Patil 2015). India's earlier tries to build its presence in the region by the 'Connect Central Asia' policy of 2012, proved unsuccessful, partly because of the security concern and inadequate connectivity to the region (Roy 2013 ). The new regime in India has changed the approach towards Central Asia. India is more concerned to develop the connectivity with Central Asia for its economic integration with the region and fulfil its' energy. Therefore, connectivity with Central Asia region is impossible for India without Afghanistan's stability. Moreover, the geographical importance of Afghanistan is playing a pivot role to connect India with Central Asia.

The strategic interest as it is a crucial link for enhancing energy and economic cooperation between South and Central Asia. Moreover, the objective of India is to develop stability to Afghanistan and facilitating its reconstruction for further regional integration. In this context India always preferred to follow a "soft power" strategy in Afghanistan by sticking to a peaceful civilian approach rather than a military one (Kothari 2014). India, on the other hand, has built a highway in the border of Iran and Afghanistan to access Central Asia. The 218km long Zaranj-Delaram highway is a significant development for both India and Afghanistan to connect with Central Asia. Moreover, India is also providing infrastructure development programs that would

connect it with Central Asia via Afghanistan. Broadly, three principle aims construct India's Afghanistan policy:

1. The resolution to marginalize the Taliban regime in Afghanistan.
2. The maintenance of a strong and stable relation with Afghanistan which could promote greater regional stability in India's favour.
3. The use of Afghanistan as a gateway in the development of a stable network with the Central Asian states.

In the context of Central Asia, the geographical proximity of Tajikistan to Pakistan Occupied Kashmir (POK) induces India to look to the region from fresh perspective. The most important strategic concern for India in Central Asia is Pakistan's growing attempt to gain strategic depth. Pakistan systematically pushed its agenda since 1990 by supporting the cause of the Taliban and facilitated in the nurturing of a multitude of extremist and terrorist groups in the Kashmir and Central Asian regions (Panda 2011). Policymakers in India have realized the need to an inclusive policy not only to tackle terrorism with the help of Central Asian states but also to exercise good control over the extreme complexity in the region. To counter Pakistan's moves and issues related to extremism and terrorism, India has taken its military engagement with the region seriously. This engagement was noticeable particularly from 1999 after the hijacking of Indian Airlines flight IC-184, by the Pakistan-backed terrorist, from Kathmandu to Kandahar in southern Afghanistan (Panda 2011).

#### **4.3. India's Interest in Central Asia**

India has been constantly working on establishing strong economic and political ties with Central Asian countries. Despite its' distinct geographical disadvantage in Central Asia compared to other regional players such as China and Pakistan sharing border connecting with region. It has been able to establish her economic and political relations with each of Central Asian states in a unique and specific way. The dynamics of these relationships remain influenced by some common concerns and challenges faced in the region as a whole, following a proportionate strengthening of the Indian economy as well, which allowed it to play a new role as the stakeholder in international politics (Chandra, 2015). India's economic opportunities with the region is inadequate, the lack of direct connectivity is the main factor to less economic cooperation. But the region remain an important in strategic perspective for India. It

involvement with the region remains moderate in compared to China, Pakistan and the U.S. In the initial period of time the role of India with region was limited till 2001. But over the period of time, India has been working to establish a good political and economic relation with the region. Prevailing political situations and power politics in Central Asia and lack of direct access through land route to the region restricts India's role in the region (Roy, 2013).

The sudden disintegration of the Soviet Union meant a huge loss for India, which required a reorientation and restructuring of its policy towards Russia and its successor states, and other socialist bloc countries, which came into being on the breakup of the Soviet Union. India felt the new responsibility on behalf of the cultural and historical ties it had with the region and because of its non-aligned tradition that impelled it to renew its ties with the Central Asia (Peyrouse, 2011). However, India has quickly accorded a diplomatic recognition to all the States after the declaration of their independence. Establishment of meaningful ties with these countries was a difficult task. One reason was that during the Soviet era, India did not get many opportunities for direct interactions with the individual Central Asian countries. Because of India's cordial relationship with the Soviet Union, it was one of the only regional countries to have greater access to central Asian countries. On the other hand, this was not an easy task for China, US and other countries including Pakistan to engage in trying to establish their stronghold in the Central Asia with some even trying to oust India's influence from the region (Chandra, 2015). Moreover, there are some major areas, which India needs to be concerned such as:

#### **4.3.1. Security Issues**

Security and stability is essential of India's involve in Central Asia. The internal Security situation has improved in India, after the decline of Taliban from the region. India has chosen the path of going alone in securing security interest for both Afghanistan and Central Asia. India in the South Asia has the responsibility to developed stability in Central Asia and Afghanistan, because to depend on unstable civilian government of Pakistan for regional stability makes no sense.

The US has been already withdrawing their troops from the region after building a network of immense political, military assets and associates in the region. After the

complete withdrawal of the US military, there is the possibility of the emergence of the extremist group in this area. However, India like other states in the region would face the conflicting situation and dilemma. The withdrawal of American troops from Afghanistan and Central Asia will stake the revival of the Taliban regimes with enormous consequences to India's security (Stobdan 2004). However, after the complete withdrawal of US from the region. The security and stability in Afghanistan and region will be the prior objective of India. It is more concerned about the security in both Afghanistan and Central Asian region, because of its investment in the region on several projects of oil and gas pipeline. On the other hand, India more interested in limiting the dominance of Pakistan in the region.

#### **4.3.2. Economic Integration**

India is emerging economy and stable political state with highly develop diplomatic relations with international community's show their strengthens in South Asia region. Therefore, It is more evident when India emerged as a nuclear power; apart from security issues, economic, diplomatic issues too gradually became an integral part of India's relation with Central Asia. India's economic liberalization and further expansion of its' economic profile necessitates to find access to the Central Asia market which in addition to territorial proximity, wields a strategic importance in terms of trade routes and connectivity with region. In transition phase, strengthening and improving of various sectors of their economy remains the primary focus of external relations of Central Asian states. It created a scope for enhancing bilateral trade and cooperation because of liberal growing economies and improved banking system. There is a need of gradation, modification and foreign investments for Central Asian countries. It gets financial assistance from foreign countries for revitalizing the economy on several schemes. These states are also viewed as an untapped market for Indian investment and exports in other core areas such as agriculture, small-scale industrial and commercial goods, pharmaceutical, education and training in IT software, banking, healthcare and hotels. India has been a significant partner for all the Central Asian countries through the joint ventures in banking, information technology and the pharmaceutical industry. Moreover, the rich mineral resources of the region require extracting to use it in terms of value. For such purpose the Central Asian region need technology to explore the mineral resources and India has been lending a supporting hand in the process of exploration (Chandra 2015).

### **4.3.3. Energy as a Factor**

In the context of South Asia, India is the emerging economy which is accelerating its economic growth and for that it requires energy resource for further economic development. Therefore, the country needs to expand and diversify its present sources of supply. Hence, supplies from oil and gas rich Central Asian region became crucial for energy security of India. The states like Turkmenistan, Uzbekistan and Kazakhstan have almost 300 trillion cubic feet of gas and 90 to 200 billion barrels of oil. The crisis driven economics in this region depend upon outside powers to transport their abundant energy resources to the other regions (Chandra 2015). Physically near to the region Central Asia, India has opportunity to take advantage of these energy reservoirs. Largely, India has followed the same path to an extent and hopes to build gas pipelines that are necessary for its electricity sector in order to diversify away from coal. Two energy pipeline projects TAPI and IPI pipeline are core interest of India (Panda 2011).

India's oil requirement in the next coming ten year is predicted to increase up to 8 to 9 million barrels. The evaluation of oil requirements expected to almost three times from the current 2.8 to 3 million barrels. Similarly, need for gas perhaps jump from 60 to 90 million cubic meters per day (Ministry of Natural gas and Petroleum 2015). In the demand for energy resources, India faces tight competition from China. While managed to secure the gas, India is securing all the gas offers from Myanmar with the help of Canadian Owned Oil Company in Kazakhstan. On the other hand, Pakistan successfully dragged Chinese interest on IPI pipeline. The pipeline project would offer huge strategic interest for Pakistan which would possibly extend up to China. The projects became significant particularly for China to show their willingness to import gas and oil through Pakistan. However, India's hostile relation with Pakistan and uncertainties in developing an overland pipeline to India has made hard choice in importing gas and oil from the Central Asia (Panda 2011).

### **4.3.4. SCO and 'China Factor'**

The Shanghai Cooperation Organisation established in Shanghai in 2001 by the head members countries. India was considered as an observer member in the initial time in 2005 Astana summit along with Iran and Pakistan. It played a marginal role in the group although Russia constantly supported for India in SCO (Kothari, 2014). Finally,

the long awaited interest of India's membership in SCO become success in the June 2017 at Astana summit, when Russia pushed back India's permanent membership in the sub regional cooperation, where China backed Pakistan's membership. The organisation earlier has failed to achieve consent on her role in organisation. The main reason behind India being unsuccessful to be a member in the organisation is the reluctant attitude of China.

China plays an influential role in the Central Asian region since 1991. It is one of the major stakeholders in various sectors such as economic integration in the Central Asia and political and diplomatic engagement in the region. The growing influence of China in Central Asia created worries and insecurities among other players of the region including India as already she has interest in the natural resources to nurture the economy which the Central Asian countries can fulfil. However, to develop good relations with Central Asian countries it was essential for India to be a full time member of SCO. Although, India have good bilateral economic and political relations with Central Asian countries it has limited role in regional level. India has been working development process by constructing human capital, infrastructures, improving security and helping agriculture and other important sectors of the economy. The continuing involvement of India in the region put behind the presence of China from the states. (Kothari 2014). China and Pakistan succeeded to some extent in checking India's ability to project meaningful economic and military power in the region, including its energy supply negotiation (Blank 2014).

#### **4.3.5. India's 'Connect Central Asia' policy**

The growing engagement with the region has focused to build economic collaboration. Moreover, to attain the objective and establish stronger ties with the Eurasian region. It pronounced 'Connect Central Asia' policy in 2012, based on the proactive political, economic and people-to-people contact. The policy broadly includes economic, cultural and political relations between India and Central Asia. The main objective of the policy is to reconnect the region with India, which shared centuries of common history (Roy 2013).

The new policy explained by Ministry of State for External Affairs, E. Ahmed, in June 2012 at Bishkek during the first India-Central Asia Dialogues that "Now India is

intently looking at the region through the framework of ‘Connect Central Asia’ policy that is based on a pro-active political, economic and people-to-people engagement with central Asian countries, both individually and collectively.”

In the same year, India’s central Asia policy got pushed in a new phase, during the visit of External Affairs Minister, S. M. Krishna’s to Tajikistan on July 2-3, 2012. This visit has clearly explained the growing interest developing stronger ties with the Eurasian region through its Connect Central Asia policy in new name which is called as Commerce, Connectivity, Consular and Community (Roy, 2013). India also plans to set up an Indian-Central Asia University in Kyrgyzstan and look forward the role of 'soft power' to combine goodwill in all Central Asian countries through Information Technology, culture, interacting with the young politician and academics. Moreover, India continued its discussion with Tajikistan for setting up the military hospital and operation of 14 direct flights to Dushanbe. In the beginning, both India and Tajikistan will launch four flights each. Another important area of the ‘Connect Central Asia’ policy is its' economic ties with the region (Kothari, 2014).

India’s present relation with Central Asia is a unique model; the relationship is based on the economic, political and developmental partnership, which is not driven by an exclusive objective to access to resources. India also concerned about the security and stability of region through developing peaceful and constructive support to Afghanistan in to promote and maintain stability in the region because, without stability in Afghanistan, it is impossible to think of stability in Central Asia region. Therefore, some facts of ‘Connect Central Asia policy’ are:

**Table 4.1 Elements of the ‘Connect Central Asia’ Policy**

Political cooperation	Developing solid political ties through high-level exchange and interaction between leaders at bilateral and multilateral level.
Economic Cooperation	Develop long-term partnership in energy and natural resources; cooperation in production of profitable crops with value addition participation in construction sector; India to help set up several medium size industries to help increase and investment Indian banks to expand their presence in central Asia.

Strategic cooperation	Strengthen strategic and security cooperation with focus on military training, joint research, counterterrorism coordination and close consultations on Afghanistan.
Connectivity with the region	To address the problem of connectivity work jointly to reactivate the international North south Transports Corridor (INSTC).
Information Technology	Working on setting up a Central Asia e network linking all five central Asian states with its hub in India to provide tele-education and tele-medicine connectivity.
Cooperation in Education	Setting of a Central Asian University in Bishkek to provide World class education in areas like IT management, philosophy and language.
People to people contact	Exchange between youth and future leaders of India and Central Asia. Greater interaction between scholars, academics, and civil society.
Cooperation in medical area	Setting of civil hospital/clinic in Central Asia
Cooperation in Regional groupings	Boost multilateral cooperation through regional institutions like the SCO, Eurasian economic Community (EEC) and Custom Union.

Sources: Keynote address by MoSShri E. Ahamed at first India-central Asia Dialouge, June 12, 2012 India's Connect Central Asia policy, Available at <http://www.mea.gov.in/speeches>.

#### **4.4. India's Connectivity with Central Asia and Role of Afghanistan**

Connectivity with the region without Iran is impossible for India, whereas it has shown her economic activities and more importantly consolidate a presence by projecting greater power compared to its major power aspiration. The self-confidence to imagine a transit from its middle power status into the big power league fuelled primarily by India's rapid economic development in 1990 at the time India adopted liberalisation and globalisation (Cheema, 2013). The same economic dynamism and global commercial competition brought India out of its shell economically as well as geopolitically to aspire for a change in rank. In pursuance of its major power vision,



India combines quiet and informal strategy predicated on projecting soft power and traditional geopolitical manoeuvres based on power politics, in order to assert on major geopolitical issues (Kagan 2008).

India seeks an outward expansion of power beginning with soft hegemony over the sub-continental neighbours as well as islands in the Indian Ocean, extending it to the proximate neighbourhoods of Central Asia, South-East Asia and West Asia. In this entire geopolitical situation, India aspires to convert 'border' into 'frontiers' not through military might but by the instituting vigorous economic interaction, greater connectivity through transportation and establishment of critical energy links. In this context, Central Asia and Afghanistan emerged as test case for India. The deep historical links between India and Central Asia is well known, as the latter had been historically a part of the subcontinent wholly or partially. The region therefore, naturally figures prominently in India's cultural, political and strategic discourses. India seeks presence in central Asia prompted by a numbers of forceful motivations, prospects of trade and commerce desire to revive age old links and contains threats of 'Islamic radicalism' emanating from this volatile region (Cheema 2013). Moreover, India's cooperation with Iran on building road and rail network to Central Asia and Afghanistan is of immense significant here as, it has the potential to expand India's role in these historically linked but geographically separated neighbourhoods.

#### **4.4.1. Chabahar port and India's Connectivity with Afghanistan and Central Asia**

Both India and Iran have shared similar interest and objective in Afghanistan. Both have common concerns about the adverse impacts of prolonged instability and war in Afghanistan on their security interests along with growing influence of Pakistan's in Afghanistan along with a dominance in economy and politics of Afghanistan. For India, the location of Iran makes it a viable transit point to connect Afghanistan and Central Asia.

Iran is also the intersection of vital international transportation corridors such as: the North-South Corridor, the East-West corridor (old silk route), the Transports Corridor Europe-Caucasus-Asia (TRACECA) program, the Asia Land Transportation Infrastructure Development (ALTID) and South Asia. Both the states have been

working to complete the projects to apprehend Iran's transit prospective in the region (Bhatanagar and John, 2013). The Chabahar port of Iran plays a significant role in the economic and strategic importance of India's access to Afghanistan, and connects to Central Asia through it. The Chabahar port situated on the Makran Coast of South-east Iran. It provides Iran direct access to the Indian Ocean, which is advantageous to both India to direct access to the Central Asian market and for Iran to direct export of their products to Indian market. The development of port will reduce the heavy load on Bandar Abbas and potential cost of transportation in the eastern parts of Iran, Afghanistan and Central Asia as well (Hossimbor 2015).

#### **4.4.1.1. Development of Chabahar Port: Role of India and Iran**

The economic port of Iran the Chabahar port located in Chabahar the south-eastern part of Iran on the Gulf of Oman, 72 kilometres west of Pakistan's Gwadar port. It holds immense strategic and economic significance for India. India has been supportive of the development of the port. India has been involved with the Chabahar port in 2002. In January 2003, India, Iran and Afghanistan signed a memorandum of understanding (MoU) on the Development and Construction of Transit and Transport Infrastructure on the Chabahar-Milak-Zaranj-Delaram route (Hossinbor 2015). During the visit of Iranian president Mohammed Khatami to India in January 2003, two countries signed MoU to invest in infrastructure including the Chabahar port complex and the Chabahar-Faranj-Bam railway link, in order to promote bilateral trade<sup>1</sup>.

India spent about US\$ 100 million to build a 218 km long (140 miles) road from Delaram in western Afghanistan to Zaranj on the Iran-Afghan border to connect Chabahar port in 2013 (Ministry of Commerce and Industry 2014). The port partly built by India in 1990s for providing sea-land route to Afghanistan and Central Asia, detouring Pakistan. India interested in the construction of the port as it could reduce the transport costs between Central Asia and the Persian Gulf. It is also important for India to circumvent Pakistan and in establishing an alternative route to landlocked Afghanistan for the development of economic ties (Pattnaik 2016).

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<sup>1</sup>In 2012 in the Non-Aligned Summit at Tehran, a trilateral meeting between Afghanistan, India and Iran was organized with the objective of exploring ways 'to expand trade and transit cooperation, including investment among the three countries starting with the Chabahar port'. The all three countries also agreed to established a joint working group to enhance the potential of Chabahar port.

The first phase, of the project undertaken on the basis of a joint venture company by Jawaharlal Nehru Port Trust (JNPT) with Kandla Port Trust (KPT) two leading Indian agencies in the sector. With the concern and approval from the Iranian Ports and Maritime Organisation (P&MO), they execute the project on Build-Operate-Transfer (BOT) basis (Pattnaik, 2016). The joint venture developed and would operate the port for ten years and transfers the port to P&MO after that. It built and equipped two berths, one container terminal and one multi-purpose cargo terminal within a year. According to the performance and satisfaction of both sides further negotiation may be conducted in completing the target in future (Behuri and Rizvi, 2015).

Iran invested around US\$ 340 million for development and expansion of the capacity of Chabahar port that will ensure the economic growth of its improvised south-eastern region. The Chabahar port currently owns a capacity to handle 2.5 million tons per annum. Hence, Iran interested in increasing its capacity to 12.5 million tons. Moreover, the development of Chabahar port pursued to achieve in five phases. The Free Trade Industrial Zone, a 140 sq. km. area adjacent to the city of Chabahar increased its importance as a potential trade and transit hub in the future. About 26 percents of these Free Zones allocated for trade and service actions, 49 percent for industry and 25 percent of the area given for tourism and residential purposes (Bhatanagar and John, 2013).

On the other hand, the development of Chabahar port would provide for easy access for Iran to the Indian market as well as other South Asian market. It also provides shorter route for Iran to easily export or import merchandise with the region. For Iran access to South Asian market through Pakistan is difficult, because hostile relations between India and Pakistan have not allowed the territory for trade with South Asian countries.

**Map 4.1 Chabahar Port**



Source: [www.defence.pk](http://www.defence.pk) accessed on 15 April, 2017

**Table 4.2 Phases of Chabahar Port Development plan**

Phases	Year	Description
1	2013	Approximately 165m of breakwater extension, Construction of two container berths (640m) and three multi-puspose berths (540m) 17 million m3 dredging (-16m) depth and reclamation of 195 hectares by sediment.
2	2015	Construction of a container berth (360m)
3	2016	Construction of an oil berth
4	2016	Constructions of a multipurpose berth
5	2021	Constructions of container berth (360m)

Source: Port and maritime directorate and sistan and Balochistan province and Bhatanagar and John, 2013, [http://pmo.ir/psd\\_content/media/file/2013/5/2360](http://pmo.ir/psd_content/media/file/2013/5/2360)

The objective of India to develop the Chabahar port is to transform Chabahar into a major economic, trade and industrial hub in the West Asia and springboard for access to Afghanistan and Central Asian markets. Along with economic perspective, it also

enables India to adequately secure energy supplies from Iran, West Asia and from the Central Asian region. India holds the second position in oil imports from Iran and Central Asia after China. Therefore, the Chabahar port would provide for the better course in the India-Iran energy ties and open up a regular route for India to access the energy-rich source in Central Asia through Afghanistan. India's access to Chabahar port created new opportunities in Central Asia and its strategy to counter the growing Chinese control in the region. The Chabahar port is a win-win project for both the South Asian and Central Asian region to connect their respective market with each other. It will also help Iran to integrate the economy with South Asian members (Hosseini 2015).

In the larger context of Iran, the Chabahar port serves to facilitate Tehran's objective of emerging as the leading trade and transit center connecting Central Asia, South Asia, and the Persian Gulf. The Chabahar port expedites this process as it assures that Iran cannot be restrained by the Straits of Hormuz. The aim of Iran is to be a major transit point and wish to be seen as a notable regional player. To achieve these ends, Iran not only has taken the initiative of infrastructure development but also engaged with other countries to heighten its transit potential. Therefore, all three states Iran-Afghanistan-Tajikistan signed the Memorandum of Understanding for the constructions of railway lines, water pipelines, and energy transmission lines, and it is also keen to extend the Khvaf-Herat rail to be connected with Central Asia, Turkey, and Europe. Iran has also agreed to provide assistance to the Kyrgyz portion of the Iran-Afghanistan-Tajikistan-Kyrgyzstan-China highway project. It has funded the Anzod tunnel in Tajikistan, as the part of Iran's envisioned road route to Tajikistan and China through western and northern Afghanistan. The fund also includes a part of a railroad project that connects Uzen in Kazakhstan and Gyzylgaya, Bereket and Etrek in Turkmenistan and will terminate at Gorgan in the Iranian province of Golestan. Iran is also a member in the International North-South Transport Corridor (INSTC) along with Russia, India, Azerbaijan, Armenia, Belarus, Oman, Syria, Kazakhstan, Kyrgyzstan, Turkey, Ukraine and Bulgaria. The goal of INSTC is to link South and Central Asia region into North Europe via Russia (Bhatnagar and John, 2013).

#### **4.4.1.2. India-Iran-Afghanistan a Trilateral Cooperation on Chabahar Port**

Apart from India and Iran, Afghanistan is also profoundly interested in Chabahar port with the transport corridor, which connects with India and other parts of Central Asia. Afghan leaders considered the Chabahar route as a more reliable alternative to diminish dependence on Pakistan to access into other South Asian markets. The port provides easy access to Afghanistan for economic integration with India through sea route.

By the land route, it would be short through Pakistan into Afghanistan but Pakistan is reluctant to approach India which will hamper the trade relations between two countries. Under the UN umbrella, the Karachi port was allowed to dock and unload the Indian wheat for Afghanistan. Apart from UN mission, Pakistan has refused to provide the Karachi port land route to Indian products cross through her territory into Afghan market. Afghan trucks are allowed to carry transit cargo to Pakistani port and Wagah under the Afghanistan-Pakistan Trade and Transit Agreement, but it not allowed for Indian goods. The denial of transit access to India is a part of the strategy of Pakistan's trade agreement with Afghanistan. India successfully accesses to landlocked Afghanistan and Central Asia by sea route through establishing the port in Iran (Bhatanagar and John, 2013).

Mohammad Ashraf Ghani, the Afghan president visited India on April 27-29, 2015 underscored the significance of Chahabar port. Ashraf Ghani along with his Indian counterpart Narendra Modi (Prime Minister of India) promised to work in close collaboration with Iran in making the Chahabar port a viable gateway to Afghanistan and Central Asia (Behuria 2015). Both of them agreed that additional routes would provide a significant drive to Afghanistan's economic reconstruction efforts. India also built the garland road, a network of 2200 km. two-lane metalled highway from Zaranj to Deralam in 2009 for connecting Afghanistan's major cities as the parts of its' strategic bypass of Pakistan in access to Afghanistan and Central Asia. India invested INR 600 crore in this connecting highway project which was executed by Border Roads Organisation (BRO) for four years (2005-2009). Chabahar is well suited to facilitate the process of the goods brought into the port and are easily transported to the Afghan border through a series of roads constructed by the government of Iran and distributed to different parts of Afghanistan via the Zaranj-

Delaram highway. India has negotiated a transit agreement with Iran, under the framework which Indian goods destined for Central Asia and Afghanistan and could get preferential treatment and tariff reduction at Chabahar. Moreover, India interested to explore the iron ore from the Hajigak mines in Central Afghanistan for which it needs a convenient and accessible port, for this India already plans to facilitate by developing a rail link from Hajigak and Chabahar (Basar 2012).

#### **4.5. Significance of Chabahar Port in Indo-Afghan Trade Opportunities**

The shared border of two countries generates the maximum trade relations in any region in the world. India's trade relations with Afghanistan are difficult, even though both the countries are in the same region. The trade relations between both the countries has seen less, because, they are not sharing the common border and the unwilling approach of Pakistan to open up their land route to Indian exporter to access. Therefore, the Chabahar Port perhaps is a better option for India to develop the trade relations between India and Afghanistan. The establishment of Chabahar port is a key to India-Afghanistan trade. It acts as a gateway towards opening new energy and trade route not only in Afghanistan but also in Central Asia as well. Moreover, in 2016 February, the Indian cabinet granted US\$ 150 million credit to Iran for the construction new jetties and berths at the port (Ministry of Commerce And Industry 2015). Again the Petroleum and Natural Gas Minister of India, Dharmendra Pradhan in his recent visit to Iran in 9-10 April 2016 announced that, the Indian organisations are interested to invest an estimated US\$ 20 billion in petro-chemical and fertiliser plants, including Special Economic Zone (SPZ); either through joint ventures between Indian and Iranian public sector companies or with private partners (Hosseinbor 2015).

The completion of Chabahar port is a better option for India to bypass Pakistan territory to access into Afghanistan. It will provide better access to Indian exporters to explore the Afghan market through Chabahar port, because earlier according to Afghanistan-Pakistan trade and transit agreement, Indian goods are not allowed through the Pakistani territory. This was hard for Indian exporters to accelerate their economy with Afghanistan. It will benefit both the countries to transport their consignment through the safest territory of Iran.

#### **4.6. Zaranj-Delaram Highway and Connectivity with Central Asia**

The building of Zaranj-Delaram highway proved as one of the important development projects by India in Afghanistan. The contract for the project given to India's Border Organisation . The cost of the projects was US\$ 84 million. The importance of the projects comes from its strategic location. The highway connects Zaranj a border town in Afghanistan and Delaram situated on the border of Iran, which connects with the other major cities like Herat, Kabul, Kandahar, Mazar-e-Sharif, and Kunduz. However, on the other side of the border, Iran is upgrading its road from Chabahar port situated in the free trade zone of Makran coast. This development gives Afghanistan the opportunity to link its major cities to Iranian port. The construction of the highway completed in the second half of 2008 despite various attacks by the Taliban, which claimed several Indian and Afghan lives (Basar, 2012).

Moreover, India agreed develop the railway track that would perhaps connect Chabahar to the Afghan city of Zaranj on the Iran-Afghan border. As a part of the development of this route jointly with Iran and Afghanistan, India had faced the obstacle by the Taliban attacks. The completion of 218 km strategic highway in 2008 linking Zaranj to Delaram. While Iran has built the road connectivity from Chabahar to the Afghan border, India is helping Iran to upgrade the Chabahar-Milak rail-road. The aim is to build a hassle free Chabahar-Milak-Zaranj-Delaram route from Iran to Afghanistan, which would boost trade between India, with Afghanistan and Central Asia. India is keen to upgrade the capacity of the Chabahar port so that it becomes equipped to handle large cargoes. Under the trilateral agreement, Iran has completed 70 percent of work with India's assistance in the first phase, with an investment of about US\$ 340 million in the venture. In the second phase, India is considering several options for the port's expansion with a total investment of \$ 300-400 million (Ministry of Commerce and Industry 2015). Under the terms of the trilateral agreement, Indian's export of goods to Central Asia and Afghanistan receives preferential treatment and tariff reductions at Chabahar. In March 2012, ships from India docked at Chabahar port and delivered 100,000 tonnes of wheat headed for Afghanistan. The United States objected to use the Chabahar port by India for commercial purposes. But, India considers it as a gateway to Afghanistan and Central Asia by bypassing Pakistan, which blocks the country's mainland routes to these areas (Cheema, 2013).



#### **4.7. Role of Chabahar port in India-Central Asia Energy Security**

The objective of India is to develop the Chabahar into a major economic, trade, and industrial centre of the Middle East and a springboard to access the Afghan and Central Asian markets. The port will enable Delhi to secure energy supplies from Iran, the Middle East, and Central Asia and to expand the market share for Indian trade and commerce in these regions. Therefore, Chabahar port assists to be a bridge between India and Iran energy ties. It will also provide India a route to access into the Central Asia through Afghanistan.

Access to Chabahar has created a new momentum for India's energy drive in Central Asia and its strategy to counter the growing influence of China in the region. Chabahar provides India a viable alternative to sideline the Turkmenistan-Afghanistan-Pakistan-India Pipeline (TAPI) in favour of a sub-sea gas pipeline from Oman and Iran to India. This plan first was discussed by the foreign ministers of the three countries in February 2014, but not pursued due to the opposition of United States and Western sanctions on Iran. With the lifting of the sanctions, this plan has become feasible and high on the Indian agenda. This is particularly the case due to India's serious reservations about TAPI passing through Pakistan and the risks associated with the project (Lindsay 2016). Therefore, it is anticipated that India would expedite its plans for connecting Central Asia via Chabahar through pipeline, where India perhaps will link it to the Oman-Iran-India under-sea pipeline that is currently under consideration. Considering this, Prime Minister of India Narendra Modi and Berdimuhamedov the President of Turkmenistan signed seven agreements regarding natural gas, defence, and petrochemicals in mid-July 2015. As noted by Future Directions International: "Turkmenistan's support for India's desire to join Ashgabat Agreement on trade and transit, which includes Uzbekistan, Iran, Turkmenistan, Kazakhstan, and Oman, can only add to India's need to make this pipeline a reality (Lindsay 2016)."

#### **4.8. North-South Transport Corridor and India's Connectivity to Central Asia**

India and Iran agreed to build the International North-South Transport Corridor (INSTC) an extensive multi-model trade corridor, which would facilitate the transfer of goods from India to Central Asia via Iran and northern Europe. India and Iran along with Russia signed an agreement in St. Petersburg in September 2000 for this.

The trade corridor is a part of an India-Iran initiative to expand trade into Central Asia. In 1997 both India and Iran entered into an earlier trilateral trade agreement with Turkmenistan. This North-South Corridor allows the transportation of goods from India to Iran through Bandar Abbas, and/or Chahbahar. The goods transported by rail to Iran's Caspian Sea ports of Bandar Anzali and Bandar Amirabad are transferred to Caspian sectors in Russia. This route extends along the Volga River via Moscow and onward to northern Europe (Fair, 2007). While the Suez Canal and the Mediterranean route takes 45-60 days, the North-South corridor will take the short time only 25 to 30 days. The North-South corridor will enable India to bypass Pakistan for getting access Central Asia and reduce transportation costs by 30 percent (Cheema, 2013).

The progress on the North-South Corridor impeded due to the crisis in Afghanistan and the Iranian nuclear imbroglio, but it gathered momentum when eleven new countries in the region signed on to the project<sup>2</sup>. A meeting of the INSTC member countries held in New Delhi on 18<sup>th</sup> of January 2012 to discuss modalities for moving forward on the INSTC project. During this meeting, it pointed out that support of countries like Turkmenistan, Uzbekistan, Kyrgyzstan and Turkey are sought in order to complete the missing links in the North-South corridor.

The involvement of the stakeholders positively focuses on increasing interest of the users to discover the new opportunities to boost the potential of the route. The successful activation of the corridor perhaps help to link India to Russia within 16-21 days, it would be a shorter route to connect India and Russia by land. In addition, it is also expected to eliminate usage of refer containers for cargo commodities and further support the supplies to Russia (Roy 2015).

In Indian perspective, the INSTC is potential for India's trade connectivity with Afghanistan and central Asia through Iran. The following factors are significant for the INSTC for India:

- a. Due to the lack of direct connectivity with central Asia, in the present situation India highly depended on the sea via Rotterdam to St. Petersburg and

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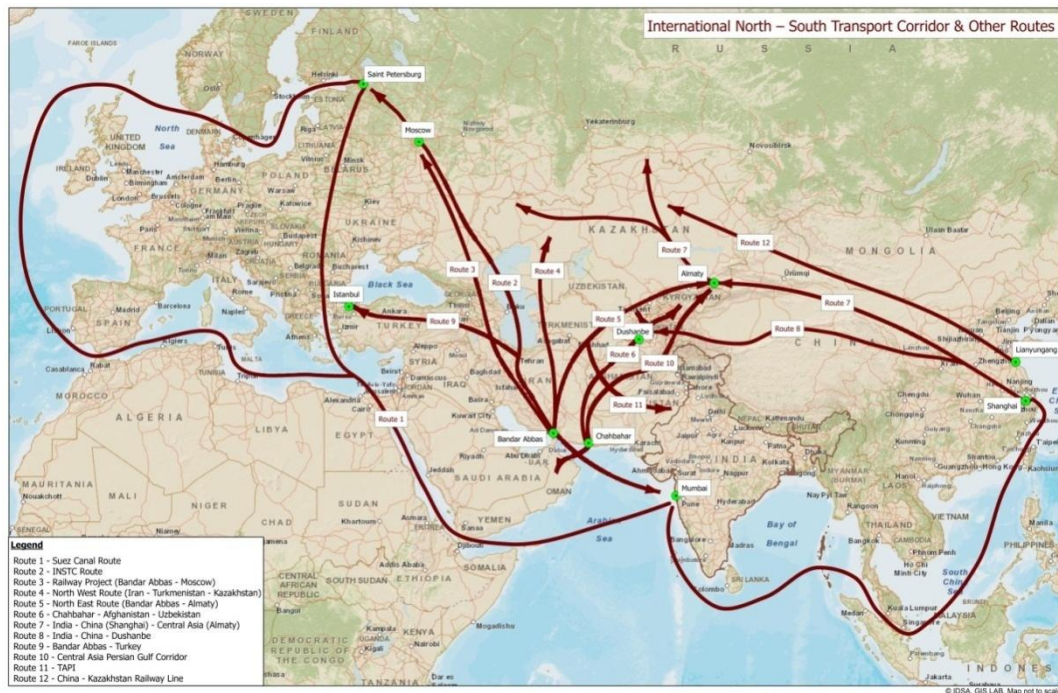
<sup>2</sup>These countries include Azerbaijan, Armenia, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Turkey, Ukraine, Belarus, Oman, Iran, Russia as well as Bulgaria.

increasing through China and inland to transportation goods to Russia. It takes a long route before arrive the goods to Central Asia through China, Europe and Iran from India. However, the route through china and Europe is very long, expensive and time consuming. Therefore, India need alternative route, which is relatively shorter, cheaper, more importantly safer, and well secured. It said that the INSTC could reduce time and cost of container delivery by 30-40 percent (Roy 2015).

- b. The potential of this corridor would manifold for India if linked with the Southeast Asian countries. That will expand trade between Europe and Southeast Asia as well. The INSTC would be much shorter and cost effective than the current route through the Suez Canal and the Mediterranean Sea. The Suez Canal route takes 45-60 days, whereas the INSTC would take 25-30 days. The INSTC is 30 percent cheaper than the former route (Roy 2015).
- c. The corridor will not only help India for bypass Pakistan in reaching out the Central Asia and Russia but also it will enable to transport cheaper goods to European Market. Thus, Indian exports could potentially get a competitive advantage due to lower cost and less delivery time.
- d. Roy, 2015, explain that “The completion of Turkmen-Kazakh section of the North-South railway line at Serhetkaya station on May 11, 2013 provides an alternate to the main INSTC route for connecting to Kazakhstan and beyond, from the Iranian port of Bandar Abbas. This route could also use from the Chabahar port once the Chabahar-Zahedan-Mashhad line commissioned as the access to this route through Mashhad and Ashgabat. With a shorter distance of 600 km. this transnational project is expected to provide an impetus to regional cooperation and economic integration of the countries in the Eurasian region with Indian Ocean and Persian Gulf ports”.
- e. “The agreement on a final and comprehensive Iran nuclear deal, known as Joint Comprehensive Plan of Action (JCPOA), signed between Iran and six major powers is a positive development because it will provide further impetus to take the INSTC projects forward. Removal of sanctions on Iran will open up many opportunities for investors to bridge the missing links on the INSTC, which was not possible in the past. India has already shown interest in investing in the Chabahar container terminal projects as well as Chabahar-Faraj-Bam railway projects. From Bam, which is located on the

Afghan border, goods can transport through the Zaranj-Delaram Road that linked with the garland highway connecting all major Afghan cities. There are also the possibilities of extending this road to Tajikistan and Uzbekistan, which would give further impetus to regional trade and transit” (Roy, 2015).

**Map 4.2 North-South Transport Corridor**



Source: [www.idsa.com](http://www.idsa.com) accessed on 17 April 2017

Beside India, China has a great interest to explore the Central Asian market. China’s increasing influence in the region widely seen as driving it’s on Chabahar plans. China has already invested in the Gwadar ports of Pakistan, which is strategically and economically important for China to explore South Asian market as well as to connect Central Asia. China’s have strong ‘strategic to encircle’ India’s influence in the South Asia, through the policy of ‘String of Pearls’. However, China develops series of strategic location ports in India’s neighbourhood such as Sri Lanka, Bangladesh, and Myanmar. There is a worry that these trade-oriented ports funded or developed by China could convert into permanent naval bases in future.

#### **4.9. Strategic and Economic Importance of India's Chabahar and China's Gwadar Ports**

The growing competition between China and India to explore the Central Asian market has the adverse impact on the Pakistan and Iran. The two ports Chabahar (Iran) and Gwadar (Pakistan) caused a geostrategic and economic competition. China is primarily concerned over the increasing expansion of India in the Indian Ocean and the Arabian Sea. Moreover, after the conclusion of US-India civilian nuclear cooperation and cooperation between India, Iran and Afghanistan and Central Asia, it became a matter of serious concern for China's long-standing strategic and economic objective in the region. However, China's has the keen interest on the development of Gwadar port, which served the interest of both Pakistan and China in the region. The port will help China to keeps a strict watch on India's rising influence in the Arabian Sea, the Persian Gulf and the Indian Ocean. Hence, the future economic and military collaboration between India and U.S in the region can effectively dealt with (Khan 2010).

The port strategically well located, would reduce the long distance to import energy from the Persian Gulf to China. The Gwadar port also holds a geostrategic importance to China as of its proximity with sea-lane between the Middle East and China, and it is crucial for trading oil and enters into the Indian Ocean. From China's point of view, Gwadar is in the position where China perhaps will develop a surveillance upon the hyper-strategic sea links. The joint military activities of U.S and India navies can be watched closely through the access of Gwadar port. It can fulfill the commercial, political and security motives of Chianvis-a-vis India. Moreover, to achieve the objective, China has invested a huge amount of money to develop the port and on the other hand India is working to develop Chabahar port in Iran (Khan, 2010).

##### **4.9.1. Importance of Chabahar port for India**

Chabahar located on Makran Coast of the Sistan in the Iranian province and is legitimately open as Free Trade and Industrial Zone by the government of Iran. The city has enhanced its importance in the international trade due to its free trade zone status. The port is important for the development and expansion of transit route among states placed in the northern part of the Indian Ocean and Central Asia due to its' geostrategic location. It has the potential to become an important international

commercial centre South Asia, West Asia, and Central Asian markets. The Iranian government has proposed the plan to connect Chabahar free trade zone with its' main rail and road links to Central Asia and Afghanistan. This would perhaps increase the geostrategic importance of the port as compared to Gwadar port of Pakistan (Khan 2010).

The administration of Iran with assistance of India has constructed a railway project called as 'Iran's Eastern Corridor'. The railway projects would link the port to Afghanistan, Central Asia and Central part of Iran. Moreover, India has proposed to develop 900 km long railway track. The railway project will link Chabahar port to the mineral-rich Hajigak range of Afghanistan. Apart From the access to Afghanistan mineral zone, it is also a route for India to access the oil and gas rich region of Iran and Central Asian. Beside India's keen interest to access the Central Asian market and natural resources, is also a strategy of India to counterweight the growing influence of China in Gwadar port of Pakistan. It serves as the roadway to India for access in the Central Asia through Afghanistan. Apart from India's connectivity with Central Asia, through the Chabahar port India is also interested to set up a naval base to stop the Chinese dominance in the Arabian Sea. Because China has strong desire to emerge as a member in order to protect its geostrategic and economic interest in the region. But, India enjoys its' privilege in the immense water boundary in the Indian Ocean, which will definitely pose problems for China in the region (Hosseinbor 2014).

**Map 4.3 Showing the location of Gwadar and Chabahar port**



Source: [www.pakistancargo4u.co.uk](http://www.pakistancargo4u.co.uk) accessed on 17 April 2017

The Chabahar port has the better connectivity for India with Afghanistan and Central Asia. It would provide India direct access to Afghanistan and Central Asia through Indian Ocean. India's goal is to construct road and railway connectivity between Chabahar and Central Asia region through Afghanistan to bypass Pakistan. It would perhaps reduce the dependence of Central Asian countries on the Gwadar port of Pakistan. Moreover, to achieve the objective, both India and Iran has been working on some projects to strengthen their presence in the region, the projects such as Anzob tunnel and construction of bridge over the Amu Darya that connect Chabahar with Khojent route. In addition, India has already finished the 218 km Zaranj-Delaram highway that now links Afghanistan to the Iranian port and from Afghanistan to the Central Asia countries (Hosseinbor 2015).

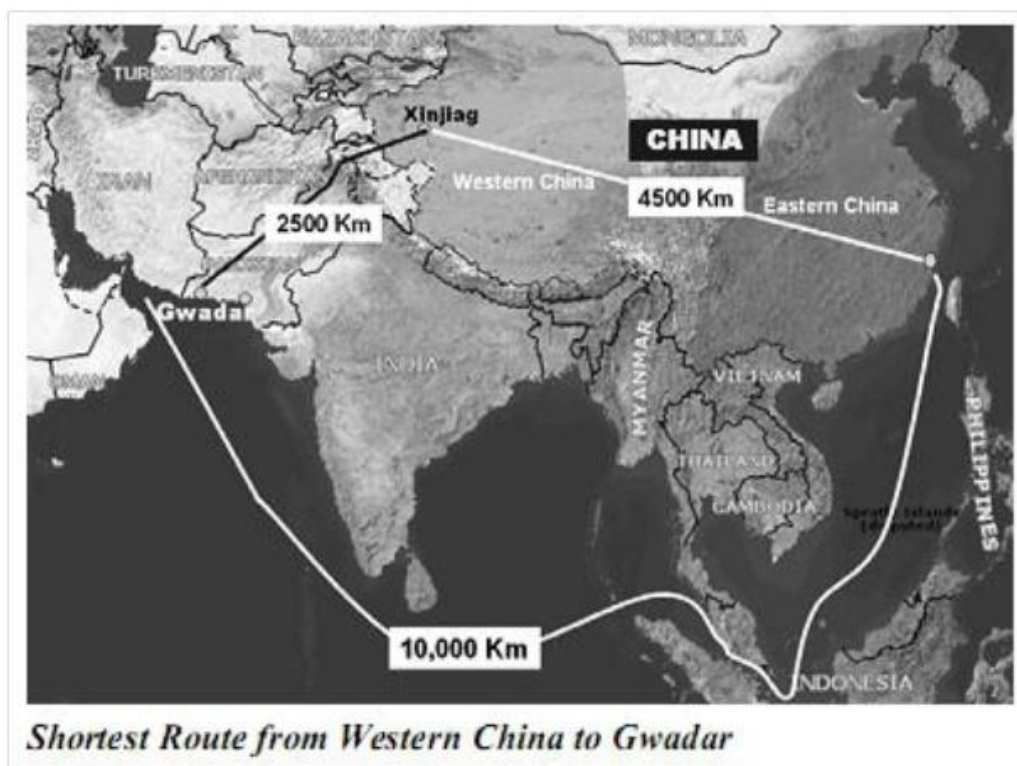
#### **4.9.2. Importance of Gwadar port for China**

The Gwadar Port is located at the Balochistan Province of Pakistan. It is a deep sea port, situated at the Arabian sea, near 460 km west of Karachi, 75 km east of Pakistan border with Iran and 400 km from the strait of Hormuz. The construction of Gwadar port started with the technical and financial support of US\$ 198 million from China in March 2002. The port was constructed in two phases. In the first phase multipurpose ship berths was developed and in the second phase nine extra docks, unpackaged cargo terminal, two oil refinery constructed and one grain terminal by the Chinese assistance of amount US\$ 600 million was built. Besides China's strategic interest on the Indian Ocean to counter India and America's defence alliance, China's is also interested to import the crude from Africa through Iran and Pakistan to China Xinjiang province. Apart from Iran and Africa, China also has keen interest to explore the Central Asian resources; however, China has already signed the quadrilateral trade and transit agreement with Central Asian countries (Ganguly and Howenstein 2009)). The long-time alliance of Pakistan and China in the region has reflected in their collaborate work in the region. The objective of the two states is to strengthen the economic relation and secure the energy security with Central Asia by access through Gwadar port. Both the countries are also interested to limit India's influence in the Central Asian region. To meet its future energy demands, China signed the agreement with the Central Asian countries for placing oil and gas pipeline.



China is also interested to convert Gwadar into a transit terminal. In the long run a pipeline from Gwadar would have transport crude oil to Eastern China through Xingjian. This is in fact that due to its geostrategic location. Gwadar the deep-sea port has been possible to become the entryway for Central Asia and Xingjian that lies 2500 km from the Gwadar port. Moreover, Pakistan have been playing a supportive role for China to connect Central Asian by building the highway to links from its border town of Chaman in Balochistan to passing through Qandahar in Afghanistan to link western China with Central Asia (Khan 2010).

**Map 4.4 Showing Shortest Route from Western China to Gwadar**



Source: [www.icsanc.com](http://www.icsanc.com) accessed on 18 April 2017

The growing influence between India and China in the Chabahar and Gwadar ports of Iran and Pakistan respectively caught the regional and international attention for its commercial potential in Central Asia. The Gwadar port becomes a landmark in Pakistan-China economic and strategic collaboration. The port is important not merely of its economic and strategic cooperation, but also as the gateway for China to Central Asia to the warm waters of the Arabian Sea. The port provides a regional shipping hub to the Central Asian region. It would cut down the 500km of land route



between Pakistan and Central Asia states which will facilitate the transport of Central Asia's energy resources to the Asian markets. On the other hand, the Gwadar strengthen the security aspect of Pakistan and China vis-à-vis India. Pakistan established her security by developing relations with China to counter India's hegemonic aspiration in the region (Khan 2010).

#### **4.10. Conclusion**

India is not only interested in Central Asian region because of its geo-strategic location but also for a long-term economic interest. However, it lacks the direct connectivity to the landlocked Central Asian region. The geo-strategic location of the Central Asia has a tremendous influence on the whole region. Central Asia has now become an important center for the world. The region's rich natural resources of oil and gas have attracted global actors to engage with.

India's engagement with Central Asia has always played a role of 'Soft Power' in the South Asian region. India is the only stable and democratic state to take care of the regional stability of Central Asia. Apart from the stability of Central Asia and Afghanistan, India has other interest such as security challenges. Since 2014, US troops have completely pulled out from the Afghanistan and Central Asia, however, it is a great challenge to maintain peace and security in the whole the region. Because, there are the possibilities of re-emergence of extremist groups in the region in the absence of US military, this would challenge the regional security as a whole. India is more interested in the region due to its' rich reservoir of oil and gas deposit, which would help in meeting the energy demand. Apart from the economic and security aspect India is also interested to maintain its' visible presence in Central Asia on one hand and on the other wants to limit the presence of China and Pakistan. Unlike India, China is also interested in expanding its horizon in the Central Asia and access to it through Pakistan.

India already developed the connectivity route to expand its' presence in the Central Asian region. Afghanistan and Iran has been playing a significant role for India to connect with central Asia. India and Iran have good relationship, which reflected on their collaborative work for example; the successful completion of collaborative projects of Chabahar port (first phase). India provided the financial support to Iran to

build the port as well as to improve the capacity of the port. Iran also extended the road connectivity up to Afghanistan border, where India has already finished the Zaranj-Delaram highway projects with the help of Iran. However, the North-South Transport Corridor a multiple purposes road networks provides opportunities for Russia to bypass the Silk Road. On the other hand, Iran gets political and economic benefits from trade with Russia, Central Asia and India. Thus, India gets access to Russian and Central Asian markets for its goods and various links to the sources of energy import.

## Chapter-V

### Afghanistan as a Factor in India's Energy Security with Central Asia

#### 5.1. Introduction

In the age of globalisation economic development have influenced the entire globe for energy security. In the present time energy has emerged as one of the important development goals of any nation either for acceleration of economic growth or for the domestic consumption. In the absence of energy resources countries cannot imagine their economic progress and their other development to sustain in long term. It is because of energy need; countries all over the world are now developing the sophisticated and appropriate technology to connect both the renewable and non-renewable energy sources. Therefore, to achieve the demand of the energy security countries are exploring their own natural resources and also signing bilateral as well as multilateral energy agreements between their immediate and extended neighbourhood (Chandra 2015). Therefore, in the process of acquiring energy security the Central Asia has provided a greater attention to the international communities. And also the rise of India and China is also looking for this region to fulfil their energy demand. The huge natural resources of Eurasia including energy resources oil, natural gas and hydrocarbons have attracted global attention to the Central Asia (Jhosi, 2012).

In the year 1990, the issue of energy security had come to occupy the centre stage of international politics. In the past, it was largely the industrialized nations of the West that were the chief consumers of energy but at present time, the situation has changed, the third world countries are also equally interested to acquire the energy resources to accelerate their economic growth. In this regard the joint statement on the New US-Russian Energy Dialogue of May 2002 briefly put the issue of energy security in a contemporary standpoint. It identified, effective development of the global economy depends on timely and reliable energy supply<sup>1</sup>.

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<sup>1</sup>Bush-Putin joint statement on New US-Russia Energy Dialogue 24 May 2002, issued by the International Information Programme of the US Department of State [www.geopolitica.eu](http://www.geopolitica.eu)

Furthermore, the five Central Asian Nations are abundantly endowed with natural resources including the energy resources. Almost 4 percent of world's oil and 7 percent of natural gas are probable located in central Asia. There has been a fundamental challenge to secure and control these vibrant natural resources. In Central Asia the hunt for new energy resources become complicated that gives the Central Asia a geostrategic importance in the world politics. The mostly Central Asian countries are landlocked and Uzbekistan is keen to constructing pipeline infrastructure to access the energy resources soon acquired a competitive aspect among the major and regional powers. This competition is often referred to by analysts and observers as the new version of the 'Great Game' between the British and Tsarist empires. Presently, the issue of ensuring energy became one of the factors that brought a shift in international politics from Europe to Asia (Jhosi, 2012)

The Central Asia has abundant natural resources and Kazakhstan and Turkmenistan are well endowed with oil and natural gas respectively, where. Uzbekistan has a modest quantity of natural gas. Kyrgyztan and Tajikistan have plenty of water resources, which they are trying to convert to hydro power (Jhosi, 2012). Tajikistan and Kyrgyztan through poor in hydrocarbon resources have huge potential for the development of hydroelectricity. This entire region has a huge potential of conventional energy resources but only 10 percent of this potential has been utilized so far. Besides, the present discourse of energy security, Central Asia assumed a prominent place since their independence from the Soviet-Union. The central Asia is a new route of energy supply for both the developed and third world countries. However, the competition among the major energy consuming economies of the world such as the U S, China, India, Russia and EU to compete for the Central Asian energy resources with a view to accomplish their respective national energy security (Chandra, 2015).

In this background of rising demand for energy by the global community, India is also a leading member to ensure its energy security for growth. Indian demand for energy has grown phenomenally over the period of time. India's rising international profile rapid growth of the economy, industrialization and the rising expectation of its population have all combined to make ensuring energy security a top priority in Indian foreign and security policies. Though, domestic production of energy in

increasing, but it is unable to keep pace with the growing demand. Consequently, India huge energy demand depends on imports of energy from the West Asia and Persian Gulf. Therefore it is imperative for India to diversify its energy demand. Although, the energy reserves of Central Asia are not comparable to that of the West Asia and Persian Gulf, yet it is a dependable alternative. An important factor in accessing the Central Asian energy is their landlocked status and India has no common border with any of these Central Asian countries. Therefore, transporting energy from Central Asian countries will depend on an efficient and excellent export pipeline infrastructure that will have to pass through third countries such as Afghanistan and Paksitan (Jhosi, 2012).

In this regard Afghanistan is a vital for India to connect with Central Asia to fulfil its energy demand. India expresses her keen interest in close cooperation with the largest Asian consumers and suppliers of hydrocarbon resources. In this course India has initiated a number of large scale projects aimed at promoting for the energy cooperation in the Asian continent in general and South Asia in Particular. India has signed two pipeline projects; one is Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline projects and Iran-Pakistan-India (IPI). Nevertheless, the complexity of the projects is political instability in Afghanistan remains unsettle both TAPI and IPI projects (Foster 2010 and Chandra 2015).

The IPI project is also an important projects for India is to access Iranian energy resources, the project perhaps produce a prospects of energy resources transportation from Central Asia via Iran and Pakistan. Energy demand in the present time has appeared as one of the important development objectives of any nation to speeding up economic growth. In the absence of energy resources countries cannot imagine the process of economic growth and development or sustain it for long term. The demand for energy security; many countries are now evolving the classy and suitable technology to connect both the renewable as well as non-renewable sources of energy. Therefore, to fulfil the demand of the energy the nations are exploring their own natural resources and by establishing bilateral and multilateral energy ties between their immediate and extended neighbourhood and also with so far off regions and continent (Chandra 2015). Therefore, the post-Soviet was provided the greater attentions to the international player to the vast Eurasian landmass. Apart from the

perceived rise of India and China as pivotal player of Asia. The huge natural resources of Eurasia including energy resources oil, natural gas and hydrocarbons attracted immense global attention to the Central Asia region (Jhosi, 2012).

By the mid-1990, the issue of ensuring the energy security had come to occupy the centre stage of international politics. In the past, it was largely the industrialized nations of the West that were the chief consumers of energy. Today, the scenario has changed, the developing countries are also equally interested to acquire the energy resources to accelerate their economy. The joint declaration on the New US-Russian Energy Dialogue, which was signed in May 2002 succinctly, put the issue of energy security in a contemporary perspective. It identified, effective development of the international economy depends on appropriate and consistent energy supply<sup>2</sup>.

Moreover, the five Central Asian Republics (CARs) are richly endowed with natural resources including the energy resources. Almost 4 percent of world's oil and 7 percent of natural gas estimated to be located in central Asia. There has been a virtual challenge to secure and control these vital resources. In Central Asia the search for new energy resources has got complicated with geopolitics that gives the Central Asia region a geostrategic importance in the international politics. All of the Central Asian countries are landlocked and Uzbekistan doubly so the issue of constructing pipeline infrastructure to access the energy resources soon acquired a competitive aspect among the major and regional powers. This competition is often referred to by analysts and observers as the new version of the 'Great Game' between the British and Tsarist empires. Presently, the issue of ensuring energy became one of the factors that brought a shift in international politics from Europe to Asia (Jhosi, 2012).

The CARs have plentiful natural resources and Kazakhstan and Turkmenistan are well endowed with oil and natural gas respectively, where Uzbekistan has a modest quantity of natural gas. Kyrgyzstan and Tajikistan have plenty of water resources, which they are trying to convert to hydro power (Jhosi, 2012). Tajikistan and Kyrgyzstan through poor in hydrocarbon resources have huge potential for the

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<sup>2</sup>Bush-Putin joint statement on New US-Russia Energy Dialogue 24 may 2002, issued by the International Information Programme of the US Department of State [www.geopolitica.eu](http://www.geopolitica.eu).

development of hydroelectricity. The region as a whole has a very high potential of conventional energy resources but only 10 percent of this potential has been utilized so far. Moreover, the current discourse of energy security, Central Asian Republics assumed a prominent place since their independence from the Soviet-Union. The central Asian region is a new network of energy supply for both the developed and developing countries. However, the competition among the major energy consuming economies of the world like the United State, China, India, Russia and European Union to compete for the Central Asian energy resources with a view to achieve their respective national energy security (Chandra 2015).

On the background of rising demand for energy by the global community, India is also a leading member to ensure its energy security for growth. Indian demand for energy has grown phenomenally over the period of time. India's rising international profile rapid growth of the economy, industrialization and the rising expectation of its population have all combined to make ensuring energy security a top priority in Indian foreign and security policies. Though, domestic production of energy is increasing, but it is unable to keep pace with the growing demand. Consequently, India is dependent on imports of energy from the Middle East and Persian Gulf. It is imperative for India to diversify its source of energy. Although, the energy reserve of Central Asia cannot be compared with the West Asia and Persian Gulf. A significant factor in accessing the Central Asian energy is their landlocked status and India has no common border with any of the Central Asian countries. Hence, transporting energy from Central Asian countries will depend on an efficient and excellent export pipeline infrastructure that will have to pass through third countries such as Afghanistan and Pakistan (Jhosi2012).

Afghanistan is a significant state for India in the context to connect with Central Asia to fulfil its energy demand. India expresses her keen interest in close cooperation with the largest Asian consumers and suppliers of hydrocarbon resources. In this direction India has initiated a number of large scale projects aimed at promoting for the energy cooperation in the Asian continent in general and South Asia in Particular. India has signed two big pipeline projects TAPI and IPI pipeline. However, the complexity of the projects is long term Afghan crisis remains unsettle both TAPI and IPI projects.

## **5.2. India's Changing Dynamic of Energy Demand**

Since 1990, India has been registered a rapid rise in its energy consumption, triggered by the pace of economic growth. The salience of India's economic development has arisen in the context of globalization and liberalization pressures generated by the post-cold war world order (Muni and Pant 2005). The Indian economy has been rising speedily on the average of seven to 8 percent annually. It is predicted that the current rates of development are maintained, in 10-15 years India will move from the fourth place on volume of gross national product (GNP) to the third place in the world. Fast rate of country economic development along with its enormous demographic potential has provided the basis for its recognition as new 'stakeholder' in the post-cold war international politics (Chandra 2015).

The growing pace of the Indian economy has not only led to a rise in energy consumption but also a shift of the structure of energy import from the foreign countries. India is the fifth leading global importer of oil. India imports more than 2.2 million barrels per day or about 70 percent of its total consumption. Besides, India's maximum crude oil imports from Saudi Arabia 18 percent, Iran (11 percent), and West Asian (34 percent) as well as Africa (22percent) (Ministry of Natural gas and Petroleum 2015). However, the volatile geographical location and current political tension in the Central Asia has provided less chance for India to import oil or natural gas from this region. In the years 2013-14 India became worlds the fourth largest consumer as well as importer of crude oil and petroleum products after United States, China, and Japan.

Moreover, in the natural gas, it primarily serves as alternative of coal for electricity production and LPG as well as petroleum products. According to the Environment Impact Assessment (EIA) of the year 2014, India started import of LNG from West Asian Country of Qatar in 2004, before that it was self-sufficient in natural gas. Since it has not been able to create a conducive natural gas infrastructure or produce sufficient natural gas according to the domestic demand, it remains dependent on imported LNG. In 2013-14, India remains the world fourth largest importer of LNG, after Japan, South Korea and China. Further, it consumed almost 6 percent of the global market. in the year 2010, India consumed 203 tcf of natural gas which was more than 750 billion cubic feet (bcf) of what was consumed in 2008 (Chandra



2015). But the natural gas consumption fell by 12.2 percent to 51.4 bcm in 2014 from 58.8 bcm in the previous year. However, due to supply disruption starting in 2011 there has been a decline in consumption, and hence in 2014, India consumed 2.3 tcf of natural gas. Yet the demand for natural gas is expected to grow largely due to increasing demand from the power sector, which in 2014 constituted 36 percent of the total natural gas demand. Moreover, India is highly dependent on the Central Asia region to acquire maximum energy to fulfil the domestic demand (Ministry of Natural Gas and Petroleum 2015).

### **5.3. Central Asia Energy Resources and Country Profile**

The Energy Resources of Central Asia were developed and controlled by the former Soviet Union for many decades in the past soon after the Soviet disintegration. Since 1990, Central Asia has emerged as new energy hubs for the world. Almost 4 percent of the oil and 7 percent of the world natural resources are centred in the Central Asia. All the five nations such as Kazakhstan, Turkmenistan, Uzbekistan, Tajikistan and Kyrgyzstan have full of different natural resources. The region has perhaps deposits of 170.5 billion barrels of oil and 15.3 trillion cubic meters of natural gas (Mahalingam 2004).

All five nations have a pyramidal political structure with power concentrated at the top. There are degrees which set Kyrgyzstan and Kazakhstan slightly apart from the remaining CARs. These republics are also in different stages of economic liberalization with Kyrgyzstan at one end of the scale and Uzbekistan and Turkmenistan at the other. The three CARs nations Kazakhstan, Turkmenistan and Uzbekistan are having exportable oil and natural gas and two Tajikistan and Kyrgyzstan do not have exportable oil and gas reserves.

#### **5.3.1. Kazakhstan**

Kazakhstan has the largest discovered oil and gas fields. The three major fields are Tengiz, Karachaganak and the giant Kashagan has been producing the most of the oil and gas in the state. From the India's standpoint, the location of the fields is not very auspicious situated as they are, in and around the Northern shores of the landlocked Caspian Sea. Initially, Kazakhstan featured rather prominently in the US energy diversification matrix and not it is surprising that US oil companies have been lead

investors in the consortia developing oil and gas field in this country (Rumer 2000). While the Kazakh economy is fairly diversified now, oil revenues contribute to a quarter of the national budget and half of the export revenues, indicating a significant degree of dependence of the Kazakh economy on the oil and gas trade (Mahalingam 2004).

Kazakhstan estimated its total petroleum and other fluid production as 1.70 million barrels per day in 2014. The important to its continued growth in liquids production from this level will be the development of its massive Tengiz, Karachaganak and Kashagan fields (US Energy Information Administration 2014). The discovery of the Kashagan offshore oil fields in 2002 often referred to as the elephant as it is considered reserves of 7 to 13 billion barrels of crude oil<sup>3</sup>, which is the largest oil reserve in Kazakhstan. Kazakhstan's present oil production dominated by two giant onshore, such as the Tengiz and Karachaganak. It produces about half of the Kazakhstan's total petroleum liquids output. The offshore Kashagan field in Kazakhstan part of the Caspian Sea will also play a major role in Kazakhstan liquids production (Mahalingam 2004).

The Karachaganak gas field is estimated to contain vast quantities of natural gas, its contain 85 trillion cubic feet in the year 2014. The most of Kazakhstan gas reserves are in crude or condensate rich fields. The two major petroleum liquids fields Karachaganak and Tengiz are also the two largest natural gas fields of Kazakhstan<sup>4</sup>. In 2013, the Karachaganak and Tengiz natural gas fields jointly accounted for more than 90 percent of Kazakhstan's raw natural gas production. The Tengiz project includes a gas processing plant, which according to Chevron produced 251 billion cubic feet (Bcf) of dry marketed natural gas in 2013 that was sold to local consumers and export to outside<sup>5</sup>.

### **5.3.2. Turkmenistan**

Turkmenistan has huge gas resource in Central Asia. The country has the sixth largest depository of natural gas of the world which accounting of 265 trillion cubic feet

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<sup>3</sup>Innovation & Technology: Kashagan, accessed December 15, 2014.

<sup>4</sup>Oil & Gas Journal, "Worldwide look at reserves and production," January 1, 2014.

<sup>5</sup>Oil & Gas Journal, "Worldwide look at reserves and production," January 1, 2014.

(Tcf) natural gas. In September 2014, Turkmenistan declared the beginning of commercialization Galkynysh, which produce more than 1 Tcf/ in the phase first (US Energy Information Administration 2015)<sup>6</sup>. Turkmenistan has several of the world's largest natural gas fields, including 10 with over 3.5 Tcf of reserves which primarily situated at Amu Darya basin, the Murgab Basin in the south, and the South Caspian basin in the western part of the country. Turkmenistan is also developing chemical industry, and country hopes to export products like ammonia and synthetic gasoline. Russia was formerly the country's main market for gas exports, but with falling exports to Russia, China became the major importer of Turkmenistan's gas in 2011, the imports through the recently built Central Asia China Gas Pipeline has increased. Turkmenistan needs to build new infrastructures for the transport of its products and passage of gas. It became an important natural gas importer amongst the Caspian and Central Asian countries. Turkmenistan exported 1.5 Tcf through pipeline in 2014<sup>7</sup> out of which more than half of it exported to China, Russia and Iran. Turkmenistan has signed many contracts with China related to natural gas, and the most recently in September 2013, and will supply 2.3 trillion cubic feet (Tcf) of natural gas to China by 2020 by network of parallel gas pipelines running through Central Asia (US Energy Information Administration 2015).

Turkmenistan has an oil reserve of 600 million barrels and its oil production in 2014 was 238,000 barrels per day (b/d), which is approximately same to 2013, which averaged 229,000 b/d. It is one among the five Caspian Sea littoral countries, an area of large deposits of oil and natural gas. These countries have had frequent disputes on the issues of fixing the maritime borders and in the division of the region's wealth of energy supplies. Because of the conflict, it is unlikely that development will take place until an agreement is reached. The Seidi and Turkmenbasin are two oil refineries of Turkmenistan with a capacity of almost 237,000 b/d crude oil distillation. According to IHS Energy, generally the refineries operated at around 50 percent of its capacity with the foreign oil companies exporting their share of crude oil (US Energy Information Administration 2015)

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<sup>6</sup>US Energy Information Administration, July 2015.

<sup>7</sup>Oil & Gas Journal, "Worldwide look at reserves and production," January 1, 2014.

### 5.3.3. Uzbekistan

Uzbekistan has a modest energy wealth which amounted 594 million barrels of 'crude oil' reserve in 2015. In 2014, total petroleum and other liquids production was 67,000 barrels per day (b/d). The Bukhara Khiva region of Uzbekistan identified as the field where roughly 60% oil and natural gas deposits are located. It is the source of approximately 70% of the country's oil production. Three oil refineries are located in Ferghana, Alty Arik, and Bukhara, with the capacity of 224,000 b/d crude oil distillation. Due to insufficient production of domestic oil, these refineries operated with below capacity. It was the third largest natural gas producer in Eurasia, after Russia and Turkmenistan, in 2014, with the production of 2 Tcf of natural gas and consumed 1.7 Tcf of it. Further, it had 65 trillion cubic feet (Tcf) of proven 'natural gas' reserves as of January 2015. According to the National Oceanic and Atmospheric Administration, Uzbekistan flared 60 billion cubic feet (Bcf) of natural gas in 2011 and ranks among the world's top 20 gas flaring countries, although it declines since 2006. Uzbekistan holds a sizeable hydrocarbon reserves of mostly natural gas with a highly energy intensive economy. However, in recently, due to lack of pipelines for the export higher volumes of hydrocarbons and aging energy infrastructure production, distribution, and exports has declines (US Energy Information Administration 2015).

Besides, Kyrgyzstan and Tajikistan are well endowed with perennial rivers Syr Darya and Amu Darya. Attempts to harness the hydro potential of these countries have already been launched. In Kambrata of Kyrgystan, one and two Hydro power projects (HPP) have the capacity to generate 2.2 billion kwh of electricity, which is sufficient to meet Kyrgyzstan domestic demands as well as to exports to neighbours countries via high transmission lines. In Tajikistan, the Rogun Hydro Power projects on the river Vakhsh is one of the biggest such projects. Rogun is expected to generate 3600 kilowatts per hour (kwh) of electricity, but it has run into controversy with neighbouring Uzbekistan opposing Rogun on Vakhsh (Jhosi, 2012). Central Asia energy resources perhaps could play an important role for the Asian continent and in the context of South Asia the energy resources of Central Asia is more significant for the countries like India, Pakistan and Afghanistan to accelerate their respective economy.

#### **5.4. The ‘New Great Game’ in Central Asia a Response of India**

The original “Great game” was a term coined by the Rudyard Kipling to describe 19<sup>th</sup> century Anglo-Russian rivalry for hegemony in Central Asia. The ‘New Great Game’ is a term used to describe the attempts by the various powers to gain controls the region’s considerable energy resources. The New Great Game is being played out in the larger playground of the Caspian and its extended neighbourhood of which Central Asia is an integral part (Mahalingam,2004).According to Mackinder geopolitical theory, Central Asia is the heartland of the global politics. It has been the chessboard of imperial rivalry which existed between British and Soviet Union empires due to their imperialist policies. So there was a kind of competition or rivalry between the British and Russia for influence over Central Asia due to strategic location of this region. The relevance of this imperial rivalry was ascribed by Mackinder’s geopolitical investigation and named it as heartland. However, the global players wanted to be an influential power in terms of political and dominance with economic fulfilment had to turn towards Mackinder conceptions of Heartland (Fatima and Zafar 2014).

After the breakdown of the Soviet Union in the early 1990s, the power vacuum emerged in the region, therefore to fulfil the vacuum the regional and international player had engaged in the region in the different level (Akbar, 2012). These new republics emerged as the modern core of the pivot area of Mackinder’s theory and are therefore pivotal in any geostrategic analysis concerning the heartland. Historically, Russia dominated the heartland as the regional hegemony (Scott and Alcenat, 2008). However, that influence is being challenged by the United States, European Union, China and regional players like India, Pakistan and Iran (Dar and Firdous 2014).

##### **5.4.1.The New Great Game**

The resurgence of Great Game took place with diversified objectives, strategic players and interest after a hundred years of period with the centrality of the energy reserves of the Central Asia as well as Caspian Basin (Fatima and Zafar 2014). It is a geopolitical game for international communities to absorb on the energy resources of the Central Asian and Caspian region (Foster 2008 and Abilov 2012). The region is full of natural resources, hence, the region converted into threat from the global players. However, the competitive nature of the international communities in the

region has developed the terms the 'New Great Game' (Fatima and Zafar 2014 and Khan 2006).

Central Asia is the geopolitically competitive region in the globe, which has been influenced by the international and regional stakeholders. It is struggle for political dominance, ascendancy, security and energy. "The payoff of the New Great Game are more obvious and plentiful, economic profit, security of energy, supplies national economic growth; reinforcing state independence an Islamic cultural revival, enhanced politico-military position as well as other minor benefit" (Dar and Firdous 2014). Central Asia has been the battle ground for the security of all Eurasia. Geographically, Russia engaged in difficult geopolitical place and involved in geo-economic rivalry in touching 'Great Space'. Moreover, natural oil becomes important for sustaining economy and stable economic growth. Central Asia has huge natural resources to drive the international player to engage with the region. The exploring of Eurasian oil and Caspian petroleum is a multi-dimensional security geo-political and economic agenda of stakeholder in the region (Edwards 2003). Hence, US oil firms dominate in the region and controls 75percent of new oil fields with an investment of 30 billion US dollar, representing the 30-40 percent of foreign investments in Kazakhstan and Turkmenistan. Energy companies from various regions like the UK, France, Turkey, Iran and Japan are also present in the Central Asian region (US Energy Information Administration 2015). On the other hand Central Asian countries are also getting benefit from the competition of the International players through the development of infrastructure and integrate their economy with the globe.

The proven as well as unexplored energy reserves of Central Asia and the 9/11 scenario has been increased the relevance of Central Asia region in the world power struggle. All the Central Asian countries have huge of different natural resources, Kazakhstan, Turkmenistan and Uzbekistan are having exportable oil and natural gas and Kyrgyzstan and Tajikistan have rich in water resource for hydro power. Kazakhstan natural resources consisted with oil, gas uranium, zinc, tungsten. It has petroleum reserve of 30 billion barrels, top in the region after Azerbaijan which has a reservoir of 7 billion barrels. Turkmenistan has the 4<sup>th</sup> largest gas reserves with 7.5 trillion cubic meters, while the reservoirs of Kazakhstan and Uzbekistan closeto 2.41 trillion and 1.84 trillion cubic meters respectively (US Energy

Information Administration 2015). Thus the Caspian region holds 46 percent of world gas resources. Kyrgyzstan has richness of water and the energy potential estimated up to 163 billion kilowatt hours per year from its mountain rivers. Tajikistan is also rich in water resources about 65 percent of the total estimate of Central Asia (Dar and Firdous 2014). The years 2010 the oil reserve of Kazakhstan are 39.8 which makes 3.0percent of the total reserve of oil, while Turkmenistan is having 74.2 thousands billion barrels which constitutes 5.6 percent of the total world share (BP Review2014). Kazakhstan having 1.82 trillion meters of gas which forms 1.0 percent of the total gas reserves and Turkmenistan 8.10 trillion of gas, which is about 4.3percent of the total world (BP Review).These untapped energy resources have dragged the global actors to seek their influence in the region.

The region has strategically located at the crossing of Asia, Europe, the Persian Gulf, and the West Asia. The region also enclosed by emerging economy countries in such as China, Iran and India, they are not only financing but also contending to develop their presence in the region for their respective benefit. The northern and eastern neighbour of the region could be perceived as the emerging power and may stance a threat to the super power like United State of America. The great power made Central Asia regions as a chessboard for beating one another through different level of their respective soft power or bargain with region (Jonson 2006). The reasons for contestation in Central Asia are due to the absence of any single power capable of holding Central Asia and keeping other powers at distance and revival of interest in geopolitics as a feasible framework for explaining and understanding the international affairs of Central Asia (Dar and Firdous 2014, and Kavalski 2010). The situation has changed, the USA took over the prominent role from the Britain on the idea of new world order, 'end of history and end of ideology'.

Since 9/11, the political strategic of Central Asian region has been in the drastic changed. The America led NATO forces have been working on the Central Asia region as well as Afghanistan to eliminate the extremist groups. Moreover, Tajikistan has increased following the attack on Afghanistan in 2001 by the NATO forces. Hence, the geopolitical importance of Tajikistan is significant for both international and regional powers, which are in competition with one another in the show of Great Game (Jonson 2006). The decline of USSR, the state had weakened to protect the

state from extremist and fundamentalist. The association of Turkey, Saudi Arabia and Iran could create pan Islamism groups to fight against the extremist group in the region (Khalid 2008 and Dar and Firdous 2014). Hence, in the context of political strategic, Central Asia is vital region for the international community's as well as the regional actors to make the presence for their respective benefit. In current scenario the power vacuum has emerged in the region with drawdown of NATO forces from the Central Asia and Afghanistan. Hence, the regional players perhaps would play an important role to develop stability in the region. Moreover, the major stakeholder has already developed their influence in the region.

#### **5.4.2. Interest of the Major Stakeholders in Central Asia**

The major stakeholders in Central Asia region are Russia, USA, China, Iran, Pakistan and India. Moreover, to clear the idea of Great Game extensively, it is essential to debate strategic interest of the international and regional communities. All these actors have their respective interest in the region. The main objective is to hold on the energy resources of the region.

##### **5.4.2.1. Russia**

Russia has been enjoying benefit in the region because of its location. The main goals of the Russia in central Asia post1990 has to stabilise the region and prevent it from the influence of outside power rather continue of her own power. It supports the authoritarian government in the region to maintain its own presence and finds it more useful in achieving that. Its main intention was interest to explore the natural resources of the Central Asia. Moreover, Russia is only state sharing border with all Central Asia countries therefore it is easy for her to access the region. The objective of Russia is to regulate energy transport route originating from the region. It is in a good position to regulate the pipeline routes to get maximum benefit to growth of her own economy and secure energy demand (Malashenko 2013, Fatima and Zafar 2014 and Gorodetsky 2003). Russia is not concerned the influence of USA and China but it is more concerned for the emergence of extremist group in the region.

The objective of Russia and other stakeholders in the region is not different; all the countries are interested on the economic and strategic goal in the region. But Russia is keen in exploration, development and transportation of the energy resources. Russia is



the prime member to export the Turkman gas and Kazakh oil in the region to strengthen their economic policy in world (Kurecic 2010). It exploits the resources of the region and securing the oil and gas at low prices and sale it at the higher prices in the international markets. The geographical location of Russia helps to take over the pipeline routes and export of oil and gas reserve to the global market (Duarte, 2012). Therefore, to control the pipeline projects, Russia has participate the ‘war against terror’ to eliminate extremism and terrorism from these states in order to achieve her interest from the Central Asia region (Fatima and Zafar2014 and Abilov 2012). To continue the supremacy in the region Russia has developed the military bases in the Kyrgyzstan and Tajikistan. The ultimate goal of Russia is to use the natural resources of the region for own economy prosperity and maintain a hegemony role in the region for long period of time.

#### **5.4.2.2. China**

The rise of China is an important player in Asia and growing economy in the world. China wants to develop peace with the regional members, including Russia and the Central Asia countries to maintain peaceful borders and control stability in the situation of Xinjiang province. The security dimension of Chinese interest is focused on the point to contain the nationalist element in Xinjiang (Fu 2010). China is world growing economy, the energy need is increasing rapidly day by day. Energy import is required for the Chinese economy for further development, in order to fulfil this energy needs China’s is interested to make her presence in the Central Asia region. Being largest economy, wanted to have control of the energy reserve of Central Asiato ensure future energy demands with explicit intensions to exploit the energy reserves. The increasing control of the Central Asian region provides opportunities for China to secure a geopolitical position in the region. China wants to established multilateral relations as well as develops the partnership on the sector of trade, energy and transportation (Fatima and Zafar 2014 and Fedorrenko 2013).

So far the New Great Game is concerned; the only objective of China is to secure the energy security to accelerate the economy, because it is the second largest consumer of petroleum and gas in the world. And Central Asia region can only fulfil the energy demand of China in the contemporary scenario. Moreover, Chinese National Petroleum Corporation signed agreement with Kazakhstan to fulfil the energy

demand. Kazakhstan is contain largest petroleum oil and natural gas reserve in the Central Asia region. Another objective of China is concentrated on the gas reserve. In order to achieve the goal, China is busy to construct the pipeline projects to access the gas reserve of the region. China-Turkmenistan bilateral gas pipeline project has started working since 2009, the projects is a key source of Chinese energy security (Fu2010 and Fatima and Zafar 2014).

#### **5.4.2.3. United States of America**

America is another major shareholder in the region, since 2001 the influence of US has been emerged in the Central Asian region. Like Russia, US also interested in the natural resources of the Central Asia region but due to lack of border connectivity US is not efficient to explore the natural resources that used by Russia. According to Jen Kun Fu (2010), “the objective of US is to promote democracy in Central Asia. US want to create a greater Central Asia including Afghanistan as the Centre of the concept and it also open prospects to the Central Asian states to integrate with world markets from outside the region”. All major stakeholders want to limit each other in the region to develop their respective presence.

The strategic of U.S to contain Central Asia is different than Russia and China. USA is developing relations with regional government. U.S is promoting the regional economic integration in order to develop linkage of oil and gas pipeline to enhance trade and economic activity to transport energy from Central Asia region to west. The objective of U.S to promote the regional economic integration to limit the influence of China and Russia. According to Starr (2005), “it is important that regional government of Central Asia consider the developmental projects of U.S as beneficial prospects rather remarking those projects as threat”. Apart from economic involvement, U.S is also interested on the geopolitical objectives in the region. However, U.S is interested in the three countries of Central Asia, which are Kazakhstan, Kyrgyzstan and Tajikistan. All three countries important because they are shared the border with China. These countries are strategically important for its location and energy resources and USA wants to eliminate the influence of China from these countries (Kurecic 2010 and Fatima and Zafar 2014).

#### 5.4.2.4. Iran

Iran share borders with the Central Asia region. Iran is more concerned about the stability and peace in the region. Security is primary objective of Iranian foreign policy. Iran is also interested to access the Central Asian market and use the oil and gas resources of the region and wanted to regulate the oil pipeline project which transport the energy to the international markets. The pipeline is strategic, which is transporting the petroleum oil and natural gas through the Caspian Sea to Iranian ports of Bandar Abbas and Bandar Khomeini into the international markets. However, to achieve success in the region, Iran need to focus to strategic hold or its influence in Turkmenistan and Kazakhstan (Kurecic 2010).

On the other hand the homogeneous ethnic and common border between Iran and Tajikistan has provided the opportunities to develop the economy relations with in the sub- region. Tajikistan follow Iranian culture and Islamic movement in Iran provides the common space to close relations with the central Asia region (Dhaka, 2005). The economic relations between Iran and Central Asia are restricted, Iranian economy is facing many challenges after revolution of 1979. The war with Iraq in 1980<sup>8</sup> becomes major setback for Iranian economy. After the period of time, Iran has been emerging in the region in terms of economy and producing the energy resources for the regional members. Moreover, Iran is also trying to begin economic bloc with India and Afghanistan to promote trade with Central Asian states (Dhaka 2005, Balooch2009 and Fatima and Zafar 2014). The gas pipeline of Iran and Turkmenistan is significant for Iran to make her presence in the region. Through, this pipeline is exporting the Turkmenistan gas to European market via Iran. Iran is also signed agreement with the Kazakhstan for oil pipeline, which would transport 2 billion barrels of oil from Kazakhstan to Iran crossing Caspian Sea (Fatima and Zafar 2010).

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<sup>8</sup>It was long military dispute between Iran and Iraq during the 1980s, which started on Sept. 22, 1980, when Iraqi military attacked on western Iran where both shares border, though Iraq claimed that the war had begun earlier that month, on September 4, when Iran shelled a number of border posts. Fighting was ended by a 1988 cease-fire, though the resumption of normal diplomatic relations and the withdrawal of troops did not take place until the signing of a formal peace agreement on Aug. 16, 1990. The roots of the war lay in a number of territorial and political disputes between Iraq and Iran. Iraq wanted to seize control of the rich oil-producing Iranian border region of Khuzestan territory inhabited largely by ethnic Arabs over which Iraq sought to extend some form of suzerainty.

#### **5.4.2.5. Pakistan**

The geographical location of Pakistan is significant in the context South Asia, it connect the South Asia countries with Central Asia regions. The prime objective of Pakistan is to limit the Indian involvement in the Central Asia region and in Afghanistan. Pakistan is using Karachi port and newly developed Gwadar port to access into Central Asian region. Pakistan with alliance of China has developed the trade and transit corridor to link with the Gwadar port to access into Central Asian market. In terms of energy security Pakistan is a member of the TAPI and IPI pipeline project. Pakistan has a great interest on the oil and natural resources of Central Asia, however as a member of TAPI project, Pakistan was reluctant to link the pipeline up to India in the initial phase of the project (Khalid 2011).

#### **5.4.2.6. Response of India to the New Great Game in Central Asia**

India since long period of time in interested in the Central Asia region for its geostrategic location. The collapsed of bipolar world has provided the better atmosphere for India's foreign policy to look forward with Central Asia region. Consequently for the better part of the 1990 the Indian foreign policy elites seemed uncertain how position their country's external relations. It is not only for India to faced difficulty to made her position on Central Asia but also other neighbour countries had also faced the same problem. But India's has unique interest to limit the Pakistani influence in the region, because Pakistan has a vested interest in pursuing a quest for strategic depth in the region.

Moreover, India's engagement with Central Asia is guided by the ancient tradition of the silk route which is also known for cultural route."From the ancient time India has been maintain the friendly relations with Central Asia having emphasis on democratic and secular values. Therefore, India's strategic motive is to work for the rise and for the consolidation of democratic development in the region. The religious fanaticism is a bigger challenge for India for its internal as well as regional stability. On the other hand, Pakistan have a strong influence in Central Asia because of their geographical proximity, which has allowed Pakistan to have a strong hold in the region but the objective of India is to limit Pakistan presence in Central Asia. India is concerned about the spill over of the extremist group in the region and if Pakistan would have made strong hold in Central Asia than it would be difficult for India to fight against

terrorism and maintain the stability in the region (Kavalski 2010 and Dar and Firdous 2014).

India's foreign policy objective is maintained the peace and stability, for that India has developed other alternative mechanism to engage with the Central Asian region. India's has full membership status in Shanghai Cooperation Organisation (SCO) in June 2017. The regional institution would have better option for India to make her presence in the region. Russian support for India to become the full member of SCO reflects a strong alliance between both countries. Russia has been success to shift the burdens in Central Asia to friendly India and balance with China's aspirations in the region.

The foreign policy of India toward Central Asia is based on the 'Soft Power' approach, which is gaining its presence in the region with the high level talk<sup>9</sup>. Similarly India has engaged in the various developmental projects to connect with the region. In September 2002, the North-South international Transportation Corridor Settlement which was signed among India, Iran and Russia; to accelerate trade of goods between these countries. The agreement succeeded in reducing the time and costs of e transit of goods, subsequently it increases India's trade with Iran and other Central Asian countries to a significant level (Pant 2008 and Dar and Firdous 2014).

Like other regional stakeholder, India is also interested in the energy resources of Central Asia. India is the second largest economic in Asia after China, hence India needs energy for further economic growth. Moreover, India has become the member of TAPI pipeline project and also the IPI pipeline project. This two pipeline projects would have fulfilled the energy demand of India because India in terms of production of oil and gas is low. India is net importer of oil and gas from the most volatile region of the world like Middle East and Persian Gulf. The growing energy demand has forced to explore new region and Central Asia is the best option for India to engage with to achieve her demand (Chandra 2015).

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<sup>9</sup>President NursultanNazerbayev of Kazakhstan was the guest of honor at the republic day of 2009. Similarly India's former president PratibhaPatil visit as guest of honor at Tajikistan national day. She also attended as Indian-Tajik Business Forum. And recent visit of India Prime minister NarendraModi to Central Asia countries shows the Soft power policy.

### **5.5. Role of Afghanistan on India-Central Asia Energy Cooperation**

In 1990, the issue of energy security had acquired serious dimensions among the nations of the world. Energy has become a key issue in the foreign policy of the states. However, to secure and control the energy resources, all the major power in the world has started competition in the Central Asia region to fulfil their energy demand. The geopolitics had become an important factor to shape edge in the competition. India was a late entered on the energy cooperation with region, although the Oil and Natural Gas Corporation (ONGC) had set up an office in Almightly in the year 1990 (Joshi, 2012). But over the period of time the policy of India has changed, as the second growing economy in Asia, India has been willing to take on political and financial risks inherent in overseas investment. The rapid economic growth, knowledge based industries and overall industrialization and rising expectation of the population combined to push India to import energy from Central Asia region. Moreover, India's has been improving its ties with the oil producing countries of Central Asia to fulfil its energy demand. Indian oil and gas corporations are promoting to invest and form healthy relations with the central Asian countries. India is also entered into agreement energy cooperation with several countries of Central Asia and other countries including 'strategic energy partnership with Saudi Arabia (Chandra 2015).

The energy demand of India is increasing rapidly day by day. India demand of oil is expected to increase from 122 million tons in 2001-02 to 364 million tons in 2024-25. Domestic production would be increased but would not able to keep pace with demand. It is predicted that oil sufficiency would be mere 15 percent. Similarly, India's requirement of natural gas would increase and expected to rise from 49 bcm in 2006-07 to 125 bcm in 2024-25 (Ahmed, 2007). However, to fulfil the energy demand India is highly depended on the volatility and uncertainty region the West Asia and the Persian Gulf, hence the demand is growing rapidly and India's needs to explore other region like Central Asia for her energy requirement.

Another dimension was the rise of the non-traditional threat and challenges to nation's security. This phenomenon raised the apprehension that forces of extremism and terrorism could interdict with energy supplies (Joshi, 2012). Hence, to search and

acquire the energy resources are urgent for the further economy development. Moreover, in the words of former Prime Minister Manmohan Singh,

“The quest for energy security is second only in India’s scheme of food security, the quest for energy security had become an important element of Indian diplomacy and shaping India’s relations with a range of countries across the globe” (Pardesi and Ganguly 2009).

The Indian Oil Corporation and Gas Authority of India Limited (GAIL) have been permitted to acquire stakes. After the Prime Minister Manmohan Singh’s paid an official visit to Kazakhstan in 2011, India assimilated a 25 percent share in Satpayev an offshore oil block in the north of the Kazakh sector of the Caspian Sea (Joshi 2012). Moreover, the visit of Prime Minister Narendra Modi in 2016 to Central Asia has developed a new chapter in the energy cooperation.

As India is highly dependence on oil imports from the outside region like West Asia and Persian Gulf. Because it is the two volatile regions in the world, India has shifted her interest to the Central Asia region. But now the question is, how does India access Central Asian energy? During the period of Soviet Union, there were two pipeline one for oil and second for natural gas. The two pipelines were connected with Moscow carrying Kazakh oil and Turkmen gas. After the disintegration of the Soviet Union the geographical location was changed. And in the contemporary situation Central Asia is landlocked region, which India do not have a direct connectivity with region. However, India is depended on Afghanistan to access the Central Asian market as well as import oil and natural gas from the region. Moreover, to following this option India is interested on the biggest pipeline projects called as TAPI pipeline projects. India has another alternative project IPI pipeline to fulfil the energy demand and CASA-1000 is electricity projects between Central Asia and South Asia (Jhosi 2012 and CASA REA 2014).

### **5.5.1. TAPI pipeline and Geopolitics of Afghanistan**

The Turkmenistan–Afghanistan–Pakistan–India Natural Gas Pipeline (TAPI) Project which is funded by the Asian Development Bank (ADB) to aim to export up to 33 billion cubic meters of natural gas per year via this proposed pipeline. This TAPI Project cost is estimated approximate \$7.6 billion in 2008 (Asian Development Bank

2012)<sup>10</sup>. India joined this project in 2008 support of United States help to materialize the project in the real field. TAPI would join Daulatabad gas field in Turkmenistan to the Afghan cities of Herat, Helmand and Kandhar via Quetta and Multan to the Indian city Fazilka. Afghanistan as the bridge between Central Asia and South Asia will enjoy maximum benefits of this pipeline project, which will become largest developmental project in Afghanistan. The TAPI pipeline projects have been promoted the regional integration between Central Asia and South Asia region. This pipeline is an instrument to open their respective market for the trade in goods and commodities. Hence, Afghanistan is playing a significant role in the process of regional integration between two regions (Foster 2008).

TAPI offers an opportunity for regional cooperation by linking the economies of these four countries to each other, which would also help in bilateral trade. TAPI's aims are:

- (i) Energy security through balanced development of regional infrastructure and institutions,
- (ii) Stronger integration of markets, and
- (iii) Economic growth through enhanced energy trading.
- (iv) TAPI is a high-priority flagship project in the energy sector under CAREC 2020. The South Asia Regional Cooperation Strategy and Programs, 2011–2015 also makes the energy sector a priority for India (Asian Development Bank 2012).
- (v) The huge gas reserves of Turkmenistan is the sixth largest in the world, it only has access to the Russian, Iranian, and Chinese markets. Neighbouring gas-scarce countries like Afghanistan, Pakistan, and India could be the huge potential markets. Hence, TAPI is equally helpful long-term solution for the four countries that would open up new markets on one side and another side the landlocked Turkmenistan would be able to diversify its gas exports to the East, where there is already a great and growing demand for energy security. Afghanistan, Pakistan, and India will gain a steady supply

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<sup>10</sup>Turkmenistan–Afghanistan–Pakistan–India Natural Gas Pipeline Project, Phase 3 (Financed by the Regional Cooperation and Integration Fund), Project Number: 44463-013 Research and Development Technical Assistance (RDTA) May 2012.



of affordable gas to power their growing economies (Asian Development Bank 2012).

**Map 5.1 TAPI and IPI pipeline**



Source: [www.heritage.org](http://www.heritage.org) accessed on 20 April 2017

#### **5.5.1.1. Recent Development on the TAPI Projects**

The Gas pipeline project would be Afghanistan's largest development project if started successfully. Interim National Development Strategy for Afghanistan in 2010 estimated US\$160 million per year transit revenue similar to half of the Afghan government domestic revenue and it is important to sustain development efforts of the country. The revenue collected from construction jobs and transit fees helps in providing salary of teachers and infrastructure development. Afghanistan's Ministry of Mines and Petroleum (MoMP) estimates that TAPI would considerably contribute to Afghanistan's GDP, and provides at least 25,000 jobs to Afghans. It will help in controlling the growing unemployment and youth migration to Europe. It will also provide key allies to Afghanistan, who will work for its security and political stability, as a large portion of the pipeline runs through Afghanistan (Amin, 2016).

There are regional benefits from the pipeline project, the energy requirement of Pakistan and India and other countries need peaceful environment for its distribution. As the Turkmen President said “The pipeline between Turkmenistan, Afghanistan, Pakistan and India will be a weighty contribution to the positive cooperation of this continent”<sup>11</sup>. After India joined in this project in 2008, both Pakistan and India have keen interest in the energy resources of Central Asia. The TAPI pipeline project is an instrument for both Central Asia and South Asia to integrate their economy to each other.

Apart from development of Afghanistan and regional integration of both the regions, it is important to look after the development, which is going on in the areas the TAPI pipeline passing through. So far the expenditure is concerned, recently ADB presented an updates and it is noted that the estimated capital cost has doubled to 7.6 billion US dollar<sup>12</sup>. The cost increase has attributed to sharp increase in the price of steel, Increase in construction cost and increase in the cost of compressor station<sup>13</sup>. In Afghanistan more than 1000 industrial units has planned near the pipeline route and would need gas for their operation. Around 300 industrial units near the pipeline route had already established.<sup>14</sup>

#### **5.5.1.2. TAPI and Afghanistan's National Development**

Afghanistan is playing a central role to connect the landlocked energy rich Central Asia to energy deficient South Asia region through the TAPI pipeline project. The TAPI will Enriched regional cooperation by providing opportunities to connect land locked energy rich Central as well as it is also prospects for Afghanistan to integrated their economy with the regions. Moreover, the expanded trade Afghanistan would be able to meet part of its energy demand. As a transit country, Afghanistan will realize increased revenue and enhanced economic activities, enabling it to better meet its main development challenges (Foster 2010). Hence, to be a part of TAPI Afghanistan

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<sup>11</sup>India to produce gas in Turkmenistan, Kazakh News Agency, & April 2008, <http://www.inform.kz/showarticle>.

<sup>12</sup> Delay in TAPI projects doubled its cost: ADB, Daily Times Lahore, Pakistan, 24 Aril 2008, <http://www.dailytimes.com.pk/default.asp>.

<sup>13</sup> India facilitated to join TAPI:GSFA signed , Business Recorder Islamabad, Pakistan, 25 April 2008. <http://www.brecoder.com/index.php>.

<sup>14</sup>Delay in TAPI projects doubled its cost: ADB, Daily Times Lahore, Pakistan, 24 Aril 2008, <http://www.dailytimes.com.pk/default.asp>

is in the right side to boost her economy as well as promote the living standard of Afghans.

### **5.5.1.3.TAPI and Security Concerns**

The TAPI pipeline route which is passing through Afghanistan territory was under the influenced of the Taliban. But in the year 2010 Afghan government ensured the other stakeholder to clear all the land mines and Taliban influenced from the areas the pipeline passing through. To secure the TAPI pipeline the NATO troops has been playing a significant role to stop the Taliban attack on the land the pipeline passing through. The international oil companies are unlikely to make investments with in a war zone. Because the prospects of building the pipeline under armed guard and then defending it for decades is difficult in terms of both man power and cost (Foster 2010). According to Foster (2010) in January 2009 Jaap de Hoop Scheffer, then NATO Secretary General said “Protecting pipeline is first and foremost a national responsibility. NATO is not in the business of protecting the pipelines but when there is crisis and certain nation asks for assistance NATO could be instrumental in protecting pipeline on land”.

The location of Afghanistan is crucial to make success the projects. In the Indian perspective, it would be perhaps the great achievement, if the projects will complete without delay and challenges, it would fulfil the energy demand of India. In the meantime, Iran separately offered an alternative route to supply of Iranian gas pipeline to India via Afghanistan and Pakistan. The project is called IPI pipeline.

### **5.5.2. Iran-Pakistan-India Pipeline**

Iran has the vast reserves of oil and considered the second largest of world in terms of natural gas reserves, in 2007, which amounted to 27.8 tcm or 15.7 percent of world. A most encouraging story of Iran’s gas deposits is that around 62 percent are located in non-associated gas fields and have not been established, meaning that the country has great potential for future gas development. Iran’s greatest concentration of resources lies in the South Pars gas field<sup>15</sup>.

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<sup>15</sup>The Iran-Pakistan-India Pipeline Project: cross-Border gas pipeline Challenges, A study peppered for the International gas Union’s gas market integration task force.

Iranian gas field in the South Pars was exposed in 1990 that has augmented the gas reserves of Iran. The discovery of South Pars gas field allows Iran to export its gas to the other countries in the region. Therefore Iran proposed IPI pipeline, this is also called as peace pipeline. The agreement for the construction of pipeline was concluded in the 1995 in which Iran and Pakistan decided to construct a pipeline linking Karachi to the South Pars gas field<sup>16</sup>. India is late entered in the project. Extension of the project upto India benefit Pakistan with the transit fee (Fatima and Zafar 2010). The pipeline has estimated capital cost of US\$ 7.5 billion, it is similar to the cost of TAPI project and as seen as potential rival to TAPI. The IPI pipeline would move Iranian natural gas to neighbouring Pakistan and India to avoid strife torn Afghanistan (Foster 2010).

The IPI pipeline would be 2,670km long with about 1,115 km in Iran, 705 km in Pakistan and 850 km in India. Through the pipeline Pakistan will get 60 million cubic meter gas per day and India will get 90 million cubic meters per day. Moreover, China is more interested in this project (Munir, Ahsan and Zulfiqar 2013 and Fatima and Zafar 2010, Forter 2010). The project would be constructed by the three countries individually, rather than in a single co-operative venture like the TAPI partners proposed<sup>17</sup>. Although Russia Gazprom expressed willingness to help in building the IPI line<sup>18</sup>, Pakistan invites bids by oil and gas companies to build the section in its territory and BP publicly expressed their interest.<sup>19</sup>

#### **5.5.2.1. Transit Route of IPI Pipeline**

The first phase of the projects will have a design capacity to carry 2.1 bcf/day (60 mmc/day) from the gas delivery point at Iran-Pakistan border, planned to be commissioned in 2012. The volumes are to be shared equally by Pakistan and India. Under the auspices of the Iranian domestic energy policy, the first section of the pipe in the Iranian sector is to be executed as IGAT-8 projects, which is essentially

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<sup>16</sup>During the visit of Pakistan's Prime Minister to Iran in 2003, the project was revisited and a bilateral Joint Working Group (JWG) was formed to realise the project.

<sup>17</sup> "IPI Gas Pipeline to be build parts", Pak tribune, Pakistan 7 March 2007, <http://www.paktribune.com/news/index>

<sup>18</sup> "Gaprom confirms interest in Iran-Pakistan-India gas pipeline" Reuters London,U.K, 5 May 2007, <http://uk.reuter.com/articleprint>.

<sup>19</sup> "BP keen to lay IPI pipeline in Pakistan territory" Daily Times Lahore, Pakistan 20 January 2008, <http://www.dailytimes.com>.

planned to supply gas to the eastern province of Iran, supplying natural gas on the express orders of the Majlis. The second phase of the projects will increase the design capacity of the pipeline to 150 mcm/day by laying a second pipeline planned to be commission in 2017.<sup>20</sup>

Pakistan's share of the gas volumes would be some 60 mcm/day and India would receive 90 mcm/day. The pipeline in Iran is start in Assaluyeh, from where it will run up to Pakistan-Iran border and will have a length of 1,157 km<sup>21</sup>. In 2006 Iran started constructions of 902 km 56-inch diameter underground pipeline from Assaluyeh to Iranhahr<sup>22</sup>. Policy maker of Iran seem to have built extra capacity in this pipeline for that purpose. It seems that in first stage, the 56-inch diameter main transmission pipeline is already being built in the province of Seistan. Iranian planning and design takes into account future possible interconnection between this section of the pipe to Pakistan and India. The Pipeline has a capacity of 3.2 bcf/day and 40 percent. Pakistan has done extensive work to identify a suitable corridor to lay this pipeline over its territory and is currently working on a route which traverses the Balochistan province coastline and passes near the city of Nawab shah before reaching the Pakistan and India border (Munir, Ahsan and Zulfiqar 2013). The first section from the Iran-Pakistan border to Nawab Shah was 795 km long with a capacity of 2.1 bcf/day. In the second phase Pakistan has extended the 240 km to India border with having a design capacity of 1.05 bcf/day.<sup>23</sup>

#### **5.5.2.2. Security perspective and External Challenges**

Security remains the primary concern for an economic project that involves countries with tense political relations. The trade relations with politically stained countries create dependency on an 'enemy state' and makes it vulnerable to breakdown even at a marginal tension. Therefore it is important to discuss that the Western anxieties are not restricted to Iran and there is a common apprehension that the revenues generated by Pakistan can also be used to support terrorist activities, depending on who channels

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<sup>20</sup>The Iran-Pakistan-India pipeline Projects Cross-Border Gas pipeline Challenges: A case study prepared for the International Gas Union's Gas Market Integration task Force, [www.iapg.org](http://www.iapg.org).

<sup>21</sup>The Iran-Pakistan-India pipeline Projects Cross-Border Gas pipeline Challenges: A case study prepared for the International Gas Union's Gas Market Integration task Force, [www.iapg.org](http://www.iapg.org).

<sup>22</sup> *ibid*

<sup>23</sup> *ibid*

the funding. The involvement of Pakistan in the 9/11/2008 terrorist attacks in Mumbai, proved as a direct and long-term implication for international security. Both Iran and Pakistan are more concern about the Baluchi nationalist group. The proposed areas for the spread of pipelines become the combat zone of private militia which, which are frequently attacking on the gas installations, water pipelines and power transmission. Therefore, security with Pakistan becomes a major challenge for the project. The assassination of Benazir Bhutto during elections in December 2007 is a good indication of extremist mentality in the country that is opposed to democracy and liberal market economy (Sahay and Roshandel, 2010).

The imposition of UNSC's Resolution 1803<sup>24</sup> on Iran is another external challenge for IPI gas pipeline where the 'United States and the board at International Atomic Energy Agency(IAEA) claims nuclear activities by Iran supports the nuclear weapons programme<sup>25</sup>.' Consequently, many companies withdrawn their operations from Iran and international financial institutions squeezed their business<sup>26</sup>. Potentially, new projects might come up in the region to challenge the IPI project. The construction of gas pipeline between Turkmenistan, Afghanistan, Pakistan, and India (TAPI) had been supported by the participants of a conference held in New Delhi on 2006. The success of the project depends on various factors including those are not realistic. Many dispute, such as US–Russia relations over 30 years of war in Afghanistan, pushed this project in the realm of a dream. And lastly, the major challenge is the observation of a 'clash of civilization' and religion, as seen through the eyes of individuals taking part in Islamist movements in Iran and Pakistan with the involvement of Western powers (Sahay and Roshandel 2010).

### **5.5.2.3. Peace Pipeline and Regional Stability**

Geopolitics of energy security in Asia is an important area of study on account of two trends occurring on the Asian continent, where energy security plays a central role. These are:

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<sup>24</sup><http://deccessdds.un.org/doc/UNDOC/GEN/N08/257/81/PDF/N0825781.pdf?OpenElement>.

<sup>25</sup>IAEA, *Iran Still Defying U.N. Sanctions*, CNN, December 3, 2007.

<sup>26</sup>In a recent development, the US Treasury Department announced sanctions on March 19, 2008 against a Bahrain bank accused of helping Iran's alleged nuclear proliferation activities. 'US Punishes Bahrain Bank for Its Iran Ties', CNN News, March 12, 2008, at <http://www.cnn.com/2008/WORLD/meast/03/12/bahrain.bank/index.html#cnnSTCText>.

- (a) Asia's sub-regions are becoming increasingly interdependent economically.
- (b) The rising interdependence, strategic competition growing among the emerging great powers of Asia.

Therefore, the energy crisis seems imminent, with the entry of these emergent economies, such as India and China. They demand bigger shares in the global energy reserves. Therefore, it becomes important for 'national security' to ensure 'energy security' for all major industrialized and rapidly industrializing countries. 'Natural gas, gained primacy in the global energy markets than oil, and prized for its relatively clean and efficient combustion. Gas could surpass oil by 2050 and occupy the number one slot'<sup>27</sup>. In this respect, the security of gas supplies becomes important, 'especially in Europe after the disruption of its supply during the Russian-Ukraine crisis, 2009' (Sahay and Roshandel 2010).

The construction of IPI gas pipeline can be seen as a big move for regionalizing the global energy trade within major sub-regions of Asia, South Asia and West Central Asia. It will stabilize the regional interdependency through trade and would be able to reduce transportation cost and other logistical considerations to a significant percentage. The energy trade is more visible amongst the other products which could possibly bring regional integration in the region through trade. The geopolitical dynamics of Asia depends upon the stability of the Persian sub-region, particularly Western and Central Asian countries. Iran needs to be convinced that nuclear will not be the good means for energy independence.

"Iran is more likely to achieve energy independence in the short to medium term by giving up its nuclear programme and developing its natural gas fields and going ahead with the IPI gas pipeline.' Not only will Iran's energy security be best guaranteed in the medium to long term by trading within the region with demographically large countries like India and Pakistan, but it will also make it immune to Western-led sanctions on its nuclear programme that is interfering with its underdeveloped gas industry" (Sahay and Roshandel 2010).

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<sup>27</sup>International Energy Agency, Natural Gas Market Review 2009, at [http://www.iea.org/Textbase/publication/free\\_new\\_Desc.asp?PUBS\\_ID=2102](http://www.iea.org/Textbase/publication/free_new_Desc.asp?PUBS_ID=2102).

Thomas Friedman probably best described the 'energy security' as 'energy poverty' in South Asia; 'homes like India, Pakistan, and Bangladesh, where, more than 700 million people of the overall population and 90 per cent of the rural population are not comes under electricity grid (Friedman 2008: 154 )'. Further, he relates all problems of developing countries with energy and highlights the importance of the IPI pipeline for India and Pakistan. The important impediment to trade between India and Iran is the strain environment between India and Pakistan which restraint them for long-term deals. However, the trade seen as would 'trade brings peace' in the region as the precursor to 'peace brings trade' (Friedman 2008).

Apart of fulfil the energy demand the pipeline project also economically integrate the region. The project is an instrument confidence building measure between India and Pakistan in the process of regional integration. Perhaps it is integrating process of the two states through politically, economically, socially and culturally. The more economic engagement between India and Pakistan would reduce the conflict on the issue like Kashmir, and border dispute. Moreover, it will create an environment for both the countries to focus on their basic problem to eradicate poverty, developing their health sector. The IPI pipeline project will generate large number of employment for both the countries, which would help their respective economy. Despite several constrain and dispute between the members countries still the project has seen on the constructive way. The pipeline can be treated as measure of removing trust deficit between the countries and integrating them in an interdependent whole (Ahmad 2014).

The IPI pipeline not only fulfil the energy demand of the members countries but also it is act as bridge for India and Pakistan to access the Central Asian market and Persian Gulf through Iran, which is also reflect in the TAPI pipeline project. On the other hand Afghanistan, Pakistan of South Asia and Tajikistan and Kyrgyzstan of Central Asia have engaged in the project called CASA-1000 electricity transmission project.

### **5.5.3. Central Asia-South Asia (CASA-1000) Electricity Transmission Project**

The CASA project is expected to export from 1000 to 1300 MW hydropower electricity produced in Kyrgyzstan and Tajikistan of Central Asia region to South



Asia of Afghanistan and Pakistan annually starting from 2015(Sadat, 2015). The rationality to import of the electricity from Tajikistan and Kyrgyzstan considered below the marginal cost for Afghanistan and Pakistan. Both Tajikistan and Kyrgyzstan have surpluses of energy production and need to export the countries like Afghanistan and Pakistan to fulfil their energy shortage.

The project consists of 1,200 km of electricity transmission line and associated sub-stations costing around US\$ 1.17 billion. International agencies like the World Bank, the Islamic Development and the US Agency for International Development have pledged to finance the project<sup>28</sup>. The project like CASA 1000 needs to develop for the regional economy integration between two regions. Moreover, its falls under the Central Asian Regional Economic Cooperation (CAREC) program with a partnership of ten countries and supported by six international organisation<sup>29</sup> (Sadat, 2015). The CAREC program focuses on promoting regional cooperation between Central Asia countries with the neighbours in different areas and energy is prime interest to export to other region. The CASA-1000 is the first project between Central Asia and South Asia under the framework of CAREC.

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<sup>28</sup>World Bank oks \$526.5m for CASA-1000, Pajhwok Afghan News march 2014: <http://www.pajhwok.com/en/2014/03/28/world-bank-oks-5265-casa-1000>.

<sup>29</sup>Countries including Afghanistan, Azerbaijan, China, Kazakastan, Kyrgyzstan, Mongolia, Pakistan, Tajikistan, Turkmenistan and Uzbekistan. International organization including the Asian Development Bank, European Bank for reconstruction and Development, International Monetary Fund, Islamic Development Bank, United Nations Development Program and the world Bank.

**Map 5.2 CASA-1000 Project**



Source: www.hydroworld.com accessed on 20 April 2017

The progress report of CAREC in 2013 provides that, the CASA-1000 project commercial structure has been finalized. However, the power purchase agreement has started to sign from 2015. The CASA-1000 will provide the first phase of the Central Asia-South Asia regional electricity market development programme and expected build the for greater energy trade between the two regions. Moreover, there are some specific concerns that need to be focused like techno-economic feasibility study, environment and social impact assessment, project development structure and risk assessment to improve regional energy trade through this project (Sadat 2015).

### **5.5.3.1. Transmission Line Route**

This route originates at the Datka substation in the Kyrgyz Republic and ends at the Khouj and substation in Tajikistan. The total distance of the transmission line is 450 km, out of which 425 km passes through the South-West of Kyrgyz and the remaining 25 km lies in the Tajikistan. The another important Corridor of Impact (CoI) has been identified as approximately 2 km wide between Kyrgyzstan and Tajikistan for the 500 High Voltage Alternate Current (HVAC) transmission line (CASA REA 2014).

The HVDC route begins at the Sangtuda Hydropower Plant in Tajikistan and extends to south, crossing into Afghanistan near Nizhny. The corridor further proceeds to the outskirts of Kabul via the Salang Pass and Charika, Kabul it goes east to Peshawar (Pakistan) via Jalalabad (Afghanistan). The proposed RoW has a difficult terrain for approximately 160 km with maximum altitude up to 3800masl. The major population centres along the route include Kabul, as well as the towns of Kunduz, Baghlan, Pul-e-Khumri, Raqi, Mehtar Lam and Jalalabad. HVDC Converter stations are proposed at Sangtuda-1 (1300 MW), Kabul (300 MW) and Peshawar (1000 MW). The route covers 117 km in Tajikistan, 562 km across Afghanistan and finally 71 km in Pakistan (CASA REA 2014). The Corridor of Impact (CoI) defined as 2 km wide across Tajikistan, Afghanistan and Pakistan for the 500 HVDC transmission line (Sadat 2015).

#### **5.5.3.2.Challenges in the Projects**

The main obstacles in the projects are including the security, scarcity of funds for implementation. Apart of that there are other major challenges in the project are:

- Location, establishment and operation of the construction camps to house the workforce and all the plant and machinery required.
- Clearance, foundation, installation and erection of approximate 2600 towers required to support the transmission line and likewise for substations and related infrastructure.
- Vegetation control and any clearance required to string, raise and tension the TL;
- Routing and construction of the many access roadways required throughout the length of the project.
- Soil resource management and the need for erosion control due to the majority of the route being hilly or mountainous terrain, often with poorly developed vegetation and in semi-arid climatic conditions.
- Potentially sensitive cultural social aspects in many places due to factors which include religious practices, tribal societies and communities living in remote locations, often with limited outside interactions.

- A range of security issues (including unexploded ordnance and land mines), particularly associated with the on-going conflict in Afghanistan and some associated security issues in parts of Pakistan (CASA REA 2014).

## **5.6. India-Central Asia Economic and Trade Relations**

Clearly, India along with China and Japan could play an important role in an emerging Asian economic integration. However, India will not be effective, if its economic relation with Pakistan and the Central Asia region is concerned. India needs to work on the economic policy framework in which Pakistan, Afghanistan and Central Asia region consider as the beneficial for further economic growth. This policy framework will also improve India's energy security as it may finally get access to some of the resources of Central Asia region. This framework can also fundamentally change India's sea based continental trade and transit for Pakistan and Afghanistan and Central Asia (Sachdeva, 2011). Although India engagement with Central Asia through the institutional level such as Comprehensive Economic Partnership Agreement (CEPA) programmes for economic integration and Indian Technical and Economic Cooperation (ITEC) for the professional training for the economic growth are the successful step towards economy integration between two regions (Chandra, 2015). On the other hand India is interested to invest in Central Asia region, it is an opportunities for India to develop her presence in the region through large investment in the small and medium industries. The opportunities of India to invest in Central Asia also open space for the Afghanistan to integrate their economy with India or South Asia. Moreover, Afghanistan is a member of SAARC and also member of South Asia Free Trade Area (SAFTA). The emerging India-Kazakhstan partnership and continuous interest in Turkmenistan-Afghanistan-Pakistan-India (TAPI) and Iran-Pakistan-India gas pipeline have provided enough inputs to Indian policy maker to shape their economic interest with the Central Asia region (Sachdeva, 2011).

### **5.6.1. India's Trade with Central Asia**

The trade relation between India and Central Asia has changed from the year 2001. In the year 1990-91 more than 16 % of Indian export went to the USSR and about 6 % of imports came from it. The relation with Central Asia plays an important role in the then Indo-Soviet trade and economic relations (Sachdeva, 2011). But, the trading

pattern of India with Central Asia has changed after the disintegration of the Soviet Union. Since 2001, India has been maintaining direct trade relations with the Central Asia countries not through Russia. Although the trade relation between India and Central region are not visible like Central Asia trade with China or Russia. The total trade of India with region in the years 2012-13 was US\$ 800 million. However, in the year 2013-14 the total trade between the two sides has risen to US\$ 1238 million, but the bilateral trade between India and Kazakhstan has seen high (it around US\$ 914.5 million), with other countries of the region remain more or less same. Hence, the major problem of low trade between India and Central Asia is lack of direct over land access to the region. Secondly, Pakistan factor, the reluctance behaviour of Pakistan to not letting Indian goods move across its territory has limited India's trade amount with the Central Asian region as a whole. Nevertheless, India trade with the region has grown sluggishly forms US\$ 115 million to US\$ 1238 million between 1996 to 2014 (Chandra, 2015).

The major commodities of export from India are pharmaceutical, tea, readymade, leather goods, jute manufactures, cosmetics, cotton yarn, machine tools, rice, plastic products, machinery and instruments, electronic goods, chemical etc. Imports from the Central Asian countries are restricted to fruit and nuts, raw cotton, pearls stones jewellery, wool and woven, copper goods, mineral oil, raw hides and leather (Sachdeva, 2010). The pharmaceutical products of India are main export products to Central Asia India fulfil more than 30% of pharmaceutical needs of Central Asia. on the other hand India has started importing uranium for its civil nuclear reactors from Kazakhstan under an agreement on cooperation in peaceful uses of Nuclear energy that was signed 2011<sup>30</sup>.

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<sup>30</sup>The treaty was signed in the Astana during an official visit to Kazakhstan by the then Indian prime minister Manmohan Singh. In a joint declaration on behalf of the two countries, the two leader decided to expand of mutually beneficial cooperation in this area while adhering to their existing obligations under multilateral nuclear regimes." The nuclear cooperation agreement was one of many signed during the visit, covering areas as diverse as food security, energy sector cooperation and space research. The nuclear agreement comes after a 2009 memorandum of understanding signed during a visit by President NursultanNazarbayev to India, which provided for Kazakhstan to supply uranium to India and also expressed Kazakh interest in possible nuclear power projects based on Indian pressurized heavy water reactor (PHWR) designs.

**Table 5.1 Trade between India and Central Asian Region** (In million US\$)

Years	Kazakhstan	Kyrgyzstan	Tajikistan	Turkmenistan	Uzbekistan
2000-01	64.12	22.02	4.09	3.83	19.97
2001-02	53.09	11.53	2.56	6.30	23.80
2002-03	59.61	15.14	8.73	15.69	25.62
2003-04	84.07	38.74	8.42	28.55	42.84
2004-05	96.81	15.20	10.68	26.13	52.81
2005-06	117.48	29.56	12.13	31.18	50.57
2006-07	171.48	37.84	15.41	45.94	63.60
2007-08	188.77	32.43	22.21	45.64	56.52
2008-09	290.71	23.95	34.18	53.50	116.27
2009-10	291.45	27.48	32.56	46.15	84.40
2010-11	310.58	26.99	41.33	35.89	81.05
2011-12	436.25	31.44	30.14	63.41	126.43
2012-13	426.22	37.08	48.02	78.25	156.75
2013-14	914.50	35.13	55.13	87.73	145.57

Source: Based on export and import Data (2000-2014) collected from Directorate General of Foreign Trade (DGFT), Department of Commerce, Ministry of Commerce and Industry, Government of India and Chandra 2015.

From the five Central Asian countries, India has had the most trade with Kazakhstan, which is also the largest economy in the region. The total trade of Kazakhstan in the year 2013-14 was US\$ 914 million. Uzbekistan is second distant at a little over US\$ 145.57 million. The other nations of Central Asia have less trade with India. The main commodities exports of Central Asia to India are:

**Table 5.2 Central Asia major exports to India (US\$ million)**

HS code	Commodity	Kazakhstan	Kyrgyzstan	Tajikistan	Turkmenistan	Uzbekistan
71	Pearls, stones, Jewellery	48.48				29.62
28	Chemicals, Precious, metals, rare – earth metals	11.22	0.29		11.11	

72	Iron and steel	5.31	0.08			0.11
84	Machinery and mechanical appliances	1.95	0.03	0.15	0.07	1.87
27	Mineral oil, etc	1.08		0.12		3.45
74	Copper goods	0.75				0.7
85	Electrical machinery and equipment	0.36		0	0.01	0.38
39	Plastic goods	0.5	0.09		0.04	0.48
51	Wool and woven fabric	96.54	0.21	0.04		0.68
41	Raw hides and leather	0.16	0.09		0.11	0.44
	Total	166.35	0.67	7.09	16.89	61.58

Source: Ministry of Commerce, Government of India 2013

The main commodities that are exported by India to Central Asia including coffee, tea and spices, pharmaceutical products, electrical and mechanical equipment. Pharmaceutical is a dominant product of India export to Central Asia around 30 per cent of pharmaceutical products demand has covered under the Indian exports.

**Table 5.3 India major exports to Central Asia**

HS code	Commodity	Kazakhstan	Kyrgyzstan	Tajikistan	Turkmenistan	Uzbekistan
9	Coffee, tea, and spices	54.50	1.75	0.37		
30	Pharmaceutical products	43.81	5.65	8.14	11.35	
85	Electrical, machinery and equipment	39.44	1.80	0.14	4.10	0.38
61	Apparel (knitted)	34.83	9.42	3.54	0.05	0.01

62	Apparel (not knitted)	19.05	6.29	0.33	3.45	
84	Machinery, and mechanical appliances	7.24	0.13	1.40	13.08	1.87
87	Vehicles	6.95			0.05	
69	Ceramic	3.88			0.28	0.01
27	Mineral oil	1.94			2.34	3.45
2	Meat	1.02	1.59	4.67	2.74	
	Total	244.39	30.55	21.28	43.95	61.58

Source: Ministry of commerce, Government of India 2013.

India is a huge market as well as newly industrialised country and Central Asia is rich in terms of mineral and raw materials. On the other hand Central Asian countries are small economics and they depend on foreign trade and foreign technology for meeting their needs. So there is a huge potential for trade between these two region (Agrawal and Sangita, 2013). After pharmaceutical products the next popular products of India to Central Asia is frozen processed meat. Manufacturing of vehicles and their parts is emerging as a significant sector in India. However, Uzbekistan is only countries that imports vehicles of their parts from India. On the other hand, India major imports products from Central Asia are metals, minerals oil.

### **5.6.2. India's Investment potential in Central Asia**

The government of India set up bilateral inter-Governmental commission for trade, economic, scientific and technical cooperation with all the Central Asian countries. The relations between India and Central Asia institutionalized by working jointly among the countries in various fields including information technologies, science and technology, hydrocarbons, military-technical cooperation and so on. Double Taxation, Avoidance Agreements have also been signed in order to promote and facilitate trade. Improvement has also taken place in the banking sector (Sachdeva, 2011). Through setting up institutions, Central Asia is a favourable region for India to invest. Although, the years 2008-2013 the total investment in the region was only US\$ 29 million (Chandra 2015). Moreover, Indian investment in the region have includes sectors like recreation, automotive manufacturing, pharmaceuticals and power



projects, such as the Indian company Minda industries LLC has a joint venture with an Uzbek company to manufacture automotive products.<sup>31</sup>

The limited private investment of India shows the low trade amount between India and Central Asia, when compared with China and other regional stakeholders. So far China is concerned, because of its border connectivity is so good, and the trade volume with Central Asia is high. China has registered annual trade of US\$ 29 billion with the Central Asian region in the year 2012. On the other hand trade relation of USA with the region was US\$ 26 billion and Russia trade of US\$ 27 billion with the region. India trade with central Asia has been troubled by Pakistan, the reluctant approach of Pakistan towards India has not allowed for the healthy trade between India and Central Asia (Chandra 2015).

### **5.7. India's Economic and Strategic Role in Central Asia vis-a-vis China**

The prime goal of India to connect with central Asia is to access a big market in Asia; the other main objective is to fulfil her energy demand from the Central Asia region. There are other regional stakeholders also interested to link with Central Asia to fulfil their respective energy demand and economic opportunities. The major stakeholders in the region are China, Iran, Russia, Pakistan and India. China is in the advantage position to involve with the region but on the other hand India is late entered in the region so far its economic and strategic involvement is concerned.

India is became the full member of SCO regional cooperation in Astana, summit 2017. After the long time as an observer member in the SCO, the support of Russia has made India is an full time member of the regional organisation. Moreover, the objective of India now would be to integrate her economy with all the members of the organisations in generally and involve Central Asian countries in particular.

It is opportunities for India to develop her strong presence in the region to accelerate the economic integration and fulfil the energy demand from the Central Asia region as well. Before, became full member of SCO, the prime minister of India Narendra Modi had a visit to Central Asian state in 6 July 2016, the objective of the visit was to

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<sup>31</sup>“the overview of UZ Minda LLC” URL:<http://www.minda.co.in/UzMinda/forms/overview>

devolve the corporation in the various field with the Central Asian countries such as security, connectivity and partnership building. Central Asian nations are the northern frontier of the Islamic world. The countries remained unaffected by the radicalism for the long time. But now the time has changed, the countries are some extended affect by the group of Islamic State. However, India on the other hand has initiated to fight against terrorism and Islamic states, which India has signed the security and strategic agreement with Central Asian countries to fight against radical extremism.

Apart from security and strategic agreement, the visit of Prime Minister Narendra Modi has focused on connectivity with Central Asia through Iran and Afghanistan. The International North South Corridor are set to be pursued along with other plans that remains inactive for a while, therefore, the sea bed pipeline to connect Iran-Oman to Kandla or Mumbai will get an fresh push. With Central Asian, India has also good ties with Iran and Oman in the Gulf. The TAPI is also set to get a push during Modi visit, but it is one of the complex projects (Jacob 2016).

The visit of Indian Prime Minister in June 2016 to Central Asian has provided opportunities for India to make her presence in Central Asia. India has been an active member in South Asia to engage in politically with region. Hence, the growing presence of India in Central Asia, is a big concerned for China. Because in Asia, China and India are two big growing economies in the region and both countries needs the energy resources to accelerate their respective economy therefore both the states want to acquire the maximum energy to fulfil their demand.

## **5.8. Conclusion**

Afghanistan is pivotal actor for India to connect with Central Asia for its energy demand. Afghanistan is not only India but also important for whole South Asia to cement the bridge with Central Asia. In this context the approach of India's engagement with Central Asia is quiet optimistic, which is emphasised on the development of a proactive and meaningful policy that accords top priority to the region. To engagement with Central Asia without Afghanistan is impossible for India, however, access to Central Asia is required to develop stability with Afghanistan and hold a good relation with Afghan government.

The “New Great Game” is interesting in the Central Asia region. The struggle for Central Asia oil is a multifaceted ‘Great Game’ in the region. It involves security, geopolitics and economic interest not only for Russian, Chinese and other neighbours like Pakistan and Iran and Afghanistan but also American and European as well. It appears that United States is planning to be the oil world for the long haul and China moving to expand its influence using Pakistan and Iran. But India has a different approach to deal with, though India is interested in the energy resources of Central Asia but still India is playing the ‘Soft Power’ card through its political diplomacy and engagement in the various developmental projects to fulfil its energy demand.

Moreover, to fulfil the energy demand India is being part of the projects like TAPI, IPI and CASA-1000. These three projects are important for India and for whole South Asia. Secondly, Central Asia-South Asia cooperation has been improving rapidly because the Islamic radicalism has declined in the regions, which has provided better place for the developmental projects in the regions. India has also started investment in various sectors in Central Asia especially on the automobile and Pharmaceutical industries.

Despite all the engagement of India in Central Asia and Afghanistan, still insecurity remains a important impediment in any projects relating Afghanistan and Pakistan. It is difficult to predict the future environment in South Asia with Afghanistan. Afghanistan entering into a process of transition with new government and withdrawal of foreign forces from this country. Power vacuum in Afghanistan and Central Asia would create new space for the regional and global actors to compete in the region.

## **Chapter-VI**

### **Conclusion**

This chapter presents the findings of the study as analysed in the preceding chapters. The challenges and opportunities of India and Afghanistan in the process of economic integration in South Asia region are presented. The study highlights the fact that, it is both countries in to achieve high level of economic relation and connectivity through Afghanistan given the geo-political and geo-strategic context. Indeed, both India and Afghanistan have been working for better economic involvement in the bilateral level as well as in the regional integration process. India's connectivity with Central Asia is important and where Afghanistan is a critical link in this process.

The first chapter, as an introduction part of the study, has dealt with the background of the study. It gives a brief introduction of all the chapters, starting from the evolution of India's economic relation with Afghanistan. The Chapter tries to explain the historical and cultural ties of India and Afghanistan are major factors that motivate economic relations. Moreover, the chapter attempts to highlight the economic mechanism to motivate the countries to engage in the economic relations. The signing of FTA between India and Afghanistan is a significant development to accelerate the economy. After going through various literatures, it has come to light that the bilateral economic integration and signing FTA between India and Afghanistan is a possible road way for the regional cooperation in South Asia and also extends to other regional members. The bilateral trade relations of the countries are low because of the volatile situation and instability political regime of Afghanistan. However, the initiative of FTA between India's and Afghanistan is a benchmark or best alternative to accelerate further economic involvement with the state.

The chapter also focused on the review of the literature. It has done an extensive review of the various literature related to India-Afghanistan bilateral and regional cooperation. It highlights the relevance of the study contemporary period with the changing international politics. In the context of South Asia, Afghanistan is one of the vibrant international politics since 2001. The 9/11 attack in U.S. by Al Qaeda (a terrorist group) gave opportunities to NATO forces to engage in Afghanistan to

eliminate the extremist group from the state. In that perspective, India has been working in the elimination process of extremist group from Afghanistan.

The second Chapter attempts to understand how the historical, cultural and traditional ties between India and Afghanistan have created a suitable situation for both the countries to move towards an enhanced level economic engagement. The political and economic relations between both countries have emerged to be smoother and stronger in post cold war. Though, the period 1996 had a difficult period for both countries because of the Taliban regime. Since the collapse of the Taliban in the year 2001, again both the countries emerged as the partner countries. The decline of the Taliban from Afghanistan provided a new hope for India to engage in political, economic and diplomatic level, though, the period 2001 to 2014 was dominated by the NATO troops led by U.S in Afghanistan. During this period the Afghan economy was affected, the larger agricultural land were covered by mines, hence, it was difficult for Afghan economy to grow. Despite all the challenges, Afghanistan as a state has emerged to develop its relations or ties with the regional and international communities.

During this period, India signed FTA with Afghanistan in the year 2003, under the framework, India has granted special and differential treatment to Afghan products. The bilateral FTA is an effective economic building bloc in the South Asia region. Due to FTA Afghanistan exports larger amount of dry fruits item to Indian market without any tariff or quota. Similarly, India also exports a number of manufacturing products to Afghanistan under the provision of FTA. Moreover, the bilateral trade relations with India and Afghanistan have been growing rapidly from US\$ 52.45 million to US\$ 684.47 million the years 2001 to 2014 respectively. Hence the FTA has provided better opportunities to access each other markets.

The challenges are facing India and Afghanistan in terms to develop the trade relations. Economic involvement of India and Afghanistan is growing but not in the larger amount of trade in terms. The less visibility of the trade relation between both countries is responsible for the lack of land connectivity. Pakistan is the mid-way between both states, although, Afghanistan and Pakistan are members of the trade and transit agreement, but the same agreement is not flexible for India. Thus, India is working with Pakistan to allow the same route to Indian exporters to export their

products to Afghanistan, and other best alternative route for India is to access through the third country through Chabahar port of Iran. The visit of the current PM of India Narendra Modi to Iran has led to signing of an agreement for further improvement and advance infrastructure of Chabahar Port. The Chabahar port not only connects Afghanistan but also connect with Central Asia region.

In the regional context, Afghanistan is the frontline state to connect South Asia with Central Asia. From the Afghanistan point of view, full membership of SAFTA is an opportunity to access large market in the region. Under the SAFTA provision, Afghanistan can access big markets like India, Pakistan, Sri Lanka and Bangladesh. Afghanistan comes under the Least Develop Country (LDC) under the SAFTA framework; however, it is granted special and differential treatment by the member countries of SAARC. This helps Afghan exporters to export larger amount of dry fruits items to member countries of South Asia. Apart from regional economic integration in South Asia, Afghanistan is a key state to connect South Asia with Central Asia. But to connect Central Asia by land route is impossible without having access to Pakistani territory. Hence, Pakistan is reluctant to open their land route to India to access into Afghanistan and Central Asian region.

In the regional context, Afghanistan is so much dependent on Pakistan, because of its good political affiliation, common ethnic linkages and common border in the region. Pakistan has been influencing strongly in the political, strategic and economic aspects of Afghanistan. To limit the influence of Pakistan, India has developed her presence in Afghanistan through exercising 'soft power' approach to ensure deeper engagement in the political and diplomatic level. It is also engaged in the various developmental projects in Afghanistan especially after the withdrawal of NATO forces from the state. The objective of India is clear to eliminate the radical extremist from the state and limit the influence of Pakistan in Afghanistan.

In the whole process of economy integration, reconstruction and infrastructure development can be effective only if there are good security conditions in Afghanistan. The post-2014 period remains to be crucial for the regional members to provide stable Afghanistan. To provide a stable security, India has granted military

aid to train the ANSF for a better security environment in Afghanistan. It has also offered aid in the various developmental and humanitarian projects.

The third chapter of the study has explored, India's role in providing aid and economic reconstruction process in Afghanistan. India realises that, the instability and strong Taliban influence have limited political role to play and it has constrained the less optimist option. Even though, India has limited option in the state building process but still it stands out as the 5th donor country to Afghanistan. Moreover, India's involvement in Afghanistan is not just a power estimate but it also plays a constructive role complimentary to the security interests of Afghanistan. However, some scholars argue that India's aid assistance to Afghanistan is a tool to assert its dominant role in the South Asia region. But the objective of India remains to be the creation of a stable Afghanistan and Afghan government. Another major objective of India's involvement is to limit the Pakistani influence in Afghanistan because Pakistan is a promoter of Taliban in the region or in the global. The emergence of Taliban or the radical extremist would create instability in South Asia.

Further, India's Presence at Afghanistan does not meant to reduce the importance of Afghanistan as a state but to make it a secure state. India has won the favour of Afghan citizens, which has converted to the political trust, allowing the new government of India to pact with new regime. India's various developmental projects especially the infrastructure will help India to improve trade and transit connectivity with Afghanistan as well as Central Asia. Such stakes will remain safe from being manipulated by Pakistan and continue to contribute in maintaining her presence. Security remains important aspect; hence, to maintain stability and security, India has deployed Indian defence for providing training to Afghan National Security Forces and Police force in Afghanistan. The improvement in security is important for Indian investment in various places in Afghanistan. Without proper security establishment, all the humanitarian and developmental projects will be distorted in Afghanistan. The security is not only priority for India but also a major concern for all the aid donor countries to the state. U.S. holds the top position among the donor countries in Afghanistan; therefore, it remains concerned to protect all the investments in order to continue 10,000 soldiers in Afghanistan. Hence, security is prime concern for regional

members as well as international communities to develop a stable and democratic Afghanistan.

The humanitarian projects of India and other international communities help the Afghan citizens to grow their livelihood in the state. The small scale industry of India is working hard to provide the Afghan people employment and also contributes in educating the Afghan people about the small industry in Afghanistan. India is also working on the education sector of Afghanistan by building school and college in various provinces in Afghanistan. India is also promoting the agricultural sector in order to provide infrastructure facilities, seeds and setting up agricultural colleges to revive the agricultural sector in Afghanistan. In Afghanistan, 70 percent of the population depends on the agricultural sector for their livelihood.

So far the infrastructure and developmental projects are concerned, India is on the top position to invest in Afghanistan from the South Asian perspective. India has been investing a large amount of capital in the various developmental projects such as building the parliament in Afghanistan, constructing the Salma Dam, developing the Zaranj-Delaram Highway. The objective behind the construction of parliament is the promotion of democracy in Afghanistan. The Salma Dam is a friendship dam between India and Afghanistan; the Afghan citizens are getting benefit from the hydro power project from the Salma Dam. Moreover, the response of Afghan people remains optimistic towards India's developmental projects in Afghanistan. The Zaranj-Delaram highway is another significant project of India to connect with Afghanistan through Iran. The highway is a strategic project of India to connect Chabahar Port to Afghanistan and get access to Central Asia region.

The fourth chapter tries to elaborate the importance of Afghanistan in connecting India and Central Asia in particular and South Asia region in general. India has a keen interest in the Central Asia region not only because of its geostrategic location but also for long standing economic interest in the region. In order to fulfil the interest, India has been working to connect with Central Asia through Afghanistan as it remains to be a frontline state for India to get access into Central Asia region. Moreover, India has been engaging in various projects such as Chabahar Port of Iran, Zaranj-Delaram Highway, North South Transport Corridor to ensure connectivity



with the region. India has high hopes in these projects for getting connected with Central Asia region.

India's has provided the financial support to Iran to build the port as well as to improve the capacity of the port. Iran has also extended the road connectivity up to Afghanistan border, where India has already finished the Zaranj-Delaram highway projects with the help of Iran. Moreover, the North-South Transport Corridor has multiple purposes. While it is an opportunity for Russia to bypass the Silk Road, it also gives Iran political and economic leverages in trade with Russia, Central Asia and India. In turn, India gets access to Russian and Central Asian markets for its goods and variety of energy import source.

Apart of stability of Central Asia and Afghanistan, India has other interest such as security challenges. Since 2014, US troops has completely pulled out from Afghanistan and Central Asia regions, however, still it remains a great challenge for whole region because without the US forces there remains threat of re-emergence of extremist group in the region, which would undermine regional security altogether.

India remains interested in the economic involvement also, in the region. The region has vast oil and gas resources, and as an emerging economy, India needs lots of natural resources to fulfil the demand, which can be fulfilled easily if Central Asia included in trade. Apart from economic and security factors, India has had a long-lasting interest in developing good relations with Central Asia, that implies, India wants to have a strong existence in the region to limit influence of China and Pakistan. China has also a keen interest on the Central Asian region for its natural resources and Pakistan is all time friend of China to provide access to its territory to connect with Central Asia.

China and Pakistan alliance in region has had a great effect on India. Pakistan has been maintaining friendly relations with China since a long time. The healthy relations of both countries reflect on the 'One Road One Belt' project, which connected to Gwadar port of Pakistan. However, the objective of China is to access to Central Asian market through the Gwadar Port of Pakistan. Both India and China have the strategic and economic interest in the region, to fulfil the interest, they areinvolved in the developmental projects in the region. Nonetheless, the visit of India

PM Narendra Modi to Central Asia has initiated a new phase of India-Central Asia relations by engaging in the political, economic and diplomatic level.

The fifth chapter tries to explore the role of Afghanistan as a global and regional actor. Afghanistan is a pivotal actor for India to connect with Central Asia for its energy demand. Afghanistan is also important for whole South Asia to cement the bridge with Central Asia region. It is the connecting link between both the regions. The approach of India's engagement with region is quiet optimistic, which emphasised on the development and meaningful policy is top priority for region. To engage with Central Asia without Afghanistan is impossible for India. However, access to Central Asia is required to develop stability in Afghanistan and hold a good relation with the Afghan government.

The "New Great Game" is interesting in the Central Asia. The competition for oil resources is a complicated 'Great Game' in the region. It includes security, geopolitics and economic interest not only for Russian, Chinese, Pakistan, Iran and Afghanistan but also American and European as well. It appears the United States is planning to be in this oil world for the long haul and China moving to expand its influence using Pakistan. But India has a different approach to deal with it. Though India is interested in the energy resources of Central Asia, yet it is playing the 'Soft Power' card through its political diplomacy and engagement in the various developmental projects to fulfil its energy demand.

Moreover, to fulfil the energy demand, India is part of the projects like TAPI, IPI and CASA-1000. These three projects are important for India and whole South Asia. Secondly, Central Asia-South Asia cooperation has been improving rapidly because the Islamic radicalism has declined in both the regions, which has provided the better environment for the developmental projects in the regions. India has also started investing in various sectors in Central Asia in particular on the automobile and Pharmaceutical industries etc.

The findings of the study are that the Afghan economy has been recovering slowly after the end of long time war in the state. The agricultural sector has been improving slowly again with the help of India's support. India has been facilitating in the

agricultural sector by providing infrastructure, hydride seeds, fertiliser, and technological support. The service sector of Afghanistan is booming in the current period as the contribution of this sector in Afghan economy is around 53.9 percent in the year 2013. Apart from service and agricultural sector, India is also helping Afghanistan in the infrastructure sector, which is important for Afghan economical growth. Though, the contribution of infrastructure sector is less to Afghan economy. India-Afghanistan FTA is an effective instrument to increase the bilateral trade between both countries. Under the framework of FTA both the economy open their markets for a large list of products. Afghanistan is exporting dry fruits to India without any quota and tariff. India is also exporting manufacturing items and other products to Afghan market. In the regional arrangement of South Asia, Afghanistan is considered as LDCs member and hence is eligible for special and differential treatment in the arrangement. It has enabled Afghanistan to access large market in South Asia. It would perhaps help to Afghan economy to enhance its engagement with the South Asian region to accelerate their economy for a long term.

In the South Asian context, India is the only country to grant aid to Afghanistan, which is essential for Afghan economy growth. The aid is granted in terms of humanitarian and developmental projects in the state. But security and stability are major concerns for India in Afghanistan. Without proper security, the development is not possible in the state. However, to protect the investment Indian Military are providing training facility to Afghan National Security Force and Afghan Police Force.

Afghanistan is the connecting link between two regions. The connectivity to Afghanistan and Central Asia region highly depended on the Chabahar Port and land route to Iran. Moreover, India has been engaging with Iran in order to develop Chabahar Port by increasing the capacity of the dockyard. From the Indian perspective, Chabahar Port is a best alternative route to get access into Afghanistan and Central Asia region to fulfil the energy demand for long period of time. Therefore, the recent visit to Iran by the Indian Prime Minister Narendra Modi in May 2016, has resulted in signing of a trilateral agreement on Chabahar trade between Afghan President Ashraf Ghani and Iran president Hassan Rouhani. Chabahar Port

will perhaps allow India to bypass Pakistan and open up a route to landlocked Afghanistan and through Afghanistan into Central Asia region.

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