

# Regional Change

How will the rise of India and China shape Afghanistan's stabilization process?

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### **Abstract**

The report examines how regional developments in Central/South Asia may affect the prospects for stabilization in Afghanistan. Given that the regional security dynamics played an important role in aggravating the conflict in Afghanistan in the 1990s, the report juxtaposes the situation in the 1990s with the present state of affairs and aims to assess the potential regional impact. The findings indicate that the region, still marked by inter-regional rivalry and security concerns, has nevertheless undergone substantial changes, most notably shaped by the rise of China and India, as well as by increasing regional cooperation in trade, transport and energy, which adds a nascent yet significant liberal element to regional affairs. As such, the regional environment seems less prone to exacerbate the internal security dynamics of Afghanistan than was the case in the 1990s. The report also maps regional alliances and rivalries, examines the ambiguous role of Iran and provides an overview of the relations between Afghanistan and Central Asian states.

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# Introduction: four arguments on regional change

As the pull-out of NATO forces from Afghanistan presumably draws nearer, the pivotal question of how regional dynamics play into the conflict in Afghanistan has emerged with greater force. Analysts note of the 1990s in Afghanistan that ‘in the absence of the superpower confrontation, the Afghan power dynamic was strong enough to reproduce itself in new formats, yet neighbouring states... significantly contribute[d] to its exacerbation’ (Harpviken 2010).

Will neighbouring states significantly exacerbate the conflict in Afghanistan if or when NATO forces pull out? Regional insecurities, most notably the Pakistan–India rivalry, are already profoundly shaping developments in Afghanistan. Are we likely to see further impacts of these and other regional challenges in Afghanistan in the period ahead? And will the rise of India and China affect how regional affairs play into the stabilization process in Afghanistan?

This report puts forward four arguments on the region, seeking to shed light on how regional dynamics shape the prospects for stabilization in Afghanistan. The aim is not to give a complete overview of regional developments, nor provide a full outline, or prediction, of how regional affairs will shape Afghanistan after 2011.<sup>1</sup> Instead, in order to stimulate creative thinking on Afghanistan’s regional context, it challenges conventional conceptualizations of the region and highlights some emerging features. An underlying message is that regional affairs differ substantially from the situation in the 1990s: it is important to acknowledge these changes and factor them into assessments of how a post-withdrawal Afghanistan might develop.

## **India–Pakistan**

While it is correct that the India–Pakistan relationship continue to serve as a primary source of instability in the region, and, indirectly, also of instability in Afghanistan, analysts tend to overlook the broader dimensions of this relationship. It is increasingly unhelpful to analyse the India–Pakistan relation solely with reference to the historically wrought bilateral relationship, the Kashmir issue and Pakistan’s quest for strategic depth vis-à-vis India. Pakistan–China and China–India

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<sup>1</sup> For a useful overview see Harpviken (2010).

relations are important considerations for Pakistan and India when they formulate their foreign policy strategies, including those related to their bilateral relations.

### **China as reluctant hegemon**

A related argument is that China is set to become a key political and economic force in Afghanistan in the medium to long term. Moreover, China has already established deep economic and political ties to all of Afghanistan's neighbours, and could hold – if it were to choose to utilize them – key levers of influence in all of these countries. This situation differs markedly from that in the 1990s when China was nearly absent from the region, aside from its historically close Pakistan ties. The 1990s were also a period where no power held substantial influence in all of Afghanistan's neighbours, as is the case with China today. China's present involvement is tempered, however, by several self-imposed concerns, and it remains an open question whether China in the short and medium term will actually take on the regional leadership role that it has already structurally been granted.

### **Emerging liberal features**

There is a nascent, yet significant, liberal element to regional affairs. Substantial increases in trade and transport, with associated positive effects on economic growth, create incentives for interstate cooperation. Key domestic constituencies in several countries have an interest in maintaining the *status quo*, or a further improved and stabilized version of it. The scale of the increase in trade and infrastructure is a major factor that distinguishes the regional affairs of the 2010s from the 1990s. It may also serve as an important counterweight to the structural rivalry and insecurity that characterize many interstate relations in the region.

It is important to disentangle the elements of this liberal dynamic. Much has been made of the prospects of energy cooperation, in particular cross-border energy transport networks like the proposed Turkmenistan–Afghanistan–Pakistan–India pipeline (TAPI) and proposals for a unified electric grid in Central and South Asia (CASA 1000). These are important and positive plans, but most of them are unlikely to be realized in the short to medium term. In this way they cannot serve as immediate game-changers in relation to the stabilization process in Afghanistan. There are also various challenges associated with energy developments, including issues related to water and hydro-power in Tajikistan and Uzbekistan. By contrast, more bottom-up developments linked to increase in trade, and associated infrastructure development have immediate and tangible impacts.



## Iran

While there are several significant and positive differences in 2010 as compared with 1990, Iran remains a difficult actor, perhaps a more difficult one than in the 1990s – given the threat of retaliation against nuclear proliferation, and Iran's associated response. It seems that Iran is playing a double game where it offers significant support to Afghanistan's stabilisation process and economic recovery, while at the same time maintains support to some anti-government forces. This is either evidence of 'managed chaos' in the execution of Iranian foreign policy, or a calculated attempt to signal and create a potential lever: the policy demonstrates that Iran could, if it were challenged militarily on its nuclear programme, make the US-led war effort in Afghanistan even more complicated (Bruno and Beehner 2009). This raises the bar for American military strategists when contemplating options for how to respond to Iran's nuclear programme.

## Alliances and rivalries: an overview

The report explores these four arguments in more detail in subsequent chapters. First, however, below is a short and simplified outline of the current alliances and rivalries in the region. The regional dynamics of the 1990s are discussed in the next chapter.

The Pakistan–China partnership remains a key feature in regional affairs, just as Saudi Arabia and Pakistan have a strong cooperative relationship. Similarly, India and Iran have a long history of in-depth cooperation and support. This is complemented by Russia's role in the region and its close relations with both Iran and India. Russia has, moreover, regained some of its influence in Central Asia, and continues to enjoy close relations with Kazakhstan, Kyrgyzstan and Tajikistan. There is nascent, yet substantial, cooperation between India and Kazakhstan, and India and Tajikistan. Tajikistan and Iran enjoy a close and cooperative relationship, due in part to the strong cultural and linguistic ties binding the two nations together.

The reverse side of these amicable relations is the strong India–Pakistan enmity, the historically troubled Iran–Pakistan relationship and the difficult Afghanistan–Pakistan connection. Russia and China collaborate pragmatically in the region through the Shanghai Cooperation Organization (which also induces a degree of loyalty to the two powers on the part of the Central Asian states), but there is nevertheless a simmering element of competition between Russia and China (Lo 2009). China and India enjoy relatively cordial relations at present, but India in particular is wary of the potentially increasing dominance of China. China for its part fears a broader India–US alliance in the future in the wider Asian region.



# Historical backdrop: regional dynamics in the 1990s

Regional rivalries and insecurities profoundly shaped political and military developments in Afghanistan in the 1990s. It is useful to bear this history in mind as assessments are made of the regional situation in 2010. Below we offer a short overview of key political and security developments in the 1990s.

Two major events marked Afghanistan in the 1990s: the civil war, and the rise of the Taliban. Both of these were brought about by internal divisions and external influences.

*Internal divisions* stemmed from ethnic, tribal and religious cleavages as well as from personal rivalries among the various mujahidin groups<sup>2</sup> that resisted the Soviet invasion and occupation of Afghanistan (1979–89). Diverse mujahidin resistance groups, which claimed representation for nearly all of Afghanistan's political and ethnic groups, had not managed to overcome strong mutual antipathies despite their common Muslim faith, shared concept of *jihad* and the common enemy (Ewans 2001: 216). Their factional disputes hampered the establishment of a unified front and unitary military command against the Soviets, although small independent units were more than sufficient for successfully fighting a guerrilla war (ibid: 217). However, with the withdrawal of the common enemy, the internal divisions proved even more divisive. Instead of forming a viable alternative to the communist regime that collapsed with the end of the So-

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<sup>2</sup> Seven main Sunni mujahidin groups in Peshawar (Pakistan) were central in the anti-Soviet resistance. Three of them were traditionalist and four Islamist, fighting for the return of the monarchy and the establishment of an Islamic republic, respectively. These were: (1) The *Hezb-i-Islami*, a predominantly Pashtun Islamist group under the leadership of Gulbuddin Hekmatyar, was considered the most radical and uncompromising of all the mujahidin groups. It was a favourite of the CIA and Pakistani civilian and military establishments. (2) The second *Hezb-i-Islami*, under the leadership of Abdul Haq, was a break-away from Hekmatyar and supported by Pakistan and the CIA. (3) The *Jamiat-i-Islami*, a primarily Tajik and non-Pashtun movement, was under the leadership of Rabbani, with Ahmad Shah Massoud as its famed commander. The group was regarded as a moderate Islamist group and was supported by Iran. (4) The *Ittihad-i-Islami Bara-I Azadi Afghanistan*, under the leadership of Abdal-Rab al-Rasul Sayyaf, was supported by Saudi Arabia; it recruited Arab volunteers. (5) The *Harakat-i-Inqilab-i-Islami*, headed by Maulvi Nabi Mohammedi, was a Pashtun traditionalist group active in Helmand province. The group was regarded as ineffective, corrupt and involved in the drugs trade. (6) The *Mahaz-i-Melli-i-Islami*, led by Sayyid Ahmad Gailani, recruited mostly among the Turkmen. It advocated the return of King Zahir, was pro-Western oriented and hostile to the Islamists. As a result, it was opposed by Pakistan and Saudi Arabia. (7) The *Jabha-i-Nejat-Melli*, led by Mujadiddi, was supported by pre-war elite and opposed by Saudi Arabia and Pakistan. The group was generally ineffective as a guerrilla force. In addition, there were various Hazara Shia parties, supported by Iran (Ewans 2001: 154–155).

viet support in 1992, the mujahidin continued to fight each other, on a large scale. Their struggle for power brought Afghanistan into a civil war and helped to spark the rise of the Taliban, a radical religious movement that rapidly mobilized widespread support across the country (Sullivan 2007: 94). In accounting for their origins, the Taliban themselves emphasize their rise as a response to the violent mujahidin rule – an alternative to disorder (Rashid 2001:22–23).

Internal divisions were further reinforced by *external influences* stemming from neighbouring countries which, by supporting different ethnic and religious groups in Afghanistan, attempted to secure their own interests. Here the most important external influence was exerted by Pakistan, Saudi Arabia and Iran, and to a lesser extent the states of Central Asia.

*Pakistan.* Pakistan's support to Afghan mujahidin groups has been informed by two key security concerns: its conflict with India; and the disputed Afghan–Pak border and the related issue of Pashtunistan. As a result, Pakistan has wished a friendly Afghan government, one which could provide 'strategic depth', without encouraging ethnic unrest among the Pashtuns. To achieve the first objective, Pakistan supported Gulbuddin Hekmatyar and his Hezb-i-Islami, but as he failed to command constructive influence in the Afghan affairs, they turned to the Taliban and provided it with substantial assistance: most analysts have deemed this crucial for its success. Concerning Pashtunistan, Pakistan did not want a strong and unified Afghan resistance movement, and used its position as the main broker of the international assistance to Afghanistan during the Soviet occupation to nurture existing divisions through the control of arms delivery and the selection of exile resistance leaders (Ewans 2001: 216; Harpviken 2010:4).

*Saudi Arabia.* In its quest to ensure political and religious leadership of the Islamic world, Saudi Arabia engaged financially and ideologically in Afghan affairs. Its support was crucial during the Soviet occupation, and instrumental for the rise of the Taliban. During the Soviet occupation, Saudi Arabia, along with the USA, was the main financier of the mujahidin resistance. In particular, it supported the *Ittihad-i-Islami Bara-I Azadi Afghanistan* and the *Jabha-i-Nejat-Melli*, while it opposed a pro-Western oriented *Mahaz-i-Melli-i-Islami* (Ewans 2001: 154). Moreover, many young Arabs voluntarily joined the mujahidin war against the Soviets, a trend that was to have long-term consequences for subsequent developments in Afghanistan, together with Saudi-supported religious schools (*madrasas*) where young Afghan refugees were introduced to fundamentalist interpretations of Islam. This religious ideology was later to form the base of the Taliban authority which proved crucial for rapid mobilization (Sullivan 2007:

105). Furthermore, Saudi Arabia provided direct financial and political help to the Taliban regime by financially backing the Taliban who occasionally applied the strategy of paying local warlords to avoid the battlefield and ensure a military victory, as well as by joining Pakistan and the United Arab Emirates in recognizing the regime internationally.

*Iran.* Iran's support to Afghan groups has been based on religious and cultural ties (Harpviken 2010: 19). Iran financed, trained and armed Shia parties, mainly Hazaras, and exerted crucial influence in coalescing this extremely antagonistic group into one Unity party (*Hebi-i-Wahdat*) after the Soviet withdrawal (Ewans 2001: 215–6). Concurrently, Iran maintained good relations with Farsi-speaking groups like *Jamiat-i-Islami*, during and after the Soviet occupation (Ewans 2001: 214).

*Central Asia.* The Central Asian states' support to the Afghan groups was based partly on ethnicity. Uzbekistan's aid to the Afghan Uzbek warlord Rashid Dostum represented the most prominent support mechanism. Moreover, Tajikistan took on a strategic character for the Northern Alliance in the late 1990s. As the Taliban movement tightened its grip on Afghanistan's northern regions, the Northern Alliance used Tajikistan as an important supply hub as well as a place for rest and recuperation (Parker 2009: 58). Iran and Russia sent supplies, including weapons, through the Central Asian states and via the Tajik-Afghan border crossings in Ishkashim and Nizhny Pyandz, to the Northern Alliance (Torjesen et al 2005). The movement's need for safety, stability and supplies from Tajikistan was an important reason for its vital encouragement of the reconciliation between the warring parties in Tajikistan's civil war (1992 -1997).

Highlighting the persistent internal divisions in Afghanistan and the role of its neighbours in its civil war and the ensuing rise of the Taliban easily conveys an image of all-enveloping anarchy, violence and a difficult neighbourhood – and in the process ignores two important issues. First, armed confrontations among the mujahidin in the 1990s were concentrated in only a few parts of the country, while the remainder remained relatively peaceful<sup>3</sup> (Ewans 2001: 252). Second, we should also acknowledge the constructive roles played by some countries in the region, which were interested in having Afghanistan as a stable neighbour so as to avoid refugee problems, drug trafficking and other security threats. In that respect, attempts to broker peace agreements, although unsuccessful, by Pakistan, Iran and Saudi Ara-

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<sup>3</sup> Kabul and Kandahar in particular suffered. Kabul, not much damaged during the Soviet occupation, was progressively ruined under Hekmatyar bombardment, which killed 30,000 persons and wounded 100,000. In Kandahar, anarchy reigned (Ewans 2001: 252).

bia are also notable. Other examples include Iran's support to Herat to encourage the return of refugees, as well as Central Asian support to the population in Mazar-i-Sharif (Ewans 2001: 251).

The example set by Tajikistan's largely successful peace process after the civil war in the years 1992-1997 is also worth noting. Regional powers Iran and Russia, as well as the Northern Alliance, encouraged the radical Islamic opposition and the government forces to forge a peace agreement where the opposition was given 30 percent of all high-level government positions. A comprehensive amnesty was also introduced. It is unlikely that this agreement would have been forged and maintained had not Russia and Iran actively supported it (Torjesen et al 2005). In this way the Tajikistan peace process highlights the region's potential for concerted action and compromise forged and supported by local and regional players.

Overall, the 1990s presents a mixed picture where regional affairs have both been an enabler and, clearly, a spoiler of peace. It is on this backdrop that we turn to an assessment of the situation in 2010. The India-Pakistan relationship will be debated first.

## The India–Pakistan relationship: broader regional considerations

The effects of the troubled India–Pakistan relationship on the Afghan conflict are well known. Pakistan’s quest for strategic depth in Afghanistan in the face of the perceived security threat from India motivated Pakistan’s support to non-state groups like the Taliban. A friendly regime in Kabul has long been a key security goal for military strategists in Pakistan, and the Taliban movement was seen as one helpful ally in this quest. Pakistan’s new civilian political leadership has declared its support to NATO’s anti-Taliban agenda (NATO 2010). Moreover, the attack on SWAT in 2009 highlighted the internal threat posed by *jihad* militant groups, creating momentum in Pakistan for a crackdown on Taliban and related radical forces based in the country.

Accusations continue, however, to be levied that Pakistan’s intelligence, the ISI, maintains close ties to the Taliban. Matt Waldman noted recently, on the basis of 10 in-depth interviews with former Taliban leaders, that the ISI ‘orchestrates, sustains and strongly influences’ the Taliban. He suggested that the ISI is even ‘represented as participants or observers on the Taliban supreme leadership council, the Quetta Shura (Dalrymple 2010). Moreover, the leaks of 12 000 classified US security documents on wikileaks.org provides further indication that ISI support to the Taliban and other anti-government networks is substantial (Mazzeti et al 2010; Wiki leaks 2010). Clearly, if this is the case, then the support offered to the Taliban by Pakistani state institutions is a major factor in explaining its continued strength. It also means that ensuring a decisive military defeat of the organization by either NATO forces or, later on, by the Afghan security forces, will be exceedingly difficult. Moreover, US pressure on Pakistan to alter its long-standing support to segments of the Taliban network is yet to demonstrate its effectiveness. Barnett Rubin and Ahmed Rashid noted in 2008 the impossibility of pressuring Pakistan into acts which it considers suicidal: ‘the Pakistani security establishment believes that it faces both a US – Indian – Afghan alliance and a separate Iranian–Russian alliance, each aimed at undermining Pakistani influence in Afghanistan and even dismembering the Pakistani state. Some (but not all) see armed militants within Pakistan as a threat – but largely consider it one that is ultimately controllable...’ (Rashid and Rubin 2008: 36-37).

The renowned historian and South Asian expert, William Dalrymple (2010), similarly argues that Afghanistan, like Kashmir, has become a proxy war between India and Pakistan. India's large-scale economic and diplomatic support to Afghanistan and the presidency of Hamid Karzai further augments Pakistan's long-standing security fears that Afghanistan will become a launching pad for Indian presence and dominance in the region. This provides continued incentives for Pakistan's national security strategists to maintain support to militant Islamist groups that can help thwart Indian control in the larger South Asian region.

Dalrymple, wisely, identifies a grand settlement between India and Pakistan as the central solution to the region's insecurity and its related negative effect on Afghanistan. Stabilization in Afghanistan is impossible without improved India–Pakistan relations. Dalrymple's version of this grand settlement is a trade-off involving both Kashmir and Afghanistan, where Pakistan is secured a sphere of influence in Afghanistan to the detriment of India, while India secures its key claims vis-à-vis Kashmir. Rubin and Rashid's version of this regional settlement is a contact group to offer reassurances to Pakistan and promote dialogue between India and Pakistan, including on the Kashmir issue (New York Times 2009; Sengupta 2009).<sup>4</sup> India should be encouraged to be more transparent about its activities in Afghanistan, including the role of its intelligence service RAW, the Research and Analysis Wing (Rashid and Rubin 2008).

All three analysts, however, underplay the extent to which Pakistan–China and India–China relations play into the calculations of the players in the region. The recent accelerated rise of both China and India complicates regional affairs. Just as Pakistan is obsessed with India's increasing prowess, so is India fixated on the increasing power and influence of China. The relationship to China is taking centre stage in Indian foreign policy thinking. Moreover, in relating to Pakistan, India searches relentlessly for evidence of the strong China–Pakistan links.

Close cooperation between Pakistan and China dates back to 1950, when Pakistan, as the third non-Communist and first Muslim country, recognized the weak and largely isolated Maoist China (Singh 2007: 19). Both countries continue to label their close collaboration the 'All Weather Relationship'. Over the years three structural elements have bolstered this relationship. First, China and Pakistan were united by their common enemy, India – both countries having experienced military confrontation with India. This spurred considerable defence co-

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<sup>4</sup> Attempts have been made to establish such a contact group, and this has been a key focus of President Obama's special representative Richard Holbrooke. However, this initiative has yielded few tangible results so far.



operation between China and Pakistan. Second, with China's economic expansion, energy security has come to rank high on the Chinese policy agenda. Access to energy resources and safe supply routes are central concerns for China, and here Pakistan has been singled out for a key role. China has invested in Pakistani ports (Gwadar) and highways (Karakoram) with a view to enhancing its access to the oil-rich Gulf region. Third, China has collaborated with Pakistani intelligence structures in order to prevent Uighur separatists from establishing links with radical anti-government forces in Pakistan and Afghanistan.

In recent years considerable changes have occurred in relation to these three structural predicaments.<sup>5</sup> There are signs that China has begun reassessing its India policy, and that it does not want to entrench a joint anti-India stance by China and Pakistan. Evan S. Medeiros sees this as forming part of a historic rapprochement that is taking place between India and China.<sup>6</sup> China's re-evaluation of its India policies conforms to the policy doctrine underpinning its regional engagement.

China has since the early 1990s made deliberate and systematic attempts to improve its ties with bordering states. These efforts are often referred to under the headings of 'peripheral' (*zhoubian*) diplomacy and 'good neighbour' policies (Lanteigne 2009: 109). A key element in these policies is the wish to avoid encirclement by a combination of regional and external powers (including the US) by creating a favourable climate for regional cooperation and partnership. Moreover, China seeks to cushion any backlash stemming from its expansion in political and economic power by maintaining dialogue and cooperative relations with its neighbours.

The problem for China, and indeed for the region as a whole, is that India is not reassured by China's confidence-building measures. Indian foreign policy thinkers are split in their views on China. Some analysts stress that China and India will not enter into a negative spiral of insecurity and competition, but will act out their competitive relationship as two 'corporate giants': fighting for markets, resources and influence across the globe, but maintaining cordial (albeit unresolved) military and political relations (Interview, New Delhi, 27.10.09). Others take a more hawkish stance and note the extensive nature of Paki-

<sup>5</sup> Security concerns in relation to radicalization among Uighur separatists and relations to Pakistani jihad groups have deepened. Energy security and also broader commercial cooperation with Pakistan have been increasingly important with China's growing energy needs and economic clout.

<sup>6</sup> Medeiros quotes John W Garver's pertinent observation from 2005 that: 'China's broad strategic objective is to persuade India to look benevolently on an open-ended and expanding Chinese economic, political, and military presence in South Asia and the Indian Ocean... to transform India into China's partner...' John W. Garver 'China's South Asian interests and policies' testimony before the US-China economic and security review commission 21-22 July 2005, quoted in Medeiros (2009: 142).

stan–China military collaboration, including the two countries' nuclear cooperation. They conclude that tough posturing by India, both in relation to Pakistan and in relation to China, will offer the greatest safety for India (Interview, New Delhi 29.10.09).

While India's official policy under the current Congress Party government has been one of primarily cooperation and dialogue with China, these undercurrents in Indian strategic thinking illustrate how difficult a rapprochement between India and Pakistan is. Kashmir and related insecurities and border disputes are one thing; broader strategic considerations sparked by China's rise further complicate relations.

It follows that an Indian–Pakistani grand settlement, as called for by Dalrymple as well as Rashid and Barnett, will depend on continued positive developments in India–China relations. Ideally there needs to be a coordinated, constructive and proactive initiative by both China and India to enhance trust and cooperation across the region – not least in relations to Pakistan. The current status of India and China relations, however, does not indicate that such an initiative is likely to materialize in the near future.

## China: reluctant hegemon

China has already established comprehensive economic and political ties with all of Afghanistan's neighbours, and potentially holds key levers of influence in these countries (see table below). China has also expanded its activities in Afghanistan. Therefore, a comprehensive assessment of Afghanistan's regional predicament needs to factor in the increasingly prominent role of China. Chinese engagement in the region, however, also faces several constraints – many of them self-imposed by the Chinese leadership – which serve to limit the exercise of Chinese influence. China is as yet an uncertain entity in regional affairs, and how China will relate to Afghanistan and its neighbours in the medium and long term is still an open question. What is certain, however, is that the level of engagement that China chooses, whatever it may be, will have important implications for the trajectory of regional politics.

The question of China's role in the region ties in with a broader and central issue in contemporary international relations: how will China step up to its role of a leading great power? China defines its aims and interests in Central and South Asia relatively narrowly, and despite its potential weight. Beijing's foreign policy agenda is limited and has an emphasis on China's traditional concerns of internal stability and coherence (including Tibet and Xinjiang), energy security and good-neighbourly relations. This could just as easily have been the agenda of a small or medium-sized power in the region. In this way the rise of China, regionally and globally, resembles the rise of the USA in the early 20<sup>th</sup> century. Only reluctantly did the USA, with a sizable isolationist domestic constituency, take on larger political roles and agendas in the region and internationally in the years before and after the First World War (Dallek 1979). Similarly, China seems to be primarily concerned with domestic considerations, preferring to keep its foreign policy aims and activities on a modest level – even if, through its economic and political weight, it could well have adopted a far more ambitious agenda.

### **Chinese aims in Afghanistan and the broader region**

China's engagement in Central and South Asia needs to be understood in the context of the great emphasis that Beijing places on ensuring stability and enabling development in the country's significantly poorer and more political volatile regions in the north and west. Stable and prosperous development in countries bordering China is seen as

vital for achieving equality among regions within China and for national unity (Lanteigne 2009: 20; Interview, Shanghai 14.01.10). Importantly, wariness that its regional and global rise could spark a backlash of anti-China policies and alliances makes Beijing sensitive to how its foreign policy actions, not least in the security sphere, are perceived by neighbouring countries. In this way, China's good-neighbourhood policies are both an enabler and a constraint for its policymakers when dealing with Afghanistan and the challenges related to South Asia.

Another central theme in Chinese foreign policy thinking – the principle of non-interference – also acts as a constraint on China. This is illustrated vividly by the China–Pakistan relationship. As noted above, a key challenge for Afghan and regional security comes from the radical militant groups that enjoy support and protection from Pakistani state institutions. There is a good track record of constructive Chinese involvement and support in the country and China enjoys good relations with the full spectrum of political groupings in Pakistan. China's assets in Pakistan could have given Beijing leverage to encourage Pakistan to adopt policies that would put more pressure on the radical *jihad* groups operating on its territory, including the leadership of the Afghan Taliban (Small 2009). Immediately after the '9/11' attacks in 2001, China is believed to have sent a high-level military adviser to Islamabad who worked closely with both the Pakistani and the US political leadership in identifying pro-al-Qaeda elements within Pakistan's intelligence and defence organs (Interview, Shanghai, 15.01.10). Moreover, when Pakistani security forces executed the siege and attack on Islamabad's Red Mosque in July 2007, the Chinese political leadership is reported to have encouraged the Pakistani government to deal with the radical groups associated with the mosque, since these groups had come to pose a threat to Chinese personnel in Pakistan (Small 2009). Nevertheless, Chinese foreign policy experts express caution regarding the extent to which further interference in Pakistan's domestic politics will be constructive. A common theme among analysts and decision-makers in Beijing is the fragility of the Pakistani state and the need to allow the Pakistani leadership space for managing its own affairs at a critical juncture (Interview Beijing 18.01.10; interview, Beijing 19.01.2010).

### **Afghanistan – a foreign policy dilemma for China**

The caution evident in China–Pakistan relations also surfaces in China's strategic calculations on Afghanistan itself. The conflict-ridden country constitutes a key dilemma for Chinese foreign policy makers. On the one hand, there is serious concern about an apparently worsening security situation, and this produces an inclination to enable direct and forceful security measures by China to stabilize Afghanistan. That

could help prevent Afghan instability from spilling over into China and becoming a serious internal security threat. However, an expanded security presence in South Asia could spark resentment among the other regional players in Central and South Asia – India and Russia in particular – which in turn could set interstate relations on a more negative trajectory. Moreover, there is also the worry that a Chinese security presence in Afghanistan could help trigger, rather than prevent, the interlinkage between radical anti-government groups in Pakistan and Afghanistan and Uighur separatists. Finally, there are also key diplomatic considerations. The foreign military presence in Afghanistan is controversial, especially among countries that China cooperates with, like Iran and Russia. Chinese engagement in Afghanistan would probably incur considerable challenges to China's regional legitimacy. Security engagement might weaken China's status in the wider world – a key asset for China as it seeks to harness its soft power and cushion backlashes against its global rise.

### **The economic arena: Chinese expansion**

These calculations, alongside China's long-standing and general foreign policy principles of risk aversion and gradualism, ensure that continuity is likely in China's approach to Afghanistan. However, considerable change seems likely in one sphere – the economic one. When assessing China's global economic expansion, two factors stand out as particularly relevant for explaining the extent of Chinese activities: proximity, and abundance in natural resources. For example, Chinese companies have recently expanded their presence in India, but when doing so, have not been able to draw on the same degree of Chinese state support mechanisms as have enterprises operating in countries like oil-rich Angola and its long-standing strategic ally, Pakistan (Interview, Beijing 20.01.10). In the latter cases, available support mechanisms include state insurance schemes and favourable loans from the China Export Import Bank, often disbursed for broader infrastructure projects where Chinese materials and products are utilized. Close bilateral relations and specific interstate agreements frequently back up the disbursement of funds. Afghanistan's neighbours to the north and west – Kazakhstan, Tajikistan and Turkmenistan – are recipients of considerable investments of this kind. Partly aided by Beijing, poverty-stricken Tajikistan has increased the volume of its Chinese imports, from 53 million USD in 2004 to 1480 million USD in 2008 (MOFCOM 2010).

After a comprehensive study in 2007, the US Geological Survey concluded that Afghanistan has an abundance of copper and iron, as well as large deposits of industrially important minerals like mercury, sulphur, chromite and talc (USGS 2007). With both proximity to China and a promising mineral resource endowment, Afghanistan seems set

to become a key recipient of Chinese investment. The major investment of the China Metallurgical (Group) Corporation (MCC) in the Aynak copper mine may just be the beginning of a larger investment flow that could be released when Afghanistan stabilizes.

*China: investments in Central and South Asia (in million US dollars)*

Country	2007	2008
Afghanistan	0.10	113.91
India	22.02	101.88
Iran	11.42	n.a.
Pakistan	91.063	265.37
Tajikistan	67.93	26.58
Uzbekistan	13.15	39.37

*Ministry of Commerce of the People's Republic of China*  
[http://www.fdi.gov.cn/pub/FDI/wztj/jwtztj/t20090225\\_102471.htm](http://www.fdi.gov.cn/pub/FDI/wztj/jwtztj/t20090225_102471.htm) accessed 23 February 2010

### **Looking ahead: China's role**

In the long term, China will be a central political and economic factor in Afghan affairs, with a likely positive impact on the recovery process in the country. In the short term, however, China will be no game-changer in helping to assist with the anti-Taliban war effort. Moreover, it is in China's clear interest to wait out the turmoil in Afghanistan and then unleash a greater investment drive, in a more stable situation. China has no plans for immediately unlocking any major assets with which it could assist the NATO-led campaign and substantially alter the course of events in Afghanistan. However, at some future moment of its own choosing, China seems bound to step up its engagement with Afghanistan – and this seems set to transform Afghan politics and economic affairs. In regional affairs, China's engagement will be shaped by how Beijing redefines the country's global role: a more active and assertive China in global affairs will also entail a more proactive Chinese factor in the politics of the region.

## Emerging liberal features in the region: cooperation trumping confrontation?

Current prospects for trade, transport and energy cooperation in the region differ significantly from the situation in the 1990s. The situation today is characterized by growing trade, expanding road networks and ambitious energy plans. Many of these initiatives were inconceivable in the 1990s and represent a key shift. This section discusses some of the key developments in the three spheres of trade, transport and energy and assesses possible implications.

A liberally informed perspective on regional affairs emphasizes the positive side-effects of economic developments. It stresses that economic growth and increased interstate exchanges can create incentives for interstate cooperation (Hirschman 1997; Keohane and Nye 2001). In a region where rivalry, security fears and competition dominate, these new forms of economic interaction and activity might stimulate the preferences of key elite constituencies for rapprochement and interstate collaboration, which in turn provide a counterweight to regional competition and insecurity. Alternatively, a challenge to the liberal perspective would ask whether these liberal assumptions should be seen as overly naïve in the context of Afghanistan and its region, given its entrenched rivalries and security dilemmas. A related challenge might be that the new initiatives could be overrated in their significance: could it be that many of the plans will remain ambitious goals with few hopes of actual realization? Below we explore these questions in the context of trade, transport and energy.

First, however, it might be useful to review the outline provided in the introduction to this report of how current Central and South Asian interstate politics are characterized by the various alliances and counter-alliances running through the region. As noted above, the Pakistan–China partnership remains a key feature in regional affairs, just as Saudi Arabia and Pakistan have a strong cooperative relationship. Similarly, India and Iran have a long history of in-depth cooperation and support. This is complemented by Russia’s role in the region and its close relations with both Iran and India. Russia has, moreover, regained some of its influence in Central Asia, and continues to enjoy close relations with Kazakhstan, Kyrgyzstan and Tajikistan. There is nascent, yet substantial, cooperation between India and Kazakhstan,

and India and Tajikistan. Tajikistan and Iran enjoy a close and cooperative relationship, due in part to the strong cultural and linguistic ties binding the two nations together.

The reverse side of these amicable relations: the strong India–Pakistan enmity, the historically troubled Iran–Pakistan relationship and the difficult Afghanistan–Pakistan connection. Russia and China collaborate pragmatically in the region through the Shanghai Cooperation Organization (which also induces a degree of loyalty to the two powers on the part of the Central Asian states), but there is nevertheless a simmering element of competition between Russia and China (Lo 2009). Likewise, as noted, China and India enjoy relatively cordial relations at present, but India in particular is wary of the potentially increasing dominance of China. China for its part fears a broader India–US alliance in the future in the wider Asian region.

With these alliances and counter-alliances shaping regional affairs, should we expect that security dilemmas will deepen these divisions? Or might increased regional economic cooperation transcend these divisions and induce trust and confidence in traditionally competitive relationships? These questions are assessed below in the sections on trade, transport and energy.

### **Trade and transport**

An important change has occurred in Central and South Asian trade patterns. In the 1990s much emphasis was put on the remoteness to markets of landlocked countries such as Uzbekistan and Afghanistan. ‘Markets’ in these assessments were taken to be Western Europe and the USA, and the difficulties of reaching these distant markets were seen as a major challenge for the countries’ economic development. These concerns still remain, but with the growth of Iran, India and China, key regional export markets have emerged and intra-regional trade has grown, in particular between Iran–China, China–Pakistan and China–India. The tables below list the exceptional trade growth between these countries.

The China–India trade is by far the most voluminous, reflecting the large size of the two countries’ economies. It bears noting that China’s India trade far surpasses China’s Pakistan trade – China’s key political and security ally in the region. This discrepancy in the China trade of India and Pakistan is likely to continue and be further augmented – thereby raising the prospects that it could bend regional relations in a positive direction. The substantial China–India trading relationship could help put relations between the two countries on a stable trajectory, despite long standing political disputes. China is unlikely, however, to abandon its substantial cooperation and support to Pakistan.



*China-India Trade figures :(in billion dollars)*

Year	Total
1999 <sup>7</sup>	1.988
2000 <sup>8</sup>	2.914
2001	3.527
2002	4.946
2003	7.594
2004	13.604
2005	18.703

*China-Iran Trade figures: (in billion dollars)*

Year	Total
1999 <sup>9</sup>	1.348
2000 <sup>10</sup>	2.486
2001 <sup>11</sup>	3.313
2002	3.742
2003 <sup>12</sup>	5.622
2004	7.046
2005	10.084
2006	14.446
2007	20.546
2008	27.643
2009(Jan to Aug)	13.574

2009 source: Chinese Foreign Ministry [http://www.fmprc.gov.cn/chn/pds/gjhda/gj/yz/1206\\_40/sbgx/](http://www.fmprc.gov.cn/chn/pds/gjhda/gj/yz/1206_40/sbgx/)  
The years 2002, 2004,2005,2006,2007,2008 source: Ministry of Commerce.

*China-Pakistan Trade figures: (in billion dollars)*

Year	Total
1999 <sup>13</sup>	0.97
2000 <sup>14</sup>	1.16
2001	1.40
2002	1.80
2003	2.43
2004	3.06
2005	4.26
2006	5.25
2007	6.54
2008	6.981

Source: 2001-2007: Chinese Custom; 2008: Ministry of Commerce

Drawing on Asian Development Bank figures, Fredrick Starr (2007) notes that the new roads being constructed in and around Afghanistan expected to be completed by 2010, are likely to enhance total regional

<sup>7</sup> <http://comtrade.un.org/>

<sup>8</sup> <http://comtrade.un.org/>

<sup>9</sup> <http://comtrade.un.org/>

<sup>10</sup> <http://comtrade.un.org/>

<sup>11</sup> Chinese Ministry of Commerce

<sup>12</sup> <http://comtrade.un.org/>

<sup>13</sup> <http://comtrade.un.org/>

<sup>14</sup> <http://comtrade.un.org/>

trade crossing Afghanistan by 113%. For Afghanistan alone, total incremental exports are projected to increase by 202% and imports by 54% for the five-year horizon (Starr 2007:8).

In addition to spikes in intra-regional trade, exports from the key economic powers in the region to wider international markets are on the increase and are expected to keep growing. This is likely to bring significant income to transit trade (Sachdeva 2007: 376). For instance, Gulshan Sachdeva notes that India's trade with the former Soviet countries, Iran and Europe has grown at 26% annually (in 2004/05 this amounted to USD 50 billion). Sachdeva estimates that at a continued growth rate of 26% this trade will imply a value of USD 500 billion by 2014/15. It is not unlikely, as Sachdeva argues, that with the planned improvements in transport networks some 20% of this trade could transit the region – and that would entail 100 billion worth of Indian trade. Transit fees earned by the states in the region will be substantial and provide a powerful economic argument for Pakistan to continue the steps taken to revoke the restrictions on trade with India and transit from India to Afghanistan and the broader region (Joshi 2010: 14).

So far, however, the animosity between India and Pakistan, and also the difficult Afghanistan–Pakistan relationship, has continued to pose major barriers to the expansion in regional trade. Moreover, there is considerable opposition from economic lobbies within Pakistan for liberalisation of trade. In July 2010 Pakistan and Afghanistan announced, after over a year of negotiations, a new trade agreement, which envisioned considerable liberalisation. The agreement proved, however, immediately controversial in domestic Pakistani politics and it is still uncertain whether the agreement will be fully implemented. Similar controversies are likely to emerge in any efforts at Pakistan–India trade liberalisation.

India and Pakistan's reluctance to facilitate regional trade imposes a major barrier to Indian trade to the north and west and hinders Indian access to Central Asia and beyond. India's response to this challenge has been to further enhance its cooperation with Iran. India and Iran are jointly developing the Iranian ports of Bandar Abbas and Chahbahar and India has built rail and road links from Afghanistan to Iranian border cities. In this way India ensures access to Central Asia through Iran and Afghanistan. It also establishes India's connection to the International North South Transport Corridor (INSTC) which creates a transport system that links Russia's Baltic coast to the Persian Gulf and the Indian Ocean. This corridor has been initiated by Iran, India and Russia (Sachdeva 2007: 357).

There are some central challenges and downsides associated with trade in the region. Trade liberalisation promises key economic benefits for national economies and some groups of traders; however, for particular constituencies in each of the South and Central Asian states liberalisation can pose a threat. Domestic producers, as illustrated by the case of Pakistan, are one group. Others are the long standing networks developed around the extensive smuggling activities that have emerged to circumvent the trade restrictions in the region.

A related issue to smuggling is the considerable potential for bribes and exploitation of traders created by malfunctioning law enforcement, customs and border agencies across the region. This further hampers trade. Magnus Marsden (2010) notes in a comprehensive survey of traders and trade patterns between Afghanistan and Tajikistan that many Afghan traders have been forced out of trade linked to Afghanistan and instead work on other routes such as those between the United Arab Emirates and Tajikistan. Afghan traders see themselves as particularly vulnerable to exploitation given the elusive terror threat pinned to Afghanistan and the traders' lack of representation by forceful diplomatic or consular missions across the region.

Overall, the trading patterns and the increase in trade offer important incentives for inter-state cooperation, even if, in some instances, such as the India–Iran cooperation, trade runs along established lines and further consolidates existing alliances in the region. Nevertheless, cross-border trade is a promising feature of the region, because its growth has been so extensive and the effects of road and railway construction have brought such quick results. Moreover, increased trade has immediate positive impacts on the economic wellbeing of traders and citizens alike. In this way further facilitation of trade is one policy arena where regional and outside actors seeking to generate positive developments in the region can obtain substantial results both in the short and medium term.

### **Energy**

A key structural feature shapes energy relations in the region: the Central Asian countries have a great surplus of energy (oil, gas and hydropower) and are seeking to complement existing export routes to the west, north and east with a southern route. The South Asian states have large and growing energy deficits and are therefore in search of stable supplies from, among others, their northern neighbours. This has spurred the development of a number of plans for increased energy generation and extraction as well as export routes. These plans offer the prospects of long term economic cooperation across the Central and South Asian region. Moreover, many of the stipulated projects transit Afghanistan's territory, thereby holding up the promise of con-

siderable transit revenue and an increase in available energy supplies for the country.

In the hydropower sector it is the prospect of developing Tajikistan's vast and untapped hydropower resources that underpin many of the proposed projects. Tajikistan is ranked among the top 7 countries with the largest (potential) hydropower resources. The National Strategy for Developing the Energy Sector (2006-2015) sets out a target of 35 billion kwh in generation capacity by 2015 and 57-60 kwh by 2020. It bears stressing though, that Tajikistan will need to generate substantial foreign investment and expertise in order to reach these targets. Some smaller export projects have already come into operation or are close to being realised. These include a 220 V transmission line from the Sangtuda facility in Tajikistan to Pul i Khumri in Afghanistan and a proposed Tajikistan-Iran transmission line that envisions 6 billion kwh exported to Iran via Kunduz and Herat.

The most ambitious project however is the CASA 1000, an energy-trading project that aims to transmit energy from Kyrgyz Republic and Tajikistan to Afghanistan and Pakistan. The scope of the project was agreed at the 3rd conference CASAREM (Central Asia South Asia Regional Electricity Market) held in Kabul in November 2007 where the four governments signed a Memorandum of Understanding (CAREC 2008: 1). CASA 1000 project entails the transmission of 1300 MW of electricity from Kyrgyz and Tajikistan to Afghanistan (300 MW) and Pakistan (1000 MW) and building of the necessary transmission and trading infrastructure, including 750 km High Voltage Direct Current (DC) transmission system between Tajikistan and Pakistan via Afghanistan; a DC to Alternate Current (AC) converter station in Kabul to supply Kabul area as well as an AC transmission link between Kyrgyz Republic and Tajikistan to supply Kyrgyz electricity to South Asia via Tajikistan. Furthermore, the project requires the development of institutional and legal framework as well as the establishment of an implementing body – an inter-governmental council (CAREC 2008). The project's start was planned for 2010, and both Tajik and Pakistani presidents agreed to accelerate the implementation as the anticipated benefits are manifold (Associated Press of Pakistan 2010). However, the speed and extent to which these plans will be implemented is still uncertain.

Moreover, a major challenge in relation to the further development of Tajikistan's hydropower resources bears stressing. Uzbekistan is actively resisting Tajikistan's efforts to enhance its hydropower potential. Uzbekistan's economy is centred on water intensive cotton production and its irrigation systems draw heavily on rivers that originate in Kyrgyzstan and Tajikistan. Moreover, the authoritarian Uzbek re-

gime has since 1991 had sovereignty and independence from foreign meddling as a key theme in its policies. Uzbekistan vehemently opposes the constructions of dams, which would grant Tajikistan considerable degrees of control over water flows to Uzbekistan and, possibly, political leverage. At the same time, Uzbekistan has shown little willingness to explore mechanisms for regional cooperation on water and hydro power issues. Relations between Uzbekistan and Tajikistan are difficult at present due to Tajikistan's development plans and it is not unlikely that tensions could escalate further if Tajikistan is able to enact its major construction plans. Uzbekistan has previously intervened covertly and indirectly in Tajikistan's internal affairs, causing considerable instability in Tajikistan (Torjesen et al. 2005). Major potential investors such as Chinese companies, have been dissuaded from engaging in the large scale development plans of Tajikistan due to wider regional concerns and Uzbekistan's protests (Interview, Beijing 18.01.10).

Considerable regional diplomatic activity has centred on two major gas transportation projects: the Turkmenistan-Afghanistan-Pakistan-India pipeline (TAPI) and the Iran-Pakistan-India pipeline (Bisit 2008; Ali 2010). The updated plans for the TAPI line entail a new trajectory of the pipeline that avoids the most conflict sensitive areas in Afghanistan and enters Pakistan in the Baluch areas near Gawdar. Turkmenistan would provide 3.2 billion cubic feet to the three recipient countries from its Yasrak oil fields (Ali 2010). The IPI project would entail export of a slightly smaller quantity of gas from Iran to Pakistan and India, but carrying the prospect of generating 700 million USD in transit fees for Pakistan if export to India was realised (Ali 2010). Both IPI and TAPI have stalled however due to the disagreement over tariffs between India and Pakistan, and also, in the case of TAPI over security concerns in Afghanistan and uncertainties related to the quantity of Turkmen gas reserves available for the project. Iranian experts have recently indicated that an alternative to the Iran-Pakistan-India route could be Iran-Pakistan-China, with related Chinese funding and technical support (NUPI-IPIS workshop 2010).

In the oil sector, the outlook for a pipeline enabling the export of Caspian oil from the oil rich countries Kazakhstan and Azerbaijan to South Asia are dim. China has, through its considerable investments in Kazakhstan, demonstrated that the construction of major overland oil pipelines is possible and feasible. Nevertheless, there are no plans for linking Central and South Asia. The connection between South and Central Asia in the sphere of oil is limited to (and is likely to remain limited to) the attempts by Indian oil companies to increase their foreign direct investment in oil installations in Kazakhstan. This provides India with a stake in Central Asian oil and its associated profits, but

does not necessarily impact on the direction of export of Central Asian oil.

### **Implications**

The abovementioned energy projects would, as predicted by a liberal perspective, have clear positive implications for regional development and cooperation. They would add a constructive and cooperative element to the Pakistan-India relationship and provide both powers with a stake in peaceful developments within the two countries. Crucially, however, many of the larger projects in both hydro power and the oil and gas sector have either been postponed indefinitely or are likely to be realised only in the medium to long term. This implies that these grand projects can not bring immediate positive benefits to the region or to Afghanistan. In this way the regional energy projects are no immediate game changers for the present dynamic in the region.

The above discussion has important implications for how we view the regional dynamics. Clearly key liberal features are visible to greater or lesser extents in the spheres of energy, trade and transport. In relation to the energy sector, however, the liberal promises have so far been largely unfulfilled. Moreover in the case of Tajikistan, its dispute with Uzbekistan augments rather than lessens security concerns for the region. By contrast, transport investments and trade increases have delivered substantial benefits for the region. If these continue to grow important counterweights to inter-state insecurity and competition will be created. Interestingly, it is the countries in the region, China, Iran and India, which have, together with the US, ensured the improvements in regional transport infrastructure. This emphasises the positive assets available within the region for progress and development. Finally, the networks, capabilities and reach of Afghan traders in regional goods flow are worth noting. Afghanistan's trading traditions are a key liberal asset not only for Afghanistan itself but also for the wider region.

# Iran

While there have been several significant and positive differences in 2010 as compared with 1990, Iran's role remains a difficult issue, perhaps more difficult than in the 1990s. This is mainly due to the threat of retaliation against nuclear proliferation – and Iran's associated response.

Iran has played a significantly positive role in post-2001 Afghanistan.<sup>15</sup> Most notably, Tehran greatly facilitated the Bonn peace agreement and supported the Karzai government from the beginning (Interview, Kabul 05.11.07). In addition, Iran demonstrated its commitment to the stabilization of Afghanistan by expanding its aid, trade and reconstruction programmes. The country has provided close to USD 1 billion in aid since 2001, while trade between the two countries stands at USD 260 million (Chopra 2007). Iran supplies electricity to western Afghanistan, and has initiated major infrastructure projects, road reconstruction in particular. There are also plans to extend Iran's railway system in a way that would link Afghanistan to the port of Chabahar. Furthermore, Iran's major effort to thwart drug trafficking from Afghanistan have been acknowledged by the United Nations Office on Drugs and Crime (UNODC) (Gavrilis 2009).

Nonetheless, the United States has been accusing Iran of trying to destabilize Afghanistan by supporting anti-government and anti-western forces. Iranian produced weapons and explosive devices found among insurgents in the western Afghan provinces along the Iranian border have been put forward as evidence to substantiate these allegations. Sceptics have argued that weapons could originate from old Northern Alliance commanders who received weapons from Iran during the civil war, or could be smuggled in by a third party (criminal networks, drug smugglers), but the United States has remained firm: US Secretary of Defense Robert M. Gates reiterates that weapons and financing were coming from Iran, and 'given the quantities, it is difficult to believe that it's taking place without the knowledge of the Iranian government' (Gates 2007; Bruno and Beehner 2009).

The American allegations have recently been supported by leaked US military intelligence logs, which shed new light on Iranian involvement in Afghanistan. Based on reports from local Afghan intelligence

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<sup>15</sup> Apart from its aggressive policy of forced return for the approximately 1.5 million illegal and 95,000 legal Afghan refugees in the country. Up to 2000 are returned every day, and this heavy influx of returnees could prove destabilizing for Afghanistan (Chopra 2007).

officials, the leaked documents describe how Iran has been actively engaged in financing, training and equipping Taliban and al-Qaeda insurgents. Documents reveal that Tehran has deployed its intelligence officers to Afghanistan to assist insurgents in carrying out attacks against government officials and the coalition forces (Khalaf 2010). Moreover, insurgency commanders were offered financial incentives for each soldier killed in Afghanistan (Nelson 2010). Iranian assistance, according to these documents, was particularly directed toward Gulbuddin Hekmatyar, a warlord and former Prime Minister, who once found the refuge in Iran, but was expelled in 2002 (Khalaf 2010).

What is the rationale behind this 'double game'? How do these two seemingly contradictory accounts fit together?

In accounting for the stabilizing role of Iran in Afghanistan, analysts refer to Iran's commercial and, particularly, security interests in having a stable neighbour in the east. The previous Taliban regime challenged Iran in several ways: its oppressive policies caused the flow of refugees to Iran;<sup>16</sup> it repressed the Shia minority, which enjoyed the support of Iran; it organized drug trafficking, which threatened Iran's security, etc. (Parker 2009: 170). The Taliban's execution of five to six thousand Hazaras along with a dozen Iranian diplomats, which almost provoked Iran to respond militarily, is particularly illustrative of the strained relationship between the two countries (Parker 2009: 179). Thus, the cooperation with the anti-Taliban coalition was clearly in Iran's interest. Moreover, it has been argued that Iran hoped that this tactical cooperation with the United States would lead to 'a genuine strategic opening' between the two countries (Bruno and Beehner 2009).

However, since the US political leadership failed to acknowledge the Iranian contribution to the peace process in Afghanistan, and instead dubbed the country the member of the 'axis of evil', the Iranian leadership, it has been argued, changed its policy. Or, rather, moderate foreign policy makers, including the reformist president Mohhammad Khatami, lost to more radical elements who turned to 'a hedging strategy': 'a strategy of managed chaos', simply – destabilization of Afghanistan (Khalaf 2010; Bruno and Beehner 2009). This strategy includes contacts with insurgents, weapon supply and other support, including the provision of sanctuary, similarly to the strategy Iran followed in Iraq (New York Times 2007; Khalaf 2010). What may be the rationale behind this policy?

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<sup>16</sup> Iran has hosted 2.5 million Afghans refugees from the Soviet occupation onwards (Parker 2009: 179).



Strengthening insurgents could be advantageous to Iran in several ways. First of all, it serves as a signal to Washington of Iran's central role for Afghanistan's stability: if tensions with the United States over Iran's nuclear program exacerbate, Tehran is prepared to substantially undermine US interests in Afghanistan so as to enhance its bargaining position. In that way, Tehran raises the bar for US decision-makers wanting to respond to Iran's nuclear development plans with military actions. By destabilizing Afghanistan, Tehran 'ties US troops in a long and unwinnable war' (Khalaf 2010).

However, Tehran has denied to have supported insurgents in Afghanistan. Also, experts disagree on whether the Iranian government is directly involved (Bruno and Beehner 2009). After all, destabilizing Afghanistan entails serious political, economic and security risks for Iran as well (New York Times 2007). Iran, having converging interest in Afghanistan as the United States, might pursue such a strategy only out of extreme necessity. In any case, the fact remains: any further escalation of tensions in US-Iranian relations is highly likely to have a negative effect on Afghanistan.

Finally, it bears stressing that China is an increasingly central player in addressing Iran's nuclear challenge, including in the United Nations Security Council. As long as China continues to import Iranian energy, European and US sanctions are less imposing.

Despite the fact that Iran's role in Afghanistan is not entirely positive, United States could potentially exploit Iran to the benefit of the Afghan people, as well as to improve its own relationship with Tehran. As Landler notes 'Afghanistan may provide the most promising avenue for opening a diplomatic channel to Iran', and that is a major goal of President Obama's foreign policy (Landler 2009).



## Conclusion

This report has presented four arguments on regional affairs. First, it has asserted that we need to factor in broader regional concerns when we assess prospects for positive developments in the crucial India-Pakistan relationship. Second, China has obtained key levers of influence in all states in the region, except from India, but has so far not chosen to fully utilise these levers in order to shape regional inter-state relations. China is a regional hegemon in waiting, but it is uncertain when it will choose to take on this role. Third, regional energy projects hold the potential for increasing cooperation and reducing insecurity and rivalry between states, but have so far not delivered on its liberal promise. Moreover, many of the projects will only be realised in the medium to long term and therefore, aside from potential helpful effects of diplomatic dialogue, bring few immediate positive effects to regional affairs. By contrast, transport networks and intra regional trade and transit have increased dramatically and constitute perhaps the single most positive development in the region and serve as an important stabiliser. Fourth, Iran continues to be an ambiguous regional actor and its nuclear programme poses an indirect, but serious challenge to regional stability.

Taken together, these four arguments highlight the increasing salience of India and China. This implies that the nature of Indian-Chinese relations will be a major defining element that shapes the trajectory of regional affairs in the years to come. At a domestic level, Afghanistan has managed to balance Indian and Chinese engagement in the country well. It receives substantial assistance from both countries and the two powers are supportive of President Karzai. So far Afghanistan has developed the closest ties to India, and China seems respectful of this state of affairs (Torjesen 2010).

The four arguments communicate forcefully the substantial changes in Afghanistan's regional environment in 2010 as compared with the 1990s. While interstate competition and security fears dominated the regional affairs of the 1990s, in 2010 we see a mix of inter-state rivalry and insecurity together with patterns of economic cooperation and investments in the future potential of the region. Diplomatic contact and dialogue between all the states in the region is at an unprecedented level, in particular at the heads of state and ministerial levels. This is so even for the countries that have long standing disputes. Nevertheless, a range of sub-state actors continue to enact destabilising policies, including Iranian Army of the Guardians of the Islamic

Revolution, Pakistan's ISI and, possibly, India's RAW. In the case of the two former, there is considerable uncertainty tied to the question of whether the central governments actually maintain full control over these state branches.

In the introduction and first chapter we highlighted how in the 1990s internal rivalries in Afghanistan tied in with regional security dynamics and thereby aggravated the conflict in Afghanistan. The risk still exists that a similar scenario could unfold in the years ahead. Internal politics in Afghanistan continues to be fragmented and highly competitive. The resignations in the spring of 2010 of the Tajik affiliated security heads Mohammad Hanif Atmar and Amrullah Saleh illustrate the unease among many former Northern Alliance members of President Karzai's policy choices. Negotiations with the Taliban and the prospect of creating a meaningful voice for rural and conservative Pashtun constituencies will be a key test of unity and commitment by all factions in Afghan politics to the Afghan state in its present form. Should this test escalate into further open confrontation, then more Afghan political groups may choose to seek support from regional powers.

However, the regional environment looks considerably less prone to feed into and augment these internal rivalries than it did in the 1990s. The considerable traditions for diplomatic dialogue, China's tacit influence in all countries and the increasing economic incentives for maintaining regional stability are important counterweights in this respect.

Whether these new features will prove strong enough to uphold a stable trajectory in further tests on the region remains to be seen. What is certain, however, is that these liberal aspects represent major new developments in regional affairs and it is crucial that these are factored into the analysis of regional affairs.

### **Annex 1: Central Asia – Afghanistan relations: brief overview**

Central Asian states' relations with Afghanistan have become more substantial as compared with the 1990s, when efforts by the Central Asian states to minimize the impact of instability in Afghanistan dominated the policy agenda. The increasing links between India and the Central Asian states are new, whereas economic and infrastructure links are more substantial.

There are considerable differences, however, between the Central Asian states when it comes to how substantial their relations with Afghanistan are. Simplified, the five Central Asian states can be grouped into two categories, with Uzbekistan, Kyrgyzstan and Kazakhstan on one side and Turkmenistan and Tajikistan on the other.

In the first category two features dominate. First, Afghanistan is high on the policy agenda, but this is primarily about the states' international manoeuvring and less about Afghanistan in and of itself. For example, the Northern Distribution Network is a central element in the countries' ties to Afghanistan, but the contracts and arrangements negotiated and developed between NATO countries and the Central Asian states do not include Afghanistan as a significant player. Second, security fears dominate the thinking and approach of Central Asian states towards Afghanistan. The old negative stereotypes from the 1990s about Afghanistan as an area of anarchy and terrorism are prevalent and shape the approaches toward contemporary Afghan affairs. However, there are some important exceptions. Kazakhstan offers aid to Afghanistan worth 2,3 million USD, and there are increasing business links between Uzbek and Afghan elites, not least related to the substantial imports of petrol from Uzbekistan to northern Afghanistan.

In the second category of countries (Tajikistan and Turkmenistan) the relations with Afghanistan are more substantial and direct. Both countries continue to export electricity to areas across the border in Afghanistan. The two countries have, at various points, been singled out as the major transit countries for Afghanistan's illicit drugs export, with Turkmenistan now believed to have surpassed Tajikistan in the quantities of drugs transiting its territory (Yevseyev 2010). Moreover, in security terms, Tajikistan's security trajectory has been most tightly interwoven with Afghanistan's security affairs (Torjesen et al. 2005). Both Tajikistan and Turkmenistan receive major economic investments from China and these projects potentially link them with Afghanistan. In Turkmenistan, China, as the only foreign state, has secured a contract for development of Turkmenistan's onshore gas re-

serves; moreover, there are discussions whether China should extend its exploration of gas fields in Turkmenistan's border regions and move into Afghanistan. In Tajikistan, the substantial Chinese investment in the road infrastructure is directly beneficial for Afghanistan since it connects Chinese border regions with Tajikistan, Afghanistan and Iran and facilitates regional trade producing transit income for Afghanistan.

## **Annex 2: Background report: Uzbekistan – Afghanistan relations**

*Prepared by Tamilla Tagieva<sup>17</sup>*

### *Political Cooperation between Uzbekistan and Afghanistan*

Uzbek–Afghan cooperation in the political field began in 1992, when diplomatic relations were established. The Ministry for Foreign Affairs of the Republic of Uzbekistan notes that in 2002 there was a visit of President of Afghanistan Khamid Karzai to the Republic of Uzbekistan, when Uzbekistan pledged in a joint declaration to 'assist Afghanistan to reconstruct its economy supplying water resources, energy, construction materials and others' (MFARU 2010). In the same year, Uzbekistan and Afghanistan were among the signatories to a multilateral agreement known as Kabul Declaration on Good-Neighbourly Relations, in which the countries declared their commitment to building constructive bilateral relations. The official website of the Ministry for Foreign Affairs mentions no bilateral agreements between Uzbekistan and Afghanistan in any field so far. The website data in relation to political cooperation, economy, and energy are outdated, with nothing more recent than 2003.

Political cooperation of Uzbekistan and Afghanistan can be traced within the framework of regional initiatives such as Central Asia Regional Economic Cooperation (CAREC) – Asian Development Bank programme. Even though both countries are members of the Economic Cooperation Organization, their mutual collaboration within this organization has not been pronounced. For example, the 2008 multilateral Agreement on Promotion and Protection of Investments among ECO Member States, signed by among others Uzbekistan and Afghanistan, can be hardly considered a sign for cooperation since both countries are recipients of investments (ECO 2010).

In its political relations with Afghanistan, Uzbekistan has been actively promoting the idea of the Trans-Afghan corridor, 'the shortest

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<sup>17</sup> Ms Tagieva was a master student at the OSCE Academy in Bishkek in 2010 and, as part of an OSCE-NUPI cooperation agreement she did an internship at NUPI in the summer of 2010. This background report formed part of Ms Tagieva's duties during her internship

route linking Uzbekistan with the Caucasus and southern destinations' (JAHON 2010). The project involves Uzbekistan, Afghanistan, and Iran. Once the project is finished, Uzbekistan will benefit in that 'Uzbek goods will be delivered to ports on Iran's seashore using logistically sound and commercially profitable routes' (ibid.) The Trans-Afghan corridor project is expected to promote cooperation and economic ties among the countries along the route. In 2003, the Uzbek side 'initiated signing the tripartite Agreement on creation of the International Trans-Afghani transport corridor' (Uzbekconsulny 2010).

In May 2010, due to the dispute between Uzbekistan and Tajikistan, NATO cargo carriages for Afghanistan were being held on the territory of Uzbekistan. This may have had a negative impact not only on the relations of Uzbekistan with the United States, but also on Uzbek–Afghan relations.

#### *Economic Cooperation between Uzbekistan and Afghanistan*

The website of the MFA of the Republic of Uzbekistan provides information on trade turnover between Uzbekistan and Afghanistan for 2002 and 2003. In 2002, trade turnover between the two countries stood at USD 61.69 million: Uzbek export was USD 61.5 million and import was USD 0.19 million. However, in 2003 came a drastic decrease: trade turnover was only USD 16.46 million, with Uzbek export at USD 16.43 million and import only USD 0.03 million (MFARU 2010). Uzbek deliveries to Afghanistan consisted mainly of 'energy, refining oil, ferrous metal, road transport means, furniture, food' (ibid.). Afghanistan exported to Uzbekistan fruits and its production (ibid.).

Uzbekistan provides assistance for Afghan economy and infrastructure. 'Uzbekistan took an active part in the project on restoration of a highway from Mazar-i-Sharif–Kabul. In particular, the Uzbek experts put in operation 11 bridges on the specified route, which have provided uninterrupted cargo communication of the Northern provinces with Kabul' (Uzbekistan Embassy in Pakistan 2010).

Within the above-mentioned CAREC programme Uzbekistan and Afghanistan have been developing their infrastructure and mutual links. One of the projects includes transport. 'The Uzbekistan road section of the A380 highway, which forms part of the Central Asia Regional Economic Cooperation (CAREC) Programme's Corridor 2, is getting support from a \$600 million Asian Development Bank (ADB) multi-tranche financing facility' (CAREC 2010). The CAREC Corridor 2 road connects the Caucasus and Mediterranean to East Asia; the route through Uzbekistan links with Afghanistan, Kazakhstan, the Kyrgyz Republic, Tajikistan and Turkmenistan. Upgrading the highway to a

four-lane international standard thoroughfare, rehabilitating other sections, and improving road planning and management are expected to shorten travel time, reduce transport costs, improve safety, and support growth and poverty reduction (ibid).

Another project in the field of transportation expected to contribute to economic development of Uzbekistan and Afghanistan is the railway Hayraton–Mazar-i-Sharif–Herat. In order to increase the volumes of cargo transport, the governments of Uzbekistan and Afghanistan and Asian Development Bank signed a Memorandum of Understanding on building the Hayraton–Mazar-i-Sharif–Herat railway as part of the Trans-Afghan transport corridor. The signing took place on 20 November 2008 in Baku, within the framework of the 7th Ministerial Conference of the Programme of ADB CAREC (Uzbekistan Embassy in Pakistan 2010). ‘The 75-kilometer line will run mainly through uninhabited areas, with three railway stations and several other stops along the way. Millions of tons of goods are expected to be transported benefiting up to five million people’ (Euroasianet 2010). Further, the estimated cost of 1520 mm track-width is USD 175–180 million; the timeframe for completion of work is 45 months; estimated cost of 1435 mm track-width, USD \$250–270 million, with a work period of 72 months (Uzbekistan Embassy in Pakistan 2010).

In 2008 Uzbekistan and Afghanistan launched active cooperation in the sphere of fibre-optic communication. An optical fibre communication line connecting Uzbekistan and Afghanistan was officially opened in 2009 in Hayraton (ibid.).

### *Energy Sector*

Cooperation between Uzbekistan and Afghanistan in the energy sector includes electricity supplies from Uzbekistan to Afghanistan. So far, no other kinds of energy seem to be exported from Uzbekistan to Afghanistan.

In 2002 the electricity supply from Uzbekistan to Afghanistan was restored. In 2007 Uzbekistan exported to Afghanistan 20 MW of electric power and 24 MW in 2008 (ibid.). In November 2006 Uzbekistan and Afghanistan signed Memorandum on cooperation in the field of energy, which initiated the construction of the Hayraton and Surhan electric sub-stations (Uzbekistan Today 2010). As of 26 January 2009, electricity from Uzbekistan has come to Kabul through the electricity transmission line-220 Hayraton–Puli–Humri–Kabul. On 18 May 2009, a ceremony was held at the sub-station Chantala (a suburb of Kabul), commissioning the power unit transferring to Kabul 150 mVt. electricity from the Surhan sub-station in Uzbekistan (Uzbekistan Embassy in Pakistan 2010). Work to increase the electricity supply from Uz-



Uzbekistan to Afghanistan is continuing, and the Islamic Development Bank has financed a 500kV transmission line to connect the Surkhan and Guzar sub-stations in Uzbekistan (CAREC 2010a).

#### *Uzbek-Indian relations*

Uzbek-Indian cooperation has resulted in 42 bilateral agreements so far, including The Joint Declaration on Principles of Cooperation, Agreement on Interstate Relations and Cooperation, Agreement on Mutual Encouragement and Protection of Investments, Agreement on Avoidance of Double Taxation and Tax Evasion, Treaty on Mutual Legal Aid in Criminal Cases, Treaty on Extradition, Agreement on Establishing of Joint Working Group on Combating International Terrorism as well as cooperation agreements in the spheres of culture, tourism and air communication (MFARU 2010). Since 1993 Uzbekistan and India have signed three credit agreements according to which India has given to Uzbekistan three credit lines of 10 million USD each, for a 10-year period (ibid.).

In 2002, trade turnover between the two countries stood at USD 40.5 million, of which export accounted for USD 25.1 million and import 15.4 million. Turnover between India and Uzbekistan was even less than between Uzbekistan and Afghanistan in the same year, mainly because of the complexity of goods transport, and the lack of precisely adjusted transport infrastructure. The Trans-Afghan corridor has been a good opportunity for setting and developing more contacts with India using an exit to the Iranian port of Chohbahor and further by sea to ports of India. The situation changed for the better in 2009, when both countries managed to increase their bilateral trade: in 2009 it totalled USD 124.9 million as against USD 79.4 million the year previous (Uzbekistan Embassy in India 2010). Uzbekistan imports medicines, pharmaceuticals, jewellers' and carpet products, machines and tools, cosmetics, glass ceramics, chemical preparations, electronics, tea, etc. From Uzbekistan, India imports cotton and related waste products, metal products and non-ferrous metals, inorganic chemical products, silk, wool, etc (ibid.).

#### *Uzbek-Pakistani Relations*

The two countries have signed the following bilateral agreements: Agreement between the Government of the Republic of Uzbekistan and the Government of the Islamic Republic of Pakistan on cooperation in the field of transport and transit of goods and Treaty between the Government of the Republic of Uzbekistan and Government of the Islamic Republic of Pakistan on mutual legal assistance in criminal matters.

As the *Pakistan Observer* reports, 'Uzbekistan supports the efforts of Pakistan to become a full member of the SCO. In this regard, attempts are made to accelerate the process of preparation of the legal instruments, determining the rules and criteria for observer states to become full members of SCO.'

Trade turnover between Pakistan and Uzbekistan stands at USD 40 million per year (Euroasianet 2010a). On 8–9 March 2007, the third session of Pakistan–Uzbekistan Joint Ministerial Commission (JMC) took place in Islamabad. During the meeting, Pakistan and Uzbekistan agreed to establish joint ventures in textile, pharmaceutical, leather industries, manufacturing medical equipment and exchange of technology in the health sector. 'Pakistan is interested in uniting its communications with new transportation networks of the southern direction of Central Asia for this region is rich in energy resources. Uzbekistan's link to littoral countries of the Arabian Sea through Pakistani communication networks is beneficial for both of the states (...) Pakistani companies have shown interest in the investigation of oil and gas deposits in Uzbekistan. The projects to build transportation networks that lead to Pakistan through Afghanistan is of significant interest for both countries (Uzbekistan Embassy in Pakistan 2010a).

The Uzbek products of Navoi Azot and Ferghana Azot (sodium chloride, methanol, sulphur, acrylonitrile, cellulose, acetic acid, glycerine, etc.) are exported to Pakistan through Afghanistan. In Uzbekistan there currently some 40 joint ventures with Pakistani capital, producing commodities and providing services worth USD 16 million per annum. Export has now reached USD 4 million (*ibid.*).

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