



Afghanistan: Regional Cooperation for Peace, Security and Economic Prosperity

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Afghanistan: A Strategic Pivot—not just a Transit—for Regional Cooperation

- Connects Central and South Asia
- At crossroads of culture, trade and commerce
- Regional cooperation critical for a relatively small, landlocked economy
- Material gains from economic cooperation for AFG and the wider region

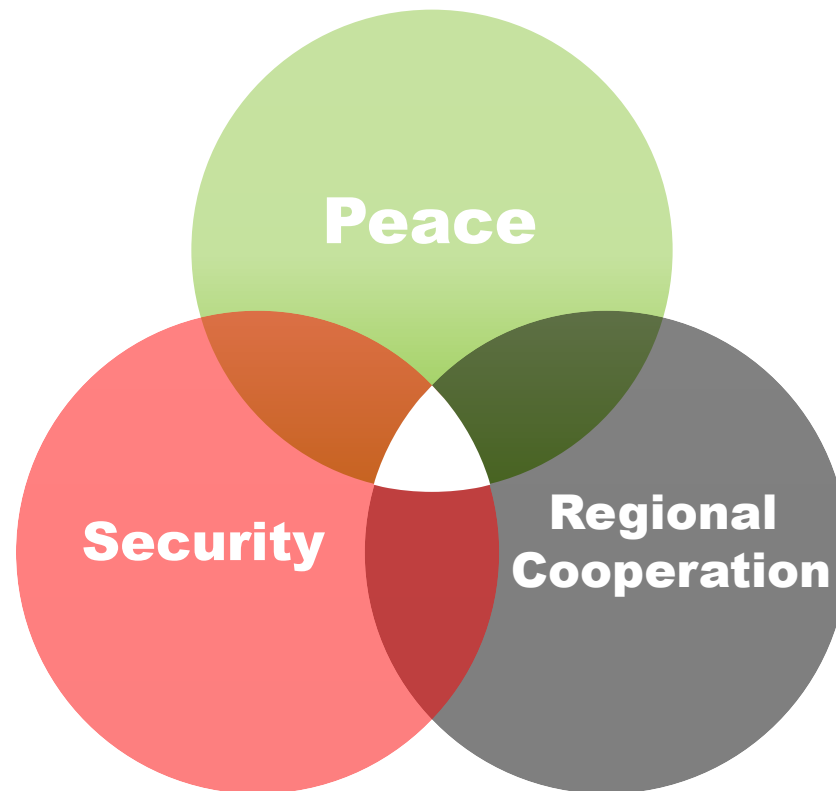


Source: Special Report on Central Asia's Growing Role in Building Peace and Regional Connectivity with Afghanistan, No. 453, August 2019, United States Institute of Peace.



Peace, Security and Regional Cooperation

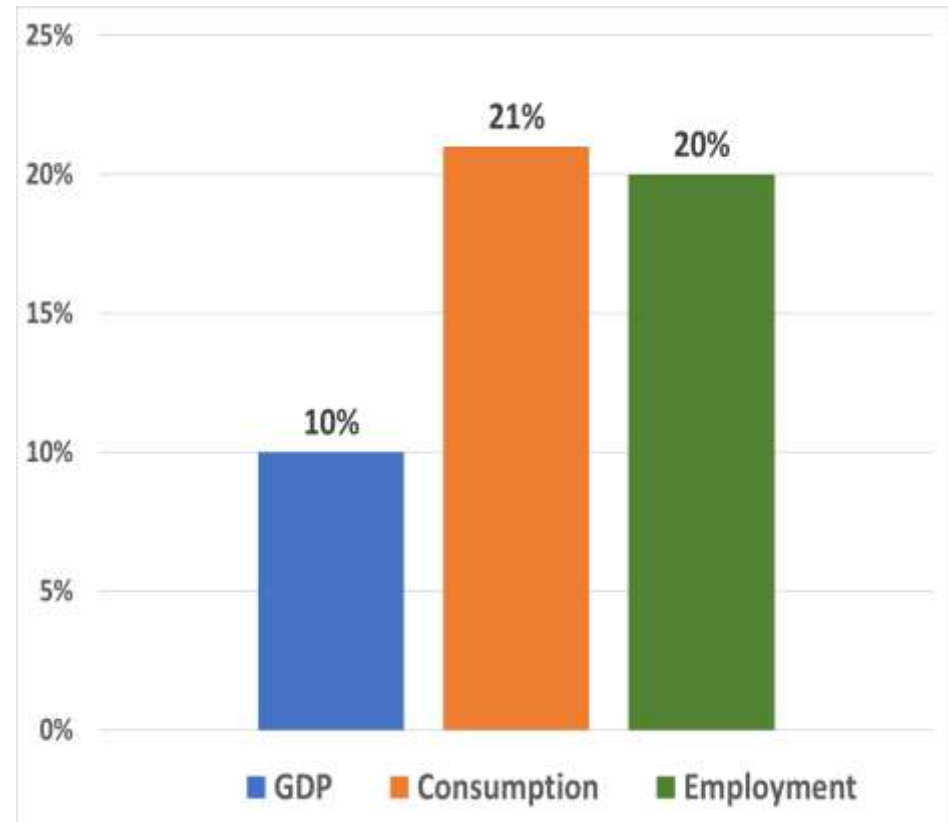
- Peace and security are dividends from regional cooperation and also essential conditions for it
- Simultaneous efforts are needed for peace building and promoting regional cooperation





Impact of Regional Cooperation for Growth and Jobs

- Over 50% of Afghanistan's trade is with neighboring countries
- CGE model for AFG predicts:
 - Increasing exports by one—fifth raises GDP by 10% and jobs by 20%
- Cambodia —an example.
 - Peace and security after the 1975 conflict contributed to doubling of Cambodia's per-capita GDP in 1998-2007 through opening up and market reforms



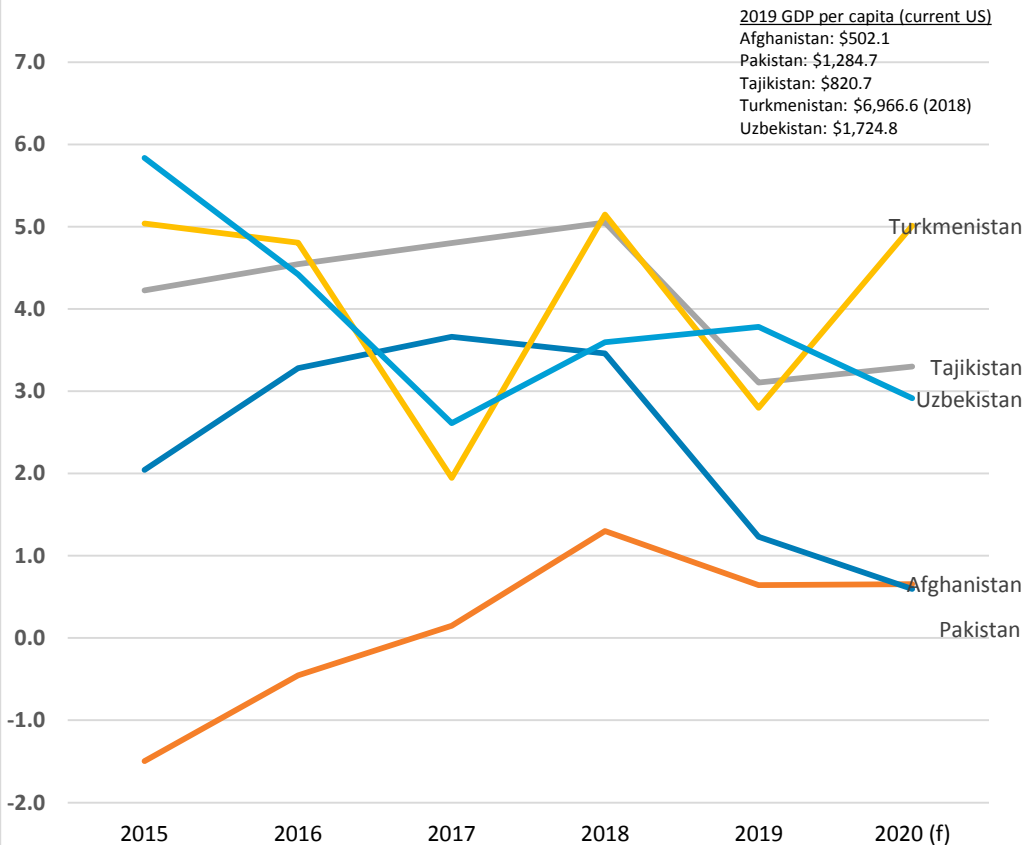
The simulation results can be interpreted as the percentage increase compared to the 2019 baseline data.

Source: ADB estimates.



A Stronger Domestic Economy Key to Benefit from Regional Cooperation

AFG and Neighbors: Growth rate of per capita GDP (% per year)



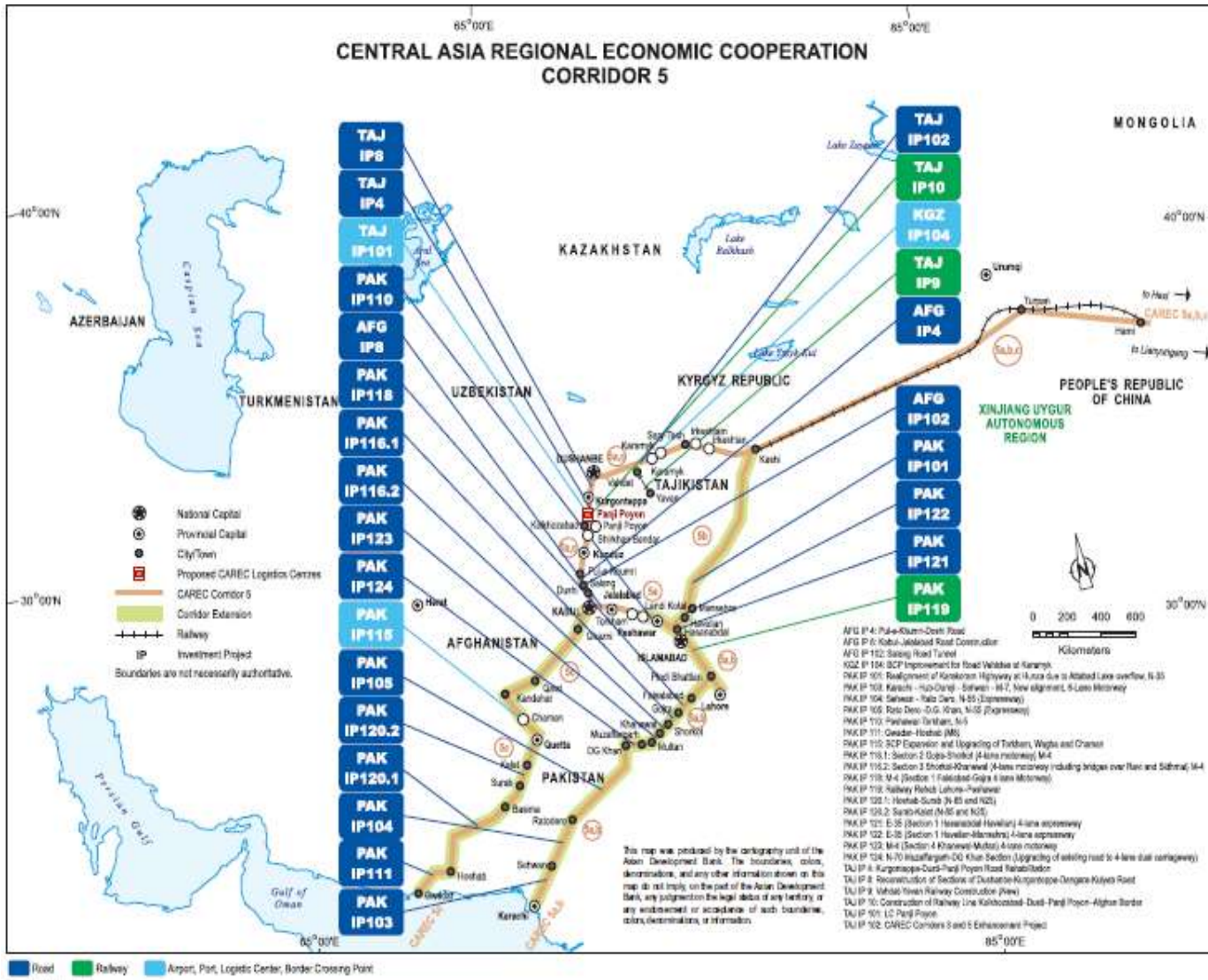
f = forecast

Note: GDP per capita (current US) from World Bank's World Development Indicators database.

Source: Asian Development Outlook, April 2020; World Bank's World Development Indicators database.
<https://data.worldbank.org/> (accessed on 16 November 2020).

- AFG top 5 exports (67% of total) are all agricultural –raising productivity, moving to high-value horticulture products, improving water management
- Increasing export sophistication: Implementing an industrialization strategy; raising human capital quality; investing in building logistics and related services
- Reducing travel and transportation costs and time for competitiveness
- Plugging the electricity deficits
- Improving access to finance for farmers, industries and SMEs

The Criticality of Regional Connectivity



Afghanistan is center of Central Asia-South Asia connectivity:

- Four out of six CAREC corridors pass through Afghanistan
- The Lapis-Lazuli Corridor that promotes transit, trade and transport among Afghanistan and other countries along the corridor
- The Five Nation Railway Corridor



Selected Transport Connectivity Projects for Afghanistan

- Hairatan to Mazar-e-Sharif Railway Project linking Afghanistan and Uzbekistan
- Central Asia Regional Economic Cooperation Corridors 5 and 6 (Salang Corridor) Project
- The Central Asia-South Asia Transport Corridor and rail link from Tashkent to Gwadar
- Large financing and investment needs in billions of dollars





Improving Border Crossings and Reducing Costs



- Afghanistan's costs of transit trade are very high.
- CPMM estimates it takes 20 hours to clear AFG border crossing points and over \$1100 per 500 km to travel on a corridor section. Average time and costs: 12 hours and \$900
- Key Issues: lack of multimodal connectivity; inefficient border procedures; visa problems; rent-seeking and smuggling; compliance with standards.



Energy and Electricity Trade: Central Asia – South Asia Energy Corridors



- Turkmenistan-Uzbekistan-Tajikistan-Afghanistan-Pakistan (TUTAP) Power Interconnection Framework
- Turkmenistan-Afghanistan-Pakistan (TAP) Power Interconnection Project
- Turkmenistan-Afghanistan-Pakistan-India Natural Gas Pipeline (TAPI) Project
- The Central Asia-South Asia Power Project (CASA-1000)



TAPI Natural Gas Pipeline Project





Afghanistan's Participation in Regional Cooperation Programs



Economic Cooperation
Organization



HEART of ASIA
ISTANBUL PROCESS



Central Asia Regional Economic Cooperation Program



RECCA Regional Economic
Cooperation
Conference on Afghanistan



Regional Cooperation: What Will It Take?

- Strong political commitment and consensus
- Conducive security environment
- Public and private investments in infrastructure
- Concomitant structural, economic and trade reforms
- Continued policy dialogue and coordination at decision-making levels
- Strong international partners support



Thank you

