

# The Northern Distribution Network and the Modern Silk Road

## Planning for Afghanistan's Future

A Report of the CSIS Transnational Threats Project and  
the Russia and Eurasia Program

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# FOREWORD

S. Frederick Starr

The authors of this report set out to assess the Northern Distribution Network (NDN), which the U.S. military is establishing as an additional and alternative channel for provisioning U.S. forces in Afghanistan. These new supply routes from the Baltic and Black Seas through Central Asia have provided an urgently needed supplement to the single route through Pakistan that had been used exclusively since 2001. It was also hoped that the NDN would be less subject to the armed attacks, unexpected delays, and pilferage that have hampered the movement of goods along that same Karachi-Peshawar road.

For some years, Afghanistan's northern neighbors have argued that they are well positioned to assist in the development of Afghanistan and also to benefit from that development. Until now, they have had no means of acting on that claim. This report argues that the NDN offers the best vehicle to date for organizing such engagement by Afghanistan's neighbors. The adjustments to the NDN proposed here will build connections based on the genuine mutual interests of Afghanistan and its neighbors, which will in turn ensure the longer-term security and viability of the northern supply routes.

Although the recommendations offered here would alone more than justify the effort involved in preparing this report, the scope of the study goes further for a very sound reason: even though the NDN has been conceived and carried out to fulfill a carefully delineated *military* task, its existence opens the possibility of heretofore unimagined *economic* advances in Afghanistan, Pakistan, and all their neighbors. These new prospects arise from the possibility of reopening the continental trade across the territory of Afghanistan and Pakistan that thrived over the millennia but that has been dormant for a century, if not longer, thanks to the closed Soviet border, the unstable Afghanistan-Pakistan border, and the negative impact of tensions between Pakistan and India. The report details these and other impediments that have long thwarted what could even now become the key to Afghanistan's economic sustainability and an engine of regional economic growth. Drawing on work by the Asian Development Bank (ADB) and other national and international aid agencies, the report points out that insecurity and poor infrastructure are not the *causes* of the closure of regular and intensive regional trade but are, instead, its *consequences*.

One might think that to reopen these various borders to regional and continental trade would be a monumental task, involving the solution to stubborn problems of security and infrastructure. But as the ADB showed a half-decade ago, this is not the case. Truck drivers themselves do not fear the security situation, especially when they are allowed to cross Afghanistan in great numbers. They know that the more the traffic, the more local people will rush to provide services along the road and hence gain an interest in keeping it free of marauders. As for infrastructure, most of the minimal infrastructure needed is already in place. It can be improved, of course, but that is not a serious impediment. What does this leave? Only the urgent need to simplify and speed the processing of trucks at the borders and to prevent corrupt officials and rent-seekers from taking advantage of the new openness. It is as simple as that.

This is precisely what the NDN promises to do, albeit for military supplies rather than for purely civilian transit. But there is nothing preventing the more efficient and less corrupt border regimens created by the NDN from being transferred to the commercial transport sector. The third part of the report elaborates this heady prospect and suggests the many gains to be reaped by pursuing it. Of course, such changes will positively affect the Afghan economy, as well as those of neighboring countries. But the passage of large numbers of civilian transport vehicles will also advance security, since many people in the affected areas will take advantage of the new opportunities for getting goods to market, as well as for providing services to the transport industry itself. As such commerce increases, people along the main corridors will come to view open transport as a key to their own economic advancement.

It is no criticism to say these prospects were not in the minds of those who planned the NDN. They had a more limited job to do, and they seem to have done it very well. But by so doing, they have laid the essential groundwork for what could become a sustained and lucrative flow of continental transport across Afghanistan and its neighboring states. Again, this will not happen automatically. But if the United States can recognize this prospect and take the lead in achieving it, it will have set in motion a positive and transformative force in the economic and social life of Afghanistan and the entire region of Greater Central Asia.

Andrew Kuchins and Thomas Sanderson do not claim to have provided the last word on this subject, but they have framed the possibilities with clarity and precision. By so doing, they challenge policymakers in Washington, Brussels, and a dozen regional capitals to step up to the challenge.



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# LIST OF ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
CENTCOM	U.S. Central Command
CIDA	Canadian International Development Agency
CSIS	Center for Strategic and International Studies
DFID	Department for International Development
GDP	gross domestic product
IRU	International Road Transport Union
ISAF	International Security Assistance Force
MSR	Modern Silk Road
NDN	Northern Distribution Network
TEUs	20-foot equivalent units
TRANSCOM	U.S. Transportation Command
USAID	U.S. Agency for International Development





# INTRODUCTION

In the first half of 2009, the United States established several new transit corridors for delivery of nonlethal goods to its forces in Afghanistan. The supply lines enter Afghanistan's northern borders from Uzbekistan and Tajikistan via routes that begin in Latvia and Georgia and cross through Russia and Kazakhstan. These routes make use of a great deal of transit infrastructure (roads, rails, and ports) built more than 20 years ago by the Soviet Union as the principal artery for its forces during the war in Afghanistan in the 1980s. Alternative routes for supplying U.S. troops were necessitated both by the increased U.S. force presence and by the overreliance on existing routes that start from the Pakistani port of Karachi and enter Afghanistan through increasingly insecure territory.

Collectively, these new routes have been termed the Northern Distribution Network (NDN). This term suggests both a more commercial and a less military connotation as well as an open-ended vision of a multiplicity of supply routes. This vision resembles the U.S. policy toward energy pipelines in Eurasia since the early 1990s, captured by the phrase "happiness is multiple pipelines." The logic is twofold: reliance on multiple transit corridors increases both the security and the leverage of the consumer, in this case, the U.S. military. The key point is both to increase capacity of throughput and to create more competitive market conditions that promote greater cost efficiency for the client and produce positive spillover in the surrounding region.

Indeed, if military logistics planners could undertake their work without political considerations, a new southwest route starting at the Iranian port of Chabahar would play a major role in supplying the U.S. military effort, and the new NDN South route starting in Georgia would cross officially neutral Turkmenistan. Part One of this report outlines the existing routes through Pakistan and the new routes that constitute the NDN.

The establishment of the NDN has engaged a new set of states in cooperation on the Obama administration's first security priority, the stabilization of Afghanistan. Many have expressed concern that the NDN makes the United States more vulnerable to certain states whose interests may not be fully aligned with Washington's in Afghanistan. This concern is genuine and justified, but the critics of the viability of the new northern routes underestimate the vulnerability of reliance on Pakistani routes as well as the value of engaging other states in the region in concrete cooperation with economic and political benefits. The Center for Strategic and International Studies (CSIS) will publish another report as part of our project on the Northern Distribution Network that outlines the interests of states involved in the NDN as well as those that could potentially play transit roles.<sup>1</sup>

When we embarked on research for this project in the spring of 2009, we understood that the NDN had the potential to alter to some extent the geopolitical interests of the United States in

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1. See Andrew C. Kuchins and Thomas M. Sanderson, *The Northern Distribution Network and Afghanistan: Geopolitical Challenges and Opportunities* (Washington, D.C.: CSIS, forthcoming January 2010).

Eurasia and the interests of those states bordering Afghanistan and the nearby region. But we did not fully anticipate how our findings on the NDN would provide a blueprint or illustration of the essential importance of a broader regional strategy for Afghanistan's stabilization and longer-term growth based on the vision of its future as a transit and trade hub akin to the ancient Silk Road of millennia past. And like the way U.S. military planners view the new transit corridors that constitute the NDN, the ancient Silk Road was also a multiplicity of roads and routes perhaps better conceptualized as a network as well.

More than a century ago, the famous geopolitician Halford Mackinder argued that whoever controls the Eurasian "world island" would control the world. Our analysis leads to a somewhat different conclusion. Afghanistan is the missing link for the Modern Silk Road (MSR), a unified Eurasian continental trade and transport system that would enhance the prosperity and security for all involved. Part Two will draw the relationship between the establishment of the NDN and this much wider vision of the future of Afghanistan and Eurasia.

Lest we be accused of being wild-eyed dreamers, we understand that the principal task for the United States is achieving a durable stabilization of Afghanistan to prevent its territory from being a safe haven for those seeking to attack us as al Qaeda did more than eight years ago. The core task for the U.S. military is to defeat the enemy. The NDN was designed to serve that end first and foremost, not to build the MSR. But perhaps the most striking aspect of the many interviews we conducted with U.S. government officials for this project was their articulation of the role of the NDN and their realization of its potential to serve the broader goals of the United States in and beyond Afghanistan. In the consultations we conducted with foreign government officials, we found that the importance of regional economic development catalyzed by facilitation of trade and transport of licit goods was even greater from their perspective.

Most important, the Afghans themselves share the vision that their future prosperity is tied to their reemergence as part of a Eurasian continental trading and transit network. This view was highlighted in the publication of the Afghan National Development Strategy in 2008:

Afghanistan is a country with significant potential for economic development. It has substantial water, agricultural and mineral resources and is well positioned to become a trade and business hub linking the markets of Central Asia, the Middle East, South Asia, and China. The potential exists for sustainable economic growth in the future. Afghanistan's commercial connections to regional and global economies were severely disrupted and must be redeveloped. The development of a competitive private sector will depend on establishing access to foreign markets and developing viable export activities.<sup>2</sup>

In light of President Barack Obama's focus on counterinsurgency over counterterrorism or nation building, it is important to identify how the NDN and the MSR would help the United States and its partners defeat the Taliban insurgency. On the one hand, an enhanced NDN along the lines we recommend in this report would directly strengthen counterinsurgency efforts. The creation of the MSR, on the other hand, would ensure that the gains of a successfully executed counterinsurgency campaign were sustainable over the long term. To understand the distinction between these two benefits, we find it instructive to review a passage from the assessment of the war in Afghani-

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2. Islamic Republic of Afghanistan, *Afghanistan National Development Strategy, 1387-1391 (2008-2013)*, 4, [http://www.and.gov.af/ands/final\\_ands/src/final/Afghanistan%20National%20Development%20Strategy\\_eng.pdf](http://www.and.gov.af/ands/final_ands/src/final/Afghanistan%20National%20Development%20Strategy_eng.pdf).

stan by the commander of the International Security Assistance Force (ISAF), General Stanley McChrystal:

ISAF has an important asymmetric advantage; it can aid the local economy, along with its civilian counterparts, in ways that the insurgents cannot. Local development can change incentive structures and increase stability in communities. Economic opportunity, especially job creation, is a critical part of reintegrating the foot-soldier into normal life. *Economic support to counterinsurgency is distinct from and cannot substitute for the longer-term development initiatives* [emphasis added]. With some coordination it can lay the groundwork for, and complement, those longer-term efforts and show that the Afghan government is active at the local level. ISAF must increase the flexibility and responsiveness of funding programs to enable commanders and their civilian partners to make immediate economic and quality of life improvements in accordance with Afghan priorities.<sup>3</sup>

The emphasized text draws a clear line between immediate economic support for counterinsurgency, such as the Commander's Emergency Response Program, and longer-term development initiatives like the Modern Silk Road. While long-term development projects certainly help boost stability, they should not be confused with short-term efforts to increase counterinsurgent legitimacy through financial means. Despite this dichotomy, both would contribute to the broader counterinsurgency agenda. In effect, it is best to view the NDN and the MSR as serving the same objective at different points in time.

Coincidentally, the writing of this report has taken place at the same time as the Obama administration's review of policy toward the war in Afghanistan. At this point, that review has been completed and a new strategy has been unveiled. Even if the new approach successfully reverses Taliban momentum and develops a viable Afghan security apparatus, these successes will ultimately fail if the United States does not pay more strategic attention at the highest level to the importance of Afghanistan's future as a key hub in the MSR. To some extent, it is understandable that the U.S. government believes that the other countries in the region (China, India, Iran, Pakistan, etc.) that will benefit most from the MSR should take on the lion's share of funding it; the United States, however, may be best positioned as a neutral but enthusiastic supporter to catalyze what would be a major multilateral effort for the region.

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3. International Security Assistance Force, "Commander's Initial Assessment," *Washington Post*, August 30, 2009, [http://media.washingtonpost.com/wp-srv/politics/documents/Assessment\\_Redacted\\_092109.pdf](http://media.washingtonpost.com/wp-srv/politics/documents/Assessment_Redacted_092109.pdf).



# PART ONE: THE NORTHERN DISTRIBUTION NETWORK OVERVIEW

On December 7, 2001, 300 U.S. Special Forces and 110 Central Intelligence Agency operatives, working in tandem with local Afghans, seized the seat of the Taliban regime in Kandahar.<sup>4</sup> In the intervening years, strategic neglect, ineffective governance, corruption, and a cross-border safe haven in Pakistan, among other factors, have led to a resurgent Taliban, prompting President Obama to call the situation “increasingly perilous” in March 2009.<sup>5</sup>

Since the initial invasion, the number of troops in Afghanistan has increased steadily. As of December 1, 2009, the United States had 33,000 troops in the country under Operation Enduring Freedom;<sup>6</sup> 34,800 U.S. troops are also deployed to Afghanistan as part of the NATO-led ISAF, which has a total strength of 68,765 troops.<sup>7</sup> In his December 1, 2009, speech, President Obama announced the deployment of an additional 30,000 U.S. troops in the “first part of 2010.”<sup>8</sup> Figure 1 illustrates how U.S. force levels in the country have grown and will grow over time.<sup>9</sup>

To sustain their forces in Afghanistan, the United States and ISAF must import a wide range of matériel into the country. Logistical support in Afghanistan is a national tasking, with each member of the coalition responsible for supplying its own armed forces.<sup>10</sup>

The bulk of U.S. supplies bound for Afghanistan are routed through the Pakistani port of Karachi (see map 1). These shipments do not include any critical or sensitive material.<sup>11</sup> Once in Karachi, 66 percent of this volume enters Afghanistan via the Torkham Gate near the city of Peshawar.<sup>12</sup> The other 34 percent travels through the Chaman Gate in Baluchistan.<sup>13</sup> These shipments are

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4. Remarks by Hank Crumpton at CSIS, January 14, 2008.

5. Office of the Press Secretary, The White House, “Prepared Remarks of President Barack Obama: A New Strategy for Afghanistan and Pakistan,” March 27, 2009, [http://www.whitehouse.gov/the\\_press\\_office/remarks-by-the-president-on-a-new-strategy-for-afghanistan-and-pakistan/](http://www.whitehouse.gov/the_press_office/remarks-by-the-president-on-a-new-strategy-for-afghanistan-and-pakistan/).

6. David Cutler, “FACTBOX-Breakdown of Troop Numbers in Afghanistan,” Reuters, December 1, 2009, <http://www.reuters.com/article/asiaCrisis/idUSGEE5B02DL>.

7. Ibid.

8. Office of the Press Secretary, The White House, “Remarks by the President in Address to the Nation on the Way Forward in Afghanistan and Pakistan,” December 1, 2009, <http://www.whitehouse.gov/the-press-office/remarks-president-address-nation-way-forward-afghanistan-and-pakistan>.

9. Amy Belasco, *Troop Levels in the Afghan and Iraq Wars FY2001–FY2012: Cost and Other Potential Issues*, Congressional Research Service, July 2, 2009, <http://ftp.fas.org/sgp/crs/natsec/R40682.pdf>.

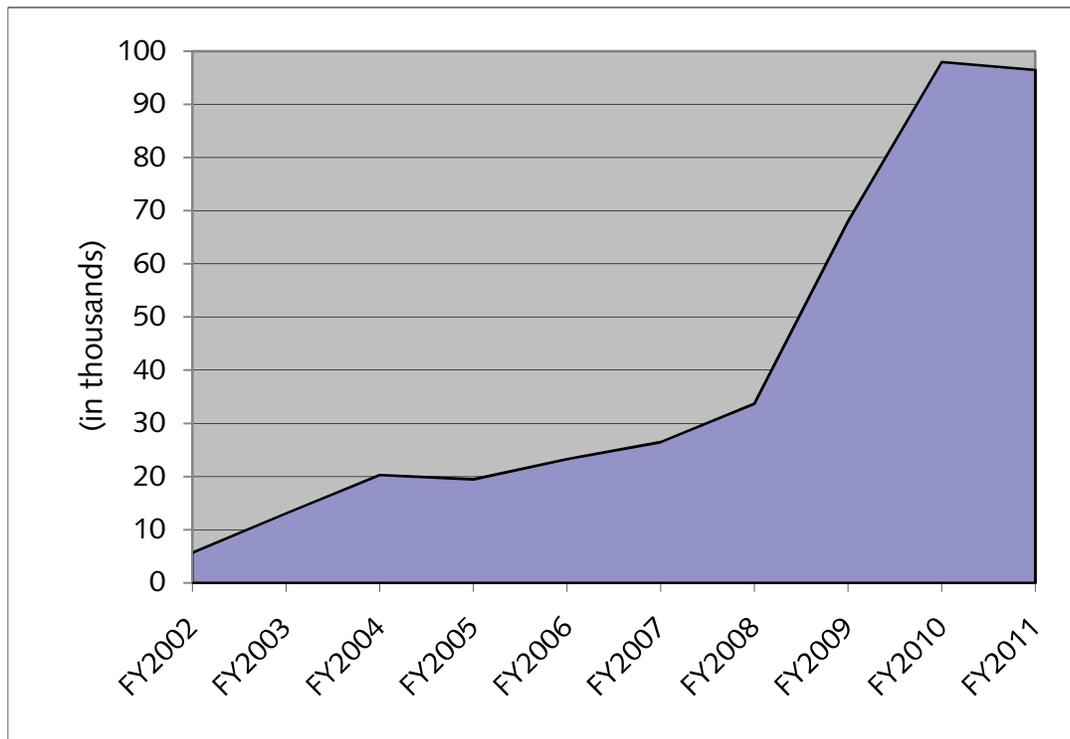
10. The United States does provide logistical assistance to smaller coalition partners as well as the Afghan National Army and the Afghan National Police. CSIS interview with U.S. Central Command (CENTCOM), MacDill Air Force Base, Tampa, Florida, May 20, 2009.

11. Sensitive items include night-vision devices, communications equipment, ammunition, and weapons. Ibid.

12. Ibid.

13. Ibid.

**Figure 1. Actual and Projected Number of U.S. Troops in Afghanistan**



Source: Brian Montopoli, "Chart: Troop Levels in Afghanistan over the Years," CBS News, December 1, 2009, [http://www.cbsnews.com/blogs/2009/12/01/politics/politicalhotsheet/entry5855314.shtml?tag=content Main;content Body](http://www.cbsnews.com/blogs/2009/12/01/politics/politicalhotsheet/entry5855314.shtml?tag=content%20Main;content%20Body); White House, "Remarks by the President in Address to the Nation on the Way Forward in Afghanistan and Pakistan."

handled entirely by commercial carriers and require no U.S. military presence.<sup>14</sup> In 2008, around 28,000 20-foot equivalent units (TEUs) traveled along these routes before reaching Afghanistan.<sup>15</sup>

As the Taliban insurgency in Pakistan intensified, these critical supply lines have come under increasing harassment. Baitullah Mehsud, for example, the late leader of the Tehrik-e-Taliban Pakistan, directly threatened this logistical pipeline, pledging that convoys would not be allowed to reach American and NATO units in Afghanistan.<sup>16</sup> While Mehsud was unable to achieve this objective, militants forced the Pakistani government to stop Afghan-bound supply convoys seven times between September 2008 and March 2009.<sup>17</sup> In addition, Pakistani fighters mounted attacks

14. PowerPoint presentation from the U.S. Transportation Command, October 2, 2009.

15. The Organization for Economic Cooperation and Development defines a TEU as the "standard unit for counting containers of various capacities and for describing the capacities of container ships or terminals. One 20 foot [International Organization for Standardization] container equals 1 TEU." Organization for Economic Cooperation and Development, "Glossary of Statistical Terms," June 19, 2002, <http://stats.oecd.org/glossary/detail.asp?ID=4313>. Thus, 28,000 TEUs represent the volume of cargo that would fit in 28,000 20-foot ISO shipping containers. The 28,000 figure comes from the CSIS interview with CENTCOM.

16. Dieter Bednarz, "Allies Struggle to Find Safer Supply Routes," *Spiegel Online*, February 17, 2009, <http://www.spiegel.de/international/world/0,1518,608137,00.html>.

17. Bill Roggio, "Taliban Attack NATO Supply Lines in Northwest Pakistan," *Long War Journal*, March 28, 2009, [http://www.longwarjournal.org/archives/2009/03/taliban\\_attack\\_nato\\_2.php](http://www.longwarjournal.org/archives/2009/03/taliban_attack_nato_2.php).

## Map 1. Route of U.S. Supplies from Karachi, Pakistan, to Afghanistan



Source: Google Earth™ mapping service.

against trucking terminals, destroying more than 450 vehicles and containers in over a dozen attacks in Peshawar in the same period.<sup>18</sup>

Pilferage along the Pakistani route is another challenge U.S. logisticians face. At one point, pilferage in Pakistan reached 1 percent.<sup>19</sup> While small, this figure still amounted to \$16 million worth of U.S. government property. Through a series of measures, the U.S. military subsequently reduced pilferage to 0.5 percent, which is less than what is lost at the civilian freight facility in Bayonne, New Jersey.<sup>20</sup>

While disruptive, the material lost from insurgent attacks and pilferage was a fraction of what the United States successfully transported from Pakistan to Afghanistan. In March 2009, General Duncan J. McNabb, commander of the U.S. Transportation Command (TRANSCOM), stated that “about 130–140 shipments reach Afghanistan [via Pakistan] each day.”<sup>21</sup> At the time, force levels in Afghanistan required only 78 containers per day. Thus, the attrition along the Pakistani supply line was not severe enough to hamper the overall war effort.<sup>22</sup>

18. Javed Aziz Khan, “Militants Torch 12 NATO Supply Containers in Peshawar,” *News International*, March 29, 2009, [http://www.thenews.com.pk/daily\\_detail.asp?id=169688](http://www.thenews.com.pk/daily_detail.asp?id=169688).

19. CSIS interview with CENTCOM.

20. *Ibid.*

21. Walter Pincus, “General Urges Confidence in Ability to Supply Troops in Afghanistan,” *Washington Post*, March 22, 2009.

22. *Ibid.*

A lack of projected surplus capacity along the Pakistani routes in conjunction with ongoing insurgent attacks, pilferage, trucking strikes, and growing fears of other scenarios led defense planners to search for new ways to resupply their forces. One option was to increase shipments via air. According to General McNabb, “If we had to do everything by air, you would see a Berlin airlift.”<sup>23</sup> This option would have been extremely expensive. Estimates by NATO place the cost of airlifting supplies to Afghanistan at \$14,000 per ton, or \$7 per pound.<sup>24</sup> The fact that U.S. airlift is already being contracted out to Russian and Ukrainian companies such as Volga-Dnepr demonstrates that the United States does not have sufficient airlift capacity to make this option viable.

Given the growing insecurity of the Pakistani supply routes and the exorbitant costs associated with a “Berlin airlift” to Afghanistan, the United States sought to create new ground lines of communication—military parlance for supply routes—into the theater. Ultimately, the United States opted for a route that connected Baltic and Black Sea ports with Afghanistan. This arrangement is an outgrowth of NATO’s Lines of Communication Project, which sought agreements from Russia, Kazakhstan, Uzbekistan, and Turkmenistan to allow nonlethal cargo bound for Afghanistan to traverse their territory by train.<sup>25</sup>

U.S. planners first started working seriously on this option in the summer of 2008.<sup>26</sup> By September, the U.S. Central Command (CENTCOM) had approved the Northern Ground Line of Communication campaign plan.<sup>27</sup> In October, the campaign plan was renamed the Northern Distribution Network.<sup>28</sup> This change reflected a decision to demilitarize the character of the project and rely exclusively on commercial carriers transporting nonlethal goods.

With a plan in hand, U.S. officials had to convince transit states to allow nonmilitary supplies to traverse their territory. The United States had already secured permission to transport nonlethal supplies via Russia at the NATO-Russia summit in April 2008. It had similar permission from Georgia under an agreement signed by NATO and Tbilisi in March 2005.<sup>29</sup> The first new state to approve nonlethal transit through its territory was Kazakhstan, which agreed in February 2009.<sup>30</sup> Later that month, Rear Admiral Mark Harnitchek of TRANSCOM announced on Tajik state television that Tajikistan had agreed to allow nonmilitary goods bound for Afghanistan to transit its road and rail network.<sup>31</sup> During a three-day meeting in Baku that ended on March 11, 2009, “Azerbaijan made it clear that it would agree to the use of Baku for both the transit and export of goods to the ISAF mission in Afghanistan.”<sup>32</sup> In April 2009, Uzbekistan followed suit and agreed to

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23. Ibid.

24. “NATO: Making Progress on Afghanistan Rail Route,” *Eurasianet.org*, May, 5, 2008.

25. Kulpash Konyrova, “Air NATO for Afghanistan May Give Way to Rail NATO,” *New Europe*, April 21, 2008, <http://www.neweurope.eu/articles/85705.php>.

26. CSIS interview with CENTCOM.

27. PowerPoint presentation from U.S. Transportation Command (TRANSCOM), October 2, 2009.

28. Ibid.

29. NATO, “NATO and Georgia Sign Transit Agreement,” March 6, 2009, <http://www.nato.int/docu/pr/2005/p05-026e.htm>.

30. PowerPoint presentation, TRANSCOM.

31. Roman Kozhevnikov, “Tajikistan Allows NATO Cargo Transit to Afghanistan,” Reuters, February 20, 2009, <http://www.reuters.com/article/newsMaps/idUSTRE51J1IDE20090220>.

32. Tamerlan Vahabov, “NATO Supply Routes through the South Caucasus,” *Eurasia Daily Monitor* 6, no. (168, September 15, 2009, [http://www.jamestown.org/single/?no\\_cache=1&tx\\_ttnews%5Btt\\_news%5D=35493&tx\\_ttnews%5BbackPid%5D=7&cHash=8d51a03094168](http://www.jamestown.org/single/?no_cache=1&tx_ttnews%5Btt_news%5D=35493&tx_ttnews%5BbackPid%5D=7&cHash=8d51a03094168)).

**Map 2. The Northern Spur of the Northern Distribution Network, from Riga, Latvia, to Afghanistan**



Source: Google Earth™ mapping service.

nonlethal transit.<sup>33</sup> Kyrgyzstan was the final state to sign a nonlethal ground transport agreement, which it did in the summer of 2009.<sup>34</sup>

What began as an idea in the middle of 2008 has since evolved into a robust transit network. Today, the NDN involves three spurs. These are known as NDN North, NDN South, and KKT. NDN North begins at the Latvian port of Riga. From there, it uses existing Soviet-era rail lines to traverse Russia, Kazakhstan, and Uzbekistan. Once in Uzbekistan, cargo enters Afghanistan at Termez (see map 2).

NDN South transits the Caucasus and completely bypasses Russia. This route originates in the Georgian port of Poti on the Black Sea and crosses Azerbaijan before arriving in Baku (see map 3). From there, goods are loaded onto ferries for their journey across the Caspian Sea. These supplies

33. PowerPoint presentation, U.S. Transportation Command.

34. Interview with senior Department of Defense official, Pentagon, Arlington, Virginia, December 3, 2009.

**Map 3. The Southern Spur of the Northern Distribution Network, from Poti, Georgia, to Afghanistan**



Source: Google Earth™ mapping service.

make landfall at Kazakhstan’s west coast port of Aqtau and then proceed to Uzbekistan before entering Afghanistan. If and when the United States secures a transit agreement from Turkmenistan, the port of Turkmenbashi could be an additional destination for goods leaving Baku by ferry.

The KKT route includes Kazakhstan, Kyrgyzstan, and Tajikistan. KKT provides a backup to the Uzbek border crossing at Termez (see map 4). According to TRANSCOM, this route has some bad stretches of road in Tajikistan that limit throughput.<sup>35</sup>

As the NDN took shape, it received a good deal of attention in the press. Unfortunately, some of this reporting was misinformed. Contrary to many articles, the Manas facility in Kyrgyzstan is not part of the NDN.<sup>36</sup> No cargo travels through Manas, and the facility is used exclusively as a personnel and air-refueling hub.<sup>37</sup> The NDN is a multiroute logistical network that transports non-military supplies using commercial providers and existing infrastructure. With the exception of the Uzbek air cargo hub at Navoie and the Caspian Sea ferries, the NDN relies on road and rail.<sup>38</sup>

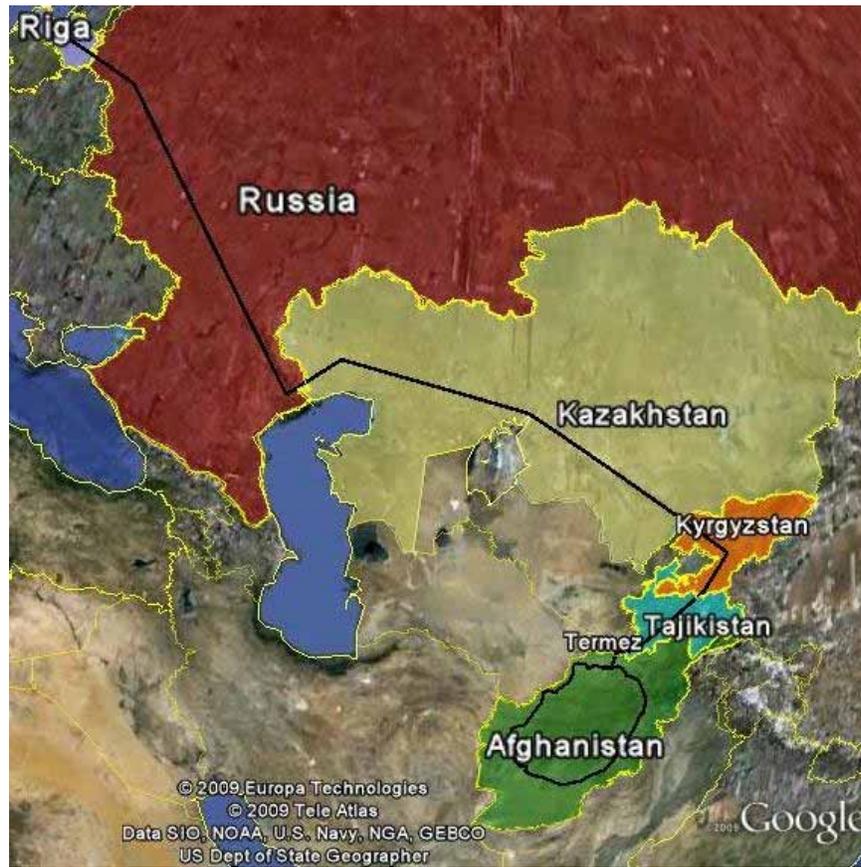
35. PowerPoint, TRANSCOM.

36. Phone interview with TRANSCOM and CENTCOM, October 2, 2009.

37. Ibid.

38. Ibid.

**Map 4. The KKT Spur of the Northern Distribution Network across Kazakhstan, Kyrgyzstan, and Tajikistan to Afghanistan**



Source: Google Earth™ mapping service.

From a purely logistical standpoint, the NDN is a resounding achievement, both in its genesis and in its continued viability and effectiveness. Close interagency cooperation among CENTCOM, TRANSCOM, the Defense Logistics Agency, the Office of the Secretary of Defense, and the State Department, and others—though not perfect—was sufficient to make the NDN an operational success. As a result, 300 TEUs are currently transiting the NDN per week, although at a cost of 250 percent more per TEU than supplies moving along the Pakistani line.<sup>39</sup> The number of TEUs could easily be expanded to 500 per week, if needed.<sup>40</sup> As of November 2009, the NDN had brought 4,500 TEUs into Afghanistan.<sup>41</sup> This figure represents 12.5 percent of the total number of TEUs shipped through Pakistan in 2008 and is additive to the supplies currently entering Afghanistan from Pakistan.

39. Phone interview with TRANSCOM and CENTCOM; interview with a senior Department of Defense official, Pentagon, Arlington, Virginia, December 3, 2009.

40. Ibid.

41. PowerPoint, TRANSCOM.

## Improving the Efficiency and Impact of the NDN

The U.S. officials responsible for the NDN deserve a great deal of credit. The network provides the United States with significant additional throughput capacity to Afghanistan, ends Washington's complete logistical reliance on Pakistan, and presents new opportunities for U.S. engagement in Latvia, Russia, the Caucasus, and Central Asia. These benefits are significant.

Despite the NDN's early success, military and civilian planners should not become complacent. The network remains subject to a range of geopolitical dangers and logistical inefficiencies. With adequate attention and effective policies, however, the United States could bolster the NDN's resiliency and improve its effectiveness by implementing several specific measures:

- expanding local procurement
- using the NDN to push for streamlined customs procedures
- developing Gwadar as an additional supply route
- strengthening NDN South
- recognizing that disputes within Central Asia could prove as great a threat to the NDN as disputes between transit countries and Washington
- striving for maximum transparency
- drawing up contingency plans

### Expanding Local Procurement

If the U.S. government could successfully navigate the challenges associated with increasing the local procurement of supplies for Afghanistan, it would strengthen the NDN in two important ways. First and foremost, it would generate goodwill among NDN participants, giving them a greater stake in the NDN's continued operation. Second, enhanced local procurement would get more goods to Afghanistan with fewer transport assets and shorter delivery times. Taken together, these advantages would make the NDN less vulnerable to political risks and increase the quantity of goods it can deliver to the theater.

Through the U.S. A1P or Afghan First Policy, some progress has been made. According to the U.S. ambassador to Afghanistan, Karl Eikenberry, the U.S. Agency for International Development (USAID) "procured goods and services worth more than \$280 million from Afghan companies last year, contributing more than two percent of total Afghan economic output, and employing more than 20,000 Afghans in the process."<sup>42</sup>

More than half the current USAID contracts in Afghanistan are run by Afghan contractors, a major example being the Strategic Provincial Roads program in which all construction subcontracting for 1,500 kilometers of roads is done by Afghan companies.<sup>43</sup> Moreover, according to Ambassador Eikenberry, "the U.S. military also has increased its procurement of Afghan goods and services,

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42. Embassy of the United States, Kabul, "Ambassador's Remarks at the Afghan First Event," November 11, 2009, [http://kabul.usembassy.gov/speech\\_111109.html/](http://kabul.usembassy.gov/speech_111109.html/).

43. U.S. Agency for International Development, "Strategic Provincial Roads (SPR)," <http://afghanistan.usaid.gov/en/Activity.106.aspx>.

[awarding] about \$1 billion in contracts (more than eight percent of total Afghan economic output) to local Afghan firms,” most of which build and service U.S. military facilities.<sup>44</sup>

Such a policy is an effective component of counterinsurgency doctrine. Economic development draws more of the population into legitimate economic activity and in turn incentivizes citizens to thwart insurgent efforts to undermine the economy—and thus the legitimacy—of the Afghan government. This broader link between local procurement and counterinsurgency is further explained in the section on the NDN and counterinsurgency strategy (page 17).

Finding local Afghan suppliers has been eased with the creation of a Web site by the Peace Dividend Trust. The trust works with USAID and aid agencies from Canada (the Canadian International Development Agency, or CIDA) and the United Kingdom (Department for International Development, or DFID)<sup>45</sup> through an online resource that “allows international buyers and Afghan suppliers to post and receive tender notices, research the Afghan economy, [and] find local companies.”<sup>46</sup> This effort is facilitated through its sophisticated Afghan Marketplace program designed to “create jobs and inspire long-term economic growth in Afghanistan.”<sup>47</sup> And while the Peace Dividend Trust has created this online resource for Afghanistan (as well as for Haiti and Timor-Leste), the United States should consider working with its Central Asian partners to replicate the Web site to the extent possible, given that these nations are already included in the broadened Afghan First Policy.<sup>48</sup>

To that end, the Defense Logistics Agency and the General Services Administration have established a “virtual storefront” in Termez, Uzbekistan, that aggregates local goods before moving them south to Afghanistan.<sup>49</sup> In addition, the Office of the U.S. Trade Representative is in the early stages of working with USAID and other U.S. government agencies to ensure that procurement officials in the Pentagon, looking to meet their many requirements, know about their agency-specific programs in Central Asia. Overall progress on local procurement, however, has been slowgoing because of rigid Department of Defense procurement policies. As part of its effort to source items, the contractor must be able to document that the supplier or source is “positioned for success.” “Positioned for success” requires contractors to meet a number of criteria: (1) they must be capable of shipping or delivering a substantial portion of the anticipated monthly volume at a reasonable price; (2) they must meet an acceptable quality standard; (3) they must be financially capable of performing; and (4) they must not pose unreasonable risk.<sup>50</sup>

Rather than forcing a substantial and difficult change in Department of Defense procurement policies, the U.S. government should encourage small-scale local producers to pool their resources, enabling them to meet the military’s needs and standards. In the long term, the best solution to

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44. Embassy of the United States, Kabul, “Ambassador’s Remarks.”

45. CIDA is the Canadian International Development Agency, and DFID is the United Kingdom Department for International Development.

46. The Peace Dividend Trust Web site can be accessed at [http://afghanistan.buildingmarkets.org/en\\_af/about-building-markets](http://afghanistan.buildingmarkets.org/en_af/about-building-markets).

47. *Ibid.*

48. Countries eligible to provide support to U.S. forces are referred to as Area Support Countries and include Afghanistan, Uzbekistan, Kazakhstan, Tajikistan, Kyrgyzstan, Turkmenistan, Azerbaijan, Georgia, Armenia, and Pakistan. General Services Administration, Federal Acquisition Service, “Solicitation/Contract Order for Commercial Items (Section 2. Definitions).”

49. Phone interview with TRANSCOM and CENTCOM, October 2, 2009.

50. General Services Administration, Federal Acquisition Service, “Solicitation/Contract Order for Commercial Items (Section 4. Requirements).”

this problem may come from the private sector. With the proper encouragement and facilitation, the U.S. government can help commercial entities capitalize on this potentially lucrative opportunity and assist decentralized local suppliers in tapping into the military's sizable demand.

While beneficial in principle, the expansion of local procurement must be handled with the utmost care for local realities and sensibilities. Aid projects and policies designed to facilitate the creation of viable, local co-ops should be formulated, but with the realization that corruption and state interference in private enterprise is unavoidable and has to be managed to the greatest extent possible. In addition, past experiences in Afghanistan have shown that even the most well intentioned development projects have sometimes failed to win hearts and minds. In fact, these initiatives have at times been counterproductive. Andrew Wilder, research director at the Feinstein International Center at Tufts University, learned this lesson, when he led a team that interviewed hundreds of people in Afghanistan about the impact of aid projects in the country.

Wilder's research found several significant shortcomings with Western-funded aid projects: "For example, [Wilder's team] heard many reports of the Taliban being paid by donor-funded contractors to provide security (or not to create insecurity), especially for their road-building projects."<sup>51</sup> Another problem they uncovered was the practice of "flipping contracts," whereby a company wins a contract and then sells it to another company minus a 10 percent cut.<sup>52</sup> Sometimes these contracts are sold as many as four or five times, leaving the final buyer with insufficient funds to execute the contract properly.<sup>53</sup> Finally, Wilder found that "in an ethnically and tribally divided society like Afghanistan, aid can also easily generate jealousy and ill will by inadvertently helping to consolidate the power of some tribes or factions at the expense of others—often pushing rival groups into the arms of the Taliban."<sup>54</sup>

Despite these challenges, expanded local procurement in NDN transit states would positively affect other U.S. priorities in the region. By increasing the demand for locally purchased items, the United States would extend the benefits of the NDN to the agricultural and manufacturing sectors of participating states, giving them a welcome source of revenue. In addition, local procurement would mean that more regionally produced goods would find their way to Afghanistan and thereby enhance economic integration between Afghanistan and its neighbors and possibly expose business owners to other, nonmilitary economic opportunities in Afghanistan.

Bolstering local procurement would signal the transit states that the United States is receptive to their interests, laying the groundwork for further cooperation. It would also create new stakeholders in Afghanistan's stabilization. As neighboring states begin to recognize the economic potential of Afghanistan and develop commercial interests there, new constituencies will have a vested interest in ensuring that Afghanistan is not at war. To the extent that regional governments cooperate with and promote their private sectors, any new economic activity would have a positive effect.

As with most of the policies outlined in this report, any earnest effort to increase local procurement would most certainly require closer interagency cooperation in the United States. The

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51. Andrew Wilder, "A 'Weapons System' Based on Wishful Thinking," *Boston Globe*, September 16, 2009, [http://www.boston.com/bostonglobe/editorial\\_opinion/oped/articles/2009/09/16/a\\_weapons\\_system\\_based\\_on\\_wishful\\_thinking/](http://www.boston.com/bostonglobe/editorial_opinion/oped/articles/2009/09/16/a_weapons_system_based_on_wishful_thinking/).

52. Renee Montagne, "Aid Money May Not Be Accomplishing Its Goal," National Public Radio, November 4, 2009, <http://www.npr.org/templates/story/story.php?storyId=120080815>.

53. Ibid.

54. Wilder, "A 'Weapons System' Based on Wishful Thinking."

Department of Defense, the Department of State (including USAID), the Department of Commerce, and the U.S. Trade Representative could each contribute to expanded procurement. For such a complex undertaking to be successful, however, this issue needs to receive sustained and serious attention from the most senior levels of government. Despite the difficulties, this is an opportunity that should not be lost.

## Using the NDN to Push for Streamlined Customs Procedures

Onerous bureaucratic requirements and rampant corruption are long-standing obstacles to the growth of regional cross-border trade. The NDN provides an opportunity to identify and implement simpler and faster ways of moving goods safely from one country to another. Stakeholders should avoid the temptation to arrange exceptional expedited procedures for the NDN and instead make it a mechanism for spearheading customs reform through the gradual introduction and eventual expansion of best practices.

## Developing Gwadar as an Additional Supply Route

Now that the U.S. government has embraced General McChrystal's recommendation to secure the city of Kandahar, it is worth asking, To what end? There are several good reasons. First, Kandahar is the largest Pashtun city in Afghanistan and the former capital of the Taliban government. Second, it is the second-largest city on the Afghan "ring road" (Kabul is the largest) and hence must be secured and opened to easy commercial traffic if the domestic market is ever to revive. A third reason encompasses these two and is even more important for the success of the NATO mission and to the future of Afghanistan and the entire region: Kandahar is the key road connection between the new Pakistani port of Gwadar and Afghanistan and, beyond that, all Central Asia, Europe, and much of the Middle East.

Pakistan began the development of Gwadar with aid from China and has now engaged Singapore for the second phase of work. If the link to Kandahar were reopened, Gwadar would cut the transport time from Europe to Pakistan, India, and Southeast Asia substantially. Iran, with help from Russia and India, is developing a competing port at Chabahar, but it is not as well situated as Gwadar for the continental trade that is already beginning to emerge.

On Gwadar, the interests of the United States, Afghanistan, and Pakistan are aligned. It is past time to seize this opportunity and open Kandahar to long-distance truck traffic. Gwadar will give Afghans their best hope of generating legal income through long-distance trade, and it gives Central Asians a southern alternative to shipping everything to market through distant Russia. With Kandahar now in its eye, the United States should plan to build on future success there by making the opening to Gwadar a high priority.

The principal drawback at this point is the lack of a good highway between Gwadar and Kandahar. Pentagon officials estimate the cost of upgrading this connection at about \$1 billion and have made it clear that this money is not available from the Department of Defense.<sup>55</sup> China and Singapore were the principal external funders for phases I and II of the Gwadar port. Perhaps they and other South Asian and East Asian countries that stand to benefit the most from this connection should lead the funding of the highway project.

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55. Interview with senior Department of Defense official.

## Strengthening NDN South

Strengthening NDN South has important political and strategic benefits. One, the viability of this route adds capacity and reduces dependence on Russia in the new northern transit corridors and strengthens key U.S. partners in the Caspian, Georgia and Azerbaijan. These political and strategic considerations clearly compensate for the higher cost of the NDN South route. Every effort should be made to use this opportunity to improve transport infrastructure in these two countries to enhance their longer-term economic viability as a transit hub.

One factor contributing to the higher costs of NDN South is Turkmenistan's refusal so far to agree on ground transport of nonlethal goods. This refusal forces NDN South to follow a more circuitous route from the Caspian up through Kazakhstan before coming back south to Uzbekistan. The United States should continue efforts to secure permission for nonlethal, overland transport through Turkmenistan. Such a development would provide a third point of entry into northern Afghanistan (Uzbekistan and Tajikistan being the first two). Access to Turkmenistan would also allow ferries from Baku to offload in the port of Turkmenbashi, providing an alternative to the Kazakh ports on the eastern shore of the Caspian Sea.

While Turkmenistan agreed to allow Afghan-bound humanitarian goods to traverse its air corridor in February 2009, Ashkhabad's official policy of neutrality has thus far prevented the overland shipment of nonlethal supplies.<sup>56</sup> Despite this policy, the United States should persist. As regional cooperation on the NDN expands, there is a chance that Turkmenistan will recognize the value of participation. If the United States could provide direct benefits to the Turkmen government in exchange for its acquiescence, the likelihood of such a breakthrough would increase.<sup>57</sup>

## Recognizing the Threat of Disputes within Central Asia

Disputes over water use, payment for natural gas and electricity, militant incursions, the status of ethnic minorities, and espionage have marred relations among countries in the region. Border closures are the all-too-frequent result. Inasmuch as these disputes could threaten NDN shipments, the United States should monitor relations among NDN states with particular attention to incipient conflicts and, where appropriate, work quietly to facilitate a rapid resolution.

## Striving for Maximum Transparency

Financial arrangements in Central Asia are notoriously opaque, and local residents (correctly) perceive foreign acquiescence to "traditional" ways of doing business as a form of tacit approval. Transparency on the costs associated with the NDN, perhaps under the aegis of the Special Inspector General for Afghanistan Reconstruction, would mark a welcome departure from "standard practice" in the region and enhance U.S. credibility on issues of fiscal reform and good governance. To help create this climate of transparency, the United States could encourage media and other watchdog groups to report on problems and demand online publications in local languages outlining what each NDN state is doing.

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56. "Turkmenistan to Open Airspace for U.S. supplies to Afghanistan," *RIA Novosti*, February 25, 2009, <http://en.rian.ru/world/20090225/120303895.html>.

57. The U.S. government must recognize that the incentives required to gain Ashkhabad's approval for overland transport agreements would likely benefit only the regime and not extend to the citizens of Turkmenistan.

## Drawing up Contingency Plans

Pakistan-based militants have already threatened to hit the NDN, and they may succeed if they try hard enough. Militants could also target U.S. or European assets in Kazakhstan, Kyrgyzstan, Tajikistan, or Uzbekistan. NDN stakeholders, including regional governments, should discuss potential attack scenarios beforehand and develop common strategies for coordinating communications and altering security procedures should an attack, or attacks, take place.

## The NDN and Counterinsurgency Strategy

According to FM 3-24, the U.S. Army and Marine Corps Counterinsurgency Field Manual,

Logistic activities are an integral part of COIN [counterinsurgency] operations. These activities take the traditional form of support to combat and security forces as well as the unconventional form of providing mixes of essential and timely support to many Host Nation (HN) security and stability-enhancing activities that may seem purely civil in character.<sup>58</sup>

The NDN is no exception. The network offers an important supply line for the U.S. military and, with expanded local procurement, could provide economic opportunities for many Afghans. In addition, if the NDN successfully stimulates other cross-border commercial activity between Afghanistan and its neighbors, even more jobs will be generated. By creating these opportunities, an enhanced NDN would give the civilian population a personal stake in ensuring its success and protecting it from insurgent activity.

The potential of the NDN to contribute to the counterinsurgency mission should not be discounted. U.S. military logisticians can further develop the NDN to help achieve all the economic development objectives outlined in FM 3-24, which include mobilizing and developing local economic activity, initiating contracts with local businesses to stimulate trade, rebuilding commercial infrastructure, supporting broad-based economic opportunity, and promoting a free market economy.<sup>59</sup> As the counterinsurgency manual states, “If there is a final paradox in counterinsurgency, it is that logistic postures and practices are a major part of the effort and may well determine the operation’s success.”<sup>60</sup> We could not agree more.

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58. *Counterinsurgency*, Field Manual 3-24, Marine Corps Warfighting Publication no. 3-33.5 (Washington, D.C.: Department of the Army and Department of the Navy, December 2006), 8-20.

59. *Ibid.*, figure 5-2, p. 5-5.

60. *Ibid.*, 8-20.



## PART TWO: THE NDN AND THE MODERN SILK ROAD

### Introduction

While the creation of the NDN was motivated by the U.S. military's immediate logistical needs, its establishment nonetheless offers a unique opportunity for Washington to further broader strategic objectives. This opening will not last forever. With prompt attention, adequate coordination, and the correct set of policies, the U.S. government could leverage the NDN to lay a foundation for the so-called Modern Silk Road. This development would help stabilize Afghanistan in the long term and have a transformative effect on Eurasia.

The United States must be pragmatic. It is not at war in Afghanistan to develop the MSR but to deprive al Qaeda of its sanctuary. Domestic and international commitment to the war in Afghanistan is already flagging. To suggest that now is the time to embark on an Afghan Marshall Plan ignores political reality. It is time, however, to think about the strategic importance of a diversified Eurasian trade and transportation network and feature it more prominently in U.S. policy. Key regional players are thinking about how to advance their own interests in those terms. The United States and its European allies should be similarly focused.

Some may understandably argue that—given the massive costs incurred by the United States in leading the military effort to bring stability to Afghanistan—those who are likely to benefit more from improved trade and transit infrastructure linking Afghanistan to global markets should take leadership in investments. This view, however, neglects the collective goods and coordination aspects of the challenge. Each of the major regional players to benefit from the MSR—including China, India, Iran, Pakistan, and Russia, for starters—has more specific interests and competitive inclinations that obstruct implementation of a broader regional effort that would benefit all. The United States may not see the same magnitude of long-term economic benefits for itself that those in the region do, but it is our view that such investments will be most effective in ensuring that the Obama administration's focus on securing stability and promoting the local economy has a longer-term impact.

### The Modern Silk Road

Nobody has articulated the vision of the MSR as well as Professor S. Frederick Starr of the Central Asia-Caucasus Institute at Johns Hopkins University. In his foreword to a book on this subject released in 2007, a then improving Afghanistan—in conjunction with the removal of Cold War borders and China's decision to open its western frontier to trade—laid the foundation for a trans-continental trading network spanning the entire Eurasian land mass.

Reminiscent of the ancient Silk Road, which connected Europe and Asia, the MSR could generate tremendous incomes among both trading and transit states. Professor Starr offers the following rough indicators of the scale and value of such commerce:<sup>61</sup>

- An overland route running from Lianyungang, China, to Rotterdam via Xinjiang and Central Asia would reduce the time it takes to transport goods from China to Europe from 20–40 days to 11 days and lower costs from \$167 to \$111 per ton.
- If basic improvements were to be made to the transport infrastructure connecting Central Asia to Afghanistan, the Asian Development Bank (ADB) predicts overall trade would increase by up to \$12 billion, a growth of 80 percent.
- A separate estimate by the ADB found that the completion of new roads would boost total trade among Afghanistan's neighbors by 160 percent and increase the transit trade through Afghanistan by 113 percent. The study also found that these roads would raise Afghanistan's exports by 14 percent or \$5.8 billion and increase imports by 16 percent or \$6.7 billion.
- A United Nations study estimated that GDP would grow by 50 percent across Central Asia within a decade if those states cooperate with one another on fostering trade.
- Intercontinental trade is projected to increase GDP growth in Afghanistan by 8.8–12.7 percent and 2–3 percent in Xinjiang.

The creation of the MSR would also benefit oil, gas, and electricity producers in Central Asia by undermining Russia's export monopoly and providing access to eager new markets in China, India, and Pakistan. While the development of nonenergy trading does not directly correlate with growth in the energy sector, the two are related. For instance, as the level of nonenergy commercial activity between Central Asia and Afghanistan grew, these states have engaged in dialogue that appears to be building new levels of trust and commercial interest in cross-border energy initiatives. Several promising developments include:

- *The Central Asia South Asia power supply project.* Kyrgyzstan and Tajikistan have officially agreed to act as suppliers for this project, Afghanistan has signed up as a purchaser and transit country, and Pakistan has agreed to be the primary purchaser. While considerable transaction details still need to be worked out, a secretariat is now in place in Kabul with each country's representatives in regular attendance.
- *The Turkmenistan-Afghanistan-Pakistan-India natural gas pipeline.* Deliberations over this pipeline have been going on for decades and are rivaled by the Iranian Pakistan-India natural gas pipeline discussion. Both projects are multibillion dollar investments with considerable political dimensions. Experts suggest that both projects will be essential, and the only real debate is one of sequencing.
- *Fuel procurement.* Virtually all Afghanistan's petroleum products are imported from Central Asia, Iran, Pakistan, and Russia, using existing roads and infrastructure. Storage facilities are in place, and the Afghanistan State Enterprise for Liquid Fuels oversees these imports. That enterprise is undergoing restructuring and divestiture.

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61. S. Frederick Starr, ed., *The New Silk Roads: Transport and Trade in Greater Central Asia* (Washington, D.C.: John Hopkins University School for Advanced International Studies, 2007), 7–9.

- *Cross-border power.* At present, Afghanistan must import at least 33 percent of its power supply, which comes from Iran, Tajikistan, Turkmenistan, and Uzbekistan. In August 2009, Tajikistan formalized a power purchase agreement with Afghanistan, which stipulated that beginning in May 2010 Tajikistan will supply 100–300MW (megawatts) during the summer months until 2013, at which time that supply will be provided year-round. This agreement is very significant for Afghanistan, which has less than 1000MW installed capacity.<sup>62</sup>

The development of the MSR would have second- and third-order benefits that extend beyond the economic realm. As Fred Starr writes, “The prospect of transforming Afghanistan and the entire region of which it is the heart, into a zone of secure sovereignties and viable market economies . . . can roll back the forces that give rise to extremism and enhance continental security.”<sup>63</sup> In short, the MSR could promote security, prosperity, and connectivity within some of the most volatile, impoverished, and isolated nations on the planet.

## The Price of Ignoring the Modern Silk Road

The United States must ask itself whether it can achieve its long-term goals in Afghanistan without investing in the MSR. This question has not received adequate attention because of the Obama administration’s understandable preoccupation with the worsening security situation in the country. While deliberations about the long term are pointless unless short-term challenges can be overcome, both sets of problems must be addressed simultaneously.

The bottom line is simple. According to the Agency Coordinating Body for Afghan Relief, “International assistance constitutes around 90% of all public expenditures” in Afghanistan.<sup>64</sup> For the stabilization of Afghanistan to be achievable and sustainable in the long term, the country must develop its licit economy. While much of the current debate has focused on how to protect the civilian population, professionalize the Afghan National Security Forces, and create a functional and legitimate Afghan government, these efforts will ultimately fail without a sustainable, indigenous revenue stream.

The obvious question is how best to foster such economic growth. While no policy offers guaranteed success, developing the MSR to enhance economic integration between Afghanistan and its near and distant neighbors is the most promising option. As the Afghan National Development Strategy points out, “Afghanistan cannot develop without access to regional and international markets.”<sup>65</sup> Conversely, an isolated Afghanistan prevents the deeper integration of Eurasia, cleaving markets that could otherwise be linked.

The significance of enhanced integration is not lost on the Obama administration. In his remarks before the Senate Foreign Relations Committee, the assistant secretary of state for South and Central Asian affairs, Ambassador Robert Blake, stated the administration’s view:

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62. We are indebted to Mary Louise Vittelli for this list.

63. S. Frederick, Starr, *A ‘Greater Central Asia Partnership’ for Afghanistan and Its Neighbors* (Washington, D.C.: John Hopkins University School for Advanced International Studies, 2005), 5.

64. Matt Waldman, “Falling Short: Aid Effectiveness in Afghanistan,” Agency Coordinating Body for Afghan Relief, March 2008, 4, [http://www.acbar.org/ACBAR%20Publications/ACBAR%20Aid%20Effectiveness%20\(25%20Mar%2008\).pdf](http://www.acbar.org/ACBAR%20Publications/ACBAR%20Aid%20Effectiveness%20(25%20Mar%2008).pdf).

65. Islamic Republic of Afghanistan, *Transport and Civil Aviation Strategy 1387–1391 (2007/08–2012/13)*, February 2008, p. 17, [http://www.and.s.gov.af/ands/final\\_ands/src/final/sector\\_strategies/Transport%20Sector%20Strategy%20-%20English.pdf](http://www.and.s.gov.af/ands/final_ands/src/final/sector_strategies/Transport%20Sector%20Strategy%20-%20English.pdf).

Currently, South and Central Asia is one of the least economically integrated regions in the world. Integration is vital to help create vibrant economies in Afghanistan, Pakistan and the broader region, and should be accelerated. New opportunities for cross border trade, transportation, infrastructure development, and energy links can provide new jobs and enhance the quality of life for all people in South and Central Asia.<sup>66</sup>

## The NDN and the MSR

Despite being created to serve logistical ends, the NDN is bringing about a de facto step toward the MSR. The U.S. government should embrace this positive externality and strive to deepen Afghanistan's connections to regional and global markets.

By linking Afghanistan with Europe, the Caucasus, and Central Asia through commercial carriers, existing infrastructure, and multiple routes, the NDN is proof that the embattled country is currently accessible. Unfortunately, the flourishing export trade of Afghan-grown opiates to Asia, Central Asia, Europe, Iran, and Russia also serves as proof of transit potential. At the same time, the NDN is creating additional demand for transcontinental transport services, bolstering the logistical links between Afghanistan, NDN ports of origin, and NDN transit states. Through this demand, the U.S. military is helping create and sustain transcontinental transport capacity that could one day service the MSR and become the engine for Afghanistan's economic growth as prioritized in the 2008 Afghan National Development Strategy.

The NDN's success is an affirmation that new infrastructure projects are not prerequisites for enhancing Afghanistan's economic integration. While further development would certainly help, the fact that 4,500 TEUs have been delivered to Afghanistan via the NDN since February 2009 illustrates that goods can reach the country through commercial carriers along existing infrastructure.<sup>67</sup>

These deliveries do not represent even the full throughput capacity of these routes. TRANSCOM reports that it sees no infrastructure constraints in using the NDN to ship half its nonlethal ground shipments to Afghanistan in 2010.<sup>68</sup> The ADB also recognized the existence of surplus capacity within the Central Asian portion of the NDN, noting that after the "dramatic fall in traffic on the regional networks in the 1990s, there is undoubtedly abundant spare capacity on virtually the entire [road and rail] transport network."<sup>69</sup> The NDN is a striking reminder that transit corridors connecting Afghanistan with Europe, the Caucasus, and Central Asia are far more feasible than many realize.

In addition to showing what is possible with regard to transcontinental transport, the NDN is creating a demand for such services. This demand provides transcontinental transport firms with a new source of revenue, deepens their experience, and also provides opportunities for carriers to pursue additional ventures. If Afghanistan is to move toward fuller integration with regional and global markets, private sector companies that possess the capacity and experience to move goods efficiently across Eurasia will become increasingly important.

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66. "Remarks for the Record by Ambassador Robert O. Blake, Nominee for Assistant Secretary of State for South and Central Asian Affairs before the Senate Foreign Relations Committee," May 14, 2009, <http://foreign.senate.gov/testimony/2009/BlakeTestimony090514a.pdf>.

67. Figure from senior Department of Defense official, November 2009.

68. Phone interview with TRANSCOM and CENTCOM, October 2, 2009.

69. Asian Development Bank, "Connecting Central Asia: A Roadmap for Regional Cooperation," 2006, 3, <http://www.adb.org/Documents/Books/Connecting-Central-Asia-Road-Map/connecting-CA-roadmap.pdf>.

While the NDN is stimulating transcontinental trade, its impact should not be overstated. Whereas the NDN moved 4,500 TEUs between February and November of 2009, 34,300 TEUs passed between Kazakhstan and Uzbekistan by rail alone in 2007.<sup>70</sup> Thus, the volume of material shipped via the NDN is a fraction of the overall commercial traffic in the region

## The MSR and Counterinsurgency

Unlike an enhanced NDN, which would contribute to the near-term counterinsurgency mission in relatively direct and measurable ways, the implementation of the MSR would provide indirect counterinsurgency benefits that would be vast in scope and much more difficult to measure. Accurately understanding how the MSR will intersect with the counterinsurgency mission is also complicated by the amount of time it would take for the MSR to evolve.

Despite this analytic complexity, there should be no doubt that the MSR will contribute to the counterinsurgency campaign in real and significant ways. Whatever the state of the Taliban insurgency at the time the MSR becomes operational, the realization of such intercontinental trade will bring unprecedented levels of economic opportunity to South and Central Asia, create widespread alternatives to insurgency, and help stabilize the region. The MSR will also help ensure that any counterinsurgent gains made in Afghanistan will not be reversed over the long term. Without such measures, there is no guarantee that the sacrifices made in Afghanistan today will have any more lasting an impact than those made by the Soviet 40th Army in the 1980s.

The development of the MSR will indirectly further the counterinsurgency mission in one final way. The U.S. strategy in Afghanistan is to draw down coalition troop numbers as host nation security forces become able to secure their country.<sup>71</sup> While current plans seek to expand and develop the Afghan National Security Forces to enable this transition, it remains unclear how the Afghan government will underwrite these forces in the future. As Anthony Cordesman points out, “The inability of the Afghan government to fund its armed forces is only one area in which Afghanistan will remain utterly dependent upon outside powers for the foreseeable future.”<sup>72</sup> As we have argued, the MSR would provide the Afghan government with an important source of revenue that could be used to help maintain its security forces and lessen this dependency. Since President Obama’s ultimate goal is to turn Afghan security over to the Afghans, the long-term financial element of the equation must be considered.

## Achieving the MSR

As we have shown, the MSR represents the best hope for the long-term stabilization of Afghanistan, and the NDN offers a unique opportunity to lay the foundation of the MSR. The remainder of this report will discuss the challenges of developing the MSR and specific recommendations on how these difficulties can be overcome.

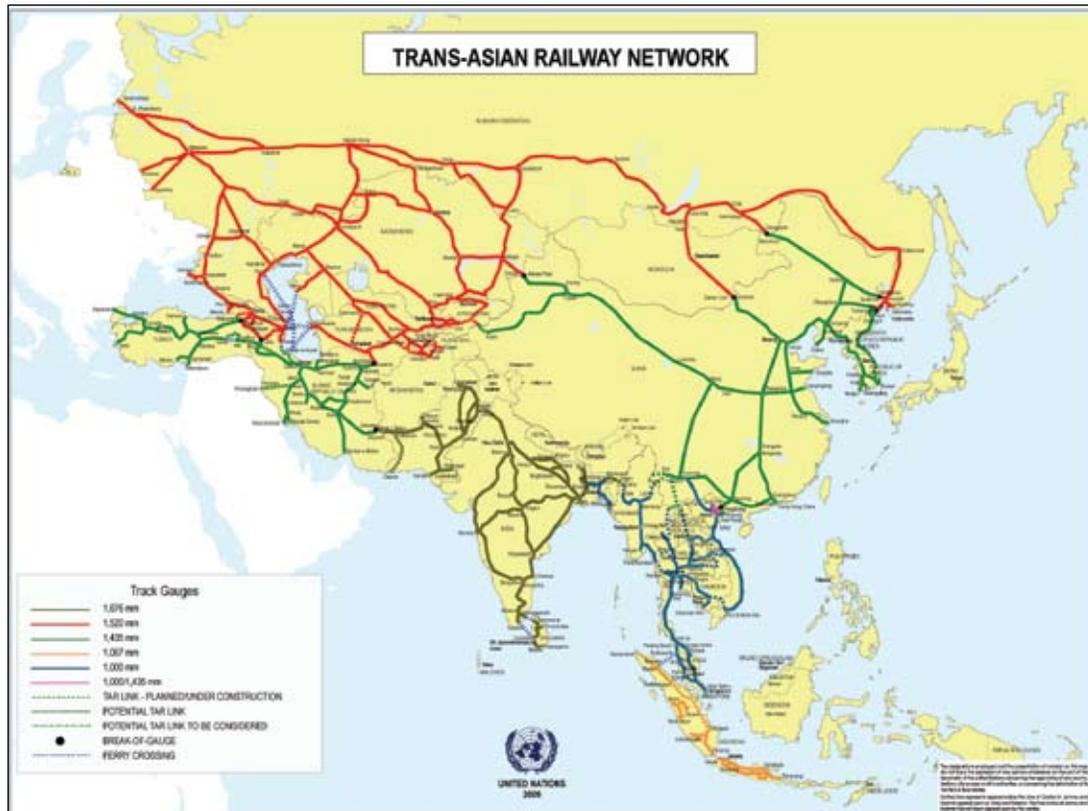
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70. UN Economic and Social Commission for Asia and the Pacific, “Preliminary Findings of the Transport Corridor Study in North-East and Central Asia and Proposals for the Way Forward,” March 4–5, 2009, 6, [http://www.unescap.org/ttdw/common/TIS/CorridorStudy/EGM\\_files/3-ESCAP\\_Key\\_Findings.pdf](http://www.unescap.org/ttdw/common/TIS/CorridorStudy/EGM_files/3-ESCAP_Key_Findings.pdf).

71. President Obama stated in his December 1, 2009, speech that building Afghan capacity would allow for “a responsible transition of [U.S.] forces out of Afghanistan.” Office of the Press Secretary, The White House.

72. Anthony Cordesman, *Winning in Afghanistan: Creating Effective Afghan Security Forces* (Washington, D.C.: CSIS, 2009), 50.

## Map 5. The Rail Network in Eurasia



Source: United Nations Economic and Social Commission for Asia and the Pacific, 2009, [http://www.unescap.org/ttdw/common/TIS/TAR/images/tarmap\\_latest.jpg](http://www.unescap.org/ttdw/common/TIS/TAR/images/tarmap_latest.jpg).

Before doing so, however, we will address some key misconceptions about the MSR. Afghanistan's current economic isolation and the failure of the MSR to develop are often attributed to a lack of security and inadequate infrastructure. This analysis is flawed.

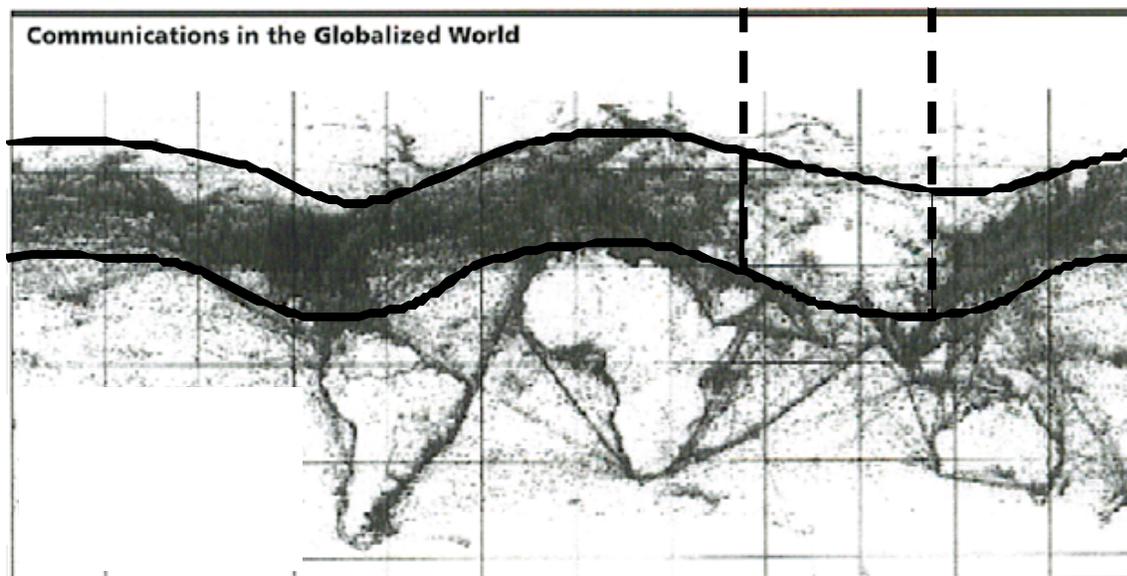
### An Infrastructure Challenge?

With some notable exceptions, transportation infrastructure in several significant portions of Eurasia is underdeveloped. This infrastructure deficit is acute in Afghanistan and between Afghanistan and its neighbors. That said, these conditions are not responsible for the lack of commercial activity in undeveloped parts of Eurasia, and adequate infrastructure does in fact exist to support increased levels of trade in these locations.

Map 5 shows the Eurasian rail network and illustrates Afghanistan's isolation. Note how all rail links end at the Afghan border. Given that the overwhelming volume of trade in Central Asia is handled by rail, the lack of such infrastructure inside Afghanistan is significant.<sup>73</sup> While donors

73. Eighty-nine percent of Central Asia's exports and 81 percent of its imports are handled by rail. World Bank, "Inter-regional Trade and Transport Facilitation in Europe and Central Asia South Asia Region and East and Pacific Region," 2005.

**Map 6. Satellite Intercepts of the World's Telecommunications in a 24-Hour Period from the Late 1990s**



Source: Stephen Benson, *The MAGAI™ Construct and the Northern Distribution Network* (Washington, D.C.: CSIS, November 2009), 4, [http://csis.org/files/publication/091110\\_Benson\\_MAGAI\\_Web.pdf](http://csis.org/files/publication/091110_Benson_MAGAI_Web.pdf).

such as the ADB are beginning to address this deficit through projects like the recently approved rail line connecting Termez with Mazar-e-Sharif, the present reality is nonetheless apparent.

This situation is a symptom of broader regional underdevelopment. The extent of this shortcoming is vividly illustrated in the so-called modern activity gap concept formulated by Steven Benson (see map 6).<sup>74</sup> The basis of this concept is a graphic consisting of a series of black dots on a blank sheet of paper, with each dot representing overhead satellite intercepts of all types of telecommunications taken in a 24-hour period in the late 1990s.<sup>75</sup> They form a familiar picture, as many of the intercepts fall in the world's littorals, making the Southern Hemisphere's continents clearly visible. In the Northern Hemisphere, however, the saturation of these intercepts is so dense that there are no clear continental images. The blank swath delineated by the dotted lines represents the only underdeveloped portion in the Northern Hemisphere and is referred to as the modern activity gap. It lies roughly between the eastern Black Sea region and the eastern provinces of China and is centered on Afghanistan and Central Asia.

Despite the infrastructure shortcomings in Afghanistan and the surrounding countries that underlie the modern activity gap, this factor is not the largest impediment to intercontinental trade. According to the International Road Transport Union (IRU), for example, “The road net-

74. For more on this concept, see Stephen Benson, *The MAGAI™ Construct and the Northern Distribution Network* (Washington, D.C.: CSIS, November 2009), [http://csis.org/files/publication/091110\\_Benson\\_MAGAI\\_Web.pdf](http://csis.org/files/publication/091110_Benson_MAGAI_Web.pdf).

75. While the Modern Activity Gap has been filled to a certain extent in the decade since this image was generated—thanks to developments like the rapid expansion of cellular telephone use in Afghanistan—it remains an accurate metaphor for the region.

work in transit countries [to Afghanistan] has sufficient reserves of capacity to allow for the mass expansion of cargo shipments.<sup>76</sup> As the success of the NDN suggests, the current infrastructure in the region does in fact provide functional and adequate conduits through which current commercial volumes can reach Afghanistan.

This is not to suggest that existing infrastructure is capable of supporting the increased levels of economic activity necessary to close the modern activity gap. The reorientation of regional trade patterns away from Russia has already exposed bottlenecks that may require new or renovated infrastructure in the short term.<sup>77</sup> In the long term, primary and ancillary infrastructure<sup>78</sup> must also be upgraded to support the unprecedented surge in economic activity created by the MSR. In the near term, however, existing infrastructure offers a sufficient foundation on which to begin building the MSR.

## A Security Challenge?

There is no doubt that sustained insecurity in Afghanistan, Baluchistan, Kashmir, and other parts of Eurasia retards economic activity and dissuades private and public investment that could help create the MSR. As the scope and intensity of the Taliban insurgency expand, this inhibiting factor is growing more acute.

Ongoing trade between Afghanistan and Pakistan despite the Taliban insurgency is proof that commerce can exist in an insecure environment: in fact, 20.1 percent of Afghanistan's exports go to Pakistan, passing through the epicenter of violence.<sup>79</sup> An additional 21.1 percent of Afghan exports end up in India, presumably passing through the same terrain,<sup>80</sup> while 8.6 percent of Pakistan's exports were imported by Afghanistan, crossing the same border.<sup>81</sup> These figures suggest that security is not a prerequisite for trade.

While some argue that economic development can begin only after the cessation of hostilities, this pattern of reconstruction—though relevant in the aftermath of the preceding century's great wars—seems inadequate for today's asymmetric conflicts. Instead, security in today's "small wars" is driven in large part by the economy, not just by military force.<sup>82</sup>

In Afghanistan, for instance, 40 percent of the population is unemployed, and 53 percent live below the poverty line.<sup>83</sup> These conditions directly affect the insurgency. By some estimates, as

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76. International Road Transport Union, *Recommendations Prepared by IRU for the First Session of the Working Party on Afghan Transit*, October 2009, 4.

77. Asian Development Bank, *Connecting Central Asia: A Roadmap for Regional Cooperation*, 2006, 3, <http://www.adb.org/Documents/Books/Connecting-Central-Asia-Road-Map/connecting-CA-roadmap.pdf>.

78. Ancillary infrastructure includes truck parking areas, service stations, driver rest, and other facilities that support road transport. See International Road Transport Union, *IRU NELTI Final Report*, 2009, 35 and 54.

79. CIA World Factbook, *Afghanistan*, <https://www.cia.gov/library/publications/the-world-factbook/geos/af.html>.

80. *Ibid.*

81. CIA World Factbook, *Pakistan*, <https://www.cia.gov/library/publications/the-world-factbook/geos/pk.html>.

82. It is important to note that the economy also drives insecurity. Insurgents and other warring parties have historically fought for control of valuable resources or land. An example of this can be seen in Sierra Leone, where the illicit diamond trade fueled a brutal conflict.

83. CIA World Factbook, *Afghanistan*.

many as 70 percent of the Taliban are “unemployed young men just looking for a way to make a living.”<sup>84</sup> While this figure may be debatable, there is clearly a connection between insurgency and deprivation in the region.

Karin von Hippel provides ample evidence of this relationship in an article about the link between poverty and terrorism. As she argues, “The ordinary volunteer or recruit in Pakistan and Afghanistan has typically been poor.”<sup>85</sup> To support this argument, von Hippel cited three compelling sources. First was a report by Daniel Markey, which found that “in Pakistan, Taliban recruits are drawn from Afghan refugee camps and the network of extremist madrassas in the tribal areas. Taliban foot soldiers tend to be uneducated, poor Pashtuns with few other employment prospects.”<sup>86</sup> Second was a study by the UN Assistance Mission for Afghanistan, which stated that in the absence of employment opportunities, young men join militant groups as a way to earn a living and enhance their social status.<sup>87</sup> Finally, von Hippel cited Peter Bergen, who “learned that the Taliban fighters were paid about \$300 a month or, ‘four times the wage of the average Afghan police officer.’”<sup>88</sup>

The relationship between poverty and extremism in South Asia reinforces the idea that economic development must be carried out alongside military operations as a vital component of an effective counterinsurgency campaign and a key ingredient for long-term stability. The attachment to President Obama’s December 2009 speech on Afghanistan recognizes this relationship, stating that “growth is critical to undermine extremists’ appeal in the short-term and for sustainable economic development in the long term.”<sup>89</sup> Thus, security is not so much a prerequisite for the MSR as it is a benefit of its implementation.

## The Real Challenges

If a lack of adequate infrastructure and insecurity are not preventing the emergence of the MSR, what exactly is? Among others, the following factors help explain why the MSR remains elusive:

- its low priority
- inefficient bureaucratic practices
- lack of coordination among donors and governments
- corruption
- geopolitical schisms

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84. Fetrat Zerak, “The Occasional Taleban,” Institute for War & Peace Reporting, April 23, 2009, [http://www.iwpr.net/?p=arr&s=f&o=351992&pc\\_state=henh](http://www.iwpr.net/?p=arr&s=f&o=351992&pc_state=henh).

85. Karin von Hippel, “The Role of Poverty in Radicalization and Terrorism,” in *Debating Terrorism and Counterterrorism: Conflicting Perspectives on Causes, Contexts, and Responses*, ed. Stuart Gottlieb (Washington, D.C.: CQ Press, 2009), 60.

86. Daniel Markey, *Securing Pakistan’s Tribal Belt*, CFR 36 (New York: Council on Foreign Relations, July 2008), 11, as cited in von Hippel, “The Role of Poverty in Radicalization and Terrorism.”

87. UN Assistance Mission, “Suicide Attacks in Afghanistan (2001–2007),” 84, as cited in von Hippel, “The Role of Poverty in Radicalization and Terrorism.”

88. Peter Bergen, “Afghan Spring,” *New Republic*, June 18, 2007, as cited in Karin von Hippel, “The Role of Poverty in Radicalization and Terrorism.”

89. Office of the Press Secretary, The White House, “Fact Sheet: The Way Forward in Afghanistan,” December 1, 2009, <http://www.whitehouse.gov/the-press-office/way-forward-afghanistan>.

## *Low Priority*

The MSR is receiving too little attention from the Obama administration compared to other, more immediate challenges in the region. By focusing so intensely on the conduct of the war in Afghanistan and neglecting long-term economic development, Washington is setting itself up for failure. Even while the administration has identified agricultural development as a priority, without thinking about how those goods will reach domestic and international markets, the strategy is incomplete. As stated earlier, a long-term strategy is indeed irrelevant unless short-term crises can be addressed. At the same time, short-term gains are equally meaningless without a viable long-term strategy.

## *Inefficient Bureaucratic Practices*

Throughout our consultations for this project, our interlocutors unanimously identified inefficient bureaucratic practices as the biggest obstacle to transcontinental trade. A survey conducted by the ADB of nearly 1,000 continental truck drivers from various countries hauling goods across Afghanistan supports this assessment, with 90 percent pointing to the bureaucracy at borders as the greatest impediment to trade. A study by the IRU argued that, aside from the delays and lack of excess capacity associated with the ferry crossings across the Caspian Sea, bureaucratic difficulties were the “principal problems which may arise during the implementation of possible road shipments routes to Afghanistan.”<sup>90</sup>

According to the IRU, the majority of these bureaucratic obstacles are related to relations between transit countries.<sup>91</sup> As such, the abundance of border crossings involved in transcontinental trade creates significant inefficiencies. As the union’s New Euroasian Land Transport Initiative project found, border crossings create delays that account for up to 40 percent of the total travel time between Europe and Asia and about a third of freight charges.<sup>92</sup> The cumulative effect of these delays is quite significant. The ADB reports that transportation costs may represent 50 percent of the price of nationally produced goods in Kyrgyzstan.<sup>93</sup> This impact is also evident in the cost of transporting heating oil from a refinery in southern Kyrgyzstan to the north of the country. As a result of the Soviet system, oil traveling from one end of Kyrgyzstan to the other must pass through Uzbekistan, Tajikistan, and Kazakhstan, increasing its price from \$50 per barrel at the refinery to \$90 per barrel at its destination.<sup>94</sup>

The official difficulties at borders are exacerbated by corruption. The IRU notes that “corruption is apparent mostly at border crossing points and involves customs, sanitary, phyto-sanitary, and other formalities.”<sup>95</sup> Within Central Asia, unofficial costs at borders exacted through bribes and facilitating payments are several times higher than official duties.<sup>96</sup>

Borders, however, do not cause all the bureaucratic obstacles to transcontinental trade. Disparate regulations across regional states make for a highly convoluted and inefficient transconti-

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90. International Road Transport Union, “Recommendations Prepared by IRU for the First Session of the Working Party on Afghan Transit,” October, 2009, p. 5.

91. *Ibid.*

92. Asian Development Bank, *Connecting Central Asia*.

93. *Ibid.*

94. *Ibid.*

95. International Road Transport Union, “Recommendations,” 9.

96. *Ibid.*, p. 10.

mental transport sector. For example, a survey of international road haulage and simplification of transit regulations between Georgia and China shows that there are more than 20 bilateral and 7 multilateral agreements in force—many of which have not been ratified or are not functional.<sup>97</sup> A lack of unified transit and road safety controls compounds these challenges.

A number of burdensome bureaucratic obstacles impede trade:<sup>98</sup>

- Tariff rates differ among countries.
- Regional trade preferences sometimes overlap or are inconsistent.
- Countries sometimes impose nontariff tax barriers, such as excise taxes on imports, labeling requirements, and import licenses.
- Customs procedures sometimes conflict, leading to detailed checks on both sides of the border.
- When no weigh stations are available, trucks are subject to “guesstimates” based on size of the vehicle, the history of carrier, and the disposition of border agents.<sup>99</sup>
- There are numerous and cumbersome documentation requirements.<sup>100</sup>
- Countries often refuse to recognize each other’s transit international routier seals, leading to the high cost of transit convoys.
- Customs officials and other inspection agencies are often highly corrupt.
- Visa restrictions are imposed on foreign truckers.

### *Lack of Coordination among Donors and Governments*

Donors’ efforts in Afghanistan and surrounding regions have been almost exclusively ad hoc and defined by national interests. In Afghanistan, for instance, a formal national development strategy to coordinate foreign aid was not created until 2006, five years after the initial U.S. invasion. Similarly, only in 2008 did the UN Assistance Mission for Afghanistan make greater coordination of national and multilateral assistance efforts a serious priority.<sup>101</sup> Even within the U.S. government itself, the cross-cutting set of challenges associated with the development of the MSR would likely result in disjointed policies. This lack of coordination leads to duplicative efforts, inadequate synergy across projects, and a piecemeal approach to what should be a strategic and well-conceived undertaking.

### *Corruption*

The viability of the MSR is contingent on regional governments’ addressing the bureaucratic practices discussed earlier and creating the urgently needed legal and procedural framework for efficient commerce. Such reform, however, will have little impact unless official corruption can be

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97. Ibid., p. 8.

98. List adopted from William Byrd and Martin Raiser, *Economic Cooperation in the Wider Central Asia Region*, Working Paper 75 (Washington, D.C.: World Bank, 2006), <http://siteresources.worldbank.org/INTSOUTHASIA/556101-1101747511943/21363080/WiderCAWorkingPaperfinal.pdf>, p. viii.

99. Mary Louise Vitelli brought this obstacle to our attention.

100. In some cases, these requirements force truckers to stay at borders for between one day and two weeks. Such delays cost money.

101. “Afghanistan’s New Development Priorities: A Discussion with Mark Ward,” CSIS, September 28, 2009, <http://csis.org/multimedia/audio-afghanistan%E2%80%99s-new-development-priorities>.

reduced. The regulations and procedures outlined earlier provide corrupt officials with a livelihood, making these individuals supporters of the status quo. Concerns about corruption also discourage donors and private interests from investing in the MSR.

### *Geopolitical Schisms*

The desire of the United States to diversify its supply lines into Afghanistan led to the creation of the NDN. Although logistically viable routes through China and Iran exist, they have not been employed for geopolitical reasons, illustrating that such schisms are one of the biggest obstacles to the creation of the MSR.

To join East Asia, South Asia, Central Asia, the Middle East, the Caucasus, and Europe in a networked economy through the MSR would require linking several states with complex and often contentious bilateral relationships. While the MSR stands to benefit all involved—akin to a “Eurasian globalization”—some states in the region have a tendency to view international relations in zero-sum terms. Such thinking acts as a barrier to the MSR.

## **Policy Recommendations**

Achieving the MSR is as much a challenge as it is a requirement for long-term success in Afghanistan. The U.S. government, in close consultation with regional players, must formulate practical policies to help tear down the obstacles outlined above and lay the groundwork for the MSR and for the sustainable Afghan economy it would help create. Specifically, the U.S. government should focus on eight specific actions:

1. Identify and embrace the strategic implications of the MSR. The U.S. government should recognize the potential benefits of MSR and make its implementation a strategic priority. This effort should be linked with the unique opportunity created by the Northern Distribution Network.
2. Develop an immediate strategy for the MSR. Having recognized the importance of the MSR, the U.S. government should create a long-term strategy for its development. Trade with Afghanistan must be a pillar of this approach.
3. Promote the MSR and U.S. strategy. The creation of the MSR cannot be a unilateral action. To be successful, the United States must work with regional governments, donors, and other stakeholders in a coordinated manner. To build momentum for this engagement, the United States should undertake a comprehensive communications campaign that generates buy in for the MSR concept.
4. Identify and empower a lead U.S. government entity. While many U.S. government entities have an important role to play in the creation of the MSR, a single coordinating body is necessary. This entity should be explicitly identified and empowered by the administration.
5. Stimulate alternative corridors. Given the extent to which the NDN has served as an incremental step toward the MSR, U.S. planners should seek access to additional corridors into Afghanistan. These include the following routes:

- ◻ Iran-Afghanistan. This route begins in the Iranian port of Chabahar and enters Afghanistan at the border town of Zaranj before continuing to the Afghan ring road at Delaram.
- ◻ China-Central Asia-Afghanistan. This route originates in China's Pacific ports and travels to Central Asia via road and rail lines before entering Afghanistan.
- ◻ China-Pakistan-Afghanistan. A second route beginning in China's Pacific ports links to Afghanistan via the Karakorum highway.
- ◻ Pakistan-Afghanistan. This route begins at the Pakistani port of Gwadar and transits Baluchistan before entering Afghanistan.
- ◻ India-Pakistan-Afghanistan. This route starts in India and crosses Pakistan before entering Afghanistan.

While the challenges associated with these routes are apparent, the United States should put forth a concerted effort to gain access to them. (After all, who could have predicted that U.S. military supplies would be traversing Russia and Uzbekistan?) If the United States proves unable to make use of these routes, Washington should encourage and facilitate other Afghan-bound traffic to travel on them. Increasing intercontinental transport through these corridors is critical for the MSR.

6. Focus resources on the key problem. The United States and other stakeholders must partner with local governments to tear down the bureaucratic obstacles to trade. This initiative should be fully resourced and include development of streamlined, efficient, and more corruption-resistant procedures, especially at border crossings. Moreover, a determined effort should be made to coordinate existing aid programs designed to achieve the same result.
7. Give Afghanistan the tools to harness the MSR. An increase in licit cross-border commerce will not help stabilize Afghanistan unless the country develops the capacity to levy official taxes on trade and turn this activity into sustainable income. The United States, Japan, and other donors should work with the Afghan government to build this capability in a manner that marginalizes the informal economy and discourages official corruption.
8. Recognize that the MSR will benefit all of Eurasia. Geopolitical competition in Eurasia is often seen in zero-sum terms. As a result, a strong U.S. push in favor of the MSR will likely be misconstrued as an effort to assert some sort of advantage over other regional players. Washington should be attuned to this inevitability and be prepared to articulate how the MSR will benefit partners and rivals alike. If this aspect is ignored, potential spoilers will be more likely.



## CONCLUSION

The Northern Distribution Network has given the United States a unique and ephemeral opportunity to develop the Modern Silk Road. The MSR, in turn, is critical for the long-term economic future of Afghanistan and the surrounding regions. If this opportunity is ignored, everything the United States will have achieved in Afghanistan will be short-lived, and instability will likely remain a permanent fixture in the heart of Eurasia.

This report identifies important steps for promoting the MSR. It intentionally excludes steps for implementing such a strategy—a core issue to be addressed in an upcoming project phase. At this point, it is vital that the U.S. government be alerted to the missing component of its Afghan policy. Putting in place an immediate strategy to stimulate trade and transportation networks across Eurasia, with Afghanistan playing an integral role, can provide that nation—and the region—with a brighter future.





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**S. Frederick Starr**, chairman of the Central Asia-Caucasus Institute at SAIS, has been writing about transport and trade in the region since 2003, when he published “Afghanistan: Free Trade and Regional Transformation” (*Asian Update*, 2003). His essay “Plaidoyer pour une Grande Asie centrale” (*Politique Etrangere*, 2008) set forth the new geography of Eurasia that supports the concept of continental trade, while his “Regional Approach to Afghanistan and Its Neighbors” (*Strategic Asia*, 2008–2009) applies that concept to Afghanistan. In his edited book, *The New Silk Roads: Transport and Trade in Greater Central Asia* (2007), he developed this concept into a program spanning the entire region between India and Turkey. Finally, in “A Partnership for Central Asia” (*Foreign Affairs*, 2005), he applied these concepts to the specifics of U.S. involvement in the region of which Afghanistan is the heart.