

Developing Trade and Investment between Afghanistan and Central Asian Countries

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Article History

Received: 16.12.2017

Accepted: 20.12.2017

Published: 30.12.2017

DOI:

10.36347/sjebm.2017.v04i12.006



Abstract: Purpose of this study is to analyze the current state of trade and investment relations between Afghanistan and Central Asian countries, to examine trade problems (lack of necessary fundamentals to facilitate the flow of trade and investments, insecurity etc.) and recommend practical ways to increase the volume of trade. The first part of the report deals with current volume of trade and investment between Afghanistan and Central Asian countries. Then, it will focus on Afghanistan's regional trade potential and moreover try to find solutions for current trade problems which are a huge obstacle for improvement of trades between Afghanistan and Central Asian countries.

Keywords: Trade, Energy, Investment, Development, Transportation, Afghanistan, Central Asia.

INTRODUCTION

In general terms, the purpose of this study is to analyse and develop business relations, investments, and potential opportunities between Afghanistan and Central Asian markets. A political instability emerged after the USSR defeat in Afghanistan, and the countries in Central Asia supplied a stringent relation across the borders with Afghanistan. Firstly, we aim to analyse the structural condition of Central Asian markets and the capacity of their business markets.

The second purpose is to find an appropriate solution for establishing practical business relations and transportations in the field of energy, economy and trade between Afghanistan and the countries of Central Asia and South Asia, and it is most likely to be the most important key factor of this study. However, Central Asian countries markets have rich and untouched energy resources, and thus, these markets contain highly supported and attractive investment opportunities both for international or foreign investors. Furthermore, South Asia countries, such as India and Pakistan, which constitute 1.5 Billion of world's population, attempt to approach and take control of Asian countries markets. Hence, these markets have a high marketing potential in term of business interactions. All these opportunities are possible, if Central Asian countries establish excellent and warm commercial and political relations with Afghanistan, since Afghanistan is the only remaining path to connect to Southern Asia and Central Asia markets at lowest cost. Moreover, Afghanistan also requires to establish and to develop these economical and excellent business relations with North Central Asian countries for accessing to energy resources. Primarily, based on above arguments and key business factors, the importance of this study cannot be overemphasized. The research method is based on data collected from

international institutions, such as IMF, World Bank, Asian Development Bank and on reports from Ministries of Afghanistan. Evaluation of this study has been made based on academic articles.

In the first part of this study, the structural circumstance of Central Asian and existing demand of markets for accessing to South Asia is analysed and constituted. The second part of this paper is constituted from evaluation of business and investment volume between Afghanistan and the Central Asian countries. The third part concerns about mutual evaluation of energy markets between Afghanistan and Central Asian countries, discussed on the basis of capacity of regional trade policy in Afghanistan. And finally, on the last part, the practical ways to increase the volume of trade and analysis of trade problem (lack of necessary fundamentals to facilitate the flow of trade and investments for increasing the trade, problems of insecurity, assurance of Afghanistan to Central Asian countries that NATO and America are not the cause of problems in Afghanistan; however, from their existence, they may be used as an opportunity to attract capital investments) have been evaluated.

Despite all the problems caused by the collapse of the Soviet Union and alteration behavior of

Central Asian countries with Afghanistan, current challenges, still the existence of better investment opportunities and capacity for extreme need of Central Asian countries to Afghanistan for export and expand of mutual trade volume with Afghanistan increase day by day. Where Afghanistan forms a bridge between Central Asia and South Asian markets, in terms of monopolizing the trade deals, first these countries need some bilateral agreements with Afghanistan. This is because Afghanistan is the only country to permit both South and North Asian countries to export and import their goods and to invest in their markets. Therefore, Afghanistan plays a key role, and has a strategic geographical location for businesses carried out between them.

To conclude, wealth of Afghanistan, such as rich underground resources, geographical location and connecting two major poles, this country may play an important role in regional trades and economic condition of Asian countries. In this context, KASA-1000 project may constitute a practical example for this claim, as it connects Pakistan with Central Asian countries in order to transfer of power or energy from and to both sides, and another high potential project in terms of economy and trade relations may be TUTAP (distribution or energy and investment between Turkmenistan, Uzbekistan, Tajikistan, Afghanistan and Pakistan) to which currently all these countries are applying for implementation. And TAPI pipelines project for distribution of gas among Turkmenistan, Afghanistan, Pakistan and India, and also may be a practical example. This research also aims to emphasize current challenges and concerns about investment and trades relations between Afghanistan and central Asian countries.

Political instability, lack of standard economical infrastructures and competency of powerful countries are the most consequential problems that prevent Afghanistan's commercial relations with Central Asian countries. In addition to intelligence wars, increase of instability of interior security and lack of investments are also the key factors preventing Afghanistan to develop commercial relations with Central Asian countries. For instance, TUTAP and CHABAHAR are the two important projects currently Afghanistan government attempts to invest on them, but because of directly interventions of powerful countries like Russia, United States of America, India, Pakistan and indirectly interferences of Arabian countries like Saudi Arabia and Qatar do not permit Afghanistan government to proceed. Furthermore, although securing projects is a key provision of an investment, Afghanistan is unable to provide security to its own projects; foreign countries take responsibility as well as getting benefits.

In proposal to this effort, a reasonable and practical suggestion can be the volume of trade and

balance of investment between Afghanistan and central Asian countries. First, Afghanistan needs to improve its economical infrastructures, fulfil its regional trade policy standards, solve the security problem, and convince Asian countries that the existence of NATO and American soldiers is not a problem for business or trade markets. Finally, Afghanistan must encourage the Central Asian countries to remove the customs barriers and reduce trade tariffs. Finally, it is an essential factor for Afghanistan to fulfil the interests of Russia while implementing large-scale economical projects since central Asian countries do not wish to establish commercial relations with Afghanistan without the cooperation of Russia in those beneficial large-scale projects.

A BRIEF GEOGRAPHICAL OVERVIEW OF THE CENTRAL ASIAN COUNTRIES

Central Asia consists of Tajikistan, Uzbekistan, Kazakhstan, Kyrgyzstan and Turkmenistan republics, which is located in the basin of two big rivers: Amu River and Syr River (Jaihoon and Saihoon). The central and western part of it consists of the flat and vast plain of Turan, which lake Turan is located in the middle of it. The eastern and southern part of it, which has borders with Iran, Afghanistan and China, ends with Pamir mountains. It's northern boundary ends with the steppes of Kyrgyzstan and the southern deserts of Kazakhstan [1].

THE IMPORTANCE AND TRADE CAPACITY OF CENTRAL ASIA REGION

The competition to take over the energy market is continuing and Central Asia is one of the areas of interest for the energy producers and investors. To determine the position and importance of Central Asia region, it is necessary to understand the approximate mass of available reserves and information on the dispersion of geographic areas of energy in the area. The discovery of oil fields in the mid-80s, in the Central Asian region, like Tengiz and Krachkan oil fields, shows the fact that the energy capacity of the region is still considerable, despite the 150 years of exploitation of the Russians from it. Based on an optimistic assessment total certified oil reserves for Central Asian countries are, 15 to 31 billion barrels of oil and gas reserves are estimated to be 230 to 360 trillion cubic meters, which accounts for approximately 27 percent of the world's oil reserves and 7 percent of global gas reserves. Uzbekistan, Tajikistan, Turkmenistan, Kyrgyzstan and Kazakhstan are five Central Asian countries whose obvious geopolitical features are considered to be land-locked and have no access to the Free Seas. According to "energy diplomacy", various institutions have obtained different estimates of the oil and gas resources of Central Asia. Some estimates indicate that Central Asia will be Asia's second largest source of energy, after the Persian Gulf, in the years to come.

The International Institute for Strategic Studies in London and the International Energy Agency (IAEA) also estimate all of Central Asia's crude oil reserves to be between 17 and 37 billion barrels, which is one and a half to three and a half percent of the world's known oil reserves. These institutions have estimated Central Asian proven gas reserves between 6.6 trillion to 9 trillion cubic meters, 5.5 percent, and unprovoked reserves of up to 60 trillion cubic meters, accounting for 37 percent of global gas reserves. The Central Intelligence Agency (CIA) has also published figures on this issue. The organization provides separate estimates for the energy sources of these countries. According to this information, Uzbekistan ranked forty-seventh in the world with 594 million barrels of proven oil storage and is ranked 19th in the world with 1 trillion and 841 billion cubic meters of gas.

According to the latest estimates in 2013, Tajikistan with 12 million barrels of proven oil reserves is in the world's 84th place and is also considered the

world's ninth largest country with 5 billion and 663 million cubic meters of gas reserves.

Turkmenistan has been ranked forty-fifth with 600 million barrels of proven oil reserves and fourth in the world with 24 trillion and 300 billion cubic meters of gas reserves. Kyrgyzstan's proven oil reserves are estimated to be 40 million barrels, which is the 89th country in the world, and is also ranked 80th with the 5 billion and 663 million cubic meters of proven natural gas reserves. Kazakhstan's proven reserves of oil are 30 billion barrels, placing it at the eleventh place in the world, and also has 2 trillion and 407 billion cubic meters of gas reserves, which is considered the 14th country in the world. As a result, the region's need for oil dollars for domestic expansion and entry into the global arena, with the confinement of Central Asia inland and the lack of access to international free waters, reveals the importance of energy transmission lines. This transfer of lines links South-Asian countries through Afghanistan to Central Asian countries [2].

Table-1: Central Asia: regional electricity surplus available for Trade (GwH)

Countreis	Season	2010	2015	2020	2025
Kazakhstan	Summer	3623	6876	3745	-234
	Winter	-2969	-130	-5563	-12318
	Annual	654	6746	-1818	-12552
Kyrgyzstan	Summer	6283	6863	6406	5991
	Winter	1584	1517	5761	4753
	Annual	7866	8381	12167	10744
Tajikistan	Summer	4587	6767	12579	11697
	Winter	2841	4287	8308	7431
	Annual	7429	11055	20887	19128
Uzbekistan	Summer	3904	7635	5088	2091
	Winter	5485	9846	7058	3767
	Annual	9389	17481	12147	5858
Total	Summer	18396	28142	27819	19545
	Winter	6942	15521	15564	3633
	Annual	25338	43663	43383	23178

Source: Europe and Central Asia Region World Bank, "Central Asia Regional Electricity Exports Potential Study", Washington, D.C. (Dec 2004), P. 26.

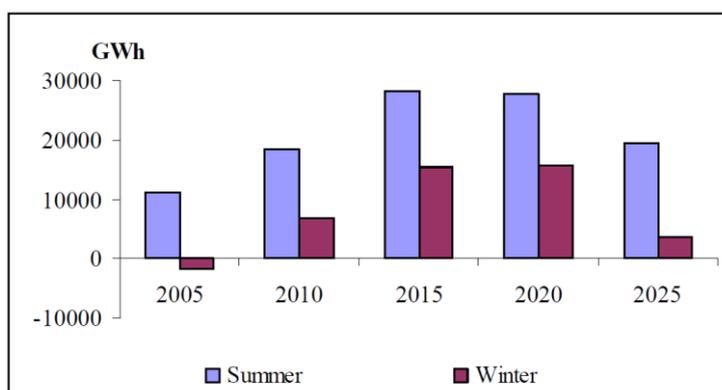


Fig-1: Central Asia Export Surpluses

Source: Europe and Central Asia Region World Bank, "Central Asia Regional Electricity Exports Potential Study", Washington, D.C. (Dec 2004), P. 26

ECONOMIC CAPACITY OF CENTRAL ASIAN COUNTRIES

The status of the industries remaining from the former Soviet Union, the type and amount of existing resources, has made a different economic situation for these countries. Turkmenistan and Kazakhstan have a better position than other countries with significant oil and gas reserves. Uzbekistan also has its own attractions with its significant reserves of gas, gold and uranium. Similarly, Kazakhstan and Tajikistan have high levels of underground reserves and significant water resources [3].

As such, the economic potential of Central Asian countries can be summarized as follows: Turkmenistan has underground and land resources such as oil, natural gas, cotton, gold, copper and a significant amount of uranium [4]. It is the 10th largest cotton producer in the world. It also has rich reserves of raw mineral building materials [5]. Uzbekistan is also a rich country with a variety of natural mines. It has important resources such as gas, oil, coal, and so on, which plays an important role in determining its international economic position. Uzbekistan has good agricultural, commercial, economic and political stability, to the point where it has influenced other countries in the region in regional and international equations. It still has a lot of experiences in the livestock industry [6]. Kazakhstan has plenty of natural resources such as oil, natural gas, uranium, and so on. As about 80 percent of its exports are hydrocarbon sources. The country also has significant technological advances compared to other Central Asian countries [7]. On the other hand, the country is one of the largest uranium producers in the world, with its uranium production capacity reaching 22,830 tons in 2014. And this trend is still growing. According to a report by the World Energy Forum (World Energy Council), Kazakhstan, having 200,000 tons of uranium reserves in 2013, is known as the world's second-largest uranium-rich country [8]. It also has a special geographic area for agricultural products [9]. Tajikistan is one of the most important economic zones in Central Asia due to its geographical and natural abilities. Two-thirds of the country's population are in the agricultural and industrial sectors, the country is also called the land of cotton-growers, gardeners and grape growers. Tajikistan is also a country with vast potential in the field of natural mines, as it holds good reserves of gold, copper, antimony, tin, tungsten and granite. Tajikistan has a special attractiveness for its investors in terms of legal investment freedom. After Russia [1, 10], Tajikistan is

¹ Under the domestic law of Tajikistan, foreign investors have full ownership rights, and there are no limitations, only in the aluminum and banking sector, the amount of foreign investment is up to 35%. Investment laws in. The investment laws in Tajikistan do not impose any obligation on the establishment, maintenance or expansion of

the second largest electricity producer in the four Central Asian republics [11].

Kyrgyzstan also has a special place in the Central Asian countries in the field of electricity production and exports, as it now exports electricity to its neighboring country, Uzbekistan, and in the Casa-100 project (Transmission of electricity with the participation of Tajikistan through Afghanistan to Pakistan) has a grateful share [12]. This is the same economic commodity that South Asian markets are thoroughly expecting to enter. Along with natural gas and oil and gas, the country has also allocated large gold resources among Central Asian countries [13].

SOUTH ASIAN COUNTRIES DEMAND FOR ENERGY FROM CENTRAL ASIAN COUNTRIES

As it is clear, South Asian countries such as Pakistan and India are the two most populated countries after China in the neighborhood of Afghanistan, and the markets in these countries have an increasing demand for export goods, such as electricity, oil and gas from Central Asian countries. The importance of the relationship between the countries of South Asia and the Central Asian states can be better explained in the model below-2:

As shown in the table-2, these two parts of Asia (Southeast Asia and Central Asia) have their own unique characteristics: Central Asian countries have a low population and high resources, and South Asian countries have a high population and are in need of energy in Central Asian countries, which highlights the importance of transit of energy and commodities between the countries of Central Asia and South Asia.

As you can see in the table, the population of Pakistan and India reaches one and a half billion people, while the total population of the five Central Asian countries is over 70 million people. That is why Central Asian countries are able to export the energy and natural resources needed by the countries of South Asia, and South Asian countries will also provide the goods needed by Central Asian countries. The two factors of supply and demand between the two parts of Asia are more of strategic importance when adding the third strategic factor (distance). Because in this discussion the distance is a strategic factor that significantly affects

investment, and has limited restrictions on business activities, investment and related ownerships.

For more info: Sumaya Muqadam, Reqabet Der Bazari Neft-I Asyayi Merkezi", *Gosterishi Semt*, (26.11.1394). P. 30.: Ahmad Mishkani, "Jezabiyethayi Maadani Tajikistan Berayi Sermayeguzaran", *Gosterishi Semt*, Vol. 26. New Period, No. 251, Serial. 1569, (04.04.1394), P. 27: Katayon Mulki, "Tajikistan Bazari Ghani ve Der Dastras", *Gosterishi Semt*, Vol. 26. New Period, No. 253, Serial. 1571, (07.04.1394), P. 27.

the price of goods. It means that the shorter the transition distance is, the less the cost of the goods will be. So, the shortest transit route between the two parts of Asia, is Afghanistan's land, which will supply the goods needed by the two sides in the shortest time, with

the least cost of transit to the applicants. In this way, the land of Afghanistan is similar to arteries, and by transition of goods from this channel, the economy of the two parts of Asia will boost as much as possible.

Table-2: Trade opportunities between the two parts of Asia

Central Asian Countries	Populations (Million)	Exports to	Imports from	South Asian Countries	Populations (Million)	Imports from	Exports to
Tajikistan	8	Electricity, oil and natural gas	Required Consumption Goods	Pakistan	205	Electricity, oil and natural gas	Required Consumption Goods
Uzbekistan	30						
Turkmenistan	5						
Kyrgyzstan	6						
Kazakhstan	19			India	1282		
Total	68	1487					

Data source: The World FactBook 2017 / CIA (CENTRAL INTELLIGENCE AGENCY)

COMMERCIAL IMPORTANCE OF AFGHANISTAN

According to Wahidullah Shahrani, former minister of mines of Afghanistan, the value of natural mines in Afghanistan is estimated at more than \$ 3 trillion, based on an estimated value of about 30 percent of Afghanistan's territory [14]. Along with this, Afghanistan's location as a country that is located in a market of three billion people, can prove Afghanistan's status as a commercial transit in the region.

Another commercial importance of the country can be seen in its transit status in the transfer of energy and natural resources of Central Asian countries to

South Asian countries. Because the realization of major projects for the transfer of energy and natural resources from Central Asia to South Asian countries will boost the economy and the economic prosperity will lead to large investments in the \$ 3 trillion dollar market. Besides that, along with the above factors, the long-standing presence of international forces on Afghanistan's soil is another opportunity for the country to become the center of trade and the common market among the countries of the region.

THE VOLUME OF TRADE BETWEEN AFGHANISTAN AND CENTRAL ASIAN COUNTRIES

Table-3: Afghanistan's Exports to Central Asian republics (US Dollar ML)

Countries / Years	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Tajikistan	5	12	3	11	5
Uzbekistan	0,149	6,418	2,429	0,427	0,263
Turkmenistan	3	3	14	6	1
Kazakhstan	1,119	0,247	0,964	9,28	10,845
Kyrgyz Republic	0,75	0	0	0	0
Total	10,018	21,665	20,393	26,707	17,108

Source: Central Statistical Office (2011-2016) [15]

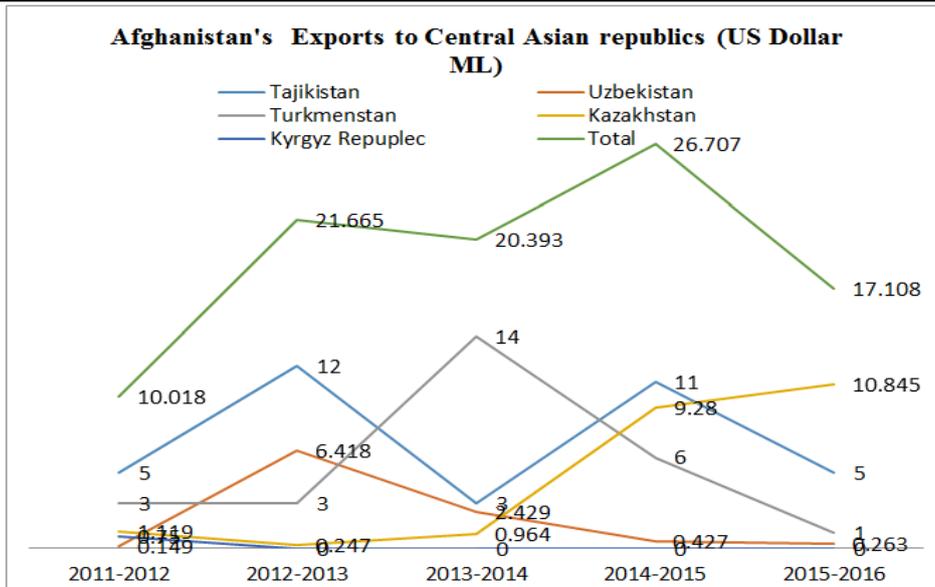


Fig-2: Afghanistan's Exports to Central Asian republics (US Dollar ML)
Source: Central Statistical Office (2011-2016)

Table-4: Afghanistan's Imports from Central Asian republics (US Dollar ML)

Countries / Years	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Tajikistan	226,889	258,024	280,751	115	94
Uzbekistan	732,45	709,159	582,599	722	328
Turkmenistan	352,977	634,294	640,773	465	632
Kazakhstan	333,309	189,571	324,614	390	427
Kyrgyz Republic	0	0,717	3,768	1,89	2,98
Total	1645,625	1791,765	1832,505	1693,89	1483,98

Source: Central Statistical Office (2011-2016)

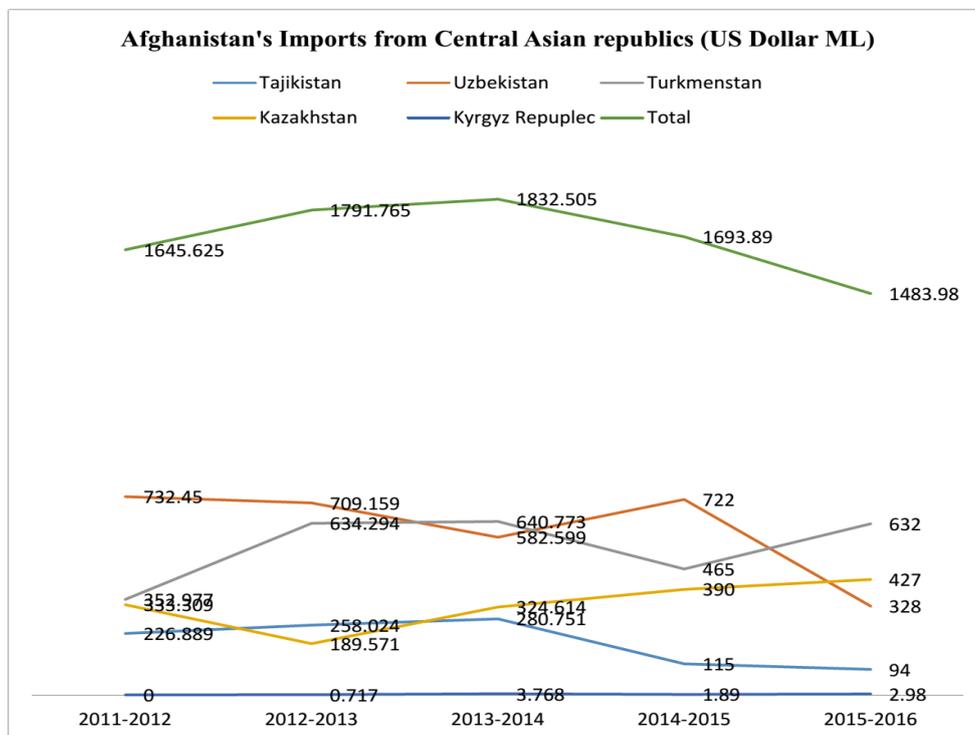


Fig-3: Afghanistan's Imports from Central Asian republics (US Dollar ML)
Source: Central Statistical Office (2011-2016)

Table-5: The share of Central Asian countries from total Foreign Trade of Afghanistan (US Dollar ML)

Types	Trade	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
World	Exports	375	415	515	571	572
	Imports	6390	9069	8724	7729	7717
	Total	6765	9484	9239	8300	8289
Central Asian Countries	Exports	10,018	21,665	20,393	26,707	17,108
	Imports	1645,625	1791,765	1832,505	1693,89	1483,98
	Trade Balance	-1635,607	-1770,1	-1812,112	-1667,183	-1466,872
	Total	1655,643	1813,43	1852,898	1720,597	1501,088
Percentage (%)	Percentage of Exports	2,6714667	5,22048193	3,95980583	4,677232925	2,990909091
	Percentage of Imports	25,75313	19,7570294	21,0053301	21,91603053	19,23001166
	Percentage of total foreign Trade	24,47366	19,120941	20,055179	20,73008434	18,109398
Average	Average of export percentage	3,903979287				
	Average of import percentage	21,53230633				
	Average of total	20,49785211				

Sources: By author (Using existing data)

Table-6: The volume of foreign trade between Afghanistan and World (US Dollar ML)

Countries / Years	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Exports	375	415	515	571	572
Imports	6390	9069	8724	7729	7717
Total	6765	9484	9239	8300	8289
Trade Balance	-6015	-8654	-8209	-7158	-7145

Source: Central Statistical Office (2011-2016) [16]

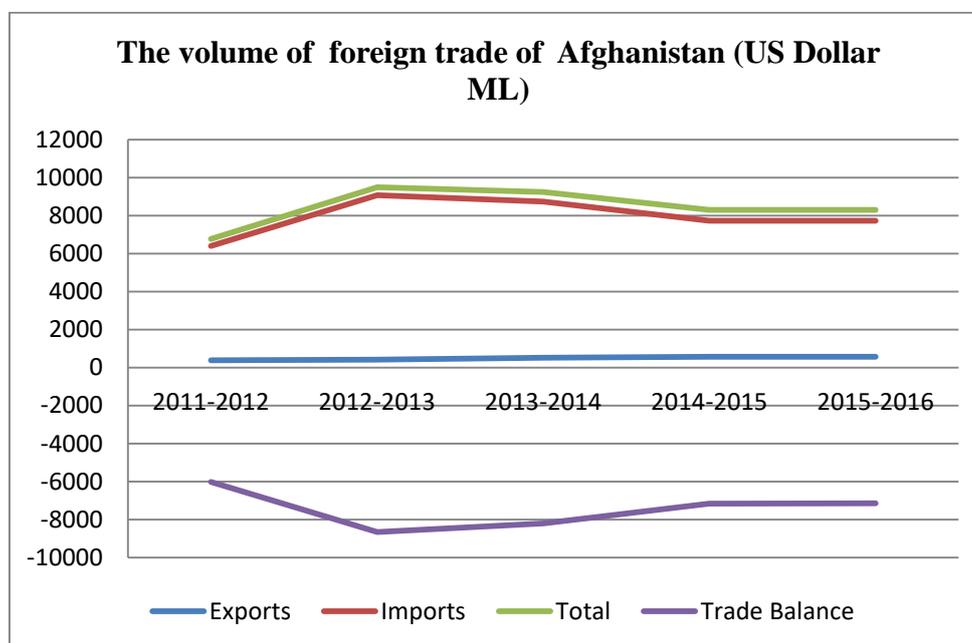


Fig-4: The volume of foreign trade of Afghanistan (US Dollar ML)

Sources: Central Statistical Office (2011-2016) [17]

As shown in the graph and table above, despite the increasing political instability in the country, Afghanistan's foreign trade is still experiencing a growing trend, with Central Asian countries because the

current volume of trade has grown dramatically in comparison with the past decades and years. As about at the during of last 5 years, generally 4 percent of Afghanistan's total exports make up exports to Central

Asian countries, the same 21.5 percent of Afghanistan's total imports are from Central Asian countries. It means at the during of last 5 years that about 21 percent of the total foreign trade of the country is done with Central Asian countries. Similarly, the findings of this study indicate that overall, Afghanistan's foreign trade has grown well with Central Asian countries.

THE AMOUNT OF EXISTING INVESTMENTS BETWEEN AFGHANISTAN AND CENTRAL ASIAN COUNTRIES

After 2001 (after the destruction of the Taliban dark regime) and the arrival of international forces in Afghanistan, special attention has been paid to direct and indirect, national and international investments in various fields such as energy, mining, trade, etc. in Afghanistan. And so, the volume of unilateral and multilateral investments between Afghanistan and the countries of the region increased considerably. Because, after 2001, the countries of the region turned into a policy of investing in the existing economic capacities in Afghanistan, including large investments between Afghanistan and Central Asian countries, such as TOTAP[18]² (Transmission and Distribution of Electricity between Turkmenistan, Uzbekistan, Tajikistan, Afghanistan and Pakistan), CASA-1000 (transfer of electricity from Kyrgyzstan and Tajikistan to Afghanistan and Pakistan) [19,³] and TAPI

²The 500 kW (kv HVAC-500), known as the TUTAP, transfers electricity from Turkmenistan, Uzbekistan and Tajikistan to Afghanistan and Pakistan. The TOTAP Project is, in fact, one of the most important regional power network projects and it is an initiative aimed at the regional energy sharing through the Central Asian republics and Afghanistan to Pakistan, which connects these countries through electricity networks. The TOTAP project is funded by Asian Development Bank, the Afghanistan infrastructure Trust Fund and the United States Agency for International Development (USAID). As of January 2016, the Asian Development Bank (ADB) has agreed to pay the cost of launching the project. The project is due to be completed by 2020. For more information, see:

Special Inspector General for Afghanistan Reconstruction (SIGAR), QUARTERLY REPORT TO THE UNITED STATES CONGRESS, JUL 30 2016, P. 174.: Karim Sharifi, "Afghan Capital locked down for large minority Hazara rally", *Associated Press*, cited in *Stars and Stripes*, 16 May 2016. URL: <http://www.stripes.com/news/middle-east/afghan-capital-locked-down-for-large-minority-hazara-rally-1.409749> Accessed on 17 may 2016. Hussain Sirat, "Hukumat-i Afghanistan Taqazayi Taghiri Masiri Berq-i Tutap Ra Radkard", *Deutsche Welle Dari*, (03.05.2016), <http://p.dw.com/p/1HhAC>. (26.11.2017)

³This project is funded by the World Bank and the United States Agency for International Development (USAID) at a cost of \$ 1.7 billion. From this amount, \$ 316 million will be paid for the transfer of this network inside Afghanistan, which the World Bank has committed to pay the amount to Afghanistan. The project is scheduled to be completed in 2018. In 2019, about 1,300 megawatts of electricity produced in Tajikistan and Kyrgyzstan will be transferred via Afghanistan and Pakistan. 300 megawatts of it be spent inside Afghanistan and 1,000 megawatts of it inside Pakistan. Afghanistan can get \$ 38 million in annual funding from this project as transfer right. For more ads:

NF/DPA, "Projeji Tahyeyi Barq Berrayi Afghanistan ve Pakistan Berrah Oftad", *Deutsche Welle Dari*, (12.05.2016), <http://p.dw.com/p/1ImGA>, accessed: (26.11.2017).: Hussain Sirat, "Imzayi Qarardad-i Casa-1000 Ba Tawiq Oftad", *Deutsche Welle Dari*, (17.08.2014), <http://p.dw.com/p/1Cw1F>, accessed: (26.11.2017).: DABS, "CASA and TUTAP Power Interconnection

(Turkmenistan's gas transmission project to Afghanistan, Pakistan and India) [20,⁴].

Projects," presentation delivered on April 11, 2016, in Islamabad, Pakistan, accessed 7/18/2016, p. 15.: (SIGAR), JUL 30 2016, P. 175

⁴ Turkmenistan's gas transmission pipeline through Afghanistan to Pakistan and the Indian subcontinent, known as (TAPI), is a joint project involving Turkmenistan, Afghanistan, Pakistan and India. The implementation of this project, which began in 2002, was postponed until recently due to insecurity in Afghanistan and Pakistan.

The capacity of the "TAPI" gas transmission line is estimated to be more than 30 billion cubic meters. Afghanistan will purchase 0.5 billion cubic meters of gas in the first ten years, one billion cubic meters in the second ten years, and 1.5 billion cubic meters of gas in the 3rd ten years. The country has %25 share of this project. For more information: Rasoul Rahim, "Projeji I Tapi Sermaye Guzari 200 Million Dallari Badast Awwerd", *Deutsche Welle Dari*. (08.04.2016), <http://p.dw.com/p/1IRtA>, (26.11.2017)

This \$10 billion project is expected to be operational by 2019, A project from which Afghanistan will receive \$ 500 million annually. It is expected that the project will create about 12,000 new jobs in Afghanistan, and according to the spokesman of Ministry of Mines and Petroleum of Afghanistan, Mohi al-Din Nouri the project will provide another 50,000 more jobs in Afghanistan. Experts also believe that the transit of gas is of great importance for these four countries. Turkmenistan is trying to play an important role in the region's economy by selling its natural gas. This project will reply to the severe need of energy in Pakistan and India, especially natural gas. For more informations: Abdullah Hirevi, "Projeji Tapi Khat-I Sabat ve Tevsi-a", *Roznamey-i Afghanistan*, Kabul Shahrak-i Omid-i Sabz, Faz-i Chahar, Kochay-i 6, (22.10.1394), P. 2.: Reza Shir Mohammadi, "Afghanistan: Berrayi Amniyet "Tapi" Az Taliban Komak Namigiraim", *Deutsche Welle Dari*, (13.12.2015), <http://p.dw.com/p/1HMie>, (26.11.2017).: United Nations, "Strengthening Trade and Economic Ties Between Afghanistan and Neighbouring Countries in Central Asia", *Economic and Social Commission for Asia and the Pacific (ESCAP)*, March 2015 Report, P. 26. This pipeline has an annual capacity of 33 billion cubic meters of gas. This project is profitable for each of the four partner countries. The TAPI gas pipeline will be about 1814 kilometers long, passing 147 kilometers from Turkmenistan, 735 kilometers from Afghanistan, from Herat, Farah, Helmand and Kandahar provinces, reaching India after passing 800 kilometers in Pakistan. For more information:

Hussain Sirat, "Aya Projeji Tapi Ba Tashdid-I Jang Der Hilmand ve Farah Amelli Khahad Shud", *Deutsche Welle Dari*, (23.12.2015), <http://p.dw.com/p/1H5FI>, accessed: (26.11.2017).: "Conferenci Ahmiyeti Projeji Tapi Der Hirat Berguzar Shud", BBC Persian, (06 Ardbihisht 1395), http://www.bbc.com/persian/afghanistan/2016/04/160425_k04_conference_on_tapi_in_herat, accessed: (26.11.2017).: "Kar-i Amelli Projeji 10 Milyard Dallari Intiqal-i Gaz-i Turkmenstan Be Junub-I Asya Aghaz Mishevved", *BBC Persian*, (22 Azar 1394), http://www.bbc.com/persian/afghanistan/2015/12/151213_zs_tapi_project_launch 26.11.2017)

Along with these investments, there are also many other investments in various fields between Afghanistan and Central Asian countries, as example, the extraction and transfer of natural gas from Afghanistan to Tajikistan to refine and retrieve, can be named. Also several companies in the fields of mining and trade between Afghanistan and Central Asian countries are operating now. One of the key factors facilitating the development of trade between Afghanistan and Central Asian countries is the conclusion of bilateral and multilateral agreements, including customs agreements, etc. between Afghanistan and Central Asian countries in the facilitation of trade and investment. It's worth noting that Afghanistan's membership in the World Trade Organization (WTO) [21] is another factor that increases the volume of investment between Afghanistan and the countries of the region. Because membership of Afghanistan in this organization can result in standardization of trade in the country and this can be beneficial for the prosperity of the country's trade. Similarly, Afghanistan's membership of the Shanghai accord in the future may be another factor in the growth and growth of investment and trade between Afghanistan and Central Asian countries. Similarly, Afghanistan's membership in the Shanghai Treaty in the future may be another factor in the growth and boost of investment and trade between Afghanistan and Central Asian countries. All this shows that since 2001, the amount of investment in various fields between Afghanistan and Central Asian countries has grown dramatically.

EXISTING CHALLENGES FOR TRADE AND INVESTMENT BETWEEN AFGHANISTAN AND CENTRAL ASIAN COUNTRIES

Since a country's trade and investment has an unbreakable link with its policy, therefore the level of trade and investment between Afghanistan and Central Asian countries is not an exception to this. Similarly, in the course of this research, several factors were identified as barriers to trade and investment between Afghanistan and Central Asian countries. Among them are the emergence of ISIS, the ambiguous US policies for security in the region, encounters of US and Russia globally and parochial environments of central Asian countries. Because the Central Asian States are directly or indirectly subjugated to Russia. And Central Asian countries are defined as the Russian security belt in the Russian national security issue. So that whenever Russia's sphere of privacy (central Asian countries) becomes unsafe, relaxation from the Kremlin palace disappears. Hence, these countries will not be able to make 100 percent free trade and investment policies toward Afghanistan, especially when all internal issues of Afghanistan, from economy to politics and society are run by the only rival of Russia, the United States and its allies, NATO.

For example, the suspicious US policies in Afghanistan have caused Russia and Central Asian countries to be deeply concerned about the existence of the United States in the region. The level of these suspicions came to a climax when the former president of Afghanistan (Hamid Karzai) accused the United States and NATO of building and cultivating ISIS in Afghanistan [22].

On the other hand, for decades Central Asian countries are being ruled by family rulers, and as their formal government policy, they severely suppress any Islamist movement. This has opened ISIS's path to recruiting citizens from these countries. Therefore, nothing can scare the governments of Russia and Central Asia as much as "ISIS". Now, the existence of the United States in Afghanistan has led those countries to be very cautious about developing trade and investment with the Afghan side. Another problem in the way of trade between Afghanistan and Central Asian countries can be called the destruction of Afghanistan's transportation infrastructures due to long-term wars in Afghanistan. This factor of war and insecurity in Afghanistan has even led to the controlling of borders of the Central Asian states, by the Russian security forces for years. And the borders of the two sides were severely restricted and closed. For example, even now it's very difficult for the citizens of both sides to travel from Afghanistan to Uzbekistan and vice versa [⁵, 23].

SOLUTIONS TO THE CHALLENGES OF TRADE AND INVESTMENT BETWEEN AFGHANISTAN AND CENTRAL ASIAN COUNTRIES

In the first step, the Afghan government has a serious responsibility for growing its trade. That's why, the Afghan government must reassure the central Asian countries, that no threats will be posed to their internal security via Afghanistan. The Afghan government should also make it clear to Central Asia that the existence of NATO and the United States in Afghanistan, must not only be seen as a threat, but it can also be regarded as an extraordinary opportunity to integrate the economies of Central Asia into the global economy. The Afghan government needs to find the creativity and ability to turn threats into opportunities through active and effective diplomacy, in order to eliminate possible threats and misunderstandings between the countries of Central Asia and Russia, with correct and transparent behaviors.

⁵ In the summer of 2016, I invited a Tajik citizen who was a petrol businessman, to Kabul to sign a contract. When I referred to the Foreign Ministry, the Foreign Ministry officials warned me that "no Afghan citizen has the right to invite the citizens of Central Asian countries to Afghanistan, because we have a super- security order to prevent the movement of citizens from those countries to Afghanistan."

In the next step, the Afghan government must standardize its economic and transportation infrastructure, so that Afghanistan's transit capacity will be tangibly boosted in moving the goods of the two parts of Asia (South Asia and Central Asia). The Afghan government can then, by means of active diplomacy, conclude bilateral and multilateral trade agreements with the Central Asian countries. Lower customs tariffs for transit and commercial goods so that the two parts of Asia (South Asia and Central Asia) see Afghanistan as a low-cost, economic path to export their commodities. The above cases are the facilitating factors of trade and investment, which by regarding them we will see a significant boom in trade and investment between Afghanistan and Central Asian countries.

CONCLUSION

As the findings show, Central Asian countries have significant potential for energy exports because it has features like low population and great natural resources. On the other hand, the countries of South Asia have characteristics such as high population and need of natural resources and energy. And, Afghanistan is a country that its thirty percent of territory has more than \$ 3 trillion worth of natural resources. The country with such a large economic capacity is located in the market of, three and a half million people in the region. It is a land that can link South Asian applicants to Central Asian suppliers and vice versa. The same features have led to an increasingly significant boost in investment and trade between Afghanistan and Central Asian countries. Because, the saying “the candle is made up of wax and string” conveys that: wax is a valuable material itself, but it won't shine unless it's mixed with a string. Similarly, the \$ 3 trillion market in Afghanistan and the extraordinary energy capacities ready for export to Central Asian countries, can shine like a candle and enter the economic cycle, when the market of one and a half million people in South Asia (India and Pakistan) enters into economic interactions with it. The findings of this study indicate that Afghanistan needs to work hard to improve its economic and communications infrastructure. Also, by effective diplomacy, the country can easily turn the existing threats to trade and investment opportunities between this country and Central Asian countries. Also, Afghanistan by all means should try to reduce customs tariffs and transit costs of commodities for the two sides of Asia. At the end, this research has found out that; given the economic potential of Afghanistan and the region, the level of trade and investment has grown significantly over the last decade. As Afghanistan's foreign trade volume with Central Asian countries has increased from \$ 395 Million in 2008 to \$ 1.85 billion in 2014, and the amount of strategic investment has risen to more than 10 billions of dollars in various fields [24]. Although this growth is significant in a decade, it is never enough, and the Afghan side needs to take tangible steps towards further economic growth and

increased amount of investment between the country and Central Asian countries in terms of economy, politics and security.

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