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469A Bukit Timah Road
#07-01, Tower Block, Singapore 259770
Tel: 6516 6179 / 6516 4239
Fax: 6776 7505 / 6314 5447
Email: isassecc@nus.edu.sg
Website: www.isas.nus.edu.sg



Delhi Investment Summit: Building on the Narrative of 'Opportunity' in Afghanistan

Shanthie Mariet D'Souza¹

Abstract

The search for peace and stability in Afghanistan is taking a detour from a narrow security-centric approach to trade and investment, aiming to use the country's resource potential to build its economic viability, sustainability and independence. The New Delhi Investment Summit on 28 June 2012 is a gamble worth taking to ensure that Afghanistan's economic and transit potential becomes its inherent strength to accrue the much-needed economic dividends for itself and the region.

A swing is perceptible. The search for peace and stability in Afghanistan is taking a detour. Far from a narrow security-centric approach that laboured in futility to ensure order in this war-torn country, the narrative is apparently shifting to regional confidence-building, development, governance, and most lately, trade and investment, aiming to use the country's resource potential to build its economic viability, sustainability and independence. The third in the series and the first in South Asia, an Investment Summit is being organised by the Confederation of Indian Industry (CII) on 28 June 2012 in New Delhi to attract investments

¹ Dr Shanthie Mariet D'Souza is a Research Fellow at the Institute of South Asian Studies (ISAS), an autonomous institute at the National University of Singapore (NUS). She can be contacted at isassmd@nus.edu.sg. The views expressed in this paper are those of the author and do not necessarily reflect the views of ISAS.

for Afghanistan and ensure that the country's economic and transit potential becomes its inherent strength to accrue the much-needed economic dividends for itself and the region.

The Security vs. Development Dilemma

To a large extent, the genesis of this thinking is based on the inadequacies of the security-related approach. Without tangible progress on the ground, gains in security continue to be 'fragile' and 'reversible'. While the chicken and egg (security vs. development) dilemma continues, the hasty announcement of 'exit' by the international community, which was the initiator and was the most crucial segment of the security campaign against the Taliban, has exacerbated the anxiety and fear of 'abandonment' among the Afghans. The North Atlantic Treaty Organisation (NATO) draw-down of forces, which has already commenced, is happening at a much faster pace than expected, even as the preparedness of the Afghan National Security Forces (ANSFs) to shoulder the enormous security responsibility remains questionable.

It is fairly well established that Afghanistan has a large deposit of mineral and hydrocarbon resources. Its underdeveloped yet significant agricultural and human resource potential, and its strategic geographical location at the crossroads of Central, South and West Asia and Eurasia, offer vast opportunities for foreign investment, trade and transit connectivity. Such potential can be harnessed by an assimilation of the economic interests of regional countries through a mutually beneficial inter-dependent framework. The convergence of such interests could be the best leverage against slide of Afghanistan into instability. It would also mitigate the risks of negative zero-sum competition among regional countries and build stakes for long-term economic engagement in the region.

In the long run, this could pave the way for the transformation of the Afghan economy from a prolonged phase of being aid-dependent to self-reliant. International financial assistance thus far has come with a string of conditionalities, which are often difficult to adhere to. Most of the international aid, being donor-driven and delivered through alternate delivery mechanisms and sub-contracting, has done little to build on the state institutions' capacity to deliver, resulting in diminishing credibility of the state. Moreover, in a scenario of dwindling financial assistance, there is a real danger of economic downturn. In such context, without building on the state's revenue-generation capacity through large-scale investments, combined with funds and capacity-building programmes for entrepreneurship and employment, particularly in the social, agriculture, small and medium enterprise (SME), the dangers of reversal of gains are imminent.

Establishing a Link and Building on the Economic Dividend

In this context, the Delhi Summit establishes a critical link between the recently held and forthcoming international conferences on the future of Afghanistan. While the Chicago NATO Conference (21 May 2012) underlined the need for international support and assistance for Afghanistan's security and the Kabul Ministerial Conference (14 June 2012) focused on regional confidence-building, the forthcoming Tokyo Conference (8 July 2012) focuses on Afghanistan's development and governance.

While the Afghanistan International Investment Conference of 30 November 2010 held in Dubai² and the Brussels Euro Mines Conference of 26 October 2011³, aimed at promoting economic investment in Afghanistan, made valuable recommendations, they essentially put the onus for investment on actions to be initiated by Afghanistan. The Delhi Summit, taking into consideration the realities and needs on the ground attempts, explores near- and long-term possibilities in the current environment and at the same time, seeks a mechanism to address the needs of foreign and private investors and the government of Afghanistan. This is reflective in the efforts geared to catalyse investment decisions and forge cross-country and international partnerships to promote cooperation and greater collective confidence. A collective view of security for foreign investors would emerge from the reality of venturing together, rather than being externally provided to the individual investors risking an uncertain environment all by themselves.

The Delhi Investment Summit aims to address the critical gaps that marred the past efforts. It is based on the premise that short-gestation investments in agriculture, SMEs, social sector (health and education), telecommunications, IT (information technology) and so forth will broad-base economic development at the grassroots and provide the necessary counter-point for big-ticket investments in newer ventures and long-term gestation projects like mining and hydrocarbons that can together address macro-economic issues such as revenue-generation, fiscal viability, and help build a sustainable economy. It would also propel Afghanistan to work on improving its investment climate, particularly on its legal framework, arbitration and dispute-resolution mechanisms. For companies from the West, with concerns about security and cultural impediments, it would be an opportunity to partner with companies and business houses of regional countries like UAE, India, China and others, already working in Afghanistan.

The 28 June 2012 Summit, the first-ever such venture for Indian business to promote investment in a neighbouring country, is designed not only to show-case Afghanistan's economic potential and attract foreign investment, but also explore possibilities of cross-

² "Afghanistan International Investment Conference", <http://www.aisa.org.af/files/media/news/english/AIIC-news.pdf>. Accessed on 19 June 2012.

³ "Investment opportunities and the economic future of Afghanistan", Ministry of Finance, Government of Afghanistan, 30 October 2011, <http://mof.gov.af/en/news/4434>. Accessed on 19 June 2012.

country investment partnerships and collaborative ventures from within the region and beyond. The summit is structured around presentations and panel discussions led by Afghans on areas like (i) investment potential and an enabling environment for foreign investment; (ii) Afghanistan's development strategy; (iii) long-term investments in areas like mining, hydrocarbons, industries based on them; and (iv) shorter-term investments in areas like agriculture, industries, education, health and services. The summit is also scheduled to feature parallel business-to-business meetings linked to sector-specific sessions aimed at concrete investment proposals and partnerships.⁴

Staying the Course?

The summit can be seen as a part of New Delhi's efforts to 'stay the course' in Afghanistan, in an uncertain environment. Criticised sometimes in the West, for piggybacking on the sweat and blood of the NATO-led ISAF (International Security Assistance Force) to engage exclusively in aid-giving and economic reconstruction activities, New Delhi has cast its dice in favour of lifting its game in Afghanistan from development assistance to trade and investment.

In its engagement with Afghanistan spanning over a decade, as a long-term stabilisation partner, India's assistance centred on the plank of economic reconstruction, infrastructure development, trade and transit connectivity and regional cooperation.⁵ By this, India has gained tremendous goodwill and appreciation among the Afghans. Heeding to the sensitivities of its neighbour, Pakistan, and also as relayed by the West, India has refrained from playing a military role. Thus, the call by the United States (US) Defence Secretary, Leon Panetta, during his recent visit to New Delhi "to raise their level of engagement in Afghanistan"⁶ notwithstanding, New Delhi's reluctance to commit itself to such military role has drawn praise from unexpected quarters, with the Taliban calling India as a "significant country".⁷

⁴ For more details, see "Delhi Investment Summit on Afghanistan", Confederation of Indian Industry, New Delhi, 28 June 2012, <http://dsafghan.in/programme-outline.html>. Accessed on 19 June 2012.

⁵ E Ahamed, 'Afghanistan can be rebuilt by making it trade, energy hub', *Business Standard*, New Delhi, 17 June 2012, <http://www.business-standard.com/india/news/%5Cafghanistan-can-be-rebuilt-by-making-it-trade-energy-hub%5C/477534/>

⁶ No longer satisfied simply with Indian provision of economic and development assistance, the American defence chief indicated he would like to see India engaged with Afghan security forces as well. Robert Grenier, 'The US, Afghanistan and the 'India card'', *Al Jazeera*, 12 June 2012, <http://www.aljazeera.com/indepth/opinion/2012/06/20126119229712686.html>. Accessed on 13 June 2012.

⁷ The group, accused of repeatedly targeting Indian interests in Afghanistan and believed to be close to Pakistani intelligence agency, ISI, praised India for what it called sending US defence secretary Leon Panetta "empty handed towards Kabul." For further details see "Taliban praises India for resisting US pressure on Afghanistan", *The Times of India*, 17 June 2012, <http://timesofindia.indiatimes.com/india/Taliban-praises-India-for-resisting-US-pressure-on-Afghanistan/articleshow/14208550.cms>. Accessed on 18 June 2012.

Contrary to Western perceptions of India rushing in to reap the benefits or grab and plunder the Afghan resources⁸, India is on its way to becoming one of Afghanistan's largest foreign investors. In the last decade, India has pledged US\$ 2 billion and involved itself in building roads, power lines, schools and a new Parliament building in Afghanistan, capacity-building and training programmes, as part of reconstruction efforts. New Delhi in October 2011 signed a Strategic Partnership Agreement with Afghanistan, establishing institutionalised processes and mechanisms for long-term engagement. The present initiative can be seen as an extension of such principled engagement with Afghanistan and the region.

While international investors are expected to be a part of the New Delhi Summit, regional players like Pakistan⁹ and China have also been invited for participation, underlining the commitment to an inclusive, mutually beneficial and interdependent regional approach. Far from being an opportunistic initiative, the meet would complement efforts of Afghanistan and its partners to promote regional economic cooperation.

A Gamble worth Taking?

The New Delhi Summit is a calculated gamble. The success of the meet would depend on the level of participation it generates among the national, regional and international investors. It remains to be seen whether both Pakistan and China choose to attend the Summit. Participation of regional countries would make the meet an inclusive economic confidence-building mechanism (CBM). It would go a long way in restoring the confidence among local, regional and international investors and promote the viewpoint that there is an alternate way of making Afghanistan a highly lucrative business and investment destination. On the contrary, failure of the region and international community to build on this 'window of opportunity' would be seen as the real test of the commitment of these countries to Afghanistan's future. While military and development assistance is prone to be fickle, willingness to invest is a commitment to the future.

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⁸ Joel Brinkley, "China, India, Iran wait to pounce on Afghan riches", San Francisco Chronicle (15 June 2012), <http://www.sfgate.com/cgi-bin/article.cgi?file=/c/a/2012/06/15/INPP1P0LDH.DTL>. Accessed on 19 June 2012.

⁹ India invites Pakistan for regional meet on Afghanistan, Pakistan Today, 16 June 2012, <http://www.pakistantoday.com.pk/2012/06/10/news/national/india-invites-pakistan-for-regional-meet-on-afghanistan/>. Accessed on 17 June 2012.