

INDIA – AFGHANISTAN POLITICAL & ECONOMIC RELATIONS

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Abstract

International relations include exchange transactions, contracts, flow of information and resulting behavioral responses between and among separate organized societies. After disintegration USSR in December 1991, lot of changes has happened in the international relations. The concept of regional cooperation in the field of economic in the third world countries has assumed greater importance. After the end of cold war India and Afghanistan have established a strong relationship and is significant landmark event for their implications for Indo – Afghan relations as well as it is a new dimension in economic relations to enable both nations to integrate more effectively with the Indian economy and other economics in South Asian countries. Such alliance not only helps securing Afghanistan that can also boosts economic and trade cooperation among countries in the region. This paper highlights some of the important aspects related to international relation between Afghanistan and India such as political, economic and developmental relations.

Keywords: Relations, afghan-indo relations, cooperation, development, alliance etc.

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Introduction:

Afghanistan has remained the focus of Indian regional policy because of its geo – strategic location among. India has enjoyed cordial relations with Afghanistan since 1947. The relationship was further strengthened by the signing of the “Friendship Treaty” in 1950 and the Strategic Partnership Agreement signed between the two countries in 2011(Raiphea, 2013). India increased its investments in developmental activities in Afghanistan by co- operating industrial, irrigation and hydro – electric projects. It is the notational interests of both Afghanistan and India to unify their capabilities and respond against potential aggressors. Both Afghanistan and India have democratic governments committed to following international norms and cooperation. Afghanistan can serve as a bridge to Central Asia’s energy resources and alter India’s continental trade (Nazami, 2015). The principal objective of India’s development partnership, covering the entire and all sectors of development, is to build indigenous Afghan capacity and institutions. India has played an active role in the development of Afghanistan based on the understanding that social and economic development is to key to Afghanistan becoming a source of regional stability. India’s pledged assistance to Afghanistan stands at U.S \$ 1.3 billion and is the sixth largest bilateral donor in Afghanistan. All the projects are undertaken partnership with the Afghan government, in complete alignment with the Afghanistan National development Strategy (Yatnoor and Tegnoor 2015). The present study was undertaken to know how International trade is helpful in developing India’s relationship with Afghanistan and to suggest policy proposals to further strengthen the economic relation between two countries.

Methodology:

The present study was based on pre-framed policies and programmes conducted for building relationship between India and Afghanistan. Therefore, the study was exclusively dependent upon secondary data. The secondary data regarding economic relations of two countries has been collected from various published books, Reports, Journals, Newspapers and Internet. The data was arranged and analyzed for deriving meaningful conclusion regarding impact of social, political and economic relationships on the growth of people in India and Afghanistan.

Status of Afghanistan's economy

Afghanistan's economy has been heavily agricultural. Due to the devastating wars of the 1980s and the 1990s, the agriculture, industry, infrastructures and overall economy was severely damaged. By the end of the conflict and initiation of reconstruction, along with sound, conservative Government macroeconomic policies, a highly successful currency reform, and structural reforms most notably in trade and the financial sector, Afghanistan has experienced a strong economic recovery. However, still there are some major problems and it is one of the poorest countries. The economic recovery since 2001 has been based on large-scale international aid, recovery of the agriculture sector, and substantial growth in the services sector. Recently, Afghanistan has started the negotiation on gaining the membership of the World Trade Organization and it got its member in 2015. Further to that, Afghanistan is also a member of the Economic Cooperation Organization (ECO), the Central Asia Regional Economic Cooperation (CAREC), and the South Asian Association for Regional Cooperation (SAARC). Regarding to the economic agreements and treaties, Afghanistan has signed bilateral Trade and Economic Cooperation Agreements with Russia and Turkey, bilateral Reciprocal Promotion and Protection of Investments Agreement with Turkey, a bilateral Preferential Trade Agreement with India and finally Afghanistan Transit Trade Agreement (ATTA) with Pakistan and Afghanistan has been allowed to use Iran's Arabian Sea port at Chabahar under favorable conditions (Azizi, 2010). Afghanistan also had an increase in the level of e despite the all difficulties which remains against exporting. According to 2009 released commercial guide for doing business in Afghanistan, the country's top export market is Pakistan, which the Afghan government estimates at US\$ 300.8 million for 2007. Following are India (US\$ 61.2 million), Iran (US\$ 9 million) Germany (US\$ 7 million), and Saudi Arabia (US\$ 4.6 million). Imports primarily come from China (US\$ 611.3 million), Japan (US\$ 494 million), Pakistan (US\$ 440.9), and Iran (138.3 million). These exported goods are fruits and nuts, carpets, wool, cotton, hides and pelts, and precious and semi-precious gems. Pakistan is the biggest main exporter partner of Afghanistan whereas, India stood in the second rank among the exporter partner of Afghanistan and it is seen that in 2008 the export total value was 132 \$US million but it shows decreasing up to 2012 and in 2013 the export total value has become 308 \$UD million.

India - Afghanistan Relations

India and Afghanistan have a strong relationship based on historical and cultural links. The relationship is not limited to the governments in New Delhi and Kabul, and has its foundations in the historical contacts and exchanges between the people. In recent past, Indo-Afghan relations have been further strengthened by the Strategic Partnership Agreement signed between the two countries in 2011. As Afghanistan was preparing itself for three simultaneous political, security and economic transitions in 2014, India had allayed its fears about its future by making a long-term commitment to the security and development of Afghanistan. The Strategic Partnership Agreement (SPA) between the two sides, inter alia, provides for assistance to help rebuild Afghanistan's infrastructure and institutions, education and technical assistance to re-build indigenous Afghan capacity in different areas, encouraging investment in Afghanistan's natural resources, providing duty free access to the Indian market for Afghanistan's exports support for an Afghan-led, Afghan-owned, broad-based and inclusive process of peace and reconciliation, and advocating the need for a sustained and long-term commitment to Afghanistan by the international community. As the lead country for Trade, Commerce and Investment CBM of Heart of Asia Process, India hosted Senior Officials Meeting of the Heart of Asia countries in New Delhi in January 2014. MoS Gen V K Singh led the Indian delegation to participate in Heart of Asia Ministerial Meeting in October 2014 in Beijing and the London Conference in December 2014.

There also exists a high-level political engagement with Afghanistan, which is reflected in the large number of bilateral high-level visits. There have been frequent high level visits from both sides, including among others, Prime Minister in May 2011; Vice President in March 2014 (to Participate in the funeral of FVP Marshal Fahim) and September 2014 (Inaugural Ceremony of National Unity Government), External Affairs Minister (EAM) in January 2011, February 2014 (inauguration of ANAASTU) and September 2014 (unveiling of the monumental flag and New Chancery premises inauguration) ; National Security Adviser (NSA) in March 2011, February 2013 and October 2014; Special Envoy to PM to Kabul in June 2011 for a meeting of the International Contact Group; Foreign Secretary in September 2011, August 2013 and May 2014; Minister of Law & Justice in September 2011 and June 2014, Minister for Steel in April 2013,

and by Shri S. Ramadorai, Adviser to the Prime Minister of India in the National Council on Skill Development and Shri M.S. Swaminathan, Chairman of National Farmers Commission.

Hon'ble EAM Smt. Sushma Swaraj visited Afghanistan and called on the President Karzai and jointly inaugurated a monumental Afghan Flag on 10 September 2014. This flag, a symbol of Afghan unity and nationhood was organized with assistance from various sponsors including the Flag Foundation of India. India announced US \$ 1 million for creation of a national public park around the flag. Indian initiative was widely appreciated by Afghans and the international community. EAM also inaugurated the new chancery complex in Kabul from which the Embassy has started operating since July 2014. She pointed out that this was the clearest statement of 'no exit' policy by India. From the Afghan side, high level visits to India included Former President Hamid Karzai's visit in May, 2013, following closely after his state visit in November, 2012, when he delivered the prestigious MaulanaAbulKalam Azad Memorial lecture, had intensive discussions with political and business leaders and oversaw the signing of four MoUs with India. India also hosted the Upper House of the Afghan Parliament, Meshrano Jirga, for a study visit from 11-18 February, 2013. The former President Hamid Karzai visited India to attend the swearing in ceremony of the Prime Minister Shri Narendra Modi in May 2014. Mr Karzai visited India in November 2014 to participate in HT Leadership Summit and also attended the 125th Birth Anniversary of the First PM Pt Nehru, organized by the Indian National Congress. PM Modi met the new President Dr Ghani on the sidelines of the SAARC Summit in Kathmandu in November 2014. Gen. Karimi's visited IMA Dehradun as the Chief Guest at passing out parade in December 2014 and also met with COAS Gen Suhag. The Presidential elections were held in 2014 in Afghanistan. After a protracted electoral process for two rounds of elections and UN mediated audit process, a Political Agreement was signed between two leading contenders – Dr Ashraf Ghani and Dr Abdullah Abdullah which led to the formation of national unity government, inaugurated on 29 September 2014. The ceremony was attended by our Vice President Dr Hamid Ansari. Our consistent signalling on the political inclusivity and peaceful transfer of power was addressed and appreciated by all sections of the Afghans. Prime Minister Shri Narendra Modi in his congratulatory message wholeheartedly welcomed the agreement between the two Afghan leaders and mentioned that wisdom they have shown respects the strong democratic aspirations of the people of Afghanistan, which was also manifested by the poll

turnout. PM also conveyed that India will stand steadfastly with the new government of Afghanistan as it continues the task of building a strong, developed and peaceful nation. President of Afghanistan, Dr Ashraf Ghani, paid a state visit to India from 27- 29 April, 2015. During the visit, the countries reaffirmed their commitment to patiently and systematically work towards strengthening of the India Afghanistan Strategic Partnership, with a clear focus on the long term relationship between the two countries. While underlining the strength of their bilateral relations, the leaders of both the countries acknowledged that peace, prosperity and security in the region was indivisible, and their mutually respectful relations are not at expense of other nations or group of nations.

Development Cooperation:

Bilaterally, India has played a significant role in the reconstruction and rehabilitation of Afghanistan. India's extensive developmental assistance programme, which now stands at around US 2 billion, is a strong signal of its abiding commitment to peace, stability and prosperity in Afghanistan during this critical period of security and governance transition. This makes India one of the leading donor nations to Afghanistan, and by far the largest from among the regional countries. India believes that sustainable development of Afghanistan requires long-term investment in Afghanistan that can help it exploit its natural resource wealth. India is, thus, at the forefront of the promotion of investment in Afghanistan and a consortium of public and private Indian companies has been selected to make one of the biggest investments in the country's mining sector, in the Hajigak iron ore reserves. Major Indian projects in Afghanistan nearing completion include Salma Dam, new Afghan Parliament building, Doshi (already charged) & Charikar (expected to be completed by end August 2015) substations, Restoration of Store Place (expected to be completed in by December 2015). Under GoI's wheat assistance programme to Afghanistan, out of a total committed quantity of 1.1 million MT of wheat, 711,882 tonnes of wheat (or wheat equivalent in cash) has already been supplied to Afghanistan at an expenditure of Rs. 989.45 crore. India has also committed to contribute substantially in improving transportation system in Kabul and has decided to donate 1000 buses to Afghanistan. A team from Delhi Integrated Multi-modal Transit System (DIMTS) Ltd., consultants for implementing the project, will be visiting Kabul in end July 2015 to prepare Detailed Project Report. A significant addition to India's development portfolio in Afghanistan is the Small

Development Projects (SDP) scheme, in the fields of agriculture, rural development, education, health, vocational training, etc The Small Development Projects were implemented in two Phases- the first in July 2006 comprising projects worth US\$ 11,216,179/- and the second in June 2008 comprising projects worth US\$ 8,579,537/-. MoU for implementation of the Third Phase of the SDP scheme was signed during President Karzai's visit in November 2012 with an additional provision of US\$ 100 million. 125 projects have been sanctioned under Phase III at a total cost of US\$ 32.347 million. In the area of skill development, GOI offers training to Afghan officials/nationals in diverse fields through 500 ITEC slots allocated annually to Afghanistan, Special ITEC courses for Afghan Government Officials, 614 ICAR scholarships under India-Afghanistan Fellowship Programme during 2012-13 to 2016-17, training via tele-education at ANASTU, Kandahar and Indira Gandhi Institute of Child Health, Kabul. GOI also grants ICCR scholarships to 1000 Afghans every year to pursue under graduate courses in various Indian universities in major cities across India.

Economic and commercial relation:

India fully recognizes the pre-eminence of Afghanistan as a junction of trade routes between central, south and west Asia. Considering the immense possibilities of trade between India and Afghanistan, the bilateral trade figure of US\$ 683 million (US\$ 474 million exports and US\$ 209 million imports by India) for the year 2013-14 is a rather modest figure. Major Indian exports to Afghanistan are man-made filaments, apparels and clothing accessories, pharma products, cereals, dairy and poultry products. Afghan exports to India primarily comprises of dry and fresh fruits. India has undertaken a series of measures to achieve the full potential of trade development between the two countries. A Preferential Trade Agreement was signed with Afghanistan in March 2003, under which India allowed substantial duty concessions [ranging from 50% to 100%] to 38 dry fruit products. In November 2011, India removed basic customs duties for all Afghan products [except alcohol and tobacco products], giving those duty free access to the Indian market. With the operation of Chabahar port in Iran, Afghan exports would receive a major boost, as a new transit route would be available for the country to trade with India and the rest of the world.

India Afghanistan Friendship Dam:

Indian Prime Minister [Narendra Modi](#) and Afghanistan President [Ashraf Ghani](#) inaugurating the [Salma Dam](#). [Salma Dam](#), officially the Afghan-India Friendship Dam, is a hydroelectric and irrigation dam project located on the Hari River in Chishti Sharif District of Herat Province in western Afghanistan. The Afghan cabinet renamed the Salma Dam to the Afghan-India Friendship Dam in a move to strengthen relations between the two countries. The hydroelectric plant produces 42 MW of power in addition to providing irrigation for 75,000 hectares of farmland (stabilising the existing irrigation of 35,000 hectares and development of irrigation facilities to an additional 40,000 hectares of land). The dam was opened on 4 June 2016 by Indian Prime Minister [Narendra Modi](#) along with Afghan President [Ashraf Ghani](#). This includes setting up Iron ore mines, a 6 MTPA steel plant (by SAIL—Steel Authority of India Limited), an 800 MW power plant, Hydro-electric power projects, transmission lines, roads etc., India helped Afghans in the reconstruction of [Salma Dam](#) in the Herat province. Besides producing 42 MW power, this Indo-Afghan friendship dam provides irrigation for 75,000 hectares of farmland in the Chisti Sharif district. India and Iran are set to ink a transit agreement on transporting goods to landlocked Afghanistan. The Indian government is investing more than US\$100 million in the expansion of the [Chabahar](#) port in south-eastern Iran which will serve as a hub for the transportation of transit goods. Besides as a goodwill gesture, India is also constructing a new Parliament complex for the Afghan government at a cost of INR 710 crores (USD 115 million). This building was inaugurated on 25 December 2015.

Conclusion:

Today, Afghanistan stands at the crossroads. The country has not stabilized, security transitions are in the process, and political transitions are also due next year. International support for the democratization process in the country has been gradually increasing; however, political and social fragility remained has a major concern. India's approach seems to be cautiously optimistic towards Afghanistan. The current political and economic conditions in Afghanistan appear favorable for Indian businessmen. The Afghanistan needs to undertake measures to improve governance and enhance security in order to boost investment prospect in the country.

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