

**TESTIMONY BEFORE THE SENATE FOREIGN RELATIONS COMMITTEE  
SUBCOMMITTEE ON NEAR EASTERN & SOUTH & CENTRAL ASIAN AFFAIRS  
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**“A Transformation: Afghanistan Beyond 2014”**

**April 30, 2014**

Chairman Kaine, Ranking Member Risch, thank you for inviting me to testify today. It is a particular honor for me to appear before this Committee, given my previous experience working on the Senate Foreign Relations Committee. And it is a privilege to speak alongside my colleagues Jarrett Blanc and Kathleen Campbell from the State Department and USAID.

Mr. Chairman, the hearing you called today is particularly timely given the historic transition currently underway in Afghanistan, which my colleagues will speak to in greater detail. I will focus my testimony on the broader region to discuss how we are working to promote regional economic connectivity between Central and South Asia to promote greater regional stability and prosperity.

Afghanistan has made tremendous strides over the past 12 years. As a result of that progress, the region has the opportunity to establish a new set of economic, security and political relationships. This in turn will also support sustainable security and stability in Afghanistan. None of this work would be possible except for the foundation that has been laid by our investments in Afghanistan, thanks to the strong support from Congress. These investments have created the potential for a fundamental improvement in peace and security if we can build on them.

As part of our efforts, the U.S. government is promoting regional economic connectivity through our New Silk Road initiative. We know that peace and stability are much more likely to be sustained when countries in the region are tied together in trade, when their economies and people share important links.

Mr. Chairman, there is no doubt that regional connectivity between Central and South Asia is difficult and will take many years. This is the least economically integrated region in the world, and geopolitical tensions abound. Barriers to trade remain high, and many economic reforms are needed to realize the full potential of regional cooperation. The international community and private sector can support investments in infrastructure and economic reforms, but progress ultimately will depend on countries themselves deciding it is in their interests to work together and adopting global best practices.

Despite the many real challenges, it is telling that Afghanistan and its neighbors are embracing certain aspects of this initiative, creating new North-South transit and trade routes to complement vibrant East-West connections across Eurasia, including those pursued by China and Russia. Countries in the region know they have more to gain economically by working together than by being isolated. By supporting their ability to make their own economic choices and pursue their

own interests, we underline longstanding U.S. support for the independence, sovereignty and territorial integrity of states in the region.

Under the leadership of Secretary Kerry, our New Silk Road initiative focuses on four areas to link Central Asia with South Asia through Afghanistan by:

- 1) Creating a **regional energy market** bringing surplus energy from Central Asia to energy-dependent South Asia;
- 2) Improving **trade and transport routes** across the region;
- 3) Streamlining **customs and border** procedures to reduce the costs of doing business; and
- 4) Connecting **businesses and people** across new regional markets.

By no means is the United States doing all of this alone. In fact, we work in partnership with countries in the region, international financial institutions such as the World Bank and Asian Development Bank, aid agencies, and others. And our programs support and complement regional priorities set forth by the Istanbul Process, the Regional Economic Cooperation Conference on Afghanistan (RECCA), and the Central Asia Regional Economic Cooperation Program (CAREC).

## **Energy**

Perhaps no sector represents a “win-win” for Central and South Asia more than energy. With a population of more than 1.6 billion people, South Asia’s economies are growing rapidly, and in turn South Asia’s demand for inexpensive, efficient, and reliable energy is growing. At the same time, Central Asia is a repository of vast energy resources – including oil, gas, and hydropower.

To help create a regional energy market, the United States is supporting the World Bank’s CASA-1000 electricity transmission project. When completed, CASA-1000 will enable Tajikistan and Kyrgyzstan to supply 1,300 megawatts of surplus summer hydropower to Afghanistan and Pakistan. CASA has the potential to be transformational. For the first time, Central Asia’s vast energy resources will be supplied to an energy-starved South Asia. And the fact that it is clean energy is even more compelling.

We have seen major advances on CASA in the past months. The four CASA countries have made progress in their negotiations to finalize a Power Purchasing Agreement. The World Bank, CASA’s lead donor, recently approved its \$526 million contribution to CASA. And the U.S. government has agreed to provide \$15 million in project financing for CASA, subject to continued appropriations from Congress. Our contribution should encourage other donors to come forward and fill CASA’s remaining funding gap.

We are also working closely with the Asian Development Bank to support its TUTAP electricity project which brings exports of electricity from Turkmenistan, Uzbekistan, and Tajikistan to Afghanistan and eventually Pakistan. By 2018, exports from the Central Asian countries to Afghanistan will reach a capacity of 900 to 1100 megawatts, with year-round supply from Turkmenistan and Uzbekistan balancing summer supplies from Tajikistan.

The United States also supports the Turkmenistan-Afghanistan-Pakistan-India natural gas pipeline – known as TAPI. If ultimately brought to fruition, this project would be a game changer for the Indian sub-continent. We have a long way to go, and much is dependent on the will and flexibility of the government of Turkmenistan in taking the necessary steps forward to bring TAPI to the next stage.

## **Trade and Transport**

Improving the legal and regulatory framework, removing impediments to trade and investment, combating corruption and breaking down barriers to trade are necessary preconditions for trade and investment connectivity in the region. Bringing states into multilateral trade institutions and getting neighbors to work together to break down institutional and bureaucratic barriers to trade are critical steps for regional economic cooperation. Cooperation on customs and transit is further advanced by new transit-trade agreements between Afghanistan and its neighbors, under discussion or early in the implementation stage.

This is why the U.S. government is assisting Afghanistan and Kazakhstan in their efforts to accede to the World Trade Organization (WTO) and helping WTO members Tajikistan and Kyrgyzstan fully realize the benefits of accession. We are also working to operationalize the Afghanistan-Pakistan Transit Trade Agreement (APTTA) and to encourage full implementation of the Cross-Border Transport Agreement between Afghanistan, Kyrgyzstan, and Tajikistan. These agreements hold the potential to dramatically accelerate regional trade.

The United States also works on improving the trade and investment climate throughout the region through our Trade and Investment Framework Agreement (TIFA) talks with Central Asian states, Afghanistan, and Pakistan.

Clearly, one of the biggest obstacles to connecting Central Asia to the rapidly growing markets of South Asia is the barriers between India and Pakistan. Trade normalization between these historic rivals would be a game-changer, signaling to the region and the world South Asia is really open for business. We have been encouraged by positive signs from Islamabad and New Delhi that things may be moving in the right direction, and we are hopeful we will see movement following India's election.

## **Customs and Borders**

Vibrant markets require functioning transit-trade corridors. Regional economic cooperation with Afghanistan requires a commitment by governments in the region to allow trade to flow across open but secure borders and reduce the costs and time of doing business at the borders.

To support these goals, the United States is working with governments and donor partners to streamline customs procedures and increase cross-border information sharing throughout the region. The United States supports the ongoing efforts of the European Union's Border Management in Central Asia (BOMCA) and Border Management in Afghanistan (BOMNAF) programs, the Central Asia Border Security Initiative (CABSI), the World Customs Organization, the Organization for Security and Cooperation in Europe (OSCE), and the UN

Office of Drugs and Crime (UNODC) to improve information sharing and law enforcement cooperation.

Already, trade is picking up as a result. In the last five years, the volume of intraregional trade in Central Asia has increased by 49 percent. The costs of doing business are slowly coming down, with the average cost of crossing borders dropping 15 percent in the last three years. And thanks to U.S. technical assistance, customs procedures have been streamlined at seven Afghan border crossing points, resulting in expedited trade with average release time down from eight days in 2009 to three and a half hours in 2013, saving \$38 million annually.

### **Businesses and People**

Ultimately, regional economic connectivity is more than infrastructure, border crossings, and the movement of goods and services. At its heart is the importance of connecting people and businesses across historical, cultural, ethnic, and national borders. The sharing of ideas and expansion of economic markets also creates opportunities for youth and women and strengthens regional stability and prosperity.

This is why the United States has funded the studies of hundreds of Central Asian and Afghan undergraduate and graduate students across Central Asia in an effort to build the next generation of leaders. The U.S.-organized Central Asia-Afghanistan Women's Economic Symposium and South Asia Women's Entrepreneurship Symposium have brought together women entrepreneurs, private sector partners, and government officials to address shared obstacles and advance opportunities for women entrepreneurs.

With U.S. support, over 250 Afghan, Kazakhstani, and Uzbekistani business people gathered in Afghanistan, signing over \$8 million in letters of intent for commercial sales. Just two weeks ago, Central Asian, Afghan, and Pakistani businesses signed 16 Memorandums of Understanding at the Central Asian Business Opportunities Conference in Islamabad. Similar U.S.-sponsored events in Kazakhstan, Afghanistan, Kyrgyzstan, and Bangladesh have successfully brought together hundreds of South and Central Asian businesses and entrepreneurs, including women, generating millions in trade and fostering important relationships across political, religious, and ethnic lines. We will continue to support programs that connect businesses and people across the region, creating new markets for goods and opportunities for trade and innovation.

### **Conclusion**

Mr. Chairman, regional economic connectivity between Central and South Asia is not easy. We will continue to face challenges and setbacks, even as we achieve progress. But the New Silk Road initiative provides the region with a powerful vision for how it can fully participate in a 21<sup>st</sup> century global economy and benefit from the gains from trade. It also honors the considerable investments Americans have made for over a decade in Afghanistan and the broader region by supporting security and stability for a more prosperous region.

Thank you.

