SHIELD

by SOURCEREE

What's Inside

Afghanistan: Voluntary National Review 2021

Sourceree SHIELD Commercial Report | Belt & Road: China Pakistan Economic Corridor

Chaos in Afghanistan Threatens CPEC

Islamic Republic of Afghanistan: Mining Sector Roadmap

National Security Newsletter

August 2021

SOURCEREE

The third week in August 2021 was filled with unimaginable scenes of human tragedy as the Taliban rapidly seized a series of Afghan capitals following the US withdrawal. The SHIELD Newsletter team had been prepping for an exploration of how the planned US pullout might impact national security and trade policy in the region when the worst outcome began to unfold in real time. As the Taliban have now gained control of an estimated $20 billion economy at the expense of human rights, rule of law, and security in the region, it seems more important than ever to highlight Afghanistan. Afghanistan has always been a country rich in culture – a country with a diverse ethnic population at the heart of the Silk Road. During the last nearly 20 years of US occupation, Afghanistan's economy was also pictured in terms of its potential, in natural resources and untapped mineral deposits. In the August 2021 SHIELD Newsletter, we outline a few major studies relating to Afghanistan's economy from the Afghan government on sustainable development and its achievements and economic needs and geological surveys of Afghanistan's estimated $1 trillion mineral deposits. We also include a Sourceree SHIELD Commercial report on the South and Central Asian contribution to China's Belt & Road Initiative (BRI) – the China Pakistan Economic Corridor (CPEC). The CPEC is the BRI's flagship, meant to serve as a model for development of the remaining BRI corridors. As the rest of the world watches to see what happens to Afghanistan, its citizens, and its neighbors, Afghanistan's nascent economic wealth could empower or imperil global actors, including everyone from the Taliban, those who held positions in Afghan ministries prior to this August, China, and the Afghan people.

--Adam Murphy, Sourceree President

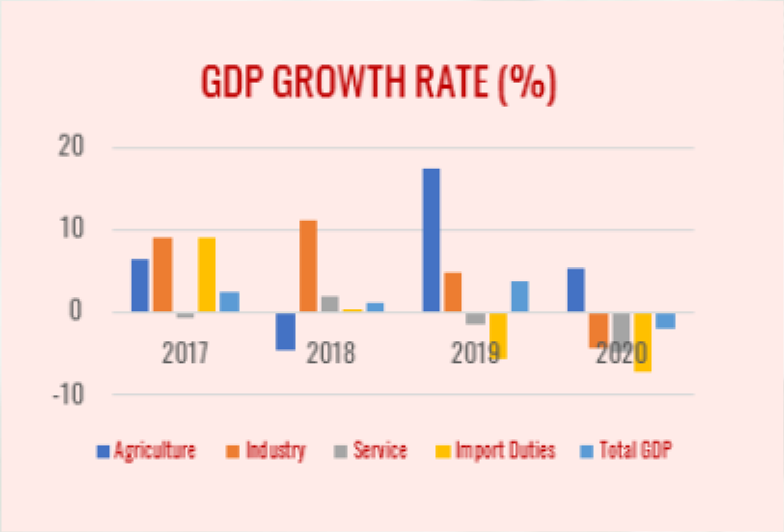
[Afghanistan: Voluntary National Review 2021](#)

Government of the Islamic Republic of Afghanistan (GoIRA) with consultation by the United Nations Development Program (UNDP)
Dr. Karima Hamid Faryabi, Minister of Economy
11 June 2021

In 2015, the Afghan government outlined a series of sustainable development goals aligned with the Millennium Development Goals and set a target of 2030 for achieving quantifiable objectives across 17 sectors. These sectors include economic growth, clean energy, and climate action, with a summary of achievements and efforts needed to meet those objectives below. The report contains key statistics on infrastructure including highways and electricity grid coverage – including solar panels – as well as an estimated nearly USD$ 11 billion needed over the next ten years make adaptations across the country to mitigate climate change.

Select excerpts from the piece:

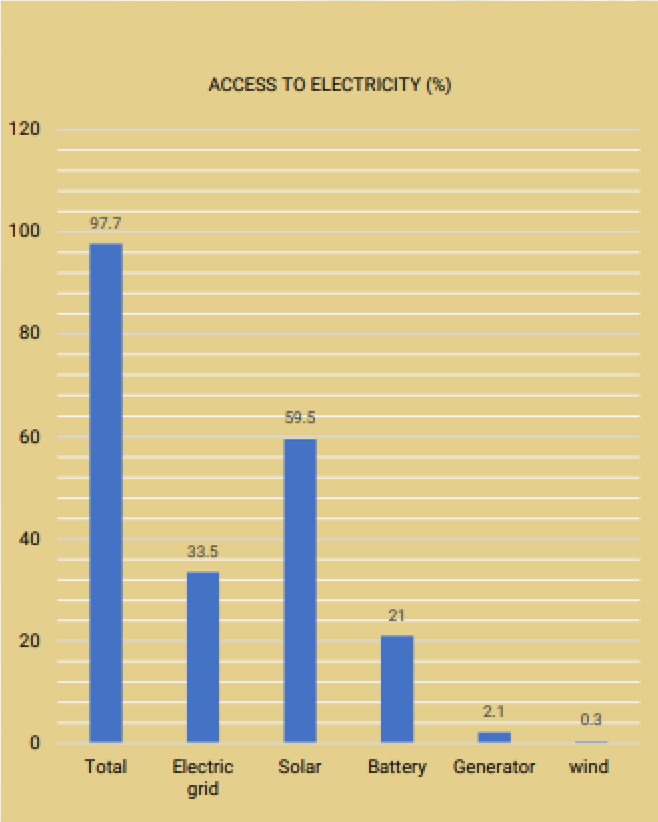
The Government of the Islamic Republic of Afghanistan (GoIRA) recognizes the importance and relevance of Sustainable Development Goals (SDGs) to its national priorities. In September 2015, during the UN General Assembly, 193 heads of state and government endorsed the 2030 Agenda and committed to its implementation. Since the adoption of the SDGs, the Afghan government has taken concrete measures to nationalize the global SDGs into Afghanistan Sustainable Development Goals.



In the economic growth and infrastructure spheres, through a sustained dialogue with the private sector, we have been able to increase exports close to $1 billion in 2019 resulting in the reduction of trade imbalance from 21 times exports in 2014 to 7 times in 2019. Our markets are now more integrated and diversified. In 2018, Afghanistan was ranked as the top reformer in the WB Doing of Business Index (DBI). We now have several trade and industries chambers, including the Afghan Women's Chamber of Commerce and Industries. The electricity network has expanded from 9 regions to 25 provinces. The Afghan-India Friendship Dam in Herat, and Bakhsh Abad

Dam in Farah provinces were completed, and a series of large dams are under construction. Construction of 3,222 kms of regional highway, 4,121 kms of the national highway, 5,712 kms of provincial road and 78,000 kms of rural roads; 7800 houses; 200 MW power generation; 150 kms railway tracks; are among some of the key achievements under economic and infrastructure sectors.

Although the economy expanded rapidly between 2001 and 2012, this growth was driven primarily by international aid. The withdrawal of international security forces, a decline of foreign aid due to global pandemic, prolongation of the peace process, and other external shocks, have slowed down overall economic growth. The unprecedented negative impact of COVID-19 on the economy and the above-mentioned challenges underline the need for reconfiguring future growth policies to be more equitable, integrated, and inclusive.



There is a clear gap in providing clean energy for heating supply or provide electricity for clean energy consumption. The key barriers are accessibility, affordability, and the reliability of national grid electricity.

Like the rest of the world, Afghanistan is affected by climate change. Mean annual temperatures have increased by 1.8°C since the 1950s. The central and southwestern regions have been experiencing the highest degree compared to the mean national level with a 2.4°C increase in temperature. The central region had a mean annual temperature of 1.6°C, and northern regions at 1.7°C are experiencing the same level of national mean temperature changes.

Based on these trend analyses and future projections, water, agriculture, forests, rangelands, biodiversity and ecosystems, health, and energy sectors are considered the most vulnerable with significant adaptation needs. Detailed adaptation measures have been reflected in the National Adaptation Program of Action (NAPA) and in Nationally Determined Contribution (NDC), which assert Afghanistan's commitment to a low emission development strategy and outlines needs for financial, technical, and capacity support for adaptation valued at USD 10.79 billion over the next ten years.

Sourceree SHIELD Commercial Report | Belt & Road: China Pakistan Economic Corridor

Sourceree, SHIELDSquad
Authors: Christian Faranda, Sean Gilson

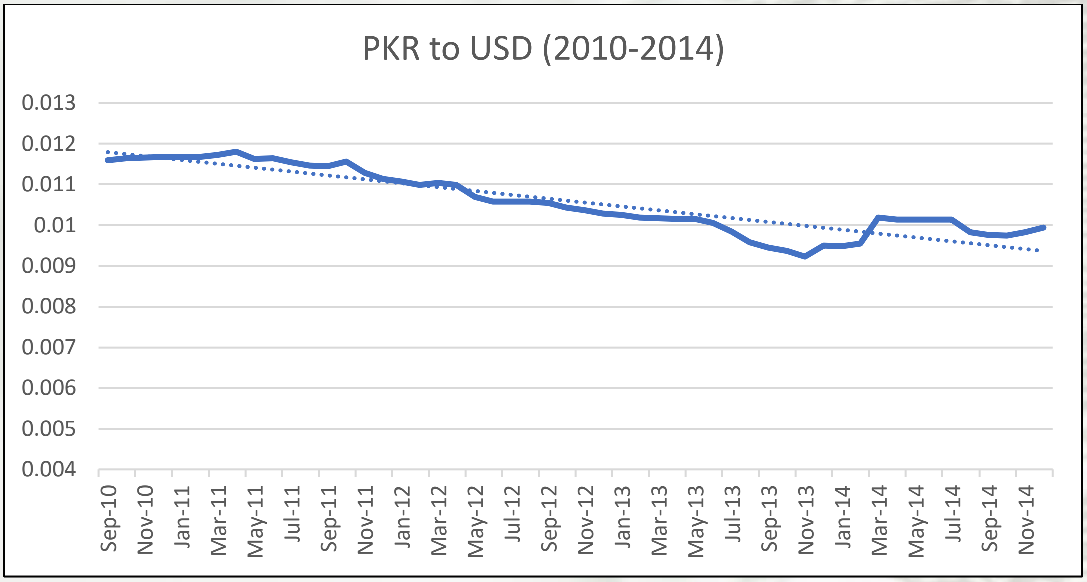
As a follow-up to our February 2021 initial report on the People's Republic of China's Belt & Road Initiative (BRI), the Sourceree SHIELD Team has spent months preparing a comprehensive report on the BRI's flagship, the China Pakistan Economic Corridor (CPEC). The report provides in depth information on CPEC projects, including planned costs, management structure, and countries involved in the effort.

Select excerpts from the piece:

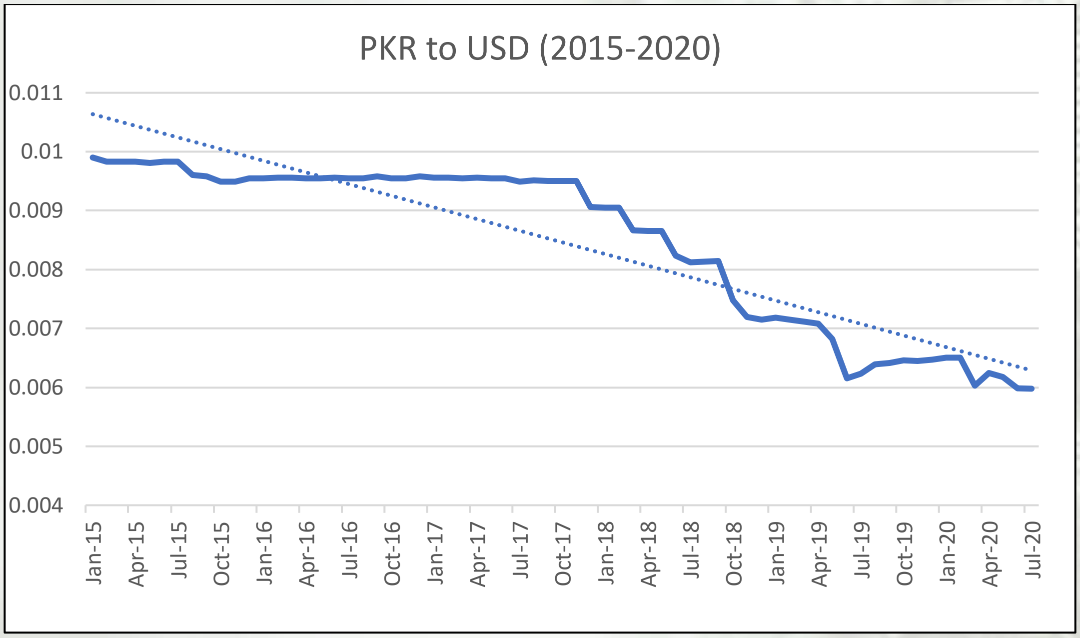
The China Pakistan Economic Corridor (CPEC) is a portion of one of the six major corridors of China's flagship Belt and Road Initiative (BRI). Formally launched in April 2015, CPEC is a bilateral relationship between the governments of China and Pakistan. In this relationship, Pakistan receives funding and support for infrastructure development – which includes telecommunications, ports, highways, pipelines, energy production, and railways – to aid in modernization and economic growth. In turn, China will gain a valuable ally in Central Asia, access to strategic locations, and infrastructure for purposes of trade and the ability to grow their global influence. CPEC was created under a 1+4 Cooperation Structure – the Economic Corridor as the "1" at the center, with the Gwadar Port, Energy, Infrastructure, and Industrialization forming the remaining components.

The CPEC was originally budgeted to cost $47 Billion, yet it has received approximately $62 Billion in funding. Most of which comes from the Chinese Government via state-owned entities. Of the $62 Billion, only $28 Billion (comprising a total of 51 projects) have reached the contracting phase. The rest remain muddled in negotiations.

The graphs below show the value of the Pakistani Rupee (as measured against the US dollar) prior to and since the announcement of the CPEC. While inflation has caused the value to drop since 2010, it has taken a steeper fall since 2015, when the CPEC agreement was formally signed.



Created by Sourceree using information from USD / PKR Historical Data



Created by Sourceree using information from USD / PKR Historical Data

China's goal is to implement the full CPEC as quickly as possible, to serve as a model for the greater BRI. Success in Pakistan will likely speed along further success in other regions, but failure could be disastrous for Pakistan's economy and the rest of the planned BRI corridors.

Security and Stability

The United States' troop withdrawal from neighboring Afghanistan provides China an opportunity to exert diplomatic influence across the region in concert with its economic support and investments. The Afghan Taliban, Pakistani Taliban, and the Islamic State each have varied responses to China's economic and political overtures in Afghanistan and Pakistan, ranging from emphatic support to violent opposition. Terrorism will likely remain a substantial threat for the foreseeable future and will have a major impact on CPEC efforts. If Pakistan is unable to contain the violent extremism that plagues the underdeveloped areas, then the instability may be too chaotic for Chinese projects to continue. Gwadar Port, which is one of the centerpieces of the CPEC, lies in Baluchistan Province, which is historically rich in resources, but is the least developed province. Largely due to the presence of Taliban fighters in what is considered a "lawless, chaotic, and poorly governed, run-down place." The Baloch people view CPEC as both a foreign occupation of their homeland and a further attempt by their Punjabi neighbors to seize control of their natural resources. In the end, the cost of security may outweigh the potential benefits of CPEC, and China could turn to a more favorable route, such as through Iran.

Why should you care about the CPEC?

As China and the United States compete to be the most influential nation both politically and economically, the location of the CPEC has taken center stage. South and Central Asia are rich in natural resources and the United States is on the cusp of its deadline to withdraw from its nearly 20-year engagement in Afghanistan. Any significant shift in the balance of power between Pakistan and India could further destabilize the entire region, even to the point of direct military conflict – especially if China attempts to utilize Gwadar Port for the People's Liberation Army-Navy (PLA-N).

Chaos in Afghanistan Threatens CPEC

The Diplomat
Author: Muhammad Akbar Notezai
19 July 2021

The 100-year history of the border between Afghanistan and Pakistan – beginning with the establishment of the Durand Line – has inextricably linked the two countries. As the People's Republic of China's South Asian Belt & Road Initiative effort expands, its flagship branch, China Pakistan Economic Corridor (CPEC), has the threat of regional instability hanging over it. Separatists from Balochistan have attacked CPEC projects and, in early 2021, the Pakistani Taliban conducted an attack on a location where the Chinese Ambassador was staying. The further destabilization of the CPEC zone after the US withdrawal and Taliban takeover of Afghanistan puts the entire project at risk.

Select excerpts from the piece:

Pakistan has gone to great lengths to pursue its goals in Afghanistan, which is why the Afghan conflict has spilled over to its own borders. In this context, noted Pakistan journalist Zahid Hussain rightly argues in his latest book, "No-Win War," that "in fact, the Taliban had established a strategic depth in Pakistan," thanks to its increasing interventionist policies in Afghan affairs.

Among other things, the current wave of the Afghan conflict has got the potential to threaten Chinese interests, particularly the multi-billion-dollar China-Pakistan Economic Corridor (CPEC) project in Pakistan. CPEC is the crown jewel of Beijing's massive Belt and Road Initiative, which aims to build infrastructure, expand trade links, and deepen ties across Eurasia and Africa.

Ever since the announcement of CPEC in 2015, Beijing has been looking to expand CPEC to Pakistan's neighboring countries, including Afghanistan. To pave the way for it, Beijing has been pushing Pakistan to open border points with Afghanistan in order to increase trade with an eye toward CPEC. As a result, Pakistan announced plans last year to establish 12 border markets with Afghanistan, versus just six border markets with Iran.

"The success of CPEC, and by extension, the entire BRI, now depends on Afghanistan, which is expected to become a new battle ground."

But perhaps the most ominous development took place this year. In April 2021, the Tehreek-i-Taliban Pakistan (TTP) detonated a bomb at a luxury hotel in Quetta, the provincial capital of southwestern Balochistan province. The assault reportedly killed five people and wounded 12. Initial press reports suggested that the target was Chinese Ambassador to Pakistan Nong Rong.

The Pakistan Taliban did not mention the specific target and the ambassador was not present in hotel at the time of the attack, even though he was believed to be in Quetta at the time.

The TTP has its roots in the Afghan Taliban, and thus its rise and fall is intimately connected to the situation across the border in Afghanistan. In recent months, even as the Taliban gathered strength in the wake of a peace deal with the U.S., the TTP announced the merger of its various splintered groups, which have been carrying out largescale attacks inside Pakistan. In this context, independent Pakistani analysts are concerned that the TPP will pose obstacles and security issues for CPEC projects inside Pakistan.

Over the years, through military actions in its bordering areas with Afghanistan, the Pakistani Army has pushed the TTP elements out of the country and into Afghanistan. The TTP has been using Afghan soil for operations and support. Despite Pakistan's protests, the Afghan Taliban have not taken action against their Pakistani brethren, despite a growing number of attacks in Pakistan. The TTP has been infiltrating through the porous borders between the two countries, driving Pakistan to begin fencing its border with Afghanistan.

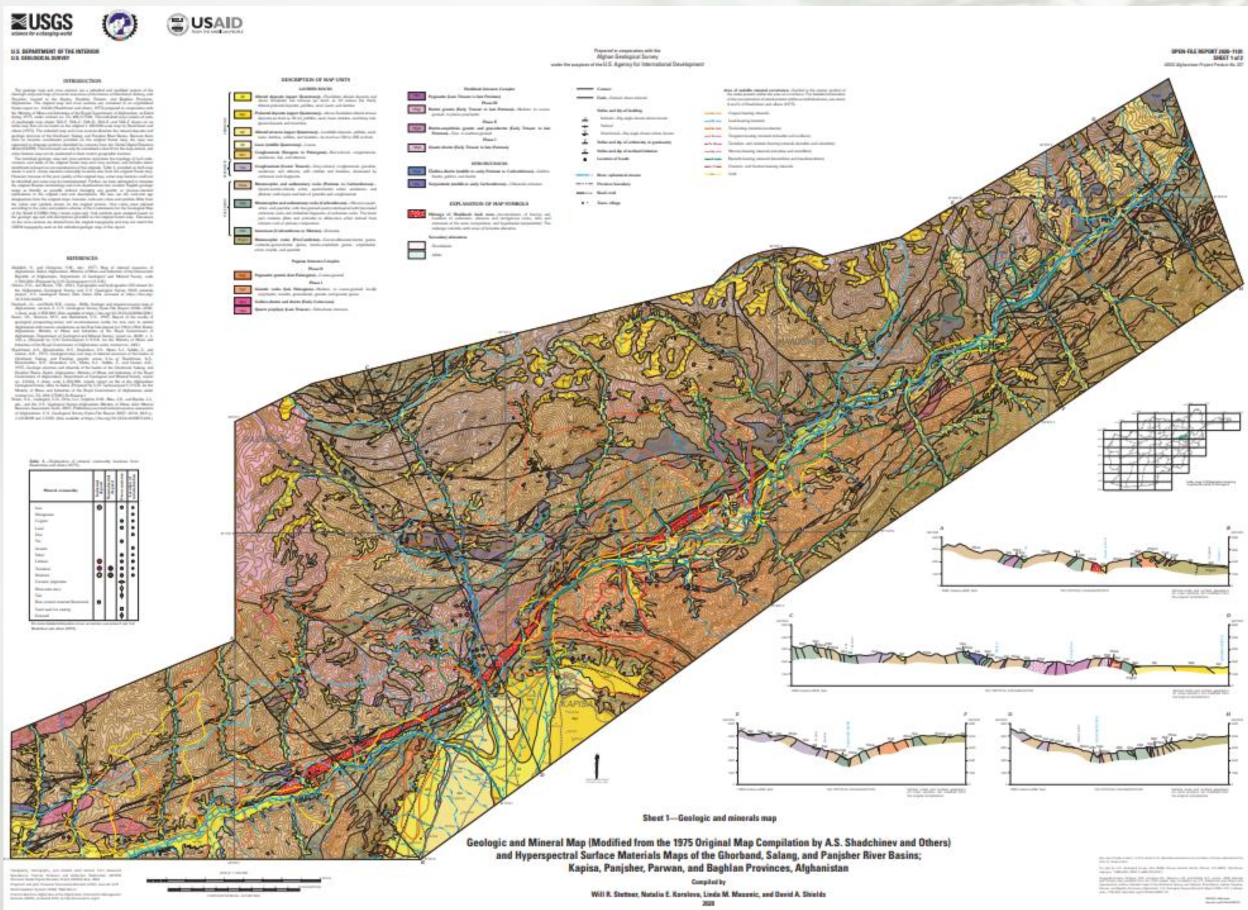
Ever since the U.S. troop withdrawal began, the TTP and other nationalist elements have carried out attacks in Pakistan to show they are still operational. Overall, as the United States prepares to leave, their targets have shifted to Chinese investments, including CPEC.

The success of CPEC, and by extension, the entire BRI, now depends on Afghanistan, which is expected to become a new battle ground.

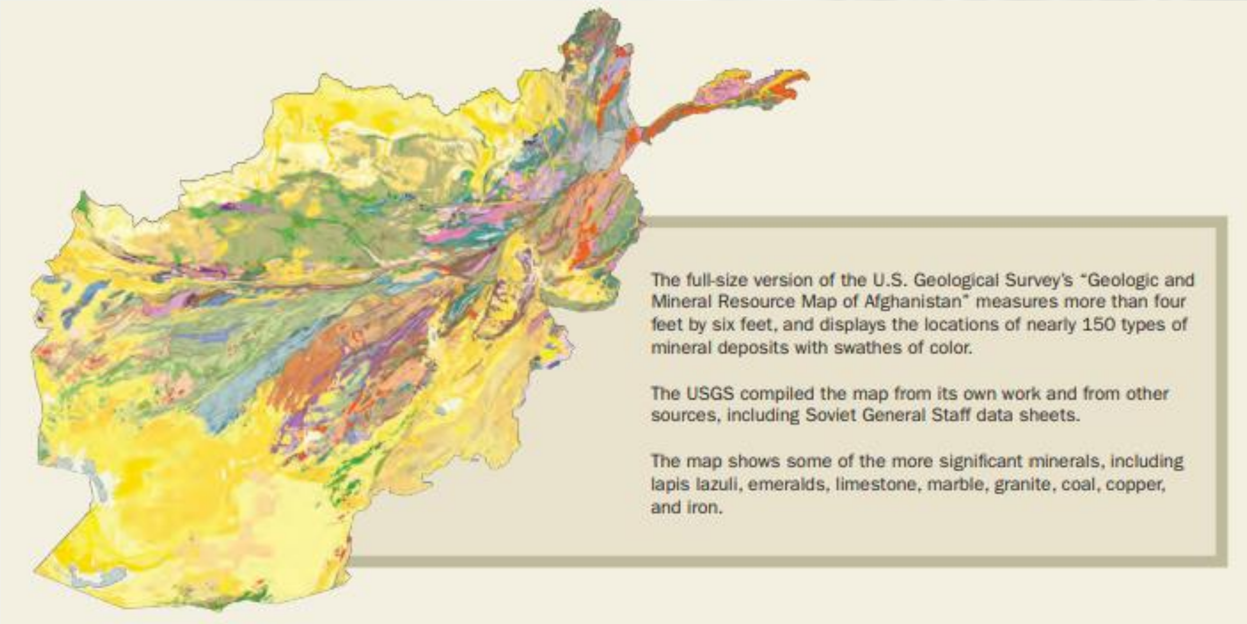
Islamic Republic of Afghanistan: Mining Sector Roadmap

Government of the Islamic Republic of Afghanistan (GoIRA)
Ministry of Mines and Petroleum
2019

Afghanistan's untapped mineral wealth, including large lithium deposits and other rare earth elements (REEs)/rare earth minerals (REMs), has been famously estimated at $1 trillion. The Afghan government Ministry of Mines and Petroleum created roadmaps to extract these resources, including mapping the types of resources; identifying constraints and mitigation strategies; licensing requirements; and required reforms. As the government changes hands, what has been a multi-year process of cautious preparation could shift in any number of directions.



US Geological Survey | Geological Map of Afghanistan, 2020



Taken from a Special Inspector General for Afghanistan Reconstruction (SIGAR) Report | SIGAR 18-38-LL, Figure 9

Select excerpts from the piece:

Afghanistan has extensive mineral resources located in every province of the country. The country has world-class deposits of iron ore, copper, gold, rare-earth minerals, and a host of other natural resources. However, the government must create the right set of rules to be able to optimally extract these resources. This report provides a roadmap for how we aim to ensure that Afghanistan's natural resources benefit its entire citizenry. If we are successful, we should see an increase in fiscal resources, an improvement in the country's trade balance, and ensure that we provide for future generations.

It has been stated that Afghanistan holds greater than one trillion dollars worth of mineral resources. However, these resources have not been successfully developed during the 20th or 21st century. To move from only a conceptual understanding of Afghanistan's mineral resources to an initial classification of probable and proven reserves, a number of studies have been conducted.

These began during the mid-20th century, when the USSR and its Eastern European allies gathered a great deal of mineral resource information. These mineral resource studies included systematic geological mapping, collection and analysis of rock and sediment samples, airborne geophysical surveys, and systematic mineral exploration. Then, during the previous decade, USAID funded a number of surveys that were jointly conducted by the Afghanistan Geological Survey (AGS) and the USGS. These studies now provide the most comprehensive review of Afghanistan's mineral resources.

AFGHANISTAN MINERAL PRODUCT / REGION MIX

Region	Primary	Industrial	Bulk	Building Materials	Hydrocarbons
Eastern	--	Gemstones + Talc	Copper + Iron	Marble	--
North	Gold	Gemstones	Copper	Marble + Limestone	Amu Darya + Afghan Tajik
West	--	--	Copper	Marble + Limestone	--
South	REMs + Gold	Flourite	Copper	--	--
Central	REMs	--	Lead + zinc	--	--

There are an estimated 1.4 million MTs of rare-earth minerals (REMs) and 3.5 million MTs of other REMs. This includes a large REM deposit located at Khanneshin in southern Afghanistan. Decisions regarding rare-earth minerals, including lithium and uranium, will be based on both economic and national security considerations. In particular, Afghanistan's National Security Council (NSC) will develop a rare-earth minerals policy. Within the constraints stated in this NSC policy, the technical and economic evaluation of REMs tenders will move forward in the same way as other mining contracts.

Rare-Earth Minerals
Southern Afghanistan

REMs assets in Afghanistan provide a unique opportunity. These assets will need to be tendered and evaluated under commercial terms, but under the parameters laid out in a national security REMs strategy. One such area of interest is the lithium deposits located in southern Helmand province. Such assets could be transported to international markets via our extensive airport infrastructure and air corridor program.

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Software platform for on-demand supply chain risk assessments and financial intelligence

SHIELD
SQUAD

Analytical Support

SHIELD
INTEL

Business intelligence reports on critical suppliers

Protected by

SHIELD

by SOURCEREE

Sourceree's SHIELD program is a comprehensive supply chain risk management (SCRM) solution designed to help answer questions about supply chain disruptions and risks, particularly foreign investment.