ON a cool November evening, on a patch of manicured grass in Dubai’s Creek area far away from the rugged Hindu Kush mountains, a group of Afghan immigrants sing songs in Dari and Pashto, cherishing memories of a homeland long-ravaged by war and conflict. A little further away in the city’s textile souk more Afghans can be found selling dresses and shawls richly embroidered in traditional patterns worn by their women, while others lounge on cushions sharing naan and chatting away over cups of chai.

The UAE was home to around 300,000 Afghans as of 2012, making it the impoverished country’s second largest diaspora after the United States. Since the onset of the US and NATO-led 2001 war against the theocratic regime led by the Islamic fundamentalist Taliban, many Afghans have sold what assets they had, and have taken their money and fled to countries like the UAE to start new lives.

Haji Obaidullah SaderKhail, who heads the Afghan Business Council - Dubai, says that in fact the migration began much before that, during the time of the Soviet invasion of Afghanistan, which began in the late seventies and lasted a decade.

While low-income Afghans flock to Middle Eastern capitals such as Dubai and Tehran in search of odd jobs, their wealthy countrymen have invested significantly in real estate and other business.

Afghan real estate buyers spent $60 million on property in Dubai in the first six months of 2012, a 27 per cent year-on-year increase, according to the emirate’s government figures. A Reuters report at the time noted that some investors from Afghanistan were spending up to Dhs20 million ($5.4 million) on “real estate shopping sprees”, including in some of the most expensive Dubai developments such as The Palm.

Then there are the entrepreneurs in the UAE, using Dubai’s reputation as a logistics hub to trade traditional Afghan products such as dried fruits, nuts, and Karakul wool with the rest of the world.

While more recent figures are unavailable, the Afghanistan Business Council - Dubai says two-way trade between Afghanistan and the UAE grew three-
fold from Dh1.32 billion ($360 million) in 2007 to Dh4.15 billion in 2009. SaderKhail is an example of an Afghan entrepreneur who has chosen to make Dubai his business home. Having inherited a sugar and cooking oil business from his father, and later expanding it to include the transport of fuel supplies to Afghanistan from Russia, he now has two offices in the city, plus one in Cyprus and four in his homeland.

It is not entirely difficult to understand why he has chosen to base himself in business-friendly Dubai. The US was due to pull out almost all of its nearly 10,000 combat troops from Afghanistan by the end of this year, but just last month reversed the decision, citing growing attacks by the Taliban.

Afghanistan remains highly unsafe, whether for citizens, aid workers, journalists or business people. Late last month around 45 spectators who had gathered to watch a volleyball match in the east of the country were killed by a suicide bomber following the announcement of the US troop extension.

The capital city Kabul is, however, only three hours’ flight from Dubai - close enough to maintain good business links.

“We have very good air connectivity with eleven flights from Dubai to Afghanistan [every day] and this is very easy for our business people,” says SaderKhail. “In Afghanistan, until now, the security is not good. Business people live in Dubai with their families and do business in Afghanistan. I go sometimes in the morning and return to Dubai at night.”

Emirates, which flies between Dubai and Kabul seven times a week, says it has carried more than 112,000 passengers on the route since it began in December last year. The airline says, among other things, the air link has helped stimulate bilateral business ties.

“The connections we provide make it easier for firms to invest in Afghanistan, creating a favourable environment for further growth,” says Sheik Majid al Mualla, the airline’s divisional senior vice president for commercial operations.

“The demographic on the route mainly consists of a robust mix of business, those visiting friends and relatives, UN officials, diplomats and corporate customers,” he adds.

Budget carriers such as flydubai and Sharjah-based Air Arabia also fly from their UAE hubs to Kabul, while Abu Dhabi-based Etihad Airways has a codeshare agreement with Afghanistan’s Safi Airways.

While Afghan investment in UAE real estate is well known, it is not all one-way traffic. Emirati companies have, albeit rather tentatively, taken the plunge in Afghanistan in recent years. Telecoms provider Etisalat was one of the companies that rushed to provide basic communications infrastructure to the devastated country in 2007, and is now present in more than 34 provinces, supporting more than 200 Afghan districts and 12,000 retail outlets.

The UAE’s outreach to Afghanistan has not always been as high profile, and current economic initiatives follow earlier humanitarian efforts by the wealthy Gulf state. Following the US invasion of Afghanistan in 2001, the UAE maintained a secretive, low-profile ground presence in the country, aiding the allied forces in their mission to win over the “hearts and minds” of the Afghan people. Being fellow Muslims, the UAE troops reached out with religion, often praying with Afghan villagers and mingling with them to find out their pressing developmental needs.

Afghanistan was the recipient of 14 per cent of the UAE’s foreign aid in 2009, contributing Dh1.26 billion, mainly in the forms of grants channeled through the Abu Dhabi Fund for Development. The UAE also pledged $250 million for reconstruction projects in Kabul and other provinces in 2011.

While goodwill towards the UAE has been in plentiful supply on the ground in Afghanistan, will it translate into fresh investments from the Gulf in an ever changing security context? Richard Phillips, chief of staff at risk management firm Edinburgh International, which is headquartered in Dubai with a Kabul regional office, says he hasn’t seen a significant increase in Emirati companies seeking security coverage for their firms in Afghanistan.

“I think it has to do with risk tolerance. A lot of regional companies will opt for a lower profile in Afghanistan and might not choose to take on our standard of security, so that might be part of it.”

Another plausible explanation goes back to the “hearts and minds” campaign waged by UAE forces in Afghanistan. It is believed that UAE businesses seek security by engaging with tribal leaders rather than through western security firms, who are often viewed antagonistically by the locals.

Afghan American economist Nake Kamrany, who teaches at the University of Southern California, explains the necessity of developing strong tribal networks especially in the context of withdrawing combat troops and the increasing involvement of private security firms.

“In villages, most of the society and culture is controlled by the people themselves. They don’t go to the government when they have disputes, they just go to the elders, and they resolve it in the family, in the tribal system. It works very well,” he explains.

“We should support that system more and not change it into a modern police state.”

For now, however, these vast natural resources remain locked in the ground, and Afghanistan remains one of the world’s poorest, least developed nations. Resource exploitation cannot come quickly enough to improve the quality of lives of many ordinary Afghans - but the country will need technical and commercial expertise.

September 2014 for the Afghanistan Oil Conference, where the potential of the Central Asian country’s nascent oil sector was highlighted. In material promoting the conference, Ahmad Rateb Popal, chairman of Afghan conglomerate Watan Group, said there was “a sense of urgency” about the moment.

“Afghanistan stands now at the gateway connecting east to west and north to south, with the potential to harness and transfer vast natural resources of its own and its neighbours, which have yet remained undeveloped, to the large markets of the region and around the world,” he wrote.

The country’s rugged terrain may be home to nearly $1 trillion-worth of mineral deposits, including iron, copper, cobalt, gold as well as industrial metals such as lithium. It also claims to have sufficient reserves of crude oil to satisfy its domestic needs, besides some gas.

It is estimated that there are reserves of 1.6 billion barrels of crude oil, 16 trillion cubic feet of gas and 500 million barrels of natural gas liquids, according to a joint assessment by the US Geological Survey and its Afghan counterpart, reported British daily The Telegraph.

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That is where UAE companies could step in. Dubai-based Dragon Oil is heading a consortium of Turkish Petroleum Corporation and the Afghan Ghazanfar Group - in which Dragon holds a 40 per cent stake - which won a bid to develop the Sanduqli and Mazar-e-Sharif oil blocks in the Afghan-Tajik basin in November 2012.

Afghanistan will also hope its agriculture sector, which contributes between 20 and 25 per cent of economic output, can play a role in future relations with the UAE and wider Middle East. But in doing so it will have to address the problem of the illicit growth of opium, which has accelerated since the fall of the Taliban regime. The country is estimated to supply 90 per cent of the world’s illicit opiates, with the value of this year’s crop estimated at $850 million, according to the UN Office on Drugs and Crimes (UNODC).

Kevin McNamara, a professor and agricultural economist at Purdue University in the US, puts the value of illicit agricultural exports at $400 million, a hard habit for the Afghan economy to kick.

McNamara says the challenge for Afghanistan today is to comply with global food security standards so that its produce can be graded and be more competitive in regional markets.

“The Middle East is an excellent market for Afghanistan, but it is pretty demanding,” he says. “A lot of fresh and dried fruits and nuts are making their way to Dubai to be exported or distributed, but the issue of Afghanistan is whether the food meets basic phytosanitary standards. Is it free of pathogens? Does it meet quality standards? Is it free of pesticide residues?”

Economist Kamrany, who is looking to provide micro financing to enable Afghans to develop small enterprises, believes that a change in the Afghan government earlier this year is cause for much optimism.

“The new president Ashraf Ghani is trying to create employment for half a million people because the unemployment rate in Afghanistan is very high at over 40 per cent’

Nake Kamrany, University of Southern California

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Afghan president Ashraf Ghani Ahmadzai (left) has pledged to stimulate the country’s private sector

The coincidental nearly billion dollar loss in 2011 of the Kabul Bank, in which the Karzai family was heavily invested, revealed just how millions of dollars of often illicit money were channeled into Dubai property. The coincidental nearly billion dollar loss in 2011 of the Kabul Bank, in which the Karzai family was heavily invested, revealed just how millions of dollars of often illicit money were channeled into Dubai property.

Now with uncertainty looming over Afghanistan’s future yet again, it remains to be seen whether a second phase of capital flight will begin into the UAE, or whether expatriate Afghan capitalists who have made their money overseas will return to the homeland to make a fresh start.

For SaderKhail, a diary full of business matchmaking events in Washington and Dubai to open doors for foreign investment to his country suggests he is in no hurry to return permanently. Kamrany says that the Afghan diaspora will continue to look at stable Dubai as a means to re-establish themselves in Afghanistan.

“It is very difficult to distinguish between illicit money and legal money. This is simply a market force and market forces create opportunity in Dubai, and as long as that opportunity exists it will continue,” he says.

“These are capital flight from Kabul to Dubai but it could go back from Dubai to Kabul because of a higher rate of return on investment because Afghanistan will have that for investors from Dubai.

“From Dubai, you have two sources of funding - one is that Afghans themselves who have parked a lot of money there and second is from investors in Dubai and other countries.

“They won’t go anywhere else, so Dubai is going to expand its economic relationship with Afghanistan.”

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