



Afghanistan's Economic and Political Challenges and Prospects for Peace

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Afghanistan faces many challenges. Some are economic, others are political and social in nature. The biggest economic challenges are to find sustainable sources of economic growth, secure peace and arrive at a political settlement with Taliban. The country has suffered from 40 years of conflict and almost 18 years of Americans and other NATO members' invasion and people are desperate for the peace process that is currently underway at Doha to succeed.

To understand the economic challenges, let me briefly examine the performance of the economy and its outlook for the next year.

Afghanistan's economy as a result of many years of war and political instability has remained to be one of the world's least developed countries.

Afghanistan is heavily dependent on international military and economic assistance, which constitute over 5% of GDP. The United States and more than 30 other nations provide financial support to Afghan National Defense and Security Forces (ANDSF) to improve ANDSF capabilities. The international community made almost \$5 billion available for the ANDSF in 2016 and \$15.2 billion in civilian assistance through 2020.

An ongoing insurgency and drought have hampered economic growth and is expected to remain slow in 2019. Political uncertainty surrendering the peace process, presidential election and continued international support have contributed to a decrease in growth in industrial and service sectors.

Unemployment is extremely high and a quarter of the labor force is unemployed. Almost



3/4 of the population are below the age of 30, and 25% between 15 and 30. More than half the population are living under poverty line and severe drought has exacerbated living conditions with 13.5 million people surviving on less than one meal a day.

Population growth is on the rise and the rate of economic growth lagged population growth, which led to a decline in per capita income. 82% of the poor living in rural areas have been affected by drought including those reliant on poppy cultivation (According to World Bank recent report, poppy production declined by 30%). Despite the drought conditions, food prices remained low due to increased food imports and decline in regional grain prices.

The trade deficit has increased to 35.99 of GDP due to weaker increase in exports and moderate increase in imports in 2018. Despite slow growth, domestic revenue increased about 12% in 2018.

Growth is projected to be at 2.5% in 2019 and 3.2% in 2020. Inflation is expected to increase 3.1% in 2019 and 5% in 2020. High degree of unemployment will continue. Investments are low and efforts are underway to attract foreign trade and investment. Political instability could further result in low investment and growth.

On the political front, the security situation has deteriorated. Civilian casualties are on the rise and have reached their highest since 2002 and this has also resulted in substantial increase in the level of conflict-induced displacement. According to the WB, the number of injuries and death have increased five-fold since 2007, and more than 1.1 million Afghans were internally displaced due to conflict. According to the United Nations Assistance Mission for Afghanistan (UNAMA), there were 10,993 civilian casualties before January and December of 2018 including 3804 killed. The number of children killed the same year reached a record high, with more than 900 child death verified. The return of almost 1.7 million refugees have exerted a high pressure on Afghanistan economy and institution, namely pressure on service delivery systems and increased competition for scarce resources.



Now, that we have examined the economic and political challenges, let me provide a brief history of Afghanistan and the current political conditions and why a peace agreement could provide substantial dividends to the public at large.

Afghanistan was founded by Ahmad Shah Durrani who unified the largest Pashtun tribes in 1747. The country won its independence after expelling British in 1919. The country embarked on short lived democracy when monarchy system was abolished in 1972 and this brief experiment with democracy ended in 1973 coup and a communist countercoup in 1978. The Soviet Union invaded in 1979 to support the Communist regime that resulted in massive exodus of Afghans to neighboring countries and start of a destructive war by Mujahidin rebels that ended with the USSR withdraw in 1989. Internal conflict and subsequent civil wars between different Mujahidin groups provided an opportunity for Taliban to take over Kabul in 1996 and to end the country's civil war and anarchy. Taliban were overthrown by the U.S for sheltering Osama Bin Laden following the September 11, 2001 terrorist attacks on World Trade Center and Pentagon. United nation sponsored a conference known as Bonn Conference in 2001 to establish a process for political reconstruction that included Presidential election in 2004, National Assembly election in 2005 and above all adoption of a new constitution. Hamid Karzai was initially selected as an Interim President at Bonn Conference and later democratically elected as president in December 2004 and reelected in August 2009 for a second five years term. At the end of his second term, Karzai handed over the government to the newly elected government.

A national unity government was formed after allegations of fraud was levied by both parties that necessitated a US diplomatic intervention and formation of Unity government included Ghani as President and Dr.Abdullah as Chief Executive Officer, a newly created position that does not exist in constitution.

The term of the Unity Government expired in May 2019 and after three elections postponement, the next presidential election is to be held in October 2019. Presidential election could still be postponed or an interim government established while the peace



process is underway in Doha with Taliban.

The Taliban constitute a formidable force against the Afghan Government. They control over 50% of the provinces and are capable of inflicting casualties on the Afghan Military and civilians.

The Taliban regularly overrun districts and at times whole cities. U.S. realizing that the war cannot be won on battlefield, decided to meet one of the main demands of Taliban and to negotiate with them directly. The U.S. seems desperate to withdraw from the country, decided to meet in Doha. A representative of the U.S. has been negotiating with Taliban team since October 2018. The two sides have been negotiating over an American withdrawal in exchange for a commitment from the Taliban not to harbor terrorists. The Taliban have not accepted direct negotiations with the Government as they consider the current government to be illegitimate and a puppet of the U.S.

It is not only the U.S. that is involved in the peace process, Russia is also involved in securing peace in Afghanistan and in November, Russia organized talks between the Taliban the high Peace Council and the representatives of regional powers and again on February 4 it hosted representatives of the Taliban and other groups opposed to the government of President Ashraf Ghani to meet in Moscow for further talks. Joint efforts by the U.S. and Moscow toward promoting dialogue and to embark on the path of reconciliation has been supported by the United Nations.

The move toward peace and the new dynamic in the peace process presents an opportunity that must be seized, especially in light of the record number of civilian casualties from the conflict and endorsement by many Afghans. Critics of both the Soviet and American-led wars often say that people of Afghanistan should decide their own fate without the interference of outsiders. This will not be likely as the regional and global powers that have intervened in Afghanistan's civil wars since 1970 will not let that happen.

The regional and global powers have intervened in Afghanistan's civil war since the late 1970's will not let this happen as they see their own loss as someone else's gain.

Pakistan, Iran, China and India are all interested in influencing the future of Afghanistan.



It is important to point out that enduring peace can be maintained if the international community will guarantee and support its terms and implementation.

Will that occur?

As long as the U.S. intends to withdraw its troops and Taliban guarantee their that they will not harbor terrorists, revisions of the Constitution of the country, enforcement of ceasefire in the interim and the desire of the U.S. government to sign an agreement that will bring the Taliban into the political process, peace could materialize.