The Afghan government and its future

AN OPEN DIALOGUE

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THE sudden collapse of the US-backed Ghani regime in Afghanistan and the scenes of the evacuation of American citizens at Kabul Airport brought back some deep-buried memories of mine from another era. When Saigon fell and the last of the American troops withdrew from Vietnam on April 31, 1975, I was a Masters' student at Dhaka University watching the developing scenario in Southeast Asia with strongly-held convictions. We were celebrating the collapse of the puppet government in South Vietnam. Last week, after more than 46 years, Americans were once again faced with another defeat in Kabul, and the chaos at the airport was for many of us a "deja vu" moment.

I was joyful in 1975, but I cannot say the same this time. The scenes at Kabul Airport have been a painful reminder to the Americans that military power shifts with the winds and that the costs of armed conflicts are borne by ordinary people. In this particular instance, American taxpayers and the poor ordinary Afghanis will both bear the price for years to come.

Like many other war-ravaged countries, Afghanistan will need all the support and financial aid that it can muster in the current international environment. There are also some short-term and long-term challenges that a new government will need to address.

Jeffrey Sachs, an economist at Columbia University, discusses in detail the financial cost, i.e. the dollar cost for the US Treasury, and the real cost, the time, money, and lives lost during the two decades of NATO adventure in Afghanistan. In his article, "Blood in the Sand", Sachs is very critical of the American mindset which triggered the invasion of Afghanistan and the policy decisions made in Washington that kept US forces there for over two decades.

According to a recent report by the Special Inspector General for Afghanistan Reconstruction (SIGAR), the US invested roughly USD 946 billion between 2001 and 2021. While SIGAR is a non-partisan watchdog created by Congress, this number provided in the report is an underestimate by all accounts. That's not the point. It is a mystery why Sachs considers the USD 1 trillion that was poured into Afghanistan an "investment", but more on that later. He must nonetheless be given credit for deconstructing the numbers and reporting that only USD 21 billion was utilised for "economic support". However, much of that money was pocketed by the corrupt officials and the warlords in Afghanistan and not spent for development on the ground, because the programmes were meant to "support counterterrorism; bolster national economies; and assist in the development of effective, accessible, and independent legal systems."

I have taken a very personal interest in the comings and goings in Kabul since I was a child growing up in East Pakistan. In an op-ed for this newspaper earlier this year, I wrote about the dangers that might bedevil the American withdrawal from Afghanistan which was planned for August 31 ("What path lies ahead for Afghanistan?" *The Daily Star*, March 21, 2021). Like many observers who were in the same boat as me, who had their anxieties about the shape of things to come after the US withdrawal, I harboured misgivings, and mixed feelings of hope and frustration at the uncertainty looming ahead for the Afghan people. Since the Soviet invasion in 1979, this peace-loving nation had seen nothing but conflicts and were manipulated to be the stage for the "endless wars" mentioned by President Biden. "Unfortunately, the proud nation of Afghanistan suffered and paid a hefty price for this tug of war between powerful nations and their surrogates," as I said earlier.

Now that Afghanistan is in the hands of the Taliban, who were in power before, until 2001, the work of nation-building can start. Fortunately, the city of Kabul and other regional urban centres appear to have been spared the ravages that befell many other population centres in Syria, Libya, and Yemen. Unfortunately, the country is losing its intelligentsia and technocrats who are understandably trying to get out before things get worse for those who worked with the US-led coalition the last two decades. Even the previous governor of the central bank, Ajmal Ahmady, left with a crowd at the back of a C-17 transport aircraft.

People try to get into Hamid Karzai International Airport in Kabul, Afghanistan, August 16, 2021. PHOTO: REUTERS

Like many other war-ravaged countries, Afghanistan will need all the support and financial aid that it can muster in the current international environment. There are also some short-term and long-term challenges that a new government will need to address. I will only mention a few that have major economic consequences. The central administration has collapsed and most ministers have escaped Kabul. Because banks and money exchanges remain closed, the bazaars and the economy have slowly ground to a halt. ATMs have reduced the daily withdrawal limits. To compound the problems, prices of basic commodities such as flour, cooking oil, and petrol have risen by as much as 50 percent.

As of now, the Taliban government cannot access almost all of the Afghanistan central bank's USD 9 billion in reserves, most of which is held by the New York Federal Reserve. Afghanistan was also slated to access about USD 450 million on August 23 from the IMF, which has effectively blocked the release of the funds because of a "lack of clarity" regarding the recognition of a new Afghan government.

The new Taliban government has been advised by friends at home and abroad to come to a political settlement with the moderates and rival political forces, and form a national government. A former finance minister, Omar Zakhilwal, who recently returned to Kabul, is reported to be working with the Taliban on a power-sharing arrangement. "We are working in tandem with the Taliban to bring a normal face to Kabul again: reopening of banks, of the offices, of the ministries."

In the interim, Zakhilwal has suggested that the Taliban would do well to promote existing civil servants to replace senior officials who fled the country. This would be more "helpful than bringing in new people who don't know, and whom the international community doesn't know". It is not known if the Taliban will listen. One of its key appointments announced on Monday, to replace Ahmady at the central bank, has been criticised by financial analysts. While it had the choice of picking a senior-level civil servant for the position, the Taliban appointed Hajji Mohammad Idris, a senior member of the group, as the new governor of Da Afghanistan Bank, the central bank.

There is some speculation whether the USA will fall back into a scorched earth policy after the evacuation from Kabul airport is completed. US money transfer services have suspended payments into Afghanistan, and American banks are more closely scrutinising transactions with Afghan counterparts, as they await clarity on whether US sanctions against the Taliban apply to the new government. Remittances that average over USD 800 million annually have played a major role over the last five years.

All this will cause a major short-term crisis for the Taliban-led government. If the sanctions that are in force against the Taliban are applied more broadly to all business dealings with the new government, Afghanistan could join North Korea and Iran as pariahs in the international financial system.

In the longer term, the new government will need to address widespread corruption and reduce its dependence on foreign aid. Currently, half of the USD 20 billion economy comprises of foreign aid. According to a World Bank study released before the Taliban takeover, the country would need USD 8.5 billion annually until 2024 to keep its government afloat. A large part of the economy is also dependent on the opium trade which also funded the Taliban's war effort.

Many in the west have suggested a Marshall Plan type initiative to help the new government. The Marshall Plan for Western Europe helped war-ravaged countries repair themselves quickly after World War II. It typically provided USD 100-200 per inhabitant per annum over a period of several years, making for a cumulative total that often approached USD 1,000 per person in the end. Using USD 100 as a benchmark, Afghanistan will need close to USD 4 billion in official aid.

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Clean energy could bestow major competitive advantage for suppliers

RMG NOTES

MOSTAFIZ UDDIN

COMPETITIVE advantage comes in many different shapes and forms. Product quality, speed, flexibility and, of course, price. All have their place in influencing whether a company should choose one supplier over another.

But what about the energy mix relating to how a product was produced? What if the customers of RMG factories were to begin choosing suppliers based on which ones used renewable energy instead of being, say, coal powered?

There has been a lot of talk about how "sustainability pays" in recent years, but not much of this talk has translated into action—or benefits to suppliers. Too often, price has been the key driver, with brands being unwilling to pay extra to fund sustainable garments or production techniques.

On the issue of renewable energy, however, I sense a real opportunity for Bangladesh—and it is one I believe our industry and government must grasp with both hands.

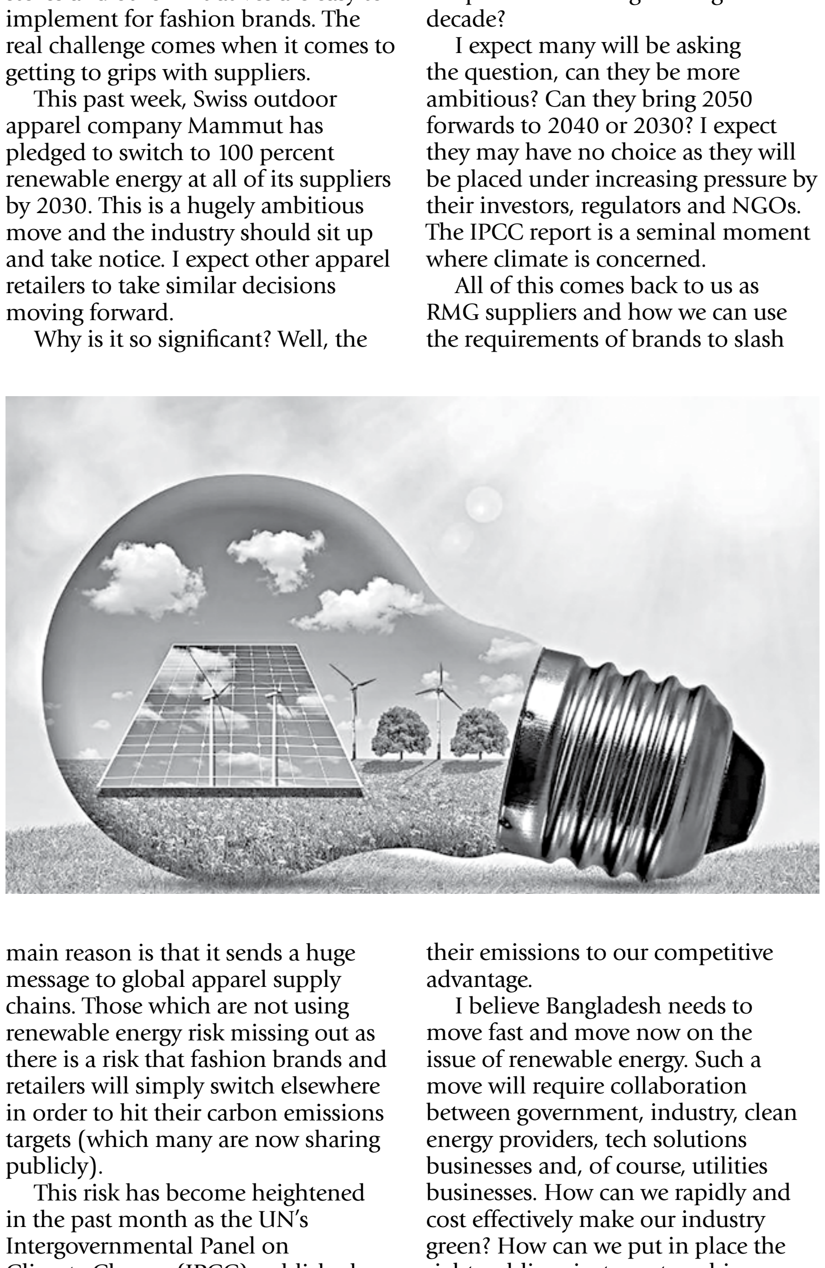
Look at the world's leading apparel brands and all of them have commitments to reduce their carbon footprint. Many of these commitments relate to 2050 but some are more ambitious, with 2040 and even 2030 now being considered.

Meanwhile, the fashion industry itself acknowledges that the only way it can have a real impact on its carbon footprint is via its suppliers. Garment production represents up to 90 percent of the fashion industry's carbon emissions, according to most credible estimates. Moreover, the major fashion brands have already taken most of the "low hanging fruit" in terms of carbon emissions, which is in their own retail stores.

Yet, installing solar energy at stores and other initiatives are easy to implement for fashion brands. The real challenge comes when it comes to getting to grips with suppliers.

This past week, Swiss outdoor apparel company Mammut has pledged to switch to 100 percent renewable energy at all of its suppliers by 2030. This is a hugely ambitious move and the industry should sit up and take notice. I expect other apparel retailers to take similar decisions moving forward.

Why is it so significant? Well, the main reason is that it sends a huge message to global apparel supply chains. Those which are not using renewable energy risk missing out as there is a risk that fashion brands and retailers will simply switch elsewhere in order to hit their carbon emissions targets (which many are now sharing publicly).



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This risk has become heightened in the past month as the UN's Intergovernmental Panel on Climate Change (IPCC) published its most sombre update yet. This landmark study claimed that human activity is changing the climate in unprecedented and sometimes irreversible ways.

The study warns of increasingly extreme heatwaves, droughts and flooding, and a key temperature limit being broken in just over a decade. It has been described as "a code red for humanity," by a UN chief.

Be in no doubt—sustainability teams at the world's leading fashion brands and retailers will have been taking notice of this report. And each of them, I truly believe, will have been thinking about their own projections as far as the climate is concerned. In short, can they rely on making projections for decades in the future when the IPCC is talking about key temperature "red flags" being hit this decade?

I expect many will be asking the question, can they be more ambitious? Can they bring 2050 forwards to 2040 or 2030? I expect they may have no choice as they will be placed under increasing pressure by their investors, regulators and NGOs. The IPCC report is a seminal moment where climate is concerned.

All of this comes back to us as RMG suppliers and how we can use the requirements of brands to slash their emissions to our competitive advantage.

I believe Bangladesh needs to move fast and move now on the issue of renewable energy. Such a move will require collaboration between government, industry, clean energy providers, tech solutions businesses and, of course, utilities businesses. How can we rapidly and cost effectively make our industry green? How can we put in place the right public-private partnerships and investment structures to ensure funding is channelled where it is needed along our RMG supply base?

We need a benchmarking exercise. Where is our industry now in terms of renewable energy, where do we need to be and what do to need to do to get there? Surely it is not beyond our industry to carry out a scoping exercise among the full supply chain to identify gaps and understand where investment is required.

To reiterate, all of this represents an opportunity rather than a threat for our industry. We have shown already that, when we work together, collaborate and put aside competitive differences, we can achieve great things. For example, look at how we improved safety across the industry in the wake of the Rana Plaza.

We need this sense of cooperation again in order to pivot our industry onto a greener path. Why not set a timeline to shift all our industry to renewable energy by 2030? And we could bring our customers along with us on this journey for it is in our mutual interests to get this right.

"Build it and they will come," is a famous quote from Hollywood film, Field of Dreams. It is applicable now to the Bangladesh RMG industry. Get things right on this issue, and and we have cured a major headache for all our customers.

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