

The multi-dimensional challenges of resuscitating the Afghan economy



AN OPEN DIALOGUE

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THE USA observed the 20th anniversary of the 9/11 attacks on September 11, 2021, on the same day the Taliban raised its white flag on the Presidential Palace in Kabul to celebrate their victory. Regardless of its act of defiance, the new government of Afghanistan has at the same time appealed for assistance from the global community to feed its starving millions, and to put the Afghan economy on an even keel. Meanwhile, international aid agencies are gearing up to send food, health supplies and other essential items to a country where, after 20 years of war, peace might finally be on the horizon. While some major regional powers including Russia, China, and neighbouring Pakistan are also sending material support to Kabul, it is not clear what role the USA will play as the latter struggles to find its own footing in the global geopolitical setup.

The composition of the new government has been a disappointment for the USA, UK, Germany, and other donor countries. Not a single country has so far recognised the new regime. The Taliban were forewarned that if they go back to their old style of governance, that would bring "an Afghanistan that is kept backwards, ridden with obscurantism, bereft of civilisation and art, devoid of unity and solidarity, and a country that is forced into economic and political isolation." These strong words did not come from the US president, but from one of Afghanistan's well-known politicians,

pledged to stay, warning that they were at least USD 800 million short of what was needed. Even during the Ghani regime, salaries of doctors, nurses, teachers, and civil servants were overwhelmingly subsidised by the World Bank. More than 70 percent of the government's non-military budget was financed by the donors.

The UN Office for the Coordination of Humanitarian Affairs sent out a "Flash Appeal" or request for emergency aid for USD 606 million to assist nearly 11 million Afghans with critically needed food and "livelihood assistance" for the

participation of women in Afghan society and the education of girls are "non-negotiable and must be respected." Now, aid groups may try to bypass the Taliban, who are still under international sanctions.

The new government is pushing back and even seeking to capitalise on the division between the superpowers. "Afghanistan needs help," said Zikrullah al-Hashemi, a Taliban aid official. "But this is my suggestion for the Western countries: The conditions will not work with the Afghan people. If you want to help us, do not put the conditions forward. If you put pressure, they will

"Where are Taliban officials getting the money to run Afghanistan?" The World Bank (WB) has painted a bleak picture of Afghanistan's economic scenario. It describes Afghanistan's private sector as narrow, characterising its economy as "shaped by fragility and aid dependence". The BBC called it "desperate and uncertain".

Interestingly, two researchers for the Overseas Development Institute (ODI) present a different picture of the resilience of the informal economy. Graeme Smith, author of "The Dogs Are Eating Them Now: Our War in Afghanistan," and David Mansfield, author of "A State Built on Sand: How Opium Undermined Afghanistan," contend that only a small proportion of Taliban revenues from trade involves opium, hashish, methamphetamines, and other narcotics. Based on their fieldwork in the province of Nimruz, they found that even more lucrative is the legal movement of ordinary goods, such as fuel and consumer imports.

One reason foreign donors inflate their own importance in Afghanistan is that they do not understand the informal economy, and the vast amounts of hidden money in the war zone. In Nimruz alone, Smith and Mansfield estimated that informal taxation—the collection of fees by armed personnel to allow safe passage of goods—raised about USD 235 million annually for the Taliban and pro-government figures. By contrast, the province received less than USD 20 million a year in foreign aid.

Nonetheless, UN Security Council resolutions imposing sanctions and other restrictions on the Taliban for terrorism-related actions will prevent the Central Bank of Afghanistan from receiving new paper Afghan currency, which is printed in Europe.

Greg Ip of the *Wall Street Journal* questions the effectiveness of sanctions. "The last American soldier had barely left Afghanistan when President Biden pledged that pressure on the Taliban would continue through other means, in particular what he described as economic tools," i.e. sanctions. Cornell University's Nicholas Mulder in his forthcoming book, "The Economic Weapon: The Rise of Sanctions as a Tool of Modern War," uses historical data to document the failure of sanctions to counter authoritarian regimes.

In the context of the new Afghanistan, the complex set of sanctions that the UN Security Council previously imposed on the Taliban, as well as those imposed by the US, EU, and many governments, should be reviewed to ensure that they do not complicate the delivery of humanitarian assistance by NGOs.

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An Afghan man counts his money after the Afghan currency faced devaluation in Kabul, Afghanistan, September 4, 2021.

PHOTO: REUTERS

four remaining months of 2021 amid warnings of drought and starvation. This money will also fund essential health services for 3.4 million Afghans, treatment for acute malnutrition for more than 1 million children and women, water and sanitation for 2.5 million people, and protection for 1.5 million people including children and survivors of gender violence. The UN took up this funding request on Monday and the UN Secretary General announced an agreement to fund Afghanistan to the tune of USD 1 billion.

There have been voices of dissent from some aid agencies stationed in Kabul. They were hoping that the new Taliban government would be inclusive and be formed after consultation with the various rival factions operating in Afghanistan. All these expectations have now been dashed. Religious minorities, particularly the Hazaras, women, and various ethnic groups were left out.

Former Irish president Mary Robinson, who heads the group of prominent former leaders founded by Nelson Mandela (Elders), called on China and Russia especially to tell the Taliban that

not accept." For many Afghans, more pressing than the composition of the Cabinet was the economic fallout of the chaos triggered by the Taliban's conquest. Concerned observers abroad are still struggling to come to terms with the urgency and importance of foreign aid for the new Afghan government as it tries to revive the economy.

What does Afghanistan need now?

Two issues have emerged as of paramount importance for policymakers in the West: how important is foreign aid for the survival of the Afghan economy and secondly, how much leverage can the US and its allies exercise by maintaining sanctions and other forms of economic warfare against the new government.

Unquestionably, the new Afghan acting Prime Minister, Mullah Hassan Akhund, and his team will need to face the challenge of reviving the economy head-on, and brace themselves to combat steep inflation, food shortages exacerbated by drought, and the prospect of international aid being slashed as countries distance themselves from the Taliban.

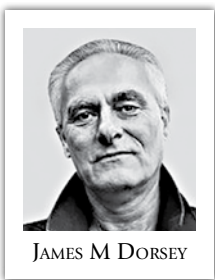
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Ahmed Massoud, who is the founder of the National Resistance Front of Afghanistan.

Aid agencies in Afghanistan are now in a terrible fix. They must decide how to help the country without abetting the Taliban. The challenges are enormous. The heads of UN agencies and international aid groups appealed last week for more humanitarian funding for Afghanistan as they

Initial Taliban moves fail to convince Afghanistan's neighbours



JAMES M. DORSEY

THE Taliban's record in recent weeks on making good on promises to respect human and women's rights as well as uphold freedom of the press is mixed at best. Afghanistan's neighbours and near-neighbours are not holding their breath even if some are willing to give the Central Asian country's new rulers the benefit of the doubt.

A litmus test of Taliban willingness to compromise may come sooner than later.

It's most likely only a matter of time before China knocks on newly appointed Afghan acting interior minister Sirajuddin Haqqani's door demanding the extradition of Uighur fighters.

The Chinese demand would be challenging not only because of the Taliban's consistent rejection, no matter the cost, of requests for the expulsion of militants who have helped them in their battles.

The Taliban already made that clear two decades ago when they accepted the risk of a US invasion of Afghanistan in the wake of 9/11 by refusing for the umpteenth time to hand over Al-Qaeda leader Osama bin Laden. There is little in Taliban 2.0 that suggests that this has changed.

If Haneef Atamar, the foreign minister in the US-backed Afghan government of former president Ashraf Ghani, is to be believed, Uighurs, including one-time fighters in Syria, contributed significantly to the Taliban's most recent battlefield successes in northern Afghanistan.

A demand to extradite Uighurs to China would also be challenging because Mr Haqqani himself, the Afghan official in charge of internal security, is a wanted man with a USD 5 million US bounty on his head. Moreover, the United Nations has sanctioned Mr Haqqani's prime minister, Mullah Hasan Akhund, and several other members of the caretaker government.

"It's hard to see a wanted man turning over someone who is wanted for similar reasons," said a Western diplomat.

Moreover, honouring extradition requests could threaten unity within the Taliban's ranks. "Taliban actions against foreign jihadist groups to appease neighbouring countries would be especially controversial, because there is quite a widespread sense of solidarity and comradeship with those who fought alongside the Taliban for so long," said Afghanistan scholar Antonio Giustozzi.

Unanswered is the question of whether China would go along with what seems to

be an unspoken international consensus that it may be best not to seek extraditions if the Taliban keep their word and prevent militants from striking at targets beyond Afghanistan.

Counterterrorism experts and diplomats argue that if forced, the Taliban would quietly let foreign militants leave their country rather than hand them over. That would make it difficult to monitor these individuals.

China has in recent years successfully demanded the extradition of its Turkish Muslim citizens from countries like Egypt, Malaysia, and Thailand and has pressured many more to do so even though they were not suspected of being foreign fighters and/or members of the Turkistan Islamic Party (TIP). The United Nations Security Council has designated TIP's predecessor, the East Turkestan Islamic Movement (ETIM) as a

international community may be speaking different languages even if they use the same words.

The Taliban made clear that their definition of inclusivity, a term the group and the international community, including China, Russia and India, appeared to agree on, was very different. The Taliban formed an overwhelming ethnic, all-male government that was anything but inclusive by the universally agreed meaning of the word.

Similarly, Mr Haqqani and his colleagues, including Qari Fasihuddin Badakhshani, the Afghan military's new Taliban chief of staff, a Tajik and one of only three non-Pashtuns in the new 33-member government structure, is believed to have close ties to Uighur, Pakistani and other militants.

As a result, they are likely to be equally



Mullah Abdul Ghani Baradar, the Taliban's deputy leader and negotiator, and other delegation members attend the Afghan peace conference in Moscow, Russia March 18, 2021.

PHOTO: REUTERS

terrorist organisation.

There is little reason to assume that China would make Afghanistan, a refuge from Syria for Uighur fighters, the exception.

Chinese foreign minister Wang Yi made that clear when he hinted at possible extradition requests during talks in July in China with Mullah Abdul Ghani Baradar, a co-founder of the Taliban and the new government's first deputy prime minister. Mr Wang demanded that the Taliban break relations with all militant groups and take resolute action against the TIP.

Moreover, the Taliban may have destroyed any chance of Chinese reliance on them by demonstrating early on that they and the

reticent about entertaining Chinese-backed Pakistan requests for the transfer of members of the Tehrik-i-Taliban Pakistan (TTP), more commonly known as the Pakistani Taliban.

The TTP is a coalition of Pashtun Islamist groups with close ties to the Afghan Taliban that last year joined forces with several other militant Pakistani groups, including Lashkar-e-Jhangvi, a violently anti-Shiite Sunni Muslim supremacist organisation.

Hazara Shiites, who account for 20 percent of the Afghan population were not included in the newly appointed Afghan government even though the Taliban made a point last month by protecting Shiite religious celebrations. Nonetheless, the Taliban's notion of inclusivity

has already troubled relations with Iran and could persuade the Islamic republic to covertly support resistance to the group's rule.

China fears that the fallout of the Taliban's sweep across Afghanistan could affect China beyond Afghanistan's borders, perhaps no more so than in Pakistan, a major focus of the People's Republic's single largest Belt-and Road (BRI)-related investment.

The killing in July of nine Chinese nationals in an attack on a bus transporting Chinese workers to the construction site of a dam in the northern mountains of Pakistan raised the spectre of Afghanistan-based religious militant jihadis targeting China. Until now, it was mainly Baloch nationalists who targeted the Chinese in Pakistan.

The attack occurred amid fears that the Taliban victory would bolster ultra-conservative religious sentiment in Pakistan where many celebrated the group's success in the hope that it would boost chances for austere religious rule in the world's second-most populous Muslim-majority state.

"Our jihadis will be emboldened. They will say that 'if America can be beaten, what is the Pakistan army to stand in our way?'" said a senior Pakistani official.

Indicating concern in Beijing, China has delayed the signing of a framework agreement on industrial cooperation that would have accelerated the implementation of projects that are part of the China Pakistan Economic Corridor (CPEC), a crown jewel of the People's Republic's transportation, telecommunications and energy-driven BRI.

Taliban spokesman Zabihullah Mujahid recently kept the Taliban's relationship with the TTP ambiguous.

"The issue of the TTP is one that Pakistan will have to deal with, not Afghanistan. It is up to Pakistan, and Pakistani Islamic scholars and religious figures, not the Taliban, to decide on the legitimacy or illegitimacy of their war and to formulate a strategy in response," Mr Mujahid said during an interview on a Pakistani television programme. The spokesman stopped short of saying the Taliban would abide by a decision of the scholars.

Afghan sources suggest that the Taliban advised the TTP to restrict their fight to Pakistani soil and have offered to negotiate with the Pakistan government an amnesty and the return of the Pakistani militants to the South Asian nation.

Uncertainty about where the Taliban may be taking Afghanistan has also cast a shadow over Indian hopes that the Iranian port of Chabahar would facilitate trade with Afghanistan and Central Asia and counterbalance the Chinese-supported Pakistani port of Gwadar.

Eager to maintain leverage in its relations

with Pakistan as well as China, Taliban official Sher Mohammed Abbas Stanekzai chose his words carefully by stressing that economics should be at the centre of Afghan-Indian relations. "We give due importance to our political, economic and trade ties with India and we want these ties to continue. We are looking forward to working with India in this regard," Mr Stanekzai said.

Mr Stanekzai's business-focused approach coupled with the pressure on Taliban to police militants on Afghan soil, some of whom have attacked India in the past, dovetails with Islamic scholars in the Deobandi *alma mater* in the Uttar Pradesh town of Deoband stressing the divide between themselves and their Afghan and Pakistani brethren.

The Indian Deobandi posture created an opportunity that the government of Prime Minister Narendra Modi has yet to grasp to involve them in India's backchannel and direct contacts with the Taliban. India invested USD 3 billion over the last 20 years in building Afghan roads, girls' schools and health clinics. Mr Stanekzai's remarks indicate that the Taliban would like India to continue its investments in the country.

The Taliban as well as a significant number of Pakistani ultra-conservatives root their worldview in Deobandism, a strand of Islam that emerged in India in the mid-19th century to oppose British colonial rule by propagating an austere interpretation of the faith. Deobandism became prevalent among Pashtuns even though Deoband is in Pakistan.

Arshad Madani, the principal of the Darul Uloom Deoband, the original Deobandi madrasa established in 1886, recently welcomed a decision by India's Anti-Terrorist Squad (ATS) to set up a training centre in Deoband.

"There is nothing wrong with what we teach, and we welcome the ATS staff to be a part of our classes whenever they like," Mr Madani said. A spokesman for the madrasa added that "we are a religious school, but we are also Indians. To doubt our integrity every time the Taliban spread terror is shameful."

Mr Madani's posture should serve as an incentive for the Modi government to work with Indian Deobandis in the hope that the Taliban may be more willing to listen to religious figures with whom they share a history.

Mr Madani has never had contact with the Taliban nor has he ever visited Afghanistan. "I'm weak and old," says the 80-year-old cleric. "But if given the chance, I would go to Afghanistan."

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