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An Economic Surge for Afghanistan

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After over ten years of multilateral efforts to help Afghanistan build internal security, a capable state and functioning legal economy, the exit for Afghanistan's partners beckons. War-weary and increasingly distracted by their own national political and economic concerns, major contributors to the Afghanistan reconstruction project seek to refocus their resources on domestic issues.

This tendency is evidenced in the accelerating drawdown of multilateral forces in Afghanistan. This is moving with greater haste even given that multilateral military commitments are not open-ended, and will be necessarily curtailed by the 2014 deadline of Afghan forces gaining prime responsibility for national security. The United States, in the words of David Petraeus, is executing an "aggressive" military drawdown.¹ France withdrew its troops in November 2012.² Britain intends to remove nearly half of its forces, and Australia the majority of its troops, by the end of this year.³ Italy, Germany, Belgium and Denmark have also signalled that they may end their military presence in Afghanistan before the end of the transition in 2014.⁴

An additional motivator for this withdrawal is electoral politics. The US Obama administration is currently extremely cautious regarding new substantive foreign commitments for fear of suffering domestic political disadvantage. The 2014 US midterm elections, coinciding with the Afghanistan transition, are likely to encourage the same external caution. Elections also crowd out non-crisis foreign policy issues, further reducing the visibility of Afghanistan on the American political radar.

2014 will also mark national elections for India, another state crucial to Afghanistan's future. Indian politicians are already thinking and posturing for these elections, and are similarly loth to commit to the risky foreign endeavour that an expanded Indian

¹ Katzman, Kenneth. *Afghanistan: Post-Taliban Governance, Security and U.S. Policy (Report RL30588)* (Washington DC: Congressional Research Service, 2012) p. 25.

² Petty, Martin. "French Combat Troops Withdraw from Afghan War". Reuters, November 20, 2012, <http://uk.reuters.com/article/2012/11/20/uk-afghanistan-france-idUKBRE8AJ0Z920121120>

³ BBC News staff, "UK to Withdraw 3,800 Troops from Afghanistan During 2013", BBC News, December 19, 2012, <http://www.bbc.co.uk/news/uk-20778561>; Pittaway, Nigel. "Australian Minister Details Afghan Withdrawal Plans", Defense News, February 14, 2013, <http://www.defensenews.com/article/20130214/DEFREG03/302140018/Australian-Minister-Details-Afghan-Withdrawal-Plans>

⁴ Katzman, *Afghanistan*, p. 42.

security and economic presence in Afghanistan would entail.⁵ Thus for the US and India, as two of Afghanistan's most important partners, the transition period will compete with the internal myopia that characterises any election.

The long-term strategic consequences of this likely oversight threaten the gains made in the entire campaign. The US and India, as essential partners for securing Afghanistan with complementary strategic objectives, should rededicate themselves to securing Afghanistan with the time they have left. The economic stability of Afghanistan underpins its entire state consolidation efforts, and should be the focus of the United States and India as the military drawdown continues.

Afghanistan Toward the Transition

Afghanistan is presently engaged in the process of assuming greater responsibility for its security from multilateral forces. Afghan national security forces, as of September 2012, lead in security provision for three-quarters of the Afghan population. They are continuing to take the operational lead for remaining areas of the country.⁶

However, Afghanistan's economic and military security, two years from the formal transition, remains very much a work in progress. Western analysts worry about the ability of the indigenous Afghanistan National Army (ANA) to safeguard the country and retain coherence in the face of the pre-existing ethnopolitical allegiances of its soldiers.⁷ Significant areas of the country remain open to manoeuvres by groups destabilising to state reconstruction, such as the Taliban and Haqqani network. While relying on multilateral forces to secure broad swathes of its territory, the Afghan government also depends on foreign funding streams to pay its bills.

This latter issue of external economic dependence is often overlooked in the security-oriented literature on Afghanistan, but is no less crucial to its future. Donor aid currently accounts for 95% of Afghanistan's GDP, and international donations provide 90% of its government budget.⁸ Post-2014 multilateral donations are likely to taper off, as contributor states feel they have done their part and that Afghanistan should now resolve its own problems. Additional pressure on maintaining external funding streams will be created by the electoral politics coinciding with the transition, and accordant political calls to focus on internal investment or debt reduction.

This trajectory threatens grievous consequences for Afghanistan. A poorly financed central state will be unable to compete with warlords and insurgent groups, who are better funded by their external sponsors, for territory and political allegiance among its population and own security forces.⁹ Closer economic linkages of parts of the

⁵ Gupta, Smita. "Congress, Government Go Into Battle Mode", The Hindu, November 1, 2012, <http://www.thehindu.com/news/national/congress-government-go-into-battle-mode/article4054703.ece?homepage=true&css=print>

⁶ US Department of Defense. *Report on Progress Toward Security and Stability in Afghanistan* (Washington DC: US Department of Defense, December 2012) p. 1.

⁷ Wyatt, Caroline. "Can Afghanistan National Army Survive NATO Exit?", BBC News, March 9, 2011, <http://www.bbc.co.uk/news/world-south-asia-12681599?print=true>; Katzman, *Afghanistan*, p. 35.

⁸ Katzman, *Afghanistan*, pp. 62-65.

⁹ Goodhand, Jonathan. "From War Economy to Peace Economy? Reconstruction and State Building in Afghanistan", *Journal of International Affairs* Vol. 58 No. 1 (Fall 2004) pp. 159-60.

country with other states, rather than with a flagging national economy, will undermine state consolidation efforts.¹⁰ In Kabul, a continuing state reliance on external funding rather than internal extraction will breed rentierism among its political elite, and motivate against national central taxation as a key means of building state-society and core-periphery links. Finally, external dependence means external dependence, and without the fiscal means to prosecute its own interests, Afghanistan or parts of it could easily fall into the strategic aegis of a neighbour state, or to infighting among regional competitors for this prize.

As the international military surge continues to dissipate, an economic surge is what is now needed. Afghanistan's international partners should make robust new investment commitments to the state, in actual functioning projects rather than just the central budget, and scale up training of civilian officials to manage these economic projects and Afghan taxation and budget allocation. The target should be improving Afghanistan's indigenous revenue generative capacity, rather than helping it avoid immediate fiscal ruin on a contingency basis.

The Multilateral Context

Three of the most prominent external players in Afghanistan are Pakistan, India and the US. Examining the potential roles of each in the recommended economic surge can illuminate paths forward for its execution.

Pakistan offers little of what Afghanistan presently needs. It confronts, in the words of the US Chair of the Joint Chiefs of Staff, "mind-numbing economic challenges", and thus has little fiscal room to allocate the kind of resources Afghanistan needs for state consolidation.¹¹ It also can only involve itself in Afghani security in negative terms: its most effective contribution would be to cease its sponsorship of the Taliban, Haqqani network, and other groups dedicated to destabilising the country. With Pakistan facing its own state consolidation issues, dedicated economic support for Afghanistan will have to be sought elsewhere.¹²

India can offer much more than Pakistan toward developing Afghanistan. It is presently engaged in several major reconstruction projects, including building the Selwa Dam in Herat, constructing major new roads, and extending electricity provision. It is also engaged in a civilian official training programme, with calls from within Afghanistan for this to be diversified to include accountancy and managerial training.¹³

Having devoted around \$2 billion to Afghanistan's state development since 2001, India is evidently unafraid of taking a substantial economic stake in the future of a neighbour of critical strategic importance to it. As well as these direct investments, India has also taken the lead in successfully integrating Afghanistan into the South

¹⁰ Ibid. pp. 161,169.

¹¹ US Joint Chiefs of Staff website. "PBS Interview with Charlie Rose, as Delivered by Gen. Martin Dempsey, New York, NY Saturday, March 17, 2012", <http://www.jcs.mil/speech.aspx?id=1685>

¹² Niaz, Ilhan. "Pakistan's Briefcase Warriors", *Foreign Affairs*, June 13, 2012, <http://www.foreignaffairs.com/print/135046>

¹³ Katzman, *Afghanistan*, p. 57.

Asian Association for Regional Cooperation (SAARC), and providing a preferential customs environment to encourage export of Afghan goods.¹⁴ The long-term commitment of India to Afghanistan is further evidenced by the wide-ranging bilateral strategic partnership signed in October 2011.¹⁵

There is a debate within India, and increasingly within the US, regarding whether India should become more deeply involved in Afghanistan. However, these debates tend toward recommending caution. This is due to their perceived fear of extensive Indian activity in Afghanistan provoking increased destabilising actions from a Pakistan nervous of Indian empire-building.¹⁶ While this is indeed a risk to be managed, allowing this fear to justify continuing on Afghanistan's dangerous present trajectory is a greater danger.

An additional limiting factor to Indian economic support to Afghanistan could be its upcoming elections. Indian politics, presently obsessed with domestic corruption scandals, is unlikely to take particular attention of Afghanistan as the 2014 Indian elections approach. Indian policymakers must look beyond the vagaries of electoral cycles toward the opportunity to set Afghanistan on a better fiscal path, as it is one of the few states with the interest and capacity to do so.

The US appears unwilling to consider further surges of any kind in Afghanistan. Although analysts expect a small American military presence to continue in Afghanistan post-2014, Vice President Biden affirmed in the 2012 vice-presidential debate that "we are leaving in 2014. Period."¹⁷ As the size of the US federal debt and possible measures to reduce it were the core issues of the 2012 election, exorbitant financial commitments to other states are currently a dim prospect. Having conducted the bulk of the heavy lifting in the Afghanistan military campaign, which constitutes the longest in America's history, the US political mood is now to beat a hasty exit.

The temptations of this approach should be balanced against the risks of permitting Afghanistan to continue as it presently is, or suffer lethal fiscal shortfalls due to future US general reductions in foreign expenditure.¹⁸ While military withdrawals progress, the US should work with India and other partners to rapidly expand their economic investment and civilian training programmes in Afghanistan.

Long-Term Planning Underpinned by Long-Term Perspective

¹⁴ Pant, Harsh V. "The Afghanistan Conflict: India's Changing Role", *Middle East Quarterly* Vol. 18 No. 2 (Spring 2011) pp. 32-33.

¹⁵ Indian Ministry of External Affairs website. *Text of Agreement on Strategic Partnership between the Republic of India and Islamic Republic of Afghanistan (October 4, 2011)*, <http://www.mea.gov.in/mystart.php?id=530518343>

¹⁶ Hanauer, Larry and Chalk, Peter. *India's and Pakistan's Strategies in Afghanistan: Implications for the United States and the Region* (Santa Monica, CA: RAND Corporation, 2012) p. ix-xii; Pant, "Afghanistan Conflict".

¹⁷ Commission on Presidential Debates website. "October 11, 2012: The Biden-Ryan Vice Presidential Debate", <http://www.debates.org/index.php?page=october-11-2012-the-biden-romney-vice-presidential-debate>

¹⁸ The US-Afghanistan strategic partnership agreement of May 2012 subjects US financial support to Afghanistan to the annual US congressional budgetary appropriations process. Afghan negotiators reportedly tried to escape the political and budgetary uncertainties inherent in this process by obtaining a regularised annual US commitment of \$2bn. Katzman, *Afghanistan*, p. 28.

Electoral domestic issues in the United States and India should not be allowed to obscure the risks in allowing the Afghanistan transition to progress as it currently is. A poorly consolidated Afghan state, reliant on external funding sources that encourage rentierism, is likely to fall to centrifugal pressures and allow room for the Taliban, Haqqanis and other malevolent groups to prosper.

An economic surge, organised around substantially upscaling financial investment and civilian official training programmes, is essential to building the extractive capacity and security of the Afghan state for a post-2014 context. As the United States and India have similar and increasingly aligned interests in a stable Afghan state, they should work together to develop this surge and attract other partners to participate. The window of flexibility is closing before the transition is too advanced and before new electoral seasons begin in the United States and India, but there is still time. It should not be wasted.

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