

In the Name of God, the Most Merciful, the Most Kind



April 17, 2017

## Investment Initiatives must be Appreciated

It is really imperative for Afghanistan that the international community and the regional countries, in particular, must play their roles in strengthening the economic system. One of the ways through which they can do it is to promote investment in Afghanistan. This would not only support Afghanistan but also the countries that may take such initiatives. Among the regional countries, China is the most dominant one that intends to develop its 'One Belt One Road' initiative through Afghanistan. Nevertheless, the Central Asian countries and the ones around them can also take initiatives to invest in Afghanistan as it would benefit them to a great extent in the long run, if the security situation in the country improves.

One such initiative is being pursued by Czech Republic. A number of businessmen from Czech Republic have shown an 'increasing willingness' to resume their previous projects as well as kick start new investments in Afghanistan. As per the statement by International Chamber of Commerce country director Abdul Qadir Bahman, Czech businessmen are keen to invest in more than 100 projects in Afghanistan and they have submitted their investment plans to the Afghan government. These projects include collecting and processing garbage, generating power from wind, solar energy and garbage, investment in production of cement and other construction materials.

This piece of news is really encouraging for the business in Afghanistan and can also attract investors from other countries as well. It is imperative for Afghan authorities to comprehend that one of the ways the country would be able to face the serious challenges in different sectors is to strengthen its economy. A reliable economic system would help in political stability and restoration of security. The country cannot keep on relying on the external support indefinitely. It has to stand on its own and face its economic challenges itself. Most importantly, it needs to let the businesses grow, support them and enable them to bear roots. Both national and international businesses can assist the country in its journey towards a stable economic system.

However, the fact is that the attention given to the economic system of the country is really insufficient. Moreover, the different institutions that can play a great role in this regard have been victimized by incapacity and corruption. And, without strong economic institutions, developing the basic infra-structure on which to make the economy stand is almost impossible. One of the main institutions that has a key role in Afghanistan's economic prosperity is Afghanistan Chamber of Commerce and Industries (ACCI). This institution has to be supported, groomed and managed properly so that it shoulders the tough responsibilities that are given to it. Moreover, the business community is facing serious challenges like kidnapping of businessmen, procurement issues and challenges, low quality of services especially in large projects, lack of electronic payment systems, failure to attract foreign direct investment, low employment and brain drain challenges, lack of support mechanisms and programs for Afghan businesses especially for women-owned businesses, misuse of ACCI resources by those in authority, capital flight etc. And, these all issues remain unattended, while the authorities are busy in saving the positions in the institution.

There are different pre-requisites for businesses and investments to flourish. Among them stability and security play a dominant role. If different systems within a country are stable and there are not major fluctuations every now and then, the ground is said to be ready for the investors and businessmen to jump in and establish their businesses. Businessmen want consistent outcomes from their investments and they abhor seeing political and social changes disturb their businesses.

Afghanistan is one of the same kinds of country where insecurity has been influencing the economic life to a large extent. Both national and international businessmen are not readily willing to invest in all the sectors and they do not see positive prospects of their businesses. As insecurity has been overwhelmingly influencing the country, the development in the basic infra-structure has been meager.

The doubts and uncertainties of the Afghan market have made the international investors to think thousand times before they take an initiative to start their businesses in the country. Though there are great opportunities in Afghanistan and the country is blessed with different types of mineral and other natural resources, the economic infra-structure has not been able to get enough attention.

Afghanistan needs to have strong economy so as to go through the transition period and most importantly to survive after the international supports dry. The country has to start from the institutions and basic infra-structure development and has to reach to a stable economy, wherein the businesses are able to function without any fear and inconsistency. The business institutions like ACCI need to develop an environment that can be galvanizing for both the national and international investors. Moreover, the golden opportunities wherein Afghanistan can exert maximum and can get the best outcomes from must be discovered and they should be strengthened so as to push the country towards self-sufficiency.



## Will the 'Mother of All Bombs' Slay the Mother of ISIL Group?

By Hujjatullah Zia

If you look at what's happened over the last eight weeks and compare that really to what's happened over the past eight years, you'll see there's a tremendous difference, tremendous difference," the US President Donald Trump said after the military unleashed the giant bomb on a largely unpopulated region of the Afghan wilderness. "This was another very, very successful mission."

The self-proclaimed Islamic State of Iraq and the Levant (ISIL) emerged relatively recently, surfacing about a year after the parent organization declared a caliphate in Iraq and Syria in 2014. Since then, it has staged deadly attacks on Afghan nation and stoked sectarian violence. Killing people on the grounds of their accidental backgrounds, the ISIL filled the air with a strong sense of fear. Since the ISIL's ideology is far more perilous than the Taliban's, the public initially feared that this group would play more deadly role.

Little wonder this group showed the civilians, including women and children, no mercy and exercised its dogmatic beliefs harshly. The group's barbarity in Syria and Iraq had already been heard and seen by the world, including Afghans. With its emergence, the ISIL sought to sow the seed of ethnic tension among Afghans through targeting ethnic minority groups, mainly Shiite sect.

Similarly, the group attacked the Shiite mourning proceedings at Ashura, and a shrine in Kabul – the casualties were mostly non-combatants. Although its sinister aim for triggering ethnic tension was proved abortive, it was a blow to democracy.

The escalated militancy also created a gap between the nation and state. The National Unity Government (NUG) was beset not only by the Taliban but also by the ISIL's insurgency. In other words, the political turbulence was compounded by this emerging group, which heightened the graph of public mistrust and frustration and raised eyebrows. Hence, the NUG was engulfed in militancy from both sides namely the Taliban and the ISIL group. To sum up, on the one hand, the combat mission of NATO forces ended without the desired result and on the other hand, the ISIL group surfaced to destabilize the country. Meanwhile, the peace negotiation with the Taliban elements came to a stalemate.

The NUG called warring parties either to join peace process or will be treated militarily. Except for the Hezb-e-Islami Afghanistan (HIA), led by Gulbuddin Hekmatyar, all warring parties signaled negatively to Afghanistan's peace offerings. The Kabul government adopted the right strategy in this regard i.e. called them opponent rather than "discontented brothers" and staged deadly and indiscriminate strikes against all militant

fighters. Following the US combat mission in Afghanistan, its advisory role continued. However, Donald Trump pledged to eradicate "Islamic terrorism" from the face of the Earth. Recently, the US army dropped its largest non-nuclear bomb in Afghanistan. Dubbed the "Mother of All Bombs", the 9,797kg GBU-43 Massive Ordnance Air Blast (MOAB) was unleashed in combat for the first time on Thursday, April 13, engulfing a remote area of eastern Nangarhar province in a huge mushroom cloud and towering flames.

The Afghan Defense Ministry said three dozen fighters were killed in the attack, which used one of the largest non-nuclear bombs in the US arsenal, the GBU-43, against a network of tunnels and bunkers in the east.

Afghan President Ashraf Ghani's office said in a statement the attack was a part of a joint operation by Afghan and international troops. "Afghan and foreign troops closely coordinated this operation and were extra cautious to avoid any civilian casualties," he is cited as saying.

But former president Hamid Karzai condemned the use of the weapon on Afghan soil. "This is not the war on terror, but the inhuman and most brutal misuse of our country as testing ground for new and dangerous weapons," he said on social media network Twitter.

In a statement Friday, the Taliban also condemned the strike, which it called a "show" by US forces that want to convince the world they are taking a strong stand against the ISIL group. The United States had "no justification" for using such a powerful bomb during combat, said the statement, which was distributed on the instant messaging app Viber.

According to the top US military commander in Afghanistan General John Nicholson, US forces conducted 79 "counterterror strikes" in March against ISIL group in Nangarhar, killing as many as 200 militants. However, The United Nations has raised concerns that the American air campaign is swelling civilian casualties in Afghanistan. Last year, air strikes by international forces caused at least 127 civilian deaths and 108 injuries, up from 103 deaths and 67 injuries in 2015, the United Nations said. The ISIL group, which is changing into a serious threat to Afghanistan, will have to be combated strongly and its hideouts are to be eradicated. However, the question is that will the 'Mother of All Bombs' slay the mother of (root out) ISIL group? The picture and news of this mammoth bomb have gone viral, however, the impact is not believed to be as huge as to eradicate any terrorist groups from the country or, at least, mitigate the militancy. Perhaps, it is a message of threat to warring factions, including the Taliban.

Hujjatullah Zia is the permanent writer of the Daily Outlook Afghanistan. He can be reached at zia\_hujjat@yahoo.com

## Too Late to Compensate Free Trade's Losers

By Dani Rodrik

It appears that a new consensus has taken hold these days among the world's business and policy elites about how to address the anti-globalization backlash that populists such as Donald Trump have so ably exploited. Gone are the confident assertions that globalization benefits everyone: we must, the elites now concede, accept that globalization produces both winners and losers. But the correct response is not to halt or reverse globalization; it is to ensure that the losers are compensated. The new consensus is stated succinctly by Nouriel Roubini: the backlash against globalization "can be contained and managed through policies that compensate workers for its collateral damage and costs," he argues. "Only by enacting such policies will globalization's losers begin to think that they may eventually join the ranks of its winners."

This argument seems to make eminent sense, both economically and politically. Economists have long known that trade liberalization causes income redistribution and absolute losses for some groups, even as it enlarges a country's overall economic pie. Therefore, trade deals unambiguously enhance national wellbeing only to the extent that winners compensate losers. Compensation also ensures support for trade openness from broader constituencies and should be good politics.

Prior to the welfare state, the tension between openness and redistribution was resolved either by large-scale emigration of workers or by re-imposing trade protection, especially in agriculture. With the rise of the welfare state, the constraint became less binding, allowing for more trade liberalization. Today the advanced countries that are the most exposed to the international economy are also those where safety nets and social insurance programs – welfare states – are the most extensive. Research in Europe has shown that losers from globalization within countries tend to favor more active social programs and labor-market interventions.

If opposition to trade has not become politically salient in Europe today, it is partly because such social protections remain strong there, despite having weakened in recent years. It is not an exaggeration to say that the welfare state and the open economy have been flip sides of the same coin during much of the twentieth century.

Compared to most European countries, the United States was a latecomer to globalization. Until recently, its large domestic market and relative geographical insulation provided considerable protection from imports, especially from low-wage countries. It also traditionally had a weak welfare state.

When the US began opening itself up to imports from Mexico, China, and other developing countries in the 1980s, one might have expected it to go the European route. Instead, under the sway of Reaganite and market-fundamentalist ideas, the US went in an opposite direction. As Larry Mishel, president of the Economic Policy Institute, puts it, "ignoring the losers was deliberate." In 1981, the "trade adjustment assistance (TAA)

program was one of the first things Reagan attacked, cutting its weekly compensation payments."

The damage continued under subsequent, Democratic administrations. In Mishel's words, "if free-traders had actually cared about the working class, they could have supported a full range of policies to support robust wage growth: full employment, collective bargaining, high labor standards, a robust minimum wage, and so on." And all of this could have been done "before administering 'shocks' by expanding trade with low-wage countries."

Could the US now reverse course, and follow the newly emergent conventional wisdom? Back in 2007, political scientist Ken Scheve and economist Matt Slaughter called for "a New Deal for globalization" in the US, one that would link "engagement with the world economy to a substantial redistribution of income." In the US, they argued, this would mean adopting a much more progressive federal tax system.

Slaughter had served in a Republican administration, under President George W. Bush. It is an indication of how polarized the US political climate has become that it is impossible to imagine similar proposals coming out of Republican circles these days. The effort by Trump and his Congressional allies to emasculate former President Barack Obama's signature health-insurance program reflected Republicans' commitment to scaling back, not expanding, social protections.

Today's consensus concerning the need to compensate globalization's losers presumes that the winners are motivated by enlightened self-interest – that they believe buy-in from the losers is essential to maintain economic openness. Trump's presidency has revealed an alternative perspective: globalization, at least as currently construed, tilts the balance of political power toward those with the skills and assets to benefit from openness, undermining whatever organized influence the losers might have had in the first place. Inchoate discontent about globalization, Trump has shown, can easily be channeled to serve an altogether different agenda, more in line with elites' interests.

The politics of compensation is always subject to a problem that economists call "time inconsistency." Before a new policy – say, a trade agreement – is adopted, beneficiaries have an incentive to promise compensation. Once the policy is in place, they have little interest in following through, either because reversal is costly all around or because the underlying balance of power shifts toward them. The time for compensation has come and gone. Even if compensation was a viable approach two decades ago, it no longer serves as a practical response to globalization's adverse effects. To bring the losers along, we will need to consider changing the rules of globalization itself.

Dani Rodrik is Professor of International Political Economy at Harvard University's John F. Kennedy School of Government. He is the author of *The Globalization Paradox: Democracy and the Future of the World Economy* and, most recently, *Economics Rules: The Rights and Wrongs of the Dismal Science*.

Chairman / Editor-in-Chief: Moh. Reza Huwida

Vice-Chairman: Kazim Ali Gulzari

Email: outlookafghanistan@gmail.com

Phone: 0093 (799) 005019/777-005019

www.outlookafghanistan.net

Daily Outlook  
AFGHANISTAN  
The Leading Independent Newspaperافغانستان ما  
The Daily Afghanistan Ma

The views and opinions expressed in the articles are those of the authors and do not reflect the views or opinions of the Daily Outlook Afghanistan.