

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



July 13, 2017

We must Mend our Ways

Our country is going through most fragile and crucial phase of its history. The incidents that have taken place and the ones that are taking place clearly indicate that we are going through a transition phase that might lead us to stability or even chaos – if we do not act wisely. It is very imperative at this juncture that we must not fall the victim of emotions and carelessness and strive to act prudently. The leaders, who have influence over the minds and thinking of the common people, must try to advise the people not to lose their sanity and they need to strive to understand the demands and the challenges of time.

People, at this crucial juncture require thinking above their personal benefits; the groups and the institutions require functioning more than their own profits and most importantly the privileged class of the society must take decision above their self-centered incentives. It is really important to speak the words that make sense instead of uttering the words that are popular and spoken for the sake of earning fame. The objective conditions want us to be more realistic and if we are not able to act in that particular manner are doomed to failure.

The history has taught us so many lessons that by now all of us must have learnt enough lessons and must have acquired sufficient prudence. The world has never given any nations so many opportunities to learn from their past mistakes. But we seem not to avail any opportunity and at the moment we are going astray.

The traditions and values in our society are really weird and out of understanding. A limited number of people have decided to devour the entire wealth of the nation. Another group is busy only in the false display of wealth and status. Certain old men have shouldered the responsibility of proving the wrongs of the ruling elite right through holy scriptures; while another honorable group is striving tirelessly to earn fame in every possible manner.

They have, in reality, lost their connection with the actual problems of the time. The most unfortunate fact is that the intellectuals have forgotten their responsibilities. Though they claim their rights from the society but they seem to have forgotten that the society which they ignore cannot be expected to understand their rights, as well. Has earning fame ever been a top priority issue for the same people of the society? Our society has adopted the non-issues and wasting time on them. As a matter of fact, we are far behind our actual social, civil and philosophical problems. Our people are behaving like the immature boys and it seems to be written on our foreheads that we do not have any serious issues at the moment and for the times to come God will keep us away from all the problems.

What have the slogans based on extremists sentiments and hatred and division have given us so far? If we still possess the capacity to ponder, we must make use of it and reach to conclusion that our history is one of the most challenging histories in the world and the most tragic fact is that this history has been written with our own blood.

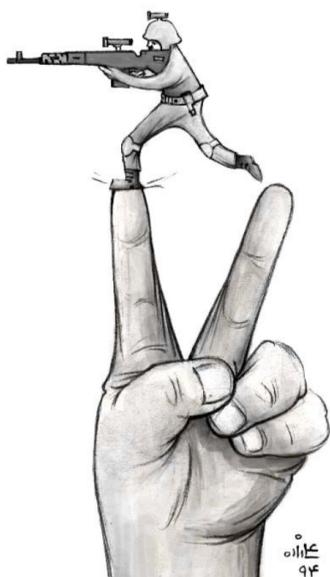
As a matter of fact, we do not seem to have any idea about the gravity of the situation. If we had any idea our reaction would have been very much different from what we are doing now.

Though we are human, we have forgotten the habits of thinking and understanding. The fact is that our people have not been provided the required sanity and boldness to ponder upon the challenges of time and challenge the prevailing values and understandings. We are habitual of saying only those words that seem appropriate to everyone as we are afraid to make others angry. We, from the very beginnings of our lives, are taught to compromise and adjust. Even if there is a place for one person to sit in a car, we can adjust two persons there. We strive to fit ourselves in the mould of traditions and practices even though they may be obsolete and insane.

We have only a single ideal to pursue and that is our 'past'. Unfortunately, the past has not always been glorious and our people seem to follow the same portion of the past that was inglorious. It is difficult to understand why our people do not live their own lives instead of living the lives of their forefathers. If they really want to make difference to themselves and to the world they need to start living their own lives – their present not past.

If we lack a serious consideration to our present and to the life, we would never be able to have a sincere relation with knowledge and even with our beliefs. Though we seem to have inhabited the cities, but we have deserted our conscience and our spirits.

We seem like alien in our own world. We need to wake up; we need to understand that we are pursuing the wrong directions and the wrong destinations. We must realize that we are not using our humanly attributes in their full capacities and we are not fulfilling the responsibility of being true human being.



20 years after the Asian Financial Crisis: What have we learned?

By Takehiko Nakao

This month marks 20 years since the Asian Financial Crisis. It's appropriate to consider at this juncture why the crisis happened, and what we have learned about how countries can safeguard their economies from future shocks and deliver sustainable and inclusive growth.

The combined currency and banking crises started in Thailand in July 1997 and quickly spread to the Republic of Korea, Indonesia, Malaysia and the Philippines. In little more than a year, gross domestic product at the five crisis-affected countries fell by a combined 30%.

The crisis can be traced to the premature opening-up of capital accounts before domestic financial systems and regulations were ready. Short-term borrowing was liberalized even more than long-term foreign direct investment in those countries.

Encouraged by dollar-pegged exchange rates, portfolio investment and bank loans from advanced economies flooded into Asia before the crisis, fueling domestic asset and property price bubbles. Large short-term US-denominated debts financed long-term domestic investments, creating currency and maturity mismatches. Once it became clear they were unsustainable, capital flows suddenly reversed. This led to large devaluations of the currencies and massive bank defaults.

The international community quickly came to the rescue. The International Monetary Fund, World Bank, Asian Development Bank (ADB) and the region's governments provided foreign exchange liquidity and budget support. ADB offered \$7.8 billion in loans over 2 years, mainly through fast disbursing policy-based lending for financial sector reform and social protection to Indonesia, the Republic of Korea, and Thailand. In the event, countries recovered faster than expected. After the initial stabilization measures, authorities at crisis-affected countries reinforced sound macroeconomic policies supported by fiscal prudence and more independent central banks. They adopted more flexible exchange rates, strengthened financial sector regulation and governance, and implemented structural reforms. Countries adopted more prudent approaches to capital account liberalization with better sequencing, consistent with domestic economic conditions. The crisis also gave strong impetus to regional cooperation initiatives.

Today, Asia has a stronger economic outlook. Developing Asia's economies grew 6.8% yearly over the past two decades, faster than any other region. The region's growth now relies much more on domestic demand. These achievements belie criticisms during the crisis that Asia's growth miracle was a myth and unsustainable.

I believe that the development pattern in Asia is evolving from the "flying geese model" popular in the 1960s, in which certain industries shifted from the front runner – Japan – to the "four tigers" and others as technology advanced. It is now based on a "production sharing network model", in which different countries share parts of production processes, not necessarily reflecting their development stages.

This new process enables developing countries to integrate into the regional and global value chains more quickly, thereby facilitating technical and skills transfers which broaden growth opportunities for late comers.

But Asia should not be complacent. Around 330 million of its people still live in absolute poverty, and many economies are experiencing rising inequality. Further steps are needed to make economies more resilient and ensure sustainable and inclusive growth.

First, countries must continue pursuing sound macroeconomic policies. They need to keep adequate fiscal space and international reserve buffers against future shocks. The region requires greater revenues from tax reforms and better collection to finance infrastructure and social sector needs.

Second, countries need deeper and broader financial systems. In addition to sound banking sectors, they need strong capital markets, especially in local currency bonds, both sovereign and corporate. The ASEAN+3 Asian Bond Markets Initiative, supported by ADB, has helped to expand outstanding local currency bonds from \$1 trillion in 2002 to over \$10 trillion in 2016.

Third, both macro- and micro-prudential policies are critical to maintain financial stability. Cross-border capital flows, domestic credit growth, and asset price inflation should be monitored closely. And much wider financial inclusion is needed, not just to support social equity, but to enhance sustainable growth by boosting access to financial services for small and medium-sized enterprises and for households.

Fourth, the region must narrow large infrastructure gaps, which ADB estimates will require over \$1.7 trillion a year through 2030.

Over 400 million people still lack electricity and about 300 million have no access to safe drinking water.

Fifth, Asia must also address climate change risks through both mitigation and adaptation measures. By using smart urban planning and technology, Asian cities can be more resilient and livable.

Sixth, human capital development is essential for countries to advance and avoid the middle-income trap. Education systems should equip people with the necessary skills and knowledge to adapt to a rapidly-evolving technology and business environment.

Adequate health services are urgently needed. Finally, regional cooperation can mitigate risks from globalization. Financial crises are becoming more frequent and costly in a world of free capital flows and financial liberalization. Strengthening regional financial cooperation for emergency financing, macroeconomic surveillance, and collective efforts for financial sector development through initiatives such as the Chiang Mai Initiative Multilateralization will contribute to macroeconomic and financial stability.

Asia is in a much stronger position than 20 years ago, but should remain vigilant.

Takehiko Nakao is President of the Asian Development Bank

Afghanistan – From Stable Internal Policy to Foreign Policy

By Syed Asif Hussaini

In a press conference regarding his recent trip in the Middle East, Afghan President Ashraf Ghani said, "Today my focus is on this major issue that Afghanistan's location should change from a challenge to a great opportunity. And my recent trip to Kazakhstan, Turkmenistan, and Tajikistan and our future trip to Uzbekistan, are one of the most important steps that, if God willing, will change the Afghanistan's geography from a prison and a challenge to a great opportunity. Hence, let me speak regarding this issue for few minutes."

Ill-fatedly, Afghanistan does not lack challenge both in internal and external affairs. The fact is that the internal and external challenges compound each other mutually and will prolong the crisis in the country. Now one cannot claim with certainty that which are the cause and effect. However, it appears that internal challenges have been the main reason behind all misery and instability throughout the history. To think logically, if there were not internal crises, the external problems would come to an end in near future. On the other hand, as long as the internal conflicts persist the external crises will continue unabated. This commentary seeks to view the issue from the same perspective that how we can resolve the internal issues so that we could proceed towards solving the issues imposed on us from outside.

A country's orientation to international environment for engaging in its transnational arena is considered foreign policy. That is to say, when a country is drawn beyond its border for its national interests, the ground for foreign policy will be paved. The issues of national interests, national security and whatever ensures the transnational benefits are the elements in foreign policy with their unique characteristics. In recent years, Afghanistan simultaneously cultivated friendly political relations with several countries but a number of them are problematic for the country for having conflicting interests. In addition to the regional powers, other trans-regional powers that are involved in Afghanistan's issues have a real conflict of interests which will cause Afghanistan not to be able to balance itself in its relations with those countries for its own benefit.

The US, Britain, Iran, Turkey, Russia, Pakistan, China, India, and Saudi Arabia, which played their role in Afghanistan within the last decade, have close tie with the country. However, these countries have conflicting strategic interests in several regional and global issues.

In such a case, it will be too difficult for Afghanistan to organize its foreign diplomacy in accordance with wide-ranging

conflict of interests so as to ensure its national interests. Currently, Afghanistan's foreign policy is not based on a clear strategy at regional and international level.

This issue was prominent in previous government, too. Karzai's administration signed strategic agreement with several countries which still have hostile relationship. The previous government pursued a comprehensive foreign policy but the problem is that such an approach is in need of strong national power so that the country could deal with them.

Most importantly, a multi-lateral relation is possible when Afghanistan sit on the fence, whereas this country signed strategic agreements with important powers. During Karzai's administration, a large number of regional countries were against signing pact with the US, Europe and India. Now the question is that will Afghanistan be able to have a multi-lateral approach in its foreign policy?

In case of this possibility, the problem lies in lacking professional manpower in diplomatic apparatus. This issue is in need of great investment in the future.

The solution to persistent challenges is that the country should be stabilized politically from within. This political stability is in need of comprehensive internal consensus. It is self-explanatory that in case of lacking such an internal consensus, stability will be elusive which will result in complicated political setup preventing the country from having an effective foreign policy at regional and international level.

Therefore, it seems that Afghanistan is not a major political actor in the region or in the world, but all political behaviors and decisions are based on a kind of reaction to other action-makers.

In fact, Afghanistan's recent foreign policy has been as a reaction to the objectives of the region and was not able to direct the foreign policy of these countries towards its own interests. Lack of a clear definition for national interests is more likely to be the main reason behind this issue. So, how it will be possible to reap a benefit from our foreign policy in relation with countries when there is no certain and comprehensive definition for national interests and no national consensus in this respect!

To sum up, foreign policy will put an end to the obstacles and challenges when it is strongly based on national authority and consensus. National trust and consensus will be gained through national participation in political structure.

Syed Asif Hussaini is the permanent writer of the Daily Outlook Afghanistan. He can be reached at the outlookafghanistan@gmail.com



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

Vice-Chairman: Kazim Ali Gulzari

Email: outlookafghanistan@gmail.com

Phone: 0093 (799) 005019/777-005019

www.outlookafghanistan.net



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.