

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

# Daily Outlook

## AFGHANISTAN

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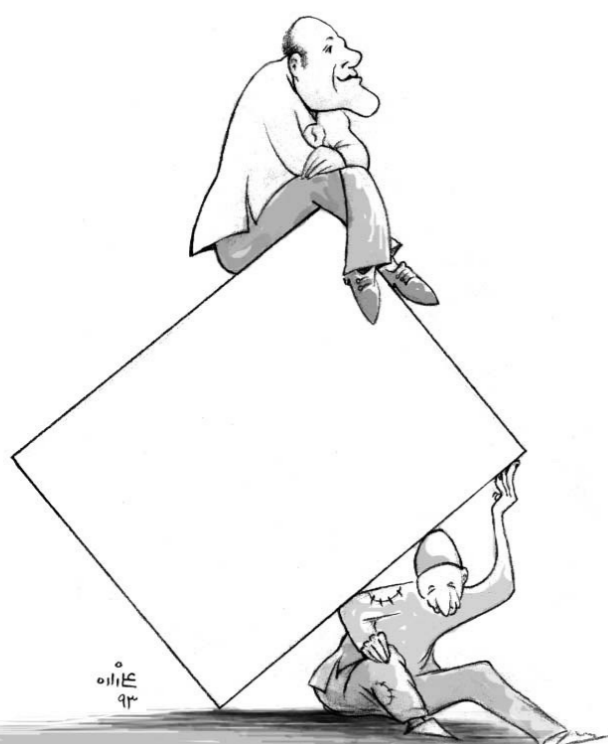
July 14, 2018

### NATO Military Support to Afghanistan Should Encompass Social, Political, Geographic and Economic Areas

North Atlantic Treaty Organization (NATO) member countries met in Brussels on 11th and 12th of July 2018 as part of their annual routine gatherings. Apart from discussing insufficient contribution towards general NATO budget by most of the member countries, which is set at 2% of total budget of a particular member country, and certain European countries' - mainly Germany's - economic relations with Russia in areas of gas and petroleum import, NATO has put in its agenda to discuss and pledge prolonged support to Afghanistan for up to 2024 in the ongoing war against international terrorism and an entrenched insurgency in areas of training of Afghan defense and security forces and political stabilization of the country. President Mohammad Ashraf Ghani and Chief Executive Officer Dr. Abdullah Abdullah are in Brussels to participate in this major gathering.

Major decisions are taken during these yearly NATO gatherings since the organization's active involvement in the country more than seventeen years ago. This year's decision may include renewal of commitment to support Afghanistan, both militarily and economically to level playing field for social, political and economic development of the people of Afghanistan, and to defeat international terrorism, force the ongoing bloody insurgency to peace talks and promote social and political inclusiveness. Keeping in view long history of NATO involvement in the country, people of Afghanistan have developed special interest to follow what is discussed, planned and decided for Afghanistan. NATO comprises of important European and American military and economic powers, including the United States of America, Germany, United Kingdoms, France and others. In the immediate aftermath when the United States and NATO invaded Afghanistan, it was decided that a multinational military force be constituted under NATO command by the name of International Security and Assistance Force for Afghanistan (I.S.A.F), which would work as the main vehicle for provincial rehabilitation operations provision of security across the country for the following decade. Keeping in view regional rivalry and sensitivities against certain neighboring countries of Afghanistan, armies of neighboring countries were excluded from the list of the countries to serve under NATO and UN mandated international assistance force in Afghanistan. The reason for their exclusion is mainly because some of the neighbors - including Pakistan and Iran - are actively pursuing their destructive agendas under the pretext of their 'national security' and 'national interest' to destabilize Afghanistan and pursue their so called 'strategic depth' in the country at the cost of the entire Afghan nation! Most and all of international military and intelligence organizations have hard proof of these countries' meddling in Afghan affair to knowingly meandering the country towards destabilization and destruction, but keeping in view their 'global' and 'regional' agendas, 'Afghan specific intervention', and their 'cordial relations' with Pakistan and Iran, NATO member countries and the United States of America turn blind eye towards these blatant, inhumane and destructive interventions. The author of a book: 'Directorate -S' has recorded a quote from the ex-Vice President, Joe Biden, saying to ex-Afghan president Mr. Hamid Karzai during one of their meetings that 'Pakistan was fifty times more important to United States than Afghanistan...' when Mr. Karzai wanted to press United States to take action against Pakistan for their harboring and supporting insurgents and other terrorist groups the other side of the border in Pakistan. Numerous investigative journalists and authors have published books, written white papers and articles in the news about this shadowy game, but it seems no one is ready to take a stand and look Pakistan in the eye and tell her that enough was enough. In the advent of New Year on first January 2018, President Donald Trump tweeted against Pakistan intervention and their 'deceits and lies' under the cover of ally in the war against terror. But despite the passage of seven months, things don't seem to take a positive shape. Instead, Pakistan continues to dominate and thwart the efforts to stabilize Afghanistan.

Recent decision by NATO to send United Arab Emirate (UAE) and Qatar military forces to Afghanistan smells foul as everyone knows that a large percentage of the members of security forces of these two countries are comprised of Pakistanis. Afghans look at this as another ploy and destabilizing effort by Pakistan to find a niche inside Afghanistan and to continue with her harmful agendas here. This may be a maneuvering by Pakistan in the face of increased pressure by United States new South-East Asia Strategy to force Pakistan to stop supporting, harboring insurgents and terrorists inside Pakistan who eventually infiltrate Afghanistan to fight Afghan and international security forces. In the event when Pakistan has its nationals under the cover of another countries' army inside Afghanistan, it will do not good at all. Let me be clear here that both countries of UAE and Qatar are friends of Afghanistan and Afghans have no grudges against them. Even if Pakistan is given benefit of the doubt in this respect, it is hard to swallow to allow Pakistan nationals be part of an army of another country and perform duties in Afghanistan. It is, therefore, sensible to either scrap this plan or request the friendly countries of UAE and Qatar not to include Pakistanis in the regiments destined for Afghanistan. It is need of the hour and very sensitive issue to take heed of at this critical juncture in the history of Afghanistan. The effort to stabilize Afghanistan by major international military and economic powers has turned to its 17th year in 2018 and there is no light visible at the end of the tunnel so far. War continues to grind and destroy Afghans at all social and geographical level. Regional rivalries continue to take their toll on this unfortunate country despite the fact that such a large international intervention is at play! NATO and other friends of Afghanistan - including Government of Afghanistan should lay out inclusive strategy and plans under which all military operations be entailed with economic activities across the country. Afghans have suffered so much that status of poverty is more than forty percent. Ordinary people have suffered a big deal due to ongoing war against international terrorism. They at least deserve to be considered for palliative measures in the form of economic assistance - include dispatch of cash and basic food and non-food items in war-hit areas. Government Afghanistan should uplift its institutions' capabilities to respond immediately after military operations end in certain geographical areas across the country. This is how Government of Afghanistan can garner support of its people. International community, NATO, the United States of America and United Nations should show due diligence in implementing this sort of economic intervention in large population centers to support Afghanistan Government to bring peace, stability and political inclusiveness. Eradicating corruption and bringing about good governance are equally important to level playing fields for genuine Afghan owned and Afghan led peace process in the country. It is incumbent on Afghanistan's international and regional friends to support these measures to put a full stop to the present debacle in the country.



### CPEC: A "Trap" or Way out of Financial Crisis in Pakistan

By Wang Xu

Yes, if it is the fact as covered by Financial Times recently, Pakistan is seeking more loans from China which, despite, has lent 4 billion USD to the former in its outgone fiscal year (July 2017-June 2018). But, obviously, against the backdrop of the increasing risk of imbalance of international payments on Pakistani account, Chinese loan as FT mentioned is a result of the matter, not a cause. Nevertheless, it is still fair to ask whether this is a part of Chinese design, described as "debt trap" by some.

It might be helpful to know how an international payments crisis comes to a nation. It could be understood intuitively that when ends cannot be met, here comes a payments crisis. In Pakistan, more specifically, it is caused directly by trade deficit, a lower level of remittance inflow as well as cut-off of US assistance. As Pakistan Bureau of Statistics (PBS) reported, Pakistan trade deficit widened to 33.9 billion USD in the in the cumulative eleven-month period of the outgone fiscal year, while State Bank of Pakistan (SBP) witnessed a lower level of remittance inflow of 18.03 billion USD. Also, according to another FT story, US suspend "approximately" 2 billion USD in security assistance to Pakistan at the beginning of this year. One might claim that China is a major contributor to Pakistan trade deficit, as PBS recorded around 8.6 billion USD gap between two countries in first half of previous fiscal year. However, not that intuitively in economics, trade with China, which serves an ineligible factor, should get the blame for Pakistan trade or international payments imbalance. On the one hand, economically China maintains trade surplus with Pakistan based on its own competitiveness in various areas of manufacturing, as it does with many other countries in the world. On the other hand, if the structure of Pakistan foreign trade to be reviewed, an apparent finding is that the need of manufactured goods in Pakistan is met through import, which results in Pakistan's proportion of import to export with not only China but many other partners like UAE, Saudi Arab and Indonesia. From this point of view, increasing imports reflect boosting consumer demand and a sign of economic boom in Pakistan, while Chinese imports better meet the growing needs of Pakistani people for a better life.

Further, trade deficit merely reflects a sort of situation without value judgement, and payments imbalance could be financed, regulated, or adjusted by policy and/or market. As an insightful analysis by Mr. Waqar Masood Khan, Pakistan's former finance secretary, the sharply shrinking foreign exchange reserve reveals the Pakistani government's policy trend of sustaining trade deficit by overvaluing the local currency PKR. This sort of external imbalance could be deemed as the Pakistan's original demand for foreign debts. Generally, lasting current account deficit gives rise to the local currency devaluation, (as SBP did thrice since last December but it seems still too late or too less,) restraining import demand and enhancing export competitiveness gradually, but often through a painful process of rising price of goods, capital loss on external debts, higher cost of debt servicing, and finally a slower economic growth. This process of correcting external imbalance, almost inevitable economically, but still has some way to ease its painfulness by properly tight fiscal or/and monetary policy. However, Pakistani government held fiscal deficit policy for boosting economy, especially after completion of IMF Extended Financing Facility program in September 2016, of which the level stood 6 per cent of GDP in outgone fiscal year as reported by IMF in this March. Once again, the government resort to debt internally and face a hard choice of either higher lending cost or inflation pressure when it comes to monetary policy. Briefly, it could be concluded that debt is part of Pakistani government's policy. Debt itself is value-neutral and no policy could be all-round perfect in effect, though more robust and prudential measure might have been taken by the government.

No one could ignore the current high level of public debt in Pakistan, even if she or he does not care how it comes. But, Chinese debt still occupies sort of small part on Pakistani account. The bilateral debt stock of 7.2 billion USD from China accounted for around 10.4 per cent, while 28.4 billion USD multilateral loans accounted for 41.2 per

cent and 12 billion USD from Paris Club accounted for 17.3 per cent, of Pakistan total public debt (including public sector enterprises) by the end of June 2017 according to SBP statistics. Though another major loan inflow, 507 million USD witnessed by SBP, came from China in the first half of outgone fiscal year, Chinese loan proves to not shifting Pakistan's debt paradigm on the ground of data. In future, as far as some concerns on China-Pakistan Economic Corridor, given the interest free loan and preferential buyers' credit merely make up a secondary share of financing arrangement, Chinese debt will not increase much burden on Pakistan. As Mr. Zhao Lijian, Deputy Chief of Mission of China to Pakistan, was quoted, for preferential buyers' credit, the total amount under CPEC is 6 billion USD, a 31.6 per cent of the total cost of the corridor, and the peak value of Pakistan's repayment of will occur in 2024, with only 527 million USD whereas the total amount to be paid back is 7.4 billion USD according to the Export-Import Bank of China. If there was any "debt trap" in Pakistan, none of them seems to be made by China or CPEC.

Still, it could be further argued that no matter how less significant China factor is in Pakistan external imbalance and debt, China still catalyze the situation. But with further examining on the involvement of China factor, another story will be worth reading. Pakistan's major import growth from China is driven by capital items in recent years, reflecting trends of Chinese investment inflow which not only offsets foreign exchange reserve consuming on the account but signals economic prosperity. According to UN Comtrade database, in 2017 trade value of Pakistan imports from China of machinery and mechanical appliances (HS Code 84 series) and electrical machinery and equipment (HS Code 85 series) jump up around four times and twice respectively from the level of 2013, accounting for 21.5 per cent and 23.7 per cent of then total import value from China respectively. Moreover, under various financing arrangement, CPEC projects of power and transportation infrastructure, and special economic zones (SEZs) in planning, tries to enhance Pakistan industrial capability, promoting local manufacturing while improving export competitiveness, and finally lifting debt repayment ability and helping correcting external imbalances in the long run. In terms of inter-temporal earnings, Chinese imports and debts are of better economic efficiency.

Beyond, CPEC and Pakistan's cooperation with China could yield regional momentum of growth. Taking Afghanistan for an instance, as proposed in Afghanistan-China-Pakistan trilateral meeting, CPEC extension toward Afghanistan will provide a smoother and closer connectivity between three countries, resulting in transaction costs deduction in and between economies. A more stable Pakistan economy will also sustain a stronger trade ties with Afghanistan. Furthermore, SEZs in planning under CPEC offers brand-new opportunities to these three economies for creating more integrated industrial chains, which means more efficient, competitive and robust status for them in global value distribution.

It is no secret that Pakistan is experiencing macroeconomic difficulty and still some gaps needs to be bridged between Afghanistan, China and Pakistan in order to implement basic consensus on cooperation that has been already reached. However, China is always communicating, consulting and working with two countries closely, in line with the principle of achieving shared growth through discussion and collaboration termed in Chinese official documents. Some financial programs including Chinese loans are arranged as result, but it is far from a unilateral "trap diplomacy" or a "debt trap" as depicted by some who might be in desperate need of concrete proof of their claims on the ground of facts and in serious theory. A bitterest but not far lesson on "debt trap", (if this terminology proves logically true in some way,) should be taken as the horrible depression in 2008 caused by subprime crisis in the United States. It could be interesting to ask if any single victim in this "trap" has been consulted or even messaged beforehand. Is there really any "debt trap" by China, or just another popular trap music flow, ear-catching and psychedelic?

Dr. Wang Xu, Associate Professor, Executive Deputy Director of Centre for South Asian Studies in Peking University

### We Need a Food Revolution

By Bob Geldof

In 1984, I gathered the most successful musicians of the time to form a "supergroup" called Band Aid to raise money for famine relief in Ethiopia. The next year, an even larger grouping was formed for Live Aid, a major benefit concert and music-based fundraising initiative that continues to this day. At last month's International Forum on Food and Nutrition, held by the Barilla Foundation, the enduring - and increasingly urgent - need for efforts to strengthen food security could not be more obvious.

The fate of the Easter Islanders illustrates the world's current problem. Sometime in the twelfth century, a group of Polynesians found their way to a remote volcanic island where dense forests provided food, animals, and the tools and materials to build hundreds of complex and mysterious stone sculptures. But, little by little, the people destroyed those forests, ultimately committing social, cultural, and physical suicide.

Today, in relative terms, we collectively have only a small swath of forest left - and we are rapidly destroying it. We are running out of land to farm, and the desert is spreading. The food we produce is often wasted, while almost a billion people do not have enough to eat - a reality that leaves many with little choice except to migrate. Most media coverage focuses on refugees fleeing armed conflict (think Syria) or migrants seeking better economic opportunities than they have at home (think Nigeria or Pakistan). But the link between food scarcity and migration is stronger than it might seem to those who are not among the hungry.

For example, the Arab Spring uprisings of 2010-2011, which produced a massive wave of refugees, were triggered by a rise in wheat prices, which led to widespread bread riots that morphed into broader political revolutions. In fact, many armed conflicts, and the mass displacement they cause, can be traced back to food insecurity. While the poor South starves, the rich North gorges. More than two billion of us are overweight, puffed up by low-energy sugars and mass-produced processed foods rich in fat. According to the Food and Agriculture Organization of the United Nations, just one-quarter of the food we throw out or squander each year would be enough to feed 870 million hungry people. Worldwide, one-third of all crops are wasted. Like the Easter Islanders of the past, we are setting ourselves up for self-annihilation.

Moreover, human-driven climate change threatens to intensify existing pressures affecting food supply and migration. In a report published last December, the European Commission's European Political Strategy Center predicted that ever-more frequent droughts and floods will "dwarf all other drivers of migration," with as many

as one billion people displaced globally by 2050. Even the lowest estimate of 25 million climate-change migrants, the report warns, "would dwarf the current levels of new refugees and internally displaced persons."

To be sure, some steps are being taken to address food waste and scarcity. For example, this year, the European Commission proposed cuts in farm subsidies, which contribute to overproduction. But this approach - framed in terms of "evolution," rather than the "revolution" that is needed - is not even remotely adequate.

The European Union's common agricultural policy has long been highly problematic. The CAP authorized tax money to be spent on growing surplus food, which was then warehoused (at further cost) and ultimately destroyed (at still further cost). The system has improved somewhat over the years, but not nearly enough. The farm bill in the United States - the federal government's primary agricultural and food policy tool - is similarly wasteful.

What is needed is not just a politically tolerable adjustment to existing policies, but rather root-and-branch reform that emphasizes real results. Unfortunately, it is not clear whether there are any politicians up to the task, whether in the erratic and polarized US or in the ineffectual European Parliament and Commission.

The time to step up was yesterday; the time to adopt a new approach is now. We can discuss the United Nations Sustainable Development Goals - which include targets like "halving per capita global food waste at the retail and consumer level, and reducing food losses along production and supply chains by 2030" - until we are blue in the face. What matters are well-designed, effective, and comprehensive policies, implemented in a sustained manner. And those are nowhere to be found.

The Earth is 45 million centuries old, but our century is unique, because it is the first in which a species could destroy the entire basis of its own existence. Yet we latter-day Easter Islanders seem unaware of this existential threat, preferring to build statues rather than sustainable systems for survival.

Will we acknowledge our predicament only when our land becomes a desert, when our health systems collapse under the strain, when even the wealthy are facing food shortages, when freshwater becomes scarce, and when our national shorelines are breached? By then, it will be too late, and our fate will be sealed.

The greatest threat to our planet is the belief that someone else will save it. Each of us must recognize the seriousness of our situation and demand real action to change it. That means you.

Bob Geldof is an Irish singer-songwriter, author, and political activist. He is the founder and chairman of the Band Aid Trust for famine relief in Africa, and a member of the Africa Progress Panel.

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