

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



July 23, 2019

US-Pakistan Close Ties Will Catalyze Afghan Peace Process

Pakistan is a heavyweight stakeholder in Afghanistan's peace process and it is able to push the process forward. Islamabad's recent active engagement in supporting peace talks and its strengthening ties with Washington generates optimism for fruitful negotiations. Pakistani Prime Minister Imran Khan is paying a state visit to the US, which indicates that the strained relations between Islamabad and Washington are beginning to thaw. Recently, the US declared a Baloch separatist group – the Baluchistan Liberation Army – a global terrorist outfit, which has been appreciated by Islamabad. Pakistan, in its part, also fulfilled a long-standing US demand by arresting Hafiz Saeed, Lashkar-e-Taiba Chief. The US blames him for masterminding the 2008 Mumbai terrorist attacks, which also killed American citizens, and wants him prosecuted and punished. Afghanistan's peace process is most likely to be in the agenda of discussions between US and Pakistani officials in Khan's trip. In a tripartite meeting consists of US, Russia, and China held in Beijing to expand regional support to an Afghan peace settlement, Pakistan was also invited. "In the Washington talks, the US is likely to ask Pakistan to 'do more' to persuade the Taliban to negotiate with Kabul and accept a ceasefire. It may also go beyond Afghanistan to seek assurances regarding the Kashmir insurgency, nuclear and missile issues and relations with Iran," said former Pakistan ambassador to the UN Munir Akram in his commentary. He added, "An Afghan political settlement will not be durable unless it is supported by regional powers and Afghanistan's immediate neighbors Pakistan and Iran." Iran, he said, that could disrupt Afghan peace process if tension between Tehran and Washington escalated. Afghan officials have always reiterated the significant role of Islamabad in Afghan peace process and urged Pakistani officials to use their leverage to bring the Taliban to negotiating table with the Kabul government. Both the administration of former Afghan President Hamid Karzai and that of President Mohammad Ashraf Ghani sought the active and constructive role of Pakistan in the country's peace process. With Imran Khan's administration, the Kabul government remained more optimistic as Pak-Afghan high-level officials exchanged several trips to strengthen mutual tie and promote mutual trust. The Afghan government has urged regional stakeholders to play their constructive role in the country's peace issue. Meanwhile, US Special envoy Zalmay Khalilzad had made several trips to regional countries before each round of talks with the Taliban to form a regional consensus and garner the support of the region. Afghanistan does not deny that the intra-Afghan dialogue stressed by the Kabul government is possible only through regional support. If regional and neighboring countries do not pressure the Taliban to hold direct talks, the negotiations are unlikely to bear the desired result. US officials have also come to the fact that neighboring countries could ruin the peace process easily or vice versa. Hence, Afghan peace process is one of the main reasons for Washington to repair its relations with Islamabad so that it could push the process forward. On the other hand, since the US held back a total of \$800 million from Pakistan last year – as Trump tweeted that the US gave Pakistan more than \$33 billion in aid over the last 15 years for its campaign against terrorism but received "lies & deceit" in return – Imran Khan will seek to convince Washington of Pakistan's sincerity in the fight against global terror. It should be noted that a peaceful and stable Afghanistan is also in the interest of Pakistan. If Pakistani officials fear the spillover of instability from Afghanistan to Pakistan, as they have claimed on several occasions, they have to support the Afghan peace process and put pressure on the Taliban to settle the issue through negotiations. It is evident that Pakistani nation also suffered from terrorism as terrorist groups carry out sporadic attacks in its soil. Meanwhile, if the conflict is ended in Afghanistan, the two countries could have a strong commercial exchanges. A strong trade between Afghanistan and Pakistan will contribute much to the economy of the two countries. It is understandable that when the Afghan-Pak border is closed, both sides sustain great economic harm. Moreover, Afghanistan also shows tendency in joining the China-Pakistan Economic Corridor to play a role in China-proposed Built and Road Initiative as well as enjoy the economic interests. Since terrorism is a threat to the region and a common threat to Afghanistan and Pakistan, all countries have to play their role in fighting against terror and seek to end the conflict in Afghanistan to strengthen regional stability.

How Can Developing Countries Pay for the SDGs?

By: Tania Masi, Roberto Ricciuti, Antonio Savoia, and Kunal Sen

With objectives as far-reaching as ending poverty in all its forms and delivering quality education to all by 2030, the Sustainable Development Goals (SDGs) are highly ambitious – much more ambitious than their predecessor, the Millennium Development Goals. Whether or not the world achieves them will depend crucially on money – particularly public finance. Traditionally, official development assistance (ODA) would play a pivotal role in financing an agenda like the 2030 Sustainable Development Agenda, which encompasses the 17 SDGs. But at a time when nationalist rhetoric and isolationist policies are gaining traction in some of the world's biggest traditional donor countries – beginning with the United States – ODA will not be sufficient. In fact, foreign aid has remained flat, at best, in the last few years – and there is no increase in sight. On the contrary, the specter of global recession – heightened by US President Donald Trump's trade war – makes a reduction in donor governments' revenues, together with increased domestic demand for public spending, a distinct possibility. None of this bodes well for foreign aid flows. This means that, to implement the SDGs, developing countries will need to rely increasingly on their own resources. And, in fact, the 2030 Agenda anticipates this imperative: SDG17's first target is to "strengthen domestic resource mobilization ... to improve domestic capacity for tax and other revenue collection." The question is how. Poor fiscal management means that developing countries – particularly in Africa, home to 27 of the world's 28 poorest countries – are often plagued by debt crises and inflation, and many are at the mercy of commodity-price cycles. Tax collection is a major challenge for these economies: the tax revenues low-income countries collect amount to about 10-20% of GDP, on average, compared to about 40% of GDP in high-income countries. One major reason for this is that these countries tend to have large informal economies; another is that they invest little in the infrastructure needed to implement personal taxation, relying instead on sales taxes, which are easier to administer but bring in less revenue. Add to that poor management of what is collected, and these countries consistently fail to deliver needed public goods and services, let alone ensure fiscal sustainability. The effectiveness of tax collection and the strength of budgetary systems, our research shows, depend crucially on the extent to which political institutions place constraints on executive power. Governments with credible, institutionalized systems of checks and balances tend not only to collect more tax revenues, but also

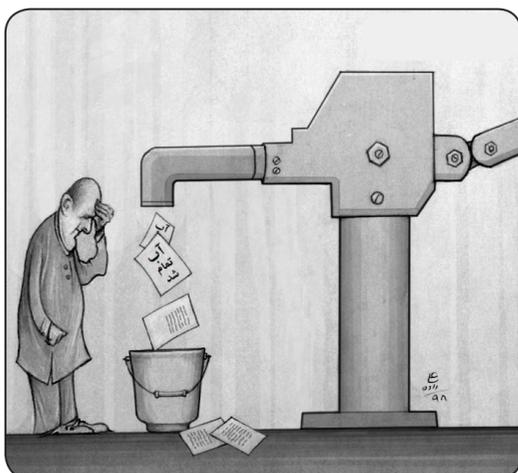
to have more transparent and predictable budgetary processes. A major reason for this is accountability. Giving a single executive virtually unchecked control over a government's financial resources raises the risk of sudden changes in budgetary priorities, and nurtures the temptation to spend on projects that enrich a few at the expense of the public good. But when political leaders are unable to use state revenues freely – say, to enrich themselves or their cronies – they may be more likely to invest in strengthening the government's fiscal capacity, including its ability to design, implement, and monitor the budget. In a well-functioning parliamentary system, for example, the state budget is overseen by a group of elected authorities in a relatively transparent manner. No one person has the power to shape the process in self-serving ways. Instead, leaders are under pressure to respond to the voters' needs and preferences. In such a context, taxation becomes an informed, consensual transaction between citizens and the state. This bolsters trust in official institutions, in turn boosting revenues and supporting social and political stability. According to our research, placing institutional constraints on the executive would, over about nine years, lead to a 2.4-percentage-point increase in the GDP share of both total revenues and income-tax revenues. Such changes would also raise the quality of fiscal planning – the accuracy of revenue forecasts and the effectiveness of budget implementation and debt management – above the global average. These gains could translate into more textbooks in local schools, more vaccines for local health services, and more resources for poverty-reduction programs. In other words, a taxation system constrained by institutions that ensure transparency and accountability could support progress toward achieving the SDGs. Of course, the effects will not be instantaneous. Institutional reform is a gradual process, and legal changes do not immediately translate into behavioral ones. But embedding checks and balances into governance – particularly to limit the executive's discretionary budgetary authority – is integral to accomplish the kind of structural transformation developing countries need if they are to create more stable, prosperous futures well beyond 2030. *Tania Masi is a researcher at the University of Milano-Bicocca. Roberto Ricciuti is an associate professor at the University of Verona. Antonio Savoia is a senior lecturer at the University of Manchester. Kunal Sen, a professor at the University of Manchester, is Director of UNU-WIDER.*

The Strait of Hormuz Decoded

By: Naser Koshan

Strategic and equally hostile, the Strait of Hormuz in the Persian Gulf is one of the most important routes for crude oil transportation to key markets from Middle East to North America and beyond. This tiny stretch of waterways in the middle of international waters has the single most important impact in fluctuating gas prices around the world. The geography of the Strait is fascinating in itself. On one side we have Iran, OPEC founding member, and a key oil producing state, on the other side; Arab states, equally stakeholders, and mostly key allies of the United States. The Strait of Hormuz is wide and deep enough to accommodate a daily transportation of a sizable fifth of the world's crude oil exports that is close to ferrying 19 million barrels of oil (roughly 40% of all world traded oil) with its two available shipping lanes, each 2 miles wide. At its narrowest point, it separates Oman from Iran by just 20 miles. Considering a growing hostile relations between Iran, the United States and neighboring Arab states, the Strait of Hormuz has an even greater strategic importance to Iran, since the Strait is also used as the primary route for Iranian oil exports, covering a noticeable portion of the Republic's economy. It is worth mentioning that Oil exports formulate 2/3 of the Iranian economy, valuing at USD 70.0 billion dollars annually. The crippling U.S. sanctions on Iranian oil exports has led to regular havoc happenings in the Strait, Iran is defiant and desperately needs to market its oil around the world. Whereas, the United States will leave no stone's unturned to rattle any breach by the Tehran regime, aimed at violating the imposed sanctions. The United States is heavily invested in the area, recently moving maritime Abraham Lincoln aircraft carrier, deterring any wrong moves by the Iranian Navy and its resident military presence close to the international shores. The Strait of Hormuz came into equation when an outbound Iranian oil carrier, allegedly transmitting Iranian oil to Syria was abducted by the resident British Royal Marines in close vicinity of the international waters; the incident sparked a spontaneous retaliation by the Iranian government. The Iranian state media released video footage showing Iranian commandos rappelling on a British oil tanker in the Strait of Hormuz. Iran has repeatedly warned that unless the U.S. make an effort to de-escalate the prevailing status quo in the Persian Gulf, Tehran will have no choice, but to close the Strait of Hormuz for all crossing traffic. In retrospect we all remember the very ugly episode between Iran and Iraq during the Persian Gulf War. The painstaking Gulf War took a vicious turn when both Iran and Iraq indulged in a weary sea encounter, attacking each other's oil vessels to break the stalemate on land in their respective favor. It is very likely that a re-sembling occurrence takes place yet another time, the U.S. administrations is constantly reprimanding Iran to "stop playing with

fire" especially when Iran recently shot down a U.S. drone over the Strait of Hormuz, provoking President Trump to nearly taking a military strike against the regime in Tehran, later calling it off at the very last minute. The future of JCPOA As we all know that the former U.S. administration, Tehran and major European states reached a consensual plea deal, commonly known as the JCPOA (Joint Comprehensive Plan of Action), tasking the Islamic republic, to reduce stockpiling enriched uranium (a key ingredient used to make nuclear weapon). The Iran deal offered the Islamic Republic perpetual relief from embargos from the U.S., the European Union and the U.N. Security Council nuclear related sanctions if biding by its agreed commitments. Nevertheless, the process turned sour with President Trump's arrival at the White House. The incumbent president unleashed harsh criticism on the deal, deeming it a one sided affair, emboldening the Iranian regime and hurting the safety of U.S. allies in the region. The United States officially withdrew from the deal on May 8th 2018. Subsequently the U.S. government reinstated the previously imposed sanctions, forcing Iran to alter its policies of alleged support for global terror groups, and development of long-range ballistic missiles. Following U.S. unilateral withdrawal and subsequent Europe enactment of blocking statute to nullify the U.S. sanctions on Iran, Tehran retaliated by increasing its uranium enrichment ratio beyond the level set by the JCPOA agreement. At the moment, there are no signs of any probable concession considering the tense environment surrounding the future of a deal currently at limbo. Following the cancellation, in an effort to ease tensions, president Trump delivered a secret message to the Iranian supreme leader through Japanese Premier Abe. The U.S. administration is apparently willing to renegotiate the previously agreed terms on JCPOA with Iran. But official statements from Tehran indicate mistrust and reluctance to any supplement ratification on the deal. However, the Iranian foreign minister Dr. Javad Zarif recently expressed his government's willingness to reverse the enrichment level if sanctions are lifted by the Trump administration. No doubt the region is getting gravely tense with no apparent signs of de-escalation. While the U.S. deployed aircraft carrier bombers and additional boots on the ground in the Middle East, the Iranian Revolutionary Guard announced its preparedness for any possible military aggression from outside. Last but not least, the ongoing military maneuvers in the Strait of Hormuz and Middle East is unlikely to mount into a full-fledged military encounter, but let's not forget the volatility in the situation, and the impacts of crippling sanctions on Iranian exports can rapidly turn the status quo at absolute odds between the arch adversaries. *Naser Koshan is the emerging writer of the Daily Outlook Afghanistan. He can be reached outlookafghanistan@gmail.com*




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