

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



May 15, 2018

### National Identity: Ethnicity and Ethnocentrism as the Main Barriers

Identity is the state of having unique identifying characteristics that no other person or thing holds it. Identity is the individual characteristic which a person or thing is recognized by it. Identity defines a person as who he is and it is usually associated with labels for social positions or roles. Roles label is the meanings and expectations for behaviors that have evolved from countless interactions among people in a social system. They are externally defined by the expectations of others, but individuals define their own identities internally as they accept or reject social expectations as a part of people who they are.

According to the social identity theory, social behavior exists from the spectrum of purely interpersonal to the purely intergroup where personal identity is salient. In such a context the individual will relate with others in an interpersonal manner depending on their character traits and personal relationship that exists between the individuals. Thus, under certain conditions social identity is more salient than personal identity in self-conception. Meanwhile, when this is the case and behavior is qualitatively different, it then becomes group behavior. Social identities are associated with normative rights, obligations and sanctions which within specific collectivities form roles. According to Giddens, Jary and Jary, identity is a sense of self that developed as the child differentiates from parents and family and took a place in the society. It refers to the sense that someone has of who they are, of what is most important about them. Important sources of identity are likely to include nationality, ethnicity, sexuality, class, etc.

Akerlof and Kranton, in economic sphere, incorporate social identity factor to principal agent model. Based on this, when the agent considers him an insider, the agent will maximize his identity utility by exerting high level effort comparable with his prescribed behavior. On the other side, if the agent considers himself an outsider, he will require a higher wage to compensate his loss for behavior different from prescribed behaviors. Therefore, the concept of identity is also closely related to the idea of culture. Identity can be formed through the cultures and subcultures to which the person belong or in which he participates. However, different theories of identity view the relationship between culture and identity in rather different perspective. Those influenced by modern theories of culture are more likely to view identity as originating in a fairly straight forward way from involvement in particular culture and subculture. For instance, people living in Afghanistan would be expected to have a strong sense of Afghan identity.

Cultural identity is the identity of a group or culture of an individual and shows how an individual is influenced by belonging to that group or culture. A person is influenced by some factors such as ones religion, ancestry, skin color, language, class, education, profession, skill, family and politics etc., these factors contribute to the development of one's identity. According to Elebeke, it is a process located in the core of the individual and yet also in the core of his communal culture, a process which establishes, in fact the identity of these two identities.

Therefore, identity is inherent in all levels of human organizations namely personal, family, community, ethnic group, the local government, the state and the entire country as a whole. And everybody sees one another as brothers and sisters and therefore does almost everything in common in the context of the accepted identity. Identity forces and guides people structure and organize their lives to conform to the society's way of life and cooperate to ensure the general progress of the society. When this happens they are seen to be identifying with their society. When we talk of national identity emphasis is no longer on identifying with the family, ethnic or religion, but on national identity as a belief in membership of a nation state. People in the contest of the national identity no longer look at themselves as belonging to any component unit within the country but consider themselves as belonging to the country (Afghanistan).

National identity is defined as the feeling of love and pride which a citizen has for his country. It is attitudinal in form and perceptual in content. The members of a country identify nationally when they are proud of their country and consequently are inward looking. According to Mamser, their attachment to and pride in the nation reflect their identification. Thus, in matters of national concern, citizens exhibit some measures of national identity. And when we talk of national integration we mean the development of an integrated and coherent national identity and consciousness in a multiethnic society like Afghanistan in which all citizens are given a fair opportunity to achieve their maximum potential. In such a contest, members are given sense of belonging irrespective of where they come from. Thus, national integration enhances the chances of creating higher loyalties that supersede parochial loyalties to ethnic cleavages. As a result, ethnicity and ethnocentrism with its attendant cultural differences, has been a great hindrance to this dream in Afghanistan. National integration in a multiethnic society like Afghanistan theoretically is a process of building a new society and social order based on justice and fair play to all its members no matter the ethnic group, language or religion an issue that has not been pursued with a strong and systematic political will in our country.

National identity is considered as social glue that integrates different members of the society regardless of their ethnicity, sexuality, class, etc. together. It can make the people feel of love and pride to their country. Meanwhile, it requires justice and fair play to all the members of the society by the government and all members of the society should be involved in all decision makings of the country and the government should have a strong political will to build a new society and social order.



### Managing the Risks of a Rising Dollar

By Mohamed A. El-Erian

Argentinian President Mauricio Macri's government has asked the International Monetary Fund for a loan that it hopes can stem a peso rout that has driven up interest rates, will slow the economy, and threatens the reform program. This reversal of fortune for the economy partly, though far from fully, reflects broader pressure created by the US dollar's recent appreciation - a process that is set to accelerate, because both monetary policy and growth differentials are now favoring the United States.

For a while now, the US Federal Reserve has been well ahead of other systemically important central banks in normalizing monetary policy - that is, raising interest rates, eliminating large-scale asset purchases, and starting the multi-year process of shrinking its balance sheet. This was amplified this year by another catalyst of the dollar's recent appreciation; a growing, and less favorable, divergence between economic data and expectations in the rest of the world.

During most of 2017, markets were scrambling to catch up to indications of growth outside the US that were markedly more favorable than anticipated. As a result, the most widely followed measure of a trade-weighted dollar index depreciated by 10% last year. Capital flows into Europe and major emerging economies picked up, as investors sought to benefit from the expansion, while enjoying both higher yields and the possibility of capital gains from currency moves.

But, in recent months, measures of economic "surprises" have turned negative, as growth momentum has weakened in Europe and beyond. To cite one dramatic example, declining economic indicators caused the implied market pricing of an interest-rate hike ahead of the Bank of England's policy meeting this month to plummet from over 90%, or a near-certainty, to 20% in just a few weeks.

Now, there is less external capital chasing returns in Europe and the emerging economies, and some that was there has already flowed back home. So economic and financial factors can be expected to continue to fuel the appreciation of the US dollar. The only way to ease that upward pressure, and to mitigate spillovers, is with effective policy responses.

The good news is that there are sufficient tools to reduce the risk of dislocations. But there is a need for broader implementation within individual economies, and better coordination across borders.

To be sure, some may view the US dollar's appreciation as consistent with a longer-term rebalancing of the global economy. But, as Argentina's situation demonstrates, excessively sharp and sudden appreciation of such a systemically important currency risks unbalancing things elsewhere.

Emerging markets have long been particularly vulnerable to this phenomenon. In the run-up to the Asian financial crisis of the 1990s, many emerging economies kept their currencies rigidly pegged to the dollar, and governments tended to borrow heavily in dollars, despite generating most of their revenues in the domestic currency (what economists labeled "original sin").

As the dollar appreciated in international markets, these economies became less competitive and experienced sharp deteriorations in

their current-account positions. Actual and potential capital outflows forced central banks to raise local interest rates, intensifying economic contractionary pressures and undermining the creditworthiness of the domestic corporate sector. Currency devaluation was not an easy option, either, as it would boost inflation and send the costs of servicing external debts soaring to prohibitively high levels. Many developing countries now have flexible exchange rates, and, by shifting to domestic sources of borrowing, they have reduced the currency mismatches associated with their liabilities. Yet two vulnerabilities remain.

First, the recent extraordinary period of repressed volatility in financial markets, ultra-low interest rates, and dollar weakness unleashed another surge of capital flows to emerging countries, including "tourist dollars," which tend to flow right back out at the first sign of trouble. Second, empowered by exceptionally generous global financing conditions, a growing number of emerging-market corporates have resorted to external dollar borrowing, materially increasing their financial vulnerability to higher interest rates and adverse currency moves.

Externally driven changes in financial variables have thus become a source of serious risk, especially in countries, like Argentina, with a history of economic mismanagement, large current account deficits, other financial imbalances, and a habit of pursuing too many objectives with too few instruments. With the emerging-market economies still structurally subject to short-term risks of contagion, it is usually just a matter of time until a few countries' problems result in a tightening of financial conditions for the asset class as a whole.

Beyond challenging emerging markets' stability, a sudden and sharp appreciation of the US dollar - and, specifically, the losses in trade competitiveness that it causes - threatens to complicate already-delicate trade negotiations. In particular, efforts to modernize the North American Free Trade Agreement (NAFTA) and to establish fairer trade relations between the US and China could be put at risk.

Against this background, policymakers should be implementing measures that take pressure off foreign-exchange markets. This includes, first and foremost, pro-growth policies, particularly for Europe, which, despite recent economic gains, faces significant structural headwinds. Emerging economies, meanwhile, should focus on maintaining solid balance sheets, improving their understanding of market dynamics, and safeguarding policy credibility. Country-level measures should be reinforced by better global policy coordination, especially to help avoid or break vicious cycles. The IMF, which may soon face more requests for financing, has an important role to play here. Using a bit of extra precaution now is obviously preferable to risking a mess that will need to be cleaned up later.

Mohamed A. El-Erian, Chief Economic Adviser at Allianz, was Chairman of US President Barack Obama's Global Development Council and is the author of *The Only Game in Town: Central Banks, Instability, and Avoiding the Next Collapse*.

### Trump's Abrogation of Iran Deal May Put his America First Policy to the Test

By James M. Dorsey

President Donald J. Trump's abrogation of the 2015 international nuclear agreement with Iran is likely to put his America First policy to the test.

Mr. Trump's decision to walk away from the agreement that curbed Iran's nuclear program risks fuelling a nuclear race in the Middle East, particularly if Iran decides that the US withdrawal has rendered the deal unbeneficial.

Competition for a slice of the Middle East's nuclear pie is already in full swing with Saudi Arabia emerging as one of the world's largest and most immediate export markets.

To ensure that the United States remains competitive, Mr. Trump is likely to have to compromise on strict US conditions that have governed US nuclear exports until now.

Failure to do so could deprive America's nuclear industry of its best option for recovery from the fallout of overregulation, foreign competition and the rise of rival energy sources, including gas and renewables.

Raising the spectre of a nuclear race, Saudi foreign minister Adel Al-Jubeir last week reiterated the kingdom's warning that it would develop a nuclear weapon if Iran were to pursue military aspects of its program.

Mr. Al-Jubeir as well as Crown Prince Mohammed bin Salman have not defined what they would consider Iranian efforts to develop a nuclear weapon if Iran too decides to walk away from the 2015 agreement and revitalize its nuclear effort unfettered by the deal's restrictions.

Saudi distrust of Iranian intentions has been reinforced by Israeli prime minister Benjamin Netanyahu's recent disclosure that the Jewish state's intelligence service had laid hands on 100,000 Iranian files that document Iranian efforts to develop a nuclear weapon prior to the 2015 agreement.

Iran has consistently denied that it wanted to develop a nuclear weapon. The Islamic republic has also said it would remain committed to the nuclear agreement despite the US withdrawal and re-imposition of sanctions if the other signatories - Britain, France, Germany, Russia and China - fulfilled their obligations and ensured that Iran would benefit economically.

Iranian foreign minister Javad Zarif is visiting Beijing, Moscow and Brussels to ascertain whether the signatories are committed to defying Mr. Trump by doing business with and investing in Iran despite the risk of their companies suffering the wrath of the US Treasury.

US Energy Secretary Rick Perry is meanwhile hoping that Saudi Arabia's ambitious civil nuclear program will create opportunity for American companies. The program entails building 16 reactors by 2032 with a capacity of 176 gigawatts (GW).

Mr. al-Jubeir said in March that the kingdom was engaged in talks with ten nations about its nuclear program, including Russia and China, countries that likely would be more amenable than the United States to reduced safeguards and broader arrangements.

Saudi Arabia has demanded in discussions with the Trump administration the right to enrich uranium and reprocess spent fuel into plu-

tonium, potential building blocks for nuclear weapons, as part of any agreement with a US company. The Saudis argue that Iran has that right under the 2015 agreement.

Mr. Perry, in a first step to ensure that Westinghouse, the US company most immediately concerned, would have a fighting chance, persuaded Saudi Arabia to include American firms in a bid for its first two reactors. The kingdom had initially invited only Chinese, French, Russian and South Korean bidders.

The energy secretary is at the same time negotiating a non-proliferation trade or 123 agreement with Saudi Arabia that is required by US law as a pre-condition for participation of American companies. A sticking point in the negotiations is the fact that the United Arab Emirates set a high benchmark when it accepted to forego enrichment and reprocessing as part of its 123 agreement.

The UAE this year completed construction of the Arab world's first commercial nuclear reactor. UAE ambassador Yousef al-Otaiba warned in 2015 after the conclusion of the Iran deal that it may want to amend its agreement to have the same right as Iran to enrich uranium.

"Your worst enemy has achieved this right to enrich. It's a right to enrich now that your friends are going to want, too, and we won't be the only country," Mr. Al-Otaiba was quoted as saying at the time. The UAE has not publicly raised the issue since but could well do so if the Iran nuclear deal is definitively cancelled or Saudi Arabia is given the right to enrich.

Arguing in favour of boosting US nuclear exports to the Middle East, Katie Tubb, an analyst with the Washington-based Heritage Foundation that prides itself on two-thirds of its recommendations having been adopted by the Trump administration, noted that US support has helped "dissuade Saudi Arabia from extremism, boost its ability to defend itself against a rogue Iran, and enable it to fulfil its commitment to quell terrorism."

Ms. Tubb went on to say that "contributing to Saudi Arabia's economic growth can be another powerful and persuasive answer to extremism by offering opportunity, greater freedom, education and jobs, social mobility, stability, and a dynamic, innovative future. Engaging with Saudi Arabia's new nuclear power industry through a 123 Agreement can play a big role in making that happen."

Saudi demands for the right to enrich and a potential UAE backtracking on its arrangements that have been declared the gold standard for nuclear exports potentially leave Mr. Trump with a stark choice, Ms. Tubb's reasoning notwithstanding.

He either lowers the bar and risks fuelling a nuclear race in the Middle East or sticks to the high ground at the expense of opportunity for America's nuclear industry.

If Mr. Trump's record is anything to go by, his choice would seem a foregone conclusion.

Dr. James M. Dorsey is a senior fellow at the S. Rajaratnam School of International Studies, co-director of the University of Würzburg's Institute for Fan Culture, and co-host of the New Books in Middle Eastern Studies podcast

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

Editor: Moh. Sakhi Rezaie

Email: outlookafghanistan@gmail.com

Phone: 0093 (799) 005019/777-005019

www.outlookafghanistan.net



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