

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



November 28, 2018

Paving the Way for Investment and Business

As Afghanistan has been struggling to stand on its own regarding its financial challenges, its economic and financial infrastructure do not seem to be supporting it in this regard. In fact, they are almost non-existent. Moreover, the condition of the local markets also suffer to a large extent, which is the reason the country has not been able to develop its export base. It is vital that Afghan local market must flourish and the business in the country must be encouraged and supported so that Afghanistan will be able to face the economic challenges in the times to come.

At the same time, there should be capital support for the new businessmen and entrepreneurs who have the capability and the enthusiasm to pursue business but do not have enough capital to do so. Banks and similar financial institutions can play a key role in this regard. They can provide loans to the investors and can thus support them in starting their businesses and assist Afghan economy in moving towards economic stability.

The same sort of support can be provided to the home-based skill investors. They can market and distribute their products on the larger-scale and can provide financial support to thousands of home-based workers who are skilled in different types of handicrafts, carpet weavings and other skills.

We need to realize that businesses play an imperative role within an economy. If within a system there are steady investments and diverse businesses, the system is on a pathway to growth and success. Since the very beginning of human society, human beings have pursued businesses so as to have their necessities satisfied. Throughout human history, businesses have had different forms and features and today have gotten to a very unconventional form. From the barter system to today's progressive era when the businesses are going online, there has been a sequence of different practices, but the significance of the business has never been lost. The under-developed and developing countries of the world that require establishing robust economic system entail evolution and sustenance of different businesses to a great degree. The authoritative people in such societies have to make sure that the pathway to the businesses is paved properly.

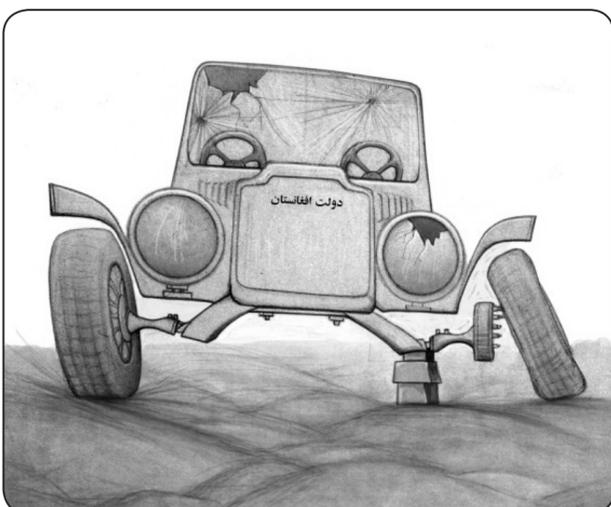
There are some very vital pre-requisites for businesses and investments to grow. Amongst them stability and security play a dominant role. If different systems within a country are stable and there are not major fluctuations every now and then, the ground is said to be ready for the investors and businessmen 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. The evil like insecurity also plays major role in discouraging businesses and investments. Different incidents of terrorism and killings compel the businesses to shut down, and frighten the investors to invest. The societies marked with insecurity do not have consumers going to the markets and enjoying the luxury of shopping different products.

Afghanistan is one of the same kinds of country where insecurity and uncertainty have 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 and uncertainty have 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.

Apart from that there are other factors as well that have been influencing the economic system of Afghanistan. The insufficient and unfavorable business laws are also one of the issues affecting Afghan economy. There have to be strong business laws governing the society and controlling the business. The laws should not only safeguard the rights of investors and businessmen but also make sure that the competition within the system is maintained on strong and fair footings. The evils like monopoly based on unfair competition must be tackled with properly and there should be strong bodies that control the prices within the markets, which at the present are non-existent and the businessmen are fixing the rates on their own.

Afghanistan needs to have strong economy so as to survive in post withdrawal era. The international aid and assistance that have been coming to the country for the last some years will be diminished and Afghan economy will be tested to a large extent. The country has to start from the basic infra-structure development and have to reach to a stable economy, wherein the businesses are able to function without any fear and inconsistency.



The NUG Leaders to Attend Geneva Conference on Afghanistan

By: Mohammad Zahir Akbari

Yesterday, the national unity government (NUG) leaders left Kabul to attend the two-day Geneva Conference on Afghanistan 2018 on November 27-28 at the Palais des Nations in Geneva, the United Nations Headquarters in Europe. This meeting is held under the framework of Tokyo Mutual Accountability Conference in which the Afghan government will attend with good achievements," Zubair Joyenda, deputy spokesman for MoFA. The Afghan government and the United Nations are to co-host the conference on Tuesday and Wednesday and the world is expected to renew its commitment and solidarity with the Afghan people and the Afghan government in their bid for peace and security. The conference would provide a platform for the Afghan government and international community to demonstrate progress and commitment, and maintain the momentum for presidential elections and opportunities for peace and security. However, there is no certain fresh financial commitment to be addressed.

President Ghani is to deliver a speech at the conference and meet with representatives of participating countries and international organizations on the sidelines of the conference, quoted the Presidential Palace in a statement. Facing a war-weary condition at home, he is expected to press regional countries to support the peace process but he has so far been kept on the sidelines by the Taliban's refusal to talk to his government, which they consider illegitimate. His own future will be decided by presidential elections due in April 2018 but organizational and political problems have already hampered the vote with authorities admitting they are considering a delay of three months.

Overall, the Afghan government is expected to brief the international community about its performance towards attracting aid, global support to fight terrorism, and support for the private sector and Afghanistan's long-term economic stability. According to government officials, government is also expected to discuss Afghanistan's strategy for becoming self-reliant and of covering its own national budget by 2024. Participants are expected to show commitment for the Afghan government to renew its commitment to development and reform. "If government plans for economic growth enhancement, then there is a hope for sustainable economic development and some steps also have been taken in this regard. And if the plans fail, we will not achieve self-reliance by 2034," the local experts said.

According to government officials, government has met almost 60 percent of its commitments made to the international community and the rest of the commitments are currently being implemented. We have had at least 60 percent progress - we still have two more years for the completion- in mutually agreed upon indicators, which include expanding the private sector, increasing exports, reforming the security sector and making the Afghan government more gender inclusive, quoted Haroon Chakhansuri, spokesperson to the president. "The Afghan government will gain the support of the international community for sustainable growth in Afghanistan," quoted from the

finance ministry spokesman. On the contrary to the official claims, the Afghanistan Transparency Watch (ATW), denies the achievements expressed by the government officials. The ATW accept only 33% of achievements saying these are consists of some basic paperwork needed to be performed.

Some of the experts believe that much of the focus will be on side meetings where officials from Afghanistan and regional and Western countries will have a chance to assess the efforts of U.S. peace envoy Zalmay Khalilzad. While the U.S. President Donald Trump's administration would actively seek the peace deals with the Taliban. Currently they have some 14,000 troops in Afghanistan, serving in the NATO-led Resolute Support training and advisory mission as well as in separate counter-terrorism operations against militant groups like Islamic State.

On the other hand, The Taliban fighting to drive out international forces and establish their version of strict Islamic law and will not be attending but will be closely monitoring the talks. According to Taliban officials, the withdrawal of foreign forces from Afghanistan is the only way for maintaining peace and security "We hope the international leaders accept our demands and put pressure on the U.S. to withdraw all foreign forces from Afghanistan," quoted a Taliban member. "Otherwise the conference will hold little significance."

Anyway, the conference aims to emphasize the importance and the implementation of mutual commitments made by the Afghan government and the international community towards reform and development and in measuring results against the \$15.2 billion committed by the international community for Afghanistan in 2016. The conference will also be an opportunity to emphasize the importance of the development and reform agenda and the need to advance it as a constructive contribution to peace and security. This particular conference will also be crucial in measuring results against the \$15.2 billion committed by the international community for Afghanistan in 2016. The conference will be divided into thematic side events on 27 November, the main conference on 28 November, and other meetings taking place in the margins of the two days.

In 2011 at the Bonn conference on Afghanistan, the international community agreed on a Transformation Decade for the country. During this period, Afghanistan was promised very considerable amounts of international assistance so that the country could achieve self-reliance by 2024. At the Tokyo Conference in 2012 a system of high-level periodic reviews was put in place with ministerial meetings every two years and senior officials meeting in the intervening years. The ministerial conferences in 2012 in Tokyo and 2016 in Brussels became major pledging conferences obtaining over \$16 billion and \$15 billion respectively for the years that followed. The next major pledging conference is in 2020.

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Why a US-China Tariff Ceasefire Is Coming Soon

By: Anatole Kaletsky

The meeting between US President Donald Trump and China's President Xi Jinping at the G20 summit in Buenos Aires this week is being viewed as a make-or-break moment for the world economy and financial markets. But even if no agreement is reached at the summit, there are at least four reasons to expect a de-escalation of the US-China tariff war.

The first, paradoxically, is the recent shift in US rhetoric away from a focus on American jobs to the explicitly Sinophobic objectives of "containing" China and preventing it from developing into a technological power that could challenge US global hegemony. Now that Xi realizes he is engaged in a generational struggle against the containment of China, he simply cannot afford to lose this opening skirmish of Cold War 2.0.

And Xi has plenty of policy tools available to ensure that the Chinese economy does not suffer any serious damage from US tariffs. To the extent that tariffs reduce China's exports, the government and central bank can offset the economic impact by stimulating domestic demand.

The slowdown in Chinese economic growth this year has been due almost entirely to deliberate decisions to deleverage the banking system, cut local governments' borrowing, reduce over-investment in infrastructure, and curb booming house prices by tightening monetary policy. All of these austerity policies can easily be softened or reversed.

Doubts about the Chinese government's willingness to shift economic policy from tightening to stimulus have been dispelled in the past few weeks. Clear statements from policymakers, all the way up to Xi, have indicated that China will not permit any further weakening of the economy next year, even if that means accepting bigger budget deficits or easing up on bank deleveraging and monetary tightening.

As I argued two months ago, this policy shift was to be expected. Governments engaged in war do not worry about debt-to-GDP ratios or bank balance sheets.

Second, as Xi's ability and willingness to protect China's economy from any further slowdown becomes clear, Trump's political calculation will change. If Trump wants a "big win" on Chinese trade to boast about ahead of the 2020 election, he will need to strike a deal with Xi fairly quickly. This is because the trade war's next stage - when tariffs are increased from 10% to 25% and possibly extended to all Chinese imports - will prove more unpopular with US voters and do more damage to US economic prospects than the current phony war, which has consisted of more rhetoric than action.

The main risk to the US economy comes not from Chinese retaliation against farmers or US multinationals, which may or may not happen, but from the Keynesian tariff effect. Trump's belief that US tariffs would act as a tax on Chinese exporters, while creating jobs in America, might have been valid at a time of recession and mass unemployment. But with the US economy now operating at full employment, there is no sig-

nificant scope for domestic production to substitute for Chinese imports. This means that the cost of tariffs will fall mainly on US consumers and importers, pushing up US inflation and interest rates, rather than hitting Chinese economic activity and jobs.

Third, Trump's previous geopolitical negotiations offer clear precedents for an early ceasefire. In all of his big diplomatic confrontations - over North Korea's nuclear weapons, over the Mexican border wall, and over the revision of the North American Free Trade Agreement - Trump's modus operandi has been to escalate aggressive rhetoric almost to the point of warfare and then suddenly negotiate a tactical retreat. The most recent and unexpected case was the easing of Iran sanctions to reverse the rise in oil prices above \$80.

Trump's negotiating style - "shout loudly and carry a white flag," as I call it - may seem incoherent and dishonest, but it has been spectacularly successful for him, if not for America's national interests. It has enabled him to galvanize hardcore nationalists by seeming to act more aggressively than any previous president to "Make America Great Again" while avoiding any genuine military or economic risks that could entail serious costs or sacrifices for American voters.

A deal at the G20 summit would be consistent with this pattern. But so would a breakdown in Buenos Aires, followed by a brief extension of anti-China tariffs and then, a few months or weeks later, another Trump-Xi summit and another "victorious retreat." Think of the British in June 1940 seeing their retreat from Dunkirk as a great triumph.

Finally, the fact that Xi cannot afford to lose this early phase of the US-China conflict does not mean that Trump must be seen to lose it. A draw or ceasefire would be perfectly acceptable for China and would almost certainly satisfy Trump, judging by past experience. Trump could win personal kudos with a compromise that involved some concessions, both real and apparent, that Xi is willing to make - on the size of the trade imbalance, on intellectual property laws, on further market opening for US multinationals and financial institutions, and so on.

In fact, China has already agreed that it could meet roughly 40% of the 142 trade demands presented by the US earlier this year, and could negotiate a further 40%. It is the remaining 20%, involving technology and industrial subsidies, that are non-negotiable for China. Of course, this 20% covers most of the policies that militant Sinophobes denounce, because they could enable China to challenge US technological and military hegemony by the second half of this century.

But does Trump really care about what may happen after 2050? Assuming he cares more about what happens in 2020, when he must face American voters again, his confrontation with China will end before too long.

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