

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



September 08, 2018

Belt and Road Initiative: A Globally Productive Project

Afghanistan has played a role as the "Center of Asian Crossroads" in the Ancient Silk Road and seeks to regain its position in the Belt and Road Initiative, which was put forward by Chinese President Xi Jinping in 2013 on his visit to Central Asia and South Asia in a bid to boost connectivity through building a network of highways, railways and pipelines linking Asia, Africa and Europe. On his recent visit to China, Afghan Senate Chairman Fazal Hadi Muslimyar asked the Chinese leadership to give special significance to Afghanistan's geo-political position under the BRI.

The initiative, comprises the overland 'Silk Road Economic Belt' and '21st Century Maritime Silk Road', spans 65 countries, covering more than 60 pc of world's population and one-third of global GDP. Economic belt is physical road made up of six corridors that link China to Central Asia and South Asia and onward to Europe. These corridors include roads, railways, bridges and power plants. The Maritime Silk Road is a network of seaports or shipping lanes which links China to the nations of South East Asia, the Gulf Countries, North Africa, and on to Europe. With the engagement of many states, the scope of the BRI is still taking shape.

The Silk Road, whose name is derived from the lucrative trade of silk from China to Eurasian countries, was an ancient network of trade routes that connected the Eurasia. It was central for cultural interaction between the regions for many centuries. Trade along the Silk Road had major impacts on the development of the civilizations of China, Korea, Japan, the Indian subcontinent, Persia, Europe and Arabia as it opened long-distance economic relations between civilizations. However, the Ottoman Empire boycotted trade with the west and closed the Silk Road.

China is seeking to open a new page in the history through revitalizing the ancient Silk Road and strengthening global connectivity. A Chinese saying goes, "If you want to go fast, go alone. If you want to go far, go together." China intends to go far and the initiative will promote global economy through infrastructure, connectivity, financial mechanism and public policies. According to Scott Kennedy of the Center for Strategic and International Studies, the B&R will "include promotion of enhanced policy coordination across the Asian continent, financial integration, trade liberalization, and people-to-people connectivity". Therefore, China calls all nations to get on board the express train of China's peaceful development.

Vasquez, a member of Washington-headquartered Schiller Institute, says that the "economic cake" grows along with China's progress in infrastructure building and development in science and technology, there will be "more cakes" to go around for everyone.

It is believed that building a harmonious world of lasting peace and common prosperity is one of the main objectives of the BRI. The spirit of Silk Road which has been handed from generation to generation up to now is "peace, cooperation, openness, inclusiveness, mutual benefit and mutual learning". So, the initiative is a development strategy without ideological objective. It goes without saying that the joint efforts in the frame of BRI will be more successful than the individual struggle for four reasons: Network effects, organized financing mechanism, leadership and China's stage of economic development. To enhance economic development, China says, "Build it and they will come". This strategy will bear the desired result for BRI countries. According to Chinese economists, connectivity and economic link play the best role in the development of a country and this connectivity is possible only through building roads as a Chinese saying goes, "Building the road is the first step towards prosperity".

Moreover, the BRI will generate new trade and investment opportunities, alleviate global poverty, create jobs and contribute to global economy. Through linking the coastal regions, the BRI will bridge the gap between rural and urban areas so as to build a balanced economy. Since being self-reliant in the era of globalization is almost impossible and peoples need to fulfill their needs through supply and demands, more than 100 countries and international organizations have joined the BRI, 86 countries signed the Memorandum of Understanding with China and the United Nations General Assembly adopted its resolution to support this global infrastructure inter-connectivity endeavor. The initiative is complementary to the 2030 Agenda for Sustainable Development of the United Nations, as China prioritizes sustainable development in social and economic issues. One of the main reasons behind the SDG is alleviating poverty, as it states in the fourth section of Article 1: "By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance". This is the very objective of the initiative as China seeks to build a moderately prosperous society and "a community with a shared future" where all can live free from poverty and hunger.



Trump's Assault on Refugees

By Gordon Brown

The decision by US President Donald Trump's administration to stop funding the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) has politicized humanitarian aid, threatens to add yet more fuel to one of the world's most combustible conflicts, and jeopardizes the futures of a half-million Palestinian children and young people.

Originally created to deliver basic assistance to refugees displaced during the creation of the Israeli state, the UNRWA has provided health care, employment, and emergency food and shelter for displaced Palestinians since 1949. Today, nearly two million refugees receive emergency food and cash assistance from the organization, and each year millions use the 143 UNRWA-run health clinics.

But the majority of UNRWA's budget goes towards educating children and young people, half of them in Lebanon, Syria, and Jordan, and the rest in Gaza and the West Bank. UNRWA runs nearly 700 schools, serving more students than any other UN organization. Some 75% of the population of the Gaza Strip receives some form of UNRWA assistance, and 60% of Gaza's children from first to ninth grade attend UNRWA schools.

Without aid from the US, however, UNRWA's ability to deliver its most valuable service will be severely diminished. This directly contradicts the commitment made by world leaders, as part of the UN Sustainable Development Goals (SDGs), to ensure that every child is in school by 2030.

Though UNRWA has more than 100 donors, almost a quarter of its total budget - nearly \$400 million annually - previously came from the US. In fact, for nearly 70 years the US has been UNRWA's most generous and reliable donor, with both Republican and Democratic administrations recognizing the organization's value.

Now, UNRWA's other donors - the top ten of which contribute some 80% of the body's total budget - are under pressure to bridge the funding gap. And some donors are already stepping up.

In Germany, UNRWA's third-largest funder, Foreign Minister Heiko Maas recently announced that the government is "currently preparing to provide an additional amount of significant funds" to the organization. Similarly, the United Kingdom has just added £7 million (\$9 million), bringing its total contribution for the current year to £45.5 million.

Sweden recently committed \$206 million of non-earmarked funding over the next four years. The European Union, UNRWA's second-largest donor, has provided an advance on this year's funding, and pledged to maintain its contribution in 2019 and 2020. Other donors - such as Denmark, Finland, Luxembourg, the Netherlands, New Zealand, Norway, Russia, and Switzerland - have agreed to frontload their funding as well.

This is good news, but we will need to do more to offset the coming loss of US support at a time when budgets are already strained by the fast-increasing humanitarian needs of the world's other 60 million displaced people, including more than 20 million refugees (a post-World War II record). Likewise, the Education Cannot Wait fund, established in 2016 to

aid children and young people affected by wars and emergencies, now must consider 40 separate emergencies and protracted crises. As yet, the organization, led by Yasmine Sherif, lacks the necessary funding to help close the huge financing gap.

Beyond reducing substantially the UNRWA's capacity to deliver basic services to Palestinian refugees, the shortage of resources will also threaten the already tenuous stability of the West Bank, Gaza, Syria, Lebanon, and Jordan.

As Maas put it, "the loss of this organization could unleash an uncontrollable chain reaction." Kids would be pushed from UNRWA classrooms onto the streets, where they would be more vulnerable to dangerous scenarios such as recruitment efforts by terrorists, who will surely jump at the chance to argue that if we can't keep our aid promises, peaceful coexistence with the West is impossible. Child marriage, child labor, and child trafficking would rise. A generation of children and young people would be lost, in a region more unstable than ever.

The Trump administration has offered a number of imaginative but unconvincing justifications for its decision. For example, it claims that other countries should have been paying more for a long time. But, even if that were true, it would hardly justify the sudden elimination of all support.

The administration also asserts that UNRWA is inflating the number of Palestinian refugees, not all of whom deserve the "right to return" (a major sticking point in peace negotiations with Israel), and that the organization has outlived its usefulness. But, again, the argument is not convincing.

To be sure, UNRWA has long been criticized by some for passing down refugee status across generations since 1948. The Trump administration is now considering a proposal to restrict the right of return from five million Palestinians to a few hundred thousand.

But, in response it is argued that the practice of defining refugees' descendants as refugees is in accordance with international conventions governing refugee rights, as well as with international human rights and humanitarian law and the approach taken by the UN Refugee Agency (UNHCR).

The fact is that, since UNRWA was created, the UN General Assembly, including the US, has not only renewed its mandate every three years, but also extolled its performance. An overwhelming majority of UN member states, recognizing the unique role UNRWA plays in a volatile region, have consistently recognized the need to provide it with robust financial support.

As the world continues to seek an agreement for lasting peace in the Middle East, UNRWA (under the reforming leadership of Pierre Krähenbühl) is an important stabilizing influence and humanitarian force that advances the cause of peace. Palestinian refugee children are already deeply disadvantaged. If UNRWA is not given the support it needs, these children and their societies will pay an even heavier price.

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Final Thoughts on Secular Stagnation

By Lawrence H. Summers

Joseph Stiglitz, Roger Farmer, and I are now and have long been in agreement on what are probably the most important points. The "New Keynesian" paradigm that sees business cycles as arising from temporary rigidities in wages and prices is insufficient to account for events like the Great Depression and the Great Recession. Too little was done in the aftermath of the financial crisis a decade ago to stimulate aggregate demand. A more equal income distribution operates to increase aggregate demand. Substantially stronger financial regulation than was in place before 2008 needs to be adopted to minimize the risks of future crises. I continue to have disagreements with Stiglitz on the record of policy advice, and with both Stiglitz and Farmer on some points of theory regarding secular stagnation.

Starting with the policy record, Stiglitz is right to assert that economists should not be expected to agree on issues of political feasibility. They should, however, be able to agree on what texts say. The New York Times commentary that Stiglitz proudly cites calls for a stimulus of "at least \$600 billion to \$1 trillion over two years." The Obama administration called for and received stimulus totaling some \$800 billion, a figure well within Stiglitz's range, despite being politically constrained by the necessity of Congressional approval. So I'm not sure what he is claiming.

Stiglitz asserts that the study Fannie Mae hired him to write in 2002 said only that its lending practices at that time were safe. That is not how I read it. It speaks to ten-year default probabilities of less than one in 500,000; notes that even if the analysis is off by an order of magnitude, any risks to government are very modest; and appeals to the regulatory system in place at the time to minimize that their model missed risks. He makes arguments against the Congressional Budget Office, the Department of the Treasury, and the Federal Reserve, all of which had suggested - based on the same information available to Stiglitz when he wrote his paper - that implicit guarantees to Fannie Mae were potentially costly.

I am not sure what point Joe is making with respect to derivatives. I was clear in my article to which he is responding that I wish we had not supported the 2000 legislation. But I

also noted that there is no reason to think that, in the absence of the legislation, the Commodity Futures Trading Commission under the Bush administration would have asserted sweeping new authority over derivatives and pointed to the legal certainty problem that career lawyers thought was important to address.

What about secular stagnation theory? Stiglitz and I agree that Alvin Hansen's prediction was not borne out after World War II because of a combination of expansionary policy and structural changes in the economy. This was my point five years ago in renewing the idea of secular stagnation - to suggest that the economy as it was in 2013 required some combination of fiscal expansion and structural change to sustain full employment. My discussions of secular stagnation have all emphasized a variety of structural factors, including inequality, high profit shares, changes in relative prices, and global saving patterns. Where does Stiglitz disagree?

Farmer, in his thoughtful commentary, argues that models of the type he has pioneered in recent years are the right way to think about chronically excessive unemployment and that, with the right microfoundations, one can conclude that fiscal policies are ineffective. I think his modeling approach may well prove very fruitful, and I wish I understood it better. But, for now, I find the empirical evidence, international comparisons, time-series studies, and studies of local variation within the United States compelling in suggesting that fiscal policy works. I do think, however, that Farmer's views on the use of monetary policy to stabilize asset prices deserve serious consideration.

Finally, I hope Stiglitz will respond positively to my repeated suggestions that we debate these matters in person at Columbia or Harvard or some other suitable venue. We can all agree that the stakes in a better understanding of the lessons of macroeconomic history, and in avoiding future events like those of the last decade, are very high.

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