

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



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## Rail Roads: Economic Development and Long Term Partnerships

Transport systems play a great role in changing the regional and international policy options of the countries. That's why transport systems worldwide are undergoing rapid change. Globalization has created a demand for goods and services that makes improved infrastructure and more efficient transport systems a precondition for economic development. The role of transport in economic development is usually discussed in relation to its contribution to carrying goods and people domestically and internationally. The ability of countries, particularly their more isolated communities, to participate in trade depends on how effectively their transport and communications infrastructure gives them access to the global trading system.

At the same time, growing environmental concerns are prompting the introduction of new standards for exhaust emissions and other measures which will also influence the transport sector's growth. Regional cooperation in this sector calls for well-integrated policies and the fulfillment of three main objectives: (a) Identifying primary constraints in transport-related areas that hinder the growth of regional trade; (b) Identifying measures that can be taken to enhance the efficiency of the sector; (c) Examining the options for financing the construction and Maintenance of them.

Asian countries will have difficulty in developing markets within and outside the region if they do not remove obstacles to transport which significantly raise the cost of doing business and weaken the competitiveness of goods. Such obstacles range from inadequate infrastructure and red tape to corruption in customs, restrictive bilateral protocols on the cross-border movement of vehicles, delays and pilferage in ports and lack of safe warehouses. In particular, these issues could prevent the region's landlocked countries like Afghanistan from benefiting fully from liberalized trade. Reduced maritime transport costs and the speed and ease with which containers and their contents can be moved between one mode of transport and another have created new possibilities for global sourcing in production. In turn, this has provided the opportunity to explore national and regional comparative advantages and has been a major driving force of economic development. However, in many Asian countries institutional and infrastructural bottlenecks have meant that economic development has been largely confined to urban areas and coastline corridors, which have easy access to international maritime transport. Broad-based economic development through globalization makes it vital to remove the bottlenecks and create cost-effective maritime and land transport links.

Afghanistan as a landlocked country has suffered bitterly from the lack of transport infrastructure and access to the regional and international markets. Considering this, Afghanistan has taken many initiatives to encourage the regional countries to use Afghanistan as strategic transportation corridor to benefit the country and the region. The Rail link from Herat to Khaf in Iran that links Afghanistan to the European countries is one of the main strategic projects that can dramatically change the relations between Iran and Afghanistan. It also would contribute immensely to help Afghanistan to reduce its dependency on Pakistan transit routes that have always been used as a pressure tool against Afghanistan. This rail road for both cargo and passengers is under construction and estimated for completion in two months.

Chabahar rail road is another strategic transport project that enables Afghanistan, India and Iran to exchange their commercial goods through it. The aim of this project is to link India and Afghanistan to the central Asian and Indian Markets. Such initiatives will further interlink the national interests of the relevant countries to each other and will pave the way for a comprehensive and long term partnerships in cultural, trade, security, economic and other areas of bilateral multilateral interests.

## Attack in Iran Raises Spectre of a Potentially far Larger Conflagration

By James M. Dorsey

An attack on a military parade in the southern Iranian city of Ahwaz is likely to prompt Iranian retaliation against opposition groups at home and abroad. It also deepens Iranian fears that the United States, Saudi Arabia and others may seek to destabilize the country by instigating unrest among its ethnic minorities.

With competing claims of responsibility by the Islamic State and the Ahwaz National Resistance for the attack that killed 29 people and wounded 70 others in the oil-rich province of Khuzestan, which borders on Iraq and is home to Iran's ethnic Arab community, it is hard to determine with certainty the affiliation of the four perpetrators, all of whom were killed in the incident.

Statements by Iranian officials, however, accusing the United States and its allies, Saudi Arabia, the United Arab Emirates and Israel, suggest that they see the Ahwaz group rather than the Islamic State as responsible for the incident, the worst since the Islamic State attacked the Iranian parliament and the mausoleum of Ayatollah Ruhollah Khomeini in Tehran in 2017.

Iran's summoning, in the wake of the attack, of the ambassadors of Britain, the Netherlands and Denmark, countries from which Iranian opposition groups operate, comes at an awkward moment for Tehran.

It complicates Iranian efforts to ensure that European measures effectively neutralize potentially crippling US sanctions that are being imposed as a result of the US withdrawal in May from the 2015 international agreement that curbed the Islamic republic's nuclear program.

Ahwaz-related violence last year spilled on to the street of The Hague when unidentified gunmen killed Ahwazi activist Ahmad Mola Nissi. Mr. Nissi was shot dead days before he was scheduled to launch a Saudi-funded television station staffed with Saudi-trained personnel that would target Khuzestan, according to Ahwazi activists.

This week, a group of exile Iranian academics and political activists, led by The Hague-based social scientist Damon Golriz, announced the creation of a group that intends to campaign for a liberal democracy in Iran under the auspices of Reza Pahlavi, the son of the ousted Shah of Iran who lives in the United States.

While Iran appears to be targeting exile groups in the wake of the Ahwaz attack, Iran itself has witnessed in recent years stepped up activity by various insurgent groups amid indications of Saudi support, leading to repeated clashes and interception of Kurdish, Baloch and other ethnic insurgents.

Last month, Azeri and Iranian Arab protests erupted in soccer stadiums while the country's Revolutionary Guards Corps reported clashes with Iraq-based Iranian Kurdish insurgents.

State-run television warned at the time in a primetime broadcast that foreign agents could turn legitimate protests stemming from domestic anger at the government's mismanagement of the economy and corruption into "incendiary calls for regime change" by inciting violence that would provoke a crackdown by security forces and give the United States fodder to tackle Iran.

The People's Mujahedin Organization of Iran or Mujahedin-e-Khalq (MeK), a controversial exiled opposition group that enjoys the support of serving and former Western officials, including some in the Trump administration, as well as prominent Saudis such as Prince Turki al-Faisal, a former Saudi intelligence chief, who is believed to be close to Saudi Crown Prince Mohammed bin Salman, has taken credit for a number of the protests in Khuzestan.

The incidents fit an emerging pattern, prompting suggestions that if a Gulf-backed group was responsible for this weekend's attack, it may have been designed to provoke a more direct confrontation between Iran and the United States.

"If the terrorist attack in Ahwaz was part of a larger Saudi and UAE escalation in Iran, their goal is likely to goad Iran to retaliate and then use Tehran's reaction to spark a larger war and force the US to enter since Riyadh and Abu Dhabi likely cannot take on Iran militarily alone... If so, the terrorist attack is as much about trapping Iran into war as it is to trap the US into a war of choice," said Trita Parsi of the National Iranian American Council.

Iran appears with its response to the Ahwaz attack to be saying that its fears of US and Saudi destabilization efforts are becoming reality. The Iranian view is not wholly unfounded.

Speaking in a private capacity on the same day as the attack in Ahwaz, US President Donald J. Trump's personal lawyer, Rudolph Giuliani, declared that US sanctions

were causing economic pain that could lead to a "successful revolution" in Iran.

"I don't know when we're going to overthrow them. It could be in a few days, months, a couple of years. But it's going to happen," Mr. Giuliani told an audience gathered in New York for an Iran Uprising Summit organized by the Organization of Iranian-American Communities, a Washington-based group associated with the Mujahedeen-e-Khalq.

Mr. Giuliani is together with John Bolton, Mr. Trump's national security advisor, a long-standing supporter of the Mujahedeen-e-Khalq that calls for the violent overthrow of the Iranian regime.

Mr. Bolton, last year before assuming office, drafted at the request of Mr. Trump's then strategic advisor, Steve Bannon, a plan that envisioned US support "for the democratic Iranian opposition," "Kurdish national aspirations in Iran, Iraq and Syria," and assistance for Iranian Arabs in Khuzestan and Baloch in the Pakistani province of Balochistan and Iran's neighbouring Sistan and Balochistan province.

The Trump administration has officially shied away from formally endorsing the goal of toppling the regime in Tehran. Mr. Bolton, since becoming national security advisor, has insisted that US policy was to put "unprecedented pressure" on Iran to change its behaviour, not its regime.

Messrs. Bolton and Giuliani's inclination towards regime change is, however, shared by several US allies in the Middle East, and circumstantial evidence suggests that their views may be seeping into US policy moves without it being officially acknowledged.

Moreover, Saudi support for confrontation with Iran precedes Mr. Trump's coming to office but has intensified since, in part as a result of King Salman's ascendance to the Saudi throne in 2015 and the rise of his son, Prince Mohammed.

Already a decade ago, Saudi Arabia's then King Abdullah urged the United States to "cut off the head of the snake" by launching military strikes to destroy Iran's nuclear program.

Writing in 2012 in Asharq Al Awsat, a Saudi newspaper, Amal Al-Hazzani, an academic, asserted in an op-ed entitled "The oppressed Arab district of al-Ahwaz" that Khuzestan "is an Arab territory... Its Arab residents have been facing continual repression ever since the Persian state assumed control of the region in 1925... It is imperative that the Arabs take up the al-Ahwaz cause, at least from the humanitarian perspective."

More recently, Prince Mohammed vowed that "we won't wait for the battle to be in Saudi Arabia. Instead, we will work so that the battle is for them in Iran."

Abdulkhaleq Abdulla, a prominent UAE scholar, who is believed to be close to Emirati Crown Prince Mohammed bin Zayed, played into Iranian assertions of Gulf involvement in this weekend's attack by tweeting that it wasn't a terrorist incident.

Mr. Abdulla suggested that "moving the battle to the Iranian side is a declared option" and that the number of such attacks "will increase during the next phase".

A Saudi think tank, believed to be backed by Prince Mohammed last year called in a study for Saudi support for a low-level Baloch insurgency in Iran. Prince Mohammed vowed around the same time that "we will work so that the battle is for them in Iran, not in Saudi Arabia."

Pakistani militants have claimed that Saudi Arabia has stepped up funding of militant madrassas or religious seminaries in Balochistan that allegedly serve as havens for anti-Iranian fighters.

The head of the US State Department's Office of Iranian Affairs, Steven Fagin, met in Washington in June with Mustafa Hijri, head of the Kurdistan Democratic Party of Iran (KDPI), before assuming his new post as counsel general in Erbil in Iraqi Kurdistan.

The KDPI has recently stepped up its attacks in Iranian Kurdistan, killing nine people weeks before Mr. Hijri's meeting with Mr. Fagin. Other Kurdish groups have reported similar attacks. Several Iranian Kurdish groups are discussing ways to coordinate efforts to confront the Iranian regime.

Similarly, the Central Intelligence Agency (CIA) last year appointed a seasoned covert operations officer as head of its Iran operations.

Said Saudi Ambassador to the United States Prince Khalid bin Salman, Prince Mohammed's brother: President "Trump makes clear that we will not approach Iran with the sort of appeasement policies that failed so miserably to halt Nazi Germany's rise to power, or avert the costliest war ever waged."

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## The Promise and Pitfalls of AI

By Jacques Bughin and Nicolas van Zeebroeck

Like any transformative trend, the rise of artificial intelligence (AI) poses both major opportunities and significant challenges. But the gravest risks may not be the ones most often discussed.

According to new research from the McKinsey Global Institute (MGI), AI has the potential to boost overall economic productivity significantly. Even accounting for transition costs and competition effects, it could add some \$13 trillion to total output by 2030 and boost global GDP by about 1.2% per year. This is comparable to - or even larger than - the economic impact of past general-purpose technologies, such as steam power during the 1800s, industrial manufacturing in the 1900s, and information technology during the 2000s.

Perhaps the most discussed concern about AI is the prospect that intelligent machines will replace more jobs than they create. But MGI's research found that the adoption of AI may not have a significant effect on net employment in the long term. Extra investment in the sector could contribute 5% to employment by 2030, and the additional wealth created could drive up labor demand, boosting employment by another 12%.

But while the overall picture is positive, the news is not all good. For one thing, it is possible that it will take time for AI's benefits - particularly with regard to productivity - to be felt. Indeed, MGI's research suggests that AI's contribution to growth may be three or more times higher by 2030 than it is over the next five years.

This is in line with the so-called Solow computer paradox: productivity gains lag behind technological advances - a notable phenomenon during the digital revolution. This is partly because, initially, economies face high implementation and transition costs, which estimates of AI's economic impact tend to ignore. MGI's simulation suggests that these costs will amount to 80% of gross potential gains in five years, but will decline to one-third of those gains by 2030.

The more troubling potential feature of the AI revolution is that its benefits are not likely to be shared equitably. The resulting "AI divides" will reinforce the digital divides that are already fueling economic inequality and undermining competition. These divides could emerge in three areas.

The first divide would emerge at the company level. Innovative, leading-edge companies that fully adopt AI technologies could double their cash flow between now and 2030 - an outcome that would likely entail hiring many more workers. These companies would leave in the dust those that are unwilling or unable to implement AI technologies at the same rate. In fact, firms that do not adopt AI at all could experience a 20% decline in their cash flow as they lose market share, putting them under pressure to shed workers.

The second divide concerns skills. The proliferation of AI technologies will shift labor demand away from repetitive tasks that can more easily be automated or outsourced to platforms, toward socially or cognitively driven tasks. MGI's

models indicate that job profiles characterized by repetitive tasks and little digital knowhow could fall from some 40% of total employment to near 30% by 2030. Meanwhile, the share of jobs entailing non-repetitive activities or requiring high-level digital skills is likely to rise from some 40% to more than 50%.

This shift could contribute to an increase in wage differentials, with around 13% of the total wage bill potentially shifting to non-repetitive jobs requiring high-level digital skills, as incomes in those fields rise. Workers in the repetitive and low-digital-skills categories may experience wage stagnation or even reduction, contributing to a decline in their share of the total wage bill from 33% to 20%.

The third AI divide - among countries - is already apparent, and seems set to widen further. Those countries, mostly in the developed world, that establish themselves as AI leaders could capture an additional 20-25% in economic benefits compared with today, while emerging economies may accrue only an extra 5-15%.

The advanced economies have a clear advantage in adopting AI, because they are further along in the implementation of previous digital technologies. They also have powerful incentives to adopt AI: low productivity growth, aging populations, and relatively high labor costs.

By contrast, many developing economies have insufficient digital infrastructure, weak innovation and investment capacity, and thin skills base. Add to that the motivation-dampening effects of low wages and ample space for productivity catch-up, and it seems unlikely that these economies will keep pace with their advanced counterparts in AI adoption.

The emergence or expansion of these AI divides is not inevitable. In particular, developing economies can choose to take a forward-thinking approach that includes strengthening their digital foundations and actively encouraging AI adoption. And, to ensure that their changing workplace needs are met, firms can take a more active role in supporting educational upgrading and continuous learning for lower-skill people.

Moreover, these divides are not necessarily a negative development. The reallocation of resources toward higher-performing companies makes economies healthier, potentially providing them with new competitive advantages vis-à-vis other countries.

But the risks posed by these divides should not be underestimated. Vision and perseverance are essential to make the AI revolution work, because it will bring short-term pain before long-term gains. If that pain occurs against a backdrop of frustration with the unequal distribution of AI's benefits, it may trigger a backlash against technologies that could otherwise produce a virtuous cycle of higher productivity, income growth, and employment-boosting demand.

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