

Afghanistan - The Difficulty to Assess the Economy of a State in Constant War or From War Economy to the Hub of Eurasia?

Economic Developments in South Asia. Lecture series. Hamburg University. 27 May 2013.

DRAFT - 26 May 2013.

That Afghanistan has been included in a lecture series on economic developments in South Asia might not come naturally to everyone. Afghanistan is usually understood to be part of Central Asia and not of South Asia, although the country is (since 2007) a member of the South Asian Association of Regional Cooperation (SAARC) as well as the South Asian Free Preferential Trade Area (SAPTA) and South Asia Free Trade Area (SAFTA). In Germany, South Asia usually is equalled with the Indian (Indo-Pakistan) subcontinent. Therefore, the South Asia Institute of Heidelberg University, the largest of its kind, 'focuses on the countries of Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka. Due to the close philological and historical bond with South Asia the institute also takes neighbouring countries, for example Afghanistan ... into account.'¹

In the 19th century Afghanistan was considered to be part of Central Asia, i.e. the lands east of the Caspian Sea, south of Siberia, west of China and north of Persia and India, until the Russian Empire swallowed up the erstwhile emirates of Bukhara, Khiva, Kokand and Merv in their move towards the 'warm waters' of the Arabian Sea, while the British tried to avoid just that.

In 1807 Napoleon had asked the Russian Tsar to join him to wrench India from Britain. After his disastrous campaign, Russia pursued her own plans of expansion. As William Dalrymple in his new book brings out, what became known as the **Great Game** between Britain and Russia over Central Asia, from Persia to Tibet, is also the story of misunderstandings that led to the first Afghan War (1839-42) and the most complete military defeat of Britain in the 19th century.² A few years later Britain collided directly with Russia when supporting the Ottoman Empire in the Crimean War (1853-1856). However, as early as in the 1860s Britain and Russia started negotiating their areas of influence. With the protocol of 1887 the border between Russia and Afghanistan, since the second Afghan War (1878-80) and the Treaty of Gandamak (26 May 1879) a British protectorate, finally was fixed. After the Russian (1917) revolution, there were fewer fears of a further Russian expansion and Britain granted full independence to Afghanistan.

Central Asia

At least since the 19th century there has been a discussion how to bracket the countries of Southwest, Central and South Asia. After the founding of the Soviet Union its boundaries became impenetrable; the Soviet part of Central Asia became their Middle Asia. Central Asia ceased to be a useful geographic term. New categories were invented like Southwest Asia and Middle South Asia. After the Soviet invasion in 1979, Afghanistan became part of the 'Eastern Bloc'. With the break up of the Soviet Union in 1991 and independence of their 'stans', the term Central Asia, emerged again. Afghanistan joined ECO, a loose regional cooperation of 10

¹See SAI's web site: 'Structure andTasks'. <http://www.sai.uni-heidelberg.de/en/profil.php> (12.6.2013).

²William DALRYMPLE: Return of a king. The battle for Afghanistan 1839-42. London: Bloomsbury. 2013.

southwest and Central Asian Muslim majority states, and – finally – SAARC. The reorientating towards South Asia is in line with history, because throughout history there had been cultural, political and economic links between Central and South Asia.³ Joining ECO⁴ and SAARC⁵ and the double-membership in alliances that comprise the lands between Bulgaria and Myanmar, have a **hinge function** between Central/Southwest and South Asia for Afghanistan (and Pakistan). ECO, unfortunately has little progress to show as I learned when visiting ECO headquarters in Teheran; more is expected from SAARC.

How much Afghanistan now feels **part of South Asia** I could see a few years ago, when I had a discussion with the General Secretary of SAARC and the directors from the member countries. It was the Afghan delegate who was the most enthusiastic about SAARC, expecting a close collaboration with the other seven members. Unfortunately, SAARC so far has been only a limited success; trade among the member countries is less than 5 per cent of all their foreign trade and relations are strained between member countries, especially between India and Pakistan, but also between Pakistan and Afghanistan. Both, Afghanistan and Pakistan are major allies of the USA in the fight against terrorism; in both cases the relationship is not easy and the same has to be said about the relations between Afghanistan and Pakistan. They blame each other not to do enough against their Taliban. Pakistan's military is even blamed to support the Afghan Taliban. Thus, Pakistan is even less popular in Afghanistan than the USA.

The view that the **armed resistance** in Afghanistan (and now also in Pakistan) results mainly from the presence of foreign infidels is supported by history: The uprising of 1841 resulted in an almost total annihilation of the 'Army of the Indus' (not only Britishers, but also mainly Indian Hindus). Major (later: Sir) Louis Cavagnari, the British Envoy in Kabul and all his men were killed in September 1879. The new Afghan King Abdur Rahman (Amir of Kabul 1880 to 1901) 'accepted the provisions of the Treaty of Gandamak - with the modification that the British agent and his staff in Kabul would be Indian Muslims.'⁶ The resistance against the Russians (1979-89) is well known, the present one might even continue after the pullout of US and NATO troops as long as foreign military advisers are in the country. Obviously all major powers since Alexander desire to conquer the 'top of the world'. As one of Dalrymple's interview partners expects: 'Next it will be China'.⁷

³A detailed account of Afghanistan's boundaries and respective history is given by Daniel Balland: *Boundaries of Afghanistan*. In: *Encyclopaedia Iranica*. Vol. IV, Fasc. 4, pp. 406-415. <http://www.iranicaonline.org/articles/boundaries-iii>

⁴From ECO's website: 'Economic Cooperation Organization (ECO), is an intergovernmental regional organization established in 1985 by Iran, Pakistan and Turkey for the purpose of promoting economic, technical and cultural cooperation among the Member States. ECO is the successor organization of Regional Cooperation for Development (RCD) which remained in existence since 1964 up to 1979. In 1992, the Organization was expanded to include seven new members, namely: Islamic Republic of Afghanistan, Republic of Azerbaijan, Republic of Kazakhstan, Kyrgyz Republic, Republic of Tajikistan, Turkmenistan and Republic of Uzbekistan.' http://www.ecosecretariat.org/Detail_info/About_ECO_D.htm

⁵Founded on 8 December 1985 by the President of Bangladesh, the King of Bhutan, the Prime Minister of India, the President of the Maldives, Hussain Muhammad Ershad, the King of Nepal, the President of Pakistan and the president of Sri Lanka. From the SAARC Charter: <http://www.saarc-sec.org/SAARC-Charter/5/> – Afghanistan joined at the 14th SAARC Summit in Delhi in April 2007. <http://saarc-sec.org/Charter-Day/6/>

⁶Treaty of Gandamak. In: Wikipedia. https://en.wikipedia.org/wiki/Treaty_of_Gandamak (12.6.2013)

⁷William Dalrymple: *Return of a king*, op. cit., p. 487.

India already has become a major donor in Afghanistan; present Indian aid is worth two bn US\$; India has provided thousands of scholarships for Afghan students and Indian officers train the Afghan army.⁸ There are already voices that speak of a proxy war in Afghanistan, fought by India and Pakistan.⁹

History

Afghanistan has been known to Europe since Alexander's march to India through present day Turkey, Iran and Afghanistan in the 4th century B.C. The Moguls (1525-1858) came from Central Asia. Babur, the first Mogul set out from Kabul to conquer India. Kabul and Kandahar were provinces (*subha*) of the Mogul empire. In 1739 Nadir Shah, the ruler of Persia invaded India and defeated the troops of the Mogul. His empire extended then up to Delhi. He was killed, however, already in 1747 and Ahmad Shah Abdali (Durrani), a commander from the Pashtun Durrani tribe and born in Multan, took over power and established his own empire in the eastern part of the Persian empire. Therefore, 1747 is the official year of the **founding of Afghanistan**. Ranjit Singh, a Sikh commander set in by the Aghan king Zaman Shah Durrani, the grandson of Ahmad Shah Durrani, as governor of the Punjab in 1798; he had himself crowned in 1801 as Maharaja and established Punjab as an independent state. He expanded his kingdom beyond the Indus: Peshawar, the former winter capital of the Amir of Cabool became a Sikh possession in 1818, Kashmir a year later (1819). The British attempt to install a puppet regime in Afghanistan failed, but they successfully intervened in the wars of succession after the death of Ranjit Singh (1839). Punjab, including the lands on the right side of the Indus, became part of the Bengal Presidency, later of British India and in 1947 of the new Dominion of Pakistan.

Dalrymple reminds us not to forget history's lessons. There are obvious parallels between the **Afghan Wars** of the 19th, 20th and 21st century. More than in other countries it makes no sense to talk about the economy without knowing the history. Therefore, I shall deal with history a bit more. Dalrymple quotes Mountstuart Elphinstone (1779-1859), who was 'trying to make sense of the Afghan character in all its rich contradictions. "Their vices", he wrote, "are revenge, envy, avarice, rapacity, and obstinacy; on the other hand they are fond of liberty, faithful to their friends, kind to their dependent, hospitable, brave, brave, hardy, frugal, laborious, and prudent.' He was astute enough to note that success in battle in Afghanistan was rarely decided by straightforward military victory so much as by successful negotiating a path through shifting patterns of tribal allegiance. The victory is usually decided by some chief going over to the enemy.'"¹⁰ What he describes is the complexity of the Afghan society that has made it so difficult for outsiders to 'develop' the country in whatever direction.

For the first two-and-a-half centuries European colonial powers were satisfied with the control of the major trading posts around the Indian Ocean. As commercial enterprises they wanted to make money, not to acquire territory. From the middle of the 18th century especially the East

⁸President Karzai's Visit to India. In: daily Outlook Afghanistan, May 23, 2013.
http://outlookafghanistan.net/editorialdetail.php?post_id=7446

⁹Dean NELSON: Afghanistan is a proxy war between India and Pakistan. In: The Telegraph. 2 Nov 2011.

¹⁰William DALRYMPLE: Return of a king. The battle for Afghanistan 1839-42. London: Bloomsbury. 2013, pp. 24-25.

India Company (EIC), an English trading firm, started to conquer what then was simply called India. When they reached the northwest of the subcontinent in the early 1800s, they pushed forward to gain control of Afghanistan in order to prevent Russia to get access to the ‘warm waters’ of the Indian Ocean and to threaten the sea-lanes that connected the ‘mother country’ with its ‘jewel in the crown’. That attempt utterly failed; the British – like so many before them and after them – could take Kabul, but not hold it. The retreat of 1842 became the worst military disaster of the British Empire in the 19th century: A classical case of overexpansion and underestimation of the local peculiarities. Only a few years later, in 1857, the native troops (*sepoys*) rebelled and the Company had the greatest difficulties to hold on to power in India. As a result they went bankrupt; the EIC, may be the biggest economic enterprise in the world of its time, had to be rescued by the Crown. That did not keep the British from trying again to subjugate Afghanistan. In the 2nd Afghan War (1878-60) Britain was more successful and became the overlord of Afghanistan, although with little interference in internal affairs and hardly any effect on the ground. The popular myth that Afghanistan was never conquered, thus, is well founded. Before the World War I ended, the Russian revolution had started and for the next years the newly established Soviet Union saw a series of civil wars. When the Afghans revolted in 1919, the first Great Game was over; in the Treaty of Rawalpindi of 1919 and the Anglo-Afghan Treaty of 1921, at Kabul, Britain granted **full independence** to Afghanistan.¹¹

Afghanistan continued to be a quiet backwater of international politics; it remained **neutral during World War II** and the following Cold War. It did not sign the Bagdad Pact or join the Central Treaty Organization or the Regional Cooperation for Development (CENTO), parts of the Western military and economic alliances that bound Turkey, Iran and Pakistan to the USA in order to contain the ‘red flood’ of Communism in Southwest Asia.

In 1961 India annexed Goa, a Portuguese colony, that soon became a favourite destination for young backpackers, travelling overland from Europe via Turkey, Iran and Afghanistan. Kabul became a famous stop for the ‘hippies’, where costs of living were low and dope was cheap. East and West competed with development projects: The Soviets built a road from Herat through North Afghanistan to Kabul, the American one through South Afghanistan via Kandahar. The police were trained by Germans, first from West Germany, later also from East Germany.¹² This all changed in 1973, a defining year for Afghanistan as well as for world economy and politics: The king Zahir Shah (since 1933) was deposed by his cousin and brother-in-law, Prince/Sardar Mohammed Daud (also: Daoud) Khan (born 1909) and abdicated on August 24: the **end of the monarchy** in Afghanistan. Daud took over the office of President. As prime minister from 1953 to 1963 he had opened the country for Soviet aid. The Area Handbook for Afghanistan, for decades the standard reference work of the US government, reports: ‘In 1953 the elderly Shah Mahmud Khan, who had assumed the Prime Ministership in 1946, resigned, and Mohammad Daud (1953-63), a cousin of the Shah, succeeded him. The government’s support of the “Pashtunistan” issue, strongly advocated by Prime Minister Daud,

¹¹ L. W. ADAMEC: Anglo-Afghan Treaty of 1921. In Encyclopaedia Iranica. London: Routledge & Kegan. 2011 (1985). Vol. II, Fasc. 1, pp. 36-37.
<http://www.iranicaonline.org/articles/anglo-afghan-treaty-of-1921-the-outcome-of-peace-negotiations-following-the-third-anglo-afghan-war>

¹² Christoph GUNKEL: Als in Kabul die Hippies tanzten. In: Einestages. Zeitgeschichten auf SpiegelOnline.
http://einestages.spiegel.de/static/authoralbumbackground/3591/als_in_kabul_hippies_tanzten.html

was accelerated. Under his direction the country's armed forces and economy were given greater attention – a policy continued by successor Prime Ministers Mohammad Yusuf (1963-63) and Mohammad Hashim Maiwand (1965-67).¹³

In January 1973 the USA and North Vietnam had signed a stand still agreement, the beginning of the end of the Vietnam War. On October 6 Syrian and Egyptian troops started invading Israeli held territory on the Sinai Peninsula and the Golan Heights. Ten days later several OAPC states declared an oil embargo on the USA and Netherlands, OPEC raised the oil price. The **oil crisis** had mixed economic effects on Afghanistan: Oil prices rose dramatically: Afghanistan that produces no oil had to pay much more for the oil imports. However, the new wealth in the oil exporting countries, especially in Iran and around the Gulf, allowed them to start large scale construction programmes. They found the necessary workers in the countries of the region, like Afghanistan. Home remittances of migrant workers from Afghanistan became a major source of foreign exchange. Out of a sudden, the oil countries were also in a position to provide aid to the poorer Muslim countries on a large scale, preferably in the form of budget (cash) loans and grants. Dubai and other Gulf airports developed into major hubs of world air traffic; frequent flights connected Afghanistan with various Gulf destinations. Afghanistan ceased to be totally dependent on overland transport through neighbouring countries.

The retreat of the USA from Vietnam, the Arab success (as seen by them) in their war against Israel and the oil crisis were seen in Arab/Muslim world as signs of a welcome loss of power of the Western, industrialized world, a rise of power in the Eastern, socialist world, and the beginning of an economic and political renaissance of the Muslim world.

When I first came to Kabul in summer 1974, however, Afghan officialdom, represented by police and security forces, resembled more East Berlin than Islamabad or Delhi. The Peoples Democratic Party of Afghanistan (PADP), had been founded in 1965 by uniting the various communist groups, and – although small – had been instrumental in Daud overthrowing the king and proclaiming the Republic of Afghanistan. Relations between the party and the president cooled, when he started to dismiss high-ranking party members from their government positions. In what is known as the **Saur Revolution** the Khalq (meaning: masses) faction of the PDPA with the help of the army removed Daud in a bloody coup d'état on April 27, 1978. Nur Mohammed Taraki became president of the now Democratic Republic of Afghanistan. Hafizullah Amin, since March prime minister, had Taraki murdered on September 14, 1979 and took over as president. Earlier, the Afghan government had asked for Soviet military help: Following the invitation the Soviet leaders gave orders for Operation Storm-333 on December 25, Amin was killed on December 27 and Barbrak Karmal of the Parcham (= flag) faction took over as president.

Resistance on a larger scale already had started after the Saur Revolution: Tens of thousands of refugees crossed over into Pakistan, while the Pakistan Inter Services Intelligence (ISI) trained 'freedom fighters' (*mujahiddin*) to fight against the communist government and their socialist policy of (initially) atheism, land reform and education. This resistance increased after the invasion of the 'infidel' Soviet troops. American support initially was weak: Jimmy Carter was

¹³Harvey H. SMITH et al.: Area handbook for Afghanistan. 4th ed. Washington, D.C.: American University. 1973 (1964), pp. 56-57.

still president of the USA, trying to scale down America's international military involvement in reaction to the Vietnam debacle. In January of 1979 the Shah of Iran had been driven out of the country and the Ayatollah Khomeini returned from his exile in France and started his Islamic revolution. Not only had the USA lost their most important ally in Southwest Asia; 52 Americans were taken hostage after a group of Islamist students and militants supporting the Iranian Revolution had stormed the US embassy in Teheran on November 4, 1979 (they were held for 444 days until January 20, 1981). On November 20, 1979, the Grand Mosque in Mecca, Saudi Arabia, was attacked and taken over by Islamist dissidents. In reaction to the desecration of Islam's holiest place students in Islamabad stormed the US embassy and set it on fire two days later (November 22, 1979). In the same year, the oil producing countries had again raised the oil price to its highest level ever (in real terms). In short: The **Soviet invasion** happened at the end of a very fateful year for global politics and economics. Ever since Afghanistan has been in the focus of international attention.

As President Carter, a Democrat, was not ready for a major US engagement in an election year, US military advisors thought of a self-financing scheme for the Afghan resistance until Ronald Reagan, a Republican, would win the US Congress elections and give support on a much larger scale. The *mujahiddin* took over the **narcotics** trade and exported the drugs with the help of the Pakistan army under the eyes and partly approval of the United States.¹⁴ Traditionally, drugs had been freely available in Afghanistan, now they were used to raise money and to weaken the Russian soldiers in the same way as US soldiers were made addicts in Vietnam.

Afghanistan had become the stage of a **new Great Game**, this time between the Soviet Union and the United States. The objective was not just to drive the Soviets out of Afghanistan and to install a democratically legitimized government, but to win the endgame of the Cold War. President Reagan's famous dictum 'to bleed them [the Soviets] white'¹⁵ aimed at luring the Soviets into a military adventure and an arms race they could not win. The use of narco power was just one of the weapons with unwanted repercussions on the own society. Three more outcomes of the proxy war in Afghanistan plague the country, the region and the world since this time: The Taliban, the ISI and the nuclearization of southern Asia.

Talib in Arabic means disciple, student in a *madrassa*, the traditional school of religious education. **Taliban** is the plural of *talib* in Pashtu. When the Afghan refugees started to flock into Pakistan in 1979, the Pakistan dictator Zia ul Haq had just hanged his predecessor, former prime minister Zulfikar Ali Bhutto (4 April 1979). The USA had cut their aid to Pakistan with effect of October 1, 1979 because of Pakistani plans to build a nuclear bomb. On November 22 the US embassy in Islamabad had been ransacked and burnt by Pakistani students. Pakistan already had been ostracized internationally because of its harsh Islamization policy. Foreign

¹⁴ 'The ISI distribution system contributed to the pervasive corruption and smuggling in the aid pipeline, including narcotics trafficking on a colossal scale. A U.S. government estimate stated that heroin from Afghanistan-Pakistan border accounted for 51 percent of the U.S. supply in 1984.' Diego CORDOVEZ, Selig S. HARRISON: Out of Afghanistan: the inside story of the Soviet withdrawal. New York, NY: Oxford UP. 1995., p. 161. – The Reagan administration and William Casey's CIA managed to get the upper hand over President Carter's aversion to enlisting drugs in Cold War against the Kremlin in general, and in the unholy wars of the Central American Contras and the Afghan mujahidin in particular.' John K. COOLEY: Unholy wars: Afghanistan, America and international terrorism. London: Pluto. 1999., p. 131.

¹⁵ Ada CARTIANU: The house of thousand mirrors. 2008, p. 234.

relief agencies were not allowed into the country, relief goods were distributed by the personnel of foreign diplomatic missions. Although Afghan refugees could move freely in Pakistan, especially women and children were kept in huge camps; after some time foreign relief agencies were allowed to look after them. There were no schools for the children of the refugees; but Pakistan also was far from universal education: illiteracy was still high. Many children, especially in the poorer western regions of the country, did not go to school. It was here, where the *madrassas* filled a vacuum: places where children not only got some education, but also could stay and get food. Many of these *madrassas* came under the influence of militant Muslim clerics and served as training camps for young *mujahiddin*, who would later fight in Afghanistan.

The Inter Services Intelligence (ISI) was founded in 1948 as the army spy organisation, originally only working abroad, but since the first military government also within the country. General Zia ul Haq, since 1977 Chief Martial Law Administrator of Pakistan, immediately saw the chances that international military support for the *mujahiddin* in Afghanistan would bring for his own reign. Supplies mainly came from the USA, topped up ‘dollar-by-dollar’ by Saudi Arabia that was flush with funds thanks to the high oil prices. The main argument for involving the Pakistan army was to avoid a direct military confrontation of the USA and the Soviet Union in Afghanistan: Therefore all material was to be handed over to Pakistan’s ISI that would transport it with their newly acquired fleet of trucks of the National Logistics Cell (NLC), one of the many army enterprises, to a military installation outside Islamabad as the major transshipment point. From there it was to be transported to the Afghan border and to be handed over to the *mujahiddin*. Architect of this construction was US Congressman Charlie Wilson.¹⁶ In this way the ISI became the most powerful organization in Pakistan, a kind of army within the army that already had become a state within the state.

The lack of ‘strategic depth’ always had troubled the Pakistani generals: Islamabad, Lahore and Karachi lay within reach of India’s land and seaborne artillery; the middle section of the Indus river, the lifeline of the country, is just 50 km, a few hours tank drive, away from India’s border. After the secession of Bangladesh, India was a country seven times as big as Pakistan. Therefore Zulfikar Ali Bhutto, even before he became president and later prime minister, had demanded that Pakistan should have nuclear weapons, the more as India already in 1974 successfully brought a ‘peaceful nuclear device’ to an explosion. Because of the war in Afghanistan, the international pariah Pakistan overnight became a front line state with the full support of the USA, the western industrialized countries and also of the new rich oil states that hoped for an ‘Islamic bomb’. When India in 1998 had a series of nuclear tests, Pakistan followed within weeks. It would not be too far fetched to say, that Pakistan without the support and money that it received in the years of the ‘Russian Afghan War’ and with the waivers from the sanctions of the Symington and Pressler Amendments to the US Foreign Assistance Act would not have been in a position to develop such a sophisticated weapon so early. Not to forget that the US embargo of 1979 had been lifted after the Soviet invasion of Afghanistan. The Iran embargo, however, is still intact; Iran’s nuclear ambitions have to be seen in this context.

With the massive international support, including thousands of fighters from the Muslim world, the *mujahiddin* could inflict substantial damage to the Soviet forces, a stalemate developed

¹⁶George CRILE: Charlie Wilson’s war. The extraordinary story of the covert operation that changed the history of our times. London: Atlantic. 2002.

early. Already in May 1980 ‘Kabul sent a first and somewhat timid signal of its willingness to negotiate’, as the later UN Chief Negotiator Diego Cordovez writes;¹⁷ in June 1982 proximity talks started in Geneva.¹⁸ Progress was slow and it lasted until 1988 until the **Geneva Accord** was signed. As had been agreed, the last Soviet soldier left the country on February 15, 1989. It had been generally expected that the communist puppet regime of president Najibullah would collapse immediately; instead local war lords started a civil war with the effect of a new wave of refugees. Fighting against invaders has a long tradition, but also feuds with neighbours. One could even say that the lack of coordination of the many local fights against the Soviets made them so successful, because the Soviets never managed to break their uncoordinated resistance. The main Sunni groups had their headquarter in Peshawar and the Shia groups in Iran. It was the lack of cooperation between the various resistance groups that was responsible for endless peace negotiations. The Soviet supported government could hold on to power until 1992, when the *mujahiddin* took Kabul. In April 1992 with the **Peshawar Accords** Afghanistan became an Islamic Republic. The fighting of the warlords turned into a veritable civil war and anarchy. It was only then that the city was destroyed. In 1994 the Taliban first appeared in Kandahar, led by Mulla Omar. Within a few months in a (Mostly) bloodless way they took over the reign of much of Afghanistan and marched into Kabul on 27 September 1996. President Mohammad Najibullah, who had taken refuge in the UN mission in 1992, was killed by the Taliban, his corpse was hung from an auto crane and exposed to the public. The Taliban, however, met heavy resistance by the **Northern Alliance**, led by Ahmad Massoud, who was supported by western countries, but also by India. Massoud was assassinated only two days before the 11th September 2001 that led to the **military intervention of the USA** and allied forces, the occupation of Afghanistan and the present government of **Hamid Karzai**.

Once the Russians had left Afghanistan, the Islamist fighters from all over the world had lost their *raison d’être* for being there. Most of those, who went, started or joined militant radical Islamist movements in their home countries. The largest number had been from Pakistan and it is no coincidence that violent action in Kashmir started exactly when the Afghan War ended. It seems that the Pakistani political leadership saw it wise to open a new battlefield to keep their Islamists busy. Many of the international fighters feared persecution and imprisonment in their home country. In 1990 Saddam Hussain of Irak invaded Kuwait and annexed it to his country. The USA organized the liberation of Kuwait in early 1991; for this purpose US forces were stationed in Saudi Arabia. Since they could not drive out the infidels from Arabia, Al Qaeda started a worldwide terror campaign against the USA. Their mastermind Osama bin Laden had set up tent in Afghanistan; the Taliban’s hospitality towards him and his terror group finally led to the occupation of the country after 9/11. The present ‘American’ Afghanistan War is a ‘**War against Terrorism**’. The cost of the war in Afghanistan has been estimated 100 bn US\$ in a year: several times as the countries GDP.¹⁹ After Osama bin Laden was finally killed in Pakistan

¹⁷Diego CORDOVEZ: My mission begins. In: Diego CORDOVEZ, Selig S. HARRISON: Out of Afghanistan, op. cit., p. 74.

¹⁸Diego CORDOVEZ: My mission begins. In: Diego CORDOVEZ, Selig S. HARRISON: Out of Afghanistan, op. cit., p. 84.

¹⁹ This estimate is on the lower side. According to the Costs of War project of Brown University, the wars in Iraq and Afghanistan after 9/11 have cost so far 3.7 to 4.4 tr US\$. And even these sums do not include many follow-up costs. Cf. Daniela Trotta. Cost of war at least \$3.7 trillion and counting. New York: Reuters. 29 June 2011. <http://www.reuters.com/article/2011/06/29/us-usa-war-idUSTRE75S25320110629>

in 2011, the USA and NATO have started scaling down the engagement. They have announced to withdraw their troops by 2014; some military advisors, however, shall remain in the country.

Geography:

Afghanistan covers the eastern part of the **Iranian plateau**. In the centre rises the inhospitable Hindukush that extends into Pakistan, where the Tirich Mir rises to its highest elevation of 7,707 metres. Only 13 per cent of the country's territory of 652,230 square kilometres is arable land.²⁰ The best agricultural land lies in the valleys and slopes of the Hindukush. The rest of the country is either grazing land, steppe, desert or high mountains. In the north the Amy Darya river runs down from the Pamir and is the border to Tajikistan and Uzbekistan. The Kabul river flows into Pakistan where it joins the Indus river; the Helmand river, finally 'crosses south-west through the desert of Dashti Margo, to the Seistan marshes and the Hamun-i-Helmand lake region around Zabol at the Afghan-Iranian border.'²¹

As a major **land locked** country, Afghanistan has no direct access to the sea; for transport and trade it depends on its neighbours. Being land locked not necessarily prevents a country from being economically successful:²² Austria, Luxembourg and Switzerland would be perfect examples of the contrary. But, of course, it makes a country more dependent and more vulnerable, especially, when there are hardly any transport links to the rest of the world.

Afghanistan is surrounded by **six neighbouring countries**: Pakistan, Iran, Turkmenistan, Uzbekistan, Tajikistan, Kyrgyzstan and China. Afghanistan is also bordering the 'Gilgit Agency' of Pakistan's Northern Areas', part of the erstwhile princely state of Jammu and Kashmir. The Agency is controlled by Pakistan. India, however, sees 'Pakistan Occupied Kashmir' as part of Jammu and Kashmir, a state of the Union, and thus considers itself as a neighbour of Afghanistan.

There are **no railway** lines, except two short pieces in the north: 'A 15 km line was built from Termez in Uzbekistan to a transshipment point at Kheyrabad, near Hariatan on the south bank of the river. Termez has rail access eastwards to Dushanbe in Tadzhikistan, and westwards via Kerichi in Turkmenistan to the Uzbek cities of Bukhara and Samarkand. ... The second Soviet line into Afghanistan ran for 9.6 km from Kushka in Turkmenistan to Towraghondi. ... both lines fell out of use with the Soviet withdrawal in 1989, and Uzbekistan closed the Friendship Bridge on 24 May 1997, following the rise to power of the Taliban in Afghanistan. ... On 9 December 2001 Uzbekistan re-opened the Friendship Bridge across the Amu-Darya.'²³

The second Afghan War gave reason to extend the railways of British India up to Kandahar; it finally reached Chaman on the Afghan border, but does not extend into Afghanistan. Similarly, after the third Afghan War the railway line from Peshawar was extended to Landi Kotal in 1925;

²⁰ Data for 2007. Cf. FAOSTAT. www.fao.org (7.5.2010).

²¹ Helmand river. In: Wikipedia. http://en.wikipedia.org/wiki/Helmand_River

²² See for example Robert D. KAPLAN's recent books 'Monsoon' (2011) and 'The revenge of geography' (2012).

²³ Andrew GRANTHAM: Railways in Afghanistan, past and future. <http://www.irfca.org/docs/afghanistan.html>

it is no longer used for lack of demand and security. Both lines run parallel to the two major roads from the Indus valley across the Bolan and Khojak Pass leading to Kandahar and over the Khyber to Jalalabad and Kabul. Iran is building a railway line from Masched to Herat along the main entry route to Afghanistan from the West; the portion up to the Afghan border already has been constructed. Half of the portion on the Afghan side is to be finished in 2013.²⁴

There is only a small **road** connecting Zaranj in the southwest corner of Afghanistan with the Iranian ports Bandar Abbas and Bandar Beheshti via Zabul and Zahedan.

Economy

The people and the economy of the country have been **suffering a constant war** of varying intensity over the last 35 years. There was not much statistical information on Afghanistan in the days of the king, and the situation is not much better now.

According to official sources, the **GDP** estimate for the solar year 1390, from 21 March 2011 to 20 March 2012 was 904bn Afghans (Afs) or 18.9 bn US\$, 715 US\$ per head. At the beginning of the Transitional Government it had been only 210 US\$. GDP growth was 17.2 per cent in 2009-10, 3.2 per cent in 2011-12 and 9.5% per cent in 2011-12, after corrected by the inflation rate of 8.4% in 2011-12 after 13.7 per cent in 2010-11.

Agriculture is still the dominant sector with 55 per cent of household engaged in this sector; agriculture contributes 26.7 per cent to the national GDP at market prices. Two third of food requirements are met by domestic production, the rest has to be imported. In 2011-12 the cereal production had fallen to 4.5 million tons because of drought. Wheat is the most important food-grain. Mining, manufacturing industry, electricity, gas, water and construction are grouped together as '**industry**' and had a share of 21.4 per cent of GDP in 2011-12. Almost all production in manufacturing is contributed by food, beverage and tobacco industry; mining only has a share 1.4 per cent. **Services** have a share of 48.3 per cent in GDP. The most prominent subsectors are transport, storage and communication with 19.3 per cent, government services with 12.4 per cent and trade, restaurants and hotels with 7.9 per cent. Taxes on imports make up for the remainder of GDP.

There is little information on **consumption** and **investment** in the Afghanistan Statistical Yearbook: 'The total final consumption expenditure (private and government) was around Afs 958865 million which is 6 % more than GDP in 2011-12. It shows that Afghanistan has negative gross domestic saving. We should mention that, deficit were financed by donors each year in the past ten years. The gross domestic fixed investment as percentage of GDP were 17.4, 17.5 and 14.3 % in (2010-11) - (2011-12) respectively.'²⁵

Official **external trade** in 2011-12 was exports of goods about 376 million US\$ and imports of 6,390 million US\$. As the Statistical Yearbook mentions, export 'does not include smuggled

²⁴"The third and fourth sections are inside Afghanistan. The third part which is 62km long will be completed by the end of this solar calendar year (on March 20, 2013) by Iran's \$75mln gratis aid". Cf. Iran to Invest in Afghan Railway. Fars News Agency, 25 May 2015. <http://english.farsnews.com/newstext.php?nn=9106040178>

²⁵ Afghanistan Statistical yearbook 2011-12, pp. 126-137.

and re-exported goods. ... The imports also exclude smuggled and duty-free goods.’²⁶ According to the latest Afghanistan Statistical Yearbook dried fruits make out almost half of all export earnings (2009-10: 45%), followed by carpets (37%) and medical plants (7%). All major exports are agriculture based. Imports are more varied. Petroleum (22%), ‘Machinery and equipment’ (21%), ‘Dishes & medicine’ (actually: household goods, 19%) and food items (18%) are the most important groups of imports.²⁷

Contemporary publications and news items mainly deal with the political and military situation in the country. Various economic and social aspects are addressed by project reports of a multitude of government and non-government organizations. Therefore, the title of this talk on the ‘difficulty to assess the economy of a state at constant war.’ As far as this lecture is concerned, there is one more reason to deal with the difficulty to assess the economy, because we face similar problems to assess the economy in the other South Asian countries. And since the other speakers of this lecture series do not come from economics, this should be a welcome opportunity to familiarize you with some basic **concepts of assessment**.

The difficulty to assess economic development

Assessing the state of the economy, past progress and future challenges requires that we agree on a mode of measurement, on criteria and indicators. A saying among young and aspiring economists is that you should forget what you cannot measure. It rhymes in German: “Was Du nicht kannst messen, kannst Du vergessen.” Unfortunately, things like wealth and poverty, economic progress or quality of life cannot be measured directly. We can measure these things indirectly, but have to be aware of the fact, that unidimensional measurements, like the gross domestic product (GDP), the gross national income (GNI, formerly: gross national product, GNP), the (adult) literacy rate or the life expectation (of newborn babies) alone cannot reflect the many facets of real life.

Poverty might be a good *example*: There is the story of the school girl from a well to do family who has to write an essay on poverty. So she writes: ‘There was a poor family. The father was poor, the mother was poor, the son was poor, the daughter was poor, the gardener was poor, the driver was poor ...’ This story is not so far from South Asian reality: There are people who by our standards would be classified as poor, but they indeed have servants. If we look at measuring more systematically, we can see that such measurements have at least three dimensions: Subjective and objective, absolute and relative, national and international:

Subjective/objective: For the rich girl the family under review is poor, although by any objective standard, generally accepted or at least by a majority of the people it may be not.

Relative/absolute: The girl compares the situation of the poor family with that of her own family; she sees poverty relatively. An absolute yardstick would be measuring income or wealth by Euros, or in a rural society by the acreage of the holding or by the number of animals.

National/international: The girl most probably saw poverty in a national context. As described above, in developing countries even poorer sections of the society may have servants, which in richer, egalitarian societies would be considered as a sign of wealth. Likewise, it is difficult to explain to a person in a poor country that a private car is a necessity even for poor people in rich countries, since they would not be in a position to get to their place of work otherwise.

²⁶ Afghanistan Statistical Yearbook 2011-12, p. 219.

²⁷ Afghanistan Statistical Yearbook 2011-12, pp. 222-223 and 227-229.

Accordingly, it has been next to impossible to compare countries by poverty levels. That especially applies to Afghanistan, where little information is available anyway. The most common cited figure is that 42 per cent of the Afghan population live below the **national poverty line**.²⁸ National poverty lines are usually – but not always – lower than the international poverty line of presently 1.25 PPP\$ (PPP stands for ‘purchasing power parity’). If the national poverty line would be lower than the international poverty line also in Afghanistan, then even a larger share of the Afghan population has to be considered poor, i.e. the share would be higher than in, for example, Bangladesh.

Even if we would have an undisputed share of poor people in Afghanistan, we still would not have the number of the poor. Sources differ considerably over the size of the population of the country. The Statistical Office gives 26.5 million people for 2011-12 and a growth rate of 2.03 per cent in 2003/05. Accordingly, there would be 27 to 28 million people in the country in the year 2013. Of the **population** 51 per cent are male and 49 per cent are female. 19.1 per cent are living in rural areas, 5.9 million in urban areas and 1.5 million lead a nomadic life. With 11.5 million or 46.1 per cent under 15 years old and only 1.0 million or 3.7 per cent over 64 years old, Afghanistan has one of the youngest populations in the world; the dependency rate (number of those too young or too old to work, i.e. 15-59 years old, in relation to those in the working age of 15 to 59) stands at 103 per cent, i.e. every person in working age has to support one either too old or too young to work.²⁹

Population figures in international sources are much higher: Whereas the Asian Development Bank (ADB) follows the Afghan Statistical Office and gives the population number as 26.5 million for 2011,³⁰ the World Bank puts it at 34.4 million for 2010 in their latest World Development Report of 2013,³¹ 3.4 million more than in their report of 2012, when they put the population number for the same year (2010) at 31 million; in the same report they gave the population growth rate for the year 2000 to 2010 at 2.6 percent.³² Accordingly, in 2013 Afghanistan would have a population of 37.2 million or 33.5 million, respectively.

How can such a vast **difference of around ten million** or more than a third (as compared to the official Afghan source) be explained? Again it is a matter of design and enumeration. Although Afghan borders appear to be clearly defined on the map and have not changed since the late 19th century, there always had been a considerable nomad population that would wander between Afghanistan and its neighbouring states, especially Iran and Pakistan. Not to forget that

²⁸ ‘It is estimated that the proportion of poor households among those that own land is 26 per cent, while amongst those that rent, sharecrop or have a mortgage on their land, the proportion is 42 per cent.’ Human Rights Dimension of Poverty in Afghanistan. Kabul: United Nations Office of the High Commissioner for Human Rights. 2010, p. 16.
http://unama.unmissions.org/Portals/UNAMA/human%20rights/Poverty%20Report%2030%20March%202010_English.pdf

²⁹ Afghanistan Statistical yearbook 2011-12. Kabul: Central Statistical Office, Islamic Republic of Afghanistan, p. 6-20. <http://cso.gov.af/Content/files/Population%282%29.pdf>

³⁰ Asian Development Bank: Key indicators for Asia and the Pacific 2013: Afghanistan, p.1.

³¹ World development report 2013, p. 342.

³² World development report 2012, p. 392.

Afghanistan never accepted the Durand line of 1893 than cuts through the Pashtu heartland.³³ Much of the border to Pakistan is tribal area, under special provincial and federal administration. The Federally Administered Tribal Areas (FATA) of Pakistan come under direct control of the Federal Government, they are tax and customs exempted and have their own jurisdiction. FATA has open borders with Afghanistan as well with the ‘settled areas’ of Pakistan; movements of the tribal population across the border is not controlled. The open borders made it easy for Afghan refugees to flee their country since 1979. The number of Afghan refugees in Pakistan has been estimated up to 5.4 million³⁴ and in Iran at 2.5 million.³⁵ Whenever the situation in their home country improved, many of them came back, often only to flee again when they found the situation unbearable. There also are an unknown number of Afghan refugees all over the world plus the many migrant workers in neighbouring countries and in the Gulf area; the UNDP figure of 1.9 **million migrant workers** abroad in 2007 might not include many unregistered workers.³⁶ There also had been massive migration within the country. The number of this domestically displaced population must have been in the millions. It is the question, how they are counted, especially if relief is granted in proportion to household size.

There never has been a population census that covered the whole country. At various instances the population has been counted partly, there have been micro censuses and sample surveys that were used to calculate numbers for the whole country. As can be seen from the discrepancy of figures in major sources, we are far from having any reliable figures. If we look at other countries we see, that extrapolating trends of the past into the future bears the risk of being out of step with demographic and social change. In the 1950s and 1960s **population growth** rates were underestimated and once the unprecedented rise of population numbers in the so called developing world became known, people were scared of a ‘population explosion’. In recent years, however, the opposite happened: We have become so much used to high population growth rates that the rapid reduction of fertility rates came totally unexpected. In Thailand, Sri Lanka and Kerala fertility rates halved within one generation. In Bangladesh the latest census yielded 22 million persons less than expected. Even Iran, where population growth rates until recently were among the highest in the world, fertility rates have come down rapidly. It would not be too far fetched to expect that also in Afghanistan that went through a traumatic change and where millions were forced to new life experiences, social change has been being faster than we would guess from looking at pictures of veiled women.

³³ For a detailed account of the negotiations between King Abdul Rahman and Sir Henry Mortimer Durand see: Percy SYKES: *The Right Honourable Sir Mortimer Durand: a biography*. Lahore: Al-Biruni. 1977 reprinted (London: Cassell. 1926)., chapter XVI The Kabul Mission, pp. 205-223.

³⁴ ‘Pakistan hosts over 1.6 million registered Afghans, the largest and most protracted refugee population in the world. Since March 2002, UNHCR has facilitated the return of almost 3.8 million registered Afghans from the country.’ 2013 UNHCR country operations profile - Pakistan. <http://www.unhcr.org/pages/49e487016.html> (13.6.2013)

³⁵ ‘Thirty years of war in Afghanistan have left Iran with perhaps the largest urban refugee population in the world. More than 1m Afghans are registered as refugees in the Islamic Republic, which is also home to another 1.5m-plus illegal Afghan migrants.’ *Afghan refugees in Iran: Go back home*. In: *The Economist*, 16-23 February, 2013. <http://www.economist.com/news/middle-east-and-africa/21571935-irans-economy-slides-afghan-refugees-are-being-penalised-go-back-home>

³⁶ Human development report 2009, p. 158.

Production and incomes are measured since the 1940s, when the present system of national accounts was developed. The gross domestic product, GDP, is the total of goods and services produced within the territory of a country, measured in money terms. The gross value added is more or less the total of all sales and the value self consumed goods minus the intermediary inputs. Similarly the gross national income is the total of all incomes of the people of a country. Gross domestic product and gross national income differ by the balance of the incomes from labour and capital of inlanders abroad and foreigners within the country. It is usually called the net factor income. Whereas this item is negligible in major economies, it can be substantial in small and less developed, poor economies. GDP and GNP say nothing about distribution: There are comparatively rich countries that suffer from mass poverty and comparatively poor countries can enjoy the absence of abject poverty.

Adding up the sales of all economic undertakings and deduct the inputs is possible only for major firms and totally unsuited in rural economies and in the informal sector. Agricultural production these days can be estimated with the help of satellite images for acreage, sample surveys for yields and marketing intelligence for prices: Acreage multiplied by yields and price gives the total value of production; non-farm inputs can be estimated with the help of sample surveys. For most service activities and especially in the **informal sector** we need the number of people active in the trade and their average value added that again will come from sample surveys. The whole process becomes more difficult if we have no reliable data for the number of people and employment. Much of a country like Afghanistan cannot be enumerated, even sample surveys can be impossible. Therefore, figures on production and income are informed guesses at best.

Employment and the informal sector

Less than half of the population are in the working age (15-59), the World Bank estimates their share for 2005 at 39.5 per cent. Two thirds of them are actively participating; the participation rate, also for 2005, stands at 65.2 per cent. 8.5 per cent were unemployed. Most of the **labour force** is male: the male labour force is given as 15.5 million in 2005 and 17.8 per cent in 2010. In 2005 47.9 per cent were in the working age, 85.4 per cent were participating and 7.6 per cent were unemployed. The respective figures for women were 14.4 million and 16.6 million, 49.6 per cent working age, 45.1 per cent participation rate and 9.5 per cent unemployed.³⁷ Determining who is working is difficult everywhere, especially for the rural population and for women. There are various concepts of unemployment: Being registered in a labour exchange does not help much, if there are no jobs available and no unemployment benefits are handed out. As the saying goes, unemployment is a middle class phenomenon: Poor people cannot afford to be jobless and rich people are not unemployed.

Most workers do not have a formal work contract, the right to associate, the right to go on strike, no accident insurance etc. We speak of **informal employment**. The term is used only in the non-agricultural sector. In a country like Afghanistan, most employment is informal; the major exceptions are government employees and those employed by large and/or multinational firms.

The informal sector may not be without any formalization: In a World Bank study of the Afghan

³⁷ World development report 2013, pp. 340 ff.

judiciary the authors found out that 85% of Afghanistan's judiciary is not following formal procedures and apply codified laws. But that does not mean, that there are no established rules, as for instance if *jirgas* apply tribal law or the *kazis* Muslim law. We could speak here of formal informality. On the other hand they found that the westernized courts are often manned with judges who have only scant knowledge of the law. This would be an informal formality.³⁸ What is important to remember is that in traditional societies arrangements and procedures can be highly formalized, although not necessarily based on written and codified law.

Informal does not necessarily mean **illegal**: A street hawker's selling snacks, drinks or newspapers does nothing illegal as such. Not having the necessary licence, however, makes his business so.

Social issues

According to the US Institute of Peace '7.8 million children attend school: 38 per cent of them are girls, healthcare is now less than an hour's walk for most Afghans, and about 85 per cent of Afghans are using cell [mobile] phones ... Afghanistan was ranked as the No. 1 country in the world for progress on the United Nations Human Development Index.'³⁹

There is widespread **poverty**, especially in rural areas. 'About 45 per cent of rural people and the nomadic Kuchi people are poor, as compared to 27 per cent of the urban population. The poorest rural people include small-scale farmers and herders, landless people and women who are heads of households. There are an estimated 1 million Afghan widows. Their average age is 35, and 90 per cent of them have an average of four or more children. Without the protection of a husband, widows suffer from social exclusion in Afghanistan's patriarchal society. Many widows have no choice but to become beggars. Children aged five or under are the most vulnerable segment of Afghan society. As many as 50 per cent of them suffer from chronic malnutrition.'⁴⁰

According to IFAD 'Poverty in Afghanistan is closely related to:

- the high illiteracy rate in rural areas, where 90 per cent of women and 63 per cent of men are unable to read or write;
- rural people's dependence on livestock and agricultural activities for at least part of their income;
- inadequate land ownership and access to land;
- lack of irrigation infrastructure.

Many rural households are poor because they have incurred heavy debts, or because they live in remote, disadvantaged areas, or because they have lost the male head of the household. Often

³⁸ Lula BEARDSLEY of the World Bank in a talk at the Centre of Naval Studies (CNA) in Washington, D.C., on 8 November 2008.

³⁹ Emily HORIN: Afghanistan's economic prospects linked to political stability, security developments. United States Institute of Peace, April 22, 2013.
<http://www.usip.org/publications/afghanistan-s-economic-prospects> (27.5.2013)

⁴⁰ Rural poverty in the Islamic Republic of Afghanistan. Rural Poverty Portal, powered by IFAD.
<http://www.ruralpovertyportal.org/country/home/tags/afghanistan#>

one or more members of the households is disabled.⁴¹

Black economy

But there is also a segment of the economy that is illegal. In Afghanistan that especially applies to **drugs and arms**. Afghanistan is considered to be the largest producer and exporter of heroin and opium with 80 to 90 per cent of the world productions. There are estimates that half⁴² or even more of the Afghan economy depend on drugs.⁴³ That might be difficult to establish, because most profit is made not in production, but in trade. As the poppy is grown, harvested, refined, transported across the borders, shipped to the main markets, distributed and finally consumed, the value increases many times. Only a small portion of the price paid by the final consumer remains with the peasant, who not only has to contribute his work and pay for the inputs (like water), but also has to pay bribes to the police and other local office holders. He also bears the risk of a bad harvest or that his harvest is destroyed in an eradication programme. The idea to counter the growing of poppy by paying subsidies to the peasants who change to other crops is not so bad; the respective programmes also would not be so costly. But everybody else down the value chain also makes his profit and also much more than the farmer. Their interest can be seen from the fact that they pay advances on the crop to tie the peasant to their business. They have the money to spend on food and beverages, on the construction of houses and travel and on personal security. Their bribes constitute an important income in the government sector that in turn allows the government to pay low wages, because there is so much money to be made on the side. These indirect effects on the economy create another form of addiction, i.e. that to money and power.⁴⁴

Why Afghanistan is so important

It remains a mystery, why so much money has been spent on the war in Afghanistan and why the war has been going on for such a long time. If US and NATO troops will withdraw from Afghanistan in 2014, there have been there for 13 years: Longer than in Iraq and in Vietnam. The various reasons given could be summed up under (i) safety and security; (ii) humanitarian; (iii) strategic; and (iv) economic.

⁴¹ Ibid.

⁴² 'Der Anteil der Drogenwirtschaft am tatsächlichen Bruttoinlandsprodukt Afghanistans betrug 2006 46 Prozent.' Janet KURSAWE: Afghanischer Teufelskreis. In: Entwicklung und Zusammenarbeit. http://www3.giz.de/E+Z/content/archiv-ger/03-2007/trib_art1.html

⁴³ 'Rund 90 Prozent des weltweit angebauten Rohstoffs für Heroin stammen aus Afghanistan. Im Jahr 2008 betrugen die Ausfuhren 7 700 Tonnen, was einem Exportwert von 3,4 Mrd. US Dollar entspricht. Der Opiumexport macht nach Schätzungen zwischen 25 Prozent und 50 Prozent des Bruttoinlandsproduktes (BIP) des Landes aus.' Antwort der Bundesregierung auf die Kleine Anfrage der Abgeordneten Andrej Hunko, Christine Buchholz, Sevim Dagdelen, weiterer Abgeordneter und der Fraktion DIE LINKE. – Drucksache 17/2001 – Die Drogenbekämpfung in Afghanistan und die Auswirkungen auf die Bevölkerung des Landes. Drucksache 17/2288 24.06.2010. <http://dip21.bundestag.de/dip21/btd/17/022/1702288.pdf>

⁴⁴ Barnett R. Rubin, Jake Sherman: Counter-Narcotics to Stabilize Afghanistan: The False Promise of Crop Eradication. Center on International Cooperation, New York University. 2008, pp. 21 ff. http://humansecuritygateway.com/documents/CIC_counternarcoticstostabilizeAfghanistan.pdf

(i) **Safety and security** is the most obvious one and stood at the beginning of the present round of military intervention in Afghanistan. Afghanistan was seen as the base of international terrorism, especially of Al Qaeda even before 9/11. Their leader Osama bin Laden was believed to be hiding in Afghanistan. After he was finally traced and killed in Pakistan in 2011, attention is now more on Pakistan and Yemen.

(ii) After the Taliban had established their rule over most of the country and started to put their ideas of an Islamic state into practice, people around the world were shocked by reports of women and girls confined to their homes, banned from education and go to work. Only after the Taliban were driven back, although not fully out, girls were allowed again to attend school, go to university and work. This success, however, has been rather a welcome byproduct of the defeat of the Taliban. **Humanitarian** considerations certainly did not lead to military intervention.

(iii) Since the Iranian revolution in 1979 the USA have been without a powerful **strategic** partner regional power to lean on in Southwest Asia. Afghanistan is centrally located, but difficult to control. Its two mighty neighbours, Iran and Pakistan would be better suited, if they were less hostile (Iran) and more organized (Pakistan). Both have access to the sea and are more accessible.

(iv) Whenever support of Afghanistan comes up for discussion, Afghanistan's **mineral wealth** is emphasized. Presently, the Hajigak iron deposits in the Bamiyan Province are praised. As the Telegraph writes, they are worth 421 bn US\$. The talk is even of a railway to be laid from Chabahar on the Makran coast in Iran to Hajigak. The copper deposits are said to be worth 274 bn US\$, other minerals are estimated at 214 bn US\$.⁴⁵ There are also gas and oil finds; during the Soviet occupation, gas was exported to the Soviet Union. The occurrence of mineral wealth, however, does not guarantee that they are profitable to extract. The production costs are easily underestimated. On top of it come the costs of transport to the sea or overland to any other country of the region. The necessary roads, railways and pipelines have to be constructed first. There is also the costs of security.

The government writes: 'The country produces natural gas, salt and other minerals. The value added for this sector ... shows 90 % increase compared to previous year. The main contributory factor ... was extracting of coal. Deposits of minerals, including copper, chromium, marble, salt, gold and silver have been discovered. There is still large unexploited mining territory in the country. Geological surveys of the land are incomplete and many known mineral deposits are still untapped because of lack of infrastructure, technical facilities, poor transportation networks and insufficient capital investment.'⁴⁶

Hub of Eurasia

⁴⁵ Dean NELSON: Afghanistan is a proxy war between India and Pakistan. In: Telegraph, 2 November 2011.

<http://www.telegraph.co.uk/news/worldnews/asia/afghanistan/8863073/Afghanistan-is-a-proxy-war-between-India-and-Pakistan.html>

⁴⁶ Afghanistan statistical yearbook 2011-12, p. 128.

The subtitle reflects the expectation that Afghanistan might develop into a ‘**Hub of Eurasia**’.⁴⁷ A look at the map shows the strategic location of Afghanistan. As long as Iran is embargoed by the United States and most of the rich industrial countries, access to oil and gas from Central Asia is difficult, risky and costly. Afghanistan lies at the **crossroads of pipeline projects** that want to transport oil and gas from Central Asia (Kazakhstan) to the Arabian Sea and either have to cross Iran or Afghanistan. As long as Iran is under the US trade embargo, the only way is through Afghanistan. Such pipelines could yield hundreds of millions of Dollars as transfer fees for Afghanistan, plus employment and income from maintenance and service. Sufficient government control of the area, however, is a pre-condition for any construction to start. It was expected that after the pullout of the Soviet troops a national government would be in a position to effectively control the transit corridor. That was not the case, neither will the *mujahiddin*, nor with the Taliban, and it has to be seen, whether the present government will be in a position to do so. China is benefiting most from the present stalemate and already has laid a pipeline to Central Asia. Bahrain and Iran also could benefit: They plan a pipeline across Pakistan into India (IPI). It has been agreed on in principle, but Pakistan and India are still discussing the transit fees and Pakistan lacks the means to fund the costs of their section of the pipeline. The USA are objecting the project anyway.

As for the **road and railway projects** across Afghanistan: Such plans are over a hundred years old. Their realization depends on the political developments in Afghanistan, but also in Pakistan. The end of the Iran embargo would reduce Afghanistan’s value as a potential ‘Hub of Eurasia’: Transport between Central Asia and the Arabian Sea could bypass the Hindukush and Afghanistan. Transport between Europa and South Asia could run again via Zahidan and Quetta, provided the situation in Balochistan comes under control and India and Pakistan reduce their trade restrictions.

Outlook

History shows that Afghan people do not bear foreign occupation lightly. If **foreign troops** are finally withdrawn, the foreign advisors will stay on. How welcome they will be will depend on the amount and kind of **foreign assistance** provided.

Funding all the development projects under way by own means will not be possible. Expectations towards the donor community will remain to be immense. The totally insufficient **mobilization of own resources** (revenue, export earnings) will be the greatest problem.

None of the three major sources of foreign exchange can be controlled by the government: Foreign assistance depends on the donors and their priorities; **remittances** cannot be taxed, because any attempt at taxation would only result in a shift from formal to informal (*hundee*) financial services; the greatest money spinner, the **drug trade**, will remain out of reach of the Afghan government.

Poverty will remain the greatest social problem. Already it is difficult to find **employment** for

⁴⁷ Asifa JAHANGIR: Afghanistan: a power hub of different players and its way forward. Islamabad: National Defence University. 2011. <http://www.ndu.edu.pk/Forms/irp1.pdf>

the growing number of students after leaving school or universities. Finding jobs outside agriculture will be difficult for a growing work force. The tendency to look for a career outside agriculture will increase as more and more of the children will undergo a formal education.

The large number of expatriates could play a major role as they have done in China and India: Millions have been abroad. Usually they had to take up the worst jobs for the least pay, but also acquired skills and some of them could save money that they could invest at home.

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Questions:

1. What is the economic situation of Afghanistan and what are the main obstacles to further economic and social development?
2. Why is it so difficult to assess the economic and situation of Afghanistan?
3. What are the prospects of Afghanistan becoming the hub of Eurasia?