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## An Introduction to the Economic Reconstruction of Afghanistan

Afghanistan's economy being ravaged almost completely, its reconstruction has to be started ipso facto from scratch or "Tabula raza". The pattern of reconstruction chosen will determine the direction of the consequent political, social, and economic character of the Afghan society. Every precautionary measures must be taken to adduce this economy to the path of highest possible rate of growth with its benefit distributed equitably among all strata of the Afghan community, securing for the country as a whole a long lasting peace and stability. In an attempt to contribute to attaining this aim as speedily as possible the following economic strategy and model are put forth.

### A: Proposed Strategy

#### 1. Economic Reconstruction cum Statehood Recreation

The situation in Afghanistan is a predicament because not only Afghan economy is shattered, its statehood also is ruined and wrecked. Such economy cannot be reconstructed without the simultaneous rebuilding of the country's state and state services. The involved reconstruction and rebuilding or recreation are tightly interrelated and bound to move forward parallel one following closely the other.

However the intended reconstruction and recreation cannot be undertaken as long as the following preconditions are not met: First, all the foreign-made and foreign-based provincial and/or regional warlords, dividing Afghanistan into a number of fiefdoms of their own, must be forced out of the country. Second, the government in Kabul – provisional or otherwise – must benefit from the tenet of the Afghan people that it is governing exclusively for them without any allegiance, commitment or loyalty to any foreign power.

On the assumption that these preconditions will be soon fulfilled, the government could embark confidently upon the sought reconstruction plus rebuilding under the protection of the international peace keeping forces. It is believed that this venture could be carried out at the best by integrating the local commanders, their foot soldiers or fighters as well as the rest of the active population of the country into its process. The integration will be aimed at reinstating the dignity of members of all social groups, including women, by their participation in the mending of their evoked fatherland so as to become the direct beneficiaries of its achievement.

To this end, the government would open in all provinces, including the province of Kabul, its branch offices in charge of law and order, security, public education, public works, public health, environment, agriculture, industry, irrigation, energy (electrical, aeolean and solar), commerce, banking, finance, etc. The coordinator of the branch offices, in each province, representing the department of home affairs in Kabul – the future governor of the province – would set contractually with the representatives from all the counties of the province (including local commanders of high repute, notables and religious leaders) a number of specialized and abiding joint committees; each committee dealing with specific tasks corresponding respectively to those of the branch offices themselves with special emphasis on the necessity of security in the province. The inhabitants of the province being familiar with physical geography of their constituencies and knowing best the resource availability and economic potentialities of their localities and the specific kinds of assistance they need, the joint committees are expected to contribute significantly in identifying and formulating desirable and practical development projects while sharing the responsibility of maintaining peace and stability in the area.

The capital investment projects of social and economic characters, including land development, land reclamation, flood control, vicinal road construction, energy production, grain storage, food processing, education, training, and health centers, etc., prepared by joint committees would be appraised, screened and classified according to their degree of feasibility by the assembly of the joint committees – chaired by the coordinator – with the participation of the representatives from the concerned foreign fund providers. Projects with high provincial priority and good feasibility prospect, regarded as self-reliant in terms of their administrative, operational, and maintenance costs, would be consolidated by the office of the coordinator/governor, and conveyed to the department of national planning in the Capital. The proposed provincial plans thus collected in Kabul would be reappraised and screened jointly by the ministries of national planning, economic reconstruction, agriculture, mining and industries, commerce, and the expatriate staff members of the involved unilateral and multilateral financial institutions. The outcome will be the National Economic Reconstruction, Statehood Recreation, and Social and Political Reintegration Plan of Afghanistan. The same would be reverted to the provincial/local authorities for implementation, which ought to be carried out with maximum possible of co-operation from the people and transparency for easy evaluation of performance and proper auditing of accountings.

Each provincial administration – in addition to the identification, formulation, and cost and benefit ratio calculation of development projects – would engage in enlisting qualified members of urban and rural local communities for compulsory military service. The conscripts persons or draftees would be conveyed to and converged on the Capital – as in the past – to undergo intermixing of ethics and provinciality's. Then they will be distributed to various military, gendarmerie, and police force basis in order to be trained militarily,

literately, and nationally. The goal will be to rebuild Afghanistan's apolitical national armed forces replacing gradually the international peace keeping forces as quickly as possible.

## **2. Mass Participation**

The strategy sketchily outlined above implies that the reconstruction of the Afghan economy calls for the participation of members of all Afghan social groups in the conception and execution of quick impact development projects of various magnitude for various geographical areas and purposes. Beside such participation in general there are some specific sorts of it that are of particular significance because of the current conditions of the Afghan labor market. They are:

- a. The expatriate civil servants, army, police and gendarmerie officers, and businessmen must be enabled to return to their home country in order to be employed in different departments of government in Kabul and provinces, or to re-establish their private businesses. Without their massive participation, the contemplated economic reconstruction and state recreation will not be able to take off the ground.
- b. If unskilled labor abounds, the skilled one is extremely rare in the present Afghanistan. Permanent vocational training centers admitting – among others – the field commanders' foot soldiers must be created urgently in almost every province to train electricians, mechanics, plumbers, brick layers, carpenters, roof makers, tailors, shoe makers, agricultural extension workers, grafters, veterinarians, improved seed producers, etc. to meet the demand of the market and thereby to participate in the envisaged reconstruction with more relevancy, dignity, and productivity. The extensive participation of thus trained skilled workers in the economic reconstruction of Afghanistan is not less vital than that of the required highly educated members of Afghan bureaucratic and technocratic social classes.
- c. Another essential and large-scale participation in the economic reconstruction of Afghanistan is that of Afghan-American, Afghan-Canadian, Afghan-Italian, etc., consultancy, construction, and other business corporations. By opening their affiliate companies permanently in Afghanistan somehow they would become an integrated part of the Afghan society and economy. As such they will be better placed than other firms to participate appropriately and responsibly in the preparation and implementation of investment projects both in local and national levels. The said corporations or companies will also provide Afghanistan with the vitally important channels for transfer of valuable know-how, data, and technologies badly needed for the self-sustained economic growth and development of the country.

## **3. Redemption of Warfare Weaponries**

Whereas the foreign-made and foreign-based provincial and/or regional warlords will presumably be driven out from Afghanistan, whereas the field commanders are expected to join the process of the economic reconstruction keenly with enhanced social status, whereas the commanders' foot fighters will – predictably enough – follow suit by participating in the same process eagerly in getting much safer, more lucrative, and prideful jobs.

The prevailing atmosphere of war and instability would be vanished and substituted with an environment of enduring peace and stability. The thus-evolved social and political milieu will

prepare the ground for easy collection of warfare arms from the field commanders and their foot soldiers. The prospect for peace is the prime requisite for retrieving the weaponries in question. The other way around does not seem realistic.

That is, as long as insecurity, instability, and uncertainty are prevailing in Afghanistan, the arms and ammunitions market will be a seller's market; few Afghans will be prepared to surrender the weapons they possess beyond their personal legitimate self-defense. However, as and when the social and political outlook become more and more favorable for a long lasting peace, the market will turn to become a buyer's one. The alternative opportunity cost of holding the involved warfare items and the concern about their proper preservation would push the possessors to sell them at the nearest government arm-purchasing center.

The redemption of warfare weaponries facilitated by the ever-improving prospect for peace entailing from the steady progress of the implementation of the contemplated economic reconstruction will enable Afghanistan to regain its territorial integrity and a self-reliant national economy while recovering its statehood through its nationwide bureaucratic public administration and monopoly control of means of violence.

## **B: Proposed Background Economic Model**

### **1. Afghan State and Economy**

Afghanistan is situated geographically between countries of much larger domestic markets and greater scale economies. Its financial and trade transactions with any of its foreign-partner countries constitute only a marginal part of the total international transactions of that very country. Afghan economy is constantly effected one sidedly by fluctuations occurring outside its porous boundaries. It is therefore imperative for it – much more than for any other country – to be of utmost flexibility in order to adjust itself swiftly to ever-changing regional and international economic conditions. The Afghan economic actors need to be free and independent enough to address both short-and-long term investment requirements timely and appropriately on the basis of the information transmitted to them by movement of prices. Afghanistan has thus no choice – objectively and not ideologically – but to follow, as much as possible, a least regulated free enterprise and free market model of economy.

Afghan state's functions should ideally be limited to the provision of an unbiased framework of law and order, the enforcement of contracts between private partners, the supply of the necessary social and economic infrastructures, and needed public goods. However, practically the Afghan state – for a variety of theoretical, practical, and political reasons – cannot afford to confine its economic interventions to these areas solely. It is obliged to be owner – producer – suppliers of

(i) public utilities whose supply is often seen to constitute a natural monopoly, (ii) essential goods and services for which market cannot function competitively, and (iii) strategic items which cannot be left in the hands of neither domestic nor foreign suppliers.

Outside the above sectors, the stand of the Afghan state with regard to the economy should be rather of policy maker only. Its policy instruments, including its fiscal and monetary policies, must be aimed at maximizing economic growth with reasonable price stability while assigning agriculture top priority. They should induce economic actors – private entrepreneurs including farmers – to do things that the state believes will enhance economic

development while mitigating inequalities without damaging the efficiency and flexibility of the economy.

That is, the decisions concerning the allocation of scarce resources, available in Afghanistan, to produce desirable goods and services, cannot be coordinated but – like in any other country – by a mix of market mechanism and administrative procedures. In the light of the last 50 years of experience in Afghanistan herself it may be stated assertively that it is to the benefit of the country to maximize the role of the market by minimizing that of the state. This implies that the Afghan state should be relatively of small size as much as possible. Giving the resources endowment of Afghanistan, the Afghan people cannot bear a big state's cost representing an excessive percentage of the country's gross domestic product (GDP). Such a state will be undermining seriously both public and private investments needed for the self-sustained economic growth of the country.

However, Afghan state – though small in size – will always have to play a very important role in Afghan capitalist market economy. Its role is to be focused primarily on achieving for the Afghan people economic efficiency, social justice, and individual liberty, all at once, by combining market intervention and planning appropriately. The optimum combination will depend invariably on political, social and economic circumstances in and outside Afghanistan.

During the period of Afghanistan's economic reconstruction, the sought optimum combination suggests that the part to be played by the state will be unavoidably at its highest limit and that of the market at its lowest, as a result of which the state itself will be exceptionally very big. However as the process of reconstruction advances, the parts to be played respectively by the state and the market must move to opposite directions until they reach a reasonable intermediary point of equilibrium at which the market – private entrepreneurs – should become the main engine of development in the country.

In any event, the state should pursue a policy whereby to hold back the reoccurrence of what is labeled “islands of privileges (the cities) within the sea of poverty (the rural areas)”. Urban incomes in Afghanistan – like in many other third world countries – had been at least three times higher than incomes in rural areas. Such differential of incomes had been the major factor for the migration of populations from villages to the cities, particularly the city of Kabul. Another important injustice between cities and country sides in Afghanistan had been the provision of all kind of government services including health care, sanitation, schools, electricity, clean water, surfaced streets and roads. The unjust provision of government services in Kabul attracted an unfair share of private sector investments in the Capital. Out of about fifteen raisins cleaning and packing plants put in the country during the second half of the 60's, twelve were established in Kabul; all the hides and skins pickling industries were placed in the same area; almost the totality of the small scale textile and plastic factories were installed in the vicinity of that city. The concentration of public spending and private investments in Kabul, Mazar-e-Sharif, Kunduz, Kandahar, and Jalalabad meant pockets of relatively better off urban inhabitants at the expense of the majority living in sheer indigence.

Furthermore, the state should intervene to avert the reemergence of the so-called “home grown colonialism” or “internal imperialism”. Afghanistan's economic growth and public education expansion and modernization before the former USSR's invasion had been conducive to the rise of a new multiethnic power strata or elite including bureaucrats,

technocrats and businessmen. The thus-risen power strata tended to define itself by adopting a way of life of a western style and becoming the “reference group” for members of other classes to imitate. Yet the furtherance of social promotion opportunities facing economic constraints, the over all conditions in Afghanistan became prone to the rapid propagation of revolutionary ideologies due to which the country lost its political stability and national sovereignty.

It follows that the policy and planning inherent in proposed strategy for economic reconstruction of Afghanistan seems fit for both economic and social development of the country. With such policy and planning the benefit of the reconstruction is expected to be distributed widely among the inhabitants of all provinces, counties, and districts. The purchasing power of the population at large could be increased. The Afghan domestic market for industrial goods will be widened. The foundation for modern industrial development will be laid down. The reoccurrence of “islands of privileges within the sea of poverty” as well as the reemergence of “internal colonialism” could be checked. The newly qualified Afghans, including the members of educated class would have hopefully the opportunity to enter into the strata of political elite peacefully and smoothly.

## **2. Afghan Economy and Civil Society**

The economic reconstruction of Afghanistan, as outlined above, is expected to trigger a process of modernization bringing about an extensive spread of civil and political rights downward. The lower classes might feel the need of getting accommodated autonomously into a new pattern of social groupings or institutions lying between the primordial kinship groups and the state institutions. It will be then on the state to look for this opportunity to clear the way for such institutions or social groupings or “civil society” to emerge in the country as sweepingly as possible. Beside the fact that these social groupings constitute the backbone of pluralistic democracy their desirable impact on Afghan economy also will be beyond any doubt. The landowners under an irrigation canal, for instance, may become inclined to enter freely into association in order to cooperate for maintaining the canal more methodically and to use the water more economically. Similarly the irrigation associations set up under a given river may be intended to associate into the powerful federation of irrigation associations of that river in a design to use the stream hydrologically and hydrographically more rationally; and so forth up to the incorporation of the confederation of irrigation associations of all Afghanistan. It is plain for all to see that such associations for co-operation – or civil society of Afghan style – aimed at achieving the best use of water will be of cardinal economic importance in a country like Afghanistan where water is the most valuable resource for agricultural development.

The example of irrigation-based civil society maybe extrapolated and applied to many other sectors of Afghanistan’s economic activities including the storage of surplus crops of grains, particularly wheat. Local agricultural cooperatives incorporated for the proper marketing of wheat may – through their regional federation – build up the necessary storage facilities to preserve the crop of wheat for much longer periods of time than any involved individual farmer. With such facilities at their disposal they can avert excessive market fluctuations ensuring regular and competitive supply for consumers and remunerative prices for producers. Such prices, in turn, will attract increased investments into this strategically sensitive sector of Afghanistan’s economy enabling the country to reach the stage of self-sufficiency within a reasonable period of time.

The wide use of the concept and practice of civil society in Afghanistan could prepare the ground for autonomous and democratic participation of Afghans in the conduct of a significant part of their public affairs. Only with such participation they may expect to have a small and suitable state in the country. Otherwise the state will be too big and too costly for the Afghan people. Imitating the United States of America, Canada, or Germany to adopt a federal system of state in Afghanistan is absolutely irresponsible and whimsy. The people of Afghanistan cannot endure it because it will be unbearably heavy, inefficient and wasteful. A far better alternative option will be a relatively small, centralized and democratically constituted unitary state combined with the decentralized civil society institutions managing a large part of Afghanistan's public affair autonomously, federally, productively, and financially self reliantly. The role of the civil society in the future of Afghanistan looks so crucial and vital that it deserves to be expressly an integrated part of the economic reconstruction plan of the country. It justifies a special program of education for training the required promoters, lawyers, planners, managers, and administrators.

### **3. Afghan Economy and Globalization**

The economic reconstruction plan of Afghanistan cannot afford to ignore the present worldwide economic environment characterized by the process of economic globalization, a process of rapid international economic integration embracing both products and factors markets of almost all continents and countries. It has been driven by an unprecedented liberalization of trade and capital movements, which has been facilitated by the information and communication technology revolutions. Beside the intensification of international trade in goods and services, the globalization is manifested by intensified foreign direct investment, short-term flows of capital, multinational enterprises involvement, and production network reorganization on an international scale.

Notwithstanding the short-term hardships – including labor market disorder, greater disparity of incomes, foreign exchange rates disturbance, etc. – stemming from globalization it is generally acknowledged that its process is irresistible. Few countries may embrace indefinitely a reactionary attitude of adopting protectionist policies. A better approach would be to improve the benefits of globalization while minimizing the costs particularly by adequate action taken in the education and training of workers to make them adjustable and transferable promptly from one sector to another according to the circumstances.

In connection with the specific case of Afghanistan it may be stated that globalization does not threaten its commercial farming industry in any of its provinces or regions. Equally so for its edible oil extraction, hides and skins pickling, fruits processing, and cement industries. The only industrial sector that one may worry about it is Afghanistan's textile industry, which could however survive by some technological modernization and management rationalization. By in large it is believed that any unforeseen negative effect of globalization on Afghanistan's manufacturing industries will be more than offset by its positive impact on its export oriented orchard industry as well as on its international transit trade industry and its mining resources – copper and iron ore – potentialities to be developed hopefully through the involvement of multinational or transnational enterprises.

Nevertheless there is a serious cause of concern which is the fact that Afghanistan is – for knows reasons – the most backward of the backward countries of the region. The outright consequence of the globalization in the region will be the “polarization” of economic growth within some favored geographical areas situated outside Afghanistan's territory. The return

on capital and the productivity of skilled labor could be higher in the neighboring countries than in Afghanistan. If things were left to market forces unhampered by any effective policy interference, most of the capital formed and technicians trained in the country will move out undermining the smooth process of its economic reconstruction. Afghanistan being an exceptional case – a “Tabula raza” – the approach of WTO (World Trade Organization) and that of ECO (Economic Co-operation Organization) are expected to be consistent with the requirement of successful achievement of its economic reconstruction plan.

#### **4. Action to be Taken Immediately**

##### a) Redrafting of Afghanistan’s Commercial Code

- To provide legal protection to widest possible range of short-, medium- and long-term private investments aimed at maximizing their share in the self-sustained economic reconstruction, growth and development of the country.
- To encourage the mobilization of national savings through encouragement of entrepreneurship and development of solid corporate business firms including banking.
- To bring Afghanistan’s economy into line with worldwide commercial and financial market globalization.

##### b) Updating the Afghan Domestic and Foreign Investment Laws with a View to Maintain their Competitiveness in Terms of the Incentives they are Furnishing.

##### c) Revitalizing Afghan Chambers of Commerce.

- To identify hindrances lying on the way of free and smooth movement of goods and services throughout the country, and to specify the necessary steps to be taken to remove them.
- To facilitate the Afghan export trade by recovering Afghanistan’s traditional markets and endeavoring to have access to new ones.
- To arrange pre-shipment as well as post-shipment export financing facilities with Afghan commercial, agricultural, and industrial development banks.
- To conceive an appropriate market-based price policy leading to the required allocation of resources among various economic sectors ensuring a proper balance between the production of agribusiness export items and that of domestically needed food items. The so-conceived price policy should represent at the same time one of the means to be devised for curbing the production and commercialization of illicit drugs.
- To negotiate/re negotiate Afghanistan’s trade and transit agreements with neighboring states in a design to make the country one of the heaviest transit traffic crossroad, for all categories of goods, including oil and natural gas, to the legitimate benefits of all the parties concerned, in accordance with the relevant international rules, regulations, and practices.
- To study the feasibility of a commercial and industrial free zone to be established in Afghanistan.

##### d) Renegotiating – if need be – the Terms of Economic Co-operation Organization Among the Countries of the Region in an Attempt to Enhance their Economic Growth and Development Balancedly and Equitably.

## C: Conclusions

1. The economic reconstruction of Afghanistan must encompass its whole territorial space so as to have national, sub-national, regional, and local characters. It ought to start from districts and villages.
2. Afghanistan's economic reconstruction and its statehood recreation are closely and inseparably inter-linked. Unless they are undertaken jointly there will be no meaningful achievement in either terms.
3. Afghan national army cannot be recreated without the simultaneous recreation of the Afghan state. The regeneration of the one and the other are to be accomplished together through the process of economic reconstruction and state recreation of Afghanistan. Should the contemplated army be created separately by an alien state without being geared to other parts of the Afghan state, it would be very hard to be regarded as national, multi-ethnic, multi-provincial, and apolitical. Furthermore, the troops or soldiers of such an army will inevitably be salaried. The cost involved is unaffordable for Afghan public finance. Once the armed force is established on this basis or precedence, it will be extremely difficult to be shifted to the system based on conscript persons or draftees.
4. The Afghan economic reconstruction must first be planned and then implemented under the control of the Afghan state in accordance with the national interest of Afghanistan. It has been noticed that many ostensible donors are offering their contributions by taking in charge the execution of this or that projects chosen by themselves according to their own preferences. It is obvious that such a method of project selection will not help Afghanistan's economic reconstruction. Conversely it will amount to a new instrument in the hands of the same countries to keep interfering in the Afghan internal affairs for their own illegitimate political interests and extraterritorial objectives.
5. Once the plan is agreed upon, the cost involved could be estimated more rationally, accurately and responsibly.
6. The economic reconstruction of Afghanistan may be conceived and carried out satisfactorily if it helps primarily the Afghan agriculture to reach quickly a stage whereby to leave a growing surplus output. Such output could support the growth of a healthy industrial sector, which in turn could lead to the development of a sound sector of services. This process of economic sectors sequence evolution may be secured in Afghanistan provided however that the foreign-based and irresponsible warring faction and warlords are ousted – as has been the case for Taliban – from the country at once. Otherwise agriculture will be further depressed, poppy cultivation will be resumed likely on a larger scale, the rural populations will keep pouring into the cities where international peacekeeping forces are deployed and humanitarian assistance is available. The growth, if any, will be again confined to a few urban centers. The “islands of privileges within the sea of poverty” as well as the “internal imperialism” will reappear – this time probably more dauntingly than before – by turning into what is described as “revolution of rising expectation”.

7. As long as the foreign-made and foreign-based warring factions and warlords are ruling in Afghanistan, the international peacekeeping forces – whatever their size – shall not be able to bring a durable peace and stability into the country. As a matter of fact they cannot afford to take the risk of entering into the rural areas without suffering heavy casualties and for no avail.
8. Building a national army amidst the foreign-based warlords and warlordism does not make sense either. Maintaining a regular and well-disciplined army in a territory where coercive forces are not centralized and monopolized in a single center is absolutely impossible. Desertions of soldiers and officers – instigated or lured by foreign-based warlords and/or by hostile alien states – with paid salaries and possessed weaponries will be a daily routine.
9. The foreign-based warring faction leaders and warlords are compelled by instinct to retain their relationship with the involved foreign powers and to keep Afghanistan in turmoil in order to survive and perpetuate. Attempting to reconstruct the country's economy or to recreate its statehood, in the presence of such warlords, amount to squaring the circle.
10. It has been the warlordism and its statelessness corollary that has engendered the binladenism in Afghanistan. If the former is not eradicated it is impossible that the later would not be re-engendered, sooner or later, maybe with much more repressive and aggressive character.
11. What binladenism has been to the innocent people of America the foreign-based warring factions and warlordism is to the innocent people of Afghanistan. Punishing, displacing or expelling the former by resuscitating, nurturing, rewarding, and empowering the latter is worsening further Afghanistan's dilemma and the tragedy of the Afghan people. The dilemma may be resolved, the tragedy ended, and the binladenism extirpated provided that:
  - i. The foreign-based warring factions and warlords are wiped out from the political arena of Afghanistan.
  - ii. International peacekeeping forces – albeit modest – are deployed in the main Afghan cities.
  - iii. The country's economic reconstruction cum state recreation is taken up more or less in pursuance of the proposed strategy.

In this manner, the Afghani state – behaving responsibly to the Afghan people and to the international community – may be recreated in two or three years; the peace keeping forces could be replaced by the reconstituted Afghan national army accordingly; the reconstruction of the involved economy will get well underway; the needed durable peace and stability will finally return to the country, which legally ought to be grounded upon its non-aligned international status ratified and guaranteed by world powers' community.