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PREAMBLE. ECONOMIC AND POLITICAL DEVELOPMENTS IN AFGHANISTAN AND PAKISTAN: AN OVERVIEW

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The most important regional development in recent years has been the victory of the Pakistani army and state over the Pakistani Taliban and their allies, which have been reduced from a widespread insurgency to a savage but limited terrorist movement.

This victory has preserved the Pakistani state, and helped unlock Pakistani participation in China's "One Belt, One Road" strategy for Eurasian infrastructure. Beijing has promised Pakistan \$46 billion in investment to create new energy and transport communications between Western China and the Arabian Sea, and to develop Pakistan's struggling energy sector. If implemented, this investment has the potential to transform Pakistan's economy.

This Chinese-backed route however leaves Afghanistan to one side. Plans for Afghanistan to become a major communications route have repeatedly stalled, as a result of the intensifying civil war in Afghanistan, and continuing deep tensions between Pakistan and India. Some degree of India-Pakistan reconciliation is also essential if Afghanistan is to become a major trade route again, since such a route is really only worth developing if it links Russia and Europe via Afghanistan to India as well as Pakistan.

Of perhaps even greater and more sinister importance for Afghanistan is the stalling – perhaps indefinitely – of hopes of developing Afghanistan's minerals and energy reserves, estimated by US experts in 2010 to be worth up to \$3 trillion. But that was 2010. Since then, the steep fall in copper prices and the precipitous fall in oil prices have greatly reduced the incentive of international investors to extract these resources, especially given the risks and costs of doing so in the middle of a civil war. With the Chinese economy slowing, Beijing, the biggest prospective investor by far, has put its projects on hold.

This means that for the foreseeable future, the Afghan state will be incapable of raising more than a fraction of the revenues it needs to survive from its own resources, and will therefore continue to be overwhelmingly dependent on military support from the USA and economic aid from the USA and Europe.

The USA has signalled its continued commitment to Afghanistan with the Obama administration's reversal of its previous plans first to end, then radically to reduce the continued presence of US air forces and special forces. This change of course was necessitated by military developments in the autumn and winter of 2015-2016, when the Taliban took Kunduz in the north and several district centres in Helmand. The Afghan National Army only drove them back with the help of US forces.

On the other hand, the deep splits in the Taliban which have emerged as a result of the death of their leader Mullah Omar have led to hopes that they might be weakened sufficiently to accept a peace settlement; and these hopes have also been encouraged by moves for better relations with Pakistan launched by President Ashraf Ghani.

This leads to the twin questions of why the Taliban should seek a settlement when – their divisions notwithstanding – they seem to be making progress on the ground against the state forces; and whether the Afghan state is itself united enough to make a peace offer to the Taliban that any substantial part of that movement could possibly accept and Pakistan is prepared to back.

The deeply problematic power-sharing deal between President Ghani and "Chief Executive" Abdullah brokered by the USA to end the crisis which followed the disputed results of the 2014 elections appears to have left the Afghan government largely paralysed. Moreover, it raises the prospect that if the next elections are not to lead to another potentially disastrous crisis, then either the USA will have to step in to manage yet another deal, or the present arrangement will have to continue and Afghan democracy in effect to be suspended. To all appearances therefore, the Afghan civil war and its regional repercussions still have a long way to run.