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## Report

### **Economic Imperatives and the New U.S. Strategy for Afghanistan and South Asia**

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**Donald Trump has committed the US to an open-ended conflict in Afghanistan [Reuters]**

## Introduction

US President Donald Trump's policy articulations on South Asia leaves many questions unanswered. Afghanistan never featured much in his policy pronouncements during his election campaign. Now it does. Then there is the turn-around as Trump's campaign speeches suggested a military pull-out from Afghanistan and a war he criticized as unwinnable. Furthermore, Trump refusing what he calls blank check aid for allies such as Afghanistan has inserted an economic dimension in his policy, by enlisting India's development aid to embattled countries such as Afghanistan. Whether this will in the long run help defeat America's enemies, terrorists whether in Afghanistan or Pakistan. This article addresses Trump's Afghanistan and South Asia policy, aiming to highlight some of the new directions, including the economic imperatives.

## Background

In August 2017, U.S. president Donald Trump expressed<sup>(1)</sup> his frustration over not winning the war in Afghanistan with his team and the American people. After his swearing ceremony, president Trump directed his team to undertake a comprehensive review of the strategic options in Afghanistan. During his election campaign, Trump was a vocal opponent of his predecessor's policy of keeping the US troops in Afghanistan. However, in a significant departure from his initial stance on Afghanistan – which considered the U.S presence in Afghanistan as a waste of blood and treasure – president Trump decided to keep US military presence in Afghanistan, with no timeframe for exit in place. While a lot of blood and treasure<sup>(2)</sup> has been wasted in Afghanistan, one of the fundamental mistakes committed is that the "effective use of treasure" has never been considered to save the Afghan blood from spilling, neither this has become the central part of our economic debate.

During his election campaign, Donald Trump invoked(3) Obama's rationale of not letting Afghanistan to become a safe haven for terrorists. But to really keep Afghanistan from being a safe haven is to create an effective Afghan state. That is, a state that is capable of maintaining order and inculcating a sense of entitlement in the people through improving governance, reducing corruption and delivering public services by the Afghan government. This means there is still need for the U.S. support to complement Afghan efforts in state-building – something partially qualified to U.S. attention. The only way to win militarily and succeed politically in Afghanistan is to subordinate security, development and governance to the goal of politics.

Thus, multiple tracks need to be pursued to ensure sustainable peace in Afghanistan. The International Community's assistance package is largely dominated by military-led development. In the backdrop of which the shared priorities of the partnership between Afghanistan and the U.S government have been undermined. Historically, any strategy towards Afghanistan in which Afghan political elites and government is at the centre stage, and in which there is no placatory ingredients to win the hearts and minds of the masses has failed. Therefore, it is indispensable to simultaneously provide the Afghan government with what it needs to govern and deliver on its promises. One key promise is to provide the desperate Afghan populace with desperately needed economic opportunities.

Security and political transitions are marked by some questions. On the economic front, we have seen inevitable contraction of the Afghan economy. Nine per cent economic growth, which was mostly triggered by the presence of foreign troops in Afghanistan, suddenly slumped to 0.8%. Given this bleak background and the decreasing civilian engagement of foreign countries, there is suspicion whether the three dimensional transition will lay down a solid foundation for the transformation decade.

Nevertheless, the government's reform agenda is gaining some momentum. Afghans expect the New Unity Government (NUG) to make sure that the centralized mechanisms for the control of corruption do not turn into an opportunity for the centralized practice of corruption.

One conditionality in the New U.S. strategy of support for Afghanistan is for real reforms to take place. NUG so far has enjoyed some successes in its reformist march. As president Ghani's anti-corruption efforts gaining some momentum, an apparent paranoia seems to have overwhelmed some corrupt Afghan politicians. They construe president Ghani's anti-corruption efforts as their misfortune, a move from feast to famine. In order to deliver on the promises made to the international community, president Ghani has resorted to a holistic approach: he fully expects that the Civil Service Reform Commission, National Procurement Authority and new anti-corruption agency will break

the ground through their mandates. A recent report<sup>(4)</sup> published by Anti-Bribery Compliance Solutions revealed that Afghanistan has made significant strides in the fight against corruption. Whether NUG is going to be victorious in fully dismantling the potential forces which threatens the legitimacy of the government is a real contestation to wait for. Meanwhile, president Ghani's consistent focus on the diplomacy of economics, that is, the primacy of economic instruments in statecraft, as the real foundation of the foreign policy could prove essential for bringing stability to Afghanistan. Despite some challenges, the distinctive nature of his advocacy for economic interests to get entrenched in the regional order has been cause for cautious optimism among the Afghani people.

For strengthening the Afghan state, political burden-sharing calls for commitment within the top leadership. Sharing economic and military responsibilities require the International Community's active support. In concert with reframing, the military and civilian efforts and directing the US treasure at the combination of hard and soft infrastructure in the real sector through long term projects, by modifying the underlying economic model for Afghanistan. Only through economic governance can the fragile nature of progress and legitimacy in Afghanistan be maintained and changed. Central to this direction is to create sustainable peace and make a serious dent in the country's debilitating level of poverty. In addition, as poverty, unemployment and security are among the country's key challenges, tackling them requires adhere to economic policies, which seek to promote the interests of the masses.

The American renewed commitment to the Afghani economic development, albeit through the development assistance of a U.S key non-western ally (India), is perceived as the most appealing contour of the new U.S strategy for Afghanistan. The end to the tacit approval of Indian involvement in Afghanistan by the U.S --through a more complementary role in the economic development of Afghanistan -- will increase the level of comprehensiveness of America's new strategy in South Asia. Furthermore, if the U.S aid being disbursed anywhere else does not entice 'Doing More' against militant groups, pundits in the White House should consider its reallocation to the development of Afghan economy.

On the other hand, Some U.S government Officials<sup>(5)</sup> remain vocal about Chinese economic engagement in Afghanistan. They often claim that Beijing is free riding the deployment of US troops for the purpose of peace and stability. Whilst the US is sacrificing blood and treasure, these officials tend to think, China is reaping the benefits of the economic opportunities in Afghanistan. Now that India is collaborating with US in Afghanistan, it should help Afghanistan in developing economically. Thus, India might get a privileged access to economic opportunities in Afghanistan. India has already been reaping the diplomatic and economic dividends from its active economic diplomacy in

South Asia. Only the future will answer the question of how much strategic objectives can India achieve through expanding its economic reach in Afghanistan. One should not lose sight of the fact that India's economic preponderance and expanding policies have the potential to transform Afghanistan economically. In order to stem the tide of the conflict and preserve the military gains, economic strategy should be pursued simultaneously with military strategy. Such a two-track approach will help the Afghan government to create its own income stream for achieving some degree of fiscal sustainability and reducing the burden on international aid community.

In the past, India's efforts in Afghanistan were not genuinely encouraged by US and NATO forces in Afghanistan, because they predominantly remained sensitive to Pakistani grievances. But in the new strategic equilibrium it seems that India's role is gaining centrality in the politics of regional power play. This includes giving green light for expanding Indian economic involvement in Afghanistan. The road to stability in Afghanistan lies in the longstanding resolve of the International community and Afghan government, and in India's commitment to carry on putting their weight behind large-scale infrastructure projects. Concomitant convergence of US and Indian objectives is in the making in South-Central Asia. It is time for Afghanistan to seize this opportunity and align its national imperatives with Washington and Delhi. Joint with its western allies, U.S occupied Afghanistan to get rid of terrorism, but never succeeded in gaining fully in that pursuit so far. However, after a timely historical recalibration, the Trump Administration is now reaching out beyond the cozy circles of western powers and friends to India to find a real solution for Afghan conflict. In order to reach long-lasting peace to the conflict in Afghanistan and preventing a permanent crisis where terrorism persists, Investing in the kind of state building, which can really take the responsibility of Afghan nation building, is the only viable solution for the Trump Administration.

### **India's capacity as a regional power**

India's \$2 trillion economy already accounts for 27 percent of Afghan exports. It is the second largest export market of Afghanistan. Since the turn of the 21st century, the U.S and India's business ties have been expanding regularly. India's trade surplus with the U.S trade reached \$30 billion. Washington expects New Delhi to allocate a place for the development of Afghanistan in its strategic surplus vis-à-vis U.S. The convergence of strategic perceptions of the U.S and India vis-a-vis Afghanistan and the region is an important factor in creating a political synergy necessary for bringing stability and prosperity to the region, particularly Afghanistan.

In pursuing the quest for influence in the political context of the region, India has been constantly trying to project its soft power image by providing support to its strategic partners, not only in its immediate neighborhood, but also in other parts of the world as well. During last decade, India has provided the Afghan government with almost \$2

billion(6) in infrastructure development, capacity building and various training programs for Afghan national forces. This undoubtedly had a symbolic and real impact on the conditions in Afghanistan.

Afghan leadership shares India's interest in building Afghanistan as a land-bridge to connect South and Central Asia. Both Afghanistan and India are keen to contribute their parts to completing regional energy projects, especially the New Silk Route and TAPI (Turkmenistan-Afghanistan-Pakistan and India) gas pipeline project. These initiatives will help transfer the untapped resources of Central Asia to the energy-deficient markets of India and Pakistan.

New Delhi has become an active member of the regional economic and political blocks. It has recently joined as the new member of the Shanghai Cooperation Organization. New Delhi is also well positioned to advance regional economic integration. It may be early, but India should consider embedding Afghanistan in wide-ranging agreements on trade, investment, connectivity and security. In 2005, India succeeded in ushering Afghanistan into the South Asian Association for Regional Cooperation (SAARC). This was the first important step towards embedding Afghanistan in a web of regional cooperation. However, to date, the divergent strategies of the influential members of SAARC rendered that platform uninspiring and didn't help Afghanistan in an ideal way.

### **Security of Supply and Afghanistan**

A fundamental shift in US new strategy is that president Trump will use Afghanistan as a launching pad for operations against the insurgent groups, but the invisible intent of Obama's administration was to change Afghanistan into a regional hub for transit connectivity. This divergence of policies creates completely different types of resonance. The then U.S Secretary of State Hillary Clinton proclaimed(7) U.S intent of turning Afghanistan into the 'crossroad' of economic engagement and opportunities. The then U.S army general David Petraeus also emphasized(8) on adopting the sound strategy and using all instruments of power for enabling Afghanistan to regain its traditional role as a transit hub for the region. Still, Afghanistan is deeply mired in conflict and violence, which is a natural impasse for regional integration.

After intervening in Afghanistan, the U.S Operation Enduring Freedom historically changed the geographical complexion of Afghanistan by opening its northern border(9) to long-distance trade for the first time since 1930s. But that openness did not stretch southward, where conflict remains unabated.

The longstanding mistrust among the regional countries overshadows the economic decisions necessary for integrating and changing the fate of South Asia and Afghanistan. In the absence of mutual trust as a pre-condition, it is difficult to anticipate the

successful completion of mega regional projects which are driven by inexorable market forces and are crucial for the lifeline and economic development. Not only for Afghans, a stable and secure Afghanistan is also important for the growing economies of the region because growth doesn't occur in isolation and hostility, events in Afghanistan can have a significant effect on growth prospects for South Asian economies.

Guaranteeing the security of supply through Afghanistan to the region requires the spirit of regional partnership between the countries, which should suggest a motivation to adapt the structure of cooperation to the priorities of every regional stakeholder. For Afghanistan to enhance its strategic relevance in the regional calculus of politics, it has to demonstrate some effective leadership, capable of advancing the cause of regional consensus.

The two giant economies of Asia (China and India) have been already competing for finding a grip on the geopolitical and economic interests in Central Asia and the Middle East. India has already been enticed via Chabahar Port to invest in the reconstruction of Afghanistan. This will open a new chapter of cooperation between Kabul and Delhi. It has already resulted in increase of Iranian exports to Afghanistan to \$3 billion in 2012-2013. China's investment in the Pakistani port of Gawadar will also help Afghanistan to play a bridging role for the entire region. Adopting a utilitarian approach towards Afghanistan will create a win-win situation and healthy climate for economic growth in the region.

US policy recognizes the importance of Central Asia's energy resources and the economic possibilities they offer in world markets and in the region. Richard Boucher, US Assistant Secretary of State for South and Central Asia, expressed<sup>(10)</sup> that recognition in 2007. In order to extricate the Central Asian states from the traditional dependence on Russian infrastructure, one of U.S strategy is to increase its development and diversification in the region's energy resources and supply routes.

The supply lines for energy or other eye-catching regional projects cannot flourish in conflict and instability. The traditional practice of reaching to Afghanistan from a zero-sum perspective is fraught with danger and consequences, which can stymie the entire region in terms of catching up with the economic march. It is important for Afghanistan to realize that external economic motivations are increasingly characterizing the regional countries' foreign policies vis-à-vis Afghanistan; therefore, it should place diversified economic relations in the real foundations of its diplomacy, and seek to pave the way for ensuring a peaceful engagement of regional countries in Afghanistan.

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