

Afghanistan needs an economy

Don Ritter and Mahmood Karzai

Security and the economy for Afghanistan are mutually interdependent. You can't have one without the other. And while both have a long way to go, building the economy now will provide jobs and give people hope. Hope, in spite of poverty. That's security.

A delegation of Afghan American businessmen and women, U.S. Chamber of Commerce and Center for International Private Enterprise leaders recently returned from Afghanistan. In the midst of devastation in Kabul, we launched the Afghan American Chamber of Commerce (AACC) to the enthusiasm of the Afghan business community. At the first workshop, some 100 Afghan businessmen attended and unloaded mouthfuls of obstacles they face.

A group of market-oriented stalwarts in Afghanistan want the small but growing private sector nurtured despite an economic climate left over from the Taliban, fourteen years of communism and before that, a monarchy-dominated economy. The momentum of this stifling past is great and successful business is still very much based on favoritism. Competition as we know it has yet to arrive with the exception of small merchants, vendors and shopkeepers.

It is difficult to talk about economic policy in Afghanistan when there is so much poverty, deprivation and destruction, but like Germany after the war, good thinking in the present can have positive results for the future. Jobs and the dignity of work for the Afghan people should be the legacy. And there no time to waste.

President Hamid Karzai, Finance Minister Ashraf Ghani, Commerce Minister Kazemi and Afghanistan's Ambassador to the United States, businessman Isaac Shariyar, are committed to prosperity and security though an economy of level playing fields, open markets, competition, property rights and transparency. Given a world of heavily armed militias and others who have never seen a modern business, cratered or non-existent roads, minimal electricity and irrigation, the Afghan people have a big task ahead.

Help is on the way from the highly educated and successful worldwide Afghan diaspora, like the men and women in our delegation. Thousands are bringing their business skills, capital and dedication to the new economy in Afghanistan. They know the lay of the land. They will take risks that non-Afghans wouldn't. They are also guiding foreign investors into the new economy. The Intercontinental Hotel where we stayed was an 18-hour day beehive of activity with Afghans and non-Afghans discussing business deals.

A caution. Big money coming in for big projects, resulting in important infrastructure can also have the unintended effect of crowding out emerging small and mid-size enterprises responsible for long term and widespread job and wealth creation. The United Nations, World Bank, U.S. AID, donor nations and foreign NGOs with their relatively

astronomical salaries and operational costs driving up the price of labor, rents, materials and services, create a bubble economy in the short term where private Afghan firms can't compete. Way too many expensive newcomer consultants are engaged when the pool of competent, more cost-effective diaspora Afghans is bypassed. Plus, when the big project bubble is gone, look out.

The AACC is proposing a dialogue with the Afghan business community, key members of the Karzai administration and the U.S. government to find solutions to this potentially dangerous effect. One positive example is the U.S. Army asking for local Afghan content in the outfitting of the 70,000- man Afghan national army. Plus, Afghan leaders would like to see a U.S. government "point person" to work with issues of business and economic development like the State Department has done both here and in Afghanistan for overall reconstruction. Right now, there are too many involved with too few in authority.

Non-mega-project capital is very scarce. And while Congress has authorized a \$300 million Enterprise Development Fund to lend to private business in Afghanistan, there is the view that Afghanistan is not sufficiently stable to warrant an actual appropriation of those funds. Yet it is just such a commitment that will promote security. Economy and security is a proverbial chicken and egg scenario.

The U.S. government, perhaps in conjunction with the international arm of the U.S. Chamber, the AACC and others can take the lead in pushing private enterprise in Afghanistan. That will help bring security long after our troops are gone.

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