

TRANSCRIPT

Afghanistan Craves Investment
Ashraf Ghani
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After Afghanistan's democratic elections, it is time for the global private sector to vote in support of the Afghan political revolution. If 50 multinational corporations each invested \$10 million in Afghanistan over the next two years, the resulting half-billion dollars would be equivalent to \$3 billion in public investment. Decent wages, capital turnover and demonstrated international confidence would support economic growth and political stability, yielding a critical victory in the global war on terror.

Afghanistan's reasons for courting private sector investment are clear. Aid dependency is no path to dignified prosperity. But why should the private sector choose to invest now?

-- Since 2002, our economy has expanded more than 40%. Construction in Kabul and other major towns is booming, and mobile phone use per capita has already grown to exceed that of more developed regional neighbors. Yet inflation has remained below 10% and despite significant inflows of foreign aid, our currency has remained stable.

-- Afghans are ready to work with investors. For two millennia we have proved ourselves entrepreneurs who thrive on long-distance trade and respect for private property. Afghanistan was once a land bridge between South Asia, Central Asia and the Middle East, and we plan to regain that role. It should be no surprise that our new constitution enshrines protection of property and commits to a market economy.

-- Afghanistan is rich in natural resources, including coal, copper and iron. If our neighbors' oil and gas wealth provides any guide, Afghanistan is highly likely to have sizeable deposits, and surveys are now underway. Traditionally, Afghanistan has also had a strong agricultural sector. In fact, before the recent conflict undermined our economy, Afghanistan was the largest exporter of dried fruits and nuts in the region. Light industry also has a future here. Construction projects are underway throughout the country, with investment in cement and textiles looking particularly promising.

-- Since 2002, the Afghan government has significantly improved the investment climate. Our new investment law allows for 100% direct foreign ownership. We have created a simplified one-stop shop for licensing. Reforms to our tariff, customs and tax systems have greatly reduced transaction costs. Our central bank is autonomous, international commercial banks have begun operations under new regulations, and we strictly implement no-deficit financing.

-- Our seven-year, \$27.5 billion public investment program has secured the first three years of international financing, helping us to address bottlenecks in transportation, irrigation, power, and urban services. Already, private investments in Afghanistan's telecommunications have proved profitable, and investors are actively exploring construction, transport and light industries. We are committed to an export-oriented

economy that can take advantage of preferential market access to the U.S., EU, Canada and other countries.

-- With the peaceful completion of our first direct presidential election, increased political stability makes private sector investment more attractive. Security is expanding throughout the country with the deployment of the newly trained national army and police forces; the long-term commitment of international security forces underwrites the global commitment to Afghanistan's stability.

Of course, Afghanistan is not risk-free for investors. After two decades of conflict, investment barriers have emerged that we must now remove. Formal financial services remain nascent, our infrastructure is under-resourced and underdeveloped, the labor force needs training, and weak government regulatory capacity still feeds corruption. The government must spend limited resources wisely, demonstrate courage and integrity, and commit to a level playing field for investment. Our close partnerships with the U.S. Treasury, international financial institutions, and bilateral donors including the United Kingdom and Germany are the foundation for further planned reforms.

But we cannot achieve our aims without the international business community. The global private sector can help us identify the real obstacles to investment and join us in devising workable solutions. Only through such engagement can an imperfect system be improved. The stakes are high and the payoff is significant. International investors can mobilize the capital, networks, knowledge base, and financial organizations to generate legitimate growth and provide jobs. Those opportunities will help integrate former militias into civilian life and wean farmers off poppy production.

Why make this commitment? Because international investment in Afghanistan today not only makes solid business sense, it is also politically wise and morally sound. Our country's full democratization demands the possibility of prosperity for all our people, and that prosperity requires our integration into the global economy. An expanding middle class with hope for better economic opportunities is the only sustainable defense against radical politics. Those who partner with us now will both profit from the creation of a dynamic economy and contribute to the fight against global terrorism.

Mr. Ghani is Afghanistan's finance minister.