Transition in the Afghanistan-Pakistan War and the Uncertain Role of the “Great Powers”

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Last Updated: December 7, 2011

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Executive Summary

The near-term future of Afghanistan and Pakistan is not going to be shaped by cooperation between the "great powers:" Russia, China, and the US. A "new great game" between the "great powers" may emerge after the US and its European allies withdraw their forces, and phase down military spending and aid. However, it is the way in which the US, NATO/ISAF, and major aid donors interact with the Afghan and Pakistani governments as they “transition” by withdrawing their forces and cutting their spending and aid that will shape events for the foreseeable future.

This “transition” is already underway, but no one can yet predict how the withdrawal of US and other NATO/ISAF combat forces from Afghanistan in 2014 will actually play out over time. It is not clear how the US and its NATO/ISAF allies will actually manage withdrawal of their forces. It is not clear how much continuing support aid donors will provide to Afghanistan through 2014 and beyond, or whether the coming massive cuts in military spending and aid will trigger a major recession or depression during a period when outside troops will leave and Afghanistan’s weak government and forces must go through another election.

The US and its European allies are encouraging a negotiated settlement between the Afghan government and the insurgents, but this effort is equally uncertain. It seems unlikely that talks between the Afghan government and various insurgent factions can produce any meaningful or stable agreement. NATO/ISAF is making significant tactical progress in the south, and the US is making progress in attacking Al Qa’ida and insurgent networks in Pakistan, but they have not been able to counter the impact of insurgent sanctuaries in Pakistan or defeat the Taliban, Haqqani network, or Hekmatyar group at the political level and pressure Pakistan into putting an end to their sanctuaries in that country. The insurgents may come to treat talks as a delaying tactic, or a means of winning a war through political means, but they do not feel they are being defeated and have reason to believe that all they have to do is outwait NATO/ISAF in a battle of political attrition.

China and Russia do play a more active role in the case of Pakistan, but the Russian role is limited and China has carefully limited its commitments. It is the tense relationship between the US and Pakistan that is now driving Pakistan’s role in the conflict. More broadly, it is Pakistan’s own internal problems that will shape its future role in the region.

Pakistan is caught up in its own political, security, and economic problems and is drifting towards the status of a failed state. Its deep political tensions with the US continue to grow, and it seems committed to trying to expand its own influence in Afghanistan, and counter Indian influence, as US and NATO/ISAF forces leave. At the same time, its civil government has deep tensions with the Pakistani military, and is divided by political struggles that sharply limit the effectiveness of a weak structure of governance and one that faces growing internal political violence throughout the country. There is always hope that relations with India may improve, but Pakistan’s military continues to focus on the Indian threat and build up Pakistan’s missile and nuclear forces.

At some point in the coming decade, the outcome of “transition” will produce a new equilibrium of regional power between Russia, China, the US, the major European states, and local powers like Iran, the “Stans,” and India. This equilibrium will depend, however, on US and European action during the course of “transition” and will almost certainly be
an extension of each nation’s view of its own national interests and opportunism based on how transition plays out during 2012-2014 and beyond.

It is all too easy to renew calls for aid and regional cooperation as “transition” takes place, and this may achieve some progress. It is unlikely, however, that this will have a major impact without massive political change and reform in Afghanistan and Pakistan, and both nations will at best be minor players in the much broader structure of tensions and change that will shape any form of “new great game” in in Central Asia and South Asia during 2012-2014 and beyond.

More broadly, it is equally impossible to determine how the broader struggle between key regional powers India and Pakistan will play out, or how “great powers like Russia, China, will act in shaping the future of Afghanistan and Pakistan once the US and Europe withdraw their forces and much of their aid. It is all too easy to call upon them to solve the problems of the past, ignore their own ambitions and mutual tensions, and somehow do what they have never done before. There is little, however, to indicate that such options have any real credibility.

**Hope vs. Realpolitik**

Hope is no substitute for realpolitik, and creating another round of unrealistic plans will not help. It is unlikely that either Afghanistan or Pakistan will achieve enough internal reform, stability, and security during the “transition” period in 2012-2014 to become attractive to major outside investment at the scale they need, or will get the level of continuing outside aid they will need either during 2012-1014 or in the decade that follows.

Regional solutions are easy to call for as if they could somehow deal with the internal problems of each state. Experts on economic development, and many area experts as well, focus on regional cooperation as ways of improving the political and economic stability of the different regional states that cover an arc from Iran and the Caspian states in the West to China in the East, and from the Indian Ocean in the south to Russia in the North.

Studies by groups like the IMF, World Bank, and Asian Development Bank do show that it is possible to ease the impact of “transition” on Afghanistan and Pakistan by seeking improved regional development and cooperation in three different subregions:

- Central Asia and the “Stans” to the north of Afghanistan,
- Afghanistan and the border areas in Pakistan that affect the Afghanistan-Pakistan War, and
- Indian and Pakistani relations within the context of South Asia and the tensions between India and Pakistan.

There is an economic and political case for regional cooperation between the “Stans,” Russia, China, India, Pakistan, and Iran. There is a case for a “New Silk Road” that seeks to find ways to develop and stabilize Afghanistan (and to some degree Pakistan) by making Afghanistan a major economic transit route and developing its natural resources; and finding some regional solution to the India-Pakistan conflict – usually centered around Kashmir – that would help stabilize Pakistan and reduce Indian and Pakistani conflict in Afghanistan as a side benefit.

The practical problem with such exercises in hope is that they require changes in the behavior of the states involved that cannot occur in ways that can shape the near and mid-
term outcome of “transition” and levels of security and stability in Afghanistan and Pakistan. Afghanistan and Pakistan must largely shape their own destiny, and will be critically dependent on the level of US and European aid they receive in the process.

The other great powers – Russia and China – have interests in Afghanistan and Pakistan, and in improving their stability, but as the discussion that follows shows, these interests are limited relative to other higher priority interests and far more limited than their diplomatic rhetoric sometimes indicates. The probability of actually reaching and implementing regional solutions at the scale to have major interest to Russia, China, and the US – and key trading partners like the EU – is low. The time may come when the role of power like China and Russia will play a critical future role in the security, stability, and development of Afghanistan and Pakistan, but that time is not predictable and must wait on the outcome of “transition.”

**It is the US and Europe that will Win, Lose, or Draw**

There is a “new great game” being played in other parts of Central Asia, but neither Russia nor China has predictable incentives to engage in Afghanistan or Pakistan at levels that will ease the problems the US, Europe, and other ISAF and donor states face during transition. In the real world, the success of transition will depend on US, European, and other existing countries that already have forces or donate significant aid to Afghanistan.

The success of such US, European, and donor efforts is highly uncertain. Studies by the World Bank, and ongoing studies by the IMF, the US, and key European governments show that “transition” requires massive levels of continuing aid to avoid triggering major security and stability problems. President Karzai requested some $10 billion a year through 2025 at the Bonn Conference in December 2011, or roughly $120 billion over the entire period. This total seems minor compared to a total cost of the war to the US and ISAF which reached some $140 billion in FY2011. It also is almost certainly is too low to both cover the cost of funding the Afghan National Security Forces during transition and beyond, and give Afghanistan the resources to cope with the loss of US and ISAF military spending during 2012-2014 and the probable cuts in donor civil aid.

Yet, many US and European actions have already begun to look like a cover for an exit strategy from Afghanistan. Development aid from US, the largest aid donor, dropped from $3.5 billion in 2010 to about $2 billion in 2011. Aid to support democracy, governance and civil society dropped by more than 50%, and from $231 million to $93 million. Aid for "rule of law" dropped from $43 million to $16 million. Many aid agencies and NGOs are already making major cuts in their programs, and some are already having to eliminate programs or withdraw from the country.

While US Secretary of State Hillary Clinton joined her European colleagues in pledging continued aid at the Bonn Conference in December 2001, no long-term pledges were made in concrete terms. The conference – which Pakistan did not attend and the Taliban stated would “further ensnare Afghanistan into the flames of occupation” – focused on vague calls for aid and regional cooperation.

The speeches at the conference also called for Afghan reforms, and reductions in corruption, in ways that implied new conditions for aid that Afghanistan may well not be able to meet. It discussed continuing past security and economic aid, but did not deal with the massive
impact of ending US and European military spending in Afghanistan as each ISAF country’s forces departs – spending which totaled $4.3 billion for US military directs contracts with Afghans in FY2011 – which was only a small portion of US military spending in the country. At the same time, President called for continued aid and promised vague reforms without any clear plan for using such aid or justifying his request. As Louise Hancock, Oxfam’s Afghanistan policy officer, put it, “It’s been another conference of flowery speeches: big on rhetoric and short on substance.”

Moreover, the US has never provided a credible set of goals – indeed any goals at all – for the strategic outcome it wants in Pakistan. Unless the US and Europe do far more to show it can execute a transition that has lasting strategic benefits in Afghanistan and Pakistan well after 2014, it is all too likely to repeat the tragedy of its withdrawal from Vietnam.

Such a strategic failure may not mean outright defeat for the US or its allies, although this is possible. It is far from clear that the Taliban and other insurgents will win control of the country, that Afghanistan will plunge into another round of civil war, or that Afghanistan and Pakistan will see the rebirth of Al Qaida or any other major Islamist extremist or terrorist threat. However, the human and financial costs have already outstripped the probable grand strategic benefits of the war.

This presents major problems for a successful “transition.” US, IMF, and World Bank working studies indicate that major flows of carefully focused US and European aid might lead to a stable transition if the war makes major progress in defeating the insurgents at the political as well as military level, if Afghan forces become effective enough to replace the US and ISAF, if Afghanistan can achieve enough political stability and reduce corruption, if Afghan governance improves at every level, and if insurgent sanctuaries and Pakistan’s actions in Afghanistan do not have a crippling impact.

The practical problem is that the US and Europe must begin to act almost immediately to deal with the near term challenges Afghanistan faces. There are only three years left before transition in 2014, and there are no magic bullets that offer rapid growth and prospects for stability before 2020. Aid and development plans must focus on Afghanistan’s real world problems and capacities begin to be implemented in 2012 and then be consistently implemented for at least half a decade at levels the US, Europe, and other donors may be unwilling to spend and require far more demanding levels of action and reform from the Afghan government than it has provided to date.

Some form of success (or limited failure) may still be possible, but little that the US and European governments have actually done to date raises a high probability that this will be the case. There are four critical areas wherein any lasting level of success is now unlikely:

- **Strategic failure?** The US, ISAF, and donors have not shown that they can bring about enough of the elements required to create Afghan security and stability in a way that creates more than a marginal possibility that Afghanistan will have a successful transition by 2014, or at any time in the near future. They have never announced detailed plans and funding programs that would make this possible. It has no strategic plans or clearly defined goals for Pakistan, although it has far more strategic importance than Afghanistan.

- **Talk Without Hope:** It is far from clear that any major insurgent faction feels it is either losing, or cannot simply outwait, US and allied withdrawal. Nor is it clear that Pakistan will seriously attempt to eliminate insurgent sanctuaries within its borders. If insurgents do choose to negotiate it may well
be because they feel the US, allied, and GIRoA position is becoming so weak they can use diplomacy as a form of war by other means and speed their victory through deception and by obtaining US, allied, and GIRoA concessions. They have already used similar tactics in Helmand and Pakistan, and Nepal and Cambodia are warnings that “talk” may do little more than cover an exit.

- **Tactical Success?** The very real gains the US and ISAF have made in the south may not be possible to hold if the US moves forces east, and the US and ISAF cut forces so quickly that it is doubtful they can achieve the goals that ISAF set for 2012. ANSF development is being rushed forward as future resources are being cut, and it is far from clear that the insurgents cannot outwait the US and ISAF and win a war of political attrition without having to win tactical battles in the field. The ISAF focus on significant acts of violence is a questionable approach to assessing both tactical and strategic progress, and ANSF transition has been little more than political symbolism.

- **Spend Not Build?** The latest Department of Defense, SIGAR, and World Bank reports do little to indicate that US and allied efforts to improve the quality of government, the rule of law, representative democracy, and economic development are making anything like the needed level of progress. They are a warning that Afghanistan and the Afghan government may face a massive recession as funding is cut, and the dreams of options like mining income and a “new Silk road” are little more than a triumph of hope over credible expectations. Once again, the very real progress being made in the development of the ANSF is being rushed as future funding is being cut, and it is unclear that current gains will be sustained or that the US has sufficient time left in which to find credible answers to these questions, build Congressional, domestic, and allied support, and then to begin implementing them. It is now entering the 11th year of a war for which it seems to have no clear plans and no clear strategic goals. The new strategy that President Obama outlined in 2009 is now in tatters.

Even if the US and Europe do act, success is uncertain. Afghanistan may have even less success than Iraq in building a functioning democracy with control over governance, economic development, and security. Worse, Pakistan is far more strategically important and is drifting towards growing internal violence and many of the aspects of a failed state.

If Afghanistan does get enough outside funding to avoid an economic crisis and civil war after US and allied withdrawal, it will remain a weak and divided state dependent on continuing US and outside aid through 2024 and beyond, confining any strategic role to one of open-ended dependence. As for a nuclear-armed Pakistan, it is far more likely to be a disruptive force in Afghanistan than a constructive one, and there is little sign it will become any form of real ally or effectively manage its growing internal problems.

There are no obvious prospects for creating stable relations with Pakistan during the transition process, or for creating a stable Pakistani. The Karzai government barely functions, and new elections must come in 2014 – the year combat forces are supposed to leave. U.S. and allied troop levels are dropping to critical levels. No one knows what presence – if any – would stay after 2014. Progress is taking place in creating an Afghan army, but without a functioning state to defend, the ANSF could fragment. Far less progress is taking place in creating the police and justice system. Massive aid to Afghanistan has produced far too few tangible results, and the Afghan economy is likely to go into a depression in 2014 in the face of massive aid and spending cuts that will cripple both the economy and Afghan forces.

Plans that focus on the period after 2014, or the role other powers might play are of little practical value. The key question now is whether the US and key European states can move almost immediately from concepts and rhetoric to working with Afghanistan, Pakistan, and
international agencies like the World Bank and IMF to create a credible transition plan that can secure popular and legislative support and funding during 2012 to 2014 and beyond.

It is time the US and Europe faced these issues credibly and in depth. They must either provide a transition plan and promises of future funding for Afghanistan that either provides a credible path to “transition” – with prospects for success – or focus on an exit plan that reflects at least some regard for nearly 30 million Afghans and our future role in the region. It needs to consider what will happen once the US leaves Afghanistan and what longer term approaches it should take to a steadily more divided and unstable Pakistan.

During this process, the US will be the major actor involved and must be the major source of funding. The US needs to take immediate action to work with its European and other allies, ISAF, the World Bank, IMF, and UN to develop a detailed transition plan that spells out exactly how the US, Europe, and donor states should to phase down their civil and military efforts, what steps they will actually take to ensure that transition is stable through 2014, and develop a clear estimate of the probable cost to ensure such efforts are realistic and affordable.

If the US is to have any hope of bringing its European allies along at the required level of effort, it must show them – and Afghanistan and Pakistan -- that it has the domestic support to act. This means it needs a meaningful action plan that Congress, the media, area experts, and the American people can debate and commit themselves to supporting no later than Congressional approval of the FY2013 US budget. If President Obama cannot provide such a plan within several months, and then win the support necessary to implement it, any hope of salvaging lasting success in the war will vanish.

Even if the US and its key European allies do act on such a plan, and provide the necessary resources to Afghanistan, they will still face a more critical strategic challenge. Pakistan is both the real strategic center in the conflict and its most dangerous wild card. It may become progressively more unstable regardless of US aid and actions in Afghanistan. Any de facto “exit strategy” that suddenly cuts US aid to Pakistan or produces an even more serious level of confrontation between the US and Pakistan during the entire transition process will make this future almost inevitable and probably cripple transition in Afghanistan as well.

If the insurgents keep their sanctuaries in Pakistan and outwait the US and Europe in the transition process, the most likely post-2014 outcome in Afghanistan is not the successful transition to a democratic Afghan government with control of the entire country. Nor is it likely that the Taliban and other insurgents will regain control of the country. Rather, the most likely outcome is some sort of middle ground where the insurgents control and operate in some areas, while others are controlled by the Northern Pashtuns and other Afghan ethnic factions. Some form of the Northern Alliance is likely to appear, and the role of the central government in Kabul would be limited or caught up in civil conflict.

In short, even if the US and Europe do act to support “transition” effectively, the outcome is unlikely to be what some US policymakers have come to call “Afghan good enough,” or a stable Pakistan. It will be “Afghan muddle through,” and an unstable Pakistan driven by its internal problems and tensions with India. As for Russia, China, and other regional states; they will have to react to whatever emerges as the result. This will not, however, be some form of idealized regional cooperation. It will be a game of nations in which both the
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Introduction

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The US and its European allies are encouraging a negotiated settlement between the Afghan government and the insurgents, but this effort is equally uncertain. It seems unlikely that talks between the Afghan government and various insurgent factions can produce any meaningful or stable agreement. NATO/ISAF is making significant tactical progress in the south, and the US is making progress in attacking Al Qa’ida and insurgent networks in Pakistan, but they have not been able to counter the impact of insurgent sanctuaries in Pakistan or defeat the Taliban, Haqqani network, or Hekmatyar group at the political level and pressure Pakistan into putting an end to their sanctuaries in that country. The insurgents may come to treat talks as a delaying tactic, or a means of winning a war through political means, but they do not feel they are being defeated and have reason to believe that all they have to do is outwait NATO/ISAF in a battle of political attrition.

China and Russia do play a more active role in the case of Pakistan, but the Russian role is limited and China has carefully limited its commitments. It is the tense relationship between the US and Pakistan that is now driving Pakistan’s role in the conflict. More broadly, it is Pakistan’s own internal problems that will shape its future role in the region.

Pakistan is caught up in its own political, security, and economic problems and is drifting towards the status of a failed state. Its deep political tensions with the US continue to grow, and it seems committed to trying to expand its own influence in Afghanistan, and counter Indian influence, as US and NATO/ISAF forces leave. At the same time, its civil government has deep tensions with the Pakistani military, and is divided by political struggles that sharply limit the effectiveness of a weak structure of governance and one that faces growing internal political violence throughout the country. There is always hope that relations with India may improve, but Pakistan’s military continues to focus on the Indian threat and build up Pakistan’s missile and nuclear forces.

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on US and European action during the course of “transition” and will almost certainly be an extension of each nation’s view of its own national interests and opportunism based on how transition plays out during 2012-2014 and beyond.

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More broadly, it is equally impossible to determine how the broader struggle between India and Pakistan will play out, or how Russia, China, and regional states will play the equivalent of the “New Great Game” to the north of Afghanistan, Pakistan, and Iran.

**Hope vs. Realpolitik**

Hope is no substitute for realpolitik, and creating another round of unrealistic plans will not help. It is unlikely that either Afghanistan or Pakistan will achieve enough internal reform, stability, and security during the transition period in 2012-2014 to become attractive to major outside investment at the scale they need, or will get the level of continuing outside aid they will need either during 2012-1014 or in the decade that follows.

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- Afghanistan and the border areas in Pakistan that affect the Afghanistan-Pakistan War, and
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There is an economic and political case for regional cooperation between the “Stans,” Russia, China, India, Pakistan, and Iran. There is a case for a “New Silk Road” that seeks to find ways to develop and stabilize Afghanistan (and to some degree Pakistan) by making Afghanistan a major economic transit route and developing its natural resources; and finding some regional solution to the India-Pakistan conflict – usually centered around Kashmir – that would help stabilize Pakistan and reduce Indian and Pakistani conflict in Afghanistan as a side benefit.

The practical problem with such exercises in hope is that they require changes in the behavior of the states involved that cannot occur in ways that can shape the near and mid-term outcome of transition and levels of security and stability in Afghanistan and Pakistan. Afghanistan and Pakistan must largely shape their own destiny, and will be critically dependent on the level of US and European aid they receive in the process.
The other great powers – Russia and China – have interests in Afghanistan and Pakistan, and in improving their stability, but as the discussion that follows shows, these interests are limited relative to other higher priority interests and far more limited than their diplomatic rhetoric sometimes indicates. The probability of actually reaching and implementing regional solutions at the scale to have major interest to Russia, China, and the US – and key trading partners like the EU – is low. The time may come when the role of power like China and Russia will play a critical future role in the security, stability, and development of Afghanistan and Pakistan, but that time is not predictable and must wait on the outcome of transition.

**The Limited Strategic Importance of Afghanistan**

The momentum of war should not be allowed to define strategy. In the real world, Afghanistan has limited strategic importance to any of the “great powers,” and is only one of many priorities to regional powers. Afghanistan was important as a theater of competition during the Cold War, just as Vietnam was, but only in allowing one power to obtain leverage over the other – a leverage which is counterproductive for both the US and Russia today. It is one of many areas where China can obtain strategic minerals and possible gas and oil in the future, but it is a sideshow compared to both Chinese and Russian interests in the rest of Central Asia and the Caspian.

The US went into Afghanistan because of 9/11 and made mistakes that have escalated into a major regional conflict. The US has, however, now largely crippled Al Qa’ida in Pakistan. Neither the US nor ISAF can put an end to an Islamist extremist insurgency before they leave Afghanistan in 2014, and the U.S. – along with its European allies and other states – faces current and potential Islamist extremist threats in many other areas.

The costs in blood have already outstripped the value of the objective. As for the other costs, the US, ISAF, UN, and “international community” will have been in Afghanistan for well over a decade by 2014, and will have spent well over $800 billion dollars since 2001 by the time “transition” takes place. The prospects for 2015 and beyond do not promise a secure or stable state, or one with a stable border to the south with either Iran or Pakistan. They will have ended military expenditures in Afghanistan that have recently average at least 20 times the revenue earning capacity of the Afghan government and probably made serious cuts in aid.

Afghanistan is not a critical trading partner for any state, and economic potential is limited in the near and mid-term. This does not mean that there will not be economic opportunities in Afghanistan for given companies, or that aid cannot help Afghanistan move forward. It is important, however, to avoid fantasies that exaggerate the value of given ventures or aid projects, ignore real-world costs and time frames, promise economic rewards and benefits that are not realistic, and assume neighboring states are focusing on Afghanistan as a transit corridor at a time when they are investing in very different routes and countries.

It is even more unrealistic to assume that Russia, China, the US, countries in the EU, private firms, and development agencies will make enough major near and mid-term investments in an Afghanistan to deal with the impact of US and ISAF “transition” in Afghanistan by 2014 or even 2020. This level of investment will not take place in an Afghanistan that is politically unstable, not able to govern effectively and do so with acceptable levels of corruption and prospects for stability, lacks military security, a rule of law that secures
investment, and that remains a state where any activity in many regions is affected by criminal networks and power brokers.

**Pakistan as a Semi-Failed State**

While the US and Europe now focus on “transition” in Afghanistan, it is Pakistan that is the real strategic center of gravity. Pakistan is now a nuclear-armed problem child that is drifting towards the status of a failed state. Its military still focuses on India and remains the ultimate political authority in the country. Its civil political and leadership are ineffective and corrupt. A semi-feudal rural structure, failure at economic and security reform, and growing regional and sectarian tensions can be influenced in part from the outside, but Pakistan will either reform on its own or continue to deteriorate on its own. The fact that it has steadily growing nuclear forces, and a steadily more uncertain military leadership, is chilling.

It is not clear, however, how any external power can deal with the threat Pakistan’s military build-up poses, and the build-up does not make Pakistan a threat to the world or any great power. Pakistan is a nuclear-armed threat directed at a nuclear-armed India. There is potential for a massive human tragedy, given past wars, Pakistani-India rivalry in Afghanistan and Kashmir, and Pakistan’s use of terrorist proxies in attacking India, but it is a potential for a localized, self-destructive tragedy in South Asia.

It would take a fundamental change in Pakistan’s strategic perspective to make it focus on eliminating terrorist and insurgent groups that operate from its territory and it feels serve its interests. Pakistan does not see the Afghan War in US or ISAF terms. It seems it as a destabilizing struggle that threatens its western border area, expands Indian influence in Afghanistan, and potentially denies it use of Afghanistan as “strategic depth.” It sees the US as pressuring Pakistan into a struggle that has increased its internal security problems, and now leaving an unstable Afghanistan where insurgent groups with sanctuaries on Pakistani soil like the Afghan Taliban and Haqqani network give Pakistan leverage over the Pashtun areas in Afghanistan and limit Pashtun instability in Pakistan.

The US has countered with the threat of titling towards India and diplomatic and economic pressure, and with massive aid. The US has now become the largest single donor of bilateral aid to Pakistan. According to the US Congressional Research Service, the US authorized a total of $14.615 billion in security assistance from FY2002 to FY2011, and requested another $1.6 billion in FY2012. It authorized a total of $7.72 billion in security assistance from FY2002 to FY2011, and requested another $1.1 billion in FY2012. The Congress also passed the Enhanced Partnership with Pakistan Act of 2009 -- or Kerry-Lugar-Berman bill -- which provide up to $1.5 billion a year more in economic aid, or $7.5 billion over five years.

This aid, however, gives the US only limited leverage now that it is clear that5 US and ISAF forces are leaving, and border incidents like those in November 2011 have show that Pakistan is now willing to expel the small US advisory teams and UCAV bases on its soil, as well as to suspend US and ISAF use of Pakistani ports and roads to ship supplies to Afghanistan. The growing tensions between the US military Pakistani military have made the prospects for Pakistani support before and after transition even more unstable, as have Pakistani military and civil politics that have grown steadily more hostile to the US.
There is no clear “great power” counter to either Pakistan’s internal problems or stability before and after transition. European aid and influence is limited, as are European strategic interests. Pakistan has only limited economic importance to Russia and there are severe limits to its importance to China -- as Pakistan found in 2011 when it tried to turn to China to seek a replacement for US aid.

China has been willing to use Pakistan to put pressure on India, but India is now a growing trading partner, and China has no interest in Pakistan’s use of Islamist extremist groups given its own problems with Islamic minorities in western China. China still sees Pakistan as a card to play against India, but it’s now clear that China sees any future bases in Pakistan are of uncertain value, and Pakistan is at most a minor face card in China’s overall strategic priorities.

This does not mean outside power should not seek to help Pakistan, but there are severe limits to what they can do until Pakistan has a political system that is far more capable of helping Pakistan help itself. Until that change takes place, Pakistan’s ties to terrorism and Islamic extremism will have to be dealt with largely from the outside or through containment.

Once again, hope is not a substitute for probability. Outside powers can and should do their best to help Pakistan and India resolve their tensions and end their arms race, but decades of well-meaning outside diplomatic efforts have shown that India and Pakistan must assume virtually all responsibility for such efforts to produce any meaningful progress; this would actually reduce the strategic importance of Pakistan to China, and it would take massive internal reforms to make Pakistan a secure and stable basis for major outside investment. There nothing inherently wrong in letting hope triumph over experience -- it is the basic rationale for large international conferences -- but this is only true if no one expects anything to actually happen.

Pakistan has potential as does Afghanistan, but that potential will never be realized without fundamental changes in its present leadership elite, and as long as Pakistan’s major exports are blame and responsibility for its own actions. As is the case in Afghanistan, the end result of an end to the US and allied role in the Afghanistan/Pakistan War may well be a divided and/or unstable state still caught up in confrontation with India and of passing strategic importance to any Great Power. Once again, there will still be outside investment where the cost-benefits clearly exceed the risks. But, only when these benefits are either truly unique or are so large that they overcome the comparative penalties in cost and risk relative to the problem return on investment in other areas.

The Role of the “Great Powers” and Neighboring States

Afghanistan and Pakistan both have the capability to fundamentally change this assessment through better leadership, better governance, better security, and policies that focus on development and incentives to outside donors and private investment. No amount of international conferences, regional plans, and outside efforts will, however, help either nation unless it becomes far more effective in helping itself – a level of reform that simply does not seem credible in the near to medium term.
Speaking bluntly, and from the viewpoint of realpolitik, this means that outside powers are likely to play the following roles through 2014 and beyond:

**Russia**

The US has encouraged both Russia and China to play a major role in Afghanistan since President Obama’s visit to Beijing in 2009. There are many experts who advocated some form of Russian and Chinese participation in regional economic cooperation and new transit routes for trade and energy that involve Afghanistan and Pakistan, and would substitute for US, ISAF, and other donor military and aid spending as transition moves forward during 2012-2014. Russia and China may well play such a role at a limited level, but it is likely to be very opportunistic and very limited.

The US government officially takes an optimistic view of Russia’s role in Afghanistan. The report by the Department of Defense to report to Congress issued on October 30, 2011 states that,8

President Dmitry Medvedev recognizes that Afghanistan remains a “common cause” between Russia and NATO-ISAF partners. For Russia, minimizing the threat an unstable Afghanistan poses to Central Asia and the Northern Caucasus is linked to the success of ISAF’s mission, with the prospect that a stable and secure Afghanistan will stem the spread of extremism and the flow of narcotics into Central Asia and Russia.

Since April 2010, more than 30,000 U.S. containers have been delivered to Afghanistan via the NDN. The United States continues to explore expanding surface transit cooperation agreements with Russia and other countries in the region.

Since the U.S.-Russia-Afghanistan Air Transit Agreement entered into effect in July 2009, more than 1,400 flights have transited Russian airspace, ferrying approximately 221,000 U.S. personnel to and from Afghanistan. The Air Transit Agreement allows for up to 4,500 military flights and unlimited commercial flights to transit Russian airspace en route to Afghanistan each year, and significantly reduces aircraft transit times and fuel usage.

Also of note, with Russia’s assistance, the U.S. Air Force Air Mobility Command completed two historic firsts in U.S. efforts to resupply forces in Afghanistan. In early June, a USAF C-5 cargo aircraft flew from the United States over the Arctic Circle, then south through Russian and Kazakh airspace to Afghanistan. Later in the same month, a USAF KC-135 aerial refueling aircraft flew the same route from Fairchild Air Force Base, Washington, to the Manas Transit Center, Kyrgyzstan. It was the first time U.S. Air Force aircraft have ever flown this Arctic route.

In May, the U.S. Army and the Russian Federation’s military export agency concluded a $375M agreement for the acquisition of 21 new Mi-17V5 military transport helicopters for the Afghan Air Force, along with a comprehensive initial support package that includes spare parts, ground support equipment, and engineering support. The first nine aircraft will be delivered by the end of 2011, and the remaining aircraft will be delivered over a two-year period. The new aircraft will augment the existing fleet of 52 Mi-17s already in operation with the Afghan Air Force and the Afghan Ministry of Interior. The establishment of a NATO-Russia Council Afghan Helicopter Maintenance Trust Fund will assist in maintaining Afghanistan’s growing fleet of helicopters by funding spare parts, tools, and training for the Afghan Air Force. To date, Russia has pledged $3.5M towards the trust fund and is planning to provide intermediate level maintenance training to 10 Afghan Air Force maintainers beginning in September 2011 at a helicopter maintenance training facility in Russia.

The NATO-Russia Council will also expand its Central Asian counternarcotics program, which trains counternarcotics personnel from Central Asia, Afghanistan, and now Pakistan, in Russia, Turkey, and via mobile training teams.

In addition to security assistance and counternarcotics cooperation, Russia continues to support economic development in Afghanistan. Following up on President Karzai’s first official state visit
to Russia in January 2011, Russian and Afghan officials met this summer and pledged to further boost economic ties between the two countries. During the latest round of talks, Russia pledged to build one million square meters of affordable housing in Kabul, and also agreed to provide Kabul with 500,000 tons of petroleum products a year beyond what it currently provides.

Based on a commitment made at the November 2010 NATO Summit in Lisbon, Russia continues to expand the types of cargo shipped by rail via the NDN and also permits the reverse transit of goods back through the NDN. Currently, 55 percent of DoD sustainment cargo goes through the NDN, and more than 76 percent of supplies transiting the NDN flows across Russia.

In reality, however, Russia has provided only token aid to the security and development effort in Afghanistan since 2001, has seen the US and NATO/ISAF presence in Central Asia as a potential threat, and now is deeply worried about containing the impact of transition during 2012-2014 and beyond.

Russia only has a marginal interest in Pakistan and sees Afghanistan largely in terms of containment. It has seen the US and ISAF presence in Afghanistan as both a threat and as a means of limiting the risk that instability in Afghanistan could spread north to Central Asia. It does not want a US presence so close to Russia or the Central Asian states, and has no reason to see the US and ISAF as providing a solution to the problems created by Afghanistan’s one major and highly destructive export to Russia: drugs.

Transition benefits Russia through the withdrawal of US and other “outside” military forces, but creates more problems in terms of the stability of Central Asia, the strength of hardline Islamic groups and probably more use of facilities for training volunteers that will affect Russian and Central Asian security at the margin. It pushes Russia towards some form of containment of Afghanistan, particularly if a split takes place in Afghanistan that ties the non-Pashtun groups in the north back into some new form of “Northern Alliance” in Afghanistan with ties to Turkmenistan, Uzbekistan, and Tajikistan. Such a contingency might also push Russia back to providing money and arms to the “Northern Alliance” if it led to violence between it and an insurgent dominated Pashtun faction.

Afghanistan’s uncertain energy resources might benefit Russia, China, and the Central Asian states to the north, but this is uncertain. Major transfers of hydroelectric power may become practical if Afghanistan becomes more stable, secure, and reliable. As present, Turkmenistan, Uzbekistan, and Iran export power to northern Afghanistan. As for oil and gas, there is a tendency to exaggerate a potential that is not yet confirmed and that would take a decade or more to develop to a major, economic export if the reserves exist at the proper level – just as there is a tendency to advocate pipeline projects without proper cost benefit and risk analysis.

Afghan and Pakistani oil and gas will help in meeting domestic demand, but possible oil and gas reserves – like estimates of mineral resources -- are notoriously prone to either failing to count real capacity or gross exaggeration of reserves that either do not exist or have limited commercial value. At present, proven oil and gas reserves are too small to matter to outside powers.

The BP Statistical Review of Energy for 2011 does not list any proved oil reserves for Afghanistan or Pakistan, although small reserves do exist. The CIA World Factbook estimates Afghan proven oil reserves are too small to count, and puts Afghan proven gas reserves 49.55 billion cubic meters – a figure too small to be of more than local interest. The CIA World Factbook estimates Pakistani proven oil reserves at a negligible 313
million barrels, and puts Pakistani proven gas reserves 840.2 billion cubic meters – a figure that will be needed to meet future growth in domestic consumption. The EAA *World Energy Outlook for 2011*, the *IEA World Energy Outlook for 2011*, and the BP *Energy Outlook 2030*, all ignore Afghanistan and Pakistan as sources of future meaningful oil and gas production – and key transit routes - through at least 2030.

At present, Afghanistan produces a token amount of crude oil in Sar-i-Pol province and uses primitive retorts for refining at the field and near Sheberghan. Its Djarquduk, Khowaja Gogerak, and Yatimtaq natural gas fields are all located within 20 miles of Sheberghan. Small diameter pipelines deliver gas locally, and a larger line delivers limited amounts to a 48 Megawatt power plant in Mazar-i-Sharif. An Afghan energy profile in gObserver notes that, between the 1960s and mid-1980s, the Soviets had identified more than 15 oil and gas fields in northern Afghanistan. Only three gas fields—Khwaja Gogerdak, Djarquduk, and Yatimtaq—were developed in the area surrounding Sheberghan, which is located about 120 kilometers west of Mazar-i-Sharif. Afghan natural gas production reached 275 million cubic feet per day (Mmcf/d) in the 1970s. The Djarquduk field was brought online during that period and boosted Afghan natural gas output to a peak of 385 Mmcf/d by 1978. About 100 Mmcf/d of this amount was used locally in gas distribution systems in Sheberghan and Mazar-i-Sharif as well as at a 100,000 mt/y urea plant located near Mazar-i-Sharif. One oil field, Angot, was developed in the late 1960s, but aside from production tests, oil production was intermittent, with daily outputs averaging 500 b/d or less.

Northern Afghanistan has proved, probable and possible natural gas reserves of about 5 Tcf. This area, which is a southward extension of the highly prolific, natural gas-prone Amu Darya Basin, has the potential to hold a sizable undiscovered gas resource base, especially in sedimentary layers deeper than what were developed during the Soviet era. Afghanistan’s crude oil potential is more modest, with perhaps up to 100 million barrels of medium-gravity recoverable from Angot and other fields that are undeveloped.

Outside of the North Afghan Platform, very limited oil and gas exploration has occurred. Geological, aeromagnetic, and gravimetric studies were conducted in the 1970s over parts of the Katawaz Fault Block (eastern Afghanistan – along the Pak border) and in the Helmand and Farah provinces. The hydrocarbon potential in these areas is thought to be very limited as compared to that in the north.

Like the mining potential discussed later in this study, possible oil and gas reserve options are worth exploring if Afghanistan can made the necessary change in security, commercial law, and governance over time, but major – economy changing – development is a prospect for 2020 and beyond. Moreover, such changes are likely to be of more interest to China than oil and gas rich Russia, and many pipeline projects depend as much on Pakistani changes in change in security, commercial law, and governance as changes in Afghanistan. Russia’s main strategic interest in Afghanistan and Pakistan, however, is to be able to act as if they did not exist – with the exception of limited cases that benefit Russian trade and investment, Russia’s concerns focus on the Caspian, China, and a Central Asia where it would like to be the dominant country and see the focus of pipelines, rail systems, roads, and trade flow north through Russia, or east-west in ways that benefit Russia’s interest and produce productive relations between Russia and China. Russia also has far more important future interests in Iran, Iraq, and the Gulf than in Afghanistan and Pakistan.

This does not mean Russia will not support diplomatic efforts to bring peace and stability to Afghanistan and Pakistan, or to provide some aid and invest when this is to Russia’s
advantage. In spite of Russia’s strong ties to India, Russia has endorsed a move from observer status to full Pakistani membership in the Shanghai Cooperation Organization (SCO) that was founded in Shanghai on June 15, 2001 by six countries: China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan. Russia has said that it wants “materialization” of projects like the TAPI (Turkmenistan-Afghanistan-Pakistan-India) gas pipeline project and the Central Asia South Asia Electricity Trade and Transmission Project (CASA 1000) that will benefit states in Central Asia. 

Russia has supported Afghanistan’s role in the SCO-Afghanistan Contact Group that was established in 2005, and provides a forum for all of the SCO member states to jointly provide aid for development and stability in Afghanistan. Perhaps because of US statements about withdrawal, Russia announced it would support Afghanistan’s becoming an observer state in June 2011, and the Russian Ambassador to Afghanistan announced that Russia would support Afghanistan in becoming a full member state in October 2011. These steps are more political gestures, however, than a sign that Russia has a desire to resume a major role in either Pakistan or Afghanistan. The Shanghai Cooperation Organization focuses on Central Asia, and not the role of peripheral states. It focuses on east-west and northern trade, development, and energy projects on a regional level. It has not been a source of major flows of aid versus loans and investment projects.

Similarly, the Organization of Central Asian Cooperation (OCAC) (Central Asian Cooperation Organization, CACO which Russia founded in 1996 – and which led to the creation of the Eurasian Economic Community in October 2000 -- focuses on Central Asia, the Ukraine, Moldova, and Armenia and a customs union and economic integration effort designed to increase Russian influence in former members of the Soviet Union. There is little prospect it will be expanded to play a meaningful role in Afghanistan or Pakistan.

The main focus of the security aspects of the SCO has been to improve security relations between Russia and China, and their role in exercises in Central Asia and in limiting US and outside influence, dealing with drugs, and dealing with terrorism. Similarly, the Collective Security Treaty Organization (CSTO) that Russia helped establish in October 2002 has been on Central Asia and the Caspian, and to reassert Russia’s role in these peripheral states. There is little prospect that Russia will ever reassert a direct security role in Afghanistan or provide major aid to the Afghan government and Afghan national security forces (ANSF).
China

The Chinese role in Afghanistan and Pakistan is more complex than that of Russia. Afghanistan offers China more advantages in terms of mineral exports and potentially in terms of energy exports if Afghanistan’s energy and mineral reserves turn out to have meaningful volume and can be exploited securely and in ways that can meet China’s energy needs. China is already investing in Afghan mines, although the benefits to Afghanistan are limited and – as is discussed later in this paper – reports of some $1.4 trillion in mineral reserves is unlikely to have a major impact on Afghanistan’s economy and needs through 2020.

Once again, the US government takes a relatively optimistic official view in public. In its October 30, 2011 report to Congress, the Department of Defense described of China’s role in Afghanistan as follows,\(^\text{17}\)

The People’s Republic of China (PRC) seeks a stable Afghanistan to mitigate the need for a long-term U.S. presence on China's western border. It continues to seek improved relations with, and stability and security for, Afghanistan, devoting diplomatic efforts to develop an economic relationship focused more on future raw material access and extraction.

To promote stability in Afghanistan while it sustains its own economic development, Beijing pursues natural resource exploitation, infrastructure development, and trade based on an outbound model already practiced in Africa and Latin America: gain political influence, provide an alternative development model that places higher value on domestic stability than political liberty, and adhere to an official policy of noninterference in the host country's internal matters. Beijing's interest in Afghanistan and its untapped mineral wealth is likely to grow, particularly if the security situation continues to improve. However, for the foreseeable future, China will continue to rely on coalition forces to provide security to support Chinese projects, as Beijing has no plans to commit security personnel to Afghanistan.

Since 2002, China has committed over $180M in aid to the Government of Afghanistan, and in 2009, China announced it would provide an additional $75M over the next five years. Further, PRC companies will likely continue to invest in Afghanistan, most notably in the development of Afghanistan’s mines and infrastructure. For instance, China is currently involved in bidding for the rights to develop iron ore deposits at Hajigak in Bamiyan Province. However, progress remains slow and security concerns persist, stalling existing projects such as Aynak copper mine while impeding other investments. In order to further develop the trade relationship, Afghan and PRC delegations continue to cooperate under the umbrella of the Afghanistan-China Joint Economic Commission. Beijing’s extension of this invitation underscores its goal of returning stability to Afghanistan by boosting Kabul’s export market and access to international trade.

Since the establishment of Afghan-PRC relations, China has sought to promote friendly relations, providing token official assistance and economic aid to Afghanistan. Both countries exchange regular political visits and seek cooperative bilateral efforts on counterterrorism and counternarcotics issues; specifically, PRC counterterrorism efforts that focus on the Uighur Islamic extremist groups with ties to Afghanistan. Beijing has also voiced its support for Afghan Government-Taliban reconciliation efforts, but limits its involvement to prevent possible repercussions from Uighur extremists.

China and Afghanistan have entered into various bilateral agreements in the past, although most are symbolic in nature. Beijing continues to support regional diplomacy, most notably by including President Karzai in annual Shanghai Cooperation Organization (SCO) summits and forming a SCO-Afghanistan Contact Group. Although Afghanistan is neither a member nor observer of the SCO, it retains status as a guest attendee. China sees the SCO as an important platform for the promotion of stability and reconstruction in Afghanistan.
China is concerned about the security situation in Afghanistan, including issues such as external support to Uighur separatists, the safety of PRC workers in the country, and narcotics trafficking into western China. Although China maintains a strict policy of non-involvement with ISAF security operations, it has provided ANSF personnel a variety of non-lethal, China-based training to bolster Afghanistan’s security and stability since 2006. Training for the ANP conducted at People’s Armed Police municipal training facilities has covered core policing skills, crowd and riot control, criminal investigations, and internal security duties. China has also offered basic, advanced, and senior military courses for ANSF officers at PRC People’s Liberation Army military training colleges and universities.

In practice, China has other priorities. China sees Pakistan as a counter to India, and as a form of strategic depth in much the same way that Pakistan sees Afghanistan. It has provided major arms transfer to Pakistan that helps it present a major threat to India, and helped Pakistan develop nuclear weapons and long-range missiles that create a major threat on India’s western border. It has signed a series of military cooperation agreements with Pakistan, including setting up regular Defense and Security Talks in 2002 and an expanded cooperation agreement that Pakistan’s Chairman Joint Chiefs of Staff Committee, General Tariq Majid and People’s Liberation Army’s Chief of General Staff, General Chen Bingde, signed in December 2008.  

China was Pakistan’s major arms supplier during the period after the US cutoff aid over Pakistan’s development of nuclear weapons and the resumption of US aid after 9/11. China did, however, sell Pakistan arms rather than provide aid. It has sold systems like F-5 and F-7 fighters, K-8 trainers, and T-85 tanks, and has sold Pakistan the equipment and technology for its Pakistan Aeronautical Complex in Kamra, which it uses to assemble and service Chinese fighters. SIPRI reports that China has sold Pakistan 100 export version of the F-7MG fighter jet which primarily is an upgraded adaptation of the MiG-2. It has also sold Pakistan systems like the C-801/C-802 (Yingji “Eagle Strike” YJ-8 and YJ-82) anti-ship cruise missile, Red Arrow anti-tank guided missile, and capability to build the Anza surface-to-air missile.  

China has offered Pakistan the sale of JF-17 fighters (also known as the Thunder fighter jet (FC-1), which is multi-role combat aircraft. It has recently discussed the sale of four Jiangwei-class frigates, and Pakistan seems to have ordered eight F22P frigates, the first of which frigates was delivered in July 2009. Chinese weapons exports to Pakistan include the K-8 lightweight trainer/attack jets since 2000. Other reports indicate that China will sell Pakistan 36 advanced J-10 fighters, and the capability to build submarines.

Sources differ over how much support China has given to Pakistan’s nuclear and missile programs, but it is clear that China has taken many steps to help build up Pakistan as a nuclear threat to India. The AQ Khan network is reported to have acquired Chinese nuclear weapons and warhead designs. China helped Pakistan build two nuclear reactors at Chashma and promised to help Pakistan construct two more nuclear reactors at Chashma in 2008. It has been a key source of nuclear technology and equipment. China provided Pakistan with the designs and technology for the Chinese DF-11/CCS-7 missile (300 km range), and the equipment for a missile production facility at Rawalpindri. While China has since claimed to obey the limits on technology transfer imposed by the Missile Technology Control Regime, US experts feel China continues to provide technology
transfer for Pakistani missile systems ranging from the short-range Hatf to the Saheen (a 600 km range system that seems to be a version of the Chinese M-9), and may be supporting the development of longer range systems.21

Rather than provide economic aid, China has steadily expanded its volume of trade with Pakistan, but on a commercial and not preferential basis. It has helped to finance some 250 projects like Pakistan’s Thar coal project, the Bhasha Dam, the widening of Karakoram Highway, the Gwader deep sea port and the Saindak gold and copper project. It also has helped finance Pakistan’s development of a deep-sea port at the naval base at Gwadar on coast of Pakistan’s Baluchistan province. That some experts believe China will eventually use as a deepwater port for its navy, and become a major energy route once a pipeline is built to Xinjiang. The real world economics of such a pipeline do, however, remain highly questionable.22

Afghanistan is on China’s borders and any sanctuary for the operations and training of Islamist extremists and Chinese dissident in either Afghanistan or Pakistan will pose at least a low level potential threat and could become a center for Uigher and other Muslim dissidents. Russia, China (and the world) also share the problems created by Afghan drug exports – although these demand driven problems are unlikely to ever be changed through efforts to cut off the supply of natural and synthetic drugs.

As for Pakistan, it has described China as a key ally in terms it has never re4cently used in talking about the US. In 2009, Pakistan’s President, Asif Ali Zardari stated in an op-ed in China Daily that, “Perhaps no relationship between two sovereign states is as unique and durable as that between Pakistan and China… seen as a true, time tested and reliable friend that has always come through for Pakistan.”23

In 2011, Pakistan reportedly asked China to “replace” the US role in Afghanistan, as well as sought major increases in Chinese aid and support to allow Pakistan to reduce its dependence on US aid. According to press reports, Pakistani Prime Minister Yousuf Raza Gilani told Afghan President Hamid Karzai that the US had failed them both and that they had to turn to China during a visit to Kabul in April 2011.24 Pakistan also has made a point during 2011 of describing China as an “all weather” friend compared to a US that it sees as untrustworthy, leaving the region yet again, and pressuring Pakistan to act against its own strategic interests as it departs.

There is Chinese and Pakistani cooperation in military exercises that are focused on counterterrorism, and Pakistan is willing to at least make gestures in helping China deal with the Uighur-speaking Muslims from the Xinjiang region that are present in Taliban-controlled parts of northwest Pakistan – including the East Turkestan Islamic Movement that China sees as a terrorist group. The Pakistani Chief of Staff, General Kayani stated in 2011 that, “We have done our utmost to eliminate this threat of ETIM and other extremists for China… We have had a very close cooperation and we do exchange intelligence.”25

China does not, however, keep an active military group in Pakistan, as distinguished from the advisors linked to Chinese arms transfers, and the size of Chinese aid to Pakistan shows that Pakistan has far more interest in China than China does in Pakistan. Data from the State Bank of Pakistan shows that China provides very low levels of foreign private and public investment (as does Russia).26 An analysis by the Center for Global Development
show that China only gave Pakistan $9 million in grant aid during 2004-2009. The US gave $268 million, Saudi Arabia $127 million, the UK gave $124 million, other European states gave $63 million, Japan gave $54 million, and multilateral aid totaled 44 million. China did offer $217 million in loan disbursements during this period, but this compared with $1,197 million from the Asian Development Bank (ADB) and $986 million from the World Bank.  

Arms sales and loans allow China to use Pakistan as a relatively inexpensive counter to India, and there is little prospect that this relationship will change. Limited amounts of Chinese aid, arms transfers help keep up Pakistani pressure on India, and focus India on the Pakistani threat. To a limited degree, China can also use its ties to Pakistan to pressure India over its support of Tibetan exiles. The proxy value of Pakistan is, however, steadily diminishing as India’s economy expands, India becomes a major trading partner, and past struggles over a remarkably unimportant border area diminish in importance. China and India may be rivals as emerging powers, but largely at an economic level and one where competition is offset by trade.

The lines of communication from the Indian Ocean through Pakistan and Afghanistan have some limited value to China, but talk of major pipelines and trading routes seems largely a triumph of salesmanship by the advocates of given projects over basic economics, geography and terrain. Transit to China through Pakistan is difficult enough; transit through both Afghanistan and Pakistan makes little sense. Ports in Pakistan could only be a way of avoiding moving energy exports through the Straits of Malacca and by sea at an immense premium in cost, and one that could only be justified if China felt a truly massive investment could actually produce a feasible high capacity route. Pakistan was a secure route, the energy exports were badly needed in western China, and avoiding long movement by sea was a major national security interest. This might happen 10 to 20 years in the future, but this seems unlikely. It is not a current prospect.

Like Russia, China has far more interest in the other countries in Central Asia than Afghanistan and in east-west traffic that focuses on Russia, Kazakhstan, Kyrgyzstan, and Tajikistan. Uzbekistan and Turkmenistan are not on China’s borders or likely to be areas of more than marginal, opportunistic interest. Moreover, China has far more reason to focus on East Asia and its broader interests in international trade than any aspect of Central Asia.

**Iran**

Iran is scarcely a “great power,” but it is now playing more of a direct role in Afghanistan than Russia and China. Iran is actively supporting the development of northwest Afghanistan, and the expansion of road and other communication systems in western Afghanistan.

The US official view of Iran’s role is mixed, although it highlights Iran’s current role over that of Russia and China and reports a large level of Iranian aid to Afghanistan than has come from either Russia or China.  

Iran’s attempts to influence events in Afghanistan include overt support for the Afghan Government; economic and cultural outreach to the Afghan population, particularly to minority populations; and covert support for various insurgent and various political opposition groups, including the provision of weapons and training. Iran seeks a withdrawal of foreign military forces and aims to play a dominant, long-term role in Afghanistan and the broader region.
At the highest political levels, Iran seeks to maintain positive relations with the Afghan Government. Various pro-Iranian Afghan officials continue to welcome and seek further Iranian support despite allegations about Tehran’s covert support to insurgents. In addition to maintaining a diplomatic presence in Afghanistan, Tehran often uses high-level visits and key leadership engagements to publicly criticize the presence of the international community in Afghanistan and to call for the withdrawal of ISAF.

In June, the defense ministers of Iran and Afghanistan issued a joint statement expressing intent to increase cooperation to counter common threats and to fight against organized crime and narcotics trafficking. This visit – the first by an Iranian defense minister since 1979 – garnered considerable attention from the Afghan security ministries before and during the visit. There are already some basic counternarcotics cooperation links between Afghanistan, Pakistan, and Iran including the UN Office of Drug Control-brokered Triangular Initiative, which includes nascent Joint Planning Cell in Tehran, border liaison offices, and joint counternarcotics operations, although progress has been limited.

Since 2001, Iran has pledged more than $1B in aid to Afghanistan and given more than $500M. Iran’s reconstruction and development efforts continue, largely concentrated in western Afghanistan. Iran’s aim is to increase its influence with the local population in order to create an Iran-friendly environment. Iran also wants to expand its sphere of influence beyond border regions into other parts of Afghanistan, particularly Kabul. Iran currently maintains consulates in Herat, Jalalabad, Kabul, Kandahar, and Mazar-e-Sharif, and is considering opening additional consulates in Bamiyan and Nimroz Province.

Iran also continues to provide lethal assistance, including weapons and training, to elements of the Taliban and other insurgent groups. Tehran’s relationship with the Taliban, though not ideologically based, is consistent with Iran’s short to mid-term goal of undermining coalition efforts and an international military presence in Afghanistan. Coalition and Afghan forces have interdicted several shipments of Iranian weapons since 2007.

Beyond economic and security issues, the status of Afghan refugees in Iran continues to be a contentious issue between Iran and Afghanistan. Approximately three million Afghan refugees currently reside in Iran, only one-third of which are registered with the United Nations High Commission for Refugees. In order to limit the impact of unregistered refugees on the economy and infrastructure, Iran has focused much of its forced repatriation on unregistered refugees. Current deportation rates range from 17,000 to 25,000 people per month. With little progress being made between the two countries on the status of the refugees and the rate of repatriation, the Afghan Ministry of Refugees and Repatriation has begun planning for the full repatriation of undocumented Afghans living in Iran at a rate of 50,000 per month.

The reasons for Iranian behavior are clear. Afghanistan is primarily important to Iran as a means to secure its eastern flank, and prevent the flow of illicit weapons, halt narcotics and migrants across its borders, open up trade routes to Central Asia, and compete with the US presence in South and Central Asia. Iran maintains close relationships with Afghanistan’s Hazara and Tajik Shias – about 20 percent of the Afghan population – and houses a large Afghan refugee population, estimated at 1.07 million in 2010 by the UNHCR. Although the US and Iran share a common interest in defeating the Taliban and its associates, and long-term stability of Afghanistan, they do compete for influence both in Afghanistan and the region, and their mutual antagonism prevents more than limited cooperation.

The Iranian-Afghan border is significantly less volatile than the Iranian-Pakistani one, but several challenges persist. Iranian relations with Afghanistan continue to improve, but various sources of tension remain. By some accounts, about 10 percent of Iran’s conscripted armed forces remain deployed along the Afghan border.
Afghanistan’s relations with Iran have fluctuated over the years, punctuated by periodic disputes over the water rights of the Helmand River. Iran opposed the 1979 Soviet invasion and supported the Afghan resistance, providing financial and military assistance to rebel leaders who pledged loyalty to the Iranian vision of Islamic revolution. Foremost among these was Ahmed Shah Massoud, leader of the Northern Alliance.

Following the emergence of the Taliban and their harsh treatment of Afghanistan’s Hazara Shi’a minority – among whom Iran had built up major influence – Tehran stepped up its assistance to the Northern Alliance in terms of money, weapons, and humanitarian aid. The Northern Alliance’s arms deals with Iran led many US diplomats to view Massoud as a tainted force. For Tehran, relations with the Taliban deteriorated further in 1998 after Taliban forces seized the Iranian consulate in Mazar-e-Sharif, executed eleven Iranian diplomats, and massacred thousands of Shias. The subsequent fallout led Iran to mass as many as 300,000 troops along the border, and threaten war. Ultimately Iranian commanders decided against the intervention.

After 11 September 2001, the United States launched a war against the Taliban regime that had sheltered Osama bin Laden. Supreme Leader Khatami persuaded conservatives in the establishment that assisting the coalition war in Afghanistan would be in Iran’s best interest: it would remove the hated Taliban, strike a blow against one of Pakistan’s proxies, and extend Iran’s regional reach.

As has been noted earlier, Iran has been a major aid donor by regional standards. In an arrangement negotiated by British Foreign Secretary Jack Straw, Iran provided additional assistance to the Northern Alliance and played a constructive role at the post-war negotiations in Bonn. In December 2002, Iran signed a “Good Neighbor” Declaration, in which it pledged to respect Afghanistan's independence and territorial integrity. At the time, US action in Afghanistan furthered Iran’s interests. Since then, US reluctance to deal with Iran, and Iran’s concern that it is now surrounded by US bases and allies, not only in Afghanistan but also in Central Asia, has led to steadily rising tensions between the two countries.

Iran has been active in Afghan reconstruction efforts, particularly in the western portion of the country in the provinces of Herat, Farah and Nimruz. Tehran is primarily focused on supporting Shia political parties, mobilizing Shia mullahs, and influencing the Afghan media. According to the Afghan Chamber of Commerce, an estimated 2,000 private Iranian firms are active inside Afghanistan, and the Iranian government has funded several transportation and energy infrastructure projects, including building roads and railway links, building schools and funding scholarships at universities, as well as building infrastructure such as Herat’s electricity grid. The Iranian Revolutionary Guards are also believed to train some units of the Afghan security forces.

Iran provides aid and investment which is focused on the Turkmen minority in the Northwest (3% of the population) and to Afghanistan’s Hazara minority (9% of the population). Iran also provides main transit routes for the UN World Food Program, whose aid is critical to some 30% of the Afghan people, and where such shipments would otherwise have to compete with military shipments through Pakistan and the countries north of Afghanistan. Iran has good reason to fear a Taliban/Haqqani/Hekmatyar
resurgence in Afghanistan, or any major increase in the Sunni Islamist extremist presence in both Afghanistan and Pakistan.

On the other hand, Iranian government officials routinely encourage members of the Afghan Parliament to support anti-US and NATO/ISAF policies and to raise anti-American talking points during debates. They have sought to increase criticism of civilian casualty incidents caused by coalition forces, convince the Afghan Parliament to “legalize” foreign forces, and promote Shia rights (including a separate judicial system). To this end, the Iranian Embassy has cultivated relations with members of opposition groups (such as the United Front), Tajik Sayeds, Hazara MPs, and MPs from Herat and other western provinces.

Iran has also used its fuel shipments as a source of leverage over Afghanistan. It temporarily blocked shipments of fuel in early 2011, causing significant shortages and price spikes inside Afghanistan, reportedly instigated by worries that Iranian supply was being diverted for use by US military forces inside the country. Despite this, some analysts, including the authors of a study conducted by RAND, conclude that the net effect of Iranian influence in western Afghanistan has been largely positive: it has helped establish stability and prosperity in the area, and has facilitated the transfer of control to Afghan security forces.

According to some sources, including senior US and ISAF military officials, Tehran still provides some material support to the Taliban, in spite of decades of Iranian antipathy for the Taliban. General David Petraeus, then commander of US troops in Afghanistan, testified to the Senate Armed Services Committee in March 2011 that Iran had provided some support for Taliban insurgents through the Qods Force, including an intercepted shipment of 122mm rockets. Petraeus further stated that Iran “without question” provides “weapons, training and funding,” to the Taliban but insisted that such cooperation comes in “measured amounts” – enough “to make life difficult for us, but not enough to actually succeed.”

Iran has also made expanded attempts to ensure its influence in any post-American Afghanistan beyond the Shiite belt. Iranian officials are reported to have made cash payments to senior Afghan officials, including senior advisors to President Karzai, in efforts to expand their influence. Diplomatic relations between Kabul and Tehran have also been growing. President Ahmadinejad visited Kabul in March 2010, a gesture reciprocated by President Karzai who traveled to Tehran in August 2010. Several other Iranian officials have visited Afghanistan in 2010, including Qods Force commander General Qassem Soleimani. In mid-June 2011, Iranian Defense Minister Ahmad Vahidi made a landmark trip to Afghanistan to meet his Afghan counterpart, the first such visit in 92 years.

Iran has cooperated with several other regional countries, notably India and Russia, to gain influence in any post-American Afghanistan. During the Afghan civil war in the post-Soviet period, the three countries constituted the bloc that supported the Northern Alliance in opposition to the Pakistani and Saudi-supported Taliban forces.

Iran and India have sought to counter Pakistani dominance of Afghan trade routes through the construction of a 220-kilometer road from Delaram in Nimroz to Zaranj in Iran, which will connect to Iran’s Chabahar port along the Indian Ocean. The road, which is entirely financed by India, will provide an alternate route to Pakistan for overland trade upon
45 Iran and India have also engaged Afghanistan in trilateral initiatives to discuss its future, in an effort to recover the influence they lose by being shut out of other discussions due to US and Pakistani sensitivities. However, Indo-Iranian cooperation in Afghanistan has been restrained by US pressure on India, and damaged by Indian support for US sanctions on Iran, growing Indo-US rapprochement, and continued delays to the proposed Iran-Pakistan-India pipeline.

US and Iranian competition, however, is scarcely the dominant factor shaping Iran’s behavior. The porous Afghan-Iranian border affects Iranian security stability through trafficking in narcotics and weapons, as well as flows of refugees and illegal migrants. By many accounts, Iran has the world’s worst heroin problem – and a growing HIV/AIDS problem as a result. As much as 60 percent of Iranian heroin is sourced from Afghan poppy fields, according to the UNODC. The rise in drug use has strained Iranian police and prison capacity and caused serious societal problems. In response, Iran and Afghanistan have increased counter-narcotics cooperation. Iran is also a transit and destination country for many trafficked Afghan peoples, including young children sold for commercial sexual exploitation.

Moreover, Afghan refugees in Iran already number about a million and are an intense strain on the Iranian economy, particularly given the pressure of American and international sanctions. Since 2005, Iranian President Ahmadinejad has stepped up the forcible repatriation of Afghan refugees, often with little advance coordination. Afghan officials report that Iran returned as many as 160,000 Afghan refugees between March 2010 and February 2011. These returns have caused tensions, as Afghan officials are ill equipped to deal with the humanitarian burden, and sometimes accuse Iran of using refugees as a destabilizing tool.

In theory, each of the nations on Afghanistan’s border – Turkmenistan, Uzbekistan, Tajikistan (and Kyrgyzstan and Kazakhstan to the north) -- could benefit from an increase in secure trade through Afghanistan. Each needs security along its border with Afghanistan, and each wants to halt the flow of Afghan drugs into its territory.

Some countries like Turkmenistan might benefit from pipeline projects like the TAPI gas pipeline project that would run through Afghanistan to Pakistan and India. However, the Trans-Afghan natural gas pipeline, or the TAPI pipeline, is an extremely high-risk project, even if it can be delivered for a projected cost of around $7.6 billion. It must go from the Dauletabad gas field in central Turkmenistan through Afghanistan to Pakistan and India) along a route from to Herat in eastern Afghanistan and through Helmand and Kandahar in southern Afghanistan to Quetta and Multan in Pakistan, and would terminate in Fazilka in northern India if it got that far. The entire route involves very high risks, and current cost estimates seem likely to escalate sharply in practice. Similar cost and security issues affect efforts to build oil pipelines from Azerbaijan and Türkmenabat in Turkmenistan through Afghanistan to Pakistan and India.

In practice, each “Stan” also faces a period of instability as the US and ISAF withdraw their forces from Afghanistan, reduce aid and spending in states like Kyrgyzstan (which
now houses a major US transit base at Manas). One way or another, they must deal with whatever political reality and security situation emerges in Afghanistan during “transition.” They also have very different levels of security in dealing with Afghanistan. Turkmenistan has a long border (744 kilometers) and many areas with relatively open terrain. Turkmenistan has, however, significantly increased border security since 2006. In spite of a “Friendship Bridge” and trade across the border, Uzbekistan already has a separation barrier along its 137-kilometer border and it is one of the most heavily guarded borders in the world. Afghanistan and Tajikistan have roughly 1,206-kilometer border passing through rugged terrain. This border is poorly guarded and protected and could present problems.

Moreover, Turkmenistan, Uzbekistan, Tajikistan will have to deal with the consequences of their ties to their own minorities in the Afghan population, particularly if anything like a new North Alliance emerges or if Taliban and other neo-Salafi extremists are successful enough in Afghanistan to threaten or occupy the north. The CIA estimates the split as Pashtun 42%, Tajik 27%, Hazara 9%, Uzbek 9%, Aimak 4%, Turkmen 3%, Baloch 2%, other 4%; Sunni Muslim 80%, Shia Muslim 19%, other 1%; with a spread of linguistic differences that is Afghan Persian or Dari (official) 50%, Pashto (official) 35%, Turkic languages (primarily Uzbek and Turkmen) 11%, 30 minor languages (primarily Balochi and Pashai) 4%, and considerable bilingualism.

At the same time, each Central Asian state now focuses primarily on its own internal needs and development, and seeks as much outside aid, trade, and investment as it can get. Each has its own problems with governance, corruption, and political stability, and internal security issues – including various Islamist movements and tribal, sectarian and ethnic differences.

Each would like regional cooperation, but on an opportunistic basis, and one that is tied to benefits to its economy and lines of communication. Each now sees the US and the West as leaving Afghanistan and playing a diminishing role in Central Asia, each knows Afghan and Pakistani internal problems all too well, and sees China and Russia as key partners that are likely to have growing importance relative to the US and EU states from 2011 onwards. Each can also see the scale of the economic problems that the US and Europe now face and the factor that their aid and private investment are likely to drop.

The US official view of the role of the Central Asian states stresses the limited support and aid they have given to Afghanistan, but scarcely disguises how limited their role has been to date.

The Central Asian States are host to the Northern Distribution Network (NDN), which provides multiple ground and air transportation routes into and out of Afghanistan for commercial carriers and US military aircraft. The air and ground lines of communication (LOC) that constitute the NDN provide operational flexibility and increased total capacity that reduce reliance and stress on any single route into and out of Afghanistan. Officials from some Central Asian countries have supported US efforts to diversify the LOCs, which include new over-flight permissions and expanded ground transit agreements, including “reverse” transit and transits of wheeled armored vehicles.

Beyond the NDN, the Central Asian States are important contributors to a number of other activities in Afghanistan. Uzbekistan completed a 75 km railway line from Hairatan to Mazar-e- Sharif in November 2010; however, due to several unresolved issues, railway operations are not expected to start until the end of this year. As Afghan infrastructure continues to develop, expanded road, rail,
and air networks such as this will facilitate additional commercial activity between Afghanistan and its northern neighbors.

Kyrgyzstan hosts the Manas Transit Center, an important transit point for coalition forces on their way to and from Afghanistan. As a result of an international agreement signed by the United States and the Government of Kyrgyzstan, on September 26, 2011, the United States signed a new fuel contract with the Kyrgyz Republic’s designated entity, Gazpromneft-Aero Kyrgyzstan (GPNAK). Under this contract, GPNAK will provide a mutually-agreed percentage of the Manas Transit Center’s fuel requirements.

Central Asian States’ concerns regarding Afghanistan include both the spread of violent extremism in the region and the threats stemming from narcotics trafficking and other criminal activities. According to the United Nations Office of Drugs and Crime, the Central Asian States are a significant conduit for Afghan-produced narcotics, with Tajikistan being the primary route from Afghanistan to markets in Russia. Border security will remain a top concern for the Central Asian States, which are closely attuned to the implications for their own countries stemming from events in Afghanistan and developments in narcotics trafficking.

The main goal of each “Stan” is to use both its neighbors and outside powers like Russia, China, the US and EU to its own advantage – a set of goals which does not differ all that much in the real world from the goals of Russia, China, the US and members of the EU. This will sometimes help in transition, but at a limited local and/or individual project level.

At the same time, however, Turkmenistan, Uzbekistan, Tajikistan (along with Kyrgyzstan, Kazakhstan, Iran, China, and Russia) will seek to create buffers within Afghanistan if any major split develops between the Pashtun areas and the north, and will probably supply arms and aid if such a split becomes violent. All have reason to push both Afghanistan and Pakistan into denying sanctuary and support to any opposition groups, and especially violent extremist groups – although they may be forced to focus on containment if the situation in Afghanistan and Pakistan deteriorates in terms of governance and security operations.

At a minimum, Turkmenistan, Uzbekistan, Takjikistan will probably focus far more on local ties to specific areas of northern Afghanistan than to Afghanistan as a nation or Pakistan. All would support some de facto form of regionalism, particularly along ethnic lines, that served their own narrow interests. Each will seek to exploit improvements in the quality of the security and capacity of trade routes and any pipelines to its own narrow advantage.

**The Role of the US and its European Allies**

Whatever happens after 2014, the primary weight of international action during transition in Afghanistan and Pakistan will fall upon the US, individual European states, and major outside aid donors – and do so at a time they all face economic crises that seem unlikely to end before 2014.

In practice, the US has been the dominant supplier of military spending, although though no reliable estimates exist of either how much US military spending has actually been in Afghanistan, or of the spending of other ISAF countries. Similar uncertainties exist regarding the size and flow of international aid, particularly because the key UN agency that is supposed to coordinate aid – UNAMA -- has consistently failed in this aspect of its mission and has never published a meaningful report on the size, status, and effectiveness international aid during its nearly ten years of existence.
Figure 1 does, however, provide some useful insights into the relative flow of aid to both the Afghan national security forces and Afghan governance and the Afghan economy. It is clear that US military spending accounts for the vast majority of such spending, that the US has overwhelmingly dominated the flow of aid and has been the only member of NATO/ISAF actively involved in Pakistan and the major donor of aid to that country.

The data in Figure 1 also show why it is the US role during “transition” -- and the level of US spending -- that will define the role of the West, although key European states will also play a role in shaping the pace of reductions in troops, military spending, and aid. Yet, these are only part of the costs involved.

The Afghan War has cost the US and its allies over 2,700 dead and well over 18,000 wounded. There are no reliable estimates of total Afghan casualties since 2001, but some estimates put direct deaths at around 18,000 and indirect deaths at another 3,200-20,000. And the war is far from over.

As has been touched upon earlier, the Congressional Research Service estimates that the dollar cost of the war to the US alone is over $557 billion through FY2012, and SIGAR estimates that the US and its allies will have spent some $73 billion on aid – much of it again with little lasting benefit. Similar cost estimates are lacking for Pakistan, but Pakistan has taken significant casualties and had significant US aid.59

Once again, it is time for realpolitik and not hope and yet another round of good intentions.
The US and Europe in “Transition”

It is all very well for senior US officials to discuss “fight, talk, and build,” and for creating a successful transition before the US and ISAF allies withdraw virtually all of their combat troops and make massive cuts in the flow of outside money to Afghanistan. The US, however, has yet to present a credible detailed plan for transition that shows the US and its allies can achieve some form of stable strategic outcome in Afghanistan that even approaches the outcome of the Iraq War.

Sources: Work by the CRS, Special Inspector General for Afghanistan Reconstruction. October 2008 report, p. 140; various press announcements. Figures include funds pledged at April 2009 NATO summit and Japan’s October 2009 pledge of $5 billion over the next five years.
Far too many US and European actions have begun to look like a cover for an exit strategy from Afghanistan, and the US has never provided a credible set of goals – indeed any goals at all – for the strategic outcome it wants in Pakistan. Unless the US does far more to show it can execute a transition that has lasting strategic benefits in Afghanistan and Pakistan well after 2014, it is all too likely to repeat the tragedy of its withdrawal from Vietnam.

Such a strategic failure may not mean outright defeat, but this is possible. It is far from clear that the Taliban and other insurgents will win control of the country, that Afghanistan will plunge into another round of civil war, or that Afghanistan and Pakistan will see the rebirth of Al Qaida or any other major Islamist extremist or terrorist threat.

Some form of success (or limited failure) may still be possible, but any discussion of the role of the “great powers” must focus on four areas where the US and its European allies face major challenges in creating a successful transition:

- **Strategic failure?** The US has not shown that it can bring enough of the elements required for Afghan security and stability to create more than a marginal possibility that Afghanistan will have a successful transition by 2014 or at any time in the near future. It has never announced any plan that would make this possible. It has no strategic plans or clearly defined goals for Pakistan, although it has far more strategic importance than Afghanistan.

- **Tactical Success?** The very real gains the US and ISAF have made in the south may not be possible to hold if the US move forces east, and the US and ISAF are cutting forces so quickly that it is doubtful they can achieve the goals that ISAF set for 2012. ANSF development is being rushed forward as future resources are being cut, and it is far from clear that the insurgents cannot outwait the US and ISAF and win a war of political attrition without having to win tactical battles in the field. The ISAF focus on significant acts of violence is a questionable approach to assessing both tactical and strategic progress, and ANSF transition has to date but little more than political symbolism.

- **Talk Without Hope:** It is far from clear that any major insurgent faction feels it is either losing or cannot outwait US and allied withdrawal, or that Pakistan will ever seriously attempt to put an end to insurgent sanctuaries in Pakistan. If insurgents do choose to negotiate it may well be because they feel the US, allied, and GIRoA position is becoming so weak that they can use diplomacy as a form of war by other means and speed their victory through deception and US, allied, and GIRoA concessions. They have already used similar tactics in Helmand and Pakistan, and Nepal and Cambodia are warnings that “talk” may do little more than cover an exit.

- **Spend Not Build?** The latest Department of Defense and SIGAR reports do little to indicate that US and allied efforts to improve the quality of government, the rule of law, representative democracy, and economic development are making anything like the needed level of progress. They are a warning that Afghanistan and the Afghan government may face a massive recession as funding is cut, and the dreams of options like mining income and a “new Silk road” are little more than a triumph of hope over credible expectations. Once again, the very real progress being made in the development of the ANSF is being rushed as future funding is being cut, and it is unclear that current gains will be sustained or that the US has sufficient time left in which to find credible answers to these questions, and build Congressional, domestic, and allied support to begin implementing them. The US is now entering the 11th year of a war for which it seems to have no clear plans and no clear strategic goals. The new strategy that President Obama outlined in 2009 is now in tatters.

And, there is always the issue of Pakistan. There are no obvious prospects for stable relations with Pakistan or for getting more Pakistani support. The Karzai government barely functions, and new elections must come in 2014 – the year combat forces are supposed to leave. US and allied troop levels are dropping to critical levels. No one knows what presence – if any – would stay after 2014. Progress is taking place in creating an
Afghan army, but without a functioning state to defend the ANSF could fragment. Far less progress is taking place in creating the police and a justice system. Massive aid to Afghanistan has produced far too few tangible results, and the Afghan economy is likely to go into a depression in 2014 in the face of massive aid and spending cut that will cripple both the economy and Afghan forces.

**The Factors That Should Shape the US, European, and Other Donor Approach to Transition**

As Iraq and Vietnam have made brutally clear, strategic success is not determined by military victory. It is determined by whether the war produces lasting strategic benefits. In cases where the war is largely optional – at least in the sense the nation’s future is not at risk – the issue is one of cost-benefits as well. Does the outcome justify the cost? Would other investments in blood and money – or more effective and less costly prosecution of the war -- produce more strategic benefits?

**The Lack of Meaningful Strategic Goals for the War**

Neither President Bush nor President Obama – nor any other senior US official or commander – has truly addressed how the US and its allies can achieve a lasting favorable strategic outcome from the Afghan/Pakistan conflict. The US has never established a meaningful set of grand strategic goals for Pakistan, and for what it is seeking in and from Pakistan after the war. The most important country in the conflict – a major nuclear power – has been left in a total grand strategic intellectual vacuum. We have talked about near term changes in Pakistani behavior in Afghanistan, and provided vacuous clichés to describe our goals in providing forms of aid that are little more than a glorified bribe, but where the US has no apparent strategy for producing a stable, secure, and friendly Pakistan at the end of 2014 or any other foreseeable point in time.

The situation in Afghanistan is only marginally better. The US and its allies set broad goals at the start of their intervention that focused on transforming Afghanistan into a secure, effectively governed, representative democracy with a solid rule of law and human rights that was well on the path to economic development. It was apparent long before the new strategy was adopted in 2009 that such goals could not be achieved.

As is shown later in this study, the US now feels many such goals are both unachievable and unaffordable and most of its allies at least privately agree, This helps explain why both President Obama and Department of Defense reporting now set relatively modest strategic goals for the war:

The goal of the United States is to disrupt, dismantle, and eventually defeat al Qaeda, and to prevent its return to either Afghanistan or Pakistan. The specific objectives in Afghanistan are to deny safe haven to al Qaeda and to deny the Taliban the ability to overthrow the Afghan Government. To support these objectives, U.S. and coalition forces will continue to degrade the Taliban insurgency in order to provide time and space to increase the capacity of the Afghan National Security Forces and the Afghan Government so they can assume the lead for Afghanistan’s security by the end of 2014.90

The problem with these strategic goals is that they say nothing about the probability that Afghanistan will be a stable, secure, and friendly state after 2014, and there are few signs that all of the necessary conditions to reach even the goals for 2014 can be met.
The Lack of Strategic Progress in Afghanistan

At the time the new strategy was formulated in 2009, it was clear that any US and NATO/ISAF strategy faced a significant chance of failure, even at a point when no deadlines were yet set for withdrawal, the military surge was supposed to be roughly a third larger than was approved, and cuts in forces and aid were assumed to be “conditions based.” It was clear that US and Europe confronted a wide range of challenges if it was to win the Afghan conflict in any meaningful sense, and leave a stable Afghanistan and Pakistan.

It is interesting to reexamine these challenges and the probability of meeting them:

- **Dealing with Pakistan.**
  
The progress expected in creating the new strategy in 2009 has not occurred, tensions with Pakistan have grown, and recent negotiations seem to have failed – essentially giving Pakistan more of a role in talks between GIRoA and the insurgents in return for little more than token action and continued use of Pakistan LOCs and supply routes.

- **Decide on strategic objectives in conducting and terminating the war.** These objectives not only include the defeat of Al Qaeda, but deciding on what kind of transition the US wishes to make in Afghanistan, what goals the US can achieve in creating a stable Afghanistan, US goals in Pakistan, and the broader strategic goals the US will seek in Central and South Asia.

  The US and its European allies have no clear strategy for its post war goals in Pakistan, Central Asia, and South Asia. Transition planning consists largely of issuing concepts and statements of good intentions while phasing down existing efforts by 2014. It is unclear that stable, credible plans for governance, economic stability, and the development and sustainment of the ANSF will be in place to seek Congressional funding for FY2013 and approval of funding plans to and beyond 2014 – and even more unclear the Congress will actually fund the necessary level of effort.

- **Defeat the insurgency not only in tactical terms, but also by eliminating its control and influence over the population and ability exploit sanctuaries in Pakistan and win a war of political transition.**

  The US and its allies will cut back their forces before their planned tactical gains can take place in the east and before the ANSF is ready. The latest semi-annual report from the Department of Defense notes that sanctuaries in Pakistan remain a critical problem, and intense US pressure has not produced any clear indication that Pakistan will act to eliminate insurgents as distinguished from continuing to try to use them to achieve its own postwar goals in Afghanistan.

- **Create a more effective and integrated, operational civil and civil-military transition effort by NATO/ISAF, UN, member countries, NGO, and international community efforts through 2014 and for 5-10 years after the withdrawal of combat forces.**

  Only one country, France, has substantially improved its military efforts since 2009. More broadly, the total number of caveat nations have increased, Germany and Italy put serious limits on their forces, Canada and the Netherlands have ceased combat operations, and a broad rush to the exit has begun with little guarantee of conditions-based support after 2014.

- **Build up a much larger, and more effective, mix of Afghan National Security Forces (ANSF).**

  This is the one real area of progress since 2009, but progress is tentative and the burden “transition” places on the ANSF is likely to be too great and too early for sustained success. The progress in the army needs several years more of substantial outside support, funding, and partnering than it is likely to get. While the short-term capabilities of the army are improving, the long-term sustainability, and loyalty, of the army are open questions. The police effort is far less successful, and will not be supported by 2014 with the other elements of a functioning justice system and governance necessary for the police effort to succeed.

- **Give the Afghan government the necessary capacity and legitimacy (and lasting stability) at the national, regional/provincial, district, and local levels by 2014.**
There is little indication that GIRoA will have the broad political legitimacy it needs, make significant reductions in corruption and the role of power brokers and criminal networks, create a functioning legislature, build up provincial and district governance, and create effective aid programs at anything like the scale required. There is a major risk that the 2012 elections will again raise broad question about their legitimacy, and that coming massive cuts in military spending and aid will trigger a major recession – if not depression – by 2014-2015.

- **Shape a balance of post-transition relations with India, Iran, the “Stans,” Russia, and China that will help sustain post-transition stability.**

As the previous analysis has shown, there is little evidence of meaningful, real progress.

- **Make effective trade-offs in terms of resources relative to the priorities set by other domestic and security interests**

The US and Europe face a vastly less favorable economic situation, and far greater domestic funding needs, than was expected in shaping the new strategy in 2009. The US and most European countries also face a deteriorating partisan political process. In the case of the US, this may produce partisan self-paralysis in dealing with key economic issues at the scale required until a new government becomes function after the 2012 election – if then.

### The New Strategy and the Race Towards Transition

During 2011, the US has altered its approach to strategy by effectively abandoning conditionality in maintaining its troop presence. It has focused on steadily hardening deadlines, and will reduce its troop presence from a peak of 98,000 to 101,000 (depending on the definition) to 91,000 by the end of 2011, and to 68,000 by September 2012.61 Most European members of ISAF are equally involved in seeking to withdraw their troops and cut back their role in Afghanistan. The broad loss of “conditionality” (tying force and spending levels to the actual conditions on the ground), has had a growing impact on the role that the US and Europe can play during 2012-2104 and beyond.

Regardless of ministerial meetings and political rhetoric, the US and its allies are now in a race to determine whether they can find some credible approach to transition in Afghanistan and Pakistan before the coming cuts in troops and money reshape the Afghan War.

US actions will shape the outcome of this race, and determine how much of a transition actually occurs, as distinguished from a de facto rush to the exit. The US also has little time in which to act. The Afghan conflict is steadily dropping in terms of US domestic support, and support within the Congress. There are divisions within the White House over priority for the war and priority for the campaign and domestic spending. The Department of Defense cannot really plan its FY2013 budget submission until the outcome of the Budget Act is far clearer, and State and USAID are already cutting their future funding levels for civil programs.

### Talk Without Hope?

The challenges the US and its European allies face in carrying out an effective “transition” are reinforced by the current focus on negotiations with the insurgents. When the new strategy was adopted in 2009, there was little emphasis on political negotiation with insurgent leaders versus the hope that tactical victories and improved governance would lead many fighters and less ideological insurgent leaders to reconcile with GIRoA and return to civilian life.
Political Settlement at What Probability, Cost and Risk?

Political settlement has now become a key goal for transition, but one with very uncertain credibility and prospects for success. It is all very well for the US and its European allies to try to shift the focus from warfighting and aid to negotiation, but the prospects for any success that really produce a stable and secure Afghanistan seem limited. Secretary Clinton stated the goal at the Kabul Conference in November 2011,

“...we can pursue three mutually reinforcing objectives: We’re going to continue fighting, we’re going to be talking, and we’re going to continue building… Now, some might say, “How do you do all three of those at the same time?” And my answer is, under the circumstances we must do all three at the same time. So we want a very clear message to the insurgents on both sides of the border that we are going to fight you and we are going to seek you in your safe havens, whether you’re on the Afghan side or the Pakistani side. They must be dealt with.”

Yet, it is far from clear that the Afghan government can even bring the Taliban, Haqqani network, or any other major group of insurgents to the negotiating table. The September 20, 2011 assassination of Burhanuddin Rabbani, the Chairman of the High Peace Council, is just one highly visible sign of this fact.

Even if the major insurgent groups do come to the table, it is unclear why the insurgents would negotiate any agreement that favored the Afghan government or served US and allied goals in Afghanistan when they have every reason to hope they can outlast the US and ISAF. And, it is unclear why the insurgents would not try to use such negotiations to their own advantage, and violate any agreements the moment it is convenient to do so.

This is what Taliban insurgents have done in the past with the British in Helmand and the Pakistanis. It is what North Vietnam did in the Vietnam War, what the Maoists did in Nepal, and what elements of Pol Pot’s supporters did in Cambodia. “Talk” is fine when both sides are willing to seriously compromise and stick by their agreements, or when one side is weak enough to have to concede. There is little indication that any major insurgent group feels this way today.

Pakistan as a “Partner”?

Moreover, there is no clear unity in the Afghan government about such negotiations, and Pakistan will seek to use them to its own advantage. Secretary Clinton raised this issue in her remarks in Kabul, and made it all too clear that success not only depends on the willingness of the threat, but that of a very uncertain Pakistani “ally:”

…we’re going to be expecting the Pakistanis to support the efforts at talking. We believe they can play either a constructive or a destructive role in helping to bring into talks those with whom the Afghans themselves must sit across the table and hammer out a negotiated settlement to end the years of fighting.

We will be looking to the Pakistanis to take the lead, because the terrorists operating outside of Pakistan pose a threat to Pakistanis, as well as to Afghans and others. And we will have ideas to share with the Pakistanis. We will certainly listen carefully to the ideas that they have. But our message is very clear: We’re going to be fighting, we’re going to talking, and we’re going to be building. And they can either be helping or hindering, but we are not going to stop our efforts to create a strong foundation for an Afghanistan that is free from interference, violence, conflict, and has a chance to chart its own future.
So this is a time for clarity. It is a time for people to declare themselves as to how we intend to work together to reach goals that we happen to believe are in the mutual interests of Afghanistan, Pakistan, and the region.

**Negotiating the Rush to the Exit?**

The risks in negotiation are compounded by the fact there are strong elements in several allied governments – including key governments like Germany -- that will accept any agreement that allows them to exit, and elements in virtually every ISAF government that now simply want out of the war. This doesn’t mean that negotiations have to fail, or are not worth trying. It does mean that at present they not only are a triumph of hope over experience, they are a triumph of hope over reasonable expectations.

In short, it is all too clear that if talks never occur or fail to produce a result, it will be impossible to destroy insurgent capabilities because of their sanctuaries in Pakistan and rapidly declining US and European forces from 2011 on. It is equally clear that if they appear to succeed, but produce a de facto insurgent victory, a major de facto split in the country, or any form of north-south civil war, current plans for transition become moot.

**Tactical Success?**

Any form of stable strategic “victory” in Afghanistan and Pakistan – and any form of successful “transition” -- requires broad security in most of Afghanistan – including all major cities and along all major lines of communication – and a similar degree of stability in at least the border areas of Pakistan that house insurgent sanctuaries and are critical to the flow of trade from Pakistan to Afghanistan.

The preliminary studies of a successful form of economic transition by the IMF, World Bank, and US government all confirm this point. No credible amount of aid can sustain the Afghan economy or make any form of regional development work on the necessary scale without a high degree of security and stability in virtually every critical district and city in Afghanistan, without stable and secure lines of communication in Pakistan, and without a more stable and secure Pakistan and one that puts an end to the Afghan and terrorist sanctuaries in Pakistan.

The military dimension cannot win any kind of strategic “victory” in Afghanistan on its own, but civil and economic stability and progress cannot take place at the necessary scale without more military success than now seems likely.

**Current Claims of Tactical Success**

In saying this, it is important to stress that US the NATO/ISAF can claim real progress in some aspects of the military dimension of the war, and the US has scored major strikes against the leaders of Al Qa’ida and Afghan insurgent groups in both Afghanistan and Pakistan. ISAF has had significant success in southern Afghanistan – success that is reflected in a major drop in insurgent-initiated attacks and the number of significant acts of violence.

The US Department of Defense issued a report to Congress on October 30, 2011 that stated that,

> The most significant development during this reporting period is the reduction in year-over-year violence. After five consecutive years where enemy-initiated attacks and overall violence increased
sharply each year (e.g., up 94 percent in 2010 over 2009), such attacks began to decrease in May 2011 compared to the previous year and continue to decline.

The successful May 2, 2011 raid against Osama bin Laden … was an important achievement for all partner nations engaged in Afghanistan and sent a signal to all, including the Taliban, that the United States is committed to achieving its objective, which is to disrupt, dismantle, and eventually defeat al Qaeda and its affiliates, and to prevent their return to either Afghanistan or Pakistan. Nevertheless, the effect that this operation has had on U.S.-Pakistani relations, particularly cross-border cooperation, should not be underestimated.

The security gains highlighted in the previous edition of this report – enabled by the surge in ISAF and Afghan forces throughout 2010 – have been sustained and expanded during the reporting period. ANSF-ISAF success in consolidating security gains in previously-cleared areas confirms that the civil-military counterinsurgency (COIN) strategy has significantly degraded the insurgency’s capability, particularly in Helmand and Kandahar. ANSF-ISAF operations have widened the gap between the insurgents and the population in several key population centers, limiting insurgent freedom of movement, disrupting insurgent freedom of movement, disrupting safe havens in Afghanistan, and degrading insurgent leadership.

Continued, partnered COIN operations by ANSF and ISAF forces, complemented by partnered Special Forces targeting of insurgent leaders, have reduced enemy attacks and violence in Regional Commands Southwest, West, and North. Overall, year-to-date enemy attacks nationwide were five percent lower than the same period in 2010, and attacks continue to decline.

During the reporting period, ANSF-ISAF operations remained focused on southern and southwestern Afghanistan, the heartland of the Taliban-led insurgency. Regional Command Southwest produced the most dramatic security progress during the reporting period, as COIN operations expanded gains in central and southern Helmand Province by disrupting insurgents’ freedom of movement, limiting their access to the population, and eliminating key supply routes.

In Regional Command South, Afghan and coalition operations consolidated gains from Operation HAMKARI, with a particular focus on the Highway 1 corridor. Insurgent momentum was also reversed in Regional Commands North and West, where the insurgency had conducted supporting operations during 2009 and 2010 in an effort to divert ISAF resources and attention away from operations in the south. However, in 2011, increasingly effective partnered military operations reversed insurgent gains made in the previous two years, reducing violence and enemy attacks and beginning the process of expanding ANSF-led security into contested areas.

…ANSF-ISAF operations continue to reduce the influence and operational capacity of the insurgency. The disruption of safe havens within Afghanistan, the significant loss of low- and mid-level insurgents, and the disruption of command and control structures have largely stunted the Taliban’s spring and summer campaign, preventing it from achieving a significant strategic effect on security conditions throughout the country. The effective interdiction of supplies and the reluctance of some Pakistan-based commanders to return to Afghanistan contributed to the insurgents’ failure to mount the level of operations that they had planned and that ISAF had expected.62

These gains are summarized in graphic form in Figure 2, and enough supporting data and analysis exist to indicate that they are very real.
Neither the US Department of Defense nor ISAF, however, have made a convincing case that such gains can achieve a meaningful, lasting form of tactical victory. The unclassified reporting to date leaves a long list of critical issues unaddressed – many of which reinforce the points made earlier about the lack of a credible strategic objective for post transition Afghanistan and Pakistan

- **Coming troop cuts:** The report notes that, “during the reporting period, President Obama announced that recent security progress and the increasing capacity and capability of the ANSF have allowed for the recovery of U.S. surge forces. Ten thousand U.S. troops will be redeployed by the end of the 2011, and the entire surge force of 33,000 personnel will be recovered by the end of September 2012. Approximately 68,000 U.S. troops will remain in Afghanistan after September 2012, but no further details of the cuts are available until the deadline of removing all troops by the end of 2014. ISAF is currently developing a recommendation for future force levels. Although force levels will gradually decrease, the United States remains committed to the long-term security and stability of Afghanistan, and negotiations are progressing on a long-term strategic partnership between the United States and Afghanistan.” US troop cuts are no longer “conditions-based; they effectively are open ended. They also are being accompanied by allied troop cuts.

- **Sanctuary in Pakistan:** After more than 10 years, the US has yet to show that it can persuade Pakistan to give up its influence over the Taliban, Haqqani network, and other insurgent groups, and to stop using them as potential tools to secure its own influence in Afghanistan and counter India. This is a critical failure. As the DoD report notes, “Although security continues to improve, the insurgency’s safe havens in Pakistan, as well as the limited capacity of the Afghan Government, remain the biggest risks to the process of turning security gains into a durable, stable Afghanistan. The insurgency remains resilient, benefitting from safe havens inside Pakistan, with a notable operational capacity, as reflected in isolated high-profile attacks and elevated violence
levels in eastern Afghanistan.”

- **Sustain Victory in the South and Winning in the East**: The levels of US and ISAF forces were significantly lower than was requested in shaping the new strategy, and are dropping sharply. It is far from clear that there will be enough ISAF troops to both hold on to gains in the south and make the needed gains in the east and the rest of Afghanistan that are called for in Figure 3. This could leave Afghanistan vulnerable along the border where the insurgency now is strongest, and the DoD report notes that, “The security situation in Regional Command East, however, remains tenuous. Cross-border incidents have risen during the reporting period as a result of the sanctuary and support that the insurgency receives from Pakistan. In Regional Command Capital, the ANSF has established a layered defense system in and around Kabul, which has resulted in improved security, and the ANSF continues to respond effectively to threats and attacks. Nevertheless, Kabul continues to face persistent threats, particularly in the form of high-profile attacks and assassinations.

- The ANA development effort is being rushed, funding is being cut, there are trainer and partner shortfalls, and the end result may be unsustainable. The ANSF is making progress, particularly the ANA. There are sharp differences, however, as to how much progress is really being made, and no agreed plan as yet exists for shaping and full force development through 2014 or afterwards. Major cuts have already been made in future near term funding. There are important ethnic differences in the ANA that could affect its future loyalties, and there are serious problems with loyalty to powerbrokers, corruption, and in leadership. These could all be corrected with time, the needed number of foreign trainers and partners, and adequate funds – but none may be available at the levels and duration required. The total current revenue generating capability of the Afghan government is also only about one-sixth of the US and allied spending on the ANSF in 2011. ISAF and NTM-A reporting sharply downplays these problems, but they are all too real.

- The ANSF will not be ready until 2016, and will then have very limited combat and IS&R capability.

- The ANP development effort is being rushed, funding is being cut, there are far greater trainer and partner shortfalls, and the ANP are not supported by an effective rule of law in terms of courts, detention and the rest of the legal system. The most effective element, the ANCOP, have an unacceptable attrition rate. Other police units have major problems with leadership corruption, and loyalties to local power brokers. The border police are particularly corrupt. The Afghan Local Police work as long as they are supported by large elements of Special Forces, but these forces are not large enough to meet current expansion goals, and it is unclear what will happen when SOF advisors leave.

- Future year cuts in funding, equipment, trainers, and aid in sustainability could easily repeat the problems that occurred in Vietnam. Until mid-2011, plans called for levels of aid through 2024 that now may not be provided through 2015.
Figure 3: Over-Ambitious Tactical Goals for 2012 Given Progress in 2011 and Coming Troop Cuts

Concept of Operations in 2011

Concept of Operations in 2012
The Insurgents Do Not Need to Defeat ISAF; Just Outlast It in a War of Political Attrition

As has been touched upon earlier, these problems are only part of the story. The US and ISAF analyses of tactical success focus on significant acts of violence and casualties, not the overall impact of the fighting. The same report that described the progress listed above also notes that,

“...the Taliban-led insurgency remains adaptive and resilient with a significant regenerative capacity. As insurgent capacity to contest ANSF-ISAF gains erodes, insurgents have turned to asymmetric efforts in order to avoid direct engagement with ISAF and ANSF forces, including the increased use of improvised explosive devices (IEDs), high-profile attacks, and assassinations of Afghan Government officials.

These tactics require less infrastructure in Afghanistan and do not need the support of the Afghan people; however, they do require command and control, training, and logistics support from safe havens, which the insurgents have in Pakistan. For example, IED material storage and construction facilities formerly based in Afghanistan have now been moved to Pakistan, specifically in the border town of Chaman, Baluchistan Province. The assassinations and attacks directed from the safe havens in Pakistan – especially the Federally Administered Tribal Areas of North Waziristan and the settled area of Chaman – while reflecting the weakness of the Taliban in Afghanistan, have the potential to have a significant political effect in Afghanistan as well as coalition countries. With the continued disruption of key insurgent safe havens in Afghanistan, safe havens in Pakistan has become the most important external factor sustaining the insurgency, and continues to present the most significant risk to ISAF’s campaign.

It also notes that,

Safe havens in Pakistan remain the insurgency’s greatest enabler and have taken on increased significance as ANSF-ISAF operations continue to clear key insurgent safe havens in Afghanistan. Safe havens in Pakistan, which directly support insurgent operations in Afghanistan, have grown more virulent during the reporting period, and represent the most significant risk to ISAF’s campaign.

The majority of insurgent fighters and commanders operate in or near their home districts, and low-level insurgent fighters are often well-integrated into the local population. Out-of-area fighters comprise a relatively small portion of the insurgency; typically a source of technical expertise, these fighters tend to be more ideological in nature and less tolerant of local norms.

Taliban senior leaders remain capable of providing strategic guidance to the broader insurgency and channeling resources to support their operational priorities. Pakistan-based senior leaders exercise varying degrees of command and control over the generally decentralized and local Afghan insurgency. Within Afghanistan, leadership structures vary by province. In general, the insurgency is led by a shadow governor and a military commander at the provincial level, who oversee district-level shadow governors and lower-level military commanders. Due to the success of ISAF and ANSF operations, particularly in the key provinces of Helmand and Kandahar, the insurgency continues to adapt its tactics, techniques, and procedures. To preserve resources and avoid direct confrontation, insurgents have increased their use of IEDs, which remain one of the most potent and efficient weapons. High-profile attacks have also increased, and insurgents have begun to increase terrorist-type attacks on “soft targets,” particularly in Kabul. The attacks on the Intercontinental Hotel in June, the British Consul in August, and the U.S. Embassy and ISAF Headquarters in September demonstrate the insurgency’s determination to attack the national capital in order to achieve strategic effects as they seek to undermine ISAF, the ANSF, and the Afghan Government.

Despite the death of al Qaeda leader Osama bin Laden in May, the Taliban’s relationship to al Qaeda continues. Although the personal relationship between Taliban leader Mullah
Mohammad Omar and bin Laden represented one of the most important and influential links between the two groups, al Qaeda leadership continues to view the Taliban and the conflict in Afghanistan as integral to the organization’s continued relevance and viability. Al Qaeda’s global agenda, however, does come into conflict with the Taliban’s domestic and regional goals.

As a result, the Taliban has publicly sought to distance itself from al Qaeda; following bin Laden’s death, Taliban leaders emphasized the indigenous nature of the insurgency and stated the insurgency would not be weakened. Al Qaeda’s most significant enabler in Afghanistan remains the Pakistan-based Haqqani Network, which will likely leverage this relationship as they continue to seek relevance in Afghanistan.

As has been the case in many other insurgencies, the Taliban, Haqqani network, and other insurgent groups do not have to win direct fights in the field. They can disperse, concentrate on intimidating the population and controlling it, stay safe in sanctuaries, use high profile bombings and attacks, attack indirectly by using IEDs and rockets, assassinate key figures and kidnap others, tax villages and roads, use narcotics income, work with criminal networks, and go underground using reconciliation procedures.

US and ISAF unclassified reporting sees this as weakness, talks about leaders that stay safe in Pakistan, and the fatigue of fighters – all statements made about the Chinese Communists, Vietcong, Algerian FLN, North Vietnam, Castro’s forces, and other successful insurgents in the past. Moreover, the US and ISAF focused on such tactical measures during 2003-2008, before the adoption of the new strategy, at a time the Taliban made massive gains in political influence even though it suffered serious tactical defeats.

The most recent unclassified reporting has also ceased to show areas of insurgent influence and GIRoA control, and shows sharply different patterns from both UN reporting and the reporting by the US National Counterterrorism Center, which does count some lower level acts of “terrorism.”

For example, the Secretary General of the UN reported to the Security Council on September 21, 2011 that, both violence and casualties had increased in 2011 – an assessment that may be more accurate in reflecting the impact of operations on the Afghan people than the tactically oriented counts by ISAF.

There were fewer security incidents in July (2,605) and August (2,306) than in June (2,626). As at the end of August, the average monthly number of incidents for 2011 was 2,108, up 39 per cent compared with the same period in 2010. Armed clashes and improvised explosive devices continued to constitute the majority of incidents. The south and south-east of the country, particularly around the city of Kandahar, continued to be the focus of military activity and accounted for approximately two thirds of total security incidents.

There were 9 suicide attacks in July, the third successive monthly decrease from a peak of 17 in April. There were 11 suicide attacks in August. As at the end of August, the average monthly number of suicide attacks for 2011 was 12, a level that was unchanged compared with the same period in 2010. Complex suicide attacks made up a greater proportion of the total number of suicide attacks. On average, three such attacks have been carried out per month in 2011, a 50 per cent increase compared with the same period in 2010. Insurgents continued to launch complex suicide attacks in urban centers, including the attacks on the Intercontinental Hotel in Kabul on 28 June, on the British Council in Kabul on 19 August, in the vicinity of the United States Embassy in Kabul on 13 September and on provincial centers, such as the one on Tirin Kot, Uruzgan Province, on 28 July. The focus of suicide attacks was no longer southern Afghanistan, the central region currently accounting for 21 per cent of such attacks.

As in the previous reporting period, insurgents continued to conduct a campaign of intimidation, including through the targeted assassination of high ranking Government officials, members of the
security forces and influential local political and religious leaders. There were 54 incidents in July and 72 in August, killing 89 and 93 individuals, respectively. The following four high-level persons from southern Afghanistan were killed in July: Ahmad Wali Karzai, Head of Kandahar Provincial Council; Hikmatullah Hikmat, Head of Kandahar Ulema Shura; Jan Muhammad Khan, Senior Adviser to the President; and Ghulam Haydar Hamidi, Mayor of Kandahar. News of the assassinations reverberated across the country, raising concerns for the political stability of the south, given the influence exerted by those killed and their ties to the Government in Kabul.

...Concerns about the protection of civilians increased with the rise in civilian deaths and injuries. In its mid-year report on the protection of civilians for the first six months of 2011, UNAMA documented 1,462 civilian deaths, an increase of 15 per cent over the same period in 2010, with anti-Government elements responsible for 80 per cent of the deaths, an increase of 28 per cent compared with the same period in 2010. Pro-Government forces were responsible for 14 per cent of civilian deaths, a decrease of 9 per cent over the same period in 2010. In 6 per cent of cases, the civilian deaths could not be attributed to either party to the conflict.

From June to August, UNAMA documented 971 civilian deaths and 1,411 injuries, an increase of 5 per cent in civilian casualties compared with the same period in 2010. Anti-Government elements were linked to 1,841 civilian casualties (77 per cent) and pro-Government forces to 282 (12 per cent). The remaining casualties could not be attributed to either party to the conflict.

The increase can be attributed, in the context of overall intensified fighting, mainly to the use by anti-Government elements of landmine-like pressure-plate improvised explosive devices and suicide attacks, in violation of international humanitarian law.

Improvised explosive devices and suicide attacks accounted for 45 per cent of civilian casualties, an increase of 177 per cent compared with the same period in 2010. In a disturbing development, anti-Government elements attacked two hospitals and several mosques, places protected under international law. On 25 June, a suicide attack against a hospital in Logar Province killed 25 civilians, including 13 children, and injured 25 others. Targeted killings of high-profile Government officials and individuals associated or perceived to be associated with the Government and/or ISAF occurred throughout the country...

Air strikes remained the leading cause of civilian deaths by pro-Government forces, killing 38 civilians in July, the highest number recorded in any month since February 2010. The number of civilian deaths from ground combat and armed clashes increased by 84 per cent compared with the same period in 2010. UNAMA documented 38 civilian deaths (7 per cent of all deaths) due to military search operations, a 15 per cent increase over the same period in 2010. Civilian casualties from air strikes and night raids continued to generate anger and resentment among Afghan communities towards international military forces.

More recent reporting shows that the insurgents pose a steadily growing threat to movement in Afghanistan. It also shows increases in Haqqani and Al Qa’ida death squad activity, and increases in activities like “night letters” and various forms of violent intimidation. This does not mean that ISAF and the US are not scoring tactical military gains in key areas, and have not reversed insurgent military momentum. Is does mean that there are not enough credible unclassified indicators to show the insurgents cannot simply outwait the US and ISAF, as well as GIRoA’s cohesion and funding.

Colonel Harry Summers once noted in a conversation over the Vietnam War that he had been talking to a North Vietnamese officer after the war and had stated to him that the US had won virtually every battle. The Vietnamese officer paused, and then said, “Yes, but this was irrelevant.” Afghanistan (and Pakistan) are not going to be won by military force alone, and tactical victories can be all too hollow.
**Spend, Not Build (and Then Stop Spending)?**

There is a “new great game” being played in other parts of Central Asia, but neither Russia nor China has predictable incentives to engage in Afghanistan or Pakistan at levels that will ease the problems the US, Europe, and other ISAF and donor states face during transition. In the real world, the success of transition will depend on US, European, and other existing countries that already have forces or donate significant aid to Afghanistan.

The success of such US, European, and donor efforts is highly uncertain. Studies by the World Bank, and ongoing studies by the IMF, the US, and key European governments show that “transition” requires massive levels of continuing aid to avoid triggering major security and stability problems. President Karzai requested some $10 billion a year through 2025 at the Bonn Conference in December 2011, or roughly $120 billion over the entire period.69 This total seems minor compared to a total cost of the war to the US and ISAF which reached some $140 billion in FY2011. It also is almost certainly is too low to both cover the cost of funding the Afghan National Security Forces during transition and beyond, and give Afghanistan the resources to cope with the loss of US and ISAF military spending during 2012-2014 and the probable cuts in donor civil aid.

Yet, many US and European actions have already begun to look like a cover for an exit strategy from Afghanistan. Development aid from US, the largest aid donor, dropped from $3.5 billion last year to about $2 billion in 2011. Aid to support democracy, governance and civil society dropped by more than 50%, and from $231 million to $93 million. Aid for "rule of law" dropped from $43 million to $16 million.70 Many aid agencies and NGOs are already making major cuts in their programs, and some are already having to eliminate programs or withdraw from the country.71

While US Secretary of State Hillary Clinton joined her European colleagues in pledging continued aid at the Bonn Conference in December 2001, no long-term pledges were made in concrete terms. The conference – which Pakistan did not attend and the Taliban stated would “further ensnare Afghanistan into the flames of occupation”-- focused on vague calls for aid and regional cooperation.

The speeches at the conference also called for Afghan reforms, and reductions in corruption, in ways that implied new conditions for aid that Afghanistan may well not be able to meet. It discussed continuing past security and economic aid, but did not deal with the massive impact of ending US and European military spending in Afghanistan as each ISAF country’s forces departs – spending which totaled $4.3 billion for US military directs contracts with Afghans in FY2011 – which was only a small portion of US military spending in the country.72 At the same time, President called for continued aid and promised vague reforms without any clear plan for using such aid or justifying his request. As Louise Hancock, Oxfam's Afghanistan policy officer, put it,“It’s been another conference of flowery speeches: big on rhetoric and short on substance.”73

Moreover, the US has never provided a credible set of goals – indeed any goals at all – for the strategic outcome it wants in Pakistan. Unless the US and Europe do far more to show it can execute a transition that has lasting strategic benefits in Afghanistan and Pakistan well after 2014, it is all too likely to repeat the tragedy of its withdrawal from Vietnam.
The situation in terms of improvements in Afghan governance, economics, and rule of law lags far behind the uncertain tactical gains being made in the field. US, its European allies, and all other donors face the reality that military spending and aid efforts to date have not brought anything like the expected benefits and level of progress, and are unlikely to do so in the future. At the same time, outside aid will be critical to the Afghan government if it is to maintain security and stability, and be equally critical to any hope that Pakistan can make the progress it needs.

A successful “transition” will require massive amounts of continuing civil and military aid. Politics may force US officials to deny that Afghanistan is an exercise in nation building, but the reality is that the US has led an international nation building effort in Afghanistan ever since 2002. In some ways this effort has been justified.

In the real world, “classic COIN” is an oxymoron. No one insurgency is ever the same as another, and most longer insurgencies involve constant adaptation in tactics and civil-military operations. Serious insurgencies arise when states fail to meet the needs of enough of their people at the political, economic, and security level to maintain popular support, avoid driving key factions towards violence, and lack the capacity to enforce security and govern in significant parts of the country.

The current Afghan/Pakistan War began in 2001 in a failed state divided by decades of civil conflict and external interference. No military action alone could have hoped to produce a stable result, and some level of armed nation building was inevitable if the US was to achieve a stable and favorable outcome from its intervention. Some form of nation building effort was necessary if the US was to do more than intervene quickly and decisively against Al Qa’ida and then leave Afghanistan to its own devices. This may have been an option that might well have been desirable in retrospect, but was not seriously considered at the time.

Building on a Weak Foundation

The problem since 2001 has been that a US, Allied, and UN effort with little or no real world capacity for nation building on the scale required failed to help the Afghans restore an Afghan government on Afghan terms. A fragmented international effort with no effective UN coordination instead attempted a sudden, comprehensive transformation of Afghanistan into a unitary state with a flawed, over-centralized constitution and system of government that was to operate according to US/Western values of representative democracy, human rights, and rule of law.

This effort ignored the realities of Pakistani and regional competition and interests. It attempted to conduct “national transformation,” rather than “nation building,” on the cheap by dividing much of the task among its allies, delegating key responsibilities for them to fund, and setting impossible goals for near and mid-term economic development. Finally, it ignored the real world consequences, the failures in the US and international effort, the failures in Afghan governance, and how serious the rebirth of the Taliban and other insurgent movement were during 2003-2008.

Unready to Move Forward After a Decade of Experience
Unfortunately, far too many elements of this exercise in strategic hubris and denial still affect the civil effort in Afghanistan. Donor governments and UNAMA are all found of claiming civil progress using factoids taken out of the context of Afghan perceptions and needs, and drawn from sources of uncertain credibility. They report spending as if the amount of money was a measure of effectiveness, and rarely make an attempt to tie such spending to its effectiveness.

**A Crippling Afghan Dependence on Outside Spending**

As noted earlier, there is no way to know how much US, Europe, and donor military and aid spending actually occurs in Afghanistan and stays there. Groups like Oxfam indicate that more than 40% of the aid target towards Afghanistan is not actually spent in country as aid. A World Bank study in November 2011 found that some $15.7 billion worth of aid went to Afghanistan in 2010/2011, and $13.8 billion was spent outside the Afghan national budget. It also estimated that only 10-15% of $8.6 billion of this in external security aid and 20-25% of $5.2 billion in civilian aid actually was spent in country.

**Figure 4** shows a working estimate of total Afghan dependence on outside spending dating back to the spring of 2011. A later World Bank study that did not attempt to estimate the impact of military spending as well as aid, estimated that the total Afghan national core budget was $3.8 billion, of which $1.9 billion was also aid. It estimated that estimated that 90-95% of the security aid actually reached Afghanistan but substantially less than 70% of the civil aid. The study stated that the...cumulative US spending for the Afghanistan mission is estimated to be as high as $444 billion ($118.6 billion in FY2011 alone)...But most of that spending does not reach Afghanistan because it primarily funds salaries of international soldiers, purchases of military hardware, and the like...And not even all aid spent “in” Afghanistan feeds into the domestic economy, as it goes out in imports of goods and services, expatriated profits, and remittances

**Figure 5** shows the level of dependence estimated by the US General Accountability Office.
Figure 4: World Bank Estimate of The Crippling Dependence of Afghanistan on Outside Funding

- Domestic revenue collection reached US $1.65 billion in 2010-2011 (doubled since 2007/2008) as a result of a significant effort by the MoF – although much indirectly from outside spending
- The Core Budget (Domestic revenue + budget door aid was US $4.6 billion)
- While the MoF estimated that donor financed budget expenditures were US $8 billion, the World Bank indicates they could be as high as $16 billion
- Total International military spending in Afghanistan is unknown, but could be many times greater than domestic revenue. Most such spending is spent largely outside Afghanistan, but is so large that even the part spent in Afghanistan is a major source of growth has a critical impact

79% Dependence of Public Expenditures on Off Budget Sources

Afghan Revenue as a Share of Expenditures

Source: GAO, Afghanistan’s Donor Dependence, September 21, 2011, pp. 5, 8, 9, 18.
Figure 5, Part Two: GAO Estimate of The Crippling Dependence of Afghanistan on Outside Funding

Dependence on US for 90% of Past Security Expenditures: Other donors have funded 4%, GIRoA has only funded 6%

![Graph showing dependence on US for 90% of past security expenditures]

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Dependence on US for 39% of Past Security Expenditures: Other donors have funded 47%, GIRoA has only funded 14%

![Graph showing percentage of domestic revenue]

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Source: GAO, Afghanistan’s Donor Dependence, September 21, 2011, pp. 13-14
Wasting Past Aid

It is now the eleventh year of the war and neither the State Department nor USAID has ever published a meaningful assessment of the overall impact of the civil aid program, assessment of the trends in the Afghan economy, or met commitment after commitment to develop credible measures of effectiveness. At least in this regard, the top leadership of both US and other ISAF and donor governments has failed to come to grips with one of the most critical dimensions of the war.

The Special Inspector General for Afghan Reconstruction (SIGAR) does make some assessments of US effectiveness. Unlike its Iraqi counterpart (SIGIR), however, SIGAR focuses almost exclusively on US spending and makes little effort to validate plans and requirements for civil and security aid efforts versus traditional audits which can do little more than document past failures.

Figure 6 shows both the cumulative appropriations for US aid efforts to date and just how massively the flow of aid has increased in recent years – increasing Afghan dependence and the problems in transition along with each year’s increase. These data – which only cover US spending – provide a grim warning of the sheer scale of the spending, the erratic funding patterns that have taken place in the past, and how drastic the impact could be of sudden funding cuts for the ANSF and civil sector before Afghanistan can adapt to the loss of donor aid that is some nine to 14 times its current revenue earnings, and spending on military operations in inside Afghanistan which is at least another 20 to 30 times the revenue earnings of the Afghan Government.

Moreover, while ISAF has stopped reporting progress in development by Afghan district, Figure 7 shows that past trends are anything but reassuring. UN reporting also indicates that security for both aid activity and Afghanistan governance is still lacking in many districts.
Figure 6: USAID to Afghanistan

Figure 7: Little or No Progress in Development in Many Areas

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<th>04-Feb-10</th>
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Current Problems in the Political, Governance, Security and Economic Aspects of the Build Effort

The Department of Defense October 2011 report on progress in the war describes a wide range of ongoing aid efforts (As well as presents the tenth annual set of new concepts and future good intentions for reshaping future aid on the part of State and USAID.) As Figure 8 shows, ISAF also reports that the Afghan government is expanding its capacity at the Provincial and District levels in some areas, although others are less capable and the overall rate of progress is far too slow for to guarantee a successful transition.

At the same time, a series of passages throughout the DoD report warn how many aspects of the “build” effort are already in trouble, that reaching enough progress for a stable transition by 2014 is unlikely, and that future outside aid will have to be carefully targeted and limited to Afghanistan’s ability to absorb aid effectively on its own terms if it is to be more successful:

…four conditions are evaluated when considering an area’s eligibility to begin the Transition process. First, the security environment must be at a level that allows the population to pursue routine daily activities. Second, the ANSF must be capable of shouldering additional security tasks with less assistance from ISAF. Third, local governance must be sufficiently developed so that security will not be undermined as ISAF assistance is reduced. Finally, ISAF must be postured properly to thin-out as ANSF capabilities increase and threat levels stabilize or diminish.

Once an area enters the Transition implementation process, NATO and ISAF support continues through four stages, ranging from support to strategic overwatch. The security of the Afghan people and the stability of the government will be used to judge the readiness of the province to move to each successive stage of Transition implementation. Although a province can enter Transition implementation as soon as any part of its area is eligible, the province will not exit Transition until all its areas meet the required criteria.

…governance and development capacity remain the most challenging aspects of Transition. The first tranche of provinces and municipalities to Transition has been slow to develop the necessary service delivery and governance structures to underpin security gains, yet arguably these are the most difficult capacities to develop and grow. Efforts by the Department of State, U.S. Agency for International Development, and PRTs are focusing on the development and expansion of Afghan capacity in governance, rule of law, and service delivery, as well as linkages between national and sub-national governance structures. The development of these sectors will reinforce long-term stability and ensure that Transition is irreversible, as well as encourage the Afghan people to rely on the Afghan Government, rather than Taliban shadow governments, for necessary services.

…the capacity of the Afghan Government has been limited by a number of issues, including the political dispute in the Lower House of the Afghan Parliament, the continued absence of an International Monetary Fund program, widespread corruption, and the lack of political progress in enacting key reforms announced at the July 2010 Kabul Conference. Setbacks in governance and development continue to slow the reinforcement of security gains and threaten the legitimacy and long-term viability of the Afghan Government. The United States and the international community continue to work closely with their Afghan partners to address these challenges.

…During the reporting period, the Afghan Government made only limited progress in building the human and institutional capacity necessary for sustainable government. The most notable developments were efforts to build the human capacity necessary to extend governance throughout the country; merit-based appointments of senior civil servants continued, and a civil service recruiting campaign, focused on less-secure provinces, maintained momentum. However, the extension of effective governance in Afghanistan continues to face significant challenges, including: difficulty linking sub-national governance structures to the central government, the continued lack of an International Monetary Fund (IMF) program, minimal progress on Kabul Conference
commitments, widespread corruption, and delays in the legislative process resulting from the September 2010 Wolesi Jirga elections.

...the capacity of provincial governors’ offices and provincial line departments remains fairly low and largely dependent on contractors. This is due in part to difficulties of recruiting qualified individuals and a lack of resources for a basic operating budget for maintenance and repairs. Another challenge facing the continued development of sub-national governance capacity is the difficulty of linking provincial planning exercises into the national budgeting cycle. Provincial governors and provincial line departments all have limited roles in the process due to the highly centralized system of governance in which they have limited service delivery and budget execution authority. This centralized system adversely affects the provincial governor’s ability to lead provincial line departments, since their reporting chain is through the central ministries.

...Despite effective programs and signs of progress, several challenges persist that limit recruiting and retention of qualified civil servants. Standardized pay scales are low in comparison to the technical assistant salaries offered by donors, and heightened threats and targeting of government officials also hamper recruiting efforts. Public administration reforms and capacity-building programs are essential for the development of sufficient human and institutional capacity to deliver governance and basic services to the Afghan people.

...Overall, there continues to be little progress in the development of Afghanistan’s justice sector. Plans to expand the justice sector to underserved areas, particularly in the Pashtun regions of Afghanistan, are ongoing, but have yet to yield results, and the fraud allegations of the 2010 Parliamentary elections stopped progress on necessary legal reforms for several months. Furthermore, the capacity of the justice sector continues to be limited by a lack of infrastructure and the inability to offer salaries sufficient enough to attract and retain trained legal personnel.

Corruption and organized crime present a significant threat to the success of the ISAF mission and the security and stability of the Afghan state. Corruption undermines the effectiveness, cohesion, and legitimacy of the Afghan Government; it alienates elements of the population and generates popular discontent from which insurgent groups draw strength; it deters investment, encourages the diversion of international assistance, and impedes licit economic growth; it enables criminal networks to influence important state institutions and functions; and it facilitates the narcotics trade and other transnational threats emerging from Afghanistan. Countercorruption efforts are essential to strengthening Afghan institutions and to consolidating gains in the wake of improved security, and will grow in importance as the process of transition continues.

The limited capacity of the Afghan Government continues to impede reconstruction and development efforts in Afghanistan. The availability of essential services remains mixed, and the government has yet to develop a comprehensive economic growth strategy or plan for private sector-led economic development.

Beyond security concerns, governance and development capacity remain the most challenging aspects of Transition. The first tranche of provinces and municipalities to Transition has been slow to develop the necessary service delivery and governance structures to underpin security gains, yet arguably these are the most difficult capacities to develop and grow. Efforts by the Department of State, U.S. Agency for International Development, and PRTs are focusing on the development and expansion of Afghan capacity in governance, rule of law, and service delivery, as well as linkages between national and sub-national governance structures. The development of these sectors will reinforce long-term stability and ensure that Transition is irreversible, as well as encourage the Afghan people to rely on the Afghan Government, rather than Taliban shadow governments, for necessary services.

Many of these assessments track closely with the reporting that is provided in the SIGAR Quarterly Report for October 30, 2011, and in conversations with UNAMA personnel and aid experts from other countries. They also track with the many NGO and international estimates of the ongoing impact of corruption, power brokers, criminal networks and lack
of supervision by donors and ISAF military forces over how contract and aid money are used.

Transparency International ranks Afghanistan 176th in a survey of perceptions of corruption where the worst country ranked 178th.\textsuperscript{77} (Pakistan was marginally better: It ranked 143\textsuperscript{rd}) Working with the Konrad Adenauer Stiftung and the Royal United Services Institute (RUSI), it issued the following warning in May 2011:\textsuperscript{78}

Many major international organizations have been witnessing and helping shape the transition to Afghan Leadership since 2009, when President Obama announced a new strategy for Afghanistan. Konrad Adenauer Stiftung, the Royal United Services Institute (RUSI), and the Defence and Security Programme at Transparency International UK believe the Afghan transition can be successful. After a round of seminars with over sixty experts and officials from the Governments of Afghanistan, the UK, Germany, NATO, the UN, and other experts on governance and development, they put together the 28 detailed recommendations in the report \textit{Afghanistan in Transition: Re-Shaping Priorities for 2015 and Beyond}, which will be launched on May 13th in Berlin.

Besides other important issues, the report makes 3 key recommendations regarding corruption which are interlinked:

- First, corruption threatens the success of the international Mission in Afghanistan. The vast public anger against corruption and the damage that it is doing to Afghan society need to be harnessed and channeled into a force for change. Afghan citizens are well aware of many of the current injustices and would be ready to participate in efforts to promote change. Leadership from the Afghan Government would catalyze this process.

- Second, the President of Afghanistan must embrace these recommendations as his own mission. The Afghan Government must also make counter corruption work a centerpiece of its transition strategy. Measures to reform Afghanistan institutions, build integrity, and curtail corruption need to be scaled up immediately and dramatically, to halt the current decline.

- Third, the international community contributes to the problem. It must radically and urgently change the way it handles its financial flows, especially the money associated with massive security operations and the way it offers contracts for goods and services. In particular, it must direct more effort into contracting with Afghan companies, and it must do so in ways that improve national economic capacity.

Corruption, weak institutions and a lack of economic development pose a fatal threat to the viability of Afghanistan. “It is increasingly becoming part of the political dynamic of the country and intertwined with organized crime. This threat has been consistently and seriously underestimated, both by the Afghan government and the International Community” stresses Mark Pyman, Director of the Defence and Security Programme at Transparency International UK. At the same time, weak and dysfunctional political institutions, lack of respect for the Afghan constitution and a slow economic process are posing major risks for Afghanistan’s future development.

Like the DoD report, the SIGAR report again describes progress and plans for new activity, but it also provides a summary warning of the lack of adequate progress to date. (pp. 86-87) It also notes that, As of September 18, 2011, only 60\% of civil servant positions were filled in the 14 most insecure provinces, according to USAID. Southern and eastern provinces faced the most difficulties in staffing, as shown in Figure 8. This is an improvement from April 2011, when 50\% of positions were filled. Lack of security and candidates’ lack of experience and education continued to pose challenges in filling local positions.”
Figure 8: Uncertain Progress in District Governance: 2010-2011

Source: ISAF 5/2011

Figure 9: Proportion of Afghan Civil Service Positions Vacant in Selected Provinces (in Percent)

Dealing With the Pressures of a Global Economic Crisis and Donor Fatigue

Some of the current problems in the US, European, and other outside donor “build” effort may be solvable over time, although the lack of Afghan political progress, increases in capacity of government, effective governance at the provincial and local level, and corruption and reliance on power brokers make this questionable. These problems are not solvable, however, unless the US and its allies are willing to sustain high levels of civil and security aid through 2014 and fund very significant aid from 2015 to at least 2020 and more probably 2024.

This level of consistent future aid and commitment seems highly questionable. The US and Europe are under intense pressure to cut any military and civil spending that does not help their own economies as soon as possible. Many donor countries have failed to meet their aid commitments since 2002, and Figure 10 provides a grim warning of how quickly donor fatigue occurred in past crises.

Figure 10: Post Crisis Aid - Killing the Golden Goose As Soon as Possible

A November 2011 World Bank study of future Afghan funding and aid needs provides the same warnings:

- Abrupt aid cut-offs lead to fiscal implosion, loss of control over security sector, collapse of political authority, and possibly civil war (Somalia)
- Political stability and state consolidation (based on building “inclusive enough” coalitions) are critical for successful transitions (Mozambique, Rwanda, Cambodia, Mali)
- Fragmented, short-term oriented factionalism, “political marketplace” (Sudan) can lead to endemic high levels of violence, and regional “spoilers” can perpetuate conflicts (Democratic Republic of Congo)
- Effective transitions are generally associated with robust economic growth (for example, Mozambique, Rwanda) – less successful transitions with slower or negative economic growth
• These lessons indicate the importance of a well-managed transition and highlight the sense of urgency

**Trying to Make Aid Work as PRTs are Eliminated and With Inadequate US, European, Donor, and UN Structures**

The aid effort and the ability to conduct joint civil-military efforts in the field seem likely to be a major casualty of transition. The “civilian surge” that was supposed to be part of the new US strategy has lagged, had uncertain organization and quality, and already faces funding cuts in FY2012. The DoD October 30 report notes that major cuts are already planned in key aspects of the civil effort like the Provincial Reconstruction Teams:

Provincial Reconstruction Teams (PRTs) led by coalition partners have made a significant contribution to Afghanistan's peace and stability. However, the beginning of the Transition process and the Afghan Government's assumption of its full responsibilities country-wide requires the evolution and ultimate dissolution of these entities. In June 2011, PRT-contributing nations reaffirmed that as a part of the transition process, and in recognition of Afghan concerns regarding parallel structures, PRTs would evolve and phase out based on a set of six guidelines, which include:

1. Evolve, reinvest, and phase out. By the end of their province’s transition period, PRTs will methodically hand-off their functions and phase out. Each PRT's evolution plan will depend on Afghan priorities, the unique circumstances in its province, and the PRT's capabilities and structure.

2. Incentivize Transition. PRTs should support governance and development efforts that promote the transition's sustainability.

3. Set the conditions to make Transition irreversible. PRTs should focus on supporting and building capacity.

4. Shift to technical assistance, build capacity, and improve national and sub-national linkages.

5. Network and reach back. PRT nations should exchange information and share expertise amongst one another to meet needs in Afghanistan.80

SIGAR reports that the entire Provincial Reconstruction Team effort may phase out before 2014 – which is a date long before the Afghan government will have the capacity it needs in the field:

Early in 2011, President Karzai said that PRTs must be dismantled as the Afghan government takes over responsibility for the country in the transition process...As of September 30, 2011, DoS was reviewing the composition of the U.S. civilian presence, and no decision had been made on the disposition of PRTs. The review was conducted to ensure that the U.S. presence reflects the U.S. goals and mission and aligns with the two nations’ strategic partnership. U.S.-led PRTs operate in 12 provinces, most of them in the east and south of the country, as shown in Figure 11: 12 coalition partners lead the other 14 PRTs. DoS noted that PRTs and DSTs focus primarily on building government capacity.81
Living in a Fantasy World: Trying to Rely on the Afghan Central Government

It is even more clear that it is a fantasy to say that the problems in using aid effectively can be solved by funnel aid through a corrupt central government with limited capability to spend its budget, much less develop effective programs, implement them without massive waste and corruption, control contractors, and measure the effectiveness of the project as distinguished from how much money has been spent on it.

It is far from clear that the Afghan government will have the combination of capacity and integrity it needs before some point well beyond 2020, if at any time in the near and mid-term. Its current level of corruption is legion, it lacks capacity at every level, its planning and spending efforts are grossly over-centralized, and its provincial and district governments often have only tenuous capacity to absorb and use money effectively.

The World Bank is necessarily polite about the limit to Afghan central government capacity to use outside funds and aid, but a November 2011 analysis notes that,

- To maintain and increase on-budget spending and service delivery, urgent action is needed to build the core capacity of line ministries, and ensure that skilled staff can be recruited and retained by the government in the medium term.
- While large amounts have been spent on capacity building, it has created a fragmented “second civil service” of an estimated 7,000 skilled Afghan consultants managing projects, without building sufficient government capacity.
- In nine ministries, externally funded staff (EFS) make up only 5% of positions but 40% of payroll costs. Reductions in EFS positions in transition would compromise service delivery as the burdens on government increase.
• Donors should support efforts to reduce inflated salary scales and build government capacity in a strategic and targeted manner by transferring capacity from the second civil service to the core civil service. This would be more cost-effective and provide greater stability.

• Development budget execution increased in absolute terms, but flattened out at below $1 billion over the last four years, largely due to capacity constraints, unrealistic budget formulation, and donor earmarking and funding delays.

• While the execution of the operational budget has been historically high, Afghanistan does not have capacity to handle large O&M expenditures (O&M only accounts for roughly $335 million, or 10% of total core expenditure), which are expected to increase to $4.8 billion by 2015/16.

• There are problems with efficiently allocating funds from the center to provinces/districts and considerable weaknesses in government capacity at sub-national levels.

• Investing in government capacity in budget management therefore remains an important priority.

The Corrupting Effect of Military and Aid Spending Without Proper Planning and Controls

At the same time, US, European, and other donors have not shown that they can convincingly substitute for the Afghan government’s lack of capacity. They have consistently thrown money at various aid tasks without adequate analysis of requirements, planning, coordination, and measures of effectiveness that go beyond the ability to throw money at a project.

A 2010-2011 ISAF task force led by Brigadier General H. R. McMasters found this lack of management had led to massive contractor waste and fraud, and had an equally massive corrupting and inflationary impact on Afghans and outside contractors who took money that was never properly controlled. These conclusions have been confirmed by a variety of audits by the US Special Inspector General for Afghan Reconstruction, other US inspector generals, the US General Accountability Office, and a number of in-house reviews by European governments.

It is all too clear that US, NATO/ISAF military spending and aid donors have operated in ways that were intensely corrupting and must take at least as much of the blame as the Afghans. What is not clear is that any effective reform will be possible as the US, NATO/ISAF, and donors cut both their spending and presence in the field, and many Afghans come to fear transition so much that their main goal becomes leaving the country.

This raises a whole new set of questions about how to manage transition during 2012-2014, and when and whether any effective Afghan and international program can be developed to deal with the post 2014 transition period.

A major cutback in the size of civil aid efforts seems inevitable, but so far, there emphasis seems to be on cuts and not finding some functional approach to phasing the civil efforts down that offers a reasonable path toward a stable transition. The civil surge is on a path where it will be replaced by a rush to the exits.

The Death of the Afghan Compact and National Development Plan

More broadly, Figure 12 shows that the US has abandoned any real world hope that US, Europe, and other donors can finance the ambitious aid plans called for the in Afghan Compact and Afghan Development Plan. The US did so early in 2011 – long before the
current budget crisis began to force major changes in US aid plans and help speed the pace of US military withdrawal. It is a warning of just how decoupled past and ongoing aid and development plans were from reality before the current focus on “transition.”

It is now likely that cuts in military and outside aid spending will plunge Afghanistan into a major recession, and possibly depression, just as US troops exit.

*Figure 12: The Pre-Transition Crisis in Aid and Development Funding*

**GIRoA Spending Expectations In consistent with Future Budget Restrictions**

Creating an Aid and Afghan Budget Crisis by 2014: The Year Troops Leave and a Presidential Election is supposed to be Held

While such studies have not been published, and remain working level products, estimates by US officials in Afghanistan, Washington, and USCENTCOM warn that coming cuts in military and outside aid spending may well plunge Afghanistan into a major recession, and possibly depression, just as US troops exit. Work by the IMF and World Bank has similar implications.

A November 2011 World Bank estimate of the impact of “transition” on the Afghan national budget – driven by estimated cuts in military spending and some cuts in aid is shown in Figure 13. 83

Figure 13: World Bank Estimate that Domestic Revenues are Projected to Increase, but Operating Spending is Likely to Grow Faster

(Total budget expenditure and revenues)

World Bank, TRANSITION IN AFGHANISTAN LOOKING BEYOND 2014, November 21, 2011, p. 9

The key points in the World Bank analysis of these trends are: 84

Domestic revenues are projected to increase from 10% of GDP to 17.5% by 2021/22, driven largely by the planned value added tax and mining revenues

But over the same period, operating spending on:
Security: Wage bill to increase from 7% of GDP to 10% to reach 352,000 troops and Operations & Maintenance (O&M) from 1% to 10.5% of GDP ($3.5 billion annually in 2011 prices) by 2014/15

Non-security: Civil service wage bill will increase from 5% of GDP to 9%, and O&M spending required to sustain donor capital investments from 1% to 4% by 2014/15 ($1.3 billion in 2011 prices)

Combined, these operating expenditures will be almost twice the size of domestic revenues by 2021/22

The World Bank estimated that Afghanistan’s domestic revenues would continue to rise, but that operating costs would rise much more quickly than revenues. It estimated that security costs could reach 17% of the GDP and that other governmental wages, operating costs, and maintenance costs could reach another 14% of GDP. The current Afghan budget projects some $2.5 billion in outside aid for 2012-2017, but this ignores large amounts of off-budget donor aid. If all such expenditures were included in the cost of replacing items currently covered by the external budget, the total deficit could reach some 25% of the GDP ($7.2 billion in current $US 2011 dollars)

Other working level studies indicate that foreign spending will total some 40% to 75% of Afghan GDP in 2011. No one can currently predict just how serious the drop in outside spending will be by 2014, or in the year beyond, but estimates of the cut in current military spending in Afghanistan range from 70 to 90%.

While it must be stressed that the World Bank is forced to make rough estimates because of a lack of accurate data on military and aid spending, the de facto level of Afghan government spending, and the inability to predict future security and Afghan government capacity – the implications is that these problems almost certainly outpace the level of aid the US, Europe, Russia, China, and other donors will provide.

These estimates are shown in Figure 14, and the key points in the World Bank analysis of future Afghan need for aid are: 85

- 25% of GDP ($7.2 billion in 2011 prices) would still be needed to bridge the gap even in 2021/22
  - While aid could finance any combination of these expenditures, a reasonable option to fill the gap could be:
    - The Afghan budget funds civilian O&M ($1.3 billion) and a contribution to the security wage bill at 2010 level
    - Donors absorb the additional increasing security expenditures (that is, security wages plus security O&M)
    - Donors increase on-budget contributions by around 11% in development budget grants

- Non-security services are threatened by reductions in project-based donor funding and/or by continued underfunding of O&M
  - Risks vary between sectors:
    - Transportation and health are highly vulnerable due to high reliance on donor-funding and low O&M spending
    - Electricity is less vulnerable, due to potential recovery of costs through user fees
    - Although less reliant on donors, O&M in education is underfunded
• Tough expenditure choices need to be made (both by the Government and donors) in dealing with the civil sector:
  o Choosing investment projects that are growth-enhancing and affordable and that can be operated and maintained
  o Prioritizing O&M spending, which will require inter- and intra-sectoral trade-offs
  o Maintaining social spending and delivering basic services (education, health, rural livelihoods)
  o Revenue collection needs to improve to reach planned targets. To minimize leakage:
    o Forcefully implement customs reforms
    o Enhance capacity in tax administration to implement the value-added tax
    o Establish robust accountability mechanisms for managing mineral revenues
    o Government capacity to implement on-budget financing needs to improve

While this may seem “reasonable” to the World Bank, it is far from clear that anything like these totals will come from the outside, and the failure to provide them would crippled the Afghan government in both its security and civil operations. Moreover, this level of aid would only meet Afghan budget requirements. It does not attempt to compensate for the economic impact of massive cuts in spending on military operations.
Transition without Growth and Producing a Possible Recession or Depression

There is equally broad agreement at the working level that most of the growth in the Afghan GDP since 2002 has come from military spending and donor aid, and not from sustainable growth in the Afghan economy. Some experts believe that cuts in foreign spending could reduce the Afghan GDP by some 15% to 40% during transition – the same year that combat troops will be gone and a Presidential election is schedule to take place.

It should be stressed that the ability to conduct such analysis suffers from the fact that the UN, US, other donors, and other international institutions never created a truly credible model of the Afghan economy during ten years of war, estimates of the size and impact of all forms of outside spending, or models that examined the situation that given groups of Afghans faced by sector, region, and class of employment and income distribution. They never based its aid programs on an effective model of the economy, the impact of existing levels of aid, or the impact of outside national and NGO aid.

Similarly, UNAMA failed in its mission of coordinating the overall aid effort, and has never produced a meaningful public analysis of either the economy or aid effort. The World Bank has largely operated from outside the country. While it has attempted to produce a recent analysis of the economy, this analysis is not currently available to outside researchers.

Moreover – as has been noted earlier – the US Department of Defense, ISAF, and other ISAF member countries do not have reliable estimates of the portion of total military spending that is actually spent in Afghanistan. And, these problems are further compounded by the inability to know how much domestic revenue collection actually comes directly or indirectly from activity that is only possible because of vast foreign spending. The World Bank also warned in March 2011 that only about 30% of the Afghan budget was actually discretionary, and that some 70% was non-discretionary carry forward and new expenditure. These rigidities will further limit Afghan ability to respond to outside funding cuts.

In spite of these uncertainties, however, it is all too clear that the Afghan economy could plunge into recession and depression if US, ISAF, and donors make sudden, crippling cuts to their military and aid spending. It is also clear that efforts to disguise this fact by focusing on optimistic estimates of the direct impact of spending cuts that ignore the total direct and indirect impact of cuts in aid and military spending are misleading to the point of being actively dishonest.

These are issues that no amount of obfuscation, conceptual PowerPoints, and political dodging around the issue can deal with. Any US government, UNAMA, or other document that does not explicitly model the full set of risks involved, and set forth a detailed spending program to minimize their impact goes beyond political spin. It is a fundamental failure in ethical behavior and basic professional competence on the part of anyone involved.

This is clear both from recent working studies by individual governments, work being done now on progress by the IMF, and work that has been published by the World Bank. The World Bank notes how dependent Afghanistan is on aid for growth as well as for security and stability:

- Afghanistan remains one of the least developed countries
  - Average GDP growth over FY 2003/04–10/11 was 9.1% (8.4% without “outlier” years)
  - Private investment (8.5% of GDP) and exports (2.5% of GDP) have been low; GDP growth has been mainly driven by consumption
  - Severe constraints to future growth: conflict, landlocked, and narrow economic base
- A nation of 30.6 million people with a per capita GDP of $528 in 2010/11, among the poorest 10 countries
- In 2008, 36% of the population lived below the poverty line; more than half of the population is considered vulnerable
- Infant mortality (134 per 1,000 live births) is highest in the world
- Life expectancy is 48.1 years
- 75% of the population is illiterate
With population growth at 2.8%, Afghanistan needs strong economic growth to reduce poverty and improve development outcomes.

A growth rate of 6% a year would be required to double Afghanistan’s per capita GDP in about 22 years (in about a generation).

The World Bank does not explicitly examine a worst case scenario where the US and other outside powers do not provide significant aid, but Figure 15 does show several cases that warn how much aid transition will to be successful. Figure 16 also provides a rough estimate of the impact of a rapid scale-down of aid – although it should be stressed that the World Bank does not tie the analysis in either Figure to a case where Afghanistan still faces major military challenges in 2014 and beyond, and/or problems in dealing with Pakistan or its own internal divisions.

Even if one only takes account of classic economic effects from cuts in growth – which can only tell part of the story in Afghanistan, the World Bank warns that,

- Disruptions in service delivery will be felt by most households across all provinces
- Direct impact of declining aid on the poor is likely to be modest. Likely reasons:
  - Only a fraction of aid reaches the poor—The majority of aid was directed not to reducing poverty but to improving security and governance
  - Aid has not been well targeted—Direct benefits of aid flows appear to have accrued disproportionately to provinces with less poverty and higher income households
  - Impact is expected to be uneven across provinces—larger in conflict provinces and urban centers because they received most of the aid
  - Declining aid is likely to aggravate underemployment more than unemployment
  - Research suggests that most aid-financed jobs are “casual” (last less than 6 months)
  - Estimates suggest that a $0.5 billion decline in the external budget could affect 11,000–18,000 job opportunities (six-month basis)
  - The job impact will be felt by low-skilled workers in construction, transportation, and retail as well as by higher skilled technical professionals who directly work on aid projects

A separate World Bank document issued in November 2011 provides further insight into the potential impact of spending and aid cuts on the Afghan economy:

- **The extremely high level of current annual aid (estimated at $15.7 billion in 2010) is roughly the same dollar amount as Afghanistan’s GDP and cannot be sustained.** Aid has funded the delivery of essential services including education and health, infrastructure investments, and government administration. There have been substantial improvements in the lives of Afghans over the last 10 years as a result of this effort. But these inflows, most outside the Afghan budget, have been so high that inevitable waste and corruption, aid dependency and use of parallel systems to circumvent limited Government absorptive capacity have impeded aid delivery and the building of a more effective Afghan state.

- **The level of public spending -- both on and off budget -- that has been financed by such high aid flows will be fiscally unsustainable for Afghanistan once donor funds decline.** Lesser amounts, matched by more effective aid delivery could, in the end, lead to some more positive outcomes. The key issue is how to manage this change and mitigate the adverse impacts, and put aid and spending on a more sustainable path for the longer-term. International experience and Afghanistan’s history after the Soviet military withdrawal in 1989 demonstrate that violent fluctuations in aid, especially abrupt aid cutoffs, are extremely damaging and destabilizing.
• **Large financial inflows outside the Afghan budget and fragmented aid in a situation of weak governance have been major sources of rents, patronage, and political power.** This has inadvertently exacerbated grievances and conflicts as the relative strength of elite groups in Afghan society shifted. As aid declines, reliance on the opium economy and other illicit activities could increase. Ensuring that increasingly constrained public funds are well-used reinforces the need to maintain and improve upon the significant progress made by the Finance Ministry in establishing public financial management systems and a robust Afghan budget process.

• **The impact of declining aid on economic growth may be less than expected.** Why? Because most international spending “on” Afghanistan is not spent “in” Afghanistan, and much of what is spent in Afghanistan leaves the economy through imports, expatriated profits and outward remittances. Nevertheless, projections suggest that, under even favorable assumptions, real GDP growth may fall from 9% a year over the past decade to 5-6% during 2011–18. Given Afghanistan’s annual population growth of 2.8%, this would mean only limited improvement in average per capita income, continuing high rates of underemployment and little progress in reducing poverty. Only growth at the very maximum of the range of plausible scenarios would enable Afghanistan to achieve meaningful reductions in poverty and higher average per capita incomes. For example, with real GDP growth of 6% a year, average per capita income – currently one of the world’s lowest at $528 dollars – would take 22 years or about a generation to double.

• **Economic growth is much slower under less favorable scenarios.** The growth projections are based on a set of assumptions (scenarios) related mainly to security, sources of growth, aid levels, and changes in investment climate. If the assumptions in the less favorable scenarios come to pass — for example, if agriculture performance is poor, if major mining investments (Aynak for copper and Hajigak for iron ore) do not materialize, or if aid declines precipitously over the period – then growth could drop to 3-4%. Deteriorating security and governance would lead to further economic decline. The underdeveloped financial sector and low rates of financial intermediation leave little scope for helping Afghan businesses adjust to slowing growth. Conversely, the decline could be partly mitigated by reducing aid in a gradual, planned manner and by increasing the amount of aid that is actually spent within Afghanistan that would result if more aid channeled through the Afghan budget.

• **Underemployment will increase because the activities affected by declining financial inflows (services, construction) are relatively labor-intensive.** Unemployment and especially underemployment in Afghanistan—respectively estimated at 8% and 48%—are already high, even with today’s rapid economic growth. Roughly 6–10% of the working population has benefited from aid-financed job opportunities, most of these in short-term employment. Declining aid, therefore, can be expected to exacerbate underemployment levels (with fewer casual labor opportunities and lower pay for skilled employees).

• **The impact of the decline will affect some groups more than others.** Aid has not been evenly spread across the country. Because of the choices made by donors, and the predominant role of stabilization and military spending, the conflict-affected provinces have had significantly higher per capita aid than the more peaceful (and often poorer) provinces. As a result, the slowdown in aid will be felt more acutely in the conflict-affected areas and in urban centers. If aid declines gradually so that it can be partly offset by growth of the security, mining, and civilian public sectors, the impact could be softened and spread over time. This would allow labor markets more time to adjust.

• **The direct poverty impact of declining international spending might be limited if aid becomes more equally distributed across provinces and the composition shifts toward development programs rather than short-run stabilization activities.** Aid disproportionately devoted to the more conflict-affected provinces has had only a modest impact on poverty. Households in the conflict-affected provinces were less poor on average to begin with, so this concentration of aid inadvertently increased inequality amongst provinces and between groups. National programs delivered through the Government, such as NSP, have benefitted Afghans more equitably.

• **The worst impact of transition will be on the fiscal situation with a projected financing gap of 25% of GDP by 2021/22.** Even assuming ambitious targets for robust growth in domestic revenue are met (with a projected rise from 10% of GDP to more than 17% of GDP a decade from now),
there will be an unmanageable fiscal gap. This gap arises primarily as a result of operations and maintenance (O&M) spending and the wage bill for security that together will be 17.5% of GDP by 2021. The civilian wage bill will increase to 9%, the non-security operation and maintenance (O&M) expenditure to 4%, other operating spending to 2.5%, and the core development budget to 10% of GDP.
Figure 15: Security is Critical for Economic Growth

- The economic outlook is very sensitive to drought, security, changes in fuel and food prices and governance.
- In the more favorable scenarios (BASE and AGRIC-), the economy is projected to grow between 4.5% and 6.2% annually between 2011 and 2018 and converge to around 3–4%—further improvements in investment climate and infrastructure (starting now) could lead to even higher growth (MIN+).
- Any serious deterioration in security or governance (Gov-) could lead to negative growth.

Main assumptions

- BASE: Gradual decline in aid (10% of GDP by 2025); improving investment climate; opium economy assumed to remain constant (no growth); slower/negative growth in construction, transportation, and retail
- AGRIC-: Historical growth rates for agriculture—4% a year on average
- Gov.: Rapid decline in aid, no mining, zero productivity growth, and strong depreciation of capital
- Min+: BASE plus 11 additional mines, all developed over simplified timeframe

GDP growth projections 2011–25: BASE and Sensitivity analysis

Figure 16: How a Scale Down of Aid Would Affect Growth

Main assumptions

- BASE: Gradual decline in aid (10% of GDP by 2025); improving investment climate
- AID: Like BASE, but rapid decline in aid (reaching 10% of GDP in 2018)
- AIDALLOC: Like BASE, but 50% of aid on budget with full execution

GDP growth projections 2011–25: Aid scenarios

A rapid decline of aid would reduce growth to 5.5% until 2018 and around 3% in the long term due to less consumption and investment. This is roughly 1 percentage point on average than the BASE scenario, or roughly 50% less than current growth.

Putting more aid on budget (the AIDALLOC scenario) increases the local content of aid and can mitigate some of the negative impact during the early years of transition—though absorptive capacity constraints remain challenging and need to be addressed.
**Why Mismanaging Transition Could Create Even Worse Conditions for Post Transition Stability**

Gross economic impacts are also only part of the story. The agricultural part of the Afghan economy would be extremely vulnerable to weather problems during this period. Some 30-45% of its GDP comes from agriculture, and a drought in 2008 reduced overall GDP growth from 10% to 5%. Spending cuts could cripple much of the service sector – especially construction and transportation – that now account for some 50% of the GDP. This would have a major impact on urban areas, where political unrest and security problems are most likely to arise from a recession or lack of growth.

Cuts in spending would also hit the hardest in the least secure areas. ISAF and US Embassy estimates indicate that more than three quarters of US assistance goes to the Southeast, and Southwest – the largely Pashtun – provinces. These are also the areas that receive most of the military spending that is actually spent in Afghanistan (the World Bank estimated that external aid to Helmand totaled $350 per person in 2010). At the same time, sensitive urban centers also get “disproportionate” spending. The Kabul district got $480 million of $850 million in US aid disbursements during the 4th quarter of 2010 to the third quarter of 2011.

As has been stressed throughout this analysis, much will depend on how serious the security threat is in 2014 and beyond. Some working estimates indicate that estimates that the total annual budget deficit could easily reach 20-25% by 2014 – and 25-30% by 2021 if Afghanistan funds the ANSF and its security efforts at the necessary level.

Even these estimates are based on uncertain assumptions. They assume that there will not be the same kind of donor rush to the exits and major additional funding cuts after 2014, that the previous analysis shows have occurred in past cases. They do not take account of the fact that many Afghans are likely to take their wealth and leave the country.

They also do not take account of demographic factors that the World Bank and US working studies have shown will be critical:

- **Growth:** With a current population of about 29-31 million, population growth will be roughly 2.5% annually.
  - US Census Bureau estimates that the Afghan population has grown from 8.2 million in 1950 to 26.1 million in 2010 in spite of 30 years of crisis and war.
  - Growth is estimated to reach 32.6 million in 2015, 36.6 million in 2025, and 41.1 million in 2025.

- **Urbanization:**
  - About 76% of the population lives in rural areas with an annual urbanization rate of 5.4% due in large part to job availability and internal displacements.
  - Note: Kabul’s population is about 3 million (500,000 during the Taliban era).

- **Unemployment:**
  - With a labor force of 15 million people, unemployment will increase from its current level of about 35-40% (31% in agriculture, 26% in industry, 43% in services).
  - The World Bank estimated in November 2011 that unemployment and especially underemployment in Afghanistan—respectively estimated at 8% and 48%—are already high, even with today’s rapid economic growth. Roughly 6–10% of the working population has benefited from aid-financed job opportunities, most of these
in short-term employment. Declining aid, therefore, can be expected to exacerbate underemployment levels (with fewer casual labor opportunities and lower pay for skilled employees).  

- Almost 43% of the population is under 15 years of age, leading to a bulge in employable people.
- The lack of jobs, resulting from slowing economic growth, will cause flight from Afghanistan.
- Annual population growth will outpace job creation.
- Best case for full implementation of the “New Silk Road” and other new aid efforts is creating 150,000 jobs over next three years.
- CIA estimates annual increases in labor force may outpace best case impact of NSR over three years. 2010 Estimate is growth of 392,116 males and 370,295 females.

- **Literacy:** 28% literacy of population over 15 years of age (43% male, 12.6% female)

They tacitly assume that there is no increase in the negative economic impacts of the insurgency and civil violence following US and ISAF withdrawal. They ignore the impact on drug production, and the behavior of criminal networks and large numbers of armed men who will suddenly be unemployed. *There is a clear need to do far more to assess the impact of given levels of aid and spending on the fact Afghanistan is still at war, has hundreds of thousands of armed fighters, and faces an unstable Pakistan and insurgent sanctuaries that seem all too likely to survive transition.*

### The Human Impact of “Transition” on a Sub-Subsistence Economy

It is equally important to give gross econometrics a human dimension. Some aid reporting implies Afghanistan has begun to move towards broadly-based, stable development. The UN World Food Program provides a far more realistic picture of the fact that, absent significant external aid, many Afghans still live below the subsistence level. The WFP reports that:

> Afghanistan faces enormous recovery needs after three decades of war, civil unrest and recurring natural disasters. Despite recent progress, millions of Afghans still live in severe poverty with a crumbling infrastructure and a landscape that is suffering from environmental damage. This rugged, landlocked country remains one of the poorest in the world, with more than half the population living below the poverty line. **Nearly one-third of Afghanistan’s people are food-insecure, which means they cannot get enough nutritious food to support an active, healthy lifestyle.**

The 2007-2008 National Risk and Vulnerability Assessment (NRVA) found that **7.4 million people** – nearly a third of the population – are unable to get enough food to live active, healthy lives. Another **8.5 million people**, or 37 percent, are on the borderline of food insecurity. Around **400,000 people each year** are seriously affected by natural disasters, such as droughts, floods, earthquakes or extreme weather conditions.

> …While life expectancy has increased slightly to 44.5 years for men and 44 for women, many of the country’s health indicators are alarming. Along with a high infant mortality rate, Afghanistan suffers from one of the highest levels of maternal mortality in the world (1,600 deaths per 100,000 live births). More than half of children under the age of five are malnourished, and micronutrient deficiencies (particularly iodine and iron) are widespread.

The WFP also notes that aid cuts are already having a major human impact: “Starting this month, WFP is cutting school meals, food-for-training activities and food-for-work programs in about half of Afghanistan’s 34 provinces. WFP hopes to resume these
activities in the near future if funding becomes available. WFP, which is 100 percent voluntarily funded, had originally planned to feed more than 7 million people in Afghanistan in 2011, but a shortage of donor funds means the agency will now only reach about 3.8 million people this year.”

These reports are supported by the recent reports of the UN Secretary General and by the CIA World Factbook, which states:

Despite the progress of the past few years, Afghanistan is extremely poor, landlocked, and highly dependent on foreign aid, agriculture, and trade with neighboring countries. Much of the population continues to suffer from shortages of housing, clean water, electricity, medical care, and jobs. Criminality, insecurity, weak governance, and the Afghan Government's inability to extend rule of law to all parts of the country pose challenges to future economic growth. Afghanistan's living standards are among the lowest in the world. While the international community remains committed to Afghanistan's development, pledging over $67 billion at four donors' conferences since 2002, the Government of Afghanistan will need to overcome a number of challenges, including low revenue collection, anemic job creation, high levels of corruption, weak government capacity, and poor public infrastructure.

The CIA has never revised its estimate that indicates at least a third of the population is unemployed and lives below the poverty line. Moreover, no meaningful estimates now exist of the number of internally displaced persons and the number of Afghans driven into marginal, urban-based lives by security problems, water issues, and population growth.

As for narcotics, after years of optimistic reporting, UNDOC reported on October 11, 2011, that:

Opium poppy-crop cultivation in Afghanistan reached 131,000 hectares in 2011, 7 per cent higher than in 2010, due to insecurity and high prices, said the 2011 Afghan Opium Survey released by the Ministry of Counter Narcotics (MCN) and the United Nations Office on Drugs and Crime (UNODC). "The Afghan Opium Survey 2011 sends a strong message that we cannot afford to be lethargic in the face of this problem. A strong commitment from both national and international partners is needed," said the Executive Director of UNODC, Yury Fedotov.

Farmers responding to the Survey cited economic hardship and lucrative prices as the main reasons for opium cultivation. In 2011, 78 per cent of cultivation was concentrated in Helmand, Kandahar, Uruzgan, Day Kundi and Zabul provinces in the south, and 17 per cent in Farrah, Badghis, Nimroz provinces in the west, which include the most insecure provinces in the country. This confirms the link between insecurity and opium cultivation observed since 2007.

...In 2010, opium yields fell sharply due to a poppy blight, which was a major factor behind the price rise. In 2011, however, yields were back to around 45 kg per hectare, potentially raising opium production to 5,800 tons - up 61 per cent from 3600 tons produced in 2010. Buoyed by higher speculative prices arising from volatile security conditions, the farm-gate income of opium farmers rose markedly. With dry opium costing 43 per cent more today than in 2010, the total farm gate value of opium production is set to increase by 133 per cent: from $605 million to $1,407 million in 2011.

It does not take much vision to calculate what will happen to narcotics, criminal networks, and corruption if the Afghan economy is driven towards recession or depression as part of the transition process.
The US, ISAF, and Afghanistan Cannot Rely on Mines and the “New Silk Road”

It is clear that the US, ISAF, donor countries, and Afghanistan face the prospect of a massive Afghan recession or depression if careful efforts are not made to find the level of funding necessary to help Afghanistan carefully manage slow reduction in its dependence on outside military spending and donor aid.

Afghanistan is not Iraq. It cannot fund transition, and massive economic problems will occur during 2014-2020 if aid is not phased out in ways that allow Afghanistan to ease the impact. These years will be critical since there are literally hundreds of thousands of armed Afghans dependent on outside funding, in addition to the fact that the Afghan government must fund a Presidential election in 2014 – the same year US and ISAF troops are to withdraw.

A working analysis by the US government joins the World Bank and IMF in recognizing that a major planning effort is needed, and makes several generic suggestions to mitigate the impact of cuts in outside spending:

- Channel more aid through the budget and increase Afghan capacity to absorb and use aid effectively by reducing corruption and enhancing financial management;
- Design smaller development contracts with a far larger share for Afghan contractors;
- Sustain military assistance transfers and aid to the ANSF even as troops draw down;
- Afghans should take steps to increase revenues through taxes like VAT, by reducing corruption, and strengthening public financial systems;
- Strengthening the banking system by resolving the banking crisis and developing a more stable banking sector capable and willing to increase credit; and,
- Integrate regional markets, and open US and other Western markets to Afghan exports.
No effort has yet been made, however, to quantify the impact of any such measures, and it is far from clear that they will be adequate. Much will also depend on whether Afghanistan can maintain and grow its service and financial sectors, and achieve enough stability, security, rule of law, and governance to grow its agriculture, power output, and supply of water. Various studies indicate that all three areas have potential, particularly urban services and agriculture.

There are two other sets of proposals, however, whose potential importance to transition seems to have been sharply exaggerated. Transition cannot be successful if it relies on either mining income or a set of projects called the “New Silk Road.”

**A Mining Option for the Future, Not Transition**

The mining option has long-term benefits, but saying that Afghanistan has $900 billion to $1.4 trillion worth of resources in the ground says nothing about what can be done during transition and short and mid-term gains are likely to be limited. A stable, secure Afghanistan with improved lines of communication may be able to generate a major increase in mining revenues over time. The resources shown in Figure 17 have significant mid to long-term potential – although similar estimates have grossly exaggerated real-world commercial potential in past cases.

The practical problem is that Afghanistan is not stable, is not secure, and does not have the lines of communication required for large-scale rapid investment at the level required. Nor can it physically create major mine output and earnings in the short period of time necessary for transition.

Working studies of the potential of the Afghan mining industry warn that growth will be slow, and Russia, China, the US, and Europe are likely to be cautious about investment. An analysis of the prospects for Afghan mining found that the entire sector now accounts for less than 1% of GDP, with public revenues of only $32 million in 2010. Quarries of construction materials account for virtually all employment – tens of thousands of Afghans – while the employment impact of mines like Aynak – which require investments of billions of dollars and 5 to 10 years to develop – is negligible.

The near term increase in earnings from all extractive industries would total around $20-$25 million by 2016. Even assuming full security and rapid investment and development, the maximum increase by 2020 would be around 90,000 jobs (most indirect) and $500 million in added national income.

It will take 10-20 years of steady investment and development on the ground to have a major impact, although important progress could be made in 5-10 years in peaceful and stable areas if Afghanistan can create an investment climate attractive to outside investors. Afghanistan currently ranks 167th out of 183 countries in the World Bank’s 2011 index for ease of doing business, and ranks worst in the world for protecting investors and trading across borders.
The “New Silk Road” is a Poor Cover, Even for an Exit Strategy

Unfortunately, some experts have rushed forward to promote a concept called the “New Silk Road” without adequate analysis, and in ways that suggest they are far more interested in finding a political cover for a rapid exit than a credible approach to reducing the problems of transition.

There is nothing wrong with the concept of building up lines of communication and transport to both develop the Afghan economy and create regional development. Preliminary studies, however, provide a clear warning that even extremely favorable assumptions indicate the “New Silk Road” has no practical prospect of dealing with the near and perhaps mid-term problems of transition.

A study entitled “Afghanistan & Regional Economic Cooperation, Economic Impact Assessment” (Phase I, June 7, 2011) illustrates the challenges involved in making such analyses:
- It assumes a state of peace, effective and relatively honest governance, and the ability to implement projects without criminal or political interference. None of these assumptions seem credible until well after 2014, if then. (See p. vii, 56, 64-65) the study summarizes other critical limitations on p. 11
- The study examines 15 tangible projects and five sets of improvements and reforms in government (p. ii). Many of the 15 projects have no plan or cost benefit analysis as of yet. The five projects involving government require major improvements in governance, legal reforms, reductions in corruption, and levels of security and stability that are highly unlikely to exist. (pp. 50-55.).
- The study does note the need for future critical path analysis (p vii), but uses timescales (p. 8) that sometimes are extraordinarily optimistic, particularly given the fact that five of the 15 tangible projects are not yet scoped to the point where meaningful scheduling and cost benefit analysis is possible.
- It is not possible from the study to clearly determine benefits for Afghanistan versus benefits for outside workers, investors, and countries (p. vi, 2-4).
- The study recognizes that the success of a number of projects is dependent on cooperation from neighboring governments and their development policies but does not analyze whether this is the case in critical countries like Pakistan – where it does not seem to be Pakistani policy (e.g. p. 5, 63).
- Estimates of job creation are uncertain, and generally involve large multipliers of indirect impacts based on examples drawn from other countries, most of which seem to have been more developed, stable, and peaceful (pp. 7, 10). The benefits are reported in terms of jobs create within five years and after five years, although there are now at most three years to transition. If one looks at the details, only 148,988 new jobs would be created even with these assumptions within three years, and the maximum of 824,709 jobs shown for “5+ years” could take 10-15 years to create (p. vi and see individual project analyses).
- These issues are critical, because the study notes that (p. 7) investments need to add 100,000-200,000 new jobs to the economy each year if the unemployment rate is to reduce well below the 35% mark where it is currently stuck. However, CIA World Factbook reports 392,116 males and 370,295 females reached job age in 2010. The US census bureau estimates a population increase from 32.6 million in 2015 to 36.6 million in 2020 – which means an increase of roughly 4 million during the five years in the study estimate versus creation of 824,709 under best case assumptions.
- The study claims significant increases in national per capita income without supporting analysis of the entire Afghan economy, demographics, or economic trends other than the activity in the New Silk Road (pp. vi, 10, 58, Annex 2).
- The Economic Internal Rate of Return (12%) only finds “the projects would be viable under market based financial conditions, and this assessment seems to ignore corruption, problems in government capacity, and security risks in assessing rates of return (pp. v, 56, 59-60).
- A CENTCOM summary of some of the key data involved is shown in Figure 18. USCENTCOM recognizes the need for extensive additional analysis to determine the cost-benefit of such concepts, and the new timeline and funding conditions created by transition. It sets forth the following needs for planning and analysis:
  - Human terrain analysis of PIPs.
  - Assist the Afghan government to complete an Afghan rail plan.
  - Expand map and gap analysis.
  - Economic consequences of the provincial transition.
  - Assess the economic impact of the drawdown on the Afghan economy.
Figure 18: USCENTCOM Summary Data on the New Silk Road

**Costs**

- NSR is not new, it is already underway.
- The NSR is composed of 81 projects costing $47.2 billion.
- $10.0 billion has been spent or committed.
- $28.3 billion in rail, gas pipeline, and mining projects lend themselves to private sector investment.
- Two of the remaining unfunded projects, large hydroelectric projects, valued at $5.8 billion, won’t be started until late in this decade.
- The unfunded balance $4.3 billion.

**The Solution:** Reliance on private sector investors, encouraging U.S. allies to invest more heavily and focusing on projects that only support trans-regional trade.

**Key Projects**

Source: USCENTCOM, August 2011
ANSF Development as a Key Element of Build and Transition

ISAF and its training mission, NTM-A, have made major progress in developing the Afghan forces since 2009, and this progress has accelerated over time. It may be possible to expand all the different elements of the ANSF to over 352,000 men during the period of transition. As the Department of Defense Report on Progress Towards Security and Stability in Afghanistan for October 30, 2011 makes clear, however, there are still many limitations to the ANSF and force development effort:

- Even with this progress, the growth and development of the ANSF continues to face challenges, including attrition above target levels in the ANA and some elements of the ANP, leadership deficits, and capability limitations in the areas of staff planning, management, logistics, and procurement. The ANSF continues to require enabling support, including air (both transport and close air support), logistics, ISR, and medical, from coalition resources to perform at the level necessary to produce the security effects required for Transition. The influence of criminal patronage networks on the ANSF also continues to pose a threat to stability and the Transition process. Further, the drawdown of U.S. and international forces increases the risk of a shortfall of operational partnering resources, which could reduce the ANSF-ISAF operational partnership and may impede ANSF development (p. 12).

- As of September 2011, the MoD is assessed as requiring some coalition assistance to accomplish its mission (a rating of CM-2B, a status it achieved in October 2010). Overall, NTM-A/CSTC-A anticipates the MoD moving to CM-1B by early 2013, with full Transition of most offices and functions to CM-1A by mid-2014 (p. 16).

- Although progress is being observed and assessed in a number of areas across the MoI, challenges remain that must be addressed. Civil service reform, both in personnel management and pay, is a recurring deficiency, both in the MoI and the MoD. The September 3, 2011 Ministerial Development Board recommended that Public Affairs be held in the CM-1B testing phase until civilian pay reform is achieved. The MoI Civil Service Department remains behind schedule largely because it lacks a permanent director and empowerment to effect change, as well as adequate office space, logistical support, office equipment and Internet connectivity needed to accomplish its basic functions. The Civil Service Department also requires support from the MoI senior leadership to implement the Afghan Government Public Administration Reform Law and to include conversion to the reformed pay scale. A strong partnership with provincial governors is required to improve hiring at the provincial level. The challenges surrounding civil service reform have already impeded Public Affairs’ advancement and could obstruct overall MoI capacity, progress, and sustainment (p. 18).

- Shortfalls in the institutional trainer requirements set forth in the CJISR still exist and continue to impede the growth and development of the ANSF. CJISR v11.0 is the current document supporting trainer requirements. As of the end of the reporting period, the shortfall in institutional trainers is 485, a decrease of 255 from the March 2011 shortfall of 740, with 1,816 deployed trainers currently in-place against the total requirement of 2,778. The United States currently sources 1,331 non-CJISR trainer positions. In order to temporarily address the NATO CJISR shortfall and fill the U.S.-sourced non-CJISR requirements as quickly as possible, the United States has implemented a series of requests for information from other coalition partners, including unit-based sourcing solutions to address short-term training needs. (p. 18-19).

- In order to maintain the accuracy of personnel figures, NTM-A/CSTC-A continues to review and revise the end-strength reporting process. During the reporting period, this constant review process highlighted a failure to report training attrition, which has resulted in a large discrepancy between actual and reported ANA end-strength numbers. After agreeing upon an accurate end strength for September, NTM-A and ANA leadership implemented new policies and procedures to ensure training base attrition is accurately reported in the future. Strong leadership within the ANA Recruiting Command (ANAREC) and effective and mature processing within National Army
Volunteer Centers, which induct recruits into the ANA, has enabled adjustments to current recruiting plans in order to prevent delays in achieving the objective end-strength levels. NTMA/ CSTC-A continues to work closely with and support the ANA in rectifying manning issues to ensure growth to the JCMB-endorsed ANA end-strength goal of 195,000 personnel by the end of October 2012 (p. 22).

- Although recruiting and retention are continuing at a strong pace, if the high levels of attrition seen during this reporting period continue, there is a risk that the ANA will not be able to sustain the recruitment and training costs currently incurred to achieve the October 2012 growth goal. Historic trends show that attrition is seasonal, rising in the fall and winter and declining in the spring. The main causes of attrition in the ANA are poor leadership and accountability, separation from family, denial of leave or poor leave management, high operational tempo, and ineffective deterrence against soldiers going absent without leave (AWOL) (p. 22). Nevertheless, President Karzai issued a decree in April 2011 renewing the policy of amnesty for AWOL officers, NCOs, and soldiers who return to their units voluntarily until March 2012. This extension has the potential to impede the ANA’s ability to decrease attrition.

- The ANA is projected to still have only 57,600 NCOS to meet a requirement of 71,900 in November 2012.

- The AAF’s long-term development strategy includes the creation of an air force that can support the needs of the ANSF and the Afghan Government by 2016. This force will be capable of Presidential airlift, air mobility, rotary and fixed-wing close air support, casualty evacuation, and aerial reconnaissance. The AAF also plans to be able to sustain its capacity through indigenous training institutions, including a complete education and training infrastructure. The air fleet will consist of a mix of Russian and Western airframes. Afghan airmen will operate in accordance with NATO procedures, and will be able to support the Afghan Government effectively by employing all of the instruments of COIN airpower. This plan, however, is ambitious, and is indicative of the tension between Afghan Government aspirations, necessity, and affordability (pp. 31-32).

- Despite indicating positive developments in ANP force generation, NTM-A recently determined that 3,940 officers and 6,733 patrolmen were filling NCO billets; large numbers of officers and patrolmen placed against vacant NCO positions overstates the development of the NCO ranks. Removing officers and patrolmen from NCO-designated positions would result in an actual officer strength at 102 percent, patrolmen strength at 113 percent, and NCO-assigned strength at 66.7 percent against authorized positions. NTM-A and IJC, along with ANP leadership, will focus on growing the NCO corps by 12,700 in order to close this gap (p. 34).

- Untrained patrolmen remain the biggest challenge for the AUP and NTM-A/CSTC-A, and the MoI continues to push the recruiting base in order to ensure all available training seats are used. As of September 2011, the AUP had a total of 11,919 untrained patrolmen and NCOs. AUP attrition remains the lowest of all police pillars at 1.3 percent, and has consistently remained below the monthly attrition objective of 1.4 percent for the last 11 months (November 2010 -September 2011) (p. 36).

- As of September 2011, the Afghan Border Police (ABP) end strength was 20,852 personnel. The ABP remains on schedule to meet all growth objectives for officers and patrolmen, but remains short of NCOs, with only 3,800 of an assigned total of 5,600. This shortfall, as well as the shortfall of untrained patrolmen, remains the primary focus for training efforts.

- Although overall attrition in the ANP has remained near target levels for the past year, high attrition continues to challenge the ANCOP in particular, which has experienced an annual attrition rate of 33.8 percent; although this has decreased significantly from 120 percent annual rate in November of 2009, it remains above the accepted rate for long-term sustainment of the force. As a national police force rotating from outside areas, it has avoided the corruption that was once seen in other police pillars. Although ANCOP units’ effectiveness initially suffered from runaway attrition that stemmed largely from extended deployments and high operations tempo, the adoption of a 12-week recovery and retraining period between deployments has improved this situation.
- Building a capable and sustainable ANP depends on acquiring the equipment necessary to support the three basic police functions: shoot, move, and communicate. Accordingly,
- significant equipment uplift for the ANP began during the reporting period, which is expected to increase the ANP’s on-hand equipment to approximately 80 percent by the spring of 2012. Despite progress, however, the ANP remains under-equipped as a result of fielding challenges. Due to these shortages, the MoI has developed fielding priorities based on operational requirements. To address the delay in processing supply/equipment requests, the MoI Material Management Center established a Customer Care Center in April 2011. This single point-of-entry clearing house for supply/equipment requests has been a success, significantly reducing response times (pp. 37-38).
- The ANP’s logistics system remains particularly limited, both in facility development and in assigned and trained logistics personnel. The biggest challenge in developing logistics support to the ANP is the hiring and training of civilian personnel, as civilians make up 50 percent of the logistics workforce. Civilian hiring will continue to be a challenge until the MoI institutes civil service reforms (p. 39).
- Successful Transition of the lead for security responsibilities to the ANSF is heavily dependent on a healthy, sustained partnering and advising relationship. These security assistance relationships create the conditions by which ANA and ANP forces can develop and become effective in defeating the insurgency, providing security for the local population, and fostering legitimacy for the Afghan Government. These relationships provide the ANSF with the ability to operate in a complex, counterinsurgency environment while also providing operational space and timing to man, equip, and absorb critical training. As the ANSF continues to grow and the U.S. and coalition forces begin to draw down, the gap between the requirements for partnering and available resources will grow. This gap threatens to undermine force development and may pose a risk to the Transition process. As a result, IJC is currently reviewing all partnering relationships to align with projected force levels and ensure resources are used to the greatest effect in the areas where they are most needed. As of September 30, 2011, there are seven critical shortfalls for the ANA and 88 shortfalls in the ANP in focus districts (31 AUP, 22 ANCOP, and 35 ABP). These shortfalls do not account for U.S. forces departing theater without backfills due to the ongoing surge recovery, and shortfalls are expected to increase as U.S. and coalition forces continue to draw down (p. 40).
- In August 2011, the total number of reporting ANA units in the field increased to 204, and the number of units achieving an operational effectiveness rating of “Effective with Assistance” or higher was sustained at 147; alternatively, 37 units (18 percent) of fielded ANA units are in the lowest assessment categories, “Developing” or “Established,” due to an inability to perform their mission or the immaturity of a newly-fielded unit. Even the ANA’s highest-rated kandak, 2nd kandak, 2nd Brigade, 205th Corps, which achieved the rating of “Independent,” remains dependent on ISAF for combat support and combat enablers. In locations without a large ISAF footprint, the ANA has exhibited little improvement and there is little reporting on their operational strengths and weaknesses. These units are typically located in the west and far northeast regions (p. 43).
- The ANP has demonstrated improvement in its ability to conduct limited, independent policing operations and to coordinate operations with other ANSF elements. These improvements are largely attributable to a number of exogenous factors, including low insurgent threat levels in the given operating environment and ISAF enablers. ISAF mentor reporting shows that the majority of ANP units still rely heavily on coalition assistance, especially in contested areas. As with the ANA, the operational performance of ANP units is also suffering from U.S. and coalition force reductions. Each of the three ANP pillars saw an increase in the number of units that were not assessed due to recently-fielded units that are not reporting or not partnered due to lack of available coalition forces. Within the ABP, 11 of the 12 units were not assessed due to long standing partnering shortages. Additionally, four ANCOP kandaks located throughout theater were not assessed. Finally, within the AUP in key terrain districts, 17 of the 22 units not assessed were in RC-C (p. 44).
- Currently, the MoI Force Readiness Report is the Afghan system for reporting ANP data. Unfortunately, at this time, the report only focuses on the statistics for personnel and equipment: shoot, move and communicate. There are no ratings associated with the data and no commander’s
assessment or narrative comments to describe issues and challenges. The positive aspect of the report is that the MoI collects, aggregates, and builds its own reporting products with minimal coalition oversight (p. 46).

And – as the analysis of tactics has stated – the entire police development effort is limited by the lack of progress in governance, creating the other elements of rule of law, and the permeating climate of corruption, interference by power brokers, and the impact of criminal networks. Moreover, political pressure is already growing that can divide the ANSF by ethnicity and may be a prelude to post withdrawal power struggles.

It should be stressed that the same DoD report also provides a long list of areas of progress, and that all the critical problems in the ANSF may well be solvable with time and funds. Figure 13 shows, however, that past funding levels and plans are grossly unsustainable in today’s political and budget climate, while the race to withdraw US and allied forces is already underway.

NTM-A and ISAF have already taken steps to adapt to the new timescale and funding levels they face. They have cut the future level of resources, but they have not yet openly changed force goals that are highly ambitious, may be unfundable after 2014, and stress the entire system. SIGAR notes that the force strength of the ANSF, as of August 2011, was 305,198 (169,076 in the ANA; 136,122 in the ANP). In June 2011, the Joint Coordination and Monitoring Board (JCMB) approved an increase of the ANSF strength to 352,000 —195,000 in the ANA and 157,000 in the ANP.

This leaves three options:

- Fund and support the ANSF plan in something approaching its current character for as long as it takes to defeat the insurgents, if – as now seems almost totally unlikely – this proves possible.
- Act immediately to reshape the ANSF plan to create more realistic goals and costs without false optimism, and seek Congressional and Allied support for a smaller, cheaper, and still effective force.
- Go on to force NTM-A and ISAF to downsize resources while keeping the current force goals, and create a hollow force that will be unsustainable after transition – repeating the mistake made in Vietnam on a very different level.

On the one hand, it would be tragedy not to build on the progress made by NTM-A and ISAF. On the other, it should be stressed that the worst option is to gradually create a façade of an exit strategy by cutting funds, time, and people even further. As is the case with every element of Transition, there is no point in succeeding in one part of transition if a plan cannot be funded and executed that deals with all of the problems of strategic failure listed at the start of this analysis.

Figure 13: ANSF Funding Levels: Past and Projected

Past and Current Spending on ANSF
The Problem of Pakistan

At some point the US, Britain, and other ISAF nations will have to come to grips with the fact that it now seems highly uncertain that Pakistan will take decisive action against the Afghan insurgent groups and sanctuaries in Pakistan, or cease to try making at least
southern and eastern Afghan a zone of Pakistani influence, during transition from 2012-2014 or at any predictable point from 2015 onwards.

It may well be true in the abstract that Pakistan has as much to fear over time from its support of extremist groups as Afghanistan or its neighbors, and badly needs outside aid in development. It is equally true that the India-Pakistan conflict over Kashmir has done immense harm to its development, and that – in theory – some form of settlement over both its tensions with India and over its border with Afghanistan would be to Pakistan’s advantage.

There is little near term prospect, however, that Pakistan’s politics will permit this, or that anything more can be done that negotiations that have already been going on for years and produced little more but rhetoric, gestures, and new rounds of meetings. Transition and its aftermath cannot be planned or implemented on the basis of hope. As has been discussed earlier, Pakistan has had different strategic interests in Afghanistan from the start and now sees the US and ISAF as leaving the region. Moreover, the military tensions and problems the US now faces with hostile Pakistani politics and political parties are not ones that the US has any clear way to counter.

Barring some major and unpredictable shift in Pakistani policy, the US and its allies can expect tense and uncertain relations indefinitely into the future. It is unclear that this will ever fully close the US and ISAF supply routes through Pakistan, but Pakistan does seem likely to permanently expel the small groups of US forces that have been in country, as well as close the US UCAV base in Pakistan.

US aid does give the US some leverage, and Figure 14 shows that the US authorized a total of $14.615 billion in security assistance from FY2002 to FY2011, and requested another $1.6 billion in FY2012. It authorized a total of $7.72 billion in security assistance from FY2002 to FY2011, and requested another $1.1 billion in FY2012. The Congress also passed the Enhanced Partnership with Pakistan Act of 2009 – or Kerry-Lugar-Berman bill – which provides up to $1.5 billion a year more in economic aid, or $7.5 billion over five years.

An analysis by the Congressional Research Service shows that Pakistan has gotten major arms transfers through this aid:

### Major post-2001 defense supplies provided, or soon to be provided, under FMF include:

- Eight P-3C Orion maritime patrol aircraft and their refurbishment (valued at $474 million);
- About 5,250 TOW anti-armor missiles ($186 million; 2,007 delivered);
- More than 5,600 military radio sets ($163 million);
- Six AN/TPS-77 surveillance radars ($100 million);
- Six C-130E transport aircraft and their refurbishment ($76 million);
- Five refurbished SH-2I Super Seasprite maritime helicopters granted under EDA ($67 million);
One ex-Oliver Hazard Perry class missile frigate via EDA ($65 million);

- 20 AH-1F Cobra attack helicopters via EDA ($48 million, 12 refurbished and delivered);

- 121 refurbished TOW missile launchers ($25 million).

Supplies paid for with a mix of Pakistani national funds and FMF include:

- Up to 60 Mid-Life Update kits for F-16A/B combat aircraft (valued at $891 million, with $477 million of this in FMF, Pakistan currently plans to purchase 35 such kits);

- 115 M-109 self-propelled howitzers ($87 million, with $53 million in FMF).

Notable items paid or to be paid for entirely with Pakistani national funds include:

- 18 new F-16C/D Block 50/52 combat aircraft (valued at $1.43 billion; none delivered to date);

- F-16 armaments including 500 AMRAAM air-to-air missiles;

- 1,450 2,000-pound bombs;

- 500 JDAM Tail Kits for gravity bombs; and 1,600 Enhanced Paveway laser-guided kits, also for gravity bombs ($629 million);

- 100 Harpoon anti-ship missiles ($298 million);

- 500 Sidewinder air-to-air missiles ($95 million);

- Six Phalanx Close-In Weapons System naval guns ($80 million).

While the Pentagon notified Congress on the possible transfer to Pakistan of three P-3B aircraft as EDA grants that would be modified to carry the E-2C Hawkeye airborne early warning suite in a deal worth up to $855 million, this effort has not progressed beyond the notification stage. Other major EDA grants since 2001 include 14 F-16A/B combat aircraft and 39 T-37 military trainer jets. Under Coalition Support Funds (part of the Pentagon budget), Pakistan has received 26 Bell 412 utility helicopters, along with related parts and maintenance, valued at $235 million. Finally, under 1206, Frontier Corps, and Pakistan Counterinsurgency Capability Fund authorities, the United States has provided helicopter spare parts.

Nevertheless, the US budget crisis and growing US tensions with Pakistan make it increasingly unclear that the US Congress will sustain anything like the maximum levels that have flowed in the past or called for in the Enhanced Partnership with Pakistan Act of October 2009. Moreover, Pakistan almost certainly sees US aid as ending or being reduced to far smaller levels as the US disengages from Afghanistan.

The also is a strong case for the US to use aid to focus on the future stability of Pakistan. This would mean using aid, and trade and investment incentives, as part of a carefully planned and managed effort to support Pakistan civil government and enhance Pakistani economic stability, rather than use a military aid dominated program as a de facto bribe to influence Pakistani policy towards to Afghanistan or seek regional solutions that ignore Pakistan’s needs and deep internal problems in using aid.
Once again, however, this requires major internal shifts in Pakistan’s politics and leadership. The problems the US faces in using aid and diplomacy is further complicated by the fact that US and Pakistan have been through this cycle before – although Pakistan conveniently ignores the fact the past cuts offs in US aid occurred because it drove a nuclear arms race with India, knowing for years that US legislation would cut off aid if it pursued this path. Figure 15 shows how the timelines and levels of US aid to Pakistan ebbed and flowed in the past. Pakistan may be right to say that US aid has been linked to US strategic interests; but it is scarcely honest in claiming to have been abandoned and has no right to assume that US aid will flow if US and Pakistani strategic interests come into conflict.

This raises a key issue for US and allied policy in the future. It is all very well to continue seeking regional solutions, but decades of effort are warning about future success. Regional economic cooperation can offer some benefits. However, as the previous analysis has shown, the work of the IMF, World Bank, and Asian Development Bank does not offer the prospect of major successes that will have a major impact on Afghanistan and Pakistan in the time before transition in 2014, or in the real world until after 2020-2024 at the earliest. Moreover, studies that focus on Afghan needs generally ignore the fact that Pakistani development has many higher priorities and is focused on China and exports by sea.

Pakistan’s nuclear status, and the fact it remains a sanctuary for Islamist extremists and terrorists, also give it a strategic importance that is both substantially greater and very different in structure from Afghanistan. The US and Europe (in practice led by the UK) will have to work out transition and future Afghan-Pakistani relations as best they can. What is steadily more questionable is that US and European relations with Pakistan will reach full agreement and cooperation over Afghanistan.

Figure 14: Direct Overt U.S. Aid Appropriations and Military Reimbursements to Pakistan, FY2002-FY2012.

(Rounded to the nearest millions of dollars)
The US has Congressional Research Service, *Direct Overt U.S. Aid Appropriations and Military Reimbursements to Pakistan, FY2002-FY2012*. Distributed to congressional offices, August 9, 2011
Figure 14: The Flow and Ebb of US Aid to Pakistan: 1948 to 2011

Conclusions

The time will come when powers like China and Russia will play a critical future role in the security, stability, and development of Afghanistan and Pakistan. That time is not predictable given the current problems in both states. There is a “new great game” being played in other parts of Central Asia, but neither Russia nor China has predictable incentives to engage in Afghanistan or Pakistan at levels that will ease the problems the US, Europe, and other ISAF and donor states face during transition. In the real world, the success of transition will depend on US, European, and other existing countries that already have forces or donate significant aid to Afghanistan.

The success of such US, European, and donor efforts is highly uncertain. Studies by the World Bank, and ongoing studies by the IMF, the US, and key European governments show that “transition” requires massive levels of continuing aid to avoid triggering major security and stability problems. However, many US and European actions have begun to look like a cover for an exit strategy from Afghanistan, and the US has never provided a credible set of goals – indeed any goals at all – for the strategic outcome it wants in Pakistan. Unless the US and Europe do far more to show it can execute a transition that has lasting strategic benefits in Afghanistan and Pakistan well after 2014, it is all too likely to repeat the tragedy of its withdrawal from Vietnam.

Such a strategic failure may not mean outright defeat for the US or its allies, although this is possible. It is far from clear that the Taliban and other insurgents will win control of the country, that Afghanistan will plunge into another round of civil war, or that Afghanistan and Pakistan will see the rebirth of Al Qaida or any other major Islamist extremist or terrorist threat. However, the human and financial costs have already outstripped the probable grand strategic benefits of the war.

This presents major problems for a successful “transition.” US, IMF, and World Bank working studies indicate that major flows of carefully focused US and European aid might lead to a stable transition if the war makes major progress in defeating the insurgents at the political as well as military level, if Afghan forces become effective enough to replace the US and ISAF, if Afghanistan can achieve enough political stability and reduce corruption, if Afghan governance improves at every level, and if insurgent sanctuaries and Pakistan’s actions in Afghanistan do not have a crippling impact.

The practical problem is that the US and Europe must begin to act almost immediately to deal with the near term challenges Afghanistan faces. There are only three years left before transition in 2014, and there are no magic bullets that offer rapid growth and prospects for stability before 2020. Aid and development plans must focus on Afghanistan’s real world problems and capacities, begin to be implemented in 2012, and be consistently implemented for at least half a decade at levels the US, Europe, and other donors may be unwilling to spend and require far more demanding levels of action and reform from the Afghan government than it has provided to date.

Some form of success (or limited failure) may still be possible, but little that the US and European governments have actually done to date raises a high probability that this will be the case. There are four critical areas wherein any lasting level of success is now unlikely:
• **Strategic failure?** The US, ISAF, and donors have not shown that they can bring about enough of the elements required to create Afghan security and stability in a way that creates more than a marginal possibility that Afghanistan will have a successful transition by 2014, or at any time in the near future. They have never announced detailed plans and funding programs that would make this possible. It has no strategic plans or clearly defined goals for Pakistan, although it has far more strategic importance than Afghanistan.

• **Talk Without Hope:** It is far from clear that any major insurgent faction feels it is either losing, or cannot simply outwait, US and allied withdrawal. Nor is it clear that Pakistan will seriously attempt to eliminate insurgent sanctuaries within its borders. If insurgents do choose to negotiate it may well be because they feel the US, allied, and GIRQA position is becoming so weak they can use diplomacy as a form of war by other means and speed their victory through deception and by obtaining US, allied, and GIRQA concessions. They have already used similar tactics in Helmand and Pakistan, and Nepal and Cambodia are warnings that “talk” may do little more than cover an exit.

• **Tactical Success?** The very real gains the US and ISAF have made in the south may not be possible to hold if the US moves forces east, and the US and ISAF are cutting forces so quickly that it is doubtful they can achieve the goals that ISAF set for 2012. ANSF development is being rushed forward as future resources are being cut, and it is far from clear that the insurgents cannot outwait the US and ISAF and win a war of political attrition without having to win tactical battles in the field. The ISAF focus on significant acts of violence is a questionable approach to assessing both tactical and strategic progress, and ANSF transition has been little more than political symbolism.

• **Spend Not Build?** The latest Department of Defense, SIGAR, and World Bank reports do little to indicate that US and allied efforts to improve the quality of government, the rule of law, representative democracy, and economic development are making anything like the needed level of progress. They are a warning that Afghanistan and the Afghan government may face a massive recession as funding is cut, and the dreams of options like mining income and a “New Silk Road” are little more than a triumph of hope over credible expectations. Once again, the very real progress being made in the development of the ANSF is being rushed as future funding is being cut, and it is unclear that current gains will be sustained or that the US has sufficient time left in which to find credible answers to these questions, build Congressional, domestic, and allied support, and then to begin implementing them. It is now entering the 11th year of a war for which it seems to have no clear plans and no clear strategic goals. The new strategy that President Obama outlined in 2009 is now in tatters.

Even if the US and Europe do act, success is uncertain. Afghanistan may have even less success than Iraq in building a functioning democracy with control over governance, economic development, and security. Worse, Pakistan is far more strategically important and is drifting towards growing internal violence and many of the aspects of a failed state.

There is a “new great game” being played in other parts of Central Asia, but neither Russia nor China has predictable incentives to engage in Afghanistan or Pakistan at levels that will ease the problems the US, Europe, and other ISAF and donor states face during transition. In the real world, the success of transition will depend on US, European, and other existing countries that already have forces or donate significant aid to Afghanistan.

The success of such US, European, and donor efforts is highly uncertain. Studies by the World Bank, and ongoing studies by the IMF, the US, and key European governments show that “transition” requires massive levels of continuing aid to avoid triggering major security and stability problems. President Karzai requested some $10 billion at year through 2025 at the Bonn Conference in December 2011, or roughly $120 billion over the entire period. In practice, this some is minor compared to the total war to the US and ISAF of some $140 billion in FY2011, and almost certainly is too low to deal with the cost
of funding the Afghan National Security Forces during transition and coping with the loss of US and ISAF military spending during 2012-2014 and the probable cuts in donor civil aid.

Yet, many US and European actions have already begun to look like a cover for an exit strategy from Afghanistan, and the US has never provided a credible set of goals – indeed any goals at all – for the strategic outcome it wants in Pakistan. Unless the US and Europe do far more to show it can execute a transition that has lasting strategic benefits in Afghanistan and Pakistan well after 2014, it is all too likely to repeat the tragedy of its withdrawal from Vietnam.

Furthermore, if Afghanistan does get enough outside funding to avoid an economic crisis and civil war after US and allied withdrawal, it will remain a weak and divided state dependent on continuing US and outside aid through 2024 and beyond, confining any strategic role to one of open-ended dependence. As for a nuclear-armed Pakistan, it is far more likely to be a disruptive force in Afghanistan than a constructive one, and there is little sign it will become any form of real ally or effectively manage its growing internal problems.

There are no obvious prospects for creating stable relations with Pakistan during the transition process, or for creating a stable Pakistani. The Karzai government barely functions, and new elections must come in 2014 – the year combat forces are supposed to leave. US and allied troop levels are dropping to critical levels. No one knows what presence – if any – would stay after 2014. Progress is taking place in creating an Afghan army, but without a functioning state to defend, the ANSF could fragment. Far less progress is taking place in creating the police and justice system. Massive aid to Afghanistan has produced far too few tangible results, and the Afghan economy is likely to go into a depression in 2014 in the face of massive aid and spending cuts that will cripple both the economy and Afghan forces.

Plans that focus on the period after 2014, or the role other powers might play are of little practical value. The key question now is whether the US and key European states can move almost immediately from concepts and rhetoric to working with Afghanistan, Pakistan, and international agencies like the World Bank and IMF to create a credible transition plan that can secure popular and legislative support and funding during 2012 to 2014 and beyond. It is time the US and Europe faced these issues credibly and in depth. They must either provide a transition plan and promises of future funding for Afghanistan that either provides a credible path to “transition” – with prospects for success – or focus on an exit plan that reflects at least some regard for nearly 30 million Afghans and our future role in the region. It needs to consider what will happen once the US leaves Afghanistan and what longer term approaches it should take to a steadily more divided and unstable Pakistan.

During this process, the US will be the major actor involved and must be the major source of funding. The US needs to take immediate action to work with its European and other allies, ISAF, the World Bank, IMF, and UN to develop a detailed transition plan that spells out exactly how the US, Europe, and donor states should phase down their civil and military efforts, what steps they will actually take to ensure that transition is stable through 2014, and develop a clear estimate of the probable cost to ensure such efforts are realistic and affordable.
If the US is to have any hope of bringing its European allies along at the required level of effort, it must show them – and Afghanistan and Pakistan – that it has the domestic support to act. This means it needs a meaningful action plan that Congress, the media, area experts, and the American people can debate and commit themselves to supporting no later than Congressional approval of the FY2013 US budget. If President Obama cannot provide such a plan within several months, and then win the support necessary to implement it, any hope of salvaging lasting success in the war will vanish.

Even if the US and its key European allies do act on such a plan, and provide the necessary resources to Afghanistan, they will still face a more critical strategic challenge. Pakistan is both the real strategic center in the conflict and its most dangerous wild card. It may become progressively more unstable regardless of US aid and actions in Afghanistan. Any de facto “exit strategy” that suddenly cuts off US aid to Pakistan, or produces an even more serious level of confrontation between the US and Pakistan during the entire transition process will make this future almost inevitable and probably cripple transition in Afghanistan as well.

If the insurgents keep their sanctuaries in Pakistan and outwait the US and Europe in the transition process, the most likely post-2014 outcome in Afghanistan is not the successful transition to a democratic Afghan government with control of the entire country. Nor is it likely that the Taliban and other insurgents will regain control of the country. Rather, the most likely outcome is some sort of middle ground where the insurgents control and operate in some areas, while others are controlled by the Northern Pashtuns and other Afghan ethnic factions. Some form of the Northern Alliance is likely to appear, and the role of the central government in Kabul would be limited or caught up in civil conflict.

In short, even if the US and Europe do act to support “transition” effectively, the outcome is unlikely to be what some US policymakers have come to call “Afghan good enough,” or a stable Pakistan. It will be “Afghan muddle through,” and an unstable Pakistan driven by its internal problems and tensions with India. As for Russia, China, and other regional states; they will have to react to whatever emerges as the result. This will not, however, be some form of idealized regional cooperation. It will be a game of nations in which both the “great” and regional powers remain driven largely by opportunism and their own disparate interests.


6 Congressional Research Service, *Direct Overt U.S. Aid Appropriations and Military Reimbursements to Pakistan, FY2002-FY2012*, Distributed to congressional offices, August 9, 2011

7 http://www.cgdev.org/section/initiatives/_active/pakistan/numbers


12 The EIA, *International Energy Outlook, 2011*, is the only document that provides detailed country projections. The rest are on computer data bases. Afghan and Pakistani output is too small to be listed for either oil or gas through 2035. (See pp. 229-246 for oil and pp. 275-278 for gas,


For a good summary analysis of the issues involved, see the Nuclear Threat Initiative (NTI), NTI, China's Missile Exports and Assistance to Pakistan, http://www.nti.org/db/china/mpakpos.htm and NTI, China's Missile Exports and Assistance to Pakistan, http://www.nti.org/db/china/mpakpos.htm.

For an opposing view, see Dr. Rashid Ahmad Khan, The Pakistan-China Strategic Partnership, China.org.cn, http://www.china.org.cn/opinion/2011-05/20/content_22605398_2.html. The port will allow China to secure oil and gas supplies from the Persian Gulf and project its power in the Indian Ocean. China has financed 80 percent of the $300 million cost, and is also funding the construction of a rail-road network connecting China with the port through Central Asia and Pakistan, turning Pakistan into an energy and trade corridor for China. The oil and gas supply line through Pakistan is a safer, shorter and cheaper alternative route to the Malacca Straits, which is vulnerable to attacks by pirates and passes through a region dominated by the United States.

The importance of Gwadar for China can be gauged from the fact that China is the largest consumer of oil after the United States. Its consumption is expected to double by 2025 with 70 percent coming from the Middle East and the Persian Gulf. Gwader offers the closest access point to these regions for China. Gwader will provide an overland energy corridor to the western Chinese region of Xinjiang, shortening the journey by 12000 miles. The route will also bring substantial benefits to Pakistan, making it one of the region's largest energy players. According to one estimate, Pakistan will be earning $60 billion a year in transit fees in 20 years time.


http://www.cgdev.org/section/initiatives/_active/pakistan/numbers


http://www.unhcr.org/4dfa11499.html


Coll, p. 431

Ansari, p. 182

Keddie, p. 330


http://www.economist.com/node/18014604

http://www.rand.org/content/dam/rand/pubs/occasional_papers/2011/RAND_OP322.pdf, pg. 8


http://www.insideiran.org/analysis/iran-uses-karzai-visit-to-show-regional-support/

http://www.reuters.com/article/2011/06/18/us-iran-afghanistan-visit-idUSTRE75H1FN20110618

http://www.acus.org/new_atlanticist/india-iran-afghanistan-corridor


• Total Public Expenditures — funds spent to provide public services to the Afghan population; the sum of on-budget and off-budget public expenditures. We based our analysis on reported expenditures, not on budget estimates.

• On-Budget (Core) Expenditures — public expenditures that are in GiroA’s budget funded by domestic revenue and donor contributions, such as donor contributions for wages and salaries of government employees.

• Off-Budget (External) Expenditures — public expenditures that are outside of GiroA’s budget and are 100 percent donor funded, such as infrastructure projects.

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76 SIGAR, Quarterly Report to US Congress, October 30, 2011, pp. 87-88


81 World Bank, March 14, 2011.


84 UN World Food Program, http://www.wfp.org/countries/Afghanistan/Overview


94 SIGAR, *Quarterly Report to the US Congress*, July 30, 2011

95 Congressional Research Service, *Direct Overt U.S. Aid Appropriations and Military Reimbursements to Pakistan, FY2002-FY2012*. Distributed to congressional offices, August 9, 2011

96 http://www.cgdev.org/section/initiatives/_active/pakistan/numbers

