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Chairman
Subcommittee on National Security and Foreign Affairs
Committee on Oversight and Government Reform
U.S. House of Representatives

Hearing on “U.S. Promotion of the Afghan Economy: Impediments and Opportunities”

As Prepared for Delivery

July 14, 2009

Good morning. Today the Subcommittee will take a look at the economic dimensions of U.S. efforts in Afghanistan.

Afghanistan’s stability will depend, in large part, on what the U.S, our partners and allies, and, most critically, the Afghans themselves, do over the coming several years to bring economic progress to a population ravaged by 30 years of war.

Observers note that the Taliban originally secured a foothold in Afghanistan, in part, because severe poverty continually dashed hopes for a better life. For the average Afghan, life was simply getting worse with no good prospects for improvement anytime soon.

The Afghan central government was unable to provide even the most basic services like electricity and potable water, justice was either slow, arbitrary, or non-existent, unemployment topped 50%, and police were either absent or corrupt. Roads and irrigation canals had fallen into disrepair, and the once productive agricultural base was so severely degraded that farmers, to make a decent living, chose to grow poppies rather than traditional products like wheat, dates, and pomegranates. In short, following the Soviet withdrawal, the Taliban offered a different, albeit tyrannical, vision for Afghans increasingly weary of endless conflict and growing personal insecurity. And while the average Afghan was not supportive of the Taliban per se, the post-Soviet era was so adverse that the Taliban were able to find a toehold and eventually a safe heaven.

After the fall of the Taliban and arrival of the United States and NATO, there have been modest economic gains. Afghanistan has experienced rapid growth on the strength of the international donor community, especially the United States as its largest donor. More than \$2.4 billion in new investment has been registered since 2003 – two-thirds of which represent public investment financed through donor aid, and one-third foreign direct investment. As a result, in 2008, in terms of GDP growth rate, Afghanistan ranked 24th out of 231 countries, with a 2008 real GDP growth rate of 7.5%. Unfortunately, at present, this silver lining does not obscure the dark and ominous cloud over Afghanistan’s economy.

Today, after almost ten years and \$37 billion dollars of U.S. taxpayer funds, Afghanistan is still one of the five poorest countries in the world. Transparency International rates Afghanistan as one of the most corrupt countries in the world – 176th out of 180. A 2009 World Bank report says Afghanistan is one of the most difficult places in the world to start a business. And, in Foreign Policy Magazine’s just-released 2009 Failed State Index, Afghanistan is rated as one of the least stable, most fragile states – 7th out of 177. Last year about 18,000 Afghans applied for asylum in Europe, nearly doubling the 2007 outward migration total. This was the largest spike in migration-seeking for any country in 2008 and one of the most common explanations offered by Afghans as to why they are leaving is that “people can’t find jobs.”

This dismal scorecard and disturbing trend begs the question: what has been the net effect of U.S. support to Afghanistan to remedy the underlying economic and social conditions that allowed the Taliban to find an initial safe haven in the first place?

Unless we begin now to improve the quality of life for the average Afghan, those dismal statistics are likely to go unchanged and the security conditions will continue to deteriorate. Everyone one from development professionals, to counterinsurgency experts, to senior-ranking Afghan officials say the shift from combat operations, to counterinsurgency operations, to post-conflict operations is largely dependent on growing the Afghan economy. As former U.S. Commander in Afghanistan, General David Barno, recently put it, and I quote: “Only if we solve the economic problems of Afghanistan can we ever hope to win the longer war.”

Accelerating economic development in Afghanistan is a central feature of the new U.S. Af-Pak Strategy announced by President Obama on March 27, 2009. Reinforcing the importance of economic development to the overall strategy National Security Advisor James L. Jones recently noted, and I quote:

“the Obama administration wants to hold troop levels here flat for now, and focus instead on carrying out the previously approved strategy of increased economic development, improved governance and participation by the Afghan military and civilians in the conflict.”

Economic development is vital for a stable, secure and prosperous Afghanistan. In other words, we must move – and the sooner the better – from policy pronouncements on paper to concrete actions on the ground.