Chapter IV

Recommendations

4.1 Introduction:

This research in terms of recommendations is highly encouraging. The recommendation and proposals included in this chapter have been revealed during the analysis of the data, collected through the distribution of questionnaire and those proposed by Malaysian Chambers of commerce during the interview held by the researcher. Further the respondents have recommended many policy issues to Afghan Government in the course answering open-ended question for the improvement of the trade and economic revival of Afghanistan.

While most of the recommendations are made either during the interview sessions or in response to open-ended questions, a few recommendations can be made from the outcome of date analysis of the research.

The recommendations from the research, though very few, will be discussed first followed by the recommendations revealed during the interviews and those in the course answering the open-ended questions.

4.2 Recommendation from the analysis of Data:

The finding from the research is based on the data collected from the questionnaire filled by the entrepreneurs form Chambers of Commerce namely, Malay Chamber of
Commerce, Indian Chamber of Commerce and Chinese Chamber of Commerce. The analysis of the data from this research has shown the following results.

The research has shown that the companies, who see a role for themselves in the reconstruction and rehabilitation of the country, have largely taken part in the research by answering the questionnaire. The future prospect has motivated larger number of entrepreneurs in specific fields to respond to the research questionnaire. Industries like infrastructure, steel industry, electronics manufacturing, Electrical-manufacturing and housing have higher scores followed by power generation, telecommunications, textile, gas and oil. Some of these companies can venture in the fields of trade and commerce, while others could contribute to reconstructions of the country.

It is observed that Malay Entrepreneurs constitute close to fifty percent of the respondents and further some of the outcomes of the research indicates that Malay Entrepreneurs have higher level of information about Afghanistan and they are enthusiastic to venture into the development phase of the country. This phenomenon can contribute to bright future economic cooperation between Malaysia and Afghanistan. It is further evident from the data in Chapter 3 that a higher percentage of Managers in the higher managerial positions in the Malay Chamber of Commerce and Industry have taken part in the research comparing to other two chambers of commerce, which could, further support the above recommendation.

As mentioned in the Interview section of this chapter, larger participation Malay Entrepreneurs, both in terms of percentage and higher managerial positions indicate close
affiliation of Malays to Afghanistan form the cultural and religious perspective, which could be exploited for mutual economic gains of both the countries.

4.3 **Recommendations from the Respondents and Interview Sessions:**

Respondents in the research questionnaire and participant in the interview sessions have come up with useful and constructive proposals. These recommendations and proposals are made with an aim to help Afghanistan in building its international image and improve the prospects of economic revival of the country. Further the outcome of research in terms of recommendations and proposals was encouraging and useful for the prospect of trade and commerce and developmental strategies in Afghanistan. In order to explore and study these recommendations in the context of ground realities in the country, we review some of the most important recommendation in the coming paragraphs. In view of present political turmoil most of the recommendations are aimed at future.

4.3.1 **Policy Issues:**

For any given country to start the economic recovery, political stability is essential. This issue was stressed upon during the research to a great extent. Most of the findings of our research points finger to instability as the main cause of country’s economic backwardness, thus, emphasizing the creation of viable state as the most urgent task of the country. The reestablishment of the machinery of the government should be given top priority that should facilitate the maintaining of law and order; creation of banking systems, commerce and trade; reconstruction of internal communications, building of roads and among other priorities, resettling of an estimated 5 million refugees who are
living in Iran and Pakistan. As one of the respondents writes his impression:

"Nothing much as they in Afghanistan are always in a prolonged power struggle which creates the environment not conducive for any venture, that is the first thing the Government of Afghanistan should do it to correct the uncertainty in the country then only the investors could come and invest. Let's forget about getting the foreign investors. It is immaterial how good the potentials you can offer, if the country is politically unstable."

Another respondent writes his comment as follows:

"It is not a matter of policy incentive. It is something to be done with the ruling government. Please insure to the whole world that Afghanistan is a safe place to visit, and then only we can talk business. I wish Afghanistan be as peaceful as before and more Islamic than before"

Introduction of efficiency in administrative procedures and eradication of red tap is very necessary. In the absence of an efficient administration any competent and highly qualified planning is deemed to fail, therefore, the country should establish an efficient and effective administration devoid of corruptions and cronyisms.

Capital guarantee is of special concern to foreign investors and financial loan givers. It is very important improve the tarnished image of the country and change the present unsafe and volatile region to a secure and safe heaven for investment and economic activities.

The exploration and further processing of mineral resources necessitates the investment of billions of dollars, which in turn requires mutual governmental joint ventures and
specific arrangements. For instance, large corporations should take up the exploration of iron ore and processing it into various grades and shapes, suitable for industrial consumption. These resources would be suitable and consumable in the Malaysian industrial market only after these initial processing.

Participation of women in the workforce is highly recommended both in the interview session and by the respondents. Women constitute more than 50 percent of the country’s population, the absences of which will greatly affects the national output. Afghanistan has very recently put behind a very prolonged and destructive war with the then Soviet Union, loosing 9.3 percent of its population (1.5 million lives), most of whom were male members of the population. The economic recovery and reconstruction of devastated Afghanistan will be very difficult if women are excluded from national workforce. The follow up of fighting after the withdrawal of Soviet Forces has further decreased the percentage of male population in the country. In view of these ground realities participation of women in the national workforce of the country is of utmost importance.

It was found out that the Participation of women in the workforce was stressed upon during the interview sessions and in the questionnaire during the research. Some other issues like “Government guaranteed transaction”, “future governments honoring the contracts and treaties”, “repatriation of funds and profits” and “increase in the awareness of opportunities” were also brought up during the interviews.

It is equally important to diversify the sources of investment. Respondents have proposed the diversification of the Afghan Economy. Afghanistan, Before the World War I mainly
relied for its foreign investment and development projects on Germany, which proved disastrous after the defeat of Berlin. This experience shows that relying on a single source for major investments in the country is not wise and there is a genuine need for diversification of sources.

Ventures through the Organizations of Islamic Conference have also come under discussion. Respondents have suggested that Afghanistan should approach OIC and through OIC investors from Islamic countries. It is important to know that OIC has worked out some international agreement to promote the emergence of complimentary structure, which facilitates the flow of capital and manpower among the OIC countries. The Agreement of Promotion, Protection and Guarantee of Investment among Member States of the OIC is a particular concern in relation to Afghanistan and a prerequisite is that Afghanistan will subscribe to the respective agreements. Protection of foreign capital flowing in from other Islamic countries is one way the OIC can promote the economic development of Afghanistan indirectly.

Traditionally a land locked Afghanistan has been dependent on its neighbor’s generosity for passage of its import and export goods to and from outside world. This issue is a need a detail discussion, but for now we will have a look at some the measures recommended for the enhancement of Afghanistan’s international trade.
4.3.2 Establishment of trade links:

Afghanistan has great potential in trade: linking vast regions of Central Asia to South Asia and Southeast Asia. Lack of information and the absence of business links have hindered the trade and commerce with Afghanistan and through Afghanistan to CIS Countries.

To establish links with their counterparts, business representatives from Afghanistan should visit Malaysia and vice versa. The presence of Afghan goods and information in the business promotions held annually in Malaysia is of vital importance for the enhancement of bilateral trade relations.

Historically there has never been direct trade relation between Malaysia and Afghanistan in the past. Trade between the two nations was going on either through Pakistani Traders or those Afghani Traders registered in Pakistan. This is one of the reasons for a zero balance of trade between Malaysia and Afghanistan.

Recommendations like dispatch of delegates to the international trade meeting and agendas was proposed specifically during the interviews with an aim to learn more about potential economic opportunities and in return inform the international community about the economic potentials of Afghanistan.

The lack of knowledge about the economic potentials of Afghanistan was the main impediment in this research. Most of the respondents have indicated lack of information
as the second main factor for not including Afghanistan in the list of their future preference. As one of the respondents writes:

"Dear Sir,

I hereby return your questionnaire partially answered as I am not quite aware of the economic potentials in Afghanistan and rather ignorant of the business policies and incentives to promoted trade and investment in Afghanistan. I sincerely hope Afghanistan would benefit economically from whatever policy and incentives adopted by the Afghan Government."

Thus, it is recommended to Afghanistan Authorities to educate the world about the presence of opportunities and economic potentials of Afghanistan.

Friendly relation with the economic powers like US, Japan, European Union and many southeast Asian countries will help the country to find prosperous and beneficial partners.ii

Tourism is another field recommended to focus upon. Respondents have the development and promotion of tourism as a potential source of hard currency income for Afghanistan.iii

Hotel industry is a primary requirement for the promotion of tourism, trade and commerce. Therefore, it is imperative for any Afghan Government to organize its hotel
industry and make sure that security of foreign travelers are maintained and all kinds of facilities and entertainments centers are provided.

4.3.3 De-regulation:

Some of the respondents brought up the issue of opening the economy, meaning to say that Afghan Government should reduce the number and nature of restrictions on trade, financial transaction and investment in the country. Heavy taxes and duties should be avoided in order to attract investment and promote export.

Although, regulation of the economy to a certain extend is necessary for a developing country like Afghanistan, however, it was proposed by some responded that if only Afghanistan are willing to adopt an open (unregulated economy) concept like western countries, their economic situation could be enhanced in terms of export and imports etc. How far this proposal in its entirety is relevant to Afghan economy is an issue to be judged in future.

Tax-free export and import are recommended for the enhancement of international trade with Afghanistan. Tax on import and export are the easiest form tax to be collected, but in the mean time it is a powerful tool at the hand of government to regulate the economy through import and export. While easy terms of export and import creates conducive environment for the enhancement of international trade, it may have many other positive and negative implications for the rest of the economy that ought to be kept in mind. It is for the Afghanistan’s planners to consider all eventualities and take appropriate decision.
It is proposed that manufacturers involved in the international trade be subsidized by government and financial guarantees and moral support be provided to those who are willing to explore business opportunities in other countries.

Industrial tax vacation for industries is recommended as a measure for promoting the establishment of industrial firms in the country. Economist are of the opinion that a country like Afghanistan with agrarian base should concentrate its efforts mainly on agricultural sector, nevertheless, tax exemptions and provision of subsidies for certain industries complementary to agricultural sector is highly beneficial. These industries can form a base for future industrialization phase of country’s development plans.

4.3.4 Proposals Concerning Malaysia

Some of the respondents suggest that Afghanistan can be a supplier of mineral and agricultural products to Malaysia. This concept was supported when most the respondents approved the usefulness of Afghan mineral resources to Malaysian industries between 70 to 100 percent. This proposal is more relevant specially when the prices in both the countries are compared. For instance in case fresh fruit, Malaysia get its fruit at higher price compared to the prices of the same fruits in Afghan Markets. Accordingly, no country can compete the Afghan fruits in term of price and quality; nevertheless, there is a great need for promotion and marketing, which the Afghan trade and business chambers lack as mentioned earlier. During the research, the secretary general of the Association of Chinese Chambers of Commerce proposed that in view of the present competent prices of
Afghan goods it would be very feasible to start the bilateral cooperation with the import of vegetables and fruits from Afghanistan. He was of the view that this initial step will open the opportunities for rest of the business sector to go in and invest in different fields in Afghanistan.

The need for the expansion of market for Malaysian production and the new prospects and challenges awaiting Malaysian producers and investors in Afghanistan came under discussion during the interview sessions and some of the respondents have also touched upon this issue. It was suggested that in order to withstand the international competition and remain in business, Malaysia has to endeavor to capture feasible and profitable markets around the world. The opportunities in a peaceful, Afghanistan and the vast markets of newly formed independent states of Central Asia are the opportunities that cannot be missed.

4.4 Proposals for Future Researches:

The interview sessions forms the most important part of this research. From the very beginning, when the interviews started, all the interviewees according to their institutional experience, warned the researcher about reluctance on the part of the respondents to return the questionnaire and consequently the low rate of response. One possible device they suggested was the distribution of some questionnaires during the management council meeting of Indian Chamber of commerce and Chinese Chamber of Commerce. The Malay chamber of commerce decided to administer the selection and the
distribution of the questionnaires by itself. However, the overall response to questionnaire was generally low as predicted.

Low level of information about Afghanistan greatly limited the construction of a comprehensive questionnaire. In the absence of any similar or closely related research in this field, it took the researcher quite some time to study and organize an appropriate course of research.

Proposals in this research do not include all aspects of economic development in Afghanistan. For instance, the critical constraints to economic development have been closely related to economic fragmentation, which in turn has greatly inhibited the results of development efforts that have not been studied thoroughly.

Financial development with an aim to remove fragmentation in the capital market, road construction to reduce geographic fragmentation, effective agricultural credit, demonstration, extension and supplies programs, much-needed reform of civil service pay scales and the introduction of financial incentives for improved performances need the attention of future researchers.¹

Further down the road the improvement in the level of domestic resource mobilization through the financial sector and the fiscal system and commitment to economic development on the part of the country's leadership is another essential area for future


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The improvement in agricultural productivity and the country's road network, for neither of which foreign aid is likely to be forthcoming in sufficient volumes to make the necessary impact, these and many other vital issues need to be examined in new researches.

Recommendations in this research are confined only to development of country's resources base on the perception of Malaysian Entrepreneurs, thus leading the researcher to say that recommendations and policy proposals are not explicit in all aspects and there is a great need to conduct extensive researches in other fields pertaining to Afghanistan's development in order to determine the flaws, mistakes in past policies and development plans. A detailed and explicit policy proposal and recommendation for post war Afghanistan is urgently needed, which requires totally new research and full effort to explore various social, political, and economic factors responsible for the failure of Afghan economic developmental planning and policies.

Thus, it is hoped that the analysis will be useful to those planning Afghanistan's development in the future.

Hopefully, this small step may pave the way for more detailed and precise researches needed for post war economic development of Afghanistan.
4.5 Conclusion:

These recommendations will be relevant and valid in times to come, when a strong economical structure takes shape and a resilient and aggressive business community is created in the country. The present economic scenario in Afghanistan demands the urgent restoration of economic activities through the channeling of foreign capital for investment purposes in various sectors, particularly the agricultural sector.

On its part landlocked Afghanistan's search for a route to the sea in the twentieth century have continued with an aim to come out of its dependencies. Hostile neighbors and lack of sea rout has always been a great obstacle for the development and progress of International Trade and Commerce. This led to a number publication in Kabul, most of which are directed at Pakistan.

The findings of the analysis can be interpreted optimistically. The critical constraints are in the main policy variables that can be overcome. Their removal is not a question of vast financial outlay but of determination on the part of the nation's leaders. Therefore, an attempt has been made to produce constructive and positive recommendations.²

Certainly, the country confronts numerous problems that require concerted effort on the part of the national government with assistance from bilateral and multilateral donors to utilize resources for the revival of the economy. The arguments in favor of foreign economic assistance to developing countries are valid on the grounds of donor's self

interest and moral and ethical obligations.

The economic conditions of Afghanistan are such that its future seriously depends on foreign assistance. This leads us to the fact that the type and form of such aid is just as important as the aid itself. Given the subsistence nature of the economy, the technical assistance that promotes the development of small-scale agricultural industries is highly desirable.

It is clearly observed that a situation where Afghanistan's location between the CIS Countries (Commonwealth of Independent Countries) and the Indian subcontinent have been a disadvantage for many centuries, is no longer a drawback, but brings benefits from an intensified transit trade between South Asia and Southeast Asia on one hand and vast markets of Central Asian Countries on the other hand.\(^3\)

\(^1\) Afghanistan is already member of a much larger grouping of nearly 50 countries with also some economic objectives namely, the Organization of the Islamic Conference (OIC). The OIC has taken measures to integrate the economic systems in the Islamic countries.

Material help can only be acquired from the individual member states of the OIC on a bilateral basis and the OIC itself does not dispose of substantial resources. The Islamic Development Bank (IDB), which is mainly active in the field of trade financing, is also another instrument of OIC for this purpose. Some Islamic countries have provided bilateral help to the Afghan refugees like Pakistan, Iran and Saudi Arabia, however, it cannot be taken for granted that these countries will extend their support to a new (Islamic) government in Afghanistan. Some of the reasons as to

why Iran and Pakistan may even obstruct certain developmental projects in Afghanistan are as explained bellow:

For the trade liberalization to become meaningful, the creation of complementary economic structure and production potentials is essential. OIC has worked out some international agreements to promote the emergence of complimentary structures, which facilitate the flow of capital and manpower among the OIC countries. The Agreement of Promotion, Protection and Guarantee of Investments among Members States of the OIC is a particular concern in relation to Afghanistan and a prerequisite is that Afghanistan will subscribe to the respective agreements. Protection of foreign capital flowing in from other Islamic countries is one way the OIC can promote the economic development of Afghanistan indirectly.

If Islamic banks do not only finance the activities of the well-established business groups but also newcomers, even if the amounts of foreign capital may be relatively small, their developmental impact could be considerably large. The widening of the economic basis by the creation of new entrepreneurs (even if they are small), in a country with a feudal system, is very essential. Since the Islamic banks should replace interest financing by profit and loss sharing schemes, therefore, they should be more concerned with the quality of projects than with the quality of collateral.

This may be conducive to capital inflows from other Islamic countries, if Afghanistan as an Islamic country will put into force the respective OIC agreements. It should be born in mind that foreign capital owners attach greater importance to the guarantee or protection of their investment.

The Capital owners from oil rich Arab countries are hesitant to go to countries with a considerable market potential but an unclear political and legal framework. They have been inclined in the past to establish banks in some of the least developed Islamic Countries. For instance, an internationally operating Islamic
banking groups who received a license for an Islamic Bank to be opened in the some CIS Countries, has not yet been able to do so due to the absence of rules for the transfer of capital and profits (in convertible currency) and the absence of a clear legal status of such private ventures.

This issue is a very important factor in charting the future developmental strategy of any given country. For instance, the successive Afghan Government failed in persuading United States for economic cooperation, which further contributed to the increased reliance of Afghanistan on Soviet’s aids and economic hegemony that has played a major role in the failure of development planning and ultimate collapse of country’s economy.

Afghanistan is partly desert and partly mountainous country. Taken form Wakhan (The roof of the world) in Pamir Plateaus to Historical cities of Balkh, Heart, and Bamian are all great tourist attraction sites. Afghanistan could benefit form tourism greatly if tourism industry is given required attention. It is interesting to know that tourism industry and national income from this aspect constituted a large part of foreign currency income before the communism takeover (Dec 25, 1978). Afghanistan with thousands years of its history and spectacular landscape through out the four seasons of the year has great potentials for attraction of international tourists.