

Afghanistan: An Analytical Essay

This paper is prepared and submitted by
[Client's Name]

In partial fulfillment of the course syllabus
[Subject]

Submitted to
[Professor's Name]

[Date]

(1) All three countries have experienced financial aid from international organizations like IMF and World Bank. In 2008, the international community headed by Oxford Foundation delivered \$15 billion to Afghanistan with the US as its biggest donor (Oxfam, 2008). Pakistan has also received considerable financial help from USAID (USAID, 2010). Bangladesh takes support from the European Economic Community and Asian Development Bank since 1970s to help stabilize its economy (BBC, 2009). Clearly, these countries have attained some degrees of stability because of the financial aid they obtained from the international communities. For a small country with a population of no more than 30 million, Afghanistan is very poor when compared to its neighboring East Asian countries like Pakistan and Bangladesh. Afghanistan's GDP barely reaches \$11 billion in 2008 which is indicative of the inability of the country to produce products and services that has strong appeal to the global market. Further trend analysis shows that the GNI of Afghanistan is the lowest among the three nations while Pakistan has the highest GNI and GDP among the three East Asian countries considered. The analysis of the breakdown of the income-generating and expense-related economic activities of the three countries showed that Afghanistan relies too much on importation of goods and services. This also showed that Afghanistan is highly agricultural with about 32% of its GDP derived from agriculture. GDP contributions from the manufacturing and service industries were also the lowest among the three nations compared.

Based on this economic highlight alone, it is easy to identify that Afghanistan will have to experience hardships and struggles in order to stabilize its economy. With a great percentage of its expenditures relying on imports, and with significantly low percentage of its income-generating economic activity derived from manufacturing and services, Afghanistan surely would not make it to success unaided.

(2) The results of the analysis of the key economic indicators of Afghanistan insinuate that this impoverished country need external help in order to restore and maintain its economy. There are two major reasons why external help must be sought at this stage of Afghanistan's economic development. First, Afghanistan needs capitalization to boost its government spending and thus lower its unemployment rates and drive the circulation of money in its economy. There are only a handful of Afghans that are wealthy and even if their resources are combined, they could not meet the required capitalization of the Afghan government for infrastructural projects and other development-related projects. Developments of this scale could only be financed by international banks like the IMF and World Bank. It is clear that Afghanistan does not have its own investors to help stabilize its economy. Similarly, the Afghan government could not afford to spend huge amount of money to finance infrastructure programs in the country. Hence, Afghanistan would need an external help in stabilizing its economy.

The second most compelling reason why Afghanistan must accept external aide is the opportunity cost of not making such decision. Afghanistan is a poor country and is getting poorer everyday with the

internal issues and instability it has experienced as a nation. Most of these issues are brought by the fact that the country is in abject poverty where the citizens are plagued with hunger and torn by armed conflict. The best way to end hunger and armed conflict is to feed the hungry by providing people jobs. Apparently, Afghanistan could not do away with internal capitalization since its economy is not stable and internal investors do not have much to risk. If it would not accept any foreign or external help, Afghanistan can still be able to work things out on its own although there is no guarantee that the country will be able to accept the same level of economic success unaided compared to when it would allow the IMF or the World Bank to finance its internal projects.

Inviting external investors to participate in the Afghan market will not only provide jobs and eliminate hunger but will also be a step towards sustainable development. With external money flowing into the country, people will get to have jobs and many will become an active part of the job market. Moreover, the promise of good paying jobs would entice younger Afghans to get a degree and participate in the labor market. This is just an assumption, though, but this assumption is easy to justify just by simply looking at the key economic indicators of Afghanistan.

It is clear to see that allowing Afghanistan to accept external financial help and foreign aid on policy and stabilization plans would catapult Afghanistan to greater heights. There is no denying that accepting external help requires the country to give up something in return. One of the possible scenarios is that the country that helped Afghanistan will meddle with the politics and society of the country, or these countries might control the economic activity of Afghanistan. This is a very difficult decision to make because Afghanistan would want to preserve its own identity even if it would accept external help. But Afghanistan needs external help to stabilize its economy and the only way to do this is to make compromise and hope for the best.

References

Melik, J. & D. Bartlett. (June 14, 2009). Does Bangladesh use Foreign Aid Wisely? BBC News. Retrieved online from <http://news.bbc.co.uk/2/hi/business/8092901.stm>

Oxford Foundation. (2008). Major Donors Failing Afghanistan due to \$10 billion aid shortfall. Retrieved online from http://www.oxfam.org/en/news/2008/pr080325_donors_failing_afghanistan

USAID. (2010). Pakistan. Retrieved online from <http://www.usaid.gov/locations/asia/countries/pakistan/>
World Bank. 2009. Bangladesh at a Glance. Retrieved online from http://devdata.worldbank.org/AAG/bgd_aag.pdf

World Bank. 2009. Afghanistan at a Glance. Retrieved online from http://devdata.worldbank.org/AAG/afg_aag.pdf

World Bank. 2009. Pakistan at a Glance. Retrieved online from http://devdata.worldbank.org/AAG/pak_aag.pdf

Afghanistan: Socio-Economic Indicators

Pakistan: Socio-Economic Indicators

Bangladesh: Socio-Economic Indicators