



THE IMPACT OF NEOLIBERAL POLICIES ON GLOBAL TRADE & INVESTMENT

In this article, I will describe how the neoliberal policies which are promulgated as the mechanism for global trade and investment, could affect international trade and investment law by focusing on trade agreements and investment treaties which have been concluded from 2002 onwards between Afghanistan and the rest of the world.

Afghanistan is a country situated at the crossroad of Central Asia, South Asia and the Middle East which is a unique political, economic & geo-strategic location and therefore interesting for promoting of trade and investment in the region. After decades of war and insecurity, Afghanistan has now realized its potential role as a land bridge connecting Asia and Europe known as the Silk Road to enhance trade and investment flow. The potential role of Afghanistan in promoting regional cooperation has also been recognized by countries in the region through various declarations, including the 2002 Good Neighborly Relations Declaration, the 2003 Dubai Declaration, the 2003 Berlin Agreement, the 2004 Bishkek Conference, the 2005 Kabul Conference, and the 2006 Delhi Conference¹.

Since 2002, many agreements has been concluded between Afghanistan and most of the Asian countries for the regional cooperation. The import tariffs have also been lowered to a great extend but still there are some non-tariff barriers and if the existing market access barriers for goods, services & investment are removed it would be for the benefit of both Afghanistan and the region.

Nowadays, the government of Afghanistan also welcomes foreign direct investment. Following the 2014 election & the establishment of National Unity Government, President Ghani has spoken out about the need to attract inward investment. The Private Investment Law (2005) of Afghanistan also stipulates that foreign investors are provided equal treatment as national investors².

Although most senior Afghan government officials express strong commitment to a free market economy and foreign investment, many companies say that this attitude is not always reflected in

¹Ministry of Foreign Affairs of Afghanistan, 'Strategic Context of Regional Cooperation' <www.mfa.gov.af/en/page/6546/strategic-context-of-regional-cooperation> Accessed 05 November 2016

² Afghanistan Private Investment Law (2005), article 16

practice.³ In general, there is great tendency among policy makers, companies and experts to put pressure on government to remove all existing barriers to free trade, such as tariffs, hindering laws or regulations, restrictions on capital flows and investment. They argue that Afghanistan's broken economy requires the government to invite foreign investors, to remove the free trade barriers, to establish a strong private sector-led economy which could provide productive employment, bring an end to opium trade and finally increase the GDP.⁴

However, critiques of neo-liberal policies have a different view. They believe that the free market economy and neoliberal theories are not in the interest of a poor nations like Afghanistan. Mehdi Rezaie, an Afghan economist contends that neo-liberal economics has so far been a near total failure and imposing free market policies has put the country into a kind of economic stagnation and stalemate in which the country will always stay dependent on Foreign dollars⁵.

In addition, Dr. Syed Mohammad Mangal, chairman of Economics Faculty of Kabul University, is in favour of a command economy where the government firmly controls every sector. He stressed that economy would slip into chaos if the nascent private sector is given a crucial role at this point in time, therefore the government should have more powerful role⁶.

Another economist, Haji Hafiz Khan believes that this existing system would eventually concentrate all economic benefits in a specific group of rich people. He says that the government should conduct a survey on which system would be most beneficial for the Afghan people to obtaining conditions and control⁷.

Furthermore, trade and investment agreements which are concluded between Afghanistan and rest of the world; such as: India-Afghanistan Preferential Trading Agreement (India-Afghanistan PTA), Economic Cooperation Organization Trade Agreement (ECOTA), Indian-Iran & Afghanistan trade corridor deal (Chabahar deal), Afghan-Pakistan Transit Trade Agreement (APTTA), Afghan-China bilateral economic cooperation agreements, Afghan-US Trade and Investment Framework Agreement (TIFA), Agreement on Sought Asian Free Trade Area (SAFTA), Trade & Economic Cooperation Agreement between Afghanistan & Kazakhstan and etc. are based on neoliberal polices and are of course in the interest of the nation. Establishment of a policy in accordance with neoliberal critics could definitely affect international trade and investment law.

³ U.S. Department of State, *Afghanistan Investment Climate Statement* 2015, page 3

⁴ Robert I. Rotberg & others, *Building a New Afghanistan* (Brookings Institution Press Washington, D.C. 2007) page 135

⁵ Mahdi Rezaie, "Free Market in Afghanistan, Is It Working?" *Daily Outlook Afghanistan* (Kabul, 18 October 2012) <http://outlookafghanistan.net/topics.php?post_id=5701> accessed 05 November 2016

⁶ Aleksandr Shkolnikov, 'Debates on Free Markets in Afghanistan' (*Center for International Private Enterprise*), 7 February 2006) <<http://www.cipe.org/blog/2006/02/07/debates-on-free-markets-in-afghanistan>> Accessed 06 November 2016

⁷ Ibid.

Based on everything mentioned above, I disagree with those economists supporting a government command-style control of the economy in Afghanistan. In addition, I strongly believe that the critique of neoliberalism could not affect the development of international trade and investment law because such system as known so far is well established and all existing trade agreements and investment treaties are making things move forwards therefore changes are not easily possible just because of a criticism.

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