

processing zone” in the Negev Desert, but the Bank of Israel forced the cancellation of the project, once it became clear that its only exports would be laundered drug money. This was at a time that Israel was already under massive international criticism, for being one of the worst money-laundering centers in the world.

Netanyahu believes these structural reforms will lead to an increase of foreign investment, which has completely collapsed because of the flattening of the “new economy” bubble and the security situation.

Israeli commentator Hannah Kim wrote in *Ha'aretz* on March 18, that Netanyahu's idea that “structural reform will lead to an increase in the number of foreign investors in Israel is a fantasy, of the sort that only orthodox believers in the free economy can sustain. Social stability is an economic value. Investors will not be attracted to a place where tents are being erected by the homeless, where the elderly are picking through the garbage cans, or where crime is rife. The continued collapse of the social security net in Israel will drive any reasonable investor away from Israel. Except, perhaps, for Ronald Lauder.”

In the same issue, *Ha'aretz*, economic correspondent Nehemia Strassler questioned whether Netanyahu can carry out his policy, especially when the “Histadrut organizes demonstrations outside his house chanting slogans like ‘with blood and fire, Bibi [Netanyahu] we'll fire.’ ” Not to mention what the settlers in the Palestinian territories will do, when they get word that their tax breaks have been cut.

Strassler also wrote that Netanyahu's arithmetic doesn't add up: “The deficit is now 6% of the GDP, NIS 30 billion. The budget cut is NIS 9-10 billion, meaning the fixed deficit will still be 20 billion, or 4% of GDP. So how can Netanyahu declare he'll finish the year with a deficit of 3-3.5%?” Netanyahu is banking on “growth,” which Strassler says is unlikely to occur. “What happens if the terrorism continues or even increases, if the fighting in the territories doesn't come to an end, and the war in Iraq has a bad influence on the economy? The investments will continue to decline, private consumption will shrink, and tax revenues won't climb, they'll drop even further. Then it will turn out the cut wasn't enough and Netanyahu will have to submit a new budget, and another, and another.”

As of this writing, Netanyahu's economic plan has yet to be brought to the Cabinet, but the National Religious Party, one of the ruling coalition partners, has said it will vote against it. Although not likely, it is not out of the question that Sharon's government could fall if the package is not passed.

Sharon's and Netanyahu's only hope is that the \$10 billion U.S. package will save them; but it won't. The \$1 billion in aid has to be approved by Congress, and even if it does pass, the money will go to Sharon's war machine, and the \$9 billion in loan guarantees, which have to be paid back, will not finance growth, but will be used to plug the holes in the budget and to maintain the illegal settlements in the West Bank.

Kabul's Blunt Message: Aid, or Heroin Economy

by Ramtanu Maitra

On March 14, after presenting the country's \$2.25 billion annual budget, Afghanistan's Finance Minister, Ashraf Ghani Ahmadzai, told Afghan legislators that unless the international community pledges and delivers more financial contributions forthwith, Afghanistan will slip back into its role as the world's premier heroin producer. The message of the former World Bank official, an American citizen, was blunt, yet to the point. “The narco-mafia state will have the lowest indirect price. . . . But it will have the highest indirect costs.”

After these provocative words, on March 17 at Brussels, international donors from 40 countries “assured Afghanistan that the country would not be forgotten after a possible war against Iraq,” and recommitted themselves to around \$1.8 billion to help cover Kabul's budgetary shortfalls. But Ghani Ahmadzai should keep his fingers crossed. Last year, at the international donors' conference held at Tokyo, Afghanistan was promised \$4.5 billion. Less than one-third of that amount actually showed up in the year 2002.

The Afghan Finance Minister's budget had two major components: \$550 million to cover normal government spending, including wages and salaries of government employees; and the other \$1.7 billion was destined to start rebuilding of some of the infrastructures destroyed by two decades of civil wars and foreign invasions. Ghani Ahmadzai made it clear that more than \$1.0 billion of the stated \$1.7 billion is missing, and not even promised. In addition, Afghanistan does not even have the \$550 million it hopes to spend to keep the government machinery going; it would require \$234 million to bridge that gap.

The Afghan treasury is empty, having procured a meagre \$83 million in government revenues last year. On the other hand, the Afghan poppy fields are blooming, and going by the UN estimates, Afghanistan will produce a bumper crop of 3,400 tons of opium this Spring. Even a fraction of that sold in the international market in the form of heroin would relieve Ashraf Ghani Ahmadzai of the fiscal deficit. But before making that noxious choice, he has made it clear to the international community that the ouster of the Taliban by force cannot be the be-all and end-all of meeting Afghanistan's deep-seated problems.

The problem is that the Finance Minister has taken up a very difficult job, depending entirely on others. The Afghan transitional President, Hamid Karzai, who is Ashraf Ghani's boss, is a handmaiden of the Americans. He got his job by becoming a close associate of Zalmay Khalilzad, a colleague

of some of the most unprincipled warmongers in the Bush Administration. Khalilzad, who is now in northern Iraq and Turkey luring the Kurds to join the United States in war against Iraq, has little time for Afghanistan and his friend Karzai. Karzai was “trusted” by the Americans, and is America’s “puppet Pushtun.” America assured Karzai of oodles of money, but did not deliver.

Last year was another bad year for Afghanistan. How bad is this one going to be? For those who followed Hamid Karzai’s trip to Washington last month, it is not difficult to fathom that it could be much worse. The draft foreign aid budget submitted by the White House to Capitol Hill did not contain as much as one measly dollar for Afghanistan. The Congress, on the other hand, in an unusual fit of generosity, initiated a \$300 million aid package. Earlier Karzai, facing a cynical group of Congressmen, had said Afghanistan would need \$1.5 billion this year for developmental programs and another \$500 million to run his government.

Speaking at the Senate Foreign relations Committee meeting on Feb. 26, Sen. Joseph Biden (D-Del.) bluntly informed Karzai: “Afghanistan has already dropped off the radar screen.”

‘B-52 Is President, Not Karzai’

In the streets of Afghan towns, people say that the B-52 is the president. They have a valid reason to be cynical. Surrounded by the Special Forces appointed by the U.S. State Department, President Karzai has less authority in the capital city of Kabul than what a normal mayor could exercise. Beyond Kabul, he has no authority.

Washington had ordered Kabul to raise a national Afghan Army. In his testimony before the Senate Foreign Relations Committee, Karzai asked for help to subsidize his efforts to pay more than 100,000 irregular militiamen across Afghanistan. As of now, he has succeeded in recruiting fewer than 2,000 regulars, reports indicate. In the rest of the country, local warlords rule the roost. A good-size warlord, such as Ismail Khan of Herat, has on his payroll about 60,000 men. Conflict has broken out intermittently in some areas between militia commanders; they reportedly command, among them, about 700,000 men.

Karzai pays his army’s men about \$50 a month. A fighter in the ranks of the private militia operating under the Kandahar Governor, for instance, earns about \$120 per month. In fact, the CIA operating in Afghanistan, hunting for al-Qaeda and Taliban militia, pays much more to the militiamen, who also control poppy fields. Karzai knows that Washington is interested in maintaining a large International Special Assistance Force (ISAF), instead of a large Afghan Army, till such time as they all leave.

Meanwhile, Afghanistan is slipping back to the days of yore. The web-based Sabawoon reported that child molestation is back and rising. During the Taliban days, child molestation and sexual abuses of young boys were punishable by



Afghan President Hamid Karzai (center) asked the Foreign Relations Committee for more aid on Feb. 26. But Senator Joseph Biden (right) told him Afghanistan had “dropped off the radar screen.” Afghanistan’s Finance Minister said that without aid, the country was turning back to heroin production.

death. But the Taliban is gone and Karzai is relenting to old customs. At the same time, he has not quite given up the measures the Taliban had imposed. For instance, the education system for women exists only in Kabul. In Kabul, women can go to school and can even work where men also work. But not in rural Afghanistan.

The *Washington Post* reported on Feb. 23 that those Afghans who are involved with women’s issues say the selling of young girls is on the rise. After a quarter-century of war, civil chaos, and most recently drought, many families have been strained to the breaking point, and the outright selling of daughters for cash is one harsh result.

The practice has a cultural basis, where prospective husbands have long paid a “bride price” for their wives—a kind of dowry that is traditionally set by the status of the bride’s family and the resources of the groom’s. But what was a custom once, has now evolved fully into a market, in which men can buy young girls from poor families. And with Karzai’s legal system a shambles, there is nothing to stop them.

So, what have Karzai and his benefactors achieved, beyond changing the Kabul regime? The honest truth is: not much. If Karzai wants to change things for the better in Afghanistan, he must begin to interact in earnest with the regional powers and stop coming to Washington with a begging bowl. If he chooses to change his ways, he will face new dangers. On the other hand, it is an easy option to hand Afghanistan back to the heroin mafia, but as Asraf Ghani Ahmadzai pointed out, the indirect costs for the country would be indeed very high. At this point then, Karzai has two choices: either to remain at the mercy of Washington and sink, or to get down to the business of being a leader.