

Taliban Lacks Necessary Finances to Deliver Functioning Government

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The U.S. could not vanquish the Taliban, failed to defeat Al-Qaeda, and were unsuccessful in leaving behind a pluralistic, tolerant and economically-sustainable Afghan state. Washington failed to induce good governance in Afghanistan and to stop Pakistan’s multifaceted support for the Taliban. After twenty years of war with the U.S., the Taliban now confronts the hard challenge of governing and managing the economy.

Formal legal incomes make up a small portion of Afghanistan’s revenues as it is dependent on foreign aid and illicit economies. In July 2020, former President Ashraf Ghani said that 90% of Afghans live below the government-determined poverty line of \$2 a day and 30% are acutely food insecure. For an economy suffering the effects of the COVID-19 pandemic, the withdrawal of U.S. forces has the effect of spurring a drastic economic decline as Afghanistan becomes more globally isolated.

Pakistan has been engaging with key international and regional stakeholders with a message that Afghanistan should not be left alone and that the incoming government, likely to be led by the Taliban, should be given a chance. Recently, Pakistani Prime Minister Imran Khan sought the world’s support for the Taliban. During the high-level ministerial meeting on the humanitarian situation in Afghanistan convened by the UN, Pakistani Foreign Minister Shah Mahmood Qureshi linked the observance of human rights by the new Taliban government to the financial aid Afghanistan receives. Khan’s key cabinet members, like Federal Minister for Planning and Development Asad Umar, regularly calls for the Taliban government to receive international financial assistance.

Currently, the Taliban faces the loss of billions of dollars that had been allocated to Afghanistan. The U.S. immediately froze \$9.5 billion worth of central bank assets. The International Monetary Fund blocked access to \$460 million, and the EU has suspended aid. International donors had been providing 75% of the government’s operating budget, and the U.S. and NATO paid around \$4 billion each year to fund the Afghan military. Iran, although struggling economically because of U.S. sanctions, is seeking good relations with the Taliban but cannot offer generous economic aid. Only China and the monarchies of the

Gulf have deep pockets, but the question is if they will. Although Pakistan has been providing military and intelligence aid, its own economy is stagnating and wholly reliant on China.

The Taliban has no experience in delivering or maintaining existing state services, such as electricity or water, let alone tackling complex issues like setting macroeconomic policies. The immediate effects of the financial squeeze saw cash liquidity in Afghanistan drop, driving up inflation – including food prices, resulting in immense hardship to the population.

If the Taliban continues to engage in purges of non-Sunnis and implement regressive Sharia laws like public hangings and mutilation, educated Afghans will continue to flee the country, thus provoking a new brain drain. International actors will maintain sanctions on the Taliban and perhaps even intensify them. The new government will also struggle to find jobs for the many now-unemployed soldiers of the Afghan security forces.

The illegal poppy cultivation can only offset a part of those losses. However, the Taliban has promised to make Afghanistan drug free, and it is recalled that at its first press conference on August 19, Taliban spokesman Zabihullah Mujahid promised that the new government would not turn what is already the world's leading opium producer into a fully-fledged narco-state.

None-the-less, undeniably heroin production has helped fund the Taliban, and despite proclamations that they will struggle to wean themselves off the profitable trade, it is likely that economic pressures will force them to continue cultivation for some time as banning it would be socially immiserating for Afghanistan's poorest.

Now that the Taliban are in power, they will find it difficult to maintain cohesiveness across its many different factions that have varied ideological intensity and material interests. The Taliban will also need to ensure that its key commanders and soldiers are paid enough to not be tempted to split off, like many did when Islamic State established itself in the country in 2015. A key element of the Taliban's blitzkrieg this summer was bargaining with regional militias and promising them access to local economic rents, such as mining and logging.

The Taliban needs Chinese money, but persisting violence and corruption could deter economic investments. Beijing opposes any support for Uighur militants based in Afghanistan, including the Taliban's Uighur units. Russia, Iran and the Central Asian states also want to ensure that the spread of the Islamic State into their territories does not occur.

Taxing the transport system in the country has long been a Taliban strategy for revenue raising. Whether the Taliban manages to keep the lucrative transport trade will depend on whether it sufficiently satisfies the counterterrorism interests of China, Iran, Russia and Central Asia. If the Taliban continues to support terrorist groups like they did in the 1990's, this could see Afghanistan have only Pakistan as a trading partner and become wholly reliant on it for survival.

The Taliban understands how to deliver a brutal order, suppress crime and provide swift dispute resolution. Despite this, it does not have the capacity to build hospitals and deliver medical care, build modern water, electricity, and infrastructure systems, and provide high quality education. Afghanistan's economic outlook remains uncertain and blanket sanctions and global isolation will worsen the suffering in the country. In this way, although the Taliban won the war against the U.S., it still has a long and difficult task of delivering not

only security to the Afghan people, but also economic stability and opportunity.

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