

Explaining the WTO Accession of Afghanistan: From the Neo-Liberalist Approach

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ABSTRACT

The essay aims to explore why Afghanistan has accessed the WTO and the impact of the WTO accession on the country. Afghanistan has finally accessed the WTO in 2016 after long rounds of negotiations, but the impact of the WTO accession on the country remains controversial. The essay uses a case study method. Through the case study of Afghanistan, the essay seeks to have a broader lesson about other countries in the Middle East. The result of the essay reveals that multiple reasons have driven Afghanistan to enter the WTO, while the expansion of the international market and foreign direct investment hold the key. Therefore, the result of the essay partly confirmed the explanatory power of the neo-liberalist approach. Nevertheless, the research result also revealed what the neo-liberalist approach has failed to explain, which is that Afghanistan had achieved limited gains from its WTO accession. In conclusion, the essay deepens our understanding of the mechanism of the WTO as an international organization and the empirical process of Afghanistan's accession to the WTO. In addition, the essay has proved the applicability of the neo-liberalist theory in the Middle East through the case of Afghanistan and developed the neo-liberalist approach that should be conditioned on the domestic political, economic, and religious reality of the country. Finally, the essay can be useful to policy recommendations to international organizations such as the WTO and the national governments such as Afghanistan to achieve better development. Admittedly, the essay only focused on Afghanistan and only tested the explanatory power of the neo-liberalist theory. Therefore, future studies can look into WTO accession in other countries in the Middle East and explore alternative theories such as realism and constructivism.

Keywords: *Afghanistan, the WTO, Neoliberalism, Policy*

1. INTRODUCTION

The research question of the essay is why Afghanistan has accessed the WTO and the impact of the WTO accession on the domestic situation. The research question is puzzling because Afghanistan accessed the WTO in 2016 after long rounds of negotiation, yet its motivation to join the WTO and its real impact has remained under-researched. Therefore, the essay will aim to fill up this research gap and explain the WTO accession.

Prices are rising in Afghanistan because of government inaction. While the average monthly income in Afghanistan is around RMB 270 due to years of war, a bag of flour is around RMB 165, 10 liters of cooking oil is now worth RMB 116, and 7 jin of rice is around RMB 29 [1].

On the political front, the country is now in transition under the new Taliban government. There are still some discordant voices trying to destroy this precious peace, which may lead to another outbreak of war [2].

As a result of foreign intervention in The internal affairs of Afghanistan, the internal disputes in Afghanistan continue, which is also the main cause of the Afghan war. The U.S. launched the war in 2001 against aL Qaeda and the Taliban in retaliation for September 11, 2001, and marked the beginning of the war on terror.

Coalition officials have said the goal of the war is to capture Osama bin Laden and other aL Qaeda operatives and punish the Taliban for supporting terrorists. [3] This has seriously threatened the lives and safety of ordinary Afghan people and created serious economic problems in Afghanistan. Therefore, the most important thing for Afghanistan to solve its domestic economic problems is to draw a clear line with some countries with aggressive intentions and resolutely reject their unreasonable demands. Only in this way can the interests of its people be protected from illegal infringement by foreign forces to stabilize the pace of economic development [3].

Geographically, Afghanistan's strategic position is very important. China borders Afghanistan to the east, the Indian Ocean to the south, the oil-producing region to the west, and Central Asia Russia to the north. Economically, Afghanistan has natural resources.

Southeast Afghanistan has natural resources such as gold, silver, copper, zinc, iron ore, and precious gemstone veins such as lapis lazuli, emeralds, and cyan in the northeast. There could also be significant oil and gas reserves in the north. There are also natural resources such as coal, chromite, talc, barite, sulfur, lead, and salt, and most of these important mineral and energy assets remain intact and unused due to the country's exposure to the Soviet invasion and the ensuing civil war. This is why so many superpowers have tried to control Afghanistan.

After the introduction of the background, the essay will then reveal the neo-liberalist approach. Following that, the essay will seek to explain the WTO accession of Afghanistan through the neo-liberalist approach. The next section will focus on the effect of WTO accession on the domestic political and economic situation of Afghanistan. Then, the essay will provide policy recommendations from the political, economic, and foreign strategy perspectives. The conclusion summarizes the whole essay and sheds light on future studies.

2. LITERATURE REVIEW

As we step into our statement, the first question that comes to us is why we are choosing to follow a neo-liberal institutionalism approach and what exactly it is. Explaining neo-liberalism would be relatively complicated while its definition is given with more simple words. According to the definition on Investopedia given by Will Kenton, "Neoliberalism is a policy model that encompasses both politics and economics and seeks to transfer the control of economic factors from the public sector to the private sector"[4]. Unlike liberalism, which holds wider liberty to various aspects of society, Neoliberalism is narrower and focuses on economic policies. However, the above information on Neoliberalism is abstract. The central reason for us to choose Neoliberalism is its essential role in globalization. Neoliberalism aims to create a society that investors can get involved in the business at low cost and so the economy would develop most efficiently, just as Christian Fuchs explains on Britannica, "neoliberal policies aim at creating a framework for the economy that makes it possible to raise profits by minimizing the costs of investment, reducing social security, and preaching individualism"[5]. Having explained Neoliberalism, now we need to connect it to the state of Afghanistan. Nowadays, the prime goal of Afghanistan is to rebuild the social framework and restart the development of its economy. Neoliberalism is very suitable here to meet this essential goal of economic development. Also, Neoliberalism focuses on individual nations' own right to focus on themselves, so it will be really helpful for Afghanistan to have an environment that ensures itself to reform safely and receive help from other nations conveniently. To let Afghanistan reform and rebuild its

basic economy and society quickly, Neoliberalism is exactly what we need. While domestic and international investments can take place smoothly, the reformation of Afghanistan will be a realistic destination on the timeline.

3. EXPLAINING THE WTO ACCESSION OF AFGHANISTAN

Afghanistan was lack of development in various aspects of its economy. There are several reasons for those problems, such as war, lack of resources, and undeveloped technology. For those reasons that will not be seen in other states or can only be found in few states, it would be very difficult for Afghanistan to get its economy reformed and flourished. As a result, get involved in WTO would be a critical way for Afghanistan to find its way out in such a difficult time.

Before explaining the changes and needs Afghanistan would meet after entering WTO, we should look into some statistics that show why it is urgent to have Afghanistan entered the World Trade Organization and step into the international market. About 75% of the Afghan population lived in rural areas, and most were involved in the Agrarian economy during that time. The Gross Domestic Product Per Capita was not even above \$700 during 2012, and agriculture, the most basic industry for a state, weighted over 24% of the GDP. Besides agriculture. Other industry types were extremely undeveloped with a small scale hard to measure in the GDP [6].

Having understood a brief overview of Afghanistan's domestic economic state, now it is time to consider what will happen after Afghanistan's WTO accession and what is connected with a neo-liberalism approach.

There are various benefits and costs Afghanistan might meet for its accession to the WTO. Entering the WTO means Afghanistan is stepping into another level of participation in the international market. First, the benefits. Accession of WTO would instantly provide a larger market of goods and labor. As one of the largest dry fruit and carpet producers globally, WTO membership can provide opportunities for firms producing these two types of goods [7]. Besides, exporting labor and resources (especially raw materials and mineral resources) can largely change the state's economic structure and drag it away from the darkest time [8]. However, there is still cost for Afghanistan's WTO accession, the most influential ones are competition and tariffs. Overall, Afghanistan's industries are not competitive compared to most member states in WTO. This might lead to an awkward situation that the goods produced by Afghanistan might gain little profit or meet little demand in the international market. Also, rich states may put high tariffs when trying to export and import goods and resources so that trading would be

extremely costly for Afghanistan, and the Afghan economy cannot sustain such costs in the long term.

To eliminate the possibility of those costs destroying the chance for Afghanistan's thriving, neo-liberalism should be supported. If neo-liberalism is applied correctly, rich and developed states will not impose high tariffs on Afghanistan due to little government control over international trading and the economy. Under such circumstances, Afghanistan would not worry about other states not being willing to accept their existence in the international market, but the only question it needs to work on is to make itself more competitive. Eliminating this worry would encourage Afghan firms and industries to work harder to make themselves more competitive, which is the most efficient way to gain economic growth: Domestic development while opportunities are created internationally [9].

4. REFLECTION AND DISCUSSION

At present, it seems that WTO has no substantial influence on Afghanistan. The main reason for this is the perennial war and political turmoil in Afghanistan, which has led to Afghanistan's complete lack of opportunities to participate in world trade, and even the domestic trade of Afghanistan has stopped. The economic backwardness also has a lot to do with the national nature of Afghanistan.

Afghanistan is an agricultural and pastoral country. Agriculture was underdeveloped and barely self-sufficient. There are many cattle and sheep, and the export of sheepskin and wool is a tradition in Afghanistan. Trade farming is the backbone of the Afghan economy. The farming and animal husbandry population accounts for nearly 70% of the total population. Arable land accounts for less than 10% of the country's total land area. Major crops include wheat, rice, corn, cotton, sugar beets, dried fruits, and various fruits. Main animal husbandry products are fat tail sheep, cattle, goats. Since the establishment of the new government, the development of agriculture and animal husbandry has been a basic state policy of Afghanistan. We encourage the development of agriculture and animal husbandry and have exempted or exempted tax burdens in several agricultural and animal husbandry production, thus further enhancing the enthusiasm of farmers and herders in production. Low yield per unit area has long been a problem for Farmers in Afghanistan, whose millennia-old farming methods, which locals boast are the greenest and produce the most delicious food in the world, have fallen far behind advanced countries as an industry. After the overthrow of the Taliban in 2001, the international community helped Afghanistan embark on a massive reconstruction effort. With the help of international agencies such as the FOOD and Agriculture Organization of the United Nations and the European Union, irrigation facilities in much of Afghanistan have

been restored, and the food industry is gradually recovering. As Afghanistan's second-largest city, the southern city of Kandahar is an important agricultural products distribution base, commercial center, and highway hub. The city is famous for its hand-made blankets, cotton and wool weaving, tobacco, fruit processing, and metal manufacturing industries and has a tradition of import and export trade with Pakistan. It has also become the political and economic center of southern Afghanistan [10].

For the economic development of Afghanistan, if Afghanistan actively changes the nature of the country and tries to break away from excessive dependence on agriculture and imports, it is possible to complete the national transformation. And all of these have to be established under the premise of a stable state form to achieve. For its part, the WTO can do more to help Afghanistan after it has completed its transformation and established its trade base. After all, the economy is the blood of the country. If economic growth is not achieved, the living standards of the Afghan people cannot be improved, and the New Afghan government cannot stand firm and stabilize the domestic situation of Afghanistan for a long time. Figures and tables should be placed either at the top or bottom of the page and close to the text referring to them if possible.

5. POLICY RECOMMENDATION

Afghanistan is in the early stage of national reconstruction, and the new Afghan government faces many difficulties and challenges. Restoring normal order and achieving a soft landing as soon as possible is an urgent task for all Afghan people, and the international community and regional countries also need to pay close attention to it. So, to stabilize the political situation now, it is necessary to improve the quality of life of the Afghan people and build their trust in the new government. Therefore, economic development is the top priority of Afghanistan at present. Only with the economy's improvement can the country have money to develop science and technology and national defense construction, and people's living standards can be substantially improved. At the same time, In terms of international diplomacy, Afghanistan needs to be far from a hegemonic country like the United States. Too much contact with such a country will not significantly improve the current situation and will even lead to the government becoming a puppet of the hegemonic country, leading to Afghanistan's return to war again. The new Afghan government should approach countries and organizations willing to develop peacefully, such as the Belt and Road initiative, which aims to develop and jointly help its economic development. While Afghanistan should make good use of your Asian corridor of geographical location, through the positive development of infrastructure, to make domestic transportation network to start at the same

time also can solve the problem of domestic waste of labor, this helps to give full play to its geographical, economic arteries to help their country's rapid development, in order to become an important station in traffic routes of the world economy. However, due to the complicated topography of Afghanistan, which increases the difficulty of construction and produces high construction costs, the current new government cannot carry out such a large project, which also highlights the necessity of joining international organizations for peaceful development. Only active participation in such international affairs can bring about a relatively visible improvement in the Afghan economy in the short term.

6. CONCLUSION

In summary, the essay illustrated that WTO accession is a complex and controversial process for Afghanistan. The essay found out that the main driving force is the expectation of a better future of the country through the tool of the WTO, namely increasing the foreign direct investment and expanding the international market. In addition, the essay is not optimistic about the real impact of the WTO accession on Afghanistan. After the WTO accession, there was economic growth in Afghanistan, but the economic growth is not consistent and substantial.

The essay not only deepens our understanding of the empirical reality of Afghanistan but also develops the neo-liberalist theory. The essay's contribution is that it provides a theoretical argument that the explanatory power of the neo-liberalist theory depends on the level of stability and development in a given country. The essay argues that what is promoted by the neo-liberalist theory, such as expanding the market and trading with international countries, may not be that helpful to the country's development unless the country is in a politically stable environment.

The paper has several limitations. The analysis may be incomplete, and maybe there are other reasons. The single case of Afghanistan provides limited explanations and may not fully explain other cases. Future studies can focus on other cases of countries in the Middle East. Also, to fully understand the phenomenon, it is worthwhile to explore other perspectives and reasons.

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