



U.S.-Afghan Business Matchmaking Conference

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Remarks as Prepared

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I am honored to be here today to speak with a group that shares with the U.S. Government a great vision: to build a stable, open, prosperous and peaceful Afghanistan. Stability and peace in Afghanistan is one of the United States' most important foreign policy priorities.

We meet today at a time when some have questioned the stability of the country and the efficacy of the US and international effort. I believe we can and will succeed. After almost three decades of conflict, the courageous and proud Afghan people deserve peace and prosperity. We hope to work with you to make this a reality. We will not leave until that job is done.

What We Have Accomplished Since 2001

There is reason to be optimistic about the future of Afghanistan, particularly if we remember the situation of the country just five years ago. In 2001, Afghanistan was the 5th poorest country in the world. Al Qaeda was a state within a state. Today, although it is not yet prosperous, Afghanistan is taking steps to enter the World Trade Organization; it has averaged annual growth rates around 9 percent since 2003; and it is actively engaged in trade. Economic development is on the rise – the World Bank estimates Afghanistan's Gross Domestic Product to be \$7.2 billion in 2006, up from \$4.7 billion in 2003.

Five years ago, the Afghan Government was just learning to function. Today, President Karzai leads a stable national government for the first time in that country's history. The government has overseen successful Presidential and Parliamentary elections. President Karzai is now taking serious steps to institute good governance at the provincial and local levels.

And perhaps most heartening, we see countless little girls attending schools across the country. Thanks to sustained efforts by the Government of Afghanistan, enrollment in primary schools, which was a paltry 19.2 percent in 2000, has risen to 93 percent in 2004.

I will be visiting Afghanistan soon and look forward to seeing the great progress that has been made, and to discussing how to ensure that progress continues. The United States is committed to seeing this through. We remain Afghanistan's largest provider of reconstruction assistance -- over \$12.5 billion since 2001 -- and we will sustain our commitment over the long term.

Challenges for the Next Five Years

It goes without saying that many, many challenges remain, from improving security, to fighting narco-trafficking, to building a 21st century infrastructure, to the critical area where you come in: revitalizing the Afghan entrepreneurial spirit and building a strong business sector. Let me walk through some of these challenges, and explain how the Afghan government, the US, and the international community are addressing them.

Security

Security continues to be our primary priority. We have seen an increased number of attacks in Afghanistan this year, particularly in the South and East. These attacks do not pose a strategic threat to the central government, but they do have an impact by preventing the government from effectively expanding its mandate. In substantial part these attacks are a result of the expansion of NATO's ISAF and the Afghan government into new areas – thus bringing them into direct contact with militants.

Total international military forces, representing 26 countries, now number over 40,000 -- the highest ever in Afghanistan. U.S. troop levels have remained steady. While the Taliban and other criminal elements have attempted to take advantage of the transition to what they consider weaker NATO troops, NATO contingents have proven themselves to be extremely effective by winning military successes against the Taliban.

In addition to NATO proving itself, the Afghan National Army and National Police are improving every day, thanks to training and equipment from donor countries. U.S. and Coalition partners, especially Germany, have helped the growing Afghan National Police, now numbering over 30,000, increasingly take on primary responsibility for day-to-day policing of major cities. The Afghan National Army, 40,000 and growing, is now fighting side-by-side with Coalition forces.

One of the most effective things we are doing to build security – and one that will receive increased prominence over the next few months – is road building. The top U.S. Commander in Afghanistan, General Eikenberry explains succinctly why roads matter to security. He says: "Where the road ends, the Taliban begins."

The success of the Taliban depends on ungoverned and unpaved areas, where they can operate out of sight of the local authorities. Roads change that picture dramatically. Because most villages in Afghanistan find themselves disconnected from provincial capitals and away from the government services they need, the new roads bring goods to markets and ensure easy movement by the police, army and drug eradicators to areas that need urgent security action. Building roads, of course, also means employing and training Afghan workers. The United States recently committed an additional \$60 million specifically to road building. By bringing infrastructure, government, and -- with your help -- businesses to all of Afghanistan's regions, we hope to improve security for the long run.

Narcotics

In addition to security, trafficking of narcotics also remains a serious problem. As President Karzai has said, "We must destroy poppy before poppy destroys us." This year's opium crop was the largest in recorded history, according to a UN Office of Drugs and Crime report.

Opium poppy cultivation brings corruption, weakens the Afghan government, and funds terrorist and insurgent groups. The situation is very troubling. The international community and Afghan authorities must do better.

There is no quick and simple way to end the poppy trade, but we have worked with the Government of Afghanistan to adopt a long term strategy we hope will work: 1) develop alternative economic opportunities for Afghans who might otherwise turn to drug cultivation or trafficking, 2) an extensive public information campaign, 3) strengthening the government's ability to interdict drug shipments, 4) reforming the justice sector, and 5) eradication. Until now, eradication has been small scale and voluntary. We must also consider that other methods of eradication – such as ground and aerial spraying, have done much to reduce the coca scourge in Colombia.

There are some bright spots in the war against poppy: In Nangarhar province the provincial governor enforced central government eradication policies. Funds distributed by donors helped farmers purchase seeds and equipment to produce high-value fruits and vegetables and get advice on finding customers. Then our roads helped move the produce to market. The result was a 96 percent drop in poppy cultivation over two years.

A persistent, comprehensive approach will build Afghanistan's own long-term capacity for fighting the drug trade and for insulating its new democratic institutions from the corruption and violence caused by it.

Drug trafficking brings with it another terrible scourge, that if not addressed, can permanently stifle the growth of Afghanistan's economy: corruption. President Karzai's new Attorney General, Dr. Abdul Jabbar Sabit, has launched an aggressive anti-corruption campaign. We stand side by side with him and the courageous prosecutors working in the provinces to support this effort. The United States is also making great efforts to support the justice sector in general, from training lawyers and judges, to building courthouses, to building public awareness that the law can help them.

Infrastructure and Power

With the right kinds of infrastructure, especially roads and electric power, Afghanistan has the potential for economic self-sustainability. Good infrastructure has a multiplier effect by enabling companies to settle and grow.

In an effort to rebuild Afghan infrastructure, since 2001, the United States has contributed over \$1 billion to developing roads to link the country's economic centers and help extend the reach of the central government to the provinces. Using U.S. and other donor funds, more than 1,500 kilometers of roads have been constructed over the past five years. The signature road project, the Ring Road, connecting Kabul in the east to Kandahar in the south and Herat in the West, is nearing completion. We have asked our international partners in private – and are calling on them publicly to do more to meet their commitments in this vital area.

We and international partners are also working to develop a safe and reliable power network. We are helping to upgrade the Kajaki Hydroelectric Dam, which will provide power for the major cities of Kandahar and Lashkar Gah. In Nangarhar, work is underway in rehabilitating the Darunta hydroelectric power station near Jalalabad. When finished, it will provide power to 9,000 customers. We are building northern and southern power grids for Afghanistan, as well as lines to import power from neighbors like Tajikistan.

Why You Should Invest: Building a Private Sector

Even with billions of dollars in resources from development banks and international donors, the private sector is the primary means for Afghanistan to develop. Our vision is for an Afghanistan that once again takes on its natural role as a land bridge connecting the Kazakh steppes to the ports of the Indian Ocean and beyond.

We look to private industry, owned and operated by Afghans, to be the driving force behind economic development in Afghanistan. Afghans around the world have responded. Since the fall of the Taliban, millions of Afghans have returned from abroad to help develop their country. And through institutions like the Afghan-American Chamber of Commerce and the Afghan Investment Support Agency, they are founding new businesses and bringing employment to their fellow countrymen.

American businesses, including those of you here today, are doing their part. For example, Coca-Cola decided at the end of last year to open a bottling plant outside of Kabul -- a major investment in the area. Through the negotiations of Afghan businessmen, Toyota Motors opened a repair and parts facility in Kabul last June. These are only a few examples of the dynamism of the private sector, supported by this group and other Afghan business organizations, that can help drive development.

We and the Afghan Government understand that, in order to thrive, Afghanistan must be a good place in which to do business and invest. We are working on the infrastructure, regulatory and anti-corruption practices to improve the picture. It is making a difference. For example, the World Bank estimates that in 2003, it required 90 days to start a business in Afghanistan. In 2006, opening a new business takes a mere 7 days. By making it easier for Afghans to return home and found their own businesses, all of Afghanistan benefits.

In addition to working with groups like yours, the United States has announced the development of Reconstruction Opportunity Zones to improve the lives of both Afghans and Pakistanis. This initiative, first announced by President Bush in March 2006, is a joint effort designed to increase economic production through tax incentives. Similar programs have been employed with great success in Egypt and Jordan. Certain products manufactured in these zones will be exported duty-free to the United States, expanding international market access for Afghanistan and creating employment for Afghans. We are completing the feasibility studies and look forward to working with Afghanistan, Pakistan, and our own Congress to help open new economic opportunities to Pakistan-Afghanistan cooperative endeavors.

We Will Succeed

While the United States and other international donors can help Afghanistan create the conditions for a strong economy through security and infrastructure, we simply cannot make it happen alone. Real revitalization requires the ingenuity and expertise of the private sector.

The story of Afghanistan is at the moment is a difficult one, but the trend is positive. Your continued engagement is necessary to keep progress moving in the right direction. I commend you all for putting your efforts and resources into helping the people of Afghanistan and the United States find a new future together. Our commitment is for the long-term and I hope that yours is, as well.

Thank you again for inviting me here this afternoon.

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