

Peace impact on Afghan Economy growth

MamordinMangal (M.Sc.)

Lecturer at the Faculty of Economics, Shaikh Zayed University, Khost, Afghanistan

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I. Introduction

Peace is an essential prerequisite for economic development. It is nearly impossible for schools, hospitals, and businesses to operate when there is constant fear of violence and destruction of property. Peace creates a stable environment wherein businesses can flourish and government can function ensuring the rule of law. IEP's (Institute for Economics and Peace) 2018 report found that in the last 70 years, per capita growth has been three times higher in highly peaceful countries when compared to countries with low levels of peace. (Peace & World, 2019)

Afghanistan is a prime example of a country where the absence of peace has had a devastating impact on economic development. With a dismal ranking of 162 out of 163 countries in the Global Peace Index, Afghanistan incurred one of the largest economic cost of violence as a percentage of GDP at 51% in 2019 and military expenditure makes 10.2 percent of the GDP. (Peace & World, 2020)

After a long conflict the country is getting close to a sustainable peace. On Feb 29, 2019 Agreement for Bringing Peace to Afghanistan between the Islamic Emirate of Afghanistan which is not recognized by the United States as a state and is known as the Taliban and the United States of America was signed that is going to be followed by an Inter-Afghan negotiation and that will lead to a sustainable peace in the country. (America, 2020)

This paper aims to clarify the positive impact of peace in Afghanistan on the country's economic growth through studying the impact of peace on investment, exports and internal purchasing power as potential factors of growth.

II. Method

This research is descriptive and original data has been collected through doing interview with 25 Afghan economics professors and assistants, economics advisors and officials working with Afghanistan ministry of economy, finance and trade and central banks.

The interview was done between June to August 2020. The interview contained 4 questions and each interview lasted 5 - 10 minutes. Below are questions of the interview and Collected data has been analyzed in Excel.

1. How much peace would positively influence economic growth in Afghanistan?
 - a. In a High level
 - b. Middle
 - c. A little
2. Would peace impact more on aggregate demand or aggregate supply in Afghanistan economy?
 - a. Aggregate demand
 - b. Aggregate supply
3. What would be the impact on aggregate demand?
4. What would be the impact on aggregate supply?

III. Result and Discussion

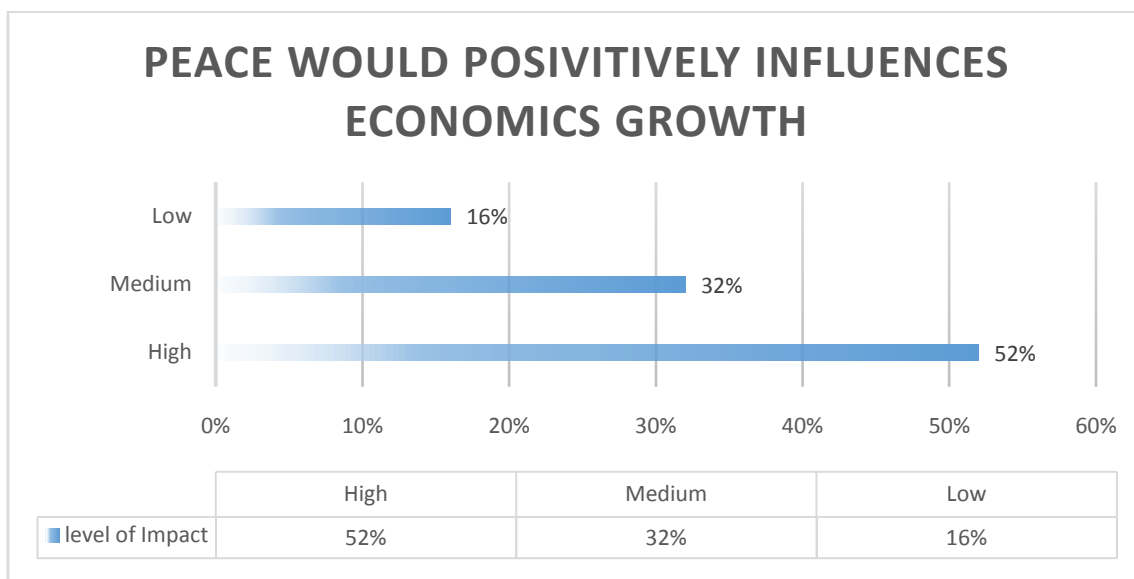
Economic growth is one of the most important goal of every economy. Economic growth occurs when there is an increase in GDP and that happens when both aggregate supply and aggregate demand improve in an economy.

Dominant factors of aggregate demand in an economy are private purchasing, public purchase, investment and net export that any increase in these factors cause increment in total demand.

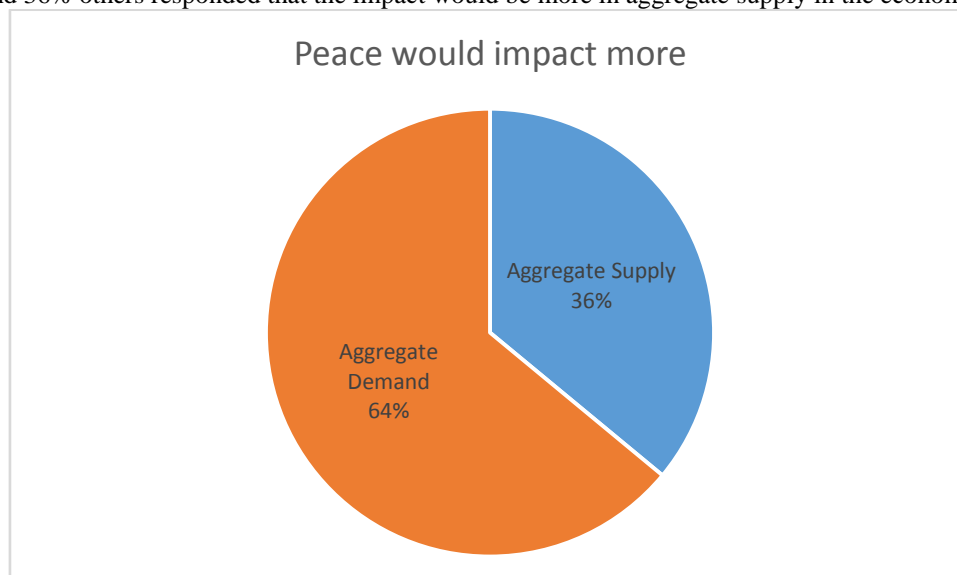
Aggregate supply in an economy depends on the quantity and mobilization of production factors and use of technology in an economy.

Peace as an essential infrastructure of Afghanistan economy provides opportunities for more investment both internal and foreign, increase in the quantity and mobilization of factors of production, increase in export and promoting private purchasing power.

According to the interview done with 25 economists 52% responded that peace would have high positive impact on economic growth, 32% responded that peace would have medium impact and 16% responded that peace would have low impact on economic growth in Afghanistan.



For the second question of the interview 64% responded that peace would have more impact on aggregate demand and 36% others responded that the impact would be more in aggregate supply in the economy.



The third question in the interview asked how peace can impact aggregate demand in the economy and interviewers analyzed that the very first impact would be on increase in the level of investment in the economy. Internal investors would increase their investment in the country and some will withdraw their foreign invests and bring it back to the country at the meantime foreign direct investment will be attracted and increased in the economy that leads to increase in export and government revenue and consequently public and private purchasing power will be increased and almost all elements of aggregate demand in the economy start to increase and a total of multiplier effects in the economy result to a big increase in aggregate demand that encourage producers for more production.

For the last question interviewers analyzed the impact of peace on aggregate supply that within peaceful environment all available mines will be suitably used and new mines will be discovered and extracted. Large open and idle areas across the country will be used. Refugees and educated people who live abroad because of war will come back to the country. Due to enough assurance investors would invest with huge size and bring to new technology to the country. Saving also would be increased. And mobilization degree of factors

of production inside the economy would increase that help aggregate supply gradually increase and cause significant economic growth in the country.

IV. Conclusions

Finding of the research:

- Peace would have highly positive impact on economic growth of Afghanistan.
- Afghan economy would be witness of good growth both in short term and long term.
- If the new investments occur in agriculture and industrial sectors Afghan Economy would start moving to a huge prosperity and becoming one of the young economies in not a long time.

As growth and peace are wide topics and considering all aspects are not possible in a paper so I suggest studying other indexes used for economic growth like productivity and per capita indexes and impact of peace on regional and internal economics.

References:

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