



JULY 11, 2009

HOUSE OVERSIGHT AND GOVERNMENT REFORM COMMITTEE
SUBCOMMITTEE ON NATIONAL SECURITY AND FOREIGN AFFAIRS

UNITED STATES HOUSE OF REPRESENTATIVES

**“THE UNITED STATES – AFGHANISTAN BUSINESS RELATIONSHIP AND THE
STRENGTHENING OF THE AFGHAN PRIVATE SECTOR”**

Mr. Chairman and Members of the Subcommittee,

Thank you for providing the Afghan-American Chamber of Commerce (AACC) the opportunity to submit testimony to the Committee for this most important hearing. Mr. Ajmal Ghani, Chairman of the Board AACC and the Honorable Don Ritter, President and CEO of AACC, would specifically thank and congratulate you for highlighting this issue. Our experience with the Afghan private sector dates back to 2002 when AACC went to Kabul to promote America’s philosophy and practice of a free and open market economy. AACC, in collaboration with Afghan partner institutions and individuals led the way in creating the first nationwide, independent-of-government chamber of commerce in Afghanistan; led in the creation of public forums on issues critical to a market economy like tax and tariff policy, banking and credit, price controls; promoted investment and access to capital critical to fueling private sector growth; all the while, AACC Members have been creating and building companies in Afghanistan across the spectrum of economic sectors.

AACC’s *Annual U.S.-Afghanistan Business Matchmaking Conferences* are recognized in the U.S., Afghanistan and Dubai as constituting the leading edge of U.S. business and economic policy engagement in Afghanistan. AACC was the motive force behind the recent (June 10, 2009) full-day symposium, attended by Subcommittee staff, entitled the *Role of the Private Sector in Stabilization* in Afghanistan held in collaboration with the National Defense University – Near East South Asia Center headed by General David Barno (US Army, Ret’d.), who served as former Coalition Forces Commander in Afghanistan and attended by those engaged in the Afghan private sector, DoD, State, Commerce,



Holbrooke Team representatives and many others engaged in the stabilization issue. The main point emanating from that Joint Symposium was the acknowledgment that it will be the Afghan private sector which provides the sustainable employment, goods and services to the Afghan people that are essential to achieving stability in Afghanistan. It is not “security first” as a prerequisite to development of a market economy; rather, security cannot be achieved without concurrently providing economic opportunity to the Afghan people – and this can best be done by the private sector. The views of the Symposium participants and AACC of how that might best be achieved are summed up in the following text. The Agenda of the June 10th AACC/NDU-NESA Joint Symposium is also included as an Appendix to this testimony.

To our knowledge, this hearing marks the first opportunity by Congress to specifically identify the challenges, impediments and opportunities associated with mobilizing the critical private sector element of the economy of Afghanistan and the business-enabling environment to support stabilization. The idea of linking economic progress to security in Afghanistan has been a hallmark of AACC since our inception. As National Security Advisor, General Jim Jones was quoted in the July 1st, 2009, edition of The Washington Post, “[t]he piece of the strategy that has to work in the next year is economic development. If that is not done right, there are not enough troops in the world to succeed.”

While the U.S Government now has a new strategy and is providing increased resources, specifically in the military and diplomatic pillars, to date, far too little attention has been focused on building the Afghan economy, the third pillar critical to Afghanistan’s stability and the concomitant role of an indigenous private sector in this process. In our testimony, we identify several concerns about past approaches and suggest ideas that would, in our view, stimulate immediate economic activity and growth in Afghanistan directly contributing to security efforts. That would mean goods, services and sustainable employment across the length and breadth of the country. This is really what the people of Afghanistan need and want and how they will judge the success of their government and the contributions of the U.S. and other Donors.



Top-Down vs. Bottom-Up:

Government programs and projects operate in top-down fashion while private businesses operate as bottom-up phenomena. Thus, government programs to ‘help’ business from the top down often disturb the basic and normal operation of private companies by encumbering them with activities not necessarily relevant to their actual operation in the marketplace. For example, our experience with external training programs, offered at low or no cost to businesses, is that they take valuable time and energy away from internal and market exigencies while providing only a general level of information not of significant help to local businesses; yet, they consume substantial Donor resources that could better be deployed by the private sector entrepreneurs who best understand the needs of their own businesses.

Additionally, the current contract and grant economy in Afghanistan, the primary means by which U.S. Government and Donor money enters into the country, results in an allocation of goods and services, that is not subject to market discipline, and therefore are inefficiently distributed and overly expensive. More significantly, such an economy enhances corruption and the buying and selling of contracts at every level of society. In our experience, corruption is embedded in the contract and grant economy, which provides a very good reason to shift at least some reasonable amount of resources away from it and into direct support of the more efficient and less corruptible market economy by supporting programs that operate on a more direct business-to-business basis.

Government Programs Compete with the Market Economy:

No matter how creative and innovative they may be, Donor programs and projects often compete on many levels with the local private sector. Donors have the money, and the best people are literally ‘plucked out’ out of the private sector by donor-based organizations. The private sector cannot compete with relatively-speaking, gigantic "donor" salaries, which are paid regardless of whether a profit is made or not. Making a profit is a discipline that is simply not a part of the contract and grant economy. This is a glaring reality. Thus, Donor-agency leaders and employees in Afghanistan make far more money than entrepreneurs and their employees in the private sector who are actually taking risks with their money and resources and are assuming a responsibility unknown to those in the chain of contract and grant funds. Understandably, there is a need and role for traditional development assistance but the key to success in Afghanistan is in recognizing that it is the Afghan private sector which is the main driver of economic development and creator of sustainable jobs essential to security. Moreover, the U.S. government must



take the initiative in designing the innovative business initiatives that support the private sector's needs. To do so, it must ask the private sector what it needs and work with the private sector on a business-to-business basis.

Supporting the Private Sector: Capacity Building or Credit?

It is the business community's experience that capacity building in the private sector is far less beneficial than reasonably-priced credit or equity financing for entrepreneurs. Technical assistance can best be devoted to supporting the specific commercial activities of an individual borrower/partner rather than the more easily procured technical assistance programs that offer "business and management training" for the general business population. Creative initiatives that finance the creation and building of businesses with credit, equity capital and targeted technical assistance need to be established for Afghanistan, now.

It is our view that before security can be achieved in Afghanistan, resources will need to be channeled into starting up and building individual businesses. To do so, additional funds must be made available immediately to finance growth of the private sector. An AACC Working Group on *Access to Capital/Private Sector Investment* has been developing an Afghanistan-oriented, enterprise-type, revolving trust fund to deploy capital professionally and is targeted toward agriculture, agribusiness and priority regions like the Afghanistan-Pakistan border; however, other similar models could also be used along the length and breadth of the economy to "jump-start" the local private sector. The key is widespread professional deployment of capital and engagement of the stronger capabilities of the Afghan banking system. History demonstrates this must be done by private sector business and investment professionals to have a chance of success.

Greater Focus Required

Finally and perhaps most importantly, there needs to be far greater Donor attention to, and the related-institutional capacity to deal with, the issues of the market economy and what is needed to build it in Afghanistan. At the very least, if there are programs and projects that impact on the Afghan private sector, input must come from those people working directly in the Afghan private sector. This, unfortunately, rarely occurs whether it's the Donors or even the Afghan government. *As such, a robust United States Government institutional capacity focused on the development of the Afghan market*



economy as its primary mission is desperately needed. To do all or even part of the above-mentioned initiatives, we believe there needs to be a reasonably independent entity with market-economy dedicated capacity and resources, so as not to be a sidebar to the political mission of the State Department or the military mission of the Department of Defense. If we truly believe that legitimate employment is critical to stability, supporting the private sector at a far higher level is a necessary way to go.

US-Afghan Business Relationships: The Visa Issue

The Afghan-American Chamber of Commerce continuously monitors the economic situation in Afghanistan, and continually looks for avenues of potential market development. To promote investment opportunities, the Afghan-American Chamber of Commerce organizes an annual business match-making conference every year for the U.S. and Afghan investors, the success of which has been recognized by the US Department of State and the US Department of Commerce. This year's conference, the fifth annual, will be held on October 18-20, 2009 in Washington D.C. Major United States investors, government representatives, and prominent Afghan and Afghan-American businessmen are invited to come together to discuss business challenges, opportunities and to network.

Despite the conference's high degree of recognition, most of our Afghan businessmen from Afghanistan (and Dubai, the location of significant Diaspora wealth) have in the past, faced expensive, time-consuming and frustrating problems obtaining visas to attend the conference. The title of the Hearing today is the "U.S.-Afghanistan-Business Relationship," yet the enormity of hurdles faced by Afghan businesspeople to obtain visas allowing them to come to the U.S. to discuss and build partnerships and joint ventures act as a significant deterrent to a viable U.S.-Afghan Business Relationship and are much in need of remedy. Afghan businesspeople need to speak with players in the U.S. market for their products; they need to discuss plans with potential investors and partners, and so much more,

Recently, visas have begun to be issued out of Kabul but the process needs to be monitored carefully to ensure it is working to get a critical mass of Afghan businesspeople to the U.S. There may need to be an extra engages with the visa issuance process. Otherwise, there will not be a significant difference from the previous hard times faced by business people in Afghanistan or Dubai seeking visas to the U.S. and they numbers will continue to be a trickle. It is not only important for AACC to be able to bring businessmen and women and related government officials to our forum for promoting investment



opportunities in Afghanistan and so join up with U.S. businesspeople and investors, it is important to both nations' mutual economic policy and stabilization goals to do so.

The Afghan-American Chamber of Commerce would appreciate any assistance that Members of this Subcommittee could give to ensure that all those wishing to attend our October Business Matchmaking Conference are granted visas and beyond AACC, that the general process of judging the merit of visa applications rise to a level of refinement that truly permits, again quoting from the title of this Hearing, a meaningful "U.S.-Afghanistan Business Relationship".

Again, Mr. Chairman, we thank you for providing the Afghan-American Chamber of Commerce the opportunity to submit this testimony. Our Members are businesses and business owners who either own or operate businesses in Afghanistan. We have tremendous expertise and are passionate about Afghanistan. Perhaps now, with the focus this Subcommittee is bringing, we can help you highlight the keys to developing an Afghan economy that will truly compliment what our troops and treasure are working toward.

Enclosed: Biography for

Mr. Ajmal Ghani, Chairman of the AACC Board

Honorable Dr. Donald Ritter, President and CEO of AACC



BIOGRAPHY

Ajmal Ghani A. is a Founding Member, a Member of the AACC Board of Directors, and the current Chairman of the Board. He was one of the key authors of AACC's bylaws and formulation of existing programs and policies. He was also instrumental in the opening of the AACC Kabul office and the establishment of the USAID-funded Afghanistan International Chamber of Commerce (AICC) in Afghanistan in 2004. He possesses over two decades of professional experience in management and providing advisory services to international and domestic associations and companies and has first-hand knowledge of Afghan affairs, having spent much of his time on the ground in Afghanistan since December of 2001. He has been a participant/observer of every major political event in Afghanistan since 2001 and he has been serving as Senior Advisor for several international development companies working in Afghanistan. Simultaneously, he is a private investor in several projects in Afghanistan in the areas of agribusiness, tourism, construction, and sports management. Prior to joining AACC, Mr. Ghani served as a spokesman and media liaison during the first Loya Jirga from April to July 2002. From 1999 to present, Mr. Ghani has served as the President of the non-profit organization *International Victims of War*. From 1990 to 2000, Mr. Ghani served as the CEO of A-Zai Enterprises-Investment Co., a consulting and investment real estate company in Arlington, Virginia. He also served as President of Choice Auto, a luxury automobile sales and leasing center in Arlington, Virginia from 1988 to 2000. Mr. Ghani has also been very active in professional societies in the past, including the Afghan Youth Council and as President of the Afghan Student Association. He co-founded the Afghan Sports Federation in the U.S. in 1989. Mr. Ghani completed his higher education in General Studies/Management in the U.S. Prior to that he attended secondary schools in Afghanistan, Iran, France, and the U.S. He is fluent in Dari, Pashto, French, and English.



THE HONORABLE DON RITTER, Sc. D., is the current **President and CEO of the Afghan-American Chamber of Commerce (AACC) and a member of the Executive Committee and Board of Directors**. Since 2002, he has worked full time on Afghanistan and has been back to the country 21 times. Dr. Ritter represented Pennsylvania’s 15th district, the “Lehigh Valley”, from 1979 to 1993 in the U.S. House of Representatives, and has a near 30-year history in Afghanistan. As ranking member on the Congressional Helsinki Commission, he fought for liberty and human rights in the former Soviet Union, serving also as the founding chairman of the Ad Hoc Committee on the Baltic States and Ukraine. As one of the leading congressional proponents of U.S. assistance to the people of Afghanistan during the Soviet invasion and occupation as primary author of the “Material Assistance“ legislation and Chairman of the “Congressional Task Force on Afghanistan”, Dr. Ritter continues his effort today via the economy and private sector to find solutions to Afghanistan's challenges of insurgency and the drug trade. He is founder and former Chairman of the Washington, D.C.-based Afghanistan- Foundation, later known as the Afghanistan-America Foundation and a founder of the Afghan American Chamber of Commerce (AACC) in 2002. He also served as Senior Advisor to the Afghan-American Chamber of Commerce and the Afghan International Chamber of Commerce (AICC) in Kabul during the creation and development years of AICC, 2004-2005, under a USAID grant. Dr. Ritter was a major architect of the AICC, the first independent, free-market oriented Chamber in the history of Afghanistan, now merged with the Afghan Chamber of Commerce and Industry (ACCI). Dr. Ritter presently seeks to continue AACC’s seminal role in assisting the development of the Afghan market economy in bringing stability and prosperity to Afghanistan. He also wears the hat of private businessman and investor in Afghanistan and is active in businesses involving consumer services, construction and carpets. Dr. Ritter holds a B.S. in Engineering from Lehigh University and an engineering doctorate from M.I.T. He was a Scientific Exchange fellow in the former Soviet Union and speaks fluent Russian. He was a member of the faculty and administration at Lehigh University for 10 years, a consultant to industry, and, after 7 terms and 14 years in the US Congress, was Founder and President of the National Environmental Policy Institute (NEPI) for 10 years. Don also serves on the Board of Directors of the Victims of Communism Memorial Foundation and is Chairman of their Development Committee.

Appendix