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PARTICIPANTS:

Introductory Remarks:

MICHAEL O'HANLON
Senior Fellow and Director of Research, Foreign Policy
The Brookings Institution

Keynote Address:

ALEX THIER
Assistant to the Administrator and Director of the Office of Afghanistan and Pakistan Affairs
U.S. Agency for International Development

Panelists:

RONALD NEUMANN
President, American Academy of Diplomacy
Former U.S. Ambassador to Afghanistan

MICHAEL O'HANLON
Senior Fellow and Director of Research, Foreign Policy
The Brookings Institution

ALEX THIER
Assistant to the Administrator and Director of the Office of Afghanistan and Pakistan Affairs
U.S. Agency for International Development

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P R O C E E D I N G S

MR. O'HANLON: Good morning, everyone. Welcome to Brookings. Thank you for coming out on the third of July in these difficult times of commuting and weather and everything else. We appreciate your commitment to the Afghan mission just as we appreciate the commitment of the two gentlemen here and all of our men and women in uniform and in civilian attire who do so much overseas still today.

I'm Mike O'Hanlon from Brookings. We are going to spend the next 90 minutes talking first with Alex Thier of the U.S. Agency for International Development about the ongoing state of his agency's efforts and the broader mission in Afghanistan. The way we'll proceed is that first after I introduce him in just a second, Alex will speak from the podium with some prepared remarks. He will then join Ron Neumann and myself here for a panel discussion and we'll ultimately go to you.

And let me say a couple of words about these two remarkable gentlemen, first, Ron. Ron, as you can see, continues through broken legs and a broken wrist and all to fight through and continue in his commitment to Afghanistan. He was ambassador there from 2005 through 2007, culminating a fantastic career in the Foreign Service where he had also been ambassador to two other countries.

He was one of only two father-son duos in our nation's history to be ambassador to the same country. His father had been ambassador to Afghanistan in the late 1960s and there will be a trivia question at the end as to which other father-son duo in our nation's history had two people ambassador to the same country, but they both wound up presidents, also, that's your hint, as well.

And then our featured guest for today, and our opening speaker and keynoter, is Alex Thier, who is assistant to the administrator at the U.S. Agency for International Development with primary focus and the lead director on the Afghanistan-

Pakistan portfolio, working here in Washington. Alex has a longstanding commitment to Afghanistan and Pakistan.

In the 1990s he worked for the United Nations in Afghanistan during the difficult times of civil conflict and then entering into the period of Taliban rule. He's been a distinguished scholar at the U.S. Institute of Peace, with commitment to many of the issues that, at least in the early going, often evaded the attention of so many of our policymakers like the rule of law and other crucial matters.

He has, obviously, a huge portfolio today with Afghanistan, still, I believe, our nation's largest dollar recipient of foreign assistance, but a lot is about to change, and of course we convene today in the preparations for the Tokyo Donor's Conference. A lot of people were paying attention to the NATO Summit in May in Chicago where Afghanistan was, arguably, issue number one, but no less important, and perhaps in some ways more important, is this upcoming Tokyo Conference next week where donors will meet to talk about their current and their longer-term commitments to Afghanistan and what strategies might guide their ongoing efforts there.

So, Alex, we're thrilled to have you here to keynote this topic and thank you very much for being at Brookings. Please join me in welcoming Alex Thier.

(Applause)

MR. THIER: Thank you so much. It is a real honor to be here and thanks everybody for coming out. I wasn't going to say this, but I can't help remarking, yesterday morning we had a large video conference with Afghanistan to discuss our ongoing efforts to develop a natural gas and power project in the North of Afghanistan, which we almost had to cancel because of lack of power in Washington, D.C.

But, really, it's a pleasure to be speaking alongside two people who have dedicated so much to keeping our engagement in Afghanistan on track, honest, and

really with an eye not primarily only to naming problems, but to solving them.

Michael stole my line, but when you go to the embassy in Kabul and you see the remarkable rows of ambassadors, and maybe it's because of the moment, but the father and son are right above and below each other at the moment and that is really a record of multigenerational service and perspective on the country that cannot be taken lightly.

And every time I see Michael I'm reminded of the incredible work that he's done, and particularly, where I really first got to see his work, was these incredible infographics that have run through *The New York Times* for almost a decade now, and I think it's rare that you see a dataset that is so expertly presented that it can actually change peoples' opinions, if not thousands, and certainly it did for me.

We are in the midst of a political, economic, and security transition in Afghanistan that, to my mind, will likely define the future of the country and the region for decades to come. For this to succeed it is going to require an enormous degree of sustained commitment and after ten years, for many people, that is asking a lot.

First and foremost, this commitment has to come from the Afghans and their leadership, but it also needs to come from us and our allies in the international community. And together, we must overcome the ghosts of 1991.

At that moment, too, after about 12 years of international intensive focus on Afghanistan, was a turning point, but it was the point where the world turned its back on Afghanistan. The NATO Summit in Chicago, the Donor Summit coming up in Tokyo this week, the U.S.-Afghan strategic partnership are all about showing the Afghan people and the Taliban and the regional actors and our allies, and, indeed, ourselves that after another decade of joint action and investment, we are not leaving Afghanistan to the wolves, that the lessons of Al Qaeda and extremism left uncheck are not lost, and that

the stability of this region matters to U.S. foreign policy.

When he was at Bagram in May, this is what President Obama said: "We are building an enduring partnership. The agreement we sign today sends a clear message to the Afghan people, as you stand up, you will not stand alone. It establishes the basis of our cooperation over the next decade including shared commitments to combat terrorism and strengthen democratic institutions. It supports Afghan efforts to advance development and dignity for their people, and it includes Afghan commitments to transparency and accountability, and to protect the human rights of all Afghans, men and women, boys and girls."

So, our relentless focus for the past several years has been to get results from our investment of taxpayer dollars in Afghanistan and to make them sustainable over the long-term.

In the last decade, we have helped Afghanistan to develop more rapidly, reaching more deeply into its society than in any previous decade in their history. And I realize that that bucks some of the commentary and reporting that is passing for conventional wisdom these days, so let me repeat it: we have helped the Afghans to develop more rapidly than in any previous decade in their history.

I know this, in part, because I first decided to go to Afghanistan in that fateful year of 1991. For four years, I witnessed a civil war that was part of the systematic dismantlement of Afghan society and state. As a result, a decade ago, Afghanistan ranked among the world's lowest for life expectancy and literacy, and the highest for infant and maternal mortality.

One-third of the Afghan population were refugees and more were leaving. Another third were dependent on food aid from the international community for their survival. And half of the population, Afghan women, were about to be plunged into

darkness and destitution by the Taliban in 1996.

So, over the last decade, USAID has invested approximately $14 billion worth of civilian assistance into Afghanistan, and while this is a significant figure, and our most significant over the last decade, it's important to remember that this is equivalent to roughly four to six weeks of the cost of our military campaign.

So, let me give you a few examples of some of the progress we've achieved before going on to talk about what's happening next.

There is a report that was available outside that we released recently called *USAID in Afghanistan: Partnership, Progress, and Perseverance* that outlines some of these things statistically, talks about the results that we've achieved. For example, gross domestic product, economic growth in Afghanistan, has been about 8 to 10 percent per year on average for the last decade. Wouldn't we kill for those sorts of figures?

Per capita income has risen -- has virtually tripled, bringing millions of Afghans out of poverty. If you think about public health, life expectancy in Afghanistan in the last decade has increased 15 to 20 years in a 10-year period, which is likely the largest increase of any country in the world in that time period.

Maternal mortality and child mortality have plunged below their previous highest in the world mark and 64 percent of the Afghan population now have access to basic healthcare, whereas only 6 percent did a decade ago.

In education there's a similar story. In 2001, approximately 900,000 Afghan children, almost exclusively boys, went to school. Today that figure is over eight million children in school today, over 35 percent of them girls.

And there are some lesser known, but equally important statistics. If you look at energy, and I think that there were handouts passed out, the number of energy

connections in megawatts available in Afghanistan have soared. Kabul went from being the dark capital of Asia, literally the only capital without electricity, to having 24-hour reliable power. But equally importantly, we have worked with the Afghan Utility, which didn't even exist five years ago, and today has gone from requiring subsidies of $160 million -- about four years ago -- a year, to keep the energy system functioning, to only $40 million today, and they are well on their path to self sustainability.

You can tell a similar story about Afghan domestic revenues that have increased eightfold over the last nine years and almost doubled just in the last few years. Ultimately, if the Afghans are going to sustain the progress, it's going to have to come from their own economy, from their own revenues, from their own private sector.

Now, I want to say that by no means have all of these projects been successes and we are aware of that and we have tried enormously to learn from our past failures and made significant reforms over the last few years in the way we do business. I won't go into them in detail, but I do encourage you to look at the report.

Just a few things: in Afghanistan we issued the first ever sustainability policy which requires us to examine every single project we do to ensure that it's going to be sustainable over the long-term and to think about how we achieve that. We issued something called A^3, the Accountable Assistance Initiative for Afghanistan, which has done things like limited the amount of subcontracting, increasing vetting for contractors, dramatically increase the level of staffing and oversight that we have over our programs to make sure that we're safeguarding where taxpayer dollars are going.

We have also signed on with other donors to some of the donor best practices that have emerged, like those that were announced in Busan. There's something called the New Deal for Fragile States, which Afghanistan has signed on to. And the bottom line here is that Afghanistan, although one of the most challenging places

in the world to do this kind of work, we have also decided to make it, rather than a "we'll get to it eventually and focus on the easy places", we are putting it at the vanguard of our assistance reforms to make sure that USAID is the preeminent assistance agency in the world, is using best practices in the most challenging places where we have the biggest portfolio.

But what I want to say is that this progress remains fragile. Due to ongoing insurgency, lack of a political settlement, corruption, impunity, and institutions and a society that remain weak after 30 years of turmoil, we have an enormous amount of fragility in Afghanistan.

When I think about the Afghans that I've known for so long and I talk to them today, I'm often called to ask, what is normal for the people of Afghanistan? How do they see their own future? And what is it that we need to do in order to break those patterns and to overcome the ghosts of 1991?

Judging from the last 30 years, if you were an Afghan, what you see are constantly shifting sands. Regimes, allies, ideologies, invaders, the only certainty for Afghans over this period has largely been that new despotisms come, take their toll, and are swept aside. But I believe today that we have the chance to help the Afghans to change this dynamic, and this is really the heart of what we are trying to accomplish in Tokyo.

But Tokyo is not just a conference, it is really the culmination of a process that has included a year of dialogue and debate, has included these other conferences like the G-8, like Tokyo, that are leading us to understand together how we can secure Afghanistan's future. So, we have to accomplish, I believe, four things in this process: first, as I've outlined, there has to be a long-term commitment to Afghanistan. We have to convince our partners and the Afghans and ourselves that we are not leaving

Afghanistan in the lurch, even as transition moves forward. We have to cement the incredible gains of the last decade, address the potential factors or causes of instability or fragility, like the economic impact that the withdrawal will have on Afghanistan's economy.

Second is that we have to set priorities. We cannot do everything in Afghanistan. The needs in Afghanistan are virtually endless, but with donor funds going down, and this transition moving forward, we need a narrow, achievable set of priorities that need to be focused on a few critical things: private sector-led economic growth; an enabling environment that will allow that growth, including better laws, better governance, and better infrastructure; and human capital development, in other words cementing the gains that we've made for Afghans in health and education and making them more ready to become part of the workforce.

Third, there need to be reforms. These reforms in governance and on economic policy will enable a successful economic and political transition. A failure to make some of these critical reforms will disable that transition.

And finally, as someone who's watched this process intensively over the last decade, we need clear follow up mechanisms that will set and track benchmarks so that we know where and how we are on track and where we are off track and how we will correct that process. We also need more effective means to incentivize some of the types of reforms that I mentioned as the third element.

And so, what you will see coming out of Tokyo is something that attempts to bind all of these four things together in a mutual accountability framework, a framework that is an agreement between the international community and the Afghan government about how, together, we will achieve those four objectives.

I will close by saying that I believe that these changes, this commitment,

these reforms, and the need for real demonstrable results like many of those that I outlined, are no longer nice to have. They are imperatives if Afghanistan is going to avoid its prior fate.

There needs to be a transition away from what has been a donor-led economy to an Afghanistan economy that is much more self-sufficient. There needs to be greater regional integration. Afghanistan and its region are one of the least integrated in the world.

And finally, we need a successful political transition. I think it's absolutely fundamental to remember that the peaceful transfer of power that must happen in 2014 will be a historic first for Afghanistan, not only in this period, but ever in its history, and you don't get to the second one without going through the first one.

So, at the end, I think that we look at Afghanistan with these realities in mind: the troop levels are going down, overall donor investment over the next decade will decline. At the end of the day, we must be there to support the Afghans through this process, but the Afghans and their neighbors will have to make critical changes in order to succeed in this process.

So, thank you for your time. It's a pleasure being here.

(Applause)

MR. O'HANLON: Okay, I think we're good to go. Alex, thank you for very provocative and helpful remarks, and congratulations on what you and others working on behalf of AID and the government have accomplished in Afghanistan. There's no doubt that even as we wrestle with a complex situation, there's been remarkable headway in so many areas, and it's really one of the distinctions, frankly, between this effort and many other efforts where we go into a conflict zone and it can be difficult even to see the quality of life get better sometimes because security drags things

down. Yes, that happens in Afghanistan too, but the amount of headway you've made by any metric of quality of life is quite remarkable, and I know we'll want to now juxtapose that with the broader question that I think Ron's going to get into now, and I'll turn things over to him in just a second, of the broader state of Afghanistan. That's the title of our discussion today.

As you can imagine, we're focused primarily on development and governance matters, but that obviously carries over into politics and corruption matters and therefore, in some sense, into the entire mission. And so now we're going to broaden the scope a little bit. You can feel free, when we get to discussion and audience questions, to ask anything of us you wish.

As you can imagine, Alex's portfolio is primarily in the development and governance area, but I'm going to invite Ron to comment on whatever scope of the Afghanistan challenge he would like. Again, those of you who haven't yet read it, I would plug his book, *The Other War*, which he wrote in reflection of his time as ambassador but also his broader observations on how Afghanistan's been going, and he continues to be a very important commentator, one of our best informed Americans on the entire portfolio.

So, Ron, over to you; and thanks for being here.

MR. NEUMANN: Well, thank you, Mike. Of course, that broad an invitation, which still needs to be contained in about 10 or 12 minutes, is really an invitation to chaos if you're not very disciplined.

I should say that while I'm out of government, I speak only for myself and not for the American Academy of Diplomacy where I now work. I am clearly vested in many aspects of Afghanistan. I cannot claim to be a wholly disinterested observer, Alex, when you were speaking of the lights coming on in Kabul, that is a particular project in which I was deeply vested and actually shifted some of our funds to get some of that

done and have been criticized for some of those decisions, but I'm nevertheless -- it's very pleasant when I go back to Kabul as I did in May and have done two or three times in the last three years to drive around a city which is no longer a black city at night.

But what I'd like to do for these few minutes is to try to reflect on a few broader realities of Afghanistan and of our working there, which I think get rather short shrift in our discussions and which often, I think, in some ways, complicate your life.

I'm skeptical of some things, but the first thing I want to talk about is this business of developing capacity. We use this phrase, and the people in the business understand it. I think by and large people outside do not understand it. I think there's been a huge gap between our military and our civilians, for instance, in the difference between training and developing capacity.

And in that gap there has been a demand, often, for progress very fast. Somebody said to me not too long ago, the problem is we don't have synchronization between our military, our economic, and our political strategies, and I thought to myself, if you mean that in the two years we've got left before we turn the security over to Afghan lead, we are supposed to achieve a really modestly well-functioning government and development, you are asking for a rate of progress that has never been seen in the 60 years of post-colonial development or the world. You're asking for something that cannot be done and then you're blaming people for not accomplishing what was never possible or feasible.

There is a need to get realistic.

Now, there is real capacity development in Afghanistan. You mentioned bill collection, I think this is a very interesting example, DABS, the Afghan outfit that collects bills, is now, according to my last trip, making major progress in bill collection in Afghanistan, but we have beat them over the head on that issue for ten years. It took ten

years of work to transform a bureaucracy that was outmoded, that was based on a largely patronage and corrupt model, and that was antiquated, into a bureaucracy that is now collecting bills, which means they can pay for things like fuel. It's not just that they collect bills, it's that this is a critical piece of keeping the lights on in Kabul is you collect bills.

But I use this example because it is -- on the one hand it is an example of progress, and on the other hand it is an example of how long it takes to achieve progress, and we strain at this, as Americans, constantly. We want things now. We're a 24-hour news cycle, we want them done, you know -- patience, patience. I understand patience, but what happened yesterday. And it won't work that way, particularly starting -- I'm not telling you anything you don't know.

I remember talking to the first AID director in Kabul who told me about going to the Education Ministry in early 2002. They went to a building where they had had no glass in the windows, they'd all been shot out, they groped their way down a dark hall to find the minister working by the light of a kerosene lamp with no power in the building, no computers, and if they had computers, probably no more than two or three people in the entire Ministry who would have known how to operate them.

Now, on the one hand, you have enormous development from then to now in their educational system, eight million kids in school, et cetera. On the other hand, you have enormous gaps still. That is -- I simply raise this to illustrate the reality of where this country is coming from and how long it takes to get change, and we frustrate ourselves enormously, we also waste a lot of money sometimes, by trying to do things at a rate of speed that is unrealistic and then criticizing the program for failure for not doing what is impossible. It doesn't mean there aren't lots and lots of things to criticize, but we need to get a certain amount of realism.

And this goes back to the difference, also, between enthusiasm and implementation. We have been bedeviled in Afghanistan by repeated enthusiasms to charge off in new directions. This is also exacerbated by our short tours, the one-year turnover of personnel. I personally believe that we will never do Afghanistan or any other similar experience well until we leave people in place for at least two to three years. You cannot build a learning organization on the basis of going institutionally stupid once a year, particularly since as Americans and hard-charging folk, and we're not the only ones, we tend to come in -- everyone who comes in new wants to look at finding out what he ought or she ought to change, the result is program exhaustion on the part of Afghans who look around and say, you know, "This is the fourth, fifth, sixth person who has changed the program. Why in the world should I bother to exert myself to buy into their latest enthusiasm when it will change in a year? Happily take their money and watch the foreigners exhaust themselves and try to accomplish things in a one-year tour, but I live here and they're going to change anyway."

So, we jerk things around. That was bad enough when we had a lot of money, but now we are going through an enormous process of reducing the funding. There will be a double economic shock because it's not only the foreign aid funding that's going down, it is the huge amount of the economy that has been bolstered by military spending and that's going down as well. And this is going to be a huge economic shock.

It has some good parts, you know, the foreigners have been working hard to train Afghans and then paying them extravagant salaries so that they would work for us instead of for the Afghan government, so we may manage to release a few competent people back to work for their own country if they don't all leave. But overall there's going to be a very large economic shock to Afghanistan.

But one of the things that's going to be terribly important, and this is

something that I give AID great credit for, is trying to focus down on what is responsible and to hold steadily to a course of action, but this is going to be very hard and one of the things that's going to make it very hard is this town, is Washington's tendency to change. When things don't go well, this is a place that likes to talk about policy, and every time things run badly, we like to change the policy.

An awful lot of the problem in Afghanistan -- I don't mean the whole problem, but a big piece, is implementation, that it takes years to do something so when you switch constantly, you're always letting other things drop, your enthusiasm becomes like a small child that walks away from a complex project and leaves the bricks all over the floor. You need to stick with things.

Now, it doesn't -- you need the ability to change, to analyze what you're doing. AID gets criticized a lot for what happens with contractors. The contractor model is deeply, deeply flawed. For one thing, you hire a contractor to do whatever you hired the contractor to do. You don't hire the contractor to come in and tell you you're wasting your money by doing something that's the wrong project for the strategic need. And you have a lot of trouble, when we have all the movement problems we had in Afghanistan, supervising contractors. But until we allow AID to grow to a level of staff where it can actually do things again, and until we give them more legal flexibility in how they contract and other things, they will continue to fight with essentially work-around fixes to a model they can't alter.

But we need realism in this town when we look at these problems not to always fixate on the immediate, but to see that there are deeper underling problems. We cannot cut this agency to the bone and then expect that it performs better than it did, say, when I first went to Afghanistan in 1967 when AID was ten times as large in the world as it is today. You reduce the organization by ten times, you raise its budget enormously,

and then you say: why are you all screwed up?

And this is going to be particularly important in Afghanistan because as we go forward now, steadiness is going to be enormously important. This comes back to Alex's last point about convincing the world we're going to stay. There is no more important point about succeeding in Afghanistan than that. The majority of the problems we have with Pakistan are based on their strategic view that we will not stay and that Afghanistan will crumble and they'll have to take care of contrary interests.

The fact is that if we do not convey a message that we will stick, we constantly undercut everything else we are doing. We are such a major player in Afghanistan that everyone takes position on what they think we're doing, whether they're friends or enemies. Insurgents take position on whether they think that we're going to bail out -- they don't worry about whether the Afghan Army is going to win, the question is whether the Afghan Army will be strong enough not to lose, and we're not winding down the war, we're winding down our part of the war while we turn over to Afghans a very large ongoing war.

Now, we may run out of national commitment. I hope we don't because I think we will pay a very serious price for that, but our most critical challenge in Afghanistan, I believe, is to make up our mind that we are going to stay at a level sufficient that the country, at least, will not lose, because that changes the entire political dynamic, it changes the economic dynamic.

I fear that what we will do actually is a halfway house that we will manage to stay possibly another decade or more, but every year will look uncertain so that we will never reap the strategic benefit of the effort we actually make. We're, in our political system, pretty good at that for a number of reasons, but the fact remains that in the AID program, in the politics, and in the military, our ability to project steadiness is

going to be enormously important and with deep respect for what Alex has to say, I don't think we're projecting it right now.

When General Allen doesn't know how many troops he'll have in 2013, and doesn't know what he is going to plan for as a post-2014 presence, when we cannot describe to the American people what we intend to do in 2015 in Afghanistan, we are not conveying an image of steadiness. That's a political choice, which will have to be made after November in this country. It can't be made now credibly anyway. But it will be, I think, the major choice of the next administration, whether it's a continuation of President Obama or Governor Romney. If we are going to stay in Afghanistan, then let us say so, define it at whatever level we believe we can sustain even if it is more modest, but be honest about it.

If we are not going to do that, then we are causing Americans to dies for a fallacious policy. Let's stop saying we're winding down a war that we're not winding down. We can say we're winding down our presence, that's a statement of fact. We are not winding down a war; in fact, we are turning over less stability than we had projected ourselves as turning over two years ago.

But we need to say what is this relationship of 2015, '16, '17, not in perfect detail, but in sufficient detail that we can see a year from now, and Afghans can see and others can see, looking back, that we have retained a steady course. That's not what they see today. Today they see an aid level that is half what it was last year and that has put aid through the most excruciating business of trying to responsibly downsize, for which I give them great credit. They see troop levels that are uncertain and rapidly changing that get jerked around.

So, when you look, as an Afghan, in that context Alex talked about of years of uncertainty, of having lived that way your entire life, and you see the troop

numbers get changed, decisions that seem somewhat unconnected to the ground on numbers, budgets that are affected, as much by our deficit as by our policy fatigue, you are not -- we are not conveying firmness. This is a decision the next administration will have to confront: what does it really want to do? And, no kidding, is it prepared to lead the American people in speaking honestly about it?

And I hope we stay. And, Alex, thank you for all you're doing, and I can only imagine how when you finally get out of government and go back to your previous life, unless you stay forever, the wisdom you will bring from now having tried to actually do the things you were talking about. Congratulations.

MR. O'HANLON: Amen to that. Thank you, Ron. I'm now going to make a couple of brief comments and then focus a question to you, Alex, and you can comment on anything you've heard in the meantime, and then we'll go to all of you for the remaining time.

Just four points I'd like to make. First one is really another point that builds on what we've been talking about already, the remarkable progress in the field. I want to explicitly thank and comment our development and diplomatic workers as well as those in the broader international community.

There have been some recent critiques of the so-called civilian surge and other folks on this panel may or may not want to respond to those critiques in a new book by a *Washington Post* reporter. There's a lot to critique in the mission, as Ron said, but I personally would disagree with the notion that the civilian surge has not been impressive, I think it's been quite impressive and the individuals involved have been quite impressive.

Then again, there are plenty of caveats, including what Ron mentioned about how our strategy has sometimes had trouble with certain aspects of the

Afghanistan challenge, how we rotate people through too quickly, but the dedication of the people I've seen in the field is very impressive.

Second point, and building on that, and don't worry, this is not all happy talk from me because I'm going to wind up with a tough observation and then a tough question for Alex about corruption, which is the 800 pound gorilla or elephant in the room that you alluded to, but I'm sure in general people have on their minds, since we're doing all these great things in Afghanistan, how come corruption is still so bad and how do you balance the relative importance or significance for the mission of progress and quality of life against the corruption of much of the elite and much of the economy? So, I'll wind up there.

But before I get to that point, because it's also not discussed enough in Washington, I want to comment those great Afghan reformers, who all of us know very well, especially these two gentlemen, who have worked in Afghanistan for so long in their careers, but I've had the pleasure of meeting a number, and there are a lot of really impressive people. And on the trip that Ron and I were on in May -- Ron was kind enough to let me go along for part of his visit and -- well, he would have had me stay the whole time, but I stayed for the first five days and we talked about Afghan politics with a lot of important officials in and out of government. And there were a number of hopeful signs, let me just mention a couple very quickly.

The Minister of Finance has been doing some useful things to make it harder to carry suitcases of money out of the country and I won't go into great detail. I don't know all the legalities of how he's done this, but there is a general sense that there is some progress. Now, you could say, why did it take ten years? There are a lot of rebuttals to my observation. I'm not trying to say this is a happy place in terms of eliminating corruption overall, but there are some significant steps.

The Army Inspector General has been following through on a lot of the corruption cases that you might have first heard General Petraeus talk about a year ago when he came home to testify in March of 2011 with army supplies being sold off and not being available for their soldiers. They're actually continuing on with the criminal pursuit of the people who did that, it wasn't just a one-time change, one person at the top; rotate him to a different job and then let things go on as before. There's actually a legal follow up. That was just one example that I was informed about.

Ron and I visited the Asia Foundation office, which is administering a program trying to encourage good governance at the local level in Afghanistan, or I should say at the provincial level. There are 34 provinces in Afghanistan with an average population of close to a million each, sort of the equivalent of the states in Afghanistan, and for the most part, they don't have a lot of control over their budgets because most of the budgets are centrally controlled or implemented in the field by development organizations, but there are now efforts to try to give these governors a little bit more of a sense that they have some control over their budget and that the amount of money they get will be tied to their performance. So, there is a performance-based governor's fund and the Asia Foundation, an independent organization, administering this was, on balance, fairly impressed with the trend line in average provincial governance performance. In other words, things were getting better on average in their mind. They had an objective system of evaluation. I don't want to make too much of it. All these things are somewhat, you know, mushy. You can't really claim it's scientific, but their overall trend line that they were seeing and trying to measure this as factually and as quantitatively as they could, was an improvement of 10 to 15 percent over a year in the overall quality of local governance.

So, that's my second point. There are a lot of good people doing things

within Afghanistan even as our news accounts and our debates often focus on the Karzai elite and the problems within.

Third point, Ron and I wrote about this when we came back from our trip, and Alex can comment if he wishes on this, although this is more of a security oriented question, but it does relate to our overall financial commitment to Afghanistan. As you probably know, there is an expectation that the Afghan Security Forces will be downsized shortly after we have left ourselves, so maybe starting in 2015 or 2016, and all of this effort that we've made over the last few years to get them up to 350,000 total army and police, which is still a fairly small number for a country of this size with this kind of a war, that's still only about half the number the Iraqis have in uniform right now, for example.

But that number is going to be downsized according to some notional plans that are in the works, down to about 230,000, and that will happen almost as soon as NATO has withdrawn most of its forces. Ron and I raised a lot of questions about that particular planning assumption in our post-op ed in May. I would just reiterate that I hope this is not becoming an expectation among policy makers, that just because we're tired of Afghanistan and tired of spending money there, that we preemptively decide to downsize the force.

The scenario on which this whole notional path downward was predicated was one that assumed that the threat environment would get a lot better after 2015, but as Ron just pointed out, we should not delude ourselves into thinking that the war is ending because we're coming home. We should not assume the threat environment is going to improve substantially right after we've left. In fact, if anything, we'll be doing well just to hold it steady.

So, I would want to raise some questions about whether in the pursuit of saving a billion or two dollars a year in Afghanistan, that we actually lose the war

because of a false economy on downsizing the Afghan Security Forces. That's a concern of mine. You may or may not want to address that. I realize it's getting a little beyond your immediate portfolio, but it's certainly relevant to the broader question of financial commitment by the United States.

And then finally, my last point has to do with an area where I'm a little sheepish to mention this because Ron does not agree with me and he's the expert on Afghan politics, but as I was speaking with Afghan officials last month, it struck me that we needed to send a little stronger message to them, that even as Alex and his compatriots and international colleagues try to elicit long-term pledges of support for Afghanistan, we need to remind the Afghans, this is conditional on you folks not electing a corrupt warlord in 2014 for president. That may seem obvious. You know, how could we possibly give several billion dollars a year internationally to a regime that, let's say, was hypothetically worse than the current Karzai regime? And, by the way, there is some chance that this could emerge out of the 2014 election process in Afghanistan. We don't know who's going to win. There are at least two or three people being discussed as possible candidates who would be, I think, worse than President Karzai, and my view is we need to actually send a message early on that we are not going to give five to eight billion dollars a year internationally to that kind of a government. We're not going to walk away, I agree with Ron's point, we don't want to make this seem like a binary all on or all off kind of decision, but to me, it's not credible that we're going to continue to treat Afghanistan as maybe our top or top two or three aid recipients internationally if the corruption problem remains such as it's been in Afghanistan, and we need to find some way to signal this, not to pick the winner of the 2014 elections, but to signal that there are two or three people with whom we can't work, if you will, to veto some of the potential candidates, hopefully through a quiet and unobtrusive process, but if necessary, fairly

bluntly because there are just, I think, as a matter of fact, some people that the U.S. Congress is not going to support at the levels that Alex is hoping that we might based on what's coming up in the Tokyo Conference.

So, that's my last comment, but let me also frame it as a question to you, Alex. How do we wrestle with the corruption challenge and make sure that we don't give the Afghans the sense that they're getting a blank check from the international community?

MR. THIER: Thanks. I think that this issue, coming back to where I ended and you ended, of mutual accountability, is fundamental. Afghanistan has to have a government and institutions that are capable and legitimate and without them, they will not succeed. The decline may be slow, but it will happen. And I think that coming from both of these comments, something really important occurs to me, because I go to Afghanistan so much and have almost -- over 20 years. You have to be able to see Afghanistan as the *Tale of Two Cities*. People like to look at Afghanistan today and say, oh, it's failing or fewer say, oh, it's succeeding, and the reality it is that both things are happening simultaneously. There is really remarkable progress in some areas.

When you go into these Afghan Ministries that Ron was talking about that maybe had a good Minister, maybe not ten years ago, had very few other people, and today you go in and you see the young graduates from Kabul University and our Fulbright Programs and the American University of Kabul, men and women both, and the work that they are doing, the deepening of the bench, it's remarkable.

When you travel around the country and see the infrastructure that did not exist. If you traveled on a road in Afghanistan, you know, you went through a bone-rattling experience, and today, although security does prohibit movement in some places, it's much better.

You see women entrepreneurs, and this is not just in the capitals, in every part of the country they have experienced globalization. Afghanistan sat outside of globalization for 30 years and now in 10 years the world has come to Afghanistan.

There were a few thousand landlines in Afghanistan in 2001. Most Afghans had never seen or used a telephone. Today, 85 percent of the Afghan people have access to the mobile network and about 60 percent of them are on it. There will probably be, in a couple of years, more Afghans, as a percentage basis, using mobile money, using their mobile phones to transfer payments, than there will be Americans.

And so, some of the things -- and you look at the explosion of media, all of these things, I mean, it is absolutely remarkable.

And so these things are existing side-by-side, and what we have to do is to stick with the good side and help them persevere through the long challenges that are ahead, because even as Afghanistan does become more stable, it is still going to be a relatively fragile, extremely poor, post-conflict state. It is a place that we will need to continue to support throughout this process.

So, specifically, on issues of corruption, two great examples that sort of, you know, hit each other in the head. On one hand you have Kabul Bank, which was a scale of corruption and undermining of the Afghan financial system that was previously unseen. But the other side of that is that it demonstrated a couple of things, first of all that there is an Afghan financial network that did not fail amidst all of that, a network of banks and financial institutions that survived that challenge, and I believe, have been strengthened as a result of the weaknesses that we saw in that.

Last week, Afghanistan got a positive report on its IMF program and the reason that that is so significant is because when you had something like Kabul Bank happen, it threw off everything, it threw off the international confidence in their financial

system, and the Afghans have worked so hard over the last two years to overcome that challenge, undo what they could of the Kabul Bank scandal, and put things in place such that what many of us believed would not happen, that the IMF was able to come around and endorse their program.

But then you see things on the positive side -- I'm going to come back to mobile money for a minute because it's a fascinating example. We're starting to use telephones to pay the Afghan National Police. This is a pilot that's been going on for a few years and has been expanded to other areas.

When this first happened, the Afghan police who got their payments through their cell phones believed they had gotten a 30 percent raise because for the first time, the skim of literally bags of cash being handed to a commander, taken off, so on and so on, down the line, cash was going straight into these accounts and it demonstrates that even as you have ongoing challenges like corruption in Afghan society, by strengthening institutions, by being creative, and frankly, by empowering the leaders who demonstrate that they do care about these issues, you can make progress and we just have to keep on pushing on the people and supporting the people who are willing and able to make those reforms.

It is a gradual process. I mean, amen to what Ron was saying. When you look at governance development in a long-term perspective, these are things that take years and decades, but I think what has been demonstrated by the past decade is that Afghanistan is not a lost cause. I am always amazed by the potential that I see in Afghanistan when I go, that despite the setbacks, the progress that we make on a consistent basis continually gives one hope that the bigger challenges, if we stick with it, can be met. Thank you.

MR. NEUMANN: May I add a couple things?

MR. O'HANLON: Please.

MR. NEUMANN: And I really agree with, particularly what Alex was talking about, the young people. The most inspiring thing I find every time I go back to Afghanistan is talking to the 20- and 30-somethings, an educated generation that did not exist at the end of the war, a generation -- I'm generalizing -- but which has an enormous number of really impressive people who want a different country.

Now, that doesn't mean you get change right away because when a younger person -- and younger in Afghanistan is still in their 30s -- goes in or back into a Ministry, they may be a threat to entrenched leadership, they know more, it takes time for them to develop the critical mass to make change.

A lot of change in Ministries that I've seen and that Alex was talking about has occurred, some of it you feel now, some of it will, if we survive long enough, be progressively available and visible, but it doesn't happen all at once. If I'm saying anything, it's a plea for detail and patience rather than broad generalizations which we leap to on a sort of anecdotal basis, because it is complicated.

My predecessor of another country said to me that you will never understand this country as clearly as on the day you arrive. That is very much true of Afghanistan. Every -- the more you know, the harder it is to generalize about the place. But on corruption to elections, I think we will make slow progress. I think whether we are staying or not, the point I made earlier is also important. If we are going, we incentivize corruption because, in fact, you incentivize people to grab what they can before the collapse.

So, in a sense, our lack of clarity pulls against ourselves. But it's also very important, as one looks at corruption and aid, to be careful. We tend to want to say -- or there's a Washington tendency particularly -- to say because we give money we have

influence, tell them we'll do X or we'll do Y. It is very important that you recognize, when you try to make that argument, that you're using the lever against the right boulder.

When we come to the elections, for instance, I agree, we're probably not going to do as much for Afghanistan in the future if they have a lousy election. But in point of fact, those who say, by god, we've got the leverage, tell them they've got to have a right election -- that's not what Mike's saying, by the way -- I think misunderstand where aid has leverage and where aid does not have leverage.

If you're talking about senior Afghans, you're talking, in their mind, about political survival, and political survival may even be connected to personal survival. Aid is leverage against the state. It has no bearing on the personal and political survival of a senior politician.

If you think of it in terms of a, sort of, Maslow hierarchy of values, survival is number one. The state and its functioning are someplace down below. So, if you're taking -- I've got this great lever to apply to priority number three and somebody's dealing on priority number one, you're irrelevant and we need to understand where aid is relevant and where it's not. There are plenty of places where it is useful pressure, but it has to be very carefully calibrated and we have to think through what seems an easy ideological thing.

On the elections, I do differ a little with Mike, not so much in the desire to send that message -- I have no problem saying it, I just don't think Afghans will believe it. I think, by and large, they think we're there for our own purposes and that we won't commit suicide by reducing the money, they don't understand our political process. But I have come to two conclusions about the elections. One, that a bad election can be absolutely disastrous for our policy by causing all sorts of explosions in Afghanistan. And two, which you may find rather counterintuitive, that we ought to basically keep our hands

off.

Now, how could I possibly come to that conclusion? First of all, I don't think we understand what a bad election is. We're very focused on transparency. You can have a bad election if it leads to score settling and victor's justice, which would be hugely destabilizing. And you could have that result out of a clean process.

You could have an election in which a large number of the Pashtuns don't go to the polls because of security concerns and the election is cleanly carried out and they regard it as completely illegitimate in its results.

I don't even know if a sort of brokered election between power holders is more or less disruptive than a deeply fought contest in a politically immature society. All I'm saying to you is, first, we don't really understand what is more or less stabilizing in the electorate outcome and to think we do is an exercise in hubris.

Secondly, I don't think our leverage is up to the task. Our European allies, by and large, do not want to rock the boat because they want to reduce troops. I don't think EUNOMIC has any appetite for the level of interference they conducted last time -- and were required to by their mandate. And I'm not sure it's really credible on our part, and the one thing you want to be very careful of when you're a big power is, don't bluff and lose, because it simply means that you have less influence the next time.

So, we intervened in a lot of ways, and you could say a lot of bad things about the last election, but at the end of the day, President Karzai outplayed us. So, if we make threats that we aren't fully determined to carry out and our bluff is called, we will again fall short.

In the meantime, there are an awful lot of Afghan politicians sitting on their behind waiting for us to fix the issues of the electoral law and the electoral commission. I believe, rightly or wrongly, we lack the power to do that and we probably

lack the will, and therefore, we ought to make very clear at the beginning of the day, this is potentially a disaster, but this is your disaster or your success. You're going to have to focus on it.

I don't think we gain anything by leading Afghan politicians to believe that we will fix their electoral process, and so I come to this counterintuitive view that we ought to make it clear that while we will help, we will fund, we will support, this is their election to make work or to screw up.

MR. O'HANLON: Thank you. Let's go to you, right here in the second row. Please wait for the microphone and of course identify yourself and pose a question to one person, if possible, but you can make it more broad if you need to.

MR. SCHNEIDER: Mark Schneider, International Crisis Group. And I thank you all for the comments. And, first, let me just say I wanted to agree with the comments about the courage and commitment of U.S. civilians, aid, state, and our military there. But I do have some questions.

Ron, you just said something which seems to me to be inherently contradictory. You want the United States to stay in Afghanistan and to maintain our presence and commitment, and yet you say that it may be that we don't have the ability to press Afghanistan to have an election that we would consider to be halfway decent.

If so, it seems to me that undercuts our ability to stay. If it appears that the government in Afghanistan is worse than the current government, particularly, in that regard it seems to me there are two other issues on the question of being realistic. You said we shouldn't be thinking that in two years you can get a competent, capable ANA in place.

It seems to me, you know, we've had 10 years, $35 billion, and everything that we see from the evaluations of the Department of Defense itself or with

CGAR is that the ANA today is not capable of autonomous action, of the evaluation of about 220 of the units -- all of the army units, none are capable of autonomous action -- and only 7 percent are capable of autonomous action when they have advisors with them. So, we have a huge gap there.

The question of command and control, the analysis from DoD again is that of the, I think, 47 units in the Ministry of Defense, none are capable of autonomous -- carrying out their mission autonomously. Five, including the ground forces, the air force, are not able to carry out their mission at all.

So, the level of confidence in what the military is able to do as you go through a transition, in terms of security, it seems to me, is highly questioned.

So, my two questions are, why, with respect --

MR. NEUMANN: I gather those are to me?

MR. O'HANLON: I'm going to add one more question and then we're going to go down the row because what I want to do is also make sure we have a development-specific question at the same time. We'll pair these things together. I guess towards the back --

MR. NEUMANN: If it's not a development question, you can't ask it.

MR. O'HANLON: At this moment anyway.

MR. NEUMANN: At this moment.

SPEAKER: Thank you, (inaudible) from the Foundation for Afghanistan. I hate to be the guy who actually gives a long question here, but let me preface my question.

MR. O'HANLON: Make it short anyway.

SPEAKER: I'll try. So, all of you mentioned the youth in Afghanistan and you've mentioned the capacity building, but I think it could be arguably said that the

biggest capacity building in Afghanistan over the past ten years has been in the military.

But what we have is last year, for example, out of the 170-some odd thousand students who actually took university entrance exams, about 60 to 70 percent of them did not get in because there are not enough seats at the university system, and we have eight million other kids in the school system coming towards universities. And in addition to that, we only have one or two master's degree programs in the entire Afghanistan.

If you think about that, in a country with 70 to 80 percent illiteracy, building a functioning modern economy, you can't do that based on -- with fundamentals like that, and I think what is, from a development perspective, the USAID or others in Afghanistan are doing to actually create a skills transition, you know, a human capacity development for Afghanistan in the next five to ten years. And this is something that actually gives really quick turnover in -- results, give somebody a master's degree or a bachelor's degree and you have them ready for a good job.

MR. O'HANLON: So, if you don't mind, we'll start with that and then go over to you.

MR. NEUMANN: No, no. It's rough but it might be easier than what Mark left me.

MR. THIER: No, it's a terrific point and I think that one of the things, as we have focused very intensively on basic education in Afghanistan and those figures of the eight million children in school, represent a revolution in terms of the number of Afghan children going to school, but there will have to be gains in the potential for employment in order to realize that potential and to take all those people whose promise is now being developed and give them opportunity.

The two ways that I believe that we are trying to pursue that is that, first

of all, a huge new focus on vocational training and education, developing skills. The reality is, and this is true when you look at construction and other industries in Afghanistan that have done remarkably well, the demand, in many respects, in Afghanistan for skilled labor, is higher than the availability, so that's a good problem to have and what we need to do is to make sure that there are more Afghans who are capable of engaging not only in their own economy, but in the regional economy.

The next big thing, obviously, on the horizon, is the extractives industry. Now, I say this with caution for a couple of reasons, one is that if there was ever a case out there for the resource curse, Afghanistan is it and if Afghanistan is going to be successful with this new extractives industry, it is really going to have to have a good governance scheme in place to make sure that those revenues are earned and disbursed transparently.

It will create a lot of jobs, but the most important thing that the extractives industry will do for Afghanistan is not the direct jobs in the mining industry, which are very important and we need to make sure Afghans are ready to take those jobs, but all of the ancillary industries and growth in trade and corridors, that will result around that are really critical and you have to have a mixture of skilled Afghans and the potential to take up entrepreneurship, and, frankly, to invest.

You know, all of those bags of cash that were leaving Afghanistan were being taking out by Afghans. And the reality is that there has to be an investment climate where Afghans want to keep their money inside of Afghanistan and create productive industry, and you need an enabling environment in order to do that. At the end of the day, it's about governance. If you talk to Afghan businessmen, it's their challenges with governance and corruption and availability of electricity and other things that prevent them from keeping those dollars inside of Afghanistan, and that's really going to need to

change.

MR. O'HANLON: Over to you.

MR. NEUMANN: Mark asked two good questions, very different. On the first one, whether there's not a contradiction in my position, yes, there is. Frankly, there is contradiction in our interests and our capacities.

If the election is really bad, it may be disastrous to our ability to sustain our self in Afghanistan, which I believe we should do. But that does not lead me to the conclusion that we should massively inject ourselves, that's the conclusion that logically follows for a lot of people. My point is simply that I do not believe we have the capacity or the will or the ability to follow up that conclusion. And if you can't do one thing, then understand that you can't do it and make it clear to the others.

So, there is a contradiction between the importance of the election to our policy and the fact that I'm recommending that we hold back, but it's a recommendation based on what I think is the reality of our means and what is credible in the Afghan context.

On the army, I didn't mean my comment on what you can do in two years to apply quite that way to the army. I'm actually relatively more optimistic about the army, although I'm relatively pessimistic about the way we rate the army, and I have huge, huge complaints about the lack of transparency and the standards by which we do military rating, and I will just interject that I am a civilian and I worked with a rural force platoon in Vietnam as an infantry officer. I have watched the formation of foreign military forces under our training for the better part of 30 years in four wars in which I have been involved, so I do think I actually know something about the subject.

First of all, I think it's very important in this criticism to understand how much of this we have not been doing for ten years. We've been doing it for two years.

When I left Afghanistan we were building a total force that was going to be less than -- just over 200,000, one-third the size of what we already had in Iraq, and we hadn't reached those targets.

We did not begin to finance the building of sufficient radios, vehicles, airplanes, artillery, any of the things that allow a force to go outside of garrison and operate in the field until the budget of 2007, and that was for a much smaller force.

When we decided, and I think it was a correct decision, in the Obama Administration, to have this very large -- very big enlargement of Afghan forces, we actually had to delay building the more complex support forces because we needed every physical space there was to train infantry.

So, we have only been engaged in building the logistics base to support this force and sustain it in the field within the last two years, and a lot of it we forget in our criticism the lag time between a decision, financing, and delivery, so that big decision 2009, build the force, November of last year when I visited was the first time they were able to tell me at the training command that every battalion was now able to -- new battalion was able to leave with a full set of radio equipment. That's simply the time lag from making a decision to a unit going out the door with a full compliment of radios because they have to be funded and then they have to be built.

What I am watching now is a process that is very critical in which we're turning over responsibility now to Afghan Security Forces and it's -- the picture is hugely mixed across the country, and it is really not one you can generalize about.

Helmand, I was really impressed, I went to Marja, I was in Lashkar Gah, it's not all of Helmand, it's a big hunk of the center, and there were virtually no Afghan forces because everybody read when the Marines went into Marja there were 25,000 Afghan Security Forces of various kinds in Helmand.

In Helmand, the Afghans themselves are making decisions about how they are redeploying their force to handle the drawdown of the Marines, and I heard enough about interaction between police and local police and army to be reasonably impressed. It's probably the best story in Afghanistan.

But it's different, Kandahar's different, the east is different. One thing I heard from all three American Division Commanders was the excruciating difficulty of getting hard charging Marines and paratroopers to take their hand off so the Afghans take the lead. That's a major push over the next two years.

In short, the process of building this army is a very, very recent one, it is not a ten-year process; it is really about a two-and-a-half-year process. We have examples of having done this well, not a guaranty. Vietnam is actually an example of having done it well if you look at 1972 in a massive North Vietnamese attack, which the South Vietnamese Army turned back with American air support, but no American ground forces. By '75, when we'd cut off the money and the ammunition and the morale was already going to hell because they felt they were let down, then they fell apart, yeah, but there's a lot to say that we actually built a competent force.

I do not say it is certain, I simply say that it is possible. We have really, really critical issues to get through in the next two years. These two years are now a movement from quantity to quality. We've done quantity in this last year; we have not yet achieved quality by any means, although we're getting better performance.

There are some big problems of politicizing the upper levels of the army, which we are not talking about sufficiently in our public discourse. We need to have a presence that is dense enough to build quality but to let them take risks, get hurt, but be backed up. That's going to be one of the critical troop -- that's a critical part of the troop decision that President Obama is going to make. If he yanks down the level of troops too

far in the next year so that we cannot support them as we push them into the lead, then I think the process will be endangered and could fail, but I think in two years of hard training and hard fighting, if we keep the support at the level we have, we have a serious change of producing an army that at least is not going to lose this war.

MR. O'HANLON: What I'm going to do now is I'm just going to take three more questions and then we're going to finish up because we have a hard stop at 11. So, I'll take notes --

MR. NEUMANN: I'll try to have shorter answers.

MR. O'HANLON: That was a great answer, though. So, we'll start here and then the gentleman in the fifth row, and then we'll finish up with Gary.

MR. ROSENBERG: John Rosenberg. I was with USAID up until January in Paktika. This is about corruption.

The Performance Based Governance Fund rated our governor as one of the cleanest governors in the province -- I mean, in the country. Afghan Analysts Network rated our provincial government as being the second most corrupt in the country. One of the things that I saw in Paktika, to me, was that different people were using different data that I don't even think was data to decide if a government official was corrupt or not.

How do you create a more evidence-based, objective rating of corruption and how do you use it?

MR. O'HANLON: Thank you. Gentleman here in the fifth row. Please identify yourself.

SPEAKER: My name is (inaudible) Riemi; I'm from the member of Peace and Democracy for Afghanistan since 1996. My question is to Mr. Ron, and he, in the course of his speech, he said about a national commitment of U.S. to Afghanistan

policy.

And Afghanistan geopolitical is a lot of players like England, we are under influence of England for 250 years, but now they separate the United States supreme politics over England, and we want to be allied with U.S., not England. Thank you.

MR. O'HANLON: It's an appropriate question for the 200th anniversary of the War of 1812. We Americans can identify a little bit with the spirit of that. And then finally, up here, Gary.

MR. MITCHELL: Thanks very much. I'm Garrett Mitchell and I write the Mitchell Report. And I want to come back to the question that Mark Schneider posed and the response by Ambassador Neumann and link it to the message that I feel like I've heard this morning, and that is, if there was a word to describe Afghanistan, from my perspective, after this morning, it's conundrum.

And the conundrum seems to me best captured by the fact that on the one hand what I hear from this panel is, we must stay the course and we must convince friend and foe alike that we are in this for the long haul.

Countering that, we are in the process of drawing down the troop level, which, to most people, is going to sound like we're getting out of town, you know, nicely. We are advised by Ambassador Neumann -- and I understand that that's a point of view probably shared by lots of people -- that we need to understand what aid can influence and what it cannot influence, and so as a consequence we ought to be prepared for the fact that the elections of 2014 could be a disaster, but that will be Afghanistan's disaster, not ours, and yet, here we are in a deeply troubled democracy with its own set of problems, with the bank account running low on money and the intense heat of the political system ramping up, and what I don't feel like we've heard this morning, and I'm

wondering whether we should or can, is is there a hard, factual, national security basis that can be articulated for why we must continue to invest in Afghanistan and settle for our relative lack of influence and power in the process?

MR. O'HANLON: Great. Alex, if you like we can begin with you and you can respond to any of those questions that you would like. And, please, over to you.

MR. THIER: Okay, thanks. First, to John's question. I would give two different responses, I think, a technical response and then a broader, sort of, political response.

At the technical level, when we work on governance and rule of law and corruption issues, I think that there are many things that stand out as good indicators of performance, but you are right, we need to measure those things. We need to measure them rigorously and we have to have a system that does that and looks at those things consistently over time.

I will say that one of the things that I have tried very hard to do at USAID, and this has been a broader policy, I think, of our administrator Rajiv Shah, is a focus on results and measurement because too much of what we do is intended to create a result, but we don't always spend enough time rigorously measuring those results.

And we have put in a number of programs in place in Afghanistan that really tries to do that, I think, better and more rigorously.

I think on the broader question, politically, coming from a rule of law and governance background, at the end of the day, it will be the Afghans that know best. It is the local people who know who's doing what, who understand their culture and what the opportunity for change is, which is, at the end of the day, why we have to empower Afghans and Afghan institutions to be the ones who are going to carry this out.

You know, I always return personally to the idea -- maybe the greatest

political idea that's ever been had, at least in the last several hundred years, in The Federalist Papers, that at the end of the day it is competing factions who want power within the government that are going to be the ones who enforce checks and balances. And until such time as we have a system within Afghanistan where you have Afghans who see their future as predicated on their ability to hold others to account, then it won't work at the end of the day.

And I think we've seen some great signs of progress in that regard, but we've got a long way to go. And to my mind, this really gets at the broader questions that I think that you and many others have proposed, is what is it about this transition that is going to take Afghanistan past these very dangerous shoals that we've all recognized in the coming years with a change in international engagement to something that is going to look much more like stability.

And I think that there are a couple of key ingredients in there about the Afghan ability and desire to make their institutions more self sustaining, the ability of some Afghans to hold others to account, and the desire to do that, that at the end of the day, are going to make the difference between them being able to carry forward and these institutions carrying forward.

Which brings me to the last point, which was, I think, the basis of my remarks and the thing that I'll focus on that Ron said, which is that there really is no more important factor here than the long-term commitment because all of the challenges that we've identified in this discussion will remain.

But I think at the end of the day that if we, collectively, the United States together with our British allies who do so much for Afghanistan, and our other allies are no longer in the driver's seat, as we have largely and often been in the last decade, that are in the position of supporting the Afghans as they lead themselves through this

process, that knowing that we will continue to be there is going to be absolutely essential.

MR. O'HANLON: I'll just add one word before giving it to Ron to wrap the final comment, and it's on Gary's question about commitment as well. And I guess there are a couple of things I'd say, and there's nuance in them, and that's unfortunate at some level for many of the reasons Ron was getting at, that it makes it harder to convey credibly where we're coming from, but I do believe that giving a sense to Afghans that there are certain people that we would have a very hard time working with, is not just bluffing, it has the advantage of being true and especially in fiscally difficult times.

Whether or not the message would get through is another matter, and I accept the challenge there, but I do think that it's more than a bluff. And I don't know how to rate Afghan politicians. It's, in a way, a national level, a variant on your question, and to say which possible presidential candidates would be unacceptable. But I heard a couple of names on my trip that probably would be in that category, and I think it's worth trying to get that message through, because the other way to address your question, Gary, is that while Afghanistan is very important to us, and while I agree very much with Alex and Ron that we should not and will not desert it the way we did 20 years ago, we may scale back a lot relative to what he's hoping to get in Tokyo and what we're all promising, if the wrong person is elected and then the wrong political process ensues.

There are no guarantees. There are no guarantees about the outcome in Afghanistan and the Afghans should not feel any guaranty of our commitment. They've got to continue to do what the reformists, that Alex was so eloquently speaking about, have been trying to do, but if they are trumped by a presidential politics process that becomes fundamentally more corrupt, then I think all bets are off.

And that's where we try to -- you know, I make this argument with some reluctance because I'm typically arguing against those who say this, but the fact that bin

Laden is now dead, the fact that al Qaeda central is a lot weaker, gives us at least maybe 10 percent, 20 percent less absolute requirements to make Afghanistan succeed.

It's a hard argument to make because I still think al Qaeda could come back in Afghanistan, the Taliban could come back, Lashkar-e-Taiba could take sanctuary -- it does matter to us a lot, but we shouldn't be deluding ourselves that if Afghans make terrible decisions that we can rescue them from their terrible decisions, and if they don't do their part in this, we can't be successful with our part, and I think it's worth trying to get that message through.

MR. NEUMANN: Two and a half minutes for the hardest question of the day. Okay.

On the first issue about the British, there was a period where they did seem -- where Taskforce Helmand was sometimes called Kingdom Helmand and seemed to be operating on its own, but I think those days are passed and that, in fact, we have a pretty tied-together strategy. I talked to some of the Brits in Helmand a month and a half ago and I'm really pretty impressed now. So, I don't think they're going to be in control, I think you're okay.

Mr. Mitchell spoke of the policy as being -- having a lot of elements of a conundrum, and you're absolutely right. In fact, I think this Administration's policy toward Afghanistan has been a conundrum. It has been a policy that went in two directions simultaneously of reinforcing money and troops and commitment while signaling an end where the date got too much emphasis, which was deliberate, and therefore set in motion all kinds of pressures in Afghanistan against succeeding. You can tell I'm out of government.

I don't think we'll get away from that, but I regret it because I do think it has undercut our own ability to achieve some of what we could have achieved by leading

people to believe we were heading out the door even as we're heading in, and therefore sending them in other -- sending Afghans toward what I would call hedging behavior -- protect your money, protect your family, protect your political inclination, because you can't rely on any of the things the other guys or the Americans and the foreigners are doing, to stay. And that hedging behavior is totally counter-productive for the better state we need in order to succeed in the policy.

That's one reason I hope for clarity, probably excessive hope, but I do.

Secondly, you asked a much more fundamental question about the argument -- I'm already 60 seconds over, but -- and you've asked the toughest question at the end of the day, which, of course, was not our central theme of this discussion, but I think we do still face the possibility, very real possibility, of years -- decades -- of instability in all of Central Asia, stretching from Pakistan into the Stans if Afghanistan turns into a cauldron of fighting internal forces as the foreigners pull out.

Lebanon had fewer foreign players and was a smaller and, in some ways, less important country, and it went for 15 years in its civil war. If we go -- I don't see the Taliban rolling back. What I see is a disintegrative process if we leave too quickly that draws in all the outside players, makes it impossible to stabilize anything, puts Pakistan at greater risk than it is today, has potential to slop over into Central Asia. I can't say exactly where that goes, but 10 or 15 years of having that whole area unstable, and an area that now includes nuclear weapons, I think, is pretty catastrophic and one we should seek to prevent if we can.

Secondly, if we leave too early and if things fall apart -- first of all, I think there is a Pashtun radicalization that has occurred over the last decade that al Qaeda is no longer an only Arab phenomenon or one we only need to worry about in Yemen. I don't know exactly, and I'm not trying to say that I do, but if people who believe they are

god-inspired in their attacks on us now see the vindication that the second super power has been destroyed, has been defeated in Afghanistan, I think they have an enormous psychological boost, which will invigorates that movement of attack on us for a long time to come. Can't prove it, the dominos didn't fall in Vietnam, but there is a lot to worry about.

Worry does not justify endless expense or any level of expense. Expense has to come down, troops have to come down, but there's a difference between going down to a sustainment level and doing it in a rational way, and just saying, I'm tired, I've got to get out of here. I think too little of the debate that focuses on getting out asks the critical -- to me, the two critical questions: Do you disagree with the risk to national security that I think exists? In which case one can make an argument for going home. But if you agree those risks are there, then the second question is: Am I prepared to tolerate those risks? Do I believe that because of the budget deficit and because this is hard, that I'm willing to accept a heightened probability of more attacks in the homeland, more attacks on American interests, of instability in Afghanistan. Am I willing to say all those are entirely tolerable costs as a price for withdrawal?

If you're not prepared to make that argument, then you're into a different argument about how much cost, how long. That's where I am in the argument and than you for raising a question which I think I would love to go on a little longer but I'm already significantly over time. Thank you.

MR. O'HANLON: Please join me in thanking Alex and Ron.

(Applause)

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I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

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