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www.afgazad.com

afgazad@gmail.com

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'Burnt-out' case exposes US-Afghan rift

By M K Bhadrakumar

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The trail of the Kabul Bank scandal that was originally triggered by the so-called Afghan Threat Finance Cell, a little-known unit of the United States Embassy in Kabul, has reached a hotel room in Virginia in the suburbs of Washington.

Afghanistan's central bank governor Abdul Qadir Fitrat, a former official in the International Monetary Fund (IMF) and an adviser to the World Bank, fled Kabul in panic even as the Afghan government was about to question him in connection with the scandal.



In Afghan government perceptions, Fitrat was the actual brain behind the initiative of the US Embassy's Afghan Threat Finance Cell last year to

expose the Kabul Bank.

Fitrat, who enjoys permanent residency status in the US, announced his resignation while ensconced in the Virginia hotel and within two hours he was on air, interviewed by Radio Free Europe/Radio Liberty flashing his side of the story across the Hindu Kush mountain tops and valleys. His story, essentially, is that he is a whistle blower on the bank scandal rather than a fraudster and that he fears for his life because of testimony he gave to the Afghan parliament some two months ago in which he implicated by name certain influential people in the Kabul power structure.

Fitrat produced a list of what he said was nearly US\$800 million in fraudulent loans taken out by the lender's politically connected management and shareholders.

The Afghan government has issued an arrest warrant for Fitrat and sent it to the US Embassy in Kabul. There is no extradition treaty between the US and Afghanistan and it is going to be an Afghan pipedream if anyone in the Kabul government really fancies that the US would hand him over. He was one of its (and the IMF's) key point persons in controlling the Afghan banking sector.



The heart of the matter is that this is not a mere bank scam. The accused include powerful figures in the Afghan power structure.

The Afghan government has literally warned the US Embassy in Kabul, which under outgoing ambassador Karl Eikenberry has been at loggerheads with the Afghan leadership for the past two years.

In Afghan government perceptions, Fitrat was the actual brain behind the initiative of the US Embassy's Afghan Threat Finance Cell last year to expose the Kabul Bank. Unsurprisingly, just about all sides - the Afghan government, the US government and the accused in the Kabul Bank scandal - want physical possession of Fitrat. He has become a precious entity and he himself considers he is safe only on the US soil.

The US mentors apparently advised Fitrat to flee Kabul lest he ended up in Afghan custody in a Kabul jail and was compelled to spill the beans about America's role in the Kabul Bank expose.

The heart of the matter is that this is not a mere bank scam. The accused include powerful figures in the Afghan power structure. The US's principal targets are without doubt Afghan President Hamid Karzai and Vice President Mohammed Fahim, whose brother and nephew respectively are alleged to be involved in the scam.

The US has been gunning for Fahim for some time on the estimation that as long as the strongman from Panjshir continues to back Karzai the attempts to unseat the Afghan president, or to arrest his growing defiance of American diktat, will not work.

Besides, Washington has been propping up two other "Panjshiris" - Abdullah Abdullah, former foreign minister, and Amrullah Saleh, former intelligence chief, both of whom Karzai sacked - but Fahim calls the shots ultimately as he inherited the Tajik militia that used to be led by Ahmad Shah Massoud (whose brother Wali Massoud also happens to be linked to the Kabul Bank scandal).

One solid achievement the US has made in the bargain is to splinter the Panjshiri camp, which previously had close links with Iran and Russia.

The bank scam as such is not essentially dissimilar to practices common to many countries in the world, including such semi-developed countries as Turkey, the United Arab Emirates or Brazil, with shareholders of private banks misappropriating the banks' capital for business purposes. Why the US is making such a song and dance about the issue is the big question. To quote Martine van Bijlert, a commentator on Afghan affairs:

The Kabul Bank investigations provide insight in the main sectors that Afghanistan's business networks are invested in and how they intersect. These sectors include fuel (import, storage and transport - partly for the normal consumer market, but to a large and increasing extent to service the large US/NATO contracts, among others through the expanding Northern Distribution Network); mining (not much money is being made yet, but contracts are competed over); banking (every self-respecting businessman would like a bank of his own); real estate (mainly in Dubai, but also in Afghanistan); and construction materials and consumer goods (import, distribution, manufacturing) - although the latter did not surface here so much ... Powerful business groups tend to have, or seek, a foothold in most, if not all, of these sectors. The ongoing case against the Kabul Bank is the slow and public unpeeling of one of Afghanistan's politically-connected business networks.

There is nothing extraordinary here in terms of the political economies of most developing countries. However, a peculiarity of the Afghan scam is that the Kabul Bank holds the deposits of thousands of Afghan soldiers and policemen and the bank's collapse could lead to great disaffection within the security apparatus and common people, which could turn to be awkward for Karzai politically.

Second, Kabul Bank handles almost 80% of the Afghan government's salary disbursement to state employees and the IMF promptly stepped in last year even as the scandal broke, to dictate that further aid for Afghanistan would be put on hold until the matter was sorted out to its satisfaction, which, in turn, is threatening Karzai's government with a "cash crunch" at a very sensitive time politically.

The US simultaneously aimed to get the Afghan parliament look into the Kabul Bank scam so as to get the MPs to train the guns on Karzai. This parallel template merits some explanation. The point is, thanks to the irregularities in last year's parliamentary elections and the unstable conditions in the southern regions, a disproportionately higher number of non-Pashtuns got elected to the present parliament and Abdullah (who enjoys US backing) controls a big faction. That is to say, Karzai virtually faces an "unfriendly" parliament, which happens to be heavily under the influence of the American Embassy in Kabul.

Karzai's answer has been to institute a tribunal to settle the disputed election results and this has now led to the "unseating" of some six dozen MPs. The tribunal announced its verdict over the weekend. Obviously, when Fitrat took the Kabul Bank scam to the parliament two months ago, and took the extraordinary step of mentioning on record the names of such powerful people associated with the Kabul power structure, he was only acting on the advice of American mentors who were confident of pushing the envelope.

As an ethnic Afghan - a Tajik from the remote Badakshan province - Fitrat certainly would know he was punching far above his weight when he took on the powers that be in Kabul.

Now, with the tribunal verdict on the unseating of the Afghan MPs and the prospect of a radical change in the alchemy of the Afghan parliament looming large - most likely, resulting in a "swing" in Karzai's favor - the American game is almost certainly up. And the US Embassy in Kabul did the right thing to instruct Fitrat to return to the pavilion in Washington. He has become what Graham Greene would call a "burnt-out case".

What do all these shenanigans by the US add up to? One, it underscores that the US is not getting anywhere near to good results by arm-twisting Karzai to concede favorable terms of a strategic partnership agreement on the establishment of American military bases in Afghanistan. The ambivalence in US President Barack Obama's "drawdown" speech 10 days ago shows that the US is very much keeping open the plans for the future of much of the 68,000 troops still remaining in Afghanistan beyond the pullout in 2014.

Walter Pincus, who reports on intelligence, defense and foreign policy for Washington Post, wrote on Monday:

The United States may be planning to reduce its troop levels in Afghanistan over the next three years, but new construction contracts at Bagram Air Field serve as a reminder that current plans call for a significant continuing American military presence there.

Bagram, an old Russian air facility, now houses some 30,000 US Army, Air Force and NATO personnel. The base has always been seen as the hub of the current and future American military

presence in Afghanistan. Earlier this month, the US Army Corps of Engineers awarded a \$14.2 million contract to a Turkish company to construct an eight-building barracks complex for troops. The facility is expected to house more than 1,200 personnel, and it's not scheduled to be completed until the fall of 2013.

Other Bagram construction projects have either just been completed, or are still being lined up. In March, construction was completed on an \$18 million two-bay hangar for C-130 transport planes at Bagram, almost two years after it was begun. The hangar is approximately 60,000 square feet. Last month, meantime, a pre-solicitation notice went out for a new "Entry Control Point" at Bagram that is expected to cost more than \$5 million and take a year to finish, which would put completion into late 2012.

This is merely about Bagram. According to the Russian newspaper Moskovskiye Novosti, the US is planning to have four other huge military bases, aside Bagram near Kabul, on a long-term basis - Shindand in the west on the border with Iran, Jalalabad in the east and Kandahar in south (both on the border with Pakistan) and Mazar-i-Sharif (under construction at present) on the border region with Central Asia.

The influential Moscow daily Nezavisimaya Gazeta reported last week that Tajikistan had offered to the North Atlantic Treaty Organization its airfield in Aini, which, ironically, India had constructed and hoped to retain as its base in Central Asia close to the border with China. Well-known Russian expert Alexander Knyazev was quoted by the daily as saying:

The Americans will retain garrisons in only a few key locations in the southern part of Afghanistan and will withdraw to the north of Afghanistan and to the Central Asian countries, namely, Kyrgyzstan and Tajikistan. They are already building a major military base in the northern part of Afghanistan (Mazar-i-Sharif) and trying to mould favorable opinion ... By securing key positions in Central Asia, Americans will address their task which they consider to be of paramount importance: they will be in a position to act against the interests of China, Russia and Iran.

Knyazev's expression "trying to mould favorable opinion" in northern Afghanistan is very significant. This is where Fahim and the Panjshiris come in. Fahim is proving to be a stumbling block for the Americans in two respects. First, his open support for Karzai frustrates the US attempt to destabilize the Afghan president and make him politically vulnerable. Karzai has brilliantly forged an alliance with the two most important Tajik figures in the north - Fahim and Burhanuddin Rabbani (former president who heads the Afghan High Council for Peace and an important interlocutor with Pakistan).

The Karzai-Fahim-Rabbani axis virtually closes the gateway for the US to the northern region. The US game plan is to somehow strike a deal with the Taliban on the basis of the southern Afghanistan regions being "ceded" to them and as *quid pro quo* to the Taliban accepting the long-term US military presence in Afghanistan.

It is a different matter that such a de facto partition of Afghanistan is the one development that Pakistan dreads most as it stokes the fires of Pashtun nationalism and will strike at the very heart

of Pakistan's national unity. (Which explains the US strategy to keep Pakistan out of the loop and instead preferring direct talks with the Taliban leadership.)

Equally, Karzai and his allies also oppose any de facto division of Afghanistan. The US factors in that Karzai has rapidly diversified his external relations and takes an active interest in regional affairs, which has enabled him over time to secure support from Russia, China and Iran - and from Islamabad (to an extent), the complexities of Afghan-Pakistan relations notwithstanding. Karzai is able to tap into the profound disquiet in these regional countries over the prospect of long-term US military presence in the region.

What makes the Kabul Bank affair a matter of utmost importance to the US is that it sees the scam as a handle to weaken Fahim, who, incidentally, was a top leader of the erstwhile Northern Alliance, which was supported by Russia, Iran, India and Tajikistan.

The cat-and-mouse game between Karzai and the US has finally burst into the open with Fitrat's escape to Washington. Karzai has already alleged that the core issue in the Kabul Bank scam is that Afghanistan lacked the necessary banking experience to oversee the institution and allowed itself to be guided by "foreign advisers". Clearly, Fitrat, having been the central bank governor, had a good view of what was going on in the Kabul Bank until the scam sailed into view, piloted by the US Embassy in Kabul.

In sum, the Afghan government has drawn a red line by sending Fitrat's arrest warrant to the US Embassy in Kabul. The message is quite blunt: "Do not interfere in our internal affairs, if you know what is good for you." Washington will be well-advised to take the message seriously when the Afghan officials openly have warned, "He [Fitrat] will be brought here [Kabul] to face the judiciary. We will follow him."

A low-key phase in American activities on the Afghan political chessboard will certainly help to calm the tempers. It should be crystal clear by now that the Afghan leadership is in sync with the popular opinion in the country in its deep resentment of the US occupation of their country.

Karzai's hands are tied. He is perhaps willing to tolerate the US military presence, provided the American and NATO troops are prepared to operate under Afghan laws. But that is out of the question for Washington and Brussels - or any Western capital - and there are no precedents.

Equally, the IMF pressure tactic is only going to boomerang - unless Obama's ulterior motive is to comprehensively destabilize the Afghan situation before walking away from it so as to leave a great deal of debris for the regional powers to clean up. Just what is it that the IMF and the US are hoping to achieve by creating a "cash crunch" for the Afghan government at the present juncture? Again, if the intention is to compel Karzai to crawl on his knees and beg forgiveness, it betrays a horrible lack of understanding of the Afghan character.

Finally, if the IMF-US game plan is to somehow get Karzai removed from power and to have him replaced by a surrogate ruler with some previous World Bank experience, that is not going to work - even if he is an ethnic Pashtun. The paradox is that there is yet another party today who is involved in the question of who rules Afghanistan beyond 2014 - the Taliban.

The IMF and the US should see the writing on the wall when half a dozen suicide bombers walk into the Intercontinental Hotel in Kabul and NATO aircraft and troops have to be brought in to counter their invasion.