

August 10, 2022

Joseph R. Biden, Jr.
President of the United States of America
The White House
1600 Pennsylvania Avenue NW
Washington, D.C. 20502

Janet Yellen
Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Ave NW
Washington, DC 20220

Dear President Biden and Secretary Yellen:

It has been nearly one year since the Taliban takeover of Afghanistan, and the subsequent coercive economic restrictions imposed on the country by the United States and many of its allies. During that time, Afghanistan has become the site of the world's [single-largest humanitarian crisis](#).

As economists and other academic experts we are deeply concerned by the compounding economic and humanitarian catastrophes unfolding in Afghanistan, and, in particular, by the role of US policy in driving them. We write today to urge you to take immediate action to confront this crisis, above all by allowing the central bank of Afghanistan, Da Afghanistan Bank (DAB) to reclaim its international reserves.

Afghanistan's economy is in a dire state. The World Bank [predicts](#) that by the end of the year, real GDP per capita will have declined by 30 percent since the end of 2020. At the same time, prices of basic necessities have skyrocketed. The International Committee of the Red Cross [reports](#) that "since June 2021, the price of wheat flour has increased by up to 68%, cooking oil by 55%, fertilizer by 107% and diesel by 93%." [Seventy percent](#) of Afghan households are unable to meet their basic needs. Some [22.8 million people](#) — over half the population — face acute food insecurity, and [3 million children](#) are at risk of malnutrition. Reports [abound](#) of desperate Afghans forced to sell their own organs to afford food for their families. The International Rescue Committee [warns](#): "the current humanitarian crisis could lead to more deaths than twenty years of war."

Many factors have contributed to this crisis, including drought; the global impacts of the war in Ukraine, particularly on food and fuel prices; and the Taliban's governance. Furthermore, international aid [accounted for](#) 40 percent of Afghanistan's GDP and 75 percent of public

spending in 2019; its rapid evaporation following the Taliban takeover thus removed one of the central pillars of the Afghan economy and the source of many people's salaries. Despite the issuance of various [general licenses and guidance documents](#), fear of running afoul of US sanctions has led many financial institutions to [limit or block](#) all transactions with Afghan bank accounts.

But one coercive measure in particular has contributed mightily to Afghanistan's economic collapse: the blocking of DAB's access to roughly 7 billion USD in its foreign exchange reserves held at the Federal Reserve Bank of New York. The United Kingdom, Germany, the UAE and others have implemented similar policies blocking access to an additional \$2 billion.

This is a de facto seizure of foreign reserves that had been built up at great opportunity cost over the course of decades. In addition, DAB's credentials have been revoked at the World Bank, and roughly \$440 million in Special Drawing Rights at the International Monetary Fund have been [blocked](#) (as the IMF does not recognize the Taliban-led government). All of this has left Afghanistan isolated from the international financial system and without access to its foreign currency reserves.

These reserves were critical to the functioning of the Afghan economy, in particular, to manage money supply, to stabilize the currency (the *afghani*), and to pay for the imports — chiefly food and oil — on which Afghanistan relies. The resulting liquidity crunch led to a sharp [depreciation](#) of the afghani. The cost of imports jumped, exacerbated by the war in Ukraine. The private banking system has nearly ground to a halt. Salaries have gone unpaid. Individuals and businesses are unable to access their savings or new finance. For most, the cost of basic necessities is now out of reach.

In short, without access to its foreign reserves, the central bank of Afghanistan cannot carry out its normal, essential functions. Without a functioning central bank, the economy of Afghanistan has, predictably, collapsed. The people of Afghanistan have been made to suffer doubly for a government they did not choose. In order to mitigate the humanitarian crisis and set the Afghan economy on a path toward recovery, we urge you to allow DAB to reclaim its international reserves.

We were heartened by the recent meeting between a US delegation and Taliban representatives, where participants [discussed](#) initiatives to “preserve \$3.5 billion in Afghan central bank reserves for the benefit of the Afghan people” and “build international confidence” in DAB, and we encourage the continuation of [this dialogue](#). We also understand the purpose of militating against the misuse of funds. However, as these discussions progress, a number of points bear mentioning.

First, by all rights, the full \$7 billion belong to the Afghan people. The decision to divide these funds in two is arbitrary and unjustified, and returning anything less than the full amount

undermines the recovery of a devastated economy, where millions of people are starving. Second, “international confidence” in DAB depends in large part on the guarantee of future access to its stock of foreign reserves. To the extent that a mechanism for dispersing the reserves would allow for the central bank’s access to be cut off at any time, the ability of DAB to fulfill its mandate would be compromised. Third, mechanisms for the delivery of these funds should not circumvent the central bank, the proper functioning of which remains a necessity for the immediate stabilization and long-term reconstruction of Afghanistan’s economy. Finally, \$3.5 billion of these reserves have already been in limbo for almost half a year. The urgency of the situation, in which millions of Afghans face poverty and severe hunger, does not allow for lengthy deliberation processes.

The Taliban government has done horrific things, including but not limited to its appalling treatment of women and girls, and ethnic minorities. However, it is both morally condemnable and politically and economically reckless to impose collective punishment on an entire people for the actions of a government they did not choose.

We, economists from around the world, join the [UN Secretary-General](#), [leading UN human rights experts](#), [US lawmakers](#), [families of the victims of the September 11 attacks](#), [Afghan women's groups](#) and [feminist leaders](#), leading [human rights organizations](#), other [civil society organizations](#), and many more in urging the release of the Afghanistan Central Bank’s assets. Delays have cost Afghanistan’s people and economy dearly. Only a fully motivated effort to revive Afghanistan’s central bank is enough to begin rebuilding its broken economy for the benefit of all Afghan women, men and children.

We thank you for your attention to this matter.

Sincerely,

Alan Aja, Professor and Chair, Brooklyn College – CUNY

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