

September 13, 2021

Afghanistan, Part I: History

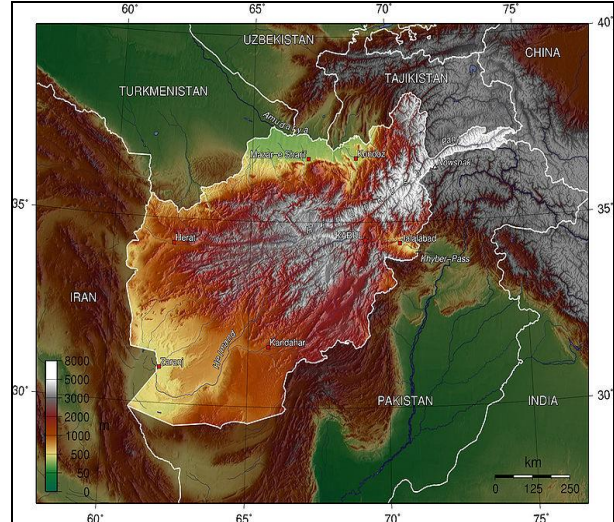
The American exit from Afghanistan has created a crisis in the region. For two decades, the U.S. has propped up a government in Kabul. The U.S. withdrawal has led to the rapid collapse of that government and the restoration of the Taliban.

The media has been closely tracking the situation in Afghanistan, detailing the events as Afghans affiliated with NATO forces or Western NGOs do their best to flee the country. Although this human drama is important, the broader geopolitical issue is that the U.S. exit from Afghanistan will create a power vacuum that will unsettle the region.

This report will consist of four parts and will be a joint effort from our team. This week, we will cover the history of Afghanistan. Part II will examine how the U.S. exit affects Iran, Pakistan, and India. In Part III, Patrick Fearon-Hernandez will cover the impact on Russia and the central Asian nations. Thomas Wash will close the report in Part IV with the effects on China and beyond. At the conclusion of Part IV, we will discuss market ramifications.

The Geopolitics and History of Afghanistan

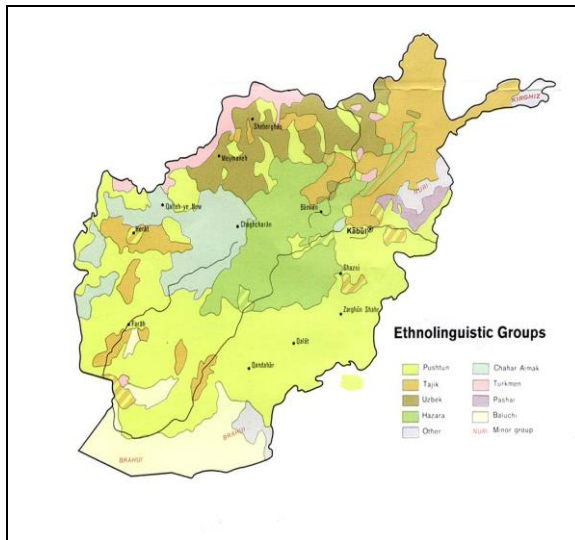
Afghanistan has a harsh geography as a nation of mountains and deserts. It also has ethnic divisions that the mountains tend to enhance; in general, it is easier for a tribe or group to maintain local control and to resist central control due to the terrain.



(Source: Wikipedia)

This is a topographical map of Afghanistan. The central core of the country is mountainous, while the outer ring is generally lowlands. In the south, these low-lying regions are primarily deserts. The country also has mountain ranges that surround the western and southern lowlands.

The following map shows the ethnic makeup of Afghanistan. As the map indicates, the Pashtuns control most of the country, while the Uzbeks and Tajiks control the northern parts of Afghan territory. The combination of mountains and ethnic divisions means that outside powers can usually gain the support of an ethnic group or two and use that to prevent other powers from invading or acquiring territory.



(Source: University of Texas)

Essentially, Afghanistan is the perfect “buffer state.” It’s hard to invade as outside powers are generally forced to traverse mountain passes or lowlands, making them easy to monitor and attack. Throughout history, outside powers have attempted to control Afghanistan with varying degrees of success. In general, these outside powers have been able to enjoy initial success in gaining control by allying with an ethnic group. However, maintaining control and expanding influence has tended to be very difficult as the terrain and ethnic composition of Afghanistan make central control nearly impossible.

Modern Afghanistan began in the 18th century as Nadir Shah began to gather an army that had a strong Pashtun contingent. He captured Kandahar and Kabul. After his assassination in 1747, his loyal military leaders convened a *loya jirga*, or “grand assembly,” to pick a new leader. The new leader, Ahmad Shah, is considered the father of modern Afghanistan. His armies conquered all of present-day Afghanistan, Pakistan, and parts of Iran and India. He called his nation the “Durrani Empire.” After Ahmad Shah died in 1772, his sons took control of the empire. Over time, the

empire shrank as surrounding peoples regained control of their land.

In the 19th century, Afghanistan was part of the “Great Game,” a period where Britain and Russia vied for control of Central Asia. Britain was worried that Russia was threatening India and thus tried to take control of Afghanistan. The results were disastrous. During the First Anglo-Afghan War in 1842, Britain tried to establish a puppet government in Kabul. The Afghans rioted and forced British troops to retreat. While returning to India, a column of 4,500 British troops and 12,000 Hindu soldiers were attacked by Afghan soldiers. Only one soldier survived, a British doctor named William Brydon. He was allowed to go free to tell the British the degree of their defeat.

Meanwhile, the Russians had steadily encroached on Central Asia. By 1885, Russia controlled parts of modern northern Afghanistan. And the British, while not able to conquer Afghanistan, were able to influence its rulers through trade. After the “Panjdeh incident” in 1885, which nearly led to a war between Russia and Britain, the two nations agreed to the borders of Afghanistan and allowed the country to be a buffer state between the two empires. The rise of Germany, which was looking for areas to conquer, led Russia and Britain to cooperate to prevent the emerging German empire from encroaching into the Middle East and Central Asia. During World War I, the region was generally ignored. After the Bolsheviks took control of Russia in 1917 and created the Soviet Union, the Soviets had a renewed interest in Afghanistan.

Britain and Afghanistan fought one more war, the Third Anglo-Afghan War, in 1919. This conflict was a minor military skirmish, but it did establish Afghanistan as an independent nation. The Agreement of

Rawalpindi in 1919 ended over 60 years of conflict between Britain and Afghanistan. It also established the modern borders of eastern Afghanistan. The border, called the “Durand Line,” named for the British Foreign Secretary of British India, Mortimer Durand, effectively divided the Pashtuns. Historians believe this was done to lessen the power of this ethnic group. The Baluch peoples were also divided between British India and Afghanistan. After the creation of Pakistan in 1949, this ethnic division has been a persistent source of tension between Pakistan and Afghanistan.

In the aftermath of this agreement, King Amanullah established modern Afghanistan. However, this did not completely end the “Great Game.” In 1921, the Soviets signed a Treaty of Friendship, which raised fears in Britain about increasing Soviet influence on the kingdom. The treaty established the northern border of Afghanistan. The Soviets agreed to send subsidies and military to Afghanistan. The British, to maintain influence, also sent funds.

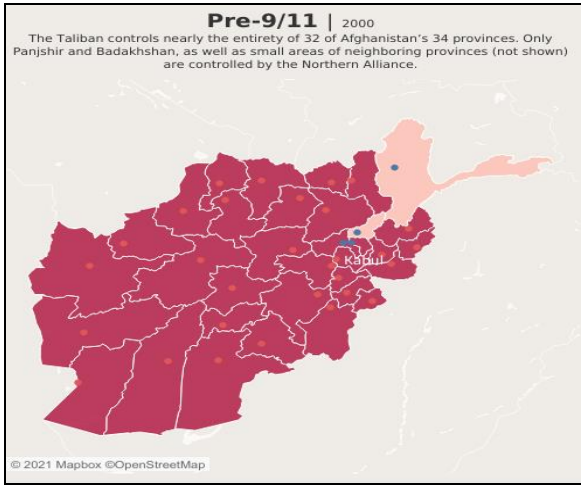
The Afghan kings ruled from 1919 to 1973, and the pinnacle period was from 1933 to 1973 during the reign of King Azhir Shah. Afghanistan was a stable, moderate Islamic nation. In general, the king was said to have had a “light touch,” introducing modern practices slowly. The country became democratic in 1964 after a new constitution was approved. An important element of his rule was the acknowledgement that tribal and ethnic divisions required a degree of federalism to maintain control.

In 1973, the king was overthrown in a bloodless coup led by his brother-in-law, Mohammed Daoud Khan. He declared Afghanistan a republic and became the nation’s first president. He was assassinated in May 1978 by members of a Marxist party.

This group took over the country and renamed it the “Democratic Republic of Afghanistan.” The new government was supported by the Soviet Union. The Marxist Afghan leadership attempted to rapidly modernize the country, leading to a backlash from the more conservative countryside. Reports indicate that the Carter administration gave Islamist groups covert support to undermine the Soviet-leaning government in Kabul.

To support the Marxist government in Afghanistan against increasing unrest, the Soviets invaded Afghanistan on Christmas Eve 1979. The bloody conflict lasted until 1992 and was eventually won by the mujahedeen, which were given ample support by the U.S., Saudi Arabia, and Pakistan. The Soviets withdrew in 1989 and the communist government was overthrown three years later.

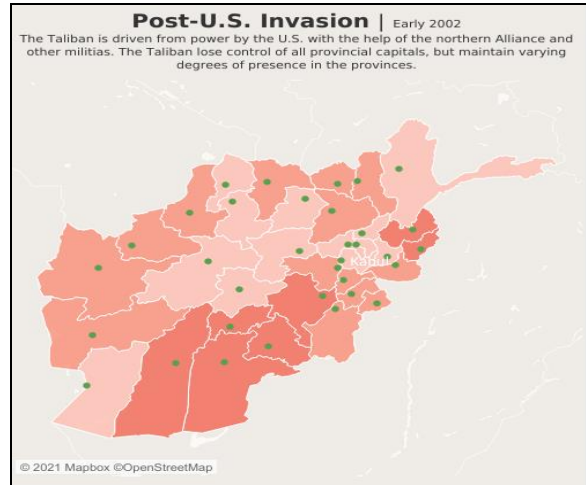
Unfortunately, after the communist government failed, the groups that had successfully overthrown the government began to fight among themselves. This led to a vicious civil war between various warlords. The Taliban (meaning “student”), a group of religious fighters that came out of the *Madrasa* Islamic schools, began to coalesce as a fighting force. By 2000, the Taliban controlled 95% of the country. An important element of the Taliban’s success was that Afghans were tired of conflict and simply wanted somebody to run the country. In addition, the Taliban garnered strong support from Pakistan. As we will discuss next week, Pakistan has a vested interest in having a friendly power in Afghanistan.



(Source: Long War Journal)¹

After the Taliban gained control, the civil war mostly ended. The Northern Alliance held some territory but most of the country was under Taliban domination. The Taliban gave local groups significant control over their regions; in other words, it ran a decentralized government. It did impose a harsh *sharia* law over the country, removing most freedoms for women, virtually ending opium production, and restricting personal freedoms. Al Qaeda leaders, many of whom had fought with the mujahedeen, set up training bases in the country. After the attacks on 9/11, the U.S., supported by NATO, demanded that the Taliban extradite al Qaeda leaders. The Taliban refused and the U.S. attacked Afghanistan, overthrowing the Taliban in a matter of weeks.

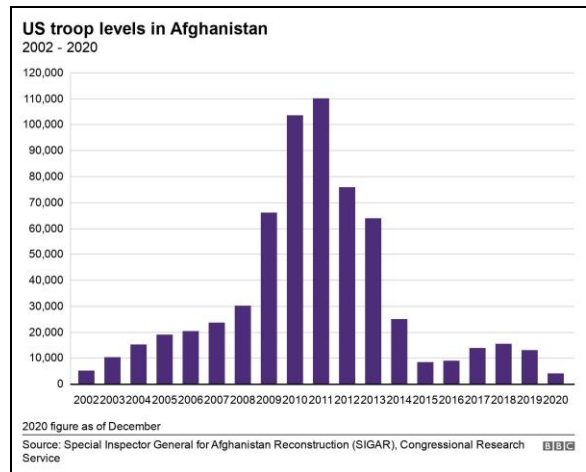
¹ On these maps, the intensity of red details the degree of Taliban control. The dots represent control of provincial capitals. [See here for details.](#)



(Source: Long War Journal)

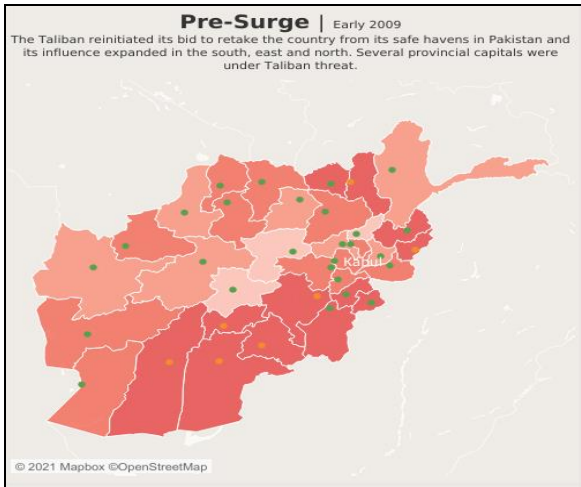
After the U.S./NATO invasion, the Taliban maintained influence, especially in the southeast, but lost control of all the provincial capitals (shown by green dots on the above map).

The U.S. supported the establishment of a new government with its first leader, Hamid Karzai. About a year later, the U.S. became involved in Iraq and the military effort in Afghanistan languished. After President Bush left office, the following presidents have tried to extricate the U.S. from Afghanistan. President Obama reluctantly agreed to a surge, which did extend allied control of the country.



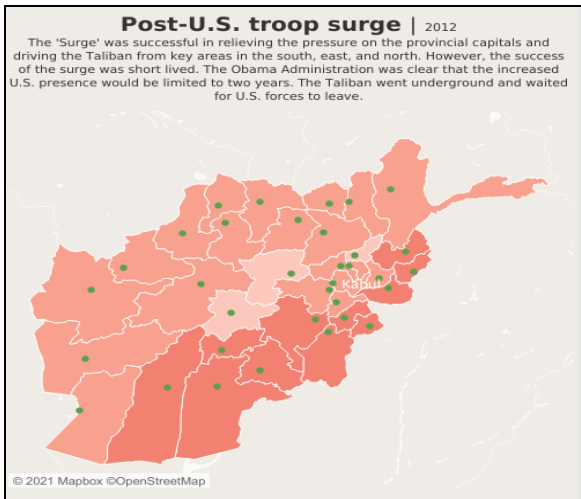
The surge ran from 2009 into 2011. As the chart indicates, the drawdown began in 2012 and the U.S. returned to pre-surge troop levels by 2014.

Pre-surge, the Taliban was regaining control, especially in the south.



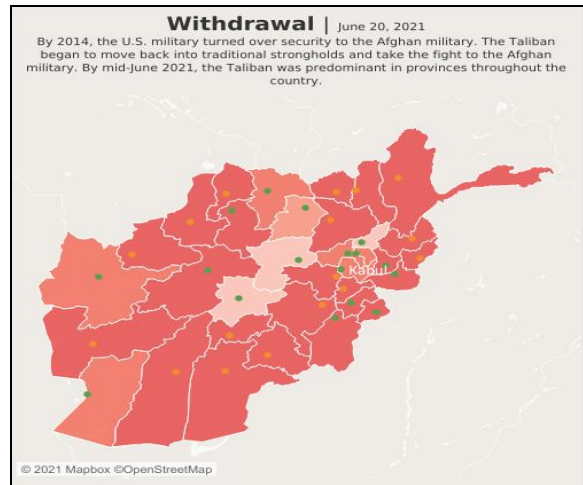
(Source: Long War Journal)

By 2012, when the surge ended, the allies had regained control of much of Afghanistan.



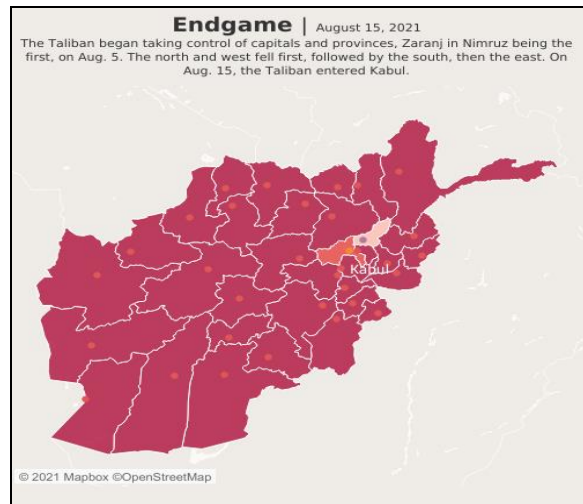
(Source: Long War Journal)

By 2014, allied troops began to reduce troop strength. Steadily, the Taliban regained control.



(Source: Long War Journal)

By mid-August 2021, the Taliban had effective control of Afghanistan.



(Source: Long War Journal)

And so, in the end, the map of control of Afghanistan looks very similar to that of 2000. In fact, the Taliban purposely enveloped the northern territories that it had failed to control at the beginning of the century.

Concluding Thoughts

In summary, the history of Afghanistan suggests the following points. First, outside powers have a difficult time maintaining control after winning territory. The geographic features of the country make it easy for insurgent groups to find protection.

The Afghan people have, in various situations, fought outside invaders over long periods, eventually causing the invading forces to leave. Second, the state makes an ideal buffer nation. It is difficult for a government to have strong centralized power. Outside powers can manipulate the country by supporting its numerous ethnic groups. In many respects, it's a nation that is best controlled from the outside rather than the inside. Third, major outside powers should realize that there is no real benefit to invading the country. Afghanistan has been called "the graveyard of empires." [However, the maxim doesn't exactly hold true.](#) Afghanistan has been successfully invaded lots of times. Since the 1800s it has led to problems for the British, Russians, and the U.S. But because Afghanistan has long experience in being invaded, it has become adept in dealing with invaders. It's

a bit like Syria in that regard. Tribal groups view outsiders as another force to manipulate; locals switch allegiance quickly because there is little incentive to defend an area at all costs. Local groups tend to cooperate with outside invaders but also expect them to leave at some point. [Forces that oppose the outsider invader usually just wait them out.](#)

For the Taliban, the hard part isn't retaking control. It's governing the country in the aftermath. As we will discuss in the coming weeks, outside powers will offer assistance in return for influence. But this aid is probably less about supporting the Taliban and more about keeping problems contained in Afghanistan.

Bill O'Grady
September 13, 2021

This report was prepared by Bill O'Grady of Confluence Investment Management LLC and reflects the current opinion of the author. It is based upon sources and data believed to be accurate and reliable. Opinions and forward-looking statements expressed are subject to change without notice. This information does not constitute a solicitation or an offer to buy or sell any security.

Confluence Investment Management LLC

Confluence Investment Management LLC is an independent Registered Investment Advisor located in St. Louis, Missouri. The firm provides professional portfolio management and advisory services to institutional and individual clients. Confluence's investment philosophy is based upon independent, fundamental research that integrates the firm's evaluation of market cycles, macroeconomics and geopolitical analysis with a value-driven, company-specific approach. The firm's portfolio management philosophy begins by assessing risk and follows through by positioning client portfolios to achieve stated income and growth objectives. The Confluence team is comprised of experienced investment professionals who are dedicated to an exceptional level of client service and communication.