



# Islamic Republic of Afghanistan Ministry of Commerce & Industries



## AFGHAN TRADE POLICY

June 2012

CHINA





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# 1. Overview



- § Capital: Kabul
- § Area: 650,000 sq/km ; with 34 Provinces and 364 Districts
- § Population: 30,605,401 ( 2011 estimate)
- § Population growth rate: Average annual % is 3.2
- § Doing Business Indicator Rank 154 in 2011
- § GDP per capita: purchasing power parity : \$517
- § Inflation Rate: 8.02 %
- § Poverty rate: 36%
- § Labor force: Over 80% is employed in agriculture



## 2. Economic Framework



§ AFGHANISTAN'S CONSTITUTION IS pro market economy.

§ Article 10 of the constitution enshrines the free market:

“ The state shall encourage, protect as well as ensure the safety of capital investment and private enterprises in accordance with the provisions of the law and market economy.”

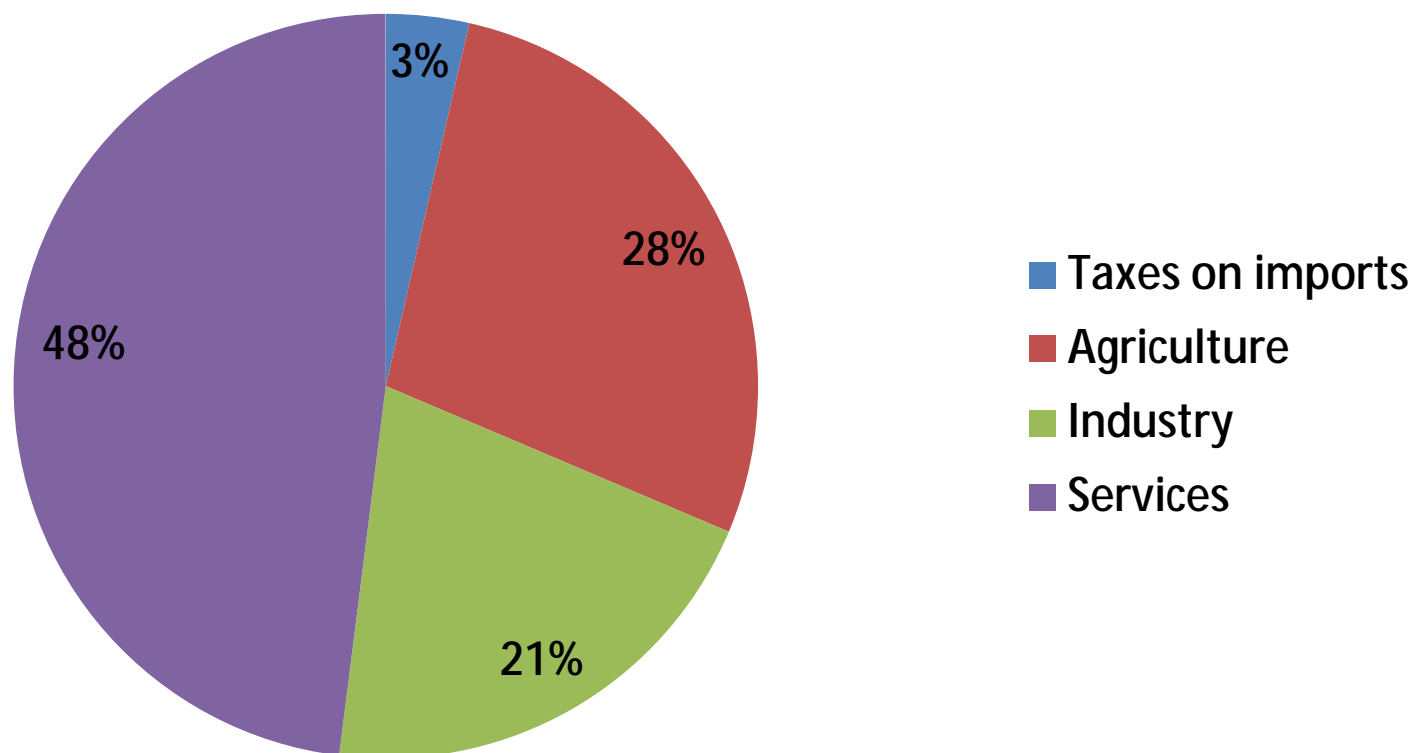




# AFGHANISTAN'S TOTAL ECONOMY BREAKDOWN BY SECTOR



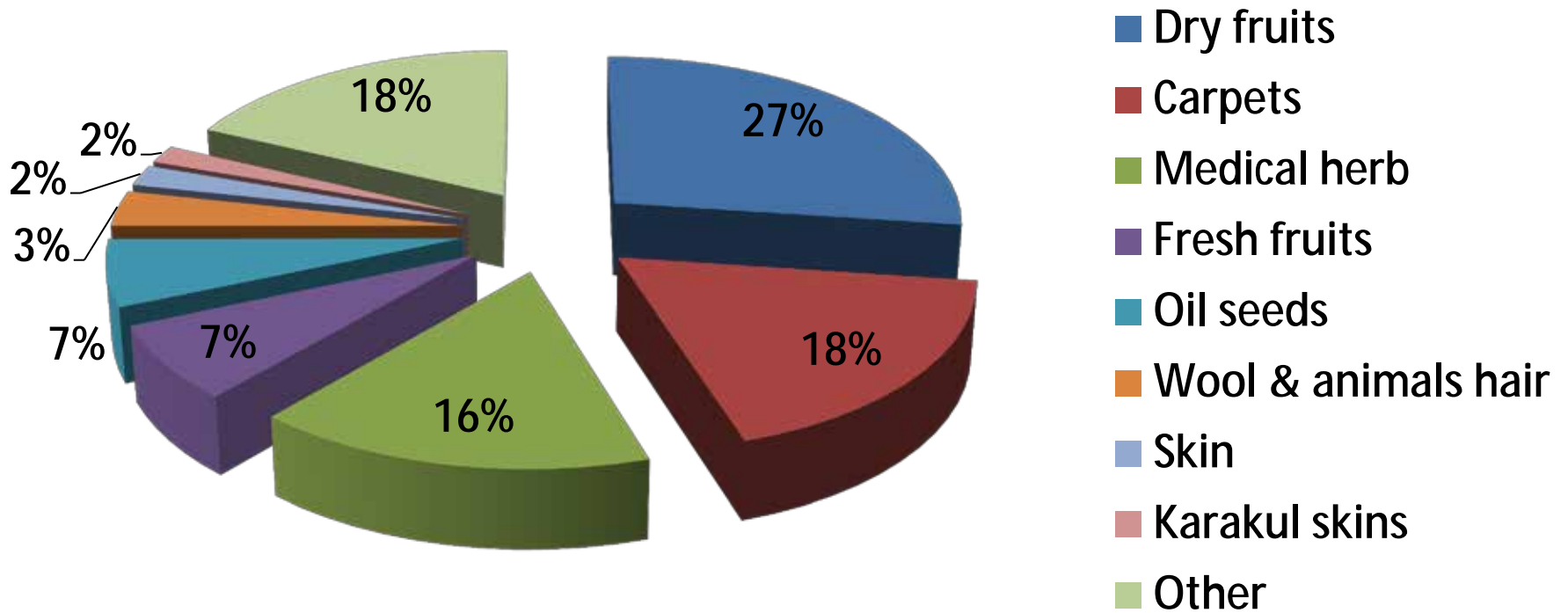
Sectoral Contribution as % of GDP



Source: Afghanistan Statistical Yearbook 2010-11



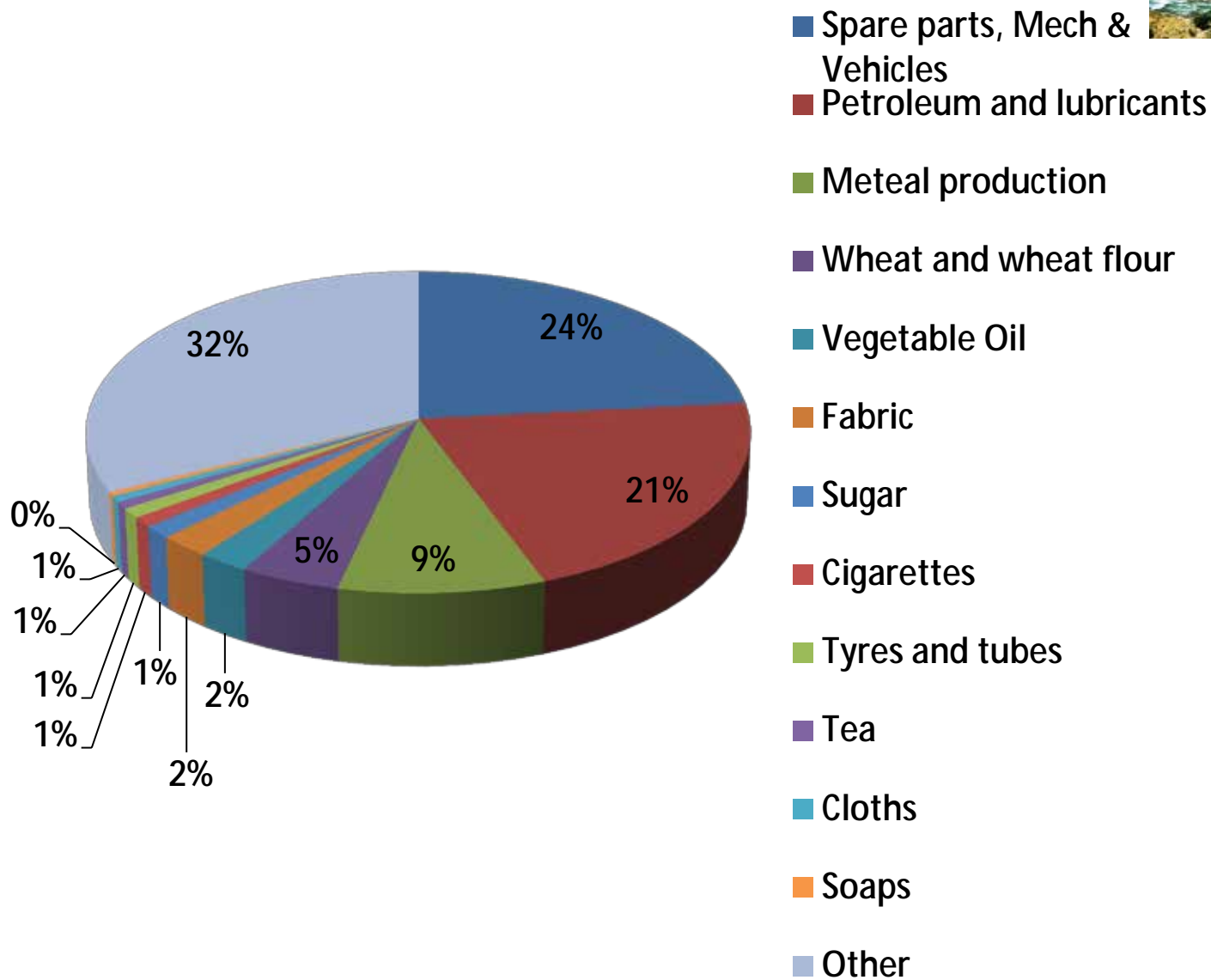
## Value of Main Exported Commodities



Source: Afghanistan Statistical Yearbook 2010-11



# Value of Main Imported Commodities

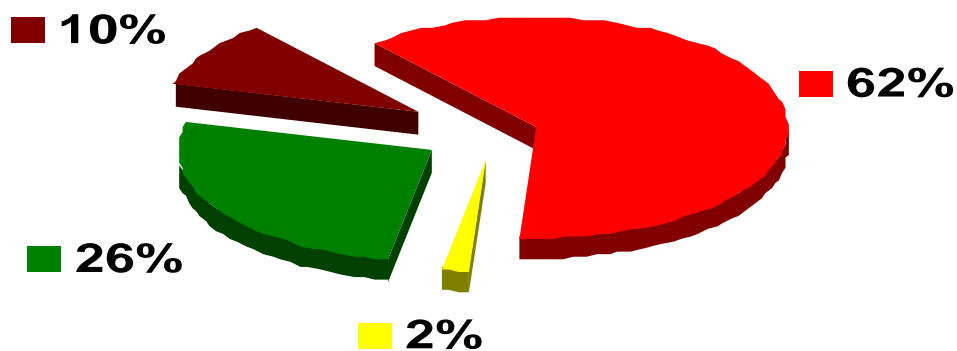


Source: Afghanistan Statistical Yearbook 2010-11



# Key Export Sectors

## Breakdown of Exports by Industry



- Fresh & Dried Fruits
- Animal Products
- Carpets & Handicrafts
- Med. Herbs, Spices & Seeds





### 3. Foreign Trade & Contribution



§ Trade increased more than 10%.

§ The total exports of goods was about US\$ 388 million and total imports was US\$ 5154 million during 2010-11.

§ Despite increasing exports, the Afghanistan trade balance is generally in deficit and relying on foreign aid heavily.



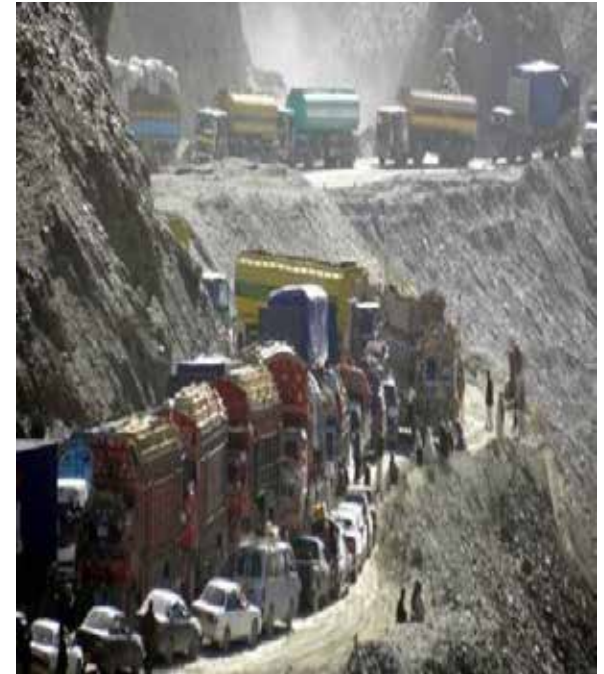
## **A Silk Route to Markets: To become an integrated link at the heart of the Silk Road**

- § Afghanistan is located in the heart of Eurasia, and since time immemorial, has been at the crossroad of cultures, between the People's Republic of China and the Middle East, and between South Asia and Europe.
- § Silk Road connects network of trade routes across East, South, Western Asia, Central Asia, North Africa and Europe.
- § Silk Road makes Central & South Asia the trade and transportation link between Europe & Asia and helps to move Afghanistan from Aid to Trade
- § Our aim is to make Afghanistan as Trade, Transit and Communication Hub.



# Bilateral Trade Arrangements

- As Afghanistan is a land lock country and depends on the other countries for its trade, we needed to have the Bilateral Agreements with our Trade partners.
- We have Agreements with:
  - Pakistan, Iran, Uzbekistan, Tajikistan,
  - Turkmenistan, Kazakhstan, India, China,
  - EU, US, etc.
- These Agreements include both Trade and Transit.
- Annual bilateral meetings





# Bilateral Trade Arrangements

- Increased Trade
- Technological Spillover
- Better Soci-economic & political
- Business to Business Contact
- Market Access-closer
- Competitive Advantage





## 4. Regional Economic Integration



- § To play its central role as a land bridge between Central Asia and South Asia, and the Middle East and the Far East.
- § To connect land locked energy rich Central Asia with warm water ports and energy deficient South Asia.
- § Afghanistan is a member of International organizations that work on strengthening cooperation on trade, transit and transportation, such as ECO, CAREC and SAARC.
- § Afghanistan plays a key role of land link within the Region, as such it can help overcome bilateral problems including border trade.





# ECO region linked through Transit roads



Economic Cooperation Organization







# ECO region linked through Rail-network



Economic Cooperation Organization





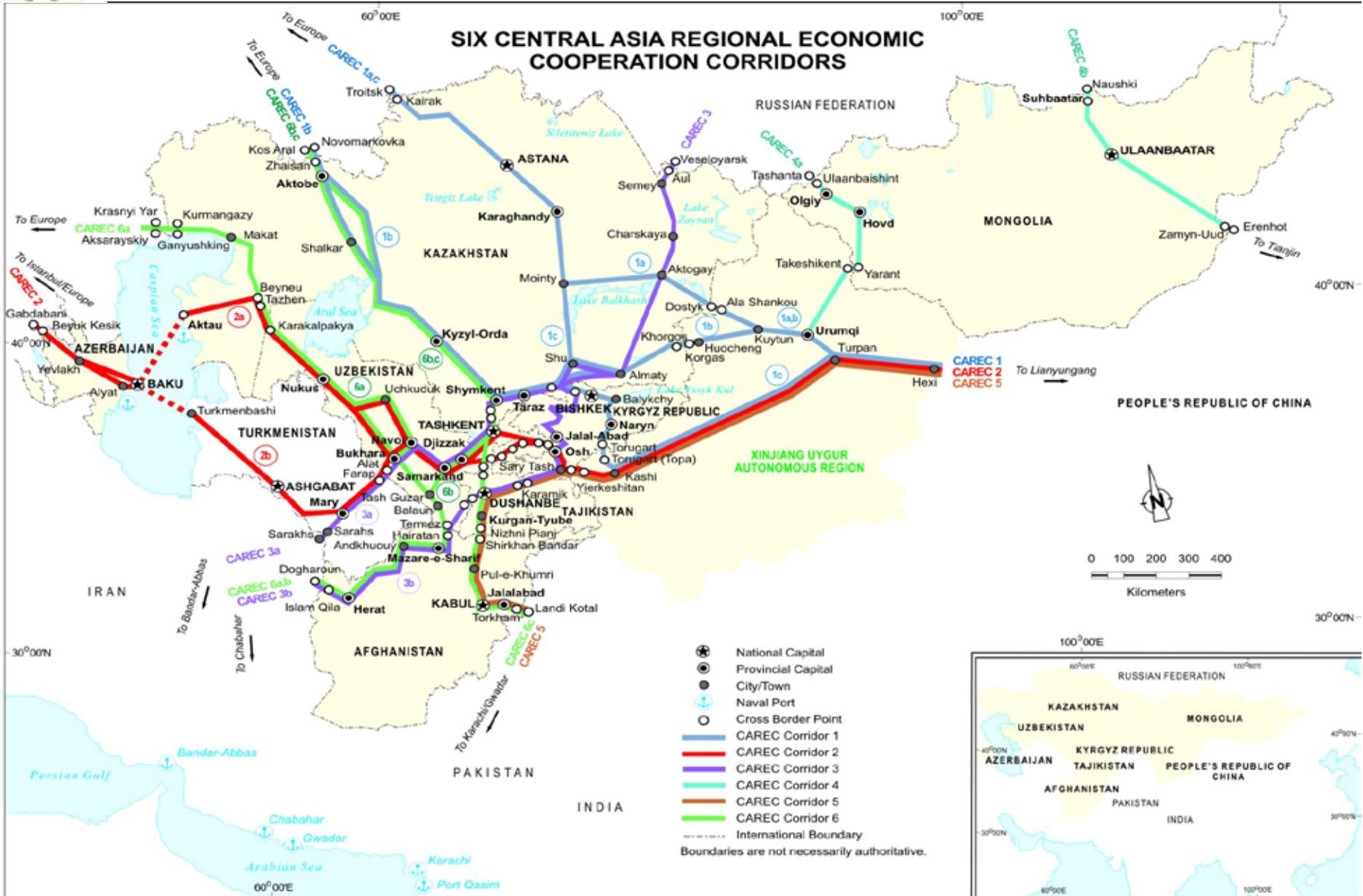
## CAREC: Trade Infrastructure and Facilities

- § Afghanistan is connecting the region's key economic hubs to each other, and connecting the landlocked CAREC countries to other global markets to increase trade openness in the region and to stimulate growth and development.
- § **Hairatan-Mazar-e-Sharif** train route connects Central Asia with Europe and Asia.
- § CAREC Corridor 5 connects East Asia to the Arabian Sea through Central Asia. The route covers the People's Republic of China, the Kyrgyz Republic, Tajikistan, and Afghanistan. The corridor has 3,700 km of roads and 2,000 km of railways.
- § CAREC Corridor 6 includes three routes linking Europe and the Russia Federation to the Arabian Sea port of Karachi and Gwadar or Bandar Abbas in the Persian Gulf. The route has 10,600 km of roads and 7,200 km of railways.



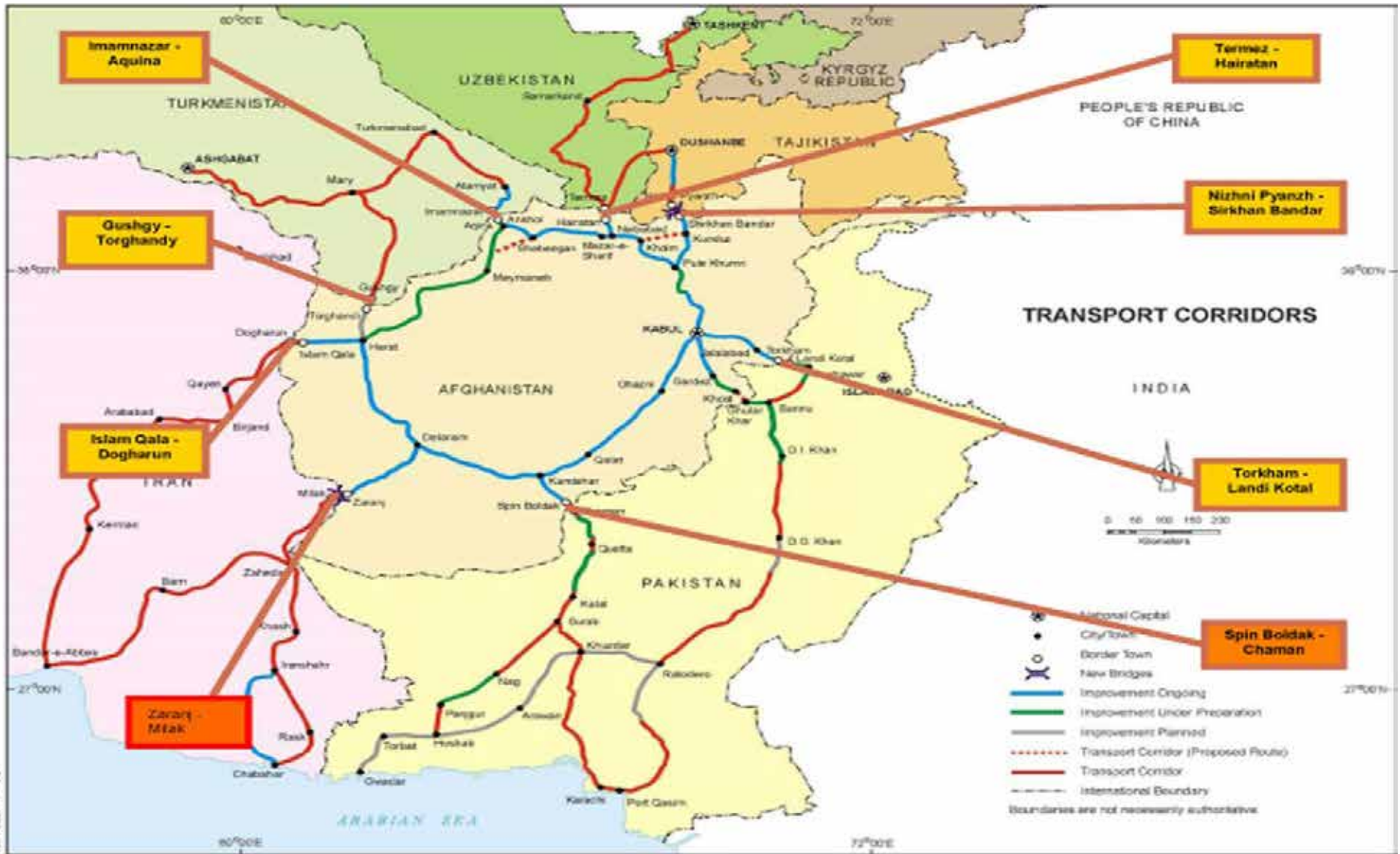


# Become a pivotal crossroads for trade and commerce in the region





# CAREC- Transport corridors







# SAARC

- § To increase economic cooperation with aim of generating economic growth and increase the standards of living.
- § Two agreements (SAFTA and SATIS)
- § Reduced sensitive items from 1072 items to 850 items.
- § Benefit to Afghanistan from tariff reductions of SAARC members under the framework of SAFTA (e.g India).



# APTTA



Facilitate Transit Trade for Afghanistan and a gateway for Pakistan for the transit trade to Central Asia.

- § ATTA signed on March 2, 1965 replaced by APTTA signed on 2010.
- § ATTA was rather one-sided but APTTA is affecting international trade for both countries.
- § Access to three operational seaports, Karachi, Port Qasim and Gwadar.
- § Afghan cargo transportation through Afghan trucks
- § Use of biometric system
- § Prevention of smuggling
- § Coordination Authority (APTTCA)
- § Involvement of private sector in negotiations





## **5. Wider Co-operation with other Integration Mechanism: To facilitate integration into the global economy.**

- § Afghanistan is negotiating US- TIFA agreement.
- § The agreements with the European Union, Japan and United States provide for preferential access to selected Afghanistan products under the Generalized Scheme of Preferences. (GSP)
- § Afghanistan is a member of ESCAP and SPECA.



## 6. WTO Accession Process and current status:

However, Afghanistan cannot rely solely on regional trade. In order to compete worldwide, its main development agenda and commitment to move towards global trading system and accede to WTO. WTO Accession progress:

- § Submitted its request on 21<sup>st</sup> Nov, 2004.
- § WTO granted Observer status on 13<sup>th</sup> Dec, 2004.
- § MFTR submitted to WTO on April, 2009.
- § Undertaking legal reforms for WTO conformity
- § Market access Negotiations on Goods & Services
- § First working party meeting held on 31<sup>st</sup> Jan, 2011.
- § Next working party meeting planned in June, 2012.





# Legal reforms for WTO conformity

S.No	Legislation	WTO	Main Responsibility	Current Status
1	Law on Plant Protection & Quarantine	SPS	MAIL	Draft finalized
2	Law on Animal Health & Veterinary	SPS	MAIL	Draft finalized
3	Law on Food Safety	SPS	MOPH & MAIL	Draft finalized
4	Customs Law	CVAROO	ACD	Draft finalized
5	Patents Law	TRIPS	MoCI	Draft finalized
6	Trademarks Law	TRIPS	MoCI	Draft finalized
7	Copyrights Law	TRIPS	MoIC	Draft finalized
8	Law on Geographical Indications	TRIPS	MoCI	Draft finalized
9	Commercial procedure	TRIPS	MoCI & MoIC	Draft finalized
10	Law on Industrial Designs	TRIPS	MoCI	Draft finalized
11	Law on Standards & Technical Regulation	TBT	ANSA	Draft finalized





# Market access Negotiations on Goods & Services

- § On-going consultation with stakeholders with public sector and private sector.
- § Draft initial offer on services being finalized.
- § Initial offer on goods to be finalized by the end of summer, 2012.





## **7. Conclusion**

Afghanistan has pursued a liberal trade policy and will reform its trade policy regime in line with the WTO requirements. In the context of regional integration and implementation of bilateral and transit agreements, Afghanistan will promote harmonization with international conventions, agreements and standards in order to move towards Multilateral trading system.







# Thank you

# Q & A

