



Afghanistan Policy Page

A one-page brief from the [Afghanistan Congressional Communications Hub](#) on a major issue concerning U.S. policy and engagement in Afghanistan.

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International Trade

Take Aways

- Afghanistan needs to **increase its export volumes** and revenues in order to build a stronger economy -- the **bedrock for sustainable security and stability**.
- Afghanistan is **import-dependent** on many basic food stuffs and other essential items that forces already impoverished Afghan people to pay **high prices for foreign goods**.
- Afghanistan is a **heavily landlocked country**, currently reliant on air or overland modes of transport that prevent the efficient transfer of container freight and natural resources.

Imports

- **Essential commodities** such as food stuffs, petroleum products, and most consumer goods have to be imported to Afghanistan.
- Afghanistan has **minimal internal capacity to produce manufactured goods** – raw materials are therefore shipped out of the country to be processed and then re-imported at significantly higher prices. Arduous and insecure transport routes **incur greater costs associated with higher risks and loss of cargo**.

Exports

- **Agriculture** is Afghanistan's most important industry, generating approx. 30% of GDP. In 2008/09, **dried fruits** accounted for nearly half Afghanistan's total export. A key challenge to the export of agricultural products remains the lack of adequate storage and refrigeration.
- **Afghanistan's mineral resources** are estimated to be worth \$1 trillion, with copper and iron deposits reckoned to be some of the biggest in the world. However, the capacity for large-scale export of these resources remains years away.
- **The carpet trade** is one of Afghanistan's leading sources of foreign exchange involving more than six million people in the country. Carpet exports have slumped by 44 percent compared to last year, blamed largely on insecurity in the Pakistan border region.

Key Facts

Intl Monetary Fund Projections 2009/10:

- Trade Balance: -\$6.97 billion
- Exports of Goods: \$2.13 billion
- Imports of Goods: \$9.09 billion

Trade Partners:

- **Pakistan and India** are Afghanistan's top export partners; each receives approx. 20% of total Afghan exports.
- **Pakistan is the predominant import partner**, producing approx. one third of all goods to Afghanistan.
- The U.S. Census Bureau records that the vast majority of the **\$1.5 billion U.S. exports to Afghanistan for 2009** were military-type goods and transport-related materials.

Transport Costs:

- The estimated cost for transporting goods and raw materials in Afghanistan is **25-50% of their sale price**. In most healthy economies this figure is less than 10%.

Possible Questions

- What is being done to establish greater application and enforcement of international standards for potential export goods?
- What can the U.S. government do to help Afghanistan grow its export capacity?

Customs and Tariffs

- An improvement in the **import license application process**, which previously involved 42 steps, 58 signatures, and several weeks of processing, now requires only three steps, six signatures, and two days to process.
- **Customs regulations can be unpredictable** and prohibitive for foreign trade partners. For example, in 2007 a 40% import tariff that was introduced on soft drinks, designed to protect Afghan manufacturers, drew considerable international criticism.
 - **Border regulations prohibit the movement of foreign vehicles** across Afghanistan's borders and create an additional barrier to the smooth and efficient transportation of goods in and out of the country, as entire shipments have to be unloaded and reloaded between different trucks.

Standards and Regulation

- Many **international standards** required to meet export regulations to developed countries are not enforced or adhered to in Afghanistan, blocking access to potentially rich markets. For example, Afghan marble is considered to be high-quality, but it is not cut and prepared to comply with industry standards.
- Failure to meet even the most basic international hygiene regulations in the **storage and protection of many food stuffs** is a barrier to greater export of high-value fruits and spices such as grapes, saffron and pomegranates that are highly-prized in western markets.
- The **business climate and regulatory environment** for trade remains weak in many areas, with issues such as commercial insurance still unpredictable or non-existent.

Transport and Trade Routes

- The **Afghan Transit Trade Agreement (ATTA)** signed with Pakistan in 1965 allows tariff-free transit of goods to Afghanistan from the port of Karachi. Afghanistan also has a treaty with Iran for port access at Chabahar and Bandar Abbas.
- The US government supports a move to allow an **open flow of Indian and Afghan goods passing through Pakistan** that would re-open a major outlet for Afghanistan's prime agricultural produce. However, the issue remains in dispute as Pakistan remains reluctant to accept the agreement.
- **Potential Regional Trade Hub** – Despite its landlocked status, Afghanistan has the potential to play a key role as a transit route in Central Asia for goods going to ports in Pakistan and the Caspian, and onwards to South and East Asia, the Middle East and Europe.

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