



KCCI - Country Wrap: AFGHANISTAN (JAN.'17)



Economic situation in Afghanistan

Afghanistan is a junction of trade routes between South & West Asia and is renowned for its world class mineral deposits estimated to be cumulatively worth of ~\$ 1Tn. However it is going through several systematic shortcomings due to prolonged war situation which has been further worsened by the security problems. A changeover in the economic scenario of Afghanistan, marked by the NATO forces withdrawal and then drying up of foreign aid, is likely to affect economic variables like inflation and trade patterns. In the past, massive foreign aids have played an important role in spurring growth in education and health sectors of the country. On the other hand, growing revenue shortfall is having its implications in the form of bloated unemployment rate due to curtailed spending on its major public programs.

Major agricultural commodities and revenue generating sectors

The important agricultural commodities of Afghanistan include fruits, wheat, lambskins, sheep skins, opium, wool, mutton, nuts etc. Country's other major revenue generating sectors are bricks, textiles, soap, furniture, shoes, fertilizer, apparel, food-products, non-alcoholic beverages, mineral water, cement; handwoven carpets; natural gas, coal and copper.

Deep rooted Pak-Afghan bilateral trade relations

Pakistan and Afghanistan shares friendly relation strengthened by religious affiliations. Pakistan provides access to Afghanistan for trade through its seaports while latter provides Pakistan with direct routes to Central Asia. In Oct.'10, both countries inked Afghan-Pakistan Transit Trade Agreement (APTTA) for enhancing trade cooperations. In Jul.'12, APTTA was extended to Tajikistan for establishing North-South trade corridor that would facilitate it to use Pakistan's Gwadar and Karachi ports for trade while Pakistan will enjoy trade with Tajikistan under similar terms of transit arrangement through Afghanistan. Both countries have also formed Pak-Afghan Joint Chamber of Commerce (PAJCCI) in Nov.'10, for resolving problems faced by Pakistani and Afghani traders. Pakistan has also joined Ashgabat Agreement and the Lapis Lazuli Corridor. Both of these agreements would foster Pakistan's transit and trade cooperation with various CARs, Afghanistan, Oman, Iran, Azerbaijan, Turkey and Georgia by reducing trade barriers.

Trade between Pakistan and Afghanistan

During FY16, Pakistan exported goods of worth \$ 1,230Mn as against exports of \$ 1,699.32Mn in FY15 showing decline of 27%. Pakistan's goods import increased by around 9% during FY16 to \$ 40.68Mn against imports of \$ 37.40Mn in FY15.

Smuggling: Barrier that is hampering the growth of Pak-Afghan trade

The unofficial trade quantum is very significant at the Afghanistan border due to which, according to estimates, goods of worth million dollars are moved in and out of Afghanistan everyday through trucks that go unrecorded. Khyber Pass is reported to have been widely used for parallel trade which has adversely affected the national exchequers on both sides of the border. The situation calls for increasing scrutiny and the installation of modern scanning machines, biometrics and tracking system at Pak-Afghan border.

Pak-Afghan Track - II Project Beyond Boundaries

"Afghanistan-Pakistan Track II project Beyond Boundaries" is a British funded initiative launched by the Center of Research and Security Studies in partnership with Duran Research & Analysis. The prime objective of the project is to expand peace process and enhanced support for healthier Pak Afghan relationship by means of dialogue among various cadre of society like media, arts and culture.

Potentials for enhancing Pak - Afghan bilateral trade

-Pakistan should revive its cement exports to Afghanistan that witnessed a massive decline.

-Pakistan can look for providing expertise and resources to the growing Afghan services sector.

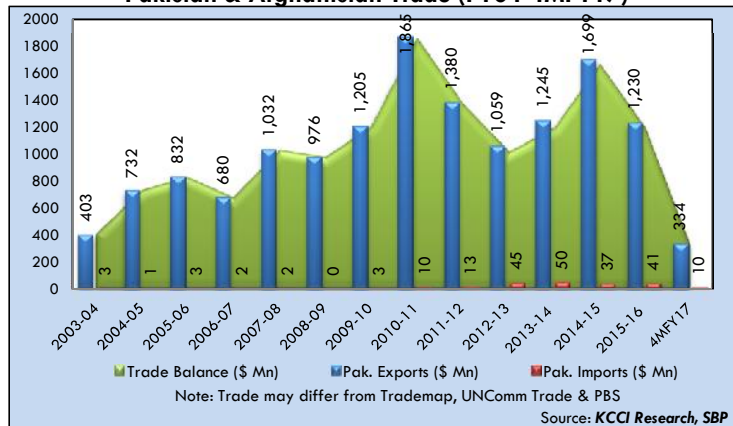
-Joining CPEC would help Afghanistan in improving its trade and investment scenario in future.

Economic Indicators

Indicators	Unit	2014	2015	Change
GDP (PPP)	\$ Bn	61.53	62.32	1.28%
GDP per Capita	\$	2,000	1,900	-5.00%
GDP growth	%	1.3	1.5	0.20%
Forex Reserves	\$ Bn	6.68	6.23	-6.72%
External Debt	\$ Bn	N/A	N/A	N/A
Exports of Goods	\$ Bn	0.66	N/A	N/A
Imports of Goods	\$ Bn	7.00	N/A	N/A
Trade Balance	\$ Bn	-6.35	N/A	N/A
Current Account	\$ Bn	1.60	0.87	-45.64%
FDI - at Home	\$ Bn	N/A	N/A	N/A
FDI - at Abroad	\$ Bn	N/A	N/A	N/A
CPI	%	4.6	-1.5	N/A
Prime Lending Rate	%	15	15	0.00%
Population	Mn	N/A	33.33	N/A
Unemployment	%	N/A	N/A	N/A
Literacy Rate	%	N/A	38.2	N/A

Sources: KCCI Research, CIA Factbook

Pakistan & Afghanistan Trade (FY04-4MFY17)



Afghanistan's Top 10 Trade Items (2015)

Imports Items	(\$ Mn)	Exports Items	(\$ Mn)
Commodities NES	2,025.4	Edible fruits, nuts	216.9
Mineral fuels, oils	1,638.0	Carpets, floor coverings	90.2
Milling Industry Products	473.2	Lac; gums, resins, veg	81.9
Animal/veg fats, oils	346.6	Oil seeds, fruits	56.2
Iron & steel	346.1	Coffee, tea, spices	41.4
Optic, photograph measures	323.9	Edible veg., roots, tubers	28.4
Woven tufted fabrics, lace	239.3	Mineral fuels, oils	19.7
Elec. mach. & equip.	203.2	Raw hides, skins	9.3
Stone, plaster, cement Articles	197.2	Wool, animal hair	7.3
Vehicles other than railway	161.2	Cotton	6.2

Sources: KCCI Research, Trademap

Pak - Afghan Top 10 Trade Items (2015)

Pakistan Export Items	(\$ Mn)	Pakistan Imports Items	(\$ Mn)
Milling industry Products	323.5	Edible fruit & nuts	127.8
Sugars, confectionery	254.2	Cotton	83.4
Salt, sulphur, stone	154.8	Mineral fuels	64.5
Cereals	141.0	Edible veg, roots, tubers	60.4
Edible veg., roots, tubers	110.0	Iron and steel	29.2
Edible fruit, nuts	104.2	Salt, sulphur, stone	8.1
Pharmaceuticals	73.9	Oil seeds, fruits	5.2
Dairy, honey, animal edibles	62.5	Machinery, mech. appliances	4.5
Animal/veg fats and oils	61.9	Raw hides, skins, leather	3.5
Iron/Steel Articles	61.0	Carpets, textile floor coverings	0.8

Sources: KCCI Research, Trademap