

**Embassy of Pakistan
Commercial Section
Kabul

AFGHANISTAN BRIEF ECONOMIC & IMPORT PROFILE



Map: World Facebook

Brief Introduction

Afghanistan, means the Land of the Afghans, is a mountainous land-locked country located in the South-Central Asia. It has a history and culture that goes back over 5,000 years. Throughout its long, splendid, and sometimes chaotic history, this area of the world has been known by various names. In ancient times, its inhabitants called the land Aryana. In the medieval era, it was called Khorasan, and in modern times, its people have decided to call it Afghanistan. The exact population of Afghanistan is not known exactly, however, it is estimated to be somewhere around 35 million with a population growth rate of 2.5%, based on the latest United Nations estimates).The total land area is 653,032 Km². Most of the country's population lives in

rural areas with about 25% based in urban centers (about 14% of the population resides in the 5 largest cities in the country). Despite the seemingly low urban population percentage, the rate of urbanization is high at 6.6%. About 4.7 million Afghans have relocated to other countries, with the most in Pakistan and Iran.

Afghanistan is a heterogeneous nation, in which there are four major ethnic groups: Pashtuns, Tajiks, Hazaras, and Uzbeks. Numerous other minor ethnic groups (Nuristanis, Baluchis, Turkmens, etc.) also call Afghanistan their home. While the majority of Afghans (99%) belong to the Islamic faith, there are also small numbers of Sikhs. The official languages of the country are Pashto and Dari. Kabul is not only the capital but also the commercial and economic hub of Afghanistan. Unfortunately, due to many years of war, this great city was nearly completely destroyed. Today, it is overcrowded. There are plains in the north and southwest and sandy desert near the southern borders with Pakistan and Iran. It shares the longest border with Pakistan to the east and south (2,600 kilometers), Iran to the west (936 kilometers), Turkmenistan to the northwest (744 kilometers), Uzbekistan to the north (137 kilometers), and Tajikistan to the northeast (1,206 kilometers) and China to the east (76 kilometers). Its 652,864 square kilometers are divided into 34 provinces and 398 districts.

Economy

Afghanistan is a Least Developed Country based on agriculture. Its main exports are fruits and nuts, carpets, wool, coal, raw cotton, iron ore, hides and skins, etc. Recently Afghanistan was found to have \$1 trillion worth of untapped natural reserves including natural gas, petroleum, Lithium, coal, copper, chromite, talc, barites, sulfur, lead, zinc, iron ore, salt, precious and semiprecious stones (UN estimates). Despite a low per capita income and majority of the population living in the rural areas, the demand for tertiary goods and services has increased steadily over the years, examples of which are 102 million Internet connections and 24.5 million mobile phone connections in 2015 (Statistical Yearbook- Afghanistan Central Statistics Organization).

The bulk of Afghan GDP comes from transportation, storage, communication and wholesale trade (51%) with the remainder split almost equally between agricultural and industrial sectors. Agricultural produce is comprised mainly of cereals, fresh and dry fruits and livestock. Of reported production, 46% is wheat (Statistical yearbook- Afghanistan Central Statistics

Organization). Over recent years, the GDP growth rate, although remaining positive has decreased to 0.9 % in year 2018 due to stagnation in the growth of Agriculture and Service sectors. Construction sector growth reduced from 25% in 2013 to 14 % in 2015 indicating slowdown in frequency of infrastructure projects. This is due to mainly to decreasing international donor assistance and drawdown of foreign troops (and their support units). Another reason for the reduction in growth rate is the worsening security situation in the country. The service sector's major sub –sectors are transport, storage, communications, wholesale retail trade. Collectively they have witnessed a growth of -2% due to political and security challenges faced by the National Unity Government (NUG).

Since 2010, the GDP growth has been driven mostly by the foreign organizations through spending by international security forces and multilateral aid agencies. Over this period, investors' confidence has declined, as evidenced by a 50% drop in the new registrations since 2012 and 22% year on year decrease in foreign direct investment to only \$ 54 million in 2015. The decline in international assistance overtime, coupled with dwindling foreign investment, GDP growth is expected to be 1-2% per year in the short term and may be 2-3 % in the medium term (Afghanistan Investment Climate Statement, 2017- US Department of State).

AFGHANISTAN ECONOMIC FACT SHEET

Major Exports Commodities	-	Fruits and nuts, hand-woven carpets, wool, coal, cotton, hides and pelts, precious and semi-precious gems. <i>(Source: Central Statistic Organization of Afghanistan)</i>
Major Exports Partners	-	2018: Pakistan 42.988%, India 42.788%, Turkey 2.644%, Iran 2.163 China 1.562 <i>(Source: Central Statistic Organization of Afghanistan)</i>
Major Imports Commodities	-	Machinery and other capital goods, food, textiles, petroleum products
Major Imports Partners	-	2018: Pakistan 16.561%, Iran 15.565%, China 115.128%, Kazakhstan 11.125%, Uzbekistan 7.198, India 3.323%, <i>(Source: Central Statistic Organization of Afghanistan)</i>
GDP - growth rate		0.9 % (2018)
GDP - Composition		Agriculture: 20.3%, Industry: 22.3%, Services: 52.6%
Inflation rate (CPI)		4.4% (2018)
GDP		\$20.9 billion (2018)
GDP per capita		\$ 681

Central Statistics Organization of Afghanistan Source: CSO

Preferential Treatment to Afghanistan

Afghan products enjoy duty free and quota free access under an LDC Market Access Initiative with Canada and a Generalized Preferences Treatment agreement with Japan. Afghan products also enjoy an “Everything But Arms” (EBA) agreement with the European Union. As a least-developed country, Afghanistan is eligible for duty-free access to the U.S. market for approximately 5,700 products under the Generalized System of Preferences (GSP) program.

Major Trade& Investment Agreements signed

[Source: WTO; International Trade Centre-UNCTAD]

Afghanistan has signed 31 bilateral trade and investment agreements and memoranda of understanding, 10 bilateral economic agreements, and five tripartite agreements.

Trade

- a) Afghanistan – Pakistan Transit Trade Agreement (APTTA 2010)
- b) SAFTA Agreement
- c) Trade and Economic Cooperation Agreement with Russia
- d) Trade and Economic Cooperation Agreement with Turkey
- e) India - Afghanistan PTA 2003

Investment

- a) Reciprocal Promotion and Protection of Investments Agreement with Turkey
- b) Investment Treaty with Germany
- c) Investment Treaty with Iran
- d) Bilateral Investment Incentive Agreement with the United States
- e) Trade and Investment Framework Agreement (TIFA) 2004

Tariff Information

[Source: International Trade Centre-UNCTAD]

The Afghan Customs Department collects tariffs on all imported goods and some goods intended for export from Afghanistan. Ad valorem tariff is levied as a fixed percentage of the determined customs value for duty purposes, which in the case of imported goods is the cost,

insurance, freight (CIF) value, and in the case of goods intended for export is levied as a fixed percentage of the free on board (FOB) value.

Simple Mean Tariff	5.9%
Applied Weighted Mean Tariff	6.8%

Afghanistan's average applied tariffs (HS Rev.2013)

[Source: International Trade Centre-UNCTAD]

Section Code	Description	Average
1	Live animals; animal products	4.12%
2	Vegetable products	3.42%
3	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes	2.31%
4	Prepared foodstuffs; beverages, spirits and vinegar; tobacco and manufactured tobacco substitutes	8.90%
5	Mineral products	8.28%
6	Products of the chemical or allied industries	3.91%
7	Plastics and articles thereof; rubber and articles thereof	5.76%
8	Raw hides and skins, leather, furskins and articles thereof; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silkworm gut)	7.12%
9	Wood and articles of wood; wood charcoal; cork and articles of cork; manufactures of straw, of esparto or of other plaiting materials; basketware and wickerwork	5.38%
10	Pulp of wood or of other fibrous cellulosic material; recovered (waste and scrap) paper or paperboard; paper and paperboard and articles thereof	3.97%
11	Textiles and textile articles	6.03%

12	Footwear, headgear, umbrellas, sun umbrellas, walking-sticks, seat-sticks, whips, riding-crops and parts thereof; prepared feathers and articles made therewith; artificial flowers; articles of human hair	7.76%
13	Articles of stone, plaster, cement, asbestos, mica or similar materials; ceramic products; glass and glassware	8.37%
14	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin	8.31%
15	Base metals and articles of base metal	4.19%
16	Machinery and mechanical appliances; electrical equipment; parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	5.04%
17	Vehicles, aircraft, vessels and associated transport equipment	15.68%
18	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; clocks and watches; musical instruments; parts and accessories thereof	5.03%
19	Arms and ammunition; parts and accessories thereof	15.16%
20	Miscellaneous manufactured articles	9.64%
21	Works of art, collectors' pieces and antiques	16%

Membership of WTO

[Source: WTO]

Afghanistan became the 164th WTO member on 29 July 2016. As a member of the World Trade Organization (WTO), the Government of Afghanistan is modifying existing legislation and drafting new laws and regulations to bring its trade policy framework into accordance with WTO standards.

Labeling/Marking Requirements

It currently has no laws or regulations governing labeling and marketing requirements for products.

Import Requirements and Documentation

The World Bank 2014 Doing Business Report ranks Afghanistan 184 out of 189 in trading across borders.

All imported goods and products must submit a customs declaration accompanied by an invoice or other proof of the price actually paid as well as a certificate of origin, and shipment documentation (e.g., original bill of lading and packing list).

Transit permission is required for shipments transiting through Pakistan; the Transit Department at the Ministry of Commerce and Industries (MoCI) oversees transit permission.

Importers and exporters must consider whether supporting documentation should be sought from other Ministries prior to Customs declaration; e.g., armored vehicles require Ministry of Interior (MoI) certification; communication equipment requires the approval of the Ministry of Communications (MoC); and medicines require Ministry of Public Health certification.

Prohibited & Restricted Imports

The Customs Law of 2005 authorizes the government to prohibit or restrict the import of goods to protect public morality; preserve public security; protect the environment, health and life of human, animals, or plants; protect national treasures of artistic, historic, or archaeological value; or protect industrial and commercial property or other state interests. Under this law, Afghanistan currently prohibits the import of alcoholic drinks, live pork and pork products, cotton seeds, narcotics, and illegal drugs.

Licenses, permits, or approvals are required to import medicines, medical equipment, cosmetics, pharmacy tools, veterinary medical instruments, veterinary drugs, biological materials, pesticides, printed books, brochures, leaflets and other printed matter, films, telecommunications equipment, armored vehicles, arms, ammunition, military equipment, narcotics and precursor chemicals, endangered species, and ozone-depleting substances. Pesticides, petroleum products, and iron/steel products are also subject to testing at the border.

Customs Regulations

Basic record keeping is conducted using the United Nations Conference on Trade and Development (UNCTAD) developed Automated System for Customs Data (ASYCUDA) which is intended to cover all entry/exit points in the country. Customs reform efforts are underway to establish standardized fees and procedures for incoming goods, as well as streamlined procedures for exports, and a trained cadre of professional staff.

Trade Standards

The Afghan National Standards Authority (ANSA) is an independent agency established in 2005 responsible for the establishment, maintenance, dissemination, and enforcement of national standards and technical regulations. ANSA is a correspondent member of the International Standards Organization (ISO).

Afghanistan generally relies on international standards for its technical requirements. In early 2011, the Supreme Council of Standards was established on the basis of the Afghan National Standards Law (September 2010). Since then, 51 national standards, developed by nine technical committees have been adopted including standards for gasoline, diesel, kerosene, construction materials, gas, medicines and metrology.

Investment

The High Commission on Investment (HCI) is responsible for investment policy making. The commission includes participation by the Ministers of Agriculture, Economy, Finance, Foreign Affairs, Mines and Industries, the Governor of the Central Bank (Da Afghanistan Bank), and the Chief Executive Officer of the quasi-governmental Afghan Investment Support Agency (AISA). It is chaired by the Minister of Commerce and Industries. The High Economic Council (HEC), which is chaired by the President and includes both the HCI ministers and representatives from academia and the private sector, also plays a role in investment policy development.

While there is no requirement for foreigners to secure Afghan partners, the Afghan Constitution and the PIL prohibit foreign ownership of land.

Any potential Afghan investor is required to obtain a corporate registration from the Afghanistan Central Business Registry (ACBR), to register with AISA, and to obtain a Tax Identification Number (TIN). AISA approval can be denied to investors (whether domestic or foreign) if the investment license application is incomplete or contains inaccurate information, the investment is not made through a registered Afghan enterprise, or if the investment is proposed for a prohibited sector.

Investment in certain sectors, such as production and sales of weapons and explosives, non-banking financial activities, insurance, natural resources, and infrastructure (defined to include power, water, sewage, waste-treatment, airports, telecommunications, and health and education facilities) is subject to special consideration by the HCI, in consultation with relevant government ministries. The HCI may choose to apply specific requirements for investments in restricted sectors. Direct investment exceeding \$3 million requires HCI approval of the investment application.

In the Private Investment Law of 2005 (PIL), investment is defined as currency and contributions in kind, including, without limitation, licenses, leases, machinery, equipment, as well as industrial and intellectual-property rights provided for the purpose of acquiring shares of stock or other ownership interests in a registered enterprise. The PIL permits investments in nearly all sectors of the economy with the exception of nuclear power, gambling establishments, and production of narcotics and intoxicants. There are also limitations in place on the total value of service transactions or assets with respect to motion pictures, road transport (passenger and freight), and on the total number of people that can be employed in security companies.
