

**The Trade potentials of the ECO Member States at a Glance
(Islamic Republic of Afghanistan)**

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Geo-economic features:

The Islamic Republic of Afghanistan is a landlocked country located in South Asia; between Central Asia, Southwest Asia and the Middle East and its capital is Kabul.

Afghanistan's neighbors in the South and East include Pakistan, Iran in the West, Tajikistan, Uzbekistan and Turkmenistan to the north and China to the northeast.

Afghanistan with 652 thousand square kilometers, 41st largest country in the world with a population of over 31 million in 2013, which ranks forty-second most populous country in the world. Dari, Persian and Pashto are official languages of the country and Islam is the official religion.

The country has been located in an important geostrategic point, bringing East, South, West and Central Asia closer together. The country's major cities are Kabul, Kandahar, Mazar-e Sharif and Jalalabad.

Afghanistan's GDP in 2013, equals 45.3 billion dollars compared to the corresponding figure in 2012, which grew by more than 30 percent. The country's per capita income is equal to \$ 1,100, while the average per capita income in 2012 was \$ 13,100, demonstrating the low per capita welfare in Afghanistan.

As in Table (1) can be seen, the volume of foreign investment in Afghanistan in 2013 amounted to US\$ 94 million in various sectors of manufacturing, services, mining, agriculture and the building.

Table 1 - Basic Information of Afghanistan in 2013

Major Mineral products	Major Industrial Products	Major agricultural products	Foreign Investment (US\$ n)	Inflation rate (percent)	Per capita income (US\$)	Gross Domestic Product (Billion) per capita (US \$)
Coal, copper, chromium, nickel, gold, barite, iron, sulfur, salt, uranium, tin	Soap, furniture, shoes, fertilizer, clothing and textiles, food products	Wheat, fruits, nuts, wool, mutton, sheepskin	94	6.8	1100	45.3

Source: <http://eng.tpo.ir> / <https://www.cia.gov/library/publications/the-world-factbook/> / <http://data.worldbank.org/indicator> / <http://www.afghan-web.com/facts.html>

As observed in Table (2), both Pakistan and Iran are export and import partners of the Islamic Republic of Afghanistan in the ECO region.

Afghan export items include raw materials and imports of this country from the world comprise value-added materials. It should be noted that trade between Iran and Afghanistan majorly consists of foodstuffs.

Table 2 - major items of trade and major partners of Afghanistan

The main items for export to the world:	Raisins, vegetables and juices, sesame, fresh or dried fruits, cotton, iron and steel, resin, gum
The main items imported from the world:	Natural fuel, oil, automotive products, electrical and electronic equipment, machinery, boilers, optical products, footer, technical, medical, aircraft, wheat and flour
Afghanistan's export partners:	Pakistan, India, Iran, China, Saudi Arabia, Germany
Afghanistan's import partners:	Pakistan, China, Japan, Iran, Germany, India, England
The main items of exports from Iran to Afghanistan	Live animals, meat, fish, nuts, eggs, honey, animal products, plants, flowers, vegetables, fruits, seeds, coffee, tea, spices
The main items imported to Iran from Afghanistan:	Sesame seeds, grains and fruits, plants and their components, sesame oil, hard-skinned fruits, gum and resin, juice, coffee, tea

Source: <http://eng.tpo.ir> / <http://www.trademap.org>

By observing the amounts indicated in the table below we can see that the volume of trade in Afghanistan was US\$ 5.5 billion in 2010, with a growth of more than 50 percent reached US\$ 8.4 billion in 2012, While in the same period (2012-2010), trade between Afghanistan and ECO region has decreased. Note that the volume of bilateral trade between Afghanistan and Iran's in 2012 compared to 2009 grew by more than 200 percent.

Afghanistan's total import volume in 2012 was equal to US\$ 7.9 billion of this figure, the highest imports were from Pakistan (883 million dollars), China (713 million dollars), Japan (600 million dollars), Iran (498 million dollars), Germany (260 million dollars), India (118 million dollars) and the UK (30 million dollars).

The Islamic Republic of Afghanistan in 2012 conducted about US\$ 6.1 billion worth of trade with the other ECO member states which has decreased considerably compared to the corresponding figure in 2011.

Table 3 - Afghanistan's trade value with the world from 2006 to 2012
(Million Dollars)

year	2006	2007	2008	2009	2010	2011	2012
Exports	416	454	545	403	388	473	468
Imports	2744	3022	3020	3336	5154	10477	7969
Total volume	3160	3476	3565	3739	5542	10950	8437
Trade Balance	-2328	-2568	-2475	-2933	-4766	-10004	-7501

Source: www.trademap.org

Table 4 - Afghanistan's trade value with the ECO member states from 2008 to 2012:
(Million Dollars)

year	2008	2009	2010	2011	2012
Exports to ECO	320	252	236	223	228
Imports from ECO	1085	1872	2613	3314	1382
Total volume	1405	2124	2849	3537	1610

Source: www.trademap.org

Table 5 - Afghanistan's trade value with I.R Iran from 2008 to 2012:

(Million Dollars)

year	2008	2009	2010	2011	2012
Afghanistan's Imports from Iran	176	117	387	582	498
Afghanistan's Exports to Iran	19	42	32	20	27
Total volume of trade between Iran and Afghanistan	195	159	419	602	525

Source: www.trademap.org

★ Afghanistan is one of the members of the Economic Cooperation Organization (ECO):

Economic Cooperation Organization (ECO), is a regional inter governmental organization. Establishment history of the ECO dates back to 1962, when Iran, Turkey and Pakistan formed Regional Cooperation for Development (RCD) which ran till 1979's, until in 1985 in cooperation with Iran, Pakistan and Turkey, the Economic Cooperation Organization was founded and in 1992 by accession of Uzbekistan, Azerbaijan, Kazakhstan, Kyrgyzstan, Turkmenistan, Tajikistan and Afghanistan the number of member countries raised to 10.

Several agreements have been signed in this organization which is still in the process of implementation facing operational problems. The Islamic Republic of Afghanistan has signed below agreements in the form of regional cooperation, but they are not yet implemented.

- ECO Trade Agreement (ECOTA)
- ECO Agreement on Visa Facilitation
- ECO Transit Trade Framework Agreement (TTFA)
- Agreement on the Promotion and Protection of Investments (APPI)

★ Investigation of the potentials to increase trade between Afghanistan and ECO:

As presented in the beginning of the report, Afghanistan's total trade volume of 2012 was US \$ 8437 million of which only US\$ 1610 million was transacted with the ECO region comprising less than 20 percent of the figure.

Certainly the business potential of Afghanistan (Afghanistan import potential of the ECO region in our review) is more than the figure achieved in 2012. In this study, the potential of Afghanistan's trade in the ECO region, in terms of the country's main import items, are considered. Therefore, in each of these items the value of imports from ECO out of the country's total value of imports as well as the export value of these products from Afghanistan to ECO compared to the figure exported to other countries are mentioned Separately.

Then, by comparing the imports of Afghanistan from non ECO countries and the exports of these countries to the world in each of the selected items, it can be concluded that giving priority ECO countries instead of non member states as the exporting country to Afghanistan, may help increase the volume of intra-regional trade.

During the commercial needs assessment study in the ECO region, with 20 top imported items of Afghanistan (in terms of value of imports), the total imports in 2012 and the top 20 imported items, the equivalent of US\$ 3799.87 was calculated out of which , only US\$ 661.417 million (17 .44percent) have been imported from the ECO region. On the other hand, other ECO member countries have exported US\$ 388.315 million of worth of these 20 items to the world demonstrating that if Afghanistan would utilize the commercial potential of the ECO region, it would have experienced a 13 percent increase of its trade in the top 20 items with the ECO region.

Table 6 - Top 20 imported items of Afghanistan in 2012

(Figures in thousand dollars)

Code	Notes	Afghanistan's import value	ECO Countries Exporting to Afghanistan	Non ECO Countries Exporting to Afghanistan	Other capabilities of ECO Countries to replace (US \$ m)
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	1517526	Pakistan (64041) Iran (51555) Total: 115 596	China (1345), Germany (1236), India (48), Other regions (1399301) Total: 1401930	Kazakhstan (64490), Azerbaijan (22 260), Turkmenistan (9955), Turkey (7708), Uzbekistan (355), Kyrgyzstan (330), Tajikistan (8) Total: 105 106
87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	721789	0	Japan (500,658), Germany (220,044), Britain (1087) Total: 721 789	Turkey (16 178), Uzbekistan (730), Kazakhstan (41), Kyrgyzstan (122), Pakistan (71), Iran (55), Azerbaijan (2), Turkmenistan (2), Tajikistan (1) Total: 17202
15	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes	536367	Iran (94324)	Other regions (442,043)	Turkey (1201), Azerbaijan (221), Pakistan (220), Kazakhstan (62), Turkmenistan (0.1), Uzbekistan (0.1), Kyrgyzstan (0.1) Total: 1,704.3

72	Iron and steel	345207	Pakistan (91,860), Iran (72,854) Total: 164 714	Other regions (169,070), China (10,276), India (1147) Total: 180 493	Turkey (11334), Kazakhstan (5891), Azerbaijan (58), Kyrgyzstan (33), Uzbekistan (2), Tajikistan (0.3), Turkmenistan (0.2) Total: 17,318.5
11	Products of the milling industry; malt; starches; inulin; wheat gluten	65498	Pakistan (52470)	Other regions (13028)	Turkey (1021), Kazakhstan(620), Pakistan (264), Iran (0.7), Azerbaijan (0.3), Turkmenistan (0.1), Uzbekistan (0.2), Kyrgyzstan (0.1), Tajikistan (0.1) Total: 1,906.5
68	Articles of stone, plaster, cement, asbestos, mica or similar materials	163334	Pakistan (162,918)	Other regions (416)	Turkey (1224), Kazakhstan (0.3), Iran (0.18), Azerbaijan (0.11), Turkmenistan (0.06), Tajikistan (0.04), Uzbekistan (0.019), Kyrgyzstan (0.017), Afghanistan (0.016) Total: 1224.75
58	Special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery	110202	Pakistan (5428), Iran (1480) Total: 6908	China (74,760), India (19,885), Japan (1326), England (27) Other regions (7296) Total: 103 294	Turkey (1350), Turkmenistan (320), Kyrgyzstan (23), Uzbekistan (1), Kazakhstan (0.1), Azerbaijan (0.1), Afghanistan (0.1) Total: 1694
09	Coffee, tea, maté and spices	69064	Pakistan (3211)	China (5422), India (414) Other regions (60 017) Total: 65,853	Turkey (1180), Iran (105 e), Azerbaijan (0.04), Afghanistan (0.05), Kazakhstan (0.006), Uzbekistan (0.005), Kyrgyzstan (0.001) Total: 2570
30	Pharmaceutical products	36018	Pakistan (18403), Iran (7543) Total: 25,946	India (5742), China (4330) Total: 10072	Turkey (754), Kazakhstan (0.02), Uzbekistan (0.003), Azerbaijan (0.003), Kyrgyzstan (0.002), Afghanistan (0.001) Total: 755
40	Rubber and articles thereof	31077	Pakistan (2896)	China (22,159), Japan (4400), India	Turkey (2425), Kyrgyzstan (12), Kazakhstan (0.022),

				(1130), Germany (492) Total : 28181	Pakistan (0.014), Iran (0.038), Tajikistan (0.001), Uzbekistan (0.001), Azerbaijan (0.001) Total: 2438
62	Articles of apparel and clothing accessories, not knitted or crocheted	20919	Pakistan (9761)	China (7209), India (3648), Japan (207), England (94) Total: 11158	Turkey (5435), Kyrgyzstan (115), Turkmenistan (0.018), Tajikistan (0.016), Kazakhstan (0.01), Uzbekistan (0.005), Azerbaijan (0.001), Iran (0.001) Total: 5550
64	Footwear, gaiters and the like; parts of such articles	19729	Pakistan (4892)	China (14776), Germany (61) Collection: 14837	Turkey (547), Kazakhstan (0.05), Uzbekistan (0.007), Kyrgyzstan (0.002), Iran (0.004), Tajikistan (0.001), Afghanistan (0.001), Azerbaijan (0.001) Total: 548
24	Tobacco and manufactured tobacco substitutes	13843	Pakistan (675)	Japan (8163), China (2,528), India (1074), Germany (968), England (435) Total: 13168	Turkey (843), Kazakhstan (0.08), Uzbekistan (0.02), Kyrgyzstan (0.01), Azerbaijan (0.008), Tajikistan (0.001), Iran (0.001) Total: 844
34	Soap, organic surface-active agents, washing preparations, lubricating preparations, artificial waxes, prepared waxes, polishing or scouring preparations, candles and similar articles, modelling pastes, 'dental waxes' and dental preparations with a basis of plaster	11192	Pakistan (7070)	China (2290), Germany (1052), India (780) Total: 4122	Turkey (854), Kazakhstan (0.032), Iran (0.033), Uzbekistan (0.001), Kyrgyzstan (0.001), Azerbaijan (0.001), Afghanistan (0.001) Total: 855
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound	9334	Pakistan (103)	China (8945), Japan (286) Total: 9231	Turkey (9380), Kazakhstan (240), Uzbekistan (0.087), Kyrgyzstan (0.029), Iran (0.070), Azerbaijan (0.032), Turkmenistan (0.003), Tajikistan (0.002) total: 9620

	recorders and reproducers, and parts and accessories of such articles				
17	Sugars and sugar confectionery	6919	Pakistan (6534)	-	Turkey (504), Azerbaijan (214), Kazakhstan (0.030), Iran (0.021), Uzbekistan (0.001), Kyrgyzstan (0.001) Total: 719
48	Paper and paperboard; articles of paper pulp, of paper or of paperboard	6111	-	China (5926), Japan (185) Total: 6111	Turkey (1033), Pakistan (0.040), Kazakhstan (0.017), Azerbaijan (0.012), Kyrgyzstan (0.009), Uzbekistan (0.003), Iran (0.003) total: 1034
81	Paper and paperboard; articles of paper pulp, of paper or of paperboard	2230	Pakistan (288)	China (1942)	Kazakhstan (332), Turkey (0.014), Uzbekistan (0.017), Iran (0.001), Pakistan (0.001) Total: 333
53	Other vegetable textile fibres; paper yarn and woven fabrics of paper yarn	1973	Pakistan (1354), Iran (218) Total: 1572	China (287), Japan (4), other areas (110) Total : 401	Turkey (223), Kyrgyzstan (112), Iran (87) Total: 422
31	Fertilizers	1458	Pakistan (1458)	-	Iran (1106), Uzbekistan (212), Turkey (147), Kazakhstan (0.065), Kyrgyzstan (0.005), Azerbaijan (0.001) Total: 1466
28	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes	81	Pakistan (81)	-	Kazakhstan (3533), Turkey (1267), Uzbekistan (327), Iran (536), Turkmenistan (0.020), Azerbaijan (0.049), Kyrgyzstan (0.003), Tajikistan (0.001) Total: 5664
Total		3,799,870	661,417	3,138,453	388,315

Source: <http://www.trademap.org>

By examining the data in Table 6, we see that Afghanistan has imported its top 20 items from China, Germany, Pakistan, India, Iran, Japan and the United Kingdom.

As we know, Afghanistan shares borders with Tajikistan, Uzbekistan, Turkmenistan, Iran, Pakistan and China which could affect the process of Afghanistan's imports from these countries. While amongst the ECO member states, Afghanistan has mainly imported from Iran and Pakistan.

On the other hand, by surveying the non ECO trading partners of Afghanistan, it is concluded that in some cases, such as China and India, such factors as common borders and geographical proximity and lower cost of imported goods and in other cases issues such as the signing of preferential trade agreements and other business political, and economic relations between Afghanistan and these countries are of the main reasons for the expansion of trade with the said countries.

For example, Afghanistan has a lot of interest in strengthening relations with China, Japan, Germany and the UK. The first advantage of an increase in the level of relations with these countries for Kabul is that Afghan leaders in this way can achieve greater independence. The second benefit is that investments of these countries can help Afghanistan provide crucially needed funds.

In order to promote intra-regional trade and the development of Afghanistan's imports from ECO member states, due to cultural affinity and proximity of these countries, the emphasis on the implementation of bilateral trade agreements between Afghanistan and these countries is one of the issues that should be considered as a precondition for promotion of trade relations.

The following are some important factors in the development of intra ECO commercial collaborations with Afghanistan:

★The most important investment priorities in Afghanistan:

- Light industry, food, building materials, pharmaceutical industry
- Labor- consuming and employment- creating industries
- Technological industries with the possibility to export to other countries such as petrochemical, textile and textile finishing industry (assembly)
- Export of Engineering Services with an emphasis on priority sectors of mining, water, energy and road building
- Agricultural processing industry, processing and packaging
- Livestock industry: slaughterhouses, cold storage, processing industry
- Supply of raw materials, carpet, plastic consumer goods, glass, cement, building health products
- Tourism: Construction and renovation of hotels and residential centers, restaurants and cultural heritage

★Obstacles, problems and limits of exports and investment of ECO member states in

Afghanistan:

- Lack of roads
- Entry of smuggled goods and availability of multiple entry channels
- Lack of commercial guarantees
- Lack of opposite bilateral traffic truck (waste of time and other damages) in the field of investment
- Lack of proper infrastructure in: energy, roads, support systems, utilities, land
- Lack of security and the absence of major investment companies
- Strict conditions for use of Export Guarantee Fund facilities
- Short-term mindset of investors in this low-mobility market

★Proposals to enhance cooperation between Afghanistan and other ECO member states:

- Simplification of Visa Procedures for Businessmen of the ECO region
- Increasing the business transparency between the countries
- Raising awareness of business opportunities in the ECO region by holding joint meetings or exhibitions with participation of trade associations in Afghanistan
- Facilitation of the exchange of business information among business agencies
- Provision of appropriate backgrounds to convert opportunities into business deals
- Joint cooperation in increasing the efficiency of procedures and trade facilitation processes
- Standardization and simplification of customs documentation and procedures
- Promotion of joint investment in capacity of rail transport and communication hardware production
- Modernizing and improving the quality of roads, rail and communication networks (telecom, post, etc.) and increasing their capacity
- Promotion of effective mechanisms at institutional and managerial procedures to streamline operations, manage and monitor the performance of the inland transport system
- Simplification of the testing and certification procedures
- Standardization, rationalization and harmonization of the technical specifications of vehicles as well as road and rail transport loading capacity
- Preparation of the necessary conditions to attract funds such as banking relations, specially the acceptance of bank guarantees of ECO member states banks by Afghan banks
- Taking the necessary measures to transfer of land and facilities to investors and avoiding double taxation and duties
- Solving the customs transit problems in Afghanistan
- Reduction of high customs tariffs of Afghanistan

★ Conclusion:

The regionalism that began in 1956 is a proper strategy for dealing with the negative phenomena of globalization.

It is expected that the Economic Cooperation Organization (ECO), which has past behind the decade of background preparation and entered the stage of stabilization and progress, can follow the promotion of intra- ECO regional trade through consultation and participation of all member states.

The development of intra-regional trade is one of the priorities of the organization and can have a great impact on elevating the living standards of people in the region. It is therefore essential to promote programs and seriously conduct implementations for development intra-regional trade.

In the present study, we have examined the main imported items of Afghanistan as a member of ECO, and it was concluded that if at least top 20 imported items of the country that have been mentioned in this study, given the existing potentials of the ECO region, Afghanistan can import them from member states rather than outside the region, the country's trade volume will grow by US \$ 388.315 million (equivalent to 13% of the total trade volume of the country).

The increase in the volume of intra-regional trade of Afghanistan can lead to the growth of total intra-regional trade of the ECO region. As once Afghanistan imports its total required goods (up to 20 items referred to in this study) from within the ECO region, we will witness growth in intra-regional trade more the results expected according to this study. In this regard, it is recommended that the Afghanistan Chamber of Commerce with infrastructures which have been prepared by the authorities of the country shall help to achieve these goals.

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