Trade of Afghanistan

Afghanistan Trade

Afghanistan is an economically downtrodden country that relies highly on farming and livestock. There was an astronomical decline in the gross domestic product (GDP) of the country in the last two decades of the 20th century. The contributing factors included disruption in trade and transport, and loss of capital and labor. The economic activities were widely interrupted by the Soviet invasion and civil war, which were responsible for the mass destruction of the country's limited infrastructure. However, the fall on the Taliban forces in 2001 and infusion of billions of US dollars improved trading significantly. Trading is mainly done with neighboring countries.

History of Afghanistan Trade, Exports and Imports

Although Afghanistan is rich in natural resources, very little has been done to explore them. Some of these resources are extensive deposits of natural gas, petroleum, coal, copper, chromite, talc, barites, sulfur, lead, zinc, iron ore, salt, and precious and semiprecious stones. However, the country's rugged terrain and lack of transportation network restrict trade activities. In the 1980s, export of natural gas was at its peak, with $300 million in export revenues annually. However, 90% of this revenue was utilized for the payment of imports and debts to the Soviet Union. The Afghan economy also rode on goods smuggled into Pakistan.

Afghanistan Trade, Exports and Imports Statistics

There is not enough information and guaranteed statistics available about the economy of Afghanistan, but here are some estimates:

Exports: $603 million (2008)

Imports: $8.27 billion (2008)

Exports-to-GDP ratio: 3, 5 % (2008)

Imports-to-GDP ratio: 47, 6 % (2008)

Trade-to-GDP ratio: 51, 1 % (2008)

(Note: Trade-to-GDP ratio = (Exports + Imports) / GDP)

Exports Partners

The major export partners of Afghanistan include (figures as of 2008):

India 23.5%

Pakistan 17.7%

Tajikistan 12.8%

Netherlands 6.9%

Imports Partners

The major import partners of Afghanistan include (figures as of 2008):

Pakistan 36%

Germany 7.5%

India 6.9%

Afghanistan Trade, Exports and Imports Commodities

The following are the major commodities that form the basis of Afghanistan's economy:

Export commodities include opium, fruits and nuts, handwoven carpets, wool, cotton, hides and pelts, precious and semi-precious gems.

Imports include machinery and other capital goods, food, textiles, petroleum products.

Afghanistan Foreign Trade

Afghanistan's chief exports are Gold, natural gas and dried fruit. Other exports include carpets, fresh fruit, wool, and cotton. Afghanistan imports food, motor vehicles, petroleum products, and textiles. Most of the foreign trade of Afghanistan is controlled by the government or by government-controlled monopolies. The USSR was Afghanistan's chief trading partner even before the 1979 Soviet invasion, and this relationship intensified in the 1980s. The leading purchasers of Afghan products, in addition to the USSR and the former Soviet republics, have been Pakistan, Great Britain, Germany, and India. In 1991, exports amounted to about $188.2 million, while imports cost $616.4 million.

After the collapse of the Taliban Government in 2001, Afghanistan opened up to international trade. The State has very few commercial barriers for imported products, and customs duties remained flat in 2016 given weak imports. However, the poor state of its infrastructure, a legal and business framework which is still under development and continued insecurity act as de facto trade barriers. Nonetheless, at the end of 2015, Afghanistan's application to join the WTO was approved by its member states. Furthermore, the IMF and Afghanistan have been working to establish economic policies to improve the country's trade balance since 2010.

With an increase in exports and slower growth for imports (due to weaker domestic demand), according to the Central Statistics Organization of Afghanistan the trade deficit is estimated to have improved from -36.7% of GDP in 2015 to -35% in 2016 (with a deficit of USD 7.151 billion). Traditional Afghan export products, such as dried fruit, carpets, cotton, cereals and non-alcoholic beverages, have increased since 2013.

Nonetheless, the value of imports remains four times higher than that of exports, and if it were not for international aid, Afghanistan would have a substantial trade deficit. The development of trade with Central Asia and Iran could increase exports along with the opening of new railway linking China to Afghanistan via Kazakhstan, Uzbekistan, Kyrgyzstan and Tajikistan. Afghanistan's primary export destinations are Pakistan (33%

of total exports), India (28%) and Turkey (7%), followed by Iran, UAE and Russia. Afghanistan is also the world's top producer and exporter of opium.

The State primarily imports high capital goods, linked to the planned development of extractive industries over the next few decades. Infrastructures financed by international donors also support imports. As most consumer goods in Afghanistan are imported, global prices and exchange rate movements tend to heavily drive domestic prices. Afghanistan mainly imported goods include petroleum, machinery and equipment, food items and base metals. Afghanistan imports roughly USD11.5 billion worth of consumer goods annually, and Irani products accounts for 22% of total imports. The other main import partners are Pakistan, China, Uzbekistan and Turkmenistan.

Despite holding over $3 trillion in proven untapped mineral deposits, Afghanistan remains one of the least developed countries on the planet. About 35% of its population is unemployed or lives below the poverty line. Many of the unemployed men join the foreign-funded militant groups or the world of crime, particularly as smugglers. The Afghan government has long been pleading for foreign investment in order to grow and stabilize its economy.

Why trade matters for Afghanistan

With further declines in international assistance expected over the coming years, the Government of Afghanistan faces a new challenge: enabling new growth drivers. One such driver is trade. Decades of civil war and military occupation that culminated in the fall of the Taliban in 2001, have devastated Afghanistan.

High levels of conflict destroyed infrastructure, displaced a significant share of the population, incentivized informal and illicit economic activities, and jeopardized the delivery of public services. After 2001, the country entered a phase of reconstruction where high levels of economic growth have been largely fueled by foreign aid. Since 2014, Afghanistan has once again been in a phase of transition, this one characterized by the withdrawal of the United States and other allied forces and accompanying cuts in military and development spending.

As the economic stimulus of reconstruction gradually disappears, Afghanistan must look to alternate avenues for more sustainable growth. Trade could be an important channel for accelerating growth in Afghanistan. Trade is believed to promote the efficient allocation of resources, allow a country to realize economies of scale and scope facilitate the diffusion of knowledge, foster technological progress, and encourage competition in both domestic and international markets.

Aided by large reductions in trade barriers and technological advancements, developing countries have become the drivers of global trade in recent years. There is now little dispute that, in the long run, economies more open to trade show stronger economic growth and overall development performance. A plausible trade-driven growth scenario for Afghanistan should promote economic and export diversification. For a while, development of mineral resources has been thought to be the best avenue to improve trade and growth for Afghanistan. However, despite its potential, it is uncertain whether the development of the extractive sector will contribute to the Afghan economy in the short- to medium-term.

In addition, reliance on extractive industries can both exacerbate conflict and governance risks and impede broader economic development. Promoting production and exports of more labor-intensive goods and services might instead reduce the risk and intensity of conflict through increases in real incomes and employment. This report brings new evidence on the opportunities and challenges for development in the areas of trade in goods, trade in services, and transit trade. It also provides recommendations for an appropriate sequencing of policy reforms and strategic infrastructure investment to support potential growth in these sectors. The main findings of this report suggest that government intervention should focus on two complementary areas: competitiveness and connectivity. First, Afghanistan's largest constraint is insufficient production capacity. Second, lack of economic diversification and high concentration of exports and imports in terms of products and number of destinations has prevented Afghanistan from fully exploiting its trade potential. Third, poor logistics and trade infrastructure, rather than lack of market access, are responsible for Afghanistan's trade underperformance.

Improvements in trade facilitation and logistics could therefore have a positive impact on Afghanistan's trade in the short -to medium- term. Fourth, service sector development is constrained because of Afghanistan's small domestic markets, as well as limited endowments of skills and capital. In the long run, these constraints could in principle be alleviated by greater regional and global integration. Fifth, the potential of transit trade in commodities and energy might be modest and slow to materialize. Realizing these benefits requires efficient logistics, well-designed and maintained infrastructure, and a propitious framework of regulation and regional cooperation.

Source: https://www.afghanistans.com / https://www.economywatch.com