“Expanding Exports, A Cornerstone for Developing Afghanistan’s Economy”
Export Promotion Agency of Afghanistan

- EPAA an Executive Arm of the Ministry of Commerce and Industries was established in September 2006 with financial and technical support of GTZ.

“EPAA acts as an implementing agency of the export promotion policies of MOCI, promoting exports through exportable offer development tools, advising and advocacy, marketing, coordinating both the public and private sector initiatives to create an enabling environment for competitive exports while contributing to job creation.”
Obstacles to Exports/Exporters in Afghanistan

- Red tape and bureaucracy caused by export documentation.
- Non-tariff barriers i.e. fees and border taxes

Technical Obstacles:

- Design, packaging and quality control skills are lacking in Afghanistan
- Lack of information on potential export markets
- Access to export financing
- Training and human resources development for trade promotion
Objectives:

- Streamlining the export procedures/process in Afghanistan

- Exploring potential markets for Afghan products and link up Afghan exporters with foreign importers

- Collect, analyze and disseminate trade related information

- Coordinate activities with stakeholders and relevant organizations

- Support exporters to participate in high impact trade fairs

- Training small and medium sized enterprises in export readiness.
Focus Sectors:

- Carpets and Handicrafts
- Natural Herbs and Medicinal Plants
- Dry Fruits and Nuts
- Fresh Fruits and Vegetables
- Marble and Gemstones
Trade Fairs/Exhibitions:

- 26th India International Trade Fair, November 2006
- The Big5 Exhibition, Dubai, December 2006
- Atlanta AmericasMart Carpet Fair, January 2007
- The First Afghanistan International Carpet Fair. August 2007
- Marble Showcase Promotion Event in Dubai, September 2007
- South Asian Commodity Fair, December, 2007
- World of Floorings - Domotex Hannover, January 2008
- Las Vegas Carpet Show, January – February 2008
- Seoul Cultural Festival, Korea - May 2008
- New York International Carpet Show, September 2008
- MINExpo, Las Vegas, September 2008
Important Activities:

- EPAA successfully lobbied for 2% tax imposed on Exports to be waived.
- Streamlining the export procedures/process
- Continuous pressure/advocacy from EPAA to remove internal obstacles, the President of Afghanistan issued a Decree – Municipalities and Ministry of Interior were instructed to stop collection of illegal fees on exports and Kabul Municipality was ordered to improve the condition of Kabul International Fresh Fruit and Vegetables Market.
- EPAA in cooperation with partners organized trainings and informational seminars for exporters
- Capacity Development Programs (EPAA Staff and Exporters)
Exports
Export Promotion Agency of Afghanistan

Afghanistan Trade Balance

<table>
<thead>
<tr>
<th>Years</th>
<th>Exports</th>
<th>Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>1381</td>
<td>100</td>
<td>2452</td>
</tr>
<tr>
<td>1382</td>
<td>144</td>
<td>2101</td>
</tr>
<tr>
<td>1383</td>
<td>305</td>
<td>2177</td>
</tr>
<tr>
<td>1384</td>
<td>384</td>
<td>2471</td>
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<tr>
<td>1385</td>
<td>416</td>
<td>2744</td>
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<tr>
<td>1386</td>
<td>454.05</td>
<td>3021.89</td>
</tr>
</tbody>
</table>

Millions of Dollars

Years

Millions of Dollars

www.epaa.org.af
Establishing Goals

Cluster Goals: Background on Competitor Clusters

Can the Afghan dried fruit and nuts cluster grow to match the size of its largest competitors like the US, Iran, or Turkey? If yes, this type of growth will require massive investments into production, processing, and marketing.

Leading exporters of priority horticulture products, plus Afghanistan, 2003*

<table>
<thead>
<tr>
<th>Country</th>
<th>Exports in billions</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>$1.6 B</td>
</tr>
<tr>
<td>Iran</td>
<td>$0.8 B</td>
</tr>
<tr>
<td>Turkey</td>
<td>$0.4 B</td>
</tr>
<tr>
<td>Afghanistan</td>
<td>$0.1 B</td>
</tr>
</tbody>
</table>

Source: USAID Trade Map, 2003 for US, Iran, and Turkey. Afghanistan exports estimated based on quantity from Trade Map and conservative export prices provided by traders.
Setting Goals
Summary of Proposed Targets

Exports of Afghanistan’s priority horticultural products could go from US $127 M to US $934 million with heavy investment in marketing, processing, and production.


Total Exports 2015 = US $934 million
Marble and Stone Industry
Benchmarking Potential Industry Size

Although world consumption of marble has been growing by 8% since the late 1990s, not all countries have been able to capitalize on export markets.

<table>
<thead>
<tr>
<th>Palestine</th>
<th>Egypt</th>
<th>Pakistan</th>
<th>India</th>
</tr>
</thead>
<tbody>
<tr>
<td>$450M market in 2000 with approx $380M in exports</td>
<td>$100M in exports in 2003 80% of exports are lower margin blocks and rough slabs</td>
<td>$20-30M in exports in 2004 Little growth in exports despite growing world markets</td>
<td>$1.7B market in 2001 but only $39M in exports</td>
</tr>
<tr>
<td>Volume of 1.5M tons (est.) 100th the size of Afghanistan</td>
<td>A lot of blasting at quarries, selling marble cheap, little investment in processing plants</td>
<td>Blasting at quarries, 61-73% wastage</td>
<td>Largest known marble reserves in the world</td>
</tr>
<tr>
<td>Focused on exports of value added products Excellent coordination of the industry through Union of Stone and Marble</td>
<td>Chinese buy cheap Egyptian marble, process and resell cheaper than the Egyptians can sell it</td>
<td>Lack of power at plants, poor roads prevent large shipments</td>
<td>Both good and bad quarrying techniques</td>
</tr>
<tr>
<td></td>
<td>No coordination in industry, a great deal of undercutting occurs</td>
<td>Lack of training and poor technology</td>
<td>Both good and bad quality processing</td>
</tr>
</tbody>
</table>

Palestine in 100th the size of Afghanistan; although aggressive, projected growth to $450M by 2015 is not unreasonable as it would put Afghanistan 15 years behind Palestine in a rapidly growing market. Afghanistan will have to invest in proper quarrying and processing as well as infrastructure in order to achieve this and avoid the pitfalls of Egypt, Pakistan, and India.
Situation Analysis

Domestic Industry – Obstacles: Lack of forward integration

Afghanistan uses explosives to quarry, and exports the stone unprocessed.

Simply cutting large sized blocks drastically increases the value of the marble.

Stones:
- Afghanistan $40/ton
- Pakistan

Slabs/Tiles:
- Afghanistan $240/ton
- Pakistan $566/ton
- US $241/ton
- Italy

Value is lost in going through middlemen. Afghanistan gifts money to Pakistan (and Iran) by selling raw materials and buying value-added goods. Afghanistan must forward integrate by investing in trade links and processing capacity.
EPAA successfully lobbied for 2% tax imposed on exports to be waived. Continuous pressure from EPAA to remove internal obstacles, the First Vice President chaired two very important meetings – Municipalities and Ministry of Interior were instructed to stop collecting illegal fees on exports and Kabul Municipality was ordered to improve the condition of Kabul International Fresh Fruit and Vegetables Market.

EPAA, ACCI and GTZ distributed straw mats to raisin producers in the North aimed to improve the quality of raisins. EPAA has sent samples of dry fruits, nuts and herbs to Kuwait, India, Turkey, the Netherlands and China for marketing and testing.

Marble and Stone Industry

**Industry Value**

Current Afghan marble exports are probably under $1M. Private sector investment into quarries and plants of $107 M could help the industry grow to $450 M by 2015. Government investment into roads and power will be needed to help the industry achieve its goals.

<table>
<thead>
<tr>
<th>Year</th>
<th>Blocks</th>
<th>Slabs</th>
<th>Tiles</th>
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<tbody>
<tr>
<td>2005</td>
<td></td>
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<td>2014</td>
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<tr>
<td>2015</td>
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</tbody>
</table>

- **Total revenues 2015**: $450 M
- **Total required investment**: $107 M
- **Estimated employment (quarry & plant)**: 15,000
- **Estimated quarries/plants opened**: 222/56

**Assumes:**
- World growth continues at 8% p.a. for the foreseeable future.
- Adding 250,000 tons total capacity per year from 2010 through 2010 and 250,000 tons per year from 2011 to 2015. Total capacity in 2015 will be 1.5 M tons per year, about 0.6% of estimated world production.
- Price per quarried ton of around $300 for slabs and tiles and $150 for blocks.
- In-country sales of no more than 20,000 tons per year.
Situation Analysis

International Carpet Market: Top Suppliers

Despite historically distinct styles (as pictured below), designs have always migrated easily across the region. Design mobility has further increased, with little distinguishing the production of different countries. Exporting most of its carpets through Pakistan, Afghanistan is a large player in the international market.

Pakistan: $246 M; 8%
- Approximately 60% of production previously undertaken by Afghan refugees, much of which has repatriated.
- Large portion of Pakistan’s exports now produced in Afghanistan.

Iran: $391 M; 4%
- US and Germany account for almost half of all exports.
- Decline in prices since peak in 1970s due to over-supply and decline in quality, e.g. Kashans that sold for $20,000 in 1980 fetch only $5,000 today.

Afghanistan: $149 M; 10%
- 95% of production exported to Pakistan where it is finished and re-exported as Pakistani.

Nepal: $100 M; 21%
- Industry developed by Tibetan refugees in the 1950s.
- Has been enjoying strong growth in the US market over past 10 years, increasing over 250% since 1995.
- Recent decline attributed to market reaction to use of child labor and poor quality production.

China: $121 M; -12%
- Reputation for good quality, well priced carpets.
- China is dependant on the US market for 70% of its exports, though sales have been stagnant since 1995.

India: $148 M; -9%
- US market accounts for >50% of exports.
- Along with China, India benefited from the US embargo on Iranian carpets, but has been losing market-share to Iran since 2000.

Source: Trade Map 2004 data; percentages show 2003-04 growth. Note: Data discrepancy exists between reported export values and import values. Exports from Iran may be between $300-600 M; India from $150-300. Data for Afghanistan’s exports for 2004 from the Afghan Carpet Exports Guild.
Establishing Goals

Cluster Goals: Capture More Value

Carpet cluster growth should involve a mix of overall growth in volume, a transfer of value from other countries to Afghanistan, and - most importantly - an increase in value gained through trading directly with end-market customers.

Projected change in value distribution @ 11% annual value growth ($ millions)

- **Sales and trading**
  - Currently little value is captured in trade due to low-margin sales to traders in the region.
  - In 10 years, the vast majority of trade will be to end-market buyers, at margins that are 1.5-2 times current levels. This represents a huge value jump from $2 M to $187 M.

- **Cut and wash**
  - C&W contributes little direct value, though it is a strategically important process.
  - Currently only about 5% is done in-country.¹
  - The growth assumption is based on keeping pace with direct sales end-market/foreign buyers.

- **Weaving**
  - Based on a 5% annual increase in volume.
  - This is driven by a combination of repatriation from Pakistan, population growth and improved productivity.

- **Inputs**
  - Currently 33% of wool used is from Afghanistan.¹
  - 10 year goal of 35/65 volume share between imported and local wool.

- **Total cluster exports**
  - Growing at a projected 11% annually in value, Afghan carpet exports will rival Iran’s ($391 M) current export levels in 10 years.

Increased value capture in Afghanistan will mainly occur through increasing sales to buyers in end markets.

1. DTF estimates
Thank You