



Background

Afghanistan, officially the Islamic Republic of Afghanistan (Pashto:,Persian:), is a landlocked country that is located approximately in the center of Asia. It is variously designated as geographically located within Central Asia, South Asia, and the Middle East. It has religious, ethno-linguistic, and geographic links with most of its neighboring states. It is bordered by Pakistan in the south and east, Iran in the west, Turkmenistan, Uzbekistan and Tajikistan in the north, and China in the far northeast. The name Afghanistan means the “Land of Afghans.”

Afghanistan is a culturally mixed nation, a crossroads between the East and the West, and has been an ancient focal point of trade and migration. It has an important geostrategical location, connecting South, Central and Southwest Asia. During its long history, the land has seen various invaders and conquerors, while on the other hand, local entities invaded the surrounding vast regions to form their own empires. Ahmad Shah Durrani created the Durrani Empire in 1747, with its capital at Kandahar. Subsequently, the capital was shifted to Kabul and most of its territories ceded to former neighboring countries. In the late 19th century, Afghanistan became a buffer state in “The Great Game” played between the British Indian Empire and Russian Empire. On August 19, 1919, following the third Anglo-Afghan war, the country regained full independence from the

United Kingdom over its foreign affairs.

Since the late 1970s Afghanistan has suffered continuous and brutal civil war, which included foreign interventions in the form of the 1979 Soviet invasion and the recent 2001 US led invasion that toppled the Taliban government. In late 2001 the United Nations Security Council authorized the creation of an International Security Assistance Force (ISAF). This force is composed of NATO troops that are involved in assisting the government of President Hamid Karzai in establishing the writ of law as well as rebuilding key infrastructures in the nation. In 2005, the United States and Afghanistan signed a strategic partnership agreement committing both nations to a long-term relationship. In the meantime, multi-billion US dollars have also been provided by the international community for the reconstruction of the country.

Economic Indicators

Economy

Afghanistan is a member of the South Asian Association for Regional Cooperation (SAARC), Economic Cooperation Organization (ECO) and the Organization of the Islamic Conference (OIC). It is an impoverished country, one of the world’s poorest and least developed. Two-thirds of the population lives on fewer than 2 US dollars a day. Its economy has

Ambassador's Message



HE Sayed Makhdoom Raheen

Dear Readers,

It gives me immense pleasure to know that this issue of the esteemed IEEMA Journal is covering Afghanistan in the country profile section.

The relations between India and Afghanistan have always been characterized by continuing friendship, co-operations, mutual respect and mutual contribution in almost every field from literature, poetry, architecture, religion, and policies to art and music. In fact, one cannot narrate the history of Afghanistan without recalling its numerous interactions with India and vice-versa.

It's a fact that energy drives the engine of economic development. As economic activity picks up dependable supply of power and electricity to cities, towns and villages becomes necessary. Out of its assistance package to Afghanistan, India has committed 40% of it to power generation and transmission. The preferential Trade Agreement has made to Indo-Afghan bi-lateral trade ties stronger.

The Turkmenistan-Afghanistan-Pakistan and India Natural Gas Pipeline project is also essential in enhancing the bilateral trade relation between the two countries. It has significant potential for enhancing stability and improving living standards in both countries and the entire south and central Asia. India can also invest explorer the vast and rich reserves of minerals, gas and oil in Afghanistan.

From the beginning of a new chapter in Afghanistan history following the toppling of the Taliban regime in Afghanistan in 2001, India has been among the most generous and sincere friends of Afghanistan. I hope the India-Afghanistan relations continue to foster forever.

suffered greatly from the 1979 Soviet invasion and subsequent conflicts, while severe drought added to the nation's difficulties in 1998-2001.

The economically active population in 2002 was about 11 million (out of a total of an estimated 29 million). As of 2005, the official unemployment rate is at 40%. The number of non-skilled young people is estimated at 3 million, which is likely to increase by some 300,000 per annum.

The nation's economy began to improve since 2002 due to the infusion of multi-billion US dollars in international assistance and investments, as well as remittances from expats. It is also due to dramatic improvements in agricultural production and the end of a four-year drought in most of the country.

The real value of non-drug GDP increased by 29% in 2002, 16% in 2003, 8% in 2004 and 14% in 2005. As much as one-third of Afghanistan's GDP comes from growing poppy and illicit drugs including

Economic Data about Afghanistan		
1	Gross Domestic Product	US\$ 7.3 billions (2005 - World Bank) Agriculture (38%), Services (38%), Industry & Mining (24%)
2	Growth Rate	27.7% (2006) [Source: Da Afghanistan Bank]
3	Currency	The Afghani (Af)
4	Per Capita Income	US\$ 293 (2006) [Source: Da Afghanistan Bank]
5	Exchange Rate	US\$ 1 = Af 49.70
6	Inflation	8.9% (2006)
7	Trade in US \$ (2005)	Total: US\$ 2855 million Imports: US\$ 2471 million Exports: US\$ 384 million
8	Major Trade partners	USA, Iran, Pakistan, China, India, Belgium and Germany
9	Trade with India in US \$ (2006)	Total: US\$ 204.06 million Imports from India: US\$ 124.70 million Exports to India: US\$ 79.36 million
10	Principal Exports	Dry and fresh fruits, medicinal herbs & asafetida (Hing)
11	Principal Imports	Tea, auto spare parts (mechanical & vehicles), Petroleum, fertilizers, chemicals, tyre and tubes, cement, food items, sugar, medicines etc.
12	Foreign Exchange Reserves	US \$ 2 billions approximately (2006)
13	Central Bank	Da Afghanistan Bank.
15	Major TV Channels	ARIANA TELEVISION AFGHANISTAN (Govt Channel) TOLO TV, ATN, ARIANA, LEMAR, SHAMSHAD and AINA (Private Channels)
16	Time difference	IST (-) 1 hour

opium and its two derivatives, morphine and heroin, as well as hashish production. Opium production in Afghanistan has soared to a new record in 2007, with an increase on last year of more than a third. Some 3.3 million Afghans are now involved in producing opium. According to a 2004 report by the Asian Development Bank, the present reconstruction effort is two-pronged: first it focuses on rebuilding critical physical infrastructure, and second, on building modern public sector institutions from the remnants of Soviet style planning to ones that promote market-led development.

One of the main drivers for the current economic recovery is the return of over 4 million refugees from neighbouring countries and the West, who brought with them fresh energy, entrepreneurship and wealth-creating skills as well as much needed funds to start up businesses. What is also helping is the estimated US 2-3 billion dollars in international assistance every year, the partial recovery of the agricultural sector, and the reestablishment of market institutions. Private developments are also beginning to get underway. In 2006, a Dubai-based Afghan family opened a \$25 million Coca Cola bottling plant in Afghanistan.

While the country's current account deficit is largely financed with the donor money, only a small portion - about 15% - is provided directly to the government budget. The rest is provided to non-budgetary expenditure and donor-designated projects through the United Nations system and non-governmental organizations. The government had a central budget of only \$350 million in 2003 and an estimated \$550 million in 2004. The country's foreign exchange reserves totals about \$500 million. Revenue is mostly generated through customs, as income and corporate tax bases are negligible.

The Afghan government and international donors seem to remain committed to improving access to basic necessities, infrastructure development, education, housing and economic reform. The central government is also focusing on improved revenue collection and public sector expenditure discipline. The rebuilding of the financial sector seems to have been so far successful.

The plan for Kabul's nine billion dollar future modern urban development project, the City of Light Development.

Some private investment projects, backed with national support, are also beginning to pick up steam in Afghanistan. According to the US Geological Survey and the Afghan Ministry of Mines and Industry, Afghanistan may be possessing up to 36 trillion cubic feet (1,000 km³) of natural gas, 3.6 billion barrels (570,000,000 m³) of petroleum and up to 1,325 million barrels (2.107E+8 m³) of natural gas liquids. This could mark the turning point in Afghanistan's reconstruction efforts. Energy exports could generate

the revenue that Afghan officials need to modernize the country's infrastructure and expand economic opportunities for the beleaguered and fractious population

Indo-Afghan Commercial Relations

Background

After two and a half decades of turbulence, Afghanistan is on the path of reconstruction and redevelopment of its basic infrastructure and has resumed efforts to bring its economy back on rails with the help of International community. India as a traditional ally and friend has pledged help in the efforts of Afghanistan towards the above-mentioned objectives. Towards this end, the Indian Embassy was reopened and has been functioning since February 2002.

A Preferential Trade Agreement was signed between India and Afghanistan in March 2003. As per the terms of the agreement, custom duty on various items was reduced to encourage bilateral trade. As a result of this, volume of exports of dry fruits from Afghanistan to India has increased considerably. Afghanistan exported 95 percent of its almonds to India in 2003. Besides, Afghanistan exports 86% of nuts and 99% of Natural gum resins to India. At present, Afghanistan has not evolved an institutionalized system of database for imports or exports to and from India. In general terms the bilateral trade comprises exports of dry fruits, fresh fruits and asafetida to India and machinery, Transport vehicles, tyres/tubes, medicines, textiles, Pan Patta, Bidi Patta, Supari, tea, rice, wheat flour, buffalo meat, salt and plastic materials etc. are imported from India.

Afghan economy is primarily an agro-based economy. GDP in Afghanistan during 2005 was around US \$ 6.2 billion. Approximate sector wise GDP was Agriculture - 35%, Industry - 32% and 33% in Services sector. Presently, Afghanistan is drawing the benefits offered to Least Developed Country (LDC) and also benefits under General System of Preferences (GSP) from USA, Canada, Japan and Western European Countries.

Data available with Asian Development Bank (ADB) shows that India figured at the third place accounting for 8% in terms of Afghan imports, whereas Pakistan accounted for 29% followed by Iran at 13%. Korea accounted for 7% and Japan at 6%. In terms of Afghan exports, India ranked at third place in 2003 with 19% imports from Afghanistan as compared to 30% from USA and 22% from Pakistan. The ADB data has also included trade, official as well as unofficial from a third country/place like UAE. Overall, Indian exports are growing robustly in both absolute and percentage terms in last 3 years.

Note on Electricity

Afghanistan's power grid has been severely damaged by years of war, and less than 10 percent of its population currently has access to electricity, with Kabul suffering power shortages. Transmission lines from the Kajaki Dam in Helmand province near Kandahar were hit by an airstrike in November 2001, but were repaired in early 2002. On several occasions since then, however, power to Kandahar has been cut off by attacks on the transmission lines. Three hydro-electric power dams provide base load power to Kabul: the 100-MW Naghlu dam, the 66-MW Mahi Par dam, and the 22-MW Sarobi dam, with the latter two facilities slated to be rehabilitated, under a \$16.9 million contract let to Voith Siemens in early 2004. Due to a lack of water flow on the Kabul River, only the Naghlu Dam, which has a sizable reservoir capacity, is operational all-year round to meet the needs of Kabul. The dams are located about 50 miles from Kabul and are linked by a 110-kV, double-circuit transmission line. Since the early 1990s, United Nations de-mining teams have intermittently worked on the area around the line. Aside from mines, the power line also has a number of technical problems, which further limit power supplies to Kabul. Prior to the early 1990s, Kabul also had two gas-fired power plants located on the outskirts of the city. ABB recently refurbished one of the plants, which has a 45-MW capacity. It is anticipated to be used to meet peaking demand for the foreseeable future. The other plant, with a 44-MW capacity, was partly destroyed in the early 1990s.

Neighboring countries also supply electricity to some of Afghanistan's border regions. Turkmenistan supplies electricity to much of northwestern Afghanistan, including Mazar-i-Sharif and Herat. This arrangement was affirmed in an agreement signed in August 2002 between the Karzai government and Turkmenistan, continuing an earlier agreement between the Taliban government and Turkmenistan. Uzbekistan also supplies electricity to the northern area around Mazar-i-Sharif, supplementing a small local gas-fired power plant. Uzbekistan resumed its supply arrangement in August 2002, after having terminated supplies of electricity in 1999 during the

period of Taliban rule. In May 2003, Tajikistan resumed supplies of electricity to the northern Afghanistan province of Kunduz, although power supplies were expected to halt in October 2003. Iran also supplies electricity to Afghanistan, in some areas directly adjacent to the Afghan-Iranian border in Herat, Farah, and Nimroz provinces. Reportedly, Iran plans to increase power supplies to Afghanistan's Herat province from Khorasan.

Important Addresses

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Ministry of Foreign Affairs

<http://www.mfa.gov.af>

Ministry of Communications

<http://www.moc.gov.af>

Ministry of Commerce

<http://www.commerce.gov.af>

Ministry of Justice

<http://www.moj.gov.af>

Ministry of Woman Affairs

<http://www.mowa.gov.af>

Ministry of Higher Education

<http://www.mohe.gov.af>

Ministry of Finance

<http://www.mof.gov.af>

Ministry of Transport

<http://www.caa-ag.r>

Energy Infrastructure at a Glance	
Electricity	
Kajaki Dam	Located in Helmand province near Kandahar; transmission lines to Kandahar repaired in early 2002, after being damaged by air strikes in November 2001. Upgrading and expansion program is underway.
Mahipar Dam	Installed capacity of 66 MW. Near Kabul. Operational only two to three months out of the year (springtime) but currently lacking adequate water.
Naghlu Dam	Installed capacity of 100 MW. Operational. Provides most of the electricity used in Kabul.
Darunta Dam	Installed capacity of 11 MW. Operational. In Nangarhar province near Jalalabad.
Sarobi Dam	Installed capacity of 22 MW.
Dahla Dam	Kandahar province. Operational.
Mazar-i-Sharif Power Plant	Small natural gas-fired power plant near Mazar-i-Sharif, partially operational at under 30 MW.