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AFGHANISTAN-PAKISTAN: TRADE & INVESTMENT ROADMAP

Saad Shabbir and Vaqar Ahmed (SDPI)*

Background

With a new a stable government in Afghanistan the prospects of peace, stability and regional integration reform have increased across Central Asia. The recent visits by the Afghan President to India and China indicate that Afghanistan is now looking to enhance its possibilities of regional cooperation. Pakistan's military chief has also met Afghan President to discuss the bilateral politico-security issues. Pakistan being the next door neighbour of Afghanistan has remained one of its largest trading partner during the past decade. This cooperation is projected to deepen as both countries intend to expand the purview of Afghanistan-Pakistan transit arrangement.

Afghanistan's Gross Domestic Product (GDP) has shown a steady increase over the years from USD 12.5 billion in 2009 to more than USD 20 billion in 2013. Income per capita increased steadily from USD 1500 in 2009 to USD 2000 in 2013. The economic growth has exhibited some variations and the past 12 months have shown a slower GDP growth rate of 4.2 percent – lowest in the last 5 years. The agricultural output in 2013 remained almost the same as in the previous fiscal year. The industrial growth remained at 6 percent whereas the growth in services sector was recorded as 17 percent. Inflation dropped to 3.7 percent in 2013.

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Essay

On the external side the exports of goods and services were recorded around USD 500 million whereas the imports of goods and services rose from USD 3 billion in 2009 to USD 9 billion in 2013. The current account balance remained negative and decreased over the years. These statistics however do not account for the substantial informal trade between Afghanistan and Iran, and Afghanistan and Pakistan.

Table 1: Macroeconomic Indicators of Afghanistan

Indicators	2009	2010	2011	2012	2013
Gross Domestic Product (current billion USD)	12.5	15.9	17.9	20.5	20.7
Gross Domestic Product growth (annual %)	21	8.4	6.1	14.4	4.2
Life expectancy at birth, total (years)	59.1	59.6	60.1	60.5	-
Agriculture, value added (annual % growth)	44.6	-6.4	-7.6	18.2	0.8
Industry, value added (annual % growth)	6.1	6.3	9.8	7.8	4.1
Services, etc., value added (annual % growth)	17.3	18.1	10.3	16	-
Inflation (annual %)	-2.1	9.4	10.6	8.3	3.8
Gross National Income per capita (Current USD)	1510	1610	1700	1940	2000
Exports of goods and services (current million USD)	540	400	390	380	410
Imports of goods and services (current million USD)	3020	3340	5150	6520	9070
Current account balance (current US\$)	-1.9	-2.8	-3.6	-7.3	-

Source: World Development Indicators

Trade Cooperation

Trade activity has been on the rise for most part of the last decade. **Pakistan remains the largest trading partner of Afghanistan with a share of 28 percent followed by USA which has a share of 17.8**

