Afghanistan - A Potential Business Hub For South Asia: Analysis Of Investment Opportunities Along With Issues And Challenges

Abstract

This paper discusses the case of Afghanistan as a potential business hub for South Asia with tremendous investment opportunities as well as inherent issues and Challenges. It relates the story of Afghanistan being transformed from a War torn country to a sovereign republic with high hopes and immense possibilities. Despite being land locked it is having a very strategic location as being surrounded by six different countries and having access to Central Asia on the north, middle east through Iranian border on the west and Asian countries like China on the northeast & Pakistan on the east as well as south. Moreover the completion of the new trade route through Chabahar port in Iran and the Silk-route trade project has worked wonders for them as it can provide a business corridor through Afghanistan connecting South Asia with Central Asia as well as Middle East. This has a very special significance for developing this country as a potential business hub. Further Afghanistan’s membership of SAARC, ECO & OIC along with observer’s status in Shanghai cooperation Organization (SCO) can also be helpful in fostering business opportunities on regional basis. This research has mainly highlighted the business investment opportunities in various sectors of Afghan economy. Although facing the challenges such as religious jingoism, threats from Taliban and ISIS, conservative outlook and Corruption this country has never looked back in last 15 years after the downfall of Taliban. The Information Technology revolution also has tremendous impact on this country as it is providing immense opportunities to both men as well as women folk to initiate entrepreneurial activities. After a long history of fierce violence and bloodshed in the past, it is really fascinating to imagine this country to be a new business hub for south Asia. This seems a reality as Afghanistan has been bestowed with immense natural resources besides the strategic location. The need is only to harness those resources efficiently as well as effectively. The resolve of the hardworking Afghans along with the support from government as well as international community is helping to accomplish this objective and also trying to change the image of this country. The youth in this country can prove to be the potential game changer and need nurturing through proper education and training. The steps have been taken in this direction by the Government as it is coming up in a new ‘Avatar’ (incarnation) as a facilitator for providing business education with the help of the government as well as private sector International Institutions and it’s various Ministries and agencies are promoting avenues for investments in various sectors of the economy. The overcoming of various physical and mental barriers such as fundamentalist attitude and tendencies creating security concerns, rampant corruption, conservative outlook & Underutilized abilities of Women has become the main focus areas for them. Several impediments in the path of progress have been overcome in the past decade and the relentless efforts still going on, are providing a Silver line shining in between the clouds. Women have a special role to play in this as they can prove to be new pillars of economic development in this country. The nurturing of entrepreneurial abilities in them is a relatively new phenomenon in Afghan society which is predominantly traditional and male dominated. Moreover the proper enforcement of Law The process of Creating Equals among Un-equals’ has already begun and there is a famous proverb that “Well begun is half done” These seemingly ‘Small steps’ can prove to be a ‘Giant leap’ for the development of this Country in the future. The major learning outcomes from this research are concerning

- Journey of Afghanistan from a War torn country to a sovereign republic
- Entrepreneurial abilities of Afghans
- Investment opportunities in various sectors of Economy
- Changing role of the Afghan government as a facilitator with “Socially responsible Business Strategy”
Target Usage: The use of this research paper is multifaceted such as
1.) Apprising the Management students as well as global readers with the immense possibilities in Afghanistan to become a major business hub for south Asia
2.) Apprising the Business entrepreneurs regarding investment opportunities in various sectors of Economy
3.) Motivating the girl students to be women entrepreneurs and contribute towards national development

Keywords: SAARC, ECO, OIC, Avatar, Giant leap, Jingoism, Fundamentalist,

Introduction:

The common perception about Afghanistan is that being a war torn country, it is impossible to foster business opportunities there. It is considered a graveyard for those countries which tried to annex it and dominate. The case of Soviet Union in the past is a living testimony to all this. But the things are changing now and the truth is rather highly encouraging especially after the downfall of Taliban and International Community starting reconstruction of Afghanistan. The investment opportunities in Afghanistan are immense. It is slowly emerging as a new market and has the required potential to become business hub for South Asia in future. Although the pace is slow but it is sure. The people of this country, with the help of international community, have shown real courage in last 15 years to transform themselves to a country with high hopes. This country, despite being landlocked, has the most favourable location. On its north are the Central Asian republics having high energy potentials while the eastern front shows approachability to Asian regional powers. Moreover on the western side is an easy access route towards middle-east through Iran. The opening of Chabahar port in Iran as an alternative trade route has made it easy for them to have a natural access to markets in India, Sri Lanka and other African countries in the Indian Ocean. Thus this strategic location can prove to be the biggest advantage for them by providing the main transit trade route for oil and gas from Central Asian republics to South Asian markets as well as to other global destinations.

The adoption of the ‘market based economy’ in Afghan constitution as an engine for future economic growth and national development are leading towards the rapid growth of the private sector and has lead to many international collaborations. Also the proper follow up with the help of international community has offered tremendous opportunities for making progress. The role of government as a facilitator is quite crucial in this as with the adoption of legislative framework favouring private investments to foster business opportunities can work wonders for them. Afghanistan is a country rich in natural resources as more than one thousand four hundred types of mineral deposits have been currently identified. They include energy rich minerals, oil, gas & coal along with iron and copper deposits having global quality. Furthermore, the abundance of various precious and semi-precious stones such as emerald, jade, amethyst, alabaster, beryl, lapsis, lazuli, tourmaline, ruby, quartz and sapphire have resulted in exploration of new business avenues. The climatic conditions are also suitable and offer tremendous opportunities for various industries to blossom such as Agriculture, Tourism etc. The constant governmental drive for LPG policy (Liberalization, Privatization & Globalization) in most of the major state-owned enterprises along with favourable policies have now made it easier for investors to enter all the sectors of economy.

Afghanistan – A potential business Hub for South Asia:

Afghanistan, in the past, mostly remained War-torn, ravaged as well as beleaguered for a long time. It always faced invasion, external pressure and internal upheaval since the time of Alexander the great. The people suffered a lot due to these ravaging wars in the past as these continuous internal conflicts resulted in making this country as one of the least developed countries in the world. The worst scenario came when religious fundamentalists’s forces usurped power in the mid 90’s in the form of Taliban’s. During their regime this country went back by ages in terms of development. This scenario changed in 2001 with the fall of Taliban and is in the process of changing further and further
when a new federal regime assumed power with the help of international community. Since then this
country is making efforts for achieving a new unprecedented glory. The image of Afghanistan is
slowly changing from war torn country to a nation with possibilities and opportunities. It’s economic
opening and integration with the global economy is slow but sure. The newly gained status of being a
member of SAARC countries along with OIC and other international forums have paved the way for
newer avenues regarding fostering businesses. Moreover the ‘Cross-Border Trading Opportunities’ are
immense as it is surrounded by six different countries thereby providing the much needed transit trade
route to them. This natural advantage can be utilized as one of the major pillars of its strategy for
economic growth as well as development. Afghanistan being a resource rich nation has a strategic
location and its people also have strong inclination towards the business of trading. The country’s
inclusion into global trading platform has been following a multi-pronged approach. The creation of
the necessary conditions to foster trade and inviting foreign direct investment (FDI) needs to increase
the exports as well as go for import substitution. Such measures will convey a positive signal to the
potential Investors. The events such as signing various trade and transit treaties along with various
economic and institutional reforms for improving both physical as well as IT infrastructure are already
a big step in this direction. The implementation of various developmental projects by the government
with the help of international community regarding provision of trade facilities are other major steps
towards inviting new investment and becoming a business hub. The presence of NATO forces for
more than a decade along with the aid from International community has proved to be a turning point
for this country. Now with the withdrawal of the International Assistance forces after December 2014
the real test of strength has begun. The economy is slowly recovering with the roots of the democracy
getting much more stronger. Several sectors are needing immediate priority concerning investment
such as Agriculture, Mining, Livestock, Tourism, real estate, Information Technology etc. The avenues
for cross border trading with surrounding countries are increasing which are definitely advantageous.
Afghanistan has a total geographical area of 652864 km2(252,000 sq mi) thereby making it the 41st
largest country in the world (source: World Factbook CIA 2017 ) with about 58.1 percent Agriculture
land ( in which 20.5 % of the land being arable, 79 % under permanent pastures and 0.37 percent
permanent crops ) , 2.07 percent under forest cover while the remaining 39.9% under others (source:
World fact book ,CIA, 2014 est.) It has an estimated population of about 36.72 million people ( Source :
UN estimates) as of Dec 2018 including nomadic as well as returnees thereby making it around
0.48% of the total world population.. The annual rate of population growth is about 2.37% while the
GDP is estimated about US$ 20.89.billion (source: World factbook ,CIA 2017 ) with GDP per capita
of about US$ 2000 (source: World fact book, CIA 2017) Currently there is a change in the structure of
national domestic products with about 55.9% share of services in GDP while the share of agriculture is
about 23% and the share of industry is about 21.1%. There are various sectors needing immediate
attention concerning investment such as Agriculture, Mining, Livestock, Tourism, Information
Technology etc. which have been highlighted below.

Agriculture:

The Afghan economy has been mainly agricultural despite the fact that only 6% of the land is
currently being cultivated. In Afghanistan around half of the national GDP is contributed through
Agriculture which is fundamental to support livelihood. It is also the life line to nearly 85 per cent of
its people and is a vital source for fostering the Agro based business. The traditional agriculture
mainstay being Wheat and Cereal production (source: eAfghanAg, 2012). Besides this the potatoes
production is in the range of 140K to 170K tonnes ( P.A.) in Bamiyan province in central Afghanistan.
The climate of Afghanistan is also conducive to cultivation of horticultural crops. The availability of
many high-end crops like raisins, pomegranates, pistachios and almonds are a living testimony to all
this. The agricultural sector also has a vital backup role of packaging industry which also needs &
provides great investment opportunities. The Afghan agricultural goods are quite high in demand
thereby requiring fresh rethinking regarding the current packaging procedures. Moreover the state of
the art technology implementation in the processing industry also has a good potential regarding future
investment opportunity. The Agriculture sector needs Domestic as well as Overseas investments. It has
witnessed unprecedented growth in last 10 years due to global marketing opportunities and is attracting business community on worldwide basis to capitalise on them. The increasing role of the private sector for the job-creation is also being felt. The role of both government as well as AISA are crucial in this. Several measures are required to be taken to revive this sector. It needs a boost to be given to local communities in both reforestation as well as preserving natural resources. The provision of easy credit to farmers and agro-businesses along with building the power as well as transport infrastructure and providing high-quality, transparent support services are becoming other necessities. The synchronization with the demands of global investors has to make fast progress. The ‘Barikab area’ in Kabul province has proved to be the most valuable industrial and agricultural property.

It is owned by the Government of Afghanistan and is spanning over 348 square kilometers (or 169 square miles). The Land is available on long-term lease through the new and transparent Afghanistan Land Agency (ALA). The Government of Afghanistan sets its highest priority on serving investors whether they are foreign or domestic. The Ministry of Agriculture is instrumental in providing technical assistance and advice to any potential investor. Its initiatives regarding partnership on a larger nationwide scale are in the process of building value chains ranging from local growers to global markets. There are various Agricultural sectors in Afghanistan with market investment opportunities. They are in the categories such as Dried Fruits and Nuts, Dairy Products, Skins and Leather, Meat Processing, Cotton and Sugar Mills, Non-traditional Products, Baking processing & packaging along with the Cold Storage & Transportation.

**Agro processing industry:**

The Agro-business and agro-processing industry also provides exciting investment avenues as this industry is already taking the advantage of initiation of activities with new and improved processing techniques. It involves various activities such as cleaning, sorting and grading along with the packaging plants that incorporate quality control measures like hygiene and traceability. There are various critical measures required on priority basis such as improved transportation & logistics for exports as well as cold storage facilities. This along with adequate physical infrastructure, especially improved road network, will alleviate the geographic constraints in processing. The current market potential for processed agricultural products is enormous and includes demand for snack foods, packaged biscuits, fruits concentrates, pickles and fresh fruit jams both in Afghanistan and in the surrounding region. The domestic production of machinery related to the agro-business and agro-processing industries is another lucrative opportunity for investors as currently they are being imported from abroad. The local production of the machinery will be profitable to the agriculture industry in the longer run. Afghanistan has been bestowed with a favorable climate. This along with Afghans having long experience in animal husbandry can thereby result in impressive production potential. Additionally investors need full government support and facilitation with minimal government regulations. Likewise there are lucrative opportunities in various other related Industries such as Honey, Almond, Sunflower, Karakul Pelts, Sugar beet, Olive, Cashmere, Flower & Essence and 22 other Agro business opportunities.

The following table gives an illustrative picture concerning the same. They are as follows:

<table>
<thead>
<tr>
<th>S. No</th>
<th>Industry -Scale of operations</th>
<th>Market</th>
<th>Potential</th>
<th>Returns</th>
<th>Assistance Required</th>
<th>Local Advantage</th>
<th>Location Advantage</th>
<th>Product Advantage</th>
<th>Competition</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Dairy (Small/ Medium / Large)</td>
<td>Mass &amp; Niche Dairy Market</td>
<td>Domestic 32 million (Growth rate 4% Per)</td>
<td>Monetary: 215% (over last five years)</td>
<td>Technical &amp; Marketing Expertise</td>
<td>Favourable Climate Expert in Animal Husbandry</td>
<td>Centrally Located</td>
<td>2.1 million dairy cow herd</td>
<td>Local competition from small scale inefficient producers</td>
</tr>
<tr>
<td>2</td>
<td>Honey (Small/ Medium / Large)</td>
<td>Mass &amp; Niche Honey Market (Cosmetic, wax, processed food and Propolis) both domestic &amp; International</td>
<td>Domestic &amp; Export (High Demand) (No figures Available)</td>
<td>Monetary $2.50 per kilo for raw honey Social: Income from honey can supplement family incomes by $200-$300P.A.</td>
<td>Technical &amp; Marketing Expertise Collection, Transportatio &amp; storage of honey with refining, filtering ,grading, process, pack, Labeling Export Marketing</td>
<td>Afghanista n an excellent habitat for bees keeping Provides Superior Conditions</td>
<td>Diverse habitats in the areas of Hindu Kush Harvests above 30 kg per colony P.A. An Afghan hive produce 20-30 kilos of honey Per Annum.</td>
<td>-</td>
<td>Pakistan and northern India (Haryana, Punjab) beekeeping with European honeybees</td>
</tr>
<tr>
<td>3</td>
<td>Sunflower (Small/ Medium / Large)</td>
<td>Mass &amp; niche sunflower seed products both domestic &amp; International</td>
<td>Domestic &amp; Export (High Demand) 32 million in the domestic market, &amp; demand grow by 4% P.A. Export demand grow by 7% P.A.</td>
<td>Monetary Substantial profit ( double than the per acre of spring Wheat) Social Return: source of supplement al income &amp; Employme nt generation for semi-skilled &amp; Unskilled</td>
<td>Establish Private Sector firms familiar with International markets Technical Assistance Needs: de- hulling, pressing, roasting, grading etc.</td>
<td>Climate of Afghanistan suitable for production</td>
<td>Also the nearby fastest growing market in China, India, Pakistan, Indonesia etc.</td>
<td>Currently no sunflower processing facilities in Afghanistan. Immense possibilities for a new start-up</td>
<td>Now Competing with former USSR &amp; USA</td>
</tr>
<tr>
<td>4</td>
<td>Tomato &amp; Tomato paste (Small/ Medium / Large)</td>
<td>Mass Market High opportunities to produce millions of ton fresh tomato paste</td>
<td>Current annual demand US$5 million employment to about 20K people ( USAID)</td>
<td>Technical Assistance in processing, Cold storage Also Sales / marketing Assistance needed</td>
<td>Climate of Afghanistan suitable for production of Tomatoes</td>
<td>Also the nearby markets in China, India, Pakistan, Indonesia etc.</td>
<td>Conducive Habitat Centrally Located Immense possibilities</td>
<td>Currently importing from other south Asian as well as European Countries</td>
<td>Currently importing from other south Asian as well as European Countries</td>
</tr>
<tr>
<td>5</td>
<td>Karakul Pelt (Small/ Medium / Large)</td>
<td>Mass &amp; Niche Market</td>
<td>Significan t potential for rearing this breed of sheep</td>
<td>Monetary : contribute about $US10 million P.A. to nomadic Herder’s Income. Social Cash income to the most disadvantag ed people in Afghanistan.</td>
<td>Marketing Assistance required in marketing services to international markets Also an efficient collection service required for small herders</td>
<td>Great demand for Karakul Lamb pelts. Also Natural habitat and surrounding Climate of Afghanistan extremely suitable for rearing of Karakul sheep</td>
<td>Tremendou s export potential to Europe, middle east and south Asian countries</td>
<td>This is a product where Afghanistan has a unique local advantage due to immense demand</td>
<td>Central Asian Country like Uzbekistan's the biggest competitor</td>
</tr>
</tbody>
</table>
| Sugar Beet  
(Small/Medium/Large) | Mass Market (Sugar & Syrup) & Niche Market (Betaine & Uridine International, Biobutanol Domest ic) | Substantially currently Import of $30,000 Tonnes of sugar P.A. | Monetary 
Retail price of sugar in Kabul markets is approximately 60 Cents/kg. Social Return: source of supplement al income & Employment generation for semi-skilled & Unskilled | Technical Assistance Needs for: • Reception • Diffusion • Carbonation • Evaporation • Crystalization • Post refining activities - packaging, marketing, logistics and export • Betaine & Uridine extraction • Bio-butanol Market Assistance: Private firms need to establish | Suitable agricultural land, Water coal and lime are available in plentiful supply in areas such as Baghlan Full government support, minimal government regulation, and expedited procedure to start a business | Central location, Export potential to Europe, middle east and south Asian countries | Immense potential for local production. Currently not much sugar produced locally by Baghlan sugar company produces 1/3% of country’s sugar supply. | Import from other countries in Europe and South Asia |

(Source: AISA, RPD)

Other emerging Commercial sectors: Apart from Agriculture there are various other Commercial Sectors in Afghanistan that provide excellent market opportunities. They also need immediate attention and investment from both domestic as well as global Investors and are such as Mineral/Mining, Oil and Gas, Energy, Information Technology (Telecommunications), Labor-intensive Manufacturing, Retailing (Organized), Transportation & Logistics, Infrastructure construction Materials as well as Construction Services.

Mineral/ Mining Sector: The Mining sector in Afghanistan, as according to the U.S. Geological survey (USGS), can provide a good market for both Domestic as well as International Investors. Afghanistan has huge Investment Opportunity with an estimation of up to $3 trillion dollar potential value. Only 30% of the Afghan territory has been explored up to now with sizeable deposits of iron ore, gold, coal, copper, oil, gas and rare earth metals and there is huge potential for further exploration. The picture becomes more optimistic as the statistics also support the potential Investment level which is around $800 billion in sedimentary iron, $200-400 billion in copper, $10 billion in tin/tungsten, $1 billion bauxite, $1 billion gold, $200 billion marble, and $400 billion in hydrocarbons (which includes oil, gas, lignite and peat). The abundance of iron ore deposit (in the Hajigak basin) located in Bamiyan province as being one of the largest unexplored iron ore reserves in Asian region has special relevance. It has available resources of 1.8 billion tons with high Fe content (around 62%) and the proximity to Darai-Suf coal deposit (with coking availability). This has industrial value as Chromites and other mineral deposits are needed for steel production. The optimistic future action plans by Ministry of Mines regarding the exploration of Badakhshan Gold deposits along with Balkhat Copper and other hydrocarbon projects can prove to be major business initiatives. The geographical surveys from time to time have shown a large hidden potential in frontier areas of Afghanistan with around 112 significant gold deposits in the provinces of Badakhshan, Takhar, Zabul and Ghazni. The potential for further discoveries of gold is enormous. The deposits of Sani in Takhar with available capacity between 20 tons to 25 tons of gold is a living testimony to this. Furthermore, the deposits of gemstones like emerald, ruby, sapphire, Lapis lazuli and tourmaline, kunzite, aquamarine, spodumene and beryl in Panshir Valley, Jegdalek, Badakhshan and Nuristan in the north east are other major indicators of natural wealth. The role of Government is quite crucial in shaping up the Mining activity as an Industry. The abundance of natural energy and mineral resources in Afghanistan have provided enormous potential for its economic development.

On-going projects in Afghanistan: There are various On-going Projects in Afghanistan which present an optimistic picture regarding mineral ore exploration. They are such as Aynak Copper
located around 35 km South East of Kabul and having proven reserves of 625 Mt @ 1.6% Cu. It is currently being developed by China Metallurgical Group Corporation and includes construction of power plant and a railway network from the border with Uzbekistan in the north to the Torkham border with Pakistan in the east. Hajigak Iron Ore Deposit with nearly 1.8 billion tonnes @ 63% Fe as an indicated and inferred resource, Qarazaghan Gold Deposit as contracted to a consortium of western and Afghan companies facilitated by JP Morgan with a planned capital investment of up to US$50 million, Noraba and Samti Gold Alluvial Deposits as located in Takhar Province and under contract to Westland General Trading Company, with investment up to US$40 million. (source: www.mom.gov.af)

Afghanistan - Future Oil & Gas Hub:

The plethora of crude oil and gas basins in Afghanistan with 82.5 billion cubic meters of gas and 73 million metric barrels of crude oil creates shear optimism about future. Moreover the other advanced basins in Amu-Darya, Afghan-Tadjik basin, Tirpul, Helmand and Kundar-Urgun can result in making this country a new oil hub for south Asia besides fulfilling the internal requirements. The need of the hour is to use the modern recovery techniques to re-analyse the available resources. The Amu Darya Oil and Gas with three blocks contains an estimated 87 million barrels of oil. It being part of a larger reservoir is extending into the neighbouring Turkmenistan and Uzbekistan. The Sheberghan natural Gas includes eight gas fields in the Amu Darya basin in northern Afghanistan, where an integrated plan for development of these resources is being implemented by the Ministry of Mines. The opportunities include construction of a 200 MW capacity IPP utilizing Sheberghan gas and extension of gas distribution networks in northern Afghanistan. The country needs a massive investment in the mining sector for rebuilding the national infrastructure. (source: mom.gov.af)

Information Technology: The Ministry of Communications and Information Technology (MCIT) is the custodian for controlling all the communication linked activities in Afghanistan. Its rapid expansion in last 10 years with intense focus on wireless companies, internet, radio stations and television channels has been a remarkable development. The signing of the Agreement by Afghan government with global telecom major’s regarding the most modern optical fibre cable network on countrywide basis has given a new lease of life to this sector. The provision of improved services in telephone, internet, television and radio broadcasting has been made possible throughout Afghanistan. According to statistics around 90% of the country’s population has easy access to communication services with about 18 million mobile phone users in the country. The companies such as Etisalat, Roshan, Afghan Wireless and MTN are the leading telecom service providers. The leasing of a space satellite (AFGHANSAT) from Eutelsat in 2014 has been another major step in this direction. This along with launching of 4G services has made it possible to provide internet access to more than 50% population. (Source: Wikipaedia, communication in Afghanistan) These newer developments along with the expansion of IT market in Afghanistan provides newer opportunities for investment. The increasing number of software companies set up by Afghan nationals is unprecedented and yet another milestone. This gives a rosy picture regarding the bright future of Information Technology sector in this country and portray it as a future IT hub. As we all know that this is an era of ICT (Information and communications Technology) and due to the power of web the world has become quite small. The better connectivity with global resources is the objective to be met and this has provided this sector an essential element for gaining prosperity and development. In Afghanistan the future of ICT is quite optimistic despite the dismal scenario in the past with scarce functional infrastructure, high levels of illiteracy, risk prone security and safety situation. The report from Afghanistan Media Development and Empowerment project also shows tremendous progress in the Information and Communication Technology (ICT) system in the country. The presence of telecommunication services in all thirty-four provinces of Afghanistan gives a clear picture for the same. The state of economy has also improved tremendously with wider social network due to development in the information sector which has facilitated the use of new technology. The immediate need is felt for more private investments in the Information sector. It will definitely work as a prospective tool for economic prosperity as well as perpetual growth in
Afghanistan. Through this the Afghan nationals will also receive a better access to educational and business opportunities along with health care & employment potentials in this modern digital era. The use of Information technology by young generation of Afghanistan will usher a new era for bringing of security, peace, better future & economic growth in the country.

Energy Sector:

The energy scenario in Afghanistan is quite grim as it remained a war torn country for around two decades which resulted in badly damaging the power grids. The energy is mainly provided by Hydropower. The statistics say that only one third (33%) of Afghan population has access to electricity. In capital Kabul the situation is somewhat better with 70% population having access to round the clock electricity. Currently the indigenous generation of electricity is only 600 megawatts (MW) mainly from hydropower, fossil fuel and solar which is even less than Carrebeans. According to an official estimate from Da Afghanistan Breshna Sherkat (DABS), an autonomous company, the country’s requirement by 2020 will be around 3,000 MW. As all the Domestic, Industrial and Commercial activities are dependent on the availability of power, the import of electricity from neighbours such as Uzbekistan and Tajikistan is quite a natural outcome which is presently about another 500MW. This is also not enough for meeting the currently soaring demand. Another problem is with the existing distribution lines which can’t support the available power supply. Thus the power scenario badly needs investment and it surely provides tremendous business opportunity for global players. The identification of alternative energy sources by Afghan National Development Agency such as wind and solar energy along with the setting up of alternative energy projects across the country are major positive steps in this direction. It includes setting up of wind turbines in Panjshir province, micro hydro dams in Badakhshan and family-size biogas digesters throughout the country.

Labor-intensive Manufacturing:

Afghanistan is also keen on establishing a low cost, labor-intensive manufacturing sector. It will help create new job opportunities for many unemployed Afghans whose number is likely to increase dramatically with the influx of returning refugees from the neighboring countries. They cannot be absorbed by agro related industries alone and the labor intensive manufacturing can provide relief. The changing global business scenario is also a big help given the fact that countries like China and India, who have been for decades at the forefront of low-end manufacturing, are now moving a step forward into more sophisticated industries with rising labor and manufacturing costs. The international production industries are on a continued look-out for low-cost destinations to relocate their industries. This is really a magnificent development and Afghanistan can harness the opportunity by providing a new low-end manufacturing base to them. The Industries suitable for investment are likely to be those which can first supply to the local market and later on become an exporter. The nurturing of these industries in this way can help off-setting Afghanistan’s trade imbalance. Also industries from foreign countries keen on outsourcing certain parts of their production can find suitable partner in Afghanistan. The mine/ metal industries on becoming fully operational can also provide handsome opportunities in processing of Iron –ore as well as other metallic Industries.

Retailing:

The market opportunities in organized retailing are limited in Afghanistan. Currently the shopping mall culture along with the presence of retail stores chains such as FINEST in and around Kabul area shows a promising future for this sector. Moreover the opening of a retail footwear store by government (Ministry of Commerce) with foreign collaboration in Kabul area last year is yet another major steps in this direction. It has given boost to local artisans to produce better quality leather products. This trend must continue on a nationwide scale with similar initiatives in other business domains in various other urban areas. This sector needs further expansion in a big way as it would provide benefits to both consumers and local producers. This is especially so due to increased urbanization and rising disposable income levels. Retail sector development through entry of indigenous Afghan business families or Afghan Expat’s into this sector would be beneficial for all.
They have knowledge about local terrain and climatic conditions in Afghanistan. It will also provide immense business opportunities for the local suppliers, artisans & construction companies to manufacture new shopping malls. This along with the encouragement to competition will result in offering better quality products at lower prices to the domestic consumers & providing a valuable opportunity for farmers to directly engage in business agreements with retailers. This will thereby help in gaining easy commercial access to new consumer markets for their products.

Transportation & Logistics:

This sector is the life line of the country and provides a vital support to other sectors. It is quite crucial as they will not be able to perform to their full potential without an up-graded transport and logistics sector. The state of Transport and Logistics in Afghanistan is in developing stage. It offers various new trade routes which are constantly expanding. There is an urgent need to improve the transport infrastructure as most of the old national road network, built in 60’s, are in bad shape due to wars in 80’s and 90’s. They are vital to support Afghanistan’s trade nexus, both within the country as well as across its borders. According to an estimate majority of overland transportation (around 60%) link is with Pakistan while 30% is with Iran and rest 10% with the Central Asian republics. The flow of goods & commodities from northern bordering countries like Turkmenistan, Uzbekistan and Tajikistan towards south to the ports of Bandar-e- Abbas and Chah Bahar in Iran as well as Gwadar and Karachi in Pakistan takes its main transit route through Afghanistan. Also the bridging with Tajikistan over the Amu Darya (Oxus) river can usher newer business opportunities with Turkmenistan, Uzbekistan and Tajikistan. A concept of “Ringroad” connectivity within the country linking Kabul to Kandahar in the South, Herat in the East, and Mazar-e Sharif in the North can provide a vital commercial link-up between key commercial Centers. Several new national highways, roads, and bridges have been rebuilt in last ten years so as to ease the travel as well as trade conditions with neighboring countries but still it needs a lotto be done. (Source: www.aisa.org.af ). According to the government statistics in 2008, the number of registered vehicles in the country was about 731,607 which serve around 29 million people. Besides roads, the commercial viability of water transport can also be considered as this country being landlocked, has no seaports but Amu darya river touching national borders with Central Asian nations. Also there is possibility of Air as another economical medium of transportation. The renovation of 53 airports along with the development of new roads and railway lines can lead to rapid economic development. Already government has invested a substantial amount on this but it needs further investment in the form of PPP (Public-private Partnership) by both international as well as domestic partners. This is yet another Market opportunity for companies to come up in a big way to connect the economy of Afghanistan to the whole world.

Tourism:

It is another prominent sector requiring proper attention. Afghanistan is a place with diverse relief features in all of its 34 different provinces. This along with the wide ranging Hindu-kush mountains & plains with plentiful vegetation are adding to its natural beauty. The varying weather conditions with prominence of both lovely summers as well as harsh winters are adding to its charm. Thus opportunities are immense to nurture this country as the potential tourist destination. Afghanistan currently remains a fascinating country that embraces both the old and the new despite the decades of war. Further the easy proximity to different neighbouring countries can transform it to be a potential tourist hub in the south Asian region. The past was glorious as this country was at its peak in the 1970’s with more than 90,000 global tourists annually visiting Afghanistan. (Source: mfa.gov.af) The capital city Kabul, with a touch of modern architecture, gives it the hope of a peaceful and prosperous future. Although the current situation is not so favourable for tourism in Afghanistan due to continuous internal disturbances but the hope is not lost. Currently the Afghan government issues around 15k-20k Visas annually and according to the tourism operators only 100-150 ‘pure tourists’ visit this country every year. The need is to improve the security situation so as encourage tourism activities here. Now with the ever increasing presence of the international community and the ongoing redevelopment projects a silver lining among the clouds can be seen. The history of six thousand years along with the
plethora of many historical sights and attractions in Afghanistan such as more than two thousand years old famous Buddha Statues in Bamyan, Hazrat Ali’s Tomb in Mazar-e-sharif (beautiful city of Balkh), Lakes of Band-e-Amir etc. are shockingly contrasting with the plain surrounding Mountains. The Government is already in the process of rebuilding the war torn infrastructure of Afghanistan through the initiation of major projects to develop transport links and a nationwide telecommunication link between Kabul and the other provinces. It also provides immense opportunities for the private Investors to invest in Tourism Infrastructure in this country. There are several places of Interest for everybody with in Kabul city ranging from beautiful gardens to places of historical interest such as Bala Hissar, Arg (Palace), Old City Walls, Mausoleums BagheBala, Babur’s Garden, National Museum, bazaar’s, Istalif, Kabul gorge, Guldara Stupa and Paghman. Likewise the city of ghazni, kandhar, Herat, Lashkargah Bost (in Khost province), Mazar-e –sharif , Jalalabad, Nuristan, Ajar Valley, Bandae Amir etc. in different provinces are to name a few with plentiful attractive destinations and sites for the visitors from around the world. Moreover Afghanistan is also well known for its Handicrafts and shopping with a rich selection of luxurious Afghan carpets, karakul coats as well as Afghan fur overcoats and jackets. Embroidered material, caps, and waist-coats, hand-woven silk fabrics and antiques are some of the items that tempt the travellers.

Afghanistan – The Current investment scenario:
The current picture in Afghanistan regarding the investment is quite promising as more than 35000 business firm, both small as well as large , have invested around 518,864,320 USD in various sectors.( source: AISA ) which have resulted in providing the job opportunities to around a million Afghan people. Moreover, the commercial Licences were granted to more than 5000 companies in 2012 which invested 639,470,724 USD in different fields. This trend is increasing and is in a continuous path. The Afghan business firms also pumped in 577,553,63 USD while the remaining 61,917,661 USD were invested by foreign investors. According to AISA, the figures regarding investment in the last 10 years also have been quite encouraging as there have been a total of 8,518,864,320 USD investments. The domestic investors have invested 6,371,751,968 USD while the remaining 2,147,112,352 USD have been invested by foreign investors. The investment by foreigners have mostly been in the field of in construction, health, public services, logistics, transportation and mines. The field of education has also been the center of attraction for heavy investment as World Bank projects along with the advent of various Universities from US, Europe& Asian countries are finding a virgin market in Afghanistan. The investment in the fields of agriculture and mines has so far been done only by Chinese and Kazak firms along with some Afghan domestic companies. Therefore it needs good investments in future by other countries. The provisions of the repatriation benefits by the government along with non-discrimination between Afghan and foreign investors regarding establishing companies in any part of the country are other added features.

The Hurdles (Issues and Challenges): There are several issues and challenges acting as a hurdle in achieving this ambitious goal of becoming the potential business Hub. They are such as:

• **Terror threats** as the global terrorism fuelled by religious jingoism and terror threats are becoming the imminent danger. It has been misguiding the youth & vitiating the whole atmosphere. The latest development regarding the role of ISIS in recruiting youth from the country for fighting in Iraq and Syria are a living testimony to all this.

• **Political Stability:** There must not be any infighting within the government which is currently a coalition (power sharing deal) between a war lord and an academician. The unanimity in views with development a compromising formula is a must. Their priorities must not clash and must be clearly focused on how to keep together and put Afghanistan back to work. This along with the security concerns for the people must take front seat in order to create a confidence building atmosphere for investors.
• **Failure of Formal Institutions** with Unreliable property rights system and Uncertain Formal Contract enforcement.

• **Land grabbing** has become the biggest challenge for the investors in impeding the economic growth of the country as less than 34% of the land has been found as surveyed & Legally registered. The rest of the land has been vulnerable to major land grabs as according to the Independent Joint Anti-Corruption Monitoring & Evaluation committee report. In the last decade, the Land Authority has recorded the complaints of 2,40,000 hectares of Land usurped by powerful officials. (source: Reuters)

• **Lack of power** has become an everyday affair as well as an area of concern in eastern and western provinces of the country. The rampant power cut conditions with no electricity in the two industrial parks in Nangarhar province have forced the investors in these parks to nearly close down their business operations.

• **Highly Volatile Business environment** especially after 2013 when the US troops pulled out of Afghanistan. The CBM (Confidence Building Measures) to be taken to generate Confidence in International Investors concerning the Security (of both Life as well as property) This will help make the road smooth for further investment by foreign and local investors

• **Corruption**: The rampant corruption within the government circles is to be curbed. This is evident as massive influx of foreign investment was done in the country in the past still there is not much sign of improvement as anticipated earlier.

• **Drugs (Narcotics) Trading**: The narcotics trading has become another menace for the government. The increased level of these heinous drug peddling activities have led to misguiding as well as spoiling the young generation. This must be curbed at the earliest as it will not only spoil the present youth but will vitiate the coming generations also. The misguided youth cannot contribute towards national development.

• **Poverty** as around 36% of population in Afghanistan still live belong to BPL (below poverty Line) category (source: Worldbank data, Afghanistan, 2013) which mean live below the national poverty line. They are suffering from shortages of even basic amenities such as housing, clean drinking water, and electricity.

• **Illiteracy as** only 31% of the adult population (above 15 years age) is Literate which is one of the lowest in the world. Moreover the male literacy (on an average) is 45% while the female literacy rate is still lower averaging around 17% only. (Source: UNESCO, 2015)

• **Unemployment** as around 35% of population in Afghanistan is still unemployed. (source: World fact book, CIA, 2013) The government with the help of international donors have to remain committed to nurturing the basic necessities through prioritization of infrastructure development, educational facilities, housing development, jobs programs, medical care and economic reforms.

• **Gender Discrimination** has been one of the biggest challenges for the government since the past and the foremost is to bring the attitudinal change in the Afghan Society towards Women. The situation is changing very slowly and it still needs a lot to be done. It requires widening of their mental horizon by increasing their awareness level through proper linking with the world. The undervalued Women and girls in Afghanistan with denial of opportunities regarding education being other biggest obstacles in the real progress.

The possible solutions:
The immediate need of the hour is to take the corrective actions so as to build up an atmosphere of confidence for the investors. This needs a changing role for all including Government ministries, AISA (Afghan Investment Support Agency), ANSA (Afghan National standards Authority) as well as the prevalent Banking system with effective implementation of new trade facilitating standards.

Government in a new ‘Avatar’ as a Facilitator:

The Government setup in Afghanistan is in a new role and has to be more as a facilitator for promoting Trade and Commerce. Several trade and transit agreements have been signed with other South Asian countries concerning the lowering of transportation cost, reduction in time to trade, lowering tariffs substantially and provision of easy access to regional markets. The Afghanistan Pakistan Transit Trade Agreement (APTTA) with provision for no duty on Afghan trucks transporting goods to the ports surrounding Karachi and to return with in-bound products. More over a combined market of more than 2 billion consumers in border posts of China and through Air corridor in India is now accessible to Afghans businessmen. The provisions in South Asian Free Trade Area (SAFTA), an 8-nation market in South Asia, with low tariffs of between 0 to 5% for Afghan exports not on a member country’s sensitive list as well as the Agreement provides access to a combined market approaching over 1 billion consumers. The Economic Cooperation Organization Trade Agreement (ECOTA) has involvement of 10 countries throughout Central Asia. Members have active participation in liberalizing the trade policies through reduction of tariffs progressively and elimination of non-tariff barriers to trade. ECO nations envision a free trade area by 2015. Moreover the provision of issuing the TIR carnets (Customs transit document) by Afghan government allowing goods to transit from a country of origin to a country of destination in sealed load compartments with customs control recognition along the supply chain are other major steps taken in this direction. This facility will make the easy accessibility of Afghan trucks into the Central Asian and European markets requiring minimum administrative and financial burden. Certain Economic and Institutional reforms have been initiated on regular basis which are now the main focus area of development for the government. The investors interested in cross-border trading opportunities can harness these improved conditions. The application of good governance policies to streamline these activities on ongoing basis is the foremost priority for the government. The efforts towards seeking the WTO membership is the first step in this direction. This will help to become a part of WTO trading system. The other major step is towards improving the standing of Afghanistan in the World banks ease of doing business ranking. It is a standard measure closely observed by the international business investment community. The wide ranging reforms initiated formation of working groups are a major positive development. The government has the foremost duty to improve the Infrastructure also in terms of better roads network connecting the major provinces. It will help promote the commercial activities on a large scale. As a result of 17 large scale road construction projects have been started to accommodate intra-province commerce as well as cross-border trading. Currently the country is having 10,500 kms of roads and 35% of the roads have been upgraded linking major cities in bordering provinces to the border towns of the neighbouring country. The additional measures taken by the government are such as building Railway networks to transport minerals from mines and to link major commercial centres to bordering countries to enhance cross-border trade. Further, the International Aviation Organization is assisting Afghanistan standardize its air transportation system to conform to international standards. The construction of Industrial parks with stable electricity, water, access to roads, and adequate security have taken place in Bagrami, Mazar-i-Sharif, Kandahar, Jalalabad, and Helmand to support modern manufacturing processes. The plans to construct similar Industrial park in other areas in the country is very much in consideration.

The commendable role of ‘AISA’:

the “afghanistan investment support agency” or aisa is a flagship organization in the role of an agency which has been entrusted with the responsibility regarding the facilitation, registration, licensing as well as all types of promotional activities for all business related investments in afghanistan. it was established in september 2003 with the main purpose to attract industrial
investment in various sectors of the economy and has been in the process of achieving these objectives through provision of services to investors through facilitation of cross border partnerships and supporting the business enabling measures as well as reforms. Its pan Afghan presence with having various regional offices as well as proactive departments has been quite instrumental in promoting the various investment opportunities in Afghanistan thereby portraying its image as an attractive destination for both business as well as investment purpose. The Afghanistan Chamber of Commerce and Industry, being a leading private sector organization in Afghanistan, can also provide the meaningful assistance to the potential investors in exploring the Afghan market and finding the right partners. With the presence of the global partners such as Afghan-American Chamber of Commerce and Afghan Business Council in Dubai, the awareness level of the investors is in the process of increasing tremendously.

Role of ‘Ansa’ – The Trade Facilitation Supporting Standards Authority:

The Afghan National Standards Authority (ansa) has developed a strategic plan to help the organization navigate towards implementation of a technical infrastructure for standardization, metrology, accreditation and conformity assessment. The resulting benefits will include contribution to economic and commercial integration, removal of technical barriers to trade, and facilitation of global exchange of Afghan goods and services. Ansa has a vital role in this as a service provider which will help the private sector to learn about and adopt the quality and standards demanded by international markets.

Changing Role of The Banking System:

The role of the banking sector is quite crucial in this as it is considered the life line of the country and is the custodian for the public capital. A strong and robust banking sector is just like the heart to initiate all the economic activities in the country. The efficient resource mobilization as well as utilization utterly depends on the banking sector. The effective investment of the hard earned savings of the people into different economically viable projects can lead to fostering the economy of the country. The banking sector in Afghanistan need to understand this in these changing business conditions and revise their role as a facilitator so as to boost the economic activities. Currently only 4% Afghans have a proper access to the banking system. There are various issues which prevent their better access to private as well as nationalized banks. There are 3 state and 14 private banks with around 800 branches operating in Afghanistan having total value of 5 billion dollars. The majority of this comes from the customer deposits. The proper use of the bank liquidity in terms of loan to the potential investors must be the topmost priority. The first and the foremost issue is the lack of confidence towards domestic investors. The lack of will to take risk by investing in the new projects is the main barrier. They are charging interest but must also find the ways to reduce the inherent risks in the new projects. The other issue is concerning their incapability to offer large loans. The main reason being that none of the banks are having over $100 million capital. They are ranging only around $20 million. The bank laws are also very stringent as currently not more than 15% of the customers capital can be provided as loan to them. Therefore the bank find them unable to meet the requirement of the investors. This gap must be fulfilled on priority basis so as to boost the entrepreneurial abilities in the country. The lack of proper supervision by them in the previous years also led to collapse of the Kabul bank. This along with the proper adoption of the mortgage law has become the need of the hour. These issues need to be immediately resolved as it will lead to a confidence building measure among the potential investors and give the necessary fillip to the entrepreneurial activities within the country.

The Future:

Despite these issues & challenges the future is still quite optimistic for developing this country into a possible Business hub. The success story of Afghanistan as a democratic republic in last one and a half decade must continue unabated. The increased level of entrepreneurial opportunities through
government initiatives is yet another priority. The proper proliferation of computer education to every nook and corner of the country has to become an imperative. This is really an opportune time for the government to take lead as well as unite & interact with Academia and Industry by taking more concrete steps towards economic upliftment. The need of the hour is to adopt “Think global act Local” approach with more of Globalization as well as Glocalization. It has become a prerequisite & the power of internet can be a great help in aligning Afghanistan with the world economy. There must be a proper game plan for creating ‘equals among Un-equals’ especially the women of Afghanistan. They need to play a meaningful role in contributing towards national development. The itinerary has already started. The future although seems distant but radiantly beaming as Afghanistan is slowly but surely shaping up in this direction.

Conclusions:

The success story in Afghanistan will continue unabated provided the political conditions remain stable with conducive policies towards fostering new business. The formation of business hub is conditionally dependent on the supportive policies of the new government and the outlook of the society. The newer developments such as the pull out of NATO forces in December 2014 has proved to be a turning point for the country. All the eyes around the world are now on the new government how they handle the sensitive issue such as the security concern for the potential investors without the assistance of the International forces. Furthermore the government plans and policies need to have a paradigm shift with ‘inclusive growth’ orientation. The new role for Women as a ‘pillar of economic development’ can also be considered with more meaningful roles and responsibilities for them. Now the time has come for Afghanistan to emerge as a part of the new world economic order in this era of integrating economies. The outlook of the society will change slowly with proliferation of education. As the conditions improve with much more possibilities for peace, economic prosperity and stability, the probability of Afghanistan to emerge as a possible business hub for south Asia also increase considerably. The laurels of the past decade can only be sustained by promoting & investing in the youth of the country and preventing them from getting misguided by fundamentalist forces. The increased cooperation with the neighboring countries can play a crucial role towards stopping the cross border terrorism and bringing peace & stability in this region which is another major prerequisite to achieve their business ambition.

List of Exhibits

Exhibit 1
**Government Ministries & Agencies**
- Afghanistan Investment Support Agency (AISA)
- Afghan National Standards Authority (ANSA)
- Ministry of Commerce & Industries
- Ministry of Mines
- Ministry of Agriculture
- Ministry of Communications & Information Technology (MCIT)
- Ministry of Tourism
- Afghanistan land Agency
- Da Afghanistan Breshna Sherkat (DABS)

Exhibit 2
**List of Government Projects**
- NATO's Silk Afghanistan project
- ‘Barikab’ in kabul province
- Aynak Copper
- Hajigak Iron Ore Deposit
- Qarazaghan Gold Deposit
- Noraba and Samti Gold Alluvial Deposit
Amu Darya Oil and Gas
Sheberghan Natural Gas

Exhibit 3
Other Business Initiatives by Government
- Afghanistan Pakistan Transit Trade Agreement (APTTA)
- South Asian Free Trade Area (SAFTA)
- Economic Cooperation Organization Trade Agreement (ECOTA)
- Organization for Islamic Cooperation (OIC)

Exhibit 4
Tourism sites in Afghanistan
- Band-e-Amir
- Kabul Museum
- Khyber pass
- Minaret of Jam
- Panjshir valley
- Balkh
- Bamiyan

Associated Readings
4. eAfghanAg, April 13, 2012.
5. “Electricity only reaches one in three Afghans”, Reuters Jan. 2012
15. mom.gov.af/Content/files/10%20reasons-10pg-4%20(3).
16. mom.gov.af/Content/files/MOM%20Newsletter%20April-041402
18. Whitepages.af, “phone system in Afghanistan”
19. www.aisa.org.af/Content/.../Agro17112014133125473553325325
20. www.aisa.org.af/Content/.../Mining17112014133916625553325325
22. www.partnersystems.pl/ahl
23. www.reuters.com/.../afghanistan-corruption-idUSL3N0T948M20141111