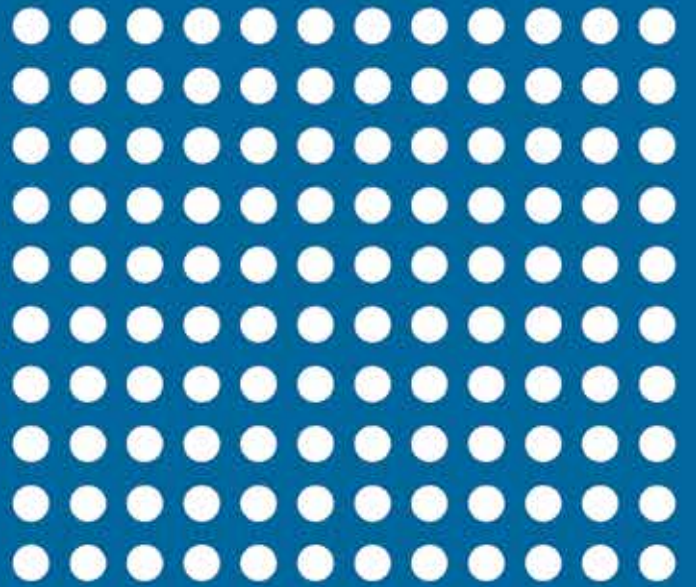




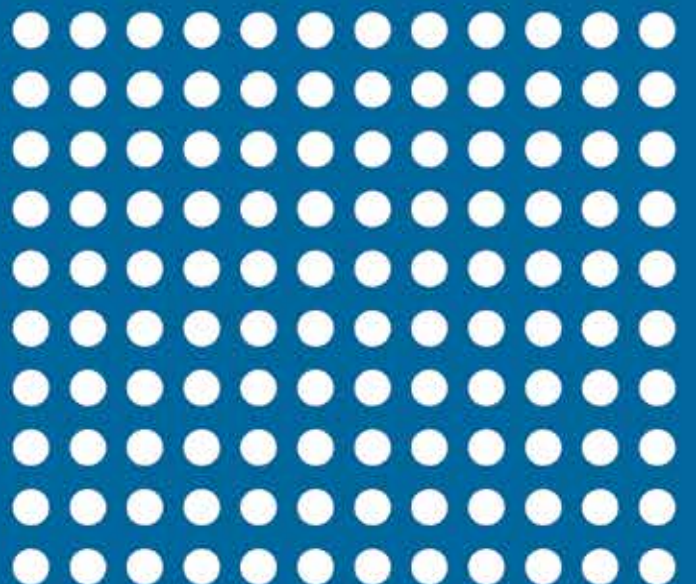
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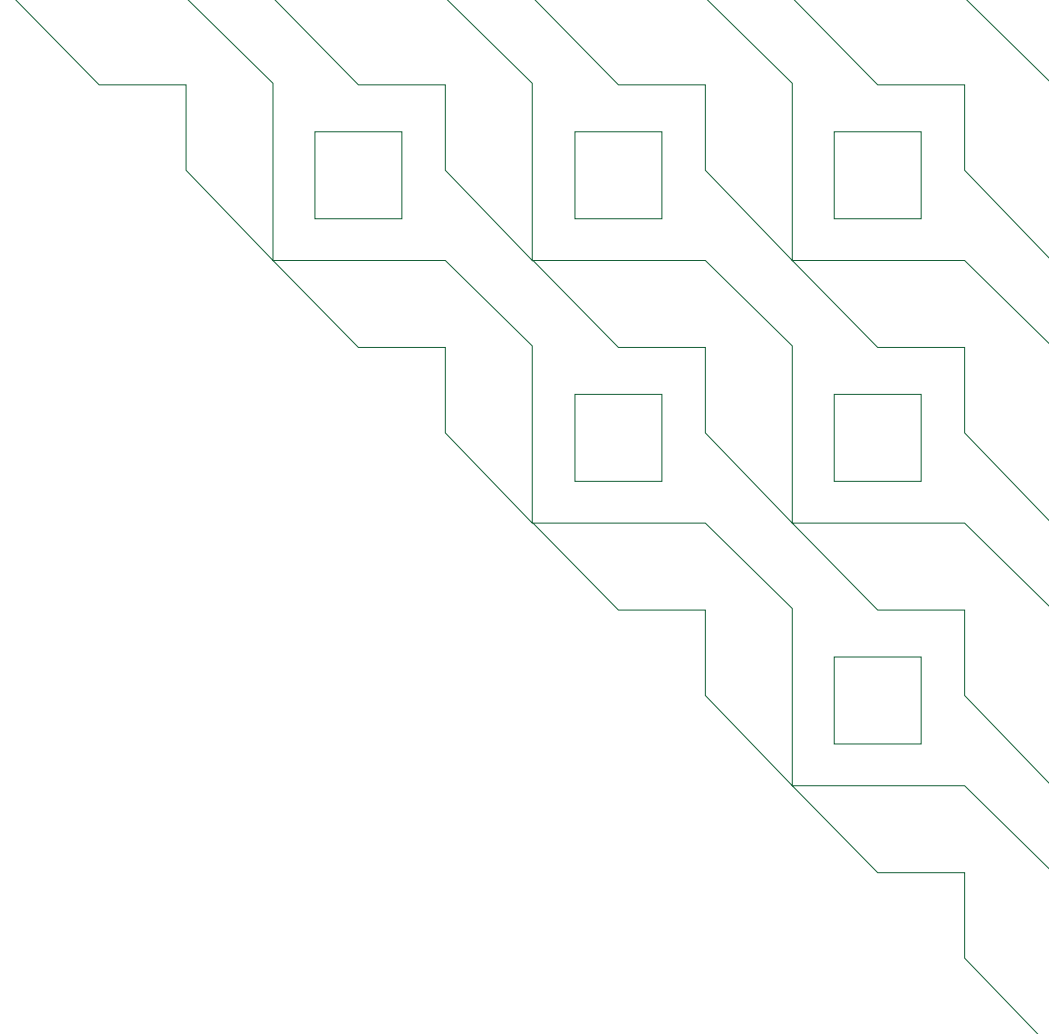


EXPORT ACCELERATION GUIDELINE
FOR SMALL AND MEDIUM-SIZED
BUSINESSES IN AFGHANISTAN

GUIDEBOOK
THREE

EXPORT LOGISTICS





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**EXPORT
LOGISTICS**
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INTRODUCTION

This guidebook enables exporters to understand their responsibilities, know what documents to be aware of, and learn how to make their international trade documents work for them to ensure that the international trade transaction is legitimate, compliant with any standards or regulations, and traceable. This Guidebook has the following five chapters.

Chapter 1 discusses Export Documentation. It will help you understand common export documents used in international trade. In this chapter, you will learn the various types of export documents, the step-by-step air and ground export process from Afghanistan, understand what documents are used and who are the responsible authorities involved in the exporting process. In addition, you will know your responsibilities as an exporter and understand how to obtain all the required documents.

Chapter 2 studies Shipping and Transportation. In this chapter, you will learn about the different modes of export transportation, air corridors, air cargo options, and sea transportation via available ports in neighboring countries. You will also understand how to choose the appropriate method of transporting your goods, understand the calculation of freight cost, understand the importance of freight forwarders and their linkage to your strategy and sales, and finally learn the requirements of cargo insurance.

Chapter 3 looks into Regulations. In this chapter, you will explore the various import requirements of a particular country. You will learn what documents are needed from Afghanistan when exporting products to the US, Europe, China, India and other countries. You will know the importance of Sanitary and Phytosanitary (SPS) measures and Technical Barriers to Trade (TBT) in Europe and other regions.

Chapter 4 discusses Sector-Specific Overviews. In this chapter, special emphasis will be given to sectors identified by the National Export Strategy of Afghanistan. These include saffron, cashmere, carpets, marble & granite, and gemstones. We will explore what are the key markets for exporting these commodities and will study what customs documents are needed when Afghan goods enter these markets.

Chapter 5 examines Foreign Trade Agreements & Regional Economic Integration. In this chapter, you will learn the various types of trade agreements and understand what foreign trade agreements Afghanistan is party to and what benefits come from these agreements. You will also understand trade and transit agreements with neighboring countries, such as the CBTA and SAFTA. Finally, you will understand the bilateral Chambers of Commerce formed between Afghanistan and key markets such as the Afghan-American Chamber of Commerce, Afghan-British Chamber of Commerce, and Canada-Afghanistan Chamber of Commerce.



EXPORT DOCUMENTATION

01

- What is Export Documentation?
- Standard Export Documents
- Export Procedures
- Special Considerations for Target Markets

CHAPTER 1: EXPORT DOCUMENTATION

This chapter enables exporters to understand their responsibilities, what documents to be aware of and how to make their international trade documents work for them to ensure that the international trade transaction is legitimate, compliant with any standards or regulations, and traceable. Furthermore, the chapter allows exporters to understand how an erroneous choice in the transportation mode, can have a huge effect on their company's total costs and success in the international market. It emphasizes how to export to other countries carefully and how to find the best possibilities for the transport of goods in order to remain competitive. The chapter also allows the exporters to understand why the required export and import regulations are important for the sector they operate in, and the key markets they export products to. The chapter also introduces the Foreign Trade Agreements from which Afghan exporters can benefit.

WHAT IS EXPORT DOCUMENTATION?

Export documentation is important to ensure the timely movement of your products outside the country. The documents required for export from Afghanistan are based on the product exporting from Afghanistan, multilateral, bilateral or unilateral trade agreements, and other trade policies of the Afghan Government. The export documents required in Afghanistan also depend on the characteristic of the products being exported, i.e. general goods, personal effects, hazardous goods, livestock etc.

The documentation procedures to export goods to a country are almost the same in all countries worldwide. Certificates and license required for exportation of goods and services has been largely standardized by all WTO countries in almost all areas.

When it comes to selling and shipping your products outside of Afghanistan, there are standard documents used for exporting. To know which documents are needed for an export shipment, the best place to start is the Ministry of Industry & Commerce Export Promotion Department and the Afghanistan Chamber of Commerce & Investment. By obtaining correct information, you are helping your customer efficiently clear the goods with customs in the target market.

In this chapter, you will understand what common export documents are, how to obtain them, and what are some of the roles for exporters and importers to be aware of.

STANDARD EXPORT DOCUMENTS

Export documentation identifies the goods and the terms of sale. It also provides title to the goods, evidence of insurance coverage and certifies a certain quality or standard. Several documents are

required for overseas shipping and fall into two categories.

Shipping documents are prepared by you, ACCI or your freight forwarder. They allow the shipment to pass through customs, to be loaded onto a carrier, and transported to the destination.

The following are key shipping documents used worldwide and some are very specific to Afghanistan.

REQUIRED FOR ALL EXPORTS:

- **Commercial Invoice:** The commercial invoice is a legal document between the exporter and the buyer (in this case, the foreign buyer) that clearly states the goods being sold and the amount the customer is to pay. A commercial invoice, signed by the seller or shipper, or his agent, is acceptable for customs purposes if it is prepared in the manner customary for a commercial transaction involving goods of the kind covered by the invoice.
- **ACCI Customs Invoice:** An extended form of commercial invoices in which the exporter states description, freight, quantity, selling price, packing costs, insurance, delivery and payment, and weight or volume of goods. This document is prepared by ACCI on behalf of exporters.
- **Certificate of Origin:** We have three types of Certificate of Origin – for SAFTA countries, China, and Form A, which covers all other countries.
- **Single Administrative Document (SAD):** Afghanistan has adopted the Single Administrative Document (SAD) to enable the harmonization and simplification of procedures in international trade exchanges. The purpose of the SAD is to control the movement of goods in and out of Afghanistan.

- **Customs Release Form:** The Customs Release Form, also commonly referred to as the Customs Clearance Form, or Green Form (due to the green stationary on which it is printed) contains all the information on the SAD and allows the consignment to clear customs once all requisite signatures and stamps have been added.

REQUIRED FOR EXPORT WITH A TRANSPORTATION COMPANY (NOT REQUIRED FOR TRANSPORT VIA COURIER)

- **Shipping Bill:**
 - * **Bill of Lading (Ground Transport):** A bill of lading (BL or BoL) is a legal document issued by a carrier to a shipper that details the type, quantity, and destination of the goods being carried.
 - * **Air Waybill (Air Transport):** An air waybill (AWB) is a document that accompanies goods shipped by an international air courier to provide detailed information about the shipment and allow it to be tracked.

REQUIRED FOR SHIPPING THROUGH THE NATIONAL AIR CORRIDOR:

- **Permission to Export Letter (ACCI):** This document is issued by ACCI to companies that have been approved to use the Air Corridor program. Three versions of the letter are issued prior to export; one letter addressed to airport security units, one to the airline cargo office, and one to the airport customs department.

REQUIRED FOR GROUND SHIPMENTS PASSING THROUGH ONE OR MORE COUNTRIES:

- **Transit Certificate:** This document is issued by officials from the Ministry of Industry & Commerce (MoIC) at Customs One Stop Shop facilities located at key Afghan ports. The document facilitates the transit of Afghan goods through other countries in the region on their way to their end destination.

REQUIRED FOR SAFFRON, DRIED FRUITS, & NUTS:

- **Quality Certificate:** This is a certificate which certifies the quality of food. In Afghanistan, the Quality Certificate is issued by the Raisins, Fruits, & Vegetables Export Promotion Administration, also known as the 'Kishmish (Raisins) Directorate' of the Ministry of Industry & Commerce.
- **Phytosanitary Certificate:** This document confirms that edible goods are free from pests and contaminants that may be harmful for human consumption. This document is issued at border control points by offices of the Plant Protection & Quarantine Department of the Ministry of Agriculture, Irrigation, & Livestock. The required tests are stipulated by the end destination's customs authorities.

REQUIRED FOR CASHMERE:

- **Export Certificate (Veterinary Directorate):** This document is issued by the Ministry of Agriculture, Irrigation, & Livestock (MAIL) and is required for the export of non-food animal products to ensure that they do not pose a public health threat.

REQUIRED FOR MARBLE & GRANITE:

- **Permission to Export Letter (MoMP):** This letter will be issued by the Ministry of Mines & Petroleum (MoMP) once the exporter of marble and/or granite registers with the MoMP and undergoes an environmental impact assessment from the National Environmental Protection Administration.

REQUIRED FOR GEMSTONES & JEWELRY:

- **Permission to Export Letter (HPC):** Any gemstone that is being exported from Afghanistan, whether it is set in jewelry or not, must be assessed by the Handicrafts Promotion Center (HPC). Following an assessment, the exporter will pay a fee to the center and receive letters to facilitate customs clearance.

OPTIONAL DOCUMENTS NOT REQUIRED TO CLEAR CUSTOMS:

- **Letter of Credit:** An Export Letter of Credit is a commercial letter of credit issued by a foreign bank in favor of a domestic exporter at the request of a foreign buyer.
- **Certificate of Insurance:** A certificate of insurance (COI) is issued by an insurance company or broker. The COI verifies the existence of an insurance policy and summarizes the key aspects and conditions of the policy.

EXPORT PROCEDURES

International trade is subject to heavy regulations for certain categories of products, especially food products. Before you export any product from Afghanistan, there are several steps and shipping documents required to allow the shipment to pass through customs, to be loaded onto a carrier and transported to the target market.

SECTOR-SPECIFIC PROCEDURES

In the Annex of this guidebook, full step-by-step export procedures are provided to exporters who wish to send products abroad. The following procedures are covered:

- Annex 1: Step-by-Step Export Procedures
 1. Steps Required for All Exporters
 2. Specialized Steps for Export
 - * Saffron
 - * Cashmere
 - * Marble & Granite
 - * Gemstones & Jewelry
 3. Air Corridor Transport (Saffron, Cashmere, & Carpets)
 4. Ground Transport (Carpets, Marble, & Granite)
 5. Air Courier Transport (Gemstones & Jewelry)
- Annex 2: Sample Export Documents

We will note here that there are special requirements for certain sectors, and we will summarize them in the following sections.

CASHMERE

Exporters of cashmere must ensure that they obtain an Export Certificate from the Veterinary Directorate of the Ministry of Agriculture, Irrigation, & Livestock (MAIL). Samples of the cashmere will be tested at the directorate's lab facility to ensure that the product does not pose a public health hazard.

GEMSTONES

The export of unprocessed gemstones is currently forbidden by the Afghan Government. A minimum of processing must be done to qualify a gemstone for export, which could involve cutting and/or polishing. The value addition done to gemstones must be confirmed at the Handicrafts Promotion



Center, which will then issue Permission to Export letters addressed to various authorities. It is also critical for all exporters of gemstones to check with the Cadastre General Directorate at the Ministry of Mines & Petroleum to ensure that they are compliant with the most up-to-date rules and regulations related to the export of gemstones.

MARBLE & GRANITE

The extractive industries are heavily regulated in Afghanistan, and exporters of marble & granite must perform several additional steps to ensure export compliancy. First, the exporter must apply for permission to export at the Cadastre General Directorate at the Ministry of Mines & Petroleum (MoMP). The MoMP will then introduce the exporter to the National Environmental Protection Administration (NEPA), to arrange an impact assessment of the exporter's stone-cutting facilities to ensure that operations are being done in a way that is environmentally sustainable. For both steps, the process may involve several weeks of preparing documents and completing applications in order to ensure that the processing and sale of the stone is being performed in compliance with environmental and mining laws.

SAFFRON

Exporters of saffron must obtain two specialized documents prior to export. The first document is the Quality Certificate, which is issued by the Afghan Raisins, Fruits, & Vegetables Export Promotion Administration. This step must be done prior to the start of the official customs clearance process. At the actual time and place of customs clearance, the saffron exporter must also obtain a Phytosanitary Certificate issued by the Ministry of Agriculture, Irrigation, & Livestock, to ensure that the product does not pose any health risks to the end consumer.

BASIC EXPORT PROCEDURE OVERVIEW

In this section, we will provide an overview of the basic export process in order to assist the reader in

understanding the 'big picture' of how exports are conducted.

STEP 1: OBTAIN PRODUCT-SPECIFIC PERMISSION TO EXPORT LETTERS

A number of Afghan products require specialized documents that are specific to their sector. Check the step-by-step procedures in the Annexes for information about specific documents or steps that may be required for your consignment.

STEP 2: OBTAIN ACCI CUSTOMS INVOICE

The ACCI Customs Invoice is a required document for all exports. It can be obtained at the ACCI national headquarters office in Kabul, at regional offices, and at major Afghan ports where exports are being cleared.

STEP 3: OBTAIN CERTIFICATE OF ORIGIN

The Certificate of Origin is required for all exports leaving Afghanistan. It is prepared by the ACCI, and can be obtained at the ACCI national headquarters office in Kabul, at regional offices, and at major Afghan ports where exports are being cleared.

STEP 4: OBTAIN SINGLE ADMINISTRATIVE DOCUMENT (SAD)

The Single Administrative Document, also commonly referred to as the Customs Tazkira, is processed by customs officers at all major Afghan ports where exports are cleared. It is at this stage that information on the consignment is entered into the Automated System for Customs Data (ASYCUDA), where national export data is recorded.

STEP 5: UNDERGO CUSTOMS INSPECTIONS

All exports from Afghanistan must undergo inspection by officials from various agencies prior to export.

STEP 6: RECEIVE CUSTOMS RELEASE FORM

Following completion of all previous steps, the Customs Department will issue the Release Form, also commonly referred to as the Customs Clearance Form or Green Form, which will allow the consignment to pass through all remaining Afghan customs control points on the way to its final destination.

STEP 7: OBTAIN SHIPPING BILL FROM TRANSPORT COMPANY

A shipping bill confirms that a consignment has been loaded onto a truck, train, or airplane. For ground transportation methods, this bill is called a Bill of Lading. For shipping through air cargo, the bill is called an Air Waybill. It is important to note that gemstones and jewelry being transported by courier do not require a shipping bill.

SPECIAL CONSIDERATIONS FOR TARGET MARKETS

EUROPEAN UNION

The European Union is a heavily regulated market. Food products that are packaged for retail sale must adhere to an exhaustive list of standards in order to be approved for entry into the EU. At present, there are no Afghan Government or commercial laboratories in Afghanistan that are able to perform all of the tests necessary to allow Afghan products to qualify for retail sale. On the other hand, Afghan food products that are shipped to the EU in bulk packaging typically have no issue clearing customs and reaching the end buyer.

SAFTA COUNTRIES

Exports destined for member countries of the South Asia Free Trade Area (SAFTA), which includes Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan, and Sri Lanka, must have a SAFTA-specific Certificate of Origin in order to avoid difficulties in transit or customs clearance at the

destination port. Any trader wishing to use the newly established Air Corridor between Afghanistan and India must apply for this service through the ACCI headquarters office in Kabul. Once the trader is vetted, he/she will be introduced by ACCI to the appropriate airline with an official letter.

NORTH AMERICA

Since 1983, the Canadian Government has implemented a program that waives tariffs for specified Least Developed Countries (Afghanistan among them). All major Afghan exports are eligible for tariff-free import into Canada. For exports to the US, many Afghan products are eligible for tariff-free status, under the Generalized System of Preferences (GSP) program. It is critical that Afghan exporters work with their buyer to confirm if a product is eligible for GSP status before finalizing a sale, as the additional cost of a tariff on a consignment could make the transaction unprofitable for both parties.



SHIPPING & TRANSPORTATION

02

- Modes of Export Transportation
- Overview of Afghan Ports
- Transportation Modes
- Selecting a Method of Transport
- Calculating Freight Cost
- Understand the Importance of Freight Forwarders
- Cargo Insurance: What are the Requirements?
- Contact Details of Selected Freight Forwarders

CHAPTER 2: SHIPPING & TRANSPORTATION

Safe, secure, and time-efficient transport of goods is critical for exporters around the world. Managing logistics for Afghan exporters is particularly challenging, considering Afghanistan's status as a landlocked country. Afghanistan is highly dependent on Pakistan both as a destination market and as a transit country, especially when it comes to getting Afghan goods on ships at the Karachi Port and to the Indian market through the Wagah border crossing. As an Afghan exporter, you may not have many appealing shipping options, but choosing the best shipping method from those available is vital to your export success.

In this chapter, you will learn about the different modes of export transportation, air corridors and air cargo options, sea transportation via available ports in neighboring countries. You will also understand how to choose the appropriate method of transporting your goods, understand the calculation of freight cost, understand the importance of freight forwarders and their linkage to your strategy and sales, and finally know the requirements of cargo insurance.



Map of inland customs depots, customs border crossing points, and customs check points, produced by the Afghanistan Customs Department

MODES OF EXPORT TRANSPORTATION

The four main modes of international transport are road, sea, rail, and air. Each mode has its own advantages, drawbacks, and conditions pertaining to the type of goods being exported or imported. Sometimes, there is a need to use more than one mode of transport, or you may contact freight forwarders to deal with logistics. Choosing the right shipping method, or combination of methods, is vital to export success – you want the product to get there on time and at the lowest cost.

OVERVIEW OF AFGHAN PORTS

Afghanistan's ports are divided into three types; 1.) dry ports, 2.) multimodal hubs, and 3.) active stations. The above map, created by the Afghanistan Customs Department, details the various customs facilities across the country.

TRANSPORTATION MODES

In this section we will review the four transport modes that are applicable to Afghan exporters, which are as follows: 1.) road transport, 2.) rail transport, 3.) air transport, and 4.) intermodal transport.

GROUND TRANSPORT

Road transport by truck is the most flexible of the modes of transport. It is relatively easier to track your goods, secure consignments, schedule the transport, and pay the relevant fees. On the other hand, long distances are not time-efficient, especially if traffic is involved. Some countries may have high toll fee charges and the possibility of getting your goods damaged is high as well. Afghan exporters use road transport to ship products to Pakistan, India, Iran, and Central Asian countries through trucks.

RAIL TRANSPORT

It is now possible for Afghan exporters to ship products by rail to the northern Central Asian States and China, but this method is not as widely used as trucks. This mode of transport is environmentally friendly and is often used in prosperous continents like Europe. However, rail transport has inflexible schedules and may be delayed due to mechanical malfunctions. Not all regions all over the globe have a respectable rail system, which is a huge setback for remote regions, including Afghanistan.

AIR TRANSPORT

Using air transport for international trade is the quickest way to ensure product delivery and distribution. It is also the safest methods of transport, and you could export or import a variety of goods through this mode.

There are several air cargo options, to include Turkish Airlines cargo service, Kam Air cargo services, and Ariana Airways cargo services. For exports to India, the UAE, and Europe, the National Air Corridor Program may be the best option. This program is subsidized by the Afghan Government, with 80% of cargo fees paid by the Government and 20% paid by the exporter. The Air Corridor is operating out of the Hamid Karzai International Airport, the Mazar-i-Sharif International Airport, and the Ahmad Shah Baba International Airport, Kandahar.

INTERMODAL TRANSPORT

Afghanistan is a landlocked country, and as a result many exports must utilize intermodal methods of transportation. This entails using a combination of ground, sea, and rail transportation in order for products to reach their final destination. If an Afghan exporter wishes to ship a consignment by sea, for example, they must utilize an intermodal transport strategy to first transport the consignment by truck to a seaport in a neighboring country, and then have the consignment loaded onto a cargo ship headed to the destination port.

While intermodal transport is commonplace in other regions of the world, it is not viewed positively by experienced Afghan exporters. Looking west, shipping Afghan goods out of the Bandar Abbas and Chabahar Ports in Iran is challenging due to the international sanctions that Iran faces. Looking south, Afghan exporters have seen their consignments held up at the Karachi Port by Pakistani authorities for months at a time, for questionable or non-existent reasons. The Lapis Lazuli Corridor, an intermodal route which aims to deliver Afghan goods to Turkey (and then on to the EU) through a number of transit countries, has yet to become fully operational.

SELECTING A METHOD OF TRANSPORT

An important part of the international trade process for exporters of any size is ensuring that the goods that are shipped reach their destinations intact and in a timely fashion. Appropriate packaging and proper documentation as well as the right transporting methods are essential in meeting these goals.

The exporter's options for transporting goods are dictated in large measure by their final destination. Afghan exporters preparing goods for shipment to Pakistan and Iran or India, for instance, will often make arrangements to transport their merchandise over land routes via truck, while exports that are headed for destinations unreachable via land routes have to be transported by air or water.

Exporters who are faced with the choice of air or water modes of transport need to be cognizant of the advantages and disadvantages of those two options. While shipping by water is generally less expensive than transporting by air, the difference in cost is narrowed somewhat by ancillary costs associated with sea transport, such as the cost of transporting goods to the dock. Merchandise shipped over water also takes longer to reach its ultimate destination, and since some export transactions do not require the importer to pay

until they are in possession of the goods, exporters in immediate need of cash infusions will need to weigh this factor carefully. Of course, the sheer size and tonnage of some export shipments render air transportation impractical.

Based on the type of your goods, you may choose what the most appropriate mode of your transport is. In general, Afghan exporters have adopted the following conventional wisdom for these key Afghan exports:

Saffron & Cashmere: Both saffron and cashmere have a high value-to-weight ratio, meaning that even 1 kg of either product can be very expensive. For that reason, most saffron and

cashmere is shipped by air, using either the Air Corridor program when available, airline cargo services, or air transportation services like DHL.

Marble & Granite: While Afghan businesses extract and process varieties of marble and granite that sell at premium prices in international markets, the weight of the stone rules out air transport as a cost-efficient transportation option. As such, stone exporters are limited to ground, rail, and intermodal (land and sea) transport options.

Dried Fruits & Nuts: Dried fruits & nuts have an intermediate value-to-weight ratio, which means that all transport options should be considered by exporters in this sector.

Gemstones & Jewelry: Gemstones & jewelry have the highest value-to-weight ratio of any Afghan

product. As a result, these products are transported almost exclusively by personal courier, meaning that a company owner or trusted staff member will personally transport the consignment in their carry-on luggage on a commercial flight.

Carpets: Carpets are another product with an intermediate value-to-weight ratio. Air transport of carpets to the European market has been profitable for Afghan exporters, but only as a result of the subsidy on shipping provided through the Air Corridor program. When the subsidy on shipping costs is phased out, exporters of Afghan carpets may be limited once again to ground, rail, and intermodal (land and sea) transport options.

CALCULATING FREIGHT COST

In Afghanistan the shipping cost varies based on the political and security situation of the country. For example, if the borders between Afghanistan and Pakistan is temporarily closed due to political or security reasons, an alternative route must be planned which could increase transportation costs dramatically.

The price depends on the form of the cargo, the mode of transport (truck, ship, train, aircraft), the weight of the cargo, and the distance to the delivery destination. Many shipping services, especially air carriers, use dimensional weight for calculating the price, which takes into account both weight and volume of the cargo.

The cost which a shipper (the consumer or business providing goods for shipment) or consignee (the person or company to whom commodities are shipped) is charged for the transportation of goods is determined by a number of factors. The main factors in determining the freight rate are: mode of transportation, weight, size, distance, points of pickup and delivery, and the actual goods being shipped. All of these factors play their own independent role in determining the price or rate at which the freight will be transported but they are also all interconnected.

When determining which mode of transportation will be used to deliver the freight to its destination there are many things which need to be taken into consideration which will all have an effect on the freight rate.

National, provincial, and local authorities all have their own laws and regulations with regards to the size, weight, and type of freight which can be transported on their roads. Transportation of freight by rail, water, or aircraft all have their own regulations which take into account national, provincial, and local regulations as well as safety concerns. In general, the more freight you transport, the cheaper it is. This is an important factor in the rate charged to people or companies shipping freight. There are many businesses out there whose sole purpose is to make the transportation of freight cheaper and easier for small businesses and individuals who need to move freight.

Ground, rail, and sea consignments are typically transported in metal shipping containers that have internationally standardized dimensions. Common container sizes include 20 foot, 40 foot, 40 foot high cube, and 45 foot high cube. When working with a transportation or freight forwarding company, the following options may be presented when it comes to coming to an agreement on the costs and logistics of getting a consignment to its final destination:

FULL CONTAINER (FCL)

The shipping line charges a flat fee per container, and the amount is dependent on many factors including origin, destination, volume, time of year, plus many other variables. Unless you have a contract with the shipping line or are moving significant volume, you will usually get a more favorable deal from a freight forwarder, who will likely have access (directly or indirectly) to a discounted rate based on certain volume agreements.

Shipping companies operating in Afghanistan

Business Name	Contact Person	Contact Number
Afghan Union	Mohammad Nazir	0702700900
Maiwand	Shahpoor	0728222233
Mehdi	Abdul Hussain	0772813991
Itfaq Bamayan	Haji Gul Mir	0773200900
Saddat Atai	Syed Mohammad Ali	0778879047
Char Yar	Agha Syed	0777300600
Khogiani	Sher Agha	0782706464
Ahmadyar Group	Shah Sulaiman	0781105004
Mirbacha Kot	Abdul Qahar	0785555443
Maidan Group	Ataullah	0788210885

LESS THAN CONTAINER (LCL)

LCL is usually a very viable option. Specialist LCL sea freight consolidators run services to all of the major ports and gateways around the world. They do this by paying for a full container from the shipping line, consolidating multiple smaller shipments at their warehouse, loading and shipping the full container in the usual manner and then earning their profit by charging a pro rata rate per 1000 kgs or 1 Cubic Meter (whichever is greater), known as weight or measure (w/m).

UNDERSTAND THE IMPORTANCE OF FREIGHT FORWARDERS

Exporters, importers and other companies often require efficient, safe and cost-effective transportation of their merchandise. However, most of them do not have access to private shipping arrangements and have to hire freight forwarding services. The freight forwarding industry is a dominant export and import transportation service provider for companies within around the World. Afghanistan's freight forwarders have network of national and international freight forwarders.

As a part of your export strategy, you need to identify your freight forwarders within the country and when you are exporting outside the country. There are a number of freight forwarders in Afghanistan. An approved list of these forwarders is attached for your information. See Annex 2: Contact Details of Selected Freight Forwarders.

You'll need to deal with a lot of documents when delivering products to foreign countries. You don't normally do it all yourself, however – use freight forwarders and customs brokers to help reduce the workload abroad.

Freight forwarders will help you improve your delivery times and customer service. These agencies will negotiate rates for you with shipping lines, airlines, trucking companies, customs brokers and

insurance firms. They can handle all of your logistical requirements, or just negotiate your shipping rate; it is up to you.

WHAT IS A FREIGHT FORWARDER?

A freight forwarder is responsible for the transportation of goods between one destination and another. Freight forwarding companies specialize in arranging the whole process for their shippers, from the storage to the shipping of their merchandise. They act as an intermediary between the shipper and transportation services, liaising with various carriers to negotiate on price and decide on the most economical, reliable and fastest route.

A HASSLE-FREE WAY TO IMPORT AND EXPORT GOODS

Using a freight forwarder to import and export goods can make the whole process much less stressful. Extremely knowledgeable in the elements of supply chain, freight forwarders can assist on all levels, from the packing and warehouse stages to the customs procedure, taking some of the pressure off you.

FREIGHT FORWARDERS PROVIDE A RANGE OF SERVICES

Freight forwarders can assist with the supply chain process on multiple levels including:

- Customs Clearance
- International export and import documentation
- Insurance
- Packing
- Storage
- Inventory management

ADVANTAGEOUS TO YOUR BUSINESS

Using a freight forwarding company for the transportation of goods to your consumer can be advantageous to your business in many ways. Using their knowledge and expertise, freight forwarders

will ensure that your goods will arrive at the correct destination on time and save you money in the process, compared to doing it alone.

THEY ARE NOT RESPONSIBLE FOR SHIPPING DELAYS

Freight forwarding companies are not responsible for delays in shipping. These delays often occur due to bad weather, breakdown, port delays or unforeseen route changes. Although shipping delays can be frustrating, it is important to remember that it is out of your freight forwarding company's hands and that they are trying to resolve it as quickly as possible.

IT IS IMPORTANT TO MAINTAIN A GOOD RELATIONSHIP WITH YOUR FREIGHT FORWARDER

Your freight forwarder is in charge of your precious cargo, so it's important that you establish a good working relationship with them. You want to ensure that you choose a company that you can trust and rely on, as well as one with impeccable customer service to ensure that your cargo shipments arrive safely and on time.

YOU NEED TO MAKE SURE YOUR PAPERWORK IS UP TO DATE

Before leaving your goods in the hands of your freight forwarder, you need to ensure that all of the paperwork for transporting your goods is completed. Your freight company will be able to help you with this, but it is an incredibly important step to reduce the risk of your items not being released from customs or the bank refusing to release your funds – neither of which would be beneficial to your business.

SHIPPING RESTRICTIONS APPLY TO CERTAIN PRODUCTS

Freight forwarding companies adhere to strict regulations and will not carry certain goods and substances, particularly by air or sea freight. Although the list of prohibited items varies from country to country, freight forwarders are generally



A worker inspects saffron for contamination in Herat

restricted on:

- Dangerous Goods (including flammable liquid and toxic items)
- Drugs (prescription and recreational)
- Alcohol
- Batteries
- Perishable items (except for those on special express delivery)
- Sharp objects

ASK YOUR FREIGHT FORWARDING COMPANY ABOUT EXTRA SERVICES

Many freight-forwarding companies offer extra services for your shipment, so it is always worth asking them when receiving a quote. These extra services include warehouse storage, cargo insurance, cargo tracking and dangerous goods handling. Even if you do not require them, it is always worth bearing these additional services in

mind for future reference.

There are six key stages of freight forwarding

The freight forwarding process can be broken up into six key stages, including:

1. Export haulage – the transfer of goods from its original source to the freight forwarders warehouse.
2. Export customs clearance – the goods receive clearance to leave its country of origin.
3. Origin handling – the unloading, inspection and validation of the cargo against its booking documents.
4. Import customs clearance – the customs paperwork for your cargo will be checked by the authorities.
5. Destination handling – the handling of cargo once it reaches the destination office, including transfer to the import warehouse.
6. Import haulage – the transfer of cargo from the import warehouse to its final destination.

YOUR FREIGHT FORWARDER SHOULD PROVIDE YOU WITH A RANGE OF DOCUMENTS

With freight, forwarding comes a lot of paperwork, especially when shipping overseas. Your freight forwarder should provide you with all of the relevant documents, including:

- Commercial invoice
- Bill of Lading contract
- Certificate of origin statement
- Inspection certificate
- Export license
- Export packing list
- Shippers export declaration document

It is essential that all of these documents are

Page right: a worker prepares to move slabs of cut marble from one stage of processing to the next in Herat

provided in order to ensure that your goods reach your customer without any issues arising.

THE STRENGTH OF A FREIGHT FORWARDERS' NETWORK IS VITAL

Well-established freight forwarders will have an incredibly strong network of contacts and experience in the business. Not only will this help you to get the best price for shipping your cargo, but it will also ensure that your goods arrive in a timely manner. Experienced freight forwarders will have encountered a multitude of problems along the way, so they will be able to quickly and efficiently deal with any issues, which may arise as your goods are transported.

DOES YOUR FREIGHT FORWARDER SPECIALIZE IN A PARTICULAR CARGO TYPE?

Some freight forwarders focus on a specific type of cargo, whereas some other companies accept a variety of goods. Finding a freight forwarder who specializes in what you are looking to ship is beneficial. Not only will they have a team of specialists in place, but they will also have vast experience in dealing with cargo similar to yours.

Doing your research before choosing a logistics company will ensure that your goods get to their final destination in a timely, cost-effective manner.

Freight shipping services play a pivotal role in the transport and distribution of products. Many businesses would not be operational at all without freight forwarders.

CARGO INSURANCE: WHAT ARE THE REQUIREMENTS?

Afghanistan is not very much into insurance business; therefore, there are no insured transportation companies in Afghanistan. However, insurance is as vital to your product delivery plans as safe vehicles and sturdy cartons. When you ship



important cargo over great distances, many variables are out of your control. You don't want to take any chances on your delivery floundering in a massive mid-ocean storm or your airline losing track of your cargo. Insurance is a plan to be compensated for your cargo's value in case of destruction or mishandling.

Insurance coverage for export shipments is traditionally provided either through your airline, logistics specialist, freight forwarder, or from an insurance company specializing in ocean and air cargo. There are three types of coverage commonly provided for export shipments: perils, broad-named perils, and all-risks. Let's discuss the most robust policy, all-risk.

An all-risk policy covers all physical loss or damage from any external circumstance, excluding loss or damage caused by war, riots, strikes, or civil disobedience. It generally costs about 1-2% of the declared value of your shipment. Coverage varies according to your product type and your destination point, you can get coverage for a portside-to-portside shipment or from the factory to your customer's door. Be sure to ask your policy provider which type best suits your needs. Incoterms define the responsibilities between the buyer and the seller throughout the supply chain of an international transaction. However, an aspect of these terms that is not often defined is how Incoterms affect your cargo insurance.

REASONS YOU NEED CARGO INSURANCE FOR YOUR EXPORT GOODS

International carriers assume only limited liability and make the seller responsible for the goods up to the point of delivery to the foreign buyer. For this reason, you must have international transportation insurance.

Businesses make money by selling products. If your business imports or exports its products, you're investing in your company every time you ship cargo. It's surprising how many businesses don't protect that investment with cargo insurance and pay heavily for it in the end.

Whether importing or exporting, using air freight or ocean freight for your international shipping, marine cargo insurance covers loss and/or damage of cargo while it is in transit between the points of origin and final destination.

Many try to save a little money up front by not insuring their cargo, but here's just five of the many reasons why that's a bad idea.

REDUCE EXPOSURE TO FINANCIAL LOSS

If you're an exporter who has not been paid for the goods at the time of shipment, or an importer who has paid for all or part of the goods prior to receiving them, you run the risk of suffering a financial loss if the goods are lost or damaged during transit.

GENERAL AVERAGE – EXPEDITE THE RELEASE OF YOUR CARGO

You may be required to post a bond and/or cash deposit in order to obtain release of your cargo following a general average – even though there was no loss or damage to your goods. By purchasing insurance, your insurance company assumes the responsibility and expedites the release of your cargo. General Average is an internationally accepted principle where if certain types of accidents occur to the vessel, all parties share in the loss equally.

CONTRACTUAL REQUIREMENT

Your sales contract may obligate you to provide ocean cargo insurance to protect the buyer's interest or their bank's interest. This is especially true when selling goods CIP or CIF. Failure to do so cannot only subject you to financial loss if there is loss or damage to the goods, but non-compliance with the terms of your contract with the buyer can lead to loss of sales and legal problems.

COVERAGE FOR LIMITED CARRIER LIABILITY

The carriers, by law, are not responsible for many common causes of loss that occur in transit (for example, acts of God, general average, etc.). And,

even if they are liable, carriers' liability in the event of a loss is limited – either by contract in the bill of lading or by law. In most cases, you will only recover cents on the dollar from the carrier.

HAVE MORE CONTROL OVER INSURING TERMS

Relying on the buyer's or seller's insurance may be a viable option, but you must be satisfied that the insurance has in fact been purchased and that the insuring terms, valuation, and limits provided by each insurer on each shipment are adequate to meet your needs. And, if there is a claim dealing with a foreign insurance company, perhaps in a different language, it can be time consuming and frustrating. If there's a claims issue, you're often dealing with courts in a foreign country.

TYPES OF CARGO INSURANCE

The next most common form of cargo insurance, mainly taken out by individuals and small businesses for one-off shipments of cargo & freight. This is where the cargo is priced and covered as one shipment from a particular destination to another – the cover usually commences at the point of departure and ceases upon arrival at the cargo's destination which could be a port or the customer's premises – often referred to as 'Warehouse to Warehouse'. This type of cover is also sometimes referred to as a 'Voyage Policy' or 'Single Transit Policy' as the insurance covers only that specific shipment/voyage.

HOW TO SECURE CARGO INSURANCE

In Afghanistan there are a number of insurance companies that may provide cargo insurance but they may be very expensive for common exporters. Marine cargo insurance is required before the product leaves the place of origin and conclude after the goods are received. Cargo insurances is a complex product and ranges from basic minimal protection to more comprehensive policies that can include loss of sales and replacement of products. The types of coverage available also vary widely and can include cargo, commercial hull and marine goods in transit. Often,

these covers can be combined to ensure your cargo is protected.

Most common cargo insurance is open or annual cover which is intended for exporters and importers. This is the most common form of cargo insurance, most often used by regular shippers of goods such as importers and exporters including freight forwarding agents, where a policy is issued to cover a number of consignments being shipped to and from various ports and destinations throughout the year. The policy can be either for a specific value that requires renewal once the insured amount is exhausted, or an open policy that will be issued for an agreed period, allowing any number of shipments during that time. This type of cover is sometimes referred to as an 'Open or Annual Policy' as the insurance cover remains in-force for a stated period of time, usually 12 months.

In land cargo insurance is another type of insurance policy which protects the transport of commercial goods overland.

If you are a commercial transport operator, cargo insurance is designed to cover the goods you are transporting. There are a number of variations for this type of insurance and the type of coverage that best suits your needs will depend on the type of agreement you have entered into with your client. Cargo insurance is a complex product with many variables for each specific situation. It is best to discuss your exact requirements with your insurance adviser at any of the insurance companies. It is important to seek professional advice to tailor your marine cargo insurance to meet your specific needs.



REGULATIONS

03

- Understanding Import Regulations
- How to Identify Import Country Requirements

CHAPTER 3: REGULATIONS

Prior to finalizing any sale to a buyer abroad, Afghan exporters must conduct thorough research to see if there are regulations that could lead to the rejection of a consignment at the destination port. A rejection represents the worst-case scenario for any exporter; the sale is not only cancelled, but additionally you, the exporter, must now pay to have the consignment shipped back to Afghanistan. In the case of a consignment of fresh fruits & vegetables, the exporter will likely experience a total loss on the consignment due to the fast deterioration of the items.

UNDERSTANDING IMPORT REGULATIONS

Import country regulations vary widely from country to country. Some of these requirements are harmonized to international or regional standards while others are not. So how do you identify import country requirements for nearly 200 countries around the world?

When you are doing your research on a target market, there are two primary types of regulations that could create issues for your shipment when clearing customs at the destination port. The umbrella label for these types of regulations are technical barriers to trade. One of the most significant technical barriers to trade are sanitary and phytosanitary regulations. These two topics are covered below.

TECHNICAL BARRIERS TO TRADE

Technical barriers to trade include technical regulations, product standards, environmental regulations, and voluntary procedures relating to human health and animal welfare. Examples include trademarks and patents, labeling and packaging requirements, certification and inspection procedures, product specifications, and marketing of biotechnology.

SANITARY AND PHYTOSANITARY BARRIERS TO TRADE

Every government around the world imposes sanitary and phytosanitary (SPS) standards on imported goods in order to protect human, animal, and plant health in their country. Prior to any export of agricultural or animal products, the exporter must research the quarantine measures, processing requirements, certifications, inspection regime, and testing requirements of the destination country.

HOW TO IDENTIFY IMPORT COUNTRY REQUIREMENTS

Fortunately, there are a number of different resources exporters can use to identify import

requirements in the countries to which they ship. We identify several of these in the below sections.

EXPORT PROMOTION DIRECTORATE OF AFGHANISTAN

The Ministry of Industry & Commerce (MoIC) operates an export support unit called the Export Promotion Directorate. Once you have identified one or more target markets for your export activities, you can contact this unit to see if they have an up-to-date overview of import regulations and considerations.

AFGHANISTAN CHAMBER OF COMMERCE & INVESTMENT (ACCI)

You may visit the ACCI headquarters office in Kabul or contact the ACCI's provincial offices. ACCI operates an Export Management Department that is entirely focused on supporting Afghan exporters.

AFGHANISTAN COMMERCIAL ATTACHES OR COMMERCIAL COUNSELORS

Please contact the commercial attaches or commercial counselors stationed at Afghan embassies or consulates in the target market you are researching.

CHAMBERS OF COMMERCE AND TRADE MISSION WEBSITES

Chambers of commerce and foreign trade mission websites in partner countries can direct you to official channels for import requirements and be excellent sources for networking.

FOREIGN EMBASSIES OR CONSULATES

You may send inquiries to the various foreign embassies of your target market and ask for specific requirements.

YOUR BUYER

Your customer may be a great resource as well. Most of the time, they are used to importing many different products and certainly desire that their shipments reach their correct destination in a

reliable, quick manner. Just be careful that you trust the customer to be up-to-date on their resources, and you may want to ask them about what references they are using to be sure that they are the most up-to-date version.

CONTACT YOUR SHIPPING COMPANY

Your shipping company may have resources of their own which they are willing to share with their customers. DHL, UPS, and FedEx are all major shipping companies who will have information regarding a country's import requirements.

DO YOUR OWN ONLINE RESEARCH

You may also do your own online research to find updated information. This information may change over the years.

UNRELIABLE OR OUTDATED INFORMATION TO AVOID

If you search a country's import requirements on Google, you may find that the information is outdated and/or inaccurate. For this reason, we advise you to be sure you only use credible sources and check the publication date on any material you find. When searching on the internet, we recommend that you use trusted logistics and shipping companies to find your desired information.

You do not need to memorize import requirements, although after importing over and over again from a country, you will probably get the process down quickly. Just be sure that you are up-to-date on when import requirements change.

A carpet is stretched out at a carpet processing facility in Kabul





SECTOR-SPECIFIC OVERVIEWS

04

- Sector-Specific Considerations
- Sector Case Studies

CHAPTER 4: SECTOR-SPECIFIC OVERVIEWS

In this chapter, special emphasis will be given to key sectors identified by the National Export Strategy of Afghanistan. These include saffron, cashmere, carpets, marble & granite, and gemstones & jewelry. We will explore the key markets for exporting these products and will study what regulations may be in place at the destination port.

SECTOR-SPECIFIC CONSIDERATIONS

SAFFRON

Afghan saffron is primarily exported to China, India, and United Arab Emirates, but there is scope to penetrate to new markets. We will study key market requirements for exporting saffron.

EXPORTING TO EUROPE

Major re-exporters of saffron in Spain, France and Italy dominate distribution channels in Europe. When working on penetrating the European market, the following considerations should be taken into account:

Export Tips:

- Among European retailers, high quality is the make-or-break parameter.
- Grade one specifications according to ISO 3632 are a common baseline for many European buyers, and some have even moved beyond this standard and developed their own specifications and quality protocols.
- Strong buyer relationships based on trust and built over time are a critical success factor. Sustainability issues and transparency tend to be valued more by European consumers than elsewhere, signaling opportunities for niche market branding

Key Standards:

- EU legislation is quite strict in the area of food safety, and European buyers tend to require that suppliers be certified in a food safety management system standard based on HACCP principles before even considering buying saffron.
- According to Regulation (EC) No 882/2004, food imported into the European Union is subject to potential

controls at points of entry or even once on the market. These are performed to ensure that all food introduced into the EU market is safe and complies with regulations.

- As the packaging will undoubtedly make physical contact with the saffron, it is important that only materials suitable for contact with food are used and that they do not: endanger human health, cause an unacceptable change in the composition of the saffron, or cause deterioration in the sensory characteristics of the saffron.
- Food products must be traceable as per Regulation (EC) No 178/2002, Article 18. Traceability is of paramount importance in the EU market, as it is an indispensable tool for confronting the challenges of food safety.

EXPORTING TO INDIA

India is the largest market for Afghan saffron and one that will continue to rely heavily on imported saffron despite significant domestic production in the Kashmir region.

A relatively significant portion of saffron on the Indian market is illegally supplied from the Islamic Republic of the Iran through various types of smuggling. It is very important for Afghanistan to build and maintain strong legal channels into this market.

Export Tips:

- To better cater to the market, production volumes should be increased to allow for consistent and stable bulk shipments. Business relationships should be strengthened.
- Improving packaging methods and branding to improve opportunities in the wholesale and retail sectors should also be a focus.
- Certification against an HACCP-based

FSMS standard like ISO 22000 is a good way to offer guarantees to Indian buyers that there will be minimal food safety risks associated with a consignment of saffron.

Key Standards:

- The Food Safety and Standards Authority of India sets maximum limits on different contaminants to ensure food safety in India.
- Food additives are strictly forbidden and the use of irradiation is regulated under the Atomic Energy (Radiation Processing of Food and Allied Products) Rules.
- Packing and labelling are regulated under the Indian Food Safety and Standards (Packaging and Labelling) Regulation.

- Food imported into India is subject to controls at points of entry.

EXPORTING TO CHINA

China's geographical proximity to Afghanistan, along with its large population, make this market an export destination with considerable potential for the Afghan saffron sector. Demand has grown by 49% annually since 2012. Building on historic Silk Road ties between the two countries, saffron from Afghanistan offers new opportunities to increase business and strengthen ties with China.

Food safety regulations in China are set forth in the Food Safety Law of the People's Republic of China (2015). These laws undergo constant revision, as

A worker sorts saffron at a facility in Herat



there is an ongoing effort to better align with international standards. Thus, navigating food safety in China can be a tricky endeavor, especially when considering the language barriers.

Export Tips:

- The Chinese market is flooded with adulterated or fake saffron. Consequently, buyers will want guarantees that the saffron is pure and authentic, and that it

has been harvested and handled in a safe and proper manner:

- Given the uncertainty and evolving nature of the Chinese market, developing strong relationships with buyers is essential.

Key Standards:

- The law states that imported food must comply with the relevant mandatory Chinese national standards or ‘Guobiao’ (GB) related to pesticide MRLs, mycotoxins, heavy metals and microbiological contaminants, food

additives, etc.

- Standard GB/T 22324.1-2017 Saffron – Part 1: Specification defines saffron in terms of physical and chemical characteristics. It covers general characteristics, sensory analysis (flavor, color and aroma) and grade classifications. The standard adopts the international standard ISO 3632-1: 2011.
- Certification against a food-safety management system standard based on HACCP principles is an effective way to offer additional guarantees of food safety to Chinese consumers.
- The trend of increased regulation in the Traditional Chinese Medicine industry in China means that food safety controls in the form of GHP, GAP and GMP are of growing importance for suppliers of saffron to Chinese buyers.

on par with the best available in the global market, but transactional costs for processing are high. Policies must incentivize investment, while facilitation of freight routes—through Uzbekistan by rail at the Hairatan crossing and overland by truck—would expand opportunities in China and Europe.

GEMSTONES & JEWELRY

Afghanistan’s deposits of semi-precious and precious stones such as lapis lazuli, emeralds, and rubies have long been recognized as a source of great potential. Yet this potential remains largely unrealized – at least as formal, legal economic activity – not only because of the fragmented control of key extraction sites and tenuous accessibility to some because of insurgency, but also because of inefficient extraction techniques, underdeveloped lapidary skills (cutting and polishing) and jewelry-making capacity, and other constraints in exporters’ supply chains. At present, there is a regulatory ban on the export of rough gemstones; yet Afghanistan is not capable now of significant exports of cut and polished gemstones or jewelry meeting international quality and design standards.

Market opportunities for Afghanistan rest on securing a foothold in the short-term for the legal export of rough gemstone parcels – for which there is evident buyer demand – to incentivize foreign investors to partner with Afghan firms in the development of the industry, and ultimately, acquire extraction licenses for more deposits. A temporary concession – even for a fraction of current production – will also buy time and raise capital to enable the export of higher-value cut gemstones and fashionably designed jewelry, including capacity to cut, polish, and grade colored stones.

India, China, the UAE, Thailand, Hong Kong, U.S., UK, Holland, and Switzerland are some of the top buyers of Afghan gemstones

MARBLE & GRANITE

Afghanistan’s extensive deposits of high-quality, highly sought-after marble and granite have yielded little economic benefit to date. As with precious gemstones, there is a regulatory ban on exports of blocks of marble and granite without any value addition. Yet Afghanistan’s processing capacity is underutilized. Many of the sector’s operators are trained in diamond-wire saw block extraction, which preserves the integrity of blocks and produces very little wastage at quarry sites and have support in procuring slab and tile cutting and polishing equipment that produces export-ready material. Yet problems originate at the beginning of the supply chain with the sector’s ability to source blocks and to transport them safely from quarry to processing site. Processors struggle to obtain blocks from previously productive quarries now in areas controlled by insurgents and are unable to meet the Ministry of Mines & Petroleum’s investment requirements to secure licenses to open new quarry faces and extract stone.

Afghan white marble is on par with Italian Carrera and white and green onyx, and several granites are

A carpet is trimmed at a processing facility in Kabul



AKBAR ARGHANDI WAL (DRIED FRUITS & NUTS, SAFFRON)

Afghanistan produces a dizzying array of dried fruits and nuts, to include varieties of almonds and raisins that do not exist anywhere else in the world. These very same products are in high demand in premium markets such as North America and Europe, and yet . . . export volumes from Afghanistan to these regions are minimal. The conventional explanation is that Afghan exporters simply cannot navigate the complex import requirements of Western markets, but this may not accurately describe the problem.

Akbar Arghandiwal, the founder and CEO of Setara Dried Fruits & Nuts, learned this the hard way. Arghandiwal, a serial entrepreneur with businesses in Afghanistan, Turkey, and the US, aggressively entered the premium dried fruits & nuts market in 2019. His strategy was simple; use modern industrial methods and attractive packaging to get Afghan products on the shelves of Western supermarkets. After setting up a processing facility in Kabul and sourcing high-quality packaging material, Arghandiwal thought he was ready to take Setara global.

The February 2020 Gulfood Expo in Dubai was Arghandiwal's first wake-up call that this task was going to be much harder than he expected. The annual expo is the largest assembly of food producers in the world, with major global distributors on the lookout for quality suppliers. As Arghandiwal chatted with potential buyers, other international exhibitors, and his fellow Afghan producers, one consistent theme stood out in his mind; international buyers wanted technical data sheets on products, and all of the suppliers at the expo had them except for the Afghan participants.

Afghan dried fruits and nuts were being exported to Western markets, but the sales were bulk wholesale orders destined for 'ethnic' neighborhood grocery stores. The end consumers were immigrants longing for the flavors of their

hometown, rather than upper-income consumers shopping at large grocery chains and hypermarkets. For the distributors supplying these grocery chains and hypermarkets, any product under consideration had to come with accredited lab results along with a technical data sheet.

And so Arghandiwal began his work preparing technical data sheets for several of his products, a months-long effort that spanned the globe. Supported by USAID, Arghandiwal was connected with a technical data sheet expert in Australia, who guided him through the process of preparing the documents. As there are no accredited commercial laboratories in Afghanistan, Arghandiwal had to send his product samples to Turkey to get detailed information about their chemical and biological characteristics. Arghandiwal also reached out to distributors he had met at Gulfood to confirm what information they expected on the sheets.

By June 2020, Arghandiwal had technical data sheets and accredited lab results for seven of his dried fruit and nut products in-hand. Despite overcoming the data sheet challenge, Arghandiwal will have to wait to see how this achievement impacts the future of his company. With the global coronavirus pandemic disrupting consumer behavior around the world, the large-scale Western distributors are holding off on signing contracts with new suppliers.

Page right: a worker sorts raisins at the Setara Dried Fruits & Nuts processing facility in Kabul





A worker makes fine adjustments to a hand-knotted carpet at the Qasimi Brothers processing facility in Kabul

domestically and unfinished carpets to Pakistani buyers. This dynamic changed drastically with the launch of the Air Corridor program in June 2017, an initiative of the Ministry of Industry & Commerce (MoC). The program offered Afghan traders subsidized rates to ship their products by air to destinations in India, the EU, the Arab Gulf countries, and Turkey. Through the program, 80% of shipping costs were covered by the Afghan Government, which was just enough to make exports of finished carpets to the EU profitable.

By then Chob Rang had become the Qasimi Brothers Carpet Company, and Abdul Manan's sons rushed to set up carpet washing and finishing centers in Kabul. Within months, Qasimi Brothers was able to perform all the steps necessary to produce retail-ready carpets, which included washing, cutting, touching up, and balancing the shine. Working with the Afghanistan Chamber of Commerce & Investment (ACCI), the non-government organization helping to manage the air corridor program, the finished carpets were transported by air cargo to buyers in Europe by the dozens.

While the air corridor program has made Qasimi Brothers more profitable than ever before, it hasn't solved all of their problems. Despite enormous demand for hand-knotted carpets from American consumers, Afghan carpets aren't competitively priced for the US market after transportation costs are factored in. As a result, carpet exports to the US represent a marginal percentage of the Qasimi Brothers' carpet sales over the last several years. The future is also uncertain for the Qasimi business, considering that the Afghan Government has stated that they will phase out air cargo subsidies in the coming years. With no alternative cost-effective shipping methods available, the company may have to return to the traditional business model of exporting exclusively to Pakistan, and only unfinished carpets.

DELJAM MANAN QASIMI (CARPETS)

The Qasimi Brothers carpet business is the legacy of the family patriarch, Abdul Manan Qasimi, who launched a carpet trading company named Chob Rang ("The Color of Wood" in English, referencing the source of the organic dyes used to color yarn), in 1980. As the proxy war between Afghanistan's Soviet-backed government and the mujahideen escalated, Abdul Manan finally made the decision to flee with his family to Peshawar, Pakistan, in 1988. Peshawar is the carpet production hub of Pakistan's north, and Abdul Manan was able to continue building his business and gaining expertise in the

carpet trade despite his status as a refugee. In 2003, during the exciting and turbulent days of the newly established Karzai government, Abdul Manan packed up all of his belongings and set out to help rebuild his homeland. From a carpet trading perspective, the move back to Afghanistan presented a number of difficult challenges. The Pakistani economy had benefited enormously from the relocation of Afghan carpet expertise and production from Afghanistan to Pakistan in the 1980s and 1990s, and the Pakistani Government was not going to give up its position in the global carpet market without a fight. Pakistani customs officials were happy to allow unfinished Afghan

carpets to enter the country, where they would then be processed and sold as products of Pakistan. Shipments of finished Afghan carpets on the way to the Karachi Port, on the other hand, were obstructed at every turn. The option to transport finished Afghan carpets through the Iranian port of Bandar Abbas was hardly more appealing, considering the international sanctions on Iran that made Western buyers reluctant to accept shipments coming from the port. With these logistical obstacles in mind, Abdul Manan and his sons (now grown up and increasingly involved in company operations) contented themselves to sell finished Afghan carpets



FOREIGN TRADE AGREEMENTS & REGIONAL ECONOMIC INTEGRATION

05

- Understanding Different Types of Trade Agreements
- Afghanistan's Trade Agreements
- Bilateral Chambers of Commerce Formed
Between Afghanistan and Key Markets

CHAPTER 5: FOREIGN TRADE AGREEMENTS & REGIONAL ECONOMIC INTEGRATION

International business removes rivalry between different countries and promotes international peace and harmony. Mutual trade creates a dependence on each other; improves confidence and fosters good faith.

A policy of a free international trade environment strengthens the economies of all countries. The competition from imports and exports leads to lower prices, better quality of products, wider selections and improved standards of living. While international trade may lead to the loss of some jobs, it has a stronger synergistic effect on the creation of new jobs and improved economic conditions. Because of this very reason trade agreements are signed between two or more countries.

Trade agreements are treaties signed by two or more nations to encourage the free flow of goods and services between members. These agreements, which can be bilateral or multilateral, reduce or eliminate trade barriers such as tariffs and quotas. As such, they lead to the creation of new markets for businesses, facilitate the production of high-quality goods and enhance economic growth. As we know economic growth comes through increasing job opportunities for the citizens of member countries. Since trade agreements create favorable trading conditions, businesses in the member countries have a greater incentive to trade in new markets.

Afghanistan has bilateral trade and transit agreements with neighboring countries. The objective of these trade agreements is to promote trade with neighboring countries. Afghanistan has bilateral trade agreements with Pakistan, India, and Iran. Afghanistan is also a member of World Trade Organization (WTO), Economic Cooperation Organization Trade Agreement (ECOTA), and the South Asian Free Trade Area (SAFTA).

In this chapter, you will learn the various types of trade agreements (e.g. bilateral and multilateral trade agreements) and understand what foreign trade agreements Afghanistan is party to and what benefits come from membership. You will also understand trade and transit agreements with neighboring countries, such as APPTA, CBTA as a part of CAREC, SAFTA as a part of SAARC. Finally, you will understand the bilateral chambers of commerce formed between Afghanistan and key markets, such as the American Chamber of Commerce (AmCham), Afghan British Chamber of Commerce, and the Afghan Canada Chamber of Commerce.

UNDERSTANDING DIFFERENT TYPES OF TRADE AGREEMENTS

Trade agreements open new markets for businesses, so competition increases. To withstand the competition, businesses are forced to build more quality into their products. If Afghanistan signs a free trade agreement with China, for instance, Afghanistan producers and manufacturers would have to produce higher quality products to outsell Chinese products. Greater product quality means improved satisfaction for consumers. In addition, consumers have access to a wider variety of products and services.

Trade agreement also boost economic growth in the member countries. With more job opportunities, the rates of unemployment go down and more people have a regular income they can use to empower their families. The expansion of markets gives rise to new businesses, so individual countries can earn more national revenue from business tax. Finally, trade agreements typically include investment guarantees, meaning investors – especially those from developed nations – can invest in developing countries with protection against political risk.

UNILATERAL TRADE AGREEMENTS

These occur when a country imposes trade restrictions and no other country reciprocates. A

country can also unilaterally loosen trade restrictions, but that rarely happens. It would put the country at a competitive disadvantage. The United States and other developed countries only do this as a type of foreign aid in order to help emerging markets strengthen strategic industries that are too small to be a threat. It helps the emerging market's economy grow, creating new markets for US exporters. For example, Afghanistan is enjoying the benefit of the Generalized System Preferences (GSP) program with the United States.

BILATERAL TRADE AGREEMENTS

Bilateral agreements involve two countries. Both countries agree to loosen trade restrictions to expand business opportunities between them. They lower tariffs and confer preferred trade status on each other. The sticking point usually centers around key protected or government-subsidized domestic industries. For most countries, these are in the automotive, oil, or food production industries.

MULTILATERAL TRADE AGREEMENTS

These agreements are between three or more countries and are the most difficult to negotiate. The greater the number of participants, the more difficult the negotiations are. By nature, they are more complex than bilateral agreements, as each country has its own needs and requests. Once negotiated, multilateral agreements are very powerful. They cover a larger geographic area, which confers a greater competitive advantage on the signatories. All countries also give each other Most-Favored-Nation status – granting the best mutual trade terms and lowest tariffs.

AFGHANISTAN'S TRADE AGREEMENTS

Afghanistan has signed a number of bilateral and multilateral trade agreements. We will discuss key bilateral and multilateral agreements which Afghanistan is a party to.

CROSS-BORDER TRANSPORT ACCORD (CBTA) BETWEEN AFGHANISTAN, KYRGYZSTAN AND TAJIKISTAN

The Cross-Border Transport Accord is a transportation facilitation agreement that was originally signed by the Kyrgyz Republic and Tajikistan in December 2010. In November 2011, Afghanistan was added to the agreement. The CBTA aims to ease the movement of goods, vehicles, and people across international borders. Vehicles and goods from the signatory countries will be able to cross designated borders faster due to streamlined customs inspections and reduced requirements to transfer shipments between vehicles.

SOUTH ASIAN FREE TRADE AREA (SAFTA)

The South Asian Free Trade Area (SAFTA) is an agreement signed on 6 January 2004. Member countries of SAFTA include Bangladesh, the Maldives, Bhutan, Pakistan, Afghanistan, Nepal, India, and Sri Lanka. Afghanistan became a party of the SAFTA agreement in 2011. The main objective of the agreement is to promote competition in the region and to provide equitable benefits to the countries involved. The SAFTA was also formed in order to increase the level of trade and economic cooperation among the member nations by reducing the tariff and barriers to trade, provide special preference to the Least Developed Countries (LDCs) among the SAARC nations, and to establish a framework for further regional cooperation.

BILATERAL CHAMBERS OF COMMERCE FORMED BETWEEN AFGHANISTAN AND KEY MARKET

THE AFGHAN-AMERICAN CHAMBER OF COMMERCE

The Afghan-American Chamber of Commerce (AACC) is the leading organization facilitating US-Afghanistan business, investment, and trade ties through its Matchmaking Conferences and related activities. The AACC promotes the exchange of

information and provides resources to members through business advice, conferences, seminars, networking events, publications, and other activities. The AACC is a growing national organization, bringing together companies, organizations, and individuals with a stake in helping Afghanistan succeed and developing opportunities in an emerging economy.

BRITISH-AFGHAN CHAMBER OF COMMERCE & INDUSTRY

Started in 2013, the British-Afghan Chamber of Commerce & Industry (BACCI) became the first private sector led independent and non-governmental organization promoting bilateral trade, investment, and economic exchange between Afghanistan and the United Kingdom. Since its inception, BACCI has strived to play an active and influential role in fostering a healthy environment for trade, business and economic cooperation between Afghanistan and the United Kingdom through its corporate members, extensive knowledge, strong regional networks and innovative business-to-business exchange approaches.

CANADA-AFGHANISTAN CHAMBER OF COMMERCE & INDUSTRY

The Canada-Afghanistan Chamber of Commerce & Industry (CACCI) was formed to strengthen business-to-business relationships among entrepreneurs, corporations, businesses, and traders in Afghanistan and Canada. CACCI aims to be the bridge between private sectors and governments of the two countries, and to support economic and commercial network development between the two nations.

ANNEX I: INTERVIEW LIST

PRIVATE SECTOR

Setara Dried Fruits & Nuts

Akbar Arghandiwal

Position: CEO

Tel: (+93) 79 131 1111

Email: akbar@setara.af

Herati Skins & Cashmere

Abdul Basir Hotak

Position: President

Tel: (+93) 70 043 8223

Email: heraticashmere@hotmail.com

Rumi Trading

Nasir Ahmad

Position: Vice President

Tel: (+93) 78 451 6129

Email: info@rumillc

Natural Stone Company

Latif Stanikzai

Position: Vice President

Tel: (+93) 78 337 6757

Email: latif@naturalstone.af

Qasimi Brothers Carpets

Deljam Manan Qasimi

Position: President

Tel: (+93) 79 934 3535

Email: qbc1@live.com

MINISTRY OF INDUSTRY & COMMERCE (MOIC)

Afghan Raisin, Fruits & Vegetables Export

Promotion Administration

Fraidoon Omar

Position: Lab Technician

Tel: (+93) 77 792 9672

Email: fraidoon.omar@gmail.com

Handicrafts Promotion Center

M. Shafiq Sekandari

Position: CEO

Tel: (+93) 74 444 0013

Email: m.shafiq@hpc.gov.af

Kabul Customs One Stop Shop

Samir Ghazanfari

Position: One Stop Shop Officer

Tel: (+93) 79 191 9111

Email: msghazanfary_sameer@yahoo.com

MINISTRY OF AGRICULTURE, IRRIGATION, & LIVESTOCK (MAIL)

Plant Protection and Quarantine Department

Headquarters

Sardar Ali Abbasi

Position: Head of Department

Tel: (+93) 74 754 8075

Email: plantprotection.quarantine@mail.gov.af

Veterinary Directorate

Noor Rahman Kohistany

Position: Head of Veterinary Public Health and Quarantine

Tel: (+93) 79 872 1072

Email: noor.ariaie@mail.gov.af

Quarantine Station, Kabul Customs Department

Javid Ahady

Position: Quarantine Station Officer

Tel: (+93) 70 027 5706

MINISTRY OF MINES & PETROLEUM

Cadastre General Directorate

Qaseemullah Qaderi

Position: Acting Director General

Tel: (+93) 77 681 2949

Email: qaseem.qaderi@momp.gov.af

Ministry of Public Health

Environmental Health Department

Rashed Ahmadyar

Position: General Manager of Food Safety

Tel: (+93) 79 400 1453

Email: rashedzaki@yahoo.com

MINISTRY OF FINANCE

ASYCUDA Office (Headquarters)

Sultan Hameed Sultani

Position: Manager of ASYCUDA Office (Headquarters)

Tel: (+93) 78 617 9121

Email: asycuda@gmail.com

Kabul Airport Customs Department

Shams Alkozai

Position: Director

Tel: (+93) 70 060 6329

Email: shams.alkozai@mof.gov.af

Kabul Airport Customs Department

Ghazanfar Shafaq

Position: Customs Officer

Tel: (+93) 70 845 8888

Email: ghazanfar.shafaq@mof.gov.af

CHAMBERS OF COMMERCE

Afghanistan Chamber of Commerce & Investment (ACCI)

Mir Zaman Popal

Position: Exports Manager

Tel: (+93) 70 022 2827

Email: mirzaman.popal@acci.org.af

International Chamber of Commerce

Ratib Popal

Position: Managing Director

Tel: (+93) 77 148 5530

Email: rateb.popal@gmail.com

SHIPPING COMPANIES

Etifaq Meer Bacha-Koot Transportation Company

Mohammad Nasir Miskeenyar

Position: Representative to Ministry of Transport

Tel: (+93) 78 555 5443

Email: nasirmiskeenyar2200@gmail.com

DHL

Arezoo Mansooray

Position: Freight Supervisor

Tel: (+93) 79 400 0729

Email: arezoo.mansooray@dhl.com

OTHER

Kabul Carpet Export Center

Najla Habibyar

Position: Chief of Party

Tel: (+93) 72 830 0200

Email: n.habibyar@kcec.af

Afghanistan Natural Stone Union

Basir Ahmad Waziri

Position: Managing Director

