



NAIROBI FOURTH CHINA ROUND TABLE

WTO ACCESSIONS AND THE MULTILATERAL TRADING SYSTEM

SPECIAL SESSION: LEAST DEVELOPED COUNTRIES: WTO ACCESSIONS AND POST-ACCESSION – DOMESTIC REFORMS AND THE BENEFITS OF WTO MEMBERSHIP

Sunday, 13 December 2015

Statement by Dr Omar Zakhiwal, National Economic Advisor to President, Afghanistan

"WTO Accession and Post-Accession: Fostering Economic Opportunities and Development"

Thank you, Mr. Chair. Let me, at the very outset thank the organizers of the Fourth China Round Table, in particular, Mr. Chiedu Osakwe for inviting me to this event. Let me also take this opportunity in thanking the government of Kenya for hosting us while extending excellent hospitality.

As you are aware, Afghanistan's accession package to the WTO is expected to be signed this week here, so let me also take this opportunity to thank all those around this table who have been tremendously helpful to help us reach this milestone. We believe accession to the WTO will help Afghanistan to create new economic opportunities, to reduce poverty, to set the path for sustainable economic development. The four identified priorities of this Fourth China Round Table are indeed very relevant to us. The focus of my discussion today here however will be on how WTO membership can help Afghanistan as a landlocked economy within the region in addressing the lingering trade and transit problems and how it will help us in boosting production capacity in exports. Historically, Afghanistan was at the heart of the Old Silk Road, serving as a land bridge connecting East West and North West of the region.

Today, however, despite being signatories to numerous bilateral and multilateral trade and transit agreements in our region such as the South Asia Free Trade Agreement (SAFTA), Economic Cooperation Organization Trade Agreement (ECOTA), Afghanistan- Pakistan Trade and Transit Agreement (APTTA) and many more, one of our major problems hindering the economic development of a landlocked country is transit access to other markets through the territories of our neighbouring countries.

Typical problems facing our transit traders are the following; Afghan transit trade in some countries can only be through one mode of transport when other modes exist, for example in one neighbouring country, our transit trade is not permitted to use rail where rail makes up 50% of the road transport and in another neighbouring country, our exports (both bilateral as well as transit through this country) are only admitted through river transport when road and rail transport exist.

Our exports often must wait for 3-4 weeks for goods to cross 800m from the Afghan side of the river to the other bank. The bridge operates once or twice a week with limited capacity. Afghan trucks are restricted from entry to the territories of most neighbouring countries. In one country, Afghan trucks are required to have a bank guarantee equivalent to the duties and taxes of the value of the truck and the guarantee is only honoured if it is obtained from two banks which demand 100% of the value of the guarantee as a deposit. Afghan cargo, to reach each final destination in the neighbouring countries requires a lengthy and costly trans- shipping process of goods to other vehicles. Multiple costs and measures for guaranteeing final exit of goods in transit

is another problem. In one country, Afghan transit trade is only permitted if an insurance policy is obtained from one of three recognized insurance companies based on their country of transit. Insurance policy acts as a guarantee for payment of customs duties in taxes, in case goods do not complete transit operation (in case they do not exit the country).

Additionally, the insurance policy is not always discharged in a timely fashion. This has caused many times insurance companies to stop issuing policies once allowed exposure limit has been exceeded. As a result, traffic in transit was held with long delays in demurrage charges. These costly measures can be easily replaced by simple customs administrative classes of reconciling entry and exit documents completed by the electronic data entry chart system to confirm the clearance of cargo at the office of the destination.

Excessive inspection in weighing is another problem. In most neighbouring countries, Afghan transit trade is subject to at least 90% of inspection in weighing. This again leads to increase in costs, and delays for the transit good. The impact of such and more trade and transit barriers is obvious. The cost of average inbound and outbound containers to and from Afghanistan ranges from USD 4000-5000 which is USD 2000-3000 more than our neighbouring country Pakistan. Also, on average, it takes about 80 days for a country to reach its destination which again is 3-4 times that of Pakistan. Our exports therefore cannot be competitive and no wonder it is 1/20 of the value of USD 10 billion worth of imports. Afghanistan 2016 Doing Business Ranking is 177 and at Trading across Borders, we stand at 174. You can imagine its consequences for private investment, sustainable economic growth and job creation.

One of the main motives for us to join the WTO is that accessions will help us deliver on some politically difficult domestic reforms but through WTO, we shall also be able to solve our trade and transit difficulties with our neighbouring countries, some of which are already WTO Members and others are in the process of accession. Most of the trade and transit related impediments imposed on us are inconsistent with Article V GATT 1994 and Article XI of the recent WTO Agreement on Trade Facilitation. We believe that our WTO Membership will create a level playing field with our neighbouring countries because we will all be under the same legal framework which is enforceable. We plan to be active in the WTO landlocked countries group. We are confident that WTO membership will tremendously help us and our neighbours in addressing this major problem and make Afghanistan a transit hub benefitting all countries in our region.

Export- led growth is our main objective. In this regard, we recognize that without investment, especially FDI and access to other markets, we could not realize our full economic potential without WTO membership. First because WTO membership will send a positive signal to the international investment community that Afghanistan has established/ will be establishing a conducive trade and investment environment. During accession, we have launched and implemented insidious policies in lieu of reforms to comply with WTO agreements. We will continue in upcoming years to strengthen the capacity for institutions for proper and effective administration enforcement, a sound business enabling environment will dramatically lure commercialese in Afghanistan. We expect WTO to strengthen investors' confidence in our economy and that our WTO Membership in the reforms implemented within this context will encourage investment in Afghanistan in the form of FDI know-how and high technology.

Around 80% of our exports are mainly destined to regional trading partners where often times, they are subject to unjustifiable Non- Tariff Barriers such as certification and testing requirements, seasonal duties and costly customs clearance delays. We believe that the WTO framework will provide a more secure access and prevent the imposition of arbitrary or sudden restrictive measures against Afghan goods.

We will use, where needed, after exhausting regional and bilateral mechanism, various WTO fora for having dialogues with our trading partners and addressing these NTBs. Moreover, membership in the WTO will help us in harmonizing trade in rules with our partners which will lead to equivalence and recognition in the area of standardization and eliminate artificial and bureaucratic barriers to trade.

Thank you.
