

## Economic Opportunities of Afghanistan in the Framework of Regional Economic Cooperation Convergence

<sup>1</sup>Ahmadullah Esmat, MBA, Assistant prof in Economic faculty - Kabul University

### Corresponding Author\*

Ahmadullah Esmat

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**Abstract:** Afghanistan is a landlocked country and doesn't have any economic relations with countries throughout the oceans. To fulfill the commercial needs and also facilitate the exports of domestic products, it is required to sign and achieve memberships in international conventions and treaties. Besides, in order to have an active economic part in the world economy better than before and achieve economic development, it is necessary to become a member of international conventions and treaties which as a result, institutionalize the social and economic welfare of Afghanistan. Since, regional economic development is often a particular part of major policies of every country's macro economy Afghanistan can also establish regional and global economic relation as regional economic geography plays a vital role in economic activities.

The question may arise in public thoughts that why a regional economic convergence is important? What outcomes and affects it will have on the economic activities of a member country? How Afghanistan can be affected by regional economic convergence organizations as member?

These questions are primarily answered by reminding the main objective of those organizational economic convergence organizations that Afghanistan has the memberships. These objectives at international and regional economic treaties are to create a memorandum of understanding in terms of economic, political, social, cultural, and security among the member countries.

Using this opportunity, Afghanistan hopes to fulfill its internal needs and also identify potential foreign markets for its domestic products and therefore, within this membership, it can expand its economic cooperation with its neighbor countries like India, Pakistan, Iran, Tajikistan, Uzbekistan and Turkmenistan.

It is worth mentioning that Afghanistan with its unique geographical location is an intersection of Asia, Middle East and East. This has made this country the center of attractions since decades and centuries by the superpowers and still pays the cost of war and conflicts. In order to transform this particular geographic location of Afghanistan, it requires a serious attention to get the membership of international conventions and establish a convergence which helps in establishment of an intersection through rail ways, highways and roads by utilizing the natural resources existing in our country.

**Key Terms:** Economic Opportunities, Regional Economic Convergence, Economic Development, Connection point of countries.

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**Preface:** The membership of Afghanistan in regional economic convergence organizations provides the country with new opportunities for the economic development of the country in the framework of regional economic convergence which lasts to the member countries and Afghanistan interests.

The membership in such organizations means primarily attention to the regional economic issues such as improvement of economic activities, development of economic structures, and to establish connection between rural and central areas in an international level. These are major opportunities that Afghanistan should put in the top of its commitments and create relationship with region countries.

On the basis of opinions of the contemporary scholars, Afghanistan with its particular location is the connection point between Middle Asia and West. The historical route like Silk Road crossed from this country and reflects the importance of Afghanistan's role in for procuring the basic needs of human in terms of intellectual and material needs. The main objective of such cooperation with international organizations is to find a best solution to economic, political, environmental, cultural, commercial, and security challenges between the member states.

Based on the regional and cross-regional requirements for economic, cultural, social and commercial development, the international agreements with the organizations facilitates a shared work mechanism in the framework of convergence economic and Afghanistan will also be a member of it.

**Problem Statement:** To reach the economic development, Afghanistan should sign agreements with various countries, particularly those located as neighbors of this country, using various ways especially through regional economic convergence organizations. This can be an easy and efficient way towards the economic development and growth for Afghanistan if utilized properly. The existence of such organizations cause provide commercial and transit relations. The most important and significant reason for creating a regional economic convergence is the mere need to have social, cultural, political and economic relation in both national and international levels particularly in the 20<sup>th</sup> century which the history also records. Establishment of such relationships has many positive effects on the social and cultural lives of the people in this country.

This research mainly focused on the importance of regional economic convergence organizations, its impact on various members and the economic opportunities that Afghanistan can get. In the meantime, it demonstrates the process of this cooperation in trade, industry, culture, society, economy and politics which Afghanistan can also be a member state.

## Research Questions

### *Main Question*

- Can regional economic convergence organizations create enough economic opportunities for its member States?

### *Sub Questions*

- ◆ How regional economic convergence organizations impact the economic situation of its member countries?
- ◆ In the context of Afghanistan, what are the main economic sectors that are considerably influenced by the regional economic convergence organizations?

**Research Methodology:** This is a descriptive research and secondary data are collected from economic books, journals, and websites. Primary data are collected through interviews with scholars. However, there were a series of challenges such as time limitation, lack of resources and lack of the data collection across the completion of the research.

**I. Literature review:** It is clear that the regional economic convergence has the tremendous effect on economic development of the country and as it is discussed earlier, Afghanistan is the country with a

great potential to become the corridor between eastern and western Asia. This is the main reason that Afghanistan became a member of regional economic convergence. However, with the focus of its geographic location, it can be a great corridor to connect east and west Asia but being a landlocked country, the advantages have been decreased.

If we have a glance over the history of regional economic convergence, it seems that the Great Britain in 1932 has built an economic convergence for the colonized countries throughout the British Common Wealth Preference Scheme and regulated all its business transaction in a specific condition. This practice of the Great Britain made a free trade between the colonized countries and without any discrimination nations were able to build economic ties and cooperation. *(Sidiqi, 2007,p. 24)*.

Approximately 80 years ago from now, the economic convergence existed between the countries in different manners and types. For example, establishment of joint economic and business markets, customs unions, taxations law and regulation, revenues law and other related issues and through this procedure, the economic convergence was formed by memorandum of understanding.

The regional economic convergence in 1950 was a tool to connect the cities with villages and transfer the business markets of the cities to the villages and also decrease the distance between the countries in international level to form a connection point between major cities and villages inside and outside the specific country.

At the present, the regional economic convergence is a fundamental tool to solve problems in a region and cross regional level of the member states. Like the European Union which was formed in 1834 and aimed to create customs-related relationships across the union, as well as we can point to the regional convergence contract of European Commission (EEC) or a joint market of Europe which was built by western European countries in 1957.

Therefore, in the context of our own economic situation, Afghanistan can be a member of such kind of organizations in order to use the opportunities in effective and efficient manner to accomplish one of its basic objectives which is the economic development and welfare.

### **1.1. Afghanistan's MOUs with Regional Economic Convergence Organizations (RECO):**

Afghanistan has had a vibrant economic growth since the establishment of the interim government post-Taliban regime in establishment and development of SMEs. The country currently furnishes thousands of the SMEs across the country in big and small cities to fulfill the needs of people in the society and also operating to add value to the income of the government and contribute to the national

income of the country. Afghanistan recently has successfully become an active member of many RECOs. Below are the major RECOs where Afghanistan has the membership:

I.2. **CAREC:** Afghanistan, China, Azerbaijan, Kazakhstan, Kyrgyzstan, Mongolia, Pakistan, Tajikistan, Turkmenistan and Uzbekistan are the permanent members of this organization. This organization has been formed by the support of Asian Development Bank with the primary goal to establish banking cooperation among the member states and the secondary goal is to facilitate the business transactions between the countries through land and air transportation, power energy and other business facilitation the summary of which is as the following: *(Faezeh,1992, P.5)*

- ◆ Develop banking system between the member states
- ◆ Transportation facilities between the member states
- ◆ Business cooperation and facilities
- ◆ Development of the power energy between the member states.

I.3. **World Trade Organization:** Afghanistan has tried a lot to become a member of this organization. WTO is the institution which regulates international trade laws and regulations, and dispute resolution among the member states. Afghanistan is also a member of WTO in which the cooperation framework is as the following: *(Adam, 2014, P. 6)*

- ◆ Development of life standards of the member states.
- ◆ Job creation and employment among the member states.
- ◆ To achieve the sustainable development through utilizing the natural resources of the member states.
- ◆ To create a green environment and ecosystem.

I.4. **South Asian Association for Regional Cooperation (SAARC):** SAARC is a political and economic organization which is formed by India, Bangladesh, Pakistan, Sri Lanka, Nepal, Maldives, Bhutan and Afghanistan. The main objective of this organization is development of economic, social and regional cooperation of the member states. Addition to this, SAARC countries cooperate each other in agriculture, rural development, technology and science, culture, health, population control, narcotics control and counter terrorism which covers the following aspects: *(Faezeh,1992, P.92)*

- ◆ Agriculture, rural, health, population control and fight against poverty development.

- ◆ Health and hygienic development.
- ◆ Human resources and human capital development.
- ◆ Attention to environment and prevent the forest elimination.
- ◆ Simplification in transportation system and infrastructure development.
- ◆ Fight against international terrorism.

I.5. **ECO:** Iran, Pakistan, Turkey, Azerbaijan, Uzbekistan, Afghanistan, Kazakhstan and Kyrgyzstan are the member states of this organization with the objective of private sector development in the region. This organization aims to establish cooperation in the economic and cultural development which are as follows:

- ◆ Trade and investment development between the member states.
- ◆ Connecting bridges through transportation and telecommunication between the member states.
- ◆ Development in sectors of energy, mineral materials and environment between the member states.
- ◆ Development in the sectors of agriculture, rural development and counter international terrorism.
- ◆ Increase the portion of less developed countries and developing countries in development of international trade.

I.6. **Shanghai Cooperation Organization:** Through this organization, states sign contracts and agreement with each other to focus on security, economic and cultural aspects. The member states in this organization are China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan, but the observer countries are Iran, India, Pakistan, Mongolia and Afghanistan. The main goal of this organization is to cooperate between the member states in security, economy and culture which are briefly as follows:

- ◆ Develop business relations between the member states.
- ◆ Establish banking relations between the member states.
- ◆ Energy and power transaction between the member states.
- ◆ Economic security and cultural cooperation between the member states.

Afghanistan, in this organization, could form a corridor to connect the east and south Asia and increase the value and importance of this organization in which the member states received the full advantage of it.

II. **Findings:** In conclusion, it has been found that economic opportunities of Afghanistan through the regional economic convergence framework provide a great space for economic development of the country in different sectors i.e. business, economy, culture, national income and other relevant fields. Opportunities of Afghanistan through regional economic convergence are as following:

II.1. **Support the SMEs and Development of Regional Business:** After the membership of Afghanistan in regional economic convergence, economic opportunities and rooms for economic development are increasing with the priority of boosting the markets for Afghan products and services. Afghanistan successfully accelerated the establishment of economic and business relations with the countries of South Asia, Middle East and increased its market share for Afghan goods and services. For instance, the exports of Afghanistan's goods to SAARC countries through the SAFTA agreement has reached more than 50% in 2013 which 30% of the exported items are included in low tariff rate goods. This procedure helps to increase in domestic products of Afghanistan in order to have exports to the member states with easy tax laws and regulations. *(MOCI. 2015. P. 3)*

Overall, approximately 17.5 Billion Dollar is the total of the exports from member states which Sri Lanka and Nepal are the leading countries with lots of import and the major imports are from India. The imports of Afghanistan is also one of the major countries which forms 25% of the total imports of the country which mainly Afghanistan imports the goods and services from Pakistan and India.

II.2. **Transport, Transit and Telecommunication Sector:** The existence of high amount of natural resources and also the strategic location of Afghanistan as a intersection of East and South Asia, requires transportation route to facilitate transportation services and transit of goods between the countries. Therefore, it can be counted as an important opportunity for economic development of Afghanistan focusing on the transport of goods and services among the countries. As well as, in the telecommunication sector and fiber cables, the location of Afghanistan can be a connecting point in which it can be transmitted through the land of Afghanistan to provide fast internet with low cost and expenses that also highlights the importance of Afghanistan in this organization.

II.3. **Power Energy and Natural Resources:** For development of business sector, Afghanistan needs energy and to use its natural resources. The opportunities which were created after the membership of Afghanistan in such organizations namely CASA-1000 which connects the Middle East countries to South Asia and has a significant role in price of fuel and other resource of energy

generation. Additionally, to implement these projects, having power and energy is a must and increase the investment in infrastructural projects. Currently, Afghanistan imports 80% of its electricity and power from neighbor countries namely Tajikistan, Uzbekistan and Turkmenistan while Afghanistan itself produces 23k MW water energy, 222k MW solar energy and 67k MW wind energy. This potential quality can be further developed by the support and help of member states which ends in the advantage of Afghanistan and the entire region. **(Niyazi, 2017, P. 10)**

**II.4. Skilled Human Resources:** Afghanistan is a country with a low rate of skilled Human Resources to implement mega projects and attract new investments. Therefore, the membership in such organizations helps the country to import skilled human resources or train their own people by professional trainers from other member countries. This helps the private sector to implement the projects successfully and also hire the domestic human resource which can also contribute to the national income and economy of the country. If an enterprise has the access to skilled labor from inside the country, there is no need to search for skilled personnel or hire foreign staff with high range of salary. In this case, the overall expenses of the goods will be lower than a foreign staff would be hired and also creating internal experts in the fields. **(Grigory, 2012, P.67)**

**II.5. Connecting the Region:** Connecting to the regions is one of the main and important factors for economic development of Afghanistan. The main target is to connect Afghanistan to the countries which they are surrounded by oceans or water and help Afghanistan to transfer its goods through the ports. The railways of the country, especially in the south part are designed to give the access to oceans to facilitate the major multinational projects like TAPI. Based on the general plan of the country, the network of railway in Afghanistan is a circle where it connects 6 countries and 9 border points which is one another significant factor to increase the economic cooperation in the region. **(Afghanistan Research and Evaluation Unit, 2012, P.7)**

**II.6. Higher Education:** As far as we know, decades of war in this country caused massive problems and destroyed all the infrastructures in the country which also affected the higher education sector. The regional economic convergence is not only for economic development but it provides the opportunity of higher education and academic exchange programs which has the high and direct impact on capacity building and having international experts in different organizations of the country.

On the other hand, to ensure the relations between the member states, the countries can build the grounds for startups and support business communities and investment, train experts and scholars for the better future of the countries and region. (*Farooqi, 2017, P. 7*)

**III.Result:** The research results show that Afghanistan is the best option to be a connection point in the region with low cost and shortest route which will be able to play a key role in connecting the countries of the region. Therefore, it is important for Afghan government as a member of regional economic convergence organization to focus on this particular goal to achieve the following objectives:

- ◆ The membership in such organizations will increase domestic products of country, decrease the barriers in trade, identify potential markets and will create a demanding market for goods and services.
- ◆ With the consideration of strategic location of Afghanistan as a connection point for Middle East and South Asia, through the railways, this country can connect the ports and border points to increase the business growth to optimum level.
- ◆ Through the ports and border points, the opportunity will increase to extract the mines, increase investment in mining sector, natural resources of country which causes the aggregate increase in gross domestic products.
- ◆ To coordinate the transfer of power energy through cross border connections.
- ◆ Support the SMEs to support the new born economic development players in the country.
- ◆ A ground for domestic production and decreases the total price of the goods and services produced inside the country which becomes applicable through the regional economic convergence organizations.

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