



AFGHANISTAN

VIRGIN MARKET

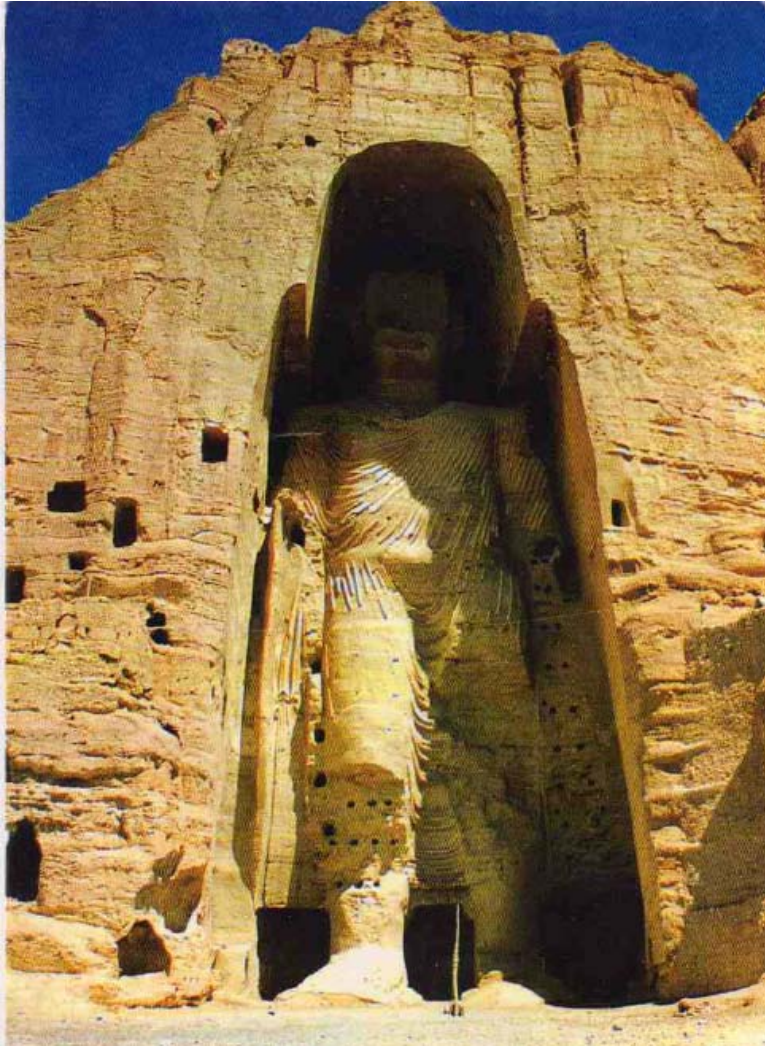
OPPORTUNITIES

Embassy of Islamic Republic of Afghanistan

Commercial attaché office

Seoul, Korea

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< The Large Buddha, Bamiyan, Afghanistan (55m) >

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Afghanistan Strategic Importance



1-1. INTRODUCTION

- 1) **Area** : 652,000 sq km
- 2) **Population** : 32 Million (2007 est)
- 3) **Capital City** : Kabul (Population 4.1 Million)
- 4) **Location** : Southern Asia, north and west of Pakistan and east of Iran
- 5) **GDP** : PPP \$ 31.9 billion (2006 est)
- 6) **Currency** : Afghani (AFN)
- 7) **Exchange rate** : \$US 1 = 49 AFN
- 8) **Industries**: Small-scale production of textile, soap, furniture, shoes, fertilizer, cement, carpets natural gas, petroleum, coal, copper and marble
- 10) **Literacy**: 28.1%
- 11) **Airports**: 46 (2007)
- 12) **Banks** : 14 Commercial banks



< Handy craft shop >

1-2. INTRODUCTION

- **Trade organizations**

SARRC , ECO NEGOTIATING WTO ACCESSION

- **Labor**

- Force : 15 million (2004)

- Force by occupation : agriculture 80%, industry 10%, Services 10%

- Unemployment : 40% (2005)

- **Export**

- USD 500 million (2007)

- Goods : wheat, fruits and nuts, hand-woven carpets, wool, cotton, hides and pelts ,precious and semi-precious stones and marbles

- Main countries : US 25.3%, Pakistan 20.9%, India 20.8%, Finland 4% (2005)

- **Import**

- USD 5 billion (2007)

- Goods : capital goods, food, textiles and petroleum products, most consumer goods

- Main countries : Pakistan 23.9%, US 11.8%, Germany 6.8%, India 6.5% (2005)

2-1. WHY INVEST IN AFGHANISTAN

- 1) Afghanistan is a fast growing emerging market of strategic importance close to some of the largest and fastest-growing markets in the world such as India, China and Pakistan

located between the energy-rich republics of Central Asia and the major seaports in South Asia providing a key transit route for central Asian oil and gas to markets in South Asia.

- 2) Afghanistan offers a pro-business minded environment with legislation favorable to private investments

The Government have focused intensely on removing obstacles to private sector development.

- 3) Afghanistan is rich in natural resources



There are currently more than 1,400 identified mineral deposits. These include energy minerals such as oil, gas and coal as well as iron and copper deposits of world quality. Furthermore known precious and semi-precious stones in Afghanistan include emerald, jade, amethyst, alabaster, beryl, lapis lazuli, tourmaline, ruby, quartz, and sapphire.

- * **New Kabul University Girl's dormitory building which is constructed by foreign private construction company**



2-2. PRIORITY SECTORS

1) Agriculture and agriculture-related industries

- There are approximately one million farms in Afghanistan and more than 2,000 wholesalers for horticulture products.
- Processing is another great investment opportunity. It is estimated that the processed fruits and vegetables market amounts to around 1.4 to 2.5 billion Afghani (US \$28-60 million)
- Domestic production of machinery related to the agro-business and agro-processing industries is a lucrative opportunity for investors given that current equipment in Afghanistan is currently imported from abroad



2) Low-end (labor-intensive) manufacturing

- Afghanistan is keen on establishing a low-cost, labor-intensive manufacturing sector which absorbs the many unemployed Afghans.



3) Telecommunication

- Data processing, basic business-processing operations information and communication technology (ICT), data transfer, process control and perhaps call centers. These areas are attractive as they do not depend on the overall infrastructure of Afghanistan such as airports and roads but investors can bring and rely on their own infrastructure such as satellite communication equipment etc.



2-2. PRIORITY SECTORS

4) Transport and Logistics

- The improvement of its transport infrastructure supports Afghanistan's trade nexus, both in country and across its borders.

5) Construction and Construction materials

- The rapid reconstruction of Afghanistan is visible in whole country .Afghanistan is one of the world largest building site , Marble, sand, gravel clay lime stone gypsum and other raw construction material are largely found in Afghanistan

6) Mining, power and water

- The mining and energy sector are crucial to the reconstruction and rehabilitation and Opportunities of these sectors are largely dominated by government tenders



< Private Afghan Airline (Kam Air) >



< One of ancient ruined palaces in Kabul >

2-2. PRIORITY SECTORS

7) Privatization projects (priority sectors)

There are opportunities of investment in state-owned enterprises overall.

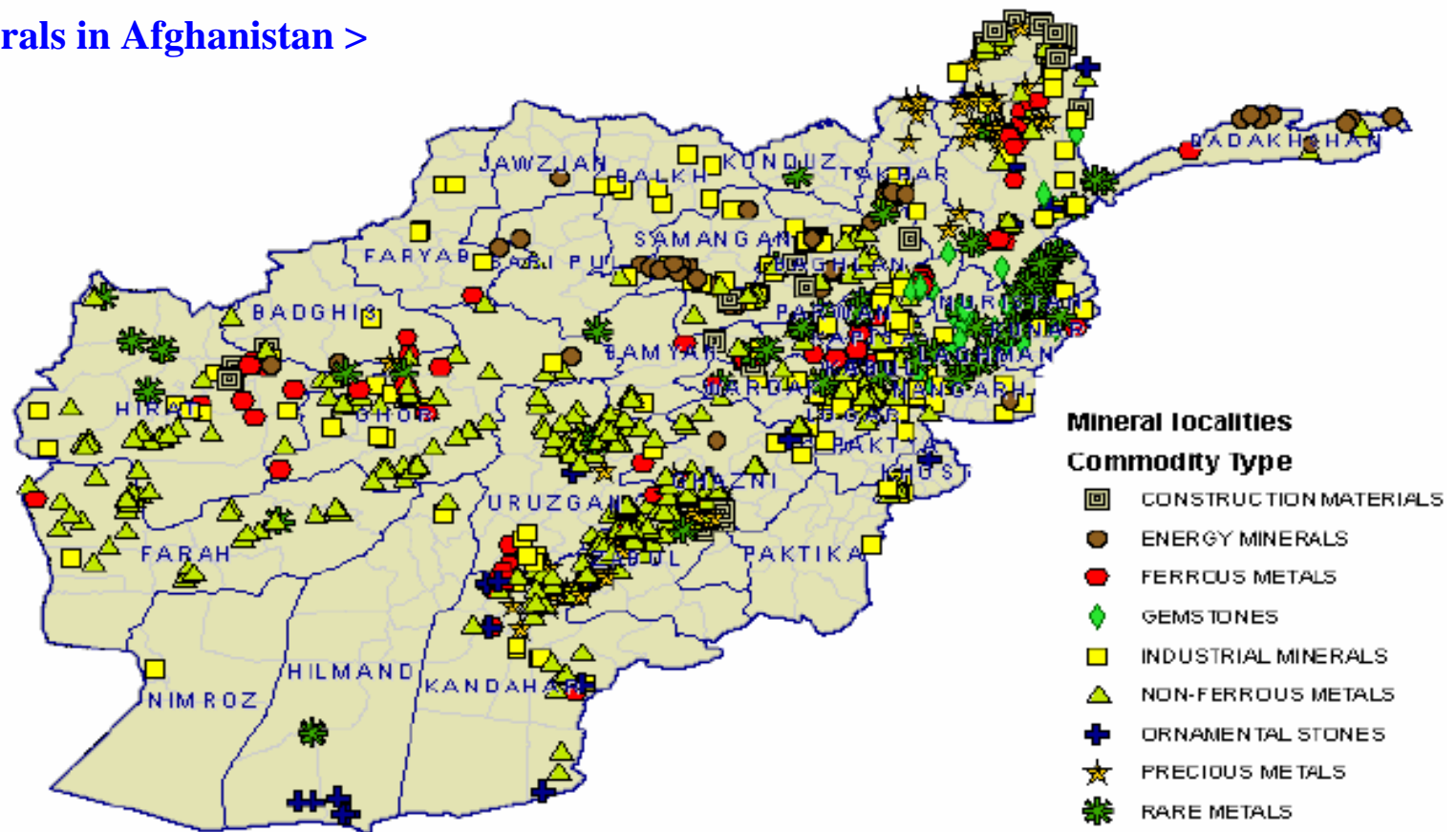
Following are some examples in construction field only **Banayee Construction** : This company served the government of Afghanistan construction needs and owns two brick factories, not currently operational **Metal components** : This factory is involving of production of hydro-technical equipments for water supply and irrigation



3-1. NATURAL RESOURCES & MINERALS

Currently more than 1,400 mineral deposits have been identified including energy minerals such as oil, gas and coal other metallic and non precious minerals such as lead, cement-grade limestone, gemstones, copper, iron, gold and industrial mineral. Especially iron and copper deposits are of world class quality.

< Minerals in Afghanistan >



3-2. NATURAL RESOURCES & MINERALS

1) Natural gas and Oil :

- Afghanistan's total oil reserves at 88 million barrels and natural gas reserves at 5 trillion cubic feet
- Mostly located in northern part of the country which is calm and safe for exploration and investment
- The Afghan-Tajik basin was found to have around 1.6 billion barrels of oil and 15.7 trillion cubic feet of natural gas has been discovered in the Amu Darya basins

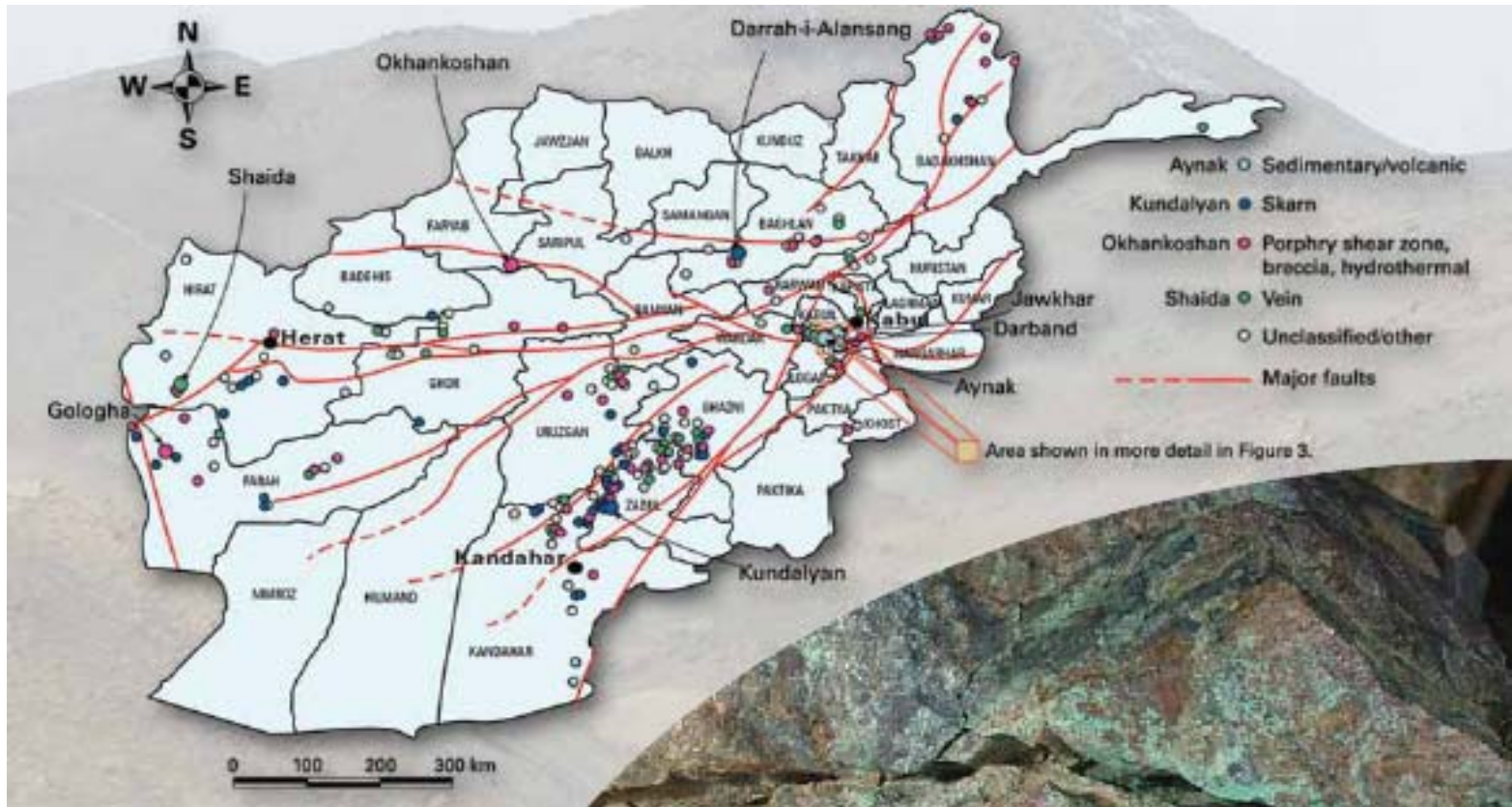


2) Iron Ore :

Major deposits located between 'Herat' and panjsher valley. Hajigak in Bamyan province is the largest reserve in the middle east. High grade iron are contained 110 million tons. Hajigak area is estimated resource of 1.8 billion tons at approximately 62% Fe.

3-3. NATURAL RESOURCES & MINERALS

3) Copper : Around 300 known deposits in the country. Jawkhar, Darband and Aynak are the major reserves areas. Especially Aynak copper has declared the reserve of 240 million tons of superior quality. Exporting to China and India.



4) Coal : Located in the north of the country between 'Herat' and Badakhshan an reserved nearly 70 million tons. Currently produces around 120,000 ~140,000 metric tons of coal annually.



Some interesting information about natural resources of Afghanistan

- * The United State General Survey (USGS) is carrying nationwide survey of mineral wealth and Oil And Gas deposits that is expected to be completed in a year.
- * The USGS estimates there are about 700 billion cubic meters of gas and 300 million tones of oil across only several northern provinces.
- * Studies of only 10 percent of the country have discovered abundant deposits of copper, Iron, zinc, lead, gold, silver, gems, salt, marbles and coal
- * A Soviet Survey estimated that in Haji Gak 90 km west of Kabul there is more than two billion tones of iron ore reserves one of largest iron deposit in middle east, that Afghanistan government is to deliver it private sector for exploration processes.

4. CONSTRUCTION ACTIVITIES

Afghanistan is rich in natural resources that provide an excellent base for the production of construction materials like cement, bricks, sand, gravel, aggregate, cement blocks, wood, doors and windows, glass, marble, tiles, natural stone and other construction goods. Afghanistan's recovery and the construction materials industry is expanding rapidly.

⇒ Types of construction activities

- Major military-related projects
- Government reconstruction projects
(Roads, power and water infrastructure, irrigation systems etc)
- Large scale private and business construction fuelled by business opportunities
- Small scale development of retail and residential construction
- Housing projects (Commercial and private)

A minimum of USD 13.9 billion will be invested in a first phase up to the year 2010.

5-1. AGRICULTURE (Introduction)

1) The Market Potential

Opportunities abound in agro-business and agro-processing and Afghanistan benefits from a number of comparative advantages that include a low labor cost, good surface water availability, a diverse range of produce, and an excellent reputation for good tasting and organic fruits and vegetables. Over 600,000 farmers produce horticultural products in Afghanistan. Of these products, only five (5) fruits and vegetables represent 90% of the area cultivated, which indicates a need for crop diversification.

2) Processing

It is estimated that the processed fruits and vegetables market amounts around 1.4 to 2.5 billion Afghani (US \$28-60 million). The market potential for processed agricultural products including snack foods, packaged biscuits, fruits concentrates, pickles and fresh fruit jams is enormous.

3) Machinery

Agricultural and processing equipment in Afghanistan is currently imported from abroad, or from the Soviet era. Demand for new machinery, such as grain cleaning and sieving equipment for flour, and tractor trolleys and plows, will continue to grow and be vital to the production of agricultural goods.

5-2. AGRICULTURE (Representing food)

- 1) **POMEGRANATE** : The Afghan pomegranate is prized for its excellent quality and health benefits. Afghanistan was historically the leading producer of pomegranates and is host to numerous varieties.
- 2) **PISTACHIO** : The majority of pistachio farm laborers in Iran are Afghans, which can contribute to domestic technical knowledge, and there is a strong interest in partnership with the Afghan private sector. The potential for pistachio production in Afghanistan is enormous, with world demand increasing faster than current production supply.
- 3) **DRIED FRUITS AND NUTS** : Afghanistan's climate is ideal for drying fruits and there is a strong variety potential, specifically for raisins. Dried fruits from Afghanistan are exported to overseas



6. HANDMADE CARPET

Afghanistan is famous for its quality carpets in the world, Afghan producers are market followers, vulnerable to shifts in trends with limited ability to effectively respond. Most producers work on a consignment basis fulfilling orders that specify size, pattern and colors required. The majority of Afghan production is located in the north, where a combination of traditional and newer Chob Rang carpets are woven.



< Afghan carpet in International Fairs got first Position 2008 >

★ In January 2008 Afghan Hand made carpet got first position in the Germany in international competitions

★ Afghan's handmade carpet is different from machinery carpets. It can't compete on cost or certain elements quality ⇒



Example of machine-made oriental carpet



Example of handmade oriental carpet

Afghans since centuries are famous for its handy crafts such as carpets, kilims, pottery, leatherworks metalwork's, ceramics textile and embroidered traditional dresses



IPOD/B. Card Holders



Tea Cozies



Table Mat & Place Mat



Table Runners



Curtain & Cushion covers

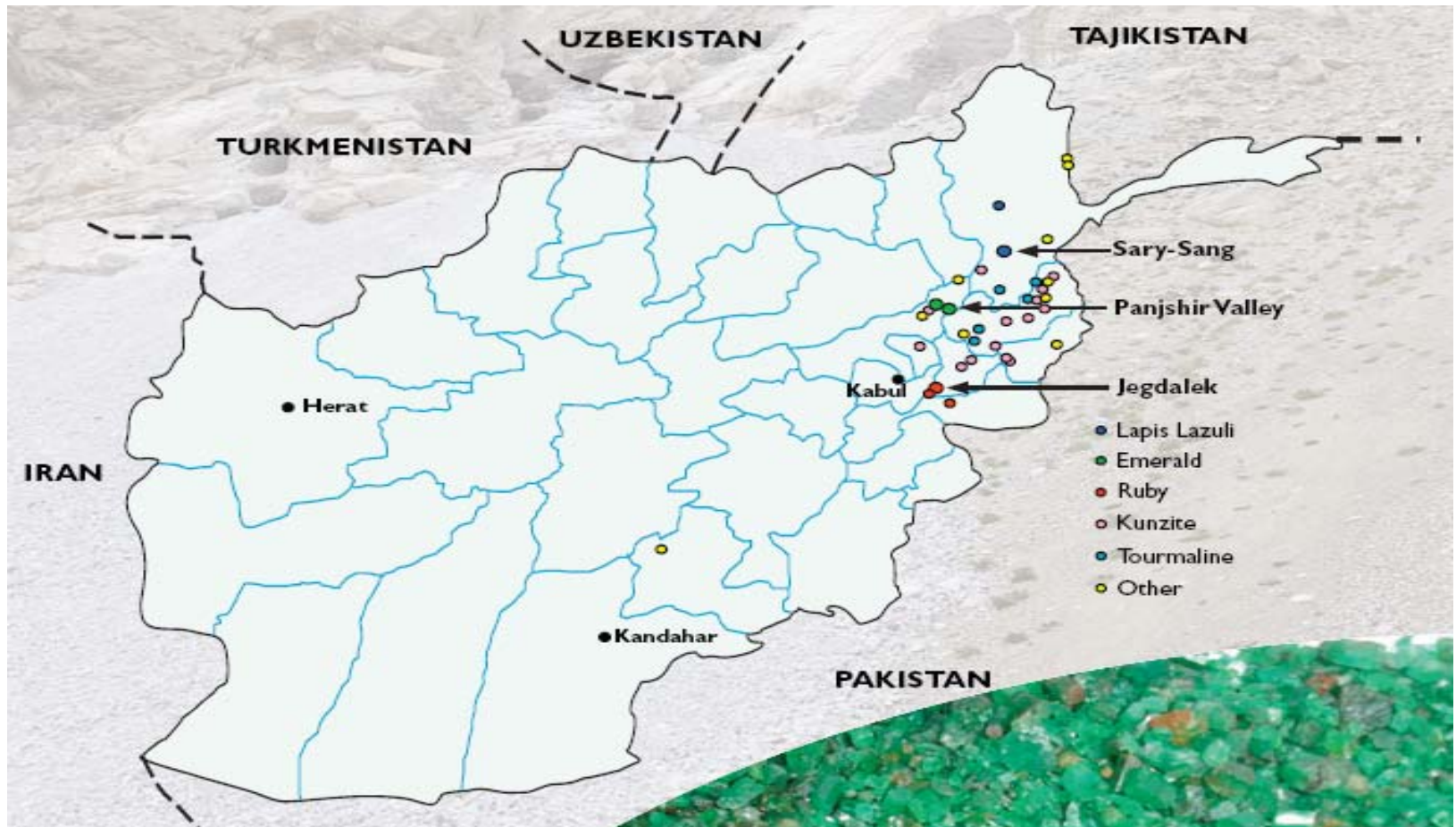


Coasters

From BOUMI COMPANY
www.boumi.com

7-1. GEMSTONES

Afghanistan is a country very rich in gemstones but at the bottom of the value chain. With the new development of value added cutting and polishing centers (**good investment field**) and Kabul gradually emerging as a centre for gem trade, Afghanistan now has the potential to develop further a major internationally recognized gemstone industry.



7-2. GEMSTONES

- 1) **Gold :** Major Deposits are located in the northern provinces of Ghazni, Badakshan and Takhar. The best known areas are Zarkashan and Samty deposits and there are 20 to 25 tons gold. High unit price and a relatively low capital cost for development.

- 2) **Precious and semi-precious stone :** Emeralds, Rubies, Tourmaline, Lapis lazuli, Kunzite, Aquamarines
 - **Emeralds :** Panjsher valley's emeralds are the best known and the quality is comparable to the finest emerald mines in the South America. The Current annual production is estimated to be more than US \$9~12 million
 - **Ruby :** Jalalabad is displayed a vivid range of red hues. Excellent quality and match those from the very best resource of rubies in the world.
 - **Lapis lazuli :** Badakhshan in the north of the country is still regarded as the world's premier source in terms of quantity and quality. Production is estimated 9,000 kg per year and reserved is 1,300 tons.



8. MARBLES

High quality, 35 types of marble in Afghanistan.

There is no equipment in the country that can cut polish also to international standards and outdated processing methods and machinery leads to a high degree of wastage.



**Hazare Baghal,
Kabul**



**Chesht-i-sharif marbel,
Herat**



**Qalatak marbel,
Parwan**



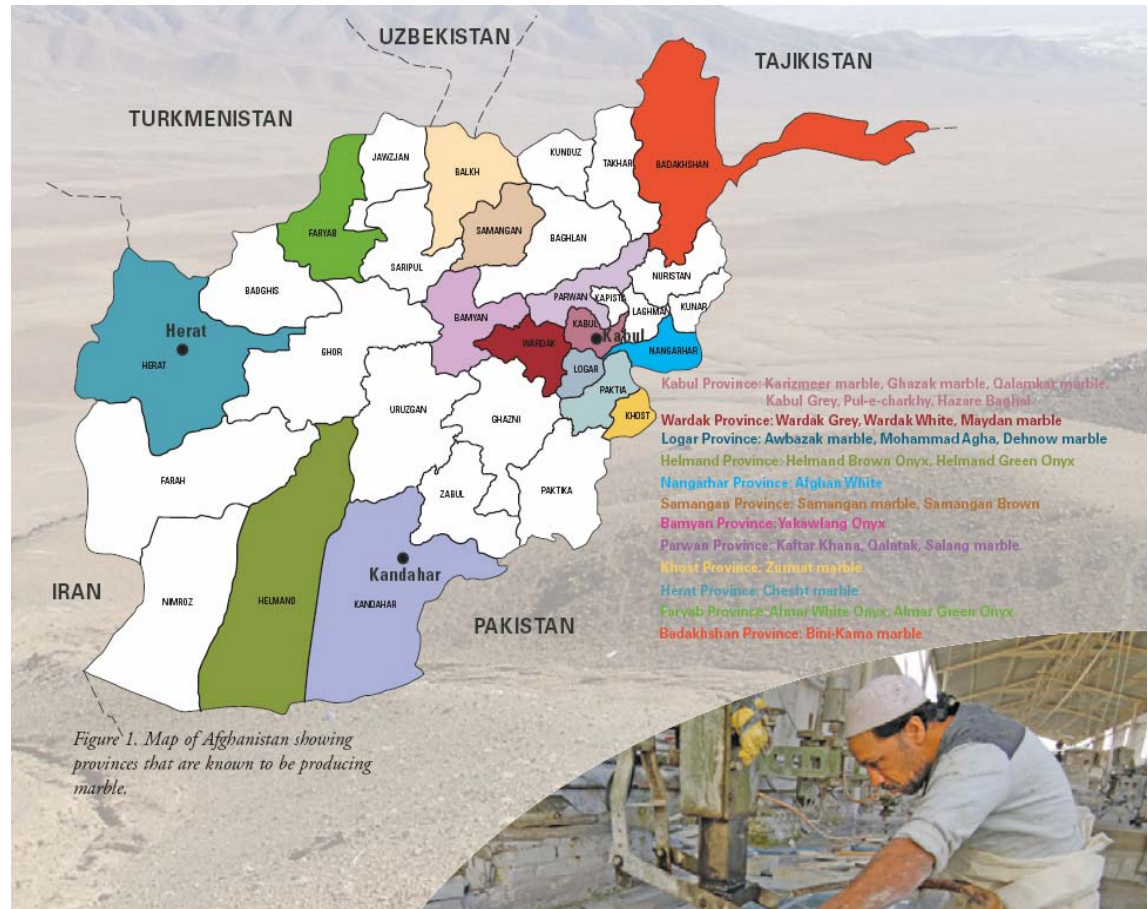
**Helmand Green Onyx,
Helmand**



**Mohammad Agha,
Logar**



**Awbazak marble,
Logar**



Some samples of gems of Afghanistan famous world wide

Lapis
\$29000



Aquamarine \$ 101400,0



Gold/ Tourmaline \$2800



Emerald \$5865,00



Tourmaline \$29000,00



Ruby \$9800,00

Afghanistan gems samples



Lapis \$ 210



Crystal \$ 4,400



Tourmaline \$34,875



Lapis statue \$28,000

The history of gems in Afghanistan comes from 6500 years ago. The new mining law has been passed and regulations are being developed to provide the framework for more formal exploration and mining.

9. AFGHANISTAN LAWS

Investment laws exist to develop the country's industries, establish a competitive investment environment and discourage monopolies. The law provides a host of incentives to registered investments and sets into place systematic procedures by which local or foreign companies or business projects can easily register

- 1) **Banking law**
- 2) **Investment law**
- 3) **Hydrocarbons law**
- 4) **Income tax law**
- 5) **Insurance law**
- 6) **Minerals law**
- 7) **Customs law**
- 8) **Environment law**
- 9) **Other laws which can be find through related links
In this brochure**



< New commercial building in Kabul >

10. BUSINESS CIRCUMSTANCE

Around 20 new development of new industrial parks are being set up in three phases at different locations. These areas have clean land title, reliable electrical power supply, 24 hours security, paved roads, central water and sewage system.

1) First Phase

- Bagrami Industry Park : 7 km east of central Kabul (34 lots)
- Mazar-e-Sharif Industry Park : 7 km north of downtown (48 lots)
- Kandahar Industry Park : 10 km east of the city

2) Second Phase

- Kamari Industry Park : Near Kabul (140 lots)
- Hisar-e-Shahi Industry Park : 22 km southeast of Jalaabad city (180 lots)

★ **Afghanistan today is the land of countless business and investment opportunities**



< Mazare Sharif Industrial park (north of Afghanistan) >

11. GOVERNMENT POLICIES

The high commission on investment which is composed of cabinet and high officials of government under chairmanship of commerce Minister is the Afghanistan government focal point for policy –making on investment and highest administrative authority to support and protect private investments enterprises under afghan constitution article (10), which based on market economy regulations.

< The current legislative framework >

- Allows for 100% foreign ownership
- Full transferability of profits outside the country
- International dispute resolution mechanism
- Streamlined investment licensing procedures



< Afghan- US Commerce ministers signing trade Agreement >

< Advantage of the foreign corporations in Afghanistan >

- Do not have to compete with subsidized state- owned businesses
- Utilizing of all rights of an market economy business circumstance
- Since Afghanistan is newly began to its rehabilitating and reconstruction So, more Encouragement for receiving FDI and it related affairs, Sincere and open atmosphere is enjoyable for investments

12. USEFUL LINKS

We are inviting you to see the following sites for further interesting information

- Ministry of Commerce and industry (MOC) <http://www.commerce.gov.af>
- Ministry of foreign affairs (MOFA) <http://www.mfa.gov.af>
- Afghanistan Investment Support Agency (AISA) <http://www.aisa.org.af/>
- Export Promotion Agency of Afghanistan (EPAA) <http://www.epaa.org.af>
- Ministry of Mines (MOM) <http://www.mom.gov.af/>
- Afghanistan Embassy in Seoul <http://www.afghanistanembassy.or.kr>

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