

Policy Solutions for Economic Growth in a Developing Country

First of its kind, comprehensive and illuminating insight into Afghanistan with concrete recommendations on how the country can thrive and help itself reform its trade and trade relations with the world.

—*Dr Ahmad Khalid Hatam,*
**Chancellor, Kardan University,
Kabul, Afghanistan**

Immersing myself in the pages of this book, I journeyed through the world of Afghanistan's global trade, concluding with enriched insights essential for academics and policymakers.

—*Dr Behnaz Saboori,*
**Assistant Professor,
College of Agricultural and Marine Sciences,
Sultan Qaboos University, Muscat, Oman**

I highly recommend this book for its in-depth exploration of Afghanistan's international trade journey, especially post-2001. It provides valuable insights for policymakers and scholars, offering innovative trade proposals and insights into Afghanistan's global trade role. Essential for understanding Afghanistan's trade potential.

—*Dr Lyla Abdul Latif,*
**Chair and Research Lead, Committee on Fiscal Studies,
University of Nairobi**

This book provides a timely and profoundly insightful exploration into a fundamental question that has bedevilled economic policy planning for decades – how should developing countries achieve economic growth? Straddling the topics of international trade, globalisation, economic development, state policy planning and private sector development, Wani diagnoses the impediments to export-oriented growth and proposes ambitious recommendations that may serve as correctives. His focus on Afghanistan provides a rich site for exploring these challenges. Using extensive quantitative analysis alongside well-established theoretical models, Wani positions Afghanistan vis-à-vis its regional neighbours as well as concerning ASEAN and SAARC nations and the European Union, thereby evincing opportunities for enhanced international trade. While optimistic, he also raises the trade-offs of different policy choices. The book draws on Wani's decade of scholarly engagement with Afghanistan's economy, ultimately succeeding in providing lessons on economic growth that may be applied to much of the developing world.

—*Dr Nafay Choudhury,*
London School of Economics and Political Science

Policy Solutions for Economic Growth in a Developing Country: Perspectives on Afghanistan's Trade and Development

BY

NASSIR UL HAQ WANI

Kardan University, Afghanistan



United Kingdom – North America – Japan – India – Malaysia – China

Emerald Publishing Limited
Emerald Publishing, Floor 5, Northspring, 21-23 Wellington Street, Leeds LS1 4DL

First edition 2024

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British Library Cataloguing in Publication Data

A catalogue record for this book is available from the British Library.

ISBN: 978-1-83753-431-9 (Print)

ISBN: 978-1-83753-430-2 (Online)

ISBN: 978-1-83753-432-6 (Epub)



INVESTOR IN PEOPLE

Dedicated to ...

The Humble People of Afghanistan

&

My Beloved Parents (Gh. Mohi Ud Din Wani and Sara Parveen)

My Wife (Amina Hamid)

Our Daughter (Ummat-Un- Nafiyah) and Son (Ahmad Ehaan Wani).

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List of Abbreviations

ADF	Augmented Dickey–Fuller
AFTA	ASEAN Free Trade Area
APPTA	Afghanistan Pakistan Preferential Trade Agreement
APTTA	Afghanistan–Pakistan Transit and Trade Agreement
ARDL	Auto Regressive Distributed Lag
ASEAN	Association of South East Asian Nations
ATP	Afghanistan Trade Policy
BFTAs	Bilateral Free Trade Agreements
BIMSTEC	Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
BOP	Balance of Payments
BTA	Bilateral Trade Agreement
BSA	Bilateral Security Agreement
CAB	Current Account Balance
CAD	Current Account Deficit
CAR	Central Asia Region
CES	Constant Elasticity of Substitution
CCE	Commodity Composition Effect
CIF	Cost Insurance and Freight
CL	Civil Liberties
CMS	Constant-Market-Share
COR	Changes in Official Reserves
CSE	Commodity Structure Effect
DAB	Da Afghanistan Bank
ECA	Europe and Central Asia
ED	Export Survival
ES	Export Sophistication
ESCAP	Economic and Social Commission for Asia and the Pacific

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EU	European Union
FMOLS	Fully Modified Ordinary Least Square
FOB	Free on Board
GATT	General Agreement on Trade and Tariffs
GDP	Gross Domestic Product
GFI	Global Financial Integrity
HHI	Herfindahl–Hirschman Product Concentration Index
HOS	Heckscher–Ohlin–Samuelson
HS	Harmonised Standards
IARTII	Intra-Regional Trade Intensity Index
IERTII	Inter-Regional Trade Intensity Index
IMF	International Monetary Fund
IRTS	Intra-Regional Trade Share
LF	Lafay Index
MDE	Market Distribution Effect
MENA	Middle East Nations
MFN	Most Favoured Nation
MNNA	Major Non-NATO Ally
NAC	Net Acquisition of Non-Bank Private Short-Term Capital
NAFA	Net Acquisition of Foreign Assets
NAFTA	North America Free Trade Agreement
NFDI	Net Foreign Direct Investment
NTBs	Non-Tariff Barriers
NTMs	Non-Tariff Measures
ODA	Official Development Assistance
PTA	Preferential Trade Arrangement
RCA	Revealed Comparative Advantage
RCF	Reverse Capital Flow
RDE	Residual Competitiveness Effect
REER	Real Effective Exchange Rate
RTA	Regional Trading Agreements
SA	South Asia
SAARC	South Asian Association for Regional Cooperation

SAE	Structural Adaptation Effect
SAFTA	South Asian Free Trade Agreement
SAPTA	South Asia Preferential Trade Agreement
SBC	Schwarz Bayesian Criterion
SIGAR	Special Inspector General for Afghanistan Reconstruction
SITC	Standard International Trading Classification
SPS	Sanitary and Phytosanitary
TBT	Technical Barriers to Trade
TC	Trade Costs
TCI	Trade Complementarity Index
TO	Trade Openness
TP	Tariff Preferential
TR	Tariff Rate
UN	United Nations
UNCLOS	United Nations Conventions of Law of Sea
UNCTAD	United Nations Conference on Trade and Development
WEF	World Economic Forum
WITS	World Integrated Trade Solution
WTO	World Trade Organization

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About the Author

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Preface

This book combines my writings on international trade and development at Kardan University (KU) since joining KU in 2017. All the papers aim to develop concepts and ideas concerning trade and development in Afghanistan. This book provides a longitudinal study of Afghanistan's involvement in multilateral trade negotiations, highlights the policy propositions for enhancing and expediting trade ties with the region and other trading partners and presents policy discourse on key elements akin to trade escalation and growth.

This book offers a detailed analysis and explores the possibility that economic globalisation may finally deliver to developing countries what they had failed to achieve in five decades of multilateral negotiations – an opportunity to climb the industrialisation ladder and achieve development. The book offers a proposal for revising the format of trade negotiations in a way that helps overcome stalemates and deadlocks. Perspectives on trade and development will interest students and scholars of international trade, trade and development, negotiation, global governance, political economy, international relations and economics.

The volume thus addresses several issues and challenges fairly novel to the Afghanistan economy in general and the trade sector in particular. This book will be most suitable for applied courses on international trade and development for graduate and undergraduate students and for policy and decision-makers in the government.

I benefitted from a personal association with Dr Ahmad Khalid Hatam (Chancellor and Professor) at KU. It is hoped his influence on my work will have prevented detection. I benefited greatly from other faculty members at many presentations, conferences and workshops at KU and abroad. A special thanks to Dr Jasdeep Kaur Dhami (Professor and Dean R&D, CT University, Punjab, India), Dr Nafay Choudhary (British Academy Postdoctoral Research Fellow at the Centre for Socio-Legal Studies [CSLS], University of Oxford), Dr Amruta Deshpande (Assistant Professor, Indira School of Business Studies PGDM, Maharashtra, India) and Dr Suhailah Akbari (Postdoctoral Researcher at Humboldt Universität zu Berlin), for motivating and helping me with the research materials and offering conducive feedbacks whenever needed.

Mr Mirwais Rasa, Mr Muhammad Elyas Naseri and Mr Sadiq Zazai helped finalise the manuscript. For permission to reprint material from which material has been adapted, I am happy to acknowledge the *South Asian Economic Journal*, *Kardan Journal of Economics and Management Sciences* and *Kardan Journal of Social Sciences and Humanities*.

Dr Nassir Ul Haq Wani

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Acknowledgement

Ahlanidulillaahi Robbil'Alamiin. All praise would only be bestowed to Allah *subhanahu wa ta'ala*, because only with His blessing finally this book could be finished. In this connection, I would like to express my gratitude to a number of people whose admission, permission and assistance contributed to a great deal of the process of finishing this book.

I BLAME ALL OF YOU. Writing this book has been an exercise in sustained suffering along with great learning, and finally, that learning outweighs the suffering. The casual reader may perhaps exempt themselves from excessive guilt, but for those of you who have played the larger role in prolonging my agonies with your encouragement and support as well. . .you know who you are, and you owe me but anyway. . .

All praises and thanks to Almighty Allah who bestowed me with the potential, ability and opportunity to work on this book. It is a matter of great pleasure to express my cordial gratitude to KU's top leadership including Mr Roen Rahmani and Ms. Meena Rahmani for the support and encouragement that they have given throughout this research work. The support extended by them throughout the course of writing this book is beyond words.

I express my gratitude to Dr Ahmad Khalid Hatam (*Chancellor, KU*), Dr Jasdeep Kaur Dhani (*Professor and Dean R&D, CT University, Punjab, India*), Dr Nafay Choudhary (*British Academy Postdoctoral Research Fellow at the Centre for Socio-Legal Studies [CSLS], University of Oxford*), Dr Amruta Deshpande (*Assistant Professor, Indira School of Business Studies PGDM, Maharashtra, India*), Dr Suhailah Akbari (Postdoctoral Researcher at Humboldt Universität zu Berlin), the team of DRD (Mr Muhammad Elyas Naseri, Mr Sadiq Zazai and Mr Mirwais Rasa) of KU and Senior Research Fellows (Dr Inam Ul Haq, Dr Imran Ibn Gani and Dr Sheeraz Ahmad Sofi) at Kashmir Research Information System (KRIS) for their kind support, encouragement and motivation. During the initial stages of book assembly, discussions with them influenced the structure and content of the publication. Their contributions transcend the realm of the book chapters. I express my gratitude for their time, intellect and assistance; however, their passion is what I value the most. I am also thankful to staff members of the library and all other teaching and non-teaching staff of KU for their kind care and cooperation.

Thank you to Dr Daniel Ridge, the Commissioning editor, at Emerald Publishing for guiding and providing kind feedback always. Hemavathi Rajendran

and Lydia Cutmore of Emerald Publishing were consistently encouraging and forbearing in light of the delays caused by relocations, new employment and other stuff. Additionally, I appreciate Sangeeta Menon's introduction of Dr Daniel Ridge. You are an extraordinary connector.

I would like to express my gratitude to every academic with whom I have collaborated throughout the years and who have imparted invaluable knowledge. There are times when the bureaucracy – forms, deadlines, evaluations and spreadsheets – becomes overwhelming. Simply hearing about how someone's research is assisting in the transformation of circumstances for communities, industries and individuals across the globe, particularly in Afghanistan, is sufficient to remind me why I adore my profession.

Finally, I respectfully offer thanks to my beloved parents (Gh. Mohi Ud Din Wani and Sarah Parveen), for their love, mellifluous affection and sincerity which hearten me to achieve success in every sphere of my life. I am highly indebted to my wife Aamina Hamid for her frequent help, care and encouragement during the course of writing this book. A big thank you to my daughter (Ummatun Nafiyah) and son (Ahamd Ehaan Wani) for making my work easier, by having a cute smile always on their faces. That cute smile is like an energy booster always.

I also pay thanks to my beloved brothers, the most beloved sister and brother-in-law (Khursheed Ahmad Wani, Tanveer Ahmad Wani, Massarat Jan and Shahnawaz Ahmad Zarger) regarding their love, moral support and constant encouragement. Without their encouragement and support, the present study would have been a mere dream.