



International
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SPEECH BY
ITC EXECUTIVE DIRECTOR

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CONFERENCE ON AFGANISTAN RECCA VII

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Good morning ladies and gentlemen,

I would like to congratulate Turkmenistan on hosting the seventh edition of the Regional Economic Cooperation Conference on Afghanistan, an important opportunity for regional governments and international partners to show their support to Afghanistan.

This is my first visit to Ashgabat but from the little I have seen I can already tell you it will not be the last!

ITC is a friend of Afghanistan, whom we have accompanied in its accession to the WTO and whom we now support to benefit from WTO membership.

I will make **three points** on the issue of regional economic cooperation and regional connectivity.

First, for the RECCA initiative to yield the most benefits for shared prosperity in Afghanistan and the region more broadly, it requires economic integration on a scale that is deeper than what has been advanced to date.

Regional trade is not an option for Afghanistan, it is a necessity. This is especially true for the micro-, small, and medium-sized enterprises that account for the bulk of its economy and the vast majority of all jobs. And the same is true for all countries in this region, including Turkmenistan.

Findings from ITC's flagship research publication, the SME Competitiveness Outlook underscore the importance of regional trade to inclusive growth:

- One, regional trade matters for MSMEs, because they typically look nearby for their first cross-border operations.
- Two, regional value chains are easier to access than global ones.
- Three, deep regional trade frameworks combining trade and investment stimulate value chain activity. They are also associated with increased competitiveness for MSMEs, which makes growth more inclusive.

This brings me to my second point. Economic connectivity is not just about building physical infrastructure like roads and railways. It is also about developing soft infrastructure: policies and institutions that facilitate trade across the region.

Some of the most pressing challenges to Afghanistan's trade come from on-tariff measures. For example, Afghan agricultural exports often struggle to meet health and safety standards in regional markets. In addition, they frequently suffer from border delays due to inefficient or inadequate inspection regimes and facilities.

But tariffs are a problem too: top exports like cotton, fruit, vegetables and carpets face tariffs between 20% and 80% in some of Afghanistan's neighbours.

And trade facilitation is another big issue. The cost to export is over 44% higher for Afghan companies than the average for their LDC and SAARC counterparts. The time to export is 60% higher.

A lack of hard infrastructure does slow down the movement of goods between Afghanistan and its neighbours. But time-consuming, costly, or burdensome border procedures, inadequate regulations, and a lack of knowledge on the part of traders, are at least as responsible for the delays.

Hard infrastructure is therefore a necessary but not a sufficient condition for regional trade. It needs to be complemented with policy and institutional reforms and capacity building to yield the biggest reductions in transportation and transit costs.

My third point is that governments alone cannot mobilize regional integration. To be effective, regional integration needs to have a “business logic,” one that also reflects the needs of MSMEs.

Private sector engagement is critical to making regional integration an effective catalyst for increased trade, growth, and development.

Accelerating RECCA initiatives requires greater private sector involvement and more public-private stakeholder consultation mechanisms that give voice to the practical needs and concerns of businesses of all sizes.

It is businesses that make trade a reality. Their input is essential to find solutions to boost trade flows across the region.

ITC’s support is perfectly aligned with the objectives of RECCA.

Through the EU-funded initiative “Advancing Afghan Trade”, we are supporting SMEs to overcome the plethora of challenges that make it difficult, if not impossible, for them to reach markets in the region and beyond.

We are supporting government institutions strengthen their capacity to formulate and implement trade strategies and policies and to facilitate the smooth cross-border movement of goods. As I said earlier, many Afghan businesses struggle with international health and safety standards, which is why we are working to enhance product quality and the local infrastructure for compliance certification.

Finally, we are helping equip Afghan businesses to better seize the opportunities stemming from accession to the WTO.

While only one year into implementation, the project has already **made an important contribution to policy and regulatory coherence**. It has produced a National Export Strategy identifying actions needed to develop export sectors with high growth and employment potential. It has also helped formulate a National Trade Policy to enhance the country’s export competitiveness.

It has helped build institutional capacity through partnerships including between the Afghan Ministry of Commerce and Industry and the Centre for WTO Studies in New Delhi.

Finally, the project is supporting Afghanistan in implementing the WTO Trade Facilitation Agreement.

Key to this initiative is a continuous and regular public private dialogue to forge consensus on how to shape policy and enhance trade. Women entrepreneurs and women-led business associations as well as young entrepreneurs have played an important role in the project's consultative processes, since their success will be central to the country's economic future.

ITC remains committed to continuing its support for Afghanistan. We are also convinced that what works for Afghanistan can also work for its neighbours; this is why we are expanding our support to countries in this region, from Azerbaijan to Tajikistan, from Pakistan to Kyrgyzstan. This is also what I would hope to advance working with Turkmenistan. Please consider ITC as your friend in trade development for good impact.

Thank you for your attention.