National Air Corridor Plan Between Afghanistan and India

Office Of Economic Advisor
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EXECUTIVE SUMMARY

India is the second largest destination for Afghan exports. However, trade levels are inhibited by Pakistan, which frequently closes its borders with Afghanistan and does not allow Afghan traders to transit through their country to trade with India. One potential strategy for circumventing this constraint is by increasing trade levels through air routes.

This paper is intended to create an initial framework to evaluate this idea. **The framework for analysis consists of three main parts**: (1) what goods should we transport? (2) How should we transport such goods? and (3) how do we sell such goods within India?

Question	Summary
What goods do we transport by air?	Goods that have a high weight-to-air transport cost ratio. It doesn't make sense to transport coal by air, but it does make sense to transport by air high value products that have low weights (such as saffron)
How do we transport the goods?	We also evaluate our current air transport infrastructure (including airplanes and airports), and present options for the potential institutional arrangements to increase air freight traffic
How do we sell in India?	We identify potential linkages with the Indian wholesale and retail markets so the identified goods can be transported

The paper is structured as follows: we (1) first examine current trade levels between Afghanistan and India, (2) review key airline processes, (3) review existing airport and airline assets, (4) research the Indian grocery market, and (5) conclude with recommendations.

To move this from concept to implementation, we recommend: (1) that we identify a list of goods to transport via air for both export and imports in collaboration with ACCI and the Indian Chamber of Commerce, (2) that we sign a MOU between ACAA and the relevant body in India to expedite trade goods, (3) that mitigate the risks of owning aircraft by implementing a staged-approach as shown in the table below, and (3) that we identify the relevant Indian grocery chains in which to sell.

IMPLEMENTATION STRATEGY

Stage 1 *(1 -3 months)*	**GoIRA to sign a JV contract with an existing single freight forwarding company.** By doing so the government will coordinate all freight operations and facilitates a single point of contact for businessmen to transport their goods. *If successful, move to stage 2*
Stage 2 *(3 -6 months)*	**Government charters cargo flights for Ariana Airlines on a regular basis.** This will provide the government to provide confirmed and regular charter flights between New Delhi and Kabul. The negative aspect is the cost of buying or chartering cargo planes. *If successful, move to stage 3*
Stage 3	**A new state air cargo company is formed.** This will be less costly for the government as it will use the commercial airliner's cargo capacity but will make sure there is a coordination of operations both for air exports and import to and from New Delhi to Kabul

Note: Based on our conversation with the three businessmen, they prefer a government cargo company

We also recommend that a board and project owner be identified to manage this project. The board should consist of ACAA, MoT, MoCI, MoF, MoEc, and MAIL. The project owner will likely be a corporation formed under the MoT to take ownership of this process. We would need to conduct an open hiring process to hire the CEO. However, this would only need to be done at stage three of the implementation strategy, once the concept had been validated.

AIR FREIGHT KEY PROCESSES

Currently businessmen directly approach individual airlines for transporting their cargo to New Delhi. Airlines maintain offices both inside and outside airports and businessmen have to individually negotiate for price, schedule and cargo transportation.

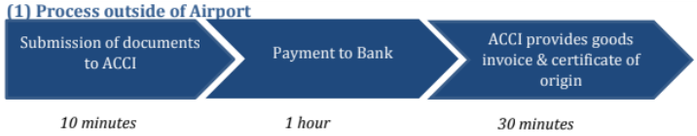
There are three primary challenges with the current process. These are (1) cost of transportation, (2) lack of commitment by passenger airlines in transporting goods and (3) unavailability of scheduled cargo flights to New Delhi and other cities which are potential markets for Afghan products in India.

CUSTOMS PROCESS

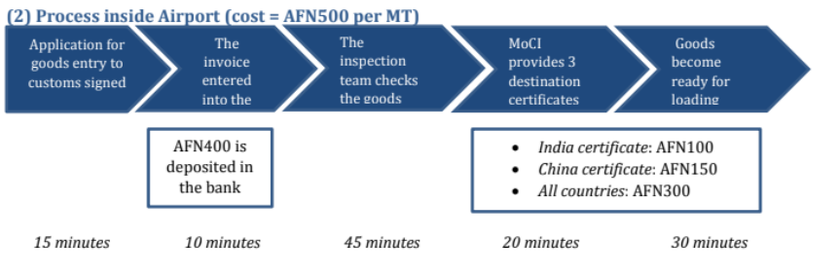
This section will evaluate the standard process for customs processing at Afghanistan's airports. This analysis is based on our visit and information of Kabul airport's customs area. However, this is almost similar for all other airports. According to customs officials, the process at the airport takes a maximum of 2 hours, while traders stated that it takes them typically 6 hours to finish export process inside the airport.

AIRPORT CUSTOMS PROCESS

(1) Process outside of Airport



(2) Process inside Airport (cost = AFN500 per MT)



Note: The process is now done inside airport only at Kabul airport. While for Kandahar airport it still remains outside airport

CHARGES PER FLIGHT

Domestic airlines charge on average of $0.65 per kg of cargo to Delhi. Currently, this price applies to the cargo carried in their passenger planes. The average capacity of cargo transferred to New Delhi in each flight is 8MTs. Herculues aviation manages the cargo operations of Kam air and Spice jet and charges somewhere between $0.70 per kg of cargo to Delhi in chartered flights with a capacity of 100 MTs. Based on our conversation with Deputy ambassador of India in Afghanistan the operational cost of a cargo flight between New Delhi and Kabul is $3,500 per flight, fuel only and there are airlines in India who are may transport cargo between the two cities for a price of $0.40 per kg.

TRADE BETWEEN INDIA AND AFGHANISTAN

India is one of the major export destinations of Afghanistan's goods. Bilateral trade between Afghanistan and India reached $355M in 2013-2014[1]: $198M imported to Afghanistan and $175M exported to India. Afghanistan and India signed a Preferential Trade Agreement in March 2013, under which India allowed substantial duty concessions, ranging from 50% to 100%, to certain categories (38 items) of Afghan dry fruits. Then in November 2011, India removed basic customs duties for all products of Afghanistan (except alcohol and tobacco) giving them duty free access to the Indian market[2]. As a result, the level of export to India increased,[3] with India now accounting as the second largest destination for Afghan exports.

The first table below provides the level of trade between Afghanistan and India. Given the low quality of data sources, we have gathered data from a number of sources, and then took the average of these data in the first numeric column.

BILATERAL TRADE WITH INDIA

	Average	OEC	WITS	Afghanistan Times	CSO	ACCI	Customs
Exports to India	175	242	--	102	160	188	170
Imports from India	198	438	160	136	108	130	124
TOTAL	**355**	**680**	**160**	**238**	**268**	**318**	**294**

** Note: All figures in USD millions*

AFGHAN EXPORTS TO INDIA

This section will first evaluate the current export basket to India, then discuss a list of products that we could potentially export. To begin, we evaluate the largest goods traded (by value) between India and Afghanistan. The table below illustrates the top-10 main goods exported to India during 2013-2014. The table lists the top exports, the value of the exports, the estimated

[1] *Using average values from various sources (see next page)*
[2] *http://eoi.gov.in/kabul/?0354?000*
[3] *CSO*

weight, the cost per ton, transportation costs as a percentage of the good cost, and the total Indian import for that good. Afghan mainly exports to India comprises of dry, fresh fruits and herbal medicines.

TOP 10 AFGHAN TOTAL EXPORTS TO INDIA

Exports to India	Value ($)	Volume (MTs)	Price per MT ($)	Road cost (% of value)	Air cost (% of value)	Total Import of good to India (MTs)	Afghanistan Production (MTs)
Asafetida	43,564,944	659.0	66,108	0.08%	**0.9%**	4,340.0	3,876.0
Raisin	35,156,824	10,507.5	3,346	1.50%	17.9%	15,123.0	61,808.8
Dried fig	23,893,061	4,154.0	5,752	0.90%	**10.4%**	9,230.0*	4,996.0
Pistachios	17,604,523	1,380.5	12,752	0.40%	**4.7%**	10,348.0	8,120.5
Almonds	14,227,237	1,670.0	8,519	0.60%	**7.0%**	102,417.0	24,246.0
Caraway	9,536,028	2,599.0	3,669	1.40%	16.4%	8,491.0**	15,288.0
Shakarpara	5,089,847	1,517.5	3,354	1.50%	17.9%		8,926.4
Licorice root	3,201,162	1,527.5	2,096	2.40%	28.6%	4,340.0	8,985.3
Saffron	2,124,653	1.5	1,416,435	0.004%	**0.04%**	6.2	4.7
Pomegranate	777,959	650.0	1,197	4.20%	50.1%		71,460.0
Total	**155,176,238**	**24,666.5**					

1.Value and volume is the average of data provided by CSO and ACCI
2. Assumptions: road cost is $50 per MT and air cost is $600 per MT
3. Figures in red are estimates. On average 17% of Afghan production is exported to India
** Figures are for both fresh and dried fruits*
*** Figures for seeds of anise, badian, caraway, fennel, juniper and berries*

There are a few insights to point regarding the table above:

- First, almost of our Afghanistan's imports to India are agricultural goods, i.e. we do not export manufactured goods
- Second, air costs as a percentage of the total value of the products ranges from only 0.04% (saffron) to 50.1% (pomegranates). We assume the goods where this value is less than 10% are good candidates for air transport (e.g. Asafetida, dried fig, pistachios, almonds, and saffron)
- Third, for the products listed above, on average ~17% of Afghan total production of each good is exported to India. This implies that Afghanistan's supply is sufficient to increase exports
- Fourth, total Indian imports of these goods ranges from 2-7x of current exports of the same products. This indicates that there is significant potential to increase the level of our export to India if we are able to increase market share

Next, let's describe each product in greater depth. Iran and Afghanistan are the largest producers and suppliers of asafetida, or heeng. And India is the largest consumer and importer of asafetida. 659 MT heeng was exported from Afghanistan to India, (value of $43.5 million). India imported a total of 4,340MTs of this product last year, meaning 6.5x more that Afghan heeng currently exports to India. We estimated that Afghanistan could produce 3,876 MT annually asafetida. The air transportation cost as a percentage of its value is 0.08%, meaning that it is very economical to transport this product by air.

Afghanistan produces 805,702 MT annually grapes and has more than 40 varieties of seedless grapes. There are existed over thirty raisin-processing factories in Afghanistan. But only 8 of these are presently operational; two in Mazar-e-sharif, two in Parwan, two in Kandahar, one in Kabul and one in Herat[4]. The best market for Afghan raisin is in India, where Aftabi raisins are considered a luxury product and commonly used in cooking in India. Afghanistan owns approximately two-thirds of the Indian raisin market, exporting 10,507MTs to India out of a total 15,123MTs of raisins imported into India last year. Its air cost as a percentage of total value is only 1.5% transported by air.

Afghanistan also has comparative advantages in pistachio production because of low labor cost, availability of surface water, ideal weather climate and inexpensive packaging. This product is preferred in India. Last year, Afghanistan exported 1,380 MT of pip of pistachios to India, which is approximately, 7x lower than total Indian import of that product. This product counts as the fourth largest export products to India and the third economical product that can be exported by air.

The main market for Afghan saffron is Iran, India, UAE and US. There are 14 companies and 26 saffron grower associations in Afghanistan. Saffron has been harvested in the 26 provinces[5]. Afghanistan exported almost $2 million or 1.5MT Saffron to India. However, Indian import of saffron was 6.2M.In addition, as the product has high value, it can easily and economically be transported to India by Air, air cost ration would be 0.004%.

India is one of the main importers of almond. In 2014-15, Afghanistan exported 1,670MT almond to India. Indian demand for this product is very high as Indian import of almond was 102,417 MT, 61x more than Afghan export. Moreover, air cost ratio is economical (7%).There are a number of high quality and different types of almonds in Afghanistan and these are famous in India due to its taste and quality.

Licorice can be used into the pharmaceutical, herbal medicine, industrial, tobacco and confectionary industry. The regional and international demand for this product is estimated to be at around 20,000 tons per year. The demand for the roots is higher than the demand for extracts or powder. The main reason is that traders in regional markets prepare the licorice roots in their countries, based on the demand of their international buyers and local users. Moreover, non-value

[4] *http://www.aisa.org.af/Content/Media/Documents/Agro171120141331254735533 25325.pdf*
[5] *http://passthrough.fwnotify.net/download/114492/http://www.aisa.org.af/Content/Media/Documents/Paperonsaffronedited_Recovered_81120141312481245533 25325.pdf*

added raw licorice roots are cheaper than value-added licorice.[6] Afghanistan exported 1,527.5MT licorice root to India. The total volume of that product imported into India was 4,340 MT.

Next, let's talk about the potential products that Afghanistan can export to India. The below table illustrates the potential goods that can be exported to India in the future. The table lists the products according to their export value. It also informs the value of the exports, the estimated weight, the cost per ton during 2013-2014, and the total Indian import figure of that good.

POTENTIAL AFGHAN PRODUCTS FOR INDIAN EXPORT

Export to India	Value ($)	Volume (MTs)	Cost per Ton (MTs)	Road cost (%)	Air cost (%)	Indian imports (MTs)	Production in Afghanistan (MTs)
Vetch	8,619,051	9,413	916	5.4%	65.5%		9,549.0
Onion	2,021,855	7,368	274.4	18.0%	219.0%	128,371	197,851.0
Walnut	580,644	162	3,591	1.0%	**17.0%**	5,422	3,650.0
Apricot	521,011	705	739	6.7%	81.0%	64	87,686.0
Pip of apricot	405,538	125	3,244	2.0%	**18.0%**	7,534	72,000.0**
Oleaster	365,930	104	3,507	1.4%	**17.0%**		611.7
Pine cone	327,380	25	13,095	0.3%	**4.5%**	7,534	147.0
White bean	119,730	599	199.8	25.0%	300.0%		4,917.0
Woolen yarn	71,280	36	1,980	2.5%	30.0%	196	211.7
Sheep wool	70,277	299	235	21.3%	255.0%	1,507.7	1758.8
Marble	69,813	139.6	500	10.0%	120.0%	175,752	821.1
Ashtaq (apricots)	57,687	27	2,117	2.0%	**28.0%**	3,198	158.8
Melons	56,730	111.7	507.6	9.8%	118.0%	399.5	302,067.0
Basil	49,912	40.4	1,235.4	4.0%	49.0%		237.6
Dried whey	42,397	11	3854.2	1.0%	**16.0%**	8,519*	64.7
Grapes	29,163	35.4	824	6.1%	73.0%	5,217	805,072.0
Black dried berry	16,687	6	2,781	1.8%	21.5%		35.2
Dried cherry	3,814	1	3,467	1.4%	**17.3%**	0,01	508.0
Fried pea	1,598	0.6	2803.5	2.0%	**21.0%**		3.3
Apple	800	1	800	6.0%	75.0%	201,625	89,733.0
Flowers	0	0	400,000	0.01	0.2	386,986	42,700
Cotton	0	0	1,362	0.03	0.4	214,055	50,000
Carpet	8,064	0.2	40,320	0.001%	0.01	3,519	1,341

*1.Carpe 181 CM*230CM=5,5KG=$250 and total* produces 1million m^2
Note: production level for cherry is 508 MT not for dried cherry

[6] *http://www.tloafghanistan.org/Liquorice%20Market%20Report.pdf*

** Figure is for whey*
Note: Indian Commercial ministry website illustrated one HS code and figure for Pip apricot, pine cone and mompali, importing total of 22,603MT. As a result, the figure was divided by 3.
Note: figures in red are estimated. On average, 17% of Afghan production is exported to India
*Average consumption of flower is $124[7]($124/1.2)*3=309 gr or 0.00039 MT per capita*
*Note: we used Holland flower production' figure to estimate Afghan flower production. Holland sold 7,945 million pieces in 2012. We estimated that one flower is 3g. Holland per capita production:0.0014. And 333,333 pieces of flower= 1 MT. Afghan flower price=$1.2 : process: (7,945,000,000*0.000003)= 23835 weight then 23835/16.8 million=0.0014 so Afghan flower production:0.0014*30.5 million:42,700MT.*

AFGHAN IMPORTS FROM INDIA

The second part of this segment covers information about Afghan imports from India. The below table shows the 10 main goods imported to Afghanistan from India during 2013-2014. The table lists the 10 top imports, the value of the imports, the estimated weight, the cost per ton, transportation costs as a percentage of the good cost, and the total of import of those goods into Afghanistan. The next following table shows the potential products to import into Afghanistan. It informs the same information as previous ones. Major Indian exports to Afghanistan include pharma product, dairy and poultry product and cereals.

TOP 10 IMPORTS FROM INDIA

Products	Value ($)	Volume (MTs)	Cost per MT($)	Road cost (%)	Air cost (%)	Total import (MTs)
Polyester fabric	20,138,448	3,459	5,823	0.9%	10.3%	58,499
Medicines	6,172,128	3	2,023,649	0.002%	0.03%	50
Milk powder	4,390,127	1,892	2,321	2.2%	25.9%	10,392
Machineries	4,198,190	872	4817	1.0%	12.5%	32,896
Rice	2,076,500	2,298	904	5.5%	66.4%	46,089
Cars tyres and tubes	1,836,620	309	5953	0.8%	10.1%	8,850
Black tea	1,759,582	989	1,779	2.8%	33.7%	47,342
Stationery	1,543,803	62	25,001	0.2%	2.4%	22,519
Eggs	973,922	295	3,305	1.5%	18.2%	1,180
Chicken meat	936,654	647	1,447	3.5%	41.5%	42,300
Total	**44,025,974**	**10,823**				**270,111**

1.Value and volume is the average of data provided by CSO and ACCI
2. Transportation costs are as follows: road cost is $50 per MT & air costs are $600 per MT
4. Weight/price estimates: one egg = 13 grams, medicine (paracetamol 500mg) = $1, generation 83kg = $400, stationery of 1KG papers = $25, a car tire = 7.2 KG

Next, we evaluate potential goods that we could import from India. We created this list based on an analysis of goods that we import small amount from India. However, we recognize that there are other potential goods to potentially import, including tea or manufactured goods such as medical equipment.

[7] *http://horticulture.ahdb.org.uk/sites/default/files/u3089/A%20review%20of%20cut-flower%20and%20foliage%20production%20statistics%202015_0.pdf*

Polyester fabric counts as the first largest import product into Afghanistan from India. India exported Approximately 3,459 MT polyester fabric to Afghanistan. On average, Afghanistan imported 58,499 MT of that product from its trade partners, mainly from United Arab Emirate, India, Pakistan and China. Air cost ratio for this product is 10.3%. Therefore, it would be economical to be delivered by Air. The main textile enterprises are located in Herat, Kandahar and Balkh[8].
Approximately, 96% of Afghanistan's pharmaceutical needs are met from imports with a large part of it coming from India. Export of Indian medicines to Afghanistan was estimated to be $6,172,128. The total import of medicines in Afghanistan was $100,349,816 during 2014-2015. Quality of pharmaceutical products is critical to promoting and maintaining public health. Increased demand for pharmaceutical products and sensitive to its price led to importation of poor quality medicine. The medicines comes from US and Europe are very expensive. In addition, doctors and distributors have a good opinion about Indian pharmaceutical products and its price is good. The air transportation ratio is 0.03 which means it can be delivered to Afghanistan by air transportation.

Milk powder is the third largest import product from India. During 2014-2015, India exported 1,892 Mt milk powder to Afghanistan. The total import of this product into Afghanistan was 10,392 Mt. The air cost as a percentage of the good value is almost 26%. Among the mentioned products in the table, polyester fabric, medicines, car tyres and stationery are economical to be delivered by air transportation.

POTENTIAL IMPORT PRODUCTS FROM INDIA

Products	Value ($)	Volume (MTs)	Cost per MT ($)	Road cost (	Air cost (%)	Total import (MTs)
Sugar	9,908,471	19,395	511	9.8%	117.4%	76,482
Beef	528,651	301	1,759	2.8%	34.0%	11,747
Liquid milk	468,443	815	575	8.7%	104.0%	30,198
Vegetable oil	303,910	330	920	5.4%	65.2%	498,338
Cotton yarn	269,268	126	2,142	2.3%	28.0%	1,268
Toilet soaps	265,982	226	1,178	4.2%	50.9%	18,185
Green tea	94,557	64	1,490	3.4%	40.3%	37,735
Grease	67,288	98	686	7.3%	87.5%	19,419
Chemicals	34,054	110	309	16.2%	194.2%	55,481
Salt	12,408	301	41	121.4 %	1456.5%	19,275
Washing soaps	11,697	8	1,481	3.4%	40.5%	49,621
Liquid tar	2,104	3	650	7.7%	92.3%	76,269
Total	**11,966,833**	**21,777**				**231,057**

1.value and volume is the average of data provided by CSO and ACCI

[8] *http://www.aisa.org.af/Content/Media/Documents/FinalAfghanistanTextileIndustryPaper-MA8112014137382615533325325.pdf*

INTERNATIONAL AGREEMENTS

India, Iran and Afghanistan have signed a tripartite agreement to turn the Iranian port of Chabahar into a transit hub. The operation of the Chabahar port in Iran can increase Afghanistan's exports**.** It provides a new transit route for Afghan to trade with India and the rest of the world. Indian government has approved USD 85 Million for upgrading the capacity of Chabahar Port in Iran for an alternate trade transit route for Afghanistan.[9] Pakistan does not allow Indian traders to export their goods through Pakistan to Afghanistan[10]. However, transit trade agreement signed between Afghanistan and Pakistan (APPTA) which was signed in 1965 and redesigned in 2010. It allows the transit of Afghan exports through Pakistan to the Wagah border with India, and to the seaport cities of Karachi and Gwadar. Pakistani trucks in turn are allowed to move products to all regions of Afghanistan.[11]

On October 2011, an agreement on Strategic Partnership between Afghanistan and India was signed. One of the main reason of this agreement was to expand trade and economic relations. They committed to cooperate in different sectors such as agriculture, rural development, mining, industry, energy, information technology, communications and transport. The following measures should be taken by both side to promote trade and investment: (1) enhancing investment protection, (2) simplifying customs and other procedures, promoting the removal of non-tariff barriers and gradually lowering tariff barriers, (3) working towards the creation of air cargo facilities, (4) cooperating in the areas of banking and finance, and (5) enhancing cooperation and coordination at international trade, econo4mic and financial bodies.

On January 2015, Afghanistan and India signed a contract so India would provide required assistance to develop Afghan textile industry. India will assist in assist in skill development, research and technical collaboration in product development and manufacturing, testing and certification and organize joint trade missions for mutual collaboration. As we know that Afghanistan has potential to develop that industry because the country is endowed with rich quality of cotton, silk and cashmere.[12]

AIR TRANSPORT INFRASTRUCTURE

AFGHAN AIRLINES

There are 5 national and 12 international airline companies in Afghanistan. On average, they carry 1,000,000 domestic and international passengers and records 6,800 flights annually. One of five national airlines which is a state own company is Ariana and 4 others are private, namely Kam Air, Safi Airways, East Horizon Airline and Afghan Jet International. Moreover, there is Khorasan Airlines which is a domestic cargo carrier. It provides flies on domestic routes and operates on contract basis with different institutions. The national Airlines offer passenger carriage services, charter flights and cargo carriage services. In the domestic market Kam Air with 48% shares is the leading airlines while Safi Airways leads the international destinations with 20% shares. The

[9] *http://www.aljazeera.com/news/2016/05/indian-iran-afghanistan-sign-trade-corridor-deal-160523193709946.html*
[10] *http://afghanistantimes.af/transit-barriers-afghan-india-trade-ties-remain-at-lowest-level/*
[11] *https://www.usip.org/sites/default/files/PB191-The-Future-of-Afghanistan-Pakistan-Trade-Relations.pdf*
[12] http://eoi.gov.in/kabul/?0354?000

national airline industry hold 65% revenue market shares and that for the international airlines operating in the Afghan airline market is 35%.

Among the international airline companies Fly Dubai has the highest share among its peers in the Afghanistan airlines market with 12% followed by Turkish Airlines with 6% and Emirates with 5%. Even if Fly Dubai carries the highest number of passengers, Turkish Airlines takes the 3rd position, after Ariana and Kam Air. Fly Dubai takes the 4th place and Emirates takes the 6th place, after Safi Airways – the 5th. The above-mentioned 3 airlines not only operates their own routes but links Afghanistan with European countries and USA through their routes. For instance, Turkish airlines not only carries passengers with the direct route of Kabul-Istanbul-Kabul but carries passengers with the final destinations to European countries by having one stop in Istanbul.

AFGHAN AIRLINE KEY INDICATORS

National Airlines	Ariana	Kam Air	Safi	Afghan Jet		East Horizon	Total
Revenue market share	29.5%	22.4%	10.5%	1.7%		0.8%	65%
International Airlines	Turkish	Fly Dubai	Emirates	Air India	Spice Jet	PIA	Total
Revenue market share	12.6%	12.9%	6.6%	2.12%	0.8%	0.5%	35%

Source: OEA Afghanistan Airline report

This section will evaluate the capabilities of the national airlines. We have the potential to use existing passenger flights. The national airlines offer passenger carriage services through scheduled and charter flights and cargo carriage services on regional and/or domestic routes. Ariana, Kam Air and Safi Airways operate both domestic and regional cargo and passenger flights while the other two, East Horizon and Afghan Jet Intl, operates only domestic cargo and passenger flights. The European Union banned all airlines based in Afghanistan flying into all EU countries in November 2010 because the MoTCA had not adequately ensured that ICAO Standards be met by the air carriers certified in Afghanistan.

Ariana, the national flag carrier, has a fleet of 7 passenger airplanes. The fleet of Ariana includes two Airbus A310, three Airbus A320 and two Boeing 737. It does not have a cargo plane Ariana possess the highest revenue market share of 29% as the airlines, besides its scheduled passenger flights and cargo carriage services, provides handling services and Hajj operations is one of its major revenue sources. There are 3 flights to Dehli per week, two of them directly to India but one of which is from Kabul to Kandahar and then to Dehli on Saturday, Tuesday and Thursday. Ariana's capacity to deliver the cargo is 13 MT in every flight. It gives priority to perishable items like fresh fruit. Ariana charges $0.60 per kg for cargo items to New Delhi

Kam Air, set up in 2003, was the first privately owned commercial airliner in Afghanistan. It has a fleet of 8 airplanes which is mix of Boeing, Fokker and McDonnel Douglas aircrafts. . However, flight from Kandahar to Delhi is not direct, there is a transition in Kabul and flight cannot be done that day, the must wait one day. It provides cargo service to Delhi only form Kabul,

maximum capacity for chartered service is 100 MT otherwise is 6-7 MT in the passenger. The price Kam air charge per kg of cargo to Delhi is 0.67 dollars

Safi Airways has 4 weekly flights to Delhi. It has a fleet size of 5 airplanes that includes 1 large Boeing 767 and 4 Airbus A320. The airline does not have cargo plane of its own. There are 4 flights to Delhi per week, on Monday, Tuesday, Wednesday and Friday. The maximum capacity for cargo service is?

Airline companies	Weekly flights to Delhi	Days
Safi	4	Monday, Tuesday, Wednesday, Friday
Ariana	3	Tuesday, Thursday, Saturday
Spice Jet	5	Saturday, Monday, Tuesday, Wednesday, Thursday
Kam Air	7	Every day
Air India	4	Tuesday, Thursday, Saturday and Sunday
TOTAL	**23**	

AIRPORT INFRASTRUCTURE

There are four international airports in Afghanistan. The International airports are Kabul International Airport, Kandahar International Airport, Herat International Airport and Mazar-i-Sharif International Airport. Additionally, there are 24 more regional and local airports across the provinces in Afghanistan. We provide a list of the infrastructure at all four airports at the end of this report.

Hamid Karzai International airport (HKI) is the biggest international airport of Afghanistan in terms of number of passengers and cargo handled per year. In 2015 HKI handled 1,600 MTs of cargo. The airport has two operating terminals (1) International terminal and (2) domestic terminal. There are no exclusive cargo terminal. All cargo operations are conducted through customs area where they have a dry storage hangars for exports and a limited number of cold storage facilities. The cold storage facility at Kabul at the customs area is limited to 4 MTs for pharmaceutical products and 75 MTs of cold storage containers which were recently installed for fruit exports. The northern military area was developed by ISAF and US military. The civil aviation facilities are on the south of the runway. Table in the annex provides details of the facilities and infrastructure of Hamid Karzai International airport in Kabul.

INTERNATIONAL AIRPORTS IN AFGHANISTAN

Note: Jalalabad airport has the capacity to be upgraded to an international airport and is the closest one in terms of proximity to New Delhi

EXPORTS TO INDIA VIA HKI DURING PREVIOUS 5 MONTHS

	Good	Value ($)	Volume (MTs)
1	Asafetida	22,690,748	326
2	Saffron	1,460,670	1
3	Almond	68,203	18
4	Dried Fig	28,109	4
5	Raisin	17,743	20
6	Caraway	13,602	3
7	Pistachios	1,584	0.1
8	Total of 7 products	**24,280,659**	372
Total of 27 Product		**26,461,585**	**497**

Source: ACCI
Note: the complete list is on annex

A total of 372 MTs of cargo was exported from HKI to New Delhi's IGI airport. The following table illustrates the value and volume of 7 exported products to India via Kabul Airport. These products are those we identified as the largest export products to India.

Asafetida remains the biggest export of Afghanistan to India through air while rains and Almonds come second and third respectively

Kandahar International Airport is the second main international airport of Afghanistan. Kandahar International is the only airport in the country that operates 24/7.It has domestic departures and international departures to India and Iran only.[13] It has first grade cold storage capability. Its capability for chilled, frozen and ambient storage is 885, 3,222 and 3,674 pallets respectively. Ariana Afghan airlines has flights from Kandahar to India and carries cargo in its passenger flights. The average cargo capacity in each flight of Ariana from Kandahar is 8 MTs (note: For details of infrastructure and facility at Kandahar International airport please refer to the annex 1)

[13] http://www.kandaharinternationalairport.com/airport.html

EXPORTS TO INDIA VIA KANDAHAR AIRPORT (during previous 5 months)

		Value ($)	Volume (MTs)
1	Grapes	905,627	5,703
2	Melons	420,550	3,001
Fresh fruits		1,326,177	8,704
Dried fruits		10,279,425	3,874

Source: ACCI

Herat international airport is the third large airport in the country that has the capacity to facilitate exports of high valued crops like Saffron, grapes and dry fruits like pistachios. The airport has a recently built terminal building. There are no designated cargo terminals at the airport. It has departures only to domestic provinces. The main features of the airport are installation of modern equipment, landmine and bullet proof facilities and any kind of aircrafts can land and take off. Its capability for chilled storage and frozen storage is 100 and 750 pallets respectively. Currently there are no direct flights to India from HIA. Details of infrastructure and facilities of Herat airport is provided in the annex.

Mazar-e Sharif International airport has the biggest terminal building among the four international airports of Afghanistan. The airport has international departures only to Turkey and there are no direct flights to New Delhi. Mazar-i-sharif airport has only domestic departures. Its capability for chilled storage and frozen and ambient storage is 998,149 and 998 pallets respectively.

KEY INDIAN AIRPORT PROCESSES

Indra Ghandi International Airport (IGI) is the main Indian port of destination for cargo to and from Afghanistan. The airport is operated by Delhi International airport limited which a consortium of GMR Group (64%) and Fraport (10%), while the airport authority of India retains 26% share. IGI one of the busies airport in the region having handled 4.6 million passengers and 65,000 MTs of cargo in 2015

There are 5 airlines operating flights between IGI airport and Kabul and Kanadhar airport in Afghanistan. These include (1) Air India, (2) Spice Jet, (3) Kam Air, (4) Safi Airways and (4) Ariana Airlines. All of them fly to Kabul except Ariana which has direct flights between Kandahar and Delhi also

We had conversations with three businessmen who had experience of export fruits to India. One of them was a large exporter of fruit to New Delhi from Kanadhar airport while the others had experience of export fruit from Kabul airport. The challenges they cited in Indian airport was (1) excessive charges, on average, 6,600 AFN per MT (2) delays of cargo processing due to shift changes, approximately one hour(3) acquisition of fresh and dry fruit cargo packages by airport and customs officials under various names. For example one box of fresh fruit is given to the relevant director.(4) lack of cooperation from Afghan commercial attached in New Delhi.

Mainly the process at Delhi airport involves 5 steps and 5 different bodies. The process is explained in the process map below. According to these businessmen the process is lengthy and it takes almost 11 hours for their goods to be ready for delivery to the customers.

There are 6 authorities involved with the cargo processing at New Delhi international airport. They include (1) Airport authority, (2) loading and handling company, (3) customs, (4) FASSI, (5) clearing agent and (6) transportation company

The processing charge for one MT of fresh fruit is $899. One of the challenges businessmen cited was the excessive charges at Delhi airport. One businessman provided a receipt which showed a total of INR49,700 under airport expenses. The key problem is that no breakdown of price is provided in the invoice and just blanket sum is charged under airport expenses (*note: Please refer to annex for the receipt of the payment)*

There is no custom duty levied on fruit export from Afghanistan. But the INR 49,700 is charged under airport expenses and is thought to involve the following departments who cumulatively charge this amount (1) Airport handling expenses, (2) Plant quarantine, (3) Food safety FASSI, (4) clearing agent, (5) transportation and etc. Some of the prices that are known to businessmen include INR200 per 5 kg for scanning and INR11 per kg for cold room for a period of 1-2 days. Anything above 2 days will have demurrage charged on it

Out of the airport challenges that businessmen cited was police registration and Afghan attaché's lack of cooperation. FRO (Police) registration takes approximately one week for businessmen to process and this is time consuming and cumbersome for businessmen. Another key challenge is that Afghan embassy and the commercial staff do not cooperate throughout the process.

INDIAN RETAIL MARKET

Retail market is increasing in India especially in Mumbai, Delhi, Pune, Ahmedabad, Bangalore, Hyderabad, Kolkata, Chennai.[14] The overall size of Indian retail market is estimated to be $534 billion in 2013-14. And retail sector growth is likely to witness a CAGR of 12-13 per cent, which would be worth $948 billion in 2018-19. The revenue generated from organized retail was $41.4billion in 2012.[15]In land where 16.7% of the world population is living, with growth rate of 1.6% annually, facilitate a large and growing domestic market for food products.

[14] *http://business.mapsofindia.com/india-retail-industry/scope-of-the-indian-retail-market.html*

[15] *https://www.kpmg.com/IN/en/IssuesAndInsights/ArticlesPublications/Documents/BBG-Retail.pdf*

Developing business-to-business relationships between Afghan producers and Indian wholesalers and retailers for Afghan agriculture products is critical. Indian consumers annually purchase $175 million of Afghanistan products. Afghanistan exported products distributed in major cities of India such Mumbai, Delhi, Pune and Chennai. This section explains Afghanistan's products distribution channels in Indian market in two parts: (1) retailers which include list of distributors and their annual sales level and, (2) wholesalers.

The retail sector in India is quite vast. It includes both organized and unorganized retailers: (1) organized retailers include modern formats like branded stores as well as traditional markets like street markets and kiosks, and (2) non-organized retailers are predominant which includes small vendors for grocery or day to day items. Wholesale industry of India worth $6 billion, employing 9.6 million workers. Wholesalers are the middlemen for producer and retailer.

Food accounts 53% of Indian consumption expenditure. Grocery retailers counts as the staple of retailing. Retail food sales are estimated at $270 billion and are about 60% of total retail sales. Estimates indicate that modern grocery retailers managed to carve out an estimated one percent share of food retail sales in 2005 and that share increased to two% ($5.4 billion) in 2011 and remained the same in 2012.

SIZE OF INDIAN FOOD RETAIL MARKET

Sector	Estimated Size in 2013
Total Retail (Food and Non- Food)	$534 Billion
Organized Retail (Food and Non-Food)	$27 Billion (5% of total retail sales)
Food Retail (Modern and Traditional)	$270 Billion (50% of total retail sales)
Modern Food Retail	$5.4 Billion (1% of total food retail sales)

India's food retail industry is dominated by thousands of small "kirana" stores which account for 98% of food sales. During the mid-1990s, there were an estimated 200 modern grocery stores operating in India. These were typically chains in south Indian cities (mainly Bengaluru) that were not much larger than kirana stores. These stores were distinguished by their emphasis on a more modern self-service shopping environment that offered a range of products. A few cities also had cooperative stores that were owned by consumer societies.

However, the Indian market was dominated by small kirana stores and government-run food distribution outlets supplying essential commodities. The emergence of larger chains and stores began around 2005 and the sector has since grown to over 3,200 modern retail outlets across India (refer to annex about retailers list). The 15 largest organized retail stores generate annual revenue of $4.3 Billion per year of which their details are show in the below table.

The table below shows major Indian grocery supermarkets in 2016:

Company	Headquarter	Revenue ($M)	Stores	Employees
Easyday	Delhi	2,000	320	3,000
Big bazaar	Mumbai	1,600	218	36,000
Relience Fresh	Hydarabad	736	886	12,000
More	Mumbai	256	655	11,000

Spencer's	Kolkata	202	241	5,000
Food world	Banglore	9	67	8,000
Namdhari	Delhi	4	25	2,000
D-Mart	Mumbai	1	110	2,000
Total		**4,808**	**2,522**	**79,000**

Sources :https://www.emis.com/php/company-profile/IN

Marketing channels for imported foods often involve several intermediaries. Indian firms typically import, with the help of a clearing and forwarding agent, and distribute food products to retailers. While a number of importers have their own warehouses, others may utilize clearing and forwarding agents to facilitate the storage, movement and distribution of goods given the high cost of building and maintaining warehouses and maintaining truck fleets.

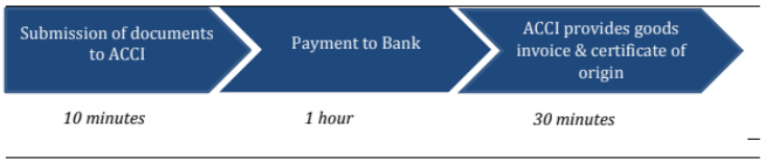
Importer/distributors with national distribution typically have sub-offices in regional cities or appoint other distributors to market their products in specific regions. Sales of retailers are typically in cash only and the wholesalers receive a margin of 2 to 3%. Margins for retailers vary from 5 – 30%, and the total cost of the distribution network represents between 10 and 20% of the final retail price. Retailers rarely import directly, relying on importers and distributors to handle the clearing and storage of products.

RECOMMENDATIONS

The successful implementation of this plan has the potential to significantly increase bilateral trade between India and Afghanistan. However, this strategy will require successful implementation of a number of steps.

Afghan commercial attaches in India should collect information about India market situation, economic statistic including trade flow and types products and share it with Afghan traders. This will provide necessary guidance for Afghan traders to discover opportunities. Attaches should also try to solve Afghan traders in India. One of this problems is about police registration. It should be done on same day. Now it takes almost one week. Their next problem is about Business visa. The attaches should negotiate with Indian commercial ministry and Foreign Affairs Ministry so that Afghan trader obtain business visa from Indian embassy during 3 days.

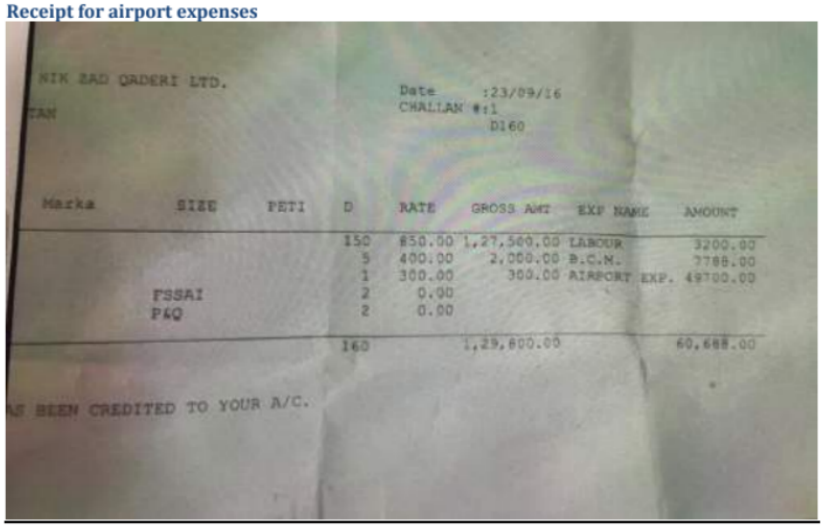
The export documentation process which is currently done outside airports (except Kabul airport) should be done within all international airport in Afghanistan. The below airport process should be done inside of each airport.



Afghanistan's ACAA should sign a MOU with its relevant counterparty in India to ensure the smooth transition of goods between the two countries. Protocols should be established so that processes are standardized and shortened.

ANNEX

Receipt for airport expenses



NIK ZAD QADERI LTD.

Date :23/09/16
CHALLAN #:1
D160

Marka	SIZE	PETI	D	RATE	GROSS AMT	EXP NAME	AMOUNT
			150	850.00	1,27,500.00	LABOUR	3200.00
			5	400.00	2,000.00	B.C.M.	7788.00
			1	300.00	300.00	AIRPORT EXP.	49700.00
	FSSAI		2	0.00			
	P&Q		2	0.00			
			160		1,29,800.00		60,688.00

AS BEEN CREDITED TO YOUR A/C.

Indian Retailers in 2014

Company	Store	Chain Format	# of outlets
Reliance Retail	Reliance Super	Supermarket	-
Reliance Retail	Reliance Fresh	Grocery Store	589
Aditya Birla Retail	More	Grocery Store	490
Nilgiri Dairy Farm	Nilgiris 1905	Supermarket	304
Future Value Retail	Big Bazaar	Hypermarket	292
Bharti Retail	easyday Stores	Grocery Store	210
Future Value Retail	Food Bazaar	Grocery Store	182

Future Value Retail	KB's Fairprice	Supermarket	135
RPG Retail	Spencer's	Grocery Store	128
REI Agro	6Ten Stores	Supermarket	120
Avenue Supermarts Ltd.	D-Mart	Supermarket	76
The Heritage Group	Heritage Fresh	Grocery Store	71
Reliance Retail	Reliance Mart	Hypermarket	62
Dairy Farm International	Foodworld Supermarket /	Supermarket	58
Kovai Pazhamudir Nilayam	Kovai Pazhamudir Nilayam	Supermarket	46
RPG Retail	Spencer's Hyper	Hypermarket	40
Future Value Retail	Big Apple	Grocery Store	38
Godrej Industries	Nature's Basket	Gourmet/Store	32
Arambagh Hatcheries	Arambagh's Foodmart	Grocery Store	31
Wadhawan Group	Smart Supermarket	Grocery Store	28
N Stores Food Retail	N Stores	Grocery Store	25
Le Millennia Supermart	Needs Supermarket	Supermarket	24
MyDollarStore	MyDollarStore India	Grocery Store	24
Nuts N Spices	Nuts N Spices	Grocery Store	22
Ratnadeep Super Market	Ratnadeep Supermarkets	Supermarket	22
Shri Kannan Departmental	Shri Kannan Departmental/ Store	Supermarket	22
Namdhari's Fresh	Namdhari's Fresh	Grocery Store	20
SRS Limited	SRS Value Bazaar	Grocery Store	20
Brown Tree Retail	Brown Tree	Supermarket	16
K. Raheja Corp. Group	HyperCity	Hypermarket	15
Aditya Birla Retail	More Megastore	Hypermarket	14
Max Hypermarkets India	Auchan	Hypermarket	13
Tata Group (Trent)	Star Bazaar	Hypermarket	12
Magsons Group	Magsons	Supermarket	10
Sugar and Spice India	Le Marche	Gourmet/Store	8

M.K. Retail Company	M.K.Retail	Supermarket	7
Future Value Retail	Food Hall	Gourmet/Store	6
Jubilant Group	Total Superstore	Hypermarket	6
Bharti Retail	easyday Market	Supermarket	4
The Heritage Group	Heritage Mart	Grocery Store	4
Dorabjee	Dorabjee	Hypermarket	3
Future Value Retail	Food Right	Hypermarket	3
Bharti Retail	easyday Hyper	Hypermarket	1
Dairy Farm International		Gourmet	1
Dairy Farm International	Foodworld Super Store	Hypermarket	1
Lulu Group International	Lulu Hypermarkets	Hypermarket	1
Total			**3,236**

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