

Economy

Overview:

Over two decades of conflict have reduced landlocked Afghanistan to one of the world's most impoverished nations. Rebellion against Soviet occupation throughout the 1980s decimated a large segment of Afghanistan's institutional and physical infrastructure. Most of the more than six million Afghan refugees who departed for Iran and Pakistan during this period have now returned. Continued civil strife during the last 12 years has further eroded the economy to the point of consisting of little more than subsistence farming and cross-border trade. Per capita income has withered severely due to very limited employment opportunities.

Unabated opium production, promotion of terrorism and its, until recently, staunch loyalty to Osama bin Laden, who had helped finance the efforts to oust the Russians, have combined to further isolate Afghanistan from the international community. U.N. sanctions imposed in November 1999 have frozen Afghan assets abroad and prohibited international operation of its national air carrier, Ariana. Earlier U.S. sanctions prohibit American investment in Taliban-held Afghan territory. China and most Central Asian countries have also expressed their concern and a number of Afghanistan's borders have been closed to trade. Further sanctions on fuel supplies and trade are under consideration. The Afghans have repressed bin Laden's public activities and in February 2001 offered to extradite him to Saudi Arabia to stand trial.

Agriculture, which now is the predominant source of Afghanistan livelihood, rebounded in 1997 and 1998 on the basis of sufficient precipitation and territorial consolidation by the Taliban. Livestock herds have also been replenished somewhat in recent periods. Afghanistan has the productive capacity to more than meet its food needs. However, a 70 to 90 percent reduction in precipitation during the fall 1999 rainy season has led to a total failure of the 2000 rain dependent crops and a major reduction in the output of irrigated areas. Afghanistan faces a cereal shortfall of almost 60 percent of its annual requirements. The severity of the situation has compelled the U.N. to begin emergency food drops in June 2000 in an effort to prevent imminent loss of life. Early in 2001 Afghanistan faced a humanitarian catastrophe according to the U.N. with over 10 percent of its populace in "critical famine condition." The Taliban's mid-2000 ban on opium poppy production, widely discounted externally, has apparently been adhered to as wheat has almost entirely displaced poppy cultivation in 2001. Large stockpiles of opium are suspected to exist, but should the mandate stand, the near elimination of Afghanistan as an opium producing country would reduce global production by as much as 75 percent.

Afghanistan has economic potential with considerable mineral wealth in unexploited hydrocarbons and gemstones. Additionally Afghanistan occupies a strategic geographical position as a transit route for Central Asian hydrocarbons to the Arabian Sea. Afghanistan's economy has traditionally been vulnerable to events in neighboring nations. This is particularly true at present regarding Pakistan, the only neighboring nation currently on good terms with Afghanistan. Commodity and currency price movements in Pakistan are rapidly reflected in Afghanistan. Pakistan is believed to have been contributing substantial arms and manpower to the Taliban's military effort for a number of years.

Economic Performance / Balance of Payments:

No reliable data is currently available for Afghanistan. An enormous amount of capital will be

required to restore Afghanistan's infrastructure. Rampant inflation has been reported. The Taliban's refusal to allow women to work or acquire an education effectively cuts the workforce by more than half. Pakistan's recent return of large numbers of Afghan refugees will only acerbate existing conditions.

Afghanistan
Macroeconomic Activity
Real GDP Per Capita

	1996	1997	1998	1999	2000
Real GDP (Millions of 1995\$US)	18,624	19,022	19,317	19,663	18,231
Total Population (Millions-Mid Year Average)	22.429	23.234	24.065	24.961	25.888
Real GDP Per Capita (1995\$US Per Capita)	830	819	803	788	704

Sources: US CIA World Factbook, IMF World Outlook,
US Census Bureau International Data Base,
UN Statistical Yearbook, CountryWatch.com Calculations

Global Ranking

Gross Domestic Product (Millions of 1995\$)			Population (Millions)		GDP Per Capita (1995\$)	
Country	Rank	2000 GDP	Rank	2000 Population	Rank	2000 GDP Per Capita
	93	18,231	39	25.888	183	704

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