

EFFECT OF WORLD TRADE ORGANIZATION ON AFGHAN
SMALL AND MEDIUM ENTERPRISE: ANALYSIS OF
AGRICULTURAL SECTOR

By

Zamarod Khan Khalid
19372011

A thesis submitted to the Brac Institute of Governance and Development in partial fulfillment of the requirements for the degree of Master of Arts in Governance and Development

Brac Institute of Governance and Development
Brac University
February 2020

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Declaration

It is hereby declared that

1. The thesis submitted is my own original work while completing degree at BRAC University.
2. The thesis does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The thesis does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I have acknowledged all main sources of help.

Student's Full Name & Signature:

Zamarod Khan Khalid

19372011

Approval

The thesis titled 'Effect of World Trade Organization on Afghan Small and Medium Enterprise: Analysis of Agricultural Sector, submitted by Zamarod Khan Khalid roll no 19372011 of 3rd semester, 2020 has been accepted as satisfactory in partial fulfillment of the requirement for the degree of Master of Arts in Governance and Development on 10th Feb 2020.

Supervisor:

Dr Shanawez Hossian

Assistant professor

BIGD, Brac University

Ethics Statement

It is ethical to respect the privacy of respondents in research. Accordingly, taking care of confidentiality, some information which might directly or indirectly imply the personality of respondents was not documented in this study. Particularly, animosity is maintained where respondents asked to do so consent from all the respondents was taken at the beginning of the study. The respondents were also informed that they have the right to refuse to answer to a few or all the questions or to decide not to take part in any manner in the research.

Abstract

The United Nations, the World Bank, the Security Council, the International Monetary Fund and the World Trade Organization is playing important role in different global social, economic and security aspects. Particularly, in the fields of global trade and business WTO is playing the most important role by setting rules of games. So, countries join in WTO to promote trade and development. Similarly, analysis of this research shows since war torn Afghanistan joined the WTO in its exports have soared, and the government has been to some extent successful in its anti-dumping policy. Particularly, in agriculture related SMEs WTO accession shows many positive signs by promoting both internal and external growth of the sector. Related farmers and business associations also confirmed this. However, numerous challenges also emerged as the country's economy is still immature and internal environment is not settled. Some other related challenges include very low level of government measures to protect domestic industries, import of foreign industrial goods in the absence of customs barriers, government failed policies to improve the status of these businesses. Accordingly, respondents identified security, insufficient power and improper work environment as challenges to farmers and agricultural product's wholesalers of Afghanistan due to WTO accession. Therefore, it is necessary to take proper policy measure to remove these barriers to make the country's economy sustainable by taking the opportunity of WTO accession.

Keywords: World Trade Organisation (WOT), Afghanistan Small & Med-size Enterprise, Accession, Agriculture.

Acknowledgement

First of all, I would like to express my sincere gratitude to BIGD authorities for the timely suggestions, encouragement & others facilities which they provided to complete my thesis successfully.

I sincerely thank and appreciate Dr Shanawez Hossian Assistant Professor of BIGD, Brac University for his best guide, esteemed supervision, inspiring advice and restless inspiration which helped me in completing this report and leading to a fruitful achievement.

And also, I express my sincere and heartfelt thanks to Mr Khorshed Alom assistant coordinator of MAGD for providing transport and others relevant information.

Zamarod Khan Khalid

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List of Acronyms

WTO	World Trade Organization
SME	Small & Med- size Enterprise
TAPI	Turkmenistan, Afghanistan, Pakistan and India
BC	Before Christ
WB	World Bank
EU	European Union
DW	Deutsche Welle
IHS	Information Handling Services
FDI	Foreign Direct Investment
MOCI	Ministry of Commerce & Industries
MAIL	Ministry of Agriculture & Live Stock
USAID	United States Agency for International Development
GATT	General Agreement on Tariffs & Trade
NSIA	National Statistics & Information Authority
SPSS	Statistical Package for the Social Science
AISA	Afghanistan Investment Support Agency
LDCs	Least Developed Countries
GNP	Gross National Product
USA	United State of America
GDP	Gross Domestic Product

Chapter 1

Introduction

1.1 Background

Afghanistan is one the developing countries that has lost most of its economic infrastructure during the 40 years of civil wars and has become one of the least developed countries (World Bank, 2004).

During the 1976-2001 Afghanistan has not only grown but also destroyed what was built. In contrast a number of countries have been able to transform the world into a small village with the unprecedented discovery and development of new technology.

In the meantime, business which is the heart of today's economy is driven by sound economic policies, commercial laws and the promotion of new and universal culture. After World War 2 the nations of the world began to establish multilateral organizations to facilitate trade. In late 1940 with the participation of 23 countries the General Agreement on Tariffs and Trade (GATT) was established which was later amended by the USA on 1995 to World Trade Organization (WTO, 2012).

With the creation of WTO in 1995, which emerged in Morocco, with the concordat of 124 countries, its main purpose was to monitor and liberalize world trade and to secure trade relations and trade restrictions between member countries within the framework of specific laws and regulations. The new regulation was to provide a common roof for trade (Wikipedia, 2019).

Prior to the World War 2 European powers imposed tough trade restrictions on Non-European countries that severely harms US exports. In deed the creation of WTO was the culmination of

50 years efforts of successive US governments to establish and guarantee a multilateral law-based trade system (Sharfman, 2000).

Afghanistan became member of the WTO on 29 July 2016 after approved by the parliament and became 164th members. This membership is actually the second major agreement after the Turkmenistan, Afghanistan, Pakistan and India (TAPI) project for this country. Afghanistan was one of the largest exporters of corps in the world in 1970s, exporting 10% of the world's total dried fruits (Guimbert, 2004).

Prior to the war Afghanistan had self-sustained exchange rates on corps yield and exports of fresh, dried fruits and herbs that maintained the economic sector sustainable (World Bank 2004). Like many other sectors war had a profound effect on the Afghan Small and Medium Enterprises (SMEs). In particular, SMEs related to agriculture suffered a lot due to the war. After the war gradually the economy opened up and the country entered in different economic forum. Particularly, accession to the WTO showed profound impact on SMEs.

With this backdrop this research intends to see impact of WTO accession on Afghan SMEs, particularly on agricultural sector.

1.2 Statement Problem

Afghanistan a land-locked country in terms of geography and is stated as a corridor between the countries of the region. With its membership in the WTO, despite the good opportunities to accelerate trade with its member countries there are numerous challenges that the country faced.

Afghanistan has comparative advantage in producing a number of specific commodities such as precious stones and carpets. Accession to the WTO opened international markets to these commodities which in turn increased the level of production and expertise. Afghanistan received variety of technical assistance from the WTO, which enhanced her capacity to conduct

trade and related policies. However, WTO membership also had challenging consequences, and if not properly managed threats and challenges will outweigh the opportunities (Economy Watch, 2009).

Over the past 17 years, security problems have hampered the implementation of a number of large-scale economic projects in Afghanistan, such as the AYNAK Copper Project, the Hajigak Iron Project, the Turkmenistan, Afghanistan, Pakistan and India (TAPI) Gas Transmission Project, and dozens of other medium and small projects (International Crisis Group, 2017).

The manufacturing industry in Afghanistan is at a very early stage, and the liberalization of imports by reducing tariffs on imported goods and services can severely hurt the level of domestic production, thereby reducing the level of competition based on tariff reductions resulting in reduced exports. It will have a negative impact on the balance of payments, while also reducing foreign currency inflows, which could have adverse effects on the stability of the exchange rate for an importing country such as Afghanistan.

Afghanistan mainly derives its domestic revenues from the sectors of services, agriculture, tax resources and foreign aid. The level of domestic production is very low and its competitive power is not comparable with foreign markets. As a result, with the entry of foreign goods under WTO taxation, the country's domestic income has decreased, which has led to a decline in the level of employment in society. Unfortunately, some of the foreign owned companies' dumping policies created some startups which found unable to compete with global markets. As result Afghanistan's accession to the WTO is found to have a mixed result of opportunities and challenges. This study attempts to analyze and evaluate the issue for agricultural sector (International Crisis Group, 2017).

1.3 Objective and Research Questions

There is no doubt that each research focuses on specific goals that are predefined and designed with specific tools and measures to achieve those goals. This research also proposes some specific goals and measures to achieve. This research focuses on the WTO and its impact on activities of Small and Medium-sized Enterprise (SMEs) in Afghanistan, particularly related to agricultural sector. Some objectives include:

- i. To find out growth of Agricultural SMEs export since Afghanistan joined the WTO.
- ii. To find out benefits and challenges for Agricultural SMEs due to the accession of WTO.
- iii. To find consequences of WTO accession of Afghanistan on its private sectors related to Agricultural sector.

Afghanistan's WTO member is not without opportunities and challenges and there is a need for a comprehensive investigation into the future of Afghanistan's membership of the WTO to know to what extent the accession to the WTO have impact on its SMEs. And to investigate this the specific research questions this research investigated includes:

- 1- What are the consequences of the WTO membership on Afghan SMEs?
- 2- What are the impacts (v+, v-) of WTO accession on agriculture SMEs?
- 3- Can Afghan nascent agricultural SMEs industries compete with foreign imports and what should be done to enhance its competitiveness?

1.4 Scope of Study

This research intends to investigate the effect of Afghanistan's accession to the WTO and its impact on SMEs, particularly on agricultural SMEs. This research is done on the basis of information collected from primary and secondary sources. Due to time and resource constraints most of this information's are collected from secondary sources and primary data

is collected through questionnaire survey and KII collected via online sources. Further, the scope of the research is very limited to the agricultural sector only. Thus, findings of the research have very limited to a specific sector however considering similarity with other sectors some generalizations will be still possible and thus it will have implications for other similar sectors.

1.5 Method and Methodology

This study used the primary and secondary data. First, as the research requires national level data so statistics is obtained from official website. In addition to collected qualitative data, data from other sources such as published works by scholars, scientific books, national and international journals, data published by the Afghanistan Central Statistic Department, published documents of World Bank and other scientific research sources.

1.6 Importance of the Study

There are many research and studies on the importance of WTO membership by many scholars but very less researches have been done focusing on Afghanistan particularly, its agricultural sector. Therefore, this research is of particular importance and seeks to analyze and evaluate the impact of WTO accession on Afghan SMEs.

1.7 Structure of Thesis

The research content is organized in five chapters.

The first chapter includes the background, statement of the problem, research objectives and scope of the study, research, methodology and importance.

The second chapter explored the related literatures about the WTO and history of Afghanistan's accession into WTO. It also includes literature related to SME in Afghanistan, particularly related to Agricultural SMEs.

The third chapter provides detailed explanation on research method including population size, sampling method and data analysis method.

The fourth chapter includes analysis of the data and draw findings.

The fifth chapter summaries findings and includes some recommendations related to show way forward.

Chapter 2

literature Review

2.1 History of Afghanistan Agriculture Industry

From its inception, human beings have long been concerned with simple hunting of animals and the gathering of food (especially plants), making it their sole economic activity. Over time and with increasing population, this type of human activity did not meet their ever-increasing needs, forcing humans to experiment with other ways to meet their needs until they cultivated plants and domesticated animals. In fact, their first act was as a producer. Plant cultivation and domestication of animals brought about dramatic changes in all human dignity and resulted from the agrarian revolution that originated in the Near East around 7,000 BC. At that time the farmers were different from the other classes because the farmers were the ones who did not migrate for food and were the first to create the early villages (Zellal, 2016).

With the onset of the crop, humans were forced to give up their continued travel to or near their farm and necessitating human housing. The emergence of a stable and durable home furnishing, and of course pottery and weaving, has advanced other industries, and these activities have led to a new way of life for humans. The emergence of a stable and durable home furnishing and, of course, pottery and weaving, has furthered other industries, and these activities have led to a new way of life for humans. This kind of human activity was common for a while, but overall the pace of agricultural development was very slow. During the last two centuries, the rapid growth of empirical sciences and inventions, the incorporation of advanced machinery and technology into agricultural activities, and the useful agricultural reforms have rapidly increased the productive power of farmers and enabled them to perform more efficiently by applying scientific and technical achievements. This, in turn, has allowed large numbers of

farmers to migrate to cities and to work in non-agricultural jobs, which, as a result, has increased the proportion of industry growth relative to agriculture. (Zellal, 2016).

Afghanistan is recognized as an agricultural country in the region and worldwide. 80% of Afghans work in agriculture and livestock, and 31% of gross national income comes from agricultural products. Much of Afghanistan's exports are also agricultural and livestock. Therefore, in the economic structure of the Afghan society, agriculture is of particular importance. Agricultural experts consider the most important part of the Afghan economy and believe that only with the development of the agricultural sector can the optimal economic growth and development in Afghanistan be achieved (USAID, 2014).

The current agricultural situation in Afghanistan is perhaps the only, option to build the country's economic infrastructure. Not only does agriculture play a passive role in development, but it can also provide five important aids in establishing the economic structure of developing countries: providing labor, capital, currency, raw materials for the growing industrial sector and create a suitable market for locally produced industrial goods (Johnson & Miller, 1961).

The 1951 excursions to Mandigak (55 kilometers north of Kandahar) show that the Afghan people had been living and farming for more than three thousand years BC. The development of agriculture and irrigation created lush valleys of wealthy and populous cities, as it was one of the old towns of Balkh that were considered the economic and political center of the Bakhtar (the ancient name of Afghanistan) (G.M Ghoobar, 1972).

It is noteworthy that agriculture in Afghanistan is traditional in form and has irrigated and non-irrigated fields for cultivation. Formerly the agricultural machinery was partly wooden, the crushing of the grain by dragging the cow (by cattle or horse) and blowing through the horns, the cereal being floured by hand or by flour mills, and his tribe's system of land rule. Of course,

this is still the case now, but in some areas agricultural machinery is also used. Horticulture also played a major role in the lives of our people and products of this sector were exported to other countries, including grapes, raisins, pomegranates, almonds and pistachios, which played a major role in the country's economy, but the turbulence of the war years this part has caused irreparable damage. Similarly, forests in Afghanistan occupy about one million hectares, but some of these forests have been destroyed due to wars and neglect (MAIL, 2014).

The most productive areas of Afghanistan are ravines, seaside and inland areas, because rainfall forms the basis of water availability. The volume of crops depends heavily on the amount, season and intensity of annual rainfall, which is why some crops, such as wheat crops from one crop year to the next.

2.1.1 Geographic location; Afghanistan is located near the equator in the arid north of the temperate zone, but the existence of numerous mountains, especially around the land, has moderated the climate and caused precipitation, but overall, the dry land is particularly humid. It is very scarce, and in addition to the low rainfall, the intensity of evaporation contributes to drought, as the amount of humidity in summer reaches up to two hundred parts (Zellal, 2016).

Figure 1 Map of Afghanistan



Sources: Britannica 2005

2.1.2 Irrigation and Water; Water is a key human resource and an important driver of economic growth in any country, and the lack of safe and effective use of old water has always been a major problem for the people of Afghanistan. The country's water resources are sufficient for all cultivable lands, but the lack of utilization and destruction of large facilities is one of the limiting factors in Afghanistan's agricultural development (Zellal, 2016).

2-1-3 Land & Soil: A limited portion of Afghanistan's land contains sedimentary and mixed saline soils, all of which are scattered throughout the country due to the diversity of plants from the dense forests of dry ponds. For cultivation, however, the soil must be prepared beforehand under certain conditions, and the relationship between the plant and the soil and water. In the Hindu Kush south of the Helmand Sea coast, it is considered one of the best agricultural lands and the largest agricultural production centers in Afghanistan (Zellal, 2016).

2.2 Accession to WTO

Countries accession to the WTO is subjected to specific rules, under these laws and regulations the Member States and the newly acceded member states to agree to a series of reforms to tax laws and other types of obligations in the field of trade to coordinate the better implementation of the norms of WTO. In the instructions on how to join the organization, the new country mandates that a third of the members in the organization agree, which indicates harmony among its members. Membership in the WTO, as the organization puts it, is a "respect for equality of rights and obligations", which the organization currently claims to have 164 members, each country member with different principles. The length of time it takes for countries to join the organization is different, such as the Republic of Kyrgyzstan, which joined the WTO in less than three years after its application, while Afghanistan's accession to the WTO after its application period took place thirteen years (WTO, 2014).

In the Moroccan Agreement, after the recognition of the WTO, the Contracting States pledged multilateral accession between States, which would require a variety of methods, such as the establishment of joint working groups between countries, to provide a brief introduction of foreign trade laws, used bilateral and multilateral negotiations on trade commitments (WTO, 2014).

Industrialized nations that have traded freely in the past while safeguarding their own processed crops and foodstuffs are benefiting from membership more than developing countries.

The impact of WTO membership on the agriculture sector of countries varies according to the relative size of the agriculture sector, their structure and status as exporters or net importers of food.

2.3 What will be the economic implications of WTO membership on member countries?

According to several World Bank figures released, trade liberalization among its members promises better economic growth, especially in developing countries, where each member of the organization can allocate resources in a fully secure environment. Use expertise and economics in a particular sector while accelerating competition, which in turn will drive growth in the business sector. This liberalization still ensures economics of production and provides new sources of demand for developing **countries** (World Bank, 2017).

Joining the WTO is a reform of the business system that guarantees long-term growth and the creation of efficient, predictable and transparent policies (Winters, 2012).

In the short term, any new member joining the organization will face numerous challenges while being able to reap the above benefits over the long term. Concerning South Sudan's accession to the WTO, they have found that the long-term benefits of this membership are outweighed by its short-term risks. WTO invests \$ 1.6 million to create new policy for post-war Sudan. The Ministry of Commerce said in a statement that the country has embarked on 12 major projects involving several cement and sugar factories in different parts of the country and has set up a commission to integrate South Sudan into the WTO so that foreign investment can be encouraged. In addition to the benefits mentioned above, the challenges for the WTO

member states also include the timing of the accession process, the cost of implementing tax laws and political opposition (Alemi et al, 2016).

In order to facilitate market access among its members, the UN hopes to double the export share of developing countries to the goal of a "Sustainable Market for All" by year 2020.

There is no consensus among scholars on how to grow the industry after joining the WTO in areas such as production, agriculture and trade. One of the main focuses is the impact of membership in the organization in the manufacturing sector and whether different types of products or different types of companies can benefit from WTO rules. Exporters of finished goods and importers of raw materials will see the largest increase in trade. Membership of the organization is more useful to the countries exporting secondary goods than the main sectors. Specific provisions are not envisaged for importers, although one country has sufficiently established domestic advanced industries, and this process may be detrimental to the domestic economy, especially if the imported goods are at a discount (O'Neil, 2016).

Industrialized nations that have traded freely in the past while safeguarding their own processed crops and foodstuffs are benefiting from membership in the developing world more than developing countries. The impact of WTO membership on the agricultural sector of countries varies according to the relative size of the agricultural sector, their structure and status as exporters or net importers of food. A study by (Bnono and Lalanne, 2012) concluded that; In France only companies that already export their products are in benefit than those companies that have just begun exporting, even if producers of similar industries. The researcher concludes that if more exporters have lower tariffs, this tariff reduction will not boost exports. The number of exporters and the types of goods exported will not be affected by membership in the organization. WTO membership increases exports of new goods and reduces them on pre-market goods (Dutt et al., 2013).

2.4 The developing countries and their division from the WTO's perspective

The Swedish Ministry of Agriculture has launched a research to separate developing countries from different dimensions, with the aim of investigating the research aimed at the agricultural and food security sectors. One of the main purposes of this research is to identify and assign criteria to categorize these countries. One-third of WTO members are consisting of developing countries, which are of heterogeneous economic groups, most of which are progressive economies with a stable economy and at the same time poor countries with food security. The Doha round 2001 offers better ways to separate and classify developing countries and developed countries from each other in the field of agriculture (WTO, 2018).

- Less developed countries
- Developing countries with serious need for rural development
- Developing countries with impressive agricultural output
- Progressive developing countries

The WTO has established a multilateral trading system based on the principle of equality of rights that encompasses all member states. The WTO Agreements contain special rules that grant developing countries special rights and allow the rest of the WTO members to deal with them in optimum conditions. These are the special and miscellaneous regulations that governments have agreed to apply to all developing countries for agricultural development and poverty reduction.

The WTO does not have a clear definition of developing countries; each member independently decides whether to rank new members as a developing or developing country. The above procedure has led to a disproportionate classification of developing countries in the WTO.

There are also countries that are classified as developing countries by Net Food Importing Developing Countries in the Food Accessibility Index.

2.5 Negotiations on Agricultural Developing Countries

When we talk about developing countries, there are three main questions; is there a specific treatment for these countries? Shouldn't there be special treatment of these countries? And do these specific behaviors have to be accepted that there is a whole bunch of different developing countries that should be treated separately (WTO, 2018)?

Developing countries have taken an active part in these negotiations, and most have nominated themselves for such talks, generally reflecting a diverse range of interests. A large number of countries have submitted proposals to the WTO to differentiate developed countries from developing countries, some of which have been jointly submitted by these countries; including the African Group Countries proposal have had the most support. Some developing countries have suggested that WTO rules should be more flexible so that they can support their agricultural development and improve the economy of the people living in the villages. Another suggestion of developing countries is that the WTO should provide food security, and general support for their agriculture sector, in order to prevent shortages of capital and population migration to cities, including India and Nigeria are one of the countries that have the most emphasis on it (WTO, 2018).

Many developing countries complain that their exports continue to face high customs tariffs and other barriers in developed countries' markets, and their efforts to develop processed industries face increasing tariffs. Developing countries are demanding lower tariffs on their borders; On the other hand, some developing countries have expressed concerns about the barriers to the import of developed countries, saying that their country's exports are dependent

on a few items, which need specific preferential measures to gain access store those items in developed country markets.

WTO statistics show that developing countries in general are seeing significant increases in exports of agricultural products. International trade in agricultural products increased up to \$ 100 billion between 1993 and 1998, with exports of developing countries increasing by about \$ 47 billion. Their share of global exports of agricultural products increased from 40.1% to 42.4%. They have put forward another proposal that includes regulations that apply only to developing countries, which includes the broad flexibility of member states to develop their own policies on developing countries whose purpose helping with low-income peasants is without resources and providing them with food security. A number of developing countries have expressed their views on the content of such assistance, including better access to developed countries' markets for their products and commitments to receive technical assistance from developed countries. However, there are different theories about the classification of developing countries (WTO, 2018).

Many countries oppose the idea of special treatment for developing countries because they believe such policies will increase trade sanctions. Some argue that rather than increase customs tariffs, developing countries should achieve their goals through specialization and expertise in producing their own unique goods, even some countries claim that they too facing food security and rural development problems, and opposed to special aid to less developed countries (WTO, 2018).

2.6 Duties and Objectives of the WTO

There are different views on the WTO, but the overall purpose of the organization is to focus on trade liberalization and to provide trade facilities between member states. It is a viable option and institution for member states to enter into negotiations with other countries to facilitate or

resolve business disputes. It should be noted that the basis of this organization lies in trade negotiations between member states, which through these talks and negotiations of the member states eliminate or reduce the trade barriers and barriers to their production (WTO Ministerial Conference, Geneva, 1998).

Any country seeking membership of this organization must scale up its business activities to a specific format, and its mission is for its members to reduce or eliminate trade barriers for producers, exporters, and importers and provide a free trade environment. The WTO is one of the UN's specialized agencies. In general, the WTO is a treaty that regulates the conduct and trade relations of member states. The objectives of the World Trade Organization set forth in Article I of its Statute shall be: Enhancing the standard of living of citizens through sound economic and trade relations between Member States; Providing full employment opportunities for all; Continuous and sustained increase in incomes; Increasing demand; Full utilization of global resources; A member of the organization is the primary target of the WTO(WTO Ministerial Conference, Geneva, 1998).

The main purpose of the WTO is to create a free international economic system in which government interference in business matters is minimized. It should be noted that the emphasis is on trade liberalization to the extent that one country is not harmed by trade liberalization, meaning that the WTO advocates trade liberalization if all member states should benefit, not one member, In order to clarify this issue, we can refer to the principles and rules of this organization.

2.6.1 Objectives of WTO

The main purpose of the WTO is to lead and regulate the expansion of global economic relations

The goals of the World Trade Organization are summarized below

1. Lead, manage and oversee the implementation of agreements signed between members
2. Resolving business disputes between members of the organization
3. A forum for multilateral business negotiations to expand economic relations
4. Reviewing and evaluating member trading policies
5. Collaborate with other global organizations in the field of global economy and business management
6. Helping developing countries and economies in transition benefit from the multilateral trading system

These goals are pursued based on the following principles

1. The principle of non-discrimination
2. The principle of trade liberalization
3. The principle of fair trade and transparency
4. The principle of special and different treatment with developing countries

2.7 Rules of WTO

As previously noted, the WTO is based on specific rules, the original versions of which are deeply legal, which is relatively difficult for non-observers to understand, but summarizes the following:

2.7.1 Equal trade deal with all member states

In view of this principle, the organization calls on member states to provide equal trading conditions for all member states without regard to discrimination. It is noteworthy that there is an exception to this rule that it is the creation of separate trade agreements between two or more countries, meaning that two or more countries agree to provide more and better business facilities and that discrimination may be made under the new agreement, trade between the member state of the WTO and the member of the agreement. There is also an exceptional rule for developing countries, which emphasize the need for developed countries to consider specific trade facilities for developing countries (WTO Trade Committee Negotiations, 2005).

When foreign production enters the domestic market of a country, it should be the leadership of the member states' economy that treats domestic and foreign production equally and does not take into account any import or export discrimination. It is noteworthy that taxation and other matters are applicable and the WTO does not interfere because the principle of product availability in the market has been reminded that the tax process and its laws have been followed.

2.7.2 Free Trade; Removing trade barriers such as taxes, extortion, import restrictions, etc. is one of the key issues in business development, and the WTO emphasizes free trade and sets a time limit for each member state to match the timing and expiration date. The organization has long intended to standardize and modify the economic policies of developing countries in order to systematically implement the standardization process of laws, taxes, and so forth (WTO Trade Committee Negotiations, 2005).

2.7.3 Predictability; Most of the time, member states' commitments not to change taxes or eliminate trade barriers for new traders to operate their own capital, thereby enhancing the

stability of laws or the prospect of investment, employment and economic growth. Under this rule, any country that undertakes to change its tax status or eliminate business barriers must be committed to it, with most of the developed countries fulfilling their obligations, but some of the developing countries at times abandoning their obligations, they refrain from fulfilling their commitment. It is noteworthy that each country can change and reform its commitments according to its economic conditions and after negotiations and negotiations and formulate and adjust its obligations according to the conditions of its country (WTO Trade Committee Negotiations, 2005).

2.7.4 Encourage healthy competition; The WTO's emphasis on free trade does not mean that any free trade is acceptable. In fact, the organization emphasizes competition and healthy business. That is why the WTO allows taxation, import restrictions and protection of domestic industries. In addition, the organization is seeking free trade but is tracking and evaluating the dumping issue (selling prices below production costs) and unhealthy subsidies. If one Member State's unhealthy trade damages another Member State's organization, the country concerned may claim compensation and recover the amount of damage caused by the unhealthy trade (WTO Trade Committee Negotiations, 2005).

2.7.5 Encouraging economic reform; The WTO defines a period of time for its members to implement their economic reform programs and typically sets a long period of time for developing countries to regularly and cautiously implement changes and reforms that they had previously committed to making it work.

Most of the developing countries that are members of the organization are taking advantage of the convenience that the organization has provided them step-by-step in implementing their economic plans. It should be noted that within the framework of this organization the developed

countries have created tax, transit, etc. facilities for the growth of the economies of the developing countries in order to contribute to their economic growth rate (WTO, 2016).

Research Gap

Many scholars have conducted numerous studies and researches on the importance of WTO membership, but regarding (effect of world trade organization on Afghan SMEs analyzing on agricultural sector) very limited research has been done that cannot meet the needs of students and researchers. Therefore, this research is of great importance and attempts to analyze and evaluate the consequences of WTO membership in the context of research questions to benefit from the results of small and medium business operators and other enthusiasts.

Chapter 3

Research Methodology

This study is based on both, the first and second hand data, In addition to collected qualitative and quantitative data published works by scholars, scientific books, national and international journals, data published by the Afghanistan Central Statistic Department, published documents of World Bank and other organizations have been used.

3.1 Population

The present study seeks to examine the implications of Afghanistan's accession to the WTO and its effects on Afghan SMEs (agricultural sector products). Thus, all the agricultural products trading small and medium-sized enterprises and their affiliated agencies are included in the statistical population of this study. Due to the lack of proper information regarding the exact number of small and medium enterprises in all over Afghan Government agencies, only the capital of Afghanistan, Kabul was selected for study purpose.

3.2 Sample Size

In selecting a sample, the non-probability sampling method is used. In order to determine the sample size, the Morgan table was used, based on the table, the confidence level is 95%, the significance level is 5% and from the unknown statistical population the sample size is 384 persons. The sample population comprises 100% of the sample of small and medium enterprises. When distributing the questionnaires, adequate information was provided to the respondents about the WTO and SME enterprises.

3.3 Data Collection Instrument

The data were collected through questionnaire to achieve the objectives of this research study. 384 questionnaires have been distributed to SMEs (dry fruit traders in Kabul city).

The questionnaires were arranged in form of Likert Scale that shows the participants responses in; Strongly Agree (5), Agree (4), Neutral (3) Dis-agree (2), Strongly, Dis-agree (1). The questionnaires had two parts; the first part of questionnaire comprises the demographic questions about the respondents, and the second part includes technical part of the study.

3.4 Data Analysis Method

In order to analyze the data SPSS and MS Excel programs were used. Graphs, tables and other tools used to show comparison etc.

Chapter 4

Analysis and Results

As stated in third chapter the main objective of this research is to examine the effect of WTO on Afghan SMEs and the focus is analyzing the agricultural sector. This chapter present analysis of data obtained from farmers and wholesalers in Kabul city through questionnaire and also information obtained from other secondary sources.

4.1 Accession to WTO and Impact on Afghanistan's economy

Afghanistan has achieved remarkable growth over the past decade, but has suffered badly over last few years due to more international troop withdrawals and reduced international economic aid. For example, GDP growth in 2014 decreased by about 2% and after two years a 9% increase in rates was felt. According to a report by AISA in the first half of 2015, domestic and foreign investors were called to invest in the country, with foreign direct investment and other types of investment declined sharply. Economic contraction is accompanied by rising unemployment and capital escape. Government revenue from tax collection remains weak, which has led to the financial crisis (AISA, 2011).

With this background, Afghanistan hoped that with its membership in WTO, it will gain greater access to the world markets, which is one of the key tools for economic growth. Afghan government officials expressed optimism that joining the WTO will help their country's rule of law, business transparency and healthy economic growth (DW, 2018).

The head of public relations at the Afghan Chamber of Commerce told Deutsche Welle "The WTO gives us a good opportunity to reform the business sector and is also critical to job creation, transportation" (DW, 2018).

Thus, membership of the WTO is expected to provide benefits such as access to new markets and global supply chains, particularly for agricultural products as country's economy has a huge share of agricultural, some types of carpet and leather products, which may benefit from low customs tariffs due to access to WTO.

4.2 Positive Consequences of Afghanistan's Membership in WTO

By resolving Business Disputes between Partners; WTO provides safe space for members to resolve trade and transportation disputes, greater access to lower input costs by local companies and producers and startups (DW, 2016).

Thus, by joining the WTO, Afghan businessmen can gain access to regional and international markets at lower rates and at better conditions (DW, 2016). Data collected from both primary and secondary sources also proves various such positive consequences. Some are listed below

Boom in the Production & Export of Dried Fruits, Gems & Rugs in Afghanistan:

Afghanistan has specialized and comparative advantage in producing commodities such as dried fruits, precious stones and carpets. WTO membership will open the markets for these Afghan goods and increase the amount of production and more expertise in these goods. An increase in exports of these economic goods could improve the chronic deficit in Afghanistan's trade balance (WTO, 2017).

Accreditation:

The WTO regulates 95% of world trade, membership in the organization gives the countries international credit, this credit can boost economic cooperation between countries. For example, many countries only want to invest directly in countries that are members of the WTO. So, joining the WTO increases the credibility of countries and leads to increased investment and encourages local investors to invest and start new businesses (WB, 2016).

Increased Foreign Direct Investment:

In order to invest in a country, investors generally consider not only opportunity, capital and expertise, but also the country's investment and credit guarantee. Countries that are members of the WTO have to comply with the principles and regulations of the WTO in many cases that guarantee investment. On the other hand, because labor and raw materials in Afghanistan are cheap and intact natural resources such as iron, copper, coal and minerals are also abundant, with the attraction of foreign direct investment encouraged and facilitated by the organization, the economic landscape of this country will change dramatically (WTO, 2017).

Customs Tariffs

Membership in the WTO provides countries with zero tariff rates, Afghanistan can also benefit from the benefits that can help achieve a sustainable and dynamic economy (WTO, 2017).

Fixing the Business Balance Deduction:

Afghanistan has been suffering from a severe deficit in trade balance for many years. According to the Afghan Central Statistics Department, Afghanistan's export value is about \$ 0.1 billion annually, while its import value is approximately \$ 9 billion. That is, Afghanistan has 5.5% of exports versus 94.4% of imports. Undoubtedly, if serious consideration is given to effective management, membership in the WTO will help eliminate the trade deficit (WTO, 2017).

Establishing High Tariffs within the Framework of WTO Rules:

By joining the WTO and subject to its rules, Afghanistan can impose a 2.2% tariff on imported goods from member countries. Afghanistan can also benefit from tariff exemptions from countries such as China, the US, the European Union and India. These benefits can help Afghanistan increase revenue; reduce trade deficit and economic growth (WTO, 2017).

Removing Import Barriers:

Under the laws of this organization, commercial goods can enter Afghanistan without any obstacles. On the one hand, this will increase the volume of trade and taxes; on the other hand it will reduce the prices inside the country, which will benefit the poor people of this country, it also makes the country's domestic markets more competitive. That is, removing import barriers is considered in the country's interest (WTO, 2017).

Specialty and Relative Advantage of Economic Goods:

With the opening of international trade, countries are given the specialty and comparative advantage of economic goods. Every country is trying to produce and export surplus-only commodities that specialize or have a comparative advantage. In this regard, following the theories of absolute advantage and relative advantage and other theories of international trade make countries more specialized and increase the relative advantage of economic goods (WTO, 2017).

Learn from the Experiences, Expertise & Successful Practices of Global Markets:

With the liberation of frontiers for import and export, training is provided to Afghans on the production, trade and economic methods of development. However, Afghanistan needs to use and model effective policies and experiences of developing and developed countries. Undoubtedly, the path others have taken to achieve sustainable and efficient economic growth is in itself a great lesson for countries like Afghanistan (WTO, 2017).

Financing Field:

By joining the WTO, companies within Afghanistan can also benefit from financing global markets. One of the major challenges in Afghanistan is the lack of funding for Afghan companies. Unfortunately, domestic banks have not yet been able to provide adequate and affordable financing to domestic companies (WTO, 2017).

Direct Access to Markets & Sales in Various Markets:

One of the problems of Afghanistan is the direct access to global markets. By joining the WTO, Afghanistan has access to global markets in-house and can sell its export goods at good prices. It is noteworthy that until now, Afghanistan has unfortunately not been able to directly access global markets, and this has consistently been an effective asset for Afghan businessmen.

Provision of Technical Assistance & Support Policies:

By joining the WTO, Afghanistan can benefit from its technical assistance. This will be in support of Afghanistan's trade and business policies. Afghanistan can also benefit from WTO membership with preferential policies such as supportive policies by the WTO and its members along with its technical advice. WTO's long-term technical assistance and support policies will boost economy and trade in the country (WTO, 2017).

4.3 Negative consequences of Afghanistan's WTO membership

Termination of Subsidies or Quotas for Agriculture:

WTO forces Afghanistan to cut agricultural subsidies, which could have negative impacts on export and crop production due to fierce competition from foreign competitors.

Threats to Infant Industries & new Startups:

Industrialization in Afghanistan is in very primary phase. Young industries cannot compete with hulk industries in neighboring countries, Afghanistan needs to impose heavy tariffs on

imports to support these industries but membership in the WTO cannot apply more tariffs than the agreement with the WTO. So, the country's nascent industries, in competition with foreign-grown industries, suffer from tight competition and in some cases have to close down, which could lead to unemployment and a decline in industry.

Reduced Government Revenue:

Afghanistan has a very weak domestic revenue collection system. Its budget often relies on foreign aid. Domestic revenue cannot even cover government spending. WTO membership should reduce tariffs, which will reduce annual revenue (WTO, 2004).

4.4 Disadvantages and Challenges of Afghanistan's Accession to the WTO

Despite the opportunities outlined above, Afghanistan's accession to the WTO could have adverse consequences for the Afghan economy. Unless Afghanistan's WTO accession is managed properly, it will offer more threats and challenges than offered opportunities. So Afghan economic policymakers should pay close attention to this (WTO, 2017).

Increase in Imports:

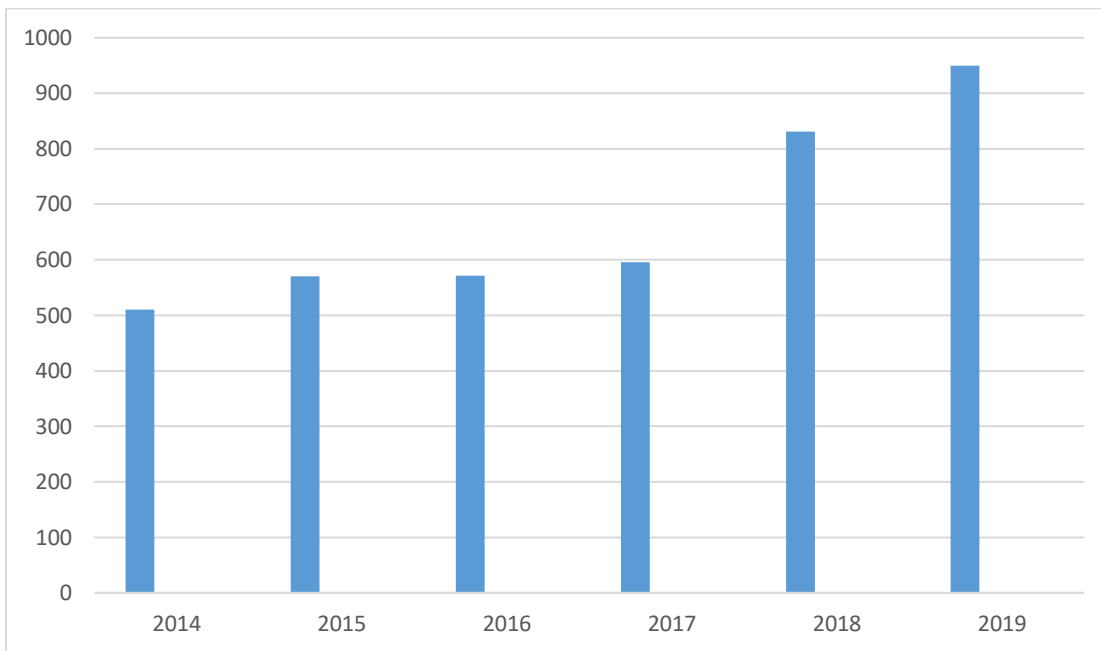
Afghanistan currently experiences 96% of imports and only 4% of exports. Some believe that Afghanistan's accession to the WTO could increase imports into the country. They argue for increased imports as a result of removing non-tariff barriers and eliminating their currency controls and losses. However, Afghanistan is also facing a shortage of currency resources and these issues could have a negative impact on the country's shaky economy (Farzam, 2017).

4.5 Export & Foreign Trade Status of Afghanistan before and after the

Accession to WTO

Afghanistan's exports increased rapidly after the accession to WTO. Figure 4.1 below shows from the year 2014 to 2019 it increased sharply from around 500 million USD to around 950 million USD.

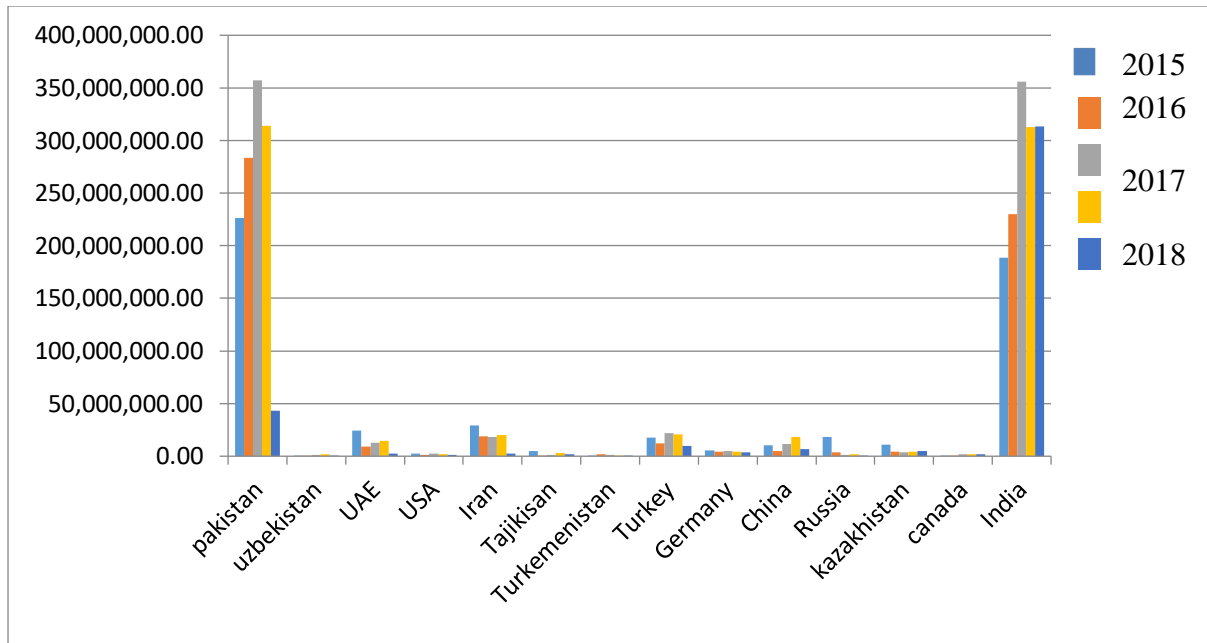
Figure 2 Afghanistan's Exports from 2013-2019 in Million USD



Source: NSIA, 2019

Figure (3) below shows diversification of exports of officially registered goods during the 2015 to 2019 years that do not include smuggling and re-exported goods. Most of the exports include agricultural products. It is noteworthy that till the end of year 2019 Afghanistan's 34.5% of exports are fresh and dried fruits and 28.2% export of medical plants. Previously most of its trade was with Pakistan on the other hand with the beginning of National Unity Government most of the trade is now with India, Kazakhstan Iran, USA, UAE and Europe.

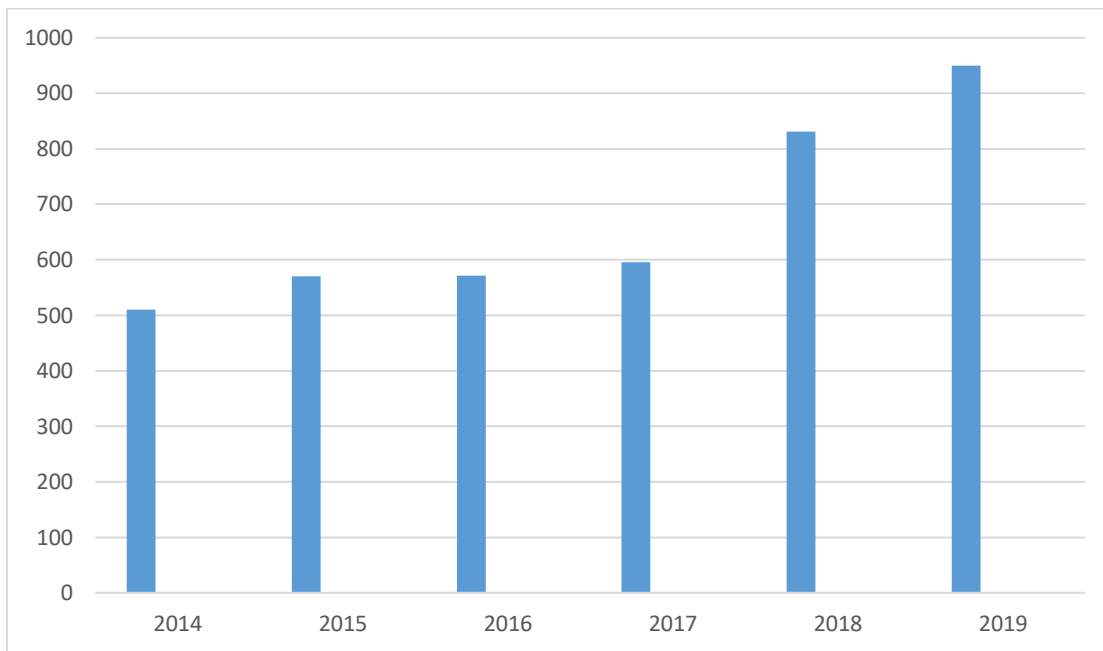
Figure 3 Afghanistan's Export from 2015 to 2019



Source: NSIA, 2019

Since joining the WTO, Afghanistan has provided *many* opportunities for exporting domestic products and goods. However, official exports of Afghanistan have increased dramatically since fiscal year 2016. Exports of fresh and dried fruits, which make up about one-third of Afghanistan's exports, have had a significant role in exports. Improvements in horticultural performance in recent years have led to an increase in fruit crops. While fresh fruit exports depend on the current state of horticulture, dried fruit exports typically depend on last year's crops (National Statistics & Information Afghanistan, 2019). The agriculture sector currently holds for about 35% of Afghanistan's GDP, accounting for about 80% of the country's population field.

Figure 4 Afghanistan's Exports from 2013-2019 in Million USD



Source: NSIA, 2019

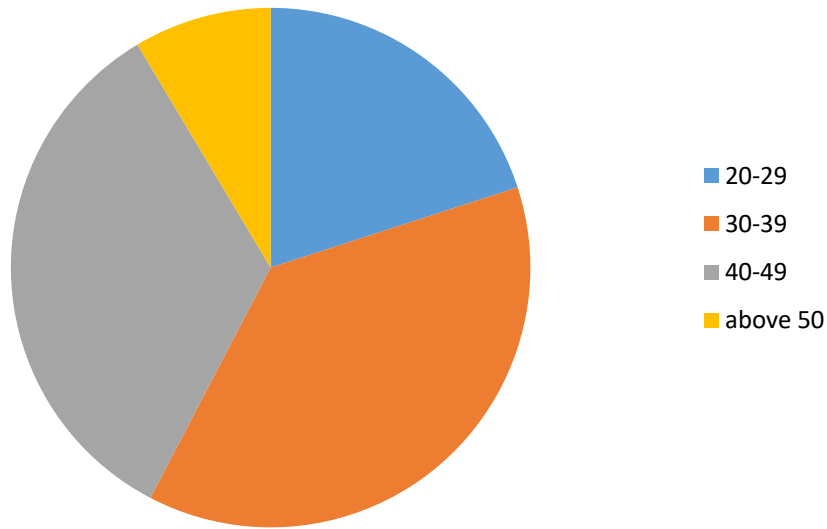
4.6 Analysis of Data Obtained from Questionnaire Survey

This section is devoted to analyzing the research findings and results obtained from data gathered by questionnaire survey. In this section, information on the outcomes of Afghanistan's WTO membership on SME activities has been analyzed and evaluated using SPSS. First, demographics of respondents are shown and later data obtained for various questions is analyzed.

(i) Demographics of Respondents:

The below figure (5) show the life span of the respondents reflects small and medium-sized businesses and farmers. As shown in the figure (4.3) 20% of respondents are between 20-29 years, 38% of them are between 30-39-year-old, and 34% of respondents are between 40- 49 years old and 9% respondents are belonging above 50 years old

Figure 5 Life Span of Respondents

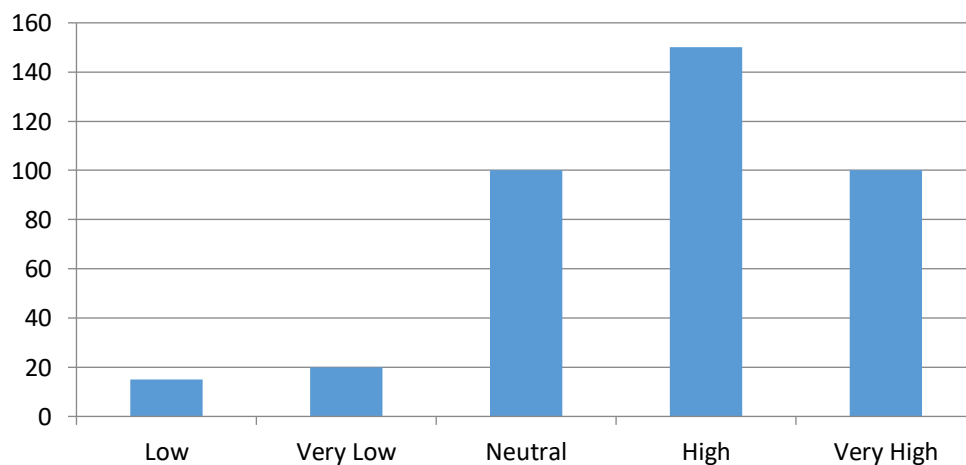


Source: Author, 2020

(ii) **Impact of government policies on exports:**

The below figure (6) shows the most of the respondents believe government's policies taken due to accession to WTO improved the business environment and boosted exports. Among 385 respondent's majority responded either high or very high impact of government policies as these were found successful in improving the status of exports and only 9% of them are disagree with this.

Figure 6 Government Policies

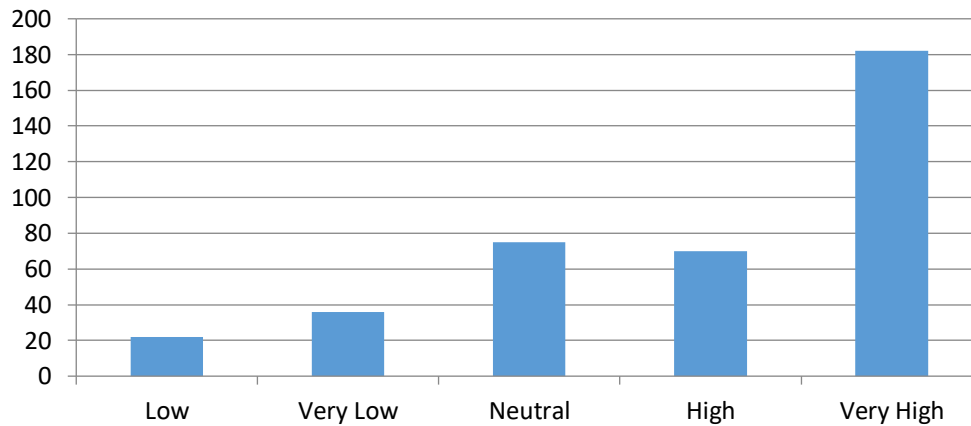


Source: Author, 2020

(iii) Impact on Agricultural employment:

Figure (7) discusses the level of improvement of jobs in agricultural SMEs after joining the WTO and most of the respondents (about 180) believes that the level of employment has been increased after accession to the WTO.

Figure 7 Increase in the Level of Employment

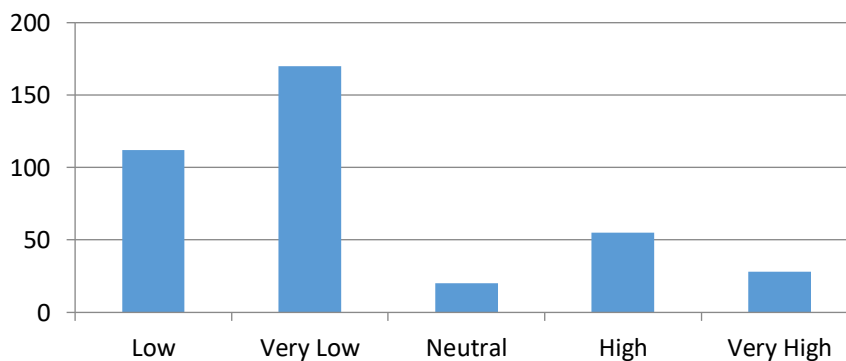


Source: Author, 2020

(iv) WTO accession and impact on local business:

The below figure (8) show that when asked the participants regarding negative impact on local business due to accession in the WTO most of the respondents were disagree and said it had very low to low impact on their business. As result we can say that accession to WTO has helped the growth of agricultural production in the country.

Figure 8 WTO Troubled Local Businesses

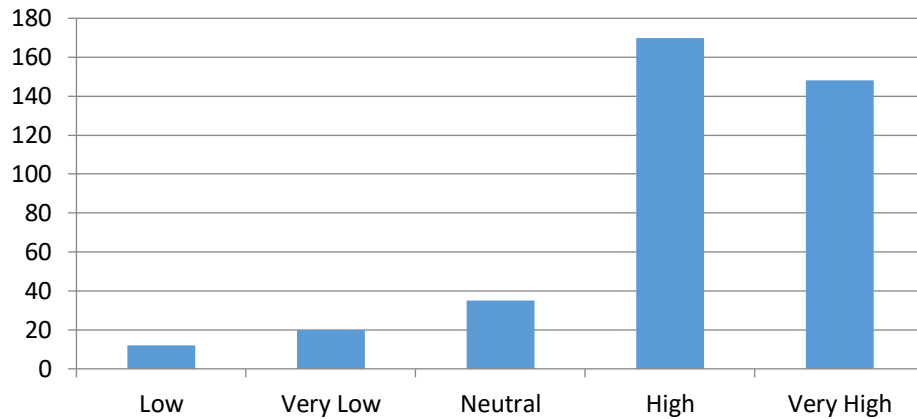


Source: Author, 2020

(v) WTO accession and impact on production:

Around 82% respondent gave their opinion that Afghanistan’s membership in WTO has improved the level of production figure (9)

Figure 9WTO Enhanced Local Businesses

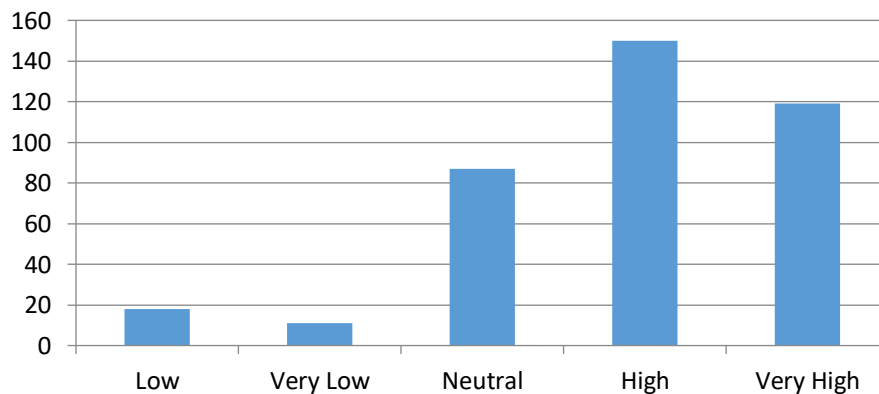


Source: Author, 2020

(vi) WTO accession and diversification of goods:

One of the advantages of entering global market is diversification of goods. , While asked about product diversification due to accession to the WTO, 69.9% of them responded that WTO has played positive role in providing different goods for retailers and end-users figure (10).

Figure 10Role of SMEs in Diversification of Goods

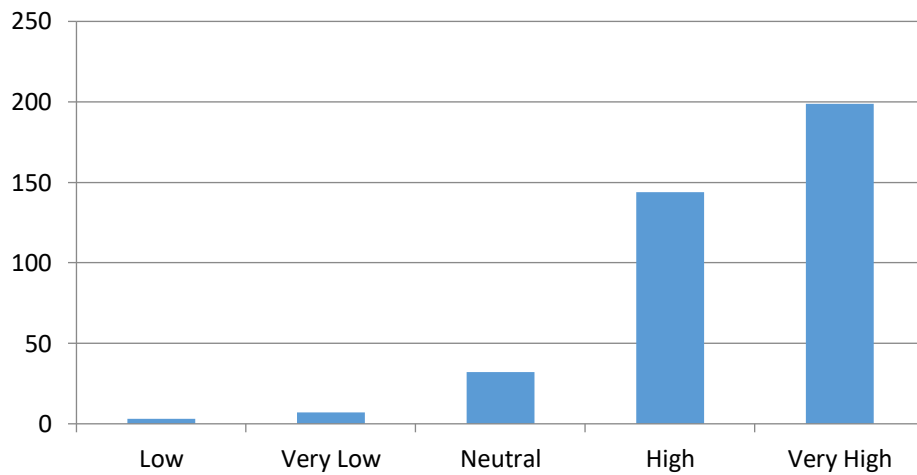


Source: Author, 2020

(vii) WTO accession and access to new markets:

One of the major assurances of WTO for its member countries is expansion of the business and finding new markets. Around 89% of the respondents also believe that after accession to the WTO their products got many new markets and their businesses also grown rapidly while only 2.6% are disagree with this (figure 11).

Figure 11 Businesses Fruitfulness after WTO Accession

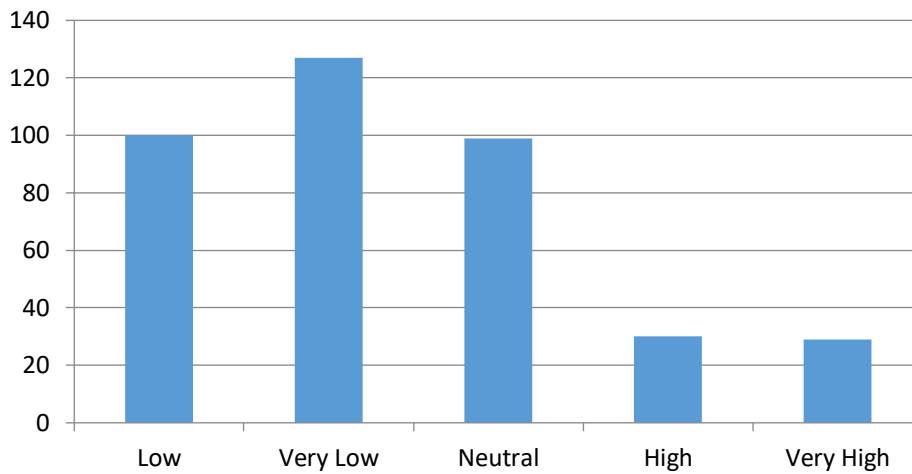


Source: Author, 2020

(viii) Impact on agriculture:

Afghanistan is an agricultural country some of its products are unique worldwide and have high demand. Removing customs barriers and creating free markets for WTO members, accession to WTO provided Afghan agriculture sector a huge chance to grow. It is clearly evident from the answer of the respondents as 59% of them believes that their businesses are growing and only 15% of them are thinking that their business activities are shrinking (Figure 12).

Figure 12 Agricultural Business Shrink after

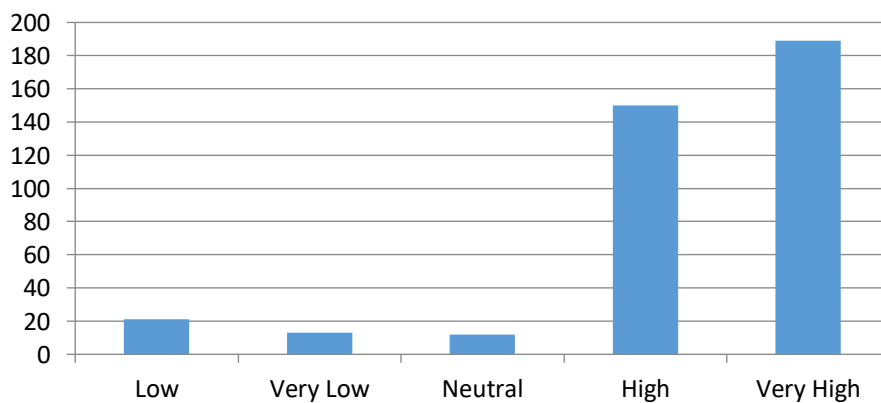


Source: Author, 2020

(ix) WTO accession and impacts on business rules and regulations:

Before accession to WTO Afghanistan almost had no business rules and regulations, thus application of WTO rules and regulation caused very less problem with local business rules and regulation. Figure (13) shows majority 88.1% of the respondents were satisfied with WTO's compliance and said it is in line with their local rules and regulations therefore they have no problem in running business.

Figure 13 Compliance of WTO Rules with Local

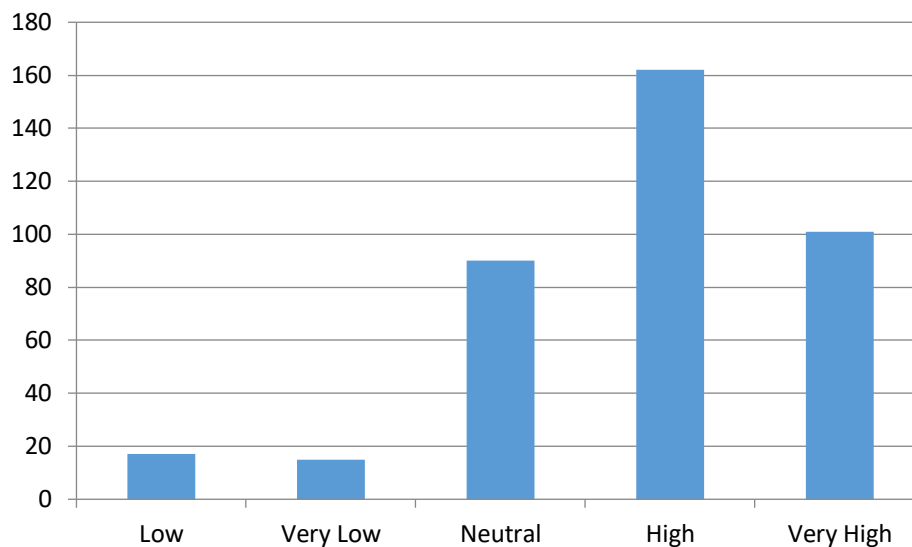


Source: Author, 2020

(x) WTO accession and impact on exports:

As below figure (14) shows the opinion of 385 respondents regarding exports and 68.3% of them believe that their exports have been increased since joining WTO and only 8.3% are disagree with the issue.

Figure 14 Increase in Exports

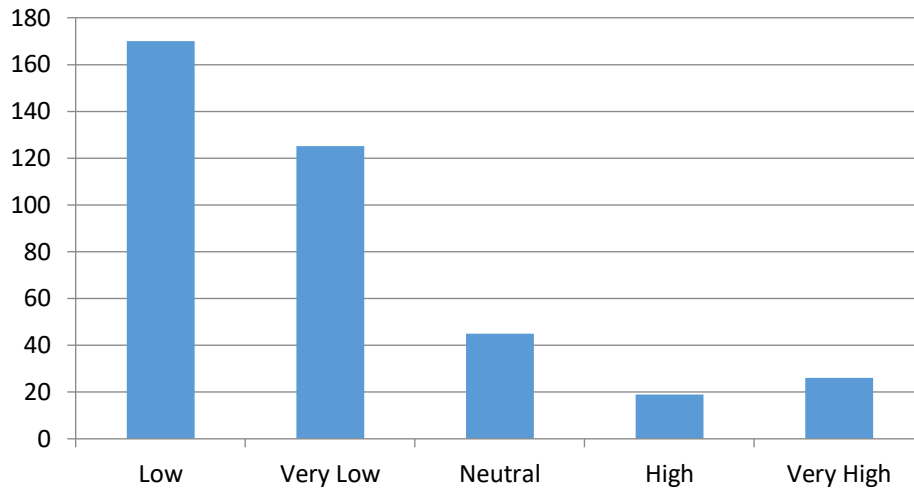


Source: Author, 2020

(xi) WTO accession and opinion about business support:

In order to manage business operations in a complex society and to help respond to changing societal, economically and political needs support from government is very important. However, for Afghanistan case most of the respondents (76.6%) said they are dissatisfied with government support (Figure 15). Therefore, though WTO accession was supportive to SMEs government support still remain inadequate in many instances.

Figure 15 Government Support

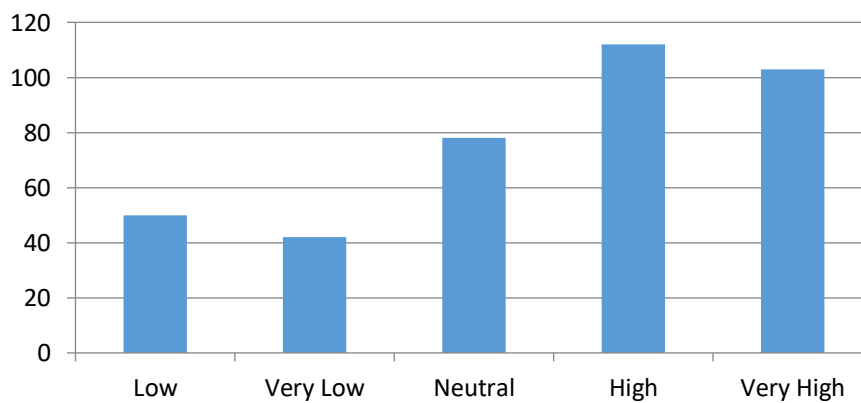


Source: Author, 2020

(xiv) WTO accession and impact on SMEs:

WTO offers Conflict resolution, connection to the large markets, more jobs and faster economic growth (WTO, 2012). As it is clearly stated in the below figure (16) 55.8% of respondents have taken highest advantages from this accession and said they were benefited due to WTO accession.

Figure 16 WTO Benefited SMEs Holders and Farmers

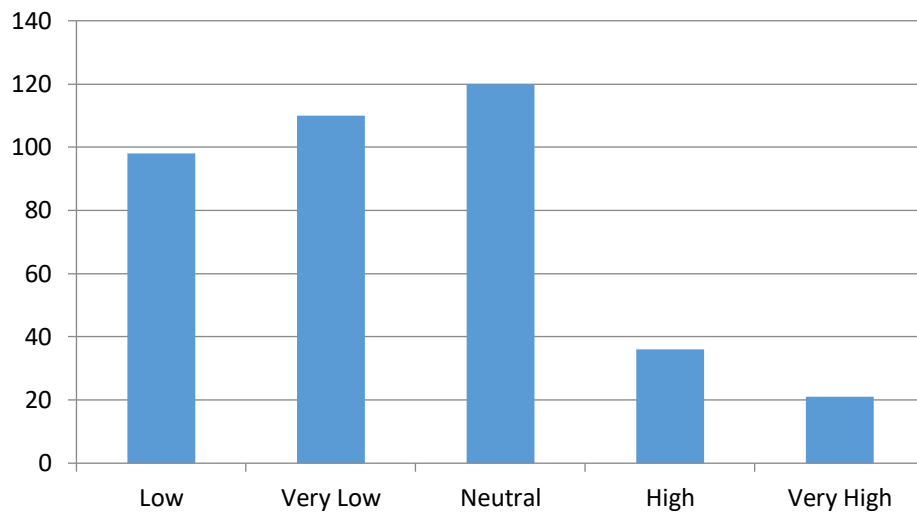


Source: Author, 2020

(xv) WTO accession and impact on FDI:

Security, electricity and fair working environment are the key elements to attract foreign direct investment as below figure (17) shows 54% of respondents stated the Afghan government failed to attract FDI though WTO accession has eased it in many instances.

Figure 17 Gov.'s Efforts to Attract FDI

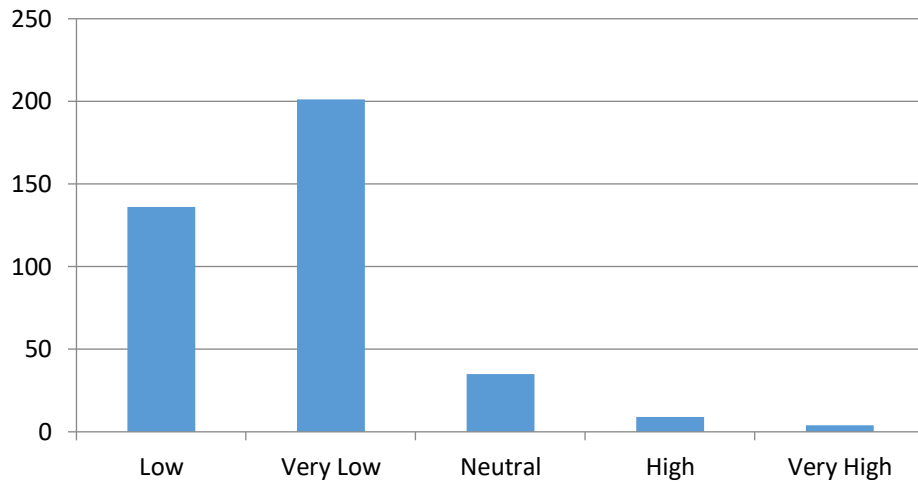


Source: Author, 2020

(xvii) WTO accession and Anti-dumping

Minor industries in Afghanistan needs to be supported against foreign big sharks. In order to drive foreign competitors off the market, hinder their competition and disturb those local markets that receive dumped goods the government must take action. As below figure (18) that shows 87.5% of respondents are unsatisfied with Afghan government anti-dumping policies.

Figure 18 Gov.'s Anti-Dumping Policies

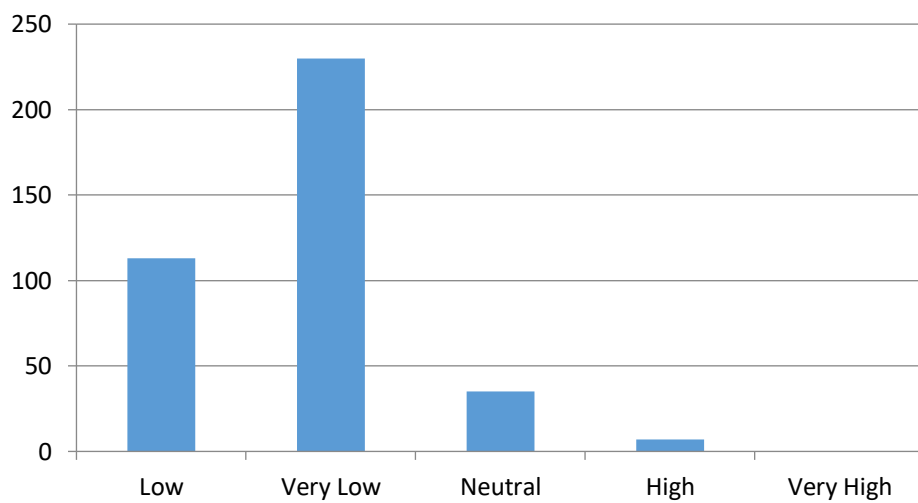


Source: Author, 2020

(xviii) Accession and protection of domestic industries:

In regard to government's effects to protect domestic industries 89% of respondents stated that the government has failed to protect these infant industries (Figure (19)).

Figure 19 Gov.'s Protection of Domestic Industries

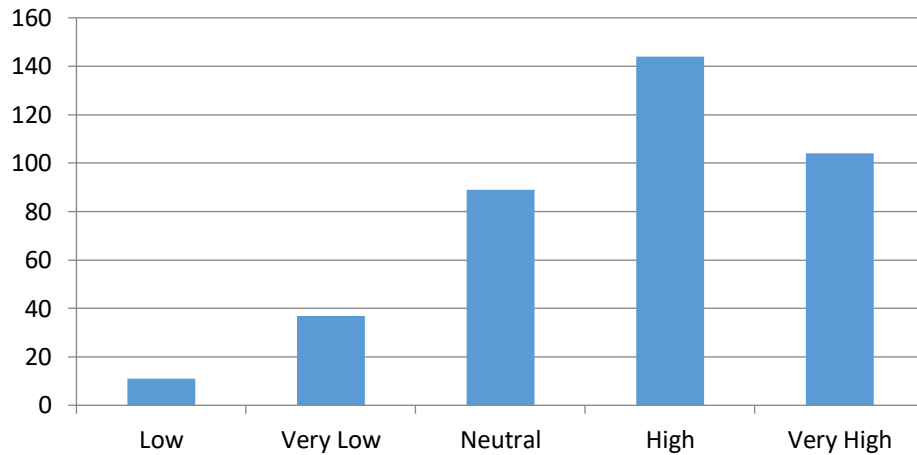


Source: Author, 2020

(xix) Compliance of WTO rules:

As we can see in the below figure (20) 64.4% of respondents think that membership in WTO and implementation of its rules and regulations is positively affect their trade.

Figure 20 Compliance of WTO's Rules

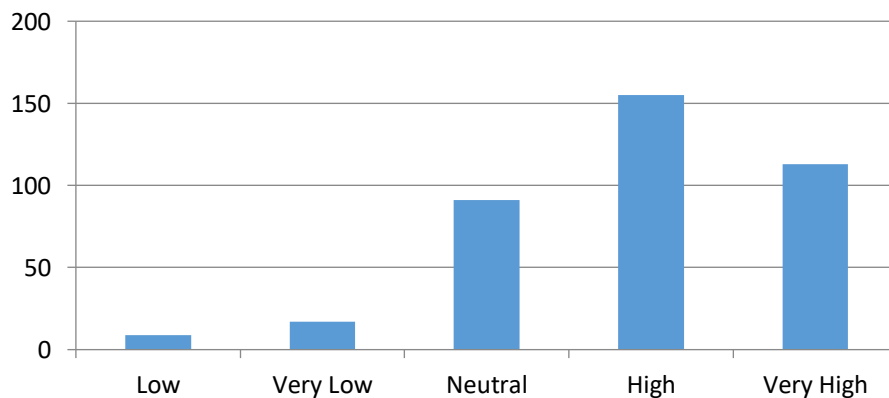


Source: Author, 2020

(xx) Impact of continued membership:

For four years from accession it's been proved that continued membership will bring prosperity to economy. As below figure (21) shows that 69.6% of respondents think that this membership is positively affecting the Afghanistan economy by opening new market and diversifying products.

Figure 21 Afghanistan's Continued Membership in WTO

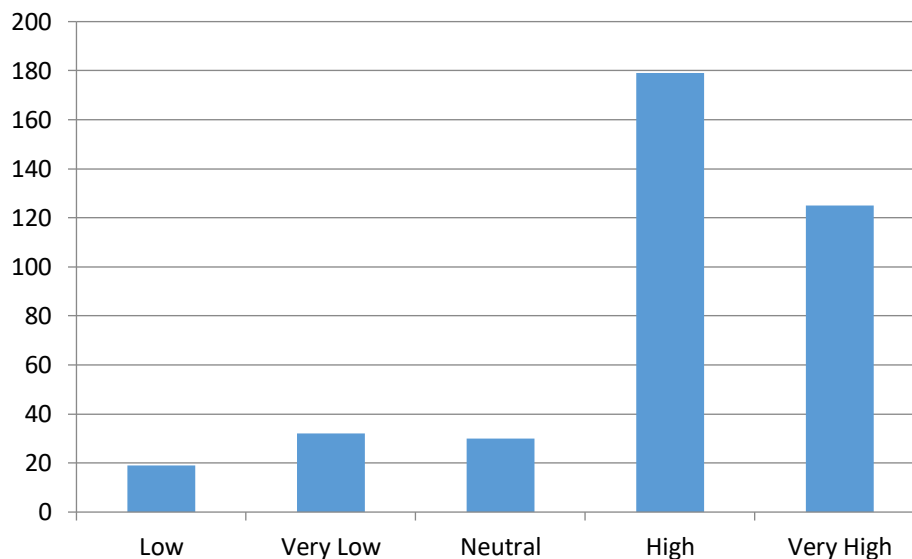


Source: Author, 2020

(xxi) WTO accession and Foreign Assistance

Afghanistan is a land locked country, in order to export agricultural goods, it needs to compete with its two neighbors (Iran & Pakistan) which is only possible with the close assistance of WTO. In case if it doesn't provide financial and technical support Afghan SMEs will not be able to deal in a fair way. Similar view also found from the respondents as 79% of them think that without technical and financial assistance of WTO the status of SMEs in Afghanistan will be in a bad condition (Figure 22).

Figure 22 Afghanistan without WTO Financial & Technical Assistance

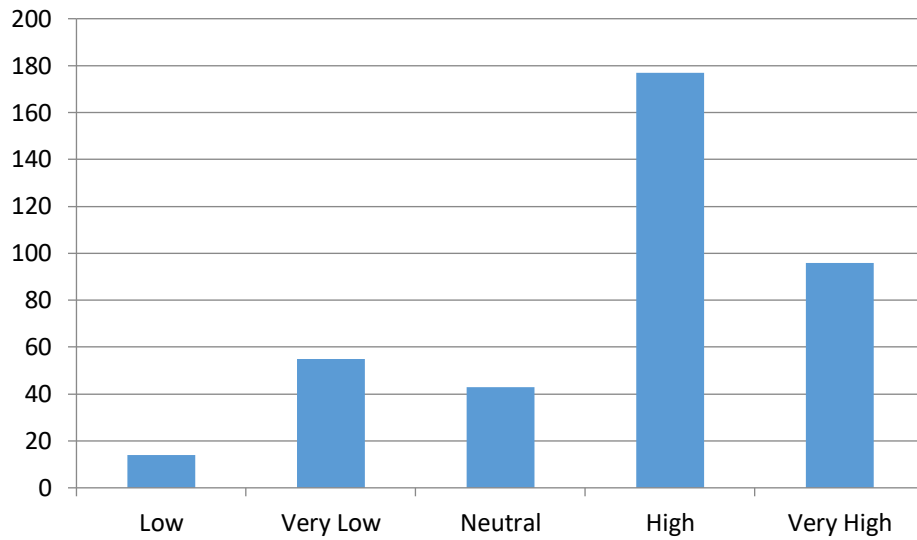


Source: Author, 2020

(xxii) Impact on access to services due to WTO accession:

As we can see in the figure (23) 70.9% respondents think that Afghanistan membership in WTO has provided more services and diversified the selection of goods which is promoting local agricultural SMEs to grow due to access demand created.

Figure 23 Access to More Services due to WTO Membership

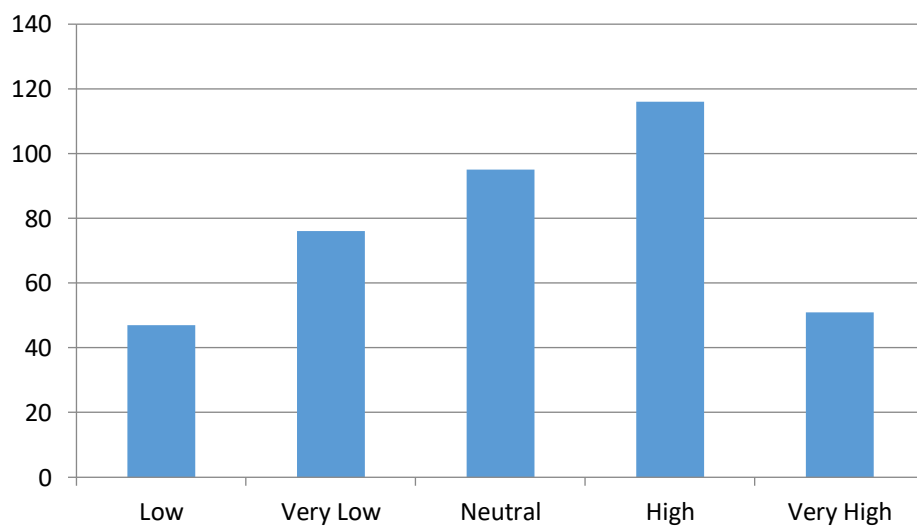


Source: Author, 2020

(xxiii) WTO accession and enhancement of domestic market production:

As we can see in the figure (24) 43.4% of the respondents think that Afghanistan membership in WTO has boosted domestic demand and created more jobs in domestic markets.

Figure 24 Enhancement of Domestic Market's Production



Source: Author, 2020

4.9 Summary of Finding

The present study examines the implications of Afghanistan's membership of the WTO on the activities of SMEs. For this purpose, two basic questions were designed for the research of the thesis topic.

The questions are as follows; what are the consequences of WTO membership for entrepreneurs and can Afghanistan's nascent industries compete with foreign imports?

At first please take a look at discussion regarding the first question that is; whether Afghanistan's nascent industries can compete with foreign imports or not? In light of the analysis of the questionnaire, findings of the study show that Afghanistan's emerging industries can compete with foreign imports. The Afghan economy heavily relies on agriculture sector's products and in the field of industry and services it satisfies the needs of its citizens more by importing them. At the same time using the specific rules of the World Trade Organization less developed agricultural countries has been able to export its agricultural goods worldwide most of these were obtained from the library survey and the rest from the questionnaire.

In this section we address the second question of the present study what are the consequences of WTO membership for entrepreneurs, analyzing the figures obtained from the questionnaires and library surveys confirms that Afghanistan's WTO membership will have positive consequences for the business community. As mentioned above, Afghanistan is an agricultural country and its economy relies on the agricultural sector, which currently has the largest share of GDP. Therefore, by emphasizing this, Afghanistan can make more profit by exporting agricultural products and using WTO-provided opportunities to agricultural developing countries and keeping its production machine active.

With the creation of the WTO in 1994, with the emergence of 124 countries in the world, its main purpose is to "monitor and liberalize world trade" and to secure trade relations and trade restrictions between different countries within the framework of specific laws and regulations to provide a common roof for business.

Afghanistan became a member of the organization on January 29, 2016 after its approval by the Afghan parliament, which became the 164th member of WTO. This membership, in effect, is the second major agreement after the TAPI project for the country. Afghanistan was one of the largest exporters of crops in the world in the 1970s exporting 10% of the world's total dried fruit.

Afghanistan is geographically a landlocked country and is stated like a corridor between countries in the region. With its membership in the World Trade Organization, despite the good opportunities to accelerate trade with its member countries, there are numerous challenges to face. Afghanistan has a comparative advantage in producing a number of specific commodities such as dried fruits, precious stones and carpets. Accession in this organization will open many markets for these Afghan commodities, which will in turn increase the level of production and more expertise.

Given that Afghanistan's accession to the WTO has been going on for some time, not all aspects of the issue can be reached during this process so there is a need for further research in this area in order to obtain more accurate results on the activities of SME sand the consequences of the WTO in Afghanistan.

Chapter 5

Summary, Recommendation & Conclusion

5.1 Summary

The present study examines the implications of Afghanistan's membership of the WTO, particularly on the activities of SMEs related to agriculture sector. Analysis based on both primary and secondary data in previous chapter shows certainly accession to WTO had positive impact on the opening of trade of Afghanistan. Particularly, trade of SMEs related to agricultural sector got huge boost as the country had comparative advantage of producing good quality agriculture product in lower price. Therefore, results from both primary data and secondary information shows a positive impact on agricultural products as a result of WTO accession. However, as the economy is not matured enough yet and, in many cases, internal rules and policies are not set yet there remain huge challenges too.

Analysis shows accession to WTO provided positive environment in domestic front by providing improved technologies, diversified production, expansion of domestic service sectors etc. On the other hand, in external front export boosted due to demand from external market. Thus, WTO accession seems have so many positive impacts for Afghan agricultural SMEs. However, at the same time it was found many respondents showed their dissatisfaction as Afghan government still failed to create infrastructures and policies required to take full advantage from the accession to WTO. Therefore, government need to take such policy measures urgently. Ahzxc\ty,.\

5.2 Recommendation

- (i) ***Increase awareness of the role of government in the growth and development of businesses:*** Many entrepreneurs do not have the knowledge about the role of government to facilitate the process of their economic activities in the new economic policy framework. A coherent and coordinated campaign is needed to provide business owners with information on when they can ask for help from the government and in what situations they are requesting assistance outside the scope and ability of the government.
- (ii) ***Increase women's participation:*** The presence of female executives and business associates at the level of policymaking institutions such as the Afghan Investment Support Agency, the Chambers of Commerce, Industry and SMEs is not very noticeable. Enterprises owned by women strive for continuity and survival of their activities. On the other hand, the social acceptance of women's presence outside of work is declining. But in many cases women play important role in SMEs related to agriculture. Therefore, measures to involve women in decision-making bodies can lead to policies that provide a more appropriate environment and space for women to engage.
- (iii) ***Providing a safe working environment, adequate security and electricity for entrepreneur:*** Doing business in the field of industry, agriculture or services requires a high level of security, adequate electricity and a safe working environment. Security is the most important factor for the development and growth of business. The government alone cannot provide the internal security and business security of businesses, so all stakeholders including the private sector and multilateral agencies should play important role in this regard.

(iv) *Coordinate business strategy matching:* There is a clear strategy for small and medium-sized businesses now. But the department of SMEs in the Ministry of Commerce and Industry, which coordinates the implementation process of this strategy, does not have enough staff. Therefore, strengthening this department with resources will certainly enhance growth of SMEs in Afghanistan.

(v) *Increase the capacity of businesses to reach and work in new markets:* Capacity building should be done so that entrepreneurs can reach new markets and be able to operate economically. Afghan businessmen are having difficulty accessing foreign markets. Hence, trade fairs sponsored by international organizations over the past decade should focus on providing links with foreign businessmen. The Afghan government needs to assist business people in marketing and strategize long-term relationships with customers, not just to be involved in exhibitions to sell their goods.

(vi) *Increase the level of government action to protect domestic industries;* It is impossible to continue the domestic business in any country without the co-operation of the government. However, in many cases the Afghan government has failed to protect and address need of emerging industries due to the unstable political and economic situation. These goals can be achieved by increasing the number of current units in terms of quantity and quality and creating new departments under the sponsorships of the Ministry of Commerce and Industry.

(vii) *Demand for business to be coordinated with the country's education system:*
The Department of Small and Medium Enterprises should work with government and private education organizations to develop a training curriculum that responds to economic and business needs.

(viii) *Facilitate the process of formalizing the business:* Ineffective bureaucracy and corruption coupled with the lack of incentives for SMEs make the majority of these

businesses operate outside the sphere of government influence and illegally. Therefore measures should be taken to officially monitor these business by bringing them under legal licensing process.

(ix) *Improve communication with Central Asian countries*; Afghanistan has sought to secure relations with Central Asian countries. According to officials in Afghanistan, relations with these countries have not been sustained and sometimes have been difficult to regulate. The lack of regular relations between these countries has led to no coordination in their customs affairs as well. Improved contacts can help with transit issues and also facilitate the transfer of Afghanistan's export goods by rail, which is not currently being done.

5.3 Conclusion

The World Trade Organization was established as a body that monitors, facilitates, and reflects trade between the countries of the world. More than 167 countries that are members of the organization have been able to benefit from membership of the organization and expedite their business process in line with its rules of association with member states. Afghanistan became an active member of the organization in 2016 and, despite security, political and national-regional challenges, has been able to make promising achievements in the area of SMEs and trade. But with the decline in international aid and the withdrawal of troops, more attention is now being paid to the shortcomings in the country's economic structures. The country's over-reliance on international aid and military spending has left the private sector lacking the time to focus on economic growth. As the uncertain political environment and security situation does not allow for large investments, small and medium-sized enterprises will be at the core of the Afghan private sector, but the Afghan government did not have a specific strategy for such operations until 2009 and even implementation of that strategy did not begin until 2011. If there was more attention from the beginning, the capability of SMEs would increase and now they

would be self-sufficient. Corruption, whether real or unrealistic, and the mentality that formalizing businesses are useless, have led to these businesses operating illegally without being registered in government offices. Except for energy import projects managed by the government or large corporations, much of the business in Afghanistan is run by small and medium enterprises. Enterprises active in the business sector face numerous difficulties that impede their growth. The major problems are the uncertainty of the country's security and political situation, as well as transit problems at the borders. Since the balance of trade in the country is significant, these businesses are keen to increase their trade, especially in the export sector, but transport and capacity problems at customs and borders have put restrictions on these efforts.

The modern technology that Afghanistan uses in its customs is not widely used because neighboring countries do not have access to the same technology. Corruption at the borders has made Pakistan's transit goods preferable to Afghan export goods for transit. At the Pakistani border, traders are importing goods at lower prices than the northern borders and as a result, traders sell their goods cheaper. Corruption on the Pakistani border has led to fewer customs products being imported.

Now that Afghanistan has become a member of the organization, the government needs to focus on improving security and enhancing the quality of its domestic products in order to access global markets and facilitate domestic and foreign investors to benefit from membership in the organization. If Afghanistan remains in the current situation, not only membership in the organization will not be profitable, but domestic production will suffer. In addition, it will further reduce the monetary value, price inflation and bankruptcy of small, medium and large domestic enterprises, which will result in increased dependence on foreign goods and the country, will remain a consumer market for foreign products.

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No	Description	Low	Very Low	Neutral	High	Very high
1	To what extent do you think government policies have been successful in improving the status and development of exports?	1	2	3	4	5
2	Do you think the level of employment in your area of business has increased over the past four years (after accession)?	1	2	3	4	5
3	To what extent do you think Afghanistan's WTO membership has hampered your production in the country?	1	2	3	4	5
4	How much do you think Afghanistan's WTO membership has improved your production in the country?	1	2	3	4	5
5	What do you think has been your role in the diversification of goods since Afghanistan joined the WTO?	1	2	3	4	5
6	How prosperous your business has been in the last four years (after accession)?	1	2	3	4	5
7	Do you think that with the entry of Afghanistan in the WTO and if the import tax is not imposed, the domestic revenues will decrease?	1	2	3	4	5
8	Do you think your business activities have diminished by removing customs barriers and creating free markets for WTO member countries?	1	2	3	4	5
9	To what extent are you satisfied with the WTO's compliance with the rules and regulations of your business?	1	2	3	4	5
10	How much increase in your exports have you made since joining the WTO?	1	2	3	4	5
11	To what extent do you think the responsible authorities have been successful in supporting your business?	1	2	3	4	5
12	To what extent have you taken advantage of the WTO opportunities for Afghanistan?	1	2	3	4	5
13	After Afghanistan's accession to the World Trade Organization, how do you assess the government's efforts to attract foreign and domestic investment?	1	2	3	4	5

14	To what extent are you satisfied with the government's actions in anti-doping policies?	1	2	3	4	5
15	To what extent do you think the government has been successful in its efforts to protect domestic industries?	1	2	3	4	5
16	How positive do you think Afghanistan's membership in the WTO and its implementation of its rules on trade will be?	1	2	3	4	5
17	To what extent will Afghanistan's continued membership of the World Trade Organization have positive effects on the economy?	1	2	3	4	5
18	In your opinion, if the WTO does not provide financial and technical assistance, how negative do you think small and medium enterprises will be?	1	2	3	4	5
19	To what extent Afghanistan's membership in the World Trade Organization has provided more services and diversified the selection of goods	1	2	3	4	5
20	To what extent Afghanistan's WTO membership boosted domestic demand and job creation in domestic market	1	2	3	4	5
21	To what extent Afghanistan's WTO membership boosted demand for foreign goods and reduces jobs in its domestic market	1	2	3	4	5