

Presentation to the TCI Regional Conference
On Competitiveness and Economic Growth in Asia
**From Survival to Innovation – Overcoming Competitiveness
Challenges through Regional Partnerships**
May 15th 2006



Competitiveness Challenges

Survival vs Efficiency – Afghanistan's marble industry

Quarrying:



8 – 10 ton irregular shaped stones from the Khogiani quarry in Nangahar, the result of quarrying with explosives. In addition to the small size, the stones will be filled with micro-fractures that lead to further wastage downstream.

VS



Quarry in Rajasthan preparing to lever 250 ton block from quarry face onto a bed of sand. The block will then be cut into 15-20 ton blocks as per customer specs. Wire cutting leaves the blocks "dressed" and export ready



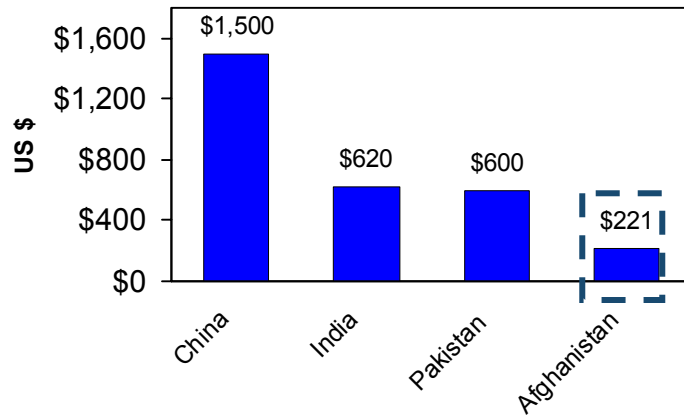
Blasting produces small pieces, well over 50% of which is wasted in further processing. Using wire saws can reduce wastage to around 40% at the factory, while producing blocks to customer specifications and allowing for greater efficiency and economies of scale.

Competitiveness Challenges

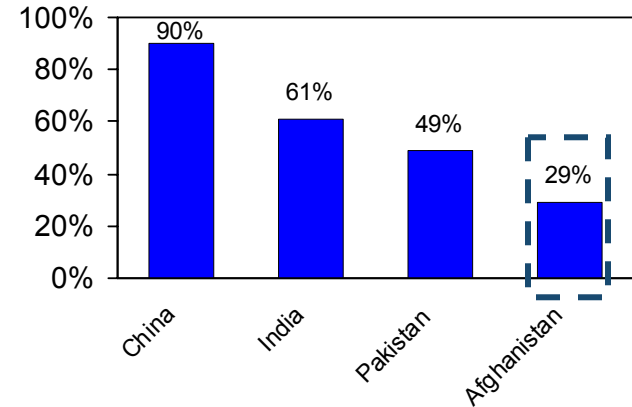
Regional Comparisons – Afghanistan vs Select Countries

Afghanistan lags its neighbors in key measures of prosperity and social development. A key exception is days to start a business where focused efforts make Afghanistan a leader.

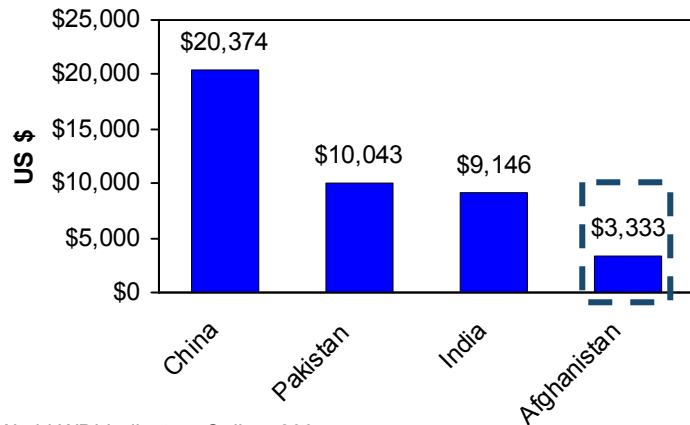
GNI per capita, Atlas method, 2004*



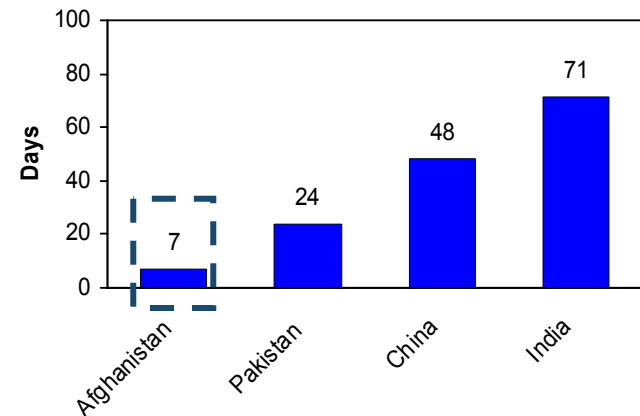
Literacy rate, 2004*



Median output per worker, 2004**



Days required to start a business, 2004*



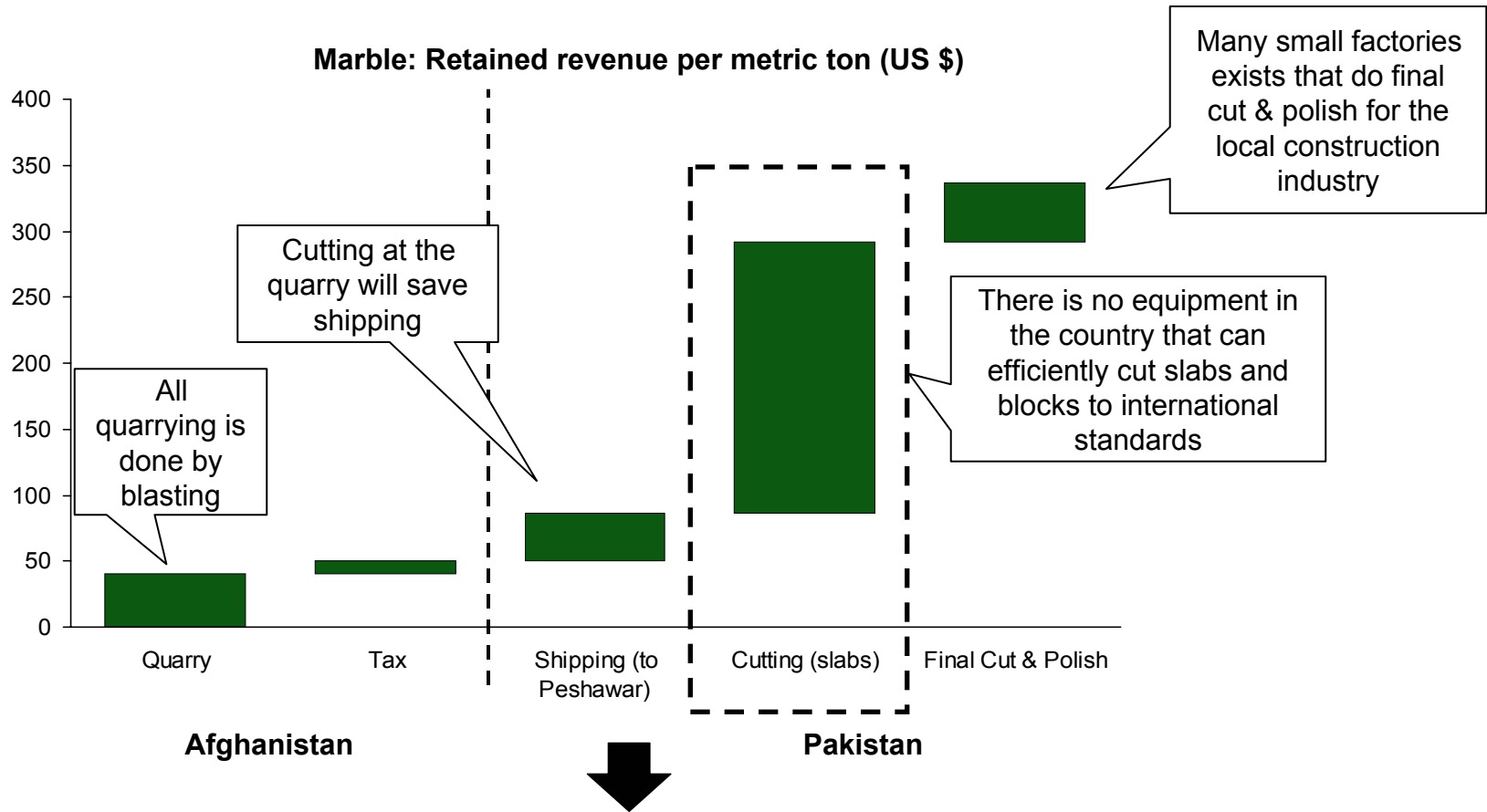
*Source: World WDI Indicators Online, 2004

**Source: World Bank Investment Climate Assessment, December 2005
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Competitiveness Challenges

Value chain for Afghan marble exports¹

Afghanistan exports only uncut marble and imports cut tiles for final cutting and polish for use in local construction.



Investments in cutting equipment are necessary to capture more value. Cutting and polishing firms receive the most money for selling marble.

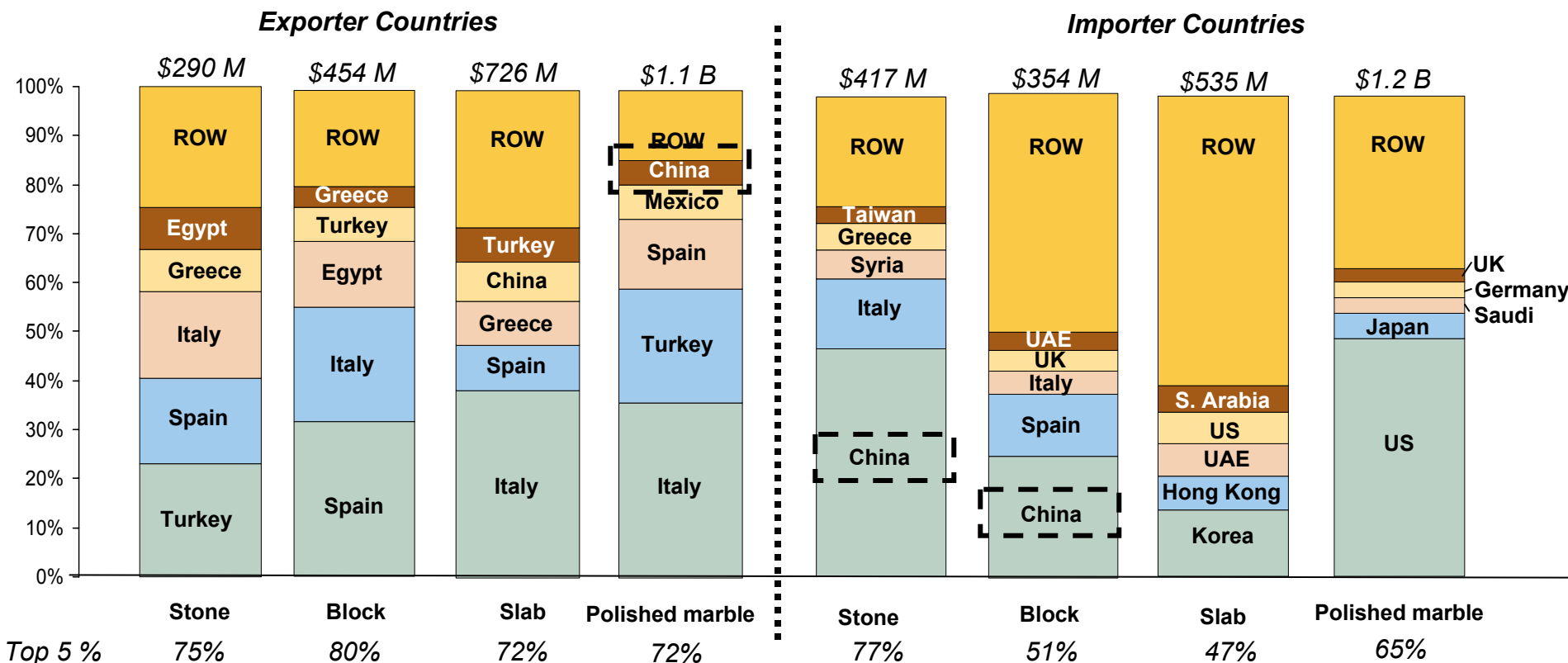
1. Information from Pakistan is estimated
Source: OTF interviews, USAID Trade Data, Price lists – www.findstone.com, OTF estimate
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Competitiveness Challenges

International Marble Market – Leading Exporters & Importers

Exports for Afghanistan's products are dominated by a few countries.

Top 5 Exporters & Importers of Marble by Value, 2003



India is a large producer but does little export or import



Based on their current size and experience, India and China could be valuable partners for Afghanistan's marble industry.

Source: OTF Interviews; USAID Trade Map, export vs import discrepancies due to CIF vs FOB calculations
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Competitiveness Challenges

International Marble Market – Cluster Case Studies

Quarrying

Processing

Sales & Marketing

Equipment Manufacture

Italy: Standard Setter	Best raw materials in the world; best quality quarrying; 3000 year history	High-tech, high-quality, high-value: products get a premium over world prices	Best brand, top 5 exporter in every product, top exporter of slabs and finished marble products	High-tech, high-quality, high-value: Italian equipment is the best and most expensive
India: Mid-market Player	Many quarries; poor quarrying techniques due to poor government regulations and infrastructure	Some problems with quality and efficiency have hindered industry but leverage low cost and availability of raw materials	Compete on price – 90% of sales are non-branded and non-value added (stones & blocks)	Inexpensive equipment, good enough for blocks and slabs, but finished goods?
Turkey: Gateway to the World	Many quarries; export quality quarrying; good government support & infrastructure	High-tech, high-quality, reasonable cost; top Turkish companies can compete anywhere in the world	Access to Europe and Asia; top 5 exporter in every product category	Close links to Italian manufacturers has decreased the need of manufacturing equipment locally
Palestine: The Little Industry That Could	Many quarries, export quality quarrying, strong self-imposed industry standards	Processing to international standards; focused on exports	Cohesive marketing and branding efforts led by Union of Stone & Marble	Developed manufacturing base of basic cutting & polishing equipment
China: Value-added Monster of Tomorrow	Many quarries but few relative to production - the only case where this is so	Imported raw materials processed cheaply and well – mostly for local market	Known for low-cost and good quality, beginning to increase exports (are taking Japanese market from India)	Low-cost, good quality equipment that can make low-cost, good quality finished products

Contact Information

Thank you

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