

# INDIA-AFGHANISTAN TRADE POTENTIALITIES

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## **Abstract**

**India and Afghanistan share a strong relationship rooted in historical and cultural ties. This study has attempted to estimate India's trade potentialities with Afghanistan for the period 2008-19. The study is based on secondary data. The trade potential formula was applied to evaluate the relative trade performance of India and Afghanistan in specific commodities. During 2022, India's trade with Afghanistan was US\$ 0.89 bn, of which India's exports to Afghanistan were US\$ 0.48 bn and India's import from Afghanistan were US\$ 0.41 bn. It has been found that India could potentially import from Afghanistan goods worth US\$ 164.9 mn in 2008 and US\$ 520.6 mn in 2019. Whereas, Afghanistan could potentially import from India, goods worth US\$ 1120.7 mn in 2008 and US\$ 1010.5 mn in 2019. This study revealed that the scope for India's import from Afghanistan is very limited. However, keeping in mind the strategic importance of Afghanistan, the latter should increase the production of those items in which India's requirement is higher than the production capacity of Afghanistan. India can meet Afghanistan's demand comfortably, and hence, Afghanistan should encourage her imports from India.**

**Keyword: Afghanistan, Developing Countries, India, International Trade, Trade Potential, Trend, Commodity**

## **1.INTRODUCTION**

India and Afghanistan have a highly intensive relationship based on historical and cultural links. The Strategic Partnership Agreement (SPA), signed in October 2011, further solidifies this relationship by outlining key areas of collaboration. Under the SPA, there is a commitment to assisting in the reconstruction of Afghanistan's infrastructure and institutions. India

also extends support in the form of education and technical assistance to enhance indigenous Afghan capabilities across various sectors. Additionally, efforts are made to encourage investments in Afghanistan's natural resources (Michaely, 1994). To promote economic ties, India grants duty-free access to the Indian market for exports from Afghanistan. The agreement emphasizes a commitment to an Afghan-led, Afghan-owned, broad-based, and inclusive process of peace and reconciliation. India advocates for sustained and long-term international commitment to Afghanistan. Regular high-level exchanges characterize the diplomatic ties between the two nations, underscoring the importance both countries place on maintaining a strong and enduring relationship (Kaur, 2019). Afghanistan's bilateral trade with India has been growing steadily and got a big boost in recent years. India's trade with Afghanistan at current prices increased from US\$ 40.8 mn in 2001 to US\$ 896.4 mn in 2022. Her total bilateral trade with Afghanistan accounted for US\$ 14086.0 mn during 2001-22. India's exports to Afghanistan have been growing faster than her imports from latter. India's exports to Afghanistan have increased from US\$ 20.9 mn in 2001 to US\$ 481.6 mn in 2022. As regards to India's imports from Afghanistan, these have increased from US\$ 19.9 mn during 2001 to US\$ 414.8 mn during 2022 (Uncomtrade, 2023).

Trade potential is largely depends upon the current trends, the production and trade complementarities, and the emerging socio-politico-economic environment. Afghanistan's largest constraint to trade is insufficient production capacity. Lack of economic diversification and high product concentration further limits Afghanistan's export potential. During the last two years, growth in Afghanistan has exceeded, but remains low because of ongoing insecurity, a decline in foreign aid, and the lack of domestic and foreign investment. Afghanistan needs to urgently explore new sources for

revenue generation and foreign exchange earnings (Kiran and Madaan, 2022).

## 2. OBJECTIVE:

The present paper aims to analyze trade potentialities between India and Afghanistan for the period 2008-2019.

## 3. METHODOLOGY:

The proposed study is based on secondary data. Both published and unpublished sources of data are used. The data is mainly collected through Uncomtrade and Trade Map. This study has attempted to examine whether there is considerable trade potential between India and Afghanistan. The potentialities of trade depend upon their capacity to meet each other's requirement. This has been done by comparing the import prices of various commodities from each other with import prices of same commodities from the rest of the world. It is calculated by comparing the composition of India's global exports/imports and Afghanistan's global imports/exports. It creates a 'trade possibility frontier', showing the maximum levels of trade possible within each HS 6-digit product category.

## 4. ANALYSIS AND DISCUSSION:

### 4.1 India's Import Potential from Afghanistan or Afghanistan's Export Potentials to India:

India-Afghanistan bilateral trade has been growing steadily, and got a big boost in recent years. India has faced favourable balance of trade with Afghanistan. There are enormous potentials of her exports to India, if she could increase her productive capacity in those lines

of production, and divert her exports to India. By way of comparing the composition of Afghanistan's global exports and India's global imports during 2008-19, common items have been found for potential bilateral trade. Table 4.1 depicts the value of major 20 common items. The main common items were Dried grapes, Fresh or dried figs, Fresh or dried almonds, Saffron, Fresh grapes, Sesamum seeds, Fresh or dried almonds in shell, Fresh or dried walnuts, Plants, parts of plants, Seeds of herbaceous plants, Dried, shelled leguminous vegetables, Fresh or dried walnuts, in shell, Carpets and other textile floor coverings, Hides and skins of goats or kids, Cotton seeds, etc. It has been found out that if there had been political-will on the part of both the countries, India could import from Afghanistan goods worth US\$ 164.9 mn in 2008 and US\$ 520.6 mn in 2019. However, actual imports of India from Afghanistan were US\$ 133.1 mn and US\$ 494.8 mn respectively, during the same period. The foregoing analysis clears that there is limited scope for India's imports from Afghanistan.

As table 4.1 shows that India's potential imports of dried grapes from Afghanistan were accounted for US\$ 13.7 mn in 2008 which increased to US\$ 55.4 mn in 2016, and US\$ 88.0 mn in 2019. India's import potential of fresh or dried figs from Afghanistan was valued at US\$ 16.1 mn in 2008 which increased to US\$ 67.8 mn in 2018, and US\$ 85.7 mn in 2019. Similarly, India's potential imports of fresh or dried almonds in shell were accounted for US\$ 14.1 mn in 2008 which increased to US\$ 20.3 mn in 2016 before declining to US\$ 9.6 mn in 2019. Overall, India's imports from Afghanistan have been influenced by various factors, including economic conditions, trade policies, consumer preferences, and global supply chain dynamics.

**Table 4.1: India's Import Potential from Afghanistan during 2008-19**

Sr. No.	HS Code	Commodity Description	2008	2012	2016	2018	2019
1	80620	Dried grapes	13.7	13.7	55.4	94.2	88.0
2	80420	Fresh or dried figs	16.1	9.9	33.9	67.8	85.7
3	80212	Fresh or dried almonds	34.8	9.6	12.0	22.6	35.2
4	91020	Saffron	0.0	3.8	3.9	18.4	18.4
5	80610	Fresh grapes	6.3	1.7	10.8	11.6	13.3

6	120740	Sesamum seeds	3.4	12.9	20.5	16.7	11.9
7	80211	Fresh or dried almonds in shell	14.1	1.5	20.3	10.9	9.6
8	80232	Fresh or dried walnuts	0.0	0.1	0.2	2.2	6.4
9	121190	Plants, parts of plants	0.0	0.0	0.0	0.2	5.7
10	120930	Seeds of herbaceous plants	0.0	0.0	0.0	4.7	3.5
11	71390	Dried, shelled leguminous vegetables	0.0	0.0	0.0	2.9	3.1
12	80231	Fresh or dried walnuts, in shell	0.0	0.2	4.0	0.7	1.7
13	570110	Carpets and other textile floor coverings	0.1	0.8	0.6	1.0	1.1
14	410622	Hides and skins of goats or kids	0.0	0.0	0.0	0.8	0.9
15	120729	Cotton seeds	0.0	0.0	0.0	0.1	0.8
16	80910	Fresh apricots	0.1	0.1	0.1	0.4	0.5
17	251512	Marble and travertine	0.0	3.5	5.3	1.0	0.4
18	40310	Yogurt	0.2	0.3	0.0	0.0	0.0
19	121490	Swedes	0.0	0.1	0.2	0.0	0.0
20	240391	Tobacco	0.0	0.0	0.0	0.2	0.0
		<b>Sub-Total</b>	<b>88.8</b>	<b>58.3</b>	<b>167.1</b>	<b>256.4</b>	<b>286.4</b>
		<b>Total (including others)</b>	<b>164.9</b>	<b>115.9</b>	<b>199.4</b>	<b>326.8</b>	<b>520.6</b>

**Source: UN Comtrade Database (2023). <https://comtradeplus.un.org/TradeFlow>**

#### **4.2 Afghanistan's Import Potentials from India or India's Export Potentials to Afghanistan:**

Afghanistan has great import potentials from India. By way of comparing the composition of India's global exports and Afghanistan's global imports during 2008-19, major common commodities up to 6-digit level product code have been identified which India could export to Afghanistan or latter could import from former. The main common commodities were Wheat or meslin flour, Instruments and appliances used in medical, Cigarettes, containing tobacco, Radiators and parts, Refined cane or beet sugar, Paper, paperboard, cellulose wadding and webs, Animal or vegetable fats and oils, Parts of machinery for working mineral substances, Locks of base metal, Black fermented tea and partly fermented tea, Milk and cream in solid forms, Footwear with outer soles of leather, Women's or girls' blouses, shirts and shirt-blouses, Chocolate and other preparations containing cocoa, Electric

instantaneous, etc. It has been found out that if there had been political-will on the part of both the countries, and if they wanted to exploit the potential, Afghanistan could import from India, goods worth US\$ 1120.7 mn in 2008 and US\$ 1010.5 mn in 2019. However, the actual imports of Afghanistan from India were US\$ 105.6 mn in 2008 and US\$ 404.9 mn, respectively, during the same period. Table 4.2 also indicated that that Afghanistan's potential imports of Wheat or meslin flour from India were accounted for US\$ 4.9 mn in 2008, which increased to US\$ 90.5 mn in 2016, and US\$ 105.4 mn in 2019. Afghanistan's import potential of Animal or vegetable fats and oils was valued at US\$ 40.8 mn in 2008 which declined to US\$ 27.3 mn in 2016, and US\$ 24.7 mn in 2019. Similarly, Afghanistan's potential imports of Green tea in immediate packings were accounted for US\$ 10.8 mn in 2008 which declined to US\$ 6.1 mn in 2018 before increasing to US\$ 7.9 mn in 2019. It is clear from the table that there is higher growth rate of Afghanistan's potential imports from India. Overall, there exists a significant opportunity for India to increase its production of goods that Afghanistan currently imports

from the other nations. By strategically aligning its production capabilities with Afghanistan's import requirements, India could not only tap into a potential market but also contribute to reducing Afghanistan's

dependence on external sources. In addition, India should increase exports of items where Afghanistan's demand exceeds the India's production capacity.

**Table 4.2: Afghanistan's Import Potential from India during 2008-19**

Sr. No.	HS Code	Commodity Description	2008	2012	2016	2018	2019
1	110100	Wheat or meslin flour	4.9	78.8	90.5	100.4	105.4
2	901890	Instruments and appliances used in medical	44.1	142.4	137.1	210.2	64.4
3	240220	Cigarettes, containing tobacco	33.6	84.2	49.1	51.6	59.3
4	870891	Radiators and parts	34.2	38.1	36.8	49.5	51.1
5	170191	Refined cane or beet sugar	23.4	10.7	13.0	9.1	30.0
6	482390	Paper, paperboard, cellulose wadding and webs	0.0	35.8	62.6	67.2	24.8
7	151800	Animal or vegetable fats and oils	40.8	16.1	27.3	31.4	24.7
8	847490	Parts of machinery for working mineral substances	38.3	128.7	180.3	75.7	22.0
9	830140	Locks of base metal	5.6	20.6	22.9	18.3	19.7
10	90230	Black fermented tea and partly fermented tea	29.2	49.4	44.9	63.9	17.3
11	40210	Milk and cream in solid forms	15.6	49.3	14.7	42.8	17.3
12	640320	Footwear with outer soles of leather	8.0	41.7	15.8	12.3	13.3
13	620640	Women's or girls' blouses, shirts and shirt-blouses	3.2	19.8	10.6	12.4	12.0
14	851150	Generators of a kind used for internal combustion engines	12.3	16.9	10.0	11.4	10.1
15	180690	Chocolate and other preparations containing cocoa	12.2	41.6	115.3	32.8	8.5
16	851610	Electric instantaneous	2.4	1.4	2.7	5.3	8.3
17	580810	Braids in the piece	5.3	2.7	6.4	7.3	8.2
18	901819	Electro-diagnostic apparatus	1.2	9.2	12.2	22.2	8.0
19	90210	Green tea in immediate packings	10.8	6.5	2.3	6.1	7.9
20	340120	Soap in the form of flakes, granules, powder, paste	11.4	9.9	15.2	9.2	7.3
		<b>Sub-Total</b>	<b>336.6</b>	<b>803.7</b>	<b>869.7</b>	<b>839.1</b>	<b>519.4</b>
		<b>Total (including others)</b>	<b>1120.7</b>	<b>1036.6</b>	<b>1133.2</b>	<b>1282.2</b>	<b>1010.5</b>

Source: UN Comtrade Database (2023). <https://comtradeplus.un.org/TradeFlow>

## 5. CONCLUSION:

There are good prospects for the potentialities of trade between India and Afghanistan. The volume of

bilateral trade between India and Afghanistan during 2001-22 has increased significantly, from US\$ 40.8 mn to US\$ 896.4 mn. By way of comparing the composition of Afghanistan's global exports and India's global imports during 2008-19, common items have been

found for potential bilateral trade. The main common items were Dried grapes, Fresh or dried figs, Fresh or dried almonds, Saffron, Fresh grapes, Sesamum seeds, Fresh or dried almonds in shell, Fresh or dried walnuts, Plants, parts of plants, Seeds of herbaceous plants, Dried, shelled leguminous vegetables, Fresh or dried walnuts, in shell, Carpets and other textile floor coverings, Hides and skins of goats or kids, Cotton seeds, etc. India could potentially import from Afghanistan goods worth US\$ 164.9 mn in 2008 and US\$ 520.6 mn in 2019. Whereas, Afghanistan could potentially import from India, goods worth US\$ 1120.7 mn in 2008 and US\$ 1010.5 mn in 2019. The main common commodities which Afghanistan potentially import from India were Wheat or meslin flour, Instruments and appliances used in medical, Cigarettes, containing tobacco, Radiators and parts, Refined cane or beet sugar, Paper, paperboard, cellulose wadding and webs, Animal or vegetable fats and oils, Parts of machinery for working mineral substances, etc. Overall, the study reveals that the scope for India's import from Afghanistan is very limited. However, keeping in mind the strategic importance of Afghanistan, the latter should increase the production of those items in which India's requirement is higher than the production capacity of Afghanistan. India can meet Afghanistan's demand comfortably, and hence, Afghanistan should encourage her imports from India.

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