

## AFGHANISTAN'S TRADE STATUS PRE-POST TALIBAN GOVERNANCE

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### Abstract

Afghanistan has had multiple revolutions over the past 40 years, and in addition to affecting political and social dynamics, trade in Afghanistan has been dramatically impacted. Afghanistan made considerable changes in many areas, especially in trade. The Taliban retook control on August 15, 2021, marking the most recent government transition. The unanticipated takeover by the Taliban significantly impacted the Afghan economy. The study compares Afghanistan's trading situation before and after Taliban control. The research responds to the following queries: What did the previous Afghan government do regarding trade? What are the most significant obstacles to trade in the Taliban government? What are the trade repercussions of Afghanistan's post-Taliban rule? The mixed approach has been applied based on secondary data from websites, research papers, news programs, and journals. According to the report, trade between Afghanistan and Pakistan increased in the fiscal year 2021–22 compared to the previous year. Afghanistan posted a surplus of 77M US\$ due to significant resource exports, particularly coal. With a 23% growth in trade exports increased with Turkey. However, the number of exports and imports to the rest of the globe decreased. Despite not acknowledging the Taliban government's legitimacy, it is essential to note.

**Keywords:** Afghanistan, Surplus, Exports, Imports, Economy, Taliban, Takeover

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## 1. Introduction

Afghanistan has a lengthy trade history dating back to the Silk Road. The country's strategic location at the crossroads of Asia has made it a major trade center for other countries. However, decades of war, political unrest, and economic sanctions have severely disrupted Afghanistan's trade relations. Decades of violence and political unrest have harmed Afghanistan's economy negatively. The 1980s Soviet-Afghan War, Taliban governance in the 1990s, and the ongoing situation have all exacerbated the nation's economic difficulties. Due to the disruption of trade routes, destruction of infrastructure, and environment of insecurity brought on by these wars, foreign investment and commerce have been discouraged.

The Taliban's takeover of power in August 2021 has significantly impacted Afghanistan's trade relations. Many countries, including the United States, the European Union, and nearby nations like India, Pakistan, and Iran, have halted or limited trade with Afghanistan. These limitations

have significantly impacted Afghanistan's economy, which is heavily reliant on foreign trade. (Afghanistan Demographics 2021 - StatisticsTimes.com)

The persistent violence and instability in Afghanistan over the past 20 years have also considerably influenced the country's trade. The autonomous democratic government, founded in 2001, has worked to encourage economic growth and international investment, but progress has been gradual due to corruption and security issues. The lack of infrastructure and transportation linkages has been one of Afghanistan's most significant obstacles to trade. The fighting has destroyed or severely damaged several roads and highways. Due to this, it is now challenging for Afghan firms to export their commodities and foreign enterprises to bring things into the nation.

The trade position in Afghanistan is complex and has been significantly impacted by decades of war, political unrest, and economic sanctions. Despite the difficulties, the trade sector in Afghanistan has made some encouraging progress recently. In addition, several economic sectors like agriculture and mining have seen encouraging expansion. The Taliban's takeover of power has further exacerbated the situation, and it is still being determined how the country's trade relations will develop.

### **1.1 Major Trade Partners**

Afghanistan's top trading partners are Pakistan, India, China, and Iran. These countries account for most of Afghanistan's exports and imports. Pakistan is Afghanistan's largest trading partner. The two countries share a long border and have close economic ties. Pakistan is a significant market for Afghan exports, such as fruits, nuts, and carpets. Afghanistan also imports goods from Pakistan, such as wheat, sugar, and fuel. India is another essential trading partner for Afghanistan. Before the Taliban takeover, the two countries signed several trade agreements in recent years. India is a significant market for Afghan fruits and nuts. Afghanistan also imports goods from India, such as machinery, pharmaceuticals, and textiles. China is a growing trading partner for Afghanistan. It is investing heavily in Afghanistan's infrastructure and mining sector and also a significant market for Afghan natural resources, such as copper and iron ore. Iran is another important trading partner for Afghanistan. The two countries share a long border and have close economic ties. Iran is a primary market for Afghan fruits and nuts. Afghanistan imports significant goods such as fuel, machinery, and pharmaceuticals from Iran. Germany and the United States are also bilateral trade partners. Germany is a major donor to Afghanistan and provides significant financial assistance to the country's development. The United States is also a major donor to Afghanistan and has been involved in the country's reconstruction efforts since 2001. (Foreign Trade Figures of Afghanistan - International Trade Portal, 2018).

### **1.2 Major Goods and Services Traded**

Afghanistan's major exports are natural resources, agricultural products, and handicrafts. Afghanistan is rich in natural resources, including copper, iron ore, gold, and precious stones. These resources are a significant source of export revenue for Afghanistan and a major producer of agricultural products, including fruits, nuts, and cotton. These products are exported to neighboring countries and other parts of the world. Primarily is known for its handicrafts, such as carpets, rugs, and jewelry.

Afghanistan's significant imports are consumer goods, equipment, and petroleum products. Afghanistan imports many consumer goods, including food, clothing, and electronics. These goods are basic needs for the Afghan people, and it imports a significant amount of equipment, including machinery and vehicles, which are important for the country's development. It has little oil reserves and must import petroleum products to meet its energy needs. (Afghanistan - Agriculture and Forestry.)

### 1.3 Afghanistan Trade Routes

**Silk Road:** The ancient network of trade routes that connected East and West and allowed for the interchange of products, ideas, and civilizations was known historically as the "Silk Road," it ran through Afghanistan. Afghanistan has historically served as an essential trading hub due to its advantageous location at the intersection of Central Asia. The Silk Road was a complicated network of overland and sea links, not a single route. One of the most critical land routes connecting China, India, Persia (modern-day Iran), the Mediterranean area, and Europe went via Afghanistan. Silk, spices, precious metals, diamonds, and other opulent products could be traded between these areas because of this route.

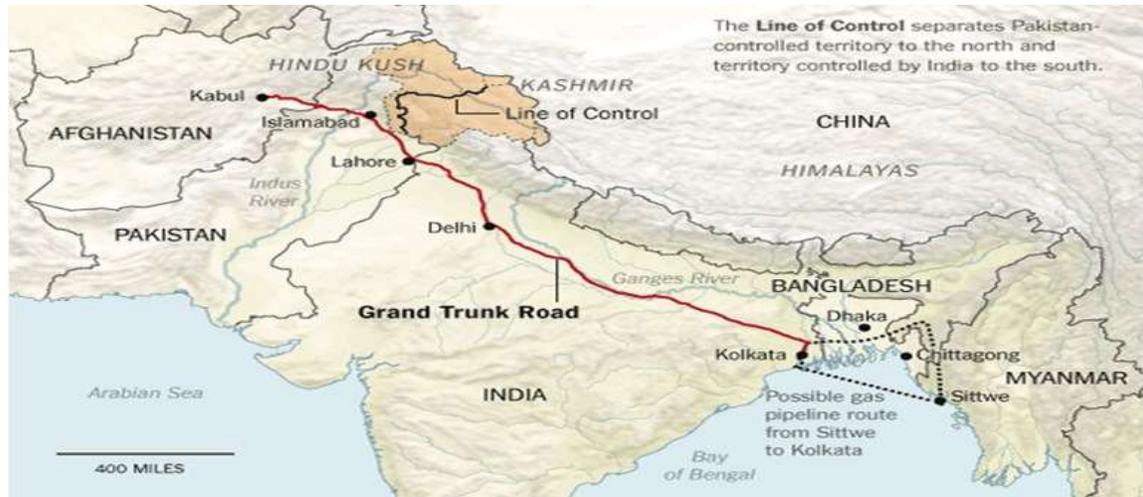
Its diversified topography further strengthened Afghanistan's participation in the Silk Road. The nation is bounded north by the massive Hindu Kush Mountains and south by the Central Asian deserts. Afghanistan became an important location for trade caravans due to these natural obstacles, which offered protection and promoted trade. (*Silk Road Threads through History*)



<https://education.nationalgeographic.org/resource/silk-road-threads-through-history/#undefined>

**Grand Trunk Road:** South Asia's Grand Trunk Road (GT Road) is one of the continent's oldest and longest roadways. It stretches from Kabul to Lahore, Delhi, and Kolkata in West Bengal and Chittagong in Bangladesh over 1,500 miles (2,500 km). Alexander the Great once traveled over the GT road, which dates to Chandragupta Maurya's dominion in the fourth century BCE, the first of the Mauryan rulers. Because the old track crossed several kingdoms and empires, the road evolved into a connecting route, mainly for trade. Sher Shah Suri reconstructed and expanded the road in the seventeenth century. The road received its current name after the British arrived in India in the 17th century. The road was renovated between 1833 and 1860 during the British era. (*What Is the Grand Trunk Road?*, *Grand Trunk Project*)

*Initiative, 2017)*



<https://www.britishpakistanfoundation.com/grand-trunk-road-grand-trunk-project-initiative/>

#### 1.4 Official border crossings

Around Afghanistan, there are more than a dozen authorized border crossing locations. They include Abu Nasar Port in Farah Province, Angur Ada in Paktika Province, Aqina in Faryab Province, Dand-aw-Patan in Paktia Province, Ghulam Khan in Khost Province, Hairatan in Balkh Province, Islam Qala in Herat Province, Ishkashim in Badakhshan Province, Sher Khan Bandar in Kunduz Province, Spin Boldak in Kandahar Province, Torghundi in Herat Province, Torkham in Nangarhar Province, and Zaranj in Nimruz Province. Since 2021, construction has been ongoing at the Wakhjir Pass border crossing between Afghanistan and China. (*Transport in Afghanistan, 2020*)

Afghanistan is a landlocked nation in Central Asia that is bordered by other nations. Afghanistan has always been a crucial junction for commercial routes linking various regions. These prominent Afghan trading routes are listed below:

1. The Chabahar Corridor is a corridor for transit that links Afghanistan to the Chabahar Port, which is situated on Iran's southeast coast close to the Pakistani border. It is made up of networks of roads and railroads that make it easier to transport supplies between Afghanistan and the Chabahar Port. As an alternate commercial route that avoids Pakistan, the corridor is crucial from a geopolitical perspective for Afghanistan. In the past, Afghanistan mainly relied on Pakistan's Karachi port for its foreign trade, but this route has frequently been hampered by political unrest and security worries between the two nations. Afghanistan now has a more dependable and safe way to reach international markets thanks to the Chabahar Corridor. With direct access to the Arabian Sea through the deep-water Chabahar Port, Afghanistan, which is landlocked, has the chance to develop maritime trade ties. With access to international waterways, Afghanistan has more options to increase export-import activity and lessen its reliance on commercial routes with its neighbors.

Several nations, notably India, Iran, and Afghanistan, have sponsored the corridor's construction. Mainly India has been instrumental in funding and building the Chabahar Port's infrastructure and the related road and rail networks. The corridor is essential to the Indian government's "Connect Central Asia" initiative, which seeks to improve regional connectivity

and enhance economic ties with Afghanistan and Central Asian nations. The corridor's development has received sponsorship from several countries, including India, Iran, and Afghanistan. The finance and construction of the infrastructure for the Chabahar Port and the associated road and rail networks have been particularly important from India. The "Connect Central Asia" project of the Indian government, which aims to boost regional connectivity and strengthen commercial connections with Afghanistan and Central Asian countries, depends on the corridor. (*Chabahar Port*, 2020)



<https://jamestown.org/program/with-russian-route-blocked-uzbekistan-looks-to-indian-iranian-afghan-chabahar-port-project/>

2.Khyber Pass: The Khyber Pass is a mountain pass on the border between Afghanistan and Pakistan. For thousands of years, it has been a crucial route for commerce and transit between the Indian subcontinent and Central Asia. The past has historically seen the migration of people, armies, and civilizations. (*Khyber Pass*, 2021)

3.Hairatan Port: Located in northern Afghanistan, close to the Uzbek border, Hairatan is a border town. It is the main entrance point for products sent into Afghanistan by road and train from Uzbekistan and other Central Asian nations, making it a crucial commerce gateway. The port greatly facilitates regional trade. (Bank, 2014)

4.The TAPI (Turkmenistan, Afghanistan, Pakistan, and India Pipeline): The TAPI pipeline, a huge infrastructure undertaking that aspires to deliver natural gas from Turkmenistan to Afghanistan, Pakistan, and India, is not strictly a trading route. It entails building a pipeline across Afghanistan and offering financial advantages and regional connections. (adbheadhono, 2012)

5.The Herat-Mazar-e-Sharif Railway: Currently under construction, this railway will link Mazar-e-Sharif in the north with Herat in the west. Once finished, it will improve the region's commerce possibilities and connections. (adbheadhono, 2009)

6.Salang Pass: The Salang Pass is a tall Hindu Kush Mountain range mountain. It is a vital transit corridor and connects Kabul to Afghanistan's northern regions. (*Crossing the Hindukush Mountains in Afghanistan*, 2015)

7.Spin Boldak-Chaman Border Crossing: This border crossing links Chaman in Pakistan with Spin Boldak in southern Afghanistan. The southern border of Afghanistan serves as a crucial commerce corridor for products entering or exiting the country.

*(Afghanistan, Pakistan: Additional Clashes Are Likely along the Chaman-Spin Boldak Border Crossing Following Another Security Incident, Dec. 15 /Update 1)*

8. Shirkhan Bandar Bridge: This bridge connects the Kunduz region with Tajikistan in northern Afghanistan. By physically connecting Afghanistan and Tajikistan, it plays a crucial part in trade between the two nations. (*Sher Khan Bandar*, 2023)

## 2. Material and Methods

The main subjects covered in this study include a general outlook on the introduction of Afghanistan trade and its history, the trade status of Pre Taliban takeover, bilateral trade with neighboring countries, and Post Taliban trade status. It aimed to understand their structure, quality, and role in the GDP of Afghanistan. The study's data was collected from various secondary sources (OEC, WTO, World Bank, SAARC, government publications, NGO reports, journals, and websites) for 2020, 2021, and 2022. There are severe gaps in the data collected during the years of conflict, and many of the data are not available of a certain quality and contain noteworthy contradictions.

## 3. Pre-Takeover Trade

Afghanistan experienced significant growth in trade relations and partnerships with other countries in the last two decades. Despite ongoing conflict and instability, the government increased its trade with neighboring countries, particularly Pakistan and Iran, and integrated into regional trade networks. Pakistan was one of Afghanistan's major trade partners during this period, with bilateral trade in billions of dollars. The two countries traded various goods and services, including fruits and vegetables, precious stones, textiles, and construction materials. Iran was also a significant trade partner, with millions of dollars in trade between the two countries. Iran provided Afghanistan with essential imports, such as fuel and industrial goods, while Afghanistan exported goods like fruits, nuts, and carpets. (*Afghanistan and Its Neighbourhood: A Stocktaking of Regional Cooperation since the Taliban Takeover* | SIPRI, 2022.) Afghanistan also expanded its trade with other countries in the region, including India, China, and the Central Asian Republics. The government also made progress in integrating into regional trade networks, such as the South Asian Association for Regional Cooperation (SAARC) and the Economic Cooperation Organization (ECO). Before the taking of governance by the Taliban was a time of growth and development for Afghanistan's economy and trade, despite the ongoing challenges faced by the country. (*South Asian Association for Regional Cooperation (SAARC)* | EEAS Website). According to the world bank data, Afghanistan's total GDP was 20.14B in 2020 7% increase from 2019. Based on the GDP, Afghanistan's economy ranks 111<sup>th</sup> in the world in 2020, 140<sup>th</sup> in exports, 113<sup>th</sup> in total imports, 198<sup>th</sup> in GDP per capita income, and according to the Economic Complexity Index, 109<sup>th</sup> for the most complex economy. (*GDP per Capita (Current US) - Afghanistan* | Data, 2010). Afghanistan is a country that is still not self-sufficient in many areas. It imports most of the necessary goods from abroad, especially from neighboring countries which causes damage to the economy of the country. Imported goods to Afghanistan include basic food materials, construction, petroleum, electronics, beauty, clothing, stationery ,and other goods. Most exports from Afghanistan to other countries include dry and fresh fruits, saffron, onions, Potatoes, tomatoes, sweet potatoes, marbles, and many other items. Averagely 6.78B is imported into Afghanistan annually, and exports an average of every year 772M US\$; in other words, we can say 89.77% of Afghanistan's imports, but the export level reaches just 10.2%. (

taand.net 17 March 2021). In 2020 Afghanistan's exports decreased by 10% compared to the previous year, according to the National Statistics and Information Agency's annual report. The country's imports reached 6,537 million US\$, while exports were 776.7 million US\$ in 2019, a decrease from 2018. The report cites the spread of COVID-19 as the main reason for the decline in exports, with a 70% drop in the second quarter of the fiscal year. The country's electricity production decreased, while the agricultural sector was the only area to show positive development, with a 6% increase in wheat yield. (Afghan, 2021). The national currency of Afghanistan is the Afghani (AFN), which has an exchange rate of around 88 Afghanis to 1 US dollar. The central bank of Afghanistan is Da Afghanistan Bank. Several local banks operate in the country, including the Afghanistan International Bank, Azizi Bank, New Kabul Bank, and Pashtany Bank. The use of foreign currencies is officially banned. The government also bans the use of cryptocurrency. (CFI October 11, 2022)

### 3.1 Exports and Imports

Afghanistan's top exports are gold, grapes, nuts, tropical fruits, and raw cotton. These exports are essential for the country's economy as they generate revenue and support economic development. The exports are mainly sent to neighboring countries like India, Pakistan, China, Saudi Arabia, and the United Arab Emirates.

Afghanistan heavily relies on imports to meet its domestic consumables, and the country's top substances are flour, rolled tobacco, raw sugar, refined petroleum, and electricity. The necessities reflect the country's dependence on other countries for food, energy, and tobacco products. The primary sources of these imports are neighboring countries like the United Arab Emirates, Pakistan, India, Kazakhstan, and the United States of America.

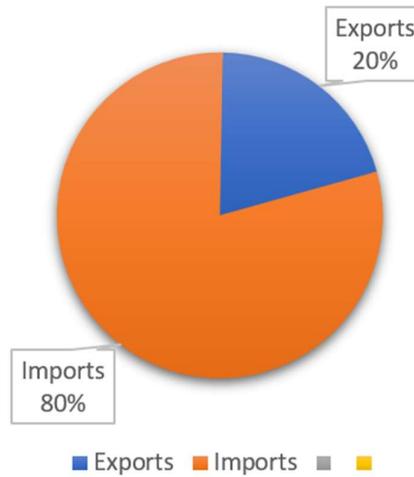
Note: In 2020, Afghanistan was the world's biggest importer of Wheat Flours (554MUS\$)

**Table 1.** Afghanistan’s Top Exports and Imports in 2020

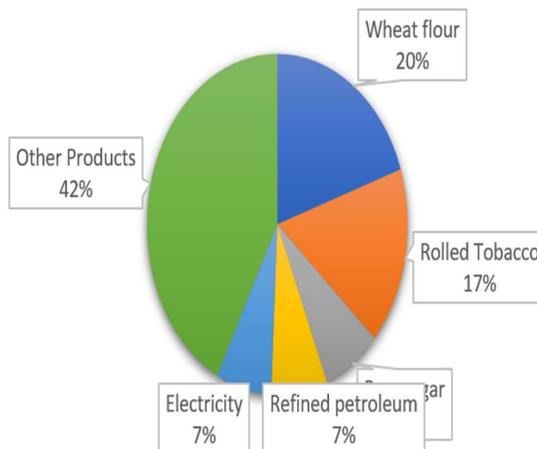
EXPORTS in US\$		IMPORTS in US\$	
<b>Gold</b>	542M	Wheat flour	554M
<b>Grapes</b>	181M	Rolled Tobacco	473M
<b>Other nuts</b>	141M	Raw sugar	200M
<b>Tropical fruits</b>	135M	Refined petroleum	195M
<b>Raw cotton</b>	114M	Electricity	193M

Source: OEC (The Observatory of Economic Complexity)

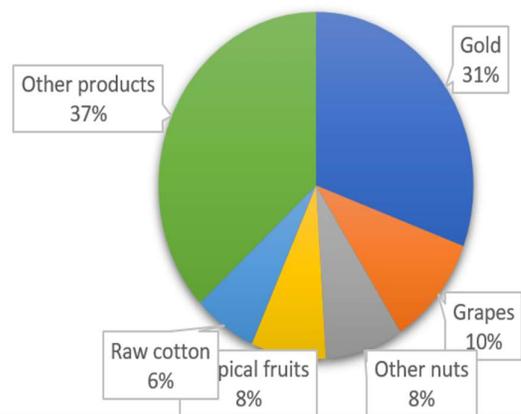
### Total exports and Imports in Afghanistan in 2020



### Afghanistan's Top Imports in 2020



### Afghanistan's Top Exports in 2020



Source: OEC (The Observatory of Economic Complexity)

In 2020, The table shows the top exports and imports of Afghanistan, as reported by the OEC. Afghanistan heavily relies on imports to meet its domestic needs, and the top substances for the country are wheat flour, rolled tobacco, raw sugar, refined petroleum, and electricity. These imports reflect the country's dependence on other countries for food, energy, and other products. The primary sources of these imports are neighboring countries like Pakistan, the United Arab Emirates, India, China, Kazakhstan, and the United States of America. The total value of imports is 6.91 billion US\$, which is higher than the total value of exports. Afghanistan's top exports include gold, grapes, other nuts, tropical fruits, and raw cotton. These exports have a total value of 1.77 billion US\$, and the main destinations for these exports are neighboring countries like the United Arab Emirates, India, Pakistan, China, and Saudi Arabia. The table highlights Afghanistan's trade deficit, where imports exceed exports, indicating the need for the country to diversify its economy and increase its export base to reduce its dependence on imports. The table shows the critical role that imports and exports play in Afghanistan's economy and its reliance on neighboring countries for trade.

**Table 2.** Afghanistan’s trade with significant destinations in 2020

EXPORTS in US\$		IMPORTS in US\$	
United Arab Emirates	572M	United Arab Emirates	1.66B
India	499M	Pakistan	870M
Pakistan	492M	India	855M
China	54.3M	Kazakhstan	622M
Saudi Arabia	27.4M	United States of America	603M

Source: OEC (The Observatory of Economic Complexity)

Rendering the data of OEC in 2020, the exports indeed show the countries that Afghanistan exports to and imports from, as well as the total value of those exports and imports. The above-mentioned countries are important trade partners for Afghanistan and account for a significant portion of the country's total exports. The total value of exports to these countries is 1.643 billion, with the United Arab Emirates being the largest export destination, with a total value of 572 million US\$. On the other hand, Afghanistan's top import sources are the United Arab Emirates, Pakistan, India, Kazakhstan, and the United States of America. These countries are essential trade partners for Afghanistan and account for a significant portion of the country's total imports. The total value of imports from these countries is 4.61 billion US\$, with the United Arab Emirates being the most significant import source, with a total value of 1.66 billion US\$. The high value of imports from the United Arab Emirates and Pakistan highlights the importance of these countries in providing essential goods like wheat flour, petroleum, and electricity. The table shows the trade relationships between Afghanistan and its key trading partners, highlighting the significant role that imports and exports play in the country's economy.

### 3.2 Afghanistan's Current trade relations with Neighboring Countries

Considering the importance of the economy in international relations and developments, the countries are trying to bring their trade relations closer to each other. Afghanistan has significant trade relations with its neighboring countries, which are crucial for its economy. The government depends on imports to meet its domestic needs, including essential goods like food, energy, and tobacco. As such, Afghanistan’s trade relationship with its neighboring countries is necessary for the country's economic development. (The World Bank, 2015)

The main trading partners of Afghanistan in the region are Pakistan, Iran, Tajikistan, Turkmenistan, and Uzbekistan. These countries share land borders with Afghanistan and provide crucial trade routes for the country. Afghanistan has been working to increase its trade with these countries in recent years through various initiatives like the Afghanistan-Pakistan Transit Trade Agreement (APTTA) and the Central Asia-South Asia Electricity Transmission and Trade Project (CASA-1000). (*Afghanistan’s International Trade Relations with Neighboring Countries 2001*, n.d.)

Pakistan is one of Afghanistan's most important trading partners, with significant bilateral trade in petroleum, wheat, and machinery. The two countries share a long border, which provides a

crucial trade route for goods to enter and exit Afghanistan. (“Afghanistan, Pakistan Sign Border Trade Pact,” 2010)

Iran is another important trading partner for Afghanistan, with bilateral petroleum, fruits, and vegetable trade. The two countries also share a long border, which provides a vital trade route for goods to enter and exit Afghanistan. (“Afghan Eyes Iran Deal to Boost Trade to Europe, India,” 2013)

### 3.3 Trade with UAE

The United Arab Emirates (UAE) is a significant exporter of goods to Afghanistan, with exports valued at 1.66 billion in 2020. The major products exported from the UAE to Afghanistan include rolled tobacco, broadcasting equipment, and aircraft parts. The high demand for tobacco products in Afghanistan and a lack of domestic production may account for the significant export value of rolled tobacco. The growing media industry in Afghanistan may have contributed to the demand for broadcasting equipment, with a high export value of 136 million US\$. Additionally, the UAE's role as a central transportation hub in the region and Afghanistan's need for air travel parts may explain the high export value of aircraft parts. Afghanistan's exports to the UAE in 2020 were valued at 572 million US\$. Gold is the primary export, with a value of 540 million US\$. Afghanistan has significant gold reserves, and increased gold production has led to high precious metal exports. Other exports from Afghanistan to the UAE include nuts, such as almonds and pistachios, valued at 12.5 million US\$, and grapes, valued at 8.03 million US\$. The UAE-Afghanistan trade relationship is characterized by exporting a more considerable value of goods, including tobacco, broadcasting equipment, and aircraft parts. In contrast, Afghanistan primarily exports gold to the UAE and other nuts and grapes. The significant demand for tobacco and broadcasting equipment in Afghanistan, along with the UAE's role as a transportation hub, are among the reasons for the high export value of these products. Meanwhile, Afghanistan's significant gold reserves and production have contributed to its primary export to the UAE.

**Table 3.** Afghanistan’s Trade with UAE in 2020

Total exports to UAE (572M) in US\$		Total imports from UAE (1.66B) in US\$	
Gold	540M	Rolled Tobacco	460M
Other Nuts	12.5M	Broadcasting Equipment	136M
Grapes	8.03M	Aircraft Parts	115M

Source: OEC (The Observatory of Economic Complexity)

### 3.4 Trade with Pakistan

Pakistan and Afghanistan are countries that are culturally and religiously connected, but politically they are always opposite each other. This political rivalry has negatively impacted the commercial relations between them. The commercial ties between Afghanistan and Pakistan were not very warm in the past due to the political reasons of the Cold War. Still, the support of Pakistan from the ruling regime paved the way for establishing friendly relations between these two countries, based on which the two countries trade process has also changed. The current trade between these two countries results from such ties. The Observatory of Economic Complexity data shows that in 2020 the value of goods exported from Pakistan to

Afghanistan reached 870M US\$. In this series, the value of rice exports from Pakistan reached 146M US\$, the export of cement from Pakistan to Afghanistan reached 71.2M US\$, and the third primary product imported from the same country was packaged medicaments at 63.1M US\$. Although Pakistan had the most importer for Afghanistan in the list of neighboring countries in 2020, the total value reached 870M US\$. Afghan exports to Pakistan are also increasing. The number of exports to Pakistan is at the top of Afghanistan's export table. In 2020, Afghanistan's total exports to Pakistan reached 492M US\$, the most significant part of which consisted of the following export items: raw cotton 23.2%, the total export value of which reached 114M US\$, grapes 11.6% with the value of 57.1M US\$, Dried legumes 11.6% with a value of 56.9M US\$. Afghanistan's access to the sea route is surrounded by land, with the most significant trade problem for Afghanistan. The easiest and closest way to reach the sea is through Pakistan, especially the port of Gwadar, the distance from Kabul is 1110km. The other way to connect with the seaport of Chabahar is 1782km. Although a vital transit agreement between Afghanistan and Pakistan was signed in 1958, many problems remain. The noteworthy point is that the government of Pakistan is using this transit route as a means of economic and political pressure against Afghanistan. At the same time, this method may not be more useful in the future. Because as discussed earlier, Afghanistan is located at the head of the trade route between Central and South Asia, so if Pakistan follows the same policy, it cannot transfer its assets from Afghanistan to Central Asian countries. In addition, the Chabahar port facilities are a better alternative for Afghanistan to access the sea and transit. Another issue is the smuggling of goods from Afghanistan to Pakistan. This is a long-standing challenge in the country, and there have been reports of various goods being smuggled across the border, including textiles, food products, and other consumer goods (Wikipedia Contributors, 2019).

**Table 4.** Afghanistan's Trade with Pakistan in 2020

Total exports to Pakistan (492M) in US\$		Total imports from Pakistan (870M) in US\$	
Raw cotton	114M	Rice	146M
Grapes	57.1M	Cement	71.2M
Dried legumes	56.9M	Packaged medicaments	63.1M

Source: OEC (The Observatory of Economic Complexity)

### 3.5 Trade with Iran

In 2019, Afghanistan exported goods worth 14.8 million US\$ to Iran. Among the items shipped, sowing seeds constituted the highest value, accounting for 3.29 million US\$ of the total exports, followed by grapes at 2.01 million US\$, spice seeds at 0.749 million US\$, and other oily seeds at 5 million US\$. Over the past 22 years, the exports of Afghanistan to Iran have shown a steady increase, with an annualized growth rate of 7.14%. In 1997, exports from Afghanistan to Iran stood at 3.25 million US\$, growing almost fivefold to 14.8 million US\$ in 2019. Due to deep cultural and religious relations, Iran has a unique position in relations with Afghans. Iran's exports to Afghanistan have been upward, with exports reaching 953 million US\$ in 2019. The main products that Iran exported to Afghanistan during this period were refined petroleum (268 million US\$), peat (106 million US\$), curbstones (116 million US\$), petroleum gas (72.9 million US\$), and utility meters (48 million US\$).

**Table 5.** Afghanistan's Trade with Iran in 2019

Total exports to Iran (14.8M) in US\$		Total imports from Iran (953M) in US\$	
Other Oily Seeds	5M	Refined petroleum	268M
Sowing seeds constituted	3.29M	Curbstones	116M
Grapes	2.01M	Peat	106M
Spice seeds	0.749M	Petroleum gas	72.9M

Source: OEC (The Observatory of Economic Complexity)

The remarkable growth in Iran's exports to Afghanistan can be attributed to various factors.

1. Iran shares a long border with Afghanistan, which has made it easier for Iranian businesses to access the Afghan market. Additionally, Iran has been able to leverage its proximity to Afghanistan to develop strong economic ties with the country.
2. the fall of the Taliban in 2001 opened new opportunities for trade and investment in Afghanistan. Iran was quick to capitalize on this, and it has since played a crucial role in the country's reconstruction efforts.
3. the two countries have established several agreements to strengthen their economic ties. For example, they have set up a joint economic commission and signed a preferential trade agreement, facilitating the flow of goods and services between the two countries.
4. the composition of Iran's exports to Afghanistan has also played a significant role in the growth of exports. Iran's strength in the energy sector has enabled it to become a major supplier of refined petroleum and petroleum gas to Afghanistan. Its expertise in construction materials has also been instrumental in the export of curbstones and peat.

The growth in Iran's exports to Afghanistan over the last 22 years can be attributed to a combination of factors, including proximity, reconstruction efforts, economic ties, and the composition of its exports.

### 3.6 Trade with China

Afghanistan's trade relationship with China has a long history of almost 2000 years. The Silk Road, a vital trade route for Chinese goods passing through Afghanistan, has contributed to the long-standing economic ties between the two countries (Wikipedia Contributors, 2022). Today, China has emerged as a global economic powerhouse, with its products dominating markets worldwide. Afghanistan is also a significant consumer of Chinese goods. Among Afghanistan's neighboring countries, China is one of the largest exporters to Afghanistan, with export figures showing an upward trend over the years. China's export figures to Afghanistan have increased significantly over the years. In 1995, China's export to Afghanistan was 31.6 million, while in 2020, they reached to 500 million US\$, representing an 11.7% annualized growth rate. China exports industrial goods, consumables, and construction materials to Afghanistan. On the other hand, Afghanistan's export figures to China are relatively low. In 2020, Afghanistan's total export to China was 54 million US\$, with nuts accounting for the largest share at 49.4 million US\$, followed by non-retail pure cotton yarn at 1.54 million US\$ and dried fruits at 1.42 million US\$. The annualized growth rate for Afghanistan's exports to China is 4.84%,

increasing from 16.6 million US\$ in 1995 to 54 million US\$ in 2020. Afghanistan and China have had a longstanding trade relationship, with China being a significant exporter to Afghanistan. Afghanistan's exports to China are still relatively low, with nuts being the primary export. However, the annualized growth rate for Afghanistan's exports to China has increased.

**Table 6.** Afghanistan’s trade with China in 2020

Total exports to China (54M) in US\$		Total imports from China (500M) in US\$	
Nuts	49.4M	Rubber tires	61.5M
Nonretail pure cotton yarn	1.54M	Woven Fabric	41.2M
Dried fruits	1.42M	Motorcycles and Cycles	22.4M

Source: OEC (The Observatory of Economic Complexity)

### 3.7 Afghanistan's trade relations with Tajikistan, Uzbekistan, and Turkmenistan

Tajikistan, Uzbekistan, and Turkmenistan are Afghanistan's neighboring countries, with a border of about 500 kilometers. During the rule of the Soviet Union, of which these countries were also, Moscow secured part of political and commercial relations. When the Soviet Union collapsed, these countries gained their identity as independent countries. During the years of the civil war, these countries maintained close commercial relations with Afghanistan, primarily due to the fear of political influence. Turkmenistan was the only country that opened political and commercial ties with the Afghan government. The given data is about the trade transactions and exchanges between Turkmenistan and Afghanistan, particularly related to the gas pipeline. The data covers two time periods, i.e., 1999 and 2019. In 1999, the total value of imported items from Turkmenistan to Afghanistan was 40.9 million US\$. This indicates that Afghanistan was importing significant goods from Turkmenistan at that time. However, in 2019, the situation changed, and Turkmenistan was exporting goods worth 568 million US\$ to Afghanistan. This shows that the trade relationship between the two countries has become stronger over the past 20 years, with Turkmenistan increasing its exports to Afghanistan by more than 14% annually. On the other hand, Afghanistan's exports to Turkmenistan have decreased significantly over the past 20 years. In 1999 Afghanistan exported goods worth 2.06 million US\$ to Turkmenistan, but in 2019, this figure fell to just 1.11 million US\$. The annual rate of change for Afghanistan's exports to Turkmenistan over this period is negative, indicating a decline in exports by 3.03% annually. The data suggest that Turkmenistan has played a significant role in the gas pipeline project, contributing to increased exports to Afghanistan over the past two decades. However, Afghanistan's exports to Turkmenistan have declined, indicating that there may be some challenges in the trade relationship between the two countries.

**Table 7.** Afghanistan trade status with Turkmenistan during 1999-2019

Year	Turkmenistan's exports to Afghanistan (in millions of dollars)	The annual growth rate of Turkmenistan's exports to Afghanistan in %	Afghanistan's exports to Turkmenistan (in millions of dollars)	The annual growth rate of Afghanistan's exports to Turkmenistan in %
1999	2.06	3.03	40.9	14.0
2019	1.11	-3.03	568	14.0

<b>1999</b>	40.9	N/A	2.06	N/A
<b>2019</b>	568	14.10%	1.11	-3.03%

**Note:** N/A indicates that the annual growth rate is not applicable for the period's first year.

Based on the information provided, Uzbekistan's total exports increased significantly between 2008 and 2020, from 495M to 588M, at an annual rate of 22.9%. This growth can be attributed to the increase in wheat flour exports, electricity, and raw iron bars, which contributed significantly to the overall export revenue. It is important to note that the information provided does not include the specific reasons for the increase in exports, so it is not easy to speculate on the factors that contributed to this growth. Afghanistan's total exports in 2008 were only 1.52M to Uzbekistan, a relatively low amount. However, in 2020, Afghanistan's total exports decreased to 1.09M, representing an annual decrease of 2.7%. There could be several reasons for this decline, such as political instability, economic sanctions, trade barriers, or other external factors. Afghanistan's economy is highly dependent on a few specific exports, and any disruptions in these industries could significantly impact the overall export revenue.

**Table 8.** Afghanistan trade status with Turkmenistan Uzbekistan during 2008-2020

<b>Year</b>	<b>Uzbekistan's exports to Afghanistan (in millions of dollars)</b>	<b>The annual growth rate of Uzbekistan's exports to Afghanistan in %</b>	<b>Afghanistan's exports to Uzbekistan (in millions of dollars)</b>	<b>The annual growth rate of Afghanistan's exports to Uzbekistan in %</b>
<b>2008</b>	495	N/A	1.52	N/A
<b>2020</b>	588	22.90%	1.09	-2.70%

**Note:** N/A indicates that the annual growth rate is not applicable for the period's first year.

It is important to note that comparing the export figures of two countries can be challenging, as many factors can influence export revenues, such as the size of the economy, the industry structure, the level of competition, and the state of international trade relations. The total of imported items from Tajikistan was 18.8M in 2008. After 12 years, in 2020, there is an increase in exports by the country to Afghanistan is 69.4M with an 11.54% annual rate. Afghanistan's total exports to Tajikistan were just 0.858M in 2019, but before 20 years, exports were more; in addition, Afghanistan had 6.17M in exports in 2008, an annual rate of 15.2%, shows decrement in exports by Afghanistan. Afghanistan exported dried and fresh fruits, carpets and rugs, skins, and medicinal plants to these countries. It has yet to be said that the import of electric energy from the mentioned countries constitutes a significant export component of these countries. Today, efforts are being made to extend Tajikistan's electricity first to Kabul and then to the provinces that pass through the power line. Despite all the relations mentioned above, commercial ties with these countries have yet to develop much despite the vast possibilities, and the reason can only be found in political issues.

**Table 9.** Afghanistan trade status with Tajikistan during 2008-2019

<b>Year</b>	<b>Tajikistan's exports to Afghanistan (in millions of dollars)</b>	<b>The annual growth rate of Tajikistan's exports to Afghanistan in %</b>	<b>Afghanistan's exports to Tajikistan (in millions of dollars)</b>	<b>The annual growth rate of Afghanistan's exports to Tajikistan in %</b>
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	millions of dollars)	of	millions of dollars)	of exports to Tajikistan in %
2008	18.8	N/A	6.17	N/A
2019	69.4	11.54%	0.858	-16.13%

**Note:** N/A indicates that the annual growth rate is not applicable for the period’s first year.

### 3.8 Trade with India

Afghanistan's trade relations with India have always remained strong and have a long history. With time, a significant improvement is observed. For many years in the past, India was the first place in the foreign trade of Afghans. Indian markets are the most suitable for selling Afghan fruits and medicinal plants. The difference that can be seen in trade relations with India compared to neighboring countries is that the diversity of governments and systems in Afghanistan has little effect on such links, and these relations have remained stable. The biggest obstacle to developing trade relations between India and Afghanistan is transit problems. As mentioned earlier, the strained political relations between Pakistan and India are the reason for delaying the transfer of goods from India to Afghanistan or Afghanistan to India. In this case, these two countries either continue their trade by air or use Iran's Bandar Abbas route, which hurts the price of goods due to the distance and increased transportation costs. In 2006, the value of goods imported from India to Afghanistan reached 124.7 million US dollars, and the total value of goods imported from Afghanistan to India reached 79.36 million dollars compared to other neighboring countries.

**Table 10.** Afghanistan’s Trade with India in 2020

Total exports to India (499M) in US\$		Total imports from Iran (855M) in US\$	
Tropical fruits	132M	Raw sugar	174M
Insect resins	111M	Synthetic filament yarn woven fabric	113M
Grapes	96.9M	Packaged medicaments	70.7M

Source: OEC (The Observatory of Economic Complexity)

In 2020, India sold goods worth 855 million US\$ to Afghanistan. The top three products that India exported to Afghanistan were raw sugar (174 million US\$), synthetic filament yarn, woven fabric (113 million US\$), and packaged medicaments (70.7 million US\$). Over the past 25 years, India's exports to Afghanistan have grown at an average rate of 16.4% per year, increasing from 19.4 million US\$ in 1995 to 855 million US\$ in 2020. This means that India has successfully expanded its trade with Afghanistan over the years, with a significant increase in the value of its exports. The data also suggests demand for raw sugar, synthetic filament yarn, woven fabric, and packaged medicaments in Afghanistan, and India has been able to tap into this market. The export growth also indicates that the trade relationship between India and Afghanistan has been strengthening, which could have positive implications for both countries. Afghanistan earned 499 million US\$ by exporting various products to India in 2020. The three main products that constituted a significant share of Afghanistan's exports to India were tropical fruits worth 132 million US\$; insect resins worth 111 million US\$, and grapes worth 96.9 million US\$. Over the last 25 years, Afghanistan's exports to India have seen an effective

annualized growth rate of 18.1%. In 1995, Afghanistan's total exports to India were only 7.87 million US\$, which increased gradually to reach the 499 million US\$ mark in 2020. This indicates a remarkable increase in the export capacity of Afghanistan and its ability to compete in the international market.

**Table 11.** Afghanistan exports and imports to India during 1995-2020

Year	India's exports to Afghanistan (in millions of USD)	Afghanistan's exports to India (in millions of USD)
1995	19.4	7.87
2020	855	499
CAGR	16.4%	18.1%

#### 4. Post-Takeover Trade

Afghanistan typically trades with neighboring countries, with Pakistan as its primary trade ally. Afghan exports are primarily distributed between Pakistan and India, which collectively account for about 75% of the exports, trailed by the United Arab Emirates, China, and Turkey. Afghanistan's primary source of imported goods is Iran, succeeded by China, Pakistan, and Kazakhstan (*Home - International Trade Portal, 2023*).

##### 4.1 Bilateral trade status with Pakistan

After Pakistan's recent acute financial crisis, Pakistan's government is struggling to cope and remove from this severe economic crisis; therefore, they are trying to bring considerable improvements in their trade relations with Afghanistan and other countries. In Pakistan in 2022, when the electricity demand increased and fuel prices were elevated, the government tried to find an alternative to importing coal from South Africa, which accounts for approximately 70 percent of the total coal imports (Nath et al., 2022). According to Pakistan officials importing coal from Afghanistan will help the country to benefit the US. 2.2 billion annually. Based on Tolo News (2022) report, Pakistan imports 3,000 tons of coal daily from Afghanistan, which is expected to increase to 20,000 tons. Coal and other minerals exports from Afghanistan contribute to the country's exports.

From July 2021 to June 2022, Afghanistan has a trade surplus of more than US 79 million US\$. Between July 2021 and June 2022, Pakistan imported goods worth US 796.4 million US\$ from Afghanistan, while Afghanistan received 717 million US\$ in exports from Pakistan. Mineral fuels, oils, and goods, such as the current increase in coal exports, drive the exports (*World Bank, 2022*).

##### 4.2 Afghanistan's exports and imports with Pakistan –July 2021-June 2022 (USD million)

World Bank data indicates that in the first two quarters of the year 2022, minerals had the leading role in the country's exports, which a total value reached to almost 250 million US\$, followed by cotton export of more than 200 million US\$, edible fruits and nuts of, salt, Iron and steel, ores, slag, ash, and other products.

Afghanistan's imports from Pakistan are Cereals, animals, other edible preparations, pharmaceutical products, cement, vegetable roots, plastics, wood, and sugar, which were the main importing items of Afghanistan with a total value of U 717 from Pakistan.

### 4.3 Bilateral trade status with Iran

The Iranian government has maintained cordial relations with the previous government of Afghanistan, and their mutual trade value reached 2 Billion US\$ in 2020. However, the trade relations between the two countries were somehow affected by the recent political changes. According to Iran officials, they witnessed of 15 percent decrease in mutual trade after the Taliban came into power. The Ministry of Industry, Mining, and Trade of the Islamic Republic of Iran has reported that trade between Iran and Afghanistan has reached 1.5 billion US\$ during the first nine months of the current Iranian calendar year (March 21-December 21, 2022). In the previous Iranian calendar year of 1400 (ended on March 20, 2022), Iran exported 4.187 million US\$ tons of commodities worth 1.839 billion to Afghanistan, representing a 20% decline in value compared to the preceding year. Moreover, the weight of exported goods also decreased by 40% yearly (Iran Opens Trade Center, Permanent Exhibition in Kabul, 2023). Both countries are struggling hard to boost trade and improve trade operations. Recently the Iranian side has inaugurated a trade center, a permanent exhibition in Kabul to familiarize the Afghan traders with Iranian products.

### 4.4 Bilateral Trade Status with India

The unpredicted takeover of Afghanistan by the Taliban on Aug 15, 2021, has negatively affected the country's trade with most countries. Till now, the goods and services exchanges with most of the country have not been converted to normal. The major reason behind this is not the existence of an inclusive and selective government in the country. Not fully obeying the Doha agreement clauses by the Taliban government are the main reason pointed out by the international community for not recognizing their government as legitimate. As a result of this, it has affected the bilateral trade between India and Afghanistan. During 2019-2020 the trade between these countries reached 1.5 billion, with increased exports and imports. Around 85% of India's dried fruit imports and most of its hot spices come from war-torn Afghanistan. Afghanistan exports figs, apricots, green and black raisins, walnuts, and dry fruits like Anjeer (*India Today, 2021*). The trade relations between India and Afghanistan have been significantly impacted as the Taliban has assumed control over Afghanistan after two decades. According to Federation of Indian Export Organization officials, 2021 the country's export to Afghanistan reached 835 million US\$, and imports were around U 510, *Taliban Stop Exports, Imports from India (2021)*. According to Indian government statistics, in fact, between FY16 and FY20, India's exports increased by more than 89 percent. In comparison, its imports increased by 72 percent (*Afghan Crisis: What Impact Taliban Takeover Is Having on Indian MSMEs, Traders, 2021*). After the Taliban took control of all of Afghanistan's territory, the trade between the two countries stopped for almost one year, while in 2022, the trade between the two countries restarted after a long break. According to the Ministry of Industry and Commerce officials in Kabul, in 2022, the country exported almost 30,000 tonnes of handicrafts to India even though the Indian government is still not recognized as the legitimate ruler of Afghanistan. (*India, Afghanistan Ink Deal to Reopen Air Corridor: Reports, 2022*). After the Taliban takeover, the trade between Afghanistan started immediately after a month's break. According to trade statistics from the Ministry of Commerce and Industry, the total trade for the 2021-22 fiscal year decreased by approximately 40% in value compared to the previous year. In the last fiscal

year, total trade amounted to Rs 3,719.76 crore, lower than the Rs 6,106.20 crore recorded in 2020-21. (*Vajiram IAS App for UPSC Aspirants, 2022*). Recently the Taliban government has offered to export high calorific value coal and base metals like copper and rare earth minerals to India; on the other hand, Indian companies can export heavy machinery, textiles, pharmaceuticals, chemical, and fertilizers. *www.ETEnergyworld.com. (2023)*. Despite this, Indian exporters have persisted in shipping their goods to the Karachi port via sea and transporting them by road to Afghanistan. Meanwhile, Afghanistan's exports have been slowly making their way through the Chabahar port in Iran, the Wagah border with Pakistan, and via air corridor to Delhi and Mumbai from Kabul and Kandahar airports. (*Vajiram IAS App for UPSC Aspirants, 2022*).

#### 4.5 Bilateral trade status with China

Afghanistan is a vital member of the Belt and Road Initiative (BRI) and shares a 90 km border with China after the Wakhan Corridor in the nation's northeast. Afghanistan exports have found a promising market in China. The proportion of Afghanistan's total exports and imports to China has significantly risen in the past ten years. Between 2016 and 2020, bilateral trade has seen an impressive annual growth rate of nearly 105 percent. After the US withdrawal from Afghanistan in 2021, China's interest in investing in extracting and processing natural resources decreased or alleviated tariffs on most of Afghanistan's exports to China. Nevertheless, an agreement to extract oil from the Amu Darya basin and establish an oil reserve in the northern province of Sar-e Pul was signed by both countries' representative Taliban-led governments in Afghanistan and China People's Republic on January 5, 2022. Moreover, it is a substantial agreement for energy extraction with foreign companies after the Taliban takeover in 2021. The Chinese side will invest 150 million US\$ annually, which will increase to 540 million US\$ in three years (*Briefing, 2021*).

From December 2021 to December 2022, Chinese exports experienced a significant growth of 56.4%, while imports decreased slightly by less than 1%. In December 2022, Afghanistan's primary exports to China comprised nuts, animal hair, semi-precious stones, dried fruits, and vegetable products. Total export to China reached 9.09 million US\$ in Dec 2022. In the same month, China's main exports to Afghanistan included synthetic filaments, woven fabrics made of yarn, rubber tires, other synthetic fabrics, semiconductors, and unspecified goods. (*China to Become Afghanistan's Second Largest Trade Partner in 2023, 2023*)

**Table 12.** Afghanistan's exports to China during 2022

Top export items of Afghanistan to China in US\$					
Item	Other nuts	Dried fruits	Precious stones	Electrical transformers	Other vegetable products
Value	2.52M	630K	59.2K	46K	35K

Source: (*China (CHN) and Afghanistan (AFG) Trade | OEC, n.d.*)

**Table 13.** Afghanistan's Imports from China during 2022

Top import products from China in US\$					
Item	Silk fabrics	Rubbers tires	Telephones	Delivery trucks	Motorcycles and cycles
Value	3.4M	3.38M	3.25M	2M	1.75M

Source: *(China (CHN) and Afghanistan (AFG) Trade | OEC, n.d.)*.

According to *(China (CHN) and Afghanistan (AFG) Trade | OEC, n.d.)*, China's exports witnessed an increment of 21.3 million US\$ (56.4%) from 37.7 million US\$ to 59 million US\$ between December 2021 and December 2022. On the other hand, the imports declined by 75.5k (-0.82%) from 9.17 million US\$ to 9.09 million US\$ during the same period.

#### 4.6 Bilateral trade status with Russia

The primary goods imported by Afghanistan include petroleum (constituting 33% of the total imports), machinery and equipment (15%), food items (14%), and base metals and related articles (9%). The country's major import partners are Pakistan (14% of the total imports), Russia (13%), Uzbekistan (11%), Iran (9.1%), and China (9%). Other notable import partners are Turkmenistan, Japan, and Kazakhstan *(Afghanistan Imports - 2022 Data - 2023 Forecast - 2003-2021 Historical - Chart - News, n.d.)*. The Taliban is working towards diversifying its trade relationships by seeking to broaden its trade partners and establish stronger ties with neighboring countries. In September 2022, the Taliban and Russian authorities signed a provisional deal, considered a significant accomplishment for the Taliban government in terms of international economic deals. However, the agreement extends beyond announcing that Russia will provide Afghanistan with gas, oil, and wheat. However, the international sanctions and asset freezes imposed by the United States have adversely impacted businesses in Afghanistan. The economy has experienced a significant decline of 20 to 30 percent since August 2021. *(Russia and Afghanistan's Partnership of Convenience, 2022)*. Russia had a positive trade balance with Afghanistan in January 2022, exporting goods worth 9.99M and importing goods worth 109K, resulting in a trade surplus of 9.88M. Over one year, from January 2021 to January 2022, Russia's exports to Afghanistan increased by 5.21M or 109%, rising from 4.78M to 9.99M. During the same period, imports from Afghanistan decreased by 16.7K or 13.3%, falling from 126K to 109K *(Russia (RUS) and Afghanistan (AFG) Trade | OEC, n.d.)*.

**Table 14.** Afghanistan's exports to Russia from Jan 2021 up to Jan 2022

Top exported items of Afghanistan to Russia in US\$				
Item	Grapes	Perfume plants	Spices	Total export value
Value	102K	22.6K	1.06K	109K

Source: **(Russia (RUS) and Afghanistan (AFG) Trade | OEC, n.d.)**.

**Table 15.** Afghanistan's exports to Russia from Jan 2021 up to Jan 2022

Top imported products from Russia in US\$					
Item	Seed oil	Refined petroleum	Sawn wood	Chocolate	Plywood

Value	1.64M	1.3M	1.22M	334K	117K
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**Source:** (*Russia (RUS) and Afghanistan (AFG) Trade | OEC, n.d.*)

#### 4.7. Trade status between Afghanistan and the United Kingdom

Between Q4 2021 and Q3 2022, the total trade in goods and services (combining exports and imports) between Afghanistan and the UK amounted to £109 million per current price. This represents a £3 million increase, or a growth of 2.8%, compared to the four quarters ending in Q3 2021. The total UK goods exports to Afghanistan amounted to less than £1 million, which shows a 100.0% decrease of £23 million. Similarly, UK exports in terms of services amounted to £54 million and witnessed of 5.3% decrease or £3 million. On the other hand, Afghanistan exports to the UK were counted as less than £1 million, which shows a decrease of 100.0% or £3 million. At the same time, its total service exports to the UK were £55 million. It indicates a significant increase of 139.1% or £32 million during four quarters to the end of Q3 2022 (Afghanistan, n.d.).

**Table 16.**

Top 5 imported products from the UK in the four quarters to the end of Q3 2022 in US\$					
Item	Toilet and cleaning preparations	Other chemicals	Miscellaneous electrical goods	Textile fabrics	Dairy products
Value	406K	395K	285K	263K	252K

**Source:** (*Afghanistan, n.d.*)

**Table 17.**

Top 5 exported products to the UK in the four quarters to the end of Q3 2022 in US\$					
Item	Vegetables and fruits	Textile fibers	Textile fabrics	Mineral manufactures	Miscellaneous metal manufactures
Value	890K	241K	109K	98.8K	98.8K

**Source:** (*Afghanistan, n.d.*)

#### 4.8 Trade with Turkey

Turkey is known as a significant trade partner of Afghanistan in the region. Even though the Turkey government has not recognized the Taliban regime, however, they have maintained good relations with the Taliban government. They have invested in several constructive projects in different parts of the country, including the Kajaki hydroelectric dam. The Turkish company 77 Construction has invested 160 million US\$ in the dam project located in Helmand province, and recently, the project's second phase was completed. According to Turkish officials, the trade volume between the two countries has increased by 23 percent during FY 2022 (Turkey's Engagement with Afghanistan Has Grown since Taliban Takeover, n.d.). According to the United Nations COMTRADE database on international trade, Turkey's Exports to Afghanistan were 269.53 million US\$ in 2022. Animal, vegetable fats and oils, and

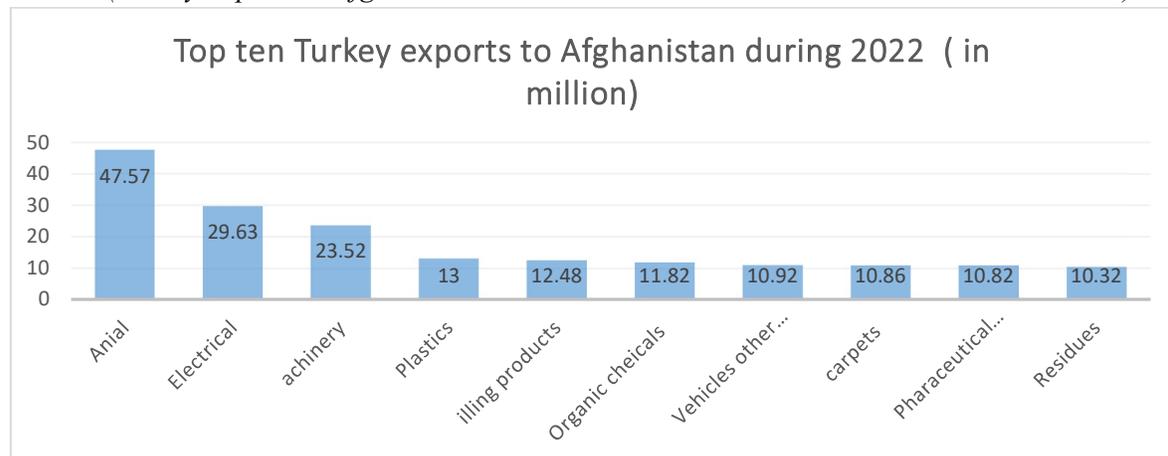
cleavage products are the major exporting products of the country to Afghanistan total value of 47.57M, followed by (Turkey Exports to Afghanistan - 2023 Data 2024 Forecast 1989-2022 Historical, n.d.).

Electrical, electronic equipment (29.63 million US\$) Machinery, nuclear reactors, boilers (23.52m), Plastics (13.00m), Milling products, malt, starches, inulin, wheat gluten (12.48m), Organic chemicals (11.82M), Vehicles other than railway, tramway (10.92M), Carpets and other textile floor coverings (10.86M), Pharmaceutical products (10.82M), Residues, wastes of the food industry, animal fodder (10.32M) and other products.

**Table 18.** Top 10 exporting products of Turkey to Afghanistan during 2022

Top 10 exporting products of Turkey to Afghanistan during 2022 in US\$	
Items	Value
<b>Animal, and vegetable fats and oils, cleavage products</b>	47.57M
<b>Electrical, electronic equipment</b>	29.63M
<b>Machinery, nuclear reactors, boilers</b>	23.52M
<b>Plastics</b>	13.00M
<b>Milling products, malt, starches, inline, wheat gluten</b>	12.48M
<b>Organic chemicals</b>	11.82M
<b>Vehicles other than railways, tramways</b>	10.92M
<b>Carpets and other textile floor coverings</b>	10.86M
<b>Pharmaceutical products</b>	10.82M
<b>Residues, wastes of the food industry, animal fodder</b>	10.32M

Source: (Turkey Exports to Afghanistan - 2023 Data 2024 Forecast 1989-2022 Historical, n.d.)



Source: (Turkey Exports to Afghanistan - 2023 Data 2024 Forecast 1989-2022 Historical, n.d.)

### 5. The primary factors behind the fluctuations in Afghanistan's bilateral trade with other countries.

The economist has pointed out several reasons for the deteriorating trade relations with other countries. They are as follows:

**International sanctions:** Many nations have put Afghanistan under an economic embargo since the Taliban seized power there. These restrictions may make it more difficult for Afghanistan to import and export items, decreasing its overall commerce.

**Security issues:** Since the Taliban took over, there have been more worries about the nation's security, especially the possibility of terrorist strikes and border instability. Such worries may hamper the operation and trading of enterprises.

**Disruptions to supply chains:** Since the Taliban took control of the nation, many firms have had trouble obtaining and shipping commodities. A reduction in trade volumes could be the effect of this disturbance.

**Economic uncertainty:** Since the Taliban took control of the nation, many firms are unsure of the future of their activities. Trade and investment may decline as a result of this uncertainty.

**Political instability:** The Taliban's takeover has led to political unrest in the nation, which might further deteriorate the business climate and discourage foreign investment.

**The country's banking system collapsed:** Many issues were raised when Afghanistan's banking ties to other nations were suspended. First, it led to a lack of trust between the public and the financial industry, and second, it complicated currency exchange.

**Cutting International aid:** Another crucial point was that many projects carried out in the nation by the previous government or international organizations were stopped, altered, or outright abandoned. As a result, consumption of construction materials decreased up to a point.

## 6. Finding

### 1. What was Afghanistan's GDP in 2020, and how does it rank globally? What are the country's major trade partners and top exports and imports?

Afghanistan's total GDP was 20.14B in 2020, a 7% increase from 2019. Based on the GDP, Afghanistan's economy ranked 111th in the world in 2020. Afghanistan has several major trade partners, including Pakistan, Iran, India, China, and the Central Asian Republics. Pakistan and Iran are significant trade partners, with bilateral trade totaling billions of dollars. Afghanistan also exports its goods to neighboring countries, including India, Pakistan, China, Saudi Arabia, and the United Arab Emirates.

Afghanistan's top exports are gold, grapes, nuts, tropical fruits, and raw cotton. These exports are mainly sent to neighboring countries. Afghanistan heavily relies on imports to meet its domestic needs, and the top imports for the country are flour, rolled tobacco, raw sugar, refined petroleum, and electricity. The primary sources of these imports are neighboring countries like the United Arab Emirates, Pakistan, India, Kazakhstan, and the United States of America. In 2020, Afghanistan was the world's biggest wheat flour importer, accounting for 554M of its total imports.

### 2. What are some of Afghanistan's primary trade relationships with its neighboring countries, and what goods are traded?

Afghanistan has significant trade relationships with its neighboring countries, including Pakistan, Iran, Tajikistan, Turkmenistan, and Uzbekistan.

Pakistan is one of Afghanistan's top trade partners, with goods worth 870M exported from Pakistan to Afghanistan in 2020. Major exports from Pakistan to Afghanistan include rice, cement, and packaged medicaments, while Afghanistan exports raw cotton, grapes, and dried legumes to Pakistan; after political changes in Afghanistan, the period of July 2021 to June 2022, Afghanistan has a trade surplus of more than 79 million US\$. Between July 2021 and June 2022, Pakistan imported goods worth 796.4 million US\$ from Afghanistan, while Afghanistan received 717 million US\$ in exports from Pakistan. Mineral fuels, oils,

and goods, such as the current increase in coal exports, drive the exports. Iran is also a significant trade partner, with Afghanistan exporting goods worth 14.8 million US\$ to Iran in 2019, including sowing seeds, grapes, spice seeds, and other oily seeds. Iran's exports to Afghanistan totaled 953 million US\$, with refined petroleum, peat, curbstones, petroleum gas, and utility meters being the significant exports. China is another major trading partner, with Afghanistan importing 500 million US\$ worth of goods from China in 2020, including rice, cement, and packaged medicaments. Afghanistan's main export to China is nuts. Afghanistan has historically maintained close commercial relations with its neighboring countries, Tajikistan, Uzbekistan, and Turkmenistan. Turkmenistan has increased its exports to Afghanistan by more than 14% annually, with exports worth 568 million US\$ in 2019. Uzbekistan has also seen an increase in exports to Afghanistan, with exports worth 588 million US\$ in 2020. Meanwhile, Tajikistan's exports to Afghanistan totaled 69.4 million US\$ in 2020.

Goods being traded between Afghanistan and its neighboring countries vary. However, they include rice, cement, packaged medicaments, nuts, dried and fresh fruits, grapes, spice seeds, raw cotton, and petroleum products.

**3. What is the impact of the Taliban takeover on Afghanistan's trade relations with neighboring countries?**

The Taliban takeover has impacted Afghanistan's trade relations with neighboring countries. Pakistan has emerged as Afghanistan's primary trade ally, while Iran has witnessed a decrease in trade. India has seen a decrease in trade value of approximately 40% in 2021-22 compared to the previous year, but trade between the two countries resumed in 2022. Afghanistan has a promising market in China, with bilateral trade seeing an impressive annual growth rate of nearly 105% between 2016 and 2020. Russia is also the largest importer to Afghanistan, accounting for 13% of total imports.

**4. How has the Taliban takeover impacted Pakistan and Iran's trade relations with Afghanistan?**

Since the Taliban takeover, Pakistan has emerged as Afghanistan's primary trade ally, and the two countries have a trade surplus in favor of Afghanistan. Coal exports from Afghanistan to Pakistan have increased, which is expected to boost trade between the two countries. Cereals, animal and other edible preparations, pharmaceutical products, and cement are some of the main imports from Pakistan.

Iran had maintained cordial relations with the previous Afghan government but has witnessed a decrease in trade since the Taliban takeover. Efforts are being made to improve trade relations between the two countries, such as the inauguration of a trade center and permanent exhibition in Kabul by Iran. Mineral fuels, oils, cotton, edible fruits and nuts, and iron and steel are some of the major exports of Afghanistan, while its exports have been slowly making their way through the Chabahar port in Iran.

**5. What is the trade relations status between India and Afghanistan after the Taliban takeover?**

The bilateral trade between India and Afghanistan has been impacted after the Taliban takeover, with the total trade for the 2021-22 fiscal year decreasing by approximately 40%

compared to the previous year. However, trade between the two countries resumed in 2022. In 2022, Afghanistan has exported almost 30,000 tons of handicrafts to India. **What is the trade relations status between Afghanistan, China, and Russia?**

Afghanistan has a promising market in China, with bilateral trade seeing an impressive annual growth rate of nearly 105% between 2016 and 2020. After the US withdrawal from Afghanistan in 2021, China has shown interest in investing in extracting and processing natural resources, decreasing or alleviating tariffs on most of Afghanistan's exports to China. An agreement to extract oil from the Amu Darya basin and establish an oil reserve in the northern province of Sar-e Pul was signed by both countries' representative Taliban-led governments in Afghanistan and China People's Republic on January 5, 2022. Afghanistan's primary exports to China in December 2022 consisted of nuts, animal hair, semi-precious stones, dried fruits, and vegetable products, and its export to China reached 9.09 million US\$ in Dec 2022. Russia is one of the largest importers to Afghanistan, accounting for 13% of total imports. Afghanistan's main exports from Russia are seed oil, refined petroleum, sawn wood, chocolate, and plywood. Meanwhile, Afghanistan's major exports to Russia are grapes, perfume plants, and spices. Russia had a positive trade balance with Afghanistan, exporting goods worth 9.99M and importing goods worth 109K in January 2022, resulting in a trade surplus of 9.88.

## 7. Conclusion

After the Taliban came back into power on August 15, 2021, this not only affected the political situation of the country, but it also resulted in deteriorating bilateral trade relations with its neighbor countries as well as European and other Western nations. Apart from this, it has also resulted in an increasing unemployment rate, the collapse of the country's banking system, fleeing of the skillful and professional residents of the country to other countries due to Taliban fear and revenge, the collapse of the country's health sector, stopping foreign aids by the international community, and other issues occurred in the country after their control over the country. Since they came into power, none of the country has recognized the Taliban regime as the legitimate ruler until now. Therefore, it is considered the primary constraint of declining trade with most countries. Pakistan and India are the significant destinations for Afghanistan exports in the region, accounting for 75 percent of the contribution receiving Afghanistan exports, followed by the United Arab Emirates, China, and Turkey. On the other hand, Iran, China, Pakistan, and Kazakhstan, are the major suppliers of goods to Afghanistan. According to a secondary data analysis, the trade between Afghanistan and Pakistan has increased in FY 2021-22 compared to the last year. In 2020-21, the total trade was valued at 1.36B, with imports at 870M and exports at 492M. However, during 2021-22, the total value of Afghanistan's exports was 796M, and its imports were 717M, resulting in a surplus of 77M for Afghanistan. This increase in surplus was due to a high rate of mineral exports, especially coal, by Afghanistan. Meanwhile, the trade relationship with Turkey remains favorable. Turkey's exports of goods were valued at 269M during FY 2022, compared to 208M in FY 2020, indicating a 23% increase. The Turkey government has maintained decent relations with the Taliban government, although they have not recognized their government as a legitimate roller. While the trade volume except Pakistan and Turkey has relatively decreased with the rest of world in terms of export and import.

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