**Beyond the Afghan crisis**

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Amidst all the uncertainties over the future of Afghanistan, recent developments can potentially provide an opportunity for an enhanced bilateral trade relationship between Pakistan and Afghanistan. Both countries have a long history of a strong economic relationship; however, regime changes and political tensions across the borders have adversely affected economic integration.

Since the launch of the US ‘war on terror’ in Afghanistan, bilateral trade between Afghanistan and Pakistan has seen fluctuations. Previously, the volume of bilateral trade had increased from $0.44 billion in 2003 to $ 2.86 billion in 2011. Exports from Pakistan to Afghanistan increased from $408.4 million to $ 2.66 billion during the same period.

However, for the period 2012-2020, fewer trade activities between the two countries were observed. Pakistan’s exports to Afghanistan declined to $746.3 million in 2020, while imports from Afghanistan were increased to a little over $500 million. Pakistan’s exports have been principally agricultural and construction inputs like raw sugar (10.9 percent), wheat flours (9.36 percent), cement (7.49 percent), and rice (6.81 percent), while imports constitute grapes (14.8 percent), coal briquettes (14.3 percent), dried legumes (13.7 percent), raw cotton (10.4 percent) and apple and pears (7.55 percent).

Pakistan’s exports to Afghanistan have tumbled enormously in the last decade from $2.66 billion in 2011 to a mere $870 million in 2020. The prime reason for such decline is that Afghanistan’s trading needs were increasingly reliant on India, Iran, and its Central Asian neighbours. It has abandoned Pakistan as a primary source of imports.

Owing to US sanctions, Iran is unable to trade with other countries. Afghanistan, on the other hand, is not intimidated by any restrictions. As a result, Iranian products swamped the Afghan market for the same reason. Pakistan was a major exporter of refined petroleum to Afghanistan which now imports it from Iran. Similarly, Pakistan’s exports of cement have declined significantly, and Afghanistan now relies on the Central Asian Republics for it.

By establishing strong diplomatic ties with the Afghan regime, India has eroded Pakistan’s market share. India has solidified itself as an important trading partner, increasing its trade volume with Afghanistan from $0.62 billion in 2011 to $1.37 billion in 2020, depicting 121 percent growth. India’s major exports to Afghanistan are textile and food products.

The present changing dynamics are affecting the overall economic situation in Afghanistan and its economic relationship with trading partners. The US government has restricted access to the foreign exchange reserves (approximately $9 billion) that Afghanistan holds in the US. This will lead to instantaneous inflationary pressure in Afghanistan as well as a decline in demand for goods, a drop in business activities, and ultimately a reduction in trade activities. Also, international aid to Afghanistan is declining, which will affect the welfare of ordinary people.

The US government has spent approximately $24 billion on economic development in Afghanistan during the war on terror, which immensely filled the resource gap to the Afghan economy as per capita income had surged from $900 in 2002 to $2,100 in 2020. Earlier, almost 80 percent of the budget was financed by foreign aid. However, such an influx of aid will not be available to the Taliban-led Afghan government.

In the present situation, Pakistan must assist Afghanistan for peace and stability and strive to strengthen the diplomatic relationship. Later, this will assist Pakistan to revive its trade relationship with Afghanistan. It is estimated that both countries have a trade potential of around $ 8-10 billion. However, to realise such a target, Herculean efforts are required as Pakistan is lagging behind in various aspects.

The country is facing stiff competition in the Afghan market, where its products are no longer competitive due to price spikes in the country. Poor infrastructure, non-tariff barriers and political tension, and lackadaisical bureaucracy are other obstacles. Slow border crossing operations have also hampered trade, and clearance to cross goods into Afghanistan sometimes take up to four days. Pakistan needs diversification as well as sophistication in its exports.

Incremental efforts are required in terms of structural corrections, consistency in trade policy, improvement in law and order, and macroeconomic stability to strengthen the country’s trade relations with Afghanistan.

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