India-Afghanistan Trade diplomacy

What is the issue?

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- There is a declining trend of bilateral trade between Afghan and Pakistan.
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- India needs to use this opportunity to expand its trade with Afghanistan.
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What are the status of trade between Afghan-Pak?

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- Afghanistan shares 2430km long border with Pakistan, and there are many armed disputes in this borders.
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- Over the last 15 years, Pakistan has closed its border on multiple instances with Afghanistan.
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- The bilateral trade peaked to $3 billion in 2011, the estimates for the current year are less than $1 billion between the two countries due to recent border conflicts.
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- The main item of trade between the two nations is Wheat,2017 faced four border blockages by Pakistan, and steep decline of about 26 per cent in its exports to Afghanistan.
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- Pakistan currently has stocked 9.7 million tonnes of wheat but isn’t able to export it for lack of a clear policy.
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- Afghan also lost interest in pushing forward any trade related agreements with Pakistan, due to the alternative trade route via Iran.
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How Pakistan is affected due to Afghanistan’s move?

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- A decline of bilateral trade by 70 per cent over a decade between Pakistan and Afghanistan has been comfortably filled in by other neighbours in central and south Asia.
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- In 2006, Afghanistan imported more than 50 per cent of its wheat and flour requirements from Pakistan, but that lead has now been taken by Kazakhstan.
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- Estimates show that more than 800 flour mills have been closed in Pakistan due to a decline in exports to Afghanistan, especially in the Khyber-Pakhtunkwa region.
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- Given storage infrastructure limitations, most of this wheat is lying in open storage.
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What are existing relations between India and Afghan?

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- India’s aid to Afghanistan in building roads and railways, has earned India substantial goodwill in that nation.
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- India has also invested in training its civil servants and security forces.
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- India is Afghanistan’s top export destination in 2016, $220 million of Afghanistan’s $483 million in total trade went to India, which accounted for 46 per cent of Afghan exports.
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- India is a minor player in exports to Afghanistan, having accounted for just 2 per cent of Afghanistan’s total imports in 2016.
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How India makes use of this situation?

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- India sent its first shipment of wheat in October 2017, through the

strategically located Chabahar port in Iran).
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- This shipment is first in a series of six shipments totalling 1.1 million tonnes of wheat, on a grant basis.
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- Thus the border blockades and other myopic measures by Pakistan along the Afghan-Pak give India a unique opportunity to capitalise on growing exports from current levels and embarking upon a new era of trade diplomacy with Afghanistan.
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Source: Business Line

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