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Afghanistan economics relations with India during President Ashraf Ghani (2014-2021)

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Abstract: The relations between the Islamic Republic of Afghanistan and the Republic of India under Mohammad Ashraf Ghani are among the most complex in the history of relations between the two countries. Afghanistan with India, which had one of the best relations in the region during the time of Hamid Karzai, but during the time of Mohammad Ashraf Ghani, it was seen that these relations were facing challenges and Afghanistan's economic relations with the Republic of India were no exception. Afghanistan's economy with India although faced with challenges and opportunities, having economic relations for both countries was one of the priorities of both countries.

In this study, we seek to answer the following question, what were the economic relations of the Islamic Republic of Afghanistan with the Republic of India during the rule of Mohammad Ashraf Ghani? The hypothetical answer of this research is also related to the expansion of economic relations between the two countries in the early years of Ghani's rule, but later in the years of the expansion of the Corona pandemic and the withdrawal of international troops from Afghanistan, Afghanistan's economic relations faced challenges. The research method is analytical and descriptive and the collection method is library method by referring to important intergovernmental documents.

Keywords: Islamic Republic of Afghanistan, Republic of India, Relations, Economic

I. INTRODUCTION

Afghanistan is a country that is geo-economic (economic geography) a very privileged position among the countries of Central Asia, the Far East, South Asia and the Middle East have. This privileged geopolitical position and Geo-economics opportunities in terms of creating a northern corridor -South and East-West for electricity and gas balances and exports Imports of goods and commercial items for our country. For this the reason in the eyes of the major countries in the region and senior Indian officials, Afghanistan is as a central crossroads and center of gravity of economic geography and is evaluated politically. Establish any kind of political and economic relationship with Afghanistan is important and vital for all countries in the region.

Considering the above issues of India during the visit of Mohammad Ashraf Ghani, the former President of the Islamic Republic of Afghanistan, provided him with assistance that offered billions of dollars in grants rather than political and economic ties strengthen the country even more.

The Prime Minister of India Narendra Modi pledged to strengthen Afghanistan in the fields of developing education, Higher education, health sectors, agriculture and respectively trade sectors.

President Mohammad Ashraf Ghani has made India one of the key allies of the Kabul government, including as one the five the big donor government.

The formation of a national unity government under his leadership has expanded to an unprecedented extent. He expressed hope that these bilateral relations would increase Economic exchanges and trade relations between the two countries and Afghanistan could use the capacity India's economic and technical use in Afghanistan for reconstruction and modernization. During this crucial visit, President Mohammad Ashraf Ghani assured the Indian counterpart that India could count on the Kabul government as a strong and key ally. He also met with Indian businessmen and investors and conveyed to them in a short and clear message that there are many new opportunities for Indian investors and businessmen in Afghanistan and if they wish, the Kabul government can prepares the initial conditions for their investment because one of the commitments of his government to the international community and the people of Afghanistan after the establishment of the government of national unity is economic self-sufficiency and the growth of the private sector, which can work together with the Afghan government.

India is one of the key countries in supporting of the Afghan government and its people, which has provided more than 2 billion dollar to the Afghan government in infrastructure and sectorial projects since the fall of the Taliban regime in 2001.

Afghanistan is a region-oriented country in terms of economic geography. It forms the countries of Central Asia and South Asia because as a potential land bridge and it can play the role of transit and economic corridor in the region. Meanwhile, Central Asian countries have the largest oil and gas reserves after the Middle East, but because they do not have direct access to free trade ports, they can supply oil and gas energy through Afghanistan to energy consuming countries, mostly in the southern region of Asia are located to transfer. On the other hand, South Asian countries, including India, are in dire need of cheap and sustainable energy sources for the growth and development of their industrial products, therefore the two countries established the Chabahar Port in order to trade and exchanges the economic goods. India moves to open new transit route for export of trade items on the one hand, the position of Afghanistan and India due to diversification of the route Long-term balance sheets on the other hand Afghan traders and investors, they can export agricultural products and other Afghan products to other countries easily and without any worries through the mentioned port, "Chabahar Port".

In conclusion, it should be noted that India is one of the emerging and influential powers in the region of South Asia and the world. The expansion of any kind of political and economic relations between Afghanistan and India could led the countries into more economic sustainable. By establishing and developing economic and political relations with this country, Afghanistan can benefit from capital and economic assistance, in addition to technologies and the country's capacity to build economic and political infrastructure and develop Afghanistan's infrastructure projects is considered very important and necessary.

Research questions:

The main research question:

In this research, as the main question, we seek to answer the following question.

What were the economic relations between the Islamic Republic of Afghanistan and the Republic of India during the rule of Mohammad Ashraf Ghani from 2014 to 2021?

Research sub-questions:

1. What have been the percentage of trading between the government of Afghanistan and India?
2. What is India looking for in Afghanistan?
3. In what areas has India helped in Afghanistan?

Research hypothesis:

This study is based on the primary date and it indicates that India has very close and friendly relations in difference aspect with the Government of Afghanistan and is one of the countries that aspire to peace, security and progress for Afghanistan and one of the key commitments of the international community to assist the Government of Afghanistan in the economic sector. The Republic of India, as the world's largest democracy and Afghanistan's largest regional donor since last two decades that help billions of dollars to rebuild Afghanistan, was able to play a key role in the development of Afghanistan along with other partners. For this purpose, the Republic of India, with its great facilities in its great largest Market in the region, was playing a great role in trading and economics sectors. Therefore, Afghanistan, with its important geo-strategic and geo-economic position connecting the Republic of India to the countries of the region, especially Central Asia, and as well can play significance role in creating regional convergence with the help of the countries of the region, especially with the government of India.

Importance of research

In today's complex world, it will not be easy for a country to end its challenges except through national and transnational collective efforts. Indeed, after the fall of the Taliban in 2001, the government of Afghanistan stepped in a new phase of its life and as well in 2014 the transaction of power with the withdrawal of international community especially NATO and US troops that has very significance role in many aspect such as politics and economy of Afghanistan and the countries in the region was very colorful and important. The resumption of friendly relations in various sectors has provided in last two decades. Afghanistan as a bridge between Central and South Asia, the existence of a common country with territorial disputes with the governments of Afghanistan and India, the rivalry between Pakistan and India, especially in economy and commercials sectors and the consideration of Afghanistan as a strategic depth by the government of Pakistan are all important. Relations between the Government of Afghanistan and the Government of India during last two decades very well increased, during the President Ghani several projects established such as Chabahar port for import and export of goods, Salma dam in west of Afghanistan which cost 300 million dollar and so on.

In addition to these cases, the withdrawal of international forces from Afghanistan until 11 September of 2021 and the negative role played by Pakistan and countries involved and sponsors of terrorism and Afghanistan's need for support from major regional countries, especially the Republic of India. The largest organization known as SAARC is one of the cases that adds to the special importance of this research.

The main objective

As the most important goal of this research, we seek and examine the trends and patterns of growth of India's trade with the Afghanistan economy. Also, to estimate of the extent of intensity of trade relations between Afghanistan and India, plus to classify the commodities with trade potential, which could enhance the trade relations between the nations. Therefore, the research content the relations between the government of Afghanistan and India from 2014 when the president Ashraf Ghani won the election to 2021. In additions, during these years, the Indian government has implemented several projects in Afghanistan and developed Afghanistan's economic and trade relations.

II. Literature Review

This section has taken into consideration those few studies that are relevant to the study in order to provide the base for the study.

Wanii, (2018) Aana compatibility between Afghanistan and India based on Revealed Comparative Advantage (RCA) and Trade Intensity Index (TII) approaches and the objective of the study was to evaluate trade compatibility and degree of trade intensity between Afghanistan and India.

Tahiry, (2017) analyzed the trade relationship of China with Afghanistan by applying revealed comparative advantage (RCA) and trade intensity (TII) approaches and the focus of study was on the pattern of trade, compatibility and intensity between Afghanistan and China.

Wani et al. (2016) examined India's trade relationship with BRCS (Brazil, Russia, China and South Africa) by using Phillips-Hansen's Fully Modified (FM). The objective of the study was to find out the determinants of India's export flows to Individual BRCS (Brazil, Russia, China and South Africa) Burhani & Wani (2019) it was found that because of uneven distribution of resources international trade plays an important role for the development of both developed and developing countries because both depend on each other. It has been recognized that exports are engine for economic growth. A nation can be successful via trade relations. Finally, India realized the importance of being an influential trade bloc of BRICS. And became "new key player" in the world economy.

Rehman (2016) focused on Indo-South Africa trade relations by using revealed comparative advantage (RCA), revealed import dependence (RID) and the objectives which are taken into consideration includes the examination of the trends and patterns of growth of India and South African economy.

Amin. (2015) examined the economic relation between India and Afghanistan. The study was exclusively dependent upon secondary data. It endorsed India's development partnership, covering the entire and all sectors of development, build indigenous Afghan capacity and institution. Study monitored that India played active role in the development of Afghanistan. Nazami, (2015) expressed that India has attempted to increase its investment in Afghanistan in developmental activities by provision of industrial, hydro-electric and irrigation projects for the sake of unifying their capabilities and respond of both of the countries (India and Afghanistan) because both of the countries have democratic governments which refers to reservation of international norms and cooperation, On the other hand, Afghanistan measured as a bridge to Central Asia's energy resources and alter India's continental trade.

Wani and Dhami, (2014) analyzed the trade relation between India and Brazil. By employing RCA, RIO, III and EII indices. The focus of the study was to find out the prospects of India's trade with Brazilian economy. It was found that the development of trade and investment helped the progress of liberalization and technological changes and had a huge impact on labor market in both countries. It shifted the jobs from declining sectors or occupation to expanding ones. Both counties had enjoyed comparative advantage of labor sectors in international market. India is exporting textiles and scales-intensive items such as chemicals and iron and Brazil exports manufacturing goods such as instruments, sanitary fitting and capital-intensive products.

Das and Pradhan, (2014) analyzed India's trade relations with the Gulf region (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Afghanistan- India Trade Linkage: Collaboration and Future Prospects Emirates (UAE)—Iran and Iraq. Trade Intensity Index (TII) and Revealed Comparative Advantage (RCA) Index to see trade complementarity and similarity between India and the Gulf countries. The study focus to analyze trade trends and potentials between India and the Gulf region.

III. Methodology and data

The data and information regarding to this study is based on secondary data and compiled from wide variety of sources like Journals on International trade; yearbooks of publishing statistical data with respect to trade, Ministry of Afghanistan Industry and trade, World Bank, and UN-ComTrade.

The methods are used for analyzing the data is based on the following statistical tools:

1. Revealed Comparative Advantage (RCA): It is defined as "the ratio of two shares". The numerator is the share of a country's total exports of the commodity of interest in its total exports, and the denominator is share of world exports of the same commodity in total world exports.
2. Trade Intensity Index (TII): It is used to determine whether the value of trade between two countries is greater or smaller than would be expected on the basis of their importance in world trade.
3. Export Intensity Index (EII): the ratio of a trading partner's share to a country/region's total exports and the share of world exports going to the same trading partner.
4. Import Intensity Index (III): The degree of value addition of an imported item that subsequently gets exported.

Destination of Afghanistan Trade

Based on this report that gathered the major export and import destination of Afghanistan with its partners, it shows in percentage of share. Based on the results that analyzed and presented in Figure 1 the export market of Afghan's products from 2007 to 2019. The report shows that the major export market for Afghanistan is Pakistani Market and the presented outcome are clarifying the measure of trade exchange between Afghanistan and Pakistan is very high. On the other hand, India has always tried to be an alternative market for exportation in Afghanistan and literally it is right that India has significant role in exports of Afghan's products and services. It is due to competition in regions especially with Pakistan. Also the report discovered that there are some other

countries in the region and in the world that are part of major exportation of Afghanistan trade market like; Tajikistan, Turkey, Germany, Iraq, UAE, Russia, and China. In addition some of the above countries started newly trading and exporting with Afghanistan such as Tajikistan, Iraq, China and Turkey and before 2012 Afghanistan had limited export with the mentioned countries.

**Table 1; Major export partner for Afghanistan in US million dollar
(Percentage of Share)**

Country	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
Pakistan	77.1	63.9	66.7	48.5	47.9	38.90	48.8	37.8	38.5	32.9	39.9	47.5
India	5.9	18.9	17.8	24.9	18.8	16.7	18.6	22.1	20.0	28.0	33.0	35.2
Tajikistan	0	0	0	0	0	1.8	1.3	2.8	0.5	1.92	0.8	0.1
Germany	1.8	0.9	1.5	0.1	0.2	0.5	0.5	0.5	1.9	2.97	1.0	0.6
Iran	0.7	1.2	1.9	3.3	10.1	8.2	5.3	6.9	8.3	5.7	5.0	3.1
Iraq	0	0	0	0	0	2.3	3.9	4.0	4.4	3.1	2.9	1.8
Turkey	0	0	0	0	0	9.0	2.9	6.9	6.7	7.0	3.1	2.0
Russia	3.3	6.9	4.8	6.7	6.4	7.7	8.7	4.8	2.7	3.6	3.3	0.5
UAE	3.3	0.9	1.5	3.4	1.7	1.5	0.7	4.3	5.0	4.9	4.2	1.5
China	0	0	0	0	0	3.0	1.5	2.6	3.8	2.6	1.7	0.8
Sub Total	92.1	92.7	94.4	86.9	85.1	89.6	92.2	92.7	91.8	92.69	94.9	93.1
Other countries	7.9	7.3	5.6	13.1	14.9	10.4	7.8	7.3	8.2	7.31	5.4	6.9
Total Exports	100	100	100	100	100	100	100	100	100	100	100	100

Source: UN ComTrade database

**Table 2; Major import partner for Afghanistan in US million dollar
(Percentage of Share)**

Country	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
Iran	7.8	6.8	4.5	6.6	5.3	7.4	8.9	11.6	17.3	23.3	19.5	19.3
Pakistan	15.9	15.2	14.2	16.2	9.1	11.7	13.5	23.0	19.9	17.5	17.1	18.3
UAE	2.4	3.5	3.5	2.9	1.4	2.1	3.1	13.4	14.2	4.1	6.7	3.1
Turkmenistan	1.1	1.0	1.9	2.6	2.3	2.2	5.5	6.8	7.2	8.2	6.1	5.4
Malaysia	0	0	0	0	0	1.1	0.8	1.3	1.2	3.6	3.1	4.0
Uzbekistan	8.1	5.2	5.6	16.4	26.2	21.1	11.3	7.6	6.8	4.2	9.5	6.0
Kazakhstan	1.8	3.1	2.4	5.4	8.7	4.1	5.2	2.1	3.7	5.5	5.1	9.4
Japan	16.8	15.3	16.4	12.1	10.1	9.5	6.3	1.3	0.9	3.8	3.3	3.9
Russia	9.19	11.1	11.9	3.3	6.0	3.4	12.3	5.2	5.8	2.1	3.4	2.2
China	12.8	17.3	20.3	14.3	10.8	13.7	8.9	6.1	5.1	13.5	13.6	16.8
Sub Total	73.5	78.5	80.7	79.8	79.9	76.3	75.8	78.4	82.1	85.8	87.4	88.4
Other countries	26.5	21.5	19.3	20.2	20.1	23.7	24.2	21.6	17.9	14.2	12.6	11.4
Total Exports	100	100	100	100	100	100	100	100	100	100	100	100

Source: UN ComTrade database

During the year of 2007 to 2008 the Japans' product and services got the first position for import market of Afghanistan and almost it's been 17 percent in the market.

In the years of 2008 to 2009 in the import market of Afghanistan has come some changes which the China's product and services got the first position in the market of Afghanistan. The percentage of China's product and services nearly increased to 18 percent and since 2010 the China's goods and products had the highest percentage of share in the market of Afghanistan, even though it got increased to 21 percent.

In the year of 2011 the Uzbekistan got the highest percentage of the import products in the Market of Afghanistan with the percentage of 17 percent in the market share and since (2012 to 2013) the Uzbekistan products and goods was in the highest position in the market of Afghanistan and it increased even to above 26 percent in the market but later on, in (2013-14) the measure of Pakistan imports to the Afghanistan got the highest market percentage among the other countries of region and the world. Since (2014 to 2015) the level of importation from Pakistan to the Afghanistan has increased rapidly and up to 24 percent of the Afghanistan market was belong to Pakistan's products and services. Currently the highest import percentage in Afghanistan market is with Iran country and it is over 3 years that Iran has the first percentage position for sharing of the goods and services among the other countries in the Afghanistan market and the available of Iran's products in the import market is almost 24 percent of the Afghanistan market.

Table 3; Export growth rate of Afghanistan

Year	2014	2015	2016	2017	2018
Growth percentage	0.0061	0.0073	0.0083	0.0078	0.0065

Source: Calculation based on data from UN ComTrade database

For a landlocked country such as Afghanistan, regional integration is exclusively imperious as it leads not only in trade promotional activities but increased trade and connectivity within the regions followed by the global economy. The regional integration between Afghanistan and India is thus not a supernumerary for amalgamation with the rest of the world, rather it must be bolstered with wider economic assimilation that makes the most of the region's comparative advantages.

Table 4; Export rate of India

Year	2014	2015	2016	2017	2018
Growth parentage	1.72	1.70	1.91	1.95	1.99

Source: Calculation based on data from UN COMTRADE database SITC Revision III

From Table 3 and 4, there is a lot of contrast in the export growth of both the countries. Looking at the numbers of growth of exports in Afghanistan perspective, the values are less and thus present that Afghan economy is still lingering in its export sector, whereas in case of India a growth of 1.72 percent in 2014 is quiet good sign of economic health. The process of growth continued and has grown in the next years.

IV. Results and Finding

This part presents the analysis, findings and results of the study. The commodities are ranked according to RCA into four categories. Commodities with RCA between 1 to 0.5 and -1 to -0.5 are classified as highest comparative advantage and disadvantage respectively. However, commodities with RCA between 0 to 0.49 and 0 to -0.49 are classified as marginal comparative advantage and disadvantage respectively. "Wanii".

Export Performance between Afghanistan and India and Vice-Versa

Table 1 presents the ranks of commodities based on RCA and shows highest revealed comparative advantage (HRCA) of Afghanistan with India.

Table 1: Highest revealed comparative advantage of Afghanistan with India

Rank	Afghanistan with India HRCA	RCA	Commodity code
1	Crude veg. materials	0.9997	292
2	Cereals	0.9994	045
3	Fruits, nuts, oil nuts	0.9988	057
4	Spices	0.9987	075
5	Rice	0.9973	042
6	Chocolate, cocoa	0.9970	073
7	Vegetable	0.9815	054
8	Cover of floor	0.9587	659
9	tea	0.9464	074
10	Animal feed stuffs	0.9460	081
11	Fruit, prepared and preserved	0.9163	058
12	wool of animals	0.6511	268

Source: Calculation based on data from UN ComTrade database

The table indicates the exports of Afghanistan to India in the year of 2018-2019. Out of 25 products only 12 products are in list of highest revealed comparative advantage "HRCA". The first six products indicates that the Afghanistan has the highest RCA in Crude veg. materials, Cereals, fruits, nuts, oil nuts, and respectively spices and rice.

Trade Intensity Index (TII)

The trade intensity statistic is the ratio of two export share between the two economies. A value greater than one indicates an intense trade relationship while as below one depicts weak relationship. The reason of high or low would depend on different factors such change in policy, economic condition or political situation. The trade intensity Index (TII) of India and Afghanistan for the period 2008 to 2017 is presented in the following table 2.

Table 2: Trade Intensity Index between Afghanistan and India and Vice-Versa

Year	Afghanistan with India	India with Afghanistan
2013	2.79	5.62
2014	3.02	7.79
2015	6.74	9.58
2016	8.35	10.67
2017	9.86	11.87
2018	10.11	12.5
2019	11.02	12.9

Source: Calculations based on data from UNCTAD and UNCOMTRADE

In the above table, the trade intensity was evaluated between Afghanistan and India for the period of (2013 till 2019). The economies are having intense trade flow with each other, for example in before 2010 Afghanistan had good amount of export to India while

after 2010 to 2014 there is latency and fluctuation of trade from Afghanistan to India and vice versa India to Afghanistan. The reason could be since 2014, Afghanistan has once again been in a phase of transition, characterized by the withdrawal of the United States and other allied forces and accompanying cuts in military and development spending. As with every passing year from 2015 to 2017 the linkage of trade is amplifying between Afghanistan and India. Thus, proving the strong trade association among Afghanistan and India.

Export Intensity and Import Intensity between Afghanistan and India

To gain the third objective, export and import intensity between Afghanistan and India has been evaluated for the years 2013 to 2021. The export and import intensity index are used to determine whether the value of export and import between two countries is greater or smaller than 1. Our analysis reveals that export intensity between Afghanistan and India is greater than 1 for the years 2013, 2015, 2016, 2018 reflecting the export intensity level as good except for 2014 as presented in Table 3. Furthermore, import intensity between Afghanistan and India is greater than 1 for the years 2015, 2016, 2018, representing the cordial import trade except for 2013 and 2014 as presented in Table 3.

Table 3: Export and Import Intensity Index between Afghanistan and India and Vice-Versa (2013-2021)

Year	EII between Afghanistan and India.	EII between India and Afghanistan.	III b/w Afghanistan and India	III b/w India and Afghanistan.
2013	11.30	2.40	11.30	0.33
2014	15.56	0.07	15.57	0.93
2015	17.51	3.42	17.51	10.78
2016	207.19	3.20	27.18	14.98
2017	N/A	2.21	N/A	N/A
2018	19.67	3.90	19.70	3.12
2019	N/A	7.08	N/A	5.96
2020	N/A	N/A	N/A	N/A
2021	N/A	N/A	N/A	N/A

Source: Calculation based on data from UN ComTrade database

Analysis of the research

The research provides the outcome of the export performance of Afghanistan with Indian trade and vice-versa. In last decade the Afghanistan's export performance was very outstanding, especially in 2010, 2013, 2016 and 2017 and gained comparative advantage. In order to measure the export performance, this research employed Modified "Balassa Model", revealed comparative advantage (RCA) and revealed comparative methodology indices for measuring trade (Import and Export) specialization and comparative advantage. Afghanistan Years Export Intensity Index (EII) between Afghanistan and India, Export Intensity Index (EII) between India and Afghanistan. Import Intensity Index (III) between Afghanistan and India, Import Intensity Index (III) between India and Afghanistan in last decades since 2013 11.30, 2.40, 11.30, 0.33. 2014 15.56, 0.07, 15.57, 0.93. 2015 17.51, 3.42, 17.51, 10.78, 2016 207.19, 3.20, 27.18, 14.98. 2017 N/A, 2.21, N/A, N/A. 2018 19.67, 3.89, 19.67, 3.11. 2019 N/A, 7.08, N/A, 5.96. 2020 N/A. 2021 N/A.

Export Performance of Afghanistan-India Merchandise Trade

An Economic Evaluation has comparative advantage in 12 commodities and India enjoyed comparative advantage in 49 commodities. This study shows that Afghanistan has comparative advantages in exporting Crude, Fruit nuts, Oil nuts, Spices, Rice, Chocolate, Vegetables, Floor covering, Tea, Meat, Animal feed stuff, Fruit preserved, Wool, Animal's hair, Fruit, Vegetable Juices and Textile. Thus, Afghanistan should strengthen its exports of commodities with comparative advantages to India and reduce the export of commodities with comparative disadvantage. As mentioned, that dried fruits, fresh fruits, crude and vegetable contribute the major share of the Afghanistan export to India, so government and international organizations like United State of America for International Development (USAID), Food & Agriculture Organization (FAO) & world Food

Program (WFP) should help producers and farmers that produce fruits in different provinces. In addition, government should have the way for traders & producers to export their product in international markets. India has comparative advantages in exporting wheat, muslin, unmilled, tobacco, manufactured, milk and cream, textile, apparel, women and girl clothing, wire product, tea and meat, fruit preserved, means and boys clothing. Thus, India should strengthen its exports of commodities with comparative advantages to Afghanistan and reduce the export of commodities with comparative as portrayed in Tables 2 & 3. Afghanistan's Export Intensity and Import Intensity increased during the year 2008 to 2016 and vice-versa. Furthermore, the level of export intensity between two countries shows that Afghanistan has a market base in India. It is a good opportunity for Afghanistan to expand its trade with India as Afghanistan is an agricultural country where temperate and climate offer a conducive environment for the growth of fruits and vegetables, dried fruits, fresh fruits, crude, saffron, raisins, almond, apricot & pistachio. The support of the government should be at the forefront in order to pave the way for traders & producers to export their products in international markets especially Indian market. In terms of import intensity between two countries, Afghanistan relies on imports from India as compared to India. Therefore, government through Ministry of Economy should create favorable business climate to promote domestic production in order to reduce the trade imbalance. In addition, there is need for supply side interventions to focus on efficiency and productivity, and further demand side interventions is needed to encourage the shift from imports to domestic production.

Export and Import with India in 2020 (latest report)

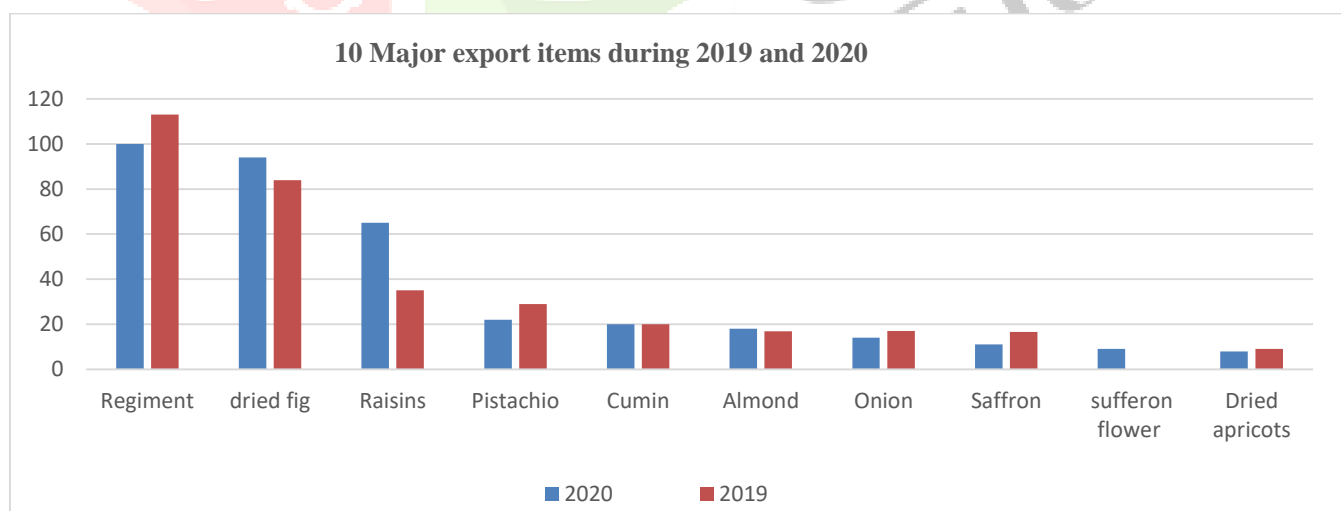
The Export of Afghanistan to India in year 2020 was approx. 406 million dollar with the percentage of 45 percent and the Import of Afghanistan from India was approx. 490 million dollar with the percentage of 55 percent. It indicates the balance of minus 5 percent with the approx. amount of 84 million dollar. It is the latest report of Afghanistan according the Ministry of Industry and trade of Afghanistan.

Table 4: Afghanistan's export and import with India in the of 2020

Import in US \$	Export in US \$	Total amount	Trade balance	Percentage of Import	Percentage of Export
490	406	896	-84	55%	45%

Source: Ministry of Industry and Trade of Afghanistan

Figure 1: Export of 10 major items to India during 2019-2020 in \$ US Million



Source: Ministry of Industry and Trade of Afghanistan

The major challenges of export route in the way of Afghans traders and exporters

Existing challenges of the export route	Suggestions for improvement
Lack of familiarity of traders and exporters with market standards and requirements.	Considering NES guidance, cooperation with traders and exporters in standardization and market needs.
Forgery in Faito's cases by Afghan traders	A memorandum of understanding must be signed with FSSAI for testing facilities for Afghan exports
Lack of familiarity with cotton disinfection standards.	Cooperation with the Ministry of Agriculture, Irrigation and Livestock in the field of cotton disinfection and - necessary standards for export according to the conditions of that country
Export of property against cash and non-execution of commercial transactions from through the bank	Establishing representative agencies and conducting commercial transactions through it
High transport prices from Chabahar port	Consideration of transport subsidy for Afghan exports via Chabahar port.

Conclusions

Afghanistan and India have a good trade relationship since past centuries and this relation became stronger when Afghanistan joined SAARC in 2008. India and Afghanistan have decided to improve their trade relation and have set a mutual target to increase trade between the two neighboring countries. The estimated trade target is said to be \$2 million (US) which is expected to be achieved by 2022. But due to fall of former government of Afghanistan in 15 August in 2021 the export and import between two countries got decreased and as the whole market of Afghanistan affected by this collapse. Although, It is quite clear that India gain more advantage in exporting its products to Afghanistan. Both the economies are having intense level of trade latency with each other. The trade intensity of India is better than Afghanistan, as India rules the export market. The export health of the Afghanistan is not that good, even it is worse.

Afghanistan remains unable to employ its disused export potential in the world market, despite of great natural resources, and suitable conditions for agricultural products. Afghanistan was exporting a large number of various commodities to India. This research analysis and evaluate the export performance of Afghanistan with India at three-digit level of Standard International Trade Code (SITC Rev. 3) classification for latest report in 2019. Ranking of commodities is done according to RCA into three categories. The findings determine that Afghanistan was exporting 25 commodities to India in the year 2019. Out of 25, the 12 commodities with products codes (292), (045), (057), (075), (042), (073), (054), (659), (074), (081), (058), (268) fall in the HRCA section which have highest reveled comparative advantage, 7 commodities that have highest reveled symmetric comparative disadvantage.

In contrast to this, India was exporting 170 products to Afghanistan in the year 2018 (according to latest report). Out of 170 commodities 12 commodities have highest reveled comparative advantage, 135 commodities have highest reveled symmetric comparative disadvantage. In terms of trade intensity, export intensity between Afghanistan and India for the years 2013 to 2019 was good, except 2014 due to transaction of power. Import intensity between Afghanistan and India for the years of 2015, 2016, 2018 was good, except for 2013 and 2014.

The outcome of this research recommend that Afghanistan and India must to increase its trade relationship and improve the value of those products that have low value. Particularly, Afghanistan must provide more facilities for its traders and exporters and improve its markets for fresh fruits, nuts, saffron and spices in India. Furthermore, it is recommended that Afghanistan should export more of those product that have highest advantage to India. In addition the Afghanistan should develop and variegate its export with other countries to gain the advantage of the geographical location and must increase the gauge of cross border trading, also political and diplomatic channels are required among the countries especially with the neighbor countries in the region.

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