Indo–Pak–Afghanistan Trade Dynamics

Historical Context, Contemporary Disruptions, Strategic Losses, and Emerging Opportunities

By: Col Chaudhry Muhammad Sabahuddin (Retired)
Email: Chaudhry186@yahoo.com

Introduction

The Indo–Pakistan–Afghanistan trade triangle has long been shaped by geography, political rivalries, and evolving regional power alignments. For centuries, Afghanistan's commercial lifelines naturally ran through the territory of present day Pakistan, embedding both economies in a deeply interdependent system well before the emergence of modern borders. India, despite strong political and developmental engagement with Afghanistan, remained geographically constrained by the absence of direct overland access, an enduring limitation that continues to shape its regional strategy.

Today, this triangular relationship stands at a critical inflection point. Recurrent border closures, the breakdown of transit assurances, and the securitization of trade routes have exposed structural vulnerabilities that accumulated over decades. These disruptions are not merely commercial; they carry strategic, humanitarian, and geopolitical implications. Understanding the historical foundations, recent shocks, and emerging opportunity spaces is therefore essential, not only to assess who bears the greatest immediate losses, but also to evaluate how regional actors are recalibrating their long-term economic and strategic postures.

Historical Background

Pre-1947 and Early Commercial Patterns

For centuries, Afghanistan's trade flowed through the Khyber and Chaman corridors via Torkham in the north and Spin Boldak - Chaman in the south, towards the ports of Karachi, later, Gwadar and onward to markets across British India. These geographic realities persisted after 1947, anchoring Afghanistan's economic orientation toward Pakistan by necessity rather than choice.

Pakistan–Afghanistan: A Structurally Interlocked System

Over time, Pakistan emerged as Afghanistan's principal commercial partner due to contiguity, integrated supply chains, and access to global seaports. This interdependence was formalized through the 1965 Transit Agreement and later the Afghanistan–Pakistan Transit Trade Agreement (APTTA) of 2010, which codified Afghanistan's rights as a landlocked state and institutionalized Pakistan’s role as its primary gateway. Alongside formal trade, extensive informal and border-market commerce sustained livelihoods across both sides of the frontier.

India–Afghanistan: Political Proximity, Geographic Constraint

From the early 1950s, India cultivated strong political and developmental ties with Afghanistan, investing heavily in infrastructure, education, health, and reconstruction. However, Pakistan’s refusal to permit India–Afghanistan overland transit forced New Delhi to rely on costly alternatives: air corridors and sea–land routes via Iran, including the Chabahar–Zaranj–Delaram axis. These routes typically add several days to delivery timelines and nearly double logistical costs, limiting scale and sustainability.

India–Pakistan: Trade Subordinated to Politics

Bilateral trade between India and Pakistan has remained hostage to political relations. Periods of limited normalization, most notably between 2004 and 2014 produced modest trade growth, but every major crisis resulted in abrupt suspensions. Pakistan’s decision to halt bilateral trade in August 2019 sharply curtailed official commerce, leaving only minimal third-country routing.

Recent Trade Snapshot

- **Pakistan–Afghanistan:** Pakistan has remained Afghanistan’s dominant trade partner, supplying foodstuffs, construction materials, pharmaceuticals, and textiles. The bulk of Afghan imports traditionally transited through Torkham and Chaman, making Pakistan’s routes economically irreplaceable in the short term.
- **India–Afghanistan:** India–Afghanistan trade over the last year is estimated at approximately USD 0.9 billion (including goods, services, and assistance). UN COMTRADE data indicates Indian exports to Afghanistan in 2024 at roughly USD 333 million, reflecting structural limits imposed by the absence of land connectivity.
- **India–Pakistan:** Prior to the 2019 suspension, Indian exports to Pakistan were valued in the low billions of dollars annually. Since then, official trade has collapsed, surviving only through indirect and informal channels

Comparative Assessment of Trade Relationships

Afghanistan–Pakistan

Strengths:

- Lowest transportation costs due to contiguity
- Direct access to Pakistan’s seaports
- Deep-rooted border markets sustaining millions

Vulnerabilities:

- Recurrent border closures linked to security incidents
- Smuggling that erodes state revenues
- Persistent mistrust over militancy and sovereignty concerns

India–Afghanistan

Strengths:

- Long-standing goodwill from reconstruction assistance
- Strong demand–supply complementarity
- Investment in alternative corridors via Iran

Constraints:

- Absence of overland access through Pakistan
- Higher costs and longer transit times
- Exposure of investments to political volatility

India–Pakistan

Strengths:

- Significant latent potential due to proximity and market size
- Rapid expansion possible during diplomatic openings

Constraints:

- Chronic political disruptions
- Non-tariff barriers and strategic mistrust

Quick Summary Table (Estimates in USD) Pak-Afghan

Pakistan Export

Ser/No	Direction	Product Category	Approx. Value (Million USD)	Examples
1	Pakistan → Afghanistan	Cereals	348.8	Rice, maize
2	Pakistan → Afghanistan	Pharmaceuticals	129.9	Medicines
3	Pakistan → Afghanistan	Vegetables & roots	74.7	Potatoes
4	Pakistan → Afghanistan	Cement & stone	73.6	Cement, rock salt
5	Pakistan → Afghanistan	Misc. edible preps	67.2	Processed foods
6	Pakistan → Afghanistan	Textiles	-----	Cloth, garments
7	Pakistan → Afghanistan	Sugar (noted surge)	262.8	Sugar exports surge

Pakistan Imports

Ser/No	Direction	Product Category	Approx. Value (Million USD)	Examples
1.	Pakistan ← Afghanistan	Vegetables & roots	183.6	Onions, tomatoes
2.	Pakistan ← Afghanistan	Cotton	120.3	Raw cotton
3.	Pakistan ← Afghanistan	Coal & fuels	120.0	Coal, LPG
4.	Pakistan ← Afghanistan	Fruits & nuts	104.4	Grapes, pomegranates
5.	Pakistan ← Afghanistan	Spices etc	9.75	Cumin, chilies

(Values correspond to the latest FY data window available; some categories may overlap across fiscal reports.) Pakistan Business Council

Quick Summary Table (Estimates in USD) India-Afghan

India Export, 2024

Sr. No.	Export Category	Major Items	Estimated Value (USD)	Strategic / Trade Significance
1	Pharmaceuticals & medical products	Generic medicines, antibiotics, vaccines, medical disposables	140–160 million	India is Afghanistan's **largest pharmaceutical supplier**, critical for public health
2	Sugar & confectionery	Raw sugar, refined sugar, sweets	90–110 million	Supplies surge during Afghan shortages; price-stabilizing role
3	Tea, coffee & processed foods	Black tea, instant foods, packaged staples	30–40 million	Mass-consumption food security items
4	Textiles & apparel	Cotton fabrics, garments, blankets	25–35 million	Low-cost essentials for Afghan urban and rural markets
5	Machinery, electrical goods & spares	Generators, pumps, cables, small machinery	20–25 million	Supports basic infrastructure and services
6	Plastics & household consumer goods	Plastic ware, packaging materials	15–20 million	Everyday consumer and commercial use
7	Humanitarian & project-linked supplies*	Wheat aid, medical kits, infrastructure materials	100–150 million (equivalent)	Strategic influence tool; **not fully captured in COMTRADE**

India import, 2024

Sr. No.	Import Category	Major Items	Estimated Value (USD)	Share / Remarks
1	Dry fruits & nuts	Raisins, almonds, pistachios, apricots	320–350 million	**Over 60%** of India's imports from Afghanistan
2	Fresh fruits	Pomegranates, grapes, apples	60–80 million	Mostly via air corridor and Iran route
3	Medicinal herbs & seeds	Asafoetida (hing), liquorice root	25–35 million	High-value inputs for pharma & traditional medicine
4	Spices	Saffron (limited), cumin, fennel	15–20 million	Niche but premium agricultural imports
5	Handicrafts & carpets	Afghan rugs, hand-woven products	10–15 million	Cultural exports; supports Afghan SMEs
6	Animal by-products & wool	Raw wool, limited animal products	5–10 million	Small but traditional trade segment

Total Indian Imports from Afghanistan (2024)

Goods: 450–550 million US$

Impact of the Recent Pakistan–Afghanistan Trade Closure

Afghanistan

As a landlocked state heavily dependent on Pakistani routes, Afghanistan has suffered the most immediate and severe consequences:

- Prices of essential commodities have surged by three to four times
- Fuel, food, medical, and construction supply chains have fractured
- Humanitarian deliveries face prolonged delays
- Inflationary pressures threaten broader socioeconomic instability

Pakistan

- Loss of transit revenues and contraction of border economies
- Disruption of Pakistan's access to Central Asia via Afghan territory
- Expansion of informal and smuggling networks
- Reduction in dollar inflows associated with Afghan trade

India

- Sharp increase in logistics costs
- Delays and inflation in Afghan development projects
- Continued reliance on air and Iran-based routes that remain functional but expensive

Regional Spillovers

- Growth of illicit trade when formal channels close
- Strain on humanitarian operations
- Increased relevance of Iranian and Central Asian corridors
- Gradual reshaping of regional trade alignments

Strategic Options Available

Afghanistan

- Diversify transit through Iran and Central Asia
- Negotiate security-linked reopening with Pakistan
- Build internal buffers through stockpiling and local production
- Digitize customs to reduce corruption and leakage

Pakistan

- Conditional reopening tied to verifiable counter-terror guarantees
- Enhanced border management using scanners and electronic tracking
- Anti-smuggling reforms through tariff rationalization
- Internationally monitored economic corridors

India

- Expand Chabahar utilization
- Increase air freight for critical supplies
- Deepen economic engagement through aid and credit
- Exploit commercial vacuums created by Pak–Afghan tensions

Who Suffers More and Who Gains?

In the immediate term, **Afghanistan bears the heaviest burden** due to its overwhelming dependence on Pakistani transit routes. Pakistan's losses, while real, are more diffuse and gradual, manifesting through lost revenues and strategic leverage.

Over the medium to long term, prolonged closures risk pushing Afghanistan toward permanent diversification, thereby eroding Pakistan's traditional advantage as the region's primary transit hub. India and Iran stand to gain incrementally, though India's gains remain constrained by cost and geography.

Pakistan's Key Concerns After the Closure (Refined Summary)

1. Diplomatic regression following unmet security assurances after 2021
2. Kabul's denial of cross-border militancy as a shared responsibility
3. Limits of third-party mediation without on-ground verification
4. Need for a dual-track intelligence and diplomatic evidence framework
5. Risks of escalation from unilateral kinetic actions
6. Strategic economic losses affecting Central Asia ambitions
7. Dialogue and phased reopening as the only sustainable end-state

Conclusion

The disruption of Indo–Pakistan–Afghanistan trade is not a temporary commercial interruption but a manifestation of deeper security deficits and structural mistrust. Afghanistan faces the most immediate economic distress, while Pakistan risks the gradual erosion of its strategic transit advantage if reliability is not restored. India, despite logistical constraints, is actively leveraging the disruption to expand its regional footprint.

Sustainable regional connectivity cannot be achieved through coercive closures or unilateral actions. It requires verifiable security guarantees, monitored transit mechanisms, and phased confidence-building measures that balance national security imperatives with humanitarian and economic realities. Only a negotiated, conditional, and institutionally anchored approach can restore stability and prevent long-term strategic realignments detrimental to regional equilibrium.

Contact:
Email: Chaudhry186@yahoo.com
Cell: +92-321-5153139