

Afghanistan- India Trade Linkage: Collaboration and Future Prospects

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Abstract

This study focuses on Afghanistan and India trade relations and evaluates the structure of comparative advantage for Afghanistan and India and the change in the economic scenario over a 3-year period from 2015 to 2017. The study attempted to evaluate Afghanistan–India trade using Revealed comparative advantage (RCA), Revealed import dependence (RID), Trade intensity index (TII), Export intensity index (TII) and Import Intensity Index (III) in different type of goods categorized on the basis of their production as per SITC Rev 3 classification. The policy implication for the both the countries is to rejuvenate the sectors where they are enjoying the trade advantage in order to get the competitive edge.

JEL Classification: F07, F11, F13

Key words: Trade performance, India, Free trade, Afghanistan

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Introduction

International trade is one of the ways that gives rise to world's economy. Basically, trading globally gives consumers and countries the opportunity to have access to new markets and products which is not available within the country. To trade at international level is a little complex process and have obstacles than domestic trade. Factors like the economy, government policies, markets, laws, currency and many other factors which impact on the result. And the other most important factor that can influence the trade is the political relations between two countries (Salvatore, 2016). This study focuses on Afghanistan and India trade linkage, collaboration and future prospects.

Both the economies share a strong relation based on historical and cultural links. India helped to rebuild Afghanistan's infrastructure and institutions, education and technical assistance to re-build indigenous Afghan capacity in different areas after the Strategic partnership agreement was signed in October, 2011. India has also tried to provide the good market opportunities to Afghanistan for becoming the alternative for exportation and it is true that India has an important role in exports of the Afghanistan goods and services.

India has strong economic relations with all the trading blocs and geographical regions of the world which include BRICS, ASEAN, SAARC, BIMSTEC etc. Indian economy, open its door for bilateral relation during 1990s when economic reforms were announced. Ease in trade regulations in terms of reduced import restrictions led to the development of India's economic relations with other nations. Over the last one decade, India's trade has gained momentum by achieving impressive growth rate of 12 percent (World Bank, 2017).

1.2 Direction of Afghanistan Trade

In order to capture the picture of Afghanistan trading partners, the major export and import destinations are analyzed based on their percentage of share in exports and imports.

Based on the results and the presented figures in table 1 regarding export markets of Afghanis' products from years (2005 to 2017), the major export market for the Afghanistan goods and services with Pakistan and the presented figures are clarifying that volume of trade between the Afghanistan and Pakistan is very high, on the other hand, India has also tried to provide the good market opportunities to Afghanistan for becoming the alternative for exportation and it is a true that India has an important role in exports of the Afghanistan goods and services, even in case of exploration

of the markets for Afghanistan products. Also the resulted figures regarding the other countries of the world has highlighted that Turkey, Germany, Tajikistan, Iraq, UAE, Russia and little bit China, these countries are part of the major exportation markets for the Afghani's products as world and Afghanistan has newly started the exportation with the Tajikistan, Iraq, China and Turkey because before (2010) Afghanistan had limited export with the above countries.

Table 1: Major Export Partners for Afghanistan US \$ Million
(Percentage Share)

Country	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
Pakistan	77.6	63.7	66.2	48.4	47.3	38.9	48.1	37.8	38.4	32.9	39.7	47.4
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	0.2	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	95.1	96.4	95.4	90.1	89.6	98	97.4	96.7	98.5	94.6	95.3	97.4
Other Countries	4.9	3.6	4.6	9.9	10.4	2.0	2.6	3.3	1.5	5.4	4.7	2.6
Total Exports	100	100	100	100	100	100	100	100	100	100	100	100

Source: Central Statistical Organization, 2018

Table 2: Major Import partners for Afghanistan, US \$ Million
(Percentage Share)

Country	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
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	16.1	9.2	11.6	13.4	23.1	19.9	17.4	17.1	18.3
UAE	2.4	3.5	3.5	2.9	1.4	2.0	3.0	13.1	14.2	4.1	6.6	3.0

Turkmenistan	1.2	1.0	1.9	2.6	2.2	2.2	5.4	6.9	7.3	8.1	6.0	5.4
Malaysia	0	0	0	0	0	1.0	0.9	1.2	1.2	3.5	3.0	4.0
Uzbekistan	8.2	5.2	5.5	16.5	26.2	21.1	11.2	7.8	6.6	4.2	9.3	6.1
Kazakhstan	1.9	3.0	2.4	5.4	8.7	4.0	5.1	2.0	3.7	5.5	5.0	9.5
Japan	16.7	15.2	16.3	12.1	10.1	9.5	6.3	1.2	0.9	3.7	3.3	3.8
Russia	9.18	11.2	11.8	3.2	5.9	3.5	12.3	5.2	5.9	2.0	3.3	2.1
China	12.8	17.2	20.2	14.2	10.7	13.6	8.8	6.0	5.0	13.5	13.4	16.7
Sub Total	89.8	92.2	91.3	89	91	99.4	97	98.1	98	99	98.5	98.7
Other Countries	10.2	7.8	8.7	11.0	9.0	0.6	3.0	1.9	2.0	1.0	1.5	1.3
Total Imports	100	100	100	100	100	100	100	100	100	100	100	100

Source: Data Collected from CSO

During the years of (2005-2006) the major import market for the Afghanistan was the Japans' products and services and it was near to 17 percent in the market but in (2006-07) the import market to Afghanistan was changed from Japans' to the China's Products and the percentage increased to 18 percent of the market and since (2008) the China's import goods had the highest percentage of share in the market of Afghanistan, even it has increased to 20 percent.

In the year of (2008-09) the Uzbekistan had the highest percentage of the import products to the Afghanistan market with the percentage 17 percent in the market and since (2009 to 2010) the Uzbekistan products had the highest percentage of products availability in the market and it increased even to 26 percent of the market but according to the period of time in (2010-11) the volume of Pakistan imports to the Afghanistan got the highest market percentage among the other countries of the world and since (2013 to 2014) the level of importation from Pakistan to the Afghanistan has increased rapidly and up to 24 percent of the Afghanistan market was Pakistan's products and services. Currently in Afghanistan the highest percentage of the import market is with the Iran country and it is 3 years that Iran has the first percentage for sharing of the goods and services within the Afghanistan market and currently the available Iran's products in the import market is near to 23.5 percent of the Afghanistan market.

Table 3: Macroeconomic indicators of SAARC Economies, 2017

Items	Afghanistan	Bangladesh	India	Pakistan
Real GDP Growth, % percentage	3.4	6.0	6.7	2.0
GDP per capita (current price in \$ US)	419	522	1020	1022
GDP (PPP) of world total	0.03	0.3	4.7	0.6
CPI inflation, Average	26.7	7.7	8.4	12.6

Fiscal Balance, % Percentage of GDP, FY Basis	-4.1	-4.7	-6.0	-7.4
Merchandise export, % Percentage of Growth	18.9	17.4	13.7	18.2
Merchandise Import, % Percentage of Growth	12.1	25.6	19.4	31.2
Current Account Balance (US \$)	-0.2	1.9	-28.7	-13.9
Current Account Balance, % Percentage of GDP	-1.6	-2.2	-2.4	-8.4
Debt Service Ratio, % Percentage of Exports	1.2	3.2	4.4	12.2
Reserves (Excluding Gold), \$ US Billion, End period	3.5	6.1	2.42	8.6

Source: World Economic outlook report, 2017

Table 4: Afghanistan's Export Growth Rate

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016
Growth Percentage	0.0068	0.0065	0.0051	0.0042	0.0047	0.0055	0.0061	0.0073	0.0081

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

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 5: India's export Growth Rate

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016
Growth Percentage	1.16	1.44	1.47	1.69	1.62	1.82	1.72	1.70	1.91

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

From Table 4 and 5, there is a lot of divergence in the export growth of both the countries. Looking at the digits of growth of exports in Afghanistan perspective, the values are minuscule and thus present that Afghan economy is still lingering in its export sector, whereas in case of India a growth of 1.16 per cent in 2008 is quiet good sign of economic health. The process of growth continued and has grown in the next years.

1.3 Scope of the Study

This study focuses on trade linkage between Afghanistan and India and would benefit the economy due to some reasons. Firstly, the study would

identify the products available to international market. Secondly, it will provide trade opportunities for both countries.

1.4 Relevance of the Study

Trade linkage between Afghanistan and India is very important because of the following reasons. Firstly, it enables consumer of each country to access products from across the country. Secondly, it provides employment and finally, enhancing economic growth and relation between both countries.

1.5 Research Objectives

- To examine the trends and patterns of growth of India's trade with the Afghanistan economy;
- To estimate of the extent of intensity of trade relations between Afghanistan and India;
- To classify the commodities with trade potential, which could enhance the trade relations between the nations.

1.6 Data Sources and Methodology

The data and information regarding 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 viz World Bank, UN, UNCOMTRADE, IMF and WTOIFS. The methodology employed is Revealed Comparative Advantage (RCA), Trade Intensity Index (TII), Export Intensity Index (EII), Import Intensity Index (III) and Revealed Import dependence (RID).

2. 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.

Wani, (2018) examined 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. Tahiri, (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)

countries. 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 *et al.* (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 *et al.* (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 Dhama, (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 countries 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

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.

3. Findings and Data Analysis

3.1 Analysis of Revealed Comparative Advantage (RCA) between Afghanistan and India

The Revealed Comparative Advantage (RCA) of India and Afghanistan for the period 2016 according to SITC Rev III codes of products is presented in the following table 6.

Table 6: Commodities with RCA >1 for Afghanistan and India (2016)

For Afghanistan				For India			
S. No	SITC Code	Commodity	RCA Value	S. No	SITC Code	Commodity	RCA Value
1	0	Food and live animals	13.74	1	0	Food and live animals	5.95
2	04	Cereal, Cereal Preprints	25.69	2	01	Meat, preparations	3.105
3	05	Vegetable and fruit	12.93	3	03	Fish, crustaceans, mollusc	2.86
4	07	Coffee, tea, cocoa, spices	10.88	4	04	Cereal, Cereal Preprints	1.78
5	08	Animal feed stuff	4.26	5	05	Vegetable and fruit	5.24
6	22	Oil seed, oleaginous fruit	11.35	5	07	Coffee, tea, cocoa, spices	5.40
7	29	Crude animal Veg. Material	13.87	6	08	Animal feed stuff	4.21
8	9	Commodities and transactions, n.e.s.	2.28	7	09	Misc. Edible products etc	4.31
				8	11	Beverages	8.88
				9	22	Oil seed, oleaginous fruit	1.82
				10	23	Crude Rubber	1.83
				11	26	Textile Fibers	2.5
				12	27	Crude, Fertilizer, mineral	4.01
				13	28	Metalliferous ore, scrap	1.23
				14	29	Crude animal, Veg.material	3.75

15	33	Petroleum, petrol product	3.35
16	41	Animal oils and fats	9.55
17	42	Fixed Veg. Fats and oils	2.68
18	43	Animal, Veg.fats,oil,n.e.s	2.23
19	51	Organic chemicals	5.05
20	52	Inorganic chemicals	2.20
21	53	Dyes, coloring materials	1.88
22	57	Plastics in primary form	7.73
23	58	Plastic, nonprimary form	4.68
24	59	Chemical Materials n.e.s	1.32
25	61	Leather, leather goods	1.66
26	66	Nonmetallic mineral manufactures, n.e.s	1.78
27	67	Iron and steel	5.63
28	71	Power generating machinery and equipment	1.83
29	72	Specialized machinery	9.37
30	73	Metal working machinery	2.38
31	81	Prefabricated buildings, sanitary, heating and lighting fixtures, n.e.s.	2.34
32	82	Furniture and parts thereof	8.15
33	83	Travel goods, handbags, etc.	1.32
34	89	Miscellaneous manufactured articles, n.e.s.	2.37

Source: Calculations based on data from UNCTAD and UNCOMTRADE.

RCA index use the trade pattern to identify the sectors in which an economy has a comparative advantage, by comparing the country of interests' trade profile with the world average. A comparison of RCA index of the various commodities between Afghanistan and India would help in identifying the commodities, which are either competitive or complementary in nature. First, the items having RCA index greater than 1 for Afghanistan and India are presented in Table 6.

From Table 6, Afghanistan enjoys RCA in 8 commodities and for India RCA index is greater than 1 and for India the value of RCA is greather than 1 in 34 commodities. The commodities which are in India's favoring side include (Food and live animals (SITC 0), Meat, preparations (SITC 01), Fish, crustaceans, mollus (SITC 03) , Cereal, Cereal Preprints(SITC 04), Vegetable and fruit(SITC 05), Coffee, tea, cocoa, spices(SITC 07), Animal feed stuff(SITC 08), Misc. Edible products etc. (SITC 09), Beverages(SITC 11), Oil seed, oleaginous fruit(SITC 22), Crude Rubber(SITC 23), Textile Fibers(SITC 26), Crude, Fertilizer, mineral (SITC 27), Metalliferous ore, scrap (SITC 28), Crude animal, Veg. material(SITC 29), Petroleum, petrol .product(SITC 33), Animal oils and fats (SITC 41), Fixed Veg. Fats and oils (SITC 42), Animal, VEG. fats, oil, n.e.s (SITC 43), Organic chemicals (SITC 51), Inorganic chemicals (SITC 52), Dyes, coloring materials (SITC 53), Plastics in primary form (SITC 57), Plastic, non-primary form (SITC 58), Chemical Materials n.e.s (SITC 59), Leather, leather goods(SITC 61), Nonmetallic mineral manufactures n.e.s (SITC 66), Iron and steel (SITC 67), Power generating machinery and equipment (SITC 71), Specialized machinery(SITC 72), Metal working machinery (SITC 73), Prefabricated buildings, sanitary, heating and lighting fixtures, n.e.s. (SITC 81), Furniture and parts thereof (SITC 82), Travel goods, handbags, etc. (SITC 83), Miscellaneous manufactured articles, n.e.s (SITC 89) shows the noted values indicating the comparative advantage enjoyed by India while as in case of Afghanistan economy, the commodities having RCA greater than 1 prove as an important source of generating revenue. Out of the eight commodities, Food and live animals (SITC 0), cereals, cereals preparations (SITC 4), Vegetables and fruit (SITC 05), coffee, tea, cocoa, spices (SITC 07) oil, Animal feed Stuff (SITC 08), oil seed, oleaginous, fruit (SITC 22), crude, animal, Veg. Material (SITC 29) and commodities and transactions (SITC 9), exhibit the noted values, thus indicating the comparative advantage enjoyed by Afghanistan,

3.2 Revealed Import Dependence (RID)

Revealed Import dependence identifies the commodities which have import dependence on the partner countries. All product categories

according to SITC Rev III codes of products is presented in the following table 7.

Table 7: Commodities with RID >1 for Afghanistan and India (2015-2017)

For Afghanistan				For India			
S. No	SITC Code	Commodity	RID Value	S. No	SITC Code	Commodity	RID Value
1	0	Food and live animals	35.81	1	05	Vegetable and fruit	1.17
2	02	Dairy products, bird eggs	71.33	2	07	Coffee, tea, cocoa, spices	1.16
3	05	Vegetable and fruit	9.67	3	29	Crude animal, Veg. Material	7.15
4	06	Sugar, sugar. Preptns, honey	295.28	4	59	Chemical Materials n.e.s	2.49
5	07	Coffee, tea, cocoa, spices	64.72	5	66	Nonmetallic mineral manufactures, n.e.s.	9.78
6	11	Beverages	6.48	6	71	Power generating machinery and equipment	9.49
7	12	Tobacco, tobacco, manufacture	214.8	7	72	Specialized machinery	4.28
8	28	Metalliferous ore, scrap	3.63	8	87	Professional and scientific instruments, n.e.s.	2.36
9	53	Dyes, coloring materials	5.48	9	89	Miscellaneous manufactured articles, n.e.s.	8.41
10	55	Essential. oil, perfume, etc.	16.89	10	9	Commodities and transactions, n.e.s.	1.71
11	59	Chemical materials n.e.s	403.96				
12	62	Rubber manufactures n.e.s	89.16				
13	65	Textile yarn and related products	228.666				
14	69	Manufactures of metal, n.e.s.	14.50				
15	83	Travel goods, handbags, etc.	5.29				
16	84	Articles of apparel & clothing accessories	606.409				
17	85	Footwear	61.38				
18	87	Professional and scientific instruments, n.e.s.	18.80				

19	89	Miscellaneous manufactured articles, n.e.s.	120.73
20	9	Commodities and transactions, n.e.s.	78.41

Source: Calculations based on data from UNCTAD and UNCOMTRADE

Table 7 presents the RID of Afghanistan and India. Out of 17 commodities imported 10 commodities were having RID value greater than 1. For instance, vegetables and fruit, coffee, tea, cocoa, spices, crude animal, Veg. Material, crude animal, Veg. Material, chemical materials NES, Nonmetallic mineral manufactures, n.e.s, power generating machinery and equipment, specialized machinery, professional and scientific instruments, n.e.s, miscellaneous manufactured articles, n.e.s, commodities and transactions, n.e.s.

For Afghanistan, out of 25 total of 20 commodities were imported namely Food and live animals, Dairy products, Birds eggs, Vegetables and fruit, sugar, sugar preptns, Coffee, Tea, Cocoa, Spices, Beverages, Tobacco, Tobacco manufactures, Metalliferous Ore, Scrap, Dyes, Coloring Materials, Essential. Oil, Perfume etc, Chemical Materials n.e.s, Rubber Manufactures of metal, n.e.s, Textile yarn and related products, manufactures of metal, n.e.s, Travel goods, Handbags, etc., Articles of apparel & clothing accessories, Footwear, Professional and scientific instruments, n.e.s, Miscellaneous manufactured articles, n.e.s., Commodities and transactions, n.e.s. With respect to Afghanistan, the highest RID value is described by articles of apparel and clothing accessories (SITC 84), chemical materials n.e.s (SITC 59), sugar, sugar, perptns (SITC 06) and Textile yarn and related product (SITC 59) are Afghanistan major imports from India.

3.3 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 8.

Table 8: Trade Intensity Index between Afghanistan and India and Vice-Versa

Year	Afghanistan with India	India with Afghanistan
2008	5.57	8.37
2009	4.34	5.65
2010	2.34	4.54
2011	2.14	4.97
2012	2.67	4.11

2013	2.79	5.62
2014	3.02	7.79
2015	6.74	9.56
2016	8.35	10.67
2017	9.86	11.87

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 (2008 till 2017). The economies are having intense trade flow with each other, for example in 2008 Afghanistan had good amount of export to India while from 2009 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.

3.3.1: Export Intensity Index (EII)

The Export Intensity Index (TII) of India and Afghanistan for the period 2008 to 2016 is presented in the following table 9.

Table 9: Export Intensity Index between Afghanistan and India and Vice-Versa

Year	Afghanistan with India	India with Afghanistan
2008	9.71	6.54
2009	9.83	6.89
2010	9.14	8.87
2011	10.05	9.12
2012	10.28	10.08
2013	12.07	10.95
2014	13.05	11.07
2015	13.93	11.93
2016	14.05	11.21

Source: Calculations based on data from UNCTAD and UNCOMTRADE

The export intensity of Afghanistan with India and Vice-Versa India with Afghanistan is presented in Table 9. Afghanistan's EII is above one with India and has risen for during the study period (2008 to 2016). Because the focus of the international donor organization active in Afghanistan has been to address the necessity for closer trade ties between Afghanistan and Asian countries and also the reason for the increase of trade between Afghanistan with India is their good relation. The volume of trade between Afghanistan

and India has increased up to \$1 million (US) in the past few years, but both countries feel that it can achieve greater trade benefits by increased trade across the borders, as the productivity of Afghanistan's goods has significantly increased (Improved Indo-Afghan Trade Relations,2017).

3.3.2 Import Intensity Index (III)

Trade relation between Afghanistan and India is in increasing trend. During the 2008-2016, Afghanistan's III is above one with India and has risen for during the study period (2008 to 2016) and Vice-Versa. In July, 2018, both India and Afghanistan have decided to improve their trade relations 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 2020.

Table 10: Import Intensity Index between Afghanistan and India and Vice-Versa

Year	Afghanistan with India	India with Afghanistan
2008	6.45	9.17
2009	6.98	9.38
2010	8.78	9.41
2011	9.21	10.50
2012	10.80	10.82
2013	10.59	12.70
2014	11.70	13.50
2015	11.39	13.39
2016	11.12	14.50

Source: calculations based on data from UNCTAD and UNCOMTRADE

4. Conclusion

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 202.

Afghanistan exports 8 Commodities to India, in which Afghanistan has comparative advantage namely Food and live animals (SITC 0), cereals, cereals preparations (SITC 4), Vegetables and fruit (SITC 05), coffee, tea, cocoa, spices (SITC 07) oil, Animal feed Stuff (SITC 08), oil seed, oleaginous, fruit (SITC 22), crude, animal, VEG.MATERL, (SITC 29) and commodities and transactions (SITC 9) and while as moreover, India exports 49 commodities to Afghanistan out of which India has competitive advantage in 34 product

categories. It is quite clear that India gain more advantage in exporting these 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 exports only 11 products to India. It gives a policy implication that Afghanistan needs to take the advantage of the geographical location to expand and diversify its export base and India should effort to capture Afghan market and replace the countries with whom Afghanistan import from like Pakistan, China, Iran etc.

With respect to Afghanistan, the highest RID value is described by articles of apparel and clothing accessories (SITC 84), chemical materials n.e.s (SITC 59), sugar, sugar, preparations (SITC 06) and Textile yarn and related product (SITC 59) are Afghanistan major imports from India. in case of India imports 17 commodities and out it 10 commodities RID is greater than one namely vegetables and fruit, coffee, tea, cocoa, spices, crude animal, Veg. Material, crude animal, Veg. Material, chemical materials NES, Nonmetallic mineral manufactures, n.e.s, power generating machinery and equipment, specialized machinery, professional and scientific instruments, n.e.s, miscellaneous manufactured articles, n.e.s, commodities and transactions, n.e.s.

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