

COVID-19 and its Impact on International Trade in SAARC Economies: A Case Study of Afghanistan

Kardan Journal of Economics and
Management Sciences

3 (3) 18–26

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Kardan Publications

Kabul, Afghanistan

DOI: [10.31841/KJEMS.2021.21](https://doi.org/10.31841/KJEMS.2021.21)

<https://kardan.edu.af/Research/CurrentIssue.aspx?i=KJEMS>

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Abstract

The coronavirus epidemic, which was first perceived in China, has infected people in 185 countries across the world. Outbreak of corona virus caused various restrictions on exports which were imposed by 95 countries. The main aim of this study is to find out the effect of COVID-19 on international trade in SAARC economies with prime focus on Afghanistan. As the world merchandise trade volume decreased by 1.2% in the fourth quarter of 2020. The export growth was -1.0% in case of North America and for Asia was -2.2%. The forecasted GDP growth rate for 2020 is -4.5% and 3.0% for 2021. The World Bank recently warned that South Asia faces its worst economic performance in 40 years due to the coronavirus pandemic. Afghanistan's economy has been badly affected by the outbreak of the COVID-19 virus, owing to negative impacts on consumption, exports, and remittances. The economy is expected to contract by up to four percent in 2020. The products with greatest export potential from Afghanistan to World are Lac; natural gums (excl. gum arabic), resins, balsams, etc., Figs, fresh or dried, and Grapes, dried. Figs, fresh or dried shows the largest absolute difference between potential and actual exports in value terms, leaving room to realize additional exports worth \$123.6 mn.

Keywords: COVID-19, Coronavirus, International Trade, SAARC

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Introduction

The coronavirus epidemic, which was first perceived in China, has infected people in 195 countries across the world. Its spread has adversely affected the societies and economies on various fronts, which creates uncertainty and due to uncertainty companies forced to shift from permanent employees towards contractual workforce. The coronavirus outbreak is also responsible for the generation of gig economy. This also encouraged the concept of work from home and created a new normal and may also lead to change the entire working environment. The enforcement of physical distancing, lockdowns and other measures in response to the COVID-19 pandemic has led consumers to incline towards online shopping, use of social media, video conferencing and streaming of films.

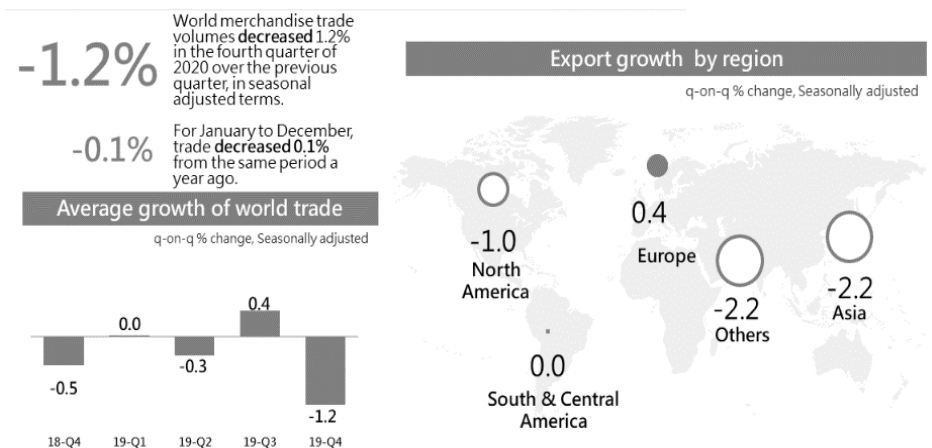
Figure 1: Temporary Export Measures



Source: Trademap.org

Outbreak of corona virus caused various restrictions on exports which were imposed by 95 countries.

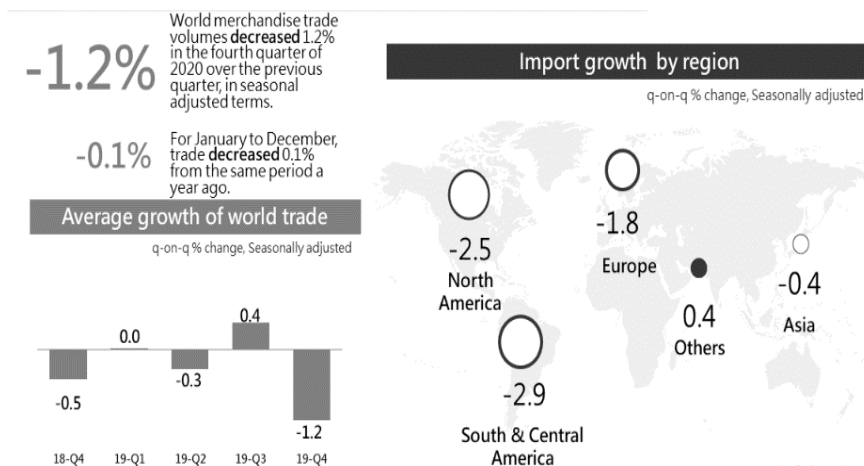
Figure 2: Merchandise Trade Volume (Export growth by region)



Source: WTO.org

Figure 2 describes that world merchandise trade volumes decreased by 1.2% in the fourth quarter of 2020. The export growth was -1.0% in case of North America and for Asia it was -2.2%.

Figure 3: Merchandise Trade Volume (Import growth by region)



Source: WTO.org

Figure 3 depicts that import growth was -2.5% for North America and for Asia this -0.4 per cent

SAARC: The World Bank recently warned that South Asia faces its worst economic performance in 40 years due to the coronavirus pandemic. The difficulties implicated in preventive domestic transmission of COVID-19 in South Asia are massive. South Asia has some of the highest population densities in the world, particularly in urban areas. This makes infectivity easier, particularly among the most susceptible people: slum residents and domestic migrant workers. These people also have less access to basic necessities required for livelihood and to health services. The basic facility of sanitization and water is also lacking in these areas. This time the economic crisis is different in various forms. In case of normal recessions, the main cause is lack of effective demand, but this economic crisis is originated by restrictions on supply side. The demand was high but due to outbreak of the pandemic restricted all activities in the world; this resulted in fall in consumption. Moreover, due to fear of shortage of food and other essential items caused the panic buying. The sudden desertion of jobs in service sector and informal sector created economic hardship.

Afghanistan: Afghanistan is a landlocked country. Agriculture is the main occupation, although less than 10% of the land is cultivated; a large percentage of land was damaged by warfare during the 1980s and 90s. Largely subsistence crops include wheat and other grains, fruits, and nuts. Afghanistan usually trades with its neighbors, especially with Pakistan

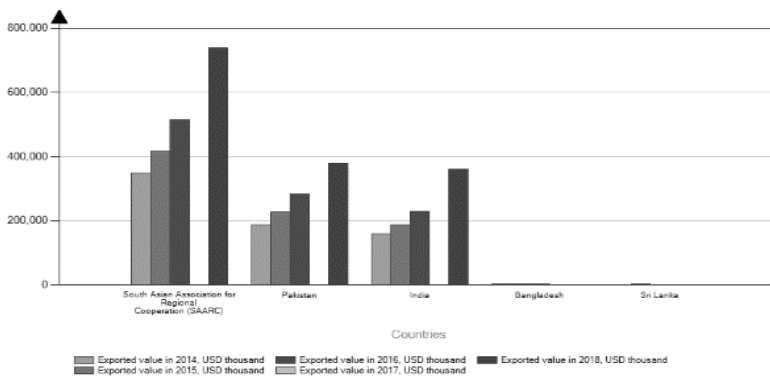
being its major trading partner. The latter receives nearly more than 40% Afghan exports, followed by India, China and Turkey. Iran is the main supplier of goods in Afghanistan, followed by China, Pakistan and Kazakhstan. Main goods exported from Afghanistan are fruits, nuts, Afghan rugs, wool, cotton, hides, gemstone, and medical herbs. The Gross Domestic Product (GDP) in Afghanistan was worth 19.10 billion US dollars in 2019, according to official data from the World Bank and projections from Trading Economics. The GDP value of Afghanistan represents 0.02 percent of the world economy. The total value of exports and imports of goods and services is 51.2% of GDP. Afghanistan’s economy has been also badly affected by the outbreak of the COVID-19 virus, owing to negative impacts on consumption, exports, and remittances. The economy is expected to contract by up to four percent in 2020. The Afghan government has allocated about \$25 million to deal with the crisis. The World Bank has approved a \$100.4 million grant to support the country’s weak economy. The forecasted growth rate for the year 2020 of GDP is -4.5% and 3.0% for the year 2021. The predicted rate of inflation is 5.0% for the year 2020 and 4.5% is for 2021.

Table: 1 Afghanistan's exports to world

Value in 2019, USD thousand	Annual growth in value between 2015-2019, %, p.a.	Share in world exports, %
1266174	13	0

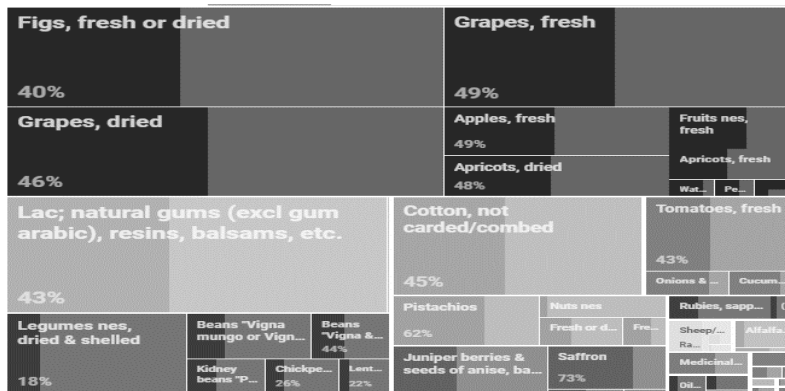
In Afghanistan, exports account for around 20 percent of GDP. Afghanistan main exports are: carpets and rugs (45 percent of total exports); dried fruits (31 percent) and medicinal plants (12 percent). Main export partners are: Pakistan (48 percent of total exports), India (19 percent) and Russia (9 percent). Others include: Iran, Iraq and Turkey.

Figure 4: List of Importing markets from SAARC for a product exported by Afghanistan



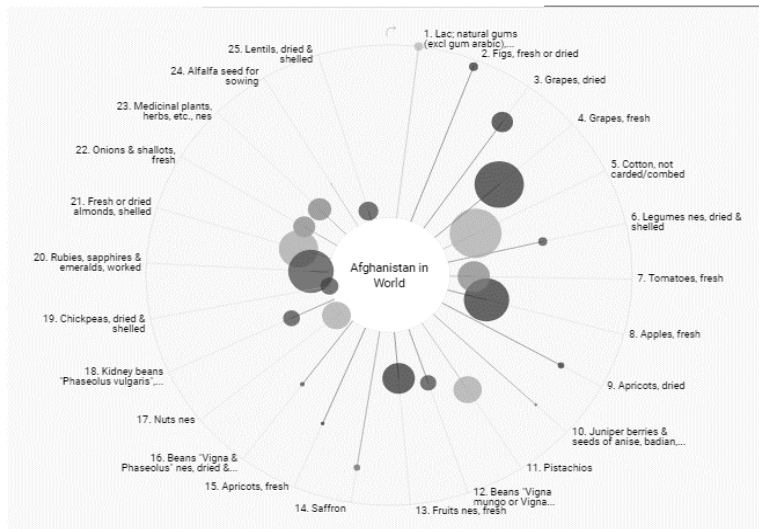
Source: Trademap.org

Figure 5: Export potential from Afghanistan to World



The products with greatest export potential from Afghanistan to World are Lac; natural gums (excl gum arabic), resins, balsams, etc., Figs, fresh or dried, and Grapes, dried. Figs, fresh or dried shows the largest absolute difference between potential and actual exports in value terms, leaving room to realize additional exports worth \$123.6 mn.

Figure 6: Potential commodities of Afghanistan for exports

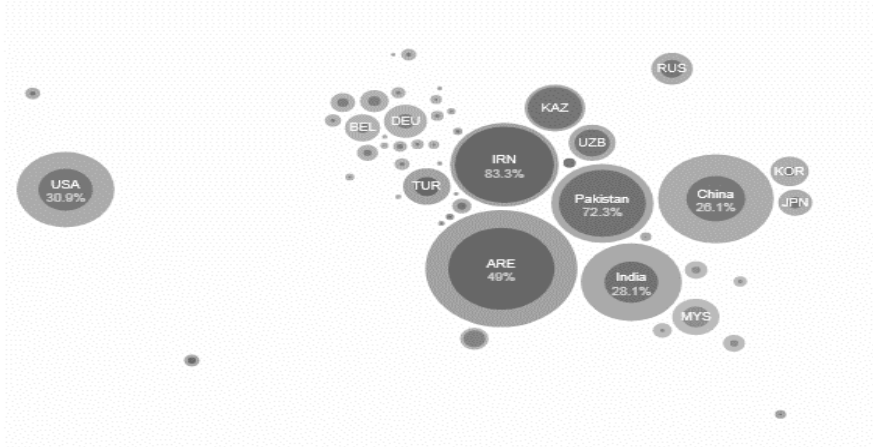


Source: Trademap.org

The markets with greatest potential for Afghanistan’s exports of All products are India, Pakistan and United States of America. India shows the largest absolute difference between potential and actual exports in value terms, leaving room to realize additional exports worth \$431.8 mn. In case of India Export potential is \$765.4 mn, actual exports are \$365.8 mn and Untapped potential remaining in individual products is \$431.8 mn. In case of Canada the export potential is \$5.8 mn, actual exports are \$2.2 mn and nntapped potential remaining in individual products is \$4.4 mn. In case of

Pakistan the export potential is \$473.0 mn and actual exports are \$273.6 mn and untapped potential remaining in individual products is \$214.0 mn. In case of China the export potential is \$19.5 mn, actual exports are \$8.0 mn and untapped potential remaining in individual products is \$16.8 mn.

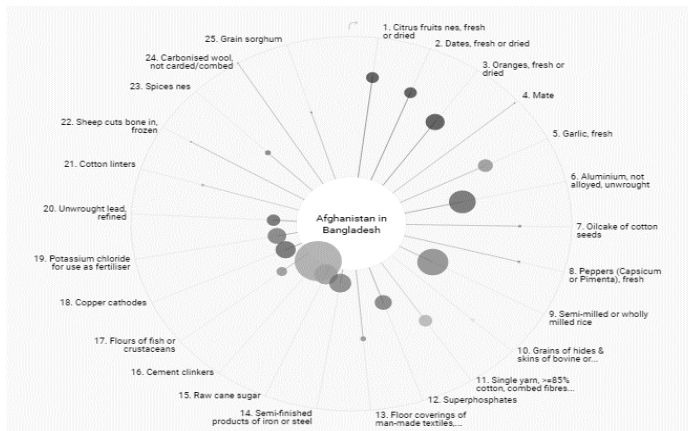
Figure 8: Suppliers with greatest potential to export to Afghanistan



Source: Trademap.org

The suppliers with greatest potential to export all products to Afghanistan are United Arab Emirates, China and Iran, Islamic Republic of. United Arab Emirates shows the largest absolute difference between potential and actual exports in value terms, leaving room to realize additional exports worth \$1.5 bn.

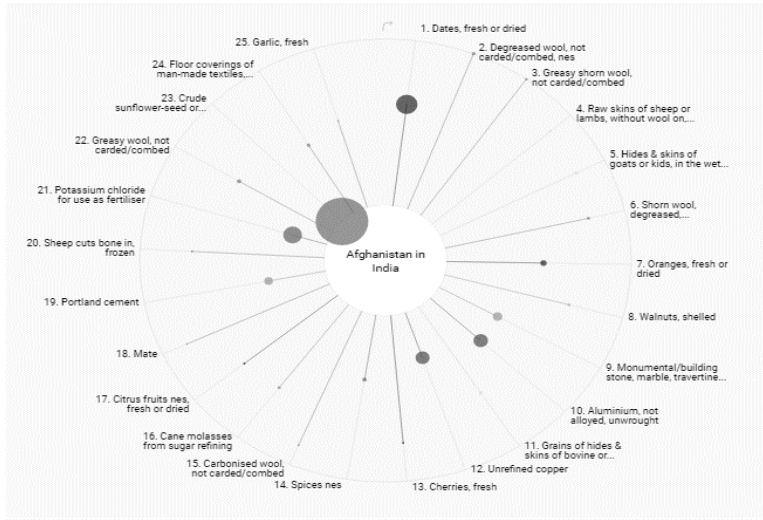
Figure 9: Product diversification for Afghanistan in Bangladesh



Source: Trademap.org

Afghanistan’s best options for export diversification in Bangladesh are Citrus fruits, fresh or dried, Dates, fresh or dried and Oranges, fresh or dried. Afghanistan finds Carbonized wool, not carded/combed easiest to reach. Cement clinkers is the product that faces the strongest demand potential in Bangladesh.

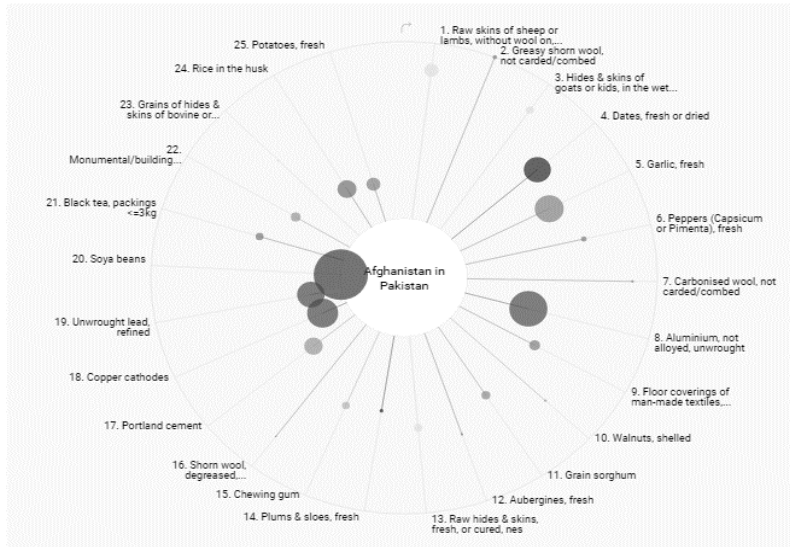
Figure 10: Product diversification for Afghanistan in India



Source: Trademap.org

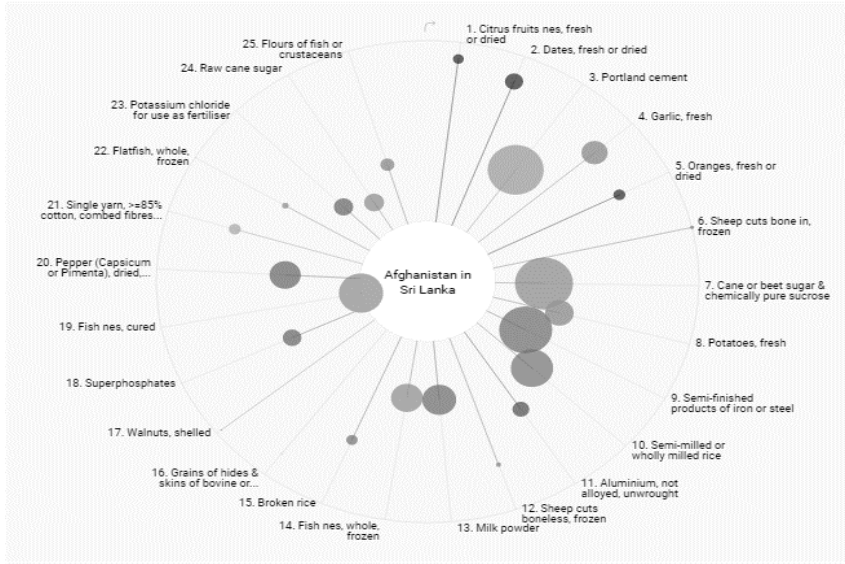
Afghanistan’s best options for export diversification in India are Dates, fresh or dried, Degreased wool, not carded/combed and Greasy shorn wool. Crude sunflower-seed or safflower oil is the product that faces the strongest demand potential in India.

Figure 11: Product diversification for Afghanistan in Pakistan



Source: Trademap.org

Afghanistan’s best options for export diversification in Pakistan are Raw skins of sheep or lambs, without wool on, pickled, Greasy shorn wool, not carded/combed and Hides & skins of goats or kids, in the wet state. Soya beans is the product that faces the strongest demand potential in Pakistan.

Figure 12: Product diversification for Afghanistan in Sri Lanka

Source: Trademap.org

Afghanistan's best options for export diversification in Sri Lanka are Citrus fruits, fresh or dried, Dates, fresh or dried and Portland cement. Cane or beet sugar & chemically pure sucrose is the product that faces the strongest demand potential in Sri Lanka.

2. Conclusion

In Afghanistan, exports account for around 20 percent of GDP. Afghanistan main exports are: carpets and rugs (45 percent of total exports); dried fruits (31 percent) and medicinal plants (12 percent). Main export partners are: Pakistan (48 percent of total exports), India (19 percent) and Russia (9 percent). Others include: Iran, Iraq and Turkey. The products with greatest export potential from Afghanistan to World are Lac; natural gums (excl gum arabic), resins, balsams, etc., Figs, fresh or dried, and Grapes, dried. Figs, fresh or dried shows the largest absolute difference between potential and actual exports in value terms, leaving room to realize additional exports worth \$123.6 mn. Afghanistan's best options for export diversification in Bangladesh are Citrus fruits, fresh or dried, Dates, fresh or dried and Oranges, fresh or dried. Afghanistan's best options for export diversification in India are Dates, fresh or dried, Degreased wool, not carded/combed and Greasy shorn wool.

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