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Pak-Afghan Bilateral Trade: Impact on the Economy of Afghanistan

Dr. Muhammad Tariq[1], Altaf Hussain[2] & Asif Ali Shah[3]

[1]*Lecturer Department of Political Science, Hazara University Mansehra, Email: muhammadtariq@hu.edu.pk*
[2]*Lecturer Department of Political Science, University of Buner & Ph. D Scholar, Email: altafhussain3631@gmail.com*
[3]*Lecturer Department of Political Science, University of Buner & Ph. D Scholar, Email: asifkhan25927@gmail.com*

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Corresponding Author:
Dr. Muhammad Tariq
Email:
muhammadtariq@hu.edu.pk

ABSTRACT

Pak-Afghan relations entered a new phase of dilemma during the last few years particularly in the post-US withdrawal scenario. The return of Afghan Taliban to power in August 2021 was considered to be a sign of good omen for Pakistan but the guesses and predictions of the people showed the element of sensationalism and worsening of relations between the states. Security situation got worsened between the two countries to such an extent that the Pak-Afghan border had to be closed by the Pakistani Authorities and consequently trade and business between the two countries suffered a great set back. Trade is of utmost importance for both Afghanistan and Pakistan where the former can utilize the shortest routes to Pakistani market with great accessibility while the latter besides, having trade with Afghanistan, has also the opportunity to have direct access to the markets of the Central Asian Republics. As a result of suspension of trade with Pakistan, Afghanistan has also to make substitute arrangements of trade with the regional dynamics in an effort to achieve self-reliance and survival in the global politics. This article aims at exploring Pak-Afghan Bilateral Trade and its impact on the economy of Afghanistan.

Introduction

Both Pakistan and Afghanistan have long history of common culture, tradition, religion, common *Pashtu* language besides having been tied by relations of blood and common business enterprises. Though the Pak-Afghan border raises controversy between the two states so far its validity as international border is concerned, yet despite this, it has been serving as an economic hub for the two neighboring countries. The 9/11 episode complicated relations between the two states when the border area was declared as a source of safe havens for the terrorists and insurgents. Most of the people use this route as the easiest source of transportation for the supply of goods and services between the two states. It is also important to mention that the Pak-Afghan border provides the

shortest and the easiest routes for trade and business as compared to other routes, particularly for Afghanistan. However, trade between Pakistan and Afghanistan has suffered a lot due to the direct confrontation of the security forces of the two states, resulting in the stuck of the trucks and other vehicles carrying goods to Afghanistan. For more than three months, an Afghan truck full of cement has to be parked in Pakistan that was supposed to transport cement from Nowhshera to Kabul (Joles, 2026).

Trade and business activities suffered a setback between the two states when the Pak-Afghan border was closed during mid-October 2025 as a result of the ongoing fighting between the forces of the two states. The stuck of vehicles has also led to the damaging of goods and materials kept in the vehicles and the containers. Both Pakistan and Afghanistan have maintained a significant trade relationship over the past years (Shakoor, 2025). The former exports food products, cement, pharmaceuticals, textiles, and manufactured goods to Afghanistan while the latter exports fresh and dried fruits, vegetables, and minerals to Pakistan (Shakoor, 2025). Thus, the import-export and business between the two states has faced stagnation from the hands of the business community and the business enterprises that remain dependent on trade and business through the border routes (Tariq, Hameedullah, & Hussain, 2026). The trade and business between the two states has been adopted by the people as a source of income and earning a fair bread while any ban in the form of border-closure or restrictions by the concerned authorities or temporary suspension of trade cause huge loss to the people dependent on it.

Improvement in trade was seen between the two countries during July 2020 to June 2024 when Pakistan's imports to Afghanistan witnessed a strong upward trend over the five-year period from 2020 to 2024 with a Compound Annual Growth Rate (CAGR) of 7.55% (Shakoor, 2025). In 2020, Pakistan exported goods worth $852.31 million, which steadily increased to $1,140.17 million in 2024. The highest export value was recorded in 2024, while the lowest was in 2022, when exports fell to $805.14 million (Shakoor, 2025). After this decline in 2022, exports have recovered and have been and have been showing a growth. Pakistan's imports from Afghanistan, on the other hand, have seen more fluctuations during the stated period. Both imports and exports have faced fluctuations during the period from July 2020 to June 2024. Imports rose from $468.34 million in 2020 to a peak of $880.07 million in 2023 (Shakoor, 2025). However, in 2024, imports decreased sharply to $566.44 million. Despite this volatility, the overall import trend showed moderate growth, with a Compound Annual Growth Rae (CAGR) of 4.87% over the 5-year period (Shakoor, 2025). There have been ups and downs in the trade between Pakistan and Afghanistan during the stated period (Tariq, Hameedullah, & Hussain, 2026).

Major Trade Routes between Pakistan and Afghanistan

The main trade routes between Pakistan and Afghanistan include the border crossings at Torkham (Khyber Pass), Chaman (Spin Boldak), and Ghulam Khan that facilitate the bulk of trade between the two countries. These routes link Afghanistan to Pakistani ports in Karachi, Port Qasim, and Gawadar, by serving as crucial transit pathways for Afghanistan's access to international markets. Of these routes, the Torkham (Khyber Pass) is considered as the busiest route connecting Peshawar to Kabul. This is also one of the easiest and most accessible trade route that can be used by the people of both the countries. Most of the trade and business activities between the two countries is carried out through this route. The Chaman (Spin Boldak), is a crucial southwestern route connecting Quetta of Pakistan to Kandahar (Afghanistan). The Ghulam Khan trade route located in North Waziristan provides a link between Afghanistan and Pakistan for the purpose of supply of goods and services meant for trade and business. The Sust (Gilgit-Baltistan) is another trade route and is used for trading purposes with China while being utilized in transit contexts. Besides, these are the two major ports of Pakistan, Karachi Port and Port Qasim and the Gawadar Port.

With the closure of these trade routes between Pakistan and Afghanistan as a result of the dispute between the two neighboring countries, the Pak-Afghan border flared up due to many factors encompassing; surge in militancy, cross border infiltration, blame game and counter blame game between the two countries, suicide attacks along the border belt and the evacuation of the Afghan Refugees to Afghanistan. The 9/11 episode was a trigging point in the history of the two countries since the border served as a sanctuary for the insurgent and the terrorist groups. During the period from 2001 to 2021 when the US installed democratic set ups in Afghanistan, efforts were made for the restoration of peace and security where the US and the allied partners had to carry out military operations in the Pak-Afghan border area for clearing up the area of terrorism and insurgency. Pakistan has been accusing Afghanistan of harboring militant groups for destabilizing the government of Pakistan and carrying out attacks which the Afghan Taliban government denies. On the other hand, the Tehreek-i-Taliban Pakistan (TTP) which aims at bringing down Pakistan's government by becoming more active in Pakistan since the Taliban retook power in Afghanistan in August 2021.

October 2025 proved to be a tripping point in the relations of the two countries when their law enforcement agencies came in direct confrontation by opening fire at each other (Joles, 2026). Soon after the incident, the global powers initiated efforts for the normalization of relations and consequently both the countries agreed to a ceasefire by taking part in multiple rounds of talks in Istanbul, Doha, and Riyadh (Joles, 2026). All these efforts failed to bring about any viable solution to the Afghan Stalemate (Tariq, 2025). However, after the ceasefire the Taliban started to accuse Pakistan of carrying out airstrikes in Afghanistan, which has been denied by Pakistan. The blame game is one of the main causes for the deterioration of Pak-Afghan relations and has always led to the worsening of security situation between the two countries and which also compelled Pakistani Prime Minister, Mr. Shahbaz Sharif to say that Pakistan had no choice but to close its border with the Afghan government (Joles, 2026). Besides, closing the border, developing confidence building measures and creating an atmosphere of trust between the two countries can lead to long-lasting peace and security.

The regional and global dynamics have always shown their concern on account of the geostrategic location of Afghanistan. Pakistan, for sharing a very long, porous and treacherous border with Afghanistan, has always been affected by any new development and political instability. With this end in mind, Pakistan has been urging both the regional and the international community for taking stringent measures for the resolution of the Afghan stalemate.

The United Nations has been urged by Pakistan to prevent the use of Afghan soil by militant groups to threaten neighboring countries stating that efforts must be made to prevent external spoilers from exploiting the situation (News, 2026). In the history of both Pakistan and Afghanistan, the former has been witnessing a renewed surge in militant violence despite the fact that the Afghan Taliban are in control of the country. This surge triggered the skirmishes between Pakistan and Afghanistan in October 2025 resulting in the suspension of trade and the closure of border between the two counterparts (News, 2026). The United Nations remains more concerned about the restoration of peace and stability in Afghanistan and has adopted Resolution No. 2816, unanimously agreed upon by the 15-member United Nations Security Council urging that all states would continue to implement the sanctions measures imposed on the Taliban and the related individuals, groups, undertakings, and the entities that threaten the peace, stability and security of Afghanistan (News, 2026).

Pak-Afghan Trade Suspension

The direct confrontation between the forces of the two countries led to suspension of Afghan Transit Trade operations leaving thousands of containers stuck (News, 2026). This caused heavy

financial loss to the Afghan traders and disrupting regional commerce. In some cases the loaded containers had to be stayed in some safer places but where the containers carrying fruits and vegetables and disposable items also got rotten in the containers causing huge loss to the investors and business community (News, 2026). After normalization of relations, Pakistan Federal Board of Revenue (FBR) has allowed the re-export of Afghan Transit Trade consignments that has been stranded for months at Chaman, and Quetta, enabling their movement to Karachi Port Qasim (News, 2026)**.** These shipments were halted in consequence of Pak-Afghan crossings in October 2025 amid escalating security tensions. For the transportation of the shipments, new policy was devised enshrining upon the transportation of stranded goods to be carried out under Customs Supervision to Karachi for re-export (News, 2026)**.** Pakistan has made it very clear that the process will follow strict monitoring and inspection procedures to ensure compliance with transit regulations.

The re-export of goods under the supervision of Customs would help in the restoration of trade and business and would also cater for a more regularized and monitored one. The monitoring system would restore the trust and confidence of the trading and business community and would further help in strengthening the Pak-Afghan relations. The decision of monitoring the trade by the Pakistani Custom Authorities offers relief to the Afghan business community that has been affected by four to five months prolonged disruption while regular trade between the countries has yet to be resumed (News, 2026)**.** The closure of Pak-Afghan border and resultant trade in the wake of escalation of tension followed by the re-export of trade under strict monitoring system has lessons for the business and trading community that security parameters and national interest of a state is of utmost importance and that only regularization of trade and business can make things easy and help in the creation of trust and confidence for lasting peace and security.

Alternative Arrangement by Afghan Government

In the wake of suspension of trade and stuck of goods in the containers besides causing heavy loss to the Afghan people, also taught them the lesson of self-reliance and survival in the world comity (News, Afghanistan's 2026 Development Framework meeting highlights self-reliance and economic stability, 2026). The Ministry of Economy of Afghanistan has shown its serious concern regarding advancing national development priorities and long-term economic stability (News, 2026). A Coordination Meeting on the United Nations 2026 Development Framework for Afghanistan held under the chairmanship of Qari Din Muhammad Hanif, Minister of Finance focused in advancement in national priorities and strategies for long term economic stability that can help the country in self-reliance and survival in the world. The meeting was attended by the representatives from the Ministry of Foreign Affairs, the United Nations Assistance Mission in Afghanistan (UNAMA), heads of UN agencies operating in the country, delegates from the European Union and a range of international organizations (News, 2026).

The session outlined the current economic situation in Afghanistan, recent achievements, and key economic priorities and also appreciated the continued support of international partners during the challenging years. The Ministry stressed that the period of 2025 made Afghanistan face severe economic, social, and climate-related pressures (News, 2026). These included the impacts of climate change and natural disasters, the forced return of more than two million Afghan migrants from neighboring countries, ongoing sanctions, frozen foreign reserves, and a sharp decline in development and humanitarian assistance. Together, these factors have significantly affected the livelihoods of vulnerable communities. Though the country is faced with multi-faceted challenges yet the Islamic Emirate has implemented a series of economic and development programs based on prudent policy making and national priorities (News, 2026). The Ministry showed its satisfaction over the relative economic stability and deliverance of stronger economic growth as compared to

the previous year. Key contributors of the session include improved economic governance, support for domestic production and the private sector, exchange growth, national infrastructure projects, inflation control, and increased domestic revenues.

The session highlighted the role of the United Nations in addressing urgent humanitarian needs to Afghanistan in response to climate impacts, support for migrants and refugees repatriation, strengthening of food security and livelihood, delivering basic health services and mitigating the overall human sufferings (News, 2026). The ministry testified $1.009 billion international assistance being allocated to Afghanistan during 2025 across various sectors, with approximately $590 million earmarked for expenditures. The Ministry of Finance urged that sustainable economic stability can better be achieved through self-reliance, growth-driven economic policies, and constructive engagement with the international community. The economic strategy of Afghanistan focuses on aiming at promoting balanced development, creation of job opportunities, reduction of poverty, expansion of infrastructure, private sector support and environmental protection (News, 2026).

Afghanistan and Uzbekistan Bilateral Trade Agreement

Supporting self-reliance and boosting Afghan economy, Afghanistan and Uzbekistan signed 25 commercial memorandums of understandings worth more than $300 million, signifying a bilateral economic cooperation (News, 2026). The agreements were concluded at a trade connectivity conference attended by Afghanistan's Minister of Industry and Commerce, Nooruddin Azizi, and the Governor of Uzbekistan's Syrdarya region, Erkinjon Turdimov, along with senior officials and business leaders from both countries (News, 2026)**.** The agreements focused on creating a strong political and economic momentum behind expanding bilateral ties between Afghanistan and Uzbekistan. The two counterparts urged that trade has been increased between the two states at an unprecedented pace in the recent years and that they aim to increase trade volumes in the upcoming years. The trade arrangements highlight preferential trade arrangements covering eight Afghan export items and six Uzbek products (News, 2026). The newly signed agreements cover key areas such as construction, foods products, agriculture, furniture, textiles, and pharmaceuticals, reflecting growing privates-sector confidence and signing a new phase in Afghanistan-Uzbekistan economic partnership (News, 2026).

Afghan-Belarus Trade Agreement

In order to strengthen trade and economic uplift of the country, Afghanistan signed trade agreement with Belarus. The agreement was signed as a result of the high level delegate from the Afghan government, led by the head of the Emirati Companies, Ahmad Jan Bilal and CEO of the National Development Company, Mr. Abdul Rahman, accompanied by representatives from the Ministry of Foreign Affairs and technical team visited Belarus for the advancement of bilateral cooperation (News, 2026). The Afghan authorities confirm that they held meetings with the officials from the Belarus' Ministries of Foreign Affairs, Agriculture, and Industry to consider political, economic and trade-related issues for the economic boost and uplift. The delegate also visited major state and industrial enterprises, including the state and chemical services, and the agricultural farms under the Ministry of Agriculture (News, 2026). Both the states have shown agreement on strengthening and expanding technical collaboration in the fields of industry, agricultural machinery, and construction of materials, food security, public health and education with the aim of enhancing long-term economic and industrial partnerships between the two nations (News, 2026).

Pakistan-Afghanistan Bilateral Trade and Afghanistan's Trade with Regional Dynamics is of utmost importance for both Afghanistan as well as Pakistan (Council, 2025). Afghanistan

highlights the vital role not only as a direct trading partner for Pakistan but also as a transit route for Pakistan's trade with the Central Asian States (Council, 2025). Pakistan's trade exports to Afghanistan increased during 2020 and 2024 growing from $852.31 million in 2020 to $1,140.17 million in 2024. Major exports during the period included cereals, cement, pharmaceuticals, edible vegetables, and textiles (Council, 2025). On the imports side, Pakistan observed a decline where Pakistan's purchases from Afghanistan peaked at $880.07 million in 2023 before declining to $566.44 million in 2024 (Council, 2025). In addition, Afghanistan maintains strong trade ties with the neighboring countries of Iran, Tajikistan and Uzbekistan. In 2023 Afghanistan's exports to Tajikistan reached $ 42.22 million, mainly fresh vegetables while imports stood at $ 80.67 million dominated from electrical energy with a cost of $57.04 million and cement with a cost of $13.99 million (Council, 2025).

Afghanistan also maintains close trade ties and business activities with non-border regional countries. Amongst these, Afghanistan's trade during 2023 remained focused on major partners including India, China, Kazakhstan, Turkey, and the UAE (Council, 2025). India proved to be the major export market of Afghanistan with $666.15 million in exports, comprising dried fruits, resins, and gums while the share of imports stood at $362.34 million mainly by pharmaceuticals. China received $64 million in exports, mostly pine nuts, and supplied $1,269.78 million in imports (Council, 2025). Trade with Kazakhstan involved $31.15 million in exports (flavored waters) and $615.51 million in imports (wheat flour). Turkey accounted for $31.15 million in exports (dried apricots) and $256.41 million in imports (oils, machinery), while trade with the UAE in 2022 stood at $9.48 million in exports (mainly gold) and $1,254.38 million in imports, largely tobacco products (Council, 2025).

Discussion and Conclusion

Pak-Afghan relations suffered the worst scenario during the late 2025 when the law enforcement agencies of the two states stood in direct confrontation against each other. The issue of cross border terrorism coupled with providing sanctuaries to the non-state actors, insurgency and militancy, the issue of blame game and the repatriation of the Afghan refugees to Afghanistan, have further added to the worsening of relations. The evacuation of the Afghan refugees was one of the burning points for the Afghan people and stiff resistance was offered in the smooth process of repatriation. In October 2025 the worst happened where airstrikes and direct war ignited between the law enforcement agencies of the two states in some of the most sensitive areas of the two countries. The Pak-Afghan border had to be closed down so as to avoid further losses to human life, property and infrastructure of the two countries resulting in the suspension of trade and business activities.

At first glance the suspension of trade appears to cause loss to the economy of Afghanistan but a deep look into the matter shows the loss to the Pakistani economy as well. Afghanistan has easy access to the Pakistani market by using the shortest trade routes and suffered the most since stagnation of trade led to the financial problems of the people. Moreover, some of the containers also stuck for months in which the disposable materials and items got rotten while construction materials such as cement had to remain in the containers for months till the Pakistani Customs decided to carry the containers to Afghanistan under the supervision of Customs and monitoring system. Pakistan, besides, losing trade with Afghanistan, has also to lose direct access to the markets of the Central Asian States causing financial loss to the economy of Pakistan.

With the suspension of the Pak-Afghan trade, the Afghan government has also to take practical measures for initiating trade with the neighboring regional dynamics by signing bilateral trade agreements and memorandum of understandings. Resultantly trade agreements were signed with Iran, Tajikistan and Uzbekistan that provide opportunities to the two states for the improvement of

imports and exports. Besides, Afghanistan has also to sign a trade deal with Belarus covering almost foreign affairs, the sectors of industry and agriculture while considering political, economic and trade related issues for the economic uplift. Trade relations with the non-neighboring countries include India, China, Kazakhstan and the United Arab Emirates (UAE). India has proved to be a major export market to Afghanistan with a $666.15 million in exports and with a share of $362.34 million in imports. Similarly, China, Kazakhstan, Turkey and UAE have also made improvements in their trade relations with Afghanistan.

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