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# RETHINKING DIPLOMACY: AFGHANISTAN'S TRADE RENAISSANCE

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## ABSTRACT

*Afghanistan, a landlocked and post-conflict nation, has faced significant challenges integrating into the global economy. Despite the integration made by Afghanistan with accession by the World Trade Organization (WTO), the country continues to lack international support. The question is how trade diplomacy can assist Afghanistan in establishing a resilient future by connecting the country with other nations. The existing study argues that trade bilateralism and multilateralism move the country from a period of isolation to a more interconnected system through commercial partnerships. In order to promote economic growth, raise living standards, generate jobs, and draw foreign direct investment into Afghanistan, and integrate its trade with the global trading system, and create a sustainable economy, the nation joined the WTO. There is an abundance of research articles discussing foreign direct invasion in Afghanistan, but there is relatively little information available regarding the amount of foreign direct investment Afghanistan has received since joining the WTO. The existing study employs doctrinal research approaches and is limited to Afghanistan international trade of post 2003.*

**Keywords:** *International Trade, Trade, Export, Import, Afghanistan and WTO*

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## INTRODUCTION

Afghanistan is a landlocked nation that is ideally situated in the center of the Silk Road, which can still act as the “trade and transit hub” for South and Central Asia.<sup>1</sup> It is thought that more integration into the global economy is necessary to create sustained economic growth through luring major commerce and investment. Therefore, in order to engage in international trading, Afghanistan had to leverage its trade relationships in order to join the WTO.<sup>2</sup> Nevertheless, for a country like Afghanistan, which has been through war, is still in the throes of power struggles and lacks trade infrastructure, trade professionals, and trade experiences, joining the WTO is not an easy task. The question arises: Does international trade matter for Afghanistan in reimagining a resilient future? How can Afghanistan’s trade renaissance be achieved, and in what ways can trade serve as a catalyst for change? This article contends that revitalizing trade diplomacy through bilateral and multilateral initiatives could help integrate Afghanistan’s economy into global trade and energize its economy while connecting its workforce to the international labour market. Afghanistan clearly requires a new approach, as the speed of technological progress is so swift that it’s challenging to envision how Afghanistan will address Industry 6.0. In contrast, the country still lacks Industry 3.0, 4.0, and 5.0. Today, trade agreements like NAFTA,<sup>3</sup> USMCA,<sup>4</sup> EU<sup>5</sup>-AFTA,<sup>6</sup> Mercosur, and RCEP<sup>7</sup> have created an interconnected global trading system. Regional accords such as COMESA and SADC and economic groups like BRICS, G20, and WTO significantly influence global trade policy and economic relations.

Comprehensive changes must be made to the laws and regulations for WTO entry to comply with the multilateral trade framework. Even by themselves, these compliance requirements provide a significant obstacle for Afghanistan and other LDCs. This article analyses the costs and benefits of Afghanistan’s WTO entrance while considering the country’s development goals. It also evaluates the obstacles that Afghanistan faced after joining the WTO.

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- 1 Stuti Bhatnagar and Zahid Shahab Ahmed, ‘Geopolitics of Landlocked States in South Asia: A Comparative Analysis of Afghanistan and Nepal’ (2021) 75 *Australian Journal of International Affairs* 60.
  - 2 ‘Will WTO Membership Boost Trade and Investment in Land-Locked Afghanistan?’ (*International Growth Centre*, 25 March 2016) <<https://www.theigc.org/blogs/will-wto-membership-boost-trade-and-investment-land-locked-afghanistan>> accessed 8 October 2024.
  - 3 North American Free Trade Agreements – now replaced by USMCA.
  - 4 United States- Mexico – Canada Agreements, the updated version of NAFTA
  - 5 European Union
  - 6 Asian Free Trade Area, trade block in South Asia.
  - 7 Regional Comprehensive Economic Partnerships, Asia- Pacific Trade Agreement involves Asian and other partners.

Following the 2004 Constitution's approval, which created a framework for international engagement in light of Articles 10, 11, and 13, the Afghan economy (mainly trade and industries) was developed. Therefore, Afghanistan decided to join the WTO to advance its economy and adopt the market economy based on the establishment of that economic framework. The WTO and its predecessor, the General Agreement on Tariffs and Trade, are products of an attempt to define values and guidelines that would encourage members of the organization to liberalize trade in a reciprocal and ongoing manner. Afghanistan applied in December 2004 to join the WTO. In 2009, it filed a Memorandum on Foreign Trade Regime (MFTR), and on January 31, 2011, it had its inaugural meeting of the Working Party. To wrap up the accession negotiations, there were five Working Party sessions and multiple rounds of bilateral talks with nine WTO members after that. Afghanistan's entrance to the WTO was formally authorized on November 11, 2015, at the end of the fifth Working Party meeting. The accession package was then sent to the Ministerial Conference for final confirmation. Afghanistan's membership was authorized at the ninth ministerial meeting, which took place in Nairobi, Kenya, on December 16, 2015.<sup>8</sup> Then the WTO Director-General and the Afghan delegate signed the membership agreement formally. Afghanistan then commenced its internal ratification procedure, and on June 29, 2016, it presented an instrument of ratification to the World Trade Organization. Afghanistan became a full member of the WTO on July 29, 2016, by WTO regulations which state that a nation becomes a full member one month after the ratification document is submitted. To fulfil the objectives outlined in the accession process, Afghanistan created its Mission to the WTO in Geneva in 2017 and nominated three trade diplomats in addition to an ambassador. The former President formed two inter-ministerial committees at the request of the Ministry of Commerce and Industry in Afghanistan. One committee met twice a year, under the direction of the minister of commerce and industry, and included deputy ministers from related ministries. The second committee included technical professionals from relevant ministries and was chaired by the then-deputy Minister of Commerce. It convened quarterly. The committees' mandates included monitoring Afghanistan's WTO commitment, creating a post-accession plan, determining how to use Afghanistan's membership best, and offering advice on upcoming talks with new members. Therefore, Afghanistan joined the WTO in 2016 as the 164th and most recent member. Afghanistan was able to implement several internal reforms throughout the accession process. Before joining the WTO, 27 legal documents (laws, rules, and procedures) were enacted and implemented as part of these reforms. A license reform program was also started, undoubtedly making doing business in Afghanistan easier.

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8 'WTO | 2015 News Items - WTO Members Secure "Historic" Nairobi Package for Africa and the World' <[https:// www.wto.org /english/news\\_ e/news15\\_e/mc10\\_19dec15\\_e.htm](https://www.wto.org/english/news_e/news15_e/mc10_19dec15_e.htm)> accessed 8 October 2024.

Multiple licenses were combined into one, export procedures were made more straightforward, many obstacles and procedures linked to customs were removed, and import procedures were made more straightforward. Trade-Related Intellectual Property Rights (TRIPS) rules were also enacted and implemented, along with establishing an intellectual property rights agency.<sup>9</sup> To reduce trade disruption, Technical Barriers to Trade (TBT) limitations were removed and standards were created and implemented in accordance with WTO regulations.<sup>10</sup> The idea of trade facilitation was included in Afghan customs policy, and the imposition of Other Charges and Duties (OCD) was removed, which decreased the cost of imports.<sup>11</sup>

## THE WTO IN TRADING SYSTEM

In Placentia Bay, Franklin D. Roosevelt and Winston Churchill laid out the principles for an international economic system in 1941.<sup>12</sup> But there was also a lot of overt discrimination, protection, and trade-distorting practices. Trade negotiators have to progressively abolish tariffs, quantitative constraints, and border discrimination against imports in order to solve this. There was also consideration of the effects of intricate, deeply embedded national policies. Trade negotiators understood that quantitative constraints and tariffs were to be gradually removed and that the criteria of the new multilateral trading system should be imposed first.

Multilateral cooperation was the cornerstone upon which the World Trade Organization (WTO) was founded.<sup>13</sup> This notion is considered necessary to promote mutually beneficial commercial ties and resolve trade disputes. Still, the steadily declining level of multilateralism combined with an increase in unilateral measures presents a danger to the stability of the international trade system. The WTO must move decisively to aggressively combat the erosion of multilateralism and to reaffirm it as a fundamental concept in response to these demands.

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- 9 Hafizullah Seddiqi, 'Afghanistan Legislative Commitments to the WTO: A Deeper Look at Afghanistan's Compliance with TRIPS' (2020) 27 27 *Indiana J. Global Legal Studies* 269 (2020) <<https://www.repository.law.indiana.edu/ijgls/vol27/iss2/5>>.
  - 10 Richard C Levin, 'Technical Change, Barriers to Entry, and Market Structure' (1978) 45 *Economica* 347.
  - 11 Petros C Mavroidis, 'Disciplines on Trade Instruments' in Petros Mavroidis (ed), *Trade in Goods: The GATT and the Other Agreements Regulating Trade in Goods* (Oxford University Press 2008) <<https://doi.org/10.1093/acprof:oso/9780199552139.003.0002>> accessed 8 October 2024.
  - 12 Warren F Kimball, 'Wheel Within a Wheel: Churchill, Roosevelt, and the Special Relationship' in Robert Blake and Wm Roger Louis (eds), *Churchill* (Oxford University Press 1996) <<https://doi.org/10.1093/acprof:oso/9780198206262.003.0018>> accessed 8 October 2024.
  - 13 Amrita Narlikar, '(Page 22)p. 22The Creation of the World Trade Organization' in Amrita Narlikar (ed), *The World Trade Organization: A Very Short Introduction* (Oxford University Press 2005) <<https://doi.org/10.1093/actrade/9780192806086.003.0002>> accessed 8 October 2024.

To advance social welfare and common economic prosperity, all WTO members must adopt a multilateral approach in their economic interactions.<sup>14</sup> Cooperation and discourse are key components of this undertaking. The benefits of multilateralism in the past, especially in facilitating trade liberalization through the WTO, should not be casually disregarded by relevant parties; instead, they should be recognized and protected.

Although the World Trade Organization is essentially based on multilateralism, plurilateral accords allow certain WTO member groups to accomplish certain trade goals without requiring broad agreement. To protect the rights of non-participating members and guarantee that their entitlements under WTO laws are not violated, these agreements must be in line with the general framework of an open multilateral trading system.

Eighty-nine countries are now negotiating the Joint Initiative on E-Commerce, an example of an attempt to create a new plurilateral agreement on digital trade.<sup>15</sup> This field is becoming more and more important. However, the member countries' differing viewpoints provide significant issues, especially about laws about data flows and customs levies on electronic transmissions. In this context, a multilateral agreement might be a workable middle ground and pave the way for future, more extensive international collaboration on digital trade.

Plurilateral accords must be used wisely once more, especially when reaching an agreement amongst all WTO members is difficult. Instead of allowing them to evolve outside of its established framework, which could have unexpected geopolitical repercussions and threaten the multilateral system, the WTO should act as a platform for the coordination of these accords.

Furthermore, the WTO has to work on streamlining its processes related to regional integration accords. This could involve several tactical steps: first, amending the WTO's accession rules to permit customs unions, such as Mercosur, to become members; second, setting up a regular communication channel between the WTO and Regional Trade Agreements (RTAs), modelled after the working relationships between the IMF and regional financial institutions; third, advocating for the inclusion of advanced RTAs in WTO trade rounds and ministerial discussions; and fourth, establishing a "Regional Twenty" framework within the G20, of which the WTO would act as the principal coordinator.

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14 Abdur Chowdhury and others, 'The Role of Multilateralism of the WTO in International Trade Stability' (2021) 20 World Trade Review 668.

15 Mira Burri, María Vásquez Callo-Müller and Kholofelo Kugler, 'The Evolution of Digital Trade Law: Insights from TAPED' (2024) 23 World Trade Review 190.

Furthermore, the WTO should prioritize supporting small and medium-sized enterprises (SMEs) in the area of global trade. This can be achieved by putting laws into place that acknowledge the critical role SMEs play in promoting development, creating jobs, and accelerating economic growth, particularly in developing countries. [I]n order to identify and remove obstacles that prevent SMEs from participating in international commerce, the WTO should work with its member nations. Furthermore, collaborations with development organizations like the World Bank may be crucial in helping SMEs with trade finance, capacity building, and technical support. Such initiatives would facilitate the creation of a more equitable and sustainable international trade system that would benefit SMEs and the communities they serve.

[T]o encourage sustainable socio-environmental growth and ease the transition to a low-carbon future, trade, and regulatory frameworks might be extremely important. The Doha Ministerial Declaration of 2001 highlighted the significance of environmental preservation and trade enhancement. The WTO has been committed to fostering sustainable development since the Marrakesh Agreement. The WTO's industrial policies and international trade plans are influenced by the Sustainable Development Goals (SDGs) and the climate change promises made by its member nations. To achieve these goals, the WTO should avoid trading rules that have a large negative spillover effect, promote sustainability impact evaluations, boost trade in environmental goods and services, and enhance trade in essentials. Additionally, the WTO ought to work with other international organizations to remove trade barriers on necessities, especially for low-income countries. It is also beneficial for the WTO to reconsider the Trade-Related Investment Measures (TRIMs) accord to support poor countries as they transition to low-carbon economies.

## **THE DYNAMICS OF THE GLOBAL TRADING SYSTEM**

[T]he global trade system's dynamics significantly impact humanity's transition to a sustainable future. especially during the pandemic, as governments require information on vaccine availability and foreign supplies. Since ancient times, intelligence has been vital. After consulting with experts, a policy statement was created to enhance the WTO and establish a framework for sustainable commerce. The declaration recognizes the political and intellectual divide between the world as it is now and the one that is envisioned.

[T]he General Agreement on Tariffs and Trade (GATT) was established as a result of European nations working together on measures pertaining to iron, steel, and coal after World War II. There have been successful deals with the European Union and the WTO since then. To encourage trade transparency, the WTO and the GATT were founded. As seen by the trade war of the 1930s, which sparked the Great Depression and World War II, economic disagreements can turn into full-scale conflicts. On the other hand, the

COVID-19 pandemic had a distinct character, resulting in a rise in the need for respirators, PPE, medications, and antiseptics. It was not conceivable to achieve short-term self-sufficiency in necessities, but medium-term foreign supply diversification could be viable. Trade continued to be crucial, and as vaccine manufacturing sources were discovered, worries about vaccine accessibility grew. Determining the precise scope of these trade conflicts proved to be difficult due to the difficulty in evaluating government initiatives. Welfare benefits greatly from trade, and the WTO has been instrumental in promoting fair and open trading practices across the world. Nonetheless, the WTO has encountered difficulties including protectionism, the stagnation of global trade talks, and the widening digital divide. The longest-running round of global trade discussions, the Doha Round, produced few meaningful outcomes.

The failure of the Doha Development Agenda, which sought to give priority to the interests of less-developed nations and development,<sup>16</sup> was ascribed to the divergent expectations and competing visions of WTO members. There was a clear division between industrialized and emerging nations, especially the BRICS nations. A number of significant concerns, including as trade in agricultural commodities, subsidies, and requirements for the Special and Differential treatment of big emerging economies, remained unsolved despite the Doha Round yielding two initiatives: the support for Trade and the Trade Facilitation Agreement.

In light of this, there is a strong argument that the WTO needs to be reformed and that criticism of the organization is widespread. The public's support for trade liberalization has sharply declined, and there is now a "legitimacy crisis for the WTO" due to worries that the current framework openly serves the interests of multinational corporations and places economic growth above other policy priorities and values like environmental protection, labour rights, human rights, public health, and poverty alleviation.<sup>17</sup> If changes are not implemented in a timely manner, the WTO may face dire implications, such as the exit of some nations or a decline to the periphery of international relations. The following collapse of international confidence may lead to increased trade barriers, fewer options for resolving disputes, and eventually detrimental effects on global stability and economic progress. The COVID-19 pandemic highlighted weaknesses and disparities in the global trading system and the dangers of concentrating just on trade efficiency rather than resilience.<sup>18</sup> It also highlighted the crucial role that trade

16 Badar Iqbal, 'Doha Development Round: Why Its Success Is Essential for the World?' (2012) 4 *Transnational Corporations Review* 90.

17 Jane Kelsey, 'The Illegitimacy of Joint Statement Initiatives and Their Systemic Implications for the WTO' (2022) 25 *Journal of International Economic Law* 2.

18 Suriyan Jomthanachai and others, 'A Global Trade Supply Chain Vulnerability in COVID-19 Pandemic: An Assessment Metric of Risk and Resilience-Based Efficiency of CoDEA Method' (2022) 93 *Research in Transportation Economics* 101166.



plays in guaranteeing access to necessities. These expensive lessons highlighted how urgently we need a more comprehensive, coordinated strategy to global trade that puts sustainability, inclusivity, and resilience first. During the epidemic, governments imposed unilateral trade restrictions on the export of medical goods and personal protective equipment without consulting or coordinating with their partners, a stark example of the urgent need for reform. Another angle to the reform debate is the growing use of unilateral trade restrictions as an instrument for foreign policy (such as unilateral tariff hikes and quantitative limits). WTO members or groups of members have proposed more than thirty reform proposals in response to these concerns. The G20 leaders said in 2018 that “there is room for improvement and the system is currently falling short of its objectives.” In 2022, the WTO Ministerial Council resolved that members would “work towards necessary reform of the WTO,” with the goal of implementing changes that would “improve all its functions.”<sup>19</sup>

### **ADVANTAGE OF MEMBERSHIPS TO WTO**

The WTO is a multilateral organization that promotes international trade, ensuring smooth trade flow and providing countries with a constructive outlet for dealing with disputes over trade issues. It has been instrumental in preventing trade disputes from turning into war, such as the 1930s trade war and the outbreak of World War II.<sup>20</sup> The WTO’s global system lowers trade barriers through negotiation and applies the principle of non-discrimination, leading to reduced costs of production and prices of finished goods and services. This results in a lower cost of living for both consumers and governments.

Imports allow consumers more choice and a broader range of qualities to choose from, as they can buy goods and services from other countries and use them as materials, components, and equipment for local production. This expands the range of final products and services produced by domestic producers and increases the range of technologies they can use. Trade also raises incomes, with estimates suggesting that cutting trade barriers in agriculture, manufacturing, and services by one third would boost the world economy by \$613 billion.

Trade also makes the system economically more efficient and cuts costs by allowing for the division of labour between countries and the use of resources more effectively for production. The WTO shields governments from narrow interests, as protectionism can lead to an unbalanced share of political influence, leading to restrictive policies that result in trade wars.

19 ‘G20 Summit Endorses Multilateral Trade System, WTO Reforms - Xinhua | English.News.Cn’ <[http://www.xinhuanet.com/english/2018-12/02/c\\_137645284.htm](http://www.xinhuanet.com/english/2018-12/02/c_137645284.htm)> accessed 8 October 2024.

20 Oldrich Krpec and Vladan Hodulak, ‘War and International Trade: Impact of Trade Disruption on International Trade Patterns and Economic Development’ (2019) 39 *Brazilian Journal of Political Economy* 152.

The WTO encourages good government by committing not to backslide into unwise policies, such as quotas, which limit supply and artificially raise prices. The creation of the WTO in 1995 was seen as a significant advance towards a system of enforceable rules for global commerce, but concerns have been raised about its potential to eviscerate national environmental, food, and product safety, and industrial policies.

The controversy over the degree to which WTO membership limits the industrial policy options of governments gained a new lease of life with the onset of the global economic crisis in 2007. This crisis led to substantial government intervention of many types, including steps often associated with industrial policy. Advocates of industrial policy argue that national economies need to be “rebalanced” away from the financial sector towards manufacturing. If WTO rules do constrain governments’ choices concerning industrial policies, evidence of those constraints should be found in the period since the crisis.

The four decades of conflict have affected Afghanistan and its trading system, resulting in an open war economy. Afghanistan now hosts a multimillion-dollar trade in products transported from Dubai to Pakistan, in addition to being the world’s largest supplier of opium and a hub for arms trafficking. The Taliban and their enemies are funded by this criminalized economy.

## **TRADE AND WAR DYNAMICS IN AFGHANISTAN**

The collapse of the USSR increased Afghanistan’s economic importance to Iran and Pakistan due to their competition for Central Asian oil and gas resources. Pakistan aimed to strengthen its war with India by establishing financial and political ties through Afghanistan.<sup>21</sup> The US is interested in the economic independence and diversification of Central Asian republics, including a pipeline,<sup>22</sup> without removing sanctions on Iran. This has altered social dynamics and undermined state and legal economies. A regional economic shift with alternate income sources and responsibility is necessary for sustainable peace and political agreement.<sup>23</sup>

The conflict in Afghanistan has sparked regional economic activity and social networks that threaten legal economies and states. Companies like UNOCAL, Delta, and Bridas are negotiating with the Rabbani government and ruling elites. These networks have grown due to the opening of borders, the establishment of an Afghan diaspora, and the lack of customs enforcement

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21 Barnett R Rubin, ‘The Political Economy of War and Peace in Afghanistan’ (2000) 28 *World Development* 1789, 1794.

22 AFP, ‘Afghanistan Set to Begin Work on TAPI Pipeline’ *The Hindu* (12 September 2024) <<https://www.thehindu.com/news/international/afghanistan-set-to-begin-work-on-tapi-pipeline/article68632848.ece>> accessed 8 October 2024.

23 *Ibid* 1791.

in many areas. The war economy in Afghanistan, involving transit trade, drug trade, gem trade, service industries, and currency emission, presents significant challenges in peace-making.

International plans for ending civil wars involve negotiating ceasefires, power-sharing, and integrating rebels into government security forces. Pakistan and Iran have competing interests in a stable Afghanistan, but negotiations face power distribution and exercise challenges. Ending the war could transform the criminalized war economy into a criminalized peace economy, leaving power holders unaccountable to most Afghans. Afghanistan's efforts to bring about peace may be considered a symptom of a bigger issue that is changing the political economy of the area.<sup>24</sup> Conflict dynamics may be affected by an international approach that involves community organizations and intellectuals from Afghanistan in the planning of rebuilding, subject to a ceasefire and basic humanitarian standards. Long-haul pilots arriving in Afghanistan deposit fees into a Swiss bank account managed by the International Air Transport Authority (IATA), which may be supervised by an international organization with Afghan ties.<sup>25</sup>

One major factor contributing to political instability is conflict, a byproduct of subpar institutional design and governance. Conflicts demolish social, human, and material capital. In the long run, all three have a big effect on economies. Although roads, bridges, and other physical infrastructure may be swiftly restored, physical infrastructure is still essential for economic growth. Rebuilding social capital and human capital takes a lot longer. There is a lack of consensus among economists on the impact of war on economic performance. Neoclassical growth theory states that an economy returns swiftly and moves toward its steady state. Alternative models argue that human capital recovers slowly for a variety of reasons, including the possibility that it will take some time to catch up.

## **CURRENT TRADE POSITION OF AFGHANISTAN**

Afghanistan, despite abundant resources, is among the least developed countries.<sup>26</sup> Rural farmers cultivate fruits like pomegranates, walnuts, apricots, and grapes, providing employment and income. Its expansion was hindered by the protracted conflict that previously existed in Afghanistan. Afghanistan has not been able to increase its agricultural output through the use of outdated production methods to cultivate crops. Afghanistan lost more money from its protracted conflict than it could have made from investment, tourism, and other industries. In addition, the country's weak mining sector

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24 Barnett R Rubin, 'The Political Economy of War and Peace in Afghanistan' (2000) 28 *World Development* 1789.

25 Rubin (n 15) 1800.

26 Peter G Franck, 'Problems of Economic Development in Afghanistan' (1949) 3 *Middle East Journal* 421.

exploration, poor harvests, and widespread poverty made it difficult for Afghanistan to create the kind of internal money needed for the country's development. Afghanistan has a gross national product per capita of 31.40 million people. In Afghanistan, the percentage of the population living in absolute poverty remains at 49.4%, while the percentage of those who are employable who are not working is still 25.6%. China has had a significant cultural effect on Afghanistan, which is a truly global country. Before the Soviet conflict and the decades that followed, seventy percent of Afghan labourers were engaged in the agricultural sector. Afghanistan, with a national poverty rate of over 50% and a severe undernourishment issue due to prolonged fighting and political unrest, has a significant economic burden from conflict, accounting for 47% of its GDP. Despite its agricultural products exports, the country faces significant challenges, including a poor population and a life expectancy of 53.25, making it challenging to grow economically.

Over the past 20 years, Afghanistan has benefited greatly from international backing. Economic expansion, the establishment of compatibilities for the delivery of essential government services, and the quick progress made about important development indicators were all supported by international assistance. Despite widespread flaws in institutions and governance, growth was primarily focused on the aid-driven service economy. Numerous issues have plagued the Afghan economy, mainly due to the country's sluggish and uneven economic progress. Severe droughts and rising insecurity are the main culprits of Afghanistan's economy's dismal growth. Severe drought lowers agricultural production and labour force, and instability lowers investment. The economy's general health is still seriously threatened by the internal migration and refugee returns brought on by this uncertainty.

In Afghanistan, the rule of law is often quite weak. Furthermore, business freedom was in chaos following the Taliban takeover of Afghanistan, and the physical safety of businesses was far from assured. Afghanistan's trade with other countries is not very large. In the framework of international trade, it is dealing with escalating trade imbalance issues. For several decades, the ongoing conflict has severely damaged the infrastructure for trade and transportation, which is undoubtedly a significant contributing cause to the comparatively higher trade costs. Despite its strategic location, Afghanistan's trade costs are 50% higher than those of other Central Asian nations, according to an ADB assessment.<sup>27</sup>

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27 Alfinura Sharafeyeva, 'Impact of High Trade Costs and Uncertain Time to Trade on Exports from Five Central Asian Countries' <<https://www.adb.org/publications/trade-costs-time-exports-central-asian-countries>> accessed 8 October 2024.

Despite possessing abundant natural resources, rich and plentiful water supplies, agroecological conditions for agricultural products, and a partially established manufacturing sector, Afghanistan is still unable to fully realize its unrealized export potential on the global market. Between 2017 and 2021, Afghanistan saw a 15.6 percent average annual loss in foreign direct investment inflows, less than the 3.8 average annual rise in inflows for the Asia-Pacific region. The protracted conflict in Afghanistan was the cause of FDI's low profile. Inadequate manpower, infrastructure, and investor-reported insecurity are reasons for Afghanistan's low-profile FDI. Even though the financial sector's legislative structure has been liberalized and international private banks have begun to operate in Afghanistan, formal financial services like credit are still in their infancy there. According to a report, "the lack of latest technology and the scarcity of capital are the main reasons for low FDI in Afghanistan." Afghanistan needs to consciously invest more in agricultural infrastructure, such as building irrigation projects using the plentiful workforce in rural areas, in order to maintain its economy. Better seed, fertilizer, and seed money supplied by regional and local government agencies to impoverished Afghan farmers during harvest season, together with assistance from microfinance organizations, could help improve harvest yields to feed the country's population.

Such produce might be exported to help the Afghanistan government earn more foreign exchange. Poor Afghanistan women's participation in small-scale business ownership in rural areas may help to improve their low socioeconomic standing. The Afghani government should specifically target them with training programs and seed money at the local level. Afghanistan might progressively reduce its increasing trade deficit by diversifying its trade and implementing changes to its current trade policy. Afghanistan may also liberalize its tourism industry to attract more visitors, which would increase foreign exchange profits and guarantee the creation of new job possibilities.

## **THE ROLE OF INTERNATIONAL AGREEMENTS IN AFGHANISTAN'S TRADE INTEGRATION**

International agreements have played a pivotal role in facilitating Afghanistan's integration into the global trade system, particularly in light of its geographical constraints as a landlocked nation. The historical reliance on neighbouring countries, especially Pakistan, for transit trade has significantly shaped Afghanistan's trade dynamics<sup>28</sup>. Kakar highlights that Afghanistan's dependence on Pakistan for trade routes has often been leveraged as a political tool, complicating its economic interactions and limiting its trade

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28 Suhaila Akbar, 2021, *The WTO Transit Regime for Landlocked Countries and its Impacts on Members' Regional Transit Agreements: The Case of Afghanistan's Transit Trade with Pakistan*

potential.<sup>29</sup> The establishment of international conventions and treaties, such as the Afghanistan-Pakistan Transit Trade Agreement (APTTA),<sup>30</sup> has been crucial in providing a legal framework that aims to enhance trade facilitation and reduce barriers.<sup>31</sup> These agreements are essential for Afghanistan to navigate its trade relationships effectively, particularly in the context of its landlocked status. Furthermore, The South Asian Free Trade Area (SAFTA) agreement is another significant international framework that has contributed to Afghanistan's trade integration.<sup>32</sup> Wani's analysis indicates that Afghanistan, along with other SAFTA members, has seen improvements in trade specialization, which enhances economic productivity and performance.<sup>33</sup> This specialization allows Afghanistan to tap into broader domestic and international markets, thereby increasing its economic resilience. Furthermore, the World Trade Organization (WTO) membership, which Afghanistan achieved in 2016, has been a transformative step for the country's economic landscape. Zhaoyang Li and other argue that joining the WTO has facilitated Afghanistan's economic improvement by providing access to international markets and promoting adherence to global trade norms.<sup>34</sup> This membership has not only opened doors for Afghan products but has also encouraged foreign investment, which is vital for economic growth. Moreover, Afghanistan's trade potential with the European Union (EU) has been explored through various models, including the gravity model of trade, which suggests that geographical proximity and economic size significantly influence trade flows.<sup>35</sup>

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- 29 Ajmal Kakar, 'Afghanistan Towards Independent Transit Trade: A Decay of Affiliation to Pakistan' (2023) 24 *Global Business Review* 586.
  - 30 'The Future of Afghanistan-Pakistan Trade Relations | United States Institute of Peace' <<https://www.usip.org/publications/2015/08/future-afghanistan-pakistan-trade-relations>> accessed 8 October 2024.
  - 31 Shoaib Rahim, 'Afghanistan's Dependence on Pakistan - Trade, Transit and the Cost of Being Landlocked' (2018) 1 *Kardan Journal of Economics and Management Sciences* 38.
  - 32 Nassir Ul Haq Wani, 'Afghanistan's Regional and Bilateral Free Trade Agreements: An Evaluation of Trade Effects, Diversion and Creation', *Policy Solutions for Economic Growth in a Developing Country* (Emerald Publishing Limited 2024) <<https://doi.org/10.1108/978-1-83753-430-220241008>> accessed 8 October 2024.
  - 33 Nassir Ul Haq Wani and Mohammad Mirwais Rasa, 'Dynamics of Trade Specialization and Performance of SAFTA: A Case Study of Afghanistan' (2023) 24 *South Asia Economic Journal* 153.
  - 34 Zhaoyang Li, Xueran Qiao & Xiangyi Song, *Explaining Economic Improvement in Afghanistan After Joining WTO: Neo-Liberal Institutionalism and Constructivism* 75 (2021), <https://www.atlantis-press.com/proceedings/icprss-21/125961623> (last visited Oct 8, 2024).
  - 35 Habib Kabir Raufi, Faizan Ahmad and Nassir Ul Haq Wani, 'Trade Potential of Afghanistan with European Union: A Gravity Model Approach' (2023) 66 *Kardan Journal of Economics and Management Sciences* 17.

This potential is critical for diversifying Afghanistan’s trade relationships beyond its immediate neighbours, thereby reducing its vulnerability to regional political dynamics. The gravity model indicates that Afghanistan could benefit from enhanced trade relations with the EU, which would provide access to a larger market and potentially more favourable trade terms. This diversification is particularly important given the historical tensions with Pakistan, as highlighted by Abbass, who discusses the deficit of trust in bilateral relations and the need for improved trade ties to foster cooperation.<sup>36</sup> Henceforth, the role of trade liberalization in Afghanistan’s economic integration cannot be overstated. As Khan notes, trade liberalization is a cornerstone of economic integration, promoting international trade by reducing barriers and restrictions.<sup>37</sup> This liberalization has been essential for Afghanistan, enabling it to engage more fully in the global economy. The impact of trade agreements, such as those with Pakistan, has been significant in this regard. The APTTA, for example, was designed to facilitate transit trade and improve access to seaports, which is crucial for Afghanistan’s export capabilities.<sup>38</sup> However, despite these agreements, challenges remain, as highlighted by Rahim, who discusses the ongoing issues Afghanistan faces in fully realizing the benefits of its transit agreements due to political and logistical barriers.<sup>39</sup>

In addition to trade agreements, Afghanistan’s legislative commitments to the WTO, particularly regarding the TRIPS, have implications for its trade integration.<sup>40</sup> Compliance with international standards in intellectual property can enhance Afghanistan’s attractiveness as a trade partner, encouraging foreign investment and technology transfer. This compliance is essential for fostering a conducive environment for business and trade, which is necessary for sustainable economic development. Consequently, regional geopolitical factors further complicate Afghanistan’s trade relationship dynamics. The interests of major powers, including India, Iran, and Pakistan, significantly

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36 Sher Bano and Zaffar Abbass, ‘Deficit of Trust in Pakistan-Afghanistan Bilateral Relations: An Evaluation from a Security and Economic Perspective from 2001 to 2021’ (2024) 2 *Open Access Organization and Management Review* 1.

37 Humayun Khan, Yangfen Chen and Liu Lv, ‘Does the China–Pakistan Free Trade Agreement Benefit the Vegetable Exports of Pakistan? A Gravity Estimation’ (2024) 8 *Frontiers in Sustainable Food Systems* <<https://www.frontiersin.org/journals/sustainable-food-systems/articles/10.3389/fsufs.2024.1362910/full>> accessed 8 October 2024.

38 Muhammad Ayaz Roghani and Noreen Naseer, ‘Enhancing Trade Between Pakistan and Afghanistan’ (2021) 1 *Journal of Higher Education and Development Studies (JHEDS)* 15.

39 Rahim (n 22).

40 Hafizullah Seddiqi, ‘Afghanistan Legislative Commitments to the WTO: A Deeper Look at Afghanistan’s Compliance with TRIPS’ (2020) 27 *Indiana Journal of Global Legal Studies* 269.

influence Afghanistan's trade policies and opportunities.<sup>41</sup> The competition among these powers can create challenges and opportunities for Afghanistan, as it seeks to navigate its trade relationships while balancing external pressures. The historical context of Afghanistan's trade, particularly its reliance on Pakistan, has been shaped by these geopolitical dynamics, as Nori noted the challenges of transboundary governance and the need for cooperative frameworks.<sup>42</sup> Thus, the combination of regional trade agreements,<sup>43</sup> WTO membership, and legislative commitments to international standards has provided Afghanistan with a framework to enhance its trade capabilities. However, the country continues to face significant challenges, including political tensions with neighbouring countries and the need for improved infrastructure and governance. Addressing these challenges will be critical for Afghanistan to fully realize the benefits of its international agreements and achieve sustainable economic growth.

## **TRADE DIPLOMACY AS A CORNERSTONE FOR AFGHANISTAN'S TRADE INTEGRATION**

Diana Tussiedefines trade diplomacy as the management of trade regimes as well as the market factors affected by the regime.<sup>44</sup> It entails the use of diplomatic channels to expedite trade agreements, minimize trade obstacles, and settle conflicts that could emerge from trade relationships. Trade diplomacy may occur on different types of international agreements, ranging from multilateral trade accords involving several nations to bilateral trade negotiations between two countries. Negotiations on matters including intellectual property rights, labour regulations, environmental rules, tariffs, and quotas may be involved. Also, a country's ability to create jobs, expand its trade and investment, and achieve better economic growth may all be greatly aided by effective trade diplomacy. By creating tighter economic links and collaboration, it may also assist improve political stability and lessen conflicts between states. Thus, Trade diplomacy plays a crucial role in establishing a resilient future for Afghanistan, particularly in the context of its geopolitical landscape and economic development.

For instance, China's growing involvement in Afghanistan's redevelopment presents a dimension of trade diplomacy that could significantly impact the country's future. Afghanistan's strategic position as a

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41 Ghulam Nagra, Ghulam Mustafa and Muhammad Imran, 'Major Powers' Interest in Afghanistan And the Impact on Pakistan' (2019) 4 57.

42 Saiyed Momin Nori, 'Challenges of Transboundary Water Governance in Afghanistan' (2020) 6 Central Asian Journal of Water Research 18.

43 Wani (n 23).

44 Diana Tussie, 'Modern Trade Diplomacy' <[https://www.academia.edu/7323531/Modern\\_Trade\\_Diplomacy](https://www.academia.edu/7323531/Modern_Trade_Diplomacy)> accessed 8 October 2024.



land bridge between Central and South Asia makes it an essential partner in China's Belt and Road Initiative (BRI),<sup>45</sup> which aims to improve connectivity and trade throughout Asia.<sup>46</sup> The potential for Chinese investment in infrastructure projects, such as roads and railways, could facilitate Afghanistan's access to international markets, thereby reducing its reliance on traditional trade routes through Pakistan.<sup>47</sup> However, the success of this partnership hinges on addressing the underlying political and security challenges that have historically plagued Afghanistan, as well as ensuring that the benefits of such investments are equitably distributed among the Afghan people.<sup>48</sup>

Moreover, the implications of Afghanistan's trade diplomacy extend beyond economic considerations; they also encompass security and political dimensions.<sup>49</sup> The instability in Afghanistan has far-reaching consequences for regional security, affecting trade routes and economic cooperation among neighbouring countries.<sup>50</sup> Therefore, trade diplomacy must be coupled with efforts to foster regional political stability and security. Engaging in multilateral dialogues and fostering cooperative frameworks can help mitigate tensions and build trust among nations, creating a conducive environment for trade and investment.<sup>51</sup> This approach aligns with the broader geopolitical interests of regional powers, including India and China, who have vested interests in Afghanistan's stability and economic development.<sup>52</sup> Additionally, the role of public diplomacy in enhancing Afghanistan's trade relations cannot be overlooked. Countries like Turkey have actively engaged in public diplomacy efforts to strengthen bilateral ties with Afghanistan, focusing on cultural, educational, and economic

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45 Meena Singh Roy, 'Afghanistan and the Belt and Road Initiative: Hope, Scope, and Challenges' [2017] *Asia Policy* 103.

46 Azeta Hatef and Luwei Rose Luqiu, 'Where Does Afghanistan Fit in China's Grand Project? A Content Analysis of Afghan and Chinese News Coverage of the One Belt, One Road Initiative' (2018) 80 *International Communication Gazette* 551.

47 Muhammad Al Amin, Mujibur Rahman Ahmadi and Haidan Angga Kusumah, 'The Role of China's Investment in Shaping the Redevelopment of Afghanistan' (2024) 2 *Rechtsnormen Journal of Law* 9.

48 Ibid.

49 Shivam Shekhawat, 'Understanding Taliban's Diplomacy and Its Implications for the Region' [2024] *orfonline.org* <<https://www.orfonline.org/expert-speak/understanding-taliban-s-diplomacy-and-its-implications-for-the-region>> accessed 8 October 2024.

50 Adam Saud and Muaz Ullah Khan, 'Geo-Politics of Afghanistan under Taliban Regime: Prospects for Regional Integration' (2022) 91 *Central Asia* 39.

51 Huma Qayum, Syed Ali Shah and Zubaria Andlib, 'Implications of Pak-Afghan Transit Trade for Regional Security' (2016) 1 *Global Regional Review* 167.

52 Shallu Devi, 'exploring India's Strategy in Afghanistan after us withdrawal to Deal With The Taliban' (2022) 9 *Scholarly Research Journal For Interdisciplinary Studies*.

cooperation.<sup>53</sup> Such initiatives can help build goodwill and foster a positive image of Afghanistan in the international community, thereby attracting potential investors and trade partners. By leveraging public diplomacy, Afghanistan can enhance its soft power and create a more favourable environment for trade negotiations and partnerships.

**CHRONOLOGY OF TRADE AGREEMENTS**

- i. Agreement/Memorandum of Understanding, which is called the Trilateral Commission of Iran and Afghanistan, signed in Tehran on 5 January 2003,<sup>54</sup> to expand Trade Relations, foster diverse trade, and facilitate transit systems between contracting parties.
- ii. MoU and Trilateral on the Development and Construction of Transit and Transport infrastructure Chabahar- Milak- Zaranj between TISA, India and Iran signed in Tehran on 5 January 2003.<sup>55</sup> The core objective of the MoU lies on the Construction and implementation of the Chabahar Port.
- iii. Agreement on International Transport on Transportation Routes among Afghanistan, Iran and Uzbekistan was signed in Tehran on 18 May 2003.<sup>56</sup> The objective of the Agreement is friendly Relations, beneficial cooperation, Respect for sovereignty and independence, territorial integrity and non-interference, fostering commercial and economic relations and efforts to create transportation transit.
- iv. The International Transport Routes Agreement among Afghanistan, Iran and Tajikistan was signed on 18 June 2003.<sup>57</sup> The agreement aimed Promotion and Protection of Investment, Access to Europe, Central Asia, the Persian Gulf and the Sea of Oman, and Take measures to attract investment through this route.

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53 Ali Mozaffari and Ali Akbar, ‘Heritage Diplomacy and Soft Power Competition between Iran and Turkey: Competing Claims over Rumi and Nowruz’ (2024) 30 International Journal of Cultural Policy 597.

54 MoU of Trilateral Joint Commission of Iran, Afghanistan and India.pdf, <https://moci.gov.af/sites/default/files/2021-05/MoU%20of%20Trilateral%20Joint%20%20Commission%20of%20Iran%2C%20Afghanistan%20and%20India.pdf> (last visited Aug 8, 2023).

55 MoU Trilateral Meeting on the Development & Construction.pdf, <https://moci.gov.af/sites/default/files/2021-05/MoU%20Trilateral%20Meeting%20on%20the%20Development%20%26%20Construction.pdf> (last visited Aug 8, 2023).

56 ‘Agreement on International Transportation Routes Among Afg, Iran & Uzbek.Pdf’ <<https://moci.gov.af/sites/default/files/2021-05/Agreement%20on%20International%20Transportation%20Routes%20Among%20Afg%2C%20Iran%20%26%20Uzbek.pdf>> accessed 8 August 2023.

57 ‘Agreement on Promotion and Protection of Investment Between Afghanistan and Tajikstan.Pdf’ <<https://moci.gov.af/sites/default/files/2021-05/Agreement%20on%20Promotion%20and%20Protection%20of%20Investment%20Between%20Afghanistan%20and%20Tajikstan.pdf>> accessed 18 August 2023.

- v. Agreement on Railway Transport of Uzbekistan and Afghanistan Signed in Kabul on 8 December 2003<sup>58</sup> It intended to achieve Direct Freight Railway Communication, Academic Training of Railway Personnel, Sanitary and Hazardous goods are to be regulated in accordance with each party's national laws, and Any dispute with regard to the aforementioned Agreement shall be settled by negotiations.
- vi. Agreement on Economic Cooperation between Uzbekistan and Afghanistan, signed in Kabul on 8 December 2003.<sup>59</sup> It desired Protection of Intellectual Property and Industrial Research and Mutual Implementation of MFN clause.
- vii. Preferential Treatment Agreement between India and Afghanistan, signed in Delhi on 6 March 2003.<sup>60</sup> The agreement aimed for Expansion of domestic markets through Economic and Integration creation of the condition of fair trade.
- viii. The MoU between Afghanistan and Canada was entered in Kabul on 5 September 2003.<sup>61</sup> the objective of the MoU was to enhance Economic Development through the reduction of trade barriers and access to the Canadian Market for textile and apparel goods.
- ix. MoU between USA and Afghanistan was entered on 27<sup>th</sup> February 2003.<sup>62</sup> The purpose of the Agreement was to establish a working group on trade and investment.
- x. Economic Cooperation Agreement between Afghanistan and Kazakhstan was signed on 15 April 2004.<sup>63</sup> The objective of

58 '2003, Uzbekistan, Agreement on Cooperation in Railway Transport\_0.Pdf' <[https://moci.gov.af/sites/default/files/2021-05/2003%2C%20Uzbekistan%2C%20Agreement%20on%20Cooperation%20in%20Railway%20Transport%20\\_0.pdf](https://moci.gov.af/sites/default/files/2021-05/2003%2C%20Uzbekistan%2C%20Agreement%20on%20Cooperation%20in%20Railway%20Transport%20_0.pdf)> accessed 20 August 2023.

59 'Agreement between Afghanistan and Uzbekistan on Trade an.Pdf' <<https://moci.gov.af/sites/default/files/2021-05/Agreement%20between%20Afghanistan%20and%20Uzbekistan%20on%20Trade%20an.pdf>> accessed 20 August 2023.

60 'India, 2003, Preferential Trade Agreement.Pdf' <<https://moci.gov.af/sites/default/files/2021-05/India%2C%202003%2C%20Preferential%20Trade%20Agreement%20.pdf>> accessed 20 August 2023.

61 'MoU on Least Developed Countries Initiative between Afg & Cananda.Pdf' <<https://moci.gov.af/sites/default/files/2021-06/MoU%20on%20Least%20Developed%20Countries%20Initiative%20between%20Afg%20%26%20Cananda.pdf>> accessed 20 August 2023.

62 'Women Empowerment MOU.Pdf' <<https://moci.gov.af/sites/default/files/2021-06/Women%20Empowerment%20MOU.pdf>> accessed 20 August 2023.

63 Agreement on Trade and Economic Cooperation between Afghanistan & Kazakhstan.pdf, <https://moci.gov.af/sites/default/files/2021-05/Agreement%20on%20Trade%20and%20Economic%20Cooperation%20between%20Afghanistan%20%26%20Kazakhstan.pdf> (last visited Aug 18, 2023).

agreement was Industrial Research, exploitation of Natural Research, Technological exchange and mutual trade and Economic Cooperation.

- xi. Agreement on Promotion and Protection of Investment between Turkey and Afghanistan was signed in in Kabul on 10 June 2004.<sup>64</sup> The objective of the agreement is Promote greater economic cooperation, Flow of capital technology and Equitable treatment of investment.
- xii. Agreement between Ukraine and Afghanistan on Trade and Economic Cooperation, singed on 4<sup>th</sup> April 2004.<sup>65</sup>The objective of the agreement was to Strengthen trade and economic relation and Accord MFN clause in all areas, particularly on custom duties.
- xiii. Agreement on the Development of trade and investment between Afghanistan and the USA in Kabul on 17<sup>th</sup> April of 2004. <sup>66</sup> aimed to recognise for direct investment and resolve trade and investment expeditiously.
- xiv. Agreement on Promotion and Protection of Investment among Afghanistan, Turkey, Turkmenistan, Uzbekistan, Pakistan, Kyrgyz, Tajikistan, Iran and Azerbaijan, singed in Istanbul on 7 July 2005.<sup>67</sup>It aimed to encourage and create favourable conditions for their investors to invest in the territories of contracting parties.
- xv. Agreement on Economic and Technical Cooperation between China and Afghanistan Signed in Beijing on 19 June 2006.<sup>68</sup> The agreement intended that China provided a grant of 80 million Yuan for the implementation of projects agreed by both parties.

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64 'Agreement on The Reciprocal Promotion and Protection of Investment Between Afghanistan and Turkey.Pdf' <<https://moci.gov.af/sites/default/files/2021-06/Agreement%20on%20The%20reciprocal%20Promotion%20and%20Protection%20of%20Investment%20Between%20fghanistan%20and%20Turkey.pdf>> accessed 20 August 2023.

65 '2004, Ukraine, Trade and Economic Cooperation.Pdf' <<https://moci.gov.af/sites/default/files/2021-06/2004%2C%20Ukraine%2C%20Trade%20and%20Economic%20Cooperation.pdf>> accessed 20 August 2023.

66 'Agreement on Development of Trade & Investment between AFG -USA.Pdf' <<https://moci.gov.af/sites/default/files/2021-06/Agreement%20on%20Development%20of%20Trade%20%26%20Investment%20between%20AFG%20USA.pdf>> accessed 20 August 2023.

67 'ECO, Investment Agreement.Pdf' <<https://moci.gov.af/sites/default/files/2021-06/ECO%2C%20Investment%20Agreement.pdf>> accessed 20 August 2023.

68 'Agreement on Economic and Technical Cooperation Between Afghanistan & China.Pdf' <[https://moci.gov.af/sites/default/files/2021-06/Agreement %20on %20Economic%20and%20Technical%20Cooperation%20Between%20Afghanista n%20%26%20China.pdf](https://moci.gov.af/sites/default/files/2021-06/Agreement%20on%20Economic%20and%20Technical%20Cooperation%20Between%20Afghanista n%20%26%20China.pdf)> accessed 20 August 2023.

- xvi. Agreement between Afghanistan and Italy on Microfinance investment support facility in Afghanistan signed in Kabul on 30 October 2009<sup>69</sup> it was made to support low-income people, Promote and strengthen the development and growth of long-term microfinance, the loan process and best practice delivery and Strengthen the Afghan microfinance programme.
- xvii. Agreement between Afghanistan, Pakistan, Afghanistan and Pakistan Trade Transit (APTTA) Agreement, 28 October 2010.<sup>70</sup> aimed to Afghanistan's access to the sea as an essential principle of international trade, Recognising North and South Corridor – SAARC, Strengthen Economic Relations, Considering the Afghanistan Transit Trade Agreement 1965, and Accepting the rule of WTO/GATT, 1994.
- xviii. Trade and Economic Cooperation Agreement between Russia and Afghanistan, signed in Kabul in 2011.<sup>71</sup> It aimed to recognise that commerce and economics are vital for bilateral relations and encourage trade and economic development.
- xix. The MoU between India and Afghanistan was signed in Kabul on 7 January 2015.<sup>72</sup> It aimed to enhance economic relations, Expanding Business Cooperation in the field of Clothing and investment, and Protocol of Phytosanitary requirements for exports of Saffron Stigma from Afghanistan to China, signed in Beijing on 16 May 2016.<sup>73</sup> Aimed to Export Afghanistan Saffron to China, prevention of pests and Application of Sanitary and Phytosanitary Agreements.
- xx. Agreement on establishing an International Transport and Transit Corridor between Iran, India and Afghanistan., signed in Tehran, on

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69 Agreement between Afghanistan and Italian Republic in the filed of Microfinance Investments support.pdf, <https://moci.gov.af/sites/default/files/2021-06/Agreement%20between%20Afghanistan%20and%20Italian%20Republic%20in%20the%20filed%20of%20Microfinance%20Investments%20support.pdf> (last visited Aug 20, 2023).

70 'APTTA.Pdf' <<https://moci.gov.af/sites/default/files/2021-05/APTTA.pdf>> accessed 8 August 2023.

71 'Agreement on Trade and Economic Co-Operation between Afghanistan and Russia.Pdf' <<https://moci.gov.af/sites/default/files/2021-06/Agreement%20on%20Trade%20and%20Economic%20Co-operation%20between%20Afghanistan%20and%20Russia.pdf>> accessed 20 August 2023.

72 'India, 2005, MoU on Textiles.Pdf' <<https://moci.gov.af/sites/default/files/2021-05/India%202005%20MoU%20on%20Textiles.pdf>> accessed 20 August 2023.

73 'Protocol of Phytosanitary Requirments for Saffron Export .Pdf' <<https://moci.gov.af/sites/default/files/2021-06/Protocol%20of%20phytosanitary%20Requirments%20for%20saffron%20Export%20.pdf>> accessed 20 August 2023.

23 May 2016.<sup>74</sup> The agreement Economic Relations at Regional and Global Levels, Afghanistan, as a landlocked state, gets access to the open sea.; Chabahar Port acts as the leading regional trade transport hub.; Facilitate and improve transit of goods and passengers through this port, air and road transportation.

- xxi. The Inter-Governmental Investment Agreement was signed on March 4 2016, between Turkmenistan, Afghanistan, Pakistan and India (Known as the TAPI Pipeline) to ease South Asia’s energy deficit. The pipeline aims to export up to 33 billion cubic meters of natural gas annually, fostering regional cooperation and economic growth by linking Turkmenistan to potential markets like Afghanistan, Pakistan, and India. The agreement aligns the interests of the parties, aiming to promote regional stability and security.
- xxii. Agreement on Mutual and Promotion of Investment signed in Baku on 1 December 2017.<sup>75</sup> The Agreement aimed Promotion of International Investment, access to investor information and Transparency and MNF treatment of investments.
- xxiii. Agreement between Afghanistan and Azerbaijan on trade and economic Cooperation, in Baku on 1 December 2017. It aimed for promotion of trade inter alia, Expansion and diversification of economy and trade.
- xxiv. Agreement on the Transit of goods between Afghanistan and Uzbekistan, Signed in Tashkent on 5 December 2017.<sup>76</sup> The agreement was Mutual Free movement of goods and vehicles through territories of State Parties. Regular flow of road and railway communication.
- xxv. Agreement between Ukraine and Afghanistan on the establishment of an intergovernmental commission on trade cooperation, signed in Kabul on 15 April 2017.<sup>77</sup> Augmentation of mutual trade cooperation. Development of mutual merchandise and economic relations.

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74 ‘Chabahar Agreement.Pdf’ <<https://moci.gov.af/sites/default/files/2021-05/Chabahar%20Agreement.pdf>> accessed 8 August 2023.

75 ‘Agreement on Promotion and Reciprocal Protection of Investments.Pdf’ <<https://moci.gov.af/sites/default/files/2021-05/Agreement%20on%20Promotion%20and%20Reciprocal%20Protection%20of%20Investments.pdf>> accessed 20 August 2023.

76 ‘Signed Copy of Transit Agreement with Uzbekistan.Pdf’ <<https://moci.gov.af/sites/default/files/2021-05/Signed%20Copy%20of%20Transit%20Agreement%20with%20Uzbekistan.pdf>> accessed 18 August 2023.

77 Agreement on trade and Economic Cooperation Between AFG-Ukrain.pdf, <https://moci.gov.af/sites/default/files/2021-06/Agreement%20on%20trade%20and%20Economic%20Cooperation%20Between%20AFG-Turkey.pdf> (last visited Aug 20, 2023).

- xxvi. Agreement on Motor Vehicular and Passenger between India and Afghanistan, signed in Delhi on 11 September 2017.<sup>78</sup> It aimed to Free movement of vehicular (cargo and transportation of goods) in the territories of the parties.
- xxvii. Investment Agreement between USA and Afghanistan, in Kabul on 17 April 2017.<sup>79</sup> The agreement intended to Promote private investors and Support Overseas Private Investment Corporation.
- xxviii. The International Road Transport Agreement between Turkey and Afghanistan was signed in Ankara on 27 April 2017.<sup>80</sup> It was designed for Regular Transit of Bus Service, Transit of respect of passengers, goods, commercial goods and vehicles.
- xxix. Transit and Transport Cooperation Agreement of Lapis Lazuli Route between Azerbaijan, Georgia, Turkey and Afghanistan, Signed in Ashgabat on 15 November 2017. The agreement aimed to facilitate the movement of goods, passengers and means of transport, simplify necessary administrative arrangements and Take measures to increase competitiveness.
- xxx. Agreement on Economic Cooperation between Afghanistan and Belarus, signed in Minsk on 16 August 2017<sup>81</sup> it aimed to create favourable conditions for economic and trade development.
- xxxi. The MoU signed between Afghanistan and Turkey, in Ankara on 11 May 2018<sup>82</sup> Improve economic and commercial cooperation Enhance cooperation for the establishment of SMEs.
- xxxii. Protocol of Phytosanitary requirement for the export of Pine Nuts from Afghanistan to China, in Qingdao on 10 June 2018. It aimed to Ensure safe entry of export of pine nuts from Afghanistan and the

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78 'Motor Vehicle Agreement Between Afghanistan & India.Pdf' <[https://moci.gov.af/sites/default/files/2021-05/Motor %20 Vehicle% 20Agreement % 20Between%20Afghanistan%20%26%20India.pdf](https://moci.gov.af/sites/default/files/2021-05/Motor%20Vehicle%20Agreement%20Between%20Afghanistan%20%26%20India.pdf)> accessed 20 August 2023.

79 'Investment Agreement between Afghanistan and USA.Pdf' <[https://moci.gov.af/sites/default/files/2021-06/Investment%20Agreement% 20between%20Afghanistan%20and%20USA.pdf](https://moci.gov.af/sites/default/files/2021-06/Investment%20Agreement%20between%20Afghanistan%20and%20USA.pdf)> accessed 20 August 2023.

80 'International Road Transport Agreement between Afghanistan and Turkey.Pdf' <[https://moci.gov.af/sites/default/files/2021-06/International%20Road% 20Transport%20Agreement%20between%20Afghanistan%20and%20Turkey.pdf](https://moci.gov.af/sites/default/files/2021-06/International%20Road%20Transport%20Agreement%20between%20Afghanistan%20and%20Turkey.pdf)> accessed 20 August 2023.

81 'Agreement on Establishment of JC between Afghanistan and Belarus.Pdf' <[https://moci.gov.af/sites/default/files/2021-06/Agreement%20on%20 Establishment%20of%20JC%20between%20Afghanistan%20and%20Belarus.pdf](https://moci.gov.af/sites/default/files/2021-06/Agreement%20on%20Establishment%20of%20JC%20between%20Afghanistan%20and%20Belarus.pdf)> accessed 20 August 2023.

82 'English Text of MOU on SMEs.Pdf' <<https://moci.gov.af/sites/default/files/2021-06/English%20Text%20of%20MOU%20on%20SMEs.pdf>> accessed 20 August 2023.

prevention of pests.; Application of Sanitary and Phytosanitary measures.

- xxxiii. MoU between Afghanistan and China, in Kabul on 5 December 2018.<sup>83</sup> It is Mutual Cooperation for enhancing industrial capacity, Exchange of information relating to laws and regulations, and Mutual visit of staff and experts for personnel training.
- xxxiv. Agreement on establishing a joint Agreement on Afghan and Kyrgyz Commission on Trade and Economic Cooperation, in Bishkek on 18 April 2019.<sup>84</sup> Aimed to Promote Economic Relations, Adoption of appropriate agreements, promote joint ventures and establish direct industrial relations.

## IMPACT OF THE AGREEMENT

Generally speaking, these accords show Afghanistan's approach to establishing commercial relations, merging with the world economy, and using commerce to promote peace and stability in the area. These accords have generated economic cooperation, which is a major part of Afghanistan's peacebuilding initiatives. Since its establishment in January 2003, the Iran-Afghan Trilateral Commission has been instrumental in deepening economic relations, expanding the range of commerce, and accelerating transit between the two countries. Perhaps as a result of this development's increased economic interconnectivity, regional stability was fostered. Similarly, in the same month, Afghanistan's commercial ties with India and Iran were reinforced by the Memorandum of Understanding (MoU) and Trilateral Agreement on the Chabahar Port, laying the groundwork for increased connectivity and stability in the area. Among the latter agreements that strengthened economic relations and connectivity were the May 2003 International Transport Routes Agreement, the December 2003 Railway Transport Agreement, and the May 2003 Economic Cooperation Agreement with Uzbekistan. Since each agreement sought to promote cooperative connections, boost connectivity, and advance shared interests, it affected both economic interactions and peacebuilding. The Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline, a 1,814km natural gas pipeline, is set to boost trade, co-operation, and peace in the region.<sup>85</sup> The project, also known as the

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83 'MOUONC~1.Pdf' <<https://moci.gov.af/sites/default/files/2021-06/MOUONC~1.PDF>> accessed 20 August 2023.

84 'Kyrgyz, 2019, Agreement, Establishment of Joint Commission.Pdf' <<https://moci.gov.af/sites/default/files/2021-06/Kyrgyz%2C%202019%2C%20Agreement%2C%20Establishment%20of%20Joint%20Commission.pdf>> accessed 20 August 2023.

85 adbheadhoncho, 'Turkmenistan-Afghanistan-Pakistan-India Natural Gas Pipeline Project, Phase 3' (24 May 2012) <<https://www.adb.org/projects/44463-013/main>> accessed 8 October 2024.



Peace Pipeline, will benefit over 1.5 billion people in Afghanistan, Pakistan, and India, and boost Turkmenistan's gas sales. Turkmenistan is luring new nations for gas exports since it has the fourth-largest natural gas reserves in the world. The project is expected to generate 12,000 jobs within Afghanistan, addressing unemployment and economic challenges.<sup>86</sup> Taken as a whole, these agreements represent Afghanistan's concerted attempts to become more economically integrated into the world economy, build commercial relationships, and use trade to promote peace and stability in the area. Consequently, they emphasize the need of economic cooperation in the context of larger-scale peacebuilding programs in Afghanistan.

## CONCLUSION

In conclusion, trade diplomacy presents a multifaceted opportunity for Afghanistan to establish a resilient future by connecting with other countries. By diversifying its trade partnerships, enhancing regional cooperation, and addressing the underlying political and security challenges, Afghanistan can leverage its strategic position to foster economic growth and stability. The integration into global trade frameworks, coupled with targeted investments in infrastructure and public diplomacy efforts, can pave the way for a more prosperous and resilient Afghanistan. The path forward requires a comprehensive approach that balances economic aspirations with the realities of the geopolitical landscape, ensuring that trade diplomacy serves as a cornerstone for the country's long-term development.

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86 AFP, 'Afghanistan Set to Begin Work on TAPI Pipeline' *The Hindu* (12 September 2024) <<https://www.thehindu.com/news/international/afghanistan-set-to-begin-work-on-tapi-pipeline/article68632848.ece>> accessed 8 October 2024.