

**AFTERMATH OF COVID-19 ON IMPORTATION, EXPORTATION AND THE
TRADE DEFICIT OF THE COUNTRIES – A CASE STUDY OF AFGHANISTAN**

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ABSTRACT

As we know that the whole of the world is facing the drastic pandemic as result of which the economy of every country is badly affected. The case of Afghanistan is no more different. The Covid-19 demolished the backbone of the economies of the world including the Afghanistan. This paper tries to show the effect of export sink and import deficit and how Covid-19 pushes down the trade deficit of Afghanistan. This paper also tries to show that how this downtrodden trade deficit affects the economy of Afghanistan and also throws the light on how the international relation is affected by the broken economy of the country which ultimately affects the trade deficit of the country and it also includes negative impact of Covid-19 on international and regional trade. This paper also focuses on the economic crises of Afghanistan with comparative study in reference to other countries and tries to show the comparative analysis of negative impact of Covid-19 on developed and developing countries. Last but not least, the paper also deals with how various recommendations and suggestions can be positively applied to bring a change in the economic condition of Afghanistan after the pandemic is over.

Keywords:- *Economy, Import, export, trade deficit, Afghanistan, Pandemic*

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INTRODUCTION

On March 11, 2020, WHO declared the outbreak of corona virus disease in 2019, which originated in one of city of China- Wuhan, and has since spread around the world, a global pandemic? As of march 25, 2020, 413 467 cases of COVID-19 have been confirmed in more than 180 countries and territories and at least 18 000 deaths have been reported from around the world. COVID-19 is now establishing a foothold in impoverished, war-torn nations, such as Afghanistan.²

No country has escaped the health, economic, and social impacts of covid-19 crisis. Nowadays, the world is going through an unprecedented crisis due to Corona virus and world health organization declared it as a pandemic, which forced many countries to go for countrywide lockdown.³ Afghanistan is no exception. The death toll and number of Corona positive cases are increasing at international level same as national level day by day. Afghanistan is one of the developing countries in the world.

Due to long time war the problem posed by COVID – 19 gets badly affected on Afghanistan situation. It is an international and national challenge before the all world and Afghan Nation, how to combat COVID-19. In the time of crisis every country and citizen of the country should performs its/his/her duties so that we can collectively fight and combat with this deadly virus. It is possible only when each and every country and citizen performs its effort and duty with governments by complying with the norms of lockdown.

The pandemic is expected to plunge most countries into recession in 2020, with per capita income contracting in the largest fraction of countries globally since 1870. Developed economies are projected to shrink 7 percent. That weakness will spill over to the outlook for emerging market and developing economies, who are forecast to contract by 2,5 percent as they cope with their own domestic outbreaks of the virus. This would represent the weakest showing by this group of economies in at least sixty years.

ECONOMIC POSITION OF AFGHANISTAN

Afghanistan is the one of the world’s poorest countries. Years of war and political instability have devastated effect on the economy which forces the country to live on foreign

² [https://doi.org/10.1016/S2214-109X\(20\)30124-8](https://doi.org/10.1016/S2214-109X(20)30124-8). Retrieved on June 10, 2020

³https://www.academia.edu/43357937/FUNDAMENTAL_DUTIES_OF_THE_CITIZEN_IN_THE_TIME_OF_COVID-19_PANDEMIC. Retrieved on June 16, 2020

aid. Afghanistan has been despoiled by four-decades of violent conflict and war, fracturing the social framework of the country, destabilizing development efforts and leaving the majority of citizens on the breadline.

Grievances between individuals, communities, tribes and political leaders are deep seated, multi-faceted and impact on all segments of society also has devastated effect and the turmoil of Afghanistan’s economy. The main source of income in the country is agriculture, and during its good years, Afghanistan produces enough food and food products to provide for the people, as well as to create a surplus for export.⁴

Afghanistan, the central Asian country which suffered a lot due to military invasion which affected the country's limited infrastructure, and disrupted normal patterns of economic activity. Gradually in recovering from these losses eventually, Afghanistan went from a traditional economy to a centrally planned economy up until 2002 which finally replaced by a free market economy⁵.

In tiding over from the backlash of economic crises, it was struggling to raise the economic condition suffered a pushback due to Covid-19 pandemic. Covid-19 affects the economic position of Afghanistan as it usually did in other countries. In 2018, there was strong progress with exports of \$875 million which suddenly slows down⁶.

There are many projects which are plunged due to Covid-19 affect like Trade Show Support (TSS), Multi-Dimensional Economic Legal Reform Assistance Program (MELRA), Livelihood Advancement of Marginalized Populations (LAMP) Project, Kabul Carpet Export Center (KCEC), Global Broadband and Innovation (GBI) Program, Extractives Technical Assistance, The Goldozi Project, Afghan Growth Finance (AGF), Commercial Law Development Program, Development Credit Authority, Investment Climate Reform Program in Afghanistan, USAID Promoter’s Afghan Women in the Economy (WIE)⁷ etc. which were to provide boost to economy of Afghanistan.

As countries around the world shut their borders to contain COVID-19, the government of Afghanistan has adopted various containment and quarantine measures. Despite every effort, the pandemic is starting to strain the health, economic, and banking systems. With

⁴ <https://www.afghan-web.com/economy/>. Retrieved on May 18, 2020.

⁵ http://www.unodc.org/pdf/publications/afg_opium_economy_www.pdf. Retrieved on May 18, 2020.

⁶ <https://www.usaid.gov/afghanistan/economic-growth>. Retrieved on May 20, 2020.

⁷ <https://www.usaid.gov/afghanistan/economic-growth>. Retrieved on May 21, 2020.

over half of Afghanistan’s population living below the poverty line, the daily challenges they face – getting enough food to eat, affording to send their children to school or seeking healthcare – will only be magnified as the virus squeezes the economy and diverts government resources.

“The Afghan economy is already fragile, and the economic ramifications of the COVID-19 pandemic will be particularly tough. As the virus continues to spread, it will trigger economic fallout that will drive millions even deeper into poverty.”⁸

Export and import in Afghanistan

Afghanistan exports goods like fruits, nuts, Afghan rugs, wool, cotton, hides, gemstone and medical herbs from the countries like India, Pakistan, Iran, Iraq and Turkey and imports

machinery and other capital goods, food, textiles and petroleum products from countries like China, Iran, Pakistan, Kazakhstan, Uzbekistan and Malaysia.⁹ As we know that that Afghanistan depends on its agriculture and is developing country, its products are such of perishable nature like fruits and livestock and tourism. At this time most of the countries have imposed the lockdown throughout the boundaries and restrictions are imposed in the international fluctuation of the people and goods which completely hindered the economic position of Afghanistan.

Since, aviation and railway industry is stalled through the globe for international boundaries so this pushes back the Import and Export of Afghanistan and leads to trade deficit which can be calculated on can be calculated on different criteria of transactions like goods, services, goods and services.

Economy of Afghanistan, other Countries and Covid-19

Afghanistan is an import-driven economy, with more than 80 percent of its food imported from other countries. With the spread of the corona virus in neighboring nations such as

⁸ <https://reliefweb.int/report/afghanistan/news-alert-covid-19-straining-afghanistans-already-fragile-economy>. Retrieved on May 18, 2020.

⁹ Afghanistan, *The Observatory of Economic Complexity*, Archived from [the original](#) on 20 October (2017). Retrieved 25 June 2020.

Pakistan and Iran, imports may decrease as these countries become aware of their own domestic consumption.¹⁰

The Ministry of Economy warned earlier that unemployment in Afghanistan will increase by 40 percent and poverty will increase by 70 percent because of unemployment and the spread of the corona virus and seeing that informal businesses account for 80 percent of the country's economic activity, quarantining cities will further increase unemployment thus aggravating the economic constraints.¹¹

The June 2020 Global Economic Prospects describes both the immediate and near-term stance at global level for the impact of the pandemic and the long-term damage it has dealt to prospects for growth. The baseline forecast envisions remained at 5.2 percent contraction in global GDP in 2020 despite the astonishing efforts of governments to counter the slump with fiscal and monetary policy support.¹²

As we know that the economies of the world affected much due to covid-19 impact on every economic sector throughout the globe. The covid-19 pandemic has had a worse impact on all economic activities in the first half of 2020 than anticipated, and the loss is so drastic that sudden recovery is not possible within few years. The covid-19 pandemic has spread with tremendous speed which infects millions of people which bring economic activity to a standstill as most of the countries imposed stiffed limitations on movement to bring to a standstill the spread of the virus.

Following the release of the April 2020 WEO, the pandemic affects hardly the emerging market and developing economies of the developing countries like Afghanistan, necessitating stringent lockdowns and resulting in even larger disruptions to activity than forecast.¹³

Since, the country depends on the financial aid of foreign country this made the position of Afghanistan much vulnerable. In this regard Afghan Development Progress report of Biruni

¹⁰ https://nationalinterest.org/blog/middle-east-watch/effect-coronavirus-afghan-economy-157441?fbclid=IwAR122YV0kVXpO000c_OH4hnf8iZHkWRIAqvGGHhJz0KmlI78TU1cx-x7n4. Retrieved on June 21, 2020.

¹¹ https://nationalinterest.org/blog/middle-east-watch/effect-coronavirus-afghan-economy-157441?fbclid=IwAR122YV0kVXpO000c_OH4hnf8iZHkWRIAqvGGHhJz0KmlI78TU1cx-x7n4. Retrieved on June 21, 2020.

¹² <https://www.worldbank.org/en/news/feature/2020/06/08/the-global-economic-outlook-during-the-covid-19-pandemic-a-changed-world>. Retrieved on June 18, 2020.

¹³ <https://www.worldbank.org/en/news/feature/2020/06/08/the-global-economic-outlook-during-the-covid-19-pandemic-a-changed-world>. Retrieved on June 18, 2020.

Institute revealed that if the government decides to apply an austerity policy in the face of an outbreak of corona virus, and reduce the budget by one billion dollars, the economic growth rate will slump by 11 percent. over 50 percent of the national budget is being paid by the foreign donors, and of that 37 percent is paid by the US.¹⁴

Biruni Institute concluded that, due to sluggish activity, the Afghan economy will contract by 3.3 percent at least in their moderate scenario and 9.9 percent in an acute corona virus scenario. In addition, the \$1 billion reduction in U.S. aid to Afghanistan is expected to take a heavy toll on the already disturbed economy.

The crisis highlights the need for urgent action to mitigate the pandemic’s economic consequences, protect vulnerable populations, and set the stage for a durable recovery. For emerging market and developing countries like Afghanistan, many of which face scary vulnerabilities, it is critical to strengthen public economic systems, address the challenges posed by informality, and implement reforms that will support strong and sustainable growth once the health crisis abates.

The worse challenge in Afghanistan to recover dying economic condition which depends on the agriculture and where 50 percent are poor is the challenge of quickly getting financial support in the hands of people who lost jobs amid the covid-19. Economic lockdowns, physical distancing measures, patchy social protection systems and, especially for low-income countries, the high level of informality, complicate the task make the condition worse.¹⁵

The June 2020, Global Economic Prospects describes both the immediate and near-term outlook for the impact of the pandemic and the long-term damage it has dealt to prospects for growth. The baseline forecast envisions a 5.2 percent contraction in global GDP in 2020, using market exchange rate weights the deepest global recession in decades, despite the extraordinary efforts of governments to counter the downturn with fiscal and monetary policy support. Over the longer horizon, the deep recessions triggered by the pandemic are

¹⁴ <https://tolonews.com/afghanistan/impact-afghan-economy-aid-cut-covid-19-survey>. Retrieved on June 18, 2020

¹⁵ <https://www.worldbank.org/en/news/feature/2020/06/08/the-global-economic-outlook-during-the-covid-19-pandemic-a-changed-world>. Retrieved on June 18, 2020

expected to leave lasting scars through lower investment, an erosion of human capital through lost work and schooling, and fragmentation of global trade and supply linkages.¹⁶

Every region is subject to substantial growth downgrades. East Asia and the Pacific will grow by a scant 0.5%. South Asia will contract by 2.7%, Sub-Saharan Africa by 2.8%, Middle East and North Africa by 4.2%, Europe and Central Asia by 4.7%, and Latin America by 7.2%. These downturns are expected to reverse years of progress toward development goals and tip tens of millions of people back into extreme poverty.¹⁷

In U.K., the position is stipulated through the report of KPMG which give a comparative understanding of drastic impact of COVID 19 by comparing 2020 over 2019. In 2019, GDP was 1.4 but in 2020 it remained at 1.7. Unemployment rate which was 3.8 in 2019 now in 2020 is 4.1, Base interest rate decreases from .75 to .25 where as inflation increases from 1.8 to 2.0.¹⁸

In America position is not different. The GDP growth plunging to -13%, GDP contracting 1.7% in 2020, unemployment approaching 9% by December, and inflation slipping to 1.3% in 2021. GDP growth in 2021 is projected at 3.8%, but the economy does not regain full employment until 2023. By the end of that year, the stocks in the S&P 500 Index recoup recent losses. Over the next five years, the pandemic will cost the economy \$1.5 trillion in foregone GDP.

In addition, the slump casts a shadow forward on possible output, which remains slightly below the pre-virus path for several years after 2024. Hence, the cost of the pandemic continues to rise even after the economy regains full employment, albeit at a much slower pace than during the recession itself.¹⁹

A particularly concerning aspect of the outlook is the humanitarian and economic toll the global recession will take on economies with extensive informal sectors that make up an estimated one-third of the GDP and about 70% of total employment in emerging market and

¹⁶ <https://www.worldbank.org/en/news/feature/2020/06/08/the-global-economic-outlook-during-the-covid-19-pandemic-a-changed-world>. Retrieved on June 8, 2020

¹⁷ <https://www.worldbank.org/en/news/feature/2020/06/08/the-global-economic-outlook-during-the-covid-19-pandemic-a-changed-world>. Retrieved on June 29, 2020

¹⁸ <https://home.kpmg/uk/en/home/media/press-releases/2020/03/covid-19-brings-uk-economy-to-temporary-standstill-but-upturn-expected-in-2021.html>. Retrieved on June 16, 2020

¹⁹ <https://ihsmarkit.com/research-analysis/covid19-impact-update-us-gdp-to-plunge-to-13-q2.html>. Retrieved on June 19, 2020

developing economies. Policymakers must consider innovative measures to deliver income support to these workers and credit support to these businesses.²⁰

CONCLUSION AND RECOMMENDATIONS

There are some common points regarding this pandemic that we should know, covid-19 is a humanitarian pandemic on international and national level. This virus continues to spread throughout the all world day by day. The governments are facing with problem of having to do and act rapidly and at huge scale across a wide range of the country. All countries including those that have seemingly passed peaks in infections should ensure that their health care systems are adequately resourced.

The international and national community must vastly step up its support of national initiatives, including through financial assistance to countries with limited health care capacity and channeling of funding for vaccine production as trials advance, so that adequate, affordable doses are quickly available to all countries. This pandemic highlights the requirement for urgent action to cushion the pandemic’s health and economic results, support vulnerable populations, and manage the level for a lasting recovery.

This type of pandemic and crisis gives an opportunity to develop and developing countries governments to develop readiness for future pandemic and crisis. Additionally, to national measures to ensure supply, there may be scope for an international agreement to provide greater predictability and certainty on availability of key supplies in international markets and build confidence that trade will keep flowing to support the management of future pandemic and crisis.

A possible agreement in future among the countries could include the following factors: ensuring transparency, cutting tariffs on essential medical products, disciplines on export restrictions, upfront investments in co-operative solutions and addressing the needs of the most vulnerable countries.

Consequently, based on the present research, the following suggestions are being concluded:

²⁰ <https://www.worldbank.org/en/news/feature/2020/06/08/the-global-economic-outlook-during-the-covid-19-pandemic-a-changed-world>. Retrieved on June 28, 2020.

1. All the world together has to show unity and to promote harmony and spirit of brotherhood and helping to combat with this deadly pandemic.
2. The international economic institutions and organization should comparatively help the developing countries according their requirement and negative impact of covid-19.
3. It is already discussed in economic position of Afghanistan that the Afghanistan’s economy depends on international financially support and helping, during covid-19 Afghanistan government have got a lot of financial support of many international organizations and government, so the Afghan government must invest these huge number of money on economic infrastructure of Afghanistan in different areas.
4. As we know Afghanistan is a Lockland country, the air corridor is the most important way for Afghanistan import and export, as we know during covid-19 it is facing with problem and mostly stopped; so the government of Afghanistan should find alternative solution for Afghanistan export and import.
5. There is thus a need to consider how to keep trade flowing in the current crisis and to ensure it can help underpin global recovery. This means both actions and decisions today and with an eye to the future.
6. With covid-19 hitting countries at different times and rates, access to global demand via open markets and continued trade will be important for supporting and sustaining economic recovery.