



# India's Trade with Afghanistan and Nepal

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## Why in News?

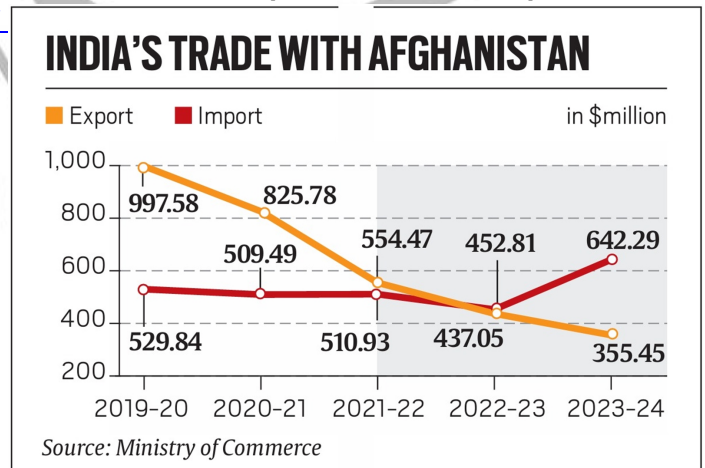
India recorded an unusual **trade deficit with Afghanistan** in the year 2023-24.

- In another development, **soybean oil imports** from Nepal surged 14-fold (April-November 2024), possibly due to **rule-of-origin (RoO) violations**.

Click Here to Read: [How is India's Relations with Afghanistan?](#)

## What are Key Highlights of India Trade with Afghanistan and Nepal?

- **Afghanistan:**
  - **Bilateral Trade Trends:** India's exports to Afghanistan fell from **USD 825.78 million in 2020-21 to USD 355.45 million in 2023-24**, while imports rose from **USD 509.49 million in 2020-21 to a record USD 642.29 million in 2023-24**.
    - Before this, the last time India saw a **trade deficit (USD 0.73 million)** with Afghanistan was in **2000-01**. //



- **Imports:** Agricultural products like **figs, asafoetida, raisins, apples, garlic, saffron, almonds, onions, pomegranates, and walnuts** dominate.
- **Exports:** Mainly **medicines, vaccines, soybean meal, and garments**.
- **Key Products:** In **2023-24**, Afghanistan was the primary supplier of **asafoetida, raisins, and garlic**.
  - In 2023-24, Afghanistan became India's **3rd-largest apple supplier**, (surpassed Italy and the US) after **Iran and Turkey**.
- **Nepal:** India's **total soybean oil imports rose by 19%** to nearly **USD 3 billion (April-November 2024)** from **USD 2.5 billion in 2023**.
  - **Rule-of-Origin Violation:** Nepal **imports 98% crude edible oil, refines it, and exports it to India** indicating **duty structure exploitation**.

- Nepal enjoys a **30% tariff advantage** over other exporters due to the **Nepal-India Treaty of Trade (2009)**, allowing **duty-free exports** to India.

**Note: Rules of Origin (RoO)** are the criteria used to **determine** the **country of origin** of a product in international trade.

- RoO helps **prevent "trade deflection,"** where goods produced in one country are **routed through another country** to take advantage of lower tariffs.
- RoO is governed by the **World Trade Organization (WTO)** through its **Agreement on Rules of Origin**.

## Nepal-India Treaty of Trade 2009

- **Duty-Free Access:** It provides **non-reciprocal duty-free access** for all **Nepali-manufactured goods** except for a **negative list** (e.g., cigarettes, alcohol, cosmetics).
- **Annual Quotas:** It had been prescribed only for **duty-free exports** to India for four sensitive items i.e., **vegetable fats, acrylic yarn, copper products, and zinc oxide**.
- **Trade Mechanism:** India-Nepal bilateral trade is conducted in **Indian rupees**, with the exchange rate fixed at **1.6 Nepali rupee per Indian rupee**.

**Click Here to Read: [Areas of Cooperation Between India and Nepal](#)**

## UPSC Civil Services Examination, Previous Year Questions (PYQs)

### ***Prelims***

**Q. Consider the following countries: (2022)**

1. Azerbaijan
2. Kyrgyzstan
3. Tajikistan
4. Turkmenistan
5. Uzbekistan

**Which of the above have borders with Afghanistan?**

- (a) 1, 2 and 5 only
- (b) 1, 2, 3 and 4 only
- (c) 3, 4 and 5 only
- (d) 1, 2, 3, 4 and 5

**Ans: (c)**