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This note examines the food-security and market impacts of the Afghanistan-Pakistan conflict and border closures, and how the Iran crisis amplifies these pressures through energy, trade, and corridor risks.

EXECUTIVE SUMMARY

In mid-October 2025, heavy clashes between Afghan and Pakistani forces along the border prompted Pakistan to *close all eight major official border crossings*, including the key **Torkham crossing** in the east and the **Spin Boldak-Chaman corridor** linking Kandahar with Pakistan's Balochistan. The closures halted trade and most cross-border movement, stranding thousands of people and trucks and disrupting long-established supply routes. While limited humanitarian movements were later permitted, primarily to allow Afghan refugees to return, commercial trade and transit have largely remained suspended.

Against this backdrop, the Afghanistan–Pakistan conflict and associated border closures constitute a **major shock** shaping food security, markets, livelihoods, and humanitarian operations in both countries. Afghanistan is particularly affected through market-mediated food-access pressures, reflecting its strong dependence on Pakistan corridors for key imports such as cooking oil, rice, fuel, and other consumer goods. Pakistan's exposure is more concentrated in livelihood, fiscal, and employment losses in border districts and trade-dependent sectors.

Market data from areas near the border indicate that, following the closures, prices for key imported goods - especially cooking oil and rice - rose more sharply on the Afghanistan side. Fuel costs also increased, adding to transport and market expenses. This pattern is consistent with Afghanistan's heavier reliance on the border remaining open and reliable for supply.

The **Iran crisis**, which escalated sharply in late February 2026, adds a **compounding shock**. Through higher energy prices, freight and insurance costs, pressure on wheat and input markets, and heightened displacement risks, developments linked to Iran amplify the impacts of the Afghanistan-Pakistan conflict by increasing costs and uncertainty across already-constrained trade and humanitarian corridors.

1: Afghanistan-Pakistan Conflict and Border Closures: Core Shock

1.1 From Episodic Closure to Structural Disruption

Since mid-October 2025, major Afghanistan-Pakistan border crossings-most notably **Torkham** and **Spin Boldak – Chaman** have experienced prolonged and repeated closures following armed clashes and escalating tensions. Throughout this period, regular commercial trade and cargo movements have not resumed. By early 2026, these disruptions had persisted long enough to reshape trade behavior, market expectations, and household coping strategies. The late-February 2026 escalation into open military confrontation effectively shut all major crossings, intensifying uncertainty for traders, humanitarian actors, and border communities.

Operational assessments indicate that the border is likely to remain closed for an extended period, reinforcing the shift from temporary disruption to **structural interruption** with enduring economic and food-security consequences.

1.2 Asymmetric Exposure Between Afghanistan and Pakistan

Afghanistan relies heavily on Pakistan for imports of **wheat flour, edible oil, fuel**, pharmaceuticals, and consumer goods, making eastern and southern provinces acutely sensitive to border disruptions.

Pakistan's exposure is concentrated in **export losses, transit revenues, and livelihoods** in border districts and trade-dependent sectors. This asymmetry explains why the conflict produces **market-mediated food-access shocks in Afghanistan** and **livelihood-mediated food-security stress in Pakistan**.

1.3 Livelihoods and Displacement

Border towns such as Torkham and Chaman host dense ecosystems of transporters, clearing agents, porters, and small traders. Prolonged closures led to office shutdowns, job losses, and income collapse for daily-wage workers. Recent reporting indicates **new internal displacement in parts of Khyber Pakhtunkhwa**, underscoring how sustained livelihood disruption linked to the conflict is translating into population movement and heightened vulnerability.

1.4 Market and Price Effects in Border-Adjacent Areas

To understand the effect of border closure on retail price trends, price data was analysed from WFP in Afghanistan and government sources in Pakistan for areas near the two major crossings: Spin Boldak (Kandahar-Quetta) and Torkham (Nangarhar-Peshawar).

In Afghanistan, border closures disrupted supplies of staple foods and edible oil, increased transaction costs, and forced traders toward slower and more expensive alternative routes. Border-adjacent market data show stronger post-closure price pressure on the Afghanistan side for highly import-dependent items, particularly **cooking oil** and **rice**, while wheat-flour price dynamics diverge, reflecting the influence of domestic macro-economic and policy factors on the Pakistan side in addition to cross-border disruptions.

On the Pakistan side, closures produced localized price spikes for Afghan-sourced fresh produce (fruits and vegetables) and eggs, while blocked export outlets depressed farm-gate prices for some

commodities due to blocked export outlets, while broader staple inflation has been driven primarily by domestic macro-economic and energy factors.

Fuel prices movements during the July-October 2025 period were driven primarily by supply constraints linked to concerns over the quality of diesel imported from Iran. This issue reduced available supply in Afghanistan and contributed to sustained upward pressure on prices, which continued to rise and peaked around October. Although the AFG-PAK border closure occurred during the same period, price dynamics do not suggest a causal relationship: prices had already been increasing well before the closure, and they began to decline rapidly even while the crossing points remained shut. In Pakistan, price fluctuations were comparatively moderate, largely reflecting domestic pricing policies rather than cross-border trade conditions. The Afghanistan price changes underline vulnerability to disruptions in Iranian supplies, further discussed on page 3.s.

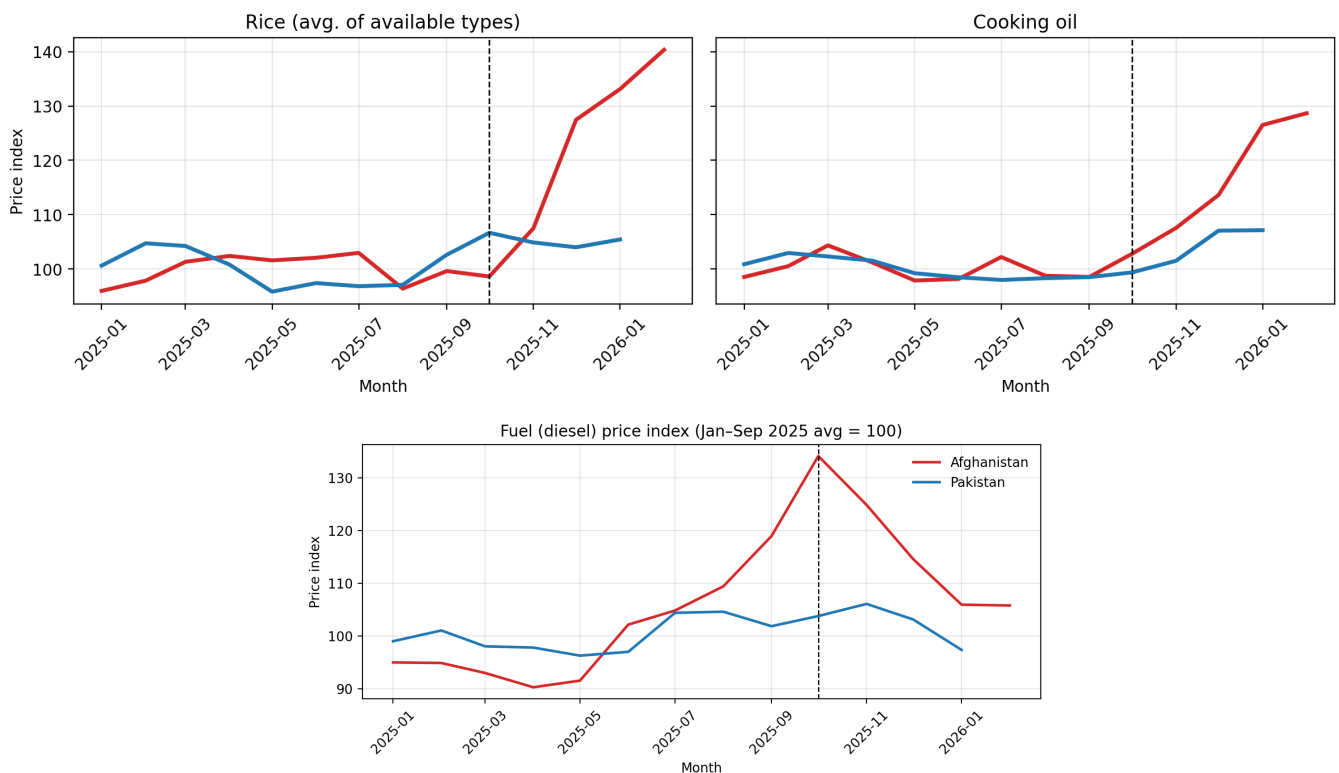


Figure 1 – Border-area price indices for selected import-sensitive staples (cooking oil, rice, fuel), Jan 2025–Feb 2026. Index = Jan–Sep 2025 average = 100. Afghanistan (Nangarhar & Kandahar) vs Pakistan (Peshawar & Quetta).

2. Iran Crisis Spillover: Secondary but Compounding Shock

2.1 Energy Prices and Cost Transmission

The escalation of the Iran crisis since late February 2026 triggered sharp increases in oil prices and heightened volatility in global energy markets. For Pakistan, where fuel accounts for a substantial share of imports, higher oil prices transmit rapidly into inflation, transport costs, fertilizer prices, and milling expenses, amplifying food price pressures. Afghanistan experiences indirect pass-through via higher freight costs, more expensive alternative corridors, and increased domestic transport costs.

2.2 Trade, Shipping, and Corridor Risk

The Iran crisis has raised war-risk insurance costs and freight rates across maritime routes linked to the Gulf. Even without a full closure of the Strait of Hormuz, risk premiums and rerouting decisions increase delivery times and costs. For landlocked Afghanistan, these dynamics interact directly with already constrained Pakistan corridors, increasing reliance on longer and costlier routes via Iran and Central Asia at a moment of heightened regional uncertainty.

2.3 Wheat, Food, and Input Markets

Geopolitical escalation affects wheat markets through higher energy and fertilizer costs and increased market uncertainty. Afghanistan and Pakistan are both net wheat importers, and wheat flour is a primary staple. As a result, energy-driven cost increases linked to Iran compound the market effects of border closures, accelerating purchasing-power erosion, particularly in Afghanistan.

2.4 Displacement and Remittance Exposure

The Iran crisis heightens risks for Afghan nationals residing in Iran and the wider region, with potential implications for returns, displacement, and remittance flows. These dynamics intersect with Afghanistan's already strained absorption capacity and Pakistan's exposure to remittance-linked income shocks, further amplifying vulnerability.

In addition, a prolonged or escalating crisis involving Iran could trigger further forced displacement from Iran into both Afghanistan and Pakistan, increasing pressure on services, labour markets, and food access and compounding existing food-security risks.

3. Convergence of Shocks: Why the Combined Risk Is Greater Than the Sum of Parts

3.1 Reinforcing Price and Access Pressures

The Iran crisis amplifies the Afghanistan–Pakistan conflict by raising fuel, freight, and insurance costs at the same time that land borders are constrained. For Afghanistan, this results in **higher costs across all available corridors**, reducing the effectiveness of route diversification and increasing the risk of localized shortages and price volatility.

3.2 Humanitarian and Operational Constraints

Border closures already represent a material risk to humanitarian supply chains into Afghanistan, causing pipeline instability and delays in specialized nutrition commodities. Regional escalation linked to Iran transforms these risks from contingent to acute, as corridors from both Pakistan and Iran face uncertainty and alternative sourcing requires longer lead times and higher costs.

3.3 Scenario Implications

- **De-escalation:** Energy prices stabilize but remain elevated; border disruptions continue to drive localized food-access stress in Afghanistan and livelihood losses in Pakistan.
- **Protracted escalation:** Sustained fuel and freight costs combine with border closures to deepen purchasing-power erosion, increase displacement risks, and strain humanitarian pipelines.
- **Regional spillover:** Large-scale displacement, severe market disruption, and acute food-security deterioration become plausible, particularly in eastern and southern Afghanistan; Pakistan would also face rising macroeconomic stress through higher fuel import costs, foreign-exchange pressures, and inflation pass-through.