

The launch of India-Central Asia Business Council on February 7, 2020, in New Delhi signals the renewed focus to boost business & economy between India and Central Asian Countries. India and the five Central Asian republics -Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan declared to collaborate to promote business in the region. External Affairs Minister S. Jaishankar highlighted the formation of the Council as a significant step in exploring the investment opportunities and examining the viability of establishing air corridors between India and Central Asia. At the same, he also expressed the concern over India's low level of trade with the Central Asian Republics "despite excellent bilateral relations".

India's economic relations with Central Asian Republics have been shaped by the new economic order where India engages with the region through extended neighbourhood policy. Within the framework of Connect Central Asia policy launched in 2012, India seeks to maintain peace and stability in the region securing energy security, prevent terrorism, control drug trafficking, and establish mutually beneficial economic ties. India has adopted the multilateral approach towards the Central Asian Republics. India is developing its contact with the region not only through strengthening bilateral relations but also as a new member of the Shanghai Cooperation Organization (SCO) and connectivity projects. India has successfully agreed to the renovation of Chabahar port, development of International North-South Corridor (INTSC) and membership of Ashgabat Agreement.



Indian Prime Minister Narendra Modi and Pakistan Prime Minister with other leaders during SCO summit 2018

India's renewed interest in Central Asia can be attributed to the geopolitical relevance of the region with Chinese inroads in the region through infrastructural projects like Belt and Road Initiative (BRI), a continued legacy of Russia's dominance, and the external security dynamics. India's trade level amounts with Central Asian countries amount to US\$2 billion now which is less than 0.5 percent of India's overall trade volume, and a fraction of the region's US\$100 billion trade with China. India's lack of visibility in the Central Asian region can be accorded to geographical as well as geopolitical factors. Absence of direct land connectivity to the Central Asian region act as a constraint in India's economic engagement in the region. The unfriendly investor unfriendly environment along with a strict visa regime in Central Asian countries proves to be another major obstacle in strengthening economic contacts. Instability in Afghanistan due to terrorist activities and drug trafficking also limit

India's reach to the Central Asian region. The reluctance of Pakistan to allow the transit route to India worsens the situation as seen in the case of Turkmenistan Afghanistan Pakistan Iran (TAPI) pipeline which is on hold till date.

Chinese products enter Central Asia with relative ease and provide a tough competition to India. While China caters to a wide range of products from oil, gas to mobile phones. India's trade relations limit to high-end products. India has the potential to revitalize the economic relations not just through connectivity and energy security but in the spheres of knowledge transfer, enterprise, innovation, pharmaceutical, tea industry, and spices. India's major trade in the region is more than half with Kazakhstan (55 percent) and Uzbekistan (20percent) Turkestan (10%) Kyrgyzstan (9%) Tajikistan (6%). India has to adopt a country-specific trade strategy instead of one size fits all approach while engaging with Central Asia



Silk Industries in Bukhara

The Central Asian region is experiencing high growth in the construction industry and cities of Tashkent, Bukhara, and Samarkand offers great scope for investment in construction works for India. India has immense potential in developing small and medium scale industries in the region which is presently being provided through India's program of ITEC (Indian technical and economic cooperation). The pharmaceuticals offer a huge component

for India 's export component of Central Asia worth 28.14 percent of total exports. Indian companies can actualise their share in the market through joint ventures and setting up manufacturing units of pharmaceutical products in the region.

Sericulture has re-emerged as an area of synergetic importance in the region. According to International Sericulture Commission 2018, Uzbekistan is the third-largest producer of silk following China and India. India and Central Asia can collaborate by setting up of integrated textile plants within the region to manufacture high-quality silk material. Similarly, according to the Indian Chamber of Commerce 2017-18, India is the world's second-largest tea producer with a total production of 1325.05 million kgs. Central Asian people are often known as "tea addicts" and offer a huge market for Tea. Trade facilitation centres are required to boost the centuries-old dry-fruit, tea, and species trade from Central Asian countries to India. Kyrgyzstan, Tajikistan, and Uzbekistan have a large production of various such as cumin, saffron, pepper, etc. which have immense potential to boost the trade volume with India



Chorsu Bazaar, Tashkent, Uzbekistan

This would also result in the targeted development of small farmers through a new export market for both India and Central Asian countries. Central Asia has vast potential of untapped service market and India can bridge the gap of rise in demand and lack of services. India, being a major hub of the Information Technology sector, has vast scope for collaboration with these economies for strengthening its Information Communication Technology (ICT) sector. Integrating the service sector of central Asia with information technology would transform the manufacturing and service sectors. India and Central Asian republics can partner in language training while collaborating on the tourism sector which can provide the twin benefits of employment generation. India needs to focus on trade in finished and semi-finished products and not just limit its trade relations to import hydrocarbons from the Central Asian Region. It is imperative for India to shift the focus from import orientation to establishing a manufacturing base in Central Asia. India needs to establish the base of a special manufacturing zone with a tax-free zone for the goods. Central Asian countries would be mutually interested in manufacturing bases as it will save their industries from Chinese dominance and provide jobs to the Central Asian workforce. It will also boost the local domestic growth and would ease the viability of products such as agricultural products. India's public sector undertakings (PSU's) with the private players have the potential to tap the exports of Central Asian products not just to India but to third countries as well which require a huge financial investment in resources. It can be illustrated in the case of the untapped Hydel potential of Tajikistan and Kyrgyzstan which is to be supplied to China which at present is only 6% of the total capacity. While the economic partnership will be the key driver of the relationship between India and Central Asia, the cooperation will manifest in strategic and defence spheres too. India's recent entry into Shanghai Cooperation Organization (SCO) and participation in the Eurasian economic union will affect the relations between Central Asia and South Asia. India's engagement with China, Russia, European Union within the multilateral regional structure would open the avenues of economic cooperation the Central Asian region

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