

# Central Asia and South Asia: Potential of India's Multilateral Economic Diplomacy in Inter-Regional Cooperation

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## Abstract

*The unique feature of the Indian economy over the past few decades has been a combination of high growth and stability. It has proved its strength and resilience through this period. India's economic diplomacy with the Central Asian and South Asian nations also shows a continuing positive trend. High-level visits are exchanged on a regular basis. Today's India is not only a reliable business partner on a bilateral basis, but given its own economic potential and rich experience it is one of the most suitable countries in Asia to promote active economic cooperation between Central and South Asia. India's political and economic diplomacy with Central Asian and South Asian nations are therefore strategically important from the perspective of inter-regional cooperation.*

## Introduction

At the 13<sup>th</sup> SAARC Summit Indian Prime Minister Manmohan Singh had emphasised: "It is important that we assess South Asia Regional Cooperation in the larger Asian context."<sup>1</sup> He also underlined that "all South Asian countries would provide to each other, reciprocally, transit facilities to third countries, not only connecting one another, but also connecting to the larger Asian neighbourhood, in the Gulf, Central Asia and in the South-East Asia. India, which borders each of the members of the South Asia, is willing to do so." A close reading of the statement reveals its historic importance.

India has had strong historical relations with the Central Asian region (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan) and the South Asian states (Bangladesh, Bhutan, Maldives, Nepal, Pakistan and Sri Lanka). Both Central Asia and South Asia are centres of ancient

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civilisations with a great deal of mutual economic and cultural interaction over the centuries. This history of strong ties is of great importance in today's context. India is experiencing all-round development with a high growth rate in its gross domestic product and its economy is geared up for competition in the international market. These two factors – strong historical ties and India's emergence as an outward looking major world economy makes ideally positioned to promote active Inter-Regional Cooperation between the Central Asian and the South Asian regions (IRC-CASA).

Within South Asia, India is advancing the cause of common economic development with its neighbours. All the Subcontinent's countries are members of the South Asian Association for Regional Cooperation (SAARC), which was established at the First SAARC Summit in Dhaka on December 7-8, 1985.<sup>2</sup> India is the only SAARC member that shares land borders with four members and sea borders with two. It is potentially a source of large investments and technology and a major market for products from all other SAARC members. It is also seeking to evolve a similar, strong relationship with each of the Central Asian countries. Secularism is a value that is shared by Central Asia and India.

Moreover, Central Asia has a positive and extremely friendly disposition towards India. India participates actively in the Conference on Interaction & Confidence Building Measures in Asia (CICA),<sup>3</sup> which has 16 Asian nations as members. On the Ministerial meeting of CICA, which took place in Almaty, Kazakhstan in October 21-22, 2004,<sup>4</sup> India's External Affairs Minister K. Natwar Singh said that "Our engagement is reflective of the constructive contribution that India can make to peace and stability in Asia and globally."<sup>5</sup> He emphasised that "peace and stability can only be ensured through a truly multilateral approach among the nations" and added that "India had actively sought to strengthen and deepen its relationship with all the countries in its extended neighbourhood".

India also joined the Shanghai Cooperation Organisation (SCO) as an observer in July 2005. Natwar Singh in his address at an SCO meeting of heads of government in Moscow on October 26, 2005 declared "India's intention to play an active role in SCO."<sup>6</sup> He affirmed "India's support to the SCO initiatives to increase intra-regional trade and economic cooperation", and called for "developing SCO cooperation in the energy sphere". The Minister also stressed "the need to develop transportation

networks, such as the North-South Transport Corridor, which provides a shorter and more efficient trade route to Russia and landlocked Central Asia." Speaking at a brief press conference after the session, Natwar Singh said joining the SCO signalled "our strong interest in cooperating with the SCO in its initiatives to enhance regional economic cooperation and combat terrorism."

All these initiatives provide a base wherefrom India's multilateral economic diplomacy could play active role in IRC-CASA.

### **India and Central Asia: Expert Views**

There has been a spate of recent writings that stress the great prospects in Indo-Central Asian ties. In the book *"India and Central Asia: Cultural, Economic and Political Links"*<sup>7</sup> Surendra Gopal writes about the Indians in Central Asia in the 16<sup>th</sup> and 17<sup>th</sup> centuries, including Indian traders in Uzbekistan. "The Indians were able to gain access to important trade centres in Central Asia ..."<sup>8</sup> On the significance in building overall cooperation, Davendra Kaushik states that through history "... the economic relations between India and Central Asia continued to exist notwithstanding the numerous obstacles ..."<sup>9</sup>

Since the emergence of the new Central Asian states high-level visits between India and Central Asian nations have been exchanged on a regular basis. These have been complemented by industrial and consumer goods exhibitions, besides visits of trade delegations. Economic relations are, showing a continuing positive trend. Efforts are currently being made to encourage Indian investors to enter the manufacturing sector in these countries through joint ventures, commensurate with their preferred policy. There is ample awareness in Central Asia of India's strength in a number of niche areas, including small and medium industries, and in human resource development. Also, "some of the largest oil exploration, drilling, and pipeline projects of recent times have been signed in this region... If these contracts prove lucrative, India could bid for bigger energy projects."<sup>10</sup>

Studying Indian strategy in Central Asia, Stephen Blank says that "As India has developed a growing arsenal of economic, political, and military policy instruments for use in Central Asia, most observers maintain that India policies and relationships in and around Central Asia have become much more coherent."<sup>11</sup> He underlines that "India's growing interest in Central Asia is not confined merely to the linked threats of terrorism,

separatism, drug trading, and incitement to civil violence. It also has deep and long-standing strategic and economic roots."<sup>12</sup> Also, "Central Asia's large gas and oil reserves and India's rising demand for energy sources also suggested a naturally complementary relationship."<sup>13</sup>

On prospects for India's trade and investment in Central Asia, T.K. Bhaumik says that "Indian industry can develop a long-term partnership with the region and help the CARs achieve their goals of export growth. Indian companies can play a major role by investing in sectors that have the potential for exports. Some of the prominent export sectors of the region are aluminium, textiles, machinery, chemicals, agricultural products, oil and gas, and other energy products. Incidentally, these are also the potential sectors for foreign investment in this region. ... While such a strategy would contribute significantly to the CARs' economic growth, it would also enable Indian companies to explore new global markets. ... Strategic investment in this region may, thus, offer access to larger markets in the future."<sup>14</sup>

Another article notes, "With the global race for scarce energy resources intensifying, India is increasingly looking to Central Asia both as a reliable source of oil and natural gas and a focus of its strategic interests in Asia. Besides oil, the Central Asian republics, including Turkmenistan, Kazakhstan, Uzbekistan, Kyrgyzstan and Tajikistan, are important for India from the viewpoint of national security, especially in combating terrorism fuelled by radical Islam. The potential for cooperation between India and Central Asia is huge and can encompass areas such as IT, biotechnology, telecom, service sector and education. Tourism to picturesque towns of Central Asia is yet another area that may lead to not only more business but also more people-to-people contacts with India. If India is to play its role as a major Asian power, it will have to deepen its engagement and raise its profile in the region."<sup>15</sup> Another analyst says, "India suffered a tremendous decline in its trade with Central Asia during 1991-94 that highlighted its faltering competitiveness with an already reformed China."<sup>16</sup>

A study on India's current relations with Central Asia says: "Today, Indian interests are substantial and are in the sphere of strategic, security, political and economic security. Any competition among major powers for control and influence in India's extended neighbourhood would have a bearing on its policy and diplomacy in the region. If the competitive element in Central Asia becomes a dominant tendency, India would have

to take hard decisions.”<sup>17</sup> S.D. Muni, notes “Central Asia’s geo-strategic location and its rich mineral and hydro-carbon resources”, and says that “India focused on three major areas of mutual interests namely: economic cooperation, terrorism and challenge of political stability, and issues of regional security and strategic order.”<sup>18</sup> He also emphasises that “the newly emerged Central Asia provides immense strategic and economic opportunities for India and Indian policy makers are trying to harness these opportunities. ... It is true that India suffers from the connectivity hurdle in harnessing full potential of Indo-Central Asian co-operation but there is also much scope for India to improve the economic management of its diplomacy.”<sup>19</sup>

In the 3<sup>rd</sup> India-Central Asia Regional Conference, which was jointly organised by the Institute for Defence Studies and Analyses (IDSA), New Delhi and the Institute for Strategic and Regional Studies (ISRS) at Tashkent, Uzbekistan Foreign Minister Sadik Safoev underlined “the need for broader cooperation between India and Uzbekistan in economic and technological arenas” and “... to coordinate their efforts in fighting against terrorism, religious extremism, drug trafficking and organized crime in the Central Asian region. ...”<sup>20</sup> Former Foreign Secretary and National Security Adviser, J.N. Dixit in the same conference said: “India must be more active in associating with new economic cooperation and regional security arrangements, which are being initiated by Central Asian Republics.”<sup>21</sup> Ravshan Alimov emphasised “India’s important role in ensuring regional security in Central Asia” and noted “India’s interest in the implementation of major transportation-communication and hydropower projects in the region, in order to ensure stable supplies of energy raw material, can also facilitate increase in the potential of these projects at the international level”. He also underlined, that “the growth of the Indian economy can enable India to intensify its trade, financial and economic cooperation with the countries of the region, taking into account, in particular, the present need of the Central Asian Republics for foreign investment.”<sup>22</sup>

Considering the potential that the Central Asian region offers and India’s insignificant presence in that market, the Focus CIS Programme<sup>23</sup> was launched by the Indian Commerce and Industry Minister in 2003 at the time of the announcement of the EXIM Policy in March 31, 2003. The Programme aims to focus at countries of the CIS region with emphasis in the first phase on seven countries namely Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Ukraine and Uzbekistan. With a

view to enhance India's trade with countries of the CIS region, including Central Asia, the scope of the Focus CIS Programme has now been extended till 2007-2008.

Under this Programme, the Government of India extends assistance to exporters, business chambers, etc., to visit these countries, organise trade fairs, invite CIS trade delegations to visit India and undertake various other market promotional activities. The initiatives taken under this Programme have received an encouraging response from the Indian trading community and are likely to further boost bilateral trade in the coming years. In the recent past, economic liberalisation measures, establishment of institutional mechanisms for mutual interactions and development of fast/direct links have contributed to increased economic interaction between countries of the Central Asian Region and India. However, the full potential is yet to be realised. Recognising the need for enhancing trade and to stimulate interest among the businessmen of both sides, a number of high level visits and a range of initiatives have been undertaken.

A Round Table on Trade with CIS Countries<sup>24</sup> was organised by the Federation of Indian Export Organisations (FIEO) in New Delhi in 2005 with exporters and senior diplomats from Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Tajikistan, Ukraine and Uzbekistan on prospects and problems of raising India's CIS trade and investment partnership. Subhash Mittal, Convenor FIEO Committee on International Trade and Export Promotion, noted that "India's exports to CIS were worth US\$ 919 million and its imports were of the order of US\$ 843 million in 2002-03. Just the next year, 2003-04 India's exports jumped to US\$ 1021 million and imports to US\$ 1216 million. Percentage-wise, he said, "India's trade with the Central Asian countries expanded to a greater degree, recording above 50 per cent growth since 2002-03. This showed that there was still very large scope for India and the CIS countries to raise their trade."

### **India and Kazakhstan**

India's relations with Kazakhstan have progressed smoothly.<sup>25</sup> Kazakhstan's outlook towards India has changed significantly in the last years. The visit of the President of Kazakhstan Nursultan Nazarbayev to India in February 2002 deepened the relationship. The visit of former Prime Minister of India Atal Bihari Vajpayee to Almaty on June 3-5, 2002 provided an opportunity for consolidation and concretisation of the relations in the

areas identified during the visit of President Nazarbayev to India. Apart from hosting Kazakhstan President Nazarbayev<sup>26</sup>, India has also launched a regional “people-to-people” initiative by inviting diplomats, parliamentarians and opinion-makers from Central Asia to visit industrial and technological centres and also interact with senior politicians, officials and businessmen.

The 3<sup>rd</sup> meeting of the Indo-Kazakh Joint Business Council was held in Almaty in September 6, 2004. While the FICCI participated from the Indian side, the Kazakh Chamber of Commerce & Industry represented Kazakhstan. Under the Focus CIS programme, the Engineering Export Promotion Council (EEPC) organised INDIA TECH-2004 in Almaty in September 3-6, 2004 in collaboration with the Kazakh Chamber of Commerce and Industry and KITECH 2004 showcasing engineering products from 66 Indian companies. Soon after, Kazakh Industry and Trade Minister Adilbek Zhaksybekov visited India in September 15-18, 2004. Indian Minister of State for Commerce and Industry E.V.K.S. Elangovan visited Kazakhstan in January 12-14, 2005. The business delegation comprised representatives from FICCI, CII, EEPC, Pharmaceutical Export Council and Chemical Export Council. The 5<sup>th</sup> meeting of the Indo-Kazakh Joint Commission was held in Astana, Kazakhstan in February 17-18, 2005. The Minister of Petroleum and Natural Gas, Mani Shankar Aiyar led the Indian side and Vladimir Shkolnik, Minister of Energy and Mineral Resources, led the Kazakh..

The close political ties between two countries have encouraged them to identify and strengthen their economic relations.

**India-Kazakhstan Trade Figures 2000-2005 (as of February 10, 2006, in US\$ million)**

S.No.	Year	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
1	Export to Kazakhstan	50.08	45.7	46.88	74.81	79.4
2	Import from Kazakhstan	14.04	7.39	12.73	9.26	15.35
3	Total Trade	64.12	53.09	59.6	84.07	94.75

Source: Department of Commerce, Ministry of Commerce and Industry, GOI.<sup>27</sup>

Major commodities of export from India are tea, pharmaceuticals, medical equipment, machinery, tobacco, consumer items, etc. Major items of import by India are silver and silver-gold, asbestos, steel, aluminium, wool, raw hides, etc.<sup>28</sup>

India's energy demands are expected to reach nearly 3.5 million barrels per day (mbd) by 2010 from the present 1.9 mbd. Substantial progress has been made in the area of oil and gas:<sup>29</sup> joint exploration and production; improved and enhanced oil recovery from older fields; and building domestic and cross-border pipelines. Indo-Kazakh cooperation in science and technology, and information technology is also being given importance. Kazakhstan has invited Indian investment in pharmaceuticals, agriculture, transport, communications, construction, defence and hi-technology industries, and in small and medium scale industries such as garments, textiles and footwear.<sup>30</sup>

### **India and Kyrgyzstan**

Since the establishment of diplomatic relations between Kyrgyzstan and India, warm relationships have been kept up between two countries. Former President of the Kyrgyz Republic Askar Akaev paid a state visit to India in April 1999. An agreement on avoidance of double taxation, treaty on mutual legal assistance in criminal matters, cultural exchange programme for the years 1998-2000 and an MoU on civil aviation matters were signed during the visit. Indian Vice-President Krishan Kant visited Kyrgyzstan in August-September 1999. President Akaev again visited India on August 7, 2002, and discussed a wide range of bilateral and international issues, including political relations, trade and economic cooperation and the issue of Indian technical assistance.<sup>31</sup> Kyrgyzstan and India are keen to increase the level of trade and economic cooperation and the need to devise new spheres of beneficial cooperation in Information Technology (IT), mining, fruit processing and engineering sectors.

Kyrgyzstan is attaching overriding significance to boosting cooperation with India in various directions.<sup>32</sup> According to the Kyrgyz side, the priority fields of cooperation with India are tourism, training of specialists, developing small and medium-sized businesses, the processing and mining industries and information technology. To strengthen and support bilateral trade and economic relations, the Indo-Kyrgyz Joint Commission on Trade

and Economic and Science and Technical Cooperation and the Joint Business Council have been formed. They have had several meetings. There are several potential areas for Kyrgyz-Indian joint cooperation – food processing, information technology, tourism, pharmaceuticals, chemicals, cosmetics, engineering goods, electronics, banking service, mining. :

**India-Kyrgyzstan Trade Figures 2000-2005 (as of February 10, 2006, in US\$ million)**

S.No.	Year	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
1	Export to Kyrgyzstan	17.59	10.97	14.67	38.2	49.1
2	Import from Kyrgyzstan	4.43	0.56	0.47	0.54	0.62
3	Total Trade	22.02	11.52	15.13	38.74	49.72

Source: Department of Commerce, Ministry of Commerce and Industry, GOI.

Exchanges at the business level have taken place regularly.<sup>33</sup> The 3<sup>rd</sup> meeting of the Joint Business Council took place in May 2002 in New Delhi. The Kyrgyz delegation held a large number of one-to-one meetings with Indian businessmen and decided to cooperate in various fields of trade and economy, including machinery building, information technology, food processing, etc.<sup>34</sup> The 4<sup>th</sup> session of Indo-Kyrgyz JBC was held in Bishkek in September 7-8, 2004. FICCI and the Kyrgyz Chamber of Commerce and Industry participated in the JBC. In July 2004, a FIEO delegation comprising of Indian companies with interests in agro products, tea, exports of jewellery, gold and diamond mining, cotton processing, etc. visited Kyrgyzstan and met high-level officials in the Kyrgyzstan Government and various agencies.

### **India and Tajikistan**

Indo-Tajik bilateral relations have continued to deepen during the last few years. Tajik President Emomali Rakhmonov visited India in 1995, 1999 and 2001. The Joint Declaration on Principles of Mutual Relations, signed by the visiting Tajikistan President and the Indian Prime Minister charts out the future course of intensified cooperation between the two countries.<sup>35</sup>

During the talks, Indian Prime Minister Atal Bihari Vajpayee conveyed to Emomali Rakhmonov that India would offer a grant of US\$ 5 million to drought-hit Tajikistan to enable it to buy Indian goods and services. A senior Indian official added that Tajikistan needed help and India was keen to expand economic and cultural ties.<sup>36</sup>

Other recent visits from Tajik side have been those of the Chairman of the Tajik Parliament's Upper Chamber and Dushanbe Mayor (January 2003), Tajik Prime Minister in 1993, Trade and Economy Minister (December 2001). The Tajik Minister of Trade visited India in December 2001 in connection with the First Session of Indo-Tajikistan Joint Commission. From the Indian side, the visits have been that of Prime Minister (November 13-14, 2003) and other delegations. During External Affairs Minister Yashwant Sinha's visit to Tajikistan, the two countries agreed to set up a joint working group (JWG) on counter-terrorism and also decided to have a joint business council to boost bilateral trade, which stands at a dismal US\$ 3 million per annum.<sup>37</sup>

With the establishment of diplomatic relations with Tajikistan, the institutional and legal framework has been created to facilitate trade and economic cooperation. As a result of various recent visits, a number of bilateral agreements in the sphere of trade, economic and technical cooperation have been signed. These include the agreement to set up an Indo-Tajik Joint Commission for Economic, Scientific and Technological Cooperation, an agreement for bilateral investment protection, air services agreement, and an agreement on long term cooperation in trade, economy and industry. The Indian co-Chairman of the Joint Commission is the Union Commerce & Industry Minister and the Tajik co-Chairman is the Minister for Trade and Economy. The first Joint Commission meeting was held in New Delhi in December 2001 and the second session was held in Dushanbe in July 8-9, 2005.

**India-Tajikistan Trade Figures 2000-2005 (as of February 10, 2006, in US\$ million)**

S.No.	Year	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
1	Export to Tajikistan	3.55	1.22	8.65	4.47	6.25
2	Import from Tajikistan	0.54	1.34	0.08	3.95	3.98
3	Total Trade	4.1	2.56	8.73	8.42	10.23

Source: Department of Commerce, Ministry of Commerce and Industry, GOI.

An Indian delegation headed by Joint Secretary (Eurasia) of the Ministry of External Affairs visited Tajikistan in May 7-9, 2004. Under India's aid programme ten buses were gifted to the city of Dushanbe. A US\$ 8.37 million grant extended to Tajikistan was waived off. A project under India's aid programme to set up a fruit processing plant in Dushanbe was completed and handed over to the Government of Tajikistan in January 2005.

### **India and Turkmenistan**

India recognised Turkmenistan in December 26, 1991 and established its Embassy in Ashgabat in January 30, 1994. The foundation of vibrant political relations between the two countries was laid with the visit of President of Turkmenistan, Saparmurat Niyazov to India in April 18-20, 1992. Prime Minister P.V. Narasimha Rao paid an official visit to Turkmenistan in September 19-21, 1995. President Niyazov undertook a second visit to India in February 25-26, 1997. An Indian scientific delegation representing Central Electronics Limited (CEL) and Council for Scientific and Industrial Research (CSIR) visited Turkmenistan in June 1998 to study the possibilities of cooperation in the solar energy sector. A delegation from Indian Oil Corporation (IOC) also visited Turkmenistan. The External Affairs Minister Jaswant Singh visited Ashgabat in May 1999. An agreement to set up a Working Group on Energy and a Protocol for cooperation between the Ministries of Foreign Affairs were signed during the visit.

The two countries signed an Investment Promotion and Protection Agreement on September 20, 1995. The Agreement on the Avoidance of

Double Taxation and the Prevention of Fiscal Evasion with respect to taxes on income and on capital was signed in February 1997 and has been operational since July 2002. An agreement was signed in Ashgabat in September 1996 between the Chamber of Commerce and Industry of Turkmenistan and the Indian-CIS Chamber of Commerce and Industry. The first meeting of the member-states under the Trilateral Transit Agreement among India, Iran and Turkmenistan was held in Delhi in January 31, 2000. An MoU relating to air services between the two countries was signed in February 7, 2000 giving Turkmen Airlines the rights to fly to Amritsar and Delhi. Currently, Turkmenistan is operating eight flights every week to Amritsar/Delhi. The Indian sectors are the most profitable for Turkmen Airlines.

**India-Turkmenistan Trade Figures 2000-2005 (as of February 10, 2006, in US\$ million)**

S.No.	Year	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
1	Export to Turkmenistan	2.71	4.35	10.29	19.21	14.63
2	Import from Turkmenistan	1.12	1.95	5.4	9.34	10.69
3	Total Trade	3.83	6.3	15.7	28.55	25.31

Source: Department of Commerce, Ministry of Commerce and Industry, GOI.

Exports from India comprise mainly pharmaceuticals, machinery and equipment and imports comprising chemicals. In addition, the Government of India has set up an 'Industrial Training Centre' in Ashgabat under the ITEC programme. The project has been executed by the Hindustan Machine Tools (International) Ltd., which provided a range of machine tools worth US\$ 0.5 million for manufacturing a dies and spare-parts for several industries. The Centre is equipped with facilities for training basic skills, manufacturing tools and products required by different industries, prototype development, pilot projects and component manufacture. Cooperation has also been expanded in fields such as railways, space, IT, biotechnology, infrastructure, mining, etc. A joint venture called Turkmenistan-Ajanta Pharma Ltd. was commissioned in 1998 through a credit line of US\$5 million extended by India in March 1993. Another credit line of US\$10 million was approved the same year.

In October 18, 2005, Secretary in the External Affairs Ministry Rajiv Sikri visited Ashgabat and held a number of meetings. Negotiations focused on the areas of common interest such as oil and gas branch, fuel and energy sectors, transportation, textile industry, agriculture, science, education, culture and healthcare."<sup>38</sup> The Indian envoy stressed that bilateral relations had grown steadily between the two countries. The sides expressed the desire to forge joint educational and research programmes. They also discussed the setting up of joint training centres. One such training centre has already been functioning at the Turkmen Polytechnic Institute.

### **India and Uzbekistan**

Indo-Uzbek relations have been marked by warmth and are based on shared historical and cultural ties. Over the years, there has been a steady exchange of high level visits between the two countries. Uzbek President Islam Karimov visited India in August 17-19, 1991. Agreements on economic, commercial, scientific and technical cooperation and cooperation in the spheres of culture, arts, education, science, tourism, sports and mass media have been signed. Indian Prime Minister P.V. Narasimha Rao paid an official visit to Uzbekistan in May 1993. Along with agreements on trade and economic cooperation, an Indo-Uzbek Treaty on the Principles of Inter-State Relations and Cooperation was also signed during the visit. President Karimov visited India in January 1994. During the visit, agreements were signed on cooperation in economic and cultural matters, telecommunications and postal fields, and the establishment of an Indian Cultural Centre in Tashkent. Uzbek President Islam Karimov again visited India in May 1-3, 2000. Nine agreements, including the Joint Declaration on Principles of Relations between the two countries, an Extradition Treaty and an agreement for a Credit Line from India for US\$ 10 million were signed. President Karimov again visited India in April 4-6, 2005. Twelve agreements/MoUs were signed. Four of them at the governmental level are for cooperation in a) military and military-technical areas, b) education, c) culture and sports and d) small and private entrepreneurship. Eight MoUs were signed between Indian and Uzbek institutions and companies in IT, banking, tourism and education.

Other important visits in recent years include that of the Indian External Affairs Minister - May 1999 and November 2003, Uzbek Minister of Higher and Secondary Specialised Education – January 2003, Uzbek Foreign

Minister - February 2003 and October 2004, Uzbek Deputy Defence Minister – April-May 2003. Minister of State for External Affairs E. Ahamed visited Uzbekistan in October 1-4, 2004 for the Birth Centenary Celebrations of Late Prime Minister Lal Bahadur Shastri in Uzbekistan.

Trade relations between India and Uzbekistan are governed by the Agreement on Trade and Economic Cooperation signed in May 1993. It contains normal features of trade agreements, such as mutual MFN treatment, promotion of economic, industrial, scientific and technical cooperation, including in the field of training of personnel, active participation of small and medium sized enterprises in bilateral economic cooperation, and counter-trade, etc. India and Uzbekistan also signed an Agreement on Avoidance of Double Taxation in 1993 and yet another one for Bilateral Investment Promotion and Protection in May 1999. The Inter-governmental Commission has met five times.

**India-Uzbekistan Trade Figures 2000-2005 (as of February 10, 2006, in US\$ million)**

S.No.	Year	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
1	Export to Uzbekistan	9.39	6.53	5.08	15.14	19.66
2	Import from Uzbekistan	10.58	17.27	20.54	27.7	29.43
3	Total Trade	19.98	23.8	25.62	42.84	49.08

Source: Department of Commerce, Ministry of Commerce and Industry, GOI

As per trade statistics, pharmaceuticals have traditionally been the largest single item of Indian exports to Uzbekistan. Other items include tea, machinery, packaging material, plastic items, garments, knitwear, surgical items, and consumer goods. Uzbekistan's exports to India include supply of machinery and services (which reflect the remittances of Uzbek Airways from India of its revenue from both passenger and cargo services). Other items of Uzbek exports include cotton, raw silk, raw wool, non-ferrous metals, agricultural produce, aircraft, etc. The Government of India had extended three credit lines of US\$ 10 million each to the Government of Uzbekistan out of which US\$ 12.5 million have been utilised.

In July 2004, a FIEO delegation comprising of Indian companies having interest in the areas of silk, cotton processing, agro products, tea, exports of jewellery, gold and diamond mining, etc., visited Uzbekistan and had meetings with high level officials in the Uzbek Government and various agencies. A 13-member FICCI delegation visited Tashkent in September 9-10, 2004 to participate on the 2<sup>nd</sup> Joint Business Council held in September 9, 2004. The delegation met Deputy Minister of Health, Deputy Chairman of Agency for Foreign Economic Relations, officials of Ministry of Foreign Affairs and other commercial organisations. E.V.K.S. Elangovan, Minister of State for Commerce & Industry visited Uzbekistan in January 8-12, 2005 as the co-chairman of the 5<sup>th</sup> Session of the Inter-Governmental Commission on Trade, Economic, Scientific and Technological Cooperation between India and Uzbekistan. The Joint Commission Meeting (held in Tashkent in January 11, 2005) reviewed bilateral cooperation in trade, economic, scientific and technological fields between India and Uzbekistan. Areas identified for cooperation are transportation, construction, information technology, consultancy, food processing, textiles, pharmaceuticals, mining, joint ventures, culture and human resources. A protocol between the two sides was signed at the end of the meeting.

### **India with its Neighbours in South Asia**

In the National Common Minimum Programme of the United Progressive Alliance (UPA) Government is written: "The UPA government will give the highest priority to building closer political, economic and other ties with its neighbours in South Asia and to strengthening SAARC."<sup>39</sup> India is prepared to throw open its markets to all its neighbours (Bangladesh, Bhutan, Maldives, Nepal, Pakistan and Sri Lanka).<sup>40</sup> It has offered to make its neighbours full stakeholders in its economic destiny and, through such cooperation, in creating a truly vibrant and globally competitive South Asian Economic Community.

India has maintained close relations with Bhutan, Maldives and Sri Lanka. Its quick response in providing relief assistance to Sri Lanka and Maldives following the devastating 2004 Tsunami<sup>41</sup> has been widely recognised. India's relations with Bhutan are characterised by a high level of mutual understanding, trust and confidence. The regular exchange of high level visits imparts new dynamism and momentum to the growing and mutually beneficial cooperation. King Jigme Singye Wangchuck of

Bhutan was the Chief Guest at the Republic Day celebrations in January 2005.<sup>42</sup>

**Myanmar.** India's policy of constructive engagement with Myanmar continued during 2004-05. Senior General Than Shwe, Chairman of the State Peace and Development Council (SPDC) of Myanmar paid a State visit to India in October 24-29, 2004.<sup>43</sup> According to the Joint Statement issued at the end of Than Shwe's visit, "The two sides emphasised the role of the private sector and cross-border investment in strengthening bilateral economic and commercial cooperation and agreed to encourage efforts in this direction. The Myanmar side assured that it would welcome and actively facilitate private Indian investment in Myanmar ... The Indian side extended to the Government of the Union of Myanmar, a Line of Credit of US\$ 7 million for two telecom projects and a grant of US\$ 3 million for implementation of IT-related projects."<sup>44</sup> India is also working towards economic development and integration of the North Eastern states with Myanmar by developing mutually beneficial cross-border projects in areas such as roads, railways, power, science and technology, communications and information technology.

**Nepal.** According to the Statement in the Rajya Sabha by External Affairs Minister Natwar Singh on developments in Nepal,<sup>45</sup> India is deeply concerned about the political and security situation in Nepal. The Statement notes: "As close friends and neighbours, India and Nepal share a unique relationship of friendship and cooperation underpinned by ties of language, culture and kinship. It is inevitable that developments in one country affect the other. We are committed to supporting all efforts aimed at restoring political stability and economic prosperity in Nepal."

**Pakistan:** India is pursuing a proactive policy of constructive engagement to establish peaceful, friendly and cooperative relations with Pakistan with the larger objective of cementing a viable structure of peace and stability in South Asia. The two countries have continued their Composite Dialogue and the engagement has resulted in significant achievements such as restoration of relations at the level of High Commissioners, enhanced people-to-people and institutional contacts, increased communication links, and opening of cross-border bus services. Both countries are currently negotiating various proposals, which will enhance security, improve economic cooperation, and institutionalise bilateral contacts. The year 2004-05 also witnessed high-level contacts such

as the meeting between Indian Prime Minister Dr. Manmohan Singh and Pakistan President Gen. Pervez Musharraf in New York in September 24, 2004,<sup>46</sup> and Pakistan Prime Minister Shaukat Aziz's visit to India in November 22-23, 2004. India's External Affairs Minister met the Foreign Minister of Pakistan in September 5-6, 2004 in Delhi to review the overall progress in the Composite Dialogue and paid a visit to Pakistan in February 15-17, 2005.

### **South Asian Association for Regional Cooperation (SAARC)**

India has cooperated actively in SAARC activities and vigorously promoted trade and other forms of economic, social and technical cooperation within SAARC.<sup>47</sup> India also actively supports people-to-people initiatives aimed at fostering greater mutual understanding and goodwill in the region. The main objectives laid down in the SAARC Charter adopted at the First SAARC Summit are to promote the welfare of the peoples of South Asia;<sup>48</sup> accelerate economic growth and social progress; promote active collaboration in the economic growth and social progress; promote active collaboration in the economic, social, cultural, technical and scientific fields; strengthen cooperation in international forums on matters of common interest; and cooperate with international and regional organisations with similar aims and purposes.

In the 12<sup>th</sup> SAARC Summit in Islamabad in January 2004, a Framework Agreement on South Asian Free Trade Agreement (SAFTA) was signed and scheduled to come in force from January 1, 2006, and is to be fully operationalised by 2016. SAFTA is giving a new dimension to the core area of regional economic cooperation in SAARC. With the implementation of SAFTA, it would be able to move forward in other areas of economic integration such as services and investment with a view to realising a Customs Union, and eventually a South Asia Economic Union. At the July 2004 SAARC Ministerial Meeting in Islamabad, India proposed the establishment of a High Economic Council that would formulate policies and take initiatives in the economic, trade, financial and monetary areas for promoting regional economic integration.

In the 13<sup>th</sup> SAARC Summit in Dhaka, Bangladesh in November 12-13, 2005, the Heads of State and Government observed: "The dynamics of recent political and economic changes in South Asia and the world highlighted the importance of, and the compelling logic for, a more vibrant

and effective process of constructive regional cooperation.” They emphasised their commitment to making such cooperation “an enduring feature and thus contribute to the region’s peace, progress and stability” They reiterated that “the peoples of South Asia are the real source of strength and driving force for SAARC and resolved to make regional cooperation more responsive to their hopes and aspirations.”<sup>49</sup>

In December 2005, SAARC completed 20 years of its existence. As it enters its third decade, there is a sense of hope for regional economic development and integration. Action-oriented cooperation is expected in areas such as energy, information and communications technology, infrastructure and transport development, environment protection, health, science and technology, tourism, culture, agriculture, human resources development, etc.

### **BIMSTEC**

India could also engage the sub-regional economic group BIMSTEC (Bangladesh, India, Myanmar, Sri Lanka, and Thailand Technical and Economic Cooperation) in IRC-CASA. BIMSTEC was formed in Bangkok in June 1997. Its membership now includes Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka and Thailand. It was decided at the first Summit held in Bangkok in July 31, 2004 that BIMSTEC would be an acronym for “Bay of Bengal Initiative for Multi Sectoral Technical and Economic Cooperation”. BIMSTEC has identified six sectors of focussed cooperation. For each, a ‘lead country’ has been designated: trade and investment (Bangladesh); technology (Sri Lanka); transport and communication (India), energy (Myanmar), tourism (India) and fisheries (Thailand). The BIMSTEC countries have also agreed to establish a Free Trade Area (FTA). A Framework Agreement covering not only trade in goods, but also services, investment and related economic cooperation (customs, standards, trade finance, e-commerce and business visas) was signed in Phuket in February 8, 2004 by all member-countries, except Bangladesh.

### **Central Asian Economic Potential for cooperation with South Asia**

The emerging economies of Central Asia display all the signs of being the new markets of the future. Since the nature of competition has undergone a significant change, there is need for concerted and focussed

efforts to ensure that all Indian and South Asian organisations act cohesively in tapping the opportunities offered by this region:

- The potential for expansion of trade and investment is great since this region (Kazakhstan, Krygyzstan, Uzbekistan, Turkmenistan and Tajikistan) are extremely rich in mineral resources that need to be tapped, exploited and converted into value-added products.
- Further, the countries of Central Asia represent investment markets where establishment of joint ventures in the core sector can prove to be extremely rewarding. To benefit from these advantages, Indian industry would have to adopt medium and long-term strategies rather than short-term strategies.
- The Central Asian countries are technically very advanced. To enhance cooperation with these countries, India needs to make concerted efforts for increased interaction between the business entities so as to identify areas of bilateral interest and investment.
- This region is endowed with a variety of fruits and agricultural products, and offers a vast opportunity for cooperation in the food-processing sector.
- There is great scope for cooperation in the tourism sector;
- The Central Asian countries are trying to strengthen and develop their economy and this would create the scope for enhanced bilateral cooperation. In the present economic scenario, there exists an opportunity for enhancing bilateral trade because of the following factors – liberalisation and growing economies; the streamlining of banking operations; the need to upgrade industrial units in Central Asian countries and for foreign investment; and the availability of funds from international organisations for revitalising the economy of this region under various schemes.
- Above all, the people of this region are well aware of Indian and South Asian products and culture. This could prove to be an added advantage in efforts for enhancing trade relations with countries of the Central Asian region.

### **Potential Areas for Inter-Regional Cooperation**

There are important reasons as to why Central Asian countries are keen on building strong relationships with India and South Asia on the economic

front. Firstly, the Indian economy, for the last many years, has grown at a stable rate without any drastic fluctuations. The forex reserves are strong and India is in a position to undertake huge investments. According to Reserve Bank of India's Report on Foreign Exchange Reserves,<sup>50</sup> forex reserves have grown from US\$ 5.8 billion at end-March 1991 to US\$ 25.2 billion by end-March 1995. The growth continued in the second half of the 1990s, with the reserves touching the level of US\$ 38.0 billion by end-March 2000. Subsequently, the reserves rose to US\$ 54.1 billion by end-March 2002, US\$ 76.1 billion by end-March 2003, to US\$ 113.0 billion by end-March 2004 and further to US\$ 119.6 billion by end-September 2004. As on December 9, 2005, the foreign exchange reserves stood at US\$ 143.098 billion.<sup>51</sup>

A unique feature of the transition of the Indian economy is that it has become the second fastest growing economy of the world. Real GDP growth has steadily increased over the past years – from 6.8 per cent in 1998-99 to 8.1 per cent in the first quarter of 2005-2006 according to the Central Statistical Organisation<sup>52</sup> of the Ministry of Statistics and Programme Implementation. In the second quarter of 2005-2006, GDP growth has averaged 8 per cent.<sup>53</sup> Right through the 1990s, India has recorded one of the highest growth rates. The target for the 10th Five Year Plan (2002-07) is 8 per cent growth rate. India is the world's 10<sup>th</sup> largest economy already and the 4<sup>th</sup> largest in Purchasing Power Parity terms. In Asia, India is at the third largest economy, behind only Japan and China. (UN Bureau of Census, July 2005 est.).

India's economic reform policy was initiated in the early 1990s and since then, foreign trade has grown steadily and assumed increasing significance. India's trade increased from US\$ 42 billion in April 1990-March 1991 to US\$ 186 billion in April 2004-March 2005. Major export commodities are gems and jewellery, petroleum crude and products, readymade garments of cotton including accessories, drugs, pharmaceuticals and fine chemicals, and Machinery and Instruments. Major destinations of India's exports were USA with a share of 16.74 per cent, UAE 8.9 per cent, China 5.79 per cent, Singapore 4.79 per cent and Hong Kong 4.61 per cent. The CIS Region constituted 1.32 per cent share in India's total exports. The major imports besides petroleum, crude and products are gold, electronic goods, precious and semi precious stones, and machinery excluding electricals and electronics. Major import partners

were China with a share of 6.3 per cent, USA 5.88 per cent, Switzerland 5.43 per cent, UAE 4.28 per cent and Belgium 4.26 per cent. The percentage share of CIS region in India's total imports was a small 1.73 per cent.<sup>54</sup>

India's major export to the Central Asian region are fabrics, pharmaceuticals and fine chemicals, coffee, tea, tobacco, rice, machinery and instruments, processed minerals, electronic goods, footwear of leather and other leather goods, miscellaneous processed items. India's major imports from this region are fertilizers, newsprint, non-ferrous metals, iron and steel machinery, inorganic chemicals and other crude minerals. There is scope for much greater quantum of trade and wider economic ties.

### **Conclusion**

The fundamentals of the Indian economy have clearly become strong and stable. Prevalent macro-economic indicators are the best in the history of independent India with high growth, healthy foreign exchange reserves, increasing foreign investment, robust increase in exports and low inflation and interest rates. India is today one of the most dynamic and fastest growing economies of the world. It constitutes not only a vast and growing market, but also a competitive source of technologies and knowledge-based services. In all these achievements there is a significant share of Indian economic diplomacy. Countries across the globe are beginning to see India as an indispensable economic partner and seeking mutually rewarding economic and commercial links with its emerging economy.

Today, India has good relations with the Central and South Asian nations. There are a lot of common grounds for building Inter-Regional Cooperation between Central Asia and South Asia, in which economic factors and India's economic policy and diplomacy in these regions would play crucial roles. Economic power, diplomacy, energy project, transport communications and improved modern technology capabilities constitute India's main instruments for promoting Inter-Regional Cooperation between Central Asia and South Asia. It would be desirable to finish the paper with words of the India's Prime Minister Manmohan Singh: "If our region wishes to be a part of the dynamic Asia, which is emerging in our neighbourhood, then we must act and act speedily and without any further loss of time."<sup>55</sup>

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