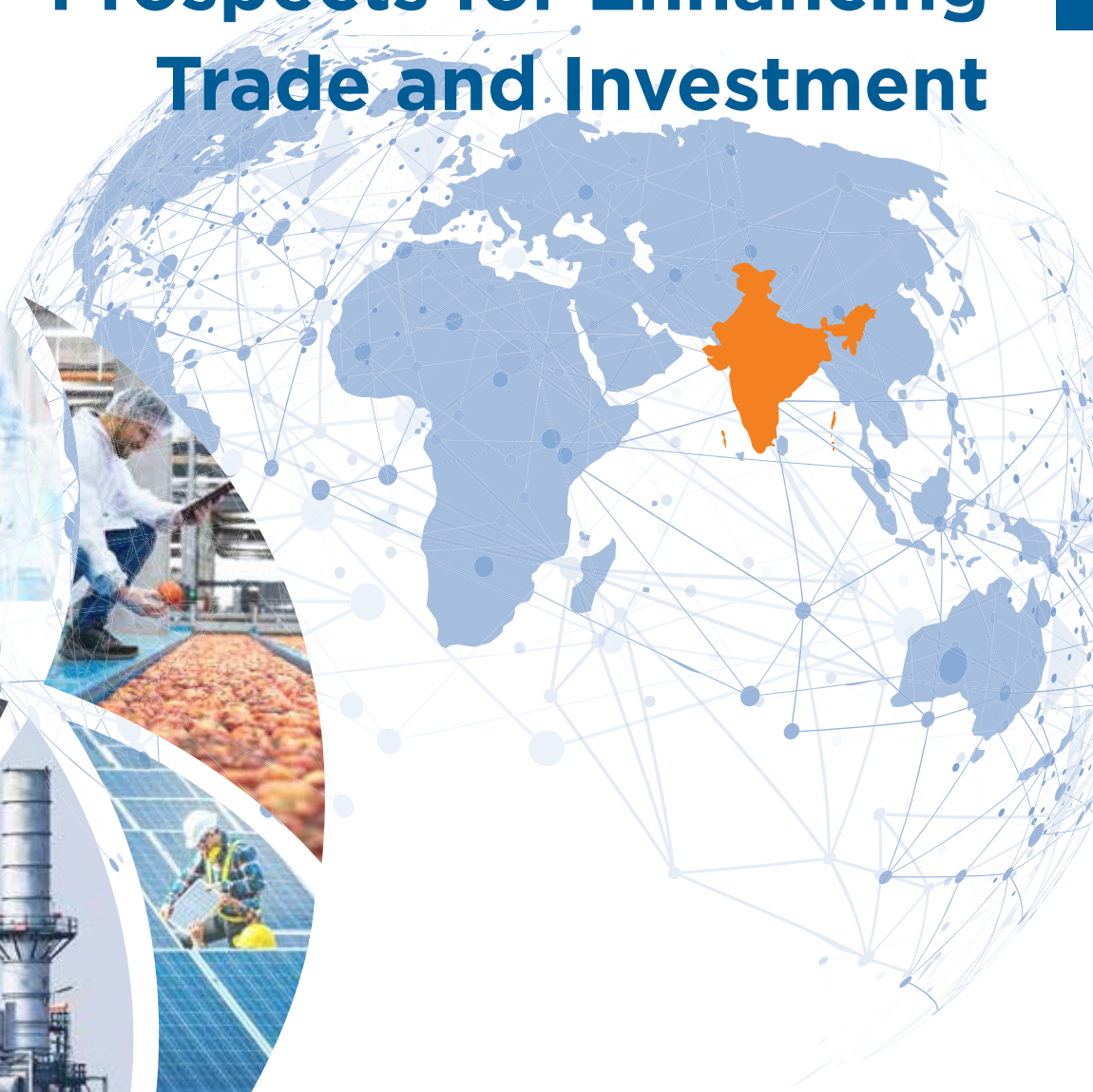
Re-connecting India and Central Asia: Prospects for Enhancing Trade and Investment



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RE-CONNECTING INDIA AND CENTRAL ASIA: PROSPECTS FOR ENHANCING TRADE AND INVESTMENT

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EXECUTIVE SUMMARY

Central Asia is situated at the core of Eurasia region. It extends from the Caspian Sea in the West to China in the East, and from Afghanistan in the South to Russia in the North. The Central Asian Republics (CARs) include the former Soviet republics of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. Soon after their independence in 1991, the leaders of the four former Soviet Republics located in the heart of Eurasia viz. Uzbekistan, Tajikistan, Turkmenistan and Kyrgyz Republic (also known as Kyrgyzstan) defined Central Asia to include Kazakhstan together with these four nations. The region is richly endowed with natural resources and has a combined population of 74.8 million as of 2020.

Central Asian Republics (CARs) comprise 5 landlocked economies – Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan, which play an important role as a bridge between Europe and Asia. The Central Asian Republics are generally classified as transition economies and landlocked developing countries. They share borders with each other and with just three other economies- Russia, China and Afghanistan, resulting in highly concentrated export destinations. The CAR economies mostly trade among themselves, making them over-dependent on each other and a few other countries.

In 2019, the combined Gross Domestic Product (GDP) for CARs stood at US$ 304.8 billion increasing from US$ 288.5 billion in 2018. However, it declined to an estimated US$ 292.5 billion in 2020 as a result of the adverse impact of COVID-19. Except Uzbekistan and Tajikistan, which grew modestly, the other three economies have undergone contraction during 2020.

According to the World Bank, the output or real GDP of the Central Asian region grew by 4.9 percent in 2019 as compared to 4.5 percent in 2018, following which it contracted by 1.4 percent in 2020. The region is expected to undergo a recovery by 4.3 percent in 2021 supported by the global demand and accordingly the nominal GDP is expected to reach US$ 328.9 billion in 2021.

The Central Asian Republics, though rich in natural and human resources, are quite diverse in terms of their stages of economic development. The GDP of Kazakhstan at US$ 181.7 billion in 2019 and US$ 171.2 billion in 2020, for instance, is much larger than the combined GDP of the remaining four countries. In terms of the structure of their economies, the services sector is the most dominant sector in the region, except for Turkmenistan, where manufacturing sector plays a dominant role, accounting for a share of 47.4 percent in the country's Gross Value Added (GVA). Manufacturing also remains a significant sector in case of GVA of other economies like Kyrgyzstan and Uzbekistan.

Trends in Foreign Trade of Central Asian Republic

The trade structures of the CARs are characterized by production-trade mismatch – a less diversified manufacturing base and adverse terms of trade due to the fact that exports mainly consist of primary products, whereas imports largely comprise manufactured products. Total trade of the CARs increased by a CAGR of 0.8 percent from US$ 146.4 billion in 2011 to US$ 157.6 billion in 2019, mainly driven by increased imports at a CAGR of 4.3 percent during the same period. The region saw a decline in trade to US$ 139 billion in 2020 as a result of contraction of both exports and imports due to the COVID-19 pandemic. Exports of Central Asia declined from US$ 97.5 billion in 2011 to over US$ 71.1 billion in 2020, decreasing at a CAGR of 1.4 percent. At the same time, imports of the region have increased from US$ 48.9 billion to US$ 67.9 billion during the same period, growing at a CAGR of 3.3 percent.

Among the Central Asian countries, Kazakhstan is the leading trading nation accounting for almost 61.2 percent of total trade of Central Asian region, followed by Uzbekistan which accounted for over 23.8 percent of the total trade of the region in 2020.

The Central Asian countries have a low degree of trade complementarity as they produce and export same/similar products, which necessitates the need to look for trade partners beyond their immediate neighbours. Another noticeable feature of the Central Asian trade since 1991 has been its reorientation from the Former Soviet Union to the Western Europe, China and South-East Asia.

On account of the region's geographical location, and due to the fact that all Central Asian countries are landlocked countries, its major traditional trading partners have been the neighbouring countries of China and Russia. European countries such as Italy, Netherlands, France, Switzerland, Turkey, and UK are also among the leading trade partners for Central Asian countries.

According to the preliminary data from ITC, the global merchandise exports of the Central Asian Republics increased by 14.4 percent to US$ 75.4 billion during 2021, driven by Kazakhstan which accounted for the majority share of exports at US$ 54.8 billion. Exports from the other CARs were as follows - Uzbekistan (US$ 14 billion), Turkmenistan (US$ 3.1 billion), Tajikistan (US$ 1.8 billion) and Kyrgyzstan (US$ 1.7 billion). Imports by of the region increased by 23.9 percent to US$ 84.5 billion in 2021, with the largest economy Kazakhstan driving the imports (US$ 47.2 billion) followed by Uzbekistan (US$ 23.7 billion). The major import sources of the Central Asia region during 2021 were Russia (32.8 percent of global imports of the region by Central Asia), followed by China (25.4 percent), Turkey (5.2 percent), Kazakhstan (5 percent) and Germany (3.2 percent).

Trends in Investments in Central Asian Republics

While the CARs have a limited presence as foreign investors globally, the region is a very attractive destination for investment and trade, on account of immense opportunities for cooperation. The region is strategically located at the crossroads of Europe and Asia, surrounded by some of the world's fastest-growing economies such as Russia, India and China, who are increasingly investing in the region. The improvements in the ease of doing business rankings of CARs and increased efforts to improve transparency, policy frameworks and business environment are attracting investors to the CARs. The region is undergoing many positive changes, opening up the region to potential investors.

Foreign direct investment (FDI) inflows into CARs which stood at a marginal US$ 118 million in 1992 has increased sharply to US$ 1.5 billion in 2000 and further to US$ 19.9 billion in 2011. Thereafter, FDI inflows witnessed a moderation to reach US$ 6.5 billion in 2020. According to Boston Consulting Group (BCG), CARs have an estimated FDI potential of US$ 170 billion, including US$ 40-70 billion in non- extractive industries, between 2019 to 2028.

Kazakhstan is the largest FDI recipient as well as source for FDI outflows in the region. During 2020, Kazakhstan accounted for 59.2 percent of total FDI inflows in the Central Asian region. The country witnessed a negative investment outflow in 2020. FDI inflows into Kazakhstan, which has traditionally been the largest recipient of FDI, has witnessed a rapid increase from US$ 100 million in 1992 to US$ 14 billion in 2011, moderating thereafter to reach US$ 3.9 billion in 2020.

Investments in Central Asia and especially Kazakhstan, have over the years, largely been driven by large scale oil and natural gas projects. FDI inflows into the region have largely

flown into sectors such as mining, metallurgy and extractive industries, manufacturing, and food processing. Traditional investors in Central Asian Republics have been Russia, China, USA, and European countries such as United Kingdom.

According to the UNCTAD, FDI inflows to Central Asia rose by 12 percent to US$ 7 billion in 2021. However, FDI inflows into Kazakhstan, the largest host in the region, fell by 14 percent to US$ 3.2 billion, with declines in extractive industries and transportation. FDI flows rose by 18 percent to US$ 2 billion in Uzbekistan and by 24 percent to US$ 1.5 billion in Turkmenistan.

Trends in India's Trade with Central Asian Republics

Central Asian Republics represents a region of considerable strategic interest for India due to its geographical location, mineral and hydrocarbon reserves, and prospects for the development of multiple trade corridors through land and sea routes. The region, being a part of India's "extended neighbourhood", is pivotal in India's foreign policy.

India's total trade with Central Asian Republics has witnessed more than three-fold rise from US$ 610.2 million in 2011 to US$ 1.9 billion in 2020, with India's exports to the region amounting to US$ 612.3 million and imports amounting to US$ 1305.2 million in 2020. The total trade declined from US$ 2.2 billion in 2019 to US$ 1.9 billion in 2020 due to decline in imports of crude petroleum oil and silver by India from the Central Asian economies.

India initially had a trade surplus with the region of US$ 218 million during 2011, turned into a trade deficit of US$ 380.7 million in 2014, which has widened further to reach US$ 692.8 million in 2020, with an all-time high of US$ 1.2 billion during 2019. India's exports to the region increased at a compound annual growth rate (CAGR) of 4 percent during the period 2011 to 2020, while the imports grew at a CAGR of 20.9 percent during the same period.

During 2020, Uzbekistan became India's leading export destination, among the Central Asian Republics accounting for around 42.6 percent of India's total exports to Central Asia in 2020. Kazakhstan was the second largest export destination in 2020 accounting for 36.9 percent of India's exports to CARs in 2020. The other export destinations during 2020 were Tajikistan (7.3 percent), Turkmenistan (7.2 percent) and Kyrgyzstan (6 percent).

With regard to imports, Kazakhstan is the largest supplier to India among the Central Asian Republics, accounting for over 98.3 percent of India's total imports from the region in 2020. Kazakhstan's share has increased from 62.5 percent whereas Uzbekistan's share has decreased

from 26.6 percent in 2011. Uzbekistan accounted for 1.2 percent of India's total imports from the region, followed by Kyrgyzstan (0.4 percent), and Turkmenistan (0.1 percent) in 2020.

Pharmaceutical products are the major exported commodity by India to the region, accounting for 51.3 percent of India's total exports to the country during 2020. Other major export commodities include machinery and mechanical appliances (11.6 percent share of India's total exports), electrical machinery and equipment (9.8 percent), coffee, tea and spices (5.4 percent), articles of iron and steel (2.5 percent) and articles of apparel and clothing accessories, not knitted or crocheted (2.1 percent).

As regards imports, mineral fuels, oils and products of distillation accounted for over 96 percent of India's total imports from the region during 2020. Other major imported items include pearls, precious or semiprecious stones and metals (1.4 percent of total imports), inorganic chemicals (0.5 percent) and ships, boats and floating structures (0.4 percent).

During 2021, India's exports to Central Asia have increased by 6 percent to US$ 648.9 million with 72 percent of exports to Uzbekistan (US$ 259.6 million) and Kazakhstan (US$ 207.5 million). These were followed by Turkmenistan (17.3 percent), Tajikistan (5.9 percent) and Kyrgyzstan (4.9 percent). India's imports from Central Asia, on the other hand, have declined by more than half in 2021 to US$ 570.4 million in 2021 on account of lower imports from Kazakhstan which accounted for 93.6 percent of India's imports from the region.

Trends in India-CARs Investment Flows

During January 2011 to December 2020 envisaged capital investments in the CAR stood at a cumulative amount of US$ 122.9 billion, invested by 597 companies in 760 projects. Among the CARs, Kazakhstan received maximum investment at US$ 77.8 billion during 2011- 2020, accounting for 63.3 percent of total envisaged investment to the region. Kazakhstan was followed by Uzbekistan (26.5 percent), Turkmenistan (5.2 percent), Tajikistan (3.3 percent) and Kyrgyzstan (1.7 percent).

'Coal, oil and natural gas' sector received the maximum investment of US$ 65.4 billion during 2011-2020, followed by chemicals (US$ 12.4 billion), metals (US$ 8.7 billion), renewable energy (US$ 6.3 billion) and 'food and beverages' (US$ 5.2 billion). Investments in 'food and beverages' sector created maximum employment in the region, followed by textiles and automotive OEM (Original Equipment Manufacturers). USA made the maximum investment in the region, accounting for 33 percent of total capex invested in the region during 2011-

2020. USA was followed by China (14.8 percent of total investment), Russia (11.7 percent), and South Korea (5.8 percent).

India's Export Potential in Central Asian Republics

To enhance bilateral trade relations between India and Central Asian Republics, strategy to enhance bilateral trade would entail identification of potential items of India's exports to CARs. This in turn, would be in line with India's global export capability as also demand existing in CARs, as exhibited by the rising trend in major import items of CARs. Concomitantly, such a strategy would also serve to enhance India's ranking as a major import partner of these countries.

The potential export items from India to CARs would include machinery; electrical and electronic equipment; vehicles other than railway or tramway; articles of iron or steel; pharmaceuticals; petroleum products; plastics and articles; optical, photographic, medical or surgical instruments; iron and steel and aircraft, matresses and matresses support, cereals, spacecraft and parts, among others.

CARs are diverse economies with immense development scope when provided with an apt ecosystem. There exists huge export potential in the CARs stemming from their abundance of minerals and deposits of metals. Product categories including mineral fuels and oils (HS-27), natural or cultured pearls and stones (HS-71), copper and its articles (HS-74), ores, slag and ash (HS-26), iron and steel (HS-72), among others presents immense opportunities of mutual gain for both India and the CARs.

Investment Potential in Central Asian Republics

Central Asia is poised to become a significant player in the new global paradigm opening up immense economic opportunities for investors. In addition to energy resources, the region also has a strong agricultural potential. It has the potential to become "the breadbasket of the world". Moreover, the region's population of around 73.3 million people with almost universal literacy skills also plays a significant role in the region's development. The Central Asian region enjoys comparative advantage in terms of its location being at the crossroads of Asia and Europe and its dynamic neighbours - Russia, India and China, and is thus emerging as an increasingly investment friendly region. Some of the plausible sectors where Indian investors could look towards investing in Central Asian Republics are given below:

Kazakhstan: oil refining and development of oil and gas infrastructure, mining-and-metallurgical sector, chemical products, pharmaceuticals, healthcare, renewable energy and agriculture and food processing.

Uzbekistan: oil and gas, mineral resources, chemical industry, solar energy and production and processing of fruit and vegetable products.

Tajikistan: energy and hydropower, agriculture and food and tourism.

Kyrgyzstan: hydropower, mining, food processing and information technology.

Turkmenistan: oil and gas production and refining and chemical products.

Reconnecting the Regions: Way Forward

Being situated at the heart of the Eurasian landmass and being endowed with immense untapped potential, the five landlocked countries, however, remain logistically challenged due to their geographical conditions. Owing to limited connectivity and low economic engagement with the region, India's trade with Central Asia amounted to a modest US$ 1.2 billion in 2021. India's investments in the region also remains low when compared to other regions and could be bolstered by collaboration in sectors like agribusiness, pharmaceutical and healthcare, IT, solar and chemical sectors besides the traditional oil and gas sector. India's engagements with the Central Asian countries have in fact grown over the years, reflecting their importance as India's "Extended Neighbourhood".

A few strategies to enhance closer cooperation between India and Central Asian Countries in order to fully harness the bilateral trade and investment opportunities existing are briefly discussed below.

Cooperation in Infrastructure Development- An Imperative and an Opportunity

The Central Asia region requires a combination of soft infrastructure and physical infrastructure to achieve a sustainable growth. The transformation from being "land-locked" to "land-linked" is being presently facilitated through various infrastructural projects. Along with infrastructure development, regional connectivity barriers also need to be scaled down so that potential intra-regional as well as its global trade can be expanded. Improvement of institutional and regulatory environment across Central Asia remains essential for developing

bankable infrastructure projects. Investing in infrastructure development projects in CARs including rail, road, petroleum, heavy engineering, hydrocarbon and energy sectors are some of the plausible options for Indian investors. India's proven expertise and capability in project exports and execution could prove beneficial for Central Asian countries, in their developmental endeavours.

Need for Infrastructure Financing

According to the ADB estimates, Central Asia must invest US$ 33 billion in infrastructure, or 6.8 percent of the region's gross domestic product (GDP), annually until 2030 to meet the region's infrastructure requirements. Including infrastructure investment needs for climate change mitigation and adaptation, it goes up to US$ 38 billion, or 7.8 percent of the region's GDP. Infrastructure investment in Central Asia currently depends on public sources of funding, as the vast distances between cities, the land-locked location, and low population density all contribute to restricting private investment. Cross-border connectivity should be expanded to support the region and promote continuous development. To overcome the challenges to infrastructure development, both traditional and non-traditional sources of financing need to be explored. Joint financing of projects in the region by multilateral development banks/ regional development banks and other financial institutions could be a viable option.

Enhancing Access to Trade Finance

According to ADB research, 57 percent of the total value of trade finance applications by MSMEs in Central Asia undergo rejection as compared to 33 percent in case of other Asian economies. Correspondent banking also remains limited in Central Asia, which has in fact undergone retreat over the past 6 years until 2019. According to ADB, the withdrawal of global banks from correspondent banking relationships often relates to challenges in the capacity of local respondent banks. Correspondent banking plays a crucial role in cross-border payments, facilitating cross-border commercial transactions. In order to fill this gap, development finance institutions could develop financial instruments or credit enhancement mechanisms like risk participation and transaction guarantee agreements to support non-traditional confirming banks in countries of Central Asia. To address the widening global trade finance gap, India Exim Bank initiated a new trade finance product - Trade Assistance Programme (TAP), under the aegis of which the Bank will provide support by way of various trade instruments to Indian banks engaged in international trade, by offering transaction-specific partial or full guarantees to cover payment risks on banks in least developed/ developing countries.

Ensuring Maritime Connectivity through Port Development

Maritime connectivity plays a significant role in creating regional corridors for trade and economic linkages. Therefore, the access of land-locked economies to maritime movements needs to be a priority area for cooperation. The Chabahar port is located at a very strategic location, connecting India to Afghanistan and Central Asian countries. With an agreement between India and Iran executed in 2016, India had taken a lead role towards development of Chabahar port. India has invested approximately US$ 85 million in development and operationalization of 2 terminals in Phase 1 for 10 years. The Chabahar project gives India a sea-land access route into Afghanistan and Central Asia through Iran's eastern borders. India, through India Ports Global Limited (IPGL), on December 24, 2018, took over the operations of two berths at Shahid Behesti Port, Chabahar, Iran during the Chabahar Trilateral Agreement meeting held at Chabahar. The Shahid Beheshti terminal at Chabahar port, has seen a steady increase in bulk and general cargo traffic and since December 2018 it has handled 152 vessels, 14,420 Twenty-foot Equivalent Unit (TEUs) of containers and more than 3.11 million metric ton of bulk and general cargo. Besides, shipment from India, the port has also handled several shipments and trans-shipments from Russia, Brazil, Thailand, Germany, France, Ukraine, Bangladesh, and the UAE. The first Trilateral Working Group Meeting between India, Iran, and Uzbekistan on joint use of Chabahar Port was held virtually on December 14, 2020. Cooperation in the field of regional connectivity continued, including development of Shahid Behesti Terminal, Chabahar Port, along the INSTC. The Joint Working Group on Ports and Maritime Cooperation met in July 2021.

Increasing Engagement under the International North-South Transport Corridor (INSTC)

The INSTC which is a 7,200 km-long multi-modal transportation network corridor connecting the India Ocean and Persian Gulf to the Caspian Sea via countries in Central Asia and Eurasia offers the shortest connectivity route to its member states including countries in land locked Central Asia. The INSTC which envisages promotion of transportation cooperation, trade and investment especially among the member states, could auger well for countries in Central Asia.

India intends to make Chabahar Port a transit hub under the International North-South Transport Corridor (INSTC) to reach out to the Central Asian countries. This intends to reduce logistics cost which will contribute towards the trade volume between the two regions providing a secure and commercially viable access to the Indian Ocean region for Central

Asian countries. The Chabahar INSTC Link is also expected to further reduce the transportation time. According to a study conducted by the Federation of Freight Forwarders' Association of India (FFFAI), the 7,200-km INSTC which cuts through Central Asia, the Caspian Sea, Iran and the Arabian Sea was 30 percent cheaper and 40 percent shorter than the traditional Suez route, reducing the transit time to an average of 23 days for Europe-bound shipments from the 45-60 days taken by the Suez Canal route. Also, the route may help India is fulfilling its energy needs by supporting imports from Central Asia, besides increasing India's exports of agricultural products, machinery, electrical equipment, articles of iron and steel, optical, photographic, and medical equipment, transport vehicles, among others.

Chapter

BACKGROUND

Central Asia is situated at the core of Eurasia region. It extends from the Caspian Sea in the West to China in the East, and from Afghanistan in the South to Russia in the North. The Central Asian Republics (CARs) include the former Soviet republics of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan[1]. Soon after their independence in 1991, the leaders of the four former Soviet Republics located in the heart of Eurasia viz. Uzbekistan, Tajikistan, Turkmenistan and Kyrgyz Republic (also known as Kyrgyzstan) defined Central Asia to include Kazakhstan together with these four nations. The region is richly endowed with natural resources and has a combined population of 74.8 million as of 2020.

The geopolitics of energy security makes Central Asian Republics (CAR) an important global power to be reckoned upon. While CAR is becoming an increasingly dynamic region connecting Eastern Europe and West Asia, it can also be a challenging region for traders and investors. For instance, out of the five CARs, only Kazakhstan, Kyrgyzstan, and Tajikistan are members of the World Trade Organisation (WTO) while Uzbekistan is in the process of negotiating its accession to the WTO. Turkmenistan has applied for WTO membership on November 24, 2021. Benefiting from abundant mineral resources such as petroleum, natural gas, antimony, aluminium, gold, silver, coal and uranium, the energy sector has a key role to play in the economic development of the five CARs. Except for Turkmenistan, rest of the countries are founding member of the Asia Infrastructure Investment Bank (AIIB), which plays a pivotal role in supporting the development of infrastructure and other productive sectors, including energy and power, transportation and telecommunications, rural infrastructure and agriculture development, water supply and sanitation, environmental protection, urban development and logistics in the region.

[1] Source: UN Data (https://population.un.org/wpp/Download/SpecialAggregates/Geographical/)

Over the past decade, the region has emerged as a vital region in the global energy market as the world's economic center has shifted eastward. Central Asia has long possessed large volumes of oil and natural gas, but for decades, the region's energy infrastructure remained underdeveloped due to a number of reasons.

REGIONAL GROUPINGS IN CENTRAL ASIA

Commonwealth of Independent States (CIS)

CIS is a regional inter-governmental organization founded in December 1991 by the Republic of Belarus, the Russian Federation, and Ukraine. The 'Creation Agreement' remained the main constituent document of the CIS until January 1993, when the CIS Charter[2] was adopted. The charter formalized the concept of membership and specific measures were developed to deepen cooperation in six main areas: economic, military, peacekeeping, border issues, humanitarian and social issues, and coordination of foreign policy. In September 1993, the Heads of the CIS States signed an Agreement on the creation of Economic Union to form common economic space grounded on free movement of goods, services, labour force, capital; to elaborate coordinated monetary, tax, price, customs, external economic policy; to bring together methods of regulating economic activity and create favourable conditions for the development of direct production relations. Though Georgia joined CIS in 1993, it ceased to be a member in 2009. In 1999, the Republic of Tajikistan was recognized as participant of the customs union enjoying full rights. At present the CIS includes[3:] Azerbaijan, Armenia, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Uzbekistan and Ukraine.

CAREC Programmeme

The **Central Asia Regional Economic Cooperation (CAREC) Programme**[4] is an initiative established in 2001 to encourage economic cooperation among countries in the Central Asian region. The CAREC Programme includes the five CARs and 6 other countries such as Afghanistan, Azerbaijan, China, Georgia, Mongolia and Pakistan. CAREC's goal is to accelerate growth, improve living standards and to reduce poverty in CAREC countries through more efficient and effective regional economic cooperation. The Programme's long-term vision is Good Neighbors, Good Partners, and Good Prospects.

[2] CIS Charter, 22 January 1993 (http://www.cis.minsk.by/page.php?id=78)
[3] Source: http://www.cisstat.com/eng/frame_about.htm
[4] Source: http://www.adb.org/countries/subregional-Programmes/carec

CAREC Programme has focused to date on financing infrastructure projects and improving the region's policy environment in the four priority areas of transport (especially road transport), energy (including the water-energy nexus), trade policy, and trade facilitation (especially customs cooperation). These areas are critical to improving the region's economic performance and livelihoods of the people, especially of the poor. CAREC is an alliance of multilateral institutions like Asian Development Bank, European Bank for Reconstruction and Development, International Monetary Fund, Islamic Development Bank, United Nations Development Programmeme, and World Bank that are active in promoting economic cooperation in Central Asia. During 2001 to June 2021, investments in member countries have amounted to more than US$ 40 billion, covering 213 projects particularly in the areas of transport, energy, trade, and economic corridors development. Of this, more than 38 percent has been financed by ADB, 40 percent by other development partners, and 22 percent by CAREC governments. The six CAREC corridors link the region's key economic hubs to each other and connect the landlocked CAREC countries to other Eurasian and global markets.[5]

Economic Cooperation Organisation

The **Economic Cooperation Organization** (**ECO**) is an organization established in 1985 by Iran, Pakistan and Turkey for the purpose of promoting economic, technical and cultural cooperation among the member states. It involves seven Asian and three Eurasian nations' viz. Afghanistan, Azerbaijan, Iran, Kazakhstan, Kyrgyz Republic, Pakistan, Tajikistan, Turkey, Turkmenistan, and Uzbekistan. It provides a platform to discuss ways to improve development and promote trade, and investment opportunities. The common objective is to establish a single market for goods and services, much like the European Union. The priority areas of cooperation include Trade, Transport and Connectivity, Energy, Tourism, Economic Growth and Productivity, and Social Welfare and Environment. ECO's secretariat is located in Tehran. It was the successor organisation of Regional Cooperation for Development (RCD), founded in 1964, which ended activities in 1979.

Eurasian Economic Union

A Central Asian Economic Cooperation (CAEC) was created in 1994, with Kazakhstan, Kyrgyzstan and Uzbekistan signing the Treaty on the Formation of an Integrated Economic Space (IES), which was joined in 1998 by Tajikistan. In 2002, with a change in the regional geopolitical situation, the members tried to transform the organization into the Central Asian Cooperation Organisation (CACO). In 2005, CACO merged into the Eurasian Economic

[5] CAREC website, https://www.carecProgramme.org/

Community (EurAsEC) and was dissolved with Russia's accession. EurAsEC was founded in 2000 to establish an economic zone comprising of Russia, Belarus, Kazakhstan, Kyrgyzstan, and Tajikistan. Uzbekistan became the sixth member of the EurAsEC in 2006, but withdrew its participation in 2008.

Under the leadership of Russia, the first phase of economic integration in the region, Eurasian Customs Union (ECU) involving Belarus, Russia and Kazakhstan began in July 2010, whereby these states have adopted unified rules and procedures regulating mutual trade and established a single customs tariff (SCT) and unified customs area. They also agreed to establish unified non-tariff protection measures, anti-dumping legislation and compensatory tariffs in their trade with other countries. In July 2011, they abolished customs controls at their common borders. Free movement of goods, capital, services, and people were fully implemented in 2012, with the formation of the Eurasian Economic Space. In 2014, an agreement on the termination of the EurAsEC was signed and subsequently, EurAsEC was terminated from January 1, 2015 in connection with the launch of the Eurasian Economic Union (EAEU). Taking stock of the inefficiencies and flaws of all the earlier initiatives- the CIS, the Central Asian Cooperation Organization (CACO), several CIS sub-regional projects, EurAsEC and the ECU, the EAEU seeks to establish a Customs Union, several common markets, along with the "agreed and coordinated" policies between its member states. The current member-States of the EAEU include Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia. The EAEU provides for free movement of goods, services, capital and labor, pursues coordinated, harmonized and single policy in the sectors determined by the Treaty and international agreements within the Union[6]. Uzbekistan was granted the "Observer Status" by the Supreme Eurasian Economic Council in December 2020 along with Cuba. Currently Moldova, Uzbekistan and Cuba hold the observer status of EAEU.

Central Asian Union (CAU)

A Central Asian Union (CAU), an intergovernmental organization for promoting economic and political integration among CARs, was proposed by the then President of Kazakhstan, in April 2007, in order to create an economic and political union similar to that of the EU encompassing the five former Soviet Central Asian republics. The presidents of Kazakhstan and Kyrgyzstan had signed an agreement to create an "International Supreme Council" between the two states. In addition, Kazakhstan, Uzbekistan and Kyrgyzstan have signed a Treaty of Eternal Friendship[7]. The proposed Union envisaged to primarily deal with interstate border

[6] Website of EAEU
[7] Source: https://cis-legislation.com/document.fwx?rgn=3894

issues, trade, visa regimes, tourism and security. While the proposed union had the support of Kazakhstan, Kyrgyzstan and Tajikistan, it was not supported by the other countries. In March 2018, a Central Asian Summit was held in Astana, attended by the presidents of Kazakhstan, Uzbekistan, Kyrgyzstan and Tajikistan, and Turkmen parliament speaker, which was the first summit of Central Asian leaders in nearly a decade. The presidents of all CARs met again in November 2019 in Uzbekistan to develop 'forms and mechanisms for the development of cooperation in the areas of trade, economy, investments, transport and transit, agriculture, industrial cooperation, protection of environment, energy, water resources, tourism, science and culture'. The third and latest Consultative Meeting happened in August 6, 2021 (originally scheduled to be held in 2020) in Turkmenistan focusing on measures undertaken to mitigate the impact of the pandemic, enhancing regional connectivity and maintaining and security issues.

Other Initiatives

Eurasian Development Bank (EDB)

The EDB is an international financial institution established in 2006 as a joint initiative by Russia and Kazakhstan to promote economic growth in its member states, extend trade and economic ties among them, and support integration in Eurasia through investment. Armenia, Belarus, Tajikistan and Kyrgyzstan also became members of the EDB in the subsequent years. The Bank's charter capital is US$ 7 billion, including US$ 1.5 billion of paid-in capital and US$ 5.5 billion of callable capital. It finances investment projects aimed at promoting integration, provides technical assistance through the Technical Assistance Fund, mainly in transport, power, and telecommunications, and conducts research on economic integration through the Centre for Integration Studies. The EDB identifies the priority sectors for each member country according to their economic needs, the areas in which they need to become more competitive, and the Bank's resources. The EDB's head office is located in Almaty, Kazakhstan. The EDB currently has an investment portfolio of US$ 10.6 billion (as of October 1, 2021) with sectors like transport, energy, financial sector, chemicals, engineering, and other infrastructure. Russia accounts for a major share of investments (39.1 percent) followed by Kazakhstan (36.1 percent).

The EDB manages the Eurasian Fund for Stabilization and Development (EFSD) of the amount of US$ 8.513 billion. The Fund was established in 2009 by the governments of Armenia, Belarus, Kazakhstan, the Kyrgyz Republic, Russia and Tajikistan. The Fund was established in

2009 by the governments of Armenia, Belarus, Kazakhstan, the Kyrgyz Republic, Russia and Tajikistan.

Shanghai Cooperation Organisation (SCO)

The SCO is a permanent intergovernmental international organisation created in 2001 as the successor to the Shanghai Group established in 1996 and the current members of the Organisation include viz. China, Russia, India, Pakistan, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan. With the creation of the SCO, the focus has been shifted from border issues to regional security. The main goals of SCO include: strengthening mutual trust and neighbourliness among the member states; promoting their effective cooperation in politics, trade, the economy, research, technology and culture, as well as in education, energy, transport, tourism, environmental protection, and other areas; making joint efforts to maintain and ensure peace, security and stability in the region; and moving towards the establishment of a democratic, fair and rational new international political and economic order. The SCO has four observer states, namely Afghanistan, Belarus, Iran and Mongolia; and six dialogue partners, namely Azerbaijan, Armenia, Cambodia, Nepal, Turkey, and Sri Lanka. Turkmenistan participates in some meetings, but has no specific status. The Secretariat of SCO is based in Beijing.

European Bank for Reconstruction and Development (EBRD)

European Bank for Reconstruction and Development (EBRD) was founded in 1991 to create a new post-Cold War era in Central and Eastern Europe. The EBRD fosters transition to market economies in countries from Central and Eastern Europe to Central Asia and the Southern and Eastern Mediterranean. As a multilateral developmental investment bank, the EBRD actively invests in 38 countries including CARs, across a range of industries, agribusiness, infrastructure to transport. It is owned by 69 countries (including 5 CARs), as well as the EU and the European Investment Bank (EIB). India has become the 69th shareholder of the EBRD, paving the way for investment by Indian companies across the EBRD regions.

Chapter

MACROECONOMIC OVERVIEW OF CENTRAL ASIA

Central Asian Republics (CARs) comprise 5 landlocked economies – Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan, which play an important role as a bridge between Europe and Asia. These countries emerged as independent states in the aftermath of the disintegration of the USSR and are among the eleven former soviet republics which formed the CIS in 1991. Though having no access to the sea for trade, a unique blend of economical, political, and geographical features has increasingly raised academic and policy interests on the region over the years.

The Central Asian Republics are generally classified as transition economies and landlocked developing countries. They share borders with each other and with just three other economies - Russia, China and Afghanistan, resulting in highly concentrated export destinations. The CAR economies mostly trade among themselves, making them over-dependent on each other and a few other countries. Further, imports from other countries outside the region has to reach these countries through the countries which they share borders with. Lack of product diversification, highly concentrated export markets and excessive reliance on exports of natural resources are the major issues affecting exports of CARs. These five countries are among the most energy-diverse and oil-rich countries, with Kazakhstan being a major oil producer, and Turkmenistan and Uzbekistan having huge natural gas reserves. Tajikistan and Kyrgyzstan are also expected to have considerable untapped reserves of oil and natural gas.

Table 2.1 shows the natural resources present in the Central Asian countries.

Table 2.1: Presence of Natural Resources in Central Asian Countries

Country	Resources
Kazakhstan	petroleum, natural gas, coal, iron ore, manganese, chrome ore, nickel, cobalt, copper, molybdenum, lead, zinc, bauxite, gold, uranium
Kyrgyzstan	hydropower; gold, rare earth metals; locally exploitable coal, oil, and natural gas; deposits of nepheline, mercury, bismuth, lead, and zinc
Tajikistan	hydropower, petroleum, uranium, mercury, brown coal, lead, zinc, antimony, tungsten, silver, gold
Turkmenistan	petroleum, natural gas, sulphur, salt
Uzbekistan	natural gas, petroleum, coal, gold, uranium, silver, copper, lead and zinc, tungsten, molybdenum

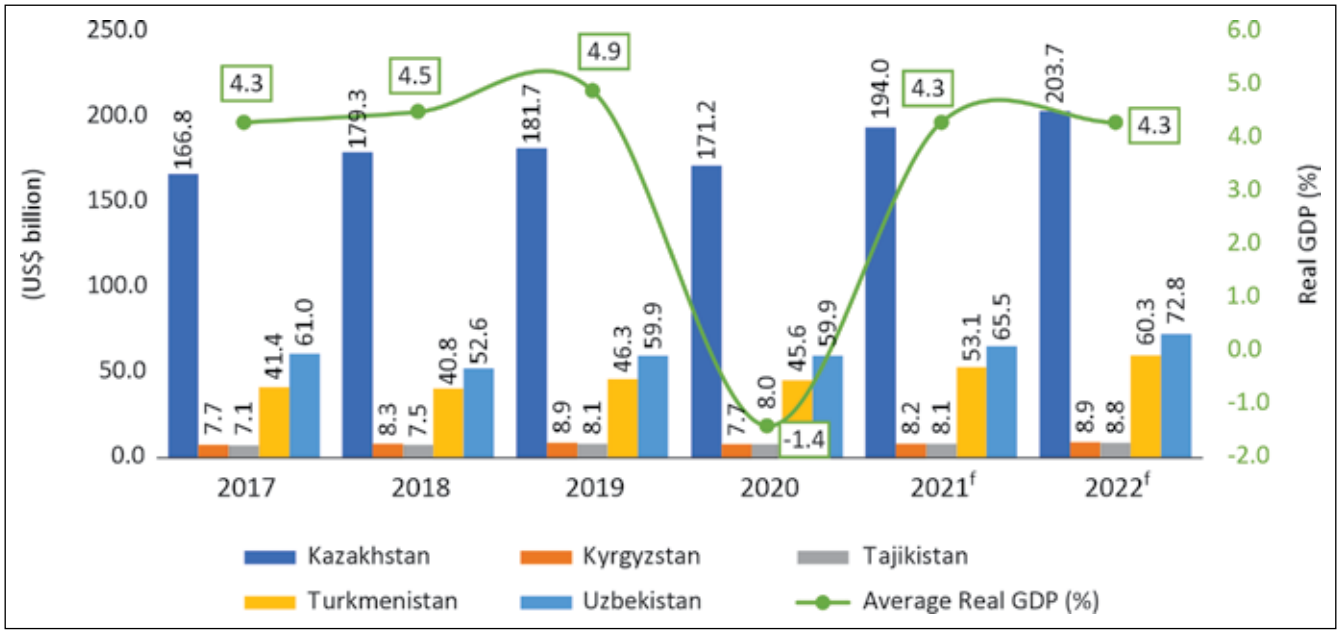
Source: The World Factbook, CIA and India Exim Bank Research

In 2019, the combined Gross Domestic Product (GDP) for CARs stood at US$ 304.8 billion increasing from US$ 288.5 billion in 2018. However, it declined to an estimated US$ 292.5 billion in 2020 as a result of the adverse impact of COVID-19. Except Uzbekistan and Tajikistan, which grew modestly, the other three economies have undergone contraction during 2020.

According to the World Bank[8], the output or real GDP of the Central Asian region grew by 4.9 percent in 2019 as compared to 4.5 percent in 2018, following which it contracted by 1.4 percent in 2020. The region is expected to undergo a recovery by 4.3 percent in 2021 supported by the global demand **(Chart 2.1)** and accordingly the nominal GDP is expected to reach US$ 328.9 billion in 2021. The Central Asian countries being major oil or commodity exporters are expected to see a recovery due to elevated commodity prices and recovery in China. Growth is expected to moderate in 2022 as external demand and commodity prices stabilize and the pandemic stimulus is withdrawn.

[8] Europe and Central Asia Economic Update, World Bank, October 2021

Chart 2.1: Economic Growth and Nominal GDP of the Central Asian Economies



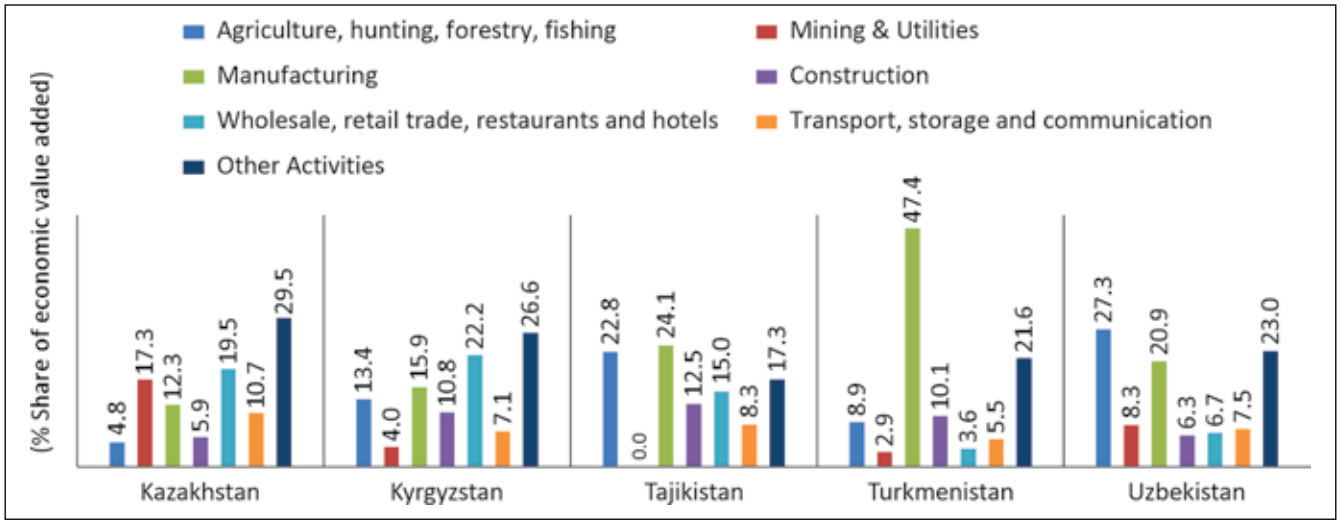
Note: [f]- Forecasts

Source: IMF WEO October 2021 and World Bank Europe and Central Asia Update Fall 2021 and India Exim Bank Research

The Central African Republics, though rich in natural and human resources, are quite diverse in terms of their stages of economic development **(Chart 2.1)**. The GDP of Kazakhstan at US$ 181.7 billion in 2019 and US$ 171.2 billion in 2020, for instance, is much larger than the combined GDP of the remaining four countries. The economies of CARs witnessed high growth rates in 2000s supported by high exports of raw materials during a period of exceptionally high commodity prices and significant remittances from labour migrants. Booming Chinese demand for commodities such as coal, copper, oil and gas boosted the exports of the Central Asian countries. Increased demand in Russia has led to the country absorbing growing numbers of the Central Asian workers, who sent remittances to their home countries. The largest recipients of remittances from Russia are Kyrgyzstan, Tajikistan, and Uzbekistan. Remittances accounted for 31.3 percent of the GDP of Kyrgyzstan followed by 26.7 percent in Tajikistan and 11.6 percent in Uzbekistan.

In terms of the structure of their economies, the services sector is the most dominant sector in the region, except for Turkmenistan, where manufacturing sector plays a dominant role, accounting for a share of 47.4 percent in the country's Gross Value Added (GVA). Manufacturing also remains a significant sector in case of GVA of other economies like Kyrgyzstan and Uzbekistan **(Chart 2.2)**.

Chart 2.2: Value Added by Major Economic Activities in the Central Asian Economies in 2019



Note: Latest data available is for 2019

Source: National Accounts Main Aggregates Database, Statistical Division United Nations (unstats.un.org) and India Exim Bank Research (data accessed on December 13, 2021)

The lack of connectivity between the CAR region and the rest of the world, incompatibility of individual economic regimes, political issues, prolonged conflicts in the neighborhood (Afghanistan) and partly closed borders remain the obstacles for increased trade and economic development. According to the World Bank's Logistics Performance Index (LPI), Kazakhstan ranks 71 followed by Uzbekistan (99), Kyrgyzstan (108), Turkmenistan (126), and Tajikistan (134) in 2018 out of 160 economies (latest ranking available). India ranked 44th in the LPI during the same year. Over the long term, the region's policymakers seek to create jobs and reduce poverty by working towards developing adequate safety nets; increasing the role of the private sector; diversifying economies away from natural resources; achieving greater regional synergies; and improving the business environment through enhanced transparency, governance and institutional quality.

ECONOMIC PROFILE OF CENTRAL ASIAN COUNTRIES

This section provides the broad overview of the prevailing macroeconomic condition in the countries of Central Asia.

KAZAKHSTAN

Kazakhstan is a transcontinental country in Central Asia and Eastern Europe. With a land area of 2,724,900 square kms, it is the ninth largest country in the world by land area, with its

territory being larger than that of Western Europe. It is also the world's largest landlocked country but has one of the lowest population densities globally. The Kazakh Steppe (plain), with an area of around 804,500 square kms (310,600 sq miles), occupies one-third of the country and is the world's largest dry steppe region.

Kazakhstan shares borders with Russia, China, Kyrgyzstan, Uzbekistan, and Turkmenistan, and also adjoining a large part of the Caspian Sea. Hence, the country is strategically important as it links the large and fast-growing markets of China and South Asia and those of Russia and Western Europe by road, rail, and a port on the Caspian Sea[9]. The population of Kazakhstan is 18.9 million (2020), being the second highest population after Uzbekistan in Central Asia and fourth highest among CIS countries. Kazakhstan has a predominantly young population with 63 percent[10] of the total population in the 15–64-year age group, reflecting the potential for better skilled, educated work force.

It is one of the top oil and mineral producers globally and has large and high-quality reserves of various metals, minerals and hydrocarbons. The major resources available in the country include oil, gas, uranium, zinc, tungsten, barium, silver, lead, chrome, copper, fluorites, molybdenum, and gold, with extractive industries attracting almost 76 percent of the total foreign direct investment in Kazakhstan. Kazakhstan also possesses significant reserves of natural resources for glass and whiteware industry: rare precious stones, a variety of construction and covering materials. Kazakhstan is ranked first in the world in terms of discovered zinc, tungsten and barite deposits; ranked second in discovered silver, lead and chromite; third in copper and fluorite; fourth in molybdenum, and sixth in gold deposits[11]. Kazakhstan acts as a key transit route for oil and gas going to Europe and China. Known as the breadbasket of Central Asia, Kazakhstan was the ninth largest exporter of wheat globally in 2020. As mentioned in 'Kazakhstan 2050 Strategy', the country aims to become one of the top 30 developed economies by 2050.

Domestic Economy

The World Bank classifies Kazakhstan as an upper middle-income country. In 2000, Kazakhstan became the first former Soviet republic to repay all of its debt to the International Monetary Fund (IMF), 7 years ahead of schedule. In March 2002, the U.S. Department of Commerce granted Kazakhstan market economy status under the US trade law. This change in status recognized substantive market economy reforms in the areas of currency convertibility, wage

[9] World Bank
[10] ibid
[11] 25th World Mining Congress 2018, Kazakhstan

rate determination, openness to foreign investment, and Government control over the means of production and allocation of resources. Kazakhstan is the only developing country globally to grant GSP preferences notified to the UNCTAD secretariat.

Kazakhstan's growth since the early 2000s has largely been driven by the expansion of the extractive sector and high commodity prices, which have supported growth in consumption and government spending. Since 2000, GDP per capita (PPP) of the country has risen fourfold, with declining poverty incidence, resulting in significant improvement in country's performance in the World Bank's shared prosperity indicator. The global economic crisis in 2007 and 2008, though resulted in economic setbacks, Kazakhstan picked up in 2010. The falling oil prices and the effects of the Ukrainian crisis resulted in further decline in economic growth rates during 2014 to 2016.

The real GDP of Kazakhstan underwent a contraction in 2020 by 2.6 percent, after registering average growth of 4.2 percent during 2017-2019 **(Table 2.2)** due to low global oil prices and lockdown measures across the economy to restrict the spread of COVID-19. Over-dependence on hydrocarbons and limited diversification have led to modest growth of the economy over the years. In absolute terms, GDP stood at US$ 171.2 billion in 2020, with a per capita GDP of US$ 9,071.3.

Table 2.2: Kazakhstan's Macroeconomic Indicators

Indicator	2017	2018	2019	2020	2021[f]	2022[f]
Nominal GDP (US$ bn)	166.8	179.3	181.7	171.2	194.0	203.7
Real GDP Growth (%)	4.1	4.1	4.5	-2.6	3.3	3.9
GDP per capita, current prices (US$)	9,186.7	9,749.1	9,750.4	9,071.3	10,144.7	10,510.4
Inflation, average consumer prices (%)	7.4	6.0	5.2	6.8	7.5	6.5
Population (mn)	18.2	18.4	18.6	18.9	19.1	19.4
Current account balance (US$ bn)	-5.1	-0.1	-7.3	-6.3	-1.7	-2.9
Current account balance (% of GDP)	-3.1	-0.1	-4.0	-3.7	-0.9	-1.4
External Debt (% of GDP)	97.8	89.9	90.2	96.8	84.4	77.5
International Reserves (US$ bn)	31.0	30.9	29.0	35.6	37.8	43.3
Exchange rate Tenge: US$	326	344.7	382.7	413.0	424.8	428.1

Note: [f-] Forecasts

Source: IMF WEO October 2021, EIU and India Exim Bank Research

Kazakhstan is a service-oriented economy, with the services sector accounting for over 59 percent of its GVA during 2019; followed by the industrial sector (35 percent) and agriculture sector (6 percent)[12]. The services sector includes value added in wholesale and retail trade (including hotels and restaurants), transport, and Government, financial, professional, and personal services such as education, health care, and real estate services. The industrial sector comprises value added in mining, manufacturing, construction, electricity, water, and gas. Kazakhstan's industrial sector is primarily focused on the extraction and processing of these natural resources. The manufacturing sector accounted for around 12 percent of GVA total value added. Though agriculture accounted for 6 percent of the GVA, the sector continues to employ around one fifth (19 percent) of the working population and is critical to addressing poverty and food security, as well as providing an important avenue for diversification of the economy.

The average consumer price inflation increased from 5.2 percent in 2019 to 6.8 percent in 2020 as a result of the depreciation of the currency and expansionary monetary policy to support economic activity amidst the pandemic. The inflation is expected to increase up to 7.5 percent in 2021, from a 6.8 percent in 2020, thus remaining above the central bank's target range of 4-6 percent. A surge in global food prices, logistical disruptions, and pent-up demand contributed to the rising prices. The government set price caps on some staple food products and introduced export quotas on grain. The National Bank of Kazakhstan tightened monetary policy and increased a policy rate by 0.25 p.p. to 9.5 percent in September 2021.

The official currency of Kazakhstan is Tenge. The movements of Tenge partly reflect those of oil prices and the Russian rouble, which is correlated with oil prices and is sensitive to Western sanctions. Central bank exchange-rate interventions amounted to US$ 2.2bn in 2020 and prevented a major sell-off. The exchange rate stood at an estimated Tenge 413: US$ 1 in 2020, depreciating from Tenge 382.7: US$ 1 in 2019, driven by weak oil prices and investor risk aversion towards emerging markets, but central bank exchange-rate interventions have prevented a steeper sell-off. The exchange rate is expected to depreciate further to Tenge 424.8: US$ 1 in 2021 due to the persistent risk of resurgent coronavirus cases, a wide current-account deficit, and investor risk aversion.

Kazakhstan's total international reserves increased to US$ 35.6 billion in 2020 from US$ 29 billion in 2019 mainly owing to an increase in gold reserves of US$ 4.7 billion. Gold reserves stood at US$ 23.6 billion in December 2020, accounting for more than two-thirds of gross reserves. Reserves represented an import cover of 11.5 months during 2020.

[12] Calculated from unstats.un.org

Taxes from oil and gas production and exports have been accumulated in a sovereign wealth fund, the National Fund of the Republic of Kazakhstan (NFRK). The NFRK was established in 2000 with the dual objective of stabilizing the economy in case of large fluctuations in the oil and gas price, and generating savings for future generations. In addition to the NFRK, the government also owns the Samruk-Kazyna fund, which manages the state-owned enterprises and has a consolidated asset value at about Tenge 25.6 trillion. Among the companies that the fund owns include the state oil and gas company KazMunayGas, Kazpost, Kazakhtelecom, and Air Astana. The fund is a key player in the government's efforts to privatize state-owned enterprises and diversify the economy.

UZBEKISTAN

Uzbekistan is one of the two double landlocked countries in the world, the other being Liechtenstein. Uzbekistan shares borders with five landlocked countries, Kazakhstan, Kyrgyzstan, Tajikistan, Afghanistan and Turkmenistan. Uzbekistan is Central Asia's most populous country, with a population of 32.6 million comprising largely skilled and educated labour force. Uzbekistan relies mainly on commodity production including cotton, gold, uranium, potassium, and natural gas. Uzbekistan has large gas reserves that are only partially exploited and is consuming most of its gas output with limited exports to Russia and China. Uzbekistan is the second largest natural gas producer in Central Asia, ranks 11th in the world in natural gas extraction, and 10th in the world in consumption of natural gas. The government has set a goal of raising natural gas production to 70 billion cm by 2025 from around 43 billion cm currently and is involved in talks on resuming the construction of the Uzbek-stretch of the Central Asia-China pipeline's Line-D. Uzbekistan has close connection with ancient Silk Road as three of the route's most important cities Khiva, Bukhara and Samarkand lie in Uzbekistan. Uzbekneftgas ranks 11th in the world in natural gas production with an annual output capacity of 60 to 70 billion cubic meters and liquid hydrocarbons in the amount of 8 million tons.

Uzbekistan also ranks 7th in the world in terms of uranium reserves, which is entirely exported (4 percent of world uranium reserves), holds 4th place in the world in terms of total gold reserves, and 7th place in terms of gold production, with 80 tons of gold mined annually, ranking seventh in the world. Muruntau gold deposit located in Kyzyl Kum Desert is one of the largest open pit gold mines in the world. Uzbekistan is the world's 6th largest cotton producer and also has rich deposits of copper, globally ranking tenth, besides substantial deposits of silver and iron ore.

Domestic Economy

The World Bank classifies Uzbekistan as a lower middle-income country. The economy is based primarily on agriculture and natural resource extraction. Uzbekistan is a commodity dependent country largely relying on natural gas, copper and gold exports.

Table 2.3: Uzbekistan's Macroeconomic Indicators

Indicator	2017	2018	2019	2020	2021[f]	2022[f]
Nominal GDP (US$ bn)	61.0	52.6	59.9	59.9	65.5	72.8
Real GDP Growth (%)	4.4	5.4	5.7	1.7	6.1	5.4
GDP per capita, current prices (US$)	1,899.7	1,611.2	1,801.4	1,767.5	1,901.5	2,078.9
Inflation, average consumer prices (%)	13.9	17.5	14.5	12.9	11.0	10.9
Population (mn)	32.1	32.7	33.3	33.9	34.4	35.0
Current account balance (US$ bn)	1.5	-3.6	-3.4	-3.0	-4.0	-4.1
Current account balance (% of GDP)	2.4	-6.8	-5.6	-5.0	-6.0	-5.6
External Debt (% of GDP)	28.2	35.2	38.8	55.8	-	-
International Reserves (US$ bn)	28.1	27.1	29.2	34.9	35.0	35.4
Exchange rate Som: US$	5,124.0	8,072.0	8,836.0	10,053.0	10,701.0	11,366.0

Note: [f]- Forecasts

Source: IMF WEO October 2021 and EIU and India Exim Bank Research

Uzbekistan's real GDP grew at 5.7 percent during 2019, increasing from 5.4 percent witnessed in the previous year, supported by a surge in investment growth financed by substantial increases in directed lending to state-owned enterprises (SOEs) **(Table 2.3)**. Uzbekistan was one of the few economies globally to not register a coronavirus-induced contraction. Real GDP growth moderated to 1.7 percent in 2020 as a result of a slowdown in private consumption and fixed investment. In absolute terms, GDP stood at an estimated US$ 59.9 billion in 2020, with a per capita GDP of US$ 1,767.5. The economy is expected to expand at a robust rate of 6.1 percent in 2021, supported by private consumption, rise in global oil prices and strong investor appetite driven by the government's continued efforts to increase diversification and boost private sector growth coupled with state investment in energy and infrastructure.

The services sector contributed around 37.2 percent of GDP during 2019, followed by industrial sector (35.5 percent) and agriculture sector (27.3 percent). In February 2017, the

Government of Uzbekistan adopted and started implementing its Strategy of Actions for the Development of Uzbekistan for 2017–2021, which outlined its political, economic and social priorities, including measures to liberalize the economy and trade.

Though Uzbekistan is implementing various reforms laying the ground for solid economic growth, the price and exchange rate liberalisation and the reduction of subsidies has led to the adjustment of relative prices, resulting in double-digit inflation.

Annual average consumer price inflation (CPI) moderated to 12.9 percent in 2020, as against 14.5 percent recorded in 2019, due to lower demand owing to the pandemic and relatively stable exchange rate. The CPI is expected to further moderate in 2021, to an annual average of 11 percent, as the effects of the 2017 currency devaluation abate.

The official currency of Uzbekistan is Som. In September 2017, the Central Bank of Uzbekistan (CBU) ended its long-standing policy of administratively supporting Som's official exchange rate through a crawling peg by allowing the currency to float freely. As a result, the official exchange rate got converged to the unofficial rate of Som 8,100: US$1, leading to an almost 50 percent depreciation. Some of the stringent capital controls on foreign currency has also been relaxed for businesses and individuals. The exchange rate stood at Som 10,053: US$ 1 in 2020, depreciating from Som 8,836: US$ 1 in 2019. The exchange rate is expected to depreciate further to Som 10,701: US$ 1 in 2021.

A shift towards a more liberal exchange rate and trade regimes in 2017 along with expansionary credit policies in 2018, has resulted in additional imports in the country causing Uzbekistan's current account balance to turn into a deficit of 6.8 percent of GDP continued in 2018 from a surplus of 2.4 percent of GDP in 2017. The current account registered a deficit of 5.3 percent of GDP in 2020. In 2021, the current-account deficit is expected to widen to 6 percent of GDP as capital imports for investment projects recover and as gold exports fall from record levels in 2020. Uzbekistan's total international reserves increased to US$ 34.9 billion (18 months of imports) in 2020 from US$ 29.2 billion in the previous year. Remittance (as a percentage of GDP) stood at 14.3 percent in 2019 and 11.6 percent in 2020[13]. Remittances, especially from Russia, Kazakhstan and Turkey are another important source of revenue for Uzbekistan.

[13] World Development Indicators, World Bank

The government of Uzbekistan has begun implementing major tax reforms in 2019, which would result in simplifying taxes, expanding the standard corporate tax regime and value added tax, while reducing the tax burden on private firms and workers. Moreover, Uzbekistan is planning to privatize its national oil and gas firm, Uzbekneftegaz (UNG), by 2024 as part of a strategy to boost gas output.

TURKMENISTAN

Turkmenistan, formerly known as Turkmenia, was a constituent republic of the Soviet Union and one of the six independent Turkic states until 1991. It is bordered by Afghanistan to the southeast, Iran to the south and southwest, Uzbekistan to the east and northeast, Kazakhstan to the north and northwest and the Caspian Sea to the west. Over 80 percent of the country is covered by the Karakum Desert.

Turkmenistan is classified by the World Bank as an upper middle income country. The country is endowed with sizeable gas and oil resources. Turkmenistan holds the fourth-largest natural gas reserves in the world (19.5 trillion cubic meters (tcm)), with the bulk of its gas reserves being located onshore, in the southeastern part of the country unlike Kazakhstan. In spite of this huge reserves, Turkmenistan has few options to diversify its hydrocarbon exports. Among the existing export pipelines, only the Central Asia-China Pipeline is currently active, while pipeline to Russia and Iran are not operative due to geopolitical and economic reasons. Currently, China is the only significant buyer of Turkmenistan's gas, where Russia held the dominant position a decade back. Thus, the dependence on a single export route make Turkmenistan's energy security highly vulnerable.

In 2020, Turkmenistan had an estimated population of 5.9 million, which is the lowest among the Central Asian countries. Turkmenistan has a predominantly young population with a working population of around 68 percent, indicating the potential for an educated and skilled work force.

Turkmenistan possesses the world's fourth-largest reserves of natural gas and substantial oil resources. The major crops produced in the country include cotton, most of which is exported, and wheat, which is domestically consumed. Turkmenistan is among the top ten producers of cotton, and is famous for its high quality, fine fibre cotton which is widely used in various industries such as textile, food, medical and other industries. Almost 80 percent of Turkmenistan is covered with desert and the Karakum canal carrying the water of Amu Darya across the desert from the East to the West is the main source of irrigation.

Domestic Economy

The economy of Turkmenistan is majorly state driven due to absence of a private sector. Turkmenistan witnessed a recession for the first time since 2009 in 2020, with the real GDP contracting by 0.8 percent due to decline in exports and private consumption as compared to a growth of 3 percent observed in 2019 **(Table 2.4).** The economy is expected to recover by 3.5 percent in 2021 with industry being the main growth driver as a 23.4 percent rise in gas production led expansion in hydrocarbon output and processing. Growth is also expected to have benefited from steady expansion in chemicals, electricity, textiles, food, and other industries enjoying government support under import substitution programme[14]. The government's efforts to diversify the economy away from its gas exports dependence (gas accounts for more than 80 percent and oil products - 10 percent of total goods exports) is yet to be effective. In absolute terms, GDP stood at US$ 83.3 billion in 2020, with a per capita GDP of US$ 13,833. The government has come up with a seven-year plan for social and economic development for 2018-24 that aims to sustain the annual growth rate of real GDP between 6.2 percent and 8.2 percent.

Table 2.4: Turkmenistan's Macroeconomic Indicators

Indicator	2017	2018	2019	2020	2021[f]	2022[f]
Nominal GDP (US$ bn)	51.3	61.8	73.3	83.3	99.6	-
Real GDP Growth (%)	1.5	2.5	3.0	-0.8	3.5	4.0
GDP per capita, current prices (US$)	8,844.8	10,474.6	12,423.7	13,883.3	16,327.9	-
Inflation, average consumer prices (%)	16.0	17.5	15.0	14.7	15.5	11.0
Population (mn)	5.8	5.9	5.9	6.0	6.1	-
Current account balance (US$ bn)	-2.5	0.8	0.9	-3.7	1.8	1.5
Current account balance (% of GDP)	-4.8	1.2	1.2	-4.4	1.8	1.3
External Debt (% of GDP)	22.8	20.0	14.4	5.6	-	-
International Reserves (US$ bn)	9.8	14.8	14.4	15.7	16.2	-
Exchange rate Manat: US$	3.5	3.5	3.5	3.5	3.5	-

Note: f- Forecasts; - not available

Source: EIU and India Exim Bank Research

In 2019, the industrial sector dominated Turkmenistan's economy, accounting for 60.4 percent of GDP, followed by services at 30.7 percent. Although agriculture accounts for only 8.9 percent of GDP, it continues to employ nearly half of the country's workforce, while facing the challenges of poor quality of the land, inefficient irrigation systems and an

[14] Asian Development Outlook 2021 Update, Asian Development Bank, September 2021

unsuitable climate. Agriculture sector is however expected to get a boost in 2021 due to record production of wheat and cotton. Within the industrial sector, the hydrocarbons sector accounts for substantial portion of the country's export earnings. The development in the oil and gas industry and the rise in exports have been the main drivers of the economy in recent years. Two initiatives of the country to bring gas to new markets - a trans-Caspian pipeline to export gas to Europe and the Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline are facing major financing, political, and security hurdles.

Consumer price inflation of Turkmenistan has remained persistently large owing to severe goods shortages due to currency-rationing and import-substitution policies of the government. Annual average CPI had eased slightly from 15 percent in 2019 to 14.7 percent in 2020 due to low global food prices. Inflation is expected to average at 15.5 percent in 2021 as restrictions on imports caused food shortages and a consequent surge in food prices.

The official currency of Turkmenistan is the Manat. The Manat is pegged to the US dollar at Manat 3.5: US$1. The sale of foreign currency was banned in January 2016 along with stringent restrictions on international money transfers, with only banks and exchange offices allowed to purchase foreign exchange.

Turkmenistan's current account surplus of US$ 0.9 billion (1.2 percent of GDP) in 2019 turned into a deficit of US$ 3.7 billion (4.4 percent of GDP) in 2020 owing to lower energy prices and weak demand from China. In 2021, the current account is expected to return to a surplus of US$ 1.8 billion (1.8 percent of GDP) driven by higher energy prices and continued import-substitution. Capacity constraints in the Central Asia–China Gas Pipelines (CAGP) are expected to slow down exports over the medium term. Turkmenistan's total international reserves (excluding gold) moved higher to an estimated US$ 15.7 billion in 2020 from US$ 14.4 billion in the previous year.

TAJIKISTAN

Tajikistan, officially known as the Republic of Tajikistan is bordered by Afghanistan to the south, Uzbekistan to the west, Kyrgyzstan to the north, and China to the east. It is the smallest nation in Central Asia by area. With large amount of remittances coming from Russia, Tajikistan is dependent on Russia for its economic growth and to counter security problems. According to the World Bank, remittances formed 26.7 percent of total GDP of Tajikistan in 2020[15]. Tajikistan has particularly benefited from the sustained rebound of economic activity in Russia, the primary destination of low-skilled migrants from the country.

[15] World Development Indicators, World Bank

The population of Tajikistan was estimated at 9.5 million in 2020. Tajikistan consists of a young population with working population accounting for 61 percent of total population. Tajikistan's economy is largely dependent on agriculture and livestock raising, with half of the population engaged in agriculture. Tajikistan has large gold reserves. Moreover, the second largest silver mine in the world, Koni Mansur is situated in the north of Tajikistan. Tajikistan also has the largest resources of antimony in CIS region. It also has minerals such lead, zinc, mercury, molybdenum, tungsten, iron, tin, boron, strontium, fluorspar, rock salt, precious and semi-precious stones, bituminous coal, anthracite, graphite, mineral wax, and phosphates. Cotton is the most important crop, and its production is closely monitored by the Government.

Tajikistan is the world's third largest producer of hydroelectric power after the USA and Russia. Nurek Hydropower Plant (HPP) generates about 70 percent of Tajikistan's total annual energy demand. Less than 50 percent of its total energy needs are being met by domestic production, with Uzbekistan alone supplying more than 70 percent of Tajikistan's petroleum needs. Other CARs such as Kazakhstan and Turkmenistan supply another 27 percent. Tajikistan is a major trader in commodities such as cotton, aluminium and uranium. Tajikistan's economic situation remains fragile due to challenges such as uneven implementation of structural reforms, weak governance, seasonal power shortages, and the external debt burden.

Domestic Economy

The economy of Tajikistan registered a moderation in growth at 4.5 percent in 2020, compared to a 7.5 percent growth witnessed in 2019 **(Table 2.5)**. Tajikistan managed to avoid a downturn induced by the pandemic mainly because of a substantial contraction of imports, which led to a positive contribution of net exports to GDP. In addition, the government did not impose restrictions on businesses in relation to the pandemic and received remittances almost close to the usual levels. In absolute terms, GDP stood at an estimated US$ 8 billion in 2020 marginally decreasing from US$ 8.1 billion in 2019, with a per capita GDP of US$ 844. Though, the country has witnessed high growth rates and considerable economic potential, economic growth is not very inclusive with Tajikistan having one of the highest poverty rates in the region with slow job creation levels. The National Development Strategy (NDS) 2030 sets a target of increasing domestic incomes by up to 3.5 times by 2030 and reducing poverty by half. Real GDP is expected to grow at 5 percent in 2021 and moderate in the medium term. Remittances and foreign investment are projected to rise, reflecting a better growth outlook in Russia and China.

Table 2.5: Tajikistan's Macroeconomic Indicators

Indicator	2017	2018	2019	2020	2021[e]	2022[f]
Nominal GDP (US$ bn)	7.1	7.5	8.1	8.0	8.1	8.8
Real GDP Growth (%)	7.1	7.3	7.5	4.5	5.0	4.5
GDP per capita, current prices (US$)	800.8	825.8	873.5	844.0	839.2	890.2
Inflation, average consumer prices (%)	7.3	3.8	7.8	8.6	8.0	6.5
Population (mn)	8.9	9.1	9.3	9.5	9.7	9.8
Current account balance (US$ bn)	0.2	-0.4	-0.2	0.3	0.2	-0.2
Current account balance (% of GDP)	2.2	-5.0	-2.3	4.2	1.9	-1.9
External Debt (% of GDP)	74.6	78.4	80.0	83.0	-	-
International Reserves (US$ bn)	641.8	366.8	519.6	1550.4	1454.6	-
Exchange rate S: US$ Local currency is Somoni	8.6	9.15	9.53	10.32	11.32	11.43

Note: [e-] Estimates; [f-] Forecasts; - not available

Source: IMF WEO October 2021 and EIU and India Exim Bank Research

Tajikistan is a service-oriented economy, with the services sector accounting for 40.6 percent of GDP in 2019, followed by industry (36.6 percent) and agriculture (22.8 percent). The industrial sector is dominated by aluminum production, which remains the largest contributor to overall industrial growth. Tajikistan also has a competitive carpet weaving industry. Agriculture sector created employment opportunities for half of the total population of Tajikistan. With foreign revenue highly dependent upon exports of cotton and aluminum, the economy is vulnerable to external shocks.

Annual average inflation, (CPI) increased to 8.6 percent in 2020, as against 7.8 percent recorded in 2019, driven by a sharp acceleration in food price growth due to domestic supply shortfalls. It is expected to moderate to 8 percent in 2021, as the imported inflation dissipates, remaining above the Central Bank's inflation target of 6 percent (+/-1 percent).

The Tajikistani economy is highly dependent on imports as a result of a wide range of commodities consumed domestically. The import includes a wide range of goods used as investment resources, such as aluminium oxide used in aluminium processing, petroleum products, non-ferrous metals, machinery and equipment as well as finished products such as wheat, flour, foodstuffs, electricity and natural gas. The export structure is limited to a small line of export goods produced in Tajikistan including aluminium, raw cotton, electricity, fruit and vegetables and mineral resources. The Tajik Aluminium Company (TALCO) owned and operated by the state, operates the largest aluminium smelter in the region. Tajikistan has no known bauxite ore reserves and needs to be imported. The current account of the country

is expected to remain in deficit due to continued strong demand for capital-intensive imports for the construction activities and a remittance propelled expansion of private consumption.

The official currency of Tajikistan is the somoni (S). The Tajik rouble, introduced in May 1995, was replaced in October 2000 by the somoni (S), at a rate of S1: TR 1,000. In 2017, the National Bank of Tajikistan started a managed depreciation of the somoni against the US dollar, thus maintaining a regulated "floating exchange" regime. On November 4, 2020, the NBT allowed the somoni to depreciate by almost 10 percent against the dollar in order to align it with the unofficial rate. The exchange rate stood at S 10.32: US$ 1 in 2020, depreciating from S 9.53: US$ 1 in 2019. The exchange rate is further estimated to have depreciated to S11.32: US$ 1 in 2021 and is overall expected to remain stable as the NBT is expected to tighten capital controls in case of sharp movements of the currency.

The current account deficit of US$ 0.2 billion (2.3 percent of GDP) in 2019 into a surplus of US$ 0.3 billion in 2020 (4.2 percent of GDP) owing to a narrowing trade deficit. The current account deficit is expected to narrow in 2021 to US$ 0.2 billion (4.2 percent of GDP) as a result of higher oil prices leading to widening of the trade deficit. Tajikistan's total international reserves increased to US$ 1.6 billion in 2020 from US$ 519.6 million in 2019. Reserves represent an import cover of 6 months.

KYRGYZSTAN

Kyrgyzstan has a total population of 6.5 million with working population accounting for 63 percent of its population in 2020. The country is widely regarded as the "island of democracy in Central Asia," and was the first country in Central Asia to hold democratic parliamentary elections.

Kyrgyzstan possesses substantial reserves of gold. It also has rich deposits of antimony, coal, tin, uranium, rare earth metals, polymetallic ores, and limited hydrocarbons, oil and natural gas. Apart from gold, the country's most significant natural resource is its plentiful water supply, which has enabled it to become a large hydroelectricity provider and exporter to the Central Asian grid. Kyrgyzstan depends on oil and gas imports for more than half of its energy needs, especially during the winter when hydropower production is low.

Domestic Economy

Kyrgyzstan's Sustainable Development Strategy 2040 and medium-term development plan for 2018–22 have outlined steps for future development efforts and a shift towards a private

sector–led economic model. The overall macroeconomic scenario in Kyrgyzstan is improving. However, the economy of Kyrgyzstan is vulnerable to external shocks owing to its reliance on one gold mine, Kumtor, which accounts for about 10 percent of GDP, and on worker remittances and reliability on neighbours and Russia in particular. According to the World Bank, remittances form 31.3 percent of total GDP of Kyrgyzstan in 2020, mostly from Russia.

Kyrgyzstan's real GDP contracted by 8.6 percent in 2020, as compared to a growth of 4.6 percent recorded in 2019, as a result of sharp contraction of private consumption and low investment, on the back of the coronavirus pandemic **(Table 2.6)**. Russia has been severely affected by the pandemic and by the collapse in oil prices last year, leading to decline in remittance flows. The real GDP is expected to grow at a modest 2 percent in 2021, mainly because of lower production from the Kumtor gold mine (which contributes about 10 percent of GDP) and declining manufacturing activity. In absolute terms, GDP stood at an estimated US$ 7.7 billion in 2020 declining from US$ 8.9 billion, with a per capita GDP of US$ 1188.8.

Table 2.6: Kyrgyzstan's Macroeconomic Indicators

Indicator	2017	2018	2019	2020	2021[f]	2022[f]
Nominal GDP (US$ bn)	7.7	8.3	8.9	7.7	8.2	8.9
Real GDP Growth (%)	4.7	3.5	4.6	-8.6	2.1	5.6
GDP per capita, current prices (US$)	1254.5	1322.0	1388.6	1188.8	1224.7	1313.9
Inflation, average consumer prices (%)	3.2	1.5	1.1	6.3	13.0	7.8
Population (mn)	6.1	6.3	6.4	6.5	6.7	6.8
Current account balance (US$ bn)	-0.5	-1.0	-1.1	0.3	-0.6	-0.7
Current account balance (% of GDP)	-6.2	-12.1	-12.1	4.5	-7.7	-7.6
External Debt (% of GDP)	105.5	98.6	95.2	112.4	-	-
International Reserves (US$ bn)	1.9	1.7	1.7	1.8	2.6	-
Exchange rate Som: US$	68.9	68.8	69.8	77.4	84.7	85.0

Note: [f-] Forecasts; - not available

Source: IMF WEO October 2021 and EIU and India Exim Bank Research

In 2019, services sector dominated Kyrgyzstan's economy, accounting for 55.9 percent of GDP, followed by industry (30.7 percent) and agriculture (13.4 percent). The Government's policy of economic liberalisation has succeeded in increasing the importance of trade. The low investment into the tourism sector, however, remains a major constraint on the sector's

growth. The industrial sector comprises value added in mining, manufacturing, construction, electricity, water, and gas. Key industries include food processing, forestry, manufacture of agricultural machinery, textiles, and furniture. On account of rich deposits of minerals and natural metals, metallurgy is an important and thriving industry, with the Government hoping to attract large foreign investment into this field. Kyrgyzstan is also noted for its traditional handicrafts such as wood carving, carpet weaving, and jewelry making. The industrial sector faces challenges mainly on account of the low levels of investment and restructuring. Electricity, a sub-sector, has also struggled due to reduced export demand.

Agriculture is an important sector of the economy in Kyrgyzstan, with over 50 percent of Kyrgyzstan's population engaged in agricultural and allied activities. With large expanse of mountainous terrain, livestock raising is an important agricultural activity in the economy, with wool, meat, and dairy products, being major commodities of agricultural production. Major crops include wheat, sugar beets, potatoes, cotton, tobacco, vegetables, and fruit. Agricultural processing is a key component of the industrial economy as well as one of the most attractive sectors for foreign investment.

Average consumer price inflation in Kyrgyzstan increased to 6.3 percent in 2020 from 1.1 percent in 2019, owing to increased demand for staple goods and significantly reduced imports. Inflation is estimated to increase further to 13 percent in 2021, as a result of sharp acceleration in food and energy prices.

The Kyrgystan economy has traditionally undergone large trade deficits, owing to its reliance on energy and machinery imports. The current account deficit in 2019 was US$ 1.1 billion or 12.1 percent of GDP. However, in 2020 the current account registered a surplus, on the back of decreased imports and stood at US$ 0.3 billion (4.5 percent of GDP). The current account is estimated to return to deficit in 2021, at US$ 0.6 billion (7.7 percent of GDP), driven by a substantial widening of the trade balance. Kyrgyzstan's total international reserves increased to an estimated US$ 1.8 billion in 2020 from US$ 1.7 billion in the previous year. Reserves represent an import cover of 6 months.

Partnership Agreements

The dominance of Russia in the foreign policies of CARs remains a significant driver for many western countries' economic, political and trade strategies towards Central Asian countries. The quest for energy security is a major determinant in these relationships. Interest in the region's vast energy resources on one side and the drive to achieve energy security through

diversifying supply and reducing dependence on Russia on the other side, has led to various cooperation agreements. Cross-border trading for all countries of the region remains major challenge, because of trade barriers and poor transit systems.

Three out of the five CARs, Kyrgyzstan, Tajikistan and Uzbekistan, benefit from favourable access to the EU market, through the Generalised Scheme of Preferences. Being upper middle income-level economies, Kazakhstan and Turkmenistan are no longer beneficiaries of this scheme. Kyrgyzstan also benefits from the GSP+ scheme, which grants additional preferences. A Partnership and Cooperation Agreement (PCA) governs the EU's bilateral trade relations with Kyrgyzstan, Tajikistan and Uzbekistan. In terms of trade, these are non-preferential agreements – ensuring most-favoured nation treatment and prohibiting quantitative restrictions in bilateral trade.

The EU's bilateral trade relations with Kazakhstan are covered by an Enhanced Partnership and Cooperation Agreement (EPCA), signed in Astana on December 21, 2015. On March 1, 2020, the EU-Kazakhstan Enhanced Partnership and Cooperation Agreement (EPCA), ratified by all EU Member States and the European Parliament, entered into force. The areas of cooperation under the agreement include trade, education, environment and climate change, energy, transport, and human rights. Other areas of cooperation remain based on the Trade and Cooperation Agreement signed with the Soviet Union in 1989 and subsequently endorsed by Turkmenistan. The EU has concluded an Enhanced Partnership and Cooperation Agreement (EPCA) with Kyrgyzstan and is negotiating an EPCA with Uzbekistan.

The US has signed a Trade and Investment Framework Agreement (TIFA) with the 5 Central Asian Republics. The objective of the TIFA is to provide a forum for addressing trade issues and enhancing trade and investment between the United States and Central Asia. The TIFA also provides a platform to address regional trade issues that hamper intra-regional trade, economic development and investment. The TIFA created a United States-Central Asia Council on Trade and Investment, which is designed to consider a wide range of issues that include, but are not limited to, intellectual property, labor, environmental issues and enhancing the participation of small- and medium-sized enterprises in trade and investment.

Chapter

3

FOREIGN TRADE OF CENTRAL ASIAN REPUBLICS

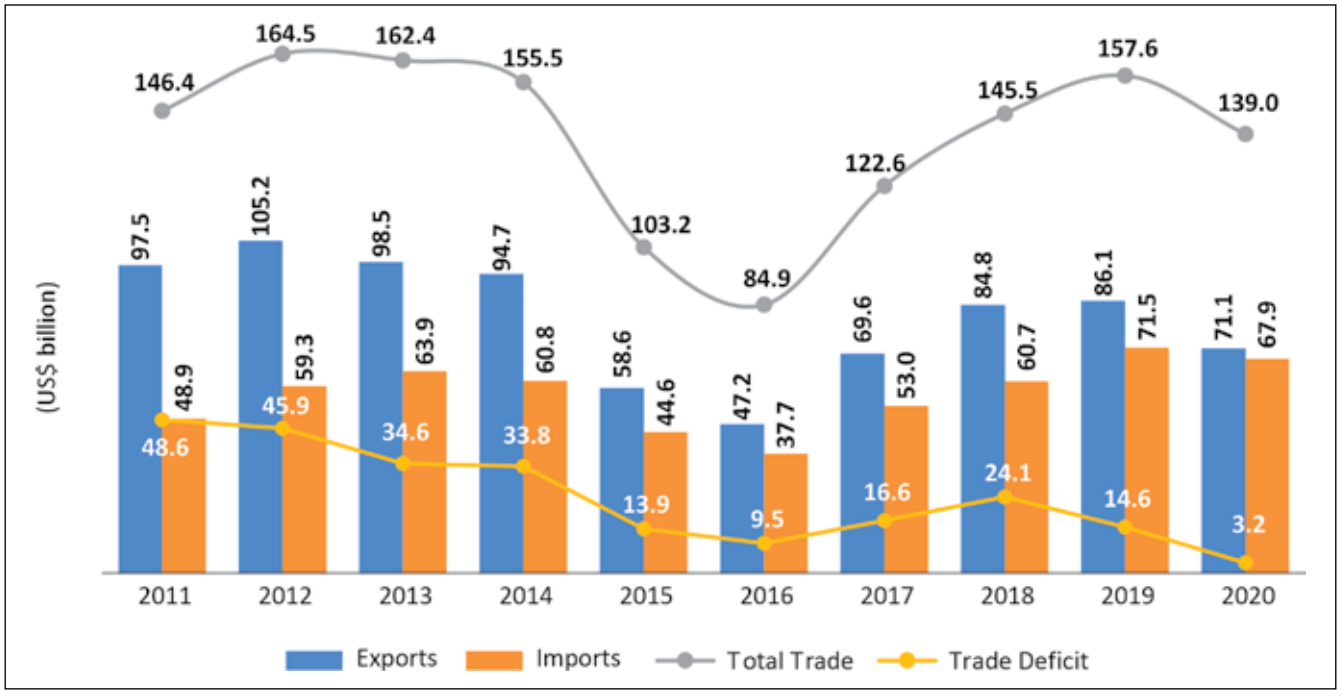
The Central Asian Republics have laid importance to increasing their international trade since their independence as it remains distant from the major global trade and economic centers, including North America, Western Europe, East and South East Asia. Given the inherently challenging situation in Central Asia, expanding international trade is necessary for the overall development of countries in the region. However, international trade remains below potential levels, confined by limitations in connectivity, market access issues, limited bilateral engagement and difficult trade and transport facilitation.

Total trade of the CARs increased by a CAGR of 0.8 percent from US$ 146.4 billion in 2011 to US$ 157.6 billion in 2019, mainly driven by increased imports at a CAGR of 4.3 percent during the same period. The region saw a decline in trade to US$ 139 billion in 2020 as a result of contraction of both exports and imports due to the COVID-19 pandemic. The favourable trade balance enjoyed by the Central Asian region at US$ 48.6 billion in 2011 has narrowed over the years and stood at US$ 3.2 billion as the region remains highly susceptible to movement of international commodity prices due to their resource intensive exports. The trade surplus is mainly driven by large exports of oil and natural gas from the region.

Depending upon the global trends, both exports and imports of the region have recorded a fluctuating trend especially during 2015 and 2016 owing to declining commodity prices globally, after which exports, and imports have picked up gradually. Exports of Central Asia declined from US$ 97.5 billion in 2011 to over US$ 71.1 billion in 2020, decreasing at a CAGR of 1.4 percent. At the same time, imports of the region have increased from US$ 48.9 billion to US$ 67.9 billion during the same period, growing at a CAGR of 3.3 percent **(Chart 3.1)**.

Among the Central Asian countries, Kazakhstan is the leading trading nation accounting for almost 61.2 percent of total trade of Central Asian region, followed by Uzbekistan which accounted for over 23.8 percent of the total trade of the region in 2020.

Chart 3.1: International Trade of Central Asian Republics



Source: ITC Trade Map and India Exim Bank Research

The trade structures of the CARs are characterized by production-trade mismatch – a less diversified manufacturing base and adverse terms of trade due to the fact that exports mainly consist of primary products, whereas imports largely comprise manufactured products.

Central Asia's exports remains heavily skewed towards primary commodities. Concentration of exports is especially high with gas and cotton accounting for 80 percent of total exports of Turkmenistan and crude petroleum accounting for 62 percent of Kazakhstan's total exports. The share of manufactured goods in global exports of Central Asian countries are quite low. Major exports of the region primarily comprise mineral fuels and oils; pearls, precious stones and metals; copper and articles; ores, slag and ash; iron and steel; inorganic chemicals; and cotton **(Table 3.1).** Mineral fuels and oils exports mainly comprise petroleum oil (crude) and natural gas. Crude petroleum oil exports have undergone a decline in terms of the share of exports whereas the share of pearls and precious stones and metals (majorly gold) has increased in 2020 as compared to 2011.

Table 3.1: Major Exported Commodities of Central Asian Republics

HS Code	Product	2011		2019		2020	
		Value (US$ bn)	Share (%)	Value (US$ bn)	Share (%)	Value (US$ bn)	Share (%)
Total	**All products**	**97.5**	**100.0**	**86.1**	**100.0**	**71.1**	**100.0**
27	Mineral fuels, mineral oils and products of their distillation	70.4	72.2	51.5	59.8	34.9	49.1
71	Pearls, precious or semi-precious stones	2.7	2.7	1.5	1.8	8.3	11.6
74	Copper and articles	3.3	3.4	3.4	3.9	3.6	5.1
26	Ores, slag and ash	4.4	4.6	3.2	3.7	3.5	4.9
72	Iron and steel	6.2	6.3	3.8	4.4	3.3	4.6
28	Inorganic chemicals	3.0	3.1	2.3	2.6	2.4	3.4
52	Cotton	0.5	0.5	1.9	2.2	1.7	2.4
10	Cereals	0.8	0.8	1.4	1.6	1.4	1.9
79	Zinc and articles	0.8	0.8	0.7	0.8	0.8	1.1
11	Products of the milling industry	0.6	0.6	0.5	0.6	0.7	1.0

Source: ITC Trade Map and India Exim Bank Research

The Central Asian countries have a low degree of trade complementarity as they produce and export same/similar products, which necessitates the need to look for trade partners beyond their immediate neighbours. Another noticeable feature of the Central Asian trade since 1991 has been its radical reorientation from the Former Soviet Union to the Western Europe, China and South-East Asia.

The major imports of Central Asia mainly include machinery and mechanical appliances; electrical and electronic equipment; transport vehicles; petroleum products; iron and steel and articles; pharmaceutical products; and plastics **(Table 3.2)**.

Table 3.2: Major Imported Commodities of Central Asian Republics

HS Code	Product	2011		2019		2020	
		Value (US$ bn)	Share (%)	Value (US$ bn)	Share (%)	Value (US$ bn)	Share (%)
Total	**All products**	**48.9**	**100.0**	**71.5**	**100.0**	**67.9**	**100.0**
84	Machinery, mechanical appliances	7.1	14.6	15.2	21.2	15.2	22.5
85	Electrical machinery and equipment	4.7	9.6	6.5	9.0	5.1	7.5
87	Vehicles other than railway and tramway	2.8	5.6	5.2	7.2	4.8	7.1
27	Mineral fuels, mineral oils and products of their distillation	5.9	12.1	3.8	5.3	3.5	5.2
73	Articles of iron or steel	3.0	6.2	3.9	5.4	3.4	5.0
30	Pharmaceutical products	1.2	2.5	2.4	3.4	3.1	4.6
72	Iron and steel	1.4	2.9	3.1	4.4	2.8	4.2
39	Plastics and articles	1.6	3.2	2.5	3.5	2.3	3.3
90	Optical, photographic, medical apparatus	2.2	4.5	1.6	2.2	1.9	2.8
44	Wood and articles of wood	0.7	1.5	1.3	1.8	1.2	1.8

Source: ITC Trade Map and India Exim Bank Research

On account of the region's geographical location, and due to the fact that all Central Asian countries are landlocked countries, its major traditional trading partners have been the neighbouring countries of China and Russia. European countries such as Italy, Netherlands, France, Switzerland, Turkey, and UK are also among the leading trade partners for Central Asian countries.

Table 3.3: Major Export Destinations of Central Asia Republics

Export Destination	2011		2019		2020	
	Value (US$ bn)	Share (%)	Value (US$ bn)	Share (%)	Value (US$ bn)	Share (%)
Total	**97.5**	**100.0**	**86.1**	**100.0**	**71.1**	**100.0**
China	21.9	22.5	18.4	21.4	16.4	23.1
Italy	15.6	16.0	8.5	9.9	6.8	9.5
Russian Federation	9.8	10.0	8.1	9.4	6.7	9.4
Turkey	4.3	4.4	4.1	4.8	3.7	5.2
Netherlands	6.7	6.9	4.4	5.1	3.2	4.5
Uzbekistan	1.3	1.3	2.7	3.1	2.8	3.9
Switzerland	5.9	6.0	2.9	3.4	2.1	3.0
India	**0.1**	**0.1**	**1.6**	**1.8**	**2.0**	**2.8**
France	5.6	5.7	3.7	4.2	1.9	2.6
UK	1.7	1.8	1.4	1.7	1.7	2.4

Source: ITC Trade Map and India Exim Bank Research

Although the share of Russia in Central Asia's total imports has witnessed a decline, the country still remains the major supplier of imports of Central Asian countries, supplying energy and manufactured products, followed by China and South Korea **(Table 3.4)**.

Table 3.4: Major Import Sources of Central Asia Republics

Exporters	2011		2019		2020	
	Value (US$ bn)	Share (%)	Value (US$ bn)	Share (%)	Value (US$ bn)	Share (%)
Total	**48.9**	**100.0**	**71.5**	**100.0**	**67.9**	**100.0**
Russian Federation	21.5	44.0	21.0	29.3	20.3	29.9
China	10.1	20.6	14.4	20.1	12.4	18.2
Republic of Korea	2.7	5.5	6.0	8.4	7.0	10.3
Kazakhstan	2.1	4.2	3.3	4.7	3.4	5.0
Turkey	2.9	5.9	3.2	4.5	3.1	4.6
Germany	3.4	6.9	2.6	3.7	2.8	4.1
USA	2.3	4.7	2.0	2.8	1.5	2.2
Italy	1.7	3.4	2.0	2.9	1.3	2.0
Uzbekistan	0.9	1.7	1.2	1.7	1.3	1.9
France	1.0	2.1	1.0	1.4	1.1	1.6
Belarus	1.1	2.2	1.0	1.4	1.0	1.4
India	**0.4**	**0.9**	**0.7**	**1.0**	**0.9**	**1.4**

Source: ITC Trade Map and India Exim Bank Research

According to the preliminary data from ITC, the global merchandise exports of the Central Asian Republics increased by 14.4 percent to US$ 75.4 billion during 2021, driven by Kazakhstan which accounted for the majority share of exports at US$ 54.8 billion. Exports from the other CARs were as follows - Uzbekistan (US$ 14 billion), Turkmenistan (US$ 3.1 billion), Tajikistan (US$ 1.8 billion) and Kyrgyzstan (US$ 1.7 billion). Imports by of the region increased by 23.9 percent to US$ 84.5 billion in 2021, with the largest economy Kazakhstan driving the import demand (US$ 47.2 billion) followed by Uzbekistan (US$ 23.7 billion). The major import sources of the Central Asia region during 2021 were Russia (32.8 percent of global imports of the region by Central Asia), followed by China (25.4 percent), Turkey (5.2 percent), Kazakhstan (5 percent) and Germany (3.2 percent).

The Herfindahl–Hirschman Index of Export Concentration in Central Asia Republics

The concentration index or Herfindahl-Hirschmann Index (Product HHI), is a measure of the degree of product concentration. The normalized HHI is used in order to obtain values between 0 and 1, an index value closer to 1 indicates a country's exports or imports are highly concentrated on a few products. On the contrary, values closer to 0 reflect exports or imports are more homogeneously distributed among a series of products.

$$H_j = \frac{\sqrt{\sum_{i=1}^{n}\left(\frac{x_{ij}}{X_j}\right)^2} - \sqrt{1/n}}{1 - \sqrt{1/n}}$$

where

H_j = country or country group index

x_{ij} = value of export for country j and product i

and

n = number of products (SITC Revision 3 at 3-digit group level).

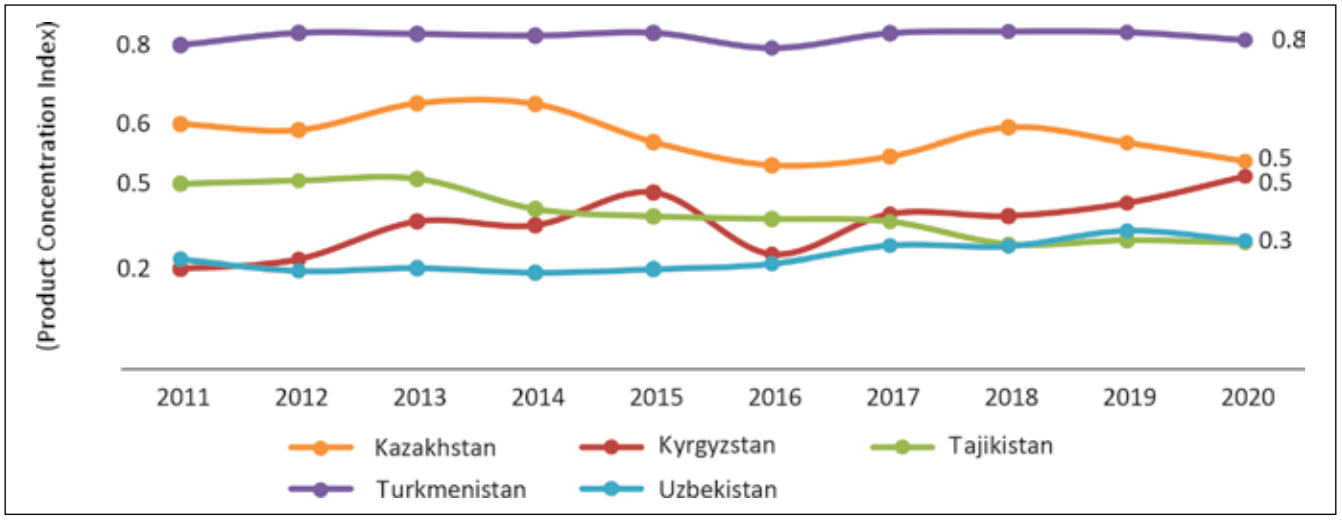
As seen from **Chart 3.2,** among Central Asia Republics, Turkmenistan and Kazakhstan have the maximum export concentration, while Tajikistan has diversified its exports to the maximum in 2020. Kyrgyzstan's export concentration has increased over time.

The Central Asia region has the highest rate of commodity dependence at, on average, 85.4 percent in 2018–2019[16]. According to UNCTAD, A country is considered to be commodity export dependent when more than 60 per cent of its total merchandise exports are

[16] State of Commodity Dependence Report 2021, UNCTAD

composed of commodities. All five countries in the subregion are commodity dependent, with commodity exports as a share of merchandise exports higher than 70 per cent. In 2018–2019, three countries were dependent on minerals, ores and metals, with a dependency rate of 71.9 percent in Uzbekistan, 77.1 percent in Kyrgyzstan and 77.9 percent in Tajikistan. In the same period, the two other commodity dependent countries in the subregion were mainly dependent on fuels, which accounted for more than 68.6 percent of merchandise exports in Kazakhstan and 89.6 percent in Turkmenistan.

Chart 3.2: Product Concentration Index of Exports in Central Asian Republics



Source: UNCTADStat and India Exim Bank Research

Global Trade of Central Asian Countries

Kazakhstan

Kazakhstan is the largest trading nation among the Central Asian countries accounting for almost 61.2 percent of the region's total trade in 2020. Kazakhstan's trade is heavily dependent on the nation's natural resources.

Kazakhstan is a member of the Eurasian Economic Union (EAEU), and on November 30, 2017, Kazakhstan ratified the EAEU Customs Code, which came into force as of January 2018. As a consequence of its membership in the EAEU, Kazakhstan's import tariff levels (with the exception of a substantial number of transitional tariffs under Kazakhstan's WTO accession), trade-in-transit rules, nontariff import measures (e.g., tariff-rate quotas, import licensing, and trade remedy procedures), and customs policies are based on EAEU legal instruments. In May 2018, the EAEU signed an Interim Agreement to create a temporary free trade area between the EAEU and its member states and Iran, which will be effective for three years.

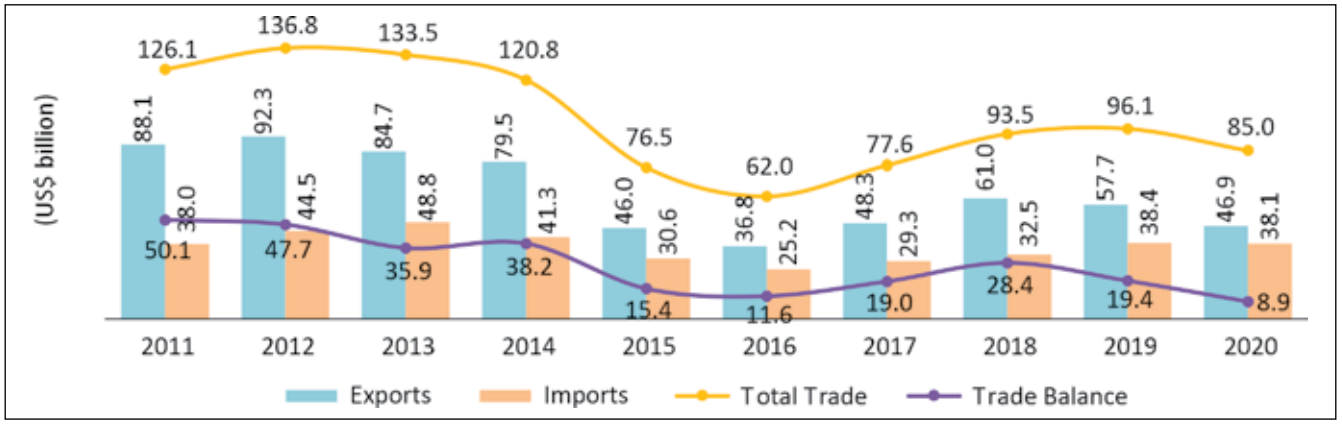
This has been further extended till October 2025, until a free trade agreement comes into force. EAEU has also signed FTAs with Serbia, Singapore and Vietnam.

Kazakhstan recently entered into the Enhanced Partnership and Cooperation Agreement (EPCA) with the European Union, on March 1, 2020, which governs trade and economic relations between the EU and Kazakhstan. Kazakhstan is the first Central Asian partner to have concluded an EPCA with the EU. The EPCA was signed in 2015 and began to be provisionally applied on May 1, 2016. After its ratification by all EU Member States, the Agreement entered into force on March 1, 2020, replacing the Partnership and Cooperation Agreement of 1999[17]. The EPCA creates a better regulatory environment for businesses in areas such as: trade in services; establishment and operation of companies; capital movements; raw materials and energy; government procurement, and; intellectual property rights.

The largest exporter of the Central Asian region, Kazakhstan's total trade has recently declined from US$ 88.1 billion in 2011 to US$ 46.9 billion in 2020 due to falling exports. Exports decreased at a CAGR of 3.9 percent from US$ 88.1 billion in 2011 to US$ 46.9 billion in 2020, while imports have increased marginally from US$ 38 billion in 2011 to an estimated US$ 38.1 billion in 2020. Kazakhstan's exports in 2019 witnessed a decline mainly due to drop in oil prices and U.S. sanctions against Iran resulting in a sharp decline in Kazakhstan's metal supplies to Iran.

As a result of exports being driven largely by oil and natural gas, Kazakhstan has been experiencing a positive trade balance traditionally. However, during the last decade the trade surplus has decreased from US$ 50.1 billion in 2011 to US$ 8.9 billion in 2020 **(Chart 3.3)**. The Government of Kazakhstan is pushing for diversification, with a focus on its

Chart 3.3: International Trade of Kazakhstan



Source: ITC Trade Map and India Exim Bank Research

[17] https://ec.europa.eu/trade/policy/countries-and-regions/countries/kazakhastan/(European Commission)

agro-industrial products. Kazakhstan has a specialised agency, KazakhExport, formed with the mission of boosting growth in the export of goods and services in the priority sectors of Kazakhstan's economy.

Kazakhstan is reliant largely on revenues from the export of primary commodities, particularly petroleum and natural gas. The oil price is the major determinant of the size of foreign trade in the country. Exports of Kazakhstan are primarily driven by mineral fuels and oils, which accounted for 58.2 percent of total exports by the country in 2020 vis-à-vis 72 percent in 2011. Other leading export items include iron and steel, copper and articles, inorganic chemicals, ores, slag and ash, cereals, and salt, sulphur, earths, stone and cement **(Table 3.5)**. Exports of all major commodities exported by Kazakhstan have undergone a decline during 2011-2020 except cereals.

Table 3.5: Major Exported Commodities of Kazakhstan

HS Code	Product	2011		2019		2020	
		Value (US$ bn)	Share (%)	Value (US$ bn)	Share (%)	Value (US$ bn)	Share (%)
Total	**All products**	**88.1**	**100.0**	**57.7**	**100.0**	**46.9**	**100.0**
27	Mineral fuels, oils and products of their distillation	63.5	72.0	38.7	67.1	27.3	58.2
72	Iron and steel	6.1	6.9	3.5	6.0	3.2	6.8
26	Ores, slag and ash	4.4	5.0	2.7	4.7	3.1	6.7
74	Copper and articles	3.3	3.7	2.6	4.5	2.8	5.9
28	Inorganic chemicals	3.0	3.4	2.2	3.8	2.3	5.0
10	Cereals	0.8	0.9	1.4	2.3	1.4	2.9
71	Pearls, precious or semi-precious stones	1.6	1.9	0.4	0.7	0.7	1.5
79	Zinc and articles	0.8	0.9	0.5	0.9	0.6	1.3
76	Aluminium and articles	0.6	0.6	0.6	1.0	0.5	1.1
11	Products of the milling industry	0.6	0.6	0.4	0.7	0.5	1.1

Source: ITC Trade Map and India Exim Bank Research

The major imports of Kazakhstan constitute machinery and mechanical appliances, electrical machinery and equipment, articles of iron and steel, transport vehicles, petroleum products and plastics **(Table 3.6)**. While Kazakhstan exported crude petroleum oil, refined copper in

the form of cathodes and sections of cathodes, natural gas, and ferro-chromium, it imported more of manufactured products such as angles, shapes and sections of iron or non-alloy steel; flat-rolled products of iron or non-alloy steel; petroleum products; and structures and parts of structures, of iron or steel.

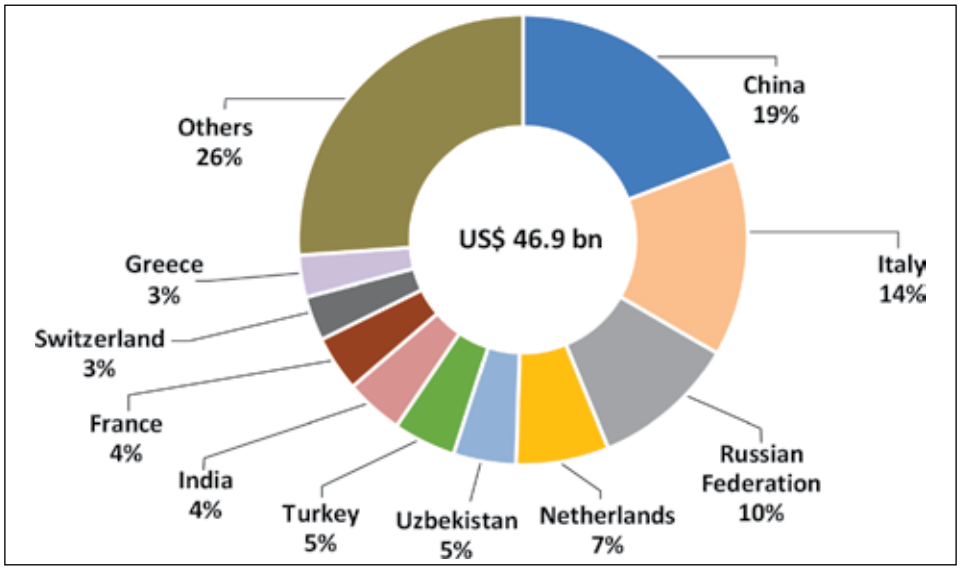
Table 3.6: Major Imported Commodities of Kazakhstan

HS Code	Product	2011		2019		2020	
		Value in 2011 (US$ bn)	Share in total imports (%)	Value in 2019 (US$ bn)	Share in total imports (%)	Value in 2020 (US$ bn)	Share in total imports (%)
Total	**All products**	**38.0**	**100.0**	**38.4**	**100.0**	**38.1**	**100.0**
84	Machinery & mechanical appliances	5.6	14.6	8.2	21.3	9.4	24.6
85	Electrical machinery and equipment	3.8	10.0	4.3	11.2	3.4	8.8
87	Vehicles other than railway or tramway	1.9	4.9	2.3	6.1	2.3	6.1
73	Articles of iron or steel	2.0	5.3	2.6	6.7	2.3	6.0
30	Pharmaceutical products	1.0	2.6	1.2	3.0	1.6	4.1
27	Mineral fuels, mineral oils and products of their distillation	4.9	12.8	1.6	4.1	1.3	3.5
39	Plastics and articles	1.2	3.3	1.3	3.5	1.3	3.3
90	Optical, medical or surgical apparatus	2.0	5.2	0.9	2.3	1.1	2.8
72	Iron and steel	1.1	2.8	1.2	3.2	1.0	2.7
88	Aircraft, spacecraft, and parts	0.6	1.6	0.7	1.8	0.7	1.9

Source: ITC Trade Map and India Exim Bank Research

China was the largest destination for Kazakhstan's exports, with Kazakhstan's exports to the country accounting for over 19 percent of its total exports in 2020 amounting to US$ 9 billion. Other leading export markets for Kazakhstan include Italy, Russia, Netherlands, Uzbekistan, Turkey, India, France, Switzerland, and Greece **(Chart 3.4)**. India was the 7th largest export destination for Kazakhstan during 2020 accounting for a share of 4.2 percent of Kazakhstan's total exports increasing from just 0.1 percent in 2011.

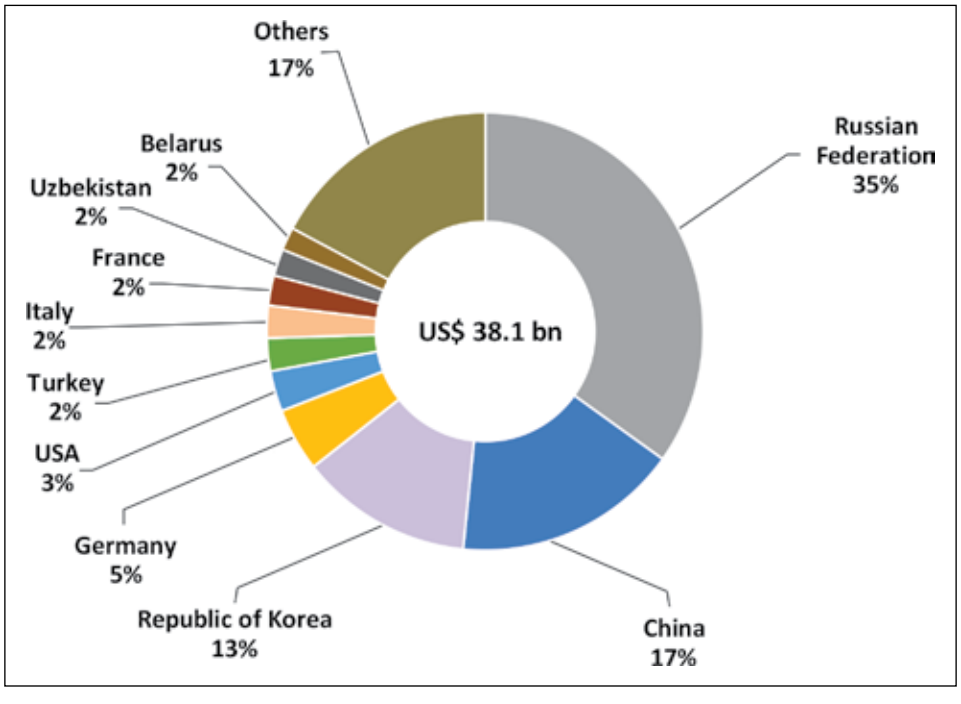
Chart 3.4: Major Export Destinations of Kazakhstan



Source: ITC Trade Map and India Exim Bank Research

With regard to imports, Russia is the largest import source for Kazakhstan, accounting for 35 percent of its total imports amounting to US$ 13.3 billion in 2020. Other leading import sources include China, Republic of Korea, Germany, and USA. Kazakhstan's imports from India, which is its 12th largest import source, amounted to US$ 382.9 million in 2020 increasing from US$ 157.3 million in 2009 **(Chart 3.5)**.

Chart 3.5: Major Import Sources of Kazakhstan



Source: ITC Trade Map and India Exim Bank Research

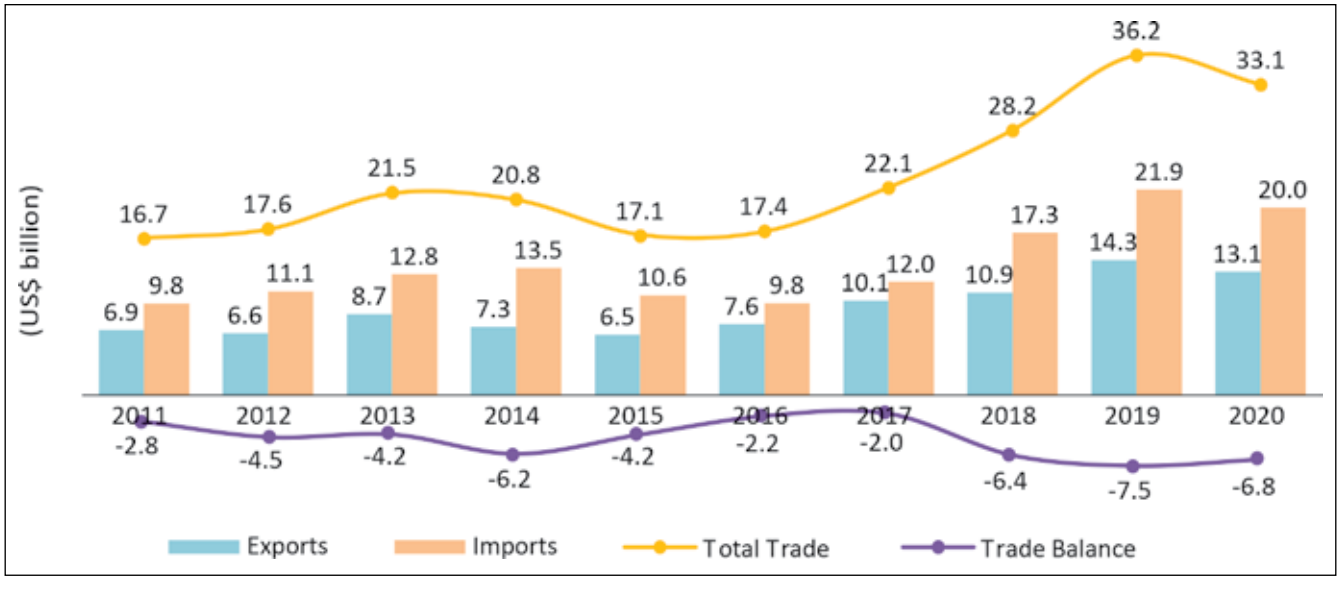
Uzbekistan

Uzbekistan accounts for one fifth of the total trade of Central Asia, with trade heavily dependent on the nation's natural resources. In 2004, Uzbekistan and Russia signed a Strategic Framework Agreement that also includes free trade and investment concessions. In November 2005, the government signed the "Treaty of Alliance Relations" with Russia, with provision for economic cooperation. In 2004, Uzbekistan, along with other four Central Asian countries, signed the regional Trade Investment Framework Agreement (TIFA) with the U.S. Trade Representative's Office. Uzbekistan and Ukraine also agreed to remove all bilateral trade barriers in 2004. In 2014, Uzbekistan joined the CIS Free Trade Zone Agreement.

An increased openness to trade has become an important pillar of the economic reform agenda for the country, along with a renewed commitment to join the WTO. Uzbekistan's total trade has steadily grown during the period 2011 to 2013, increasing from US$ 16.7 billion to US$ 21.5 billion. During 2014-15, Uzbekistan's total trade has witnessed a moderation as result of a global commodity price shock, which started picking up in 2016 with total trade peaking at US$ 36.2 billion in 2019. However, in 2020, the total trade declined to US$ 33.1 billion.

On account of increased demand for imported goods, the country witnessed widening trade deficit. Uzbekistan's exports increased by a CAGR of 6.6 percent to US$ 13.1 billion in 2020 from US$ 6.9 billion in 2011. Imports recorded a sharp rise at a CAGR of 7.4 percent over the decade to reach US$ 20 billion from US$ 9.8 billion during the same period **(Chart 3.6)**.

Chart 3.6: International Trade of Uzbekistan



Source: ITC Trade Map and India Exim Bank Research

Uzbekistan's exports are mostly raw resources or basic manufactures. Uzbekistan has liberalised the export of fruits and vegetables by permitting the competition among exporters and removing the minimum export prices. Subsequently, Uzbekistan has become a major producer of horticultural products in the region and became a major exporter in the international fruit and vegetable market.

Accordingly, edible vegetables, roots and tubers accounted for almost one third of total exports of the country in 2018, followed by mineral fuels and oils, cotton, copper and copper articles, edible fruits and nuts, and plastics and articles **(Table 3.7)**. Uzbekistan is among the top ten biggest producer of cotton globally and is aiming to become a major player in the garment industry, to be able to compete with Bangladesh, China and Vietnam. The country ranked second in global exports of apricots in 2020.

Table 3.7: Major Exported Commodities of Uzbekistan

HS Code	Product	2017		2019		2020	
		Value (US$ bn)	Share (%)	Value (US$ bn)	Share (%)	Value (US$ bn)	Share (%)
Total	**All products**	**10.1**	**100.0**	**14.3**	**100.0**	**13.1**	**100.0**
71	Pearls, precious or semi-precious stones	0.0	0.2	0.0	0.3	6.0	45.3
52	Cotton	1.2	11.7	1.3	9.0	1.2	9.1
74	Copper and articles	0.5	5.3	0.7	4.9	0.7	5.6
27	Mineral fuels, mineral oils and products of their distillation	1.6	16.0	2.5	17.6	0.6	4.9
08	Edible fruit and nuts	0.4	4.1	0.6	4.5	0.6	4.4
61	Articles of apparel and clothing accessories, knitted or crocheted	0.3	2.5	0.3	2.3	0.5	3.5
07	Edible vegetables and certain roots and tubers	0.2	2.2	0.5	3.3	0.4	3.1
39	Plastics and articles	0.4	4.4	0.4	2.8	0.3	2.5
11	Products of the milling industry	0.0	0.5	0.1	0.7	0.2	1.7
87	Vehicles other than railway or tramway	0.2	1.5	0.2	1.2	0.2	1.6

Note: Commodity wise export structure during 2011 to 2016 is not available

Source: ITC Trade Map and India Exim Bank Research

Uzbekistan's imports are primarily finished products, especially machines and transportation. The major imports of Uzbekistan include machinery and mechanical appliances; transport vehicles; iron and steel; electrical machinery and equipment; pharmaceutical products and petroleum products, which together account for 56.6 percent of total imports of the country in 2020 **(Table 3.8)**. While Uzbekistan exported natural gas, refined copper in the form of cathodes and sections of cathodes, polyethylene in primary forms, unwrought zinc- not alloyed, and bars and rods of iron or non-alloy steel, it imported more of medium oils and preparations, petroleum or bituminous minerals and flat products of iron or non-alloy steel.

Table 3.8: Major Imported Commodities of Uzbekistan

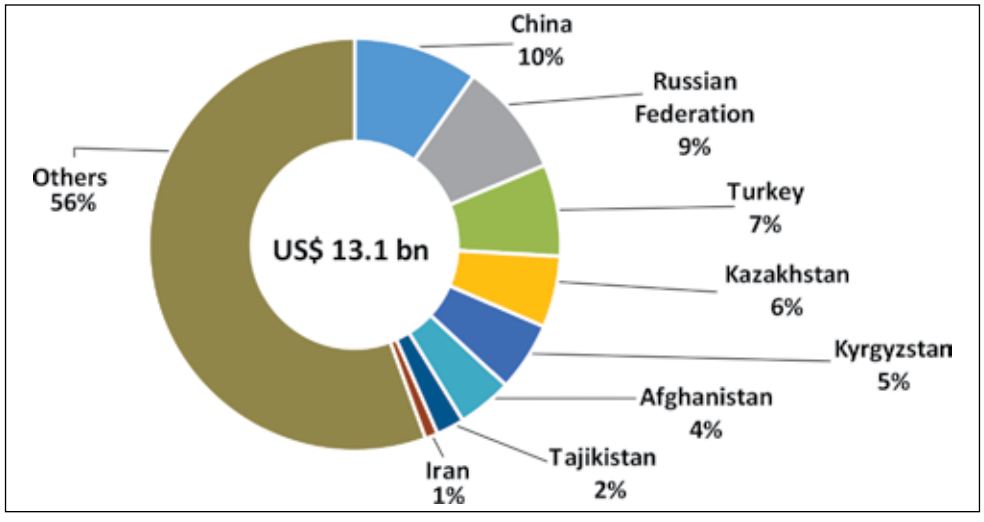
HS Code	Product	2017		2019		2020	
		Value (US$ bn)	Share (%)	Value (US$ bn)	Share (%)	Value (US$ bn)	Share (%)
Total	**All products**	**12.0**	**100.0**	**21.9**	**100.0**	**20.0**	**100.0**
84	Machinery, mechanical appliances	2.7	22.3	5.6	25.7	4.8	23.8
87	Vehicles other than railway or tramway	1.1	9.5	2.1	9.8	1.8	9.2
72	Iron and steel	0.9	7.3	1.4	6.5	1.2	6.2
85	Electrical machinery and equipment	0.6	4.8	1.3	6.1	1.2	6.0
30	Pharmaceutical products	0.8	6.7	0.9	4.2	1.2	5.8
27	Mineral fuels, mineral oils and products of their distillation	0.7	6.2	0.9	4.2	1.1	5.5
39	Plastics and articles	0.4	3.7	0.8	3.7	0.7	3.5
90	Optical, photographic, medical apparatus	0.3	2.4	0.6	2.7	0.6	3.2
10	Cereals	0.2	1.6	0.4	1.9	0.6	3.0
44	Wood and articles of wood	0.5	3.9	0.6	2.8	0.6	2.8

Note: Commodity wise import structure during 2009 to 2016 is not available

Source: ITC Trade Map and India Exim Bank Research

China, Russia, and Turkey have been among the leading export markets for Uzbekistan, together accounting for a share of 26 percent of Uzbekistan's total exports in 2020. Other leading export markets include Kazakhstan, Afghanistan and Tajikistan **(Chart 3.7)**.

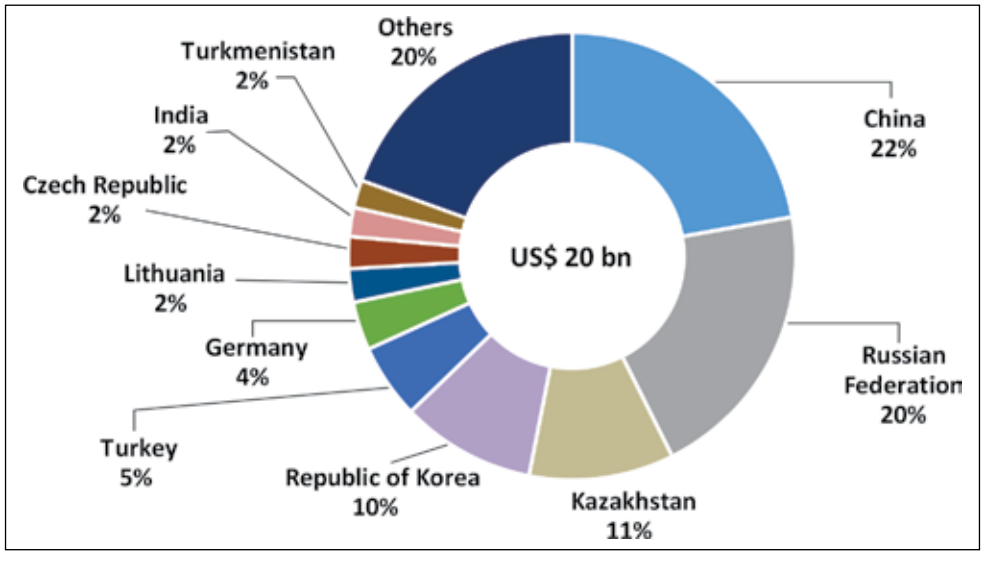
Chart 3.7: Major Export Destinations of Uzbekistan



Source: ITC Trade Map and India Exim Bank Research

As of imports, China is the major supplier of the imports of Uzbekistan, with imports amounting to US$ 4.4 billion in 2020. China, Russia, and South Korea, together accounted for over half of Uzbekistan's total imports during 2020. India was the 14th largest import source for Uzbekistan with total imports from India accounting for 2.1 percent of total imports of the country in 2020 **(Chart 3.8)**.

Chart 3.8: Major Import Sources of Uzbekistan

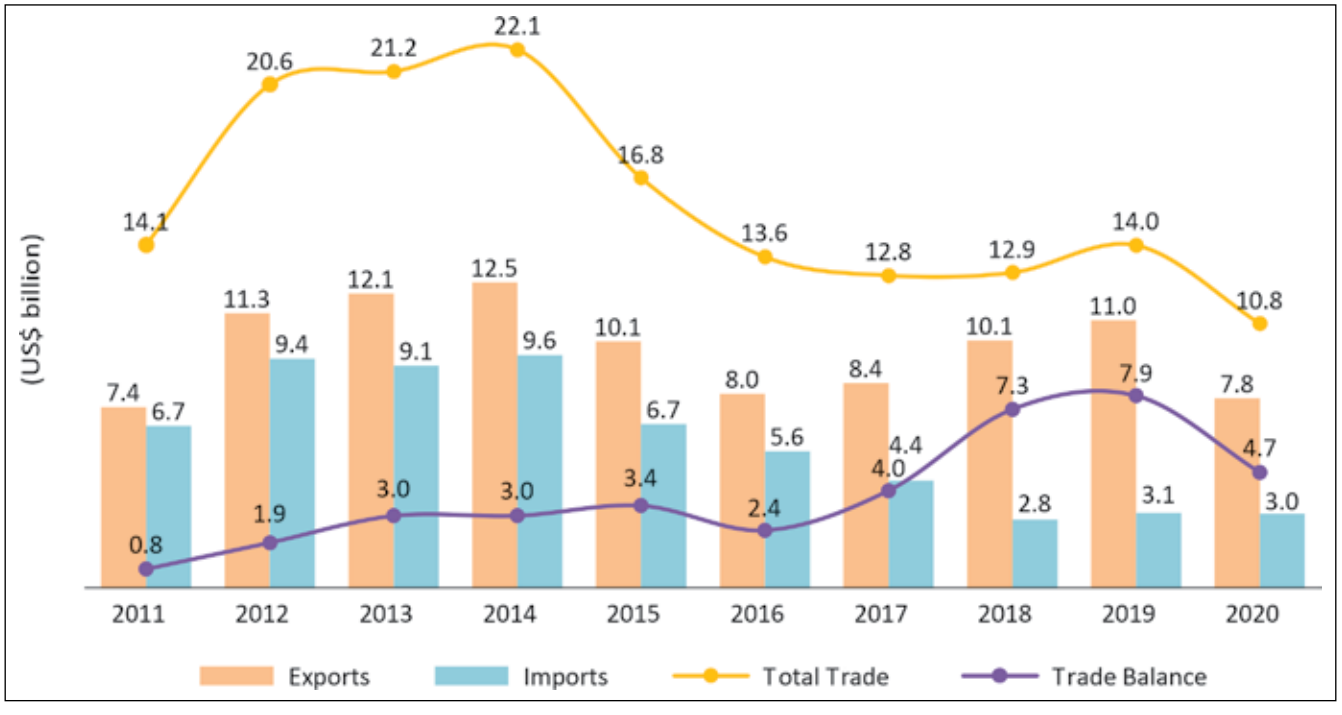


Source: ITC Trade Map and India Exim Bank Research

Turkmenistan

Turkmenistan accounts for 3.1 percent of the total trade of Central Asia in 2020. Turkmenistan's trade is heavily dependent on the nation's natural resources of oil and natural gas. Total trade has declined from 2011 to 2020 from US$ 14.1 billion to US$ 10.8 billion mainly due to fall in imports of iron and steel. Exports on the other hand, after peaking in 2014 at US$ 12.5 billion from US$ 7.4 billion in 2011, has moderated to US$ 7.9 billion in 2020. Exports have fluctuated during 2011-2020 as they are mainly susceptible to international commodity price movement. Turkmenistan's trade surplus increased from US$ 0.8 billion in 2011 to US$ 7.9 billion in 2019, after which it narrowed to US$ 4.7 billion in 2020 **(Chart 3.9)**.

Chart 3.9: International Trade of Turkmenistan



Source: ITC Trade Map and India Exim Bank Research

Being a heavily oil and gas dependent economy, exports of Turkmenistan primarily comprise mineral fuels and oil, which accounted for 92 percent and 87.5 percent of its total exports in 2019 and 2020, respectively. Fertilisers, ships, boats and floating structures, cotton, and plastics and articles are among the other major export items of Turkmenistan **(Table 3.9)**. In an attempt to diversify gas exports, Turkmenistan has embarked on the construction of the Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline and is considering the Trans-Caspian Gas Pipeline. However, TAPI continues to face significant delays due to a lack of funding and uncertainty surrounding the security situation in Afghanistan.

Table 3.9: Major Exported Commodities of Turkmenistan

HS Code	Product	2011		2019		2020	
		Value (US$ bn)	Share (%)	Value (US$ bn)	Share (%)	Value (US$ bn)	Share (%)
Total	**All products**	**7.4**	**100.0**	**11.0**	**100.0**	**7.8**	**100.0**
27	Mineral fuels, mineral oils and products of their distillation	6.7	90.5	10.1	92.0	6.8	87.5
31	Fertilisers	-	-	0.2	1.5	0.2	2.6
89	Ships, boats and floating structures	-	-	-	0.1	0.2	2.5
52	Cotton	0.4	5.6	0.2	2.2	0.2	2.3
39	Plastics and articles	0.1	1.0	0.1	1.2	0.1	1.9
25	Salt; sulphur; earths and stone	-	-	0.1	0.6	-	0.6
74	Copper and articles	-	-	-	-	-	0.5
63	Other made-up textile articles	-	0.6	-	0.3	-	0.5
07	Edible vegetables and certain roots and tubers	-	-	-	0.2	-	0.5

Source: ITC Trade Map and India Exim Bank Research

Note: '-'denotes nil/negligible/not available.

Machinery; articles of iron or steel; electrical and electronic equipment and transport vehicles constitute major import items of Turkmenistan accounting for 44.4 percent of its total imports in 2020. Other important import items include iron and steel; and pharmaceutical products **(Table 3.10)**.

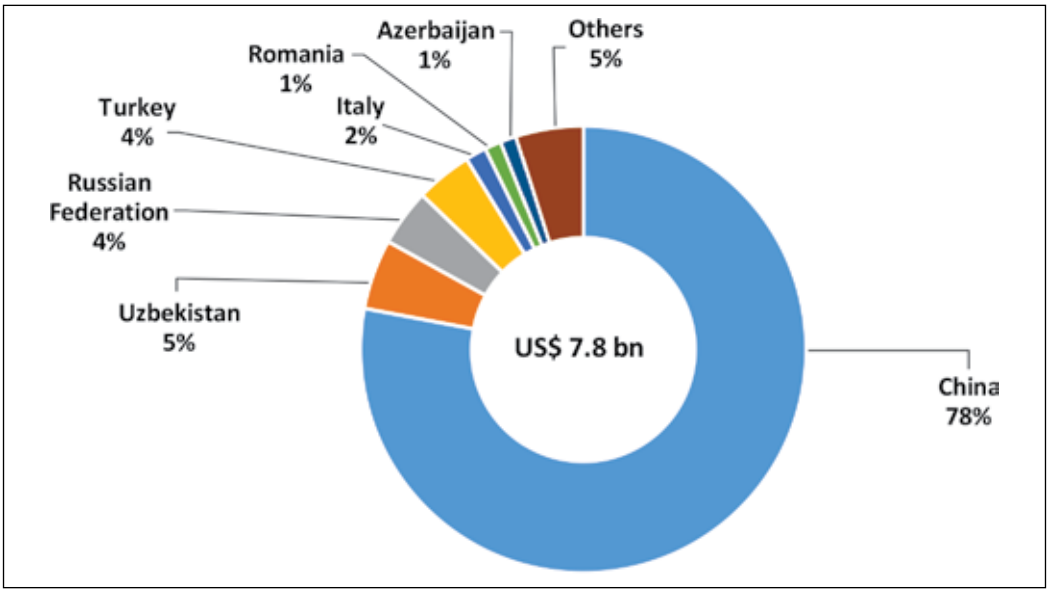
Largely on account of exports of oil and gas to China from Turkmenistan, China has emerged as the largest export market for Turkmenistan since 2010. Turkmenistan's exports to China have increased from US$ 4.7 billion in 2011 to US$ 6.1 billion in 2020, presently accounting for 78 percent of its exports **(Chart 3.10)**. Prior to 2010, Ukraine was one of the major export destinations of Turkmenistan, especially for Turkmen natural gas. However, after the Turkmen section of the Central Asia-Center gas pipeline exploded in 2009, price disputes, and Turkmenistan's agreement with China, Turkmenistan stopped supplying natural gas to Ukraine. In spite of diversification attempts, Turkmenistan's exports are still highly concentrated to a single market, China, and a single product, natural gas.

Table 3.10: Major Imported Commodities of Turkmenistan

HS Code	Product	2011		2019		2020	
		Value (US$ bn)	Share (%)	Value (US$ bn)	Share (%)	Value (US$ bn)	Share (%)
Total	**All products**	**6.7**	**100.0**	**3.1**	**100.0**	**3.0**	**100.0**
84	Machinery, mechanical appliances	1.3	19.3	0.6	20.2	0.6	19.5
73	Articles of iron or steel	0.9	14.2	0.3	11.0	0.3	10.7
85	Electrical machinery and equipment	0.7	10.1	0.3	9.5	0.2	7.2
87	Vehicles other than railway or tramway	0.5	6.8	0.2	7.0	0.2	7.0
72	Iron and steel	0.2	3.6	0.1	3.0	0.2	5.4
30	Pharmaceutical products	0.1	1.1	0.1	3.7	0.1	4.3
94	Furniture; bedding, mattresses	0.2	3.0	0.1	2.4	0.1	3.3
38	Miscellaneous chemical products	0.1	1.3	0.1	2.4	0.1	2.9
44	Wood and articles of wood	0.1	1.6	0.0	1.6	0.1	2.8
39	Plastics and articles	0.2	3.0	0.1	3.1	0.1	2.3

Source: ITC Trade Map and India Exim Bank Research

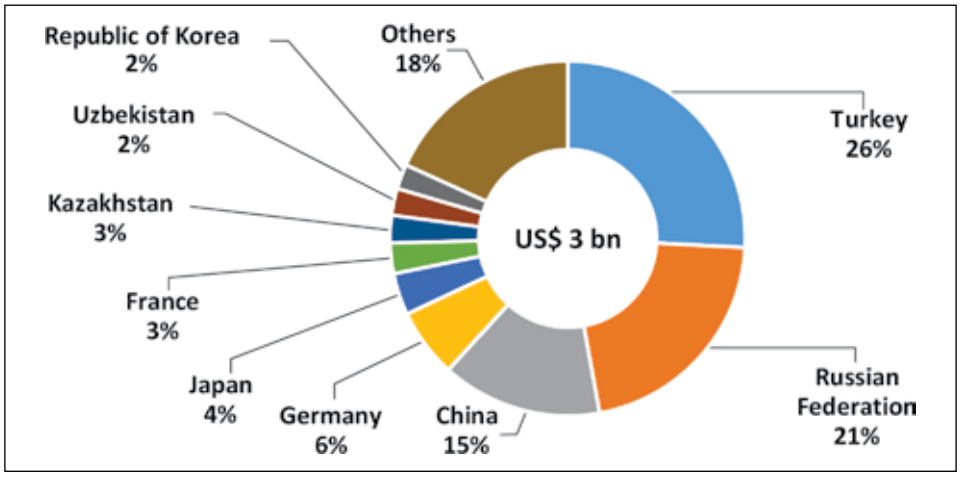
Chart 3.10: Major Export Destinations of Turkmenistan



Source: ITC Trade Map and India Exim Bank Research

Turkmenistan's import sources are fairly diversified with leading import suppliers being Turkey, Russia, China, Germany and Japan in 2020 **(Chart 3.11)**.

Chart 3.11: Major Import Sources of Turkmenistan

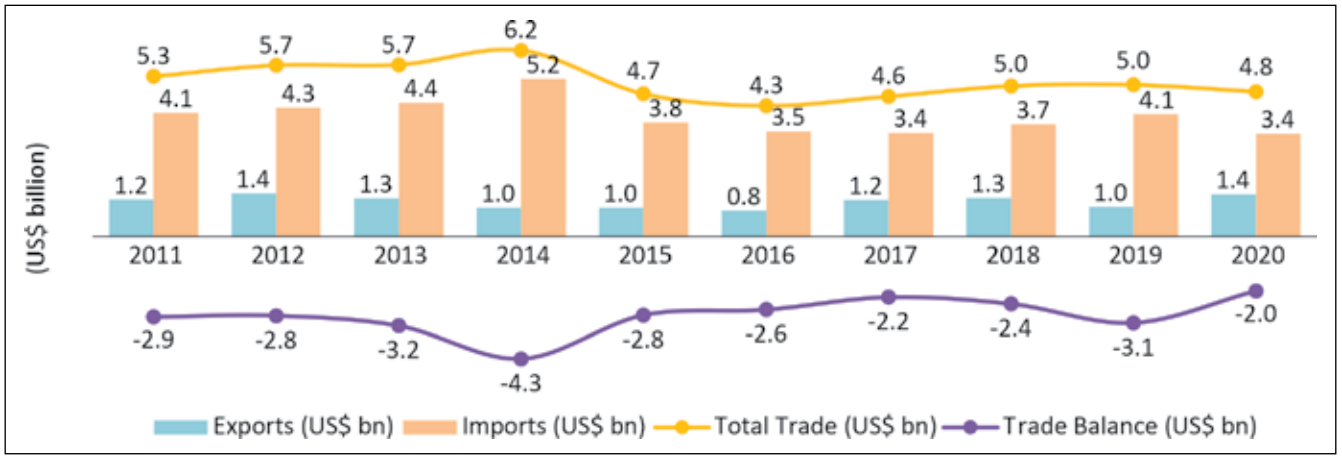


Source: ITC Trade Map and India Exim Bank Research

Tajikistan

Tajikistan has a relatively open economy with low tariffs. The country has taken steps to improve its global and regional integration through WTO accession in 2013. Tajikistan's total trade has declined from US$ 5.3 billion in 2011 to US$ 4.8 billion in 2020 after peaking at US$ 6.2 billion in 2014 mainly due to declining imports. Tajikistan has been experiencing a consistent trade deficit over the last decade, mainly on account of imports of energy resources and high technology manufacturing products, largely from China, Russia, and Kazakhstan. While imports of Tajikistan have increased from US$ 4.1 billion in 2011 to reach maximum of US$ 5.2 billion in 2014, moderating to US$ 3.4 billion in 2020, exports on the other hand have remained fairly constant over the period increasing from around US$ 1.2 billion in 2011 to US$ 1.4 billion in 2020. **(Chart 3.12)**.

Chart 3.12: International Trade of Tajikistan



Note: Source: ITC Trade Map and India Exim Bank Research

The country has a narrow export base, with merchandise exports concentrated on a few primary products. Tajikistan's major traditional exports include pearls and precious stones; cotton, ores, slag and ash; and aluminium and aluminium articles together accounting for over 81.5 percent of Tajikistan's total exports in 2020 **(Table 3.11)**. Excessive reliance on cotton and aluminium exports, however, reflects the lack of export diversification of the country's export basket, thereby rendering the country's export earnings vulnerable to fluctuations in global commodity prices.

Table 3.11: Major Exported Commodities of Tajikistan

HS Code	Product	2014		2019		2020	
		Value (US$ mn)	Share (%)	Value (US$ mn)	Share (%)	Value (US$ mn)	Share (%)
Total	**All products**	**813.5**	**100.0**	**1115.9**	**100.0**	**1311.9**	**100.0**
71	Pearls, precious or semi-precious stones	82.5	10.1	225.8	20.2	596.1	45.4
52	Cotton	142.0	17.5	182.2	16.3	173.9	13.3
26	Ores, slag and ash	175.9	21.6	296.9	26.6	158.2	12.1
76	Aluminium and articles	236.2	29.0	180.3	16.2	140.4	10.7
25	Salt; sulphur; earths and stone	3.1	0.4	68.4	6.1	60.3	4.6
27	Mineral fuels, mineral oils and products of their distillation	44.9	5.5	35.6	3.2	55.7	4.2
81	Other base metals	4.7	0.6	23.1	2.1	32.4	2.5
62	Articles of apparel and clothing accessories, not knitted or crocheted	19.1	2.4	15.9	1.4	17.3	1.3
72	Iron and steel	1.5	0.2	10.5	0.9	11.0	0.8
08	Edible fruit and nuts	27.3	3.4	9.5	0.8	10.9	0.8

Note: Commodity wise export structure is available during 2009 to 2013

Source: ITC Trade Map and India Exim Bank Research

Mineral fuels, oils and products of distillation; cereals; iron and steel, transport vehicles; and machinery comprise the main items of imports of Tajikistan, together accounting for

around 46.7 percent of the country's total imports during 2020 **(Table 3.12)**. While Tajikistan exported electrical energy, it imported more of medium oils and preparations, of petroleum or bituminous minerals under the same category under HS-27.

Table 3.12: Major Imported Commodities of Tajikistan

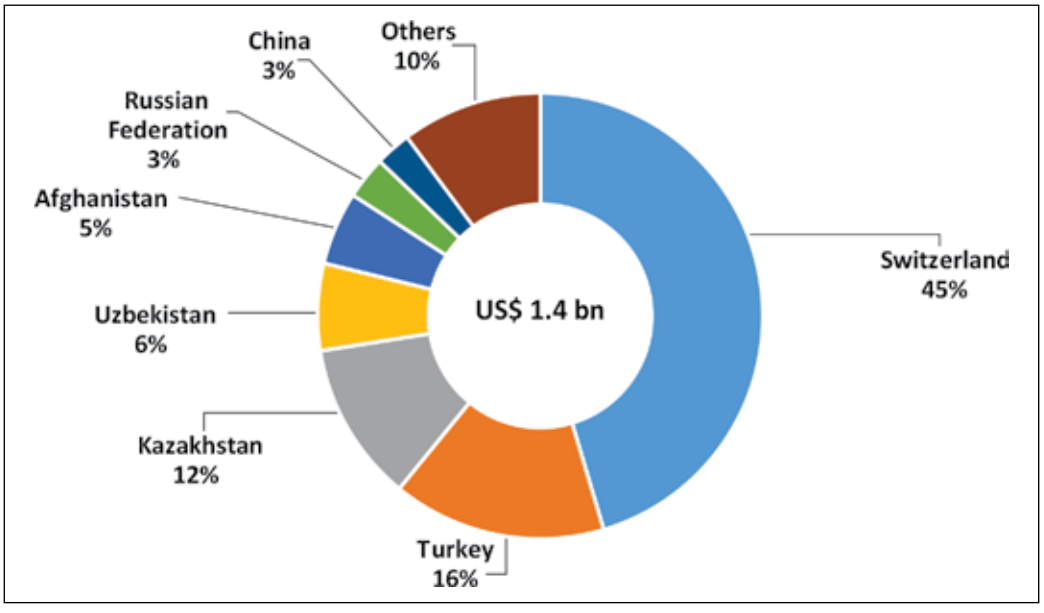
HS Code	Product	2014		2019		2020	
		Value (US$ mn)	Share (%)	Value (US$ mn)	Share (%)	Value (US$ mn)	Share (%)
Total	**All products**	**4235.7**	**100.0**	**3327.7**	**100.0**	**3139.0**	**100.0**
27	Mineral fuels, mineral oils and products of their distillation;	768.9	18.2	593.4	17.8	527.4	16.8
10	Cereals	256.5	6.1	237.5	7.1	263.2	8.4
72	Iron and steel	211.3	5.0	225.2	6.8	242.5	7.7
84	Machinery and mechanical appliances	252.5	6.0	252.9	7.6	217.2	6.9
87	Vehicles other than railway or tramway rolling stock, and parts and accessories	449.6	10.6	300.9	9.0	216.6	6.9
85	Electrical machinery and equipment and parts	174.8	4.1	170.9	5.1	121.8	3.9
44	Wood and articles of wood; wood charcoal	290.8	6.9	127.5	3.8	120.8	3.8
15	Animal or vegetable fats and oils	102.7	2.4	106.4	3.2	114.4	3.6
28	Inorganic chemicals	151.2	3.6	134.3	4.0	110.5	3.5
39	Plastics and articles	66.8	1.6	102.3	3.1	96.6	3.1

Note: Commodity wise export structure is available during 2009 to 2013

Source: ITC Trade Map and India Exim Bank Research

Switzerland, Turkey, Kazakhstan, Uzbekistan and Afghanistan are the major export markets of the country **(Chart 3.13)**. Tajikistan mainly exported pearls, precious stones and metals (mainly gold) to Switzerland whereas it exported aluminium and articles and cotton to Turkey and Russia while Tajikistan exports ores, slag and ash and salt and sulphur to other central Asian countries.

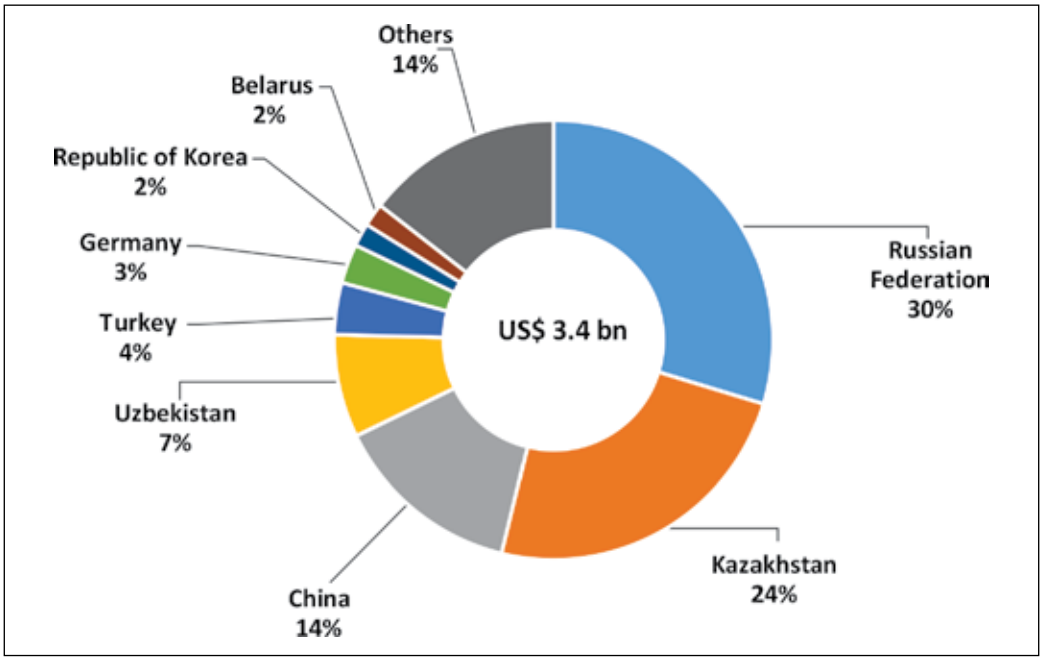
Chart 3.13: Major Export Destinations of Tajikistan



Source: ITC Trade Map and India Exim Bank Research

Russia continued to remain as the major supplier for Tajikistan's imports (mainly petroleum products) amounting to US$ 936.2 million, with a share of around 30 percent of Tajikistan's total imports in 2020. Other leading import sources for Tajikistan include Kazakhstan, China, Uzbekistan and Turkey **(Chart 3.14)**.

Chart 3.14: Major Import Sources of Tajikistan

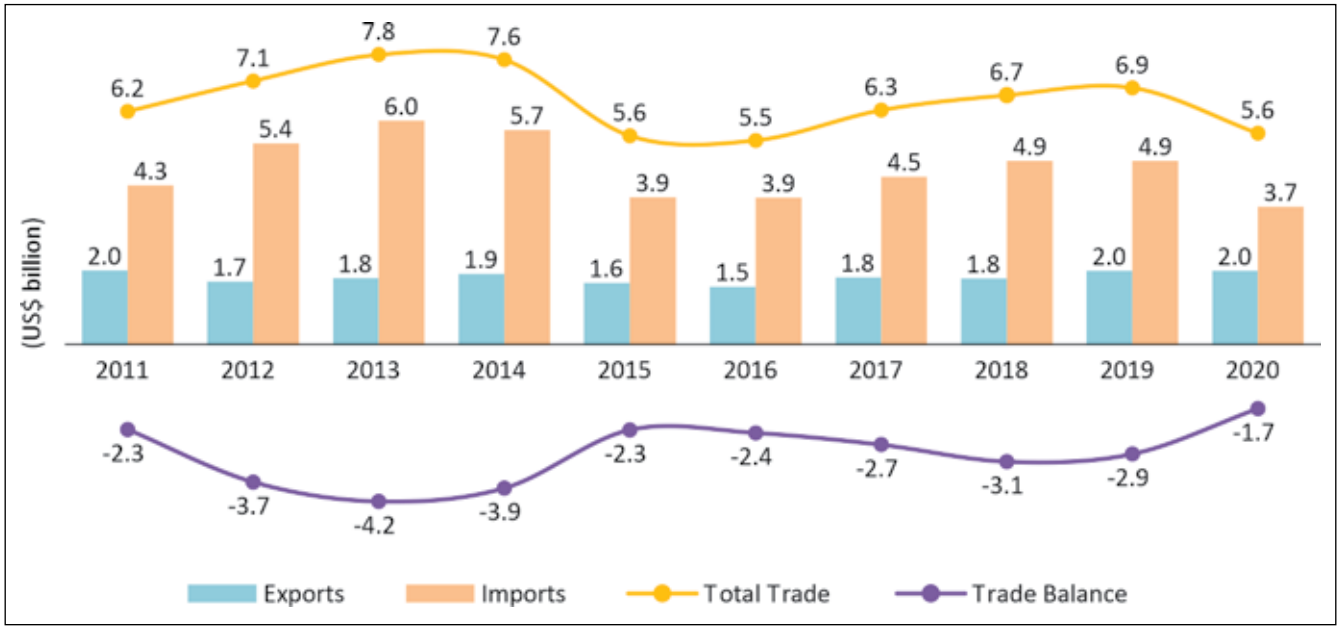


Source: ITC Trade Map and India Exim Bank Research

Kyrgyzstan

The Kyrgyzstan led the other CARs in their efforts to liberalise trade policies, and in 1998 became the first CIS country to join the WTO. The total trade of Kyrgyzstan, decreased from US$ 6.2 billion in 2011 to US$ 5.6 billion in 2020, mainly due to stagnant exports. Exports from Kyrgyzstan have remained stagnant around US$ 2 billion and had declined up to US$ 1.5 billion in 2015 due to the fall in petroleum and cotton exports. Imports on the other hand, had increased from US$ 4.3 billion in 2011 to US$ 6 billion in 2013; thereafter it has declined to US$ 5.6 billion in 2020. Accordingly, trade deficit narrowed from US$ 2.3 billion in 2011 to US$ 1.7 billion in 2020 **(Chart 3.15)**. In 2016, the European Union (EU) granted Kyrgyzstan Generalised Scheme of Preferences Plus (GSP+) status, which meant reduced or zero tariffs for Kyrgyz exports to European markets for around 6000 items of Kyrgyz origin by removing customs duties on over 66 percent of tariff lines. Kyrgyzstan also enjoys duty-free access to its two important markets, Kazakhstan and Russian, under the EAEU agreement.

Chart 3.15: International Trade of Kyrgyzstan



Source: ITC Trade Map and India Exim Bank Research

Kyrgyzstan depends heavily on gold exports - mainly from output from the Kumtor gold mine, with majority being exported to UK and Turkey. In 2020, the major exports of Kyrgyzstan included pearls, precious stones, and metals; accounting for 51.5 percent of the total export earnings. This was followed by exports of ores, slag and ash and mineral fuels and oils **(Table 3.13)**. Given its considerable hydroelectricity generating potential, Kyrgyzstan is also a major exporter of electricity, especially to neighbouring countries of Kazakhstan

and Uzbekistan. However, in recent years, exports have decreased due to hydrological fluctuations and outdated transmission lines[18]. The country is also a major re-exporter in the region, especially of Chinese goods, as well as goods from India and Turkey. Re-exports mainly include consumer goods; primarily garments and footwear, and fabrics, plastic goods and consumer electronics.

Table 3.13: Major Exported Commodities of Kyrgyzstan

HS Code	Product	2011		2019		2020	
		Value (US$ mn)	Share (%)	Value (US$ mn)	Share (%)	Value (US$ mn)	Share (%)
Total	**All products**	**1978.9**	**100.0**	**1965.5**	**100.0**	**1964.5**	**100.0**
71	Pearls, precious or semi-precious stones	1017.1	51.4	853.5	43.4	1010.8	51.5
26	Ores, slag and ash	17.3	0.9	158.2	8.0	164.3	8.4
27	Mineral fuels, mineral oils and products of their distillation	184.3	9.3	119.9	6.1	81.7	4.2
07	Edible vegetables and certain roots and tubers	95.2	4.8	86.3	4.4	78.5	4.0
04	Edible products of animal origin	28.7	1.5	46.2	2.3	47.8	2.4
61	Articles of apparel and clothing accessories, knitted or crocheted	36.7	1.9	73.8	3.8	44.4	2.3
39	Plastics and articles	12.3	0.6	33.5	1.7	39.4	2.0
08	Edible fruit and nuts	39.2	2.0	41.8	2.1	38.8	2.0
87	Vehicles other than railway or tramway rolling stock	65.7	3.3	47.4	2.4	35.1	1.8
84	Machinery & mechanical appliances	24.7	1.2	25.1	1.3	34.7	1.8

Source: ITC Trade Map and India Exim Bank Research

Major imports of Kyrgyzstan include petroleum products, machinery, electrical machinery and equipment, pharmaceutical products, and vehicles other than railway and tramway **(Table 3.14)**. A substantial portion of these imports are for the purpose of re-exporting to other

[18] International Energy Agency, Kyrgyz Republic Energy Profile

countries in the region. The re-export opportunities have been moderated to some extent with the country joining Eurasian Economic Union.

Table 3.14: Major Imported Commodities of Kyrgyzstan

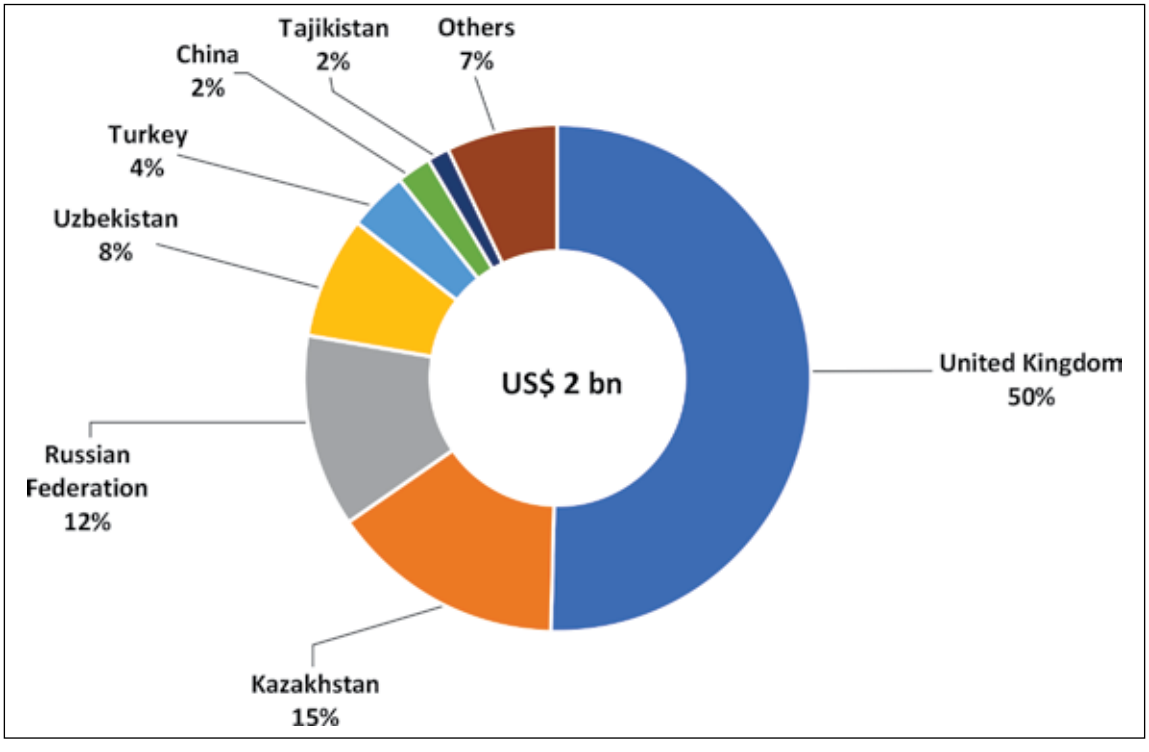
HS Code	Product	2011		2019		2020	
		Value in 2011 (US$ mn)	Share in total exports (%)	Value in 2019 (US$ mn)	Share in total exports (%)	Value in 2020 (US$ mn)	Share in total exports (%)
Total	**All products**	**4260.7**	**100.0**	**4903.8**	**100.0**	**3684.1**	**100.0**
27	Mineral fuels, mineral oils and products of their distillation	971.8	22.8	687.6	14.0	551.2	15.0
84	Machinery, mechanical appliances	279.3	6.6	494.6	10.1	325.7	8.8
85	Electrical machinery and equipment and parts	206.4	4.8	362.4	7.4	232.4	6.3
30	Pharmaceutical products	163.3	3.8	184.0	3.8	204.3	5.5
87	Vehicles other than railway or tramway	439.8	10.3	172.0	3.5	201.7	5.5
73	Articles of iron or steel	100.1	2.3	125.0	2.5	170.9	4.6
72	Iron and steel	111.6	2.6	184.7	3.8	161.5	4.4
39	Plastics and articles	107.4	2.5	154.2	3.1	132.5	3.6
44	Wood and articles of wood	100.7	2.4	91.3	1.9	68.0	1.8
24	Tobacco and manufactured tobacco substitutes	45.4	1.1	77.0	1.6	63.5	1.7

Source: ITC Trade Map and India Exim Bank Research

While Kyrgyzstan exported medium oils and preparations of petroleum or bituminous minerals, coal whether or not pulverised non-agglomerated, lignite, whether or not pulverised non agglomerated, crude petroleum oil and electrical energy under HS-27; it imported medium oils and preparations, of petroleum or bituminous minerals (not crude); light oils and preparations, of petroleum or bituminous minerals, natural gas.

Switzerland remained the largest export market for Kyrgyzstan since 2008 to 2017, because of gold exports. In 2018, Kyrgyzstan started exporting gold to UK and stopped exporting to Switzerland. Exports to UK accounted for nearly 50 percent of its total exports at US$ 990 million in 2020. Kazakhstan, Russia and Uzbekistan are among the other leading export markets for Kyrgyzstan **(Chart 3.16)**.

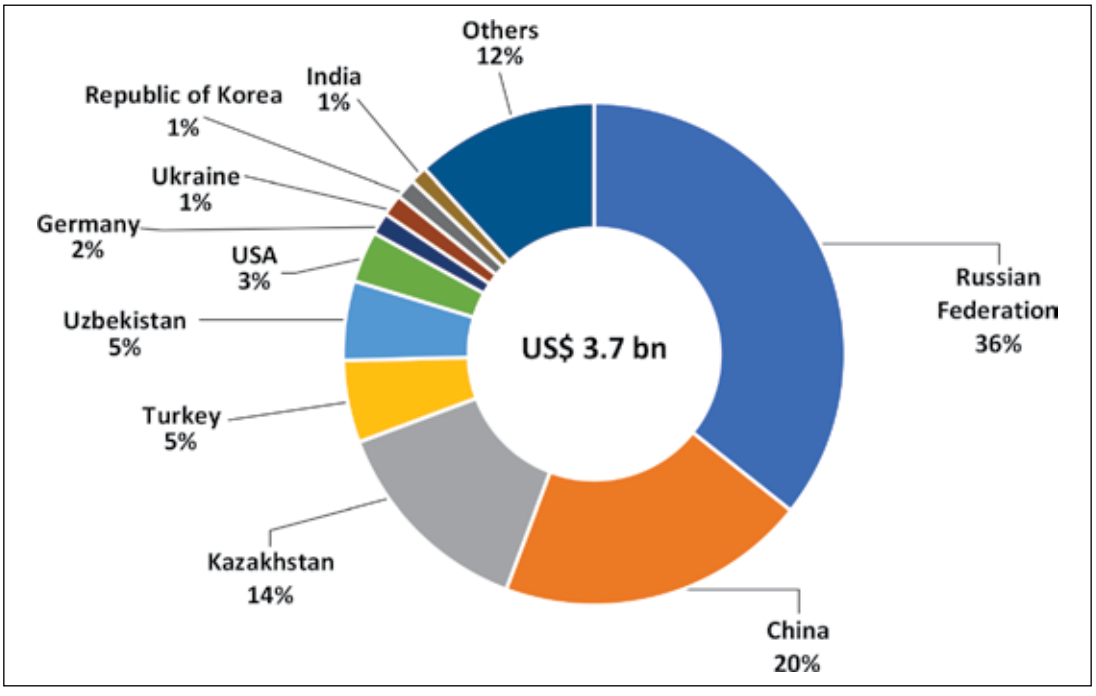
Chart 3.16: Major Export Destinations of Kyrgyzstan



Source: ITC Trade Map and India Exim Bank Research

Russia replaced China as the major import source after four consecutive years, with Russian imports accounting for 36 percent of total imports of the country. Chinese imports of electrical machinery, machinery and mechanical appliances and footwear and gaiters have declined, leading to a reduction in China's share of 35.4 percent in 2019 to 20 percent in 2020. Other major import sources include Kazakhstan, Turkey, and Uzbekistan **(Chart 3.17)**.

Chart 3.17: Major Import Sources of Kyrgyzstan



Source: ITC Trade Map and India Exim Bank Research

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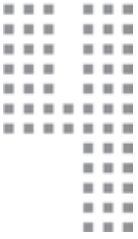


FOREIGN INVESTMENT FLOWS IN CENTRAL ASIAN REPUBLICS

While the CARs have a limited presence as foreign investors globally, the region is a very attractive destination for investment and trade, on account of immense opportunities for cooperation. The region is strategically located at the crossroads of Europe and Asia, surrounded by some of the world's fastest-growing economies such as Russia, India and China, who are increasingly investing in the region. The improvements in the ease of doing business rankings of CARs and increased efforts to improve transparency, policy frameworks and business environment are attracting investors to the CARs. The region is undergoing many positive changes, opening up the region to potential investors. The Strategic Plan for Development of Kazakhstan through 2025 and the Action Strategy for the Further Development of Uzbekistan in 2017- 2021 are among such major reforms. The opening of the Astana International Financial Centre (AIFC) in July 2018 has also contributed to rising investor's attractiveness in the region.

Trends in Foreign Direct Investment Flows in Central Asia

Trends in investment flows during the last decade have shown an increase in both inflows and outflows until 2020 when the coronavirus pandemic distorted the investments. The total FDI inflow to CARs has been increasing steadily from the time the Soviet Union collapsed and the countries attended their independence. Post-independence, the countries formed policies conducive to their development and improved their investment climate. Investment by Transnational Corporations (TNCs) was motivated by a desire to gain access to growing local consumer markets and to benefit from business opportunities arising from the liberalization of selected industries in the region. Foreign direct investment (FDI) inflows into CARs which stood at a marginal US$ 118 million in 1992 has increased sharply to US$ 1.5 billion in 2000 and further to US$ 19.9 billion in 2011. Thereafter, FDI inflows witnessed a moderation

to reach US$ 6.5 billion in 2020 **(Table 4.1).** According to Boston consulting Group (BCG), CARs have an estimated FDI potential of US$ 170 billion, including US$ 40-70 billion in non-extractive industries, between 2019 to 2028[19].

According to the UNCTAD, FDI inflows to Central Asia rose by 12 percent to US$ 7 billion in 2021. However, FDI inflows into Kazakhstan, the largest host in the region, fell by 14 percent to US$ 3.2 billion, with declines in extractive industries and transportation. Flows rose by 18 percent to US$ 2 billion in Uzbekistan and by 24 percent to US$ 1.5 billion in Turkmenistan. The Russia-Ukraine conflict is expected to have an impact on Central Asia's FDI profile in 2022[20], given Russia's close investment ties with the region due to its geographical proximity.

Table 4.1: Trends in FDI Inflows to Central Asian Republics

(US$ million)

	1992	2000	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Kazakhstan	100.0	1282.5	13973.1	13337.0	10321.0	8489.4	4056.6	8511.5	4669.3	3627.9	2873.7	3877.4
Kyrgyzstan	-	-2.4	693.5	292.0	626.1	248.0	1141.9	616.0	-107.0	144.0	404.0	-330.5
Tajikistan	9.0	23.5	200.4	254.8	326.8	451.3	571.7	345.4	307.0	359.6	212.8	106.5
Turkmenistan	-	131.0	3391.1	3129.6	2861.4	3830.1	3043.0	2243.2	2085.9	1997.3	2129.4	1169.4
Uzbekistan	9.0	74.7	1615.1	744.2	691.6	808.7	1041.2	1662.6	1797.3	624.7	2316.5	1725.7
Central Asia	**118.0**	**1509.4**	**19873.1**	**17757.7**	**14826.9**	**13827.5**	**9854.3**	**13378.6**	**8752.6**	**6753.5**	**7936.5**	**6548.5**
% share in CIS	9.0	32.5	33.2	36.2	20.9	30.0	39.7	24.6	23.5	31.6	19.2	38.2
% share in Asia	0.3	0.9	4.4	4.1	3.3	2.8	1.8	2.6	1.6	1.3	1.4	1.1
% share in Global	0.1	0.1	1.2	1.2	1.0	1.0	0.5	0.6	0.5	0.5	0.5	0.7

Note: '-'denotes nil/ negligible/not available; FDI flows are presented on a net basis, i.e. as credits less debits. Thus, in cases of reverse investment or disinvestment, FDI may be negative.

Source: UNCTADstat and India Exim Bank Research

While growing investment in mining, transport, financial services, telecommunication and energy compensated for declining inflows in construction, metallurgy and trade, which suffered particularly from the effects of the pandemic in Kazakhstan, Uzbekistan was supported by the law on SEZs adopted in February 2020, which facilitated new investment projects in the energy sector, as well as in the telecommunication industry. Investments in Turkmenistan were severely affected, stemming from the pandemic impact on export revenues and investment projects, both dependent on natural gas. Kyrgyzstan and Tajikistan saw dampened FDI flows due to the critical economic environment existing across the globe. Increased oil production growth and positive growth dynamics of service sector supported

[19] Investing in Central Asia - One Region, Many Opportunities, Boston consulting Group, December 2018
[20] World Investment Report 2022, UNCTAD

increased investment in Kazakhstan, Uzbekistan was supported by all round growth in all major sectors; Investors are attracted to Turkmenistan driven by increased gas prices and gas exports; in Kyrgyzstan increased remittances, gold exports and "Bazaar trading" based on import from other Asian countries and re-export to other Central Asian Republics drive investment. Tajikistan's investments are driven by increased remittances and growth of mining sector.

Kazakhstan is the largest FDI recipient as well as source for FDI outflows in the region. During 2020, Kazakhstan accounted for 59.2 percent of total FDI inflows in the Central Asian region. The country witnessed a negative investment outflow in 2020. FDI inflows into Kazakhstan, which has traditionally been the largest recipient of FDI, has witnessed a rapid increase from US$ 100 million in 1992 to US$ 14 billion in 2011, moderating thereafter to reach US$ 3.9 billion in 2020. During 2020, while Turkmenistan accounted for 17.9 percent of total inflows into Central Asia, Uzbekistan accounted for 26.3 percent. While FDI inflows into Tajikistan, Uzbekistan and Turkmenistan moderated in 2020 as compared to 2019, Kyrgyzstan saw a negative FDI inflow reflecting reverse investment or disinvestment in the economy. However, in 2020 also FDI inflows into Kazakhstan witnessed a rise.

FDI outflows from the region, which were marginal at US$ 8.9 million in 2000, increased to US$ 5.4 billion in 2011, thereafter moderated to (-) US$ 2.0 billion in 2020, mainly due to negative investment in Kazakhstan **(Table 4.2)**. No FDI outflows were recorded from Turkmenistan. FDI outflows from CARs until 2015, has been driven almost entirely from Kazakhstan.

Table 4.2: Trends in FDI Outflows from Central Asian Republics

(US$ million)

	2000	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Kazakhstan	4.4	5390.4	1481.1	2286.6	3814.8	795.2	-5234.9	913.2	-1094.8	-2624.4	-2028.0
Kyrgyzstan	4.5	0.1	-0.4	0.0	0.0	-0.2	0.0	-29.0	5.0	5.0	2.0
Tajikistan	-	-	-	-	-	-	35.1	159.1	81.5	23.2	70.3
Uzbekistan	-	3.6	3.1	4.3	4.4	4.6	5.8	9.0	1.9	3.1	1.7
Central Asia	**8.9**	**5394.0**	**1484.0**	**2291.0**	**3819.0**	**800.0**	**-5194.0**	**1052.0**	**-1006.0**	**-2593.0**	**-1954.0**
% share in CIS	0.3	9.8	4.7	3.1	5.4	2.6	-21.2	2.8	-2.7	-11.9	-37.4
% share in Asia	-	1.2	0.3	0.5	0.7	0.2	-0.9	0.2	-0.2	-0.4	-0.4
% share in Global	-	0.3	0.1	0.2	0.3	0.0	-0.3	0.1	-0.1	-0.2	-0.3

Note: '-'denotes nil/ negligible/not available; FDI flows are presented on a net basis, i.e. as credits less debits. Thus, in cases of reverse investment or disinvestment, FDI may be negative.

Source: UNCTADstat and India Exim Bank Research

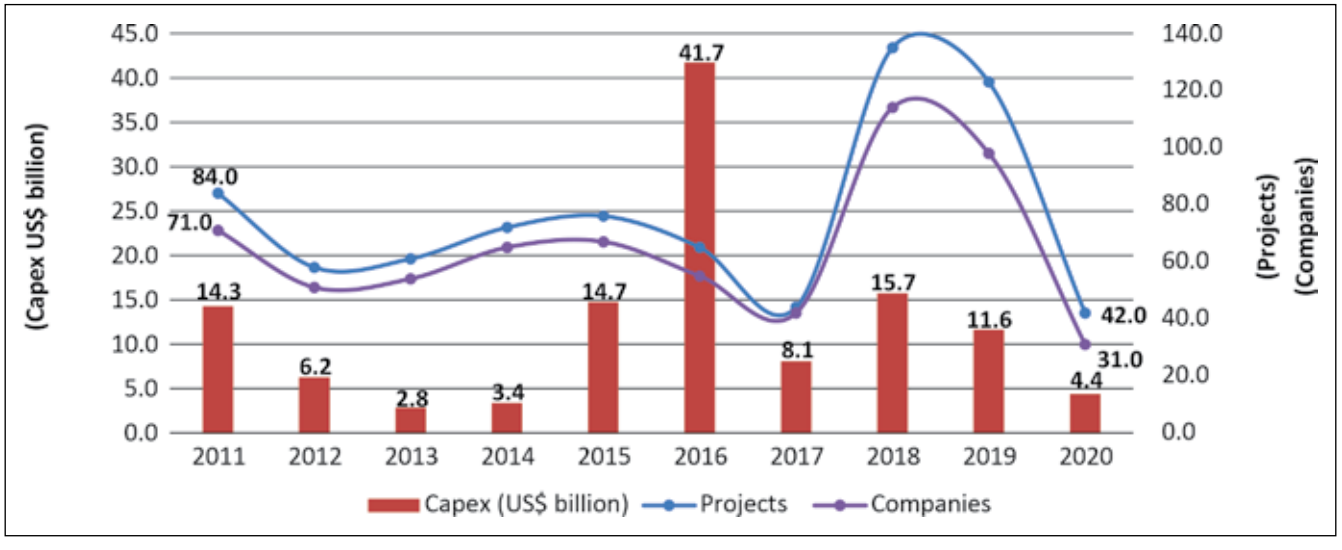
Investments in Central Asia and especially Kazakhstan, have over the years, largely been driven by large scale oil and natural gas projects. FDI inflows into the region have largely flown into sectors such as mining, metallurgy and extractive industries, manufacturing, and food processing. Traditional investors in Central Asian Republics have been Russia, China, USA, and European countries such as United Kingdom.

While the region is endowed with abundant natural and human resources that could drive its economies to even higher levels of competitiveness, most countries in the region, face the challenge of a ensuring a robust business-friendly environment, and lack of strong legal and economic institutional support, to attract private investments into the region. However, most of the CARs have, over the years, made concerted efforts to boost and attract foreign investments into diverse sectors of the economy and implemented policy initiatives in this regard.

FDI Inflows - Projects, Capex, and Companies

According to Financial Times' fDi Markets[21], during 2011-2020 (i.e January 2011 to December 2020) envisaged capital investments in the region stood at a cumulative amount of US$ 122.9 billion, invested by 597 companies in 760 projects **(Chart 4.1)**.[22]

Chart 4.1: Envisaged FDI Inflows in Central Asian Republics



Source: fDi Markets (accessed on January 19, 2022) and India Exim Bank Research

[21] fDi Markets tracks cross-border investment in a new physical project or expansion of an existing investment which creates new jobs and capital investment. This data differs from official data on FDI flows as company can raise capital locally, phase their investment over a period of me, and can channel their investment through different countries for tax efficiency.

[22] Data from fDi Markets may differ from that of UNCTAD, as fDi Markets tracks the capital investment at the date of announcement of the investment, while official data tracks FDI at the date the capital effectively crosses borders. Further, UNCTAD receives data from national authorities, whereas fDi Markets collects data from media sources, industry organisations and investment agencies as well as information from market research and publication companies.

Among the CARs, Kazakhstan received maximum investment at US$ 77.8 billion during 2011-2020, accounting for 63.3 percent of total envisaged investment to the region. Kazakhstan was followed by Uzbekistan (26.5 percent), Turkmenistan (5.2 percent), Tajikistan (3.3 percent) and Kyrgyzstan (1.7 percent) **(Table 4.3).** Country wise summary of capital expenditure, projects and companies which have invested in the region is presented in **Table 4.4.**

Table 4.3: Destination wise Envisaged FDI Inflows among Central Asian Republics

(US$ million)

Country	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Kazakhstan	6,800.3	1,187.2	2,319.8	2,030.7	4,948.4	39,471.1	6,624.1	7,708.4	5,854.9	813.5	77,758.4
Uzbekistan	3,904.1	4,463.3	286.7	494.8	7,385.1	1,399.8	1,341.7	5,115.9	4,997.5	3,216.4	32,605.3
Turkmenistan	2,219.0	6.5	-	38.4	1,007.2	159.3	-	2,730.7	195.2	-	6,356.3
Tajikistan	1,061.1	515.0	151.8	730.8	321.3	575.1	-	29.3	355.8	318.0	4,058.2
Kyrgyzstan	276.9	57.4	58.3	70.0	1,050.7	132.1	90.6	135.3	233.9	8.1	2,113.3
Total	**14,261.4**	**6,229.4**	**2,816.6**	**3,364.7**	**14,712.7**	**41,737.4**	**8,056.4**	**15,719.6**	**11,637.3**	**4,356.0**	**1,22,891.5**

Note: '-'denotes nil/ negligible/not available

Source: fDi Markets (accessed on January 19, 2022) and India Exim Bank Research

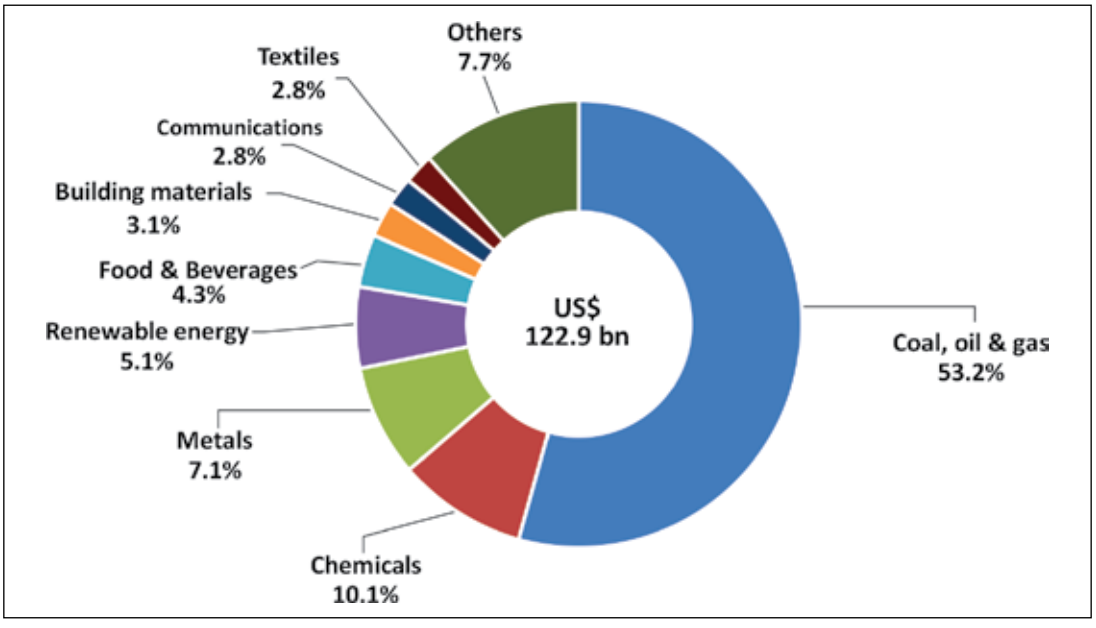
Table 4.4: Country wise Summary of Envisaged Investment, Projects and Companies which have invested in Central Asian Republics

Country	Projects	Capex	Companies
Kazakhstan	416	77,758.4	338
Uzbekistan	233	32,605.3	179
Tajikistan	56	4,058.2	28
Kyrgyzstan	33	2,113.3	32
Turkmenistan	22	6,356.3	20
Total	**760**	**1,22,891.5**	**597**

Source: fDi Markets (accessed on January 19, 2022) and India Exim Bank Research

'Coal, oil and natural gas' section received the maximum investment of US$ 65.4 billion during 2011-2020, followed by chemicals (US$ 12.4 billion), metals (US$ 8.7 billion), renewable energy (US$ 6.3 billion) and 'food and beverages' (US$ 5.2 billion). Investments in 'food and beverages' sector created maximum employment in the region, followed by textiles and automotive OEM (Original Equipment Manufacturers). Maximum number of projects was in communications sector (89 projects), followed by financial services sector (56 projects), 'food and beverages' (52 projects), 'textiles' (52 projects each). Maximum number of companies invested in textiles (45), followed by industrial equipment (43), 'food and beverages' (43) and 'coal, oil and gas' (42 companies).

Chart 4.2: Major Sectors Attracting FDI in Central Asian Republics, 2011-2020



Source: fDi Markets (accessed on January 19, 2022) and India Exim Bank Research

As shown in **Table 4.5**, USA made the maximum investment in the region, accounting for 33 percent of total capex invested in the region during 2011-2020. USA was followed by China (14.8 percent of total investment), Russia (11.7 percent), and South Korea (5.8 percent).

Table 4.5: Major Investors in Central Asian Republics

Country	Capex	Projects	Companies
USA	40,515.7	54	43
China	18,238.1	97	79
Russia	14,319.8	116	63
South Korea	7,142.1	31	24
UK	6,657.7	39	27
Japan	4,353.6	15	13
Turkey	4,299.7	34	29
Canada	3,033.9	13	7
Singapore	2,942.2	13	8
Germany	2,473.7	50	38
Luxembourg	2,241.2	12	9
UAE	1,542.8	16	12
India	1,504.5	10	8
Netherlands	1,353.6	31	12
Malaysia	1,286.1	9	8

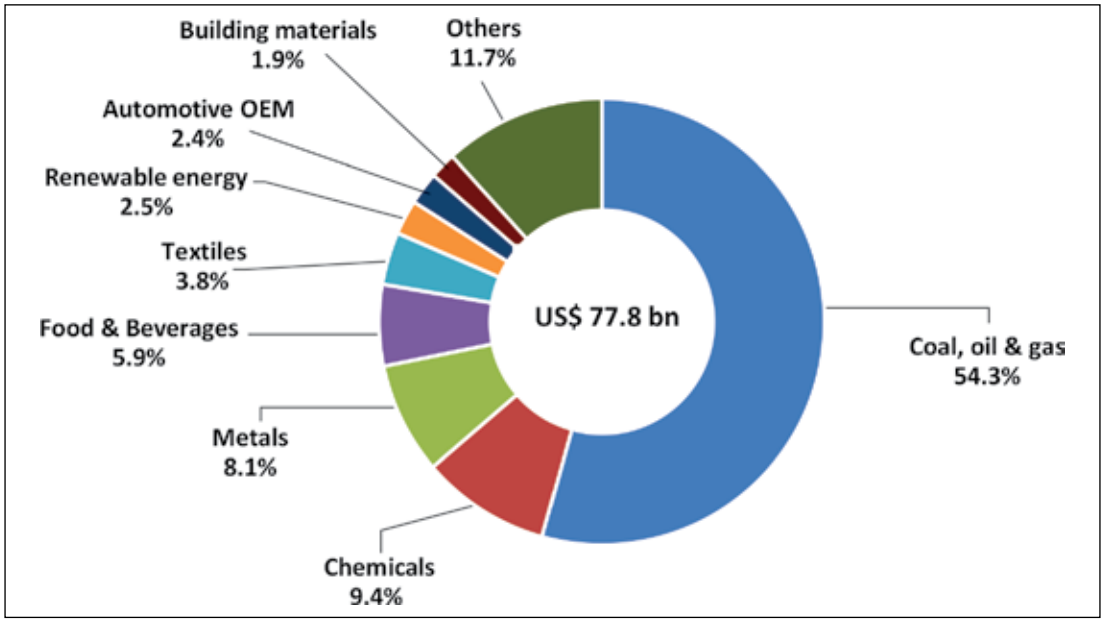
Source: fDi Markets (accessed on January 19, 2022) and India Exim Bank Research

Kazakhstan

Kazakhstan is the largest recipient of envisaged FDI in the region. Kazakhstan received a total envisaged investment of US$ 77.8 billion during 2011-2020, from 416 projects by 338 companies. As part of its diversification plan, Kazakhstan to some extent, has succeeded in attracting investments to non-extractive sectors. Many improvements have been achieved under the Kazakhstan 2050 Strategy, which sets forth seven economic, social and political objectives, including comprehensive support for entrepreneurship. According to BCG, Kazakhstan has the potential to increase the volume of attracted FDI to US$ 100 billion, including up to US$ 40 billion in non-extractive industries.

The major sectors attracting investment in Kazakhstan currently are 'coal, oil and gas' which received total capital investment of US$ 42.6 billion in 22 companies. 22 projects were undertaken in the past decade in this sector. The next sector to receive the highest investment is chemicals sector, with capital investment worth US$ 7.4 billion. The other significant sectors attracting investment were metals, food and beverages, textiles and automotive OEM **(Chart 4.3).**

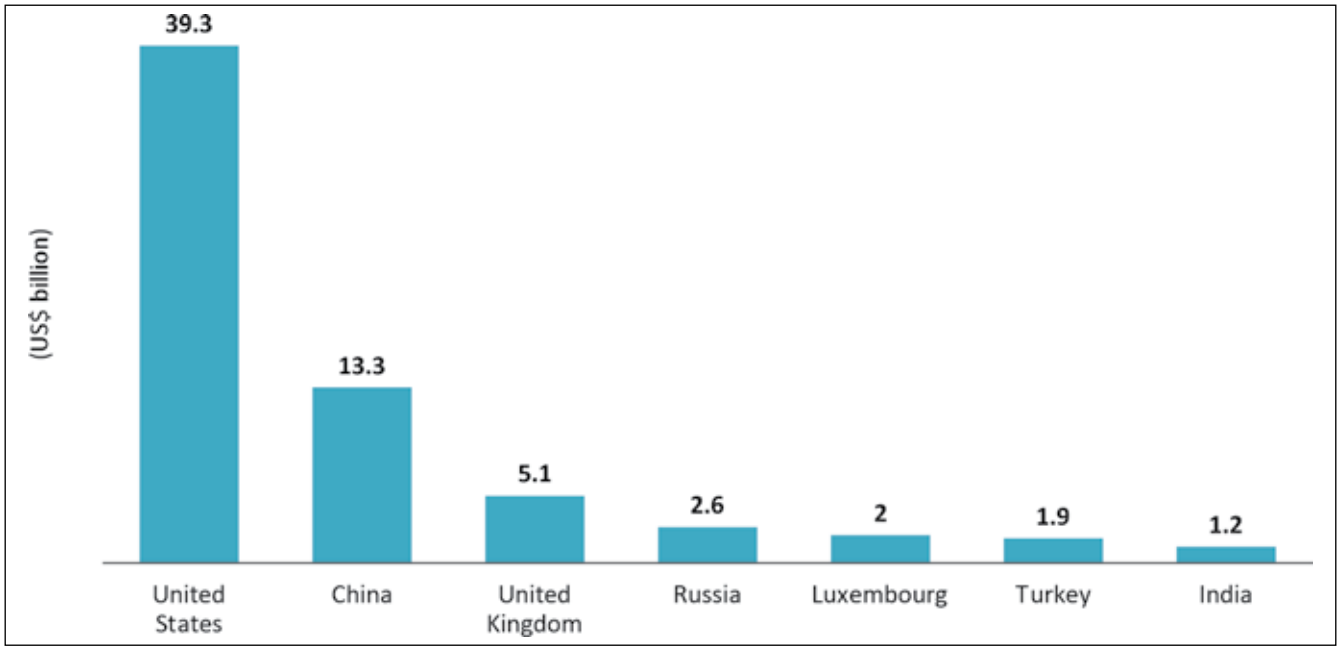
Chart 4.3: Major Sectors Attracting FDI in Kazakhstan during 2011-2020



Source: fDi Markets (accessed on January 19, 2022) and India Exim Bank Research

USA is the largest investor in Kazakhstan, accounting for 50.5 percent of the investments during 2011-2020, followed by China (17.1 percent), UK (6.6 percent) and Russia (3.3 percent) **(Chart 4.4).**

Chart 4.4: Major Sources of FDI in Kazakhstan during 2011-2020



Source: fDi Markets (accessed on January 19, 2022) and India Exim Bank Research

Since its independence in 1991 the government of Kazakhstan has made numerous efforts for building a market driven economy, which will attract foreign investment supported by the presence of minerals, petroleum and natural gas resources. Kazakhstan has made considerable progress in eliminating regulatory barriers, the country ranked 25th out of 190 countries in the World Bank's annual *Doing Business Report* in 2020. Kazakhstan developed Astana International Financial Center (AIFC) in 2018. The center offers incentives for the investors like tax holidays, flexible labour hours, a common law-based legal system, a separate court and arbitration center, and flexibility to carry out transactions in any currency. Subsequently, in 2020 for ensuring freedom of financial markets in compliance with the OECD commitments, Kazakhstan abolished restrictions on opening branches of foreign banks and insurance companies.

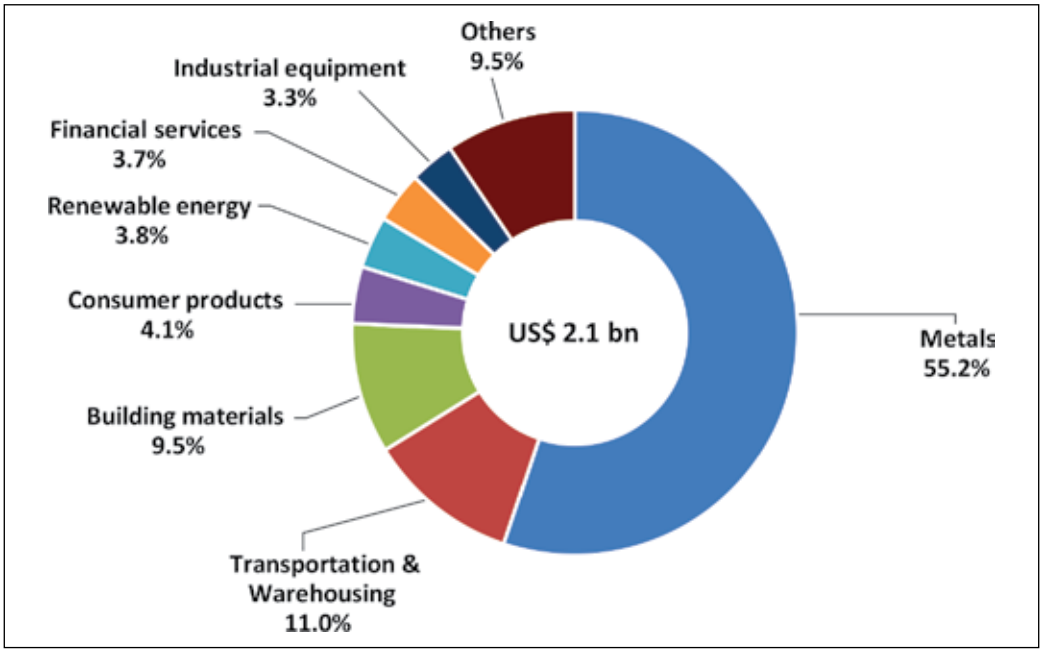
According to Kazakhstan's policy framework foreign and domestic enterprises may establish and own certain businesses. None of the sectors of the economy are completely closed to foreign investors, there are restrictions on foreign ownership, including a 20 percent ceiling on foreign ownership of media outlets, a 49 percent limit on domestic and international air transportation services, and a 49 percent limit on telecommunication services.

Kyrgyzstan

Investment in Kyrgyzstan is mainly dependent on FDI related to the Kumtor gold mine as the country does not possess large amount of petroleum resources. Most of FDI flows have gone to mining-related activities and to other sectors such as finance, petroleum product and manufacturing. Kyrgyzstan received a total envisaged investment of US$ 2.1 billion during 2011-2020, from 33 FDI projects by 32 companies. According to BCG, Kyrgyzstan has the potential to increase FDI in non-extractive industries by US$ 1.5-2 billion during 2019-2028.

The sectors that have attracted maximum amount of investment in Kyrgyzstan are metals sector, transportation and warehousing, building materials, consumer products, renewable energy and financial services **(Chart 4.5).** The sector to receive maximum investment of US$ 1.2 billion was the metals sector in 5 projects.

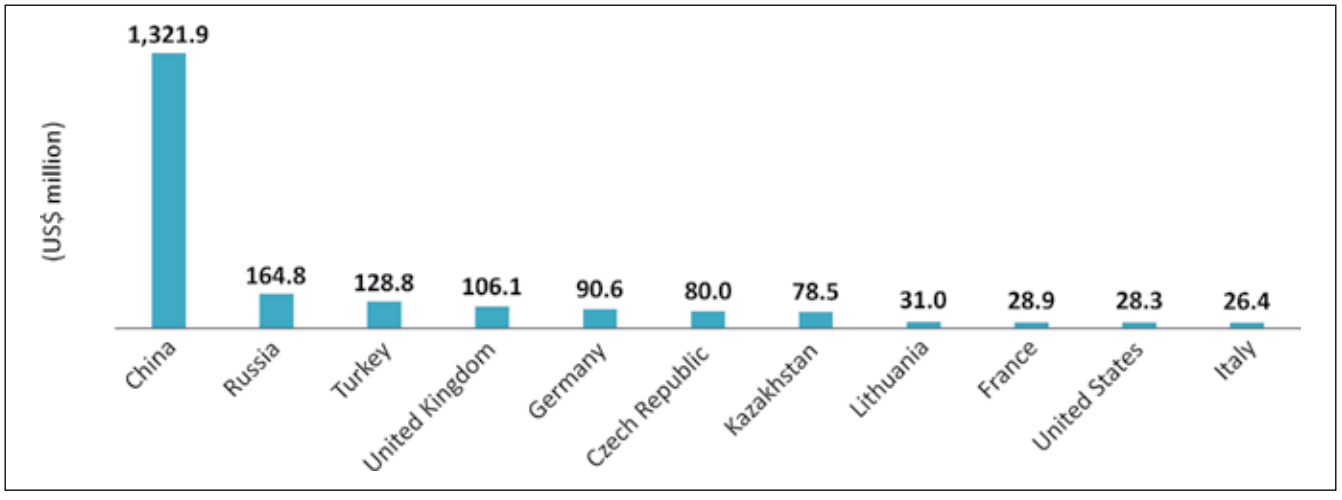
Chart 4.5: Major Sectors Attracting FDI in Kyrgyzstan during 2011-2020



Source: fDi Markets (accessed on January 19, 2022) and India Exim Bank Research

China is the largest investor in Kyrgyzstan, accounting for 62.6 percent of the investments during 2011 - 2020, followed by Russia (7.8 percent), Turkey (6.1 percent) and UK (5 percent) **(Chart 4.6).**

Chart 4.6: Major Sources of FDI in Kyrgyzstan during 2011-2020



Source: fDi Markets (accessed on January 19, 2022) and India Exim Bank Research

The Kyrgyz Republic recognizes that FDI is essential for overall economic development of the country. The government has implemented policies to attract foreign investments but poor implementation, burdened bureaucracy as well as incapacity to protect investors' assets on ground continue to discourage foreign investors. There are no official restrictions on the extent of foreign control, but then certain requirements such as a higher percentage of local workforce employment or a mandate on a minimum number of local seats on a board of directors exist. However, commencing a business in Kyrgyzstan has become relatively easy with elimination of the minimum investment requirement for business registration, eradication of certain registration fees and reduction in the registration time required.

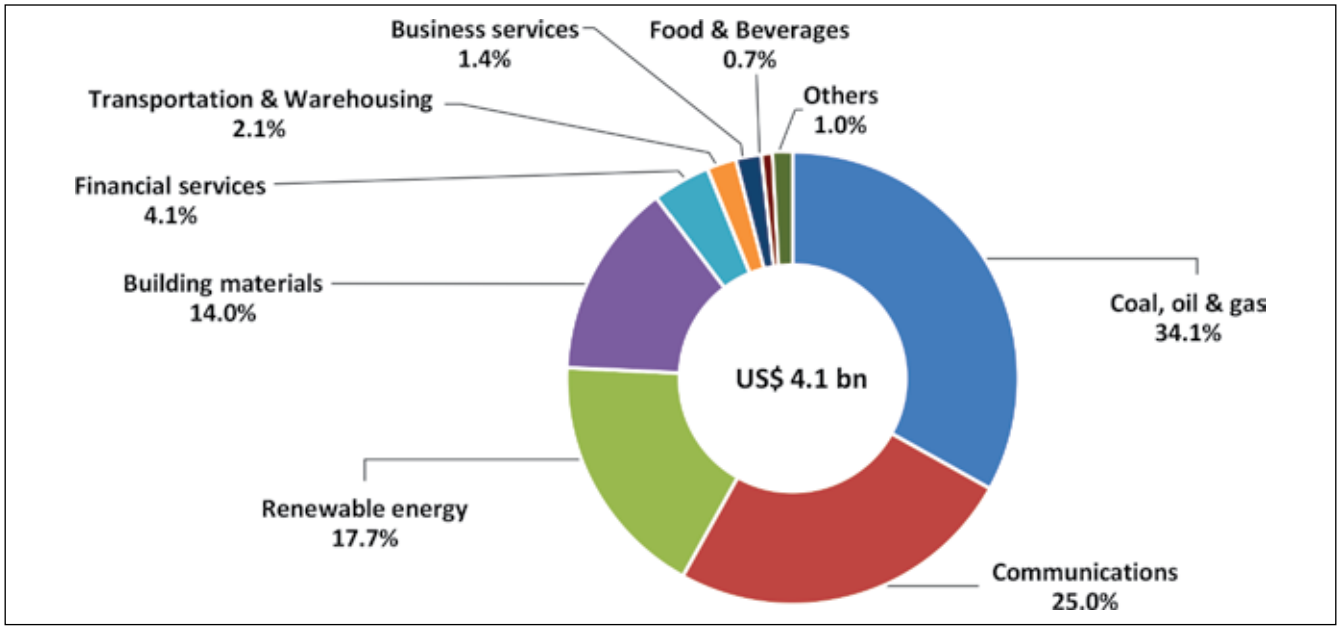
Tajikistan

Tajikistan has been attracting investment inflows supported by its relatively stable economy and natural resources. It has the largest silver deposits in the world, significant gold deposits and is the largest producer of aluminum in Central Asia. Though country does not have aluminum ore, it has a large aluminum plant supporting its aluminum exports. Tajikistan also has huge hydroelectric generation capacity and as per government estimates, only about 5-10 percent of the country's hydropower potential is being utilized. Tajikistan received a total envisaged investment of US$ 4.1 billion during 2011-2020, from 56 FDI projects by 28 companies. According to BCG, Tajikistan has potential to increase FDI in non-extractive industries to US$ 3-3.5 billion during 2019 to 2028.

Major sectors receiving highest investment in Tajikistan during 2011-2020 include 'coal, oil and gas', communications, renewable energy, building construction sector, financial services,

transportation and warehousing, business services and food & beverages **(Chart 4.7).** Of the total 56 envisaged projects in all sectors, communication sector received the maximum number of projects at 28. 'Coal, oil and gas' sector attracted the highest amount of investment at US$ 1.4 billion out of 5 projects.

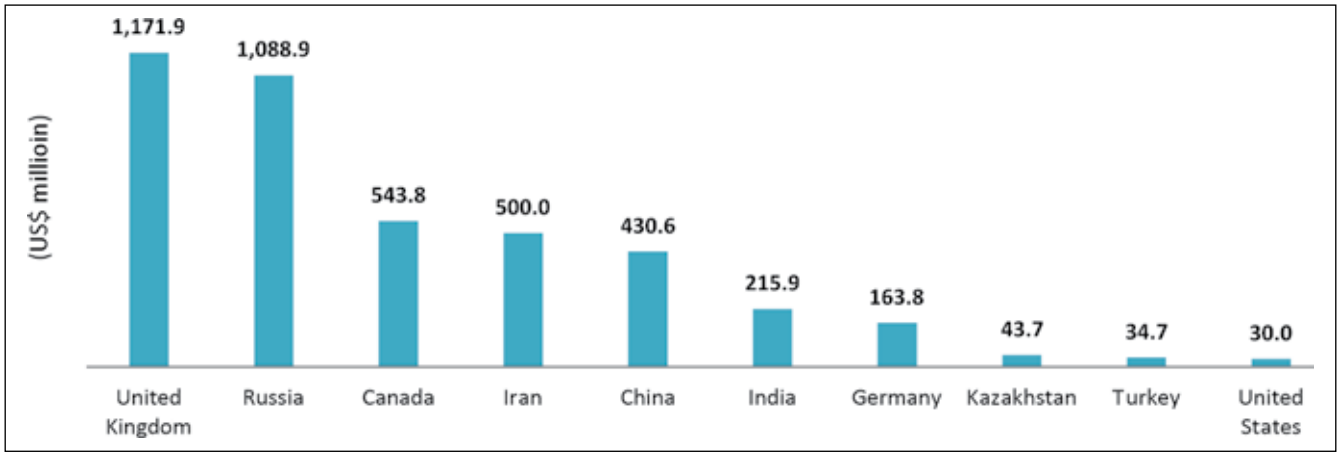
Chart 4.7: Major Sectors Attracting FDI in Tajikistan during 2011-2020



Source: fDi Markets (accessed on January 19, 2022) and India Exim Bank Research

Around 28.9 percent of investment to Tajikistan during 2011-2020 came from UK. Other major investors during the same period include Russia (26.8 percent), Canada (13.4 percent), Iran (12.3 percent), China (10.6 percent), and India (5.3 percent) **(Chart 4.8).**

Chart 4.8: Major Sources of FDI in Tajikistan during 2011-2020



Source: fDi Markets (accessed on January 19, 2022) and India Exim Bank Research

Tajikistan's agriculture sector particularly has ample opportunities in the food processing sector as majority of the agricultural products are not processed before exporting. Tajikistan's government emphasized the significance of private sector led growth and prioritized attracting investment in the 2016-2030 National Development Strategy. The government's decision to undertake huge capital investment has led to modification in tax regulations in order to cover the increasing revenue gap. The Tajik economy suffered badly due to the coronavirus pandemic, stemming from the reduced remittance flows from Russia where about a million labour migrants reside. The State Committee on Investment and State Property Management (SCISPM) and a state-owned enterprise Tajinvest working under SCISPM are responsible for facilitating FDI investments in the economy. However, administrative and financial hurdles, corruption, opaque tax system etc. hinder investors.

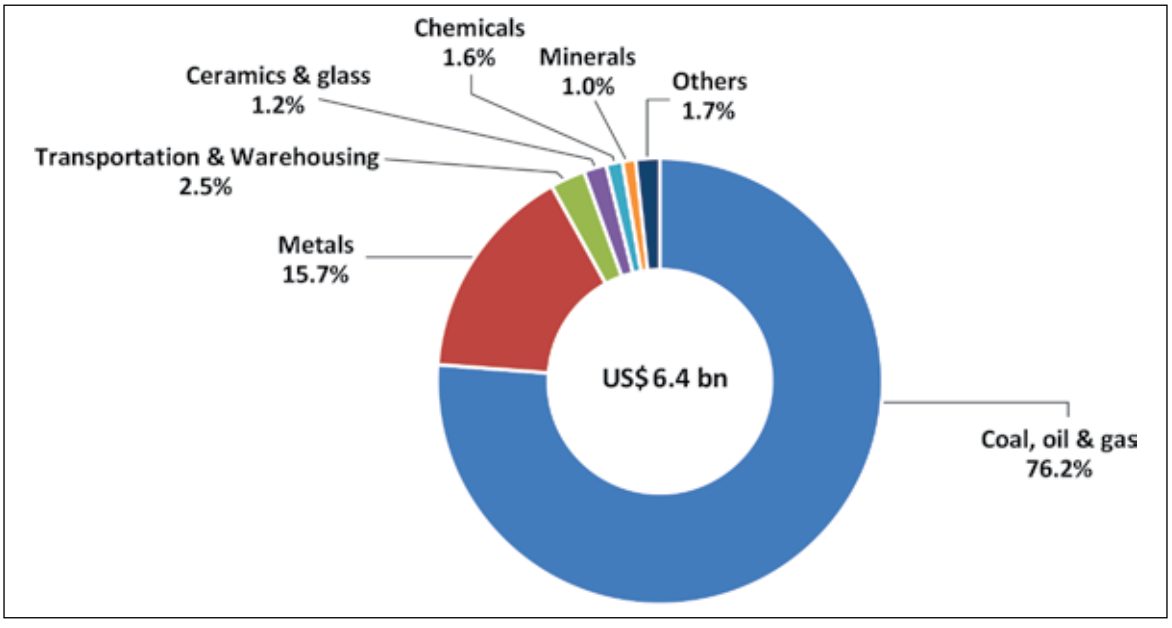
Turkmenistan

Turkmenistan has abundant hydrocarbon reserves. It has the sixth largest gas reserves globally, with proven reserves of about 18 trillion cubic meters. The TAPI pipeline once operational is expected to more than double Turkmenistan's gas export capacity. However, insufficient funding and uncertain security situations in Afghanistan continues to hinder any progress in the project. The country is a part of Ashgabat Agreement which aims at establishment of an *International Transport and Transit Corridor between Central Asia and the Persian Gulf*, signed by India, Iran, Kazakhstan, Oman, Pakistan, Turkmenistan and Uzbekistan. The Government controls all key sectors of the economy and state-owned enterprises are responsible for the production and export of major primary products and most finished products in the manufacturing sector.

In order to diversify the economy and promote import substitution in the consumer and industrial sectors, the country is trying to attract investments in construction, chemicals, agriculture, healthcare, transportation and communications, logistics, banking, financial services and insurance. Turkmenistan received a total envisaged investment of US$ 6.4 billion during 2011-2019, from 22 FDI projects by 20 companies.

Most of the investments into the country go towards extractive sector. The major sectors receiving investment in Turkmenistan include 'coal, oil and gas', metals, transportation and warehousing, chemicals, ceramics & glass and minerals **(Chart 4.9).** The 'oil, coal and gas' sector received highest investment of US$ 4.8 billion.

Chart 4.9: Major Sectors Attracting FDI in Turkmenistan during 2011-2019

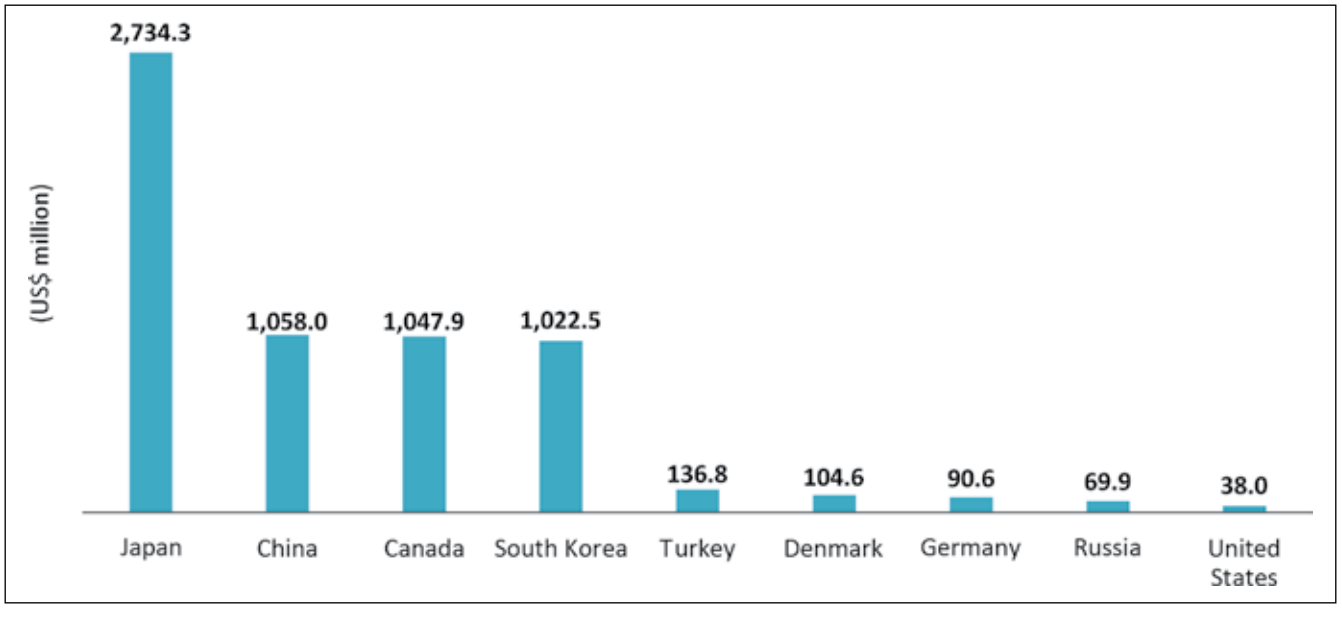


Note: No Investment data for Turkmenistan in 2020.

Source: fDi Markets (accessed on January 19, 2022) and India Exim Bank Research

Japan is the largest investor in Turkmenistan, accounting for 43 percent of the investments during 2011 - 2019, followed by China (16.6 percent), Canada (16.5 percent), South Korea (16.1 percent) and Turkey (2.2 percent) **(Chart 4.10).**

Chart 4.10: Major Sources of FDI in Turkmenistan during 2011-2019



Note: No Investment data for Turkmenistan in 2020.

Source: fDi Markets (accessed on January 19, 2022) and India Exim Bank Research

Turkmenistan has immense hydrocarbon reserves, the economy is heavily dependent on the production and export of natural gas, oil and petrochemicals. The government has not taken considerable efforts for attracting FDI in sectors other than the petroleum industry. The administrative controls on foreign currency flow and limits on conversion makes it cumbersome for the investors to repatriate profits or make payments to the overseas suppliers. Foreign companies with approved government contracts and wanting to invest and operate in Turkmenistan receive government support and do not face problems or significant delays when registering their operations in Turkmenistan. The Turkmenistan's government took a major leap towards digitization through efforts to introduce reforms in various sectors including banking and government operations. However, despite of periodical amendments to meet the international standards the economy lacks behind in investment-related legislation.

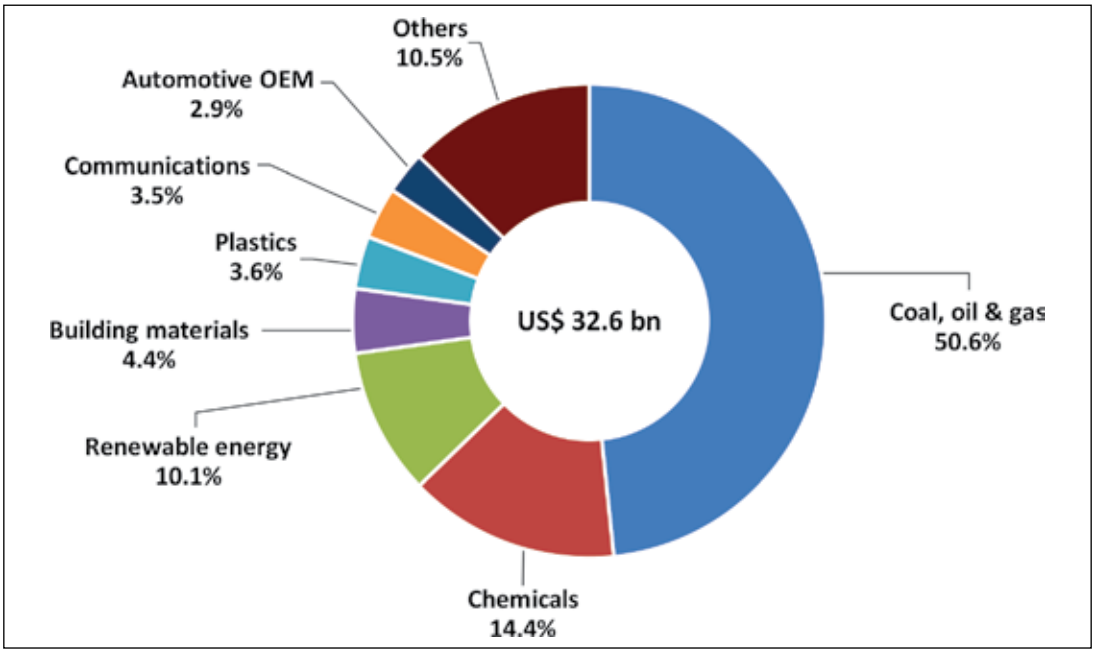
Uzbekistan

Supported by vast natural resources, favorable trade, low debts, and significant currency and gold reserves, Uzbekistan is the most rapidly evolving country in Central Asia. The extraction of country's resources of gas, gold, copper and uranium is yet to reach its full potential. Moreover, the country is quite diversified offering opportunities in non-extractive sectors also. According to BCG, Uzbekistan has the potential to increase its investments to US$ 65 billion, including up to US$ 20 billion in non-extractive industries between 2019-2028. Uzbekistan received a total envisaged investment of US$ 32.6 billion during 2011-2020, by 179 companies.

Uzbekistan has witnessed investments in 233 projects in all sectors over the last decade, with the communications sector receiving the highest number of projects at 32 over the last decade by 10 companies. The sector to attract most investment during 2011-2020 is the 'coal, oil and gas' sector, with capital investment of US$ 16.5 billion, by 12 companies in 16 projects. This was followed by the chemicals sector with a capital investment of US$ 4.9 billion and 12 companies in 12 projects. The other sectors to receive highest investment are renewable energy, building materials sector, and plastics **(Chart 4.11).**

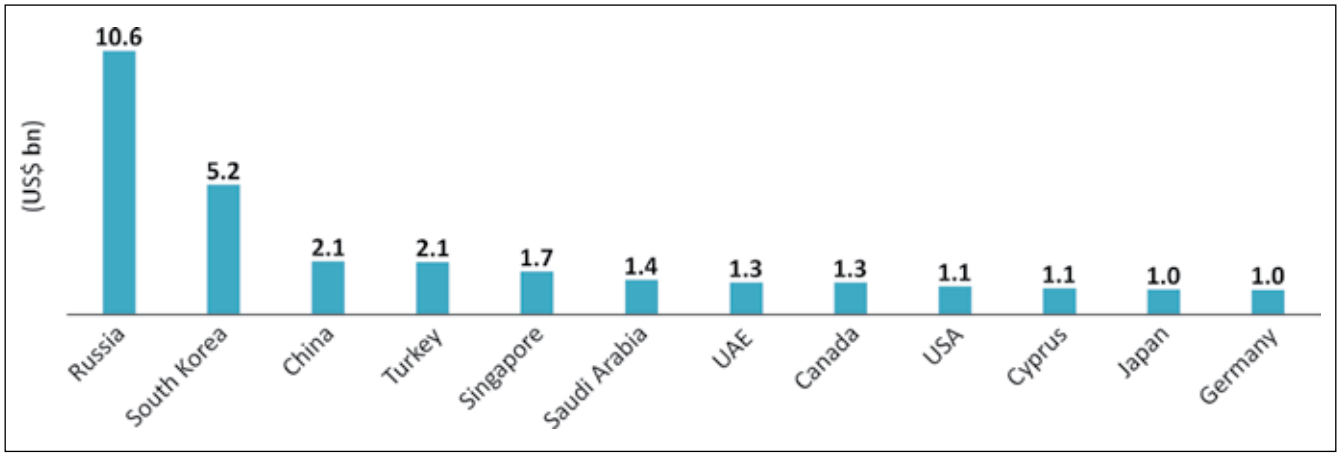
Russia is the largest investor in Uzbekistan, accounting for 32.5 percent of the investments during 2011 - 2020, followed by South Korea (16 percent), China (6.4 percent), Turkey (6.4 percent) and Singapore (5.2 percent) **(Chart 4.12).**

Chart 4.11: Major Sectors Attracting FDI in Uzbekistan during 2011-2020



Source: fDi Markets (accessed on January 19, 2022) and India Exim Bank Research

Chart 4.12: Major Sources of FDI in Uzbekistan during 2011-2020



Source: fDi Markets (accessed on January 19, 2022) and India Exim Bank Research

Attracting FDI has been one of the fundamental policy priorities of the Uzbekistan's government, the government recognizes its critical role in economic growth and addressing social challenges. The Ministry of Investments and Foreign Trade and the Chamber of Commerce and Industry of Uzbekistan provide FDI investors with information and analysis, consulting services and other legal assistance. In the wake of the coronavirus pandemic the government introduced incentives by decreasing government participation in the economy, promoting public private partnership projects, announcing schemes to restructure and privatize SOEs, and executing additional anti-corruption measures. The government slashed

corporate and individual income taxes by approximately 50 percent with effect from January 1, 2020 and significantly streamlined taxation procedures for private investors. In January itself the Law on Investments and Investment Activities came into force, guaranteeing unrestricted repatriation of funds out of Uzbekistan and the protection of investments from nationalization. The investment climate in Uzbekistan is hampered by certain administrative complexities including lack of transparency in public procurements, its record of enforcing public-private contracts in a slackened manner, issues related to protection of private property rights, and insufficient enforcement of intellectual property rights.

Chapter

INDIA'S BILATERAL TRADE AND INVESTMENT RELATIONS WITH CENTRAL ASIAN REPUBLICS

Central Asia Republics represents a region of considerable strategic interest for India due to its strategic geographical location, mineral and hydrocarbon wealth, and prospects for the development of multiple trade corridors through land and sea routes. The region, being a part of India's "extended neighbourhood", is pivotal in India's foreign policy.

Given the enormous and ever increasing energy demand of India and the significance of the region in connecting India to Russia and Eastern Europe countries, CARs appear as a natural geo-strategic partner for India. On the other hand, India's pivotal geo strategic position in the Indian Ocean could create unprecedented trade opportunities for countries in the region. To further integrate India's trade with the region, the 'Connect Central Asia' Policy was launched in 2012.

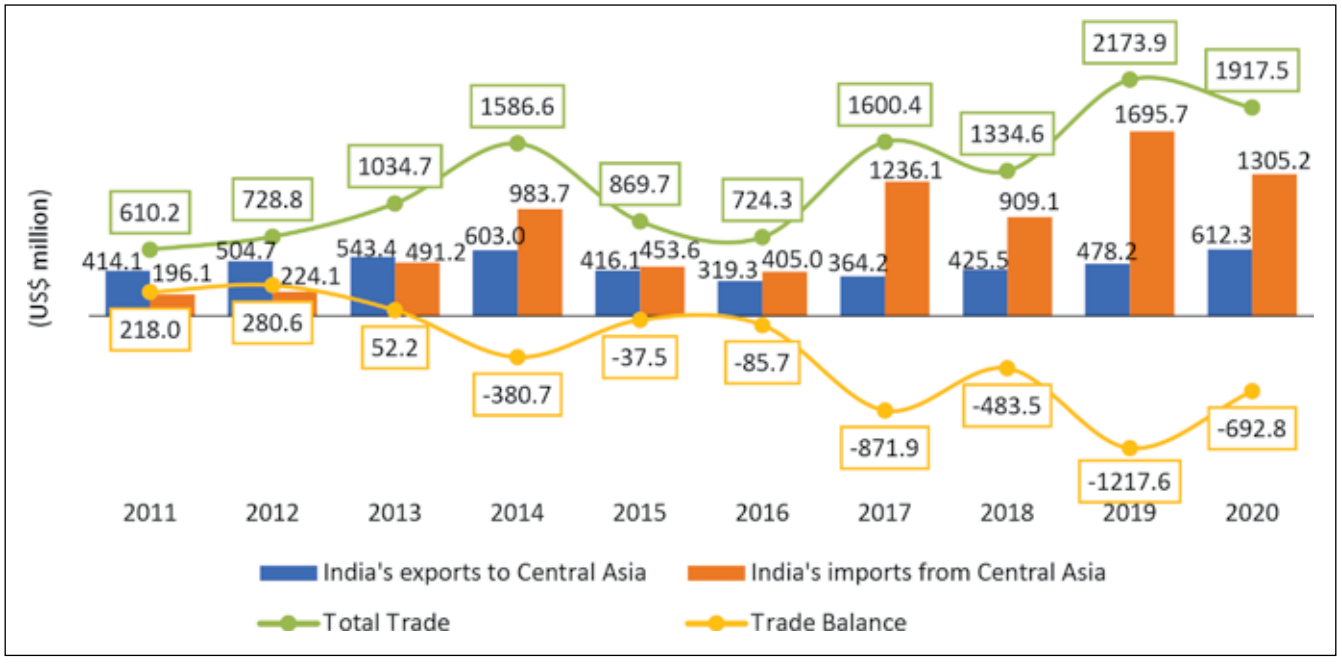
However, India's exports to the CARs accounted for a modest share in India's global exports at 0.2 percent whereas India's imports from these countries account for a share of 0.4 percent of India's global imports in 2020. As a share of Commonwealth of Independent States (CIS), CARs accounted for 15.8 percent of India's exports to the CIS whereas 13.3 percent of India's imports from the CIS in 2020.

Trends in India's Trade with Central Asian Republics

India's total trade with Central Asian Republics has witnessed more than three-fold rise from US$ 610.2 million in 2011 to US$ 1.9 billion in 2020, with India's exports to the region amounting to US$ 612.3 million and imports amounting to US$ 1305.2 million in 2020**.** The total trade declined from US$ 2.2 billion in 2019 to US$ 1.9 billion in 2020 due to decline in imports of crude petroleum oil and silver by India from the Central Asian economies **(Chart 5.1)**.

India witnesses an unfavourable trade balance with the region with trade surplus of US$ 218 million during 2011, turned into a trade deficit of US$ 380.7 million in 2014, which has increased further to reach US$ 692.8 million in 2020. Trade deficit witnessed a sharp jump to an all-time high of US$ 1.2 billion during 2019. India's exports to the region increased at a compound annual growth rate (CAGR) of 4 percent during the period 2011 to 2020, while the imports grew at a CAGR of 20.9 percent during the same period.

Chart 5.1: India's Trade with Central Asian Republics, 2011 to 2020



Source: ITC Trademap and India Exim Bank Research

India's Trade with Central Asian Republics

During 2020, Uzbekistan became India's leading export destination, among the Central Asian Republics accounting for around 42.6 percent of India's total exports to Central Asia in 2020. Uzbekistan's share in India's export to the CARs stood at 21.2 percent in 2011 has increased to 42.6 percent in 2020 whereas Kazakhstan's share of 57 percent in 2011 has declined to 36.9 percent in 2020. The other major export destination during 2020 were Tajikistan (7.3 percent), Turkmenistan (7.2 percent) and Kyrgyzstan (6 percent) of India's exports to the region.

With regard to imports, Kazakhstan is the largest supplier to India among the Central Asian Republics, accounting for over 98.3 percent of India's total imports from the region in 2020. Kazakhstan's share has increased from 62.5 percent whereas Uzbekistan's share has decreased

26.6 percent in 2011. Uzbekistan accounted for 1.2 percent of India's total imports from the region, followed by Kyrgyzstan (0.4 percent), and Turkmenistan (0.1 percent) in 2020.

India's exports to Central Asia have increased by 6 percent to US$ 648.9 million in 2021 with 72 percent of exports to Uzbekistan (US$ 259.6 million) and Kazakhstan (US$ 207.5 million). These were followed by Turkmenistan (17.3 percent), Tajikistan (5.9 percent) and Kyrgyzstan (4.9 percent). India's imports from Central Asia, on the other hand, have declined by more than half in 2021 to US$ 570.4 million in 2021 on account of lower imports from Kazakhstan which accounted for 93.6 percent of India's imports from the region. Import of crude petroleum from Kazakhstan has declined resulting in fall in imports in 2021. On the other hand, imports have increased from Uzbekistan, Tajikistan and Turkmenistan which accounted for a share of 6.1 percent of India's imports. Besides, Kazakhstan, imports from Kyrgyzstan have also declined during the same period.

Commodity Composition of Bilateral Trade

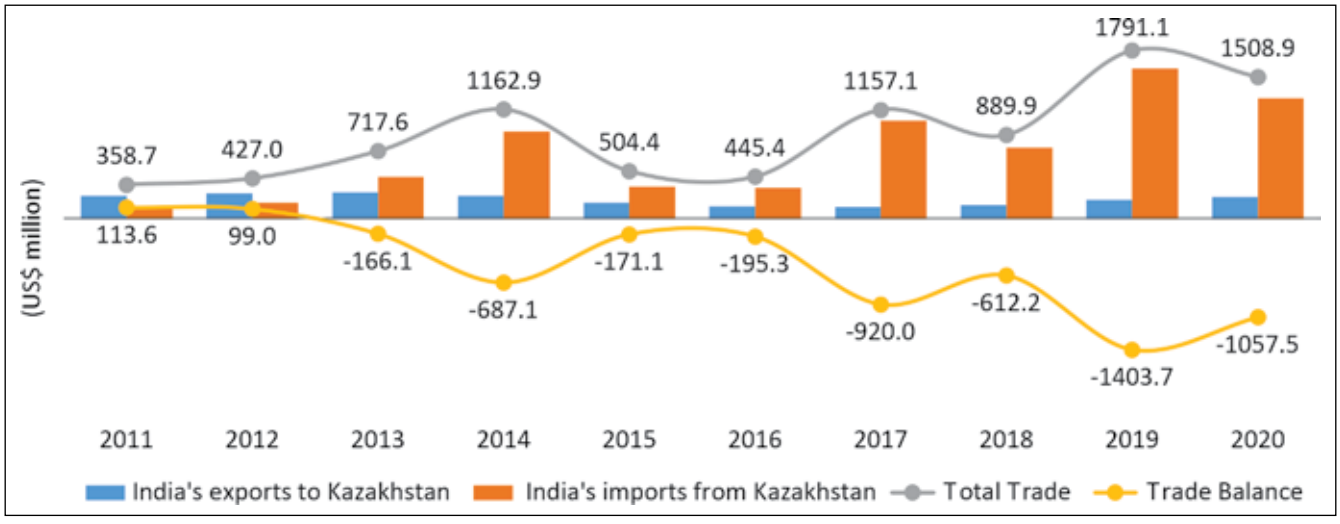
Pharmaceutical products are the major exported commodity by India to the region, accounting for 51.3 percent of India's total exports to the country during 2020. Other major export commodities include machinery and mechanical appliances (11.6 percent share of India's total exports), electrical machinery and equipment (9.8 percent), coffee, tea and spices (5.4 percent), articles of iron and steel (2.5 percent) and articles of apparel and clothing accessories, not knitted or crocheted (2.1 percent).

As regards imports, mineral fuels, oils and products of distillation accounted for over 96 percent of India's total imports from the region during 2020. Other major imported items include pearls, precious or semiprecious stones and metals (1.4 percent of total imports), inorganic chemicals (0.5 percent) and ships, boats and floating structures (0.4 percent).

Kazakhstan

Kazakhstan was India's second largest export market in the region in 2020. Due to sharp rise in India's imports from the country in recent years, India's total trade with Kazakhstan increased to US$ 1.5 billion in 2020 as compared to US$ 358.7 million in 2011. With imports of US$ 1283.2 million and exports of US$ 225.7 million, India's trade deficit with the country reached US$ 1057.5 million, from a surplus of 113.6 million in 2011. During 2019, a sharp jump in India's imports from Kazakhstan (reaching US$ 1.6 billion) has been witnessed, resulting in a widening of trade deficit to US$ 1.8 billion in the same year **(Chart 5.2).**

Chart 5.2: India's Trade with Kazakhstan, 2011 to 2020



Source: ITC Trademap and India Exim Bank Research

The main items of export from India to Kazakhstan include pharmaceutical products, tea, electronic machinery and equipment, machinery and mechanical appliances which together account for more than 74.5 percent of the total exports to Kazakhstan from India during 2020. Exports of pharmaceuticals alone accounted for more than one-third of total exports to the country **(Table 5.1)**.

Table 5.1: India's Major Exports to Kazakhstan

HS Code	Product	2011		2019		2020	
		Value (US$ mn)	Share (%)	Value (US$ mn)	Share (%)	Value in 2020 (US$ mn)	Share (%)
Total	**All products**	**236.1**	**100.0**	**193.7**	**100.0**	**225.7**	**100.0**
30	Pharmaceutical products	46.1	19.5	51.4	26.5	83.3	36.9
85	Electrical machinery and equipment	33.6	14.2	64.1	33.1	53.4	23.6
84	Machinery, mechanical appliances	7.6	3.2	25.2	13.0	31.7	14.0
09	Coffee, tea, maté and spices	59.3	25.1	23.6	12.2	26.9	11.9
29	Organic chemicals	1.4	0.6	1.8	0.9	5.0	2.2
69	Ceramic products	3.7	1.6	1.9	1.0	4.1	1.8
90	Optical, photographic, medical or surgical instruments	2.5	1.0	3.5	1.8	3.4	1.5
38	Miscellaneous chemical products	1.0	0.4	1.6	0.8	2.2	1.0
33	Essential oils and resinoids	0.8	0.4	2.4	1.2	2.2	1.0
61	Articles of apparel and clothing accessories, knitted or crocheted	32.3	13.7	0.9	0.4	1.7	0.7

Source: ITC Trademap and India Exim Bank Research

With regard to India's imports from Kazakhstan, which is also the largest import source for India in the region, the import basket is dominated by crude oil, which accounted for 97.6 percent of India's total imports from the country during 2020. Other major imported commodities include pearls and precious stones (1.4 percent) in 2020 **(Table 5.2)**. India's imports of mineral fuels from Kazakhstan witnessed sharp jump since 2019, accounting for 93 percent of the import basket as compared to 62.4 percent in 2018. This increase can be attributed to a decline in domestic production of crude oil and stopping of crude imports from sanctioned countries during the year.

Table 5.2: India's Major Imports from Kazakhstan

HS Code	Products	2011		2019		2020	
		Value (US$ mn)	Share (%)	Value (US$ mn)	Share (%)	Value (US$ mn)	Share (%)
Total	**All products**	**122.6**	**100.0**	**1597.4**	**100.0**	**1283.2**	**100.0**
27	Mineral fuels, mineral oils and products of their distillation	0.6	0.5	1487.6	93.1	1252.3	97.6
71	Natural or cultured pearls, precious or semi-precious stones	12.1	9.9	91.9	5.8	17.9	1.4
28	Inorganic chemicals	10.2	8.3	7.5	0.5	4.6	0.4
25	Salt; sulphur; earths and stone	38.2	31.1	3.8	0.2	4.0	0.3
72	Iron and steel	5.8	4.7	1.7	0.1	3.9	0.3
81	Other base metals; cermets;	-	-	0.6	-	0.3	-
84	Machinery, mechanical appliances	0.4	0.3	-	-	0.1	-
26	Ores, slag and ash	-	-	-	-	-	-
78	Lead and articles	14.0	11.4	-	-	-	-
85	Electrical machinery and equipment	0.3	0.2	0.1	-	-	-

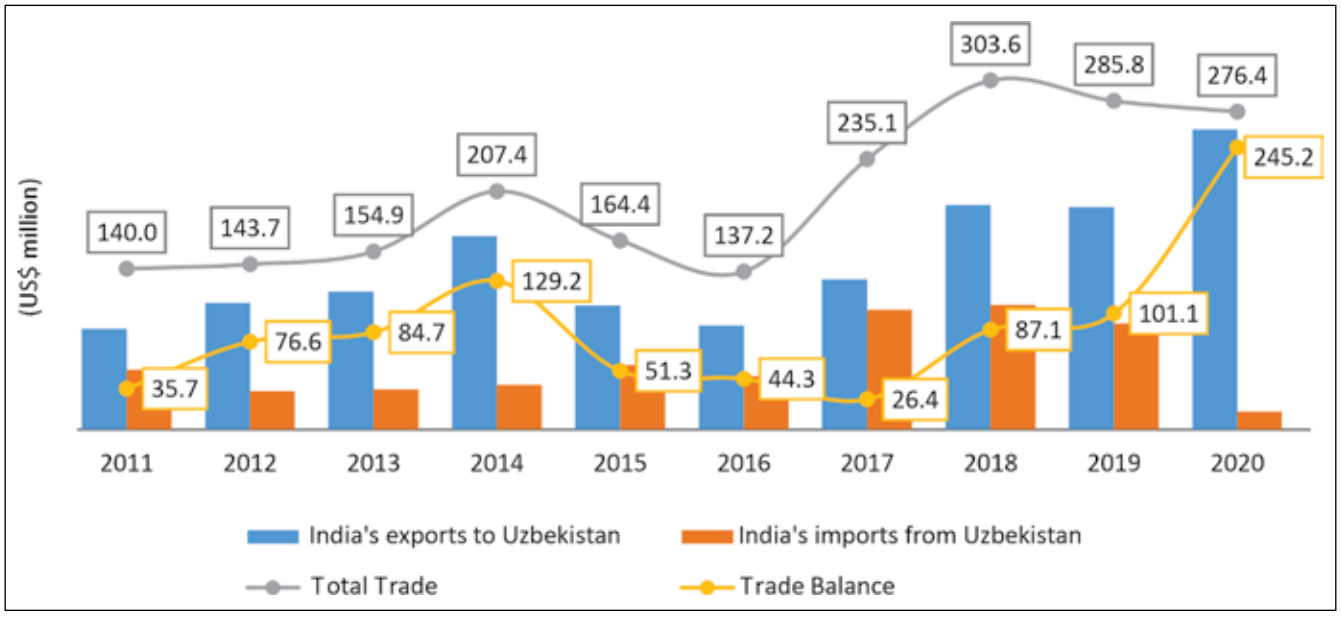
Note: '-' denotes not available or negligible

Source: ITC Trademap and India Exim Bank Research

Uzbekistan

India's total trade with Uzbekistan has almost doubled to US$ 276.4 million in 2020, from US$ 140 million in 2011 **(Chart 5.3).** India has a favourable trade balance with Uzbekistan with the trade surplus increasing from US$ 35.7 million in 2011 to US$ 245.2 million in 2020. Uzbekistan became the largest export destination for India in the Central Asian region in 2017, surpassing Kazakhstan, accounting for 35.9 percent of India's exports to CARs as compared to Kazakhstan accounting for a share of 32.5 percent. However, Uzbekistan's share as an import source for India among the Central Asian economies has declined from 26.6 percent in 2011 to 1.2 percent in 2020.

Chart 5.3: India's Trade with Uzbekistan



Source: ITC Trademap and India Exim Bank Research

India's exports to Uzbekistan amounted to US$ 260.8 million in 2020, increasing from US$ 87.8 million in 2011 driven mainly by exports of pharmaceutical products and machinery and mechanical appliances which together accounted for 78.3 percent of India's exports to Uzbekistan during 2020. Machinery and mechanical appliances, which accounted for over one-third of India's total exports to the country in 2019 saw a decline in 2020 **(Table 5.3)**. Other important exports from India to Uzbekistan include tanning or dyeing extracts, vehicles, and miscellaneous edible preparation.

Table 5.3: India's Major Exports to Uzbekistan

HS Code	Product	2011		2019		2020	
		Value (US$ mn)	Share (%)	Value (US$ mn)	Share (%)	Value (US$ mn)	Share (%)
Total	**All products**	**87.8**	**100.0**	**193.5**	**100.0**	**260.8**	**100.0**
30	Pharmaceutical products	39.9	45.5	79.4	41.1	167.7	64.3
84	Machinery, mechanical appliances	5.9	6.7	64.2	33.2	37.2	14.3
32	Tanning or dyeing extracts	0.9	1.0	6.6	3.4	6.8	2.6
87	Vehicles other than railway or tramway	8.5	9.6	5.3	2.7	6.2	2.4
21	Miscellaneous edible preparations	1.0	1.2	1.8	0.9	5.2	2.0
85	Electrical machinery and equipment and parts	2.5	2.8	2.5	1.3	3.7	1.4
09	Coffee, tea, maté and spices	1.1	1.2	5.4	2.8	3.6	1.4
90	Optical, photographic, medical or surgical instruments	9.5	10.8	4.0	2.1	3.3	1.3
38	Miscellaneous chemical products	1.2	1.4	2.9	1.5	3.3	1.3
29	Organic chemicals	1.0	1.1	2.5	1.3	3.2	1.2

Source: ITC Trademap and India Exim Bank Research

India's import from Uzbekistan doubled from US$ 52.1 million in 2011 to US$ 108.3 million in 2018. Thereafter, it declined to US$ 15.6 million in 2020 mainly due to decrease in exports of precious metals. Pearls, precious and semi-precious stones and metals (mostly gold) was the largest imported commodity from Uzbekistan during 2019, accounting for 88.3 percent of India's total imports from the country. However, in 2020, there were negligible imports of precious metals by India from Uzbekistan. Products which accounted for a major share in India's imports from Uzbekistan during 2020 were fertilisers, lac, gum and resins, silk, zinc and its articles and cotton **(Table 5.4)**.

Table 5.4: India's Major Imports from Uzbekistan

HS Code	Product	2011		2019		2020	
		Value (US$ mn)	Share in imports (%)	Value (US$ mn)	Share in imports (%)	Value (US$ mn)	Share in imports (%)
Total	**All products**	**52.1**	**100.0**	**92.3**	**100.0**	**15.6**	**100.0**
31	Fertilisers	16.5	31.6	-	-	3.5	22.7
13	Lac; gums, resins	2.0	3.8	1.1	1.2	3.5	22.5
50	Silk	1.9	3.7	1.1	1.2	2.8	17.9
79	Zinc and articles	-	-	6.2	6.7	1.6	10.2
52	Cotton	-	-	0.5	0.5	1.2	7.9
28	Inorganic chemicals	-	-	-	-	0.7	4.6
81	Other base metals	-	-	-	-	0.7	4.2
07	Edible vegetables and certain roots and tubers	2.4	4.6	0.9	1.0	0.5	3.0
47	Pulp of wood or of other fibrous cellulosic material	-	-	-	-	0.2	1.4
90	Optical, photographic, medical or surgical instruments	-	-	-	-	0.2	1.4

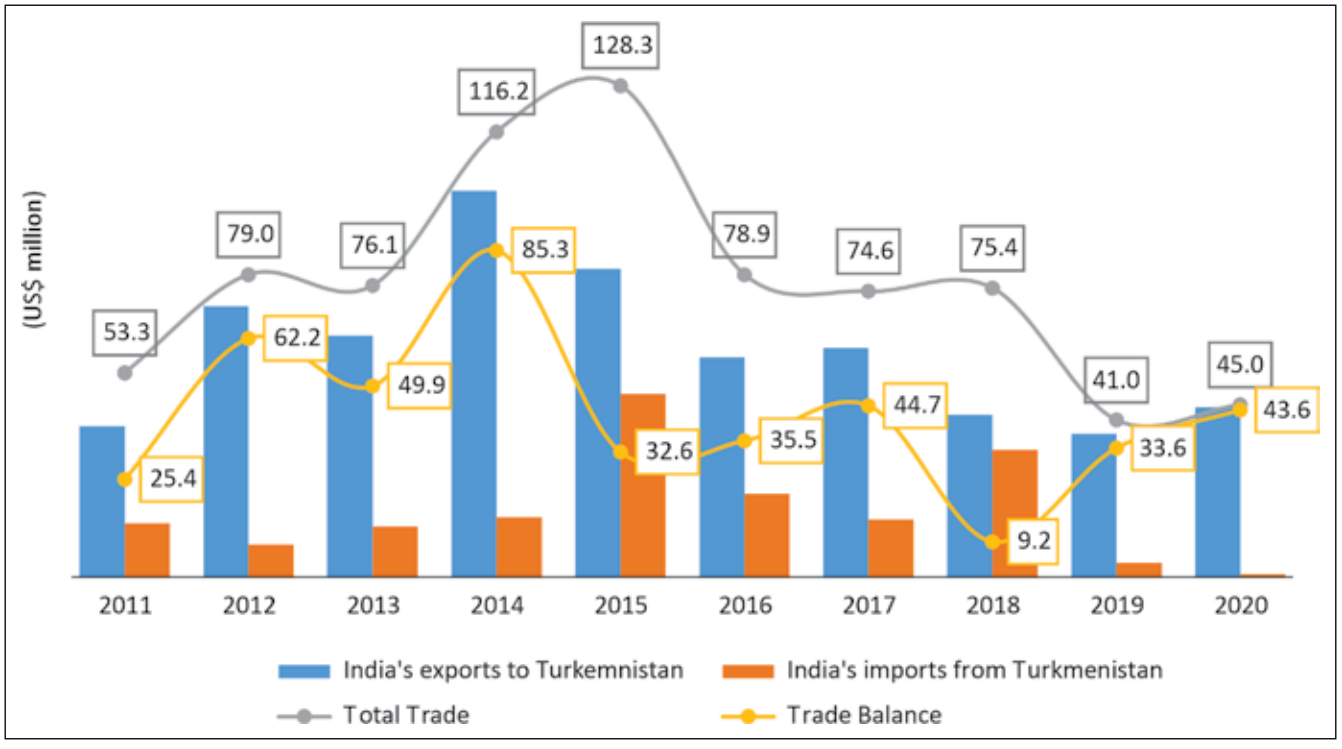
Note: '-' denotes not available or negligible

Source: ITC Trademap and India Exim Bank Research

Turkmenistan

India's total trade with Turkmenistan had been increasing steadily from US$ 53.3 million in 2011 till 2015 and touched US$ 128.3 million, thereafter witnessing a continuous decline to reach US$ 45 million in 2020. India has been maintaining a steady trade surplus with Turkmenistan on account of limited imports from the country. India's export to Turkmenistan have increased moderately from US$ 39.4 million in 2011 to US$ 44.3 million in 2020, after peaking at US$ 100.7 million in 2014. India's imports from the country more than doubled to US$ 33.1 million in 2018 from US$ 13.9 million in 2011. However, it declined to US$ 0.7 million in 2020. Turkmenistan's share as an export destination for India among the CARs peaked in 2015 when it accounted for 19.3 percent of India's total exports to the CARs and thereafter it declined and stood at 7.2 percent in 2020. Its share as an import source declined from 7.1 percent in 2011 to just 0.1 percent in 2020.

Chart 5.4: India's Trade with Turkmenistan



Source: ITC Trademap and India Exim Bank Research

India's export basket to Turkmenistan is dominated by pharmaceuticals and meat and edible meat offal, which together accounted for 69.3 percent of the total exports to Turkmenistan in 2020 **(Table 5.5)**. Other exports to Turkmenistan include aluminium and articles, machinery and mechanical appliances, rubber and articles and optical, photographic and medical instruments.

Imports declined from US$ 3.7 million in 2019 to US$ 0.7 million in 2020. Salt, sulphur and plastering materials (42.4 percent of India's imports from Turkmenistan) and inorganic chemicals (42.1 percent) remained the major items of import during 2019. However, inorganic chemicals alone accounted for 92.4 percent of India's total imports from Turkmenistan during 2020. Other major imports from the country during the same year include electrical machinery and tanning or dyeing extracts **(Table 5.6)**.

Table 5.5: India's Major Exports to Turkmenistan

HS Code	Product	India's exports in 2011	Share in total exports (%)	Value in 2019	Share in total exports (%)	Value in 2020	Share in total exports (%)
Total	**All products**	**39.4**	**100.0**	**37.3**	**100.0**	**44.3**	**100.0**
30	Pharmaceutical products	11.2	28.4	20.6	55.3	25.0	56.5
02	Meat and edible meat offal	2.8	7.2	3.8	10.3	5.7	12.8
76	Aluminium and articles thereof	0.1	0.2	0.3	0.7	5.3	11.9
84	Machinery, mechanical appliances	10.4	26.4	3.1	8.2	2.3	5.1
40	Rubber and articles	0.5	1.2	1.0	2.6	1.6	3.7
90	Optical, photographic, medical or surgical instruments	0.3	0.8	0.7	2.0	0.9	2.0
29	Organic chemicals	0.4	0.9	1.2	3.1	0.6	1.5
21	Miscellaneous edible preparations	0.7	1.8	0.4	1.0	0.6	1.4
10	Cereals	0.1	0.2	0.3	0.9	0.4	1.0
27	Mineral fuels, mineral oils and products of their distillation	2.4	6.1	-	-	0.3	0.6

Note: '-' denotes not available or negligible

Source: ITC Trademap and India Exim Bank Research

Table 5.6: India's Major Imports from Turkmenistan

HS Code	Product	2011		2019		2020	
		Value (US$ mn)	Share (%)	Value (US$ mn)	Share (%)	Value (US$ mn)	Share (%)
Total	**All products**	**13.9**	**100.0**	**3.7**	**100.0**	**0.7**	**100.0**
28	Inorganic chemicals	8.1	58.4	1.6	42.1	0.6	92.4
85	Electrical machinery and equipment	-	-	-	-	-	4.2
32	Tanning or dyeing extracts	-	-	-	0.5	-	1.7
73	Articles of iron or steel	-	-	-	-	-	0.7
25	Salt; sulphur; earths and stone	-	-	1.6	42.4	-	0.6
84	Machinery, mechanical appliances	0.1	0.5	-	0.4	-	0.1

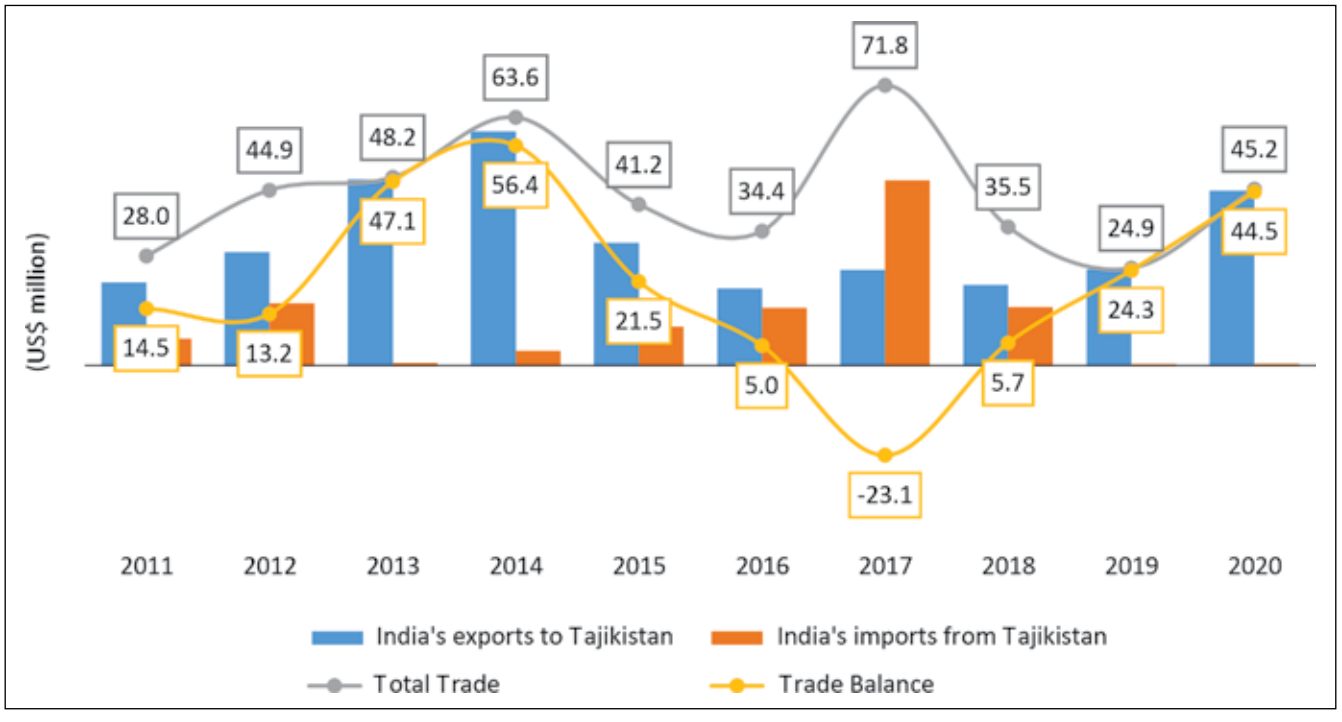
Note: '-' denotes not available or negligible

Source: ITC Trademap and India Exim Bank Research

Tajikistan

India's total trade with Tajikistan grew from US$ 28 million in 2011 to US$ 71.8 million in 2017, thereafter it has declined over the years and stood at US$ 45.2 million in 2020. India's exports to Tajikistan witnessed an increase from US$ 21.3 million in 2011 to US$ 44.8 million in 2020. On the other hand, imports from Tajikistan which increased seven-folds from US$ 6.7 million in 2011 to US$ 47.5 million in 2017, owing to sharp rise in increase of aluminum and articles, witnessed a sharp moderation during 2020, decreasing to US$ 0.4 million. The moderation in imports was essentially as a result in drop in imports of aluminum and articles and ores, slag and ash. As a result, India witnessed a trade surplus of US$ 44.5 million with Tajikistan in 2020 compared to US$ 14.5 million during 2011 **(Chart 5.5).** Tajikistan accounted for 5.1 percent of India's exports to CARs during 2011 which increased to 7.3 percent in 2020. In terms of import, Tajikistan accounted for a negligible share of India's total imports from CARs during 2020 as compared to a share of 7.1 percent in 2012.

Chart 5.5: India's Trade with Tajikistan



Source: ITC Trademap and India Exim Bank Research

Pharmaceuticals were the largest export item to Tajikistan with exports amounting to US$ 24.2 million accounting for half of India's exports to the country during 2020, followed by exports of articles of iron and steel, electrical machinery and equipment, coffee, tea and spices, and aluminium and articles **(Table 5.7)**.

Table 5.7: India's Major Exports to Tajikistan

HS Code	Product	2011		2019		2020	
		Value (US$ mn)	Share (%)	Value (US$ mn)	Share (%)	Value (US$ mn)	Share (%)
Total	**All products**	**21.3**	**100.0**	**24.6**	**100.0**	**44.8**	**100.0**
30	Pharmaceutical products	8.6	40.5	17.9	72.6	24.2	54.0
73	Articles of iron or steel	-	0.2	1.3	5.4	13.7	30.5
85	Electrical machinery and equipment and parts	0.8	3.7	2.4	9.7	2.5	5.6
09	Coffee, tea, maté and spices	0.4	2.0	1.5	6.0	1.5	3.4
76	Aluminium and articles	-	-	-	0.1	0.7	1.7
90	Optical, photographic, cinematographic, medical or surgical instruments	0.2	1.1	0.5	1.8	0.7	1.6
61	Articles of apparel and clothing accessories, knitted or crocheted	1.7	8.0	0.1	0.6	0.4	0.8
40	Rubber and articles	0.1	0.2	0.4	1.4	0.2	0.5
33	Essential oils and resinoids	0.1	0.7	0.1	0.4	0.2	0.4
48	Paper and paperboard	-	0.2	-	0.1	0.1	0.2

Note: '-' denotes not available or negligible

Source: ITC Trademap and India Exim Bank Research

India's imports from Tajikistan have declined from US$ 14.9 million in 2018 to US$ 0.3 million in 2019 due to decline in import of ores, slag and ash, aluminium and articles and cotton. Imports continued to remain at a marginal level of US$ 0.4 million during 2020 with inorganic chemicals being the major imported item from Tajikistan in 2020, accounting almost entirety of Indian imports from the country **(Table 5.8)**.

Table 5.8: India's Major Imports from Tajikistan

HS Code	Product	2011		2019		2020	
		Value (US$ mn)	Share (%)	Value (US$ mn)	Share (%)	Value (US$ mn)	Share (%)
Total	**All products**	**6.7**	**100.0**	**0.3**	**100.0**	**0.4**	**100.0**
28	Inorganic chemicals	-	-	0.3	100.0	0.4	99.7
76	Aluminium and articles	5.5	80.8	-	0.3	-	0.3

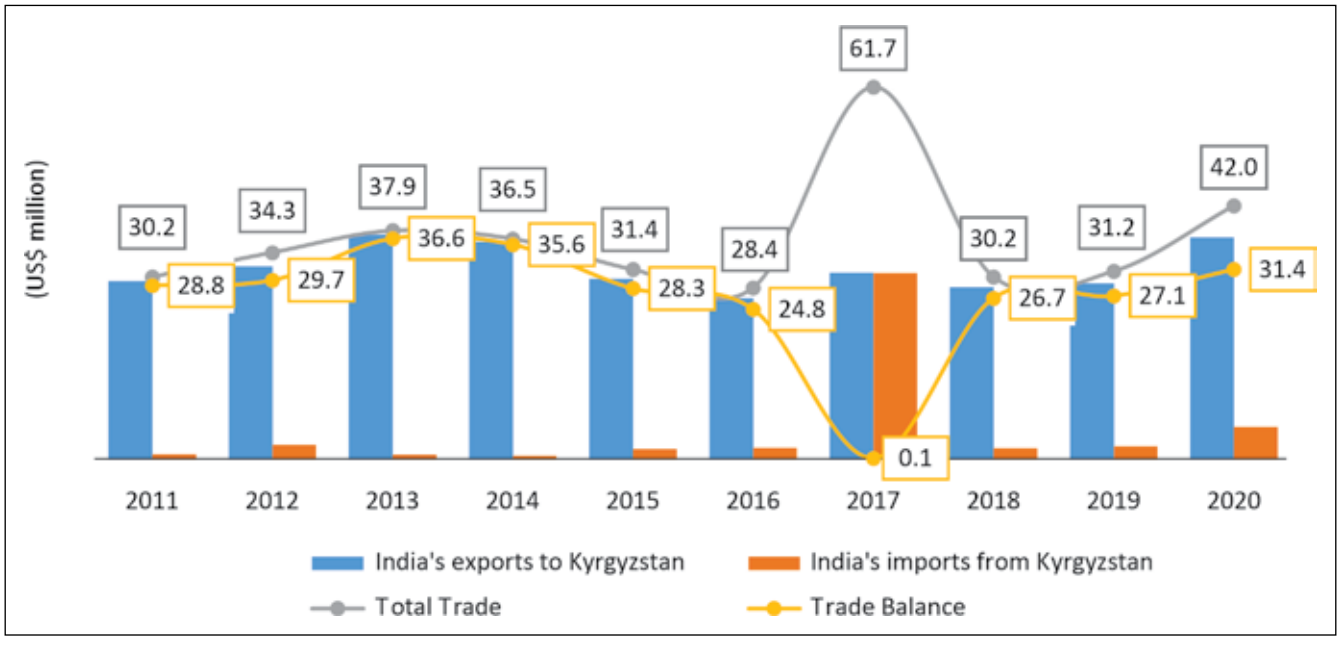
Note: '-' denotes not available or negligible

Source: ITC Trademap and India Exim Bank Research

Kyrgyzstan

India's trade with Kyrgyzstan remained more or less stable in the last decade. India's total trade with Kyrgyzstan reached a high of US$ 61.7 million in 2017 from US$ 30.2 million in 2011, moderated thereafter to US$ 42 million in 2020. India's exports to the country increased to US$ 36.7 million in 2020 from US$ 29.5 million in 2011. Except for 2017, India's imports from Kyrgyzstan was to the tune of less than US$ 2 million. During 2017, India imported around US$ 30.8 billion worth goods from the country, most of which include crude oil. In 2020, imports increased to US$ 5.3 million. India maintains a high trade surplus with Kyrgyzstan which has increased from US$ 28.8 million in 2011 to US$ 31.4 million in 2020 **(Chart 5.6).** Kyrgyzstan accounted for 6 percent of India's exports to the Central Asian economies in 2020 whereas 0.4 percent of India's imports from the CARs during the same period.

Chart 5.6: India's Trade with Kyrgyzstan



Source: ITC Trademap and India Exim Bank Research

India's exports to Kyrgyzstan primarily constitute pharmaceutical products and articles of apparel and clothing accessories, not knitted or crocheted, which collectively account for a share of 61.8 percent in India's exports to Kyrgyzstan during 2020. Other key exports include ships, boats and floating structures, articles of apparel and clothing accessories, knitted or crocheted, optical, photographic and surgical instruments and coffee, tea and spices **(Table 5.9)**.

Table 5.9: India's Major Exports to Kyrgyzstan

HS Code	Products	2011		2019		2020	
		India's exports in 2011 (US$ mn)	Share in total exports (%)	India's exports in 2019 (US$ mn)	Share in total exports (%)	India's exports in 2020 (US$ mn)	Share in total exports (%)
Total	**All products**	**29.5**	**100.0**	**29.1**	**100.0**	**36.7**	**100.0**
30	Pharmaceutical products	6.1	20.6	9.0	31.0	13.6	37.1
62	Articles of apparel and clothing accessories, not knitted or crocheted	5.3	17.9	9.2	31.5	9.1	24.7
89	Ships, boats and floating structures	-	-	-	-	4.9	13.3
61	Articles of apparel and clothing accessories, knitted or crocheted	8.5	28.8	4.2	14.5	3.0	8.1
90	Optical, photographic, medical or surgical instruments	0.3	1.1	0.7	2.4	1.9	5.1
09	Coffee, tea, maté and spices	1.9	6.3	1.3	4.5	0.9	2.6
42	Articles of leather; saddlery and harness	0.6	1.9	0.6	2.0	0.6	1.5
38	Miscellaneous chemical products	-	0.1	-	-	0.5	1.3
33	Essential oils and resinoids	0.3	0.9	0.4	1.3	0.4	1.1
10	Cereals	0.1	0.3	0.3	1.0	0.4	1.0

Note: '-' denotes not available or negligible

Source: ITC Trademap and India Exim Bank Research

Ships, boats and floating structures accounted for around 92.1 percent of India's total imports from Kyrgyzstan in 2020 **(Table 5.10).** Other imported items from the country include edible vegetables and certain roots, and edible fruit and nuts.

Table 5.10: India's Major Imports from Kyrgyzstan

HS Code	Products	2011		2019		2020	
		India's imports in 2011 (US$ mn)	Share in India's total imports (%)	India's imports in 2019 (US$ mn)	Share in India's total imports (%)	India's imports in 2020 (US$ mn)	Share in India's total imports (%)
Total	**All products**	**0.7**	**100.0**	**2.0**	**100.0**	**5.3**	**100.0**
89	Ships, boats and floating structures	-	-	-	-	4.9	92.1
07	Edible vegetables and certain roots and tubers	-	-	1.2	60.3	0.3	6.2
08	Edible fruit and nuts	-	-	-	3.1	0.1	1.4
30	Pharmaceutical products	-	-	-	-	-	0.3

Note: '-' denotes not available or negligible

Source: ITC Trademap and India Exim Bank Research

Absence of direct surface transportation routes has been a major impediment in enhancing economic and trade relations between India and CARs. The recent steps taken by countries such as Kazakhstan, Turkmenistan in Central Asia and Russia to increase road and rail connectivity, besides the development of the International North South Transport Corridor could play an important role in further enhancing bilateral trade between India and the Central Asian Republics.

TRENDS IN INDIA- CARs INVESTMENT FLOWS

This study has drawn upon the data collated by the Financial Times through its online database tracking cross-border greenfield investment, viz. fDi Markets, which provides real-time monitoring of investment projects and capital investment to track and profile companies investing overseas. According to fDi Markets database, India has emerged as the 13th largest investor in Central Asia during 2011 to 2020, with an investment of US$ 1.5 billion in 10 FDI projects by 9 Indian companies. It accounts for a marginal 1.2 percent of total investments made in Central Asia during this period.

Table 5.11: Envisaged Indian FDI Inflows to CARs, 2011-2020

(US$ million)

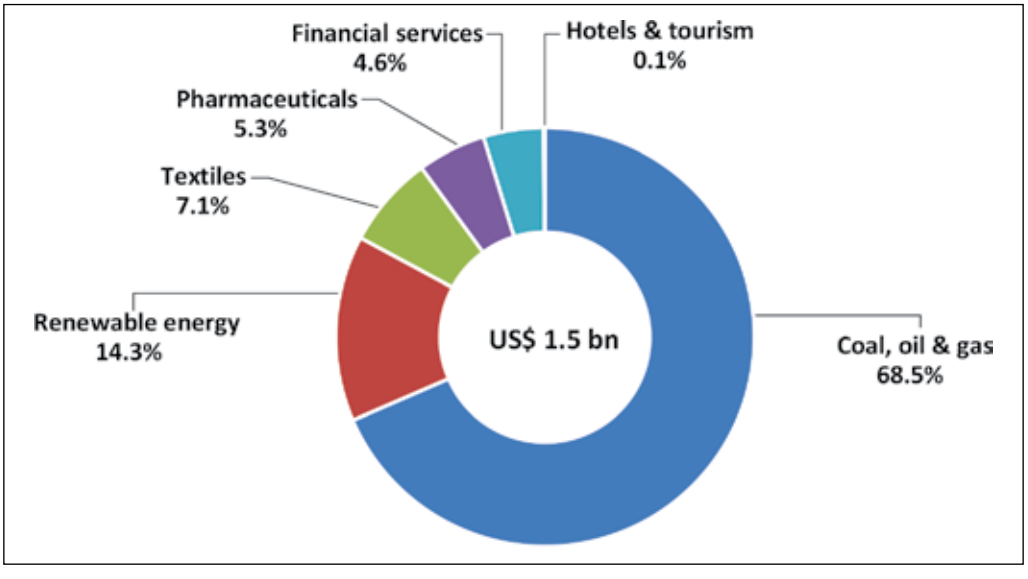
Country	2011	2012	2015	2016	2018	2019	Total	No. of Projects	No. of Indian Companies
Kazakhstan	69.6		1017.0	1.7	129.0	-	1217.3	6	5
Tajikistan	-	215.9	-	-	-	-	215.9	1	1
Uzbekistan	-		2.6	-	5.0	50.0	57.6	3	3
Total	**69.6**	**259.0**	**1019.6**	**1.7**	**134.0**	**50.0**	**1490.8**	**10**	**9**

Source: fDi Markets online database and India Exim Bank Research

Kazakhstan accounted for the largest share of Indian investment during 2011-2020 with a share of 81.7 percent among the Central Asian Republics, followed by Tajikistan (14.5 percent) and Uzbekistan (3.9 percent) (**Table 5.13)**. According to fDi Markets database, no Indian investments are recorded in case of Kyrgyzstan and Turkmenistan. No investments were recorded during 2013, 2014, 2017 and 2020 in any of the Central Asian Republics.

'Coal, oil and gas' received the highest investment which amounted to US$ 1,017 million, followed by renewable energy (US$ 259 million), textiles (US$ 107 million), pharmaceuticals (US$ 79.5 million), financial services (US$ 69.6 million), and hotels and tourism (US$ 1.7 million) during this period. **Chart 5.7** shows the major sectors attracting Indian investments in the region along with their respective shares during the same period.

Chart 5.7: Major Sectors Attracting Indian Investment in CARs during 2011-2020



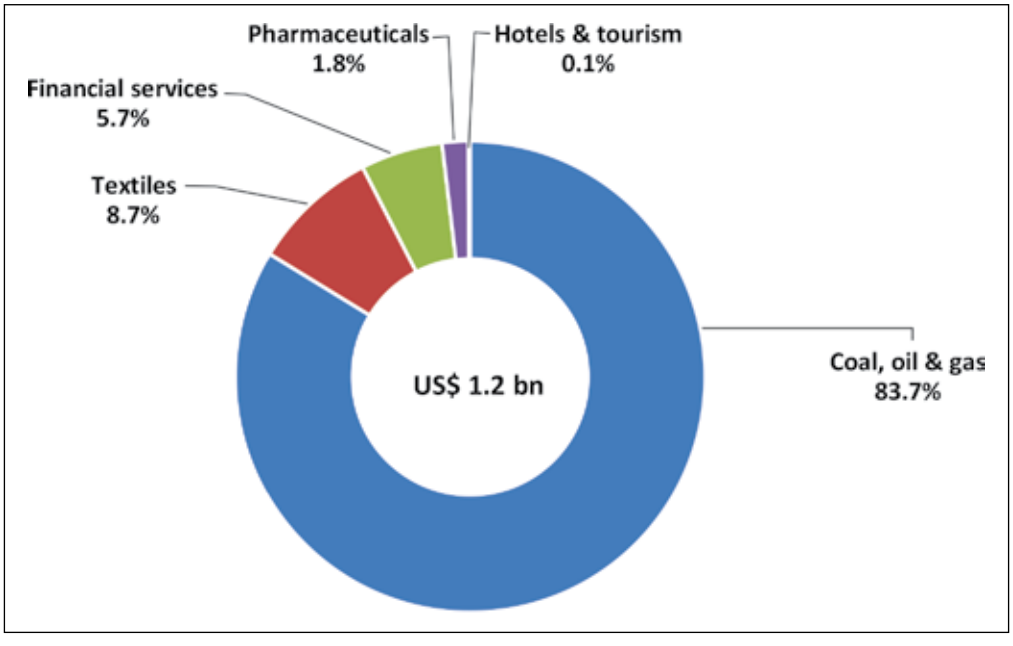
Source: fDi Markets online database and India Exim Bank Research

Kazakhstan

During 2011 to 2020, Kazakhstan has received Indian investment in Central Asia amounting to US$ 1.2 billion in 6 FDI projects by 5 Indian companies, including Punjab National Bank, Bharat Heavy Electricals, Destination travel services among others.

The major sectors receiving Indian investment in Kazakhstan during 2011-2020 are 'coal, oil and gas' with an investment of US$ 1017 million followed by textiles (US$ 107 million), financial services (US$ 69.6 million), pharmaceuticals (US$ 21.9 million) and hotels & tourism (US$ 1.7 million) as shown in **Chart 5.8.**

Chart 5.8: Indian Investment in Major Sectors in Kazakhstan during 2011 to 2020



Source: fDi Markets online database and India Exim Bank Research

Tajikistan

Tajikistan received a total of US$ 215.9 million of capital investment during 2011-2020 from India by Bharat Heavy Electricals (BHEL) in a renewable energy project (hydroelectric power generation).

Uzbekistan

Uzbekistan received US$ 57.6 million Indian investment from four FDI projects during 2011 to 2020 and has created 1,511 jobs in the country. The investment was made by 3 Indian

companies (Bravo Pharma, Cadila Pharmaceuticals and Kusum Health Care) in pharmaceutical sector.

Investment flows into India from Central Asia

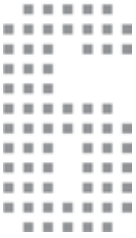
FDI inflows into India from Central Asia have been extremely modest. During April 2000 to December 2020, Kazakhstan and Tajikistan are the only Central Asian Republics to have invested in India with an amount of US$ 26.94 million and US$ 1.37 million.

Connect Central Asia

The Government of India announced a new policy initiative for the Central Asian Region (CAR) known as the 'Connect Central Asia' initiative during the first India-Central Asia Dialogue under the joint aegis of the Indian Council for World Affairs (ICWA) and the World Diplomatic Academy, Bishkek.

This Programmeme highlights a 12-point formula which includes several guidelines on enhancing the strategic relationship between India and Central Asia. Some of these include stepping up multilateral engagement with Central Asian partners using the synergy of joint efforts through existing fora like the Shanghai Cooperation Organisastion (SCO), Eurasian Economic Community (EEC) and the Custom Union; and harnessing Central Asia's energy, agriculture and natural resource potential.

Chapter



POTENTIAL FOR ENHANCING INDIA'S TRADE AND INVESTMENT RELATIONS WITH CENTRAL ASIAN REPUBLICS

There are natural synergies for greater economic cooperation between India and the CARs in diverse sectors including agriculture and allied activities, food processing, pharmaceutical, textiles & garments, mining and metallurgy, automotive and chemicals. Given the bilateral complementarities exiting between India and CARs there also exist mutually rewarding opportunities and potential in areas such as mineral processing, infrastructure development, construction and the hydrocarbons sector.

This chapter endeavors to further identify sectors where potential exists to enhance bilateral commercial relations with countries in the region based on India's export potential and demand existing in CARs.

IDENTIFICATION OF POTENTIAL COMMODITIES

Certain criteria were considered to identify the commodities with potential for exports from India to the Central Asian Republics, which include:

- Analysis of the import basket composition of the Central Asian Republics and matching with India's export capability (based on HS code).
- Selection of potential export items, based on low share of India in Central Asian Republics import basket of major commodities, keeping in view India's global export capabilities. This would entail identification of potential export items under each product category, up to the 6-digit commodity code.
- At a HS 6 digit level, commodities which are exported by India with a value of at least US$ 100 million have been considered to ensure export capacity.

EXPORT POTENTIAL IN CENTRAL ASIAN REPUBLICS

Kazakhstan

Kazakhstan accounted for 36.9 percent of India's total exports to and 98.3 percent of total imports from the region during 2020. However, potential exists to further enhance India's exports, based on the import demand in Kazakhstan, and India's export capability. **Table 6.1** presents Kazakhstan's major import items, in terms of 2-digit HS code, and India's share in Kazakhstan's global imports of these items. As may be seen from the table, India has not achieved a healthy share in any of Kazakhstan's global imports during 2020. India's share in Kazakhstan's global imports of all major items is marginal, which would serve to highlight the potential to further enhance these exports to Kazakhstan, in line with the huge import demand in Kazakhstan. At the same time some of these items are also amongst India's leading global export items, which highlight India's export capability.

The potential export items from India to Kazakhstan would thus include machinery; electrical and electronic equipment; vehicles other than railway or tramway; articles of iron or steel; pharmaceuticals; petroleum products; plastics and articles; optical, photographic, medical or surgical instruments; iron and steel and aircraft, spacecraft and parts thereof.

Table 6.1: Kazakhstan's Major Global Imports and India's Share, 2020

HS Code	Product	Kazakhstan's Imports from World (US$ mn)	India's Exports to Kazakhstan (US$ mn)	India's share in Kazakhstan's Global Imports (%)	India's Exports to World (US$ mn)
	All products	**38081.4**	**225.7**	**0.6**	**275488.7**
84	Machinery and mechanical appliances	9352.7	31.7	0.3	17970.9
85	Electrical machinery and equipment	3350.8	53.4	1.6	13465.0
87	Vehicles other than railway or tramway	2328.5	0.2	-	12996.8
73	Articles of iron or steel	2298.7	1.1	0.1	6251.3
30	Pharmaceutical products	1557.8	83.3	5.3	18426.7
27	Mineral fuels, mineral oils and products of their distillation	1333.7	-	-	27634.4
39	Plastic and articles	1254.8	1.0	0.1	6598.4
90	Optical, photographic, medical or surgical instruments	1067.6	3.4	0.3	3103.4
72	Iron and steel	1012.2	-	-	10632.0
88	Aircraft, spacecraft, and parts thereof	729.2	-	-	1219.7
26	Ores, slag and ash	641.7	-	-	4205.5

HS Code	Product	Kazakhstan's Imports from World (US$ mn)	India's Exports to Kazakhstan (US$ mn)	India's share in Kazakhstan's Global Imports (%)	India's Exports to World (US$ mn)
38	Miscellaneous chemical products	599.4	2.2	0.4	4888.9
40	Rubber and articles thereof	598.7	0.7	0.1	2976.0
94	Furniture; bedding, mattresses and stuffed furnishings	485.8	-	-	1813.4
48	Paper and paperboard; articles of paper pulp	456.3	-	-	1750.6
71	Natural or cultured pearls, precious or semi-precious stones and metals	398.2	-	-	24455.5
08	Edible fruit and nuts; peel of citrus fruit or melons	387.1	-	-	1313.5
33	Essential oils and resinoids; perfumery, cosmetic or toilet preparations	384.4	2.2	0.6	1841.5
28	Inorganic chemicals; organic or inorganic compounds of precious metals	372.0	0.1	-	1612.3
44	Wood and articles of wood; wood charcoal	365.7	-	-	423.8
64	Footwear, gaiters and the like; parts of such articles	341.4	0.1	-	1915.1
04	Dairy produce; birds' eggs; natural honey; edible products of animal origin	340.2	-	-	319.2
21	Miscellaneous edible preparations	323.8	0.8	0.3	862.5
62	Articles of apparel and clothing accessories, not knitted or crocheted	320.3	1.1	0.3	6104.6
69	Ceramic products	319.6	4.1	1.3	1999.1

Note: '-' denotes not available/ negligible

Source: ITC Trade Map and India Exim Bank Research

According to 6-digit HS code, potential items of exports to Kazakhstan, based on Kazakhstan's import demand and India's export capability could include:

Machinery and mechanical appliances (HS-84) - These items are Kazakhstan's major imports, amounting to US$ 9.4 billion in 2020, and accounting for around 24.6 percent of Kazakhstan's total imports. Kazakhstan's imports of these items from India stood at US$ 31.7 million in 2020, with a share of 0.3 percent in Kazakhstan's imports from the world, of the same items. This highlights the tremendous scope for enhancing these exports. The potential export items under this category, based on 6-digit HS code, is given in **Table 6.2**:

Table 6.2: Machinery and mechanical appliances (HS-84) – Potential Commodities for Exports to Kazakhstan

HS Code	Product	Kazakhstan's Imports from World (US$ mn)	India's Exports to Kazakhstan (US$ mn)	India's share in Kazakhstan's Global Imports (%)	India's Exports to World (US$ mn)
848180	Appliances for pipes, boiler shells, tanks, vats or the like (excluding pressure-reducing valves)	708.8	0.7	0.1	762.9
841989	Machinery, plant or laboratory equipment, whether or not electrically heated, for the treatment	301.6	-	-	189.1
841370	Centrifugal pumps, power-driven (excluding those of subheading 8413.11 and 8413.19	208.9	0.2	0.1	255.4
840734	Spark-ignition reciprocating piston engine, of a kind used for vehicles of chapter 87	134.7	-	-	100.8
847989	Machines and mechanical appliances, n.e.s.	126.5	-	-	376.7
841112	Turbojets of a thrust > 25 kN	107.2	-	-	2593.7
842952	Self-propelled mechanical shovels, excavators and shovel loaders	94.9	-	-	139.4
847490	Parts of machinery for working mineral substances of heading 8474, n.e.s.	94.1	15.6	16.6	290.1
842121	Machinery and apparatus for filtering or purifying water	89.1	0.1	0.1	116.1
841950	Heat-exchange units (excluding instantaneous heaters, storage water heaters, boilers and equipment	54.3	-	-	159.7
840999	Parts suitable for use solely or principally with compression-ignition internal combustion	49.1	0.1	0.1	609.7
840820	Compression-ignition internal combustion piston engine "diesel or semi-diesel engine"	46.2	-	-	255.0
848390	Toothed wheels, chain sprockets and other transmission elements presented separately	44.1	-	-	125.0
843149	Parts of machinery of heading 8426, 8429 and 8430, n.e.s.	42.7	-	-	275.9

Note: '-' denotes not available/ negligible

Source: ITC Trade Map and India Exim Bank Research

Electrical and Electronic equipment (HS-85) – Imports of these items amount to US$ 3.4 billion in 2020, and accounted for 8.8 percent of Kazakhstan's total imports. Kazakhstan's imports of these items from India stood at US$ 53.4 million in 2020, accounting for 1.6 percent of its global imports of the product. India is also a major global exporter of the product. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.3.**

Table 6.3: Electrical and Electronic equipment (HS-85) – Potential Commodities for Exports to Kazakhstan

HS Code	Product	Kazakhstan's Imports from World (US$ mn)	India's Exports to Kazakhstan (US$ mn)	India's share in Kazakhstan's Global Imports (%)	India's Exports to World (US$ mn)
851712	Telephones for cellular networks "mobile telephones" or for other wireless networks	669.7	52.1	7.8	2988.8
851762	Machines for the reception, conversion and transmission or regeneration of voice, image	256.4	-	-	559.2
850440	Static converters	246.2	-	-	1057.9
853710	Boards, cabinets and similar combinations of apparatus for electric control or the distribution	176.3	-	-	429.9
854449	Electric conductors, for a voltage <= 1.000 V, insulated, not fitted with connectors, n.e.s.	115.5	-	-	304.0
854140	Photosensitive semiconductor devices, incl. photovoltaic cells whether or not assembled	104.6	-	-	113.8
853720	Boards, cabinets and similar combinations of apparatus for electric control or the distribution	57.0	0.7	1.3	108.1
854460	Electric conductors, for a voltage > 1.000 V, insulated, n.e.s.	42.0	-	0.1	243.6
851770	Parts of telephone sets, telephones for cellular networks or for other wireless networks	37.1	-	-	338.0
853890	Parts suitable for use solely or principally with the apparatus of heading 8535, 8536 or 8537	29.1	-	0.2	394.7

Note: '-' denotes not available/ negligible

Source: ITC Trade Map and India Exim Bank Research

Vehicles other than railway, tramway (HS-87) – Kazakhstan's imports of these items amounted to US$ 2.3 billion in 2020, while imports of these items from India amounted to a meager US$ 0.2 million. India's global exports of transport vehicles during 2020 on the other hand amounted to US$ 13 billion, highlighting the tremendous scope for enhancing these exports. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.4.**

Table 6.4: Vehicles other than railway, tramway (HS-87) – Potential Commodities for Exports to Kazakhstan

HS Code	Product	Kazakhstan's Imports from World (US$ mn)	India's Exports to Kazakhstan (US$ mn)	India's share in Kazakhstan's Global Imports (%)	India's Exports to World (US$ mn)
870323	Motor cars and other motor vehicles principally designed for the transport of persons	478.4	-	-	1413.9
870322	Motor cars and other motor vehicles principally designed for the transport of persons	139.2	-	-	1947.2
870899	Parts and accessories, for tractors, motor vehicles for the transport of ten or more persons	114.3	0.1	0.1	2128.3
870840	Gear boxes and parts thereof, for tractors, motor vehicles for the transport of ten or more	57.6	-	-	353.1
870410	Dumpers for off-highway use	57.1	-	-	148.5
870193	Tractors, of an engine power > 37 kW but <= 75 kW (excl. those of heading 8709, pedestrian-controlled	44.0	-	-	418.1
870880	Suspension systems and parts thereof, incl. shock-absorbers, for tractors, motor vehicles	40.7	-	-	141.7
870850	Drive-axles with differential, whether or not provided with other transmission components	38.5	-	-	340.2
870830	Brakes and servo-brakes and their parts, for tractors, motor vehicles	25.9	-	-	413.9
870829	Parts and accessories of bodies for tractors, motor vehicles for the transport of ten or more	22.4	-	-	140.5

Note: '-' denotes not available/ negligible

Source: ITC Trade Map and India Exim Bank Research

Articles of Iron or Steel (HS-73) - These items are also among Kazakhstan's major imports, amounting to US$ 2.3 billion in 2020. Kazakhstan's imports of these items from India stood at a meager US$ 1.1 million, with a share of 0.1 percent in Kazakhstan's global imports of the same item. During the same year, India's global exports amounted to US$ 6.3 billion, highlighting the tremendous scope for enhancing these exports. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.5.**

Table 6.5: Articles of Iron or Steel (HS-73) – Potential Commodities for Exports to Kazakhstan

HS Code	Product	Kazakhstan's Imports from World (US$ mn)	India's Exports to Kazakhstan (US$ mn)	India's share in Kazakhstan's Global Imports (%)	India's Exports to World (US$ mn)
730890	Structures and parts of structures, of iron or steel, n.e.s. (excluding bridges and bridge-sections)	323.9	0.1	-	475.4
732690	Articles of iron or steel, n.e.s. (excluding cast articles or articles of iron or steel wire)	224.6	-	-	658.4
730630	Tubes, pipes and hollow profiles, welded, of circular cross-section, of iron or non-alloy steel	62.8	-	-	208.0
731815	Threaded screws and bolts, of iron or steel, whether or not with their nuts and washers	45.5	0.1	0.2	240.4
730511	Line pipe of a kind used for oil or gas pipelines, having circular cross-sections and an external	40.9	-	-	563.8
730840	Equipment for scaffolding, shuttering, propping or pit-propping (excluding composite sheet piling)	22.9	0.3	1.3	150.7

Note: '-' denotes not available/ negligible

Source: ITC Trade Map and India Exim Bank Research

Pharmaceutical products (HS-30) - Kazakhstan's imports of these items amounted to US$ 1.6 billion in 2020, while imports of these items from India amounted to US$ 83.3 million, accounting for 5.3 percent of its global imports. India's global exports of pharmaceuticals during 2020 on the other hand amounted to US$ 18.4 billion, highlighting the tremendous scope for enhancing these exports. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.6.**

Table 6.6: Pharmaceutical products (HS-30) – Potential Commodities for Exports to Kazakhstan

HS Code	Product	Kazakhstan's Imports from World (US$ mn)	India's Exports to Kazakhstan (US$ mn)	India's share in Kazakhstan's Global Imports (%)	India's Exports to World (US$ mn)
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes	810.5	55.3	6.8	14059.4
300215	Immunological products, put up in measured doses or in forms or packings for retail sale	116.5	-	-	187.8
300420	Medicaments containing antibiotics, put up in measured doses "incl. those in the form of transdermal	105.2	16.2	15.4	1213.6
300439	Medicaments containing hormones or steroids used as hormones but not antibiotics	94.3	1.1	1.2	101.9
300220	Vaccines for human medicine	73.1	3.4	4.7	744.9
300450	Medicaments containing provitamins, vitamins, incl. natural concentrates and derivative thereof	37.9	1.0	2.5	252.5
300390	Medicaments consisting of two or more constituents mixed together for therapeutic or prophylactic	35.3	1.5	4.2	315.5
300432	Medicaments containing corticosteroid hormones, their derivatives or structural analogues	32.7	-	0.1	122.6
300431	Medicaments containing insulin but not antibiotics, put up in measured doses	31.4	1.7	5.3	108.5
300410	Medicaments containing penicillin or derivatives thereof with a penicillanic acid structure	21.6	2.0	9.2	579.9

Note: '-' denotes not available/ negligible

Source: ITC Trade Map and India Exim Bank Research

Petroleum Products (HS-27) – Kazakhstan's imports of petroleum products amounted to US$ 1.3 billion in 2020, and account for 3.5 percent of Kazakhstan's total imports. Kazakhstan's imports of these items from India were negligible in 2020. India's exports of petroleum

products amounted to US$ 27.6 billion in 2020. This highlights the tremendous scope for enhancing exports from India. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.7.**

Table 6.7: Petroleum Products (HS-27) – Potential Commodities for Exports to Kazakhstan

HS Code	Product	Kazakhstan's Imports from World (US$ mn)	India's Exports to Kazakhstan (US$ mn)	India's share in Kazakhstan's Global Imports (%)	India's Exports to World (US$ mn)
271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel	455.5	-	-	17626.8
271600	Electrical energy	54.3	-	-	491.4

Note: '-' denotes not available/ negligible

Source: ITC Trade Map and India Exim Bank Research

Plastics and articles (HS-39) – While Kazakhstan imported plastics and articles amounting to US$ 1.3 billion in 2020, India's exports of the same recorded US$ 6.6 billion. Kazakhstan's imports from India however, accounted for only 0.1 percent of its global imports of the product. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.8**:

Table 6.8: Plastics and articles (HS-39) – Potential Commodities for Exports to Kazakhstan

HS Code	Product	Kazakhstan's Imports from World (US$ mn)	India's Exports to Kazakhstan (US$ mn)	India's share in Kazakhstan's Global Imports (%)	India's Exports to World (US$ mn)
390120	Polyethylene with a specific gravity of >= 0,94, in primary forms	130.4	-	-	327.8
392690	Articles of plastics and articles of other materials of heading 3901 to 3914, n.e.s	109.1	-	-	525.9
392190	Plates, sheets, film, foil and strip, of plastics, reinforced, laminated, supported or similarly	48.0	-	-	292.1
392321	Sacks and bags, incl. cones, of polymers of ethylene	44.0	-	-	148.3
390210	Polypropylene, in primary forms	35.7	-	0.1	672.8
390761	Poly"ethylene terephthalate", in primary forms, having a viscosity number of >= 78 ml/g	32.1	-	-	541.2

HS Code	Product	Kazakhstan's Imports from World (US$ mn)	India's Exports to Kazakhstan (US$ mn)	India's share in Kazakhstan's Global Imports (%)	India's Exports to World (US$ mn)
390110	Polyethylene with a specific gravity of < 0,94, in primary forms	28.0	-	-	291.9
390769	Poly"ethylene terephthalate", in primary forms, having a viscosity number of < 78 ml/g	25.8	-	-	140.8
392390	Articles for the conveyance or packaging of goods, of plastics	21.6	-	-	140.9
392020	Plates, sheets, film, foil and strip, of non-cellular polymers of ethylene, not reinforced	19.8	0.4	1.9	291.0
392410	Tableware and kitchenware, of plastics	15.8	-	-	134.2

Note: '-' denotes not available/ negligible

Source: ITC Trade Map and India Exim Bank Research

Optical, photographic, medical or surgical instruments (HS-90) - Imports of optical, photographic, medical or surgical instruments amount to US$ 1.1 billion in 2020, and accounted for 2.8 percent of Kazakhstan's total imports. Kazakhstan's imports of these items from India stood at US$ 3.4 million in 2020, accounting for 0.3 percent of its global imports of the product. India is also a major global exporter of the product. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.9.**

Table 6.9: Optical, photographic, medical or surgical instruments (HS-90) – Potential Commodities for Exports to Kazakhstan

HS Code	Product	Kazakhstan's Imports from World (US$ mn)	India's Exports to Kazakhstan (US$ mn)	India's share in Kazakhstan's Global Imports (%)	India's Exports to World (US$ mn)
901890	Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.	126.0	0.7	0.5	296.8
901839	Needles, catheters, cannula and the like, used in medical, surgical, dental or veterinary	28.4	1.0	3.5	301.6
903289	Regulating or controlling instruments and apparatus (excluding hydraulic or pneumatic, Mano stats)	26.5	-	-	208.6

Note: '-' denotes not available/ negligible

Source: ITC Trade Map and India Exim Bank Research

Iron and Steel (HS-72) – Imports of iron and steel by Kazakhstan amounted to US$ 1 billion during 2020 as compared to India's corresponding exports of around US$ 10.6 billion. Kazakhstan's imports of these items from India however were negligible highlighting the immense scope for enhancing these exports. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.10.**

Table 6.10: Iron and Steel (HS-72) – Potential Commodities for Exports to Kazakhstan

HS Code	Product	Kazakhstan's Imports from World (US$ mn)	India's Exports to Kazakhstan (US$ mn)	India's share in Kazakhstan's Global Imports (%)	India's Exports to World (US$ mn)
720711	Semi-finished products of iron or non-alloy steel containing, by weight, < 0,25% of carbon	106.1	-	-	688.8
721070	Flat products of iron or non-alloy steel, of a width of >= 600 mm, hot-rolled or cold-rolled	57.3	-	-	108.6
721420	Bars and rods, of iron or non-alloy steel, with indentations, ribs, groves or other deformations	56.9	-	-	106.3
721391	Bars and rods, hot-rolled, in irregularly wound coils, of iron or non-alloy steel, of circular	41.7	-	-	168.0
721049	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, hot-rolled or cold-rolled	39.6	-	-	230.5
720851	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm, not in coils, simply	22.4	-	-	254.2
720839	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils, simply	16.6	-	-	2024.0

Note: '-' denotes not available/ negligible

Source: ITC Trade Map and India Exim Bank Research

Uzbekistan

Uzbekistan became India's leading export destination, among the Central Asian Republics accounting for around 42.6 percent of India's total exports to Central Asia in 2020. A great potential exists to further enhance India's exports, based on the import demand in Uzbekistan, and India's export capability.

Table 6.11 presents Uzbekistan's major import items, in terms of 2 digit HS code, and India's share in Uzbekistan's global imports of these items. India accounts for a relatively healthy share of 14.5 percent in Uzbekistan's global imports of pharmaceutical products and 4.6 percent of Uzbekistan's global imports of tanning or dyeing extracts during 2020. However, India's share in Uzbekistan's global imports of other major items is marginal with a share of less than 1.3 percent in most cases. Moreover, India enjoys a relatively robust export capability in most of these items which are among Uzbekistan's major imports. This would serve to highlight the existing potential to further enhance these exports to Uzbekistan, in line with the huge import demand in the country.

Table 6.11: Uzbekistan's Major Global Imports and India's Share, 2020

HS Code	Product	Uzbekistan's Imports from World (US$ mn)	India's Exports to Uzbekistan (US$ mn)	India's share in Uzbekistan's Global Imports (%)	India's Exports to World (US$ mn)
	All products	**19955.2**	**260.8**	**1.3**	**275488.7**
84	Machinery and mechanical appliances	4756.7	37.2	0.8	17970.9
87	Vehicles other than railway or tramway	1838.3	6.2	0.3	12996.8
72	Iron and steel	1238.5	1.0	0.1	10632.0
85	Electrical machinery and equipment	1196.2	3.7	0.3	13465.0
30	Pharmaceutical products	1152.9	167.7	14.5	18426.7
27	Mineral fuels, mineral oils, and products of their distillation	1093.8	1.1	0.1	27634.4
39	Plastics and articles	705.1	0.8	0.1	6598.4
90	Optical, photographic, cinematographic, and medical equipment	634.5	3.3	0.5	3103.4
10	Cereals	592.4	-	-	8672.0
44	Wood and articles of wood; wood charcoal	566.8	-	-	423.8
73	Articles of iron or steel	505.8	0.8	0.2	6251.3
38	Miscellaneous chemical products	394.4	3.3	0.8	4888.9
94	Furniture: bedding, mattresses and mattresses supports	374.2	0.1	-	1813.4
15	Animal or vegetable fats and oils	332.8	-	-	1411.1
40	Rubber and articles thereof	329.2	2.4	0.7	2976.0
17	Sugars and sugar confectionery	258.9	0.1	-	2763.9

HS Code	Product	Uzbekistan's Imports from World (US$ mn)	India's Exports to Uzbekistan (US$ mn)	India's share in Uzbekistan's Global Imports (%)	India's Exports to World (US$ mn)
26	Ores, slag and ash	246.9	-	-	4205.5
76	Aluminium and articles thereof	245.4	-	-	5285.1
48	Paper and paperboard; articles of paper pulp	228.1	0.2	0.1	1750.6
25	Salt; Sulphur; earths and stone	187.2	-	-	1835.6
29	Organic chemicals	158.8	3.2	2.0	17426.9
33	Essential oils and resinoids	155.2	1.0	0.6	1841.5
32	Tanning or dyeing extracts	148.6	6.8	4.6	2924.2
23	Residues and waste from the food industries	147.1	-	-	1474.2
86	Railway or tramway locomotives	133.7	-	-	109.6

Note: '-' denotes not available/ negligible

Source: ITC Trade Map and India Exim Bank Research

The potential export items from India to Uzbekistan would thus mainly include machinery; transport vehicles; iron and steel; electrical and electronic equipment; petroleum products; plastics and articles; optical, photographic, cinematographic, and medical equipment; cereals; and articles of iron or steel.

According to 6-digit HS code, potential items of exports to Uzbekistan, based on Uzbekistan's import demand and India's export capability could include:

Machinery and mechanical appliances (HS-84) - These items are Uzbekistan's major imports, amounting to US$ 4.8 billion in 2020, and accounting for around 23.8 percent of Uzbekistan's total imports. Uzbekistan's imports of machinery from India stood at a modest US$ 37.2 million in 2020, accounting for a meager share of 0.8 percent in Uzbekistan's global imports, of the same item. India's global exports of machinery during the same year amounted to US$ 18 billion. This highlights the tremendous scope for enhancing India's exports of machinery to Uzbekistan. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.12.**

Table 6.12: Machinery and mechanical appliances (HS-84) - Potential Commodities for Exports to Uzbekistan

HS Code	Product	Uzbekistan's Imports from World (US$ mn)	India's Exports to Uzbekistan (US$ mn)	India's share in Uzbekistan's Global Imports (%)	India's Exports to World (US$ mn)
841480	Air pumps, air or other gas compressors and ventilating or recycling hoods	147.8	0.2	0.2	273.1
842952	Self-propelled mechanical shovels, excavators and shovel loaders	147.6	-	-	139.4
847989	Machines and mechanical appliances, n.e.s.	102.7	-	-	376.7
840991	Parts suitable for use solely or principally with spark-ignition internal combustion piston	93.4	0.6	0.7	283.5
842139	Machinery and apparatus for filtering or purifying gases (excluding isotope separators)	63.3	1.1	1.7	125.5
848180	Appliances for pipes, boiler shells, tanks, vats or the like (excluding pressure-reducing valves)	62.6	0.6	0.9	762.9
841370	Centrifugal pumps, power-driven (excluding those of subheading 8413.11 and 8413.19, fuel, lubricating)	43.5	0.7	1.5	255.4

Note: '-' denotes not available/ negligible

Source: ITC Trade Map and India Exim Bank Research

Vehicles other than railway or tramway (HS-87) - These items also form Uzbekistan's major imports, amounting to US$ 1.8 billion in 2020, and accounting for 9.2 percent of Uzbekistan's total imports. Uzbekistan's imports of these products from India however, stood at US$ 6.2 million in 2020, with a modest share of 0.3 percent in Uzbekistan's corresponding global imports. India's exports of transport vehicles during 2020 amounted to US$ 13 billion, highlighting the immense scope for enhancing these exports. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.13.**

Table 6.13: Vehicles other than railway, tramway (HS-87) - Potential Commodities for Exports to Uzbekistan

HS Code	Product	Uzbekistan's Imports from World (US$ mn)	India's Exports to Uzbekistan (US$ mn)	India's share in Uzbekistan's Global Imports (%)	India's Exports to World (US$ mn)
870899	Parts and accessories, for tractors, motor vehicles for the transport of ten or more persons	348.4	5.3	1.5	2128.3
870323	Motor cars and other motor vehicles principally designed for the transport of persons	332.7	-	-	1413.9
870840	Gear boxes and parts thereof, for tractors, motor vehicles for the transport of ten or more	193.7	0.1	-	353.1
870829	Parts and accessories of bodies for tractors, motor vehicles for the transport of ten or more	88.6	-	-	140.5
870830	Brakes and servo-brakes and their parts	69.7	-	-	413.9
870410	Dumpers for off-highway use	68.3	-	-	148.5
870850	Drive-axles with differential, whether or not provided with other transmission components	42.8	-	-	340.2
870894	Steering wheels, steering columns and steering boxes, and parts thereof, for tractors	37.5	-	-	149.4
870880	Suspension systems and parts thereof, incl. shock-absorbers, for tractors	34.7	-	-	141.7
870322	Motor cars and other motor vehicles principally designed for the transport of persons	34.4	-	-	1947.2
870193	Tractors, of an engine power > 37 kW but <= 75 kW (excl. those of heading 8709, pedestrian-controlled)	21.9	-	-	418.1
870600	Chassis fitted with engines, for tractors, motor vehicles for the transport of ten or more	19.2	-	-	171.8

Note: '-' denotes not available/ negligible

Source: ITC Trade Map and India Exim Bank Research

Iron and Steel (HS-72) – Imports of iron and steel into Uzbekistan amount to US$ 1.2 billion in 2020, accounting for 6.2 percent of Uzbekistan's total imports. Uzbekistan's imports of these items from India however, stood at a modest US$ 1 million in 2020, with a marginal share of 0.1 percent in Uzbekistan's global imports of iron and steel. India's global exports of iron and steel amounted to almost US$ 10.6 billion in 2020. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.14.**

Table 6.14: Iron and Steel (HS-72) - Potential Commodities for Exports to Uzbekistan

HS Code	Product	Uzbekistan's Imports from World (US$ mn)	India's Exports to Uzbekistan (US$ mn)	India's share in Uzbekistan's Global Imports (%)	India's Exports to World (US$ mn)
721070	Flat products of iron or non-alloy steel, of a width of >= 600 mm, hot-rolled or cold-rolled, products painted, varnished/ coated with plastics	184.2	-	-	108.6
721049	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, hot-rolled or cold-rolled	180.5	-	-	230.5
720839	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils of thickness < 3mm	90.9	-	-	2024.0
720310	Ferrous products obtained by direct reduction of iron ore, in lumps, pellets or similar forms	78.8	-	-	162.3
720711	Semi-finished products of iron or non-alloy steel containing, by weight, < 0,25% of carbon	61.3	-	-	688.8
720917	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils thickness >=0.5 mm but <1 mm	39.5	-	-	128.5
721391	Bars and rods, hot-rolled, in irregularly wound coils, of iron or non-alloy steel	35.9	-	-	168.0
721420	Bars and rods, of iron or non-alloy steel, with indentations, ribs, groves or other deformations	29.1	-	-	106.3
720838	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils thickness >=3 mm but <4.75 mm	20.1	-	-	323.5
720837	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils thickness >=4.75 mm but <10 mm	17.4	-	-	249.8
720851	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm, not in coils	13.5	-	-	254.2

Note: '-' denotes not available/ negligible
Source: ITC Trade Map and India Exim Bank Research

Electrical and electronic equipment (HS-85) – Uzbekistan's imports of electrical and electronic equipment amounted to US$ 1.2 billion in 2020, accounting for 6 percent of the country's total imports. While India's global exports of these products amounted to US$ 13.5 billion during 2020, India's share in Uzbekistan's global imports of the product was only a marginal 0.3 percent. In light of the huge potential, export items under this category, based on 6-digit HS code, are given in **Table 6.15.**

Table 6.15: Electrical and electronic equipment (HS-85) - Potential Commodities for Exports to Uzbekistan

HS Code	Product	Uzbekistan's Imports from World (US$ mn)	India's Exports to Uzbekistan (US$ mn)	India's share in Uzbekistan's Global Imports (%)	India's Exports to World (US$ mn)
851762	Machines for the reception, conversion and transmission or regeneration of voice, images	169.3	-	-	559.2
851712	Telephones for cellular networks "mobile telephones" or for other wireless networks	106.8	-	-	2988.8
853710	Boards, cabinets and similar combinations of apparatus for electric control or the distribution	62.9	1.6	2.5	429.9
851770	Parts of telephone sets, telephones for cellular networks or for other wireless networks	35.4	-	-	338.0
852990	Parts suitable for use solely or principally with transmission and reception apparatus	32.9	-	-	152.0
850440	Static converters	30.9	0.1	0.4	1057.9
853690	Electrical apparatus for switching electrical circuits, or for making connections	18.5	-	-	266.9
854449	Electric conductors, for a voltage <= 1.000 V, insulated, not fitted with connectors, n.e.s.	17.7	0.1	0.3	304.0
854231	Electronic integrated circuits as processors and controllers	17.3	-	-	112.1
854511	Electrodes of graphite or other carbon, for electric furnaces	15.4	-	-	185.1

Note: '-' denotes not available/ negligible

Source: ITC Trade Map and India Exim Bank Research

Petroleum products (HS-27) – Uzbekistan's import of petroleum products amounted to US$ 1.1 billion in 2020, accounting for a share of 5.5 percent of its total imports during the year. While India's exported petroleum products amounting to US$ 27.6 billion to the world during 2020, India's share in Uzbekistan global imports of the product accounted for only 0.1 percent. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.16.**

Table 6.16: Petroleum products (HS-27) - Potential Commodities for Exports to Uzbekistan

HS Code	Product	Uzbekistan's Imports from World (US$ mn)	India's Exports to Uzbekistan (US$ mn)	India's share in Uzbekistan's Global Imports (%)	India's Exports to World (US$ mn)
271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel	470.4	-	-	17626.8
271600	Electrical energy	122.0	-	-	491.4
271012	Light oils and preparations, of petroleum or bituminous minerals which >= 90% by volume	67.3	-	-	8453.4

Note: '-' denotes not available/ negligible

Source: ITC Trade Map and India Exim Bank Research

Plastics and articles (HS-39) - Imports of plastics and articles into Uzbekistan amount to US$ 705.1 million in 2020, accounting for 3.5 percent of Uzbekistan's total imports. Uzbekistan's imports of these items from India however, stood at a modest US$ 0.8 million in 2020, with a marginal share of 0.1 percent in Uzbekistan's global imports of plastics and articles. India's global exports of plastics and articles amounted to almost US$ 6.6 billion in 2020. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.17.**

Table 6.17: Plastics and articles (HS-39) - Potential Commodities for Exports to Uzbekistan

HS Code	Product	Uzbekistan's Imports from World (US$ mn)	India's Exports to Uzbekistan (US$ mn)	India's share in Uzbekistan's Global Imports (%)	India's Exports to World (US$ mn)
392690	Articles of plastics and articles of other materials of heading 3901 to 3914, n.e.s	60.8	0.1	0.1	525.9
390210	Polypropylene, in primary forms	58.6	-	-	672.8
390761	Polyethylene terephthalate", in primary forms, having a viscosity number of >= 78 ml/g	55.6	-	-	541.2
392190	Plates, sheets, film, foil and strip, of plastics, reinforced, laminated, supported	28.2	0.1	0.2	292.1
390120	Polyethylene with a specific gravity of >= 0,94, in primary forms	23.9	-	-	327.8
390110	Polyethylene with a specific gravity of < 0,94, in primary forms	23.5	0.1	0.5	291.9
392020	Plates, sheets, film, foil and strip, of non-cellular polymers of ethylene	21.7	-	-	291.0

Note: '-' denotes not available/ negligible

Source: ITC Trade Map and India Exim Bank Research

Optical, photographic, cinematographic, and medical equipment (HS-90) – Uzbekistan's import of optical, photographic, cinematographic, and medical equipment amounted to US$ 634.5 million during 2020, while India's global exports of the same product amounted to US$ 3.1 billion during the same year. However, India's share in Uzbekistan's imports of these products accounted for a marginal share of 0.5 percent in 2020 highlighting the scope for enhancing such exports. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.18.**

Table 6.18: Optical, photographic, cinematographic, and medical equipment (HS-90) - Potential Commodities for Exports to Uzbekistan

HS Code	Product	Uzbekistan's Imports from World (US$ mn)	India's Exports to Uzbekistan (US$ mn)	India's share in Uzbekistan's Global Imports (%)	India's Exports to World (US$ mn)
901890	Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.	68.0	0.3	0.5	296.8
903289	Regulating or controlling instruments and apparatus (excluding hydraulic or pneumatic, Mano stats)	18.5	0.2	1.1	208.6

Note: '-' denotes not available/ negligible

Source: ITC Trade Map and India Exim Bank Research

Cereals (HS-10) – Cereals form an important import of Uzbekistan, amounting to US$ 592.4 million in 2020, and accounting for 1.8 percent of Uzbekistan's total imports. Uzbekistan's imports of these products from India however, stood negligible in 2020 in Uzbekistan's corresponding global imports. India's exports of cereals during 2020 amounted to US$ 8.7 billion, highlighting the immense scope for enhancing these exports. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.19.**

Table 6.19: Cereals (HS-10) - Potential Commodities for Exports to Uzbekistan

HS Code	Product	Uzbekistan's Imports from World (US$ mn)	India's Exports to Uzbekistan (US$ mn)	India's share in Uzbekistan's Global Imports (%)	India's Exports to World (US$ mn)
100199	Wheat and meslin (excluding seed for sowing, and durum wheat)	541.6	-	-	241.9
100590	Maize (excluding seed for sowing)	12.9	-	-	352.8

Note: '-' denotes not available/ negligible

Source: ITC Trade Map and India Exim Bank Research

Articles of iron or steel (HS-73) - Uzbekistan's import of articles of iron or steel amounted to US$ 505.8 million during 2020, while India's global exports of the same product amounted to US$ 6.3 billion during the same year. However, India's share in Uzbekistan's imports of these products accounted for a marginal share of 0.2 percent in 2020 highlighting the scope

for enhancing such exports. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.20.**

Table 6.20: Articles of iron or steel (HS-73) - Potential Commodities for Exports to Uzbekistan

HS Code	Product	Uzbekistan's Imports from World (US$ mn)	India's Exports to Uzbekistan (US$ mn)	India's share in Uzbekistan's Global Imports (%)	India's Exports to World (US$ mn)
730890	Structures and parts of structures, of iron or steel, n.e.s. (excluding bridges and bridge-sections)	53.4	0.1	0.2	475.4
732690	Articles of iron or steel, n.e.s. (excluding cast articles or articles of iron or steel wire)	37.4	-	-	658.4
730630	Tubes, pipes and hollow profiles, welded, of circular cross-section, of iron or non-alloy steel	33.1	-	-	208.0
731815	Threaded screws and bolts, of iron or steel, whether or not with their nuts and washers	27.5	-	-	240.4
730840	Equipment for scaffolding, shuttering, propping or pit-propping (excluding composite sheet piling)	17.9	-	-	150.7
730511	Line pipe of a kind used for oil or gas pipelines, having circular cross-sections	16.0	0.2	1.3	563.8

Note: '-' denotes not available/ negligible

Source: ITC Trade Map and India Exim Bank Research

Turkmenistan

Turkmenistan accounts for 7.2 percent of India's total exports to the Central Asian Region in 2020. A great potential exists to further enhance India's exports, based on the import demand in Turkmenistan, and India's export capability. It may be observed from **Table 6.21** that except in the case of pharmaceutical products and aluminium and articles, where India's share in Turkmenistan's global imports accounts for a healthy share of 19.2 percent and 10.2 percent, respectively, India's share in Turkmenistan's imports of all other major products is marginal. Most of Turkmenistan's import products are also among India's major exports items.

In this regard, the potential export items to Turkmenistan would include machinery; articles of iron or steel; electrical and electronic equipment; transport vehicles; iron and steel;

furniture: bedding, mattresses and mattress supports; miscellaneous chemical products; and plastics and articles.

Table 6.21: Turkmenistan's Major Global Imports and India's Share, 2020

HS Code	Product	Turkmenistan's Imports from World (US$ mn)	India's Exports to Turkmenistan (US$ mn)	India's share in Turkmenistan's Global Imports (%)	India's Exports to World (US$ mn)
	All products	**3047.4**	**44.3**	**1.5**	**275488.7**
84	Machinery and mechanical appliances	594.2	2.3	0.4	17970.9
73	Articles of iron or steel	325.7	-	-	6251.3
85	Electrical machinery and equipment	220.2	0.2	0.1	13465.0
87	Vehicles other than railway or tramway	212.3	-	-	12996.8
72	Iron and steel	164.8	-	-	10632.0
30	Pharmaceutical products	130.5	25.0	19.2	18426.7
94	Furniture: bedding, mattresses and mattress supports	101.8	-	-	1813.4
38	Miscellaneous chemical products	89.5	0.1	0.1	4888.9
44	Wood and articles of wood; wood charcoal	86.5	0.2	0.2	423.8
39	Plastics and articles thereof	69.1	0.1	0.1	6598.4
15	Animal or vegetable fats and oils	64.4	-	-	1411.1
90	Optical, photographic, cinematographic and medical equipment	63.4	0.9	1.4	3103.4
40	Rubber and articles thereof	52.4	1.6	3.1	2976.0
76	Aluminium and articles thereof	51.7	5.3	10.2	5285.1
68	Articles of stone, plaster, cement, asbestos, mica or similar materials	49.9	-	0.1	1695.2
17	Sugars and sugar confectionery	45.2	-	-	2763.9
31	Fertilizers	40.3	-	-	117.8

HS Code	Product	Turkmenistan's Imports from World (US$ mn)	India's Exports to Turkmenistan (US$ mn)	India's share in Turkmenistan's Global Imports (%)	India's Exports to World (US$ mn)
21	Miscellaneous edible preparations	36.0	0.6	1.7	862.5
33	Essential oils and resinoids; perfumery, cosmetic or toilet preparations	33.8	0.1	0.2	1841.5
88	Aircraft, spacecraft, and parts thereof	32.3	-	-	1219.7
27	Mineral fuels, mineral oils and products of their distillation	31.3	0.3	0.9	27634.4
34	Soap, organic surface-active agents, washing preparations and lubricating preparations	30.0	0.2	0.7	665.9
48	Paper and paperboard; articles of paper pulp, of paper or of paperboard	24.9	0.1	0.3	1750.6
32	Tanning or dyeing extracts and tannins and their derivatives	23.5	-	-	2924.2
19	Preparations of cereals, flour, starch or milk; pastrycooks' products	23.0	-	-	567.5

Note: '-' denotes not available/ negligible

Source: ITC Trade Map and India Exim Bank Research

Potential items of exports from India to Turkmenistan at the 6-digit HS commodity classification, based on Turkmenistan's import demand and India's export capability could include:

Machinery and mechanical appliances (HS-84) - These items are Turkmenistan's major imports, amounting to US$ 594.2 million in 2020, and accounting for 19.5 percent of Turkmenistan's total imports. Turkmenistan's imports of these items from India stood at a modest US$ 2.3 million in 2020, which accounted for a share of only 0.4 percent in Turkmenistan's global imports of the same products. India's global exports of machinery, on the other hand, amounted to US$ 18 billion during 2020. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.22.**

Table 6.22: Machinery and mechanical appliances (HS-84) - Potential Commodities for Exports to Turkmenistan

HS Code	Product	Turkmenistan's Imports from World (US$ mn)	India's Exports to Turkmenistan (US$ mn)	India's share in Turkmenistan's Global Imports (%)	India's Exports to World (US$ mn)
848180	Appliances for pipes, boiler shells, tanks, vats or the like (excluding pressure-reducing valves)	15.4	0.2	1.4	762.9
843143	Parts for boring or sinking machinery of subheading 8430.41 or 8430.49, n.e.s.	11.8	-	-	133.4
841989	Machinery, plant or laboratory equipment, whether or not electrically heated, for the treatment	10.7	-	-	189.1
841391	Parts of pumps for liquids, n.e.s.	8.4	-	0.3	304.8
841370	Centrifugal pumps, power-driven (excluding those of subheading 8413.11 and 8413.19, fuel	8.0	-	-	255.4
842199	Parts of machinery and apparatus for filtering or purifying liquids or gases, n.e.s.	8.0	-	0.1	166.7
842139	Machinery and apparatus for filtering or purifying gases (excluding isotope separators)	7.1	-	-	125.5
847989	Machines and mechanical appliances, n.e.s.	6.8	0.3	4.2	376.7

Note: '-' denotes not available/ negligible

Source: ITC Trade Map and India Exim Bank Research

Articles of Iron or Steel (HS-73) - Turkmenistan's imports of articles of iron or steel amounted to US$ 325.7 million during 2018, accounting for 10.7 percent of its total imports during the year. While India's global exports of articles of iron or steel amounted to US$ 6.3 billion during 2020, Turkmenistan's imports of the product from India stood negligible. Potential export items under this category, based on 6-digit HS code, are given in **Table 6.23.**

Table 6.23: Articles of Iron or Steel (HS-73) - Potential Commodities for Exports to Turkmenistan

HS Code	Product	Turkmenistan's Imports from World (US$ mn)	India's Exports to Turkmenistan (US$ mn)	India's share in Turkmenistan's Global Imports (%)	India's Exports to World (US$ mn)
730511	Line pipe of a kind used for oil or gas pipelines, having circular cross-sections	96.0	-	-	563.8
730890	Structures and parts of structures, of iron or steel, n.e.s. (excluding bridges and bridge-sections)	58.3	-	0.1	475.4
730630	Tubes, pipes and hollow profiles, welded, of circular cross-section, of iron or non-alloy steel	15.7	-	-	208.0
732690	Articles of iron or steel, n.e.s. (excluding cast articles or articles of iron or steel wire)	15.2	-	-	658.4

Note: '-' denotes not available/ negligible

Source: ITC Trade Map and India Exim Bank Research

Electrical and electronic equipment (HS-85) – Turkmenistan imported electrical and electronic equipment amounting to US$ 220.2 million in 2020, which accounted for around 7.2 percent of Turkmenistan's total imports. Turkmenistan's imports of these products from India stood at a modest US$ 0.2 million in 2020, which accounted for 0.1 percent in Turkmenistan's global imports of the same product. India's exports of electrical and electronic equipment during the same year however, amounted to a robust US$ 13.5 billion, highlighting the tremendous scope for enhancing these exports. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.24.**

Table 6.24: Electrical and electronic equipment (HS-85) - Potential Commodities for Exports to Turkmenistan

HS Code	Product	Turkmenistan's Imports from World (US$ mn)	India's Exports to Turkmenistan (US$ mn)	India's share in Turkmenistan's Global Imports (%)	India's Exports to World (US$ mn)
854449	Electric conductors, for a voltage <= 1.000 V, insulated, not fitted with connectors, n.e.s.	21.5	-	-	304.0
853710	Boards, cabinets and similar combinations of apparatus for electric control or the distribution	18.8	-	-	429.9
851762	Machines for the reception, conversion and transmission or regeneration of voice	11.5	-	-	559.2
850710	Lead-acid accumulators of a kind used for starting piston engine "starter batteries"	9.4	0.2	1.8	159.9

Note: '-' denotes not available/ negligible
Source: ITC Trade Map and India Exim Bank Research

Vehicles other than railway or tramway (HS-87) – Turkmenistan's imports of these items amounted to US$ 212.3 million in 2020 and accounted for 7 percent of Turkmenistan's total imports. However, Turkmenistan's imports of these products from India were negligible in 2020, while India's global exports of the same amounted to a robust US$ 13 billion. Potential export items under this category, based on 6-digit HS code, are given in **Table 6.25.**

Table 6.25: Vehicles other than railway or tramway (HS-87) - Potential Commodities for Exports to Turkmenistan

HS Code	Product	Turkmenistan's Imports from World (US$ mn)	India's Exports to Turkmenistan (US$ mn)	India's share in Turkmenistan's Global Imports (%)	India's Exports to World (US$ mn)
870422	Motor vehicles for the transport of goods, with compression-ignition internal combustion piston	9.9	-	-	188.7
870899	Parts and accessories, for tractors, motor vehicles for the transport of ten or more persons	6.7	-	-	2128.3
870323	Motor cars and other motor vehicles principally designed for the transport of persons	6.5	-	-	1413.9

Note: '-' denotes not available/ negligible
Source: ITC Trade Map and India Exim Bank Research

Iron and Steel (HS-72) – Turkmenistan's imports of iron and steel amounted to US$ 164.8 million during 2020 with imports from India recorded at nil. Though India has demonstrated export capability of iron and steel by way of its global exports amounting to around US$ 10.6 billion, India has not been able to enter Turkmenistan's global import basket of iron and steel. This would serve to highlight the existing potential for enhancing exports, which could include, based on 6-digit HS code classification, are given in **Table 6.26.**

Table 6.26: Iron and Steel (HS-72) - Potential Commodities for Exports to Turkmenistan

HS Code	Product	Turkmenistan's Imports from World (US$ mn)	India's Exports to Turkmenistan (US$ mn)	India's share in Turkmenistan's Global Imports (%)	India's Exports to World (US$ mn)
721420	Bars and rods, of iron or non-alloy steel, with indentations, ribs, groves or other deformations	86.9	-	-	106.3
721070	Flat products of iron or non-alloy steel, of a width of >= 600 mm, hot-rolled or cold-rolled	19.1	-	-	108.6
721049	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, hot-rolled or cold-rolled	7.7	-	-	230.5
721391	Bars and rods, hot-rolled, in irregularly wound coils, of iron or non-alloy steel, of circular	5.8	-	-	168.0

Note: '–' denotes not available/negligible

Source: ITC Trade Map and India Exim Bank Research

Kyrgyzstan

Kyrgyzstan accounts for 6 percent of India's total exports to the Central Asian Region in 2020. A great potential exists to further enhance India's exports, based on the import demand in Kyrgyzstan, and India's export capability.

Table 6.27 presents Kyrgyzstan's major import items, in terms of 2-digit HS code, and India's share in Kyrgyzstan's global imports of these items. Except in the cases of pharmaceuticals products and articles of apparel and clothing accessories, knitted or crocheted and optical,

photographic, cinematographic and medical equipment where in India accounts for a relatively healthy share of around 6.7 percent, 5.2 percent and 3.4 percent share, respectively in Kyrgyzstan's global imports during 2020, India's share in Kyrgyzstan's global imports of other major items is marginal. Moreover, India enjoys a relatively robust export capability in most of these items which are among Kyrgyzstan's major imports. This would serve to highlight the existing potential to further enhance these exports to Kyrgyzstan, in line with the huge import demand in the country.

The potential export items from India to Kyrgyzstan would thus mainly include: petroleum products; machinery; electrical and electronic equipment; transport vehicles; articles of iron or steel; iron and steel; plastics and articles; and footwear.

Table 6.27: Kyrgyzstan's Major Global Imports and India's Share, 2020

HS Code	Product	Kyrgyzstan's Imports from World (US$ mn)	India's Exports to Kyrgyzstan (US$ mn)	India's share in Kyrgyzstan's Global Imports (%)	India's Exports to World (US$ mn)
	All products	**3684.1**	**36.7**	**1.0**	**275488.7**
27	Mineral fuels, mineral oils and products of their distillation	551.2	-	-	27634.4
84	Machinery and mechanical appliances	325.7	0.1	-	17970.9
85	Electrical machinery and equipment	232.4	0.3	0.1	13465.0
30	**Pharmaceutical products**	**204.3**	**13.6**	**6.7**	**18426.7**
87	Vehicles other than railway or tramway	201.7	-	-	12996.8
73	Articles of iron or steel	170.9	-	-	6251.3
72	Iron and steel	161.5	-	-	10632.0
39	Plastics and articles thereof	132.5	-	-	6598.4
44	Wood and articles of wood; wood charcoal	68.0	-	-	423.8
24	Tobacco and manufactured tobacco substitutes	63.5	-	0.1	847.8
64	Footwear, gaiters, and articles	61.3	0.2	0.3	1915.1
61	**Articles of apparel and clothing accessories, knitted or crocheted**	**58.0**	**3.0**	**5.2**	**6120.3**
40	Rubber and articles thereof	56.3	-	-	2976.0
19	Preparations of cereals, flour, starch or milk; pastrycooks' products	54.9	-	-	567.5

HS Code	Product	Kyrgyzstan's Imports from World (US$ mn)	India's Exports to Kyrgyzstan (US$ mn)	India's share in Kyrgyzstan's Global Imports (%)	India's Exports to World (US$ mn)
90	**Optical, photographic, cinematographic and medical equipment**	**54.5**	**1.9**	**3.4**	**3103.4**
8	Edible fruit and nuts; peel of citrus fruit or melons	53.2	-	-	1313.5
22	Beverages, spirits and vinegar	51.8	-	-	331.5
15	Animal or vegetable fats and oils	48.2	-	-	1411.1
54	Man-made filaments; strip and the like of man-made textile materials	47.9	-	0.1	1634.7
60	Knitted or crocheted fabrics	47.4	-	-	438.7
96	Miscellaneous manufactured articles	45.2	0.1	0.3	514.9
33	Essential oils and resinoids; perfumery, cosmetic or toilet preparations	43.9	0.4	0.9	1841.5
21	Miscellaneous edible preparations	43.6	-	0.1	862.5
48	Paper and paperboard and articles of paper pulp	42.5	-	-	1750.6
10	Cereals	40.3	0.4	0.9	8672.0

Note: '-' denotes not available/ negligible

Source: ITC Trade Map and India Exim Bank Research

Potential items of exports from India to Kyrgyzstan at the 6-digit HS commodity classification, based on Kyrgyzstan's import demand and India's export capability could include:

Petroleum products (HS-27) – Kyrgyzstan's imports of petroleum products amounted to US$ 551.2 million in 2020 accounting for 15 percent of the country's total imports. Kyrgyzstan's imports of these items from India were however negligible, even though India's corresponding global exports of petroleum product amounted to a robust US$ 27.6 billion. This highlights the immense potential for exports of the following items at 6-digit HS code, as given in **Table 6.28.**

Table 6.28: Petroleum products (HS-27) – Potential Commodities for Exports to Kyrgyzstan

HS Code	Product	Kyrgyzstan's Imports from World (US$ mn)	India's Exports to Kyrgyzstan (US$ mn)	India's share in Kyrgyzstan's Global Imports (%)	India's Exports to World (US$ mn)
271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel	284.1	-	-	17626.8
271012	Light oils and preparations, of petroleum or bituminous minerals which >= 90% by volume	185.7	-	-	8453.4

Note: '-' denotes not available/ negligible

Source: ITC Trade Map and India Exim Bank Research

Machinery and mechanical appliances (HS-84) – Machinery is the second major item of import for Kyrgyzstan, with total imports amounting to US$ 325.7 million during 2020, accounting for 8.8 percent of total imports of the country. However, the country's imports from India amounted to a marginal US$ 0.1 million, with India's global exports of machinery on the other hand amounting to a robust US$ 18 billion during 2020. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.29.**

Table 6.29: Machinery and mechanical appliances (HS-84) – Potential Commodities for Exports to Kyrgyzstan

HS Code	Product	Kyrgyzstan's Imports from World (US$ mn)	India's Exports to Kyrgyzstan (US$ mn)	India's share in Kyrgyzstan's Global Imports (%)	India's Exports to World (US$ mn)
840820	Compression-ignition internal combustion piston engine "diesel or semi-diesel engine"	16.4	-	-	255.0
847490	Parts of machinery for working mineral substances of heading 8474, n.e.s.	14.0	-	0.1	290.1
843149	Parts of machinery of heading 8426, 8429 and 8430, n.e.s.	12.9	-	-	275.9
842952	Self-propelled mechanical shovels, excavators and shovel loaders	10.6	-	-	139.4
841370	Centrifugal pumps, power-driven (excluding those of subheading 8413.11 and 8413.19, fuel	5.0	-	-	255.4

Note: '-' denotes not available/ negligible

Source: ITC Trade Map and India Exim Bank Research

Electrical and electronic equipment (HS-85) – Another important item in Kyrgyzstan's import basket is electrical and electronic equipment. Imports of these products amounted to US$ 232.4 million, accounting for 6.3 percent of total imports in 2020. Kyrgyzstan's imports of these products from India stood at a modest US$ 0.3 million in 2020, accounting for 0.1 percent in Kyrgyzstan's global imports of the same products. The potential export items to further enhance India's exports to Kyrgyzstan are given in **Table 6.30.**

Table 6.30: Electrical and electronic equipment (HS-85)– Potential Commodities for Exports to Kyrgyzstan

HS Code	Product	Kyrgyzstan's Imports from World (US$ mn)	India's Exports to Kyrgyzstan (US$ mn)	India's share in Kyrgyzstan's Global Imports (%)	India's Exports to World (US$ mn)
851712	Telephones for cellular networks "mobile telephones" or for other wireless networks	95.3	-	-	2988.8
851762	Machines for the reception, conversion and transmission or regeneration of voice	24.2	-	-	559.2
851770	Parts of telephone sets, telephones for cellular networks or for other wireless networks	12.0	-	-	338.0
854449	Electric conductors, for a voltage <= 1.000 V, insulated, not fitted with connectors, n.e.s.	6.8	-	-	304.0
853710	Boards, cabinets and similar combinations of apparatus for electric control or the distribution	5.2	-	-	429.9
850440	Static converters	5.0	-	-	1057.9
850710	Lead-acid accumulators of a kind used for starting piston engine "starter batteries"	4.2	-	-	159.9

Note: '-' denotes not available/ negligible
Source: ITC Trade Map and India Exim Bank Research

Vehicles other than railway, tramway (HS-87) – Kyrgyzstan's imports of transport vehicles amounted to US$ 201.7 million in 2020, accounting for a share of 5.5 percent of Kyrgyzstan's total imports. Kyrgyzstan's imports of these items from India were negligible in 2020. In comparison, India's exports of transport vehicles during 2020 amounted to US$ 13 billion. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.31.**

Table 6.31: Vehicles other than railway, tramway (HS-87) – Potential Commodities for Exports to Kyrgyzstan

HS Code	Product	Kyrgyzstan's Imports from World (US$ mn)	India's Exports to Kyrgyzstan (US$ mn)	India's share in Kyrgyzstan's Global Imports (%)	India's Exports to World (US$ mn)
870323	Motor cars and other motor vehicles principally designed for the transport of persons	41.8	-	-	1413.9
870410	Dumpers for off-highway use	29.4	-	-	148.5
870899	Parts and accessories, for tractors, motor vehicles for the transport of ten or more persons	21.9	-	-	2128.3
870322	Motor cars and other motor vehicles principally designed for the transport of persons	13.9	-	-	1947.2
870422	Motor vehicles for the transport of goods, with compression-ignition internal combustion piston	7.5	-	-	188.7
870421	Motor vehicles for the transport of goods, with compression-ignition internal combustion piston	7.2	-	-	178.7

Note: '-' denotes not available/ negligible

Source: ITC Trade Map and India Exim Bank Research

Articles of iron or steel (HS-73) – Kyrgyzstan's imports of articles of iron or steel amounted to US$ 170.9 million, while India's global exports amounted to US$ 6.3 billion in 2020. Kyrgyzstan's imports of these products from India were negligible in 2020. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.32.**

Table 6.32: Articles of iron or steel (HS-73) – Potential Commodities for Exports to Kyrgyzstan

HS Code	Product	Kyrgyzstan's Imports from World (US$ mn)	India's Exports to Kyrgyzstan (US$ mn)	India's share in Kyrgyzstan's Global Imports (%)	India's Exports to World (US$ mn)
730630	Tubes, pipes and hollow profiles, welded, of circular cross-section, of iron or non-alloy steel	37.4	-	-	208.0
730820	Towers and lattice masts, of iron or steel	11.0	-	-	351.2
730890	Structures and parts of structures, of iron or steel, n.e.s. (excluding bridges and bridge-sections)	9.9	-	-	475.4

Note: '-' denotes not available/ negligible

Source: ITC Trade Map and India Exim Bank Research

Iron and Steel (HS-72) – Kyrgyzstan's imports of iron and steel amounted to US$ 161.5 million in 2020, with corresponding negligible imports from India in 2020. India's global exports of the product during the year amounted to US$ 10.6 billion. The potential export items under this category, based on 6-digit HS code are given in **Table 6.33.**

Table 6.33: Iron and Steel (HS-72) – Potential Commodities for Exports to Kyrgyzstan

HS Code	Product	Kyrgyzstan's Imports from World (US$ mn)	India's Exports to Kyrgyzstan (US$ mn)	India's share in Kyrgyzstan's Global Imports (%)	India's Exports to World (US$ mn)
721420	Bars and rods, of iron or non-alloy steel, with indentations, ribs, groves or other deformations	42.2	-	-	106.3
721049	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, hot-rolled or cold-rolled	17.6	-	-	230.5
720839	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils, simply	9.9	-	-	2024.0

Note: '-' denotes not available/ negligible

Source: ITC Trade Map and India Exim Bank Research

Plastics and articles (HS-39) – Kyrgyzstan's imports of plastics and articles amounted to US$ 132.5 million in 2020, while India's global exports of the same amounted to US$ 6.6 billion during the same year. However, Kyrgyzstan's imports of these items from India were negligible in 2020. The potential export items based on 6-digit HS code, are given in **Table 6.34.**

Table 6.34: Plastics and articles (HS-39) – Potential Commodities for Exports to Kyrgyzstan

HS Code	Product	Kyrgyzstan's Imports from World (US$ mn)	India's Exports to Kyrgyzstan (US$ mn)	India's share in Kyrgyzstan's Global Imports (%)	India's Exports to World (US$ mn)
390761	Polyethylene terephthalate", in primary forms, having a viscosity number of >= 78 ml/g	11.4	-	-	541.2
392321	Sacks and bags, incl. cones, of polymers of ethylene	10.3	-	-	148.3
392690	Articles of plastics and articles of other materials of heading 3901 to 3914, n.e.s	9.1	-	0.3	525.9
390210	Polypropylene, in primary forms	6.1	-	-	672.8
390120	Polyethylene with a specific gravity of >= 0,94, in primary forms	4.0	-	-	327.8

Note: '-' denotes not available/ negligible

Source: ITC Trade Map and India Exim Bank Research

Tajikistan

Tajikistan accounts for 7.3 percent of India's total exports to the Central Asian Region. While at present, bilateral trade is modest, with India's exports to the country amounting to only US$ 44.8 million during 2020, there exists a great potential to further enhance India's exports, based on the import demand in Tajikistan, and India's export capability.

Table 6.35 presents Tajikistan's major import items, in terms of 2-digit HS code, and India's share in Tajikistan's global imports of these items. It is observed that India's share in almost all of Tajikistan's major imports except for articles of iron or steel (19.2 percent share) and pharmaceutical products (37.8 percent share) is marginal. It is also observed that India has huge export capability in most of Tajikistan's major imports. This would serve to highlight the existing potential to further enhance these exports to Tajikistan, in line with the huge import demand in the country.

The potential export items from India to Tajikistan would thus mainly include: petroleum products; cereals; iron and steel; machinery; transport vehicles; electrical and electronic equipment; wood and articles of wood; animal or vegetable fats and oils; inorganic chemicals; and plastics and articles. Items that hold potential at 6-digit HS commodity level under these categories are presented below.

Table 6.35: Tajikistan's Major Global Imports and India's Share, 2020

HS Code	Product	Tajikistan's Imports from World (US$ mn)	India's Exports to Tajikistan (US$ mn)	India's share in Tajikistan's Global Imports (%)	India's Exports to World (US$ mn)
	All products	**3139.0**	**44.8**	**1.4**	**275488.7**
27	Mineral fuels, mineral oils and products of their distillation	527.4	-	-	27634.4
10	Cereals	263.2	0.1	-	8672.0
72	Iron and steel	242.5	-	-	10632.0
84	Machinery and mechanical appliances	217.2	0.1	-	17970.9
87	Vehicles other than railway or tramway	216.6	-	-	12996.8
85	Electrical machinery and equipment	121.8	2.5	2.1	13465.0
44	Wood and articles of wood; wood charcoal	120.8	-	-	423.8
15	Animal or vegetable fats and oils	114.4	-	-	1411.1
28	Inorganic chemicals; organic or inorganic compounds of precious metals	110.5	-	-	1612.3
39	Plastics and articles thereof	96.6	-	-	6598.4
17	Sugars and sugar confectionery	71.7	-	-	2763.9
73	Articles of iron or steel	71.1	13.7	19.2	6251.3
90	Optical, photographic, cinematographic and medical equipment	67.4	0.7	1.1	3103.4
30	Pharmaceutical products	64.0	24.2	37.8	18426.7
19	Preparations of cereals, flour, starch or milk; pastrycooks' products	55.8	-	-	567.5
23	Residues and waste from the food industries; prepared animal fodder	50.0	-	-	1474.2
31	Fertilizers	44.3	-	-	117.8
34	Soap, organic surface-active agents and washing preparations	39.0	-	-	665.9
11	Products of the milling industry; malt; starches; inulin; wheat gluten	34.0	-	-	382.6
48	Paper and paperboard; articles of paper pulp	33.1	0.1	0.3	1750.6
2	Meat and edible meat offal	32.2	-	-	3106.1
22	Beverages, spirits and vinegar	31.1	-	0.1	331.5
18	Cocoa and cocoa preparations	31.1	-	-	143.5
63	Other made-up textile articles; sets; worn clothing and worn textile articles; rags	25.9	-	-	4771.0
21	Miscellaneous edible preparations	23.0	0.1	0.2	862.5

Note: '-' denotes not available/ negligible

Source: ITC Trade Map and India Exim Bank Research

Potential items of exports from India to Tajikistan at the 6-digit HS commodity classification, based on Tajikistan's import demand and India's export capability could include:

Petroleum Products (HS-27) – Tajikistan's imports of petroleum products amounted to US$ 527.4 million during 2020, accounting for a share of 16.8 percent of Tajikistan's total imports. Tajikistan's imports of these products from India were negligible. India's exports of the product on the other hand during the same year amounted to a robust US$ 27.6 billion, highlighting the immense scope for enhancing these exports. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.36.**

Table 6.36: Petroleum Products (HS-27) – Potential Commodities for Exports to Tajikistan

HS Code	Product	Tajikistan's Imports from World (US$ mn)	India's Exports to Tajikistan (US$ mn)	India's share in Tajikistan's Global Imports (%)	India's Exports to World (US$ mn)
271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel	178.1	-	-	17626.8
271012	Light oils and preparations, of petroleum or bituminous minerals which >= 90% by volume	97.5	-	-	8453.4
271119	Gaseous hydrocarbons, liquefied, n.e.s. (excluding natural gas, propane, butane, ethylene)	15.4	-	-	226.2

Note: '-' denotes not available/ negligible

Source: ITC Trade Map and India Exim Bank Research

Cereals (HS-10) – Tajikistan's imports of cereals amounted to US$ 263.2 million in 2020, with 8.4 percent share in the country's global imports. The corresponding imports from India were 0.1 million. India's global exports of the product during the year amounted to US$ 8.7 billion. The potential export items under this category, based on 6-digit HS code are given in **Table 6.37.**

Table 6.37: Cereals (HS-10) – Potential Commodities for Exports to Tajikistan

HS Code	Product	Tajikistan's Imports from World (US$ mn)	India's Exports to Tajikistan (US$ mn)	India's share in Tajikistan's Global Imports (%)	India's Exports to World (US$ mn)
100199	Wheat and meslin (excluding seed for sowing, and durum wheat)	239.0	-	-	241.9
100630	Semi-milled or wholly milled rice, whether or not polished or glazed	11.3	0.1	0.5	7484.1

Note: '-' denotes not available/ negligible

Source: ITC Trade Map and India Exim Bank Research

Iron and Steel (HS-72) – Tajikistan's imports of iron and steel amounted to US$ 242.5 million in 2020, with a 7.7 percent share in the country's global imports. The corresponding imports from India were negligible. India's global exports of the product during the year amounted to US$ 10.6 billion. The potential export items under this category, based on 6-digit HS code are given in **Table 6.38.**

Table 6.38: Iron and Steel (HS-72) – Potential Commodities for Exports to Tajikistan

HS Code	Product	Tajikistan's Imports from World (US$ mn)	India's Exports to Tajikistan (US$ mn)	India's share in Tajikistan's Global Imports (%)	India's Exports to World (US$ mn)
721420	Bars and rods, of iron or non-alloy steel, with indentations, ribs, groves or other deformations	108.0	-	-	106.3
720839	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils	19.2	-	-	2024.0
721070	Flat products of iron or non-alloy steel, of a width of >= 600 mm, hot-rolled or cold-rolled	13.3	-	-	108.6
721391	Bars and rods, hot-rolled, in irregularly wound coils, of iron or non-alloy steel	9.4	-	-	168.0
720917	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils, simply	6.5	-	-	128.5

Note: '-' denotes not available/ negligible

Source: ITC Trade Map and India Exim Bank Research

Machinery (HS-84) – Machinery is also among Tajikistan's leading imports, amounting to US$ 217.2 million during 2020 and accounting for a share of 6.9 percent of Tajikistan's total

global imports. Tajikistan's imports of these products from India stood at US$ 0.1 million in 2020. India's exports during the year amounted to US$ 18 billion. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.39.**

Table 6.39: Machinery (HS-84) – Potential Commodities for Exports to Tajikistan

HS Code	Product	Tajikistan's Imports from World (US$ mn)	India's Exports to Tajikistan (US$ mn)	India's share in Tajikistan's Global Imports (%)	India's Exports to World (US$ mn)
842952	Self-propelled mechanical shovels, excavators and shovel loaders	9.6	-	-	139.4
847490	Parts of machinery for working mineral substances of heading 8474, n.e.s.	5.1	-	-	290.1

Note: '-' denotes not available/ negligible

Source: ITC Trade Map and India Exim Bank Research

Vehicles other than railway or tramway (HS-87) – Tajikistan's imports of transport vehicles, which are among its leading import items, amounted to US$ 216.6 million in 2020. Though India's exports of transport vehicles globally amounted to US$ 13 billion, Tajikistan's imports of transport vehicles from India were negligible. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.40.**

Table 6.40: Vehicles other than railway or tramway (HS-87) – Potential Commodities for Exports to Tajikistan

HS Code	Product	Tajikistan's Imports from World (US$ mn)	India's Exports to Tajikistan (US$ mn)	India's share in Tajikistan's Global Imports (%)	India's Exports to World (US$ mn)
870323	Motor cars and other motor vehicles principally designed for the transport of persons	72.7	-	-	1413.9
870421	Motor vehicles for the transport of goods, with compression-ignition internal combustion piston	12.2	-	-	178.7
870899	Parts and accessories, for tractors, motor vehicles for the transport of ten or more persons	8.2	-	-	2128.3
870410	Dumpers for off-highway use	7.9	-	-	148.5

Note: '-' denotes not available/ negligible

Source: ITC Trade Map and India Exim Bank Research

Electrical and electronic equipment (HS-85) – Tajikistan's imports of these items amounted to US$ 121.8 million in 2020, which accounted for 3.9 percent of Tajikistan's total imports. Tajikistan's imports of these products from India stood at a marginal US$ 1.4 million in 2020, accounting for a marginal share of 2.1 percent in Tajikistan's global imports of the product. India's global exports of the products however, amounted to a robust US$ 13.5 billion during the year. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.41.**

Table 6.41: Electrical and electronic equipment (HS-85) – Potential Commodities for Exports to Kyrgyzstan

HS Code	Product	Tajikistan's Imports from World (US$ mn)	India's Exports to Tajikistan (US$ mn)	India's share in Tajikistan's Global Imports (%)	India's Exports to World (US$ mn)
854449	Electric conductors, for a voltage <= 1.000 V, insulated, not fitted with connectors, n.e.s.	6.0	-	-	304.0
850710	Lead-acid accumulators of a kind used for starting piston engine "starter batteries"	5.6	-	-	159.9
853710	Boards, cabinets and similar combinations of apparatus for electric control or the distribution	5.5	0.1	1.7	429.9

Note: '-' denotes not available/ negligible

Source: ITC Trade Map and India Exim Bank Research

Plastics and articles (HS-39) – Tajikistan's imports of plastics and articles amounted to US$ 96.6 million in 2020, while India's global exports of the same amounted to US$ 6.6 billion during the same year. However, Tajikistan's imports of these items from India were negligible. The potential export items based on 6-digit HS code, are given in **Table 6.42.**

Table 6.42: Plastics and articles (HS-39) – Potential Commodities for Exports to Tajikistan

HS Code	Product	Tajikistan's Imports from World (US$ mn)	India's Exports to Tajikistan (US$ mn)	India's share in Tajikistan's Global Imports (%)	India's Exports to World (US$ mn)
390210	Polypropylene, in primary forms	11.3	-	-	672.8
390120	Polyethylene with a specific gravity of >= 0,94, in primary forms	5.8	-	-	327.8
390110	Polyethylene with a specific gravity of < 0,94, in primary forms	4.8	-	-	291.9
392690	Articles of plastics and articles of other materials of heading 3901 to 3914, n.e.s	4.2	-	-	525.9

Note: '-' denotes not available/ negligible

Source: ITC Trade Map and India Exim Bank Research

India's Import Potential from Central Asian Countries

CARs are diverse economies with immense development scope when provided with an apt ecosystem. There exists huge export potential in the CARs stemming from their abundance of minerals and deposits of metals. The **Table 6.43** lists down potential export commodities of CARs based on India's import demand and export potential of CARs.

India imported mineral fuels and oil (HS-27) amounting to US$ 104.4 billion in 2020, CARs share in India's imports was a marginal 0.5%, petroleum oils, oils from bituminous minerals, crude (HS-270900), was the single largest imported product under the category. Under natural and cultured pearls, silver in unwrought forms (HS-710691) was the single largest imported product. CARs have huge export potential under HS-710681 with global exports of CARs amounting to US$ 738.2 million in comparison to exports of US$ 18 million to India. CARs have huge deposits of rare minerals and gases; due to unavailability of technology the exploration have moved at a slower pace. There exists abundant potential for enhancing exports of inorganic chemicals (HS-28) from CARs to India. In 2020. India imported phosphorus (HS-280470) amounting to US$ 23.9 million from CARs in 2020, there are other significant chemicals and rare gases which can emerge as export champions for the CARs. Other than these, product categories including copper and its articles (HS-74), ores, slag and ash (HS-26), iron and steel (HS-72) presents immense opportunities of mutual gain for both India and the CARs.

Table 6.43: Central Asia's Major Global Exports and India's Share, 2020

HS Code	Product label	CAR's exports to world	CAR's exports to India	India's Share in CAR's exports (%)	India's imports from world	Share of CAR's exports in India's global imports (%)
	All products	**65.87**	**2.01**	**3.1**	**367.98**	**0.5**
27	Mineral fuels and oils	29.63	1.83	6.2	104.36	1.8
71	Natural or cultured pearls and stones	8.26	0.02	0.2	41.05	-
74	Copper and articles	3.59	-	0.0	4.25	-
26	Ores, slag and ash	3.49	-	0.0	2.34	-
72	Iron and steel	3.30	0.03	0.8	7.55	0.4
28	Inorganic chemicals	2.40	0.10	4.1	6.19	1.6
76	Aluminium and articles thereof	0.70	-	0.0	3.65	-
08	Edible fruit and nuts	0.65	-	0.0	3.20	-
07	Edible vegetables and certain roots and tubers	0.63	-	0.2	1.65	0.1
39	Plastics and articles thereof	0.63	-	0.0	11.97	-
25	Salt, sulphur, earths and stone	0.61	0.01	1.9	2.26	0.5
31	Fertilizers	0.46	-	0.1	7.18	-
84	Machinery and mechanical appliances	0.45	-	0.0	35.20	-
88	Aircraft, spacecraft, and parts thereof	0.40	-	0.5	1.48	0.1
85	Electrical machinery and equipment	0.35	-	0.0	42.94	-
73	Articles of iron or steel	0.25	-	0.1	3.54	-
38	Miscellaneous chemical products	0.23	-	0.0	5.66	-
48	Paper and paperboard	0.15	-	0.0	1.85	-
29	Organic chemicals	0.12	-	1.3	18.15	-
30	Pharmaceutical products	0.08	-	0.1	2.48	-

Note: '-' denotes not available/ negligible

Source: ITC Trade Map and India Exim Bank Research

INVESTMENT POTENTIAL IN CENTRAL ASIAN REPUBLICS

Central Asia is poised to become a significant player in the new global paradigm and the next frontier of economic opportunity for investors.

In addition to energy resources, the region also has a strong agricultural potential. It has the potential to become "the wheat breadbasket of the world". Moreover, the region's population of around 73.3 million people with almost universal literacy skills also plays a significant role in the region's development. The Central Asian region enjoys comparative advantage in terms of its location being at the crossroads of Asia and Europe and its dynamic neighbours - Russia, India and China, and is thus emerging as an increasingly investment friendly region. Sectors that hold potential for investment in the region include, among others, agriculture and food processing, irrigation, mineral processing, oil and natural gas exploration, tourism and infrastructure development including rail-road-air transportation networks, power generation and distribution, construction, and telecommunications. Investment potential in the five Central Asian Republics is highlighted below:

KAZAKHSTAN

Over the last two decades, Kazakhstan has delivered a strong economic performance in a number of sectors. The country is committed to regional and international cooperation and aims to become one of the top 50 most competitive economies in the world. It has a proven history as an attractive location for FDI, generating around US$ 147 billion through FDI since 1992[23]. Even in terms of World Bank's Ease of Doing Business ranking, Kazakhstan position improved rapidly from its 74th position in 2010 to 25th position in 2019, an improvement of 49 places less than a decade. With a view to further provide momentum to its reforms, the Government of Kazakhstan initiated the Development strategy 2050 Programme to make Kazakhstan one of the world's top 30 most developed states by 2050, focusing on building a diversified and sustainable economy by creating new export-oriented high-tech manufacturing; infrastructure development; national innovative system strengthening; and local personnel development. The three key aims of the Strategy 2050 are to define new markets where Kazakhstan can form productive partnerships and create new sources of economic growth; to create a favorable investment climate; and to effectively develop and modernize the public and private sectors.

[23] UNCTADStat

Kazakhstan is also bestowed with abundant natural and mineral resources. There are rich reserves of oil, gas, coal, uranium, zinc, tungsten, barium, sulfate, phosphate compounds, silver, lead, chrome, copper, fluorites, molybdenum and gold, with Kazakhstan ranking among the leading reserves of most of these elements globally. Kazakhstan globally ranks the top in terms of production and reserves of wolframium and also has abundant resources of rare precious stones. Niche areas of investment in Kazakhstan include:

Oil Refining and Development of Oil and Gas Infrastructure

Globally, Kazakhstan ranks 12th among oil reserves and 19th among natural gas reserves[24]. With a current proven oil reserves of 30 billion barrels, there exist possible unproven onshore and offshore reserves, with potential reserves of 100-110 billion barrels. Opportunities exist for large scale explorations and production of natural and associated gases.

Mining-and-Metallurgical Sector

Mining-and-metallurgical sector is an important sector of the Kazakhstan's economy. Metallurgy of Kazakhstan is featured by rich mineral resources base with substantial capacities. Kazakhstan has 30 percent of the world reserves of chrome ores, 25 percent of manganese ores, 10 percent of copper reserves, 13 percent of lead and zinc reserves, and 10 percent of iron ores. Kazakhstan is world's leading producer of uranium ranks 2nd among production of chromite, and 4th among production of titanium in the world. The country is also a significant producer of barite, bauxite, cadmium, magnesium metal, sulfur, and zinc.[25] India sources nearly 80 per cent of its uranium requirement from Kazakhstan. Such vast reserves provide significant opportunities for investment and cooperation.

Chemical Industry

Chemical industry ranks among priority industries of Kazakhstan and is one of the largest suppliers of raw materials, semi-finished products, materials for other industries of real economy sectors. Kazakhstan has great potential for developing its petrochemical and chemical industry due to cheap feedstock and government support. Kazakhstan chemical industry is based upon the significant phosphate reserves, development of oil and gas industry, recycling of sulfurous gases of metallurgy industry, large stocks of various salts. Some of the priority sectors for development in Kazakhstan include petrochemicals (polypropylene) and agro chemistry (fertilizers and herbicides). Opportunities exist in chemical sector include

[24] OPEC
[25] USGS 2017-18 Minerals Yearbook – Kazakhstan, December 2021

production of potash salt, construction of calcined soda plant, and production of ammonia and carbamate, which support import substitution, thus meeting domestic consumption using domestic production.

Pharmaceuticals

Kazakhstan depends on import of pharmaceutical raw material (substances), equipment and packing materials significantly. While local companies produce basic generic drugs and unsophisticated medical utensils; specific and innovative products are generally imported. Niche projects of pharmaceutical industry comprise construction of plant on production of single-use medical goods of polymeric materials, and construction of plant on production of infusion solutions, pills, capsules and syrups.

Healthcare

The market for medical equipment in Kazakhstan is roughly US$ 1.3 billion[26]. Domestic manufacturing of medical equipment is limited in Kazakhstan, with 90 percent of equipment imported. The bulk (85 percent) of medical equipment in Kazakhstan is purchased by the public sector. Most procurement for public healthcare institutions is done through government-related tenders. More than 37 percent of medical equipment currently in use is obsolete and there is a need to update equipment in use in the country's public hospitals.

In December 2019, the Kazakhstani government and the EBRD signed a Memorandum of Understanding on the implementation of a Comprehensive Programme for the Modernization of Healthcare Infrastructure in Kazakhstan. The Programme envisages the construction of up to 19 new hospitals to replace 40 outdated existing facilities and the upgrade of up to 50 percent of the hospital bed capacity in Kazakhstan as part of the State Health Care Development Programme for 2020–2024. Hospital projects under the State Programme will follow the facility management model and will be procured as Public Private Partnerships or utilize the Design, Build, Operate and Maintain approach. Likewise, opportunities for Indian companies could exist in executing project exports involving setting up of hospitals and supplying medical equipment like electro-medical diagnostic and therapy equipment; diagnostic imaging like X-ray equipment and supplies; equipment for cardiology and cardio surgery; chemotherapy, mammography, radiotherapy, and computed tomography equipment; diabetic supplies; laboratory equipment; and healthcare digitalization and mobile health technologies. It could further be developed as a medical hub for the Central Asian countries.

[26] Kazakhstan Country Guide, International Trade Administration, January 2022.

Renewable Energy

Renewable energy has emerged as a priority sector for Kazakhstan. By 2030, Kazakhstan plans to increase the share of renewable energy sources to 15 percent from a share of 3 percent, in 2020 (IEA). Currently there are 126 renewable energy facilities in Kazakhstan with a total power generation capacity of 1,975 megawatts in 2021 as compared to 23 in 2011. The number of renewable energy facilities includes 33 wind and 49 solar hydroelectric plants. It has received investments of around US$ 1.8 billion since 2014. To achieve the 2030 target of 15 percent, Kazakhstan would require investments of US$ 6.9 billion. Additionally, at the United Nations Climate Summit in December 2020, Kazakhstan pledged to achieve carbon neutrality by 2060[27].

Agriculture and Food Processing

The agriculture sector primarily constitutes food production, cattle production and rearing, and food processing industry. Kazakhstan is a leading grain exporter in the world. Kazakhstan grain is exported to over 70 countries of the world including to the CIS region, Middle East, North Africa and European Union. Cattle production is one of the primary agricultural industries in the republic. Rich grazing lands and favorable environment conditions provide good basis for developing cattle production. With regard to the food and processing industry, meat, dairy, fish, flour-and-cereals and formula feed**,** sugar, organic products and oil seeds present strategic investment opportunities. The country also requires investment in infrastructure of irrigation systems.

The total agricultural land is over 200 million hectares. Kazakhstan offers foreign investors to participate in investment projects in the production of meat, fruits, vegetables, and grain. Given the investment opportunities of Kazakhstan's agro-industrial complex, Kazakhstan can serve as a platform for production of agricultural products which will be delivered to neighboring countries.

Nearly 90 percent of agricultural machinery currently in use in Kazakhstan is at the end of its lifecycle and needs to be replaced.

In 2020, the Kazakhstani agricultural machinery and equipment sector was roughly estimated at approximately US$ 500 million, of which US$ 300 million was imported. Therefore, Indian companies could explore opportunities in the following areas[28] –agricultural chemical

[27] Kazakhstan Attracts $1.8 Billion in Renewable Energy Development Investment Since 2014, The Astana Times, November 11, 2021.
[28] Kazakhstan - Country Commercial Guide, International Trade Administration, Department of Commerce, USA, 2020

products and fertilizer applicators, farm machinery, storage and processing equipment, yield enhancement technologies, food processing equipment, innovative water-saving technologies in irrigation and precise agriculture equipment and technologies.

UZBEKISTAN

During the years of Independence, Uzbekistan formed favorable investment environment, broad system of legal guarantees and privileges for foreign investors, developed integral system of measures on encouragement of activity of the enterprises with the foreign investments.

Uzbekistan launched a critical reform process in 2017 to build a competitive and inclusive market economy. Key reforms included exchange rate liberalization, reduction of import tariffs, price liberalization of selected goods and services, and establishment of the Anti-Monopoly Committee[29].

Uzbekistan has signed bilateral free trade agreements with 11 CIS countries (Russia, Belarus, Ukraine, Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Turkmenistan and Tajikistan). In 2004, Uzbekistan and Ukraine agreed to remove all bilateral trade barriers. Uzbekistan joined the CIS Free Trade Zone Agreement in 2014. In 2020, Uzbekistan assumed observer status in the Eurasian Economic Union (EAEU).

In Uzbekistan, industries such as automotive, agricultural machinery manufacturing, biotechnology, pharmaceutical industries and information technologies have stepped into a new development stage. The country envisages to attract increased investments for modernization and technological re-equipment of the enterprises specialized in processing industries. India and Uzbekistan have signed a Joint Statement in September 2019 to set up a joint feasibility study for entering into negotiations for a Preferential Trade Agreement (PTA).

Oil and gas industry

Uzbekistan has 1.5 trillion cubic meters of proven reserves of natural gas (21st largest in the world) and 594 million barrels of proven reserves of crude oil. Uzbekistan ranks 15th in the world production of natural gas. The current gas transmission system in the country consists of over 13,000 km of main gas pipelines, more than half of which is aged 30 years and above. Many of the gas compressor units are fully depreciated, indicating the necessity to modernize the gas transmission system.

[29] Investment Promotion Agency Under the Ministry of Investment and Foreign Trade of the Republic of Uzbekistan

Mineral resources

Uzbekistan is rich in various types of mineral fossils. The subsoil was identified to contain over 100 types of mineral resources. Uzbekistan is among the world's leading reserves of gold, uranium, copper, silver, lead, zinc, tungsten, natural gas and other mineral fossils. The explored reserves of mineral resources solely are estimated to value over US$ 3.3 trillion. Besides Kazakhstan, India has also signed MOU with Uzbekistan for supplying Uranium.

Chemical Industry

The total market size of Uzbekistan's chemical industry estimated in 2021 is US$ 4.6 billion out of which almost US$ 3.2 billion is imported[30]. The chemical industry encompasses production of fertilizers, organic and inorganic substances, artificial fibers, polymers, chemical agents for energy power. Uzbekistan's chemical industry envisages further production of potassium fertilizers [potash manure], PVC, vinyl chloride, to increase the production volumes of nitric and phosphorus fertilizers, methanol, carbamide, ammonium nitrate, sodium chloride, melamine, and other products which require huge investments in processing developing. The 2019-2030 national Programme for the development of the chemical industry has identified 31 projects with a total value of US$12 billion. The government plans to increase production of higher value-added goods through processing of raw materials. On June 21, 2021, the Uzbekistan government signed an agreement with International Finance Corporation (IFC) to support modernization of the chemical industry and attract foreign investment. Thus, opportunities for India's investment include technologies and equipment for setting up plants for petrochemical production, fertilizer production and other chemicals.

Solar Energy

Uzbekistan announced in February 2021 that it has targeted to achieve carbon neutrality in power generation by 2050. The authorities aim to develop power sources with low-carbon emissions, including solar, hydro, wind and nuclear, as well as modernize the electricity grid[31]. The gross potential of solar energy of Uzbekistan is estimated at 50973 million tons of oil equivalent, which is 99.7 percent of the total gross potential of all renewable energy sources investigated to date in the country, the technical potential is 176.8 million toe (98.6% of the total technical potential of renewable energy).

[30] Uzbekistan - Country Commercial Guide, International Trade Administration, Department of Commerce, USA
[31] Transition Report 2021-22: System Upgrade: Delivering the Digital Dividend

A Memorandum of Understanding (MoU) was signed between India and Uzbekistan for solar energy cooperation in January 2021. The two countries aim to identify research/demonstration/ pilot projects between the National Institute of Solar Energy (NISE), Ministry of New & Renewable Energy, India, and the International Solar Energy Institute (ISEI), Uzbekistan in areas such as solar photovoltaic, storage technologies and technology transfer[32]. Uzbekistan has also expressed interest in joining the International Solar Alliance. There is interest in Indian participation in development of solar power sector through competitive bidding[33]. India has been increasingly using solar pumps for irrigation facilities especially where there is a lack of reliable power generation and infrastructure.

Production and processing of fruit and vegetable products

Uzbekistan is a major exporter in the international fruit and vegetable market- apricots, persimmon and cherries. The Government of Uzbekistan is implementing a new Agri-Food Development Strategy 2020-2030, focusing upon the strengthening of public services to assist farms and agri-businesses. Agriculture is an important sector of Uzbekistan's economy, accounting for approximately 28 percent of GDP and employing about 27 percent of the labor force. Exports of agricultural products contributed approximately 8.8 percent to Uzbekistan's external earnings in 2020. The main grain crops of Uzbekistan: wheat, barley, corn, and rice, which are grown in intensively irrigated oases, but at the same time do not have adequate funding for further development, by attracting advanced technologies. There is also great demand, but sesame, onion, flax, and tobacco are grown in small quantities. Fresh fruits are mainly consumed in the domestic market of the country, while dried fruits are exported.

The government aims to attract investments to digitalize agriculture, increase land fertility, and introduce modern agricultural technologies. It is estimated that US$ 826 million will be spent on modernization of 299 pumping stations in 2021-2026. The country's food processing industry has substantial room to grow, given current capacity shortfalls. Only 15 percent of the 20 million tons of fruits and vegetables grown each year is processed for longer shelf-life, while 30 percent is lost due to insufficient storage and processing capacity. Only 16 percent of meat and milk is processed. On June 4, 2021, the government approved the list of 676 types of technological equipment (including several models of food processing equipment) to be exempted from customs tax and VAT when imported into the country. Uzbekistan's 1,500 existing refrigerated warehouses can accommodate only 4.5% of the harvest, and the government plans to triple its cold-storage chain capacity by 2025. The current development

[32] Cabinet approves signing of Memorandum of Understanding between India and Uzbekistan for cooperation in the field of Solar Energy, PIB Delhi, January 20, 2021.
[33] Brief on India-Uzbekistan Bilateral Relations, Embassy of India, Tashkent, Uzbekistan, 2021.

plan calls for adding 3.4 million tons of processing capacity by 2030, accommodating 30 percent of the harvest[34].

Modernization of agriculture is the potential area for greater synergy and collaboration. With new technologies like Internet of Things (IoT) enabled solar pumps and solar powered cold storage rooms coming in the renewable energy sector, technology transfer could be fostered by the Indian private sector. Opportunities for Indian companies exist in areas like storage, packaging and processing of fresh vegetables, fruits, milk and meat, water-saving irrigation technologies, pumping stations for water supply systems, among others.

TAJIKISTAN

Tajikistan possesses abundant unique natural and economic resources necessary for international cooperation and for attracting investments. The country has made a number of changes that have improved its World Bank "Doing Business" rankings in recent years, moving from 152 in 2011 to 106 in 2019 (out of 190 countries). The most significant reform was the implementation of a "single-window" business registration system, which applies to both foreign and domestic applicants, and reduces red tape associated with opening a business.

The main drivers of investment in Tajikistan include its strategic geographic location, political and economic stability, positive dynamic reforms, natural resource endowment, diverse investment opportunities, political commitment, and incentives for Investors. The government is attracting essential investments in road construction, development of the energy sector and mining industry. Significant attention is being paid to civil construction, services and trade. Tajikistan has adopted the National Development Strategy 2016-2030, which defines few priority sectors for investment:

Energy and Hydropower

Tajikistan has huge reserves of hydroelectric resources, occupying the 8th place in the world in terms of specific reserves (per capita and area unit). The estimated hydro potential of Tajikistan is 527 billion Kilowatt-hour per annum. However, it is estimated that less than 6 percent of this capacity is being utilized at present. Priority investment projects exist in the area of hydropower and heating stations, schemes of integrated use of Tajikistan's hydro potential, construction of power transmission lines, modernization and reconstruction of existing

[34] Uzbekistan - Country Commercial Guide, International Trade Administration

facilities in the electric power industry. India undertook rehabilitation and modernization of a 1936 vintage Varzob-1 Hydro Power Station through Bharat Heavy Electricals Limited (BHEL) and National Hydroelectric Power Corporation (NHPC). After renovation, the installed capacity was enhanced from 2x3.67 MW to 2x4.75 MW. The rehabilitated Power Station was inaugurated on 28 December 2012 and is running successfully[35].

Agriculture development and Processing of agricultural products

Tajikistan has favorable natural and climatic conditions, with plenty of sunshine and water, fertile valleys to assist in the development of its agriculture sector. Climatic conditions are favorable for the growth of exotic fruits and vegetables. Priorities for development of agriculture sector include processing of agricultural products; processing of wool and leather; cotton farming; gardening and vegetable farming (ecologically clean products); cattle breeding; beekeeping; fish farming and newlands reclamation.

Tourism and service industry

With immense natural flora and fauna and a rich cultural heritage the country has a potential for further development and promotion of eco-tourism; health and spa tourism; highland tourism and mountain hiking.

Other priority areas which hold immense potential for investment and cooperation include: SME development in processing of agricultural products; processing of primary aluminum; manufacture of construction materials; transport infrastructure and communications; machinery, equipment, materials and spare parts; chemical industry products; textiles, carpets, leather and garments; woodworking industry products; and ceramics, glass and semi-precious stone items.

KYRGYZSTAN

Kyrgyzstan is one of the investor-friendly emerging economies in the Central Asian region with a relatively advanced legal framework and sustained commitment to encouraging investment. Kyrgyzstan strongly encourages private investment, both from foreign and domestic investors. The Government of Kyrgyzstan pays special attention to development of industry, trade, and tourism sectors of the country as well as to formation of a favorable investment climate. Attracting foreign direct investments was announced to be one of the main priorities of the

[35] Brief of India-Tajikistan Bilateral Relations, MEA Bilateral Brief, July 2021

national economic policy. It has a competitive corporate tax rate of 10 percent, low labour costs and relatively cheap electricity as a result of its abundant hydroelectric resources. As a member of the Eurasian Economic Union, the Kyrgyz Republic has preferential trade access to markets in Kazakhstan and the Russian Federation, and it borders China[36]. Kyrgyzstan has immense investment potential in diverse sectors of its economy which include primarily among others:

Hydropower

Kyrgyzstan has vast water resources originating from its mountain rivers with huge potential for hydro power generation, with an estimated production capacity at 142 gigawatt-hours (GWh). The need for increasing energy efficiency was accorded high priority post-independence. While over 90 percent of domestic electricity demand is met by hydropower, the country is currently using less than 10 percent of its hydropower potential. Despite its immense hydropower potential, high potential for wind and solar power, and substantial coal reserves, the sector has struggled to meet the country's growing demand for energy. According to the ADB, the country is heavily dependent on a few hydropower generation facilities and two aging cogeneration plants that are vulnerable to breakdowns. Most of the assets in generation, transmission, and distribution are aged and in need in replacement[37]. Therefore, Indian companies could seek opportunities for construction of new and modernization of the existing hydropower facilities.

Mining

A large selection of deposits of various minerals have been discovered and explored on the territory of Kyrgyzstan. Kyrgyzstan has proven reserves of gold estimated at 68.5 million tons of ore containing 6.1 million ounces of gold. The mining industry also produces some nonferrous metals (antimony, mercury, and rare earth minerals) in small quantities. The country has unexploited deposits of gold, tin, tungsten, coal, and possibly oil.

Food Processing

The agriculture sector in Kyrgyzstan is estimated to contribute to 15 percent of the country's domestic product. Kyrgyzstan has abundance of agriculture produce including cotton, kidney beans, meat and dairy products, and fruit and vegetables, opening up opportunities for food processing with further capacity to export finished goods. Processing of sugar, tobacco,

[36] Sustainable Infrastructure for Low-Carbon Development in Central Asia and the Caucasus, OECD, December 2019
[37] Kyrgyz republic - Improving Growth Potential, ADB, September 2019

starch and molasses, fruit and vegetables hold immense opportunities, while processing of beef and mutton in Kyrgyzstan is essentially for export purposes. Opportunities exist for food processing and packaging equipment.

Information Technology

Information and communication technology (ICT) services have been improving rapidly in the recent years, with commensurate extensions in service coverage and quality. The National Digital Transformation Programme 2019–2023, aims to transform the country into a digital economy, highlighting the high-level political commitment to public sector modernization and reforms. Despite the high level of literacy and attainment of secondary education in the country, only 38 percent of the adult population used the internet in 2017. Internet access in rural areas is limited by the limited mobile broadband coverage and the lack of smartphones and computers. In the IT sector, Kyrgyzstan also envisages establishing a park of high technologies, which would also be exempt from a number of taxes for a few years. Under the digital transformation roadmap, the Kyrgyz government is targeting ICT modernization of customs and logistics centers, healthcare service centers, educational institutions, and transport hubs. Limited available financing remains a constraint for the government, which relies heavily on international donor assistance to fund major ICT projects. The country is also an emerging outsource market for international tech startups and companies seeking business process services, due to its zero percent tax regime, low overhead costs, and skilled local IT workforce[38]. Indian companies - as a pioneering hub in emerging digital technologies could explore its opportunities to invest in manufacturing and set up of Techno parks in Kyrgyz Republic.

TURKMENISTAN

Turkmenistan's has voluminous reserves of natural gas, ranking as the world's fifth largest reserve of natural gas and substantial oil resources. In addition, half of the country's irrigated land is planted with cotton, making the country the world's a major global producer of cotton. Historically, the most promising area for investment have been in the oil and gas sector. Other industries where the Government has evinced interest to attract foreign investment include sectors such as: textiles and construction, which require modern technology, knowledge of international markets and experience in international business practices. In line with Turkmenistan's immense potential in oil and gas, in 2006, Turkmenistan adopted the Oil and Gas Development Plan for 2007-2030. Recently the Government has been trying to attract

[38] Kyrgyz Republic - Country Commercial Guide, International Trade Administration, October 2021

investment in sectors such as construction, chemicals, agriculture, healthcare, transportation and communications, logistics, banking, financial services and insurance.

Oil and Gas Production and Refining

Turkmenistan is rich in hydrocarbon resources. According to official figures, Turkmenistan's resource base is approximately 71.64 billion tons of oil equivalent, including 53 billion tons located in onshore fields and 18.21 billion tons in the Caspian Sea. The BP Statistical Review of World Energy 2020 indicates that Turkmenistan has 600 million barrels of proven oil reserves and 19.5 trillion cubic meters in proven reserves of natural gas. Turkmenistan has invested US$900 million in a number of projects designed to increase the country's refining capacity by 95 percent by 2030, including a facility for coking (carbonization) and tar de-asphalting with an annual capacity of 900,000 and 500,000 tons, respectively. The Turkmen Government wants to diversify and create natural gas refining facilities to produce polyethylene, polyvinyl chloride, methanol, formaldehyde, resins, synthetic rubber, and paint materials[39]. Therefore, opportunities for collaboration exist in construction of oil and gas processing units; new technologies in gas-to-liquid fuel processing; production and storage of petroleum products.

Chemical Products

Turkmenistan has nine chemical plants that produce nitrogen and phosphorus fertilizers (700,000 tons per year), sulfuric and nitric acids, iodine, bromine, and mineral salts. Turkmenistan intends to increase fertilizer production to approximately 5,000,000 tons per year, of which 1,400,000 tons will be potash fertilizers. The country also plans to increase iodine production from 500 to 1,515 tons per year by 2030. The government also announced plans to set up joint ventures with foreign companies to produce various types of chemicals based on local raw materials. Therefore, opportunities for Indian companies exist in construction of urea and ammonia plants; utilization of sulfur resulting from natural gas production processes, and construction of iodine and bromine plants, building of new industrial facilities for the production and export of products such as caustic soda, chlorine and its derivatives, and potassium fertilizers.

[39] Turkmenistan - Country Commercial Guide, International Trade Administration, October 2020

Chapter

EXPORT-IMPORT BANK OF INDIA'S PRESENCE IN CENTRAL ASIA

As the apex financial institution in India, financing, promoting and facilitating India's international trade and investments, Export-Import Bank of India (India Exim Bank)'s vision has evolved from financing, facilitating and promoting trade and investment to a conscious and systematic effort at creating export capabilities. Since India Exim Bank commenced operations in 1982, the developing and least developed countries have always been a focus area, and thus formed a critical component of India Exim Bank's strategy to promote and support South-South co-operation, trade and investment. India Exim Bank's commitment towards building relationships and fostering cooperation among southern countries is reflected in the various activities and Programmes which India has set in place. India Exim Bank operates a comprehensive range of financing, advisory and support Programmes to promote and facilitate India's trade and investment.

FINANCING PROGRAMMES

Lines of Credit

Exim Bank extends Lines of Credit (LOCs) to governments, parastatal organisations, financial institutions, commercial banks and regional development banks to support export of eligible goods and services on deferred payment terms. Exim Bank also extends and operates, at the behest of and with the support of the Government of India, LOCs to countries in the developing world. As on March 31, 2022, India Exim Bank has extended one LOC of US$ 448 million to the Government of Uzbekistan for housing and social infrastructure projects. Besides, India Exim Bank had earlier extended a commercial LOC of US$ 10 million to the National Bank of Uzbekistan for general purpose utilisation towards assisting in the host country in its development endeavours.

Support for Project Exports

India Exim Bank extends both funded and non-funded facilities to Indian project exporters for overseas industrial turnkey projects, civil construction contracts, supplies as well as technical and consultancy services contracts. In the region, Indian project exporters have secured project export contracts comprising infrastructure development and power generation and transmission projects in Kazakhstan and Turkmenistan.

Finance for Joint ventures

With a view to support Indian companies in their endeavour to globalise their operations, Exim India operates a Programmeme to support overseas investments by Indian companies through JVs and WOS. Such supports include loans and guarantees, equity finance and in select cases direct participation in equity along with Indian promoter, to set up such ventures overseas. India Exim Bank has supported Indian companies such as Ajanta Pharma Limited, Core Healthcare Limited, Punj Lloyd Ltd., and CJSC CHL International towards setting up joint ventures in countries including Uzbekistan, Kazakhstan and Tajikistan in the Central Asian region in drugs and pharmaceuticals, healthcare services, construction, hotel and hospitality, and tourism sectors, among others with a sanctioned amount of ₹ 232.42 crores.

Institutional Linkages

Further, with a view to identifying opportunities and fostering conducive environment for enhancing bilateral trade and investment relations with countries in the region, India Exim Bank has signed Memoranda of Understanding with institutions in the region such as UZBEKINVEST– National Export-Import Insurance Company and National Bank for Foreign Economic Activity in Uzbekistan and the Investment Promotion and Protection Agency of the Kyrgyz Republic.

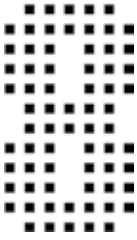
Export credit lines have also been extended to Uzbek Industrial and Construction Bank of US$ 30 million for financing import of goods and services from India. India Exim Bank has also extended non-funded credit facility aggregating ₹ 325 crore and US$ 40 million to the Eurasian Development Bank (EDB), under the Bank's Guarantee Programmeme.

Representative Office

India Exim Bankc has a representative office in Dubai, which seeks to establish and maintain relationships with multilateral agencies, regional development institutions, trade

and investment promotion bodies, international banks, chambers of commerce, government departments and institutions and identify areas of co-operation in the region, along with that in other countries in West Asia. The representative office also plays a role in facilitating India's economic co-operation with Central Asian Republics, while keeping close coordination with Indian Missions in the region. The office projects Bank's capabilities in financing India's international trade and investment, as also keeps the Bank abreast of the developments in the economic and banking/ financial sectors of in the region.

Chapter



RECONNECTING THE REGIONS: WAY FORWARD

Being situated at the heart of the Eurasian landmass and being endowed with immense untapped potential, the five landlocked countries, however, remain logistically challenged due to their geographical conditions. Owing to limited connectivity and low economic engagement with the region, India's trade with Central Asia amounted to a modest US$ 1.2 billion in 2021. India's investments in the region also remains low when compared to other regions and could be bolstered by collaboration in sectors like agribusiness, pharmaceutical and healthcare, IT, solar and chemical sectors besides the traditional oil and gas sector. India's engagements with the Central Asian countries have in fact grown over the years, reflecting their importance as India's "Extended Neighbourhood".

During the second meeting of the India-Central Asia dialogue held in October 2020, India had announced a US$ 1 billion Line of Credit availability for five Central Asian countries for priority developmental projects in fields such as connectivity, energy, IT, healthcare, education, agriculture, etc.[40]

The 1st India-Central Asia Summit which was hosted by India saw with the participation of the Presidents of Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan, in a virtual format on January 27, 2022. The summit is envisaged to be held every two years with the goal of enhancing trade and connectivity, development cooperation and infrastructure[41]. India had also signed MOUs with both Kazakhstan and Uzbekistan for supply of Uranium.

During the Trilateral Working Group Meeting between India, Iran, and Uzbekistan in December 2020, opportunities for joint use of the Chabahar Port were explored while highlighting the strategic importance of the port for India's outreach to Afghanistan and Central Asia, and further to Russia and Europe through the International North-South Transport Corridor (INSTC).

[40] Annual Report 2021-22, Ministry of External Affairs, Government of India
[41] India-Central Asia Virtual Summit, Ministry of External Affairs, Government of India, January 2022

A few strategies to enhance closer cooperation between India and Central Asian Countries in order to fully harness the bilateral trade and investment opportunities existing are briefly discussed below.

Cooperation in Infrastructure Development- An Imperative and an Opportunity

The Central Asia region requires a combination of soft infrastructure and physical infrastructure to achieve a sustainable growth. The overall infrastructure landscape in these economies is progressing, but the region needs substantive measures to scale up infrastructure development. The transformation from being "land-locked" to "land-linked" is being presently facilitated through various infrastructural projects. Along with infrastructure development, regional connectivity barriers also need to be scaled down so that potential intra-regional as well as its global trade can be expanded. Improvement of institutional and regulatory environment across Central Asia remains essential for developing bankable infrastructure projects. Investing in infrastructure development projects in CARs including rail, road, petroleum, heavy engineering, hydrocarbon and energy sectors are some of the plausible options for Indian investors. India's proven expertise and capability in project exports and execution could prove beneficial for Central Asian countries, in their developmental endeavours.

Need for Infrastructure Financing

According to the ADB estimates, Central Asia must invest US$ 33 billion in infrastructure, or 6.8 percent of the region's gross domestic product (GDP), annually until 2030 to meet the region's infrastructure requirements[42]. Including infrastructure investment needs for climate change mitigation and adaptation, it goes up to US$ 38 billion, or 7.8 percent of the region's GDP. Infrastructure investment in Central Asia currently depends on public sources of funding, as the vast distances between cities, the land-locked location, and low population density all contribute to restricting private investment. Cross-border connectivity should be expanded to support the region and promote continuous development. To overcome the challenges to infrastructure development, both traditional and non-traditional sources of financing need to be explored. Joint financing of projects in the region by multilateral development banks/ regional development banks and other financial institutions could be a viable option.

[42] Meeting Asia's Infrastructure Needs, Asian Development Bank, 2017

Enhancing Access to Trade Finance

According to ADB research, 57 percent of the total value of trade finance applications by MSMEs in Central Asia undergo rejection as compared to 33 percent in case of other Asian economies. Correspondent banking also remains limited in Central Asia, which has in fact undergone retreat over the past 6 years until 2019. According to ADB, the withdrawal of global banks from correspondent banking relationships often relates to challenges in the capacity of local respondent banks[43]. Correspondent banking plays a crucial role in cross-border payments, facilitating cross-border commercial transactions. In order to fill this gap, development finance institutions could develop financial instruments or credit enhancement mechanisms like risk participation and transaction guarantee agreements to support non-traditional confirming banks in countries of Central Asia. To address the widening global trade finance gap, India Exim Bank initiated a new trade finance product - Trade Assistance Programme (TAP), under the aegis of which the Bank will provide support by way of various trade instruments to Indian banks engaged in international trade, by offering transaction-specific partial or full guarantees to cover payment risks on banks in least developed/ developing countries. This programme envisages to augment India's exports whilst also helping importers abroad to engage in international trade whilst mitigating the risks involved and expanding their market/buyers for their products which were hitherto not addressed. Thus, TAP will provide enabling environment for counterparties in settlement of trade transactions.

Ensuring Maritime Connectivity through Port Development

Maritime connectivity plays a significant role in creating regional corridors for trade and economic linkages. Therefore, the access of land-locked economies to maritime movements needs to be a priority area for cooperation. The Chabahar port is located at a very strategic location, connecting India to Afghanistan and Central Asian countries. With an agreement between India and Iran executed in 2016, India had taken a lead role towards development of Chabahar port. India has invested approximately US$ 85 million in development and operationalization of 2 terminals in Phase 1 for 10 years[44]. Investment in Chabahar port through the Indian Ports Global Limited (IPGL)[45] is the first overseas strategic venture for India. The Chabahar project gives India a sea-land access route into Afghanistan and Central Asia through Iran's eastern borders. India, through IPGL, on December 24, 2018, took over

[43] Leveraging Fintech for Central Asia's Trade Financing Needs: Supporting Underserved Micro, Small, and Medium-Sized Enterprises, ADB Briefs, November 2021
[44] Maritime India Vision 2030, Ministry of Ports, Shipping and Waterways Government of India, February 2021
[45] Annual Report 2020-21, Ministry of Ports, Shipping and Waterways Government of India

the operations of two berths at Shahid Behesti Port, Chabahar, Iran during the Chabahar Trilateral Agreement meeting held at Chabahar. The Shahid Beheshti terminal at Chabahar port, has seen a steady increase in bulk and general cargo traffic and since December 2018 it has handled 152 vessels, 14,420 Twenty-foot Equivalent Unit (TEUs) of containers and more than 3.11 million metric ton of bulk and general cargo. Besides, shipment from India, the port has also handled several shipments and trans-shipments from Russia, Brazil, Thailand, Germany, France, Ukraine, Bangladesh, and the UAE.

The first Trilateral Working Group Meeting between India, Iran, and Uzbekistan on joint use of Chabahar Port was held virtually on December 14, 2020. Cooperation in the field of regional connectivity continued, including development of Shahid Behesti Terminal, Chabahar Port, along the INSTC. The Joint Working Group on Ports and Maritime Cooperation met in July 2021[46].

However, the bottlenecks for the development of port continue to remain - even though the Chabahar port is exempted from USA sanctions, the sanctions on Iran have hindered the natural growth of the port due to challenges faced in procurement of equipment, unavailability of credit facilities, lack of mainline vessels calling at Iranian ports, insurance and banking challenges, unpredictability of vessel calls making limited calls at the port, lack of rail connectivity to Chabahar port and limited volumes of cargo with high cost, among others.

Increasing Engagement under the International North-South Transport Corridor (INSTC)

The INSTC which is a 7,200 km-long multi-modal transportation network corridor connecting the India Ocean and Persian Gulf to the Caspian Sea via countries in Central Asia and Eurasia offers the shortest connectivity route to its member states including countries in land locked Central Asia. The INSTC which envisages promotion of transportation cooperation, trade and investment especially among the member states, could auger well for countries in Central Asia.

India intends to make Chabahar Port a transit hub under the International North-South Transport Corridor (INSTC) to reach out to the Central Asian countries. This intends to reduce logistics cost which will contribute towards the trade volume between the two regions

[46] Ministry of External Affairs, Annual Report 2021-22

providing a secure and commercially viable access to the Indian Ocean region for Central Asian countries. The present loading and unloading capacity of the Shahid Beheshthi Port at Chabhar is 8.5 million tonnes, which is expected to be enhanced to 15 million tonnes on completion of the Phase I of the project[47]. The Chabahar INSTC Link is also expected to further reduce the transportation time. According to a study conducted by the Federation of Freight Forwarders' Association of India (FFFAI) in 2014, the 7,200-km INSTC which cuts through Central Asia, the Caspian Sea, Iran and the Arabian Sea was 30 percent cheaper and 40 percent shorter than the traditional Suez route, reducing the transit time to an average of 23 days for Europe-bound shipments from the 45-60 days taken by the Suez Canal route[48]. Also, the route may help India is fulfilling its energy needs by supporting imports from Central Asia, besides increasing India's exports of agricultural products, machinery, electrical equipment, articles of iron and steel, optical, photographic, and medical equipment, transport vehicles, among others. Linking the Central Asian countries through the important Chabahar Port under the INSTC is envisaged to not only provide connectivity to the land locked region, but also drive global investments further into the region, bringing in more prosperity and sustained growth.

[47] Ministry of Ports, Shipping and Waterways, PIB Press Release, July 2022
[48] India's Export Opportunities Along the International North South Transport Corridor, India Briefing, February 21, 2022

About India Exim Bank's Working Paper Series

As part of its endeavour in enriching the knowledge of Indian exporters and thereby to enhance their competitiveness, Exim Bank periodically conducts research studies. These research studies are broadly categorized into three segments, viz. sector studies, country studies and macro-economic related analysis. These studies are published in the form of Occasional Papers, Working Papers and Books. The research papers that are brought out in the form of Working Papers are done with swift analysis and data collation from various sources. The research papers under the series provide an analytical overview on various trade and investment related issues.

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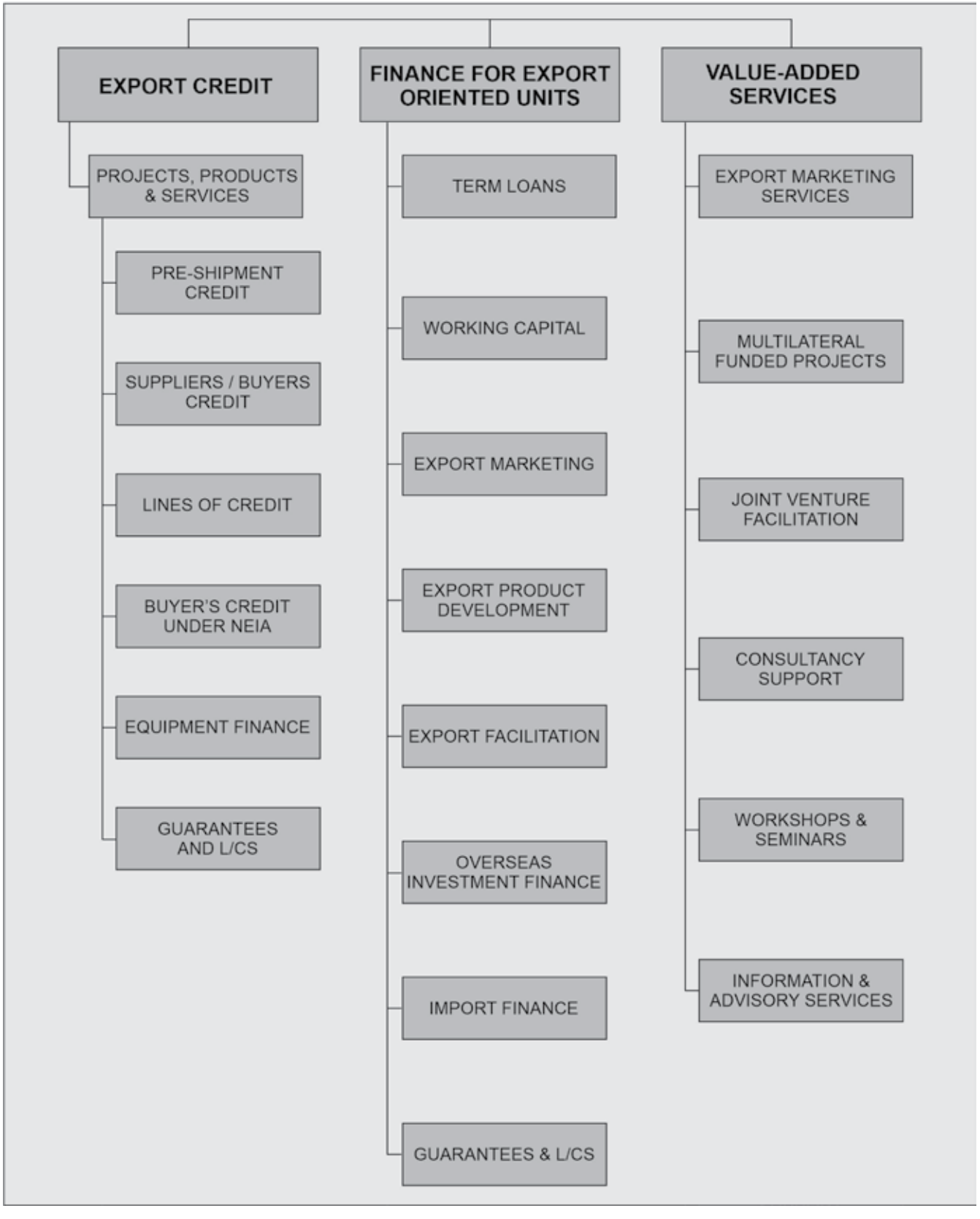
INDIA EXIM BANK'S MAJOR PROGRAMMES

Bank's Major Programmes



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