CONNECTING CONTINENTS: ENHANCING INDIA-EURASIAN ECONOMIC UNION TRADE AND INVESTMENT RELATIONS

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Connecting Continents:
Enhancing India-Eurasian Economic Union Trade and Investment Relations

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Background

To promote economic integration, the Eurasian Economic Community (EurAsEC) was founded in the year 2000 with the aim of establishing an economic zone comprising Russia, Belarus, Kazakhstan, Kyrgyzstan and Tajikistan. In 2014, an agreement on the termination of the EurAsEC was signed and subsequently, the Eurasian Economic Union (EAEU) was launched on January 1, 2015. The current members of the EAEU include Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia. Currently Moldova, Uzbekistan and Cuba hold the observer status of the EAEU. The EAEU covers an area of 20,229,248 km^2 and has an estimated cumulative population of 182.2 million. Russia accounts for 84% of surface area of the region. Agricultural land represents 15.5% of the EAEU surface area, varying between 11.3% in Russia and 68.9% in Kazakhstan. Russia represents over 80% of the EAEU labour force, followed by Kazakhstan and Belarus.

The EAEU provides for free movement of goods, services, capital and labor, and pursues a coordinated, harmonized and single policy in the macroeconomic sphere, transport, industry, agriculture, energy, foreign trade and investment, customs, technical regulation, competition and antitrust regulation as determined by the Treaty and international agreements within the Union.

According to the World Economic Outlook April 2023 of the International Monetary Fund (IMF), the Eurasian Economic Union region is estimated to have registered a nominal GDP of US$ 2.5 trillion in 2022, accounting for 2.4% of the world GDP as compared to US$ 2.1 trillion in 2021 (2.1% of world GDP) and a pre-pandemic GDP of US$ 1.7 trillion (2.2% of world GDP in 2019). Russia, being the largest economy in the region, accounted for 87.7% of the region’s nominal GDP and 79.1% of the total population in 2022.

Foreign Trade of Eurasian Economic Union

Total merchandise trade of the EAEU has moderated from US$ 1.1 trillion in 2013 to US$ 963.6 billion in 2022, mainly due to decline in imports. The region has a positive trade balance which has widened in 2022 to US$ 402.8 billion compared to US$ 235.4 billion in 2013. The favourable trade balance enjoyed by the region is due to the large trade surpluses of Russia and Kazakhstan, mainly driven by large exports of oil and natural gas. Depending upon the global trends, both exports and imports of the region have recorded a fluctuating trend, driven by global commodity price movements. Among the EAEU countries, Russia is the leading trading nation, accounting for 81% of total trade of the region in 2022, followed by Kazakhstan which accounted for 14.0% of the total trade and Belarus (2.5%). Armenia and Kyrgyzstan accounted for marginal shares of 1.4% and 1.2% of total trade, respectively, in 2022.

On account of the region's geographical location and landlocked nature of majority countries, the EAEU's major traditional trading partner has been the neighbouring country, China. Russia, being the largest country in the region, is another major trading partner for the rest of the four EAEU countries. The EAEU's exports to the EU accounted for 36% of the EAEU's total exports in 2022. European countries such as Turkey, Italy, Germany, Netherlands and France are among the leading trade partners for the EAEU countries. Among individual countries, China accounted for 19% of the EAEU's total exports in 2022. China was followed by Turkey (9.4% of total exports in 2022) and Italy (6.5%). India was the 4th largest export destination in 2022, with a share of 6.3% in total exports of the EAEU in 2022 (improving from 15th position and 1.8% share in 2021).

Similarly, the EAEU's imports from the EU accounted for 26.2% of its imports in 2022, compared to 29.8% in 2019. As in the case of exports, China remained the major import source of the EAEU countries, accounting for 34.2% of imports in 2022, followed by Russia, Germany and Turkey. Although the share of Russia in the region's total imports has witnessed a decline, the country still remains the major supplier of energy and manufactured products. India was the 16th largest import supplier, with a share of 1.4% in total imports of the EAEU in 2022.

The EAEU's exports remains heavily skewed towards primary goods and natural resource-based manufactures. The EAEU specializes in mineral fuels and oil production; consequently, 65% of its overall exports in 2022 are mineral fuels. Other major exports include iron and steel (semifinished products in particular), followed by fertilisers, precious metals (gold, platinum, unmounted diamonds and silver) and aluminium, among others.

The region's import remains capital intensive as reflected by the composition of the import basket with machinery and mechanical appliances like automatic data-processing machines, machinery for plants or laboratories, appliances for pipes; electrical machinery and equipment such as telephones, electric heaters, panels, and monitors and vehicles, vehicular parts and accessories accounting for the maximum imports.

Services Trade of the EAEU

The EAEU's trade in services has witnessed a moderation from as high as US$ 236.7 billion in 2013 to US$ 160.8 billion in 2022. Services exports have declined over the last decade from US$ 86.2 billion in 2013 to US$ 71.7 billion in 2022. Similarly, services imports also moderated from US$ 150.5 billion in 2013 to US$ 89.2 billion in 2022. The services trade deficit has narrowed over the period as imports have declined as well, leading to overall shrinking of the total services trade.

Within the bloc, Russia remained the largest exporter at US$ 49.1 billion in 2022, accounting for 68.5% of the total services exports, followed by Belarus (12.8%) and Kazakhstan (11.1%). In case of imports, Russia was the largest importer at US$ 70.8 billion (79.4% of total services imports by the EAEU in 2022), followed by Kazakhstan (10.6%) and Belarus (5.6%). While Russia, Kazakhstan and Kyrgyzstan have services trade deficits, Armenia and Belarus recorded services trade surplus in 2022.

Transportation and travel services represented the largest shares in services exports and imports of most EAEU member countries. Among other types of services, telecommunications, computer and information services stood out in Armenia and Kazakhstan. Construction and other business services were found to be predominant in Russia. In case of Armenia, travel accounted for the largest share in services exports at 58.4% in 2022, followed by transport services (13.4%). In case of Belarus, transport services accounted for 40.4% of total services exports in 2022, followed by telecommunication, computer and information services, accounting for 29.4%. Transport and travel services accounted for the largest share in services exports of Kazakhstan in 2022, at 59% and 18.8%, respectively. Likewise in case of Kyrgyzstan, travel and transport services accounted for 44.3% and 33.9% of its total services exports, respectively in 2022. Russia's services exports were mainly focused on sectors like transport (31.6%) and telecommunication, computer and information services (11.9%) in 2022. Other important sectors include travel, technical, trade-related, and other business services and professional and management consulting services.

Services imports of the EAEU witnessed a moderation from US$ 150.5 billion in 2013 to US$ 89.2 billion in 2022. Transport and travel services accounted for the majority share in services imports by the EAEU countries. In case of Armenia, transport and travel accounted for more than 81.1% of services import in 2022. Transport and travel services were the major services imported by Belarus, accounting for 41.2% and 18.8% of total services imports, followed by telecommunication, computer and information services (6.3% in 2022) and professional and management consulting services in 2022. In case of Kazakhstan, besides travel (25.8%) and transport services (28.7%), technical trade related, and other business services (14.8%) accounted for the major share in services imports in 2022. Transport and travel services dominated Kyrgyzstan's imports as well in 2022, accounting for 70.4% and 12.7% of imports, respectively. Besides travel (28.6%) and transport (20%) services which accounted for the major share in Russia's services imports in 2022, the other major categories include technical, trade related and other business services (12.5%) and professional and management consulting services (6.6%).

The EAEU has signed Free Trade Agreements (FTAs) with Serbia, Iran and Vietnam, while the EAEU is currently negotiating FTAs with Indonesia, Saudi Arabia, Thailand, Egypt and the UAE. The EAEU has also signed an FTA with Singapore, but it is yet to come into effect.

The EAEU countries offer GSP benefits in the form of tariff preferences. Changes to the EAEU Generalized System of Tariff Preferences (EAEU GSP) was made by the Eurasian Economic Council in April 2021 in terms of reducing the number of developing countries qualifying for the EAEU tariff preferences from 103 to 29 and reducing the number of least developed countries from 50 to 48. Accordingly, this decision came into effect from October 2021.

India - EAEU Bilateral Trade Relations

The Eurasian Economic Union 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.

However, India's exports to the EAEU accounted for a modest share in India's global exports at 0.8% whereas India's imports from these countries accounted for a share of 4.8% of India's global imports in 2022. India's imports have particularly increased in 2022 due to higher imports of crude oil from Russia, resulting in widening of the trade deficit to US$ 31 billion as compared to US$ 5.6 billion in 2021. On an average, exports from India have been modest with an average annual growth rate (AAGR) of 4.9% during the last decade. Among the EAEU countries, India had a trade surplus with Kazakhstan and Kyrgyzstan whereas trade deficit with Armenia and Belarus have narrowed in 2022. However, with Russia, India's imports have grown by more than 312%, resulting in massive trade deficit during the same period.

India's major exports to the EAEU in 2022 were pharmaceutical products (15.3%), followed by electrical machinery (12.7%), organic chemicals (8.6%), machinery (8.5%), iron and steel (4.6%) and coffee, tea, maté and spices (4%), among others. India's major imports from the EAEU in 2022 were mineral fuels and oils (82.8%), fertilisers (7.1%), pearls and precious stones (3.6%), animal and vegetable fats (2.2%) and iron and steel (0.8%), among others.

India's Services Trade with the EAEU

India's services exports to the EAEU stood at US$ 1.4 billion in 2021, increasing by an AAGR of 3.9% from 2011 when it was at US$ 1.0 billion. Russia's share in India's services exports to the EAEU was the highest at 58.1% in 2021, followed by Kazakhstan (25.7%). India's services imports from the EAEU increased from US$ 950 million in 2011 to US$ 1.6 billion by 2021, growing by an AAGR of 6.1%. Russia accounted for 65.7% of India's services imports from the EAEU in 2021, followed by Kazakhstan at 15.5%.

Potential for Enhancing Trade with the EAEU Countries

During the period 2011-2021, the complementarity index for profile of Indian exports to the EAEU's imports remains on an average around 54.9. This indicates a considerable complementarity in India's exports and the EAEU's imports. During the same period, the complementarity index for profile of Indian imports to the EAEU's exports remains on an average around 58.3. This indicates a considerable complementarity in India's imports and the EAEU's exports.

Revealed Comparative Advantage

To identify the products based on their export competitiveness in the EAEU, a four-quadrant analysis has been undertaken based on the HS Code classifications at 6-digit level by calculating their Normalised Revealed Comparative Advantage (NRCA) and mapping them against AAGR of global imports of the EAEU for all products. The quadrants are drawn by comparing the overall AAGR of global imports of the EAEU for all products during 2017-2021 (which was 10.5%), to the NRCA of India's exports to the EAEU during the same period. This exercise aims to identify products whose imports in the EAEU over the period 2017-2021 have performed better than the overall average of the EAEU for all products during this period, implying that the share of such products in the EAEU's import basket has witnessed an increase, a reflection of their rising demand and dynamism. At 6-digit HS Code, with minimum exports of US$ 0.5 million from India to the EAEU, 552 products have been identified with the total exports from India to the EAEU amounting to US$ 3.6 billion, while the total world imports by the EAEU for the same products stood at US$ 130.2 billion in 2021 **(Table A)**.

Out of the 552 items at the HS 6-digit level, 242 items fell into the category of the product champions. The combined exports of these items from India to the EAEU were US$ 1.9 billion in 2021, representing approximately 50.2% of India's exports to the EAEU in 2021. Major product champions include mobile phones, frozen shrimps and prawns, ceramic products, mucilages and thickeners, shovels, organic chemicals, diamonds, steel products, vaccines and other pharmaceutical products, vehicles and auto components. The Underachievers segment has 86 items, with India's exports worth US$ 124.4 million to the EAEU. These products constitute a share of 3.4% in India's total exports to the EAEU. These are the product items in which import demand in the EAEU market are rising, but India does not have the required competitiveness in the export of these items. The Underachievers broadly include products under machinery, vehicles and auto components, chemical products and food preparations.

Table A: Identification of Potential Products for Exports from India to the EAEU (2021)

	Product Imports AAGR of EAEU > World Import AAGR of EAEU	Product Imports AAGR of EAEU < World Import AAGR of EAEU
NRCA>1	**Product Champions (242 items)** India's Exports to EAEU: US$ 1.9 billion World Exports to EAEU: US$ 34.3 billion	**Growing in Declining Markets (170 items)** India's Exports to EAEU: US$ 1.5 billion World Exports to EAEU: US$ 26.8 billion
NRCA<1	**Underachievers (86 items)** India's Exports to EAEU: US$ 124.4 million World Exports to EAEU: US$ 41.6 billion	**Lagging in Declining Markets (53 items)** India's Exports to EAEU: US$ 89.4 million World Exports to EAEU: US$ 27.5 billion

Source: ITC Trade Map and India Exim Bank Research

Thus, a significant shift needs to be made from the declining sectors to the product champions in the short run and underachievers in the medium to the long run, to make efficient utilization of resources and further enhance exports from India to the EAEU.

Effectively Applied Tariffs Imposed by India and the EAEU

According to World integrated Trade Solutions (WITS), World Bank, 54.2% of India's imports from the EAEU face effectively applied tariff rate of less than 15% when exported to India. Around 1.2% of imports remain duty free including kidney beans, urea, nickel, some machinery and medical equipment. Products which face 20% or above AHS imposed by India are lentils, chickpeas, wheat, crude vegetable oil, beverages, cotton, textile, footwear, machinery, stainless steel and wooden furniture, among others. Around 42.1% of imports remain undefined in terms of total tariff lines. These are products mainly corresponding to HS 2709 and HS 2710, i.e., petroleum oil (mainly crude). Based on data obtained from Central Board of Indirect Taxes and Customs, Ministry of Finance, Government of India, 5% import tariff is imposed on these chapters presently.

According to the data generated from WITS, around 24.5% of the EAEU's imports from India are duty-free. Cumulatively, 52.4% of the EAEU's imports from India face effectively applied tariff of 0.1-5%. India was a beneficiary of the EAEU's General System of Tariff Preferences till October 2021 when it was discontinued by the EAEU, leading to removal of 25% tariff discount on agricultural commodities. India faces highest applied tariffs on products from chapters - HS 24, 61, 62, 67, 73, 82, 87, 40, 94, 82 and 73 (tobacco, apparels, articles of feather, articles of iron and steel, tools and implements of base metal, transport vehicles and parts, rubber articles and furniture and mattress, among others).

Non-Tariff Measures in Goods Trade

Among the non-tariff measures (NTMs) imposed by Armenia on India and other WTO members, Sanitary and Phytosanitary (SPS) and Technical Barriers to Trade (TBT) measures are among the mostly used NTMs, with 40 SPS (8 in force and 32 initiated) and 88 TBT (1 in force and 87 initiated). According to broad sector classification of the WTO Integrated Trade Intelligence Portal (I-TIP), vegetable products have attracted the highest SPS, whereas highest number of TBTs are for machinery and electrical equipment.

Kazakhstan has majorly imposed 42 SPS, out of which 2 are in force for all members including India, 39 have been initiated for all members and one has been initiated bilaterally towards India in 2020 regarding cattle and other animals susceptible to nodular dermatitis, as well as genetic material obtained from them. According to broad sector classification of the WTO I-TIP, the highest number of SPS are imposed on live animals and products (21), prepared foodstuff; beverages, spirits, vinegar; tobacco (15) and vegetable products (10).

Kyrgyzstan has imposed 48 TBTs and 24 SPS. Out of the 48 TBTs, 34 have been initiated by Kyrgyzstan whereas 14 are in force against all members. Majority of TBTs are part of measures without HS code. The second most imposed NTM is SPS with 21 initiated and 3 in force against all members, mainly in vegetable products but also remains broadly present across all sectors. India accounted for 10.8% of Kyrgyzstan's global vegetable product imports despite high number of SPS present.

Russia has imposed 129 TBTs and 134 SPS. Out of the 129 TBTs, 107 have been initiated, whereas 22 are in force against all members. Majority of TBTs are part of measures without HS code and rest are broadly spread across sectors, with chemical and allied industries and machinery and electrical equipment accounting for the highest numbers, among others. The SPS were the most imposed NTMs with 103 initiated and 29 in force against all members, including 2 initiated bilaterally against India and 1 in force since 2013 for HS Codes: 1006 (live animals), 1103 (cereal groats, meal and pellets), 1104 (cereal grains otherwise worked, e.g., hulled, rolled, flaked, pearled, sliced or kibbled), and 1202 (groundnuts, whether or not shelled or broken). Besides SPS and TBTs, Russia also imposes NTMs using Quantitative Restrictions – 93 in numbers, on all members with highest number of QRs in chemical and allied industries, machinery and electrical equipment, base metals and articles and mineral products.

Foreign Direct Investment in the EAEU and Bilateral Investment with India

FDI inflows to the EAEU moderated to (-) US$ 9.7 billion in 2022 from US$ 66.9 billion in 2013. According to the World Investment Report 2023 by the UNCTAD, the direct effects of the Russia-Ukraine conflict on investment flows to and from Russia include the halting of existing investment projects and the cancellation of announced projects. Russia was the 9th largest FDI recipient globally in 2021, with FDI inflows of US$ 38.2 billion. However, as a result of the conflict, FDI flows fell to (-) US$ 19 billion in 2022 as large companies divested. On the other hand, FDI inflows to Kazakhstan almost doubled to US$ 6.1 billion, with increases in the extractive industries, mainly from MNEs in the Netherlands and the United States. These were mainly reinvested earnings boosted by high profits in the extractive industries. FDI outflows from the EAEU decreased to US$ 8.4 billion in 2022 from US$ 73.2 billion in 2013, with majority of outflows from Russia. Kazakhstan and Belarus are preferred investment destinations for many Russian companies.

According to the fDi Markets database, during 2013-2022, coal, oil and gas sector was the major recipient of capital investment into the EAEU, accounting for 28% of total investment received of US$ 224.7 billion, followed by food and beverages (13%) and chemicals (6%), respectively. The US was the largest investor in the EAEU during the period 2013-2022, contributing 24.3% of total FDI into the EAEU. The other major investors were China (20.9% of total inward FDI received by the EAEU), followed by France (5.5%), Germany (5.1%) and Netherlands (3.4%). In terms of investment destinations, Russia received the highest capital investment during 2013-2022 with 62.4% share among the EAEU countries, followed by Kazakhstan (31.7%), Belarus (3%), Armenia (2.1%) and Kyrgyzstan (0.8%).

During January 2013 to December 2022, total envisaged capital investment of India in the EAEU stood at a cumulative amount of US$ 1.9 billion, making India the 24th largest investing country. India has majorly invested in coal, oil and gas, pharmaceuticals and food and beverage industries in the EAEU. The maximum envisaged investment from India to the EAEU took place in 2015, when India invested US$ 1 billion in Kazakhstan. Russia received US$ 753 million from the India during 2013-2022, while Belarus received US$ 1 million from India.

During 2013 to 2022, Egypt emerged as the largest destination for the EAEU's capital investment, accounting for a share of 27.5% of the total investment received of US$ 112 billion, followed by Iraq (10.1%), Jordan (9%), Uzbekistan (8.3%), Vietnam (5.6%) and China (4.3%), among others. Total capital investment made by the EAEU in India stood at US$ 1.7 billion, accounting for 1.5% of total investment made by the EAEU between 2013 to 2022. India was 10th largest investment recipient for the EAEU, with source countries being only Russia and Belarus, and Russia accounting for 97.8% of all investments. Major sectors attracting investments from Russia and Belarus into India during 2013 to 2022 were coal, oil and gas (51% of total investment received), followed by aerospace (10%) and metals (7%).

Way Forward and Recommendations

India's merchandise trade deficit with Russia stood at US$ 31.1 billion in 2022. India also ran a trade deficit of US$ 31 billion cumulatively with the EAEU countries in 2022-23. There has been a growing thrust from the Reserve Bank of India (RBI) and the Government of India for invoicing, payment and settlement of exports / imports in INR, with a view to promote trade growth, particularly exports, and to support the growing interest of global trading community in INR. Accordingly, authorised Indian banks open and maintain special rupee vostro accounts of the partner trading country's banks. Steps are being taken in this direction with an aim to move towards internationalisation of the INR. As India imports much more from Russia and the EAEU than it exports, this would lead to a rupee balance accumulating for Russia in the Vostro account. Therefore, it is necessary to diversify trade to balance the increasing trade deficit mainly arising due to India's energy imports. It is also necessary to arrive at favourable conditions for mutual financial settlements, payment systems, insurance, logistics and stimulating further business ties between India and the EAEU.

Following are the various areas of cooperation and recommendations which could faciliate increasing trade and investment relations between India and the EAEU.

Enhancing Trade based on Identified Potential

In order to boost trade with the EAEU, India needs to focus on products where it has a comparative advantage. In the short term, enhancing exports of the existing "Product Champions" that are already performing well in the EAEU market could be undertaken. In the medium to long term, increasing capacity and exports of "Underachievers" is required to further improve India's competitiveness. The targeted export products range from mobile phones and frozen seafood to machinery, chemicals and pharmaceuticals. This strategy aims to enhance trade and improve the trade balance with the EAEU.

Cooperation in Trade Related Infrastructure Financing

The development of logistics infrastructure is essential for the full realisation of the transit potential inherent in the integration within the Eurasian region. The basic advantage of increasing transit traffic through the territory of the EAEU is a significant reduction in the distance, and, therefore, the time of delivery of goods. The EAEU countries require a combination of both soft and physical infrastructure. While progress has been made, there is a need for substantial efforts to scale up infrastructure development. This includes transitioning from "land-locked" to "land-linked" through infrastructure projects and reducing regional connectivity barriers to boost intra-regional and global trade. Improving the institutional and regulatory environment within the EAEU is crucial for developing viable infrastructure projects. Indian investors could benefit from investing in various sectors like rail, road, petroleum, heavy engineering, hydrocarbon and energy in the EAEU, leveraging India's expertise in project exports and execution. Expanding cross-border connectivity is essential to support the region's continuous development. To overcome infrastructure challenges, exploring both traditional and non-traditional sources of financing is necessary. Joint financing by multilateral development banks, regional development banks, and other development finance institutions could be a viable option to facilitate infrastructure development in the region.

Enhancing Multimodal Connectivity

The International North-South Transport Corridor (INSTC) is a 7,200 km-long transportation network linking the Indian Ocean and Persian Gulf to the Caspian Sea through Central Asia and Eurasia. It provides a crucial and shorter connectivity route for its member countries, including landlocked Central Asian nations. India plans to use Chabahar Port as a transit hub within the INSTC to improve access to Central Asian countries, reduce logistics costs and enhance trade. Chabahar Port's loading and unloading capacity is set to increase from 8.5 million to 15 million tonnes upon project completion. This development is expected to further reduce transportation times compared to traditional routes. The INSTC has been found to be both cost-effective and timesaving, reducing transit times significantly. It can support India's energy imports and boost its exports, particularly in agriculture, machinery, electrical equipment, and other sectors. Linking the EAEU countries via Chabahar Port through the INSTC is anticipated to enhance connectivity in the region, attract global investments, and drive prosperity and growth. Additionally, the corridor has the potential to establish partner nations as critical logistics and transit centers, fostering regional trade and development while granting India access to Central Asia's abundant energy resources.

India and Russia are also exploring the possibility of using new transport corridors such as the Northern Sea Route and Eastern Maritime Corridor between Vladivostok and Chennai to widen maritime cooperation. The two countries have also agreed to train Indian seafarers in polar and arctic waters at the Russian Maritime Training Institute, which is equipped with simulator facilities. Therefore, the EAEU is emerging as an important economic block and a potential region for India's exports.

Facilitation of Market Entry through JVs and Technological Collaboration

Market acess of Indian companies need to be increased in the EAEU region to create awareness among the population about products and services supplied by India. This could be promoted through joint ventures and technical collaboration especially in sectors like healthcare and medical devices, pharmaceuticals, machinery and electrical equipment, processed food, agri produce, chemicals and services (financial services, information technology, engineering and construction). Capacity building in areas like technical, IT and education could also lead to higher services exports by creating demand. Knowledge transfer and investments are required to create the necessary image of the Indian products. India and the EAEU has been developing a detailed industrial cooperation plan for implementing joint projects in areas including chemicals and pharmaceuticals, metallurgy, aircraft engineering, car manufacturing, mining, as well as in the fields of manufacturing medical equipment and materials, biopharmaceuticals, clothing, shoes, specialty steel, copper wires; information technology, including creation of technology parks for making IT products; hydrogen energy; diamond processing and construction.

Reducing Non-Tariff Barriers

As India has been excluded from the EAEU GSP scheme from October 2021, it is facing higher tariffs for agricultural and other commodities which were earlier eligible for tariff concession. Besides tariff liberalization, higher market access opportunities for India can also be realized if the NTMs are properly addressed. Presently, India faces majorly NTMs in the form of SPS, TBT and QRs across broad sectors including the sectors where the revealed comparative advantage shows potential like food products, machinery and electrical appliances, vehicles and auto components, among others. India's import share in the global imports of the EAEU countries remains modest and could be boosted through addressing the NTMs imposed by the EAEU.

Mutual Recognition Agreements – Education & Quality Standards

India and the EAEU could also work towards drawing up 'Mutual Recognition Agreements' (MRAs). The EAEU could recognize that the designated testing body in India could perform required testing based on the technical requirements of the EAEU and vice versa with India. This will allow a product produced and certified in India to be exported to the EAEU without undergoing further testing in the EAEU and vice versa, to assess whether the product meets the EAEU technical requirements. These interventions could reduce non-tariff barriers to trade between both the partners. Mutually acceptable trade documentation such as certificates of origin and related standards recognition could also be considered. The EAEU countries could provide long term multiple entry visa and Russian multiple visit visa may be honored by other EAEU countries for Indian travelers. Students exchange programs between the regions can be enhanced. Nurturing exchange of art and culture initiatives between India and Eurasian countries is necessary as langauage remains a major barrier for trade.

Collaboration in Strategic Sectors

During the second meeting of the India-Central Asia dialogue held in October 2020, India had announced a US$ 1 billion Line of Credit facility for five Central Asian countries including Kazakhstan and Kyrgyzstan for priority developmental projects in fields such as connectivity, energy, IT, healthcare, education and agriculture, etc. The 1st India-Central Asia Summit which was hosted by India witnessed the participation of the Presidents of Kazakhstan, Kyrgyzstan, 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.

The cooperation on energy resources and trade of natural resources is an important component of the partnership between India and members of the EAEU. With 87% of its crude oil being imported, India is exploring long-term, reliable and cost-effective options. Russia emerged as the largest oil exporter to India in 2022-23, accounting for 14.9% of India's imports of mineral fuels and oils (HS 27). The EAEU countries have the potential to be reliable and economical alternative suppliers for India, by ensuring price certainty and supply stability. With energy needs of India constantly increasing, India is also seeking ways of developing alternative energy sources, one of which is a peaceful nuclear energy industry. Kazakhstan has the second largest available uranium reserves globally and is the world's largest uranium producer. Accordingly, India has signed MOUs with Kazakhstan and Uzbekistan for supply of uranium. Energy cooperation would entail strengthening hydrocarbons engagement in terms of both investment and sourcing. Indian companies have considerable expertise in providing engineering consultancy and executing mega-projects across the hydrocarbon value chain. The creation of a free trade area under the FTA between India and the EAEU could further facilitate trade and investment between the EAEU and India. Mutual investments in transport and logistics sectors, especially trade related infrastructure and telecommunication and information technology leading to increasing digitalisation could further enhance the existing trade between India and the EAEU countries.

There is also a need to embrace new areas of economic cooperation in sectors including in green technology and green products, advanced information technology, digital public infrastructure, joint startup ecosystem, development of smart cities, and advanced healthcare, among others. Besides traditional sectors like pharmaceuticals, textiles, mining and minerals, both regions could encourage higher levels of technology transfer and enhance the private sector engagement of their industry sectors.

The infrastructure projects executed by India have a multiplier effect not only on the partner developing economy but also on the Indian project exporters. Indian companies have been active in various developing country markets especially in sectors like energy, transport and water and sanitation projects funded by the Multilateral Development Banks (MDBs) like the World Bank, Asian Development Bank (ADB) and the African Development Bank. Therefore, project export opportunities in the EAEU countries like Armenia, Kazakhstan and Kyrgyzstan in areas like construction and infrastructure development could be one of the potential areas for further cooperation.

Defence and Aerospace

The EAEU aerospace manufacturing sector is primarily concentrated in Russia. India has longstanding and wide-ranging cooperation with Russia in the field of defence. India-Russia military technical cooperation has evolved from a buyer-seller framework to one involving joint research, development and production of advanced defence technologies and systems. According to the SIPRI Arms Transfers Database, Russia remains one of the largest global exporters of defence and aerospace products and also to India during 2013 to 2022, with India accounting for 32.8% of Russia's global defence and aerospace exports during the same period. However, India's 'Defence Production and Export Promotion Policy 2020' aims to provide impetus to self-reliance in defence manufacturing. The government of India has set the defence production target at

US$ 25 billion by 2025, including US$ 5 billion military hardware exports by 2025. A joint technology driven collaboration between India and Russia in defence and aerospace projects could facilitate higher exports from India to the EAEU as well as globally.

With India's prowess in software development and services, coupled with strengths in hardware manufacturing, India is poised to be one of the major electronics manufacturing hubs in the world. India is trying to create opportunities in the defence sector not just for co-development and co-production but to also meet requirements for all friendly foreign nations. Defence cooperation has helped in demonstrating India's commitment to regional stability as well as showcasing India's defence/defence-industrial capabilities. Potential exists for aerospace and defense cooperation between India and the other EAEU countries including Armenia, Kazakhstan, and Kyrgyzstan. Cooperation in developing the robotised complex and land surveillance and reconnaissance systems are other potential areas.

Ensuring Access to Trade Finance

According to an Asian Development Bank (ADB) research, 57% of the total value of trade finance applications by MSMEs in Central Asia undergo rejection as compared to 33% 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 the 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 nontraditional confirming banks in the EAEU countries.

Chapter

1

Eurasian Economic Union: An Introduction

To promote economic integration, the Eurasian Economic Community (EurAsEC) was founded in the year 2000 with the aim of establishing an economic zone comprising Russia, Belarus, Kazakhstan, Kyrgyzstan and Tajikistan. In 2014, an agreement on the termination of the EurAsEC was signed and subsequently, the Eurasian Economic Union (EAEU) was launched on January 1, 2015. The current members of the EAEU include Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia. Currently Moldova, Uzbekistan and Cuba hold the observer status of the EAEU.

The EAEU is governed by the Supreme Eurasian Economic Council (SEEC), the Eurasian Intergovernmental Council (EIC), the Eurasian Economic Commission (EEC) and the Court of the Eurasian Economic Union (CEEU).

Although the region hosts numerous nationalities, almost all the EAEU citizens speak Russian as a common language. The EAEU covers an area of 20,229,248 km^2 and has an estimated cumulative population of 182.2 million. Russia accounts for 84% of surface area of the region. Agricultural land represents 15.5% of the EAEU surface area, varying between 11.3% in Russia and 68.9% in Kazakhstan. Russia represents over 80% of the EAEU labour force, followed by Kazakhstan and Belarus.

The EAEU provides for free movement of goods, services, capital and labor and pursues a coordinated, harmonized and single policy in the macroeconomic sphere, transport, industry, agriculture, energy, foreign trade and investment, customs, technical regulation, competition and antitrust regulation, as determined by the Treaty and international agreements within the Union.

Since 2015, 128 service sectors have gradually transferred to the Common Market of Services format, including significant areas for the EAEU countries' economies such as construction and tourism services. Since January 1, 2023, additional fourteen service sectors, including meteorological services and household and other support services, moved to the format of the common market of the Eurasian Economic Union. This helps to increase the competitiveness of goods, works and services, reduce prices and tariffs for consumers, reduce the service providers' costs arising from re-obtaining permits, establishing a legal entity, confirming the personnel qualifications and the cost of maintaining a legal entity.

In April 2023, the Eurasian Economic Commission's Board adopted a disposition to approve the Agreement on the common system for customs transit between the Eurasian Economic Union and a third party. It defines the main principles of the common system for customs transit between the Union and a third party: the use of a single transit declaration when transporting goods through the EAEU customs territory and the customs territory of a third party, the application of common security, mutual recognition and provision to authorized economic operators of certain special simplifications, as well as the use of one navigation seal for the entire transportation.

The EAEU is also in the process of setting up a harmonized system for determining and confirming the origin of goods exported from the Eurasian Economic Union's customs territory to third markets. The Agreement is expected to become the starting point for implementing a system of self-declaration of the goods' origin in the Union, which will enable simplifying the process of obtaining tariff preferences under free trade agreements between the EAEU and third countries.

The dominance of Russia in the foreign policies of other member countries remains a significant driver for many western countries' economic, political and trade strategies towards the EAEU countries. The quest for energy security is a major determinant in these relationships.

Economic Profile of the EAEU

According to the World Economic Outlook April 2023 of the International Monetary Fund (IMF), the Eurasian Economic Union region is estimated to have registered a nominal GDP of US$ 2.5 trillion in 2022, accounting for 2.4% of the world GDP as compared to US$ 2.1 trillion in 2021 (2.1% of world GDP) and a pre-pandemic GDP of US$ 1.7 trillion (2.2% of world GDP in 2019).

The EAEU economies are not homogeneous. Russia, being the largest economy in the region, accounted for 87.7% of the region's nominal GDP and 79.1% of the total population in 2022. The integration process of the region is therefore heavily tilted towards Russian interests. Limited product diversification, highly concentrated export markets and excessive reliance on exports of natural resources are the major issues affecting exports of the EAEU countries (Russia remains an exception).

The member countries other than Russia depend on significant remittances from labour migrants. Limited labour mobilization due to sanctions have constrained Russia's access to manpower, resulting in labour shortages that can only be filled by migrants from periphery 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. More migrants also mean higher demand for the Russian rouble. According to the World Bank, remittances form 31.3% of total GDP of Kyrgyzstan in 2022 (compared to 18.9% of GDP in Armenia), receiving mostly from Russia. The share of remittances received from Russia exceeded 95% in case of Kyrgyzstan (95.4% in 2022 vs 97.8% during 2019-21), as compared to 67% in Armenia (46.6% during 2019-21), as the number of migrant workers in Russia from Central Asia remained strong. While the war and associated fiscal stimulus in Russia seem to have increased the demand for workers from these countries, there are also reports of Russian individuals and small companies relocating to neighbouring countries, which would increase the flow of roubles to those countries.

The EAEU member states are considered as major players in the global energy sector, raw materials, arms industry and agricultural production. In the oil and gas sector, the EAEU has significant resource potential **(Table 1.1)**. The EAEU countries account for around 8% of global oil reserves and 14% of world production; 18% of global gas reserves, 20% of global coal reserves and 21% of global uranium reserves. The EAEU countries also produce 5.1% of the world's electrical energy and 5.8% of the world's coal, making them the fourth and fifth largest producers in the world, respectively. It is estimated that the total export potential of energy resources of Russia and Kazakhstan is about 1.5 times higher than that of Saudi Arabia. In accordance with the Treaty on the Eurasian Economic Union, the common markets for gas, oil and petroleum products should start functioning from January 1, 2025.

Table 1.1: Major Mineral Resources Available in the EAEU Countries

Country	Major Resources
Armenia	Molybdenum, Perlite, Rhenium, Lead, Zinc, Gold, Silver, Antimony and Aluminium
Belarus	Potash, Aluminium, Ammonia, Peat, Dolomite, Granite, Limestone and Clay
Kazakhstan	Oil, Coal, Natural gas, Uranium, Titanium, Chromium, Rhenium, Iron ore Antimony, Asbestos, Barite, Bauxite, Beryllium, Bismuth, Chromite, Wolfram, Lead, Zinc, Manganese and Silver
Kyrgyzstan	Gold, Silver, Tin, Copper, Tungsten, Zinc, Aluminium, Iron, Lead, Manganese, Molybdenum, Chromium, Cobalt and Nickel
Russia	Natural gas, Oil, Coal, Iron ore, Manganese, Chromium, Nickel, Platinum, Titanium, Copper, Tin, Lead, Tungsten, Potash, Diamonds, Phosphates and Gold

Armenia neither has gas and oil reserves, nor has processing capacities, and hence, is completely dependent on imports. Kyrgyzstan has insignificant oil and gas reserves, with minimal production volumes. There are insignificant deposits of gas and oil with insignificant production in Belarus, although it has significant potential for oil refining. Russia is the main producer and consumer of energy resources. The EAEU countries are the top producers of sugar beet, sunflower, rye, barley, buckwheat and oats. They are also large producers of wheat, potatoes, grain and grain legumes.

Russia and Belarus have typically accounted for about a third of the potash market in recent years. World potash supply was affected by economic sanctions on Belarus and Russia, which has resulted in higher prices and lower consumption. World potash consumption in 2022 for fertilizers was estimated to have decreased to between 35 to 39 million tons from 40.6 million tons in 2021. In January 2022, the Government of Lithuania, citing national security concerns, cancelled the rail transport contract that allowed the state-run producer in Belarus to ship potash from the port of Klaipeda on the Baltic Sea, its only marine export facility. This followed the enactment of economic sanctions on Belarus by the EU and the US, which banned the import of potash. Belarus was the third-leading potash supplier prior to 2022, shipping over 6 million tons per year of K_2O equivalent. Some amount of Belarus potash was shipped by rail through Russia to other countries in the region and from a Russian port later in the year, but exports and production of potash were significantly lower in 2022. According to S&P estimates, as Belarus was forced to reroute through Russia, it was only able to ship about 40%-50% of its typical output in 2022.

The following section provides the broad overview of the prevailing economic conditions in the countries of the Eurasian Economic Union.

ARMENIA

Armenia is a small, landlocked emerging economy with strong trade ties to Russia. It is situated at the gateway between Western Asia and Eastern Europe and is bordered by Turkey to the west, Georgia to the north, Iran to the south and Azerbaijan to the east. In terms of geopolitical position, Armenia is considered as a bridge to the Middle East, the Mediterranean and African regions. The country has no significant hydrocarbon reserves and is an oil-importing country. Despite the conflict in Ukraine, which has led to a global surge in inflation, Armenia's economy proved to be resilient in 2022, boosted by strong growth in the construction and services sectors and large net positive capital flows. In 2022, Armenia absorbed a significant inflow of migrants, businesses and capital following Russia-Ukraine conflict.

Mining in Armenia is concentrated around the extraction of metals such as iron, copper, molybdenum, lead, zinc, gold, silver, antimony and aluminium. There are also valuable reserves of rare metals in gold-polymetallic, copper-molybdenum and copper pyrite deposits. Besides metals, Armenia produces other industrial minerals, which include cement, diatomite, gypsum, limestone and perlite. The country also has indigenous construction material resources, such as basalt, granite, limestone, marble and tuff, as well as several types of semi-precious stones. Armenia has also developed a diamond processing industry based on imported diamonds.

The real GDP growth of Armenia accelerated by 12.6% in 2022, largely owing to strong domestic consumption, a robust expansion in the tertiary sector (including tourism, financial services and real estate), as well as a significant increase in tourism and remittances **(Table 1.2)**. Real GDP growth is expected at 5.5% in 2023 as monetary tightening weighs on economic growth and weaker consumption. Economic growth in Armenia in 2023 will be supported by large net positive capital flows, owing to a substantial inflow of people and business from Russia. The influx of high-skilled specialists will continue to be beneficial for the economy, as it will support consumer demand, particularly in larger cities, probably influencing growth in the construction and services sectors.

Inflation averaged an estimated 8.7% in 2022, predominantly driven by high commodity prices and demand factors. An easing in international prices and tighter monetary conditions pursued by the Central Bank of Armenia (CBA) is expected to lead to more moderate inflation in 2023. However, external inflationary pressures would remain strong, and given the high dependency on food imports, this will ensure that consumer prices grow by an average of 7.1% in 2023, above the ceiling of the CBA's target of 4% (±1.5% points).

The CBA has allowed currency, the Dram to float freely. The Dram remains exposed to fluctuations in the Russian rouble. After a sharp depreciation following the commencement of Russia's conflict with Ukraine in February 2022, the Dram has steadily appreciated against the US dollar, averaging Dram 435.7: US$ 1 in 2022. This is partly due to relative macroeconomic stability in Russia and a move to buy Russian gas in roubles, which lowered demand for the dollar. The Dram is expected to depreciate to Dram 442.3: US$ 1 in 2023.

In 2022, Armenia absorbed a significant inflow of migrants, businesses and capital following Russia's invasion of Ukraine. These developments fuelled domestic demand and led to an appreciation of the currency; inflows of money transfers, increased reserve levels and reduced credit dollarization. The external balance improved significantly in 2022 with an unprecedented increase in exports of goods and services, partly driven by re-exports of goods to Russia.

Armenia was granted the Generalised System of Preferences+ (GSP+) status in 2009, where it can benefit from complete duty suspensions for products across approximately 66% of all EU tariff lines. More than 96% of Armenia's exports to the EU under GSP+ were base metals (aluminium, copper, lead, tin and zinc). From January 1, 2022, Armenia was excluded from the GSP scheme in accordance with R/UE 2021/114, as it has been classified by the World Bank as upper-middle income country during 2018, 2019 and 2021. Hence, Armenia no longer qualifies for GSP beneficiary country status of the EU. As a consequence of ceasing to be a GSP beneficiary, Armenia also ceased to be a GSP+ beneficiary country.

Since January 2022, Armenia began trading with the EU on the basis of a Comprehensive and Enhanced Partnership Agreement (CEPA). The EU's CEPA with Armenia entered into force in March 2021 and covers a wide range of areas, including political and economic issues.

Table 1.2: Macroeconomic Indicators of Armenia

Indicator	2018	2019	2020	2021	2022^{e}	2023^{f}	2024^{f}
Nominal GDP (US$ bn)	12.5	13.6	12.6	13.9	19.5	23.7	25.1
Real GDP Growth (%)	5.2	7.6	-7.2	5.7	12.6	5.5	5.0
GDP per capita, current prices (US$)	4196.0	4596.9	4268.6	4679.5	6583.6	8008.0	8478.5
Inflation, average consumer prices (%)	2.5	1.4	1.2	7.2	8.7	7.1	5.0
Population (mn)	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Current account balance (US$ bn)	-0.9	-1.0	-0.5	-0.5	0.0	-0.4	-0.8
Current account balance (% of GDP)	-7.4	-7.3	-3.8	-3.7	0.1	-1.7	-3.3
General Government Gross Debt (% of GDP)	51.2	50.1	63.5	60.2	49.3	49.3	50.2
International Reserves (US$ bn)	2.3	2.8	2.6	3.2	4.1	4.3	3.4
Exchange Rate (Dram: US$; avg)	483.0	480.4	489.0	503.8	435.7	442.3	456.1

Note: $^{e-}$ Estimates; $^{f-}$ Forecasts

Source: IMF WEO April 2023, Economist Intelligence Unit (EIU) and India Exim Bank Research

Armenia's importance is expected to increase as a transit hub for goods and services to the Russian market in the coming days. The Armenian Dram has been one of the best performing currencies in 2022 on account of additional demand from the Russian market to settle transactions in the currently unsanctioned Armenian jurisdiction. There also exists potential for fulfilling Russian import demand for western products through Armenia.

BELARUS

The Republic of Belarus is considered as a western bridgehead. Belarus is a landlocked country in eastern Europe, bordered by Russia to the north and east, Ukraine to the south, Poland to the west and Lithuania and Latvia to the northwest. Belarus is an important corridor in the system of transportation of oil, natural gas and petroleum products to Kaliningrad region of Russia, Western European states (about 70% of total transit), Poland, Baltic states and Ukraine. Belarus economy retains most of the structural features of the former Soviet Union.

Belarus has a diversified industrial profile. Despite a lack of natural resources and the economic crisis that followed the dissolution of the Soviet Union, Belarus has achieved solid economic growth through manufacturing and exports, including machinery and equipment, mineral products, chemicals, metals and textiles.

On February 24, 2022, Russia invaded Ukraine, including from Belarusian territory. This has unleashed unprecedented sanctions against Belarus, further slowing its development. Belarus economy used to centre on inexpensive Russian crude imports, which Belarus refined and exported to the EU. This is threatened by tax changes in Russia and the new EU sanctions, potentially forcing Belarus to change its economic model.

Belarus' GDP contracted by an estimated 4.7% in 2022, reflecting deteriorating economic activity amid the impact of Western sanctions, which are constraining the external sector and limiting budget revenue **(Table 1.3)**. The economy is set to witness marginal growth in 2023. Sanctions are expected to remain in place as tensions with the West continue. Belarusian exports have been hit particularly hard by sanctions, which have targeted the country's highest foreign currency-earning products, including oil and potash fertilisers, which make up almost 30% of its exports. Supply-side bottlenecks caused by sanctions will continue to constrain export growth. Sanctions have cut Belarus off from its traditional transport routes through Baltic ports, restricting its access to international markets. The authorities have developed alternative routes, mainly redirecting exports through Russian ports. Belarus' economic integration with Russia is expected to deepen in 2023-24 as the two countries continue to implement measures under the Union State treaty (Belarus and Russia signed the Union State Treaty on December 8, 1999).

Average inflation stood at an estimated 14.8% in 2022 due to external pressures. In 2023 a gradual decline in commodity prices would help to alleviate some inflationary pressures, and consumer price growth is expected to moderate to 7.5% on average, above the National Bank of the Republic of Belarus (NBRB)'s 6% target. Supply-chain bottlenecks and associated goods shortages due to restrictions on imports would keep prices elevated. Sanctions and macroeconomic turmoil in Russia will also negatively affect the rubel, adding to the vulnerability caused by high dollarisation of debt and pushing up inflation. The rubel averaged at BRb 2.9: US$ 1 in 2022 owing to strong import suppression, the change in the method of payment for gas from US dollars to Russian roubles and a significant appreciation of the rouble.

Table 1.3: Macroeconomic Indicators of Belarus

Indicator	2018	2019	2020	2021	2022[e]	2023[f]	2024[f]
Nominal GDP (US$ bn)	60.0	64.4	61.3	68.2	73.1	73.5	75.3
Real GDP Growth (%)	3.1	1.4	-0.7	2.3	-4.7	0.7	1.2
GDP per capita, current prices (US$)	6351.8	6831.5	6515.7	7294.9	7859.6	7944.8	8171.6
Inflation, average consumer prices (%)	4.9	5.6	5.5	9.5	14.8	7.5	10.1
Population (mn)	9.4	9.4	9.4	9.4	9.3	9.3	9.2
Current account balance (US$ bn)	0.0	-1.2	-0.3	1.8	3.1	1.0	1.2
Current account balance (% of GDP)	0.0	-1.9	-0.4	2.7	4.2	1.3	1.6
General Government Gross Debt (% of GDP)	47.5	41.0	47.5	41.2	39.8	41.4	40.3
International Reserves (US$ bn)	2.0	2.1	2.4	2.5	2.6	2.9	3.1
Exchange Rate (Belarusian Rubel BRb: US$; avg)	2.0	2.1	2.4	2.5	2.6	2.9	3.1

Note: [e-] Estimates; [f-] Forecasts

Source: IMF WEO April 2023, EIU and India Exim Bank Research

KAZAKHSTAN

Kazakhstan is a transcontinental country in Central Asia and Eastern Europe. Kazakhstan is an emerging upper-middle-income economy that is highly dependent on commodity exports for growth. In 2000, Kazakhstan became the first former Soviet republic to repay all of its debt to the 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 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. As mentioned in ‘Kazakhstan 2050 Strategy’, the country aims to become one of the top 30 developed economies by 2050.

With a land area of 2,724,900 km^2, 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 km^2 (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. Kazakhstan is considered as the eastern gateway of EAEU.

Kazakhstan is Central Asia’s largest grain producer and only significant exporter. Known as the breadbasket of Central Asia, Kazakhstan was among the leading exporter of wheat globally. Over a third of Kazakhstanis’ livelihoods depend directly or indirectly on the country’s extensive rangelands for food, fodder, fuel and medicinal plants. Animal husbandry also remains an important economic activity with around 75% of all agricultural land used for grazing. While sheep breeding dominates the sector, cattle, pig, horse and camel production are all important sources of food and income.

Kazakhstan has large fossil fuel deposits and is endowed with abundant mineral resources including coal, ferrous and non-ferrous metals. The natural energy reserves are dominated by uranium, coal, oil and gas, respectively. Kazakhstan acts as a key transit route for oil and gas going to Europe and China. Kazakhstan holds 3% of the world’s total oil reserves and is the third-largest oil producer in the Caspian region, after Russia and Iran, but lacks direct access to the sea. Kazakhstan is the world’s largest uranium producer (33% of world output in 2021), as well as having extensive coal, gold and manganese reserves. 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.

Kazakhstan also ranks third in the world in terms of titanium production, seventh for zinc, eighth for lead and eleventh for gold. More than 230 separate enterprises produce or process coal, iron and steel, copper, lead, zinc, manganese, gold, aluminium, titanium sponge, uranium and barites, among others. The country has the world’s 8th largest reserves of iron ore with 12.5 billion tons. The nation ranks second, globally, in manganese ore reserves, estimated at 600 million tons. The country’s current reserves of copper are estimated at 36 million tons. Kazakhstan also hosts 30% of the worldwide chromite ore deposits, as well as 95% of the total chromium reserves.

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. The country's large sovereign wealth fund (NFRK) and reasonable access to international bond markets ensure favourable financing conditions, putting Kazakhstan at an advantage over regional peers in Central Asia.

Revenue from oil and gas accounts for more than a third of GDP. Real GDP growth slowed to an estimated 3.2% in 2022, from 4.1% in 2021 **(Table 1.4)**. Kazakhstan has felt the effect of various headwinds to growth, such as the January 2022 unrest, secondary effects from Russia's invasion of Ukraine (including a deep recession in Russia), disruption to oil production and exports and elevated imported inflation. Downside risks to growth stem from additional spillovers from sanctions imposed on Russia and further disruption to oil exports. Higher global commodity prices and further relocation of Russian firms to Kazakhstan present upside risks to growth. The real GDP growth is expected to accelerate to 4.3% in 2023, depending on the easing of inflation, picking up of fixed investment and increasing oil production. Still-high oil prices will support growth and help to shield, to a degree, the economy from secondary spillovers from the war in Ukraine.

Table 1.4: Macroeconomic Indicators of Kazakhstan

Indicator	2018	2019	2020	2021	2022[e]	2023[f]	2024[f]
Nominal GDP (US$ bn)	179.3	181.7	171.1	197.1	225.8	245.7	259.7
Real GDP Growth (%)	4.1	4.5	-2.6	4.1	3.2	4.3	4.9
GDP per capita, current prices (US$)	9749.1	9750.4	9063.0	10106.7	11439.5	12306.8	12865.9
Inflation, average consumer prices (%)	6.0	5.2	6.8	8.0	15.0	14.8	8.5
Population (mn)	18.4	18.6	18.9	19.5	19.7	20.0	20.2
Current account balance (US$ bn)	-0.9	-8.3	-7.6	-7.9	6.3	-4.7	-5.1
Current account balance (% of GDP)	-0.5	-4.6	-4.4	-4.0	2.8	-1.9	-2.0
General Government Gross Debt (% of GDP)	20.3	19.9	26.4	25.1	23.5	25.9	27.0
International Reserves (US$ bn)	30.9	29.0	35.6	34.4	35.1	36.4	37.9
Exchange Rate (Tenge: US$; average)	344.7	382.7	413.0	425.9	460.1	462.9	470.6

Note: [e-] Estimates; [f-] Forecasts

Source: IMF WEO April 2023, EIU and India Exim Bank Research

Inflation spiked to 15% in 2022 as global commodity prices rose sharply. Although disrupted trade with Russia will keep import costs high in 2023, inflation is expected to moderate as supply-chain disruptions ease marginally. Inflation is projected to average 14.8% in 2023, above the National Bank of Kazakhstan (NBK)'s target range (4-6%). The Tenge's movements partly reflect shifts in global oil prices and the Russian rouble, owing to a high level of mutual trade. The Tenge is expected to depreciate by 0.6% in 2023, to an average of

Tenge 462.9: US$ 1. The current account registered a surplus of 2.8% of GDP in 2022, driven by a significant increase in the trade surplus due to high global energy prices.

Kazakhstan's significant economic ties and geographic proximity to Russia leave it heavily reliant on Russian economic infrastructure. Any further disruptions to the operation of the Caspian Pipeline Consortium could lead to losses in production volumes and fiscal revenues, posing downside risks to growth. Russia is closely engaged in the transportation of Kazakhstani oil to third countries, via the 1,511 km (939 mi) long Tengiz-Novorossiysk pipeline (transport Caspian oil from Tengiz field to the Novorossiysk-2 Marine Terminal, an export terminal at the Russian Black Sea port of Novorossiysk) also known as the Caspian Pipeline Consortium (CPC). Novorossiysk on the Black Sea is the main route to export oil from the world's largest landlocked country, which accounts for about 90% of the terminal's total crude exports. The CPC is the operator of the pipeline used by Kazakhstan to export the bulk of its oil. Connecting Western Kazakhstan's oil fields with terminals located along the coast of the Black Sea, the CPC ships over two-thirds of Kazakhstan's crude oil exports. Goods shipped from the EU must pass through Russian territory before reaching Kazakhstan, making it vulnerable to supply chain disruptions. Kazakhstan warehouses are witnessing record rental highs as the country is expected to become a major hub for parallel imports to Russia.

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.

KYRGYZSTAN

The Kyrgyz Republic (Kyrgyzstan) is a landlocked, lower middle-income economy that relies largely on gold exports. Kyrgyzstan has a total population of 6.8 million in 2022, with working population accounting for around 63% of its population. 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.

It has rich endowments, including minerals, forests, arable land and pastures, and has significant potential for the expansion of its hydroelectricity production, agriculture sector and tourism industry. 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. 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 jewellery making.

Kyrgyzstan's Sustainable Development Strategy 2040 have outlined steps for future development efforts and a shift towards a private sector–led economic model. The economy of Kyrgyzstan is vulnerable to external shocks owing to its reliance on one gold mine, Kumtor, which accounts for about 10% of GDP, and on worker remittances and reliability on neighbours and Russia in particular. Labour remittances are a major driver of growth and source of foreign currency.

In 2022, real GDP performed strongly, growing by 7% on the back of a strong rebound in output at the Kumtor gold mine, which had faced difficulties in 2021 when the government imposed external management in an attempt to nationalise it. The strong performance was also part of a continued post pandemic rebound. In 2020 the economy shrank by 8.6% and it made only incremental gains in 2021 **(Table 1.5)**. GDP growth is expected to slow down to 3.5% in 2023 as the economy returns to its pre-pandemic trajectory. The economic outlook is expected to remain uncertain, with several factors having divergent effects on output. Net exports would remain strongly negative in 2023 as the declining global price of oil (of which the country is a net importer) will be offset by a fall in the price of gold (the country's main commodity export). Private consumption will be negatively affected by lower flows of remittances from Russia. A minor mitigating factor will be pent-up household savings from 2022 and the influx of Russians into Kyrgyzstan, who are pushing up demand for certain services in big cities.

Average consumer price inflation in Kyrgyzstan increased to 13.9% in 2022 from 11.9% in 2021, owing to sharp rise in food prices. Average annual inflation is expected to moderate to 11.3% in 2023, but still remain above the National Bank of the Kyrgyz Republic (NBKR, the national bank)'s 5-7% target range. Following Russia's invasion of Ukraine, the Russian rouble depreciated sharply against most major currencies, with the Som following suit. Following the imposition of tight capital controls by the Central Bank of Russia and subsequent intervention by the NBKR, the value of the Som returned to its pre-conflict levels. The NBKR has signalled that shortages of physical foreign currency indicate the formation of an unofficial (parallel) exchange rate. The Som is expected to average Som 85.1: US$ 1 in 2023 and Som 85.0: US$ 1 in 2024. The Kyrgyzstan economy has traditionally undergone large trade deficits, owing to its reliance on energy and machinery imports.

Table 1.5: Macroeconomic Indicators of Kyrgyzstan

Indicator	2018	2019	2020	2021	2022[e]	2023[f]	2024[f]
Nominal GDP (US$ bn)	8.3	8.9	7.8	8.7	11.1	12.0	12.8
Real GDP Growth (%)	3.5	4.6	-8.6	3.7	7.0	3.5	3.8
GDP per capita, current prices (US$)	1322.0	1388.6	1195.7	1314.4	1626.5	1736.9	1814.4
Inflation, average consumer prices (%)	1.5	1.1	6.3	11.9	13.9	11.3	7.8
Population (mn)	6.3	6.4	6.5	6.7	6.8	6.9	7.1
Current account balance (US$ bn)	-1.0	-1.1	0.4	-0.7	-3.0	-1.2	-1.2
Current account balance (% of GDP)	-12.1	-12.1	4.8	-8.4	-26.8	-9.7	-9.0
General Government Gross Debt (% of GDP)	54.8	51.6	67.6	59.5	53.5	53.0	52.9
International Reserves (US$ bn)	2.2	2.4	2.8	3.0	2.4	2.1	2.3
Exchange Rate (Som: US$; avg)	68.8	69.8	77.3	84.6	85.0	85.1	85.0

Note: [e-] Estimates; [f-] Forecasts

Source: IMF WEO April 2023, EIU and India Exim Bank Research

Kyrgyzstan is a beneficiary under GSP+ scheme of the EU. GSP+ countries can benefit from complete duty suspensions for products across approximately 66% of all EU tariff lines, including sensitive products. Relations between the EU and Kyrgyzstan are currently based on the Partnership and Cooperation Agreement (PCA) signed in Brussels on February 9, 1995, which entered into force on July 1, 1999. On July 6, 2019, in Bishkek, the EU and Kyrgyzstan successfully concluded the negotiations of the Enhanced Partnership and Cooperation Agreement between the EU and Kyrgyzstan, launched on December 19, 2017. This is an important milestone in bilateral relations between the EU and Kyrgyzstan, as the new agreement will significantly deepen political and economic ties between the two sides.

RUSSIA

Russia is an upper-middle-income economy that is highly dependent on the energy sector. Russia, the world's largest transcontinental country, is richly endowed with natural resources. The country plays a crucial role in global energy and resource markets and is the main trading partner for many of its neighbours. Russia holds the world's largest natural gas reserves, the second largest coal reserves, and the eighth largest oil reserves. Russia is the largest country in the world, in terms of surface area, spanning over an area of 17,075,400 km^2 in two continents, Europe and Asia. Being a commodity driven economy, Russia is one of the leading suppliers of global energy and leading producer of natural gas and oil.

In 2021, Russia was the second largest crude oil and condensate exporting country after Saudi Arabia, with Europe receiving most of Russia's crude oil exports. In 2021, Russian crude and condensate output reached 10.5 million barrels per day (bpd) (14% of total global supply) and exporting over 45% of the output.

In addition to having vast resources, Russia has an estimated refining capacity of 6.9 million bpd and produces a substantial amount of oil products, such as gasoline and diesel. Moreover, Russia has extensive crude export pipeline capacity, that allows it to ship large volumes of crude directly to Europe as well as Asia. The world's longest pipeline network, the Druzhba pipeline system of around 5,500 km, transports 750,000 bpd of crude directly to refineries in east and central Europe. In 2012, Russia launched the 4,740 km, 1.6 million bpd ESPO pipeline, which transports crude directly to Asian markets such as China and Japan.

Russia-Ukraine conflict has precipitated large-scale Western sanctions that resulted in the country decoupling from Western economies. Russia entered into a recession in 2022, and according to official figures recorded a real GDP contraction of 2.1% **(Table 1.6)**. The cut off of gas exports to Europe and as the EU embargo on Russian coal, oil and gold begins to take effect, the economy is expected to be affected significantly in 2023. Oil flows to China, India and Turkey will offer some respite, albeit at a lower price. However, gas exports to China will still be a fraction of pre-2022 exports to the EU, as the vast majority of Russia's gas pipelines are connected to the EU and less than 10% of the country's gas capacity is liquefied natural gas.

Table 1.6: Macroeconomic Indicators of Russia

Indicator	2018	2019	2020	2021	2022[e]	2023[f]	2024[f]
Nominal GDP (US$ bn)	1,653.0	1,695.7	1,488.1	1,836.6	2,215.3	2,062.6	2,118.3
Real GDP Growth (%)	2.8	2.2	-2.7	5.6	-2.1	0.7	1.3
GDP per capita, current prices (US$)	11,261.7	11,555.3	10,180.7	12,617.9	15,443.8	14,403.6	14,820.8
Inflation, average consumer prices (%)	2.9	4.5	3.4	6.7	13.8	7.0	4.6
Population (mn)	146.8	146.7	146.2	145.6	143.4	143.2	142.9
Current account balance (US$ bn)	115.7	65.7	35.4	122.3	227.4	75.1	67.1
Current account balance (% of GDP)	7.0	3.9	2.4	6.7	10.3	3.6	3.2
General Government Gross Debt (% of GDP)	13.6	13.7	19.2	16.5	19.6	24.9	25.3
International Reserves (US$ bn)	468.5	554.4	595.8	630.6	665.5	657.0	654.2
Exchange Rate (Rb: US$; avg)	62.7	64.7	72.1	73.7	68.5	75.2	83.8

Note: [e-] Estimates; [f-] Forecasts

Source: IMF WEO April 2023, EIU and India Exim Bank Research

Agricultural machinery, food processing equipment, pharmaceutical products and medical equipment are not subject to the US sectoral sanctions or Russia's "countersanctions" on agricultural products and are generally allowed to be sold without restriction. Russia's agricultural market has immense potential, with 220 million hectares (544 million acres) being in use. Russia is among the world's leading producers of barley, wheat, sunflower seeds, potatoes and milk, eggs and chicken meat.

Inflation averaged 13.8% in 2022, mainly as a result of sanctions. Inflation is expected to moderate to 7% in 2023, primarily owing to high base effects from 2022 and weak domestic demand. Import suppression and supply-chain disruption will continue to exert upward pressure on prices, as will looser monetary policy and a weaker currency in 2023. Sanctions have made it physically difficult and financially costly to deliver goods to Russia. The exchange rate averaged Rb 68.5: US$ 1 in 2022. The imposition of tight capital controls, the conversion of European payments for gas into roubles and strong import suppression have led the currency to strengthen. The Rouble is expected to depreciate to an average of Rb 75.2: US$ 1 in 2023 as Russia's external balance worsens. The current account registered a surplus of 10.3% of GDP in 2022 as a result of high global energy prices and a collapse in imports (reflecting depressed domestic demand and Western sanctions). The G7 group of countries, Australia and all EU members have agreed on a price cap of US$ 60/barrel for Russian crude oil exports. Russia is also expected to face a number of logistical constraints that are likely to hinder its trade, such as a lack of energy infrastructure to reroute gas exports away from Europe.

Chapter 2

Foreign Trade of Eurasian Economic Union

The Eurasian Economic Union member countries have laid importance to increasing their international trade, as majority of these countries remain landlocked and distant from the major global trade and economic centers, including North America, Western Europe, East and Southeast Asia. However, international trade remains below potential levels in countries other than Russia, confined by limitations in connectivity, market access issues, limited bilateral engagement and difficult trade and transport facilitation.

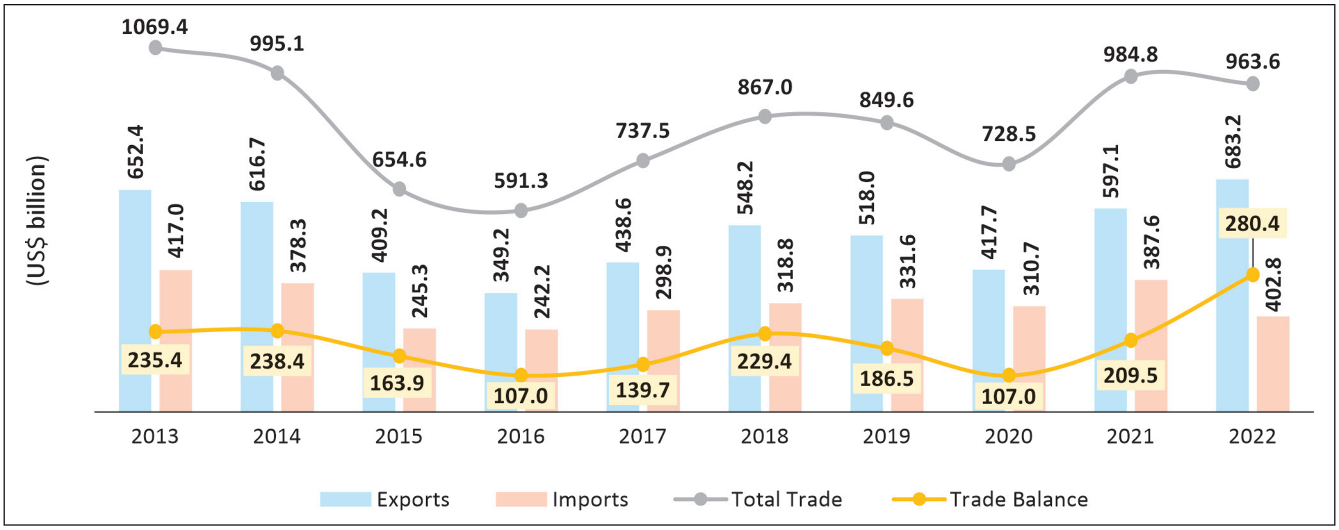
Since 2016, Kyrgyzstan benefits from favourable access to the EU market through the GSP+ scheme. The GSP+ scheme provides the incentive for developing countries to benefit from zero duties on 66% of all EU tariff lines (6200 products), including sensitive products, contingent on implementation of core human rights, labour, governance and other sustainable development conventions. In July 2019, the EU and Kyrgyzstan concluded the negotiations of the Enhanced Partnership and Cooperation Agreement between both countries, launched in December 2017. Being upper middle-income economies, Armenia, Kazakhstan and Turkmenistan are no longer beneficiaries of the EU's GSP scheme.

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 EPCA, after ratification by all the EU member countries 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. In terms of trade, these are non-preferential agreements – ensuring most-favoured nation treatment and prohibiting quantitative restrictions in bilateral trade.

The US has signed a Trade and Investment Framework Agreement (TIFA) with Armenia, while the US - Central Asian TIFA covers Kazakhstan and Kyrgyzstan, in addition to Tajikistan, Turkmenistan and Uzbekistan). The TIFA provides strategic frameworks and principles for dialogue on trade and investment issues between the US and the other parties of the TIFA. The US and TIFA partners consult on a wide range of issues related to trade and investment. Topics for consultation and possible further cooperation include market access issues, labor, environment, protection and enforcement of intellectual property rights and, in appropriate cases, capacity building.

Total international merchandise trade of the EAEU has moderated from US$ 1.1 trillion in 2013 to US$ 963.6 billion in 2022 mainly due to decline in imports **(Chart 2.1)**. The region has a positive trade balance which has widened in 2022 to US$ 402.8 billion compared to US$ 235.4 billion in 2013. The favourable trade balance enjoyed by the region is due to the large trade surpluses of Russia and Kazakhstan, mainly driven by large exports of oil and natural gas. Depending upon the global trends, both exports and imports of the region have recorded a fluctuating trend, driven by global commodity price movements.

Chart 2.1: International Merchandise Trade of the EAEU



Source: ITC Trade Map and India Exim Bank Research

Among the EAEU countries, Russia is the leading trading nation, accounting for 81% of total trade of the region in 2022, followed by Kazakhstan which accounted for 14% of the total trade and Belarus (2.5%) **(Table 2.1)**. Armenia and Kyrgyzstan accounted for marginal shares of 1.4% and 1.2% of total trade, respectively, in 2022. The pattern remains the same in case of both exports and imports.

Table 2.1: Merchandise Exports and Imports of the EAEU Countries (US$ billion)

Country	Exports				Imports				Trade Balance			
	2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022
Armenia	2.6	2.5	3.0	5.3	5.1	4.5	5.3	8.6	-2.4	-2.0	-2.4	-3.3
Belarus	33.0	29.2	39.9	11.1	39.5	32.8	41.8	12.6	-6.5	-3.6	-1.9	-1.6
Kazakhstan	57.7	46.9	60.3	84.4	38.4	38.1	41.4	50.0	19.4	8.9	18.9	34.3
Kyrgyzstan	2.0	2.0	1.7	2.2	4.9	3.7	5.6	9.6	-2.9	-1.7	-3.9	-7.4
Russia	422.8	337.1	492.3	580.1	243.8	231.7	293.5	199.4	179.0	105.4	198.8	380.7
EAEU	**518.0**	**417.7**	**597.1**	**683.2**	**331.6**	**310.7**	**387.6**	**280.4**	**186.5**	**107.0**	**209.5**	**402.8**

Source: ITC Trade Map and India Exim Bank Research

Intra-regional trade remains limited, with intra-regional exports increasing from US$ 61.8 billion in 2013 to US$ 70 billion in 2021, while intra-regional imports moderated from US$ 65.6 billion in 2013 to US$ 59.1 billion in 2021. The EAEU's trade with member countries accounted for 13.1% of its overall trade; 11.7% of the region's exports and 15.3% of its imports in 2021. The shares have declined compared to 2020, when intra-regional trade accounted for 14.6% of total trade, 12.9% of exports and 16.9% of imports.

Russia accounted for 65.3% of intra-regional exports in 2021, followed by Belarus (21.2%) and Kazakhstan (11.2%). Similarly, Russia accounted for 40.3% of intra-regional imports in 2021, followed by Kazakhstan (31.7%) and Belarus (20.4%). The shares of Kyrgyzstan and Armenia remained marginal at 1.1% and 1.2%, respectively in case of exports and 4.4% and 3.1%, respectively, in case of imports. About 85% and 82% of extra-regional exports and imports, respectively, were made by Russia in 2021.

Intra-EAEU trade witnessed a sharp decline to US$ 73.7 billion in 2022, with intra-regional exports at US$ 36.9 billion and intra-regional imports at US$ 36.8 billion, as per official statistics. While Russia continued to dominate intra-regional exports among the EAEU countries, with a share of 60.2%, intra-regional imports were dominated by Kazakhstan with a 50.5% share during 2022.

On account of the region's geographical location and landlocked nature of majority countries, the EAEU's major traditional trading partner has been the neighbouring country, China. Russia, being the largest country in the region, is another major trading partner for the rest of the four EAEU countries. However, Russia's share has witnessed a marked decline in 2022 compared to previous years. The EU region remains another major trading partner of the EAEU countries. European countries such as Turkey, Italy, Germany, Netherlands and France are among the leading trade partners for the EAEU countries. The EAEU's exports to the EU accounted for 36% of the EAEU's total exports in 2022, moderating from 39.9% in 2019. Among individual countries, China accounted for 19% of the EAEU's total exports in 2022. China was followed by Turkey (9.4% of total exports in 2022) and Italy (6.5%) **(Table 2.2)**. India was the 4th largest export destination in 2022, with a share of 6.3% in total exports of the EAEU in 2022 (improving from 15th position and 1.8% share in 2021).

Table 2.2: Leading Merchandise Export Destinations of the EAEU (US$ billion)

Country	2019	2020	2021	2022	Share in 2022 (%)
Total EAEU Exports	**518.0**	**417.7**	**597.1**	**683.2**	**100.0**
Intra-EAEU	***60.0***	***53.8***	***70.0***	***36.9***	***5.4***
Extra-EAEU	***458.1***	***363.9***	***527.2***	***646.3***	***94.6***
China	65.5	59.2	79.5	129.5	19.0
Turkey	23.6	18.3	29.6	64.1	9.4
Italy	22.9	16.8	28.4	44.7	6.5
India	9.3	8.3	10.9	42.8	6.3
Germany	29.7	19.8	30.9	31.4	4.6
Netherlands	50.1	28.8	47	29.2	4.3
France	10.2	6.7	12.4	19.7	2.9
South Korea	19.5	13.5	18.8	19.4	2.8
Kazakhstan	15.1	15.1	19.6	18.7	2.7
Poland	14.3	11.2	18.7	18.4	2.7
USA	14.3	11.7	18.9	16.5	2.4
Japan	12.3	9.7	11.3	15.8	2.3
Belgium	7.2	6.1	9.1	13.9	2.0
Russia	20.2	18.8	22.2	12.1	1.8
Czech Republic	5.1	2.6	4.3	11.6	1.7

Source: ITC Trade Map and India Exim Bank Research

Similarly, the EAEU's imports from the EU accounted for 26.2% of its imports in 2022, compared to 29.8% in 2019. As in the case of exports, China remained the major import source of the EAEU countries, accounting for 34.2% of imports in 2022, followed by Russia, Germany and Turkey **(Table 2.3)**. Although the share of Russia in the region's total imports has witnessed a decline, the country still remains the major supplier of energy and manufactured products. India was the 16th largest import supplier, with a share of 1.4% in total imports of the EAEU in 2022.

Table 2.3: Leading Merchandise Import Sources of the EAEU (US$ billion)

Country	2019	2020	2021	2022	Share in 2022 (%)
Total EAEU Imports	**331.6**	**310.7**	**387.6**	**280.4**	**100.0**
Intra-EAEU	***59.9***	***52.5***	***59.1***	***36.8***	***13.1***
Extra-EAEU	***271.7***	***258.2***	***328.5***	***243.6***	***86.9***
China	66.8	66.3	86.7	95.8	34.2
Russia	38.5	32.3	33.2	22.2	7.9
Germany	28.6	27.1	30.9	19.8	7.1
Turkey	7.0	7.1	8.7	12.8	4.6
Kazakhstan	6.3	5.7	7.9	9.7	3.5
Italy	13.5	12	13.8	8.3	3.0
Republic of Korea	11.6	12.3	13.9	8.2	2.9
Poland	6.8	6.5	7.3	7.4	2.6
Japan	9.8	7.9	9.9	6.1	2.2
Lithuania	1.1	1.0	1.0	4.6	1.6
Netherlands	4.7	4.4	4.8	4.5	1.6
France	9.7	9.3	13.3	4.5	1.6
Uzbekistan	2.2	2.2	3.1	4.4	1.6
USA	15.5	15	19.2	4.3	1.5
Belgium	2.8	2.5	2.9	4.2	1.5
India	4.5	4.1	5.1	3.9	1.4

Source: ITC Trade Map and India Exim Bank Research

Merchandise Exports from the EAEU: Commodity Analysis

Table 2.4 shows major commodities which forms the export basket of the EAEU. The EAEU's exports remains heavily skewed towards primary goods and natural resource-based manufactures. The EAEU specializes in mineral fuels and oil production; consequently, over 65% of its overall exports in 2022 are mineral fuels. Other major exports include iron and steel (semifinished products in particular), followed by precious metals (gold, platinum, unmounted diamonds and silver), fertilisers, cereals, copper and aluminium, among others.

Table 2.4: Major Merchandise Export Commodities of the EAEU (US$ billion)

HS Code	Product	2019	2020	2021	2022	Share in 2022 (%)
	Total Exports of EAEU	**518.0**	**417.7**	**597.1**	**683.2**	**100.0**
27	Mineral fuels, mineral oils and products of distillation	266.6	173.1	247.4	441.7	64.7
	Non-mineral fuel exports	*251.5*	*244.6*	*349.8*	*241.5*	*35.3*
72	Iron and steel	22.8	20.2	35.5	30.6	4.5
71	Pearls, precious stones and metals	16.9	32.4	32.8	27.4	4.0
31	Fertilisers	11.8	10.0	12.7	23.5	3.4
10	Cereals	9.3	10.7	10.9	12.7	1.9
74	Copper and articles	8.0	8.6	9.6	11.7	1.7
76	Aluminium and articles	6.7	6.3	9.9	11.4	1.7
26	Ores, slag and ash	7.7	8.4	12.7	10.7	1.6
44	Wood and articles of wood	10.1	9.7	14.1	10.6	1.6
28	Inorganic chemicals; compounds of rare-earth metals	5.7	5.1	6.6	10.0	1.5
3	Fish and crustaceans, molluscs and other aquatic invertebrates	4.9	4.9	6.1	8.2	1.2
15	Animal, vegetable or microbial fats and oils	3.9	4.4	6.1	7.0	1.0
84	Machinery and mechanical appliances; parts	10.8	10.2	13.3	5.9	0.9
85	Electrical machinery and equipment and parts	6.9	5.7	8.3	5.0	0.7
75	Nickel and articles	3.0	3.0	2.0	5.0	0.7
39	Plastics and articles	4.3	5.0	7.4	4.9	0.7

Source: ITC Trade Map and India Exim Bank Research

Merchandise Imports of the EAEU: Commodity Analysis

The region's import remains capital intensive as reflected by the composition of the import basket with machinery and mechanical appliances like automatic data-processing machines, machinery for plants or laboratories, appliances for pipes; electrical machinery and equipment such as telephones, electric heaters, panels, and monitors; and vehicles, vehicular parts and accessories accounting for the maximum imports **(Table 2.5)**.

Table 2.5: Major Merchandise Import Commodities of the EAEU (US$ billion)

HS Code	Product	2019	2020	2021	2022	Share in 2022 (%)
	Total Imports of EAEU	**331.6**	**310.7**	**387.6**	**280.4**	**100.0**
84	Machinery, mechanical appliances and parts	56.4	56.7	66.0	46.7	16.7
85	Electrical machinery, equipment and parts	37.6	36.5	44.5	30.1	10.7
87	Vehicles other than railway or tramway rolling stock, and parts	28.9	23.0	32.4	23.3	8.3
30	Pharmaceutical products	16.5	13.7	16.8	16.7	6.0
39	Plastics and articles	13.2	12.4	16.3	12.2	4.4
90	Optical, photographic, precision, medical or surgical instruments	9.1	10.0	10.6	8.6	3.1
73	Articles of iron or steel	10.3	9.1	9.3	7.0	2.5
27	Mineral fuels, mineral oils and products of distillation	14.7	11.0	5.6	6.3	2.2
29	Organic chemicals	5.3	5.3	6.1	6.2	2.2
72	Iron and steel	8.2	6.4	10.3	5.8	2.1
8	Edible fruit and nuts; peel of citrus fruit or melons	6.3	6.2	6.6	5.7	2.0
38	Miscellaneous chemical products	4.4	4.6	5.1	4.6	1.6
61	Articles of apparel and clothing accessories, knitted or crocheted	4.3	3.6	5.1	4.6	1.6
64	Footwear, gaiters and the like	4.5	3.7	4.7	4.5	1.6
28	Inorganic chemicals; compounds of rare-earth metals	4.5	3.7	3.7	4.3	1.5

Source: ITC Trade Map and India Exim Bank Research

Herfindahl–Hirschman Index of Export Concentration in the EAEU

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, where 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

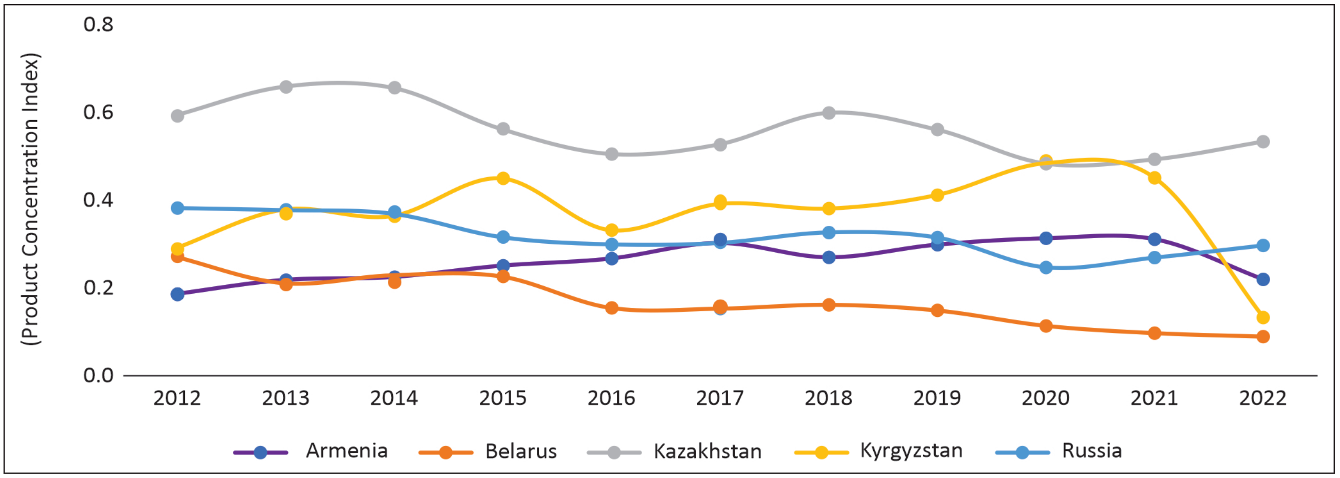
and

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

As seen from **Chart 2.2**, among the EAEU economies, Kazakhstan has the maximum export concentration among the EAEU countries, while Kyrgyzstan is shown as having the most diversified exports in 2022. However, up to 2021, Kyrgyzstan had one of the highest product concentration among the EAEU countries. The decline in concentration value in 2022 is mostly because of negligible gold exports, the principal export commodity of Kyrgyzstan, as most domestic gold was purchased by the National Bank of the Kyrgyz Republic (NBKR) and increase in non-gold exports due to the new transit trade.

According to the UNCTAD, a country is considered to be commodity export dependent when more than 60% of its total merchandise exports are composed of commodities. Four countries in the region, except Belarus are commodity dependent, with commodity exports as a share of merchandise exports higher than 65% (Armenia – 76.2%; Kazakhstan – 85.8%, Kyrgyzstan – 81.7% and Russia – 77.5%). While Armenia and Kyrgyzstan were mainly dependent on mining; Kazakhstan and Russia were dependent on mineral fuels during the period 2019-21[1].

Chart 2.2: Product Concentration Index of Exports in the EAEU Economies



Source: UNCTADStat and India Exim Bank Research

Merchandise Trade Profile of Armenia in 2022

Armenia's Major Exports

- o Pearls, precious stones and metals (18.6% of total exports)
- o Ores, slag and ash (17.4%)
- o Electrical machinery and equipment (9.6%)
- o Beverage, spirit and vinegar (6.8%)
- o Tobacco and manufactured substitutes (6.5%)

Armenia's Major Imports

- o Mineral fuels and oils (13.5% of total imports)
- o Electrical machinery and equipment (10%)
- o Machinery and mechanical appliances (9.9%)
- o Vehicles (9.5%)
- o Pearls, precious stones and metals (8%)

Armenia's Major Export Destinations

- Russia (44.6% of total exports), UAE (10.1%), China (7%), Switzerland (4.8%), Iraq (4.7%), Netherlands (4%) and Bulgaria (3.9%).

Armenia's Major Import Sources

- Russia (30.4% of total imports), China (15.4%), Iran (6.9%), Germany (4.6%), USA (4.1%), Italy (3.2%), Turkey (3%) and India (3%).

[1] State of Commodity Dependence 2023, UNCTAD

Merchandise Trade Profile of Belarus in 2022

Belarus' Major Exports

- o Fertilisers (21.1% of total exports)
- o Mineral fuels (11.2%)
- o Wood and articles of wood (10.2%)
- o Animal, vegetable or microbial fats and oils (5.7%)
- o Meat and edible meat offal (5.2%)

Belarus' Major Imports

- o Vehicles and parts (18.6% of total imports)
- o Machinery and mechanical appliances (11.5%)
- o Electrical machinery and equipment (8.5%)
- o Plastics and articles (5.6%)
- o Pharmaceutical products (4.8%)

Belarus' Major Export Destinations

- China (16.4% of total exports), Ukraine (12.6%), Poland (9.1%), Kazakhstan (7.8%), Lithuania (7.5%), Germany (4.1%) and Uzbekistan (3.7%).

Belarus' Major Import Sources

- China (26.1% of total imports), Poland (14.6%), Germany (12.2%), Lithuania (12%), Turkey (9%), Italy (2.4%) and Latvia (1.5%).

Merchandise Trade Profile of Kazakhstan in 2022

Kazakhstan's Major Exports

- o Mineral fuels and oil (61.4% of total exports)
- o Iron and steel (6.6%)
- o Ores, slag and ash (5%)
- o Copper and articles (4.5%)
- o Inorganic chemicals (4.2%)

Kazakhstan's Major Imports

- o Machinery (15.8% of total imports)
- o Transport Vehicles (9.7%)
- o Electrical machinery and equipment (9.6%)
- o Articles of iron and steel (4.4%)
- o Plastic and articles (4.2%)

Kazakhstan's Major Export Destinations

- Italy (16.4% of total exports), China (15.6%), Russia (10.4%), Netherlands (6.5%), Turkey (5.6%), South Korea (5.4%) and Uzbekistan (4.4%).

Kazakhstan's Major Import Sources

- Russia (34.7% of total imports), China (21.9%), Germany (4.5%), USA (3.8%), Turkey (3.2%), South Korea (3.1%) and Uzbekistan (2.6%).

Merchandise Trade Profile of Kyrgyzstan in 2022

Kyrgyzstan's Major Exports

- o Mineral fuels and oils (8.9% of total exports)
- o Cotton (7.8%)
- o Ores, slag and ash (6.3%)
- o Edible vegetables and certain roots (5.5%)
- o Electrical machinery and equipment (5.5%)

Kyrgyzstan's Major Imports

- o Machinery (11.7% of total imports)
- o Mineral fuels and oil (11%)
- o Transport vehicles (7.6%)
- o Knitted or crocheted fabrics (7.4%)
- o Footwear, gaiters and parts (5.6%)

Kyrgyzstan's Major Export Destinations

- Russia (44.1% of total exports), Kazakhstan (20%), Uzbekistan (10.8%), Turkey (6.4%), UAE (4.6%), China (2.8%) and Belarus (1.6%).

Kyrgyzstan's Major Import Sources

- China (42.3% of total imports), Russia (23.6%), Kazakhstan (7.8%), Turkey (5.1%), Uzbekistan (3.8%), USA (2.5%) and Germany (1.7%).

Merchandise Trade Profile of Russia in 2022

Russia's Major Exports	Russia's Major Imports
o Mineral fuels and oils (66.9% of total exports)	o Machinery and mechanical appliances (17.9% of total imports)
o Pearls, precious stones and metals (4.4%)	o Electrical machinery and equipment (10.8%)
o Iron and steel (4.2%)	o Vehicles and parts (7.4%)
o Fertilisers (3.6%)	o Pharmaceutical products (7.1%)
o Cereals (1.8%)	o Plastics and articles (4.5%)

Russia's Major Export Destinations

- China (20.2% of total exports), Turkey (10.4%), India (7.2%), Italy (5.4%), Germany (5.4%), Netherlands (4.1%) and Kazakhstan (3.1%).

Russia's Major Import Sources

- China (39.2% of total imports), Germany (8%), Turkey (4.8%), Kazakhstan (4.5%), Italy (3.4%), Republic of Korea (3.3%) and Poland (2.5%).

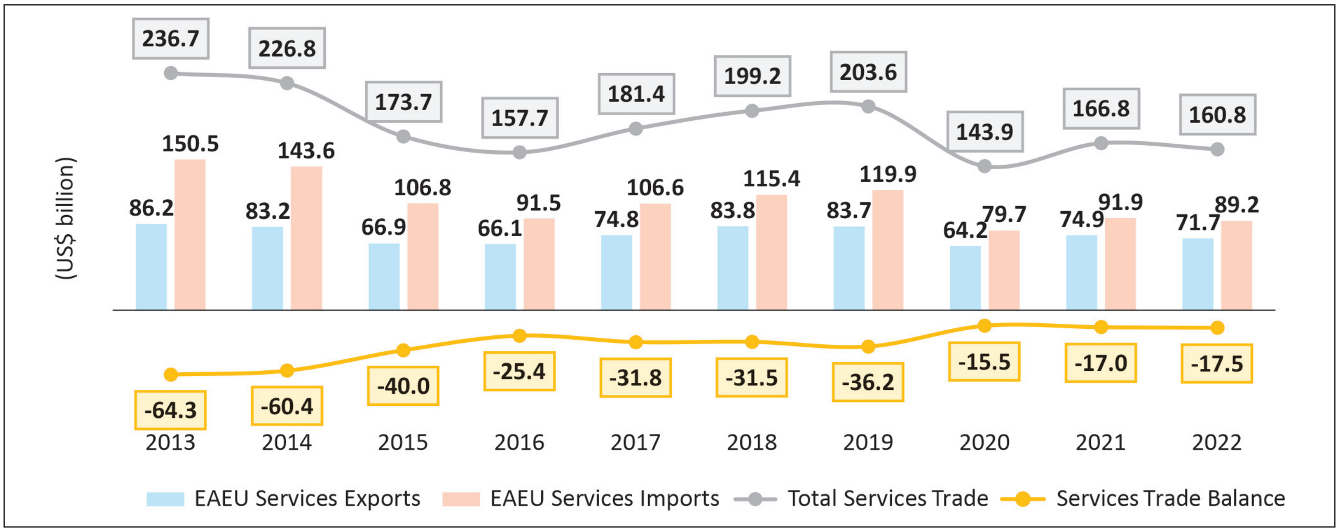
Source: ITC Trade Map and India Exim Bank Research

Services Trade of the EAEU

Regarding foreign trade in services, Article 38 of the EAEU Treaty establishes that the member countries shall coordinate trade in services with third parties, while this coordination, however, shall not imply any supranational jurisdiction of the union in this sphere.

As observed in **Chart 2.3**, the EAEU's trade in services has witnessed a moderation from as high as US$ 236.7 billion in 2013 to US$ 160.8 billion in 2022. Services exports have declined over the last decade from US$ 86.2 billion in 2013 to US$ 71.7 billion in 2022. Similarly, services imports also moderated from US$ 150.5 billion in 2013 to US$ 89.2 billion in 2022. The services trade deficit has narrowed over the period as imports have declined as well, leading to overall shrinking of the total services trade.

Chart 2.3: International Services Trade of the EAEU



Source: WTO and India Exim Bank Research

Within the bloc, Russia remained the largest exporter at US$ 49.1 billion in 2022, accounting for 68.5% of the total services exports, followed by Belarus (12.8%) and Kazakhstan (11.1%). In case of imports, Russia was the largest importer at US$ 70.8 billion (79.4% of total services imports by the EAEU in 2022), followed by Kazakhstan (10.6%) and Belarus (5.6%). While Russia, Kazakhstan and Kyrgyzstan have services trade deficits, Armenia and Belarus recorded services trade surplus in 2022 **(Table 2.6)**.

Table 2.6: Services Trade of the EAEU Countries (US$ billion)

Country	Exports				Imports				Trade Balance			
	2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022
Armenia	2.4	1.1	1.7	4.2	2.5	1.0	1.3	2.5	-0.1	0.1	0.4	1.6
Belarus	9.6	8.8	10.3	9.2	5.9	4.8	5.7	5.0	3.8	3.9	4.6	4.2
Kazakhstan	7.8	5.2	5.9	7.9	11.5	8.4	7.9	9.4	-3.8	-3.2	-2.0	-1.5
Kyrgyzstan	1.1	0.4	0.5	1.3	1.0	0.6	0.7	1.4	0.1	-0.2	-0.2	-0.1
Russia	62.8	48.6	56.5	49.1	99.0	64.8	76.2	70.8	-36.2	-16.2	-19.7	-21.7
EAEU	**83.7**	**64.2**	**74.9**	**71.7**	**119.9**	**79.7**	**91.9**	**89.2**	**-36.2**	**-15.5**	**-17.0**	**-17.5**

Source: WTO and India Exim Bank Research

Services Exports of the EAEU: Sectoral Analysis

Transportation and travel services represented the largest shares in services exports and imports of most EAEU member countries **(Table 2.7)**. Among other types of services, telecommunications, computer and information services stood out in Armenia and Kazakhstan. Construction and other business services were found to be predominant in Russia. In case of Armenia, travel accounted for the largest share in services exports at 58.4% in 2022, followed by transport services (13.4%).

Table 2.7: Services Exports of the EAEU (US$ million)

Product/Sector	2019	2020	2021	% Share in 2021	2022	% Share in 2022
Total Services Exports of EAEU	**83699**	**64168**	**74939**	**100.0**	**71670**	**100.0**
Government goods and services	1336	986	1192	1.6	1094	1.5
Commercial services	82361	63183	73748	98.4	70577	98.5
Transport	30019	24059	27729	37.0	24893	34.7
Travel	16490	5310	6003	8.0	10639	14.8
Construction	5765	5466	6517	8.7	7220	10.1
Insurance and pension services	520	614	751	1.0	583	0.8
Financial services	1257	1366	1683	2.2	1637	2.3
Charges for the use of intellectual property	1119	1291	1564	2.1	818	1.1
Telecommunications, computer, and information services	8311	9123	11043	14.7	9751	13.6
Personal, cultural, and recreational services	660	484	561	0.7	337	0.5
Other business services	14492	12974	14822	19.8	11608	16.2
Research and development services	476	492	564	0.8	395	0.6
Professional and management consulting services	6623	6209	7290	9.7	4800	6.7
Technical, trade-related, and other business services	7394	6273	6967	9.3	5557	7.8

Source: WTO database and India Exim Bank Research

In case of Belarus, transport services accounted for 40.4% of total services exports in 2022, followed by telecommunication, computer and information services, accounting for 29.4%. Transport and travel services accounted for the largest share in services exports of Kazakhstan in 2022, at 59% and 18.8%, respectively. Likewise in case of Kyrgyzstan, travel and transport services accounted for 44.3% and 33.9% of its total services exports, respectively in 2022.

Russia's services exports were mainly focused on sectors like transport (31.6%) and telecommunication, computer and information services (11.9%) in 2022. Other important sectors include travel, technical, trade-related, and other business services and professional and management consulting services.

Services Imports of the EAEU: Sectoral Analysis

Services imports of the EAEU witnessed a moderation from US$ 150.5 billion in 2013 to US$ 89.2 billion in 2022. Transport and travel services accounted for the majority share in services imports by the EAEU countries **(Table 2.8)**.

Table 2.8: Services Imports of the EAEU (US$ million)

Product/Sector	2019	2020	2021	% Share in 2021	2022	% Share in 2022
Total Services Imports of EAEU	**119935**	**79710**	**91891**	**100.0**	**89175**	**100.0**
Government goods and services	1530	1363	1377	1.5	1295	1.5
Commercial services	118405	78347	90513	98.5	87881	98.5
Transport	20992	16537	21521	23.4	20694	23.2
Travel	41890	10919	14152	15.4	25106	28.2
Construction	6784	8598	7757	8.4	8431	9.5
Insurance and pension services	1232	1173	1360	1.5	712	0.8
Financial services	2847	2904	2921	3.2	2285	2.6
Charges for the use of intellectual property	7200	7163	7510	8.2	4929	5.5
Telecommunications, computer, and information services	6141	6909	7645	8.3	5419	6.1
Personal, cultural, and recreational services	1794	1450	1492	1.6	893	1.0
Other business services	26672	20113	22790	24.8	16498	18.5
Research and development services	174	143	153	0.2	118	0.1
Professional and management consulting services	7874	7517	9175	10.0	5560	6.2
Technical, trade-related, and other business services	18624	12451	13462	14.6	10336	11.6

Source: WTO database and India Exim Bank Research

In case of Armenia, transport and travel accounted for more than 81.1% of services import in 2022. Transport and travel services were the major services imported by Belarus, accounting for 41.2% and 18.8% of total services imports, followed by telecommunication, computer and information services (6.3%) and professional and management consulting services (6.7%) in 2022.

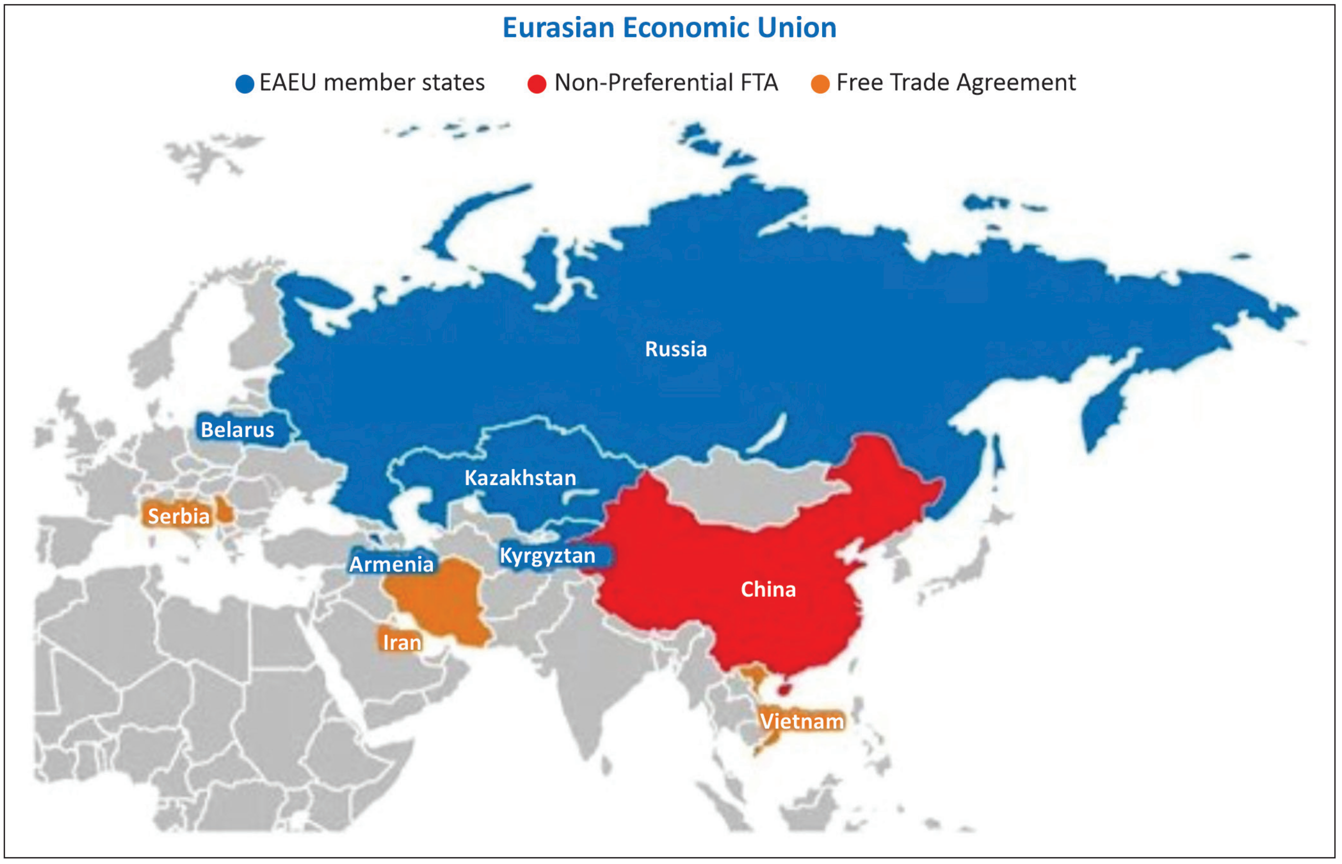
In case of Kazakhstan, besides travel (25.8%) and transport services (28.7%), technical trade related, and other business services (14.8%) accounted for the major share in services imports during 2022. Transport and travel services dominated Kyrgyzstan's imports as well in 2022, accounting for 70.4% and 12.7% of imports, respectively.

Besides travel (28.6%) and transport (20%) services which accounted for the major share in Russia’s services imports in 2022, the other major categories include technical, trade related and other business services (12.5%) and professional and management consulting services (6.6%).

Eurasian Economic Union and FTAs

Despite its relatively recent founding, the EAEU has been able to successfully establish external relations with national governments, regional integration associations and other international organizations. The EAEU member countries’ global membership and partnerships generally coincide and do not differ from one country to the other. The EAEU has signed Free Trade Agreements (FTAs) with Serbia, Iran and Vietnam, while the EAEU is currently negotiating FTAs with countries such as Indonesia, Saudi Arabia, Thailand, Egypt and the UAE. The EAEU has also signed an FTA with Singapore, but it is yet to come into effect. **Exhibit 1** shows the FTAs of the EAEU.

Exhibit 1: FTAs of Eurasian Economic Union



Source: Adapted from Russia Briefing, Dezan Shira & Associates

Trade Agreement with China

The EAEU-China agreement “on trade and economic cooperation” was concluded in 2018. China’s present trade agreement with the EAEU is classified as 'non-preferential', i.e., it does not imply the creation of a free trade zone. Tariffs are lowered on specific goods and products on an ‘as need’ basis rather than set in stone as is the case for most FTA. The current non-preferential agreement entered into force in October 2019 and does not provide any reduction in duties, however, it establishes the prerequisites for trade simplification and ensuring transparency in trade policy. This allows the EAEU nations some protection against China's massive export market while allowing 'cherry-picking' by both sides. China was the largest trade partner for the EAEU during 2022, accounting for 19% of its exports and 34.2% of imports. The Eurasian Economic Commission (EEC) is preparing to revise its current agreement with China. Both the ECC and China are planning to discuss the depth, ambitions and industry directions in terms of expanding cooperation between China and the EAEU. The EAEU roadmap with China has three sections: the digitization of transport corridors, dialogues on foreign trade policy issues and a joint scientific study of various scenarios for deepening cooperation, including trade liberalization.

FTA with Singapore

The EAEU has signed Free Trade Agreement with Singapore in October 2019, but it is yet to come into effect. The agreement extends across the mutual trade in goods, reductions in tariff and non-tariff barriers, maintenance of fair competition, customs cooperation, promotion of government procurement, environmental protection, respect for intellectual property rights and e-commerce protocols. It will come into force once it has been ratified by the parliaments of all six signatory nations. Singapore has also signed an agreement with Armenia within the framework of the FTA, with regard to trade and investment in the services sector, while similar agreements with the remaining four EAEU states are still under negotiation.

Once fully enacted, EAEUSFTA will eliminate or reduce duties on 90% of Singapore's exports to the Eurasian Economic Union[2]. Among the items set to benefit Singapore are mineral fuels, oils and their distillates, prepared foodstuffs, machinery and mechanical equipment, chemicals, pharmaceuticals and precision instruments. As for the EAEU, the agreement will eliminate duties on nearly all its exports to Singapore, except for those in the few sectors that remain protected.

The FTA also facilitates regulatory cooperation between the two sides, particularly with regard to investment protection, intellectual property rights, stamping out unfair competition, trade facilitation, e-commerce protocols and the mutual streamlining of customs procedures. In more specific terms, this will see any exports between the two parties subject to 24 hours customs clearances, with priority items approved within four hours.

PTA with Iran

As an initial step towards entering into a trade agreement, a draft agreement on preferential export tariffs were signed between the EAEU and Iran in 2017. Subsequently, the EAEU-Iran preferential trade agreement (PTA) was signed in 2018, which came into effect on October 27, 2019. With the success of the PTA, both sides began negotiations in 2020 to upgrade the PTA into an FTA, which is expected to be signed by December 2023. The Iran-EAEU FTA would eliminate tariffs for a substantial 87% of traded goods, with the rest of the items enlisted as negative list, comprising products deemed sensitive for domestic industry or agriculture and would be exempted from tariff elimination. In July 2022, Iran also signed a comprehensive energy agreement for over 25 years with Russia and is prepared to provide electricity to all EAEU and Central Asian nations.

FTA with Vietnam

The Free Trade Agreement between Vietnam and the EAEU was signed on May 29, 2015 and came into effect from October 5, 2016. This is the first FTA of the EAEU.

[2] Singapore Ministry of Trade and Investment Press Release

Vietnam has committed to open the market for about 90% of total tariff lines within 10-year tariff reduction schedule. Tariff elimination for products in the priority list of the EAEU at the entry into force (EIF) including agricultural commodities (such as beef, dairy products and wheat flour); after 3-5 years since EIF including processed meat and fish, electrical machinery and machinery used in agriculture; after 5 years since EIF including pork and chicken; after 10 years since EIF including alcohol beverages and cars. Tariff elimination will not be earlier than 2027 for petroleum and no longer than 10 years for iron and steel.

The EAEU also shall eliminate the tariff rate for approximately 90% of all tariff lines, particularly, immediate elimination of 59% of total tariff lines. Groups of products for which the import tariff rate will be eliminated are agricultural-forestry-fishery products of Vietnam (majority of fishery items, certain kinds of fresh and processed vegetable and fruits, processed meat and fish, cereals, rice (with the tariff quota of 10,000 tons)) and certain industrial goods that Vietnam has advantage in exports (such as textiles (in quota) and raw textile materials, footwear (especially athletic shoes), machinery, electronic components, few pharmaceutical products, iron and steel, rubber products and wood and furniture[3].

The set of documents signed by the parties contain an agreement on a Special Regime for Russian investors and service providers, which specifically allows Russian companies to conduct business in Vietnam on the terms enjoyed by local firms. The agreement applies primarily to joint car-making projects and investments in power generation, transport infrastructure and oil refining facilities.

Vietnam was also a beneficiary of the GSP offered by the EAEU earlier. According to information of Trade Policy Department - Eurasian Economic Commission (EEC), Vietnam is no longer eligible to benefit from Eurasian Economic Union Generalized System of Preferences (EAEU GSP) from October 12, 2021. This change is expected to have a strong impact on enterprises whose export activities were enjoying GSP incentives from the EAEU markets, especially the Russian market.

For Vietnam, the EAEU GSP mechanism should have ended as soon as an FTA between Vietnam and the EAEU came into effect in 2016. However, the EAEU approved a 5-year extension for Vietnam to continue enjoying GSP after the entry into force of this Agreement[4].

FTA with Serbia

The EAEU-Serbia Free Trade Agreement was signed on October 25, 2019, and came into effect on July 10, 2021. Serbia is the only European country (landlocked) to sign an FTA with the EAEU. Serbia is an important Belt and Road transit through to Eastern European markets and a strategic Balkan country for Russia and China. The list of goods exempted from importing by Serbia include white sugar, ethyl alcohol, tobacco products, pneumatic tyres of rubber and tractors and vehicles for transport of 10 or more persons, among others. Goods subjected to tariff quota for importing into the EAEU were processed cheese (100 tons per year), spirits obtained by distilling grape wine (5000 litres of pure alcohol per year) and tobacco products.

Multilateral Agreement on a Free Trade Area of the Commonwealth of Independent States Countries (FTA CIS)

Treaty on a Free Trade Area between members of the Commonwealth of Independent States (CIS) was signed on October 18, 2011, and came into force on September 20, 2012 for Russia, Belarus and Ukraine;

[3] https://wtocenter.vn/chuyen-de/4760-vietnam--eurasian-economic-union-fta-full-content
[4] https://wtocenter.vn/chuyen-de/17434-eaeu-no-longer-offers-gsp-incentives-for-vietnam-from-october

October 17, 2012 for Armenia; December 08, 2012 for Kazakhstan; December 09, 2012 for Moldova; December 13, 2013 for Kyrgyzstan and December 24, 2015 for Tajikistan. The current signatories include Armenia, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan and Ukraine.

The CIS FTA provides for free movement of goods within the territory of the CIS, non-application of import customs duties, non-discrimination, gradual decrease of export customs duties and abolishment of quantitative restrictions in mutual trade between the CIS FTA member countries. The CIS FTA establishes that WTO rules will apply to government procurement, customs transit of goods, application of special safeguard, anti-dumping and countervailing measures, technical barriers to trade, as well as provision of subsidies and other measures applied in trade between its signees.

EAEU Generalized System of Tariff Preferences (EAEU GSP)

Countries with the EAEU GSP status benefits from the EAEU tariff preferences. The following criteria is used for wholly obtained or produced items under the EAEU GSP:

- minerals, mineral goods and other naturally occurring substances extracted from its soil, from its territorial waters (other internal waters) or its seabed or taken from the air in the territory of the country;
- vegetable goods harvested and (or) gathered in the country;
- live animals born and raised (grown) in the country;
- goods obtained from live animals in the country;
- goods obtained from hunting and fishing in the country;
- goods of sea fishing and other marine goods taken (caught) from the sea outside the territorial waters of the country by a vessel registered in that country and flying its flag;
- goods produced exclusively from goods referred to in subparagraph 6 of GSP document on board a factory ship registered in that country and flying its flag;
- goods extracted from marine soil or subsoil outside that country's territorial waters, provided the country has sole rights to work that soil or subsoil;
- waste and scrap (secondary raw materials) resulting from production or consumption conducted in the country provided that such goods fit only for utilization and (or) recovery of raw materials;
- used goods collected in the country provided that such goods can no longer fulfill their original function and fit only for utilization and (or) recovery of raw materials;
- goods produced in the country solely.

For goods not wholly obtained or produced goods shall be considered as sufficiently processed in a developing country if the value of non-originating materials used in the processing operations in such country does not exceed 50% of the value of goods exported from that developing country. Russia provides GSP on 2564 tariff lines in the HS 2022 nomenclature, covering broad sectors like animal products, plant products, processed food, minerals, ores, wood, textiles, stones, glass, imitation jewelry and brushes, as part of the EAEU GSP.

Changes to the EAEU Generalized System of Tariff Preferences (EAEU GSP) was made by the Eurasian Economic Council in April 2021 in terms of reducing the number of developing countries qualifying for the EAEU tariff preferences from 103 to 29 and reducing the number of least developed countries from 50 to 48. Accordingly, this decision came into effect from October 2021.

The countries such as China (including Taiwan and Macao), Brazil, India, Turkey, South Korea, Vietnam, Hongkong, Columbia, Ecuador, Argentina and several others were removed from the EAEU GSP list of developing countries and denied the 25% import tariff discount when exporting certain products to the EAEU. The products covered under GSP include food, furniture, industrial goods and food products that include meat, fish, fruits, coffee, cacao, coconut products, sauces and condiments. Furniture, gifts and houseware in the list include articles of wood, basket ware, artificial flowers, statuettes, ceramics, imitation jewelry and industrial goods like natural rubber.

Chapter

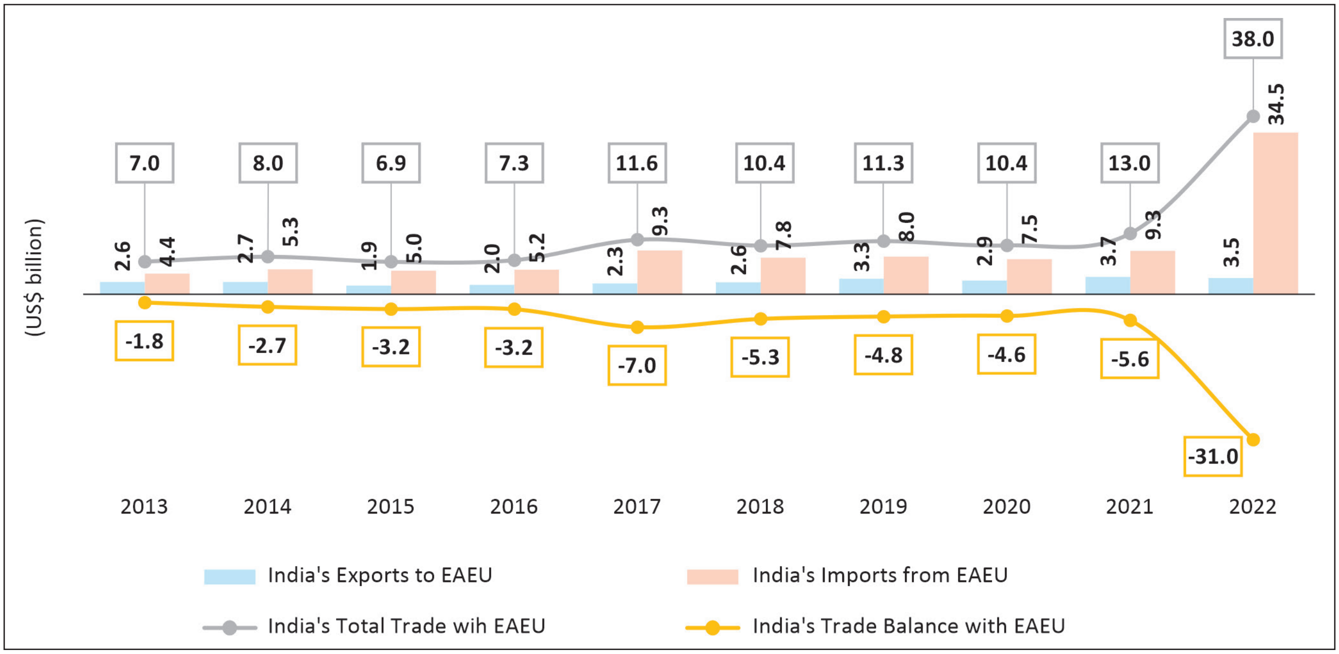
3

India - EAEU Trade Relations

The Eurasian Economic Union 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 Eastern European countries, the EAEU appears 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.

However, India's exports to the EAEU accounted for a modest share in India's global exports at 0.8% whereas India's imports from these countries accounted for a share of 4.8% of India's global imports in 2022. India's imports have particularly increased in 2022 due to higher imports of crude oil from Russia, resulting in widening of the trade deficit to US$ 31 billion as compared to US$ 5.6 billion in 2021 **(Chart 3.1)**. On an average, exports from India have been modest with an AAGR of 4.9% during the last decade.

Chart 3.1: India's Trade with the EAEU Countries



Source: DGCIS, MOCI and India Exim Bank Research

Among the EAEU countries, India had a trade surplus with Kazakhstan and Kyrgyzstan whereas India's trade deficit with Armenia and Belarus have narrowed in 2022. However, with Russia, India's imports have grown by more than 312%, resulting in massive trade deficit during the same period **(Table 3.1)**.

Table 3.1: India's Merchandise Trade with the EAEU Countries (US$ million)

Country	Exports				Imports				Trade Balance			
	2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022
Armenia	38.2	45.2	55.3	50.2	1.8	75.3	121.8	100.0	36.3	-30.1	-66.5	-49.9
Belarus	56.1	58.8	71.0	42.9	207.6	206.3	365.9	180.8	-151.5	-147.5	-294.9	-137.9
Kazakhstan	193.7	225.8	207.2	435.2	1593.6	1294.9	530.4	246.8	-1399.9	-1069.1	-323.2	188.3
Kyrgyzstan	29.1	36.8	31.7	47.6	2.1	5.3	1.5	3.6	27.4	34.7	26.4	46.1
Russia	2975.0	2560.4	3326.8	2912.3	6238.2	5936.6	8252.2	34003.6	-3263.2	-3376.3	-4925.3	-31091.3
EAEU	**3292.1**	**2927.0**	**3692.0**	**3488.1**	**8043.3**	**7518.4**	**9271.7**	**34534.9**	**-4751.2**	**-4591.4**	**-5579.6**	**-31046.7**

Source: DGCIS, MOCI and India Exim Bank Research

India-EAEU Commodity Trade Analysis

India's major exports to the EAEU in 2022 were pharmaceutical products (15.3%), followed by electrical machinery (12.7%), organic chemicals (8.6%), machinery (8.5%), iron and steel (4.6%) and coffee, tea, maté and spices (4%), among others. India's major imports from the EAEU in 2022 were mineral fuels and oils (82.8%), fertilisers (7.1%), pearls and precious stones (3.6%), animal and vegetable fats (2.2%) and iron and steel (0.8%), among others.

India's exports to Armenia have moderated in 2022 by 9.3% due to lower exports of electrical machinery which was the highest exported commodity to Armenia in 2021 (mainly radar apparatus – HS 852610) **(Table 3.2)**. In 2022, precious stones including diamonds (HS 710239) emerged as India's largest exports to Armenia. Cotton exports have also registered a significant increase.

Table 3.2: India's Exports to Armenia (US$ million)

HS Code	Product	2019	2020	2021	2022	Share in 2022 (%)
	India's Exports to Armenia	**38.2**	**45.2**	**55.3**	**50.2**	**100.0**
71	Pearls, precious stones and metals	7.4	5.7	9.1	9.0	18.0
85	Electrical machinery and equipment	0.4	12.2	26.8	8.1	16.2
24	Tobacco and manufactured tobacco substitutes	19.6	12.0	6.2	7.3	14.6
52	Cotton	-	-	-	6.4	12.9
02	Meat and edible meat offal	2.0	6.3	3.5	4.3	8.5
84	Machinery and mechanical Appliances	2.0	1.6	1.9	3.8	7.6
30	Pharmaceutical products	0.7	1.9	2.0	1.5	3.0
21	Miscellaneous edible preparations	0.2	0.3	0.6	1.4	2.8
68	Articles of Stone, Plaster, cement, asbestos, mica	0.3	0.3	0.6	1.0	2.0
90	Optical, measuring, medical and similar instruments	0.5	0.5	0.5	1.0	1.9

HS Code	Product	2019	2020	2021	2022	Share in 2022 (%)
69	Ceramic products	-	0.1	0.6	0.8	1.6
09	Coffee, tea, mate and spices	0.2	0.3	0.2	0.7	1.4
29	Organic chemicals	0.1	0.3	0.1	0.6	1.2
10	Cereals	0.3	0.3	0.5	0.4	0.9
38	Miscellaneous chemical products	1.0	0.9	0.2	0.4	0.7

Note: “-” implies nil or negligible

Source: DGCIS, MOCI and India Exim Bank Research

India’s imports from Armenia have declined by 17.9%, with gold (HS 710812) accounting for majority of the imports in 2022 **(Table 3.3)**.

Table 3.3: India’s Imports from Armenia (US$ million)

HS Code	Product	2019	2020	2021	2022	Share in 2022 (%)
	India’s Imports from Armenia	**1.8**	**75.3**	**121.8**	**100.0**	**100.0**
71	Pearls, precious stones and metals	0.3	74.5	121.4	98.9	98.9
90	Optical, measuring, medical and similar instruments	-	-	0.2	0.6	0.6
41	Raw hides and skins	0.1	-	0.1	0.2	0.2
78	Lead and articles	-	-	-	0.2	0.2
22	Beverages, spirits and vinegar	-	-	-	0.1	0.1

Note: “-” implies nil or negligible

Source: DGCIS, MOCI and India Exim Bank Research

India’s exports to Belarus have declined by 39.5% in 2022 due to broad based decline in exports across all categories **(Table 3.4)**. India’s major exports to the country include pharmaceutical products, organic chemicals and marine products.

Table 3.4: India’s Exports to Belarus (US$ million)

HS Code	Product	2019	2020	2021	2022	Share in 2022 (%)
	India’s Exports to Belarus	**56.1**	**58.8**	**71.0**	**42.9**	**100.0**
30	Pharmaceutical products	10.9	13.8	21.0	16.7	38.8
29	Organic chemicals	9.4	10.8	8.8	7.6	17.7
03	Fish and crustaceans, molluscs	11.5	9.5	11.2	4.2	9.8
84	Machinery and mechanical appliances	2.7	2.4	4.1	2.4	5.5
90	Optical, measuring, medical and similar instruments	0.5	1.1	1.9	1.5	3.4
32	Dyeing, tanning colouring matter	0.8	0.6	1.2	1.0	2.4
39	Plastics and articles	0.6	1.0	0.7	0.8	2.0

HS Code	Product	2019	2020	2021	2022	Share in 2022 (%)
28	Inorganic chemicals; compounds of precious metals	0.5	0.4	0.3	0.8	1.9
59	Impregnated, coated and laminated textile fabrics	-	-	-	0.8	1.9
38	Miscellaneous chemical products	1.5	0.9	0.9	0.7	1.7
37	Photographic or cinematographic goods	0.1	0.2	0.4	0.5	1.2
72	Iron and steel	0.7	0.4	0.5	0.5	1.2
40	Rubber and articles	0.3	0.2	0.4	0.5	1.1
85	Electrical machinery and equipment	0.4	1.0	0.6	0.5	1.1
82	Tools and parts of base metal	1.1	0.3	0.3	0.4	1.0

Note: "-" implies nil or negligible

Source: DGCIS, MOCI and India Exim Bank Research

India's imports from Belarus have likewise declined in 2022 by more than half **(Table 3.5)**. Fertilizers (potassium chloride - HS 310420) accounted for more than 90% of India's imports from Belarus.

Table 3.5: India's Imports from Belarus (US$ million)

HS Code	Product	2019	2020	2021	2022	Share in 2022 (%)
	India's Imports from Belarus	**207.6**	**206.3**	**365.9**	**180.8**	**100.0**
31	Fertilizers	190.0	184.3	307.0	168.5	93.2
39	Plastics and articles	1.5	0.3	1.6	3.2	1.8
53	Other vegetable textile fibres	-	0.6	0.7	2.6	1.4
90	Optical, measuring, medical and similar instruments	0.8	1.7	1.3	2.2	1.2
85	Electrical machinery, equipment and parts	1.1	1.6	1.3	1.0	0.5
44	Wood and articles of woods; wood charcoal	1.0	1.2	1.8	0.9	0.5
70	Glass and glassware	0.3	0.2	1.8	0.7	0.4
84	Machinery and mechanical appliances	0.7	0.9	0.9	0.5	0.3
29	Organic chemicals	0.7	0.5	1.9	0.5	0.3
28	Inorganic chemicals; compounds of precious metals	1.8	2.8	4.4	0.4	0.2
87	Road vehicles and parts	0.2	0.1	0.2	0.1	0.1
49	Printed Books and other products	-	0.1	-	0.1	0.1
48	Paper and paperboard; articles of paper pulp	0.1	-	-	0.1	-
55	Man-made staple fibres	6.5	2.2	1.4	0.1	-
27	Mineral fuels, oils and products	0.0	8.1	39.8	-	-

Note: "-" implies nil or negligible

Source: DGCIS, MOCI and India Exim Bank Research

India’s exports to Kazakhstan have, on the other hand, doubled in 2022 due to higher exports of electrical machinery and equipment **(Table 3.6)**.

Table 3.6: India’s Exports to Kazakhstan (US$ million)

HS Code	Product	2019	2020	2021	2022	Share in 2022 (%)
	India’s Exports to Kazakhstan	**193.7**	**225.8**	**207.2**	**435.2**	**100.0**
85	Electrical machinery, equipment and parts	64.1	53.7	60.1	258.3	59.4
30	Pharmaceutical products	51.4	83.0	68.9	73.0	16.8
09	Coffee, tea, mate and spices	23.5	26.9	17.6	19.7	4.5
84	Machinery, mechanical appliances and parts	25.2	31.7	24.7	19.6	4.5
90	Optical, photographic, cinematographic, precision, medical or surgical instruments	3.5	3.4	5.3	13.7	3.1
87	Vehicles other than railway or tramway rolling stock and parts	0.3	0.2	0.3	9.0	2.1
69	Ceramic products	1.9	4.2	5.1	8.0	1.8
29	Organic chemicals	1.8	5.0	4.1	7.6	1.8
73	Articles of iron or steel	1.2	1.1	0.8	2.9	0.7
02	Meat and edible meat offal	-	-	0.8	2.3	0.5
33	Essential oils and resinoids; perfumery, cosmetic or toilet preparations	2.4	2.2	1.7	2.0	0.5
40	Rubber and articles	2.1	0.7	2.0	1.8	0.4
36	Explosives, pyrotechnic products, pyrophoric alloys, certain combustible preparations	0.4	0.6	0.7	1.5	0.3
82	Tools implements, cutlery of base metal, parts and base metal	0.7	0.7	0.7	1.3	0.3
38	Miscellaneous chemical products	1.6	2.2	1.5	1.3	0.3

Note: “-” implies nil or negligible

Source: DGCIS, MOCI and India Exim Bank Research

India’s imports from Kazakhstan have declined by 50.6% in 2022, mainly owing to fall in import of mineral fuels and oil (mainly crude oil and coal). It is also the largest commodity imported from Kazakhstan, followed by precious metals including silver (HS 710692) **(Table 3.7)**.

Table 3.7: India's Imports from Kazakhstan (US$ million)

HS Code	Product	2019	2020	2021	2022	Share in 2022 (%)
	India's Imports from Kazakhstan	**1593.6**	**1294.9**	**530.4**	**246.8**	**100.0**
27	Mineral fuels, oils and products	1483.4	1263.4	437.0	127.3	51.6
71	Pearls, precious stones and metals	92.4	18.5	69.3	88.3	35.8
25	Salt; sulphur; earths and stone	3.8	4.1	11.9	13.8	5.6
28	Inorganic chemicals; compounds of precious metals	7.5	4.5	5.3	7.4	3.0
72	Iron and steel	1.7	3.8	3.1	3.6	1.5
81	Other base metals; cements; articles	0.6	0.3	0.9	2.8	1.1
13	Lac; gums, resins and other vegetables saps	-	-	0.8	1.8	0.7
84	Machinery and mechanical appliances	-	-	-	0.9	0.4
90	Optical, measuring, medical and similar instruments	-	-	0.3	0.3	0.1
39	Plastics and articles	-	-	-	0.2	0.1
26	Ores, slag and ash	-	-	0.2	0.1	-
41	Raw hides and skins	0.2	-	-	0.1	-
12	Oil seeds oleaginous fruits	-	-	-	0.1	-

Note: "-" implies nil or negligible

Source: DGCIS, MOCI and India Exim Bank Research

India's exports to Kyrgyzstan grew by 50% in 2022 driven by higher exports of pharmaceutical products and articles of clothing **(Table 3.8)**.

Table 3.8: India's Exports to Kyrgyzstan (US$ million)

HS Code	Product	2019	2020	2021	2022	Share in 2022 (%)
	India's Exports to Kyrgyzstan	**29.1**	**36.8**	**31.7**	**47.6**	**100.0**
30	Pharmaceutical products	9.0	13.6	9.4	16.0	33.7
62	Articles of apparel and clothing accessories, not knitted or crocheted	9.2	9.1	12.8	12.8	26.8
61	Articles of apparel and clothing accessories, knitted or crochet	4.2	3.0	3.1	5.2	11.0
57	Carpets and other textile floor coverings	0.1	0.1	1.1	1.9	3.9
29	Organic chemicals	-	0.2	0.2	1.6	3.4
17	Sugars and sugar confectionery	-	-	-	1.6	3.4
09	Coffee, tea, mate and spices	1.3	0.9	0.3	1.4	2.9
87	Road vehicles and parts	-	-	-	1.2	2.5
02	Meat and edible meat offal	0.1	-	0.4	0.9	1.8
69	Ceramic products	-	0.1	0.1	0.7	1.4

HS Code	Product	2019	2020	2021	2022	Share in 2022 (%)
90	Optical, measuring, medical and similar instruments	0.7	1.8	0.5	0.6	1.4
42	Articles of leather, saddlery harness and animal guts	0.6	0.6	1.0	0.6	1.2
93	Arms and ammunition	-	-	-	0.5	1.0
84	Machinery and mechanical appliances	0.1	0.1	0.1	0.4	0.8
85	Electrical machinery and equipment	0.1	0.3	0.4	0.4	0.8

Note: "-" implies nil or negligible

Source: DGCIS, MOCI and India Exim Bank Research

India's imports from Kyrgyzstan increased by 144.8% in 2022 due to higher imports of lac, gum and resins which accounted for more than 65% of India's imports from the country **(Table 3.9)**.

Table 3.9: India's Imports from Kyrgyzstan (US$ million)

HS Code	Product	2019	2020	2021	2022	Share in 2022 (%)
	India's Imports from Kyrgyzstan	**2.1**	**5.3**	**1.5**	**3.6**	**100.0**
13	Lac; gums, resins and other vegetables saps	0.3	-	0.2	2.4	65.5
07	Edible vegetables, certain roots and tubers	1.2	0.3	1.2	1.0	27.5
85	Electrical machinery and equipment	0.1	-	-	0.1	3.3
08	Edible fruit and nuts; peel of citrus fruit or melons	0.1	0.1	-	0.1	3.0
30	Pharmaceutical products	-	0.01	0.03	0.01	0.3
04	Dairy produce; birds' eggs; natural honey	-	-	-	0.01	0.2
38	Miscellaneous chemical products	0.01	-	-	0.01	0.2

Note: "-" implies nil or negligible

Source: DGCIS, MOCI and India Exim Bank Research

India's exports to Russia moderated by 12.5% in 2022, mainly due to fall in India's exports of pharmaceutical products, machinery and electrical equipment which are the major components of India's export basket to Russia **(Table 3.10)**.

Table 3.10: India's Exports to Russia (US$ million)

HS Code	Product	2019	2020	2021	2022	Share in 2022 (%)
	India's Exports to Russia	**2975.0**	**2560.4**	**3326.8**	**2912.3**	**100.0**
30	Pharmaceutical products	470.9	415.4	512.0	428.7	14.7
29	Organic chemicals	195.3	232.8	268.2	282.1	9.7
84	Machinery and mechanical appliances	345.1	231.5	276.8	271.9	9.3
85	Electrical machinery and equipment	540.8	335.2	503.2	183.3	6.3
72	Iron and Steel	105.8	130.8	192.9	162.7	5.6
03	Fish and crustaceans, molluscs	96.0	83.9	128.5	125.0	4.3

HS Code	Product	2019	2020	2021	2022	Share in 2022 (%)
09	Coffee, tea, mate and spices	118.2	101.3	102.3	115.4	4.0
38	Miscellaneous chemical products	61.8	67.6	91.2	110.8	3.8
28	Inorganic chemicals; compounds of precious metals	16.5	24.5	25.3	97.1	3.3
21	Miscellaneous edible preparations	63.6	37.8	63.0	91.2	3.1
13	Lac; gums, resins and other vegetables saps	49.5	36.7	55.0	68.9	2.4
90	Optical, measuring, medical and similar instruments	38.3	49.8	69.7	66.9	2.3
24	Tobacco and manufactured tobacco substitutes	27.6	19.1	20.6	64.7	2.2
39	Plastics and articles	41.9	38.8	57.3	62.9	2.2
10	Cereals	40.5	57.9	56.8	56.3	1.9

Note: “-” implies nil or negligible

Source: DGCIS, MOCI and India Exim Bank Research

India’s imports from Russia, on the other hand, have grown by 312.1% in 2022 due to higher imports of mineral fuels and oil (mainly crude – HS 2709) and fertilizers, among others **(Table 3.11)**. Russia being an inframarginal producer and supplier of oil (i.e., its marginal costs of extracting and transporting oil for exports are considerably below market clearing prices), there is room to set a price cap above the country’s marginal cost and still significantly below world prices. Russian Urals crude has been trading at a discount to Brent crude oil since March 2022.

Table 3.11: India’s Imports from Russia (US$ million)

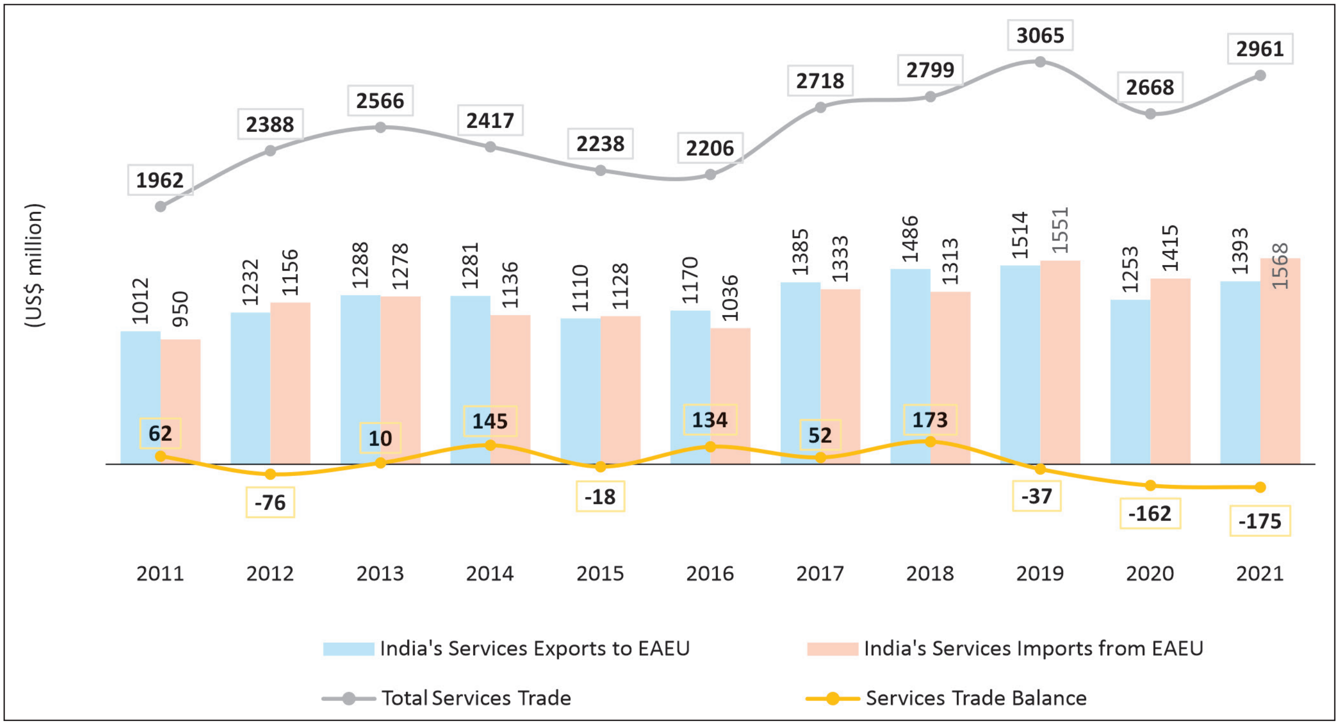
HS Code	Product	2019	2020	2021	2022	Share in 2022 (%)
	India’s Imports from Russia	**6238.2**	**5936.6**	**8252.2**	**34003.6**	**100.0**
27	Mineral fuels, oils and products	2883.6	2042.4	4215.5	27369.4	80.5
31	Fertilizers	457.8	607.1	483.5	2707.6	8.0
71	Pearls, precious stones and metals	642.4	834.3	1337.6	1282.0	3.8
15	Animal or vegetable fats and oils	156.5	410.0	303.7	908.8	2.7
72	Iron and steel	148.1	83.6	133.5	317.1	0.9
98	Projects goods; some special uses	440.0	481.7	398.6	257.1	0.8
84	Machinery and mechanical appliances	69.5	91.4	79.7	161.1	0.5
48	Paper and paperboard; articles of paper pulp	273.5	164.2	123.6	157.2	0.5
40	Rubber and article	91.5	77.2	151.3	93.1	0.3
28	Inorganic chemicals; compounds of precious metals	112.7	101.5	135.5	92.5	0.3
25	Salt; sulphur; earths and stone	149.2	113.5	112.4	91.9	0.3
49	Printed books and other products of printing	84.7	84.5	64.9	85.7	0.2
75	Nickel and articles	15.0	23.8	57.0	60.9	0.2
39	Plastics and articles	175.5	110.8	122.7	56.1	0.2
29	Organic chemicals	65.6	56.5	79.8	46.3	0.1

Source: DGCIS, MOCI and India Exim Bank Research

India-EAEU Trade in Services

According to data derived from the OECD-WTO Balanced Trade in Services (BaTIS) dataset,[5] India's services exports to the EAEU stood at US$ 1.4 billion in 2021, increasing by an AAGR of 3.9% from 2011 when it was at US$ 1.0 billion **(Chart 3.2)**. Russia's share in India's services exports to the EAEU was the highest at 58.1% in 2021, followed by Kazakhstan (25.7%). India's services imports from the EAEU increased from US$ 950 million in 2011 to US$ 1.6 billion by 2021, growing by an AAGR of 6.1%. Russia accounted for 65.7% of India's services imports from the EAEU in 2021, followed by Kazakhstan at 15.5%.

Chart 3.2: India's Services Trade with the EAEU



Source: WTO - OECD Balanced International Trade in Services EBOPS 2010 and India Exim Bank Research

Armenia

India's services exports to Armenia stood at US$ 46 million and was mainly composed of telecommunication, computer and information services (41.3%) in 2021, followed by travel services (19.6%), other business services (17.4%) and transport services (15.2%) **(Table 3.12)**.

[5] BaTIS is considered to be a relatively complete and consistent database for bilateral services trade data. It is a complete, consistent and balanced matrix of international trade in services statistics (ITSS). It contains annual bilateral data covering 202 reporters and partners, broken down by the 12 main EBOPS2010 (BPM6) categories. BaTIS is the result of joint efforts by the OECD and WTO. At present, only about 63% of world trade in services is bilaterally specified, and the percentage is even lower for the individual service categories. The OECD-WTO methodology leverages all available official statistics and combines them with estimations and adjustments to provide users with a complete matrix covering virtually all economies in the world. To resolve the asymmetries between reported and mirror flows, exports and imports are reconciled by calculating a symmetry-index weighted average between the two, following a similar approach to that developed for international merchandise trade statistics.

Table 3.12: India's Services Exports to Armenia (US$ million)

Product/Sector	2019	2020	2021	Share in 2021 (%)
India's Services Exports to Armenia	**60**	**38**	**46**	**100.0**
Government goods and services	-	-	-	-
Commercial services	60	38	46	100.0
Goods-related services	-	-	-	-
Manufacturing services on physical inputs owned by others	-	-	-	-
Maintenance and repair services	-	-	-	-
Transport	6	6	7	15.2
Travel	31	8	9	19.6
Other commercial services	24	24	30	65.2
Construction	-	-	1	2.2
Insurance and pension services	-	1	1	2.2
Financial services	1	1	1	2.2
Charges for the use of intellectual property	-	-	-	-
Telecommunications, computer, and information services	15	15	19	41.3
Other business services	6	7	8	17.4

Note: "-" implies nil or negligible

Source: WTO - OECD Balanced International Trade in Services EBOPS 2010 and India Exim Bank Research

India's services imports from Armenia stood at US$ 95 million in 2021 and composed mainly of travel services (38.9%), followed by transport services (28.4%) and telecommunication, computer and information services (20%) **(Table 3.13)**.

Table 3.13: India's Services Imports from Armenia (US$ million)

Product/Sector	2019	2020	2021	Share in 2021 (%)
India's Services Imports from Armenia	**25**	**67**	**95**	**100.0**
Government goods and services	-	1	1	1.1
Commercial services	25	66	94	98.9
Goods-related services	-	-	-	-
Manufacturing services on physical inputs owned by others	-	-	-	-
Maintenance and repair services	-	-	-	-
Transport	6	20	27	28.4
Travel	13	17	37	38.9
Other commercial services	6	29	29	30.5
Construction	1	4	4	4.2
Insurance and pension services	-	-	-	-
Financial services	-	-	-	-
Charges for the use of intellectual property	-	-	-	-
Telecommunications, computer, and information services	3	19	19	20.0
Other business services	2	5	5	5.3

Note: "-" implies nil or negligible

Source: WTO - OECD Balanced International Trade in Services EBOPS 2010 and India Exim Bank Research

Belarus

India's services exports to Belarus stood at US$ 104 million and was mainly composed of telecommunication, computer and information services (32.7%) and other business services (48.1%) **(Table 3.14)**.

Table 3.14: India's Services Exports to Belarus (US$ million)

Product/Sector	2019	2020	2021	Share in 2021 (%)
India's Services Exports to Belarus	**97**	**88**	**104**	**100.0**
Government goods and services	-	-	-	-
Commercial services	97	87	104	100.0
Goods-related services	1	1	2	1.9
Manufacturing services on physical inputs owned by others	1	1	1	1.0
Maintenance and repair services	1	-	1	1.0
Transport	4	3	4	3.8
Travel	5	2	1	1.0
Other commercial services	86	81	96	92.3
Construction	14	12	9	8.7
Insurance and pension services	-	-	-	-
Financial services	1	1	1	1.0
Charges for the use of intellectual property	-	-	-	-
Telecommunications, computer, and information services	28	28	34	32.7
Other business services	41	39	50	48.1

Note: "-" implies nil or negligible

Source: WTO - OECD Balanced International Trade in Services EBOPS 2010 and India Exim Bank Research

India's services imports from Belarus stood at US$ 178 million in 2021 and was mainly composed of transport services accounting for 84.3% of India's services imports from Belarus **(Table 3.15)**.

Table 3.15: India's Services Imports from Belarus (US$ million)

Product/Sector	2019	2020	2021	Share in 2021 (%)
India's Services Imports from Belarus	**175**	**167**	**178**	**100.0**
Government goods and services	-	-	-	-
Commercial services	175	167	177	99.4
Goods-related services	2	1	2	1.1
Manufacturing services on physical inputs owned by others	-	-	-	-
Maintenance and repair services	2	1	1	0.6
Transport	146	137	150	84.3
Travel	5	2	2	1.1

Product/Sector	2019	2020	2021	Share in 2021 (%)
Other commercial services	22	27	24	13.5
Construction	1	1	-	-
Insurance and pension services	1	1	1	0.6
Financial services	-	-	-	-
Charges for the use of intellectual property	1	1	1	0.6
Telecommunications, computer, and information services	8	9	9	5.1
Other business services	12	14	12	6.7

Note: "-" implies nil or negligible

Source: WTO - OECD Balanced International Trade in Services EBOPS 2010 and India Exim Bank Research

Kazakhstan

India's services exports to Kazakhstan stood at US$ 358 million and was mainly composed of transport services (35.2%), telecommunication, computer and information services (26%) and travel services (17.9%), among others **(Table 3.16)**.

Table 3.16: India's Services Exports to Kazakhstan (US$ million)

Product/Sector	2019	2020	2021	Share in 2021 (%)
India's Services Exports to Kazakhstan	**357**	**321**	**358**	**100.0**
Government goods and services	1	2	2	0.6
Commercial services	356	319	357	99.7
Goods-related services	6	6	6	1.7
Manufacturing services on physical inputs owned by others	6	6	6	1.7
Maintenance and repair services	-	-	-	-
Transport	101	149	126	35.2
Travel	123	25	64	17.9
Other commercial services	126	139	161	45.0
Construction	2	3	2	0.6
Insurance and pension services	3	3	3	0.8
Financial services	7	7	7	2.0
Charges for the use of intellectual property	3	5	3	0.8
Telecommunications, computer, and information services	65	79	93	26.0
Other business services	44	41	48	13.4

Note: "-" implies nil or negligible

Source: WTO - OECD Balanced International Trade in Services EBOPS 2010 and India Exim Bank Research

India's services imports from Kazakhstan stood at US$ 243 million in 2021 and was mainly composed of transport services (61.7%) and travel services (20.6%) **(Table 3.17)**.

Table 3.17: India's Services Imports from Kazakhstan (US$ million)

Product/Sector	2019	2020	2021	Share in 2021 (%)
India's Services Imports from Kazakhstan	**280**	**246**	**243**	100.0
Government goods and services	1	1	2	0.8
Commercial services	279	244	241	99.2
Goods-related services	1	1	1	0.4
Manufacturing services on physical inputs owned by others	-	1	1	0.4
Maintenance and repair services	-	-	-	-
Transport	136	175	150	61.7
Travel	107	31	50	20.6
Other commercial services	35	38	39	16.0
Construction	1	1	1	0.4
Insurance and pension services	5	5	6	2.5
Financial services	1	1	2	0.8
Charges for the use of intellectual property	-	-	-	-
Telecommunications, computer, and information services	7	9	9	3.7
Other business services	20	20	22	9.1

Note: "-" implies nil or negligible

Source: WTO - OECD Balanced International Trade in Services EBOPS 2010 and India Exim Bank Research

Kyrgyzstan

India's services exports to Kyrgyzstan stood at US$ 75 million and was mainly composed of telecommunication, computer and information services (40%), transport services (28%), and travel services (17.3%), among others **(Table 3.18)**.

Table 3.18: India's Services Exports to Kyrgyzstan (US$ million)

Product/Sector	2019	2020	2021	Share in 2021 (%)
India's Services Exports to Kyrgyzstan	**68**	**62**	**75**	**100.0**
Government goods and services	-	-	-	-
Commercial services	68	61	75	100.0
Goods-related services	-	-	-	-
Manufacturing services on physical inputs owned by others	-	-	-	-
Maintenance and repair services	-	-	-	-
Transport	12	13	21	28.0
Travel	34	16	13	17.3

Product/Sector	2019	2020	2021	Share in 2021 (%)
Other commercial services	23	32	41	54.7
Construction	-	1	-	-
Insurance and pension services	-	-	-	-
Financial services	1	1	1	1.3
Charges for the use of intellectual property	-	-	-	-
Telecommunications, computer, and information services	16	22	30	40.0
Other business services	5	7	8	10.7

Note: "-" implies nil or negligible

Source: WTO - OECD Balanced International Trade in Services EBOPS 2010 and India Exim Bank Research

India's services imports from Kyrgyzstan stood at US$ 21 million in 2021 and was mainly composed of transport services (42.9%) and travel services (33.3%), among others **(Table 3.19)**.

Table 3.19: India's Services Imports from Kyrgyzstan (US$ million)

Product/Sector	2019	2020	2021	Share in 2021 (%)
India's Services Imports from Kyrgyzstan	**23**	**24**	**21**	**100.0**
Government goods and services	-	-	-	-
Commercial services	23	23	21	100.0
Goods-related services	-	-	-	-
Maintenance and repair services	-	-	-	-
Transport	7	9	9	42.9
Travel	12	8	7	33.3
Other commercial services	4	6	5	23.8
Construction	-	-	-	-
Insurance and pension services	-	-	-	-
Financial services	-	-	-	-
Charges for the use of intellectual property	-	-	-	-
Telecommunications, computer and information services	2	3	3	14.3
Other business services	1	2	1	4.8

Note: "-" implies nil or negligible

Source: WTO - OECD Balanced International Trade in Services EBOPS 2010 and India Exim Bank Research

Russia

India's services exports to Russia stood at US$ 810 million and was mainly composed of telecommunication, computer and information services (24.4%), other business services (34.3%) and transport services (13.8%), among others **(Table 3.20)**.

Table 3.20: India's Services Exports to Russia (US$ million)

Product/Sector	2019	2020	2021	Share in 2021 (%)
India's Services Exports to Russia	**932**	**744**	**810**	**100.0**
Government goods and services	9	12	15	1.9
Commercial services	923	732	795	98.1
Goods-related services	2	12	2	0.2
Manufacturing services on physical inputs owned by others	-	-	-	-
Maintenance and repair services	2	12	1	0.1
Transport	125	64	112	13.8
Travel	453	279	58	7.2
Other commercial services	344	376	623	76.9
Construction	22	32	101	12.5
Insurance and pension services	4	4	15	1.9
Financial services	14	12	17	2.1
Charges for the use of intellectual property	2	3	6	0.7
Telecommunications, computer, and information services	151	178	198	24.4
Other business services	145	143	278	34.3

Note: "-" implies nil or negligible

Source: WTO - OECD Balanced International Trade in Services EBOPS 2010 and India Exim Bank Research

India's services imports from Russia stood at US$ 1.0 billion in 2021 and was mainly composed of other business services (49.3%) and transport services (24.7%), among others **(Table 3.21)**.

Table 3.21: India's Services Imports from Russia (US$ million)

Product/Sector	2019	2020	2021	Share in 2021 (%)
India's Services Imports from Russia	**1048**	**911**	**1031**	**100.0**
Commercial services	1032	898	1014	98.4
Government goods and services	16	13	16	1.6
Goods-related services	194	110	82	8.0
Maintenance and repair services	194	110	82	8.0
Transport	285	205	255	24.7
Travel	92	56	55	5.3
Other commercial services	461	526	623	60.4
Construction	14	41	44	4.3
Insurance and pension services	11	13	15	1.5
Financial services	4	8	8	0.8
Charges for the use of intellectual property	5	3	7	0.7
Telecommunications, computer and information services	26	27	31	3.0
Personal, cultural, and recreational services	6	5	11	1.1
Other business services	395	429	508	49.3

Source: WTO - OECD Balanced International Trade in Services EBOPS 2010 and India Exim Bank Research

Chapter 4

Potential for Enhancing Trade with EAEU Countries

A trade agreement will only be beneficial if there exists complementarity between the export supply of one country to the import demand of the other country. Thus, it is important to assess the level of complementarity between India and the EAEU while analyzing the feasibility of a prospective trade agreement between two countries. The trade complementarity index (TCI) is a useful tool, which can provide information on feasibility and prospects for intraregional trade. A TCI between two countries shows how well the structures of foreign trade of India and the EAEU countries fit to understand the utility of an FTA.

To sum up, TCI measures the extent to which a country's export profile matches the import profile of the partner country, in the sense that what a country exports overlaps with what the other country's imports and provides an indication of the prospects for enhanced trade flows. It is a normalized index, which takes values between 0 and 100, with higher values denoting greater complementarity. TCI was first proposed by Kojima Kiyoshi and perfected by Peter Drysdale in 1967, and the major proponents of the TCI (Michaely, 1996 and Yeats, 1998) argue that the higher the value of the trade complementarity index, the more favorable the outcome of a proposed FTA would be on its potential members.

The TCI between countries 'k' and 'j' is defined as:

$$\boxed{TCI_{ij} = 100\ (1 - \text{sum}\ (|m_{ik} - x_{ij}|\ /\ 2))}$$

where,

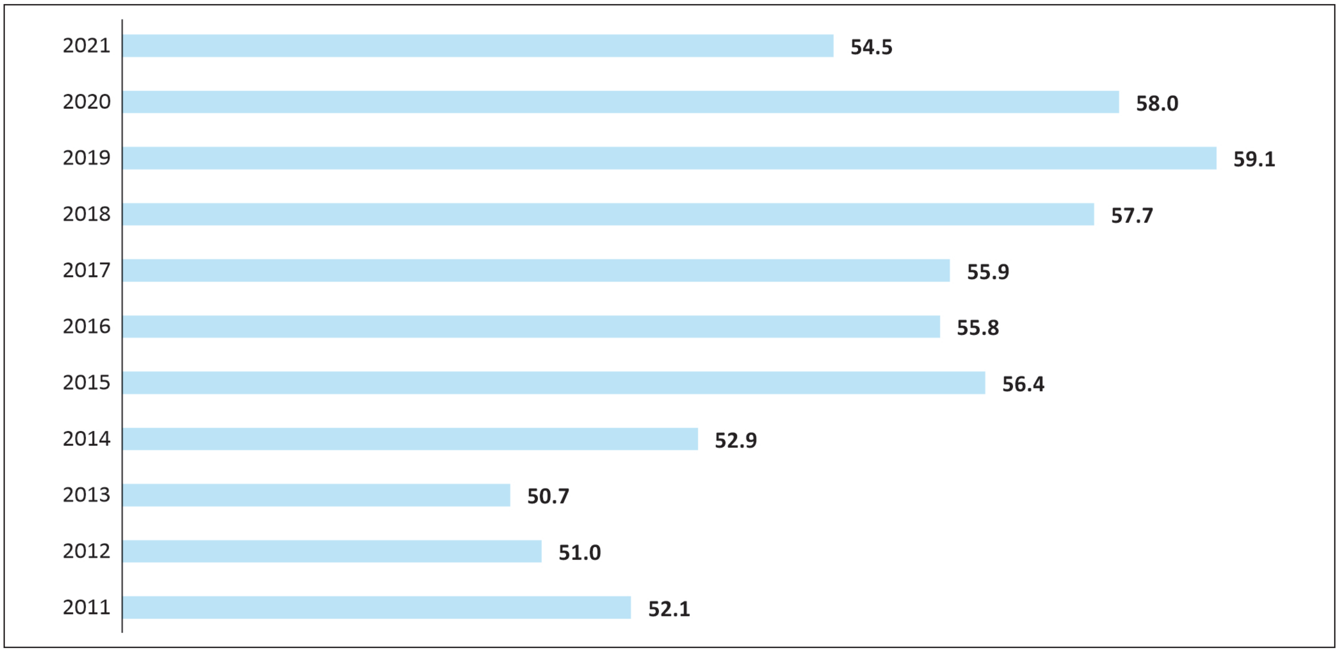
x_{ij}: Share of good 'i' in Global Exports of Country 'j'

m_{ik}: Share of Good 'i' in Global Imports of Country 'k'

The index is zero when no goods are exported by one country or imported by the other and 100 when the export and import shares exactly match.

During the period 2011-2021, the complementarity index for profile of Indian exports to the EAEU's imports remains on an average around 54.9. This indicates a considerable complementarity in India's exports and the EAEU's imports. Over the years, the value of the index has increased until 2020 implying that India's export profile is converging towards the EAEU's import profile **(Chart 4.1)**. However, post pandemic there has been a decline in India's export complementarity with the EAEU.

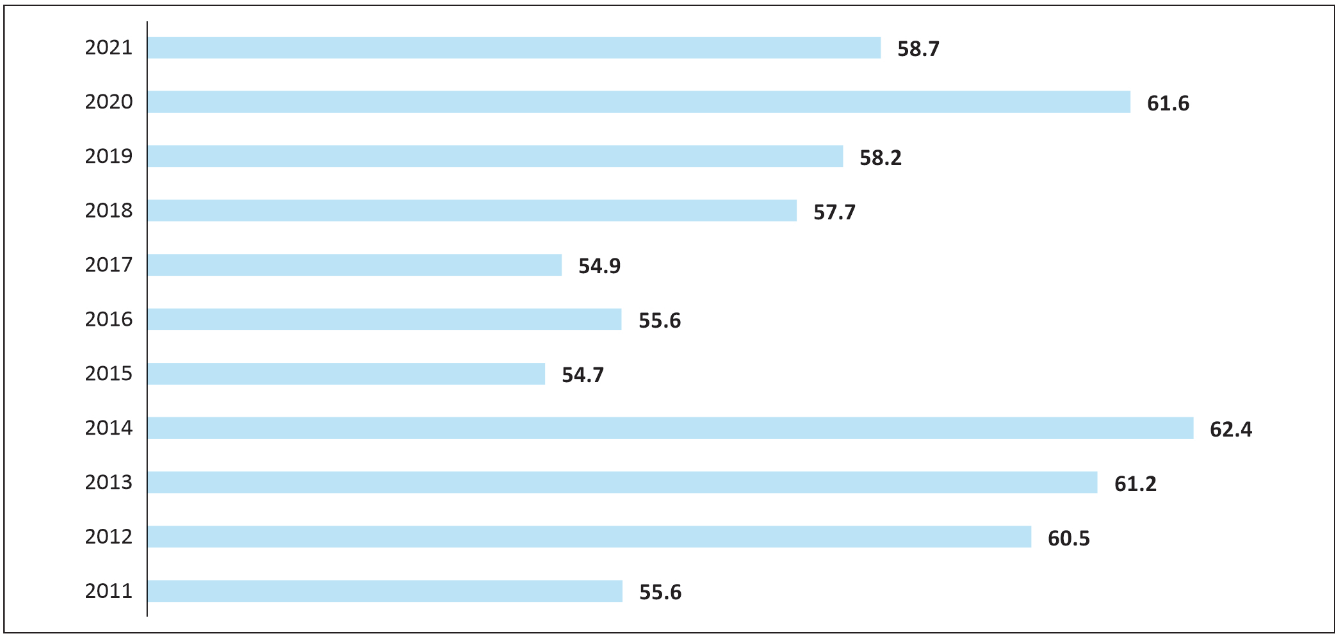
Chart 4.1: India's Export Complementarity with the EAEU



Source: Calculated by India Exim Bank based on ITC Trade Map Data

During the period 2011-2021, the complementarity index for profile of Indian imports to the EAEU's exports remains on an average around 58.3. This indicates a considerable complementarity in India's imports and the EAEU's exports. Over the years, the value of the index has been increasing, with TCI reaching 61.6 in 2020 **(Chart 4.2)**. However, in 2021 the EAEU's export complementarity with India moderated to 58.7.

Chart 4.2: EAEU's Export Complementarity with India



Source: Calculated by India Exim Bank based on ITC Trade Map Data

Revealed Comparative Advantage

Analysing the key products where India has comparative advantage and match it with the EAEU's import demand for these products are necessary while negotiating for an India-EAEU trade agreement. Quantification of comparative advantage helps in identification of products where exports from India have been performing well, as also those where success has been limited, although opportunities are significant.

Revealed Comparative Advantage (RCA) is a measure which has been used extensively to help assess a country's export potential/competitiveness. It helps in identifying categories of exports in which an economy has a comparative advantage by way of comparison of the country's trade scenario with the world trade scenario. It provides useful information about potential trade prospects with new partners. The basic assumption underlying the concept of revealed comparative advantage is that the trade profile reflects the inter-country differences in terms of relative costs as well as non-price aspects.

As per Balassa's (1965) measure, RCA index for country i for commodity j is:

$$\boxed{RCA_{ij} = (x_{ji}/X_i) \ / \ (x_{jw}/X_w)}$$

where,

x_{ji}: Exports of Commodity 'j' from Country 'i'

X_i: Total Exports from Country 'i'

x_{jw}: Total Exports of Commodity 'j' from World

X_w: Total Exports from World

The RCA index ranges from 0 to infinity, with 1 as the break-even point. An RCA value of less than 1 means that the product does not have a comparative advantage, while a value above 1 indicates that the product has a comparative advantage.

Since the RCA analysis is used in regard to one country's exports profile with reference to the world, the above formula of revealed comparative advantage has been modified to assess India's competitiveness in bilateral trade relations with the EAEU.

$$\boxed{RCA_{ijc} = (x_{ijc}/X_{ic}) \ / \ (x_{wjc}/X_{wc})}$$

Where,

x_{ijc}: India's Exports of Commodity 'j' to the EAEU

X_{ic}: India's Total Exports to the EAEU

x_{wjc}: World's Exports of Commodity 'j' to the EAEU

X_{wc}: World Total Exports to the EAEU

The Normalized Revealed Comparative Advantage (NRCA) index demonstrates the capability of revealing the extent of comparative advantage that a country has in a commodity with more precision and consistency. NRCA can be defined in the following manner.

$$NRCA_{ijc} = (RCA_{ijc}-1/ RCA_{ijc}+1)$$

NRCA ranges from -1 to 1, with 0 as the breakeven point. That is, an NRCA value of less than 0 and greater than -1, means that the product has no export comparative advantage, while a value above 0 and less than 1, indicates that the product has a comparative advantage. The extent of comparative advantage/disadvantage can be gauged from the proximity of the NRCA values to the extreme data points, viz. +1 and -1.

The export competitiveness of India has been mapped with respect to the EAEU's demand. This has been undertaken with a view to outline a market specific approach for exporters. An overarching analysis has been attempted to identify products from the industries for which India has existing export capabilities to the EAEU. These products are the potential export growth drivers from India to the EAEU and could suitably be targeted. The section also attempts to identify the products where India could focus on, to realize potentially higher values of exports to the EAEU, especially when considering that India already possesses manufacturing capabilities for these products. The objective of the exercise is to construct a product market matrix for products in demand in the EAEU, so that necessary actions and policies can be formulated in the direction to enhance exports of these potential products from India to the EAEU.

Following are the considerations in the analysis:

- **Time Period:** The time period considered for the analysis is 2017-2021.
- **Product Limit:** Only those products at 6-digit HS code level with a minimum export value of US$ 0.5 million from India to the EAEU is considered in the analysis.
- **Parameters in Consideration:** The analysis in this section considers two major determinants of India's performance in the EAEU, namely, the **NRCA for products**, and **Average Annual Growth Rate (AAGR)** of world exports to the EAEU.

On the basis of these three considerations, a four-quadrant matrix is prepared for product identification. The four quadrants imply the following:

Product Champions (Product Import AAGR of the EAEU > World Import AAGR of the EAEU; Positive NRCA): These products have the maximum potential, as the EAEU's import demand for these products has shown robust AAGR over the period 2017-21, while India's exports of these products to the EAEU are also competitive, reflected in positive NRCA values for such products. These are the products with maximum export potential to the EAEU and India needs to further expand its exports of these products in order to take advantage of its competitive position and achieve a greater market share in the EAEU.

Underachievers (Product Import AAGR of the EAEU > World Import AAGR of the EAEU; Negative NRCA): India does not have competitiveness in these products although their import demand has grown in the EAEU significantly over the period under consideration. India can strive towards building capacities and capabilities in these identified products. These are the products in which India can diversify in the medium to long term to continue being a strategic trade partner to the EAEU and further expand its bilateral ties with the country.

Winners in Declining Sectors (Product Import AAGR of the EAEU < World Import AAGR of the EAEU; Positive NRCA): India has competitiveness in these products, even though the EAEU's import AAGR for these products has been declining. These products may not have much demand in the future, and hence, scarce resources from these sectors could be diverted to other sectors where demand expectations are positive.

Lagging in Declining Sectors (Product Import AAGR of the EAEU < World Import AAGR of the EAEU; Negative NRCA): India does not have competitiveness in these products, and these sectors have also registered weak import demand in the EAEU during the period under consideration.

Product Identification Based on Competitiveness

To identify the products based on their export competitiveness in the EAEU, a four-quadrant analysis has been undertaken based on the HS Code classifications at 6-digit level by calculating their NRCA and mapping them against AAGR of global imports of the EAEU for all products. The quadrants are drawn by comparing the overall AAGR of global imports of the EAEU for all products during 2017-2021 (which was 10.5%), to the NRCA of India's exports to the EAEU during the same period. This exercise aims to identify products whose imports in the EAEU over the period 2017-2021 have performed better than the overall average of the EAEU for all products during this period, implying that the share of such products in the EAEU's import basket has witnessed an increase, a reflection of their rising demand and dynamism. At 6-digit HS Code, with minimum exports of US$ 0.5 million from India to the EAEU, 552 products have been identified with the total exports from India to the EAEU amounting to US$ 3.6 billion, while the total world imports by the EAEU for the same products stood at US$ 130.2 billion in 2021 **(Table 4.1)**.

Table 4.1: Identification of Potential Products for Exports from India to the EAEU (2021)

	Product Imports AAGR of EAEU > World Import AAGR of EAEU	Product Imports AAGR of EAEU < World Import AAGR of EAEU
NRCA>1	**Product Champions (242 items)** India's Exports to EAEU: US$ 1.9 billion World Exports to EAEU: US$ 34.3 billion	**Growing in Declining Markets (170 items)** India's Exports to EAEU: US$ 1.5 billion World Exports to EAEU: US$ 26.8 billion
NRCA<1	**Underachievers (86 items)** India's Exports to EAEU: US$ 124.4 million World Exports to EAEU: US$41.6 billion	**Lagging in Declining Markets (53 items)** India's Exports to EAEU: US$ 89.4 million World Exports to EAEU: US$ 27.5 billion

Source: ITC Trade Map and India Exim Bank Research

Out of the 552 items at the HS 6-digit level, 242 items fell into the category of the product champions. The combined exports of these items from India to the EAEU were US$ 1.9 billion in 2021, representing approximately 50.2% of India's exports to the EAEU in 2021. Major product champions are provided in **Table 4.2**.

Table 4.2: List of Top 15 Product Champions from India to the EAEU (HS 6-digit level)

HS Code	Product	India's Exports to the EAEU (US$ mn)	Share in India's Total Exports to the EAEU (%)	Global Imports of the EAEU (US$ mn)	Share in Global Imports of the EAEU (%)
851712	Telephones for cellular networks mobile telephones or for other wireless networks	430.6	11.6	9006.3	0.1
030617	Frozen shrimps and prawns, even smoked, whether in shell or not	118.0	3.2	404.9	-
690721	Ceramic flags and paving, hearth or wall tiles	57.9	1.6	384.9	-
870899	Parts and accessories, for tractors, motor vehicles for the transport of ten or more persons	57.6	1.6	1536.2	-
130232	Mucilages and thickeners, derived from locust beans, locust bean seeds or guar seeds	54.1	1.5	36.0	-
842959	Self-propelled mechanical shovels, excavators and shovel loaders	41.4	1.1	341.1	-
293499	Nucleic acids and their salts, whether or not chemically defined; heterocyclic compounds	39.9	1.1	584.9	-
080610	Fresh grapes	35.0	0.9	553.0	-
721922	Flat-rolled products of stainless steel, of a width of >= 600 mm, not further worked than hot-rolled	33.2	0.9	112.8	-
294200	Separate chemically defined organic compounds	29.1	0.8	26.0	-
710239	Diamonds, worked, but not mounted or set (excluding industrial diamonds)	28.0	0.8	179.5	-
120740	Sesamum seeds, whether or not broken	27.6	0.7	33.0	-
300220	Vaccines for human medicine	27.3	0.7	640.3	-
901480	Navigational instruments and apparatus	24.1	0.7	38.2	-
293399	Heterocyclic compounds with nitrogen hetero-atom[s] only	23.0	0.6	450.1	-

Note: "-" implies negligible

Source: ITC Trade Map and India Exim Bank Research

The total number of products in growing in declining markets category is 170, with India's exports amounting to US$ 1.5 billion and constituting a share of 40.2% of India's exports to the EAEU in 2021. These are the product items in which India has attained a significant share in the EAEU's import basket, however, the EAEU's import demand for these products has been falling in the last five years **(Table 4.3)**.

Table 4.3: List of Major Products under Winners in Declining Markets Category from India to the EAEU (HS 6-digit level)

HS Code	Product	India's Exports to the EAEU (US$ mn)	Share in India's Total Exports to the EAEU (%)	Global Imports of the EAEU (US$ mn)	Share in Global Imports of the EAEU (%)
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes	486.2	13.1	8799.2	0.1
090240	Black fermented tea and partly fermented tea	98.3	2.7	427.1	-
210111	Extracts, essences and concentrates, of coffee	57.2	1.5	460.6	-
100630	Semi-milled or wholly milled rice	56.4	1.5	117.9	-
300420	Medicaments containing antibiotics	45.2	1.2	581.0	-
020230	Frozen, boneless meat of bovine animals	39.8	1.1	736.3	-
721921	Flat-rolled products of stainless steel, of a width of >= 600 mm, not further worked than hot-rolled	32.4	0.9	71.4	-
721990	Flat-rolled products of stainless steel, of a width of >= 600 mm, hot-rolled or cold-rolled	30.8	0.8	53.4	-
852610	Radar apparatus	30.3	0.8	73.4	-
870830	Brakes and servo-brakes and their parts, for tractors, motor vehicles	30.0	0.8	1023.8	-
240120	Tobacco, partly or wholly stemmed or stripped, otherwise unmanufactured	26.7	0.7	568.5	-
722300	Wire of stainless steel, in coils	25.9	0.7	46.9	-
852990	Parts suitable for use solely or principally with flat panel display modules	20.2	0.5	1663.5	-
380892	Fungicides, put up in forms or packings for retail sale or as preparations or articles	17.6	0.5	365.0	-
320417	Synthetic organic pigments	17.2	0.5	75.5	-

Note: "-" implies negligible

Source: ITC Trade Map and India Exim Bank Research

This was followed by Underachievers with 86 items, with India's exports worth US$ 124.4 million to the EAEU. These products constitute a share of 3.4% in India's total exports to the EAEU. These are the product items in which import demand in the EAEU market are rising, but India does not have the required competitiveness in the export of these items **(Table 4.4)**.

Table 4.4: List of Major Underachievers from India to the EAEU (HS 6-digit level)

HS Code	Product	India's Exports to the EAEU (US$ mn)	Share in India's Total Exports to the EAEU (%)	Global Imports of the EAEU (US$ mn)	Share in Global Imports of the EAEU (%)
842952	Self-propelled mechanical shovels, excavators and shovel loaders	6.0	0.2	1243.5	-
870410	Dumpers for off-highway use	5.6	0.2	939.8	-
870829	Parts and accessories of bodies for tractors, motor vehicles	4.9	0.1	2384.5	-
382499	Chemical products and preparations of the chemical or allied industries	4.8	0.1	845.6	-
870840	Gear boxes and parts thereof, for tractors, motor vehicles	4.6	0.1	1804.5	-
870850	Drive-axles with differential, whether or not provided with other transmission component	3.9	0.1	866.3	-
848340	Gears and gearing for machinery	3.6	0.1	472.9	-
210690	Food preparations	3.2	0.1	1309.6	-
842199	Parts of machinery and apparatus for filtering or purifying liquids or gases	2.7	0.1	479.4	-
854370	Electrical machines and apparatus	2.6	0.1	763.0	-
401699	Articles of vulcanised rubber (excluding hard rubber)	2.6	0.1	573.0	-
870870	Road wheels and parts and accessories thereof, for tractors, motor vehicles for the transport	2.5	0.1	1062.8	-
841869	Refrigerating or freezing equipment	2.5	0.1	318.3	-
841330	Fuel, lubricating or cooling medium pumps for internal combustion piston engine	2.4	0.1	358.5	-
190590	Bread, pastry, cakes, biscuits and other bakers' wares, whether or not containing cocoa	2.3	0.1	480.2	-

Note: "-" implies negligible

Source: ITC Trade Map and India Exim Bank Research

Exports from India to the EAEU under lagging in declining market category stood at US$ 89.4 million or 2.4% of India's total exports to the EAEU in 2021. The high range of exports under the category of declining sectors highlight the need for diversification to other sectors as well as industries which have greater scope for exports in the future. If the scarce resources are not diverted, then excess of supply to these sectors facing limited demand in the EAEU, would result in further fall in their prices in the future. Thus, a significant shift needs to be made from the declining sectors to the product champions in the short run and underachievers in the medium to the long run, to make efficient utilization of resources and further enhance exports from India to the EAEU.

Present Barriers in India-EAEU Trade

Tariff on India's Imports from the EAEU Member Countries

In the current analysis, the tariff at 6-digit HS code is taken into consideration, using TRAINS based World integrated Trade Solutions (WITS) data of the World Bank for the year 2021. Since there is no current preferential agreement between India and the EAEU States, the effectively applied tariff (AHS) on the EAEU countries is the same as the MFN tariffs. According to WITS, 54.2% of India's imports from the EAEU face effectively applied tariff rate of less than 15% when exported to India. Around 1.2% of imports remain duty free including kidney beans, urea, nickel, some machinery and medical equipment. Products which face 20% or above AHS imposed by India are lentils, chickpeas, wheat, crude vegetable oil, beverages, cotton, textile, footwear, machinery, stainless steel and wooden furniture, among others. As shown in **Table 4.5**, around 42.1% of imports remain undefined in terms of total tariff lines. These are products mainly corresponding to HS 2709 and HS 2710, i.e., petroleum oil (mainly crude). Based on data obtained from Central Board of Indirect Taxes and Customs, Ministry of Finance, Government of India, 5% import tariff is imposed on these chapters presently.[6]

Table 4.5: Effectively Applied Tariff Imposed by India on the EAEU in 2021

Effectively Applied Tariff Rates (%)	Number of Tariff Lines	Total Imports (US$ million)	Share in Total Imports (%)
0	165	116.0	1.2
0.1-5.0	298	1,837.7	19.7
5.1-8.0	1,318	745.1	8.0
8.1-10.0	1,576	1,680.0	18.0
10.1-15.0	411	681.2	7.3
15.1-20.0	204	16.6	0.2
20.1-30.0	126	310.0	3.3
30.1-50.0	29	0.4	-
>50.0	25	5.0	0.1
Not Defined	86	3,924.5	42.1
Total	**4,238**	**9,316.5**	**100.0**

Source: WITS database and India Exim Bank Research

[6] https://old.cbic.gov.in/resources//htdocs-cbec/customs/cst2023-010523/Customs%20Tariff%20(Chap-1%20to%2098)%20on%2001-05-2023.pdf

Tariff on the EAEU's Imports from India

According to the data generated from WITS, around 24.5% of the EAEU's imports from India are duty-free **(Table 4.6)**. Cumulatively, 52.4% of the EAEU's imports from India faces effectively applied tariff of 0.1-5%. India was a beneficiary of the EAEU's General System of Tariff Preferences till October 2021 when it was discontinued by the EAEU, leading to removal of 25% tariff discount on agricultural commodities. India faces highest applied tariffs on products from chapters - HS 24, 61, 62, 67, 73, 82, 87, 40, 94, 82 and 73 (tobacco, apparels, articles of feather, articles of iron and steel, tools and implements of base metal, transport vehicles and parts, rubber articles and furniture and mattress, among others).

Table 4.6: Effectively Applied Tariff Imposed by the EAEU on India in 2021

Effectively Applied Tariff Rates (%)	Number of Tariff Lines	Total Imports (US$ million)	Share in Total Imports (%)
0	1,819	1,247.0	24.5
0.1-2.0	665	400.3	7.9
2.1-5.0	5,791	2,262.7	44.5
5.1-8.0	3,013	330.0	6.5
8.1-10.0	1,889	397.3	7.8
10.1-15.0	1,379	190.7	3.8
15.1-20.0	45	1.1	-
Not Defined	1,736	254.5	5.0
Total	**16,337**	**5,083.6**	**100.0**

Source: WITS database and India Exim Bank Research

Tariff on the EAEU's Imports from Vietnam

As Vietnam has an FTA with the EAEU, 91.9% of the EAEU's imports from Vietnam remains duty free. The highest tariffs are applicable on HS codes 67, 69, 83, 91, 94 and 82 (articles of feather, ceramic products, tools and implements of base metal, clocks and watches and furniture and mattress) **(Table 4.7)**.

Table 4.7: Effectively Applied Tariff Imposed by the EAEU on Vietnam in 2021

Effectively Applied Tariff Rates (%)	Number of Tariff Lines	Total Imports (US$ million)	Share in Total Imports (%)
0	5,510	4,951.5	91.9
0.1-2.0	1,152	200.5	3.7
2.1-5.0	1,433	167.4	3.1
5.1-8.0	575	36.3	0.7
8.1-10.0	91	2.8	0.1
10.1-15.0	41	1.1	-
Not Defined	168	27.5	0.5
Total	**8,970**	**5,387.1**	**100.0**

Source: WITS database and India Exim Bank Research

The EAEU presently imports 35.1% of its imports duty free from China, followed by majority of imports limited to the tariff of 15%. The highest tariffs were imposed on HS 020714 (cuts and offal frozen) of 66.25% **(Table 4.8)**. Other chapters which faced high tariffs from the EAEU are HS 61, 62, 71 and 87 (apparels, pearls and precious stones and vehicles and parts), among others.

Table 4.8: Effectively Applied Tariff Imposed by the EAEU on China in 2021

Effectively Applied Tariff Rates (%)	Number of Tariff Lines	Total Imports (US$ million)	Share in Total Imports (%)
0	4,416	29,473.5	35.1
0.1-2.0	1,318	4,847.0	5.8
2.1-5.0	11,787	20,485.6	24.4
5.1-8.0	6,477	9,965.4	11.9
8.1-10.0	4,757	9,070.9	10.8
10.1-15.0	3,701	4,754.6	5.7
15.1-20.0	92	51.5	0.1
66.25	18	0.4	-
Not Defined	2,459	5,315.4	6.3
Total	**35,025**	**83,964.3**	**100.0**

Source: WITS database and India Exim Bank Research

In case of Bangladesh, the EAEU offers GSP. For Bangladesh, highest tariffs are imposed on HS 42, 61, 62, 63, 64 and 94 (articles of leather, apparels, other textile articles, footwear and furniture and mattress) **(Table 4.9)**.

Table 4.9: Effectively Applied Tariff Imposed by the EAEU on Bangladesh in 2021

Effectively Applied Tariff Rates (%)	Number of Tariff Lines	Total Imports (US$ million)	Share in Total Imports (%)
0	195	48.0	3.6
0.1-2.0	28	16.2	1.2
2.1-5.0	63	0.5	-
5.1-8.0	262	4.5	0.3
8.1-10.0	96	46.0	3.4
10.1-15.0	330	57.8	4.3
15.1-20.0	29	48.0	3.6
Not Defined	1,300	1,124.7	83.6
Total	**2,303**	**1,345.7**	**100.0**

Source: WITS database and India Exim Bank Research

Total imports by the EAEU in 2021 from Bangladesh was US$ 1,345.7 million; China US$ 83,964.2 million; and Vietnam US$ 5,387.1 million **(Table 4.10)**. Till October 2021, all the 4 countries (Vietnam, Bangladesh, China and India) were eligible for GSP benefits of the EAEU. Presently, only Bangladesh is eligible under LDC category.

Table 4.10: Comparative Analysis of Effectively Applied Tariff on Country-wise Imports by the EAEU in 2021 (at HS 6-digit level)

Effectively Applied Tariff (%)	India		Bangladesh (GSP+LDC)		China		Vietnam (FTA)	
	No. of Tariff Lines	Share in Imports (%)	No. of Tariff Lines	Share in Imports (%)	No. of Tariff Lines	Share in Imports (%)	No. of Tariff Lines	Share in Imports (%)
0	1,819	24.5	195	3.6	4,416	35.1	5,510	91.9
0.1-2.0	665	7.9	28	1.2	1,318	5.8	1,152	3.7
2.1-5.0	5,791	44.5	63	-	11,787	24.4	1,433	3.1
5.1-8.0	3,013	6.5	262	0.3	6,477	11.9	575	0.7
8.1-10.0	1,889	7.8	96	3.4	4,757	10.8	91	0.1
10.1-15.0	1,379	3.8	330	4.3	3,701	5.7	41	-
15.1-20.0	45	-	29	3.6	92	0.1	-	-
>20.0	-	-	-	-	18	-	-	-
Unspecified	1,736	5.0	1,300	83.6	2,459	6.3	168	0.5
Total	**16,337**	**100.0**	**2,303**	**100.0**	**35,025**	**100.0**	**8,970**	**100.0**

Note: "-" implies nil or negligible

Source: WITS database and India Exim Bank Research

EAEU Customs Duties

The most-favoured-nation (MFN) customs duty rates on import of goods into the common customs territory of the EAEU are listed in the Unified Customs Tariff of the Eurasian Economic Union (ETT). The ETT is revised annually under the Eurasian Economic Union's Single Commodity Nomenclature of Foreign Economic Activities (customs code TN VED EAEU), which in turn is based on the Harmonized System of the World Customs Organization. The authority empowered to adopt and amend the ETT and the TN VED EAEU is the Eurasian Economic Commission (EEC) Board. Certain tariff lines for goods destined solely for domestic consumption in Armenia, Kazakhstan and Kyrgyzstan are temporarily exempt from the common ETT tariff rates, while Russia and Belarus apply ETT rates to all imported goods. If the exempt goods are to be released for free circulation within the EAEU, they become subject to the common ETT rates. On January 1, 2018, the Customs Code of the Eurasian Economic Union (CC EAEU) replaced the previously applied Customs Code of the Customs Union.

The EAEU member countries have concluded a separate accord concerning export duties. According to this accord, each EAEU member country establishes its list of certain goods in respect of which export duties may apply, which is communicated to the EEC. On that basis, the EEC maintains a consolidated list of products subject to export duties for all EAEU member countries. Member countries retain the power to adopt and amend the export duty rates applied on the export of goods, contained in the consolidated list and originating in their territories. Similar rules are reflected in the CC EAEU. Export duty rates are subject to periodic amendments by decisions of governments of the member countries. There is no single official public database at the EAEU level where up-to-date export duty rates can be consulted.

Non-Tariff Measures in Goods Trade

According to the UNCTAD, non-tariff measures are generally defined as "policy measures other than ordinary customs tariffs that can potentially have an economic effect on international trade in goods, changing quantities traded, or prices or both."[7] A large number of domestic regulations meant to protect the environment, consumers or workers are designed in such a way that they can potentially discriminate against foreign suppliers of goods or services. Indeed, there is some evidence that the reduction of tariffs has been accompanied by an increasingly discriminatory role of such regulations. The scope for these non-tariff trade measures (NTMs) is large, their nature is complex and constantly changing. This leads to challenges to ensure level playing fields between countries[8]. Based on the WTO classification, the different types of non-tariff measures used are defined below.

- **Sanitary and Phytosanitary Measures**

Sanitary and phytosanitary measures (SPS) are measures that are applied to protect human or animal life from risks arising from additives, contaminants, toxins or disease-causing organisms in their food; to protect human life from plant or animal-borne diseases; to protect animal or plant life from pests, diseases or disease-causing organisms; to prevent or limit other damage to a country from the entry, establishment or spread of pests and to protect biodiversity. These include measures taken to protect the health of fish, wild fauna, forests and wild flora.

- **Technical Barriers to Trade**

Technical barriers to trade (TBT) are measures referring to technical regulations and procedures of assessment of conformity with technical regulations, excluding measures covered by the chapter on sanitary and phytosanitary measures. A technical regulation is a document that sets out product characteristics or related processes and production methods, including the applicable administrative provisions, with which compliance is mandatory.

- **Anti-Dumping Measures**

Anti-dumping measures (ADP) are unilateral remedies which may be applied by a WTO member after an investigation and determination by that member, in accordance with the provisions of the anti-dumping agreement, that an imported product is "dumped" and that the dumped imports are causing material injury to a domestic industry producing the like product.

- **Countervailing Measures**

Countervailing measures (CV) are the actions taken by the importing country, usually in the form of increased duties to offset subsidies given to producers or exporters in the exporting country.

- **Safeguard**

Under Safeguard (SG), a WTO member restricts imports of a product temporarily to protect a specific domestic industry from an increase in imports of any product which is causing, or which is threatening to cause, serious injury to the industry.

[7] https://unctad.org/system/files/official-document/ditctab2019d5_en.pdf
[8] World Trade Organization, 2012

- **Quantitative Restrictions**

Quantitative restrictions (QR) are prohibitions or restrictions other than duties, taxes or other charges applied by the WTO members on imports or exports of goods, which can be made effective through quotas, import or export licences or other measures.

- **Tariff-Rate Quota**

Tariff-rate quota (TRQ) allows for quantities inside a quota to be charged lower import duty rates, than those outside (which can be high).

- **State-Trading Enterprises**

State trading enterprises (STE) are defined as governmental and non-governmental enterprises, including marketing boards, which deal with goods for export and/or import. The STE might be used to provide protection for the domestic market in a given product by setting resale prices of imports at very high levels, thus negating tariff concessions bound.

- **Export Subsidies**

Export subsidies (XS) are defined as "subsidies contingent on export performance, including the export subsidies listed in detail in Article 9 of Agreement on Agriculture".

Non-Tariff Measures Imposed by Armenia

Table 4.11 shows NTMs imposed by Armenia on India and other WTO members. SPS and TBT measures are among the mostly used NTMs, with 40 SPS (8 in force and 32 initiated) and 88 TBT (1 in force and 87 initiated).

According to broad sector classification of the WTO Integrated Trade Intelligence Portal (I-TIP), vegetable products have attracted the highest SPS, whereas highest number of TBTs are for machinery and electrical equipment. There are a total of 67 measures for which the HS classification is not available, amongst these 40 are SPS measures, 2 SGs and 88 are in form of TBTs.

At HS 2-digit level, for machinery (HS 84) and electrical equipment (HS 85), the highest imported items by Armenia after mineral fuels (HS 27) have the highest number of TBTs. India's share in Armenia's global imports of these two products remain modest at 0.5% and 1%, respectively in 2022.

Other sectors with high TBTs but account for relatively less global imports of Armenia are rubber and articles (HS 40), beverages, spirits and vinegar (HS 22), miscellaneous chemical products (HS 38) and preparation of vegetables fruits and nuts (HS 20). India's share in Armenia's global imports of these products in 2022 were negligible at 0.3%, 0.5% and 0.6%, respectively.

In terms of SPS, India faces high number of SPS in sectors like vegetable products, live animals and products and prepared food stuff and beverage, among others where it has a significant share in Armenia's global imports in 2022.

Table 4.11: Broad-Sector Classification of NTMs Imposed by Armenia

Broad Product Categories	SPS	TBT	SG	Armenia's Global Imports in 2022 (US$ million)	Share of India in Armenia's Global Imports in 2022 (%)
Total	**40**	**88**	**2**	**8634.1**	**0.6**
Measures without HS Code	19	46	2	-	-
Live animals and products (HS 01-05)	8	5	-	258.6	4.9
Vegetable products (HS 06-14)	9	7	-	420.2	3.7
Animal and vegetable fats, oils and waxes (HS 15)	2	3	-	105.6	-
Prepared foodstuff; beverages, spirits, vinegar; tobacco (HS 16-24)	7	10	-	579.3	11.5
Mineral products (HS 25-27)	-	5	-	1196.0	0.2
Products of the chemical and allied industries (HS 28-38)	4	10	-	586.4	4.0
Resins, plastics and articles; rubber and articles (HS 39-40)	-	7	-	326.3	0.4
Hides, skins and articles; saddlery and travel goods (HS 41-43)	-	-	-	28.2	-
Wood, cork and articles; basket-ware (HS 44-46)	3	1	-	93.1	-
Paper, paperboard and articles (HS 47-49)	1	2	-	137.3	0.3
Textiles and articles (HS 50-63)	1	3	-	395.0	92.6
Footwear, headgear; feathers, artificial flowers, fans (HS 64-67)	2	1	-	76.3	-
Articles of stone, plaster; ceramic products; glass (HS 68-70)	-	6	-	159.9	4.5
Pearls, precious stones and metals; coin (HS 71)	-	-	-	690.7	1.3
Base metals and articles (HS 72-83)	-	7	-	623.9	5.7
Machinery and electrical equipment (HS 84-85)	-	14	-	1716.5	1.4
Vehicles, aircraft and vessels (HS 86-89)	-	4	-	845.6	-
Instruments, clocks, recorders and reproducers (HS 90-92)	-	4	-	196.3	0.5
Arms and ammunition (HS 93)	-	1	-	-	-
Miscellaneous manufactured articles (HS 94-96)	2	6	-	184.2	0.1
Works of art and antiques (HS 97)	1	-	-	9.3	-

Note: Safeguards [SG], Sanitary and Phytosanitary [SPS] and Technical Barriers to Trade [TBT]; "-" implies nil or negligible

Source: I-TIP, WTO, ITC Trade Map and India Exim Bank Research

Belarus is not a WTO member so data for the country is not available on I-TIP.

Non-Tariff Measures Imposed by Kazakhstan

As of December 2022, Kazakhstan has majorly imposed 42 SPS, out of which 2 are in force for all members including India, 39 have been initiated for all members and one has been initiated bilaterally towards India in 2020 regarding cattle and other animals susceptible to nodular dermatitis, as well as genetic material obtained from them **(Table 4.12)**. According to broad sector classification of the WTO I-TIP, the highest number of SPS are imposed on live animals and products (21), prepared foodstuff; beverages, spirits, vinegar; tobacco (15) and vegetable products (10). Among the TBTs, 27 have been initiated whereas 1 is in force against all members. The TBTs are majorly imposed for protecting sectors like products of chemical and allied industries and vehicles, aircraft and vessels. Miscellaneous chemical products (HS 38), electrical equipment (HS 85) and railway and tramway locomotives (HS 86) account for the highest number of TBTs imposed by Kazakhstan. Quantitative Restrictions are highly prevalent in case of chemical and allied industries and machinery and electrical equipment, with all 29 in force against all WTO members. Notwithstanding the high number of NTMs, India accounted for 5.6% of Kazakhstan's global machinery and electrical equipment imports in 2022, 15.8% of vegetable products and 10.1% of global imports of chemical and allied industries. India accounts for 15.8% of Kazakhstan's global imports of vegetable products but faces high NTMs in terms of SPS.

Table 4.12: Broad-Sector Classification of NTMs Imposed by Kazakhstan

Broad Product Categories	SPS	TBT	SG	QR	Kazakhstan's Global Imports in 2022 (US$ million)	Share of India in Kazakhstan's Global Imports in 2022 (%)
Total	**42**	**28**	**2**	**29**	**50043.6**	**0.9**
Measures without HS Code	9	14	2	-	-	-
Live animals and products (HS 01-05)	21	1	-	6	926.5	1.3
Vegetable products (HS 06-14)	10	1	-	4	1605.9	15.8
Animal and vegetable fats, oils and waxes (HS 15)	2	1	-	-	329.0	0.1
Prepared foodstuff; beverages, spirits, vinegar; tobacco (HS 16-24)	15	1	-	5	3163.2	0.6
Mineral products (HS 25-27)	3	1	-	6	3247.4	0.4
Products of the chemical and allied industries (HS 28-38)	4	5	-	14	5410.3	10.1
Resins, plastics and articles; rubber and articles (HS 39-40)	-	1	-	4	2969.8	0.3
Hides, skins and articles; saddlery and travel goods (HS 41-43)	2	-	-	4	148.5	0.4
Wood, cork and articles; basket-ware (HS 44-46)	2	1	-	3	543.7	-
Paper, paperboard and articles (HS 47-49)	-	1	-	5	689.3	0.1
Textiles and articles (HS 50-63)	-	1	-	4	2456.3	2.0

Broad Product Categories	SPS	TBT	SG	QR	Kazakhstan's Global Imports in 2022 (US$ million)	Share of India in Kazakhstan's Global Imports in 2022 (%)
Footwear, headgear; feathers, artificial flowers, fans (HS 64-67)	-	-	-	1	497.3	0.7
Articles of stone, plaster; ceramic products; glass (HS 68-70)	-	1	-	2	1008.5	2.1
Pearls, precious stones and metals; coin (HS 71)	-	-	-	5	403.2	0.1
Base metals and articles (HS 72-83)	-	1	-	7	5091.4	0.9
Machinery and electrical equipment (HS 84-85)	3	4	-	9	12750.7	5.6
Vehicles, aircraft and vessels (HS 86-89)	-	5	-	1	6222.1	0.2
Instruments, clocks, recorders and reproducers (HS 90-92)	-	1	-	5	1315.2	1.1
Arms and ammunition (HS 93)	-	-	-	3	9.2	-
Miscellaneous manufactured articles (HS 94-96)	1	2	-	4	1242.5	0.4
Works of art and antiques (HS 97)	1	-	-	3	1.9	-

Note: Quantitative Restrictions [QR], Safeguards [SG], Sanitary and Phytosanitary [SPS] and Technical Barriers to Trade [TBT]; "-" implies nil or negligible

Source: I-TIP, WTO, ITC Trade Map and India Exim Bank Research

Non-Tariff Measures Imposed by Kyrgyzstan

As of December 2022, Kyrgyzstan has imposed 48 TBTs and 24 SPS **(Table 4.13)**. Out of the 48 TBTs, 34 have been initiated by Kyrgyzstan whereas 14 are in force against all members. Majority of TBTs are part of measures without HS code. The second most imposed NTM is SPS with 21 initiated and 3 in force against all members, mainly in vegetable products but also remains broadly present across all sectors. India accounted for 10.8% of Kyrgyzstan's global vegetable product imports despite high number of SPS present.

Table 4.13: Broad-Sector Classification of NTMs Imposed by Kyrgyzstan

Broad Product Categories	SPS	TBT	SG	Kyrgyzstan's Global Imports in 2022 (US$ million)	Share of India in Kyrgyzstan's Global Imports in 2022 (%)
Total	**24**	**48**	**2**	**9629.1**	**0.5**
Measures without HS Code	11	40	2	-	-
Live animals and products (HS 01-05)	6	1	-	105.2	1.6
Vegetable products (HS 06-14)	8	1	-	304.6	10.8
Animal and vegetable fats, oils and waxes (HS 15)	3	1	-	93.4	-
Prepared foodstuff; beverages, spirits, vinegar; tobacco (HS 16-24)	4	2	-	603.3	1.8

Broad Product Categories	SPS	TBT	SG	Kyrgyzstan's Global Imports in 2022 (US$ million)	Share of India in Kyrgyzstan's Global Imports in 2022 (%)
Mineral products (HS 25-27)	2	1	-	1100.2	-
Products of the chemical and allied industries (HS 28-38)	4	1	-	643.2	13.9
Resins, plastics and articles; rubber and articles (HS 39-40)	2	2	-	405.7	0.2
Hides, skins and articles; saddlery and travel goods (HS 41-43)	2	-	-	37.4	1.6
Wood, cork and articles; basket-ware (HS 44-46)	2	-	-	93.4	-
Paper, paperboard and articles (HS 47-49)	2	-	-	107.3	0.1
Textiles and articles (HS 50-63)	2	-	-	1672.5	25.0
Footwear, headgear; feathers, artificial flowers, fans (HS 64-67)	2	-	-	569.2	-
Articles of stone, plaster; ceramic products; glass (HS 68-70)	2	1	-	94.7	2.0
Pearls, precious stones and metals; coin (HS 71)	-	-	-	33.3	0.2
Base metals and articles (HS 72-83)	2	2	-	956.3	3.7
Machinery and electrical equipment (HS 84-85)	2	4	-	1654.2	0.1
Vehicles, aircraft and vessels (HS 86-89)	2	3	-	828.2	0.2
Instruments, clocks, recorders and reproducers (HS 90-92)	2	1	-	81.3	2.5
Arms and ammunition (HS 93)	-	-	-	-	-
Miscellaneous manufactured articles (HS 94-96)	2	2	-	234.6	-
Works of art and antiques (HS 97)	-	-	-	-	-

Note: Safeguards [SG], Sanitary and Phytosanitary [SPS] and Technical Barriers to Trade [TBT]; "-" implies nil or negligible

Source: I-TIP, WTO and India Exim Bank Research

Non-Tariff Measures Imposed by Russia

As of December 2022, Russia has imposed 129 TBTs and 134 SPS **(Table 4.14)**. Out of the 129 TBTs, 107 have been initiated, whereas 22 are in force against all members. Majority of TBTs are part of measures without HS code and rest are broadly spread across sectors, with chemical and allied industries and machinery and electrical equipment accounting for the highest number, among others. The SPS were the most imposed NTMs with 103 initiated and 29 in force against all members, including 2 initiated bilaterally against India and 1 in force since 2013 for HS Codes: 1006 (live animals), 1103 (cereal groats, meal and pellets), 1104 (cereal grains otherwise worked, e.g., hulled, rolled, flaked, pearled, sliced or kibbled) and 1202 (groundnuts, whether or not shelled or broken). The 2 SPS initiated against India in 2021 (besides Brazil, Malawi and South Africa) are for HS 2401 (tobacco) and against India and Kuwait for live poultry and edible offal of fowls. Besides SPS and TBTs, Russia also imposes NTMs using quantitative restrictions – 93 in numbers, on all members with highest number of QRs in chemical and allied industries, machinery and electrical equipment, base metals and articles and mineral products. Russia also imposes an anti-dumping measure on India on graphite electrodes. India accounted for significant share in Russia's global imports of vegetable products, textile and articles, hides, skin and articles, arms and ammunitions, products of chemical and allied industries and prepared food stuff and beverages, accounting for more than 20% share in global imports of each of these products by Russia in 2022. In case of Russia, India's imports also face quantitative restrictions across all broad sectors.

Table 4.14: Broad-Sector Classification of NTMs Imposed by Russia

Broad Product Categories	SPS	TBT	ADP	SG	QR	TRQ	Russia's Global Imports in 2022 (US$ million)	Share of India in Russia's Global Imports in 2022 (%)
Total	**134**	**129**	**1**	**2**	**93**	**4**	**194393.4**	**1.5**
Measures without HS Code	28	89	-	2	-	-	-	-
Live animals and products (HS 01-05)	62	4	-	-	15	4	2947.5	13.2
Vegetable products (HS 06-14)	30	4	-	-	15	-	10054.6	57.5
Animal and vegetable fats, oils and waxes (HS 15)	13	4	-	-	-	-	1846.3	1.1
Prepared foodstuff; beverages, spirits, vinegar; tobacco (HS 16-24)	48	5	-	-	12	-	8991.4	20.0
Mineral products (HS 25-27)	2	5	-	-	18	-	3919.2	1.0
Products of the chemical and allied industries (HS 28-38)	26	16	-	-	44	-	32646.1	21.6
Resins, plastics and articles; rubber and articles (HS 39-40)	5	3	-	-	15	-	11615.2	2.6
Hides, skins and articles; saddlery and travel goods (HS 41-43)	8	-	-	-	13	-	2000.5	24.0
Wood, cork and articles; basket-ware (HS 44-46)	6	-	-	-	8	-	385.3	0.3
Paper, paperboard and articles (HS 47-49)	-	-	-	-	12	-	2299.8	0.5
Textiles and articles (HS 50-63)	3	-	-	-	13	-	10846.6	28.8
Footwear, headgear; feathers, artificial flowers, fans (HS 64-67)	-	-	-	-	5	-	3684.4	1.1
Articles of stone, plaster; ceramic products; glass (HS 68-70)	5	3	-	-	7	-	2166.2	9.8
Pearls, precious stones and metals; coin (HS 71)	-	-	-	-	15	-	510.2	2.9
Base metals and articles (HS 72-83)	5	2	-	-	22	-	13807.8	10.0
Machinery and electrical equipment (HS 84-85)	6	10	1	-	29	-	55751.9	1.6

Broad Product Categories	SPS	TBT	ADP	SG	QR	TRQ	Russia's Global Imports in 2022 (US$ million)	Share of India in Russia's Global Imports in 2022 (%)
Vehicles, aircraft and vessels (HS 86-89)	5	5	-	-	3	-	17126.7	1.8
Instruments, clocks, recorders and reproducers (HS 90-92)	2	2	-	-	12	-	6853.7	1.7
Arms and ammunition (HS 93)	-	1	-	-	9	-	39.5	22.8
Miscellaneous manufactured articles (HS 94-96)	5	5	-	-	13	-	5436.8	0.8
Works of art and antiques (HS 97)	3	-	-	-	7	-	26.1	-

Note: Anti-dumping [ADP], Quantitative Restrictions [QR], Safeguards [SG], Sanitary and Phytosanitary [SPS], Technical Barriers to Trade [TBT] and Tariff-rate quotas [TRQ]; "-" implies nil or negligible

Source: I-TIP, WTO and India Exim Bank Research

Chapter

Foreign Direct Investment in EAEU and Bilateral Investment with India

While the EAEU countries except for Russia 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 India and China, who are increasingly investing in the region. Among the EAEU members, a free foreign exchange regime for FDI is available in Armenia and Kyrgyzstan, where there are no established regulations limiting capital flows of FDI and export profits. Additionally, Armenia allows repatriating investment income without restriction. For other EAEU members, FDI capital transactions are regulated to varying degrees, which is not unusual, but in some cases may limit FDI.

FDI inflows to the EAEU moderated to (-) US$ 9.7 billion in 2022 from US$ 66.9 billion in 2013 **(Table 5.1)**. According to the World Investment Report 2023 by the UNCTAD, the direct effects of the Russia-Ukraine conflict on investment flows to and from Russia include the halting of existing investment projects and the cancellation of announced projects, an exodus of MNEs from Russia, widespread loss of asset values and sanctions, virtually precluding outflows. MNEs from developed economies that support the sanctions account for more than two thirds of FDI stock in Russia (with a significant part of the rest accounted for by offshore financial centres (OFCs). Russia was the 9th largest FDI recipient globally in 2021, with FDI inflows of US$ 38.2 billion. However, as a result of the conflict FDI flows fell to (-) US$ 19 billion in 2022 as large

Table 5.1: Foreign Direct Investment Inflows into the EAEU (US$ million)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Armenia	346.1	406.6	184.1	333.7	252.9	266.8	100.9	47.2	378.8	998
Belarus	2229.6	1827.6	1667.9	1237.8	1278.5	1421.0	1293.1	1396.8	1232.9	1603
Kazakhstan	10321.0	8489.4	4056.6	8514.3	4714.1	3897.8	3284.2	3675.4	3171.8	6108
Kyrgyzstan	626.1	248.0	1141.9	616.0	-107.0	144.0	404.0	-401.5	247.5	291
Russia	53397.1	29151.7	11857.8	37175.8	25953.5	13227.6	32075.6	10409.9	38239.7	-18681
FDI Inflows to EAEU	**66919.9**	**40123.3**	**18908.3**	**47877.6**	**32092.0**	**18957.2**	**37157.8**	**15127.8**	**43270.7**	**-9681**

Note: Figures for 2022 are preliminary figures retrieved from World Investment Report 2023. Negative values of FDI net inflows for a particular year show that the value of disinvestment by foreign investors was more than the value of capital newly invested in the reporting economy.

Source: UNCTADStat and India Exim Bank Research companies divested[9]. On the other hand, FDI inflows to Kazakhstan almost doubled to US$ 6.1 billion, with increases in the extractive industries, mainly from MNEs in Netherlands and USA. These were mainly reinvested earnings boosted by high profits in the extractive industries.

FDI outflows from the EAEU decreased to US$ 8.4 billion in 2022 from US$ 73.2 billion in 2013, with majority of outflows from Russia **(Table 5.2)**.

The EAEU countries offer Russian investors the most comfortable conditions for foreign operations. The deepening institutional integration is a critical positive factor, in addition to a common historical and economic past, territorial proximity and linguistic affinity, which ensure a high level of awareness of business customs in the various countries. Kazakhstan and Belarus are preferred investment destinations for many Russian companies.

Table 5.2: Foreign Direct Investment Outflows from the EAEU (US$ million)

Country	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Armenia	30.3	28.8	28.8	70.5	29.1	7.0	-133.0	-27.3	24.6	50.0
Belarus	245.7	39.0	122.2	113.8	70.0	49.7	16.0	82.2	-84.9	173.0
Kazakhstan	2286.6	3814.8	795.2	-5234.9	913.2	-1094.8	-2620.2	-2155.6	1468.5	-1808.0
Kyrgyzstan	-	-	-0.2	-	-29.0	5.0	5.0	1.9	3.5	-458.0
Russia	70684.8	64202.5	27089.9	26951.2	34153.1	35819.7	22024.0	6778.1	63602.5	10440.0
FDI Outflows from EAEU	**73247.4**	**68085.1**	**28035.9**	**21900.6**	**35136.4**	**34786.6**	**19291.8**	**4679.3**	**65014.2**	**8397.0**

Note: Negative values of FDI net outflows show that the value of direct investment made by domestic investors to external economies was less than the value of repatriated (disinvested) direct investment from external economies.

Source: UNCTADStat and India Exim Bank Research

For a wider understanding of sectoral and regional investment flows into and out of the EAEU, the study uses the Financial Times fDi Markets database for the period 2013 to 2022. According to the fDi markets database, the EAEU countries attracted a cumulative envisaged capital investment of US$ 224.7 billion during 2013 to 2022 in 3,014 projects by 1,963 companies. Investments have significantly declined in 2022 **(Table 5.3)**.

Table 5.3: Trends in Foreign Direct Investment Inflows to the EAEU

Year	Capex (US$ billion)	No. of Jobs Created	No. of Projects	No. of Companies Invested
2013	21.5	84,385	427	368
2014	16.2	65,730	270	228
2015	21.5	54,011	285	258
2016	54.4	84,953	336	272
2017	25.1	82,824	356	281
2018	28.3	97,426	479	395
2019	29.9	78,214	392	308
2020	9.7	36,176	209	176
2021	17.0	37,235	195	159
2022	1.1	5,511	65	60
Total	**224.7**	**6,26,465**	**3,014**	**1,963**

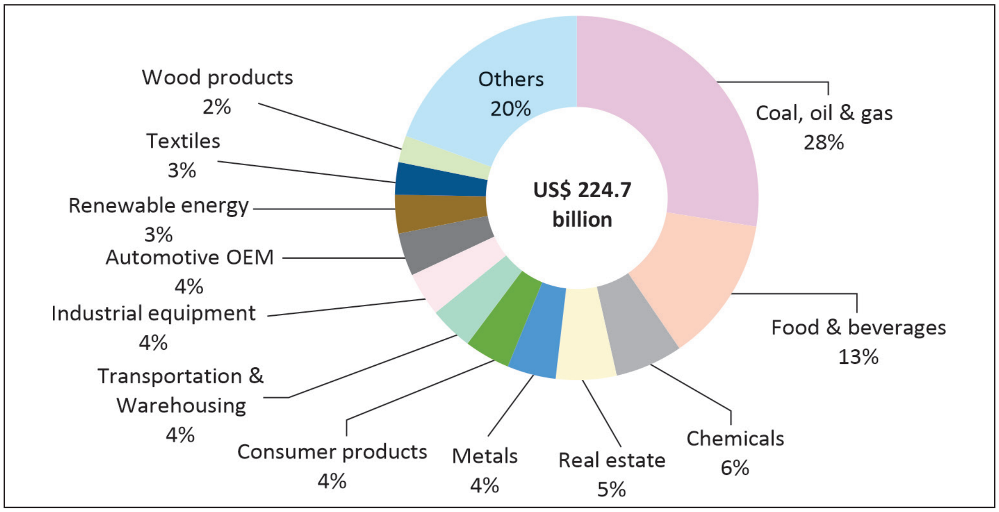
Source: UNCTADStat and India Exim Bank Research

[9] World Investment Report 2023, UNCTAD, July 2023.

Major Sectors Attracting Investment in the EAEU

According to the fDi Markets database, during 2013-2022, coal, oil and gas sector was the major recipient of capital investment into the EAEU, with an investment of US$ 61.8 billion, followed by food and beverages (US$ 29.1 billion) and chemicals (US$ 13.5 billion), respectively **(Chart 5.1)**.

Chart 5.1: Major Sectors Attracting Investment in the EAEU during 2013-2022

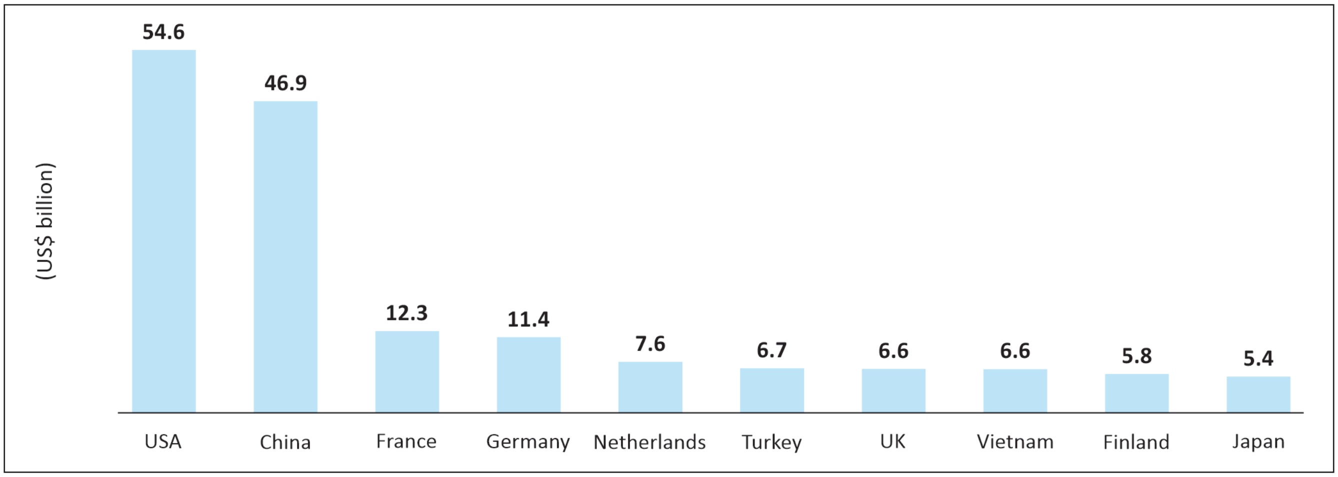


Source: fDi Markets online database and India Exim Bank Research

Major Sources of Investment in the EAEU

The major investors in terms of FDI received in the EAEU during 2013-2022 are shown in **Chart 5.2**. The US was the largest investor in the EAEU during the period 2013-2022, contributing 24.3% of total FDI into the EAEU. The other major investors were China (20.9% of total inward FDI received by the EAEU), followed by France (5.5%), Germany (5.1%) and Netherlands (3.4%). The major investors in the EAEU in 2022 were UAE (15.9%), Poland (15.6%), USA (11%), Switzerland (9.9%), Saudi Arabia (7.7%) and China (7.5%).

Chart 5.2: Major Investors in the EAEU during 2013-2022



Source: fDi Markets online database and India Exim Bank Research

In terms of destinations, Russia received the largest capital investment during 2013-2022, with 62.4% share among the EAEU countries, followed by Kazakhstan (31.7%), Belarus (3%), Armenia (2.1%) and Kyrgyzstan

(0.8%). In terms of the recipients, Kazakhstan was the largest destination in 2022, followed by Russia, Armenia, Belarus and Kyrgyzstan. Except for Kyrgyzstan, all the EAEU countries received lower investment compared to the previous year. Russia received an envisaged capital investment of US$ 296 million in 2022, declining sharply from US$ 14.9 billion in 2021.

Indian Investments in the EAEU

During January 2013 to December 2022, total envisaged capital investment of India in the EAEU stood at a cumulative amount of US$ 1.9 billion, making India the 24th largest investing country **(Table 5.4)**.

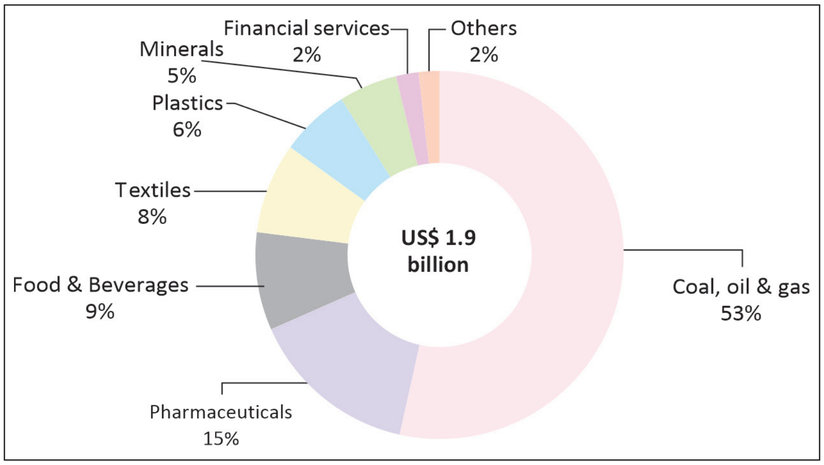
Table 5.4: Trends in Foreign Direct Investment Inflows from India to the EAEU

Year	Capital Expenditure (US$ million)	No. of Projects	No. of Jobs Created	No. of Companies Invested
2013	154.0	2	675	2
2015	1,019.7	2	112	2
2016	74.1	6	965	5
2017	126.5	3	698	3
2018	182.3	6	2,811	6
2019	305.4	8	1,119	6
2020	28.2	1	134	1
Total	**1,890.3**	**28**	**6,514**	**21**

Source: fDi Markets online database and India Exim Bank Research

India has majorly invested in coal, oil and gas, pharmaceuticals and food and beverage industries in the EAEU **(Chart 5.3)**. The maximum investment from India to the EAEU took place in 2015, when India invested US$ 1 billion in Kazakhstan. Bharat Heavy Electricals (BHEL), India signed a memorandum of understanding with Russia-based Intma to set up a gas-based power project in Kazakhstan. Accordingly, the majority of Indian investment in the region went to Kazakhstan. Russia received US$ 753 million from the India during 2013-2022, while Belarus received US$ 1 million from India. Some of the Indian companies invested in Russia include Cadila Pharmaceuticals, Star Company, Uflex, KGK Diamonds, Woodland and M. Suresh Company.

Chart 5.3: Major Sectors Attracting Indian Investments in the EAEU



Source: fDi Markets online database and India Exim Bank Research

Envisaged Capital Investments by the EAEU Countries

According to fDi Markets database, envisaged cumulative capital investment from the EAEU for an aggregate of 1,155 projects stood at US$ 112 billion during 2013-2022, creating 138,909 jobs in FDI destination countries **(Table 5.5)**. Russia accounted for 96.3% of all investments, followed by Belarus (2.5%), Kazakhstan (1%), Kyrgyzstan (0.2%) and Armenia (0.1%).

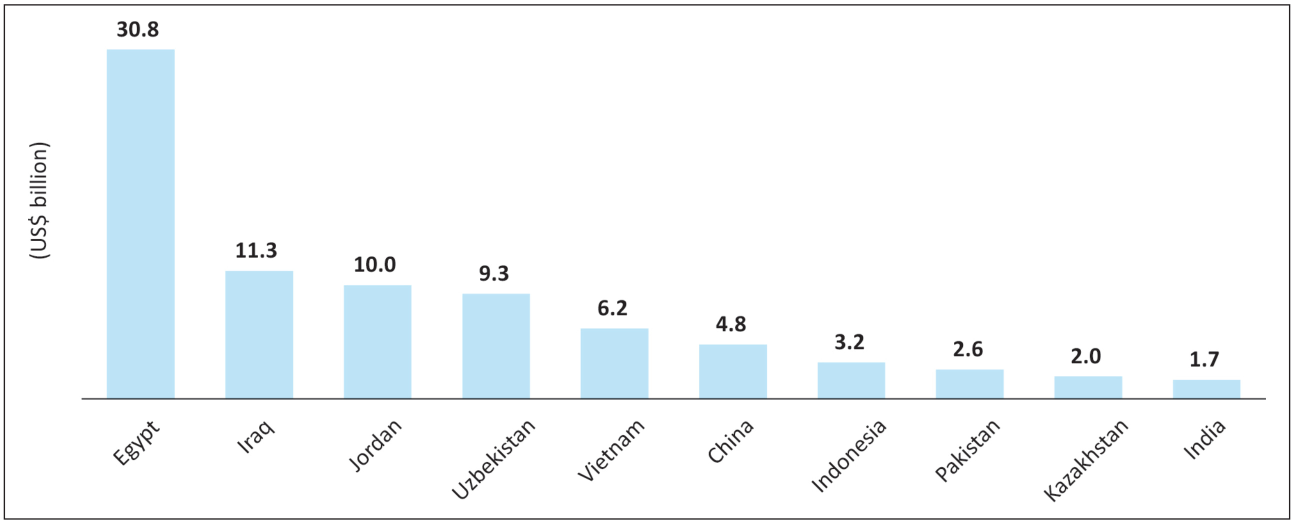
Table 5.5: Trends in Foreign Direct Investment Outflows from the EAEU

Year	Capital Expenditure (US$ billion)	No. of Jobs Created	No. of Projects	No. of Companies Invested
2013	19.9	22,676	156	109
2014	5.1	12,442	147	100
2015	14.2	14,480	114	82
2016	8.3	10,764	98	77
2017	38.1	18,123	119	76
2018	12.0	20,310	150	97
2019	7.8	18,708	149	92
2020	2.1	6,413	77	55
2021	3.1	10,612	90	66
2022	1.5	4,381	55	43
Total	**112.0**	**1,38,909**	**1,155**	**522**

Source: fDi Markets online database and India Exim Bank Research

During 2013 to 2022, Egypt emerged as the largest destination for the EAEU's capital investment, accounting for a share of 27.5%, followed by Iraq (10.1%), Jordan (9%), Uzbekistan (8.3%), Vietnam (5.6%) and China (4.3%), among others **(Chart 5.4)**. Total capital investment made by the EAEU in India stood at US$ 1.7 billion, accounting for 1.5% of total investment made by the EAEU between 2013 to 2022. India was 10th largest investment recipient for the EAEU.

Chart 5.4: Major Investment Destinations of the EAEU during 2013-2022



Source: fDi Markets online database and India Exim Bank Research

EAEU's Investments in India

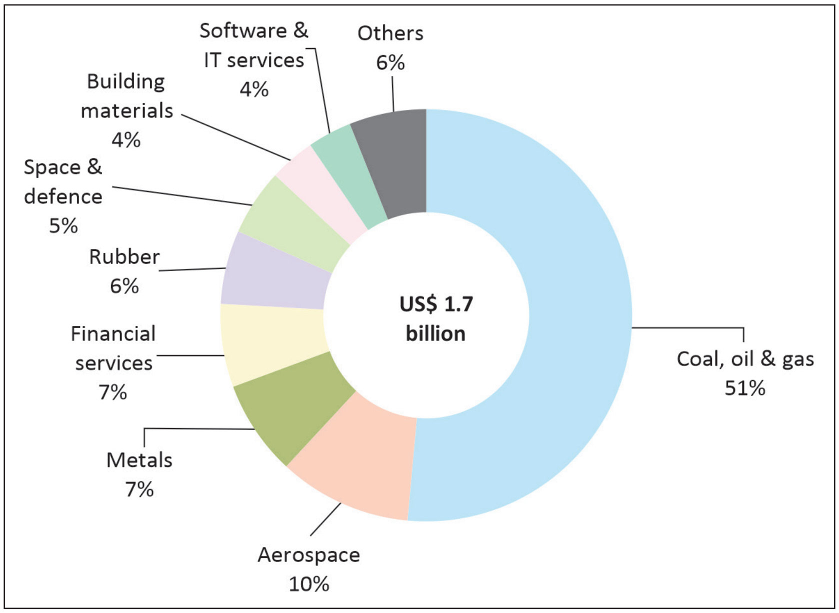
According to fDi Markets database, envisaged cumulative capital investment from the EAEU for an aggregate of 26 projects stood at US$ 1,674.4 million during 2013-2022, creating 4,791 jobs in India **(Table 5.6)**. The source countries are only Russia and Belarus, with Russia accounting for 97.8% of all investments. Major sectors attracting investments from Russia and Belarus into India during 2013 to 2022 are shown in **Chart 5.5**. Total capital investment made by the EAEU in India stood at US$ 1.7 billion, accounting for 1.5% of total investment made by the EAEU between 2013 to 2022.

Table 5.6: Trends in Foreign Direct Investment Outflows from the EAEU to India

Year	Capital Expenditure (US$ million)	No. of Projects	No. of Jobs Created	No. of Companies Invested
2013	9.9	2	81	2
2014	97.3	3	548	3
2015	27.3	1	215	1
2016	134.7	4	705	4
2017	179.6	5	860	5
2018	12.3	2	189	2
2019	928.8	4	741	4
2020	249.3	3	1,189	3
2021	7.9	1	48	1
2022	27.3	1	215	1
Total	**1,674.4**	**26**	**4,791**	**24**

Source: fDi Markets online database and India Exim Bank Research

Chart 5.5: Major Sectors Attracting the EAEU's Investments in India (2013-2022)



Source: fDi Markets online database and India Exim Bank Research

Chapter 6

Way Forward and Recommendations

India’s merchandise trade deficit with Russia stood at US$ 31.1 billion in 2022. India also ran a trade deficit of US$ 31 billion cumulatively with the EAEU countries in 2022. There has been a growing thrust from the Reserve Bank of India (RBI) and the Government of India for invoicing, payment and settlement of exports / imports in INR, with a view to promote trade growth, particularly exports, and to support the growing interest of global trading community in INR. Accordingly, authorised Indian banks open and maintain special rupee vostro accounts of the partner trading country's banks. Steps are being taken in this direction with an aim to move towards internationalisation of the INR. As India imports much more from Russia and the EAEU than it exports, this would lead to a rupee balance accumulating for Russia in the Vostro account. Therefore, it is necessary to diversify trade to balance the increasing trade deficit mainly arising due to India’s energy imports. It is also necessary to arrive at favourable conditions for mutual financial settlements, payment systems, insurance, logistics and stimulating further business ties between India and the EAEU.

Following are the various areas of cooperation and recommendations which could faciliate increasing trade and investment relations between India and the EAEU.

Enhancing Trade based on Identified Potential

India needs to expand its production and trade in products in which it has comparative advantage with the EAEU. This would help in expansion of trade and improve trade balance with the EAEU. The study has identified potential items of exports which could be targeted by Indian exporters. According to the analysis, in the short term, it is suggested to strengthen the existing products in the category of Product Champions to exploit the full potential for the products which are already showing a robust growth in the EAEU market, where India’s exports also hold a comparative advantage. In the medium to long run, efforts and investments are to be enhanced in Underachievers category products to develop capacities in these products, which will help in coping with the demands of the EAEU market in a more competitive manner. The identified products for increasing India’s exports broadly include mobile phones, frozen shrimps and prawns, food preparations, ceramic products, gums, machinery, organic chemicals, chemical products, diamonds, steel products, vaccines and other pharmaceutical products, vehicles and auto components.

Cooperation in Trade Related Infrastructure Financing

The development of logistics infrastructure is essential for the full realisation of the transit potential inherent in the integration within the Eurasian region. The basic advantage of increasing transit traffic through the territory of the EAEU is a significant reduction in the distance, and, therefore, the time of delivery of goods. The EAEU countries require 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 the EAEU remains essential for developing bankable infrastructure projects. Investing in infrastructure development projects in the EAEU including rail and road and in sectors such as 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 these countries, in their developmental endeavours. Cross-border connectivity should be expanded to support the region and promote continuous development. To overcome infrastructure challenges, exploring both traditional and non-traditional sources of financing is necessary. Joint financing of projects in the region by multilateral development banks or regional development banks and other financial institutions could be a viable option.

Enhancing Multimodal Connectivity

The International North-South Transport Corridor (INSTC), which is a 7,200 km-long multi-modal transportation network corridor connecting the Indian Ocean and Persian Gulf to the Caspian Sea via countries in Central Asia and Eurasia, offers the shortest connectivity route to its member countries including countries in landlocked Central Asia. The INSTC which envisages promotion of transportation cooperation, trade and investment especially among the member countries, could auger well for countries in Central Asia. India intends to make Chabahar Port a transit hub under the INSTC to reach out to the Central Asian countries. This would reduce logistics cost which will contribute towards increasing the trade volume between the two regions by 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[10]. 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% cheaper and 40% 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[11]. Also, the route may help India in fulfilling its energy needs by supporting imports from the region, besides increasing India's exports of agricultural products, machinery, electrical equipment, articles of iron and steel, optical, photographic and medical equipment and transport vehicles, among others. Linking the EAEU countries through the important Chabahar Port under the INSTC is envisaged to not only provide connectivity to the landlocked region, but also drive global investments further into the region, bringing in more prosperity and sustained growth. Moreover, the corridor holds the capacity to transform partner nations into vital logistics and transit centers, significantly boosting regional trade and

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

fostering development, while also giving India access to the abundant energy resources of Central Asia.

India and Russia are also exploring the possibility of using new transport corridors such as the Northern Sea Route and Eastern Maritime Corridor between Vladivostok and Chennai to widen maritime cooperation. The two countries have also agreed to train Indian seafarers in polar and arctic waters at the Russian Maritime Training Institute, which is equipped with simulator facilities[12].

Facilitation of Market Entry through JVs and Technological Collaboration

Market acess of Indian companies need to be increased in the EAEU region to create awareness among the population about products and services supplied by India. This could be promoted through joint ventures and technical collaboration especially in sectors like healthcare and medical devices, pharmaceuticals, machinery and electrical equipment, processed food, agri produce, chemicals and services (financial services, information technology, engineering and construction). Capacity building in areas like technical, IT and education could also lead to higher services exports by creating demand. Knowledge transfer and investments are required to create the necessary image for the Indian products.

India and the EAEU has been developing a detailed industrial cooperation plan for implementing joint projects in areas including chemicals and pharmaceuticals, metallurgy, aircraft engineering, car manufacturing, mining, as well as in the fields of manufacturing medical equipment and materials, biopharmaceuticals, clothing, shoes, specialty steel, copper wires; information technology, including creation of technology parks for making IT products; hydrogen energy; diamond processing and construction[13].

Reducing Non-Tariff Barriers

As India has been excluded from the EAEU GSP scheme from October 2021, it is facing higher tariffs for agricultural and other commodities which were earlier eligible for tariff concession. Besides tariff liberalization under the proposed India-EAEU FTA, higher market access opportunities for India can also be realized if the NTMs are properly addressed.

Presently India faces majorly NTMs in the form of SPS, TBT and QRs across broad sectors including the sectors where the revealed comparative advantage shows potential like food products, machinery and electrical appliances, vehicles and auto components, among others. India's import share in the global imports of the EAEU countries remains modest and could be boosted through addressing the NTMs imposed by the EAEU. At present, there also exists a shortage of technical information about Russia and other EAEU countries, affecting mutual business opportunities for the two sides, which could be addressed.

Mutual Recognition Agreements – Education & Quality Standards

India and the EAEU could also work towards drawing up 'Mutual Recognition Agreements' (MRAs). The MRAs are agreements between two trading partners to reduce technical barriers to trade and is an agreement for mutual recognition of 'conformity assessment'. Conformity assessment (i.e., product safety and standard testing) may take various forms, including inspection, testing, certification and licensing according to technical

[12] India and Russia explore Northern Sea Route (NSR), Eastern Maritime Corridor (EMC) in an effort to widen maritime cooperation, PIB Press Release, Ministry of Ports, Shipping and Waterways, GOI.

[13] eec.eaeunion.org – News EEC expands industrial cooperation with India, August 31, 2023

regulations and standards which are aimed at preventing safety, environmental and health risks. The EAEU could recognize that the designated testing body in India could perform required testing based on the technical requirements of the EAEU and vice versa with India. This will allow a product produced and certified in India to be exported to the EAEU without undergoing further testing in the EAEU and vice versa, to assess whether the product meets the EAEU technical requirements. These interventions could reduce non-tariff barriers to trade between both the partners. Mutually acceptable trade documentation such as certificates of origin and related standards recognition could also be considered. The EAEU countries could provide long term multiple entry visa and Russian multiple visit visa may be honored by other EAEU countries for Indian travelers. Students exchange programs between the regions can be enhanced. Nurturing exchange of art and culture initiatives between India and Eurasian countries is necessary as langauage remains a major barrier for trade.

Movement of Persons under Mode 4 of Services Trade

In services, India and the EAEU could enter into an agreement to recognize more Indian professional qualifications in the region. This could mean Indian professionals will be able to take on jobs in the EAEU without having to re-appear for numerous exams/courses. At present, Russia and Kazakhstan applies ENT/LMT restrictions as well as quantitative restrictions in terms of quota/limit for all three categories of employees – contractual service provider, independent professionals and intra-corporate transferees. This could be further relaxed especially for intra-corporate transferees. Intra-corporate transferees could fall under the exemption granted for business visitors, and therefore, ensuring that no labour market testing applies to them. In January 2023, Russia launched the Golden Visa program, a residency program for foreign investors, which would be beneficial for Indian investors.

Collaboration in Strategic Sectors

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

The 1st India-Central Asia Summit which was hosted by India witnessed the participation of the Presidents of Kazakhstan, Kyrgyzstan, 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.

The cooperation on energy resources and trade of natural resources is an important component of the partnership between India and members of the EAEU. With 87% of its crude oil being imported, India is exploring long-term, reliable and cost-effective options. Russia emerged as the largest oil exporter to India in 2022-23, accounting for 14.9% of India’s imports of mineral fuels and oils (HS 27). The EAEU countries has the potential to be reliable and economical alternative suppliers for India, by ensuring price certainty and supply stability. With energy needs of India constantly increasing, India is also seeking ways of developing alternative energy sources, one of which is a peaceful nuclear energy industry. Kazakhstan has the second largest available uranium reserves globally and is the world’s largest uranium producer. Accordingly, India has signed MOUs with Kazakhstan and Uzbekistan for supply of uranium. Energy cooperation would entail strengthening hydrocarbons engagement in terms of both investment and sourcing. Indian companies have considerable expertise in providing engineering consultancy and executing mega-projects across the hydrocarbon value chain.

The creation of a free trade area under the FTA between India and the EAEU could further facilitate trade and investment between the EAEU and India. Mutual investments in transport and logistics sectors, especially trade related infrastructure and telecommunication and information technology leading to increasing digitalisation could further enhance the existing trade between India and the EAEU countries.

There is also a need to embrace new areas of economic cooperation in sectors including in green technology and green products, advanced information technology, digital public infrastructure, joint startup ecosystem, development of smart cities and advanced healthcare, among others. Besides traditional sectors like pharmaceuticals, textiles, mining and minerals, both regions could encourage higher levels of technology transfer and enhance the private sector engagement of their industry sectors.

The infrastructure projects executed by India have a multiplier effect not only on the partner developing economy but also on the Indian project exporters. Indian companies have been active in various developing country markets especially in sectors like energy, transport, and water and sanitation projects funded by the Multilateral Development Banks (MDBs) like the World Bank, Asian Development Bank (ADB) and the African Development Bank. Therefore, project export opportunities in the EAEU countries like Armenia, Kazakhstan and Kyrgyzstan in areas like construction and infrastructure development could be one of the potential areas for further cooperation.

Defence and Aerospace

India has longstanding and wide-ranging cooperation with Russia in the field of defence. India-Russia military technical cooperation has evolved from a buyer-seller framework to one involving joint research, development and production of advanced defence technologies and systems. BrahMos Missile System as well as the licensed production in India of SU-30 aircraft and T-90 tanks, are examples of such flagship cooperation. The India-Russia Inter-Governmental Commission on Military & Military-Technical Cooperation (IRIGC-M&MTC) is co-chaired by Russian and Indian Defence Ministers and meets annually.

Russia remains one of the largest exporters of arms, while India is emerging as a major defense exporter in recent times. The 'Defence Production and Export Promotion Policy 2020' of India aims to provide impetus to self-reliance in defence manufacturing. The government of India has set the defence production target at US$ 25 billion by 2025, including US$ 5 billion military hardware exports by 2025. The Ministry of Defence (MoD) has come out with first four lists of military items under import embargo, announced in August 2020, May 2021, April 2022, and October 2022, imposing a phased import ban on 411 military items that are planned to be indigenised over the next five to six years. The MoD has set a target of 70% self-reliance in weaponry by 2027, creating huge prospects for industry players. India introduced Green Channel Status Policy (GCS) to promote and encourage private sector investments in defence production to promote the role of private sector in defence production. A joint technology driven collaboration between India and Russia in defence and aerospace projects could facilitate higher exports from India to the EAEU as well as globally. Similarly, collaboration in space technology and exploration, including the training of Indian astronauts and cooperation in satellite navigation and cryogenic rocket technology is another potential area.

With India's prowess in software development and services coupled with strengths in hardware manufacturing, India is poised to be one of the major electronics manufacturing hubs in the world. India is trying to create opportunities in the defence sector not just for co-development and co-production but to also meet requirements for all friendly foreign nations. Military-technical cooperation encompasses provisioning of arms and military equipment to partner nations, access to technologies and investments in the defence sector. Defence cooperation has helped in demonstrating India's commitment to regional stability as well as showcasing India's defence/defence-industrial capabilities. Potential exists for aerospace and defense cooperation between India and the other EAEU countries including Kazakhstan, Kyrgyzstan and Armenia. India has strengthened defense ties with Armenia, Kazakhstan and Kyrgyzstan based on the existing MOUs. These could provide opportunities as potential destinations for India's emerging aerospace and defense sector. Cooperation in developing the robotised complex and land surveillance and reconnaissance systems are other potential areas.

Ensuring Access to Trade Finance

According to an Asian Development Bank (ADB) research, 57% of the total value of trade finance applications by MSMEs in Central Asia undergo rejection as compared to 33% in case of other Asian economies. Correspondent banking also remains limited in Central Asia[14], which has in fact undergone retreat over the past 6 years until 2019. According to the 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 nontraditional confirming banks in the EAEU countries.

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

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As part of its endeavour in enriching the knowledge of Indian exporters and thereby to enhance their competitiveness, India 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 Special Publications. 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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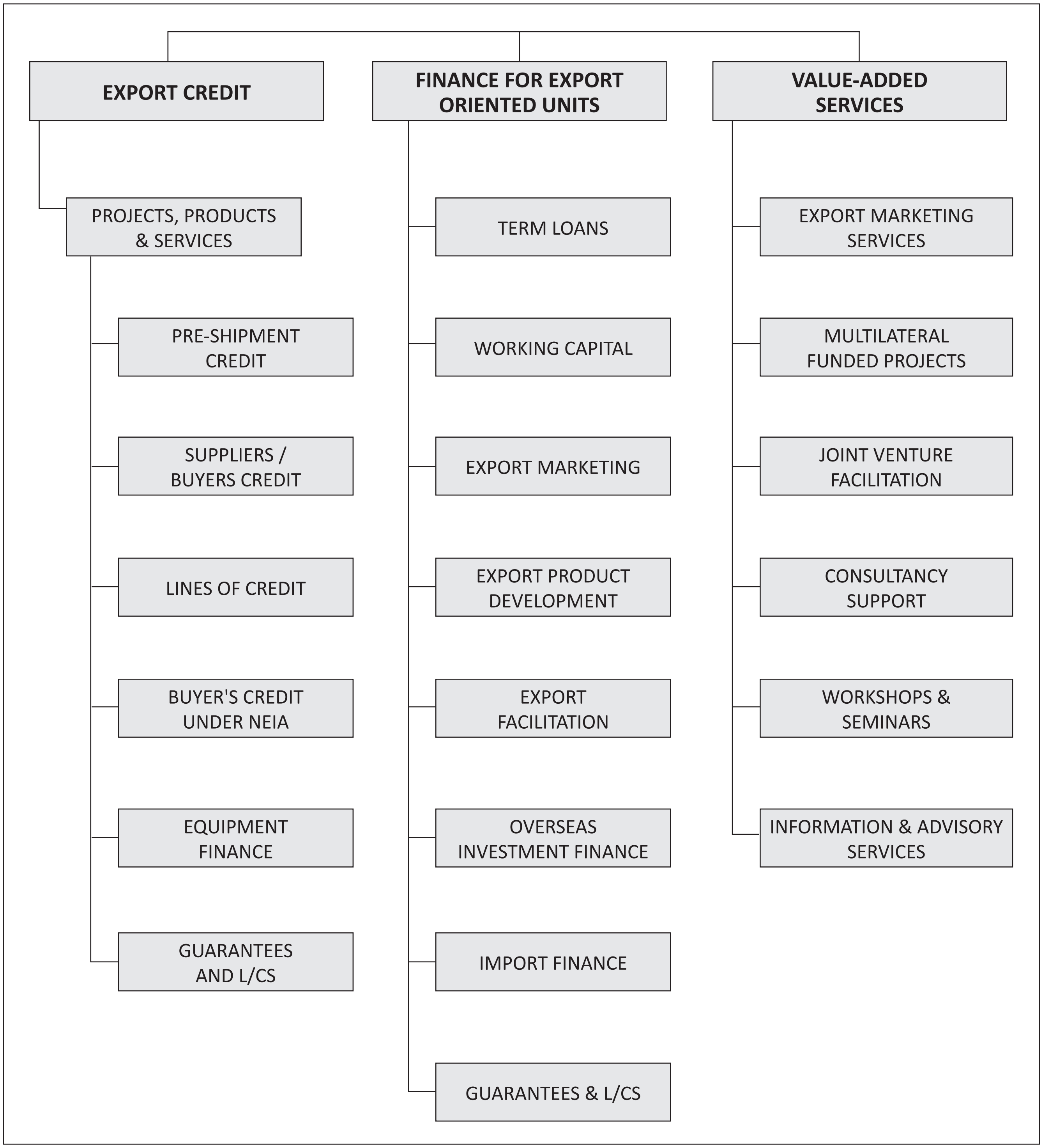
Bank's Major Programmes



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