

## **Revival of India's Relationship with Central Asian States**

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### **Central Asia: The Land of Immense Energy**

1. Central Asia, as its name suggests, is a vast stretch of landmass located at the Central part of Eurasia, comprising of Former Soviet states, all of which are now a part of The Commonwealth of Independent States (CIS), a regional intergovernmental organization focused on cooperation on political, economic, environmental, humanitarian, cultural and other issues between a number of former Soviet Republics.
2. It stretches from the Caspian Sea in the west to China in the east and from Afghanistan in the south to Russia in the north. The region consists of the former Soviet republics of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan.<sup>1</sup>

### **Why Does Central Asia Attract Foreign Investors?**

Being members of the CIS, The Commonwealth of Independent States Free Trade Zone [CISFTA], signed the Member nations in 2011, makes the CIS a lucrative and Attractive area for foreign investors to invest in.<sup>2</sup> Except Tajikistan and Uzbekistan, all other Central Asian states are members of the Eurasian Economic Union, comprising a Single Economic Market.<sup>3</sup>

### **Central Asia: A Geopolitical Hotspot**

The presence of an FTA signifies the fact that Central Asia is a region with a good supply of resource(s) worth being harnessed, that too, at a preferably low price. Let us have a look at what Central Asian States provide to the entire world:-

#### **• Oil Fields and Natural Gas Storehouse:-**

Oil and natural gas can be found in many of the republics of Central Asia. Central Asia has all of the aspects necessary for it to be a key area for oil and gas. The area is large and contains some extremely prolific oil and gas basins.

The geology in these areas is such that it contains some of the world's largest oil and gas fields, several of which are already being exploited, but there are many areas where substantial potential still exists for new fields to be discovered and developed.

Central Asia, taken as a whole, is certainly on par with the Gulf in terms of its remaining ultimate potential for oil and gas. The other key thing about Central Asia is that energy hungry

<sup>1</sup> Britannica Encyclopaedia, *Central Asia*, 2019 <https://www.britannica.com/place/Central-Asia>

<sup>2</sup> US-Ukraine Business Council, *CIS Free Trade Agreement Comes Into Force*, 18<sup>th</sup> October 2012  
<http://www.usubc.org/site/member-news/cis-free-trade-agreement-comes-into-force>

<sup>3</sup> Eurasian Economic Union[EAEU], *Treaty on The Eurasian Economic Union*, 2015  
<file:///C:/Users/user1/Downloads/TREATY+ON+THE+EURASIAN+ECONOMIC+UNION.pdf>



markets surround it, with Europe to the west and now China bordering Central Asia to the east and, in the future, the Indian sub-continent to the south.

These areas are all desperate for energy and that energy can be sourced in Central Asia. The land borders make it easier to export both oil and gas cheaper and more securely than by sea, and Central Asia certainly is becoming a power hub for the whole of the surrounding region.<sup>4</sup>

| Country      | Share of oil and gas sector in GDP, |           | Share of oil and gas sector in total exports, |           |
|--------------|-------------------------------------|-----------|---|-----------|
|              | 2002–2007                           | 2008–2012 | 2002–2007                                     | 2008–2012 |
| Azerbaijan   | 42–50                               | 48–50     | 83–90   | 94–95     |
| Kazakhstan   | 15–18                               | 22–26     | 50–65   | 50–57     |
| Russia       | 17–23                               | 20–25     | 45–50   | 50–53     |
| Turkmenistan | 35–55                               | 44–48     | 55–76   | 89–93     |

Source: columns 1 & 2: Azerbaijan Asian Development Bank, Key Indicators of Developing Asian and Pacific Countries (2007); Kazakhstan National Bank of Kazakhstan, Russia Statistical Office, Turkmenistan Government of Turkmenistan and author's calculations. Columns 3 & 4: Azerbaijan and Kazakhstan IMF Country Report No. 05/260, IMF Country Report No. 05/244 and author's calculations. Turkmenistan: state statistics and author's calculations. IMF (2013) Russian Federation. Country Report No. 13/310; October; IMF (2013) Republic of Kazakhstan. Country Report No. 13/290. October; IMF (2013) Republic of Azerbaijan.

Figure 1 Share of Oil and Gas Sector in Central Asia

- **Development of Kazakhstan as a Major economic prowess in the Caspian Region:-**

Kazakhstan has the most developed market in the region, with international investors having focused on it for a number of years. The development of the Kazakh oil and gas sector, and the international investment there has been going on for some time with some of the world's largest oil fields occurring there, as well as an increasing level of investment, particularly from China to carry oil and gas into the Chinese markets.

Kazakhstan is the ninth-largest country in the world, and there are vast areas of this country remaining to be properly explored, particularly using more modern technology in order to supply more energy to the region as a whole.

In addition, Kazakhstan acts as a key transit route for oil and gas going to Europe and, indeed, to China and as such, Kazakhstan's role in the region is certainly ensured.<sup>5</sup>

Kazakhstan, most recently, has attracted the largest amount of FDI in the Caspian Region. That is because of the government's attempt to adopt a policy of continuous improvement of the laws on investment and taxes. As a result, considering the "Doing Business in Kazakhstan" index, the country ranks 49th in the world. In terms of investor protection, Kazakhstan is among the top ten.<sup>6</sup>

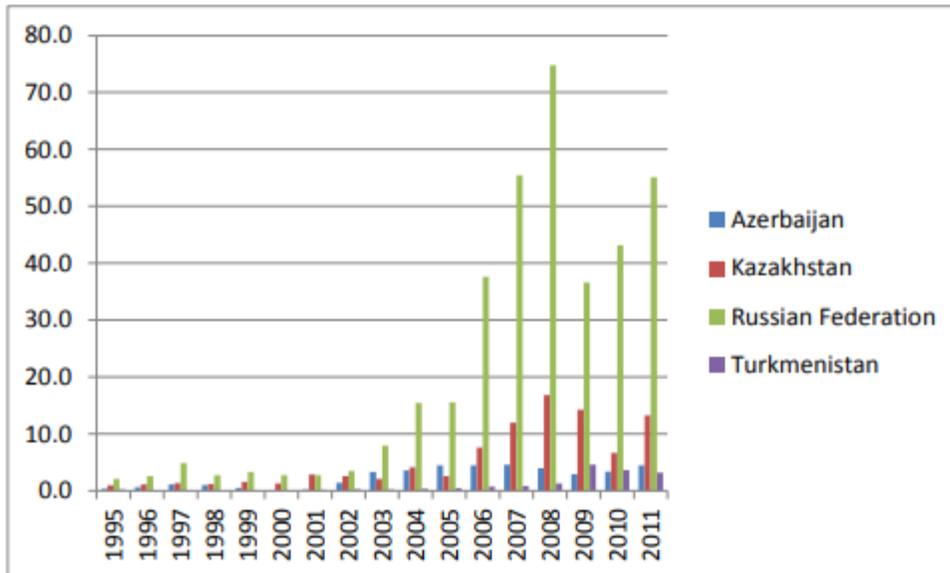
<sup>4</sup>The Diplomat, *Energy in Central Asia, Who Has What?*, June 2017

<https://thediplomat.com/2017/06/energy-in-central-asia-who-has-what/>

<sup>5</sup>World Finance, *Central Asia: A Major Player in the Oil and Gas Industry*, January 2014

<https://www.worldfinance.com/markets/central-asia-a-major-player-in-the-oil-and-gas-energy-industry>

<sup>6</sup>World Bank Database, *Doing Business Ranking by The World Bank, Extract For Eastern Europe and Central Asia*, 2013 <http://www.worldbank.org/en/region/eca/brief/doing-business>



Source: World Bank: World Development Indicators, 2013.

Figure 2 World Development Indicators 2013

• **Presence of Nuclear Energy Resources:-**

Amongst the CIS nations, Russia possesses the largest number of Nuclear reserves, and is the most powerful Nuclear nation in the Group.<sup>7</sup> Central Asian states of the CIS, like Tajikistan and Kazakhstan also enjoy Nuclear power, with the latter possessing 12% of the World's Uranium. It's government is committed to a high level of uranium exports, and plans in 2018 to complete a feasibility study for a reactor, probably to be sited at Kurchatov.<sup>8</sup>

Uzbekistan too, has recently vowed to develop its nuclear capabilities. One of the Fastest growing economies in the world, Uzbekistan has already initiated plans to develop a Nuclear plant and use the energy solely for peaceful purposes.<sup>9</sup>

Tajikistan's Fergana Valley hosts a number of Nuclear Mining and Milling Stations, and it has recently signed an bilateral agreement with Russia, which provides a Legal basis for interaction between the two countries in the nuclear power sector for the first time in history, while outlining cooperation in: the design, construction, operation and decommissioning of research reactors; used fuel and radioactive waste management; rehabilitation of tailing storage areas and use of decommissioned uranium mining and reprocessing facilities, use of nuclear technology in industry, medicine and agriculture; and education and training.<sup>10</sup>

<sup>7</sup> David Fischer, The Non-Proliferation Review, *Nuclear Energy And Nuclear Safeguards In The CIS And Eastcentral Europe: The Case For "EURASIATOM"*, 1994

<https://www.nonproliferation.org/wp-content/uploads/npr/fische13.pdf>

<sup>8</sup> World Nuclear Association, *Nuclear Power in Kazakhstan*, April 2019

<https://www.world-nuclear.org/information-library/country-profiles/countries-g-n/kazakhstan.aspx>

<sup>9</sup> World Nuclear Association, *Viewpoint: The Logic of Nuclear Power in Central Asia*, December 2018

<http://world-nuclear-news.org/Articles/Viewpoint-The-logic-of-nuclear-power-for-Central-A>

<sup>10</sup> World Nuclear Association, *Uranium in Tajikistan*, March 2017

<https://world-nuclear.org/information-library/country-profiles/countries-t-z/tajikistan.aspx>

- **The Caspian Sea and It's Strategic Importance:-**

The Caspian Sea is a landlocked body of water between Europe and Asia. Five countries — Russia, Kazakhstan, Turkmenistan, Iran and Azerbaijan — border the inland sea.

The Caspian's strategic importance lies in its abundance of energy resources. The sea contains large volumes of oil and natural gas reserves both in offshore deposits and in onshore fields in the immediate region.

As such, there are numerous existing oil and natural gas projects in the region, and all of the Caspian littoral states are significant energy producers. However, much of the offshore oil and natural gas resources in the Caspian Sea have not been tapped, as there are disputes between the five bordering states over where to demarcate the maritime borders and how to split up the energy resources.

Negotiations to establish maritime borders have gone on for nearly two decades. Many proposals have been considered, but these negotiations have not yet produced a solution agreeable to all five states. Recently, a landmark New Caspian Sea Agreement was signed between Iran, Russia and Kazakhstan, Turkmenistan, but it still would not resolve all the problematic issues amidst these Caspian nations.<sup>11</sup>

| Country      | Caspian region production |               | Total Caspian production | Total country production | Caspian % of total country production |
|--------------|---------------------------|---------------|--------------------------|--------------------------|---------------------------------------|
|              | Caspian offshore          | Onshore basin |                          |                          |                                       |
| Azerbaijan   | 890                       | 32            | 922                      | 922                      | 100%                                  |
| Iran         | 0                         | 0             | 0                        | 3367                     | 0%                                    |
| Kazakhstan   | 3                         | 1384          | 1387                     | 1515                     | 92%                                   |
| Russia       | 6                         | 114           | 120                      | 9222                     | 1%                                    |
| Turkmenistan | 46                        | 170           | 216                      | 216                      | 100%                                  |
| Uzbekistan   | 0                         | (s)           | (s)                      | 66                       | <1%                                   |
| <b>Total</b> | <b>945</b>                | <b>1700</b>   | <b>2645</b>              | <b>16007</b>             | <b>17%</b>                            |

Sources: U.S Energy Information Administration, HIS EDIN, Eastern Bloc Energy, Rigzone, Rystad Energy

**Figure 3 Crude Oil Production in Caspian Region,2012**

Europe has especially been interested in the energy supplies from the Caspian. In particular, energy exploited by Azerbaijan and Turkmenistan and shipped via the strategic Southern Corridor route is seen as a way to diversify from Russia's energy grip on the continent.<sup>12</sup>

- **Central Asia's Military Prowess:-**

Kazakhstan, Uzbekistan and Turkmenistan are leading other Central Asian governments in increased spending on military and security forces and the procurement of modern equipment.

<sup>11</sup> Stratfor Worldview, *What Does The New Caspian Sea Agreement Mean for the Energy Market*, August 2018

<https://worldview.stratfor.com/article/what-does-new-caspian-sea-agreement-mean-energy-market>

<sup>12</sup> Stratfor Worldview, *Strategic Importance of Caspian Sea*, May 2014

<https://worldview.stratfor.com/article/strategic-importance-caspian-sea>

Regional governments have long-standing fears of potential Russian military interference and remain concerned about the situation in Afghanistan. The increase in military expenditures is expanding capabilities, although the degree and pace of improvement varies from country to country, and regional militaries still lag Russian and NATO forces.

Kazakhstan's military is Central Asia's most capable, but it is far less capable than NATO or Russian militaries. Special forces will play a larger role as Kazakhstan looks to make a greater contribution to the Shanghai Cooperation Organisation's counter-terrorism capability.

Uzbekistan's military is reckoned to be Central Asia's second most capable with an army currently numbering 40,000 personnel. Total defence spending is approximately 2 billion dollars per annum. However, in Uzbekistan, the National Security Service (SNB) has historically been seen as significantly more important than the military.

Ashgabat's military numbers an estimated 22,000-30,000, according to SIPRI. Despite being willing to spend money on modern weapons, Turkmenistan's armed forces are considered weak with low operational effectiveness. Ashgabat has been unwilling to allocate spending to training and equipment maintenance. Meanwhile, the modern weapons it has acquired largely remain unused due to a lack of qualified personnel. The Kyrgyzstani and the Tajik armed forces are weak overall with gaps in command and control. Total spending on military and security services is estimated by SIPRI at 234 million dollars per annum. They are most likely to end up allying with Russia in the coming years.<sup>13</sup>

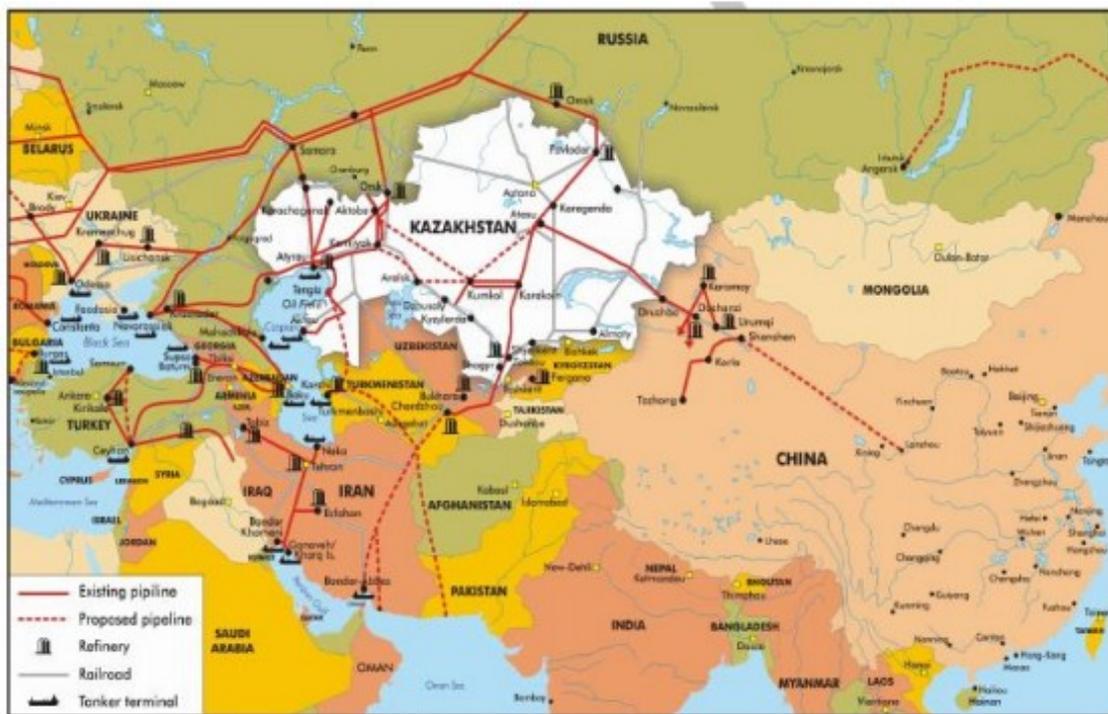


Figure 4 Central Asia's Trade Routes

<sup>13</sup> Dmitri Gorenburg, Russian Military Reform, *Central Asian Military Capabilities*, June 2015  
<https://russiamil.wordpress.com/2015/06/28/central-asian-military-capabilities/>

**• Transport Facilities:-**

Central Asia's rich transport facilities make it a suitable region to conduct International trade. Countries like Uzbekistan have invested in developing railways which connect their countries to as south as Afghanistan. Strategic Trade routes like the New Silk Route and the One Belt One Road Initiative pass through Central Asian states and connect them to China. These routes can further facilitate multilateral trade and make the region more prosperous than ever before. Besides, Sea Ports like Chabahar in Uzbekistan and Airways which connect the region to the entire world help facilitating import and exports, further developing the region.<sup>14</sup>

**India and Central Asia: Bonds, Old and New**

Being a hub of Natural Resources, Central Asian states have been constantly attracting developing states like India.

Relations between India and Central Asia are ancient and civilizational. India has been connected closely with Central Asia through the Silk Route from circa 3rd century BC till 15th century AD when the sea route from Europe to India was discovered. This made the land journey unviable because it was more risky, longer in duration, more expensive and volumes of cargo that could be carried by sea-faring vessels were much larger than by caravans over the land route.

The Silk Route connected India with Central Asia not only for transportation of goods and wares like silk, textiles, spices and so on but was an effective channel of exchange of thoughts, ideas, religion and philosophy. Buddhism travelled over this route from India to Central Asia and from there to West China in contemporary Xinjiang region.

In medieval times, Babar came from Fergana Valley after losing his kingdom to try his fortune in foreign lands. During the Soviet period culture, music, dance, movies and literature bound the Soviet Republics closely with India. Political contacts grew and expanded with frequent exchange of visits. Visit by Pundit Jawaharlal Nehru, the first Prime Minister of India accompanied by his daughter Indira Gandhi to Almaty, Tashkent and Ashgabat in 1955 brought the region closer to India. Popularity of iconic Bollywood stars like Raj Kapoor, Nargis, Mithun Chakraborty and others brought India into the homes and hearts of common people of this region.

Bilateral relations however suffered considerable neglect in the 25 years after emergence of these countries as independent States in 1991.<sup>15</sup>

**• Development of Ties with Kazakhstan :-**

Incumbent Prime Minister Narendra Modi had participated in the 17th SCO Summit in Astana on June 8-9, 2017. India was admitted as a full member of the SCO during the Summit. India and Kazakhstan actively cooperate under the aegis of Multilateral Fora including CICA, SCO and the UN organizations. India has been a consistent supporter of Kazakhstan's initiative on

<sup>14</sup> United Nations Economic and Social Commission on for Asia and the Pacific, *Land Transport Linkages from Central Asia to Seaports in the South and East*, 1995

<https://www.unescap.org/resources/land-transport-linkages-central-asia-seaports-south-and-east>

<sup>15</sup> Observer Research Foundation, *India-Central Asia Relations: Expanding the Vistas of Partnership*, 22<sup>nd</sup> June 2016

<https://www.orfonline.org/expert-speak/india-central-asia-relations-expanding-vistas-of-partnership/>



‘Conference on Interaction and Confidence-Building Measures in Asia’ (CICA) and is actively participating in the process. Kazakhstan supports India’s permanent membership in an expanded UNSC and has extended its support for India’s non-permanent membership in 2021-22. India supported Kazakhstan’s successful candidature for non-permanent membership of UNSC in 2017-18.

Defence cooperation is an essential pillar of our strategic partnership with Kazakhstan . The Indo-Kazakh Defence Cooperation is carried out under the framework of an agreement on ‘Defence and Military Technical Cooperation’ signed in July 2015 during the visit of PM to Kazakhstan on 08 July 2015. The new agreement includes conduct of joint training, exercises, military-technical cooperation, UN peacekeeping and exchange of intelligence.

First regular consultations between the National Security Secretariats were held in Astana on February 27-28, 2017.

Besides, Kazakhstan is ranked fifth in the world in terms of consuming Indian tea. Kazakhs are amongst the highest tea drinkers in the world.<sup>16</sup>

The India-Kazakhstan Inter-Governmental Commission (IGC) established in 1993 is the apex bilateral institutional mechanism for developing trade, economic, scientific, technological, industrial and cultural cooperation between the two countries. The Ministry of Petroleum and Natural Gas on the Indian side and Ministry of Energy on the Kazakh side are the nodal ministries with respective Ministers as the Co-Chair of the Commission. The last IGC meeting was held in Astana on Sep 19-20, 2017. Eight Joint Working Groups have been established in the areas of **Counter Terrorism, Trade & Economic Cooperation, Defence & Military Technical Cooperation, Information Technology, Hydrocarbons, Textiles, Tea Debt and Space Cooperation**. It has been decided to set up two new Joint Working Groups on Transport & Connectivity and Health to take forward bilateral relations in the respective spheres. Kazakhstan is India’s largest trade and investment partner in Central Asia. FICCI and Chamber of International Commerce of Kazakhstan have set up a Joint Business Council (JBC) in 2018 to promote trade, economic and investment cooperation between the two countries.<sup>17</sup>

• **Development of ties with Tajikistan:-**

During the visit of Incumbent Narendra Modi to Tajikistan in July 2015, the two sides decided to step up cooperation in the spheres of defence, connectivity and in fight against terrorism. They signed ‘Program of Cooperation in Culture and Art’ for 2016-18 and decided to set up computer labs in 37 schools of Tajikistan. Apart from this, an Agricultural Workshop was also held. During a state visit to Tajikistan from 7-9 October 2018, President Ram Nath Kovind’s visit led to the signing of Programs for Cooperation in the following areas – (i) Peaceful Use of Space Technology, (ii) Disaster Management, (iii) Renewable Energy, (iv) Youth Affairs, (v) Agricultural Research and Education, (vi) Unani Medicine, (vii) Program between Foreign Ministries for 2018-21, (viii) Cultural Exchange Program for 2019- 23. Separately, MoU between Vivekananda International Foundation, New Delhi and the Centre for Strategic

<sup>16</sup> World Food Kazakhstan, *Kazakhstan is Ranked Fifth in the World by Indian Tea Consumption*, March 2014  
<https://www.worldfood.kz/en/press-centre/news/92-21-03-2014bn>

<sup>17</sup> Ministry of External Affairs, *India-Kazakhstan Relations*, December 2018  
[https://mea.gov.in/Portal/ForeignRelation/december\\_2018.pdf](https://mea.gov.in/Portal/ForeignRelation/december_2018.pdf)



Researches under the President of Tajikistan was signed. Attention has been paid mostly to the following sections:-<sup>18</sup>

1. Civil project Assistance
2. Private Investments and Projects
3. Air links with Tajikistan
4. Humanitarian Assistance
5. Defence Cooperation
6. Scholarships
7. Cultural and Sports Exchange
8. Bilateral-Trade
9. Visas
10. International Forums/ initiatives
11. Indian Community in Tajikistan<sup>19</sup>

• **Other Important Initiatives:-**

India is not opposed to projects passing through non-disputed areas such as the Turkmenistan, Afghanistan, Pakistan and India (TAPI) pipeline project. On the contrary, it is fully mindful of its historic Silk Route ties with Central Asia, and is hoping to make an entry into the largely untapped energy potential of the region. In fact, to break the connectivity bottlenecks, India has sufficiently invested in the International North South Transport Corridor (INSTC) and the Chabahar project which are close to becoming a reality.

For India to use Chabahar, Uzbekistan's nearest sea port, as a vital gateway to access Eurasian markets and optimally operationalize its use, requires a Central Asian state joining the project as a direct stakeholder.

India is committed to build a 610-kilometre north-south railway (Chabahar to Zahedan). It has already completed the 218-kilometre road from Afghanistan, to the Iran-Afghanistan border.

Keeping the connectivity objective in mind, India has joined the Ashgabat Agreement in February 2018. Earlier in 2017, India joined the TIR Convention. With this, India is now a part of the single transport transit corridor system that would enhance the prospect of enlarging both the operational and practical scope of Chabahar and fast-tracking implementation of the INSTC.<sup>20</sup>

Uzbekistan is the most populous country (over 30 million) accounting for 45 per cent of Central Asia's total population. The country's key mineral resources include petroleum, natural gas, coal and uranium. Its energy sector is playing a leading role in luring foreign investment. But the country is also looking at upgrading high-value-added food processing

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<sup>18</sup> Ministry of External Affairs, *India's Relation with Tajikistan*, December 2018

[https://mea.gov.in/Portal/ForeignRelation/Bilateral\\_Brief\\_India\\_Tajik\\_dec\\_2018.pdf](https://mea.gov.in/Portal/ForeignRelation/Bilateral_Brief_India_Tajik_dec_2018.pdf)

<sup>19</sup> Amina Bibi, International Journal of Social Sciences, Vol.8, Issue 11, *India-Tajikistan Relations: Prospects and Challenges*, November 2018

[https://www.ijmra.us/project%20doc/2018/IJRSS\\_NOVEMBER2018/IJMRA-14405.pdf](https://www.ijmra.us/project%20doc/2018/IJRSS_NOVEMBER2018/IJMRA-14405.pdf)

<sup>20</sup> Website of the Ministry of Foreign Trade of Uzbekistan

<http://www.mfer.uz/en/export/export-potential>



and textile industry sectors. This is likely to give Indian companies an opportunity to provide a variety of support services, including those relating to trading and marketing.<sup>21</sup>

### **Conclusion**

Strengthening of relations between India and Central Asia is to mutual benefit of all countries involved. It is not directed at countering China's presence in the region. India is interested in expanding its ties with the region as it will promote security, stability, economic growth and development of all countries. Good relations with India will provide an assured market to these countries for their energy, raw materials, oil and gas, uranium, minerals, hydroelectric power etc. India is the fastest growing economy in the world today and can be a stable, assured, expanding market for these countries.

The current political, strategic and economic scenario, both regionally and internationally, presents immense challenges but also potential for India and Central Asia to qualitatively enhance their engagement. Both India and Central Asia are factors of peace, stability, growth and development, in the region and the world. Stronger relations between them will contribute to increased security and prosperity of these countries and the world.<sup>22</sup>

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<sup>21</sup> Institute of Defence Study and Analyses, *India's Economic Opportunities in Central Asia*, September 2018  
<https://idsa.in/policybrief/indias-economic-opportunities-in-central-asia-pstobdan-170918>

<sup>22</sup> Civils Daily, *India-Central Asia Relations*, August 2017  
<https://www.civildaily.com/india-central-asia-relations/>