

What can India and Central Asia Offer to Each Other?

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Engagement of India in Central Asia has covered many different sectors such as textiles, metallurgy, chemical products, mining, hydrocarbons, mineral processing, construction and industrial production.¹ However, the scales are low and need to be empowered. Central Asia has been one of the major beneficiaries of India's Technical and Economic Cooperation (ITEC) programme.² India helps Central Asian countries in areas including information technology, food processing and English studies.³ But psychologically, India has considered its northern border as an albatross (on its neck) that is hard to surmount. The mighty Himalayas probably gave India the impression that the north was an inaccessible territory. The instability in Afghanistan and the breakup of the Soviet Union led to a reluctant shift in India's approach towards its northern borders. India's efforts to secure a place in the SCO were repeatedly thwarted by China.⁴ India, therefore, had to remain an observer in the SCO till it assumed full membership with Pakistan in June 2017. This has led to the relevant question about whether India has been successful in its efforts to spread its influence in Central Asia. India's membership of the SCO has led to serious negotiations on geopolitical competition between India-China and India-Russia in Central Asia. Many see India's membership as a milestone in the course of growing Indian political ambitions beyond South Asia as it rarely looked beyond South Asia to project its influence in the past.

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What has not escaped the discerning eye is the fact that despite an abiding interest in Central Asia, India's relations with Central Asia have remained marginal,⁵ when compared to those of Russia and China. This can be attributed to many factors. The foremost is the fact as to what India can offer Central Asia and vice versa. Can India support a sustainable long-term mutually beneficial cooperation with Central Asia as an international partner or through international cooperation? For an enduring engagement with Central Asia, India needs to be more dynamic and formulate alignments and policies which create interdependencies between the stakeholders. Economic partnerships will give strength and security to relationships in contrast to episodic engagements often guided by geo-politics than geo-economics.

India has emerged as a growing military and economic power in the region in the last two decades. Its quest for development has led to an insatiable need for energy to fuel its development goals. Buoyed by the strength of its economy, India's military outreach too began to expand beyond South Asia towards Central and East Asia. PM Atal Bihari Vajpayee spoke about a silk route of cooperation and friendship with Central Asia way back in 2002.⁶ If someone were to dilate India's vision about Central Asia, it would broadly fall into two main spheres – economy and security. The rest of the issues could be distributed around these core spheres.

Security Agenda

Security as discussed is an important agenda of mutual congruence with the region, especially in view of the emerging narrative in Afghanistan and the self-centered approach of certain players. India should come up with a strong military strategy for the region. As many scholars believe, India with its benign image can exert better influence on the region than the current players. Military hardware was a major component of imports from the Soviet Union and most of the equipment was manufactured in Russia and Ukraine. Central Asia as part of the erstwhile Soviet bloc has significant military hardware from the Soviet Union. India can engage with Central Asian countries in providing facilities for training and maintenance of Russian hardware. Possibly a triumvirate arrangement involving Russia, India and Central Asia can be a win-win option for all the parties. There is a tremendous scope for strengthening bilateral military ties between Central Asia and India, as several common concerns such as terrorism, the rise of fundamentalist forces due to instability in Afghanistan, and actions of Pakistan's deep state; exist. The situation in Afghanistan evokes India's interests as any turbulence can affect

the security situation in Kashmir, which is slowly returning to normalcy. Likewise, the January 2022 unrest in Kazakhstan has opened up the vulnerabilities of Russia to the threats of fundamentalism. Kazakhstan and Russia have porous borders and there could be a likelihood of spill-over of radical Islam and narcotics from the Af-Pak region. The Kazakhstan crisis could also impact China. Kazakh Muslims are the second largest indigenous community in Xinjiang after Uyghurs and Almaty, which was the epicentre of the January protests, and located close to Xinjiang.

Economic Agenda

Another area in which India needs to raise its commitment in the region is trade. China surpassed Russia as the largest trading partner in Central Asia,⁷ and there is every fear that China's growing hegemony can limit India's options. In the same vein, there is a growing mistrust in the Central Asian population about China's predatory loans and the Chinese image is assuming an aura infamy – that the intention of Chinese policy is to generate employment only for their people, and not so much for the local population.⁸ For instance, Sri Lanka's story of being burdened by an unsustainable debt to China is well-known. Former Malaysian President Mahathir Mohamad halted work on key BRI projects in his country in 2018 due to rising levels of Chinese loans.⁹ The opposition to the conditions attached to Chinese activity and loans has gotten stronger in Pakistan as well.¹⁰ In light of Chinese economic policies, can there be a via media through which India can engage with China in an interdependent economic embrace, without compromising, on its choice of economic independence? Such a possibility is not unheard of because India is engaging with countries such as Japan, South Korea, Association of South East Nations (ASEAN) and the EU which have extensive Chinese investments. Can Central Asia provide that economic space for such engagement?

To reach Central Asia, commodities must currently be routed through either China or Europe. The potential for trade between India and Central Asia is hampered by long distances and thus, is unlikely to increase via these China or European routes. However, if the projected trade route through Iran becomes operational, trade with Central Asia is likely to expand by two to three times,¹¹ due to the significantly reduced distance. Should security and political issues in Afghanistan and Pakistan be resolved over time, trade with Central Asia might increase five to ten times its current levels, reducing transportation distances and costs dramatically. Despite the optimism the unfortunate reality remains that, Afghanistan's security concerns, as well as Pakistan's political

issues, are unlikely to be resolved anytime soon. As a result, three ways of enhancing Central Asian trade and economic ties emerge. The first is, increased air cargo trade in high-value, low-volume items; India exports items such as coffee, tea, spices, frozen meat, and pharmaceuticals. Imports from Central Asia in this category are more difficult. Nonetheless, India may be able to import goods such as gold, silver, and gemstones for the country's jewellery sector. The second is, to increase FDI linkages; Indian companies can establish factories in Central Asian countries that manufacture goods for the local market, and vice versa. This concept is especially viable in the case of manufactured goods, where new factories can be established in the partner country. The commodities would then be sold directly in the local market, eliminating the need for unreliable transportation. India can potentially participate in Central Asian oil, gas, and mineral exploration. India's share of the products resulting from such explorations can be sold to China and European nations, and the revenues thus generated be utilised to purchase things closer to home. This will solve the issue of transferring India's share of products output back to the country. The third is to boost trade in services, which reduces the requirement for physical transportation to a great extent. Exporting BPO services would be easier with a good and secure internet connection. India is developing as a service-oriented economy, and Central Asia, is a rapidly industrialising region that requires high-tech services. India's exports of services, particularly information technology services, have expanded in the last decades and so there is a great potential for the growth of trade with Central Asia in the future years.

Integration of The Economy

For India, it would be financially wise to integrate with the Asian economy, rather than find an economic model for itself, mainly because India does not have the luxury of deep pockets. It should build a platform for economic cooperation with other countries and regional groups, as China did through the BRI. It is widely believed that the sooner economic partnerships are forged, the faster the political differences dissolve. China is experiencing difficulties in its BRI system.¹² Does it provide opportunities for countries like India to participate in an inclusive integration and collaboration on current and future projects in Central Asia? Under the umbrella of the Asia-Africa Growth Corridor, Japan and India, for example, have announced their own development cooperation with other nations.¹³ The United States and Australia have joined Japan in declaring plans for an alternative to BRI through the Blue Dot Network.¹⁴

Current India-Central Asia trade levels are much lower in comparison to China's. Indian imports from Central Asia are less than 1 percent of the region's total exports. India's exports to the region are less than 1.5 percent of their total imports. It is understandable that the economy of Central Asia, especially the poorest countries such as Kyrgyzstan and Tajikistan are getting influenced by the opaque Chinese model of neo-imperialism. India opens up opportunities in many fields through 'Atma Nirbhar Bharat' and 'Make in India'. Can India create a model where the Central Asian space is utilised for manufacturing products that will cater to local demand (close to its source of supply)? Under the 'Atma Nirbhar' and 'Make in India' programmes, Russian enterprises have participated in 13 important sectors of the Government of India's Production Linked Incentive scheme.¹⁵ Central Asian countries could explore establishing joint ventures as part of the Indian government's Industrial Corridor Program. Indian firms can likewise establish manufacturing plants in Central Asian industrial corridors, particularly in heavy industries and machinery.

Is it possible for India to build relations with Russia and China in the region without compromising its strategic independence? For this to happen, it may need to balance its role in strategic and security cooperation in Central Asia by carefully aligning it with the security and economic aspirations of the countries of Central Asia, Russia and China. Does the SCO provide such an approach? The answer is not an optimistic one because the SCO mechanism is too heavily tilted in favour of China.⁶² Does India need a new format, say G-8 or G-9, which includes five Central Asian countries and Russia, China, Iran and India? The answer is yes. Such a format would create a strong and cohesive economic order, in which relationships are connected with strong economic gears and are not bound by external dynamics.

Notes:

- ¹ Raj Kumar Kothari, "India's Strategic Interests in Central Asia: Expanding Vistas of Partnership in the Post-Soviet Era", *World Affairs: The Journal of International Issues*, 24 (1), Kapur Surya Foundation, 2020, pp. 100–17. Available at <https://www.jstor.org/stable/48622910>
- ² Indian Technical and Economic Cooperation Programme, MEA, Government of India. <https://www.itecgoi.in/about>
- ³ Neha Dwivedi, "Can India 'Connect' With Central Asia?", Available at <https://thediplomat.com/2017/11/can-india-connect-with-central-asia/>
- ⁴ Derek Grossman, "China Will Regret India's Entry Into the Shanghai Cooperation Organization", Available at <https://thediplomat.com/2017/07/china-will-regret-indias-entry-into-the-shanghai-cooperationorganization/>

- ⁵ Neha Dwivedi, “Can India ‘Connect’ With Central Asia?”, Available at <https://thediplomat.com/2017/11/can-india-connect-with-central-asia/>
- ⁶ Claudia Chia, and Zheng Haiqi, “The First India-Central Asia Summit”, Available at <https://www.isas.nus.edu.sg/papers/the-first-india-centralasia-summit/>
- ⁷ Jon Yuan Jiang, “Central Asian elites choose China over Russia”, East Asia Forum, 25 November 2021, Available at <https://www.eastasiaforum.org/2021/11/25/central-asian-elites-choose-china-over-russia/> (accessed on 06 July 2022).
- ⁸ Marlene Laruelle, “China’s Belt & Road Initiative and its Impact in Central Asia” 2018, Available at https://centralasiaprogram.org/wp-content/uploads/2017/12/OBOR_Book_.pdf
- ⁹ “The perils of China’s debt-trap diplomacy”, The Economist, 06 September 2018, Available at <https://www.economist.com/asia/2018/09/06/theperils-of-chinas-debt-trap-diplomacy>
- ¹⁰ “Pakistan economic crisis intensifies as China refuses to provide debt relief”, Times of India, 30 May 2021, <https://timesofindia.indiatimes.com/world/pakistan/pakistan-economic-crisis-intensifies-as-china-refuses-to-provide-debt-relief/articleshow/83094150.cms>
- ¹¹ K. Sharma, “Spotlight on trade gateway as India hosts talks with Central Asia”, Nikkei Asia, 18 December 2021, Available at <https://asia.nikkei.com/Politics/International-relations/Spotlight-on-trade-gateway-as-India-hosts-talks-with-Central-Asia> (accessed on 6 July 2021).
- ¹² Andrew Chatzky and James McBride, “China’s Massive Belt and Road Initiative”, Available at <https://www.cfr.org/backgrounder/chinas-massive-belt-and-road-initiative>
- ¹³ Gurjit Singh, “India, Japan and the Asia Africa Growth Corridor”, Gateway House, 17 January 2019, Available at <https://www.gatewayhouse.in/japanaagc/>
- ¹⁴ Jagannath Panda, “India, the Blue Dot Network, and the ‘Quad Plus’ Calculus”, Journal of Indo-Pacific Affairs, Fall 2020.
- ¹⁵ “Production Linked Incentive (PLI) Schemes in India”, Invest India, National Investment Promotion and Facilitation Agency, Available at <https://www.investindia.gov.in/production-linked-incentives-schemes-india> (accessed on 6 July 2022).

