

# India and Asian Economy & Trade with Special Reference to Connect Central Asia Policy

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**Abstract:** Asia has been a major contributor to the global GDP. It is a home for many developing nations that have huge demand and are powerhouse of opportunities for the investors, increasing its contribution to global trade Y-o-Y. FDI-inflows data reveals that Asia is attracting more capital inflows than any other continent. It also has two of its nations in Top 10 rankings of Business friendly economies. India, the 2<sup>nd</sup> most populous and one of the youngest countries in the world. It has tremendous demand and makes substantial contribution to intra-regional Asian trade. Currently, it ranks very low in Ease of Business Index 2015 due to its policy deadlocks, lack of sufficient infrastructure etc. Still, things are expected to be better with rise in investor and consumer confidence in 2014. India has come to realize potential untapped opportunities in Asia, which can fulfill its gigantic energy needs for growth in several successive decades. This potential is amplified by the fact that India just happens to be in the “sweet spot” geographically because of its connectivity to other nations in Asia as well as other continents through its peninsular landform. It is a crucial point of trade for pacific region seeking entry in Central Asia, West Asia, Europe and Africa. To explore the opportunities trapped in Central Asia, it has taken initiatives like coming up with International North-South Transport Corridor for transporting goods and people. But, everything has its own advantages and disadvantages. Just to count one of its disadvantages, it can also cost India with increase in terrorism from Afghan surroundings that are speculated to have military camps. Considering a well-planned execution of the policies, it is indeed a promising opportunity for India to grab. It will also tighten the geopolitical relations between India and nations of Central Asia. The main objective is to analyze the impact and opportunities of India’s economic stance in Asian economy and trade with special reference to Central Asia and Japan.

**Keywords:** Central Asia, Development, Energy, Japan, Neighbourhood, Prime Minister Narendra Modi, Trade, Trade Routes.

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## I. INTRODUCTION

### Macro analysis of Asia:

Asia, being the largest continent is home to innumerable cultures. Due to its vast diversity, it is divided on the basis of geographical area, economic development, trading blocs etc. so as to make it possible to analyze its various aspects (economical, social etc.) more efficiently. Major regions are mentioned along with countries in them:

1. Association of Southeast Asian Nations (ASEAN) comprises Brunei Darussalam, Cambodia, Indonesia, the Lao People’s Democratic Republic, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam.
2. Developing Asia comprises the 45 members of the Asian Development Bank.
3. Central Asia comprises Armenia, Azerbaijan, Georgia, Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan.

- East Asia comprises the People's Republic of China; Hong Kong, China; the Republic of Korea; Mongolia; and Taipei, China.
- South Asia comprises Afghanistan, Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan, and Sri Lanka.
- Southeast Asia comprises Brunei Darussalam, Cambodia, Indonesia, the Lao People's Democratic Republic, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam.
- The Pacific comprises the Cook Islands, Fiji, Kiribati, the Marshall Islands, the Federated States of Micronesia, Nauru, Papua New Guinea, Palau, Samoa, Solomon Islands, Timor-Leste, Tonga, Tuvalu, and Vanuatu.

Asia is the home to many developing nations and this relates to expansionary policies in such countries that result in inflation within the country as well as of the region, which is normal and helpful to them. Below are the inflation and GDP growth's data of various Asian regions.

**Table 1: Inflation (% per year)**

Subregion/Economy	2010	2011	2012	2013	2014 E	2015 E
Central Asia	7	8.9	5.3	6	7.6	7
East Asia	3.1	5	2.6	2.4	2.4	2.9
South Asia	9.4	9.3	8	6.2	6.1	5.9
Southeast Asia	4.1	5.5	3.9	4.2	4.1	4.7
The Pacific	5.1	8.5	5.3	4.5	4.5	4.5
Developing Asia	4.4	5.9	3.7	3.4	3.4	3.7

Source: Asian Development Outlook 2013 and Asian Development Outlook 2014

**Table 2: GDP growth rate (% per year)**

Subregion/Economy	2010	2011	2012	2013	2014 E	2015 E
Central Asia	6.8	6.8	5.6	6.5	5.6	5.9
East Asia	9.8	8.2	6.5	6.7	6.7	6.7
South Asia	8.5	6	5	4.7	5.4	6.1
Southeast Asia	7.9	4.7	5.5	5	4.6	5.3
The Pacific	5.5	8.3	7.3	5	5.3	13.2
Developing Asia	9.2	7.3	6.1	6.1	6.2	6.4

Source: Asian Development Outlook 2013 and Asian Development Outlook 2014

The steady growth and high potential in Asian regions have attracted much foreign investments in Asia. FDI inflow in Asia is the highest of all continents. Asia is followed by Europe (by total FDI from 2010 till 2013). Europe's FDI inflow in 2012 was reduced to half of the inflows than its previous year 2011 whereas Asia's FDI inflows have been increasing uniformly. The same has been graphically shown below:

**Table 3: FDI inflows, by region and economy, 2010-2013.**

FDI inflows, by region and economy, 2010-2013				
(Millions of dollars)				
Region/economy	2010	2011	2012	2013
<b>World</b>	1 422 254.8	1 700 082.4	1 330 272.9	1 451 965.4
<b>Developed economies</b>	703 474.1	880 406.2	516 664.3	565 626.5
<b>Europe</b>	436 302.9	538 877.3	244 090.2	250 798.6
<b>European Union</b>	383 703.2	490 427.1	216 011.6	246 207.0
<b>North America</b>	226 449.4	263 428.3	203 593.9	249 852.7
<b>Other developed countries</b>	40 721.7	78 100.6	68 980.2	64 975.2
<b>Developing economies</b>	648 207.6	724 839.9	729 449.2	778 372.4
<b>Africa</b>	47 034.1	48 020.9	55 180.2	57 238.8
<b>Asia</b>	409 021.2	430 622.5	415 106.3	426 355.0
<b>East Asia</b>	213 991.5	233 422.6	216 679.3	221 057.5
<b>South-East Asia</b>	99 123.8	99 612.9	117 526.9	125 455.2
<b>South Asia</b>	35 038.4	44 371.9	32 441.8	35 560.5
<b>West Asia</b>	60 867.5	53 215.1	48 458.3	44 281.7
<b>Latin America and the Caribbean</b>	189 512.7	243 913.9	255 863.9	292 080.8
<b>South and Central America</b>	125 567.1	163 105.6	168 695.1	182 389.3
<b>Caribbean</b>	63 945.6	80 808.4	87 168.8	109 691.5
<b>Oceania</b>	2 639.6	2 282.6	3 298.8	2 697.7

Source: UNCTAD, FDI/TNC database ([www.unctad.org/fdistatistics](http://www.unctad.org/fdistatistics)).

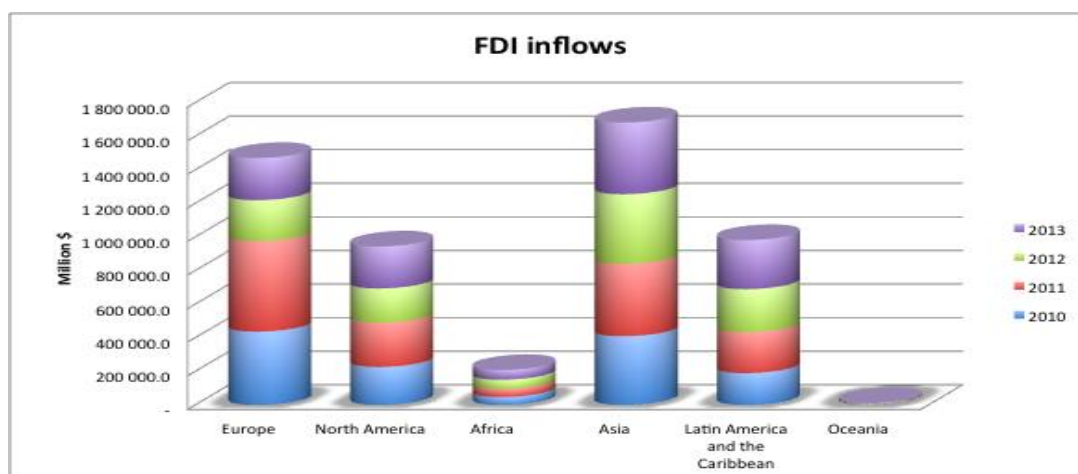


Figure 1: FDI inflows (in million \$)

When we analyze the FDI inflows data in Asia region-wise, we can see that East Asia has been the major attractor of FDI inflows among other Asian regions till 2013. Major nations benefitting from such inflows are People's Republic of China, Republic of China (Taiwan), Hong Kong and Republic of Korea.

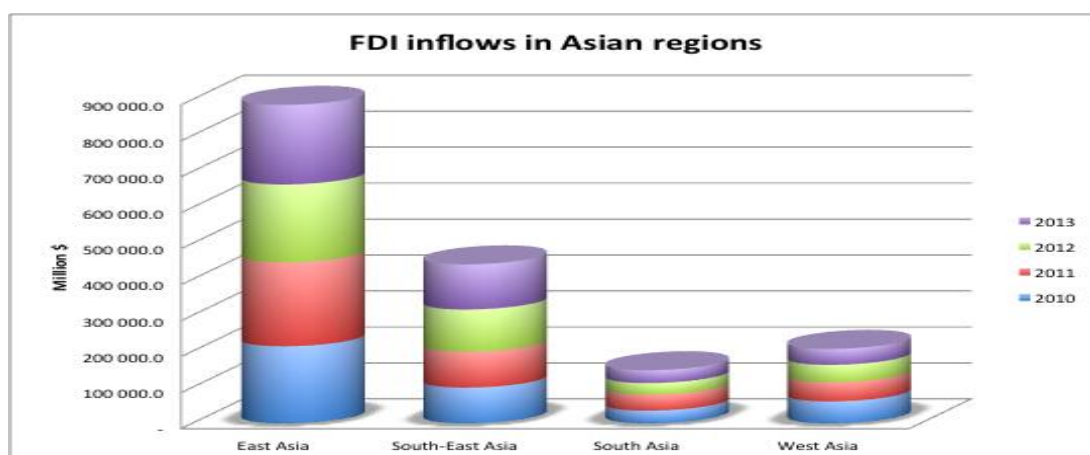


Figure 2: FDI inflows in Asian regions (in million \$)

### India's Trade Statistics:

India being one of the most promising economies in Asia, has been substantially contributing to the global trade. Its top exporting destinations have been listed and compared along two different time periods namely FY 2008 and FY 2014. When we analyze the table, we can see that there is growing participation from Asian countries. In FY 2008, there were 4 Asian countries whereas in FY 2014, we can see coming up of Saudi Arab in the top 10 list making a total of 5 Asian countries and decrease in European countries which is obviously because of reduced demand due to troubled Eurozone.

Table 4: Comparison of India's Top 10 export destination nations Source: Department of Commerce (<http://commerce.nic.in/ftpa/default.asp>)

Rank	Country (Apr-Mar 2008)	%Share	Country (Apr-Mar 2014)	%Share
1	U S A	12.71	U S A	12.45
2	U ARAB EMTS	9.59	U ARAB EMTS	9.71
3	CHINA P RP	6.66	CHINA P RP	4.73
4	SINGAPORE	4.52	HONG KONG	4.05
5	U K	4.11	SINGAPORE	3.98
6	HONG KONG	3.87	SAUDI ARAB	3.89
7	NETHERLAND	3.22	UNSPECIFIED	3.63
8	GERMANY	3.14	U K	3.12
9	BELGIUM	2.58	NETHERLAND	2.54
10	ITALY	2.4	GERMANY	2.39

Similarly, when we see India's import data, we can see an addition of Indonesia in the top 10 list making of total of 7 countries in FY 2014 as compared to 6 in FY 2008. It is very much evident that Asia is becoming more and more significant in India's trade.

**Table 5: Comparison of India's Top 10 import's sources**

Rank	Country (Apr-Mar 2008)	%Share	Country (Apr-Mar 2014)	%Share
1	CHINA P RP	10.79	CHINA P RP	11.34
2	U S A	8.37	SAUDI ARAB	8.09
3	SAUDI ARAB	7.74	U ARAB EMTS	6.45
4	U ARAB EMTS	5.36	U S A	5
5	IRAN	4.35	SWITZERLAND	4.29
6	GERMANY	3.93	IRAQ	4.11
7	SWITZERLAND	3.88	KUWAIT	3.81
8	SINGAPORE	3.23	QATAR	3.49
9	AUSTRALIA	3.11	INDONESIA	3.28
10	KUWAIT	3.06	NIGERIA	3.13

Source: Department of Commerce (<http://commerce.nic.in/ftpa/default.asp>)

### India's Trade among Asian regions:

Now, focusing on India's trade among various Asian regions in more details across 3 time periods FY 2006, FY 2010 and FY 2014. We see that NE Asia, West Asia (GCC) and ASEAN countries are top export destinations of India's exports. Further, country-wise classification of the regions mentioned here:

East Asia (Oceania): Australia, New Zealand, Fiji, Kiribati, Nauru, Papua New Guinea, Palau, Samoa, Solomon Islands, Timor-Leste, Tonga, Tuvalu and Vanuatu.

ASEAN: Singapore, Viet Nam, Malaysia, Indonesia, Thailand, Philippines, Myanmar Cambodia, Laos, Brunei.

West Asia: GCC (Gulf Cooperation Council): UAE, Saudi Arab, Oman, Kuwait, Qatar, Baharain.

Other West Asia: Iran, Israel, Jordan, Yemen, Iraq, Lebanon, Syria.

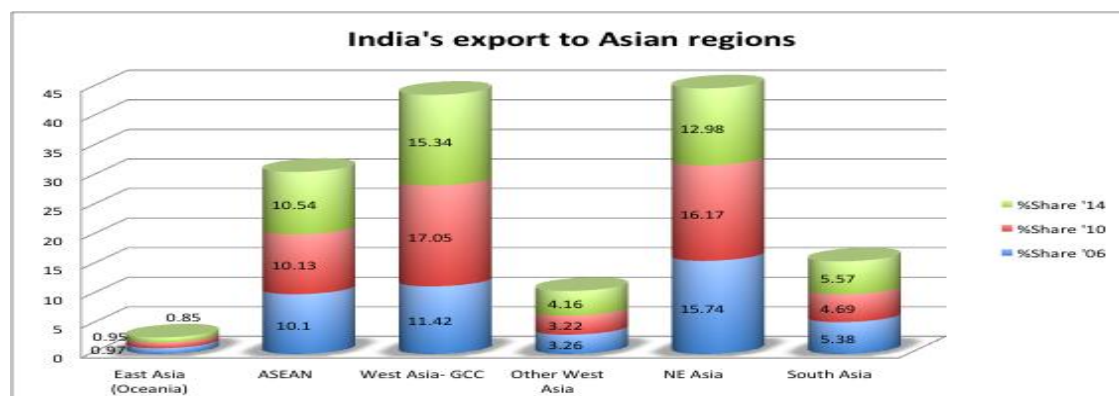
NE Asia: Hong Kong, China (P.R.C), Japan, Republic of Korea, Taiwan (R.O.C), Mongolia, Macao.

South Asia: Sri Lanka, Bangladesh, Nepal, Pakistan, Afghanistan, Bhutan, Maldives.

**Table 6: Comparison of India's export share to Asia (region-wise)**

Region	Apr-Mar 2006	%Share '06	Apr-Mar 2010	%Share '10	Apr-Mar 2014	%Share '14
Asia	48,323.31	46.87	93,328.97	52.21	1,55,426.44	49.44
East Asia (Oceania)	1,004.89	0.97	1,691.38	0.95	2,683.21	0.85
ASEAN	10,411.30	10.1	18,113.71	10.13	33,134.17	10.54
West Asia- GCC	11,775.30	11.42	30,479.97	17.05	48,221.20	15.34
Other West Asia	3,358.07	3.26	5,748.67	3.22	13,067.45	4.16
NE Asia	16,226.10	15.74	28,904.56	16.17	40,816.49	12.98
South Asia	5,547.65	5.38	8,390.69	4.69	17,503.92	5.57

Source: Department of Commerce (<http://commerce.nic.in/ftpa/default.asp>)



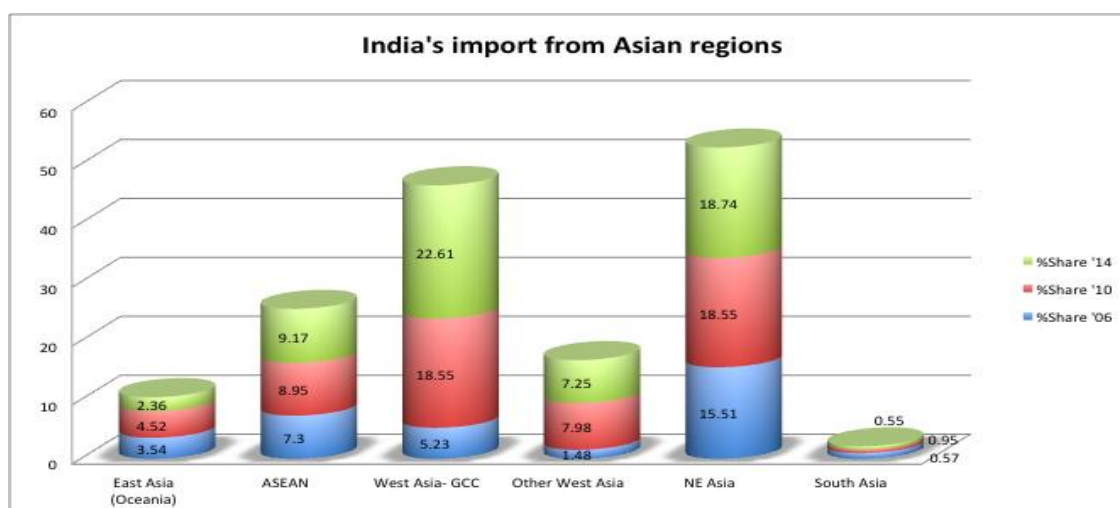
**Figure 3: India's export to Asian regions.**

As per the table, we can see India's exports (49.44%) find their home to Asian regions. Majorly, ASEAN, West Asia-GCC and NE Asia have been large export destinations of India. The contribution of export has seen decent growth in all 3 time periods.

**Table 7: Comparison of India's import share from Asia (region-wise)**

Region	Apr-Mar 2006	%Share '06	Apr-Mar 2010	%Share '10	Apr-Mar 2014	%Share '14
Asia	50,735.79	34.01	1,70,473.06	59.12	2,73,198.04	60.68
East Asia (Oceania)	5,280.79	3.54	13,025.45	4.52	10,628.26	2.36
ASEAN	10,883.67	7.3	25,797.96	8.95	41,278.09	9.17
West Asia- GCC	7,805.04	5.23	53,497.43	18.55	1,01,799.42	22.61
Other West Asia	2,211.68	1.48	23,003.30	7.98	32,646.36	7.25
NE Asia	23,141.29	15.51	53,491.57	18.55	84,372.93	18.74
South Asia	1,413.31	0.95	1,657.34	0.57	2,472.98	0.55

Source: Department of Commerce (<http://commerce.nic.in/ftpa/default.asp>)



**Figure 4: India's import from Asian regions.**

Similarly, when we take a look on India's import data, we see that a high proportion of total imports are from Asian nations. The imports from Asian nations have nearly doubled from FY 2006 to FY 2014. Major imports of India from Asian countries are from NE Asia, West Asia-GCC and ASEAN.

#### Ease of doing business in Asia:

**Table 8: Ease of doing business rankings 2015.**

Ease of Doing Business ranking 2015	
Country	Rank
Singapore	1
Hong Kong	3
Malaysia	18
Taiwan, China	19
United Arab Emirates	22
Thailand	26
Mauritius	28
Japan	29
Saudi Arab	49
Qatar	50
Oman	66
Vietnam	78
Kuwait	86
China (PRC)	90
Philippines	95
Sri Lanka	99
Indonesia	114

Source: Doing Business 2015 (12th Edition) by World Bank Group

Asian countries are in dire need of effective policies, infrastructural reforms to unleash its full potential. Several countries like Singapore, Hong Kong has set best practices in that area and making themselves on the top 10 list of doing business in Asia, 2015. 16 Asian countries have made it to the 100 rankings. India is currently 142 out of 189 due to its previous deadlocks like Red tape and not so famous policies like Retrospective Tax Regime.

### **Recent Indo-Asian Policies:**

#### **1. Failure of Look East Policy:**

The “Look East” policy that was launched after 1991, has come to be generally known as a failure. It was not able to generate enough benefit to back up its visions.

India had adopted this policy in an effort to reach out towards the Asian countries that were initially looked away from due to India’s history as being ruled by Western elites who saw that these areas were not capable of much industrialisation as the time. In recent times however, these areas have become flourishing with increased economic activity, and merited better relationships with India.

A major issue was highlighted to be the lack of investment by India into the North-Eastern states, at a time when China had been concentrating significant efforts on developing the backward regions with help from ASEAN. The regions in China which lay near to India’s 7 sisters came to undergo much improvement, whereas India’s own were ignored.

It comes a bit of illogical thinking, as it could be understood easily that though this area lies as a direct link with the South-East Asian countries, if the railways, air, and road transport networks had been a focus of the efforts of this policy, there could have been much fruition. However, with insufficient development, the general consensus came to call this policy a failure.

#### **2. Enter: The Act East Policy:**

While the issues that barred the Look East Policy from succeeding came into light, brightly, Prime Minister Narendra Modi came into office, a more refined plan was introduced under this name, in order to carry forth the vision of the first policy; to improve relations with the East Asian neighbours a high priority.

The Modi administration emphasized on the tweaking of relations with ASEAN and its members. A project has been initiated to construct a 3,200 KM highway joining India, Thailand, and Myanmar. However, it is behind-schedule already, and construction is expected to finish in 2018. This bridge is expected to be a major part of boosting connectivity of the ASEAN countries and India.

The ASEAN-India connections have been prioritized as trading here has been fruitful, and is expected to boost the region’s overall productivity.

Bilateral trade has grown from 68.4 Billion USD in 2011, to 71.6 Billion USD in 2012 for a total of 4.6%. Imports from India totalled at 27.72 Billion USD in 2012, and ASEAN’s exports were 43.84 Billion USD.

#### **3. Neighbourhood first policy:**

Another step forward initiated by the government under Narendra Modi is to concentrate on its surrounding neighbours of South Asia yet again. The term ‘Neighbourhood first policy’ has been coined by the media. Efforts towards forwarding this policy have come to include the invitation of the heads of state or government of the South Asian countries on the occasion of Narendra Modi’s inauguration, and holding bilateral talks on an individual basis on the second day of his term in office, being called by the media as a “mini SAARC summit”, as the 18<sup>th</sup> summit was to happen soon afterwards. P.M Narendra Modi also requested the Indian scientists to start work on a dedicated SAARC satellite to enable technological achievements to be shared via tele-medicine, e-learning, and the sorts, when ISRO, India’s national space agency had managed to launch five satellites from four different countries, at the spaceport of Sriharikota. He also added that the Indian navigation system will be in place by 2015.

#### **4. Connect Central Asia Policy:**

On the 12<sup>th</sup> of June, 2012 India’s Minister Of State for External Affairs, Shri E. Ahamed talked about this broad-based approach, which tackled political, security, economic, and cultural connections at First India-Central Asia Dialogue. The Keynote address mentioned several points.

There will be an increased focus on building strong political connections via several visits of leaders in multilateral and bilateral fora.

Talks have also gone to great length to help Afghanistan have a prominent say in International bodies, compliant to International rules. And India would be helping with counter-terrorism, and close-consultations on Afghanistan. Understanding the huge reserves of energy and natural resources that exist in Central Asia, plans to set up civil hospitals will help co-operate production of profitable crops in the region.

After energy, agriculture, and medicine, talks came to discuss setting up a Central Asian University in Bishkek to counter the extra-ordinary cost of education in Western universities, especially to impart better education for IT, management, philosophy, and languages.

After affordable education, India plans to offer subsidized construction to build facilities at lower rates, especially Medium size Steel Rolling Mills in Kazakhstan, which has limitless reserves of iron ore and coal, in addition to cheap electricity.

Other issues covered include an investment bank in the region, and improving transportation routes for airways and land connectivity.

### **Recent Summits of significant Trading blocs:**

#### **i. 6<sup>th</sup> BRICS Summit:**

The 15th of July, 2014 saw the BRICS countries: Brazil, India, China, Russia, and South Africa to collectively approve a document towards the inception of a 100 Billion USD New Development Bank (NDB), in addition to an additional 100 Billion USD as a reserve currency pool.

This move has been understood to be a challenge towards the disappointing efforts of the International Monetary Fund (IMF), and the World Bank, by representing all 5 member nations in an equitable proportion. Shanghai will serve as the headquarters, the first president's role will be covered from India, the initial regional office is to be in Johannesburg, a Russian representative will be the inaugural chairman of the board of governors, and the board of governor's chairman is to be from Brazil.

This move has seen importance in offering an alternative solution to the IMF, and the World Bank, both of whom are heavily influenced by the US. And as the BRIC countries in itself form 3 billion people (41.4% Global Population), and are responsible for generating 25%+ of global GDP, it was a major step towards obtaining grater financial and development cooperation for the emerging five economies. One that did not need the politics and bureaucracy of the US slowing it down.

#### **ii. 18th SAARC Summit:**

“Deeper Integration for Peace and Prosperity” was the theme for the latest summit of the South Asian Association of Regional Cooperation: held during 26th and 27th November, 2014 in Kathmandu, Nepal. This meet was also focussed on improving connectivity among the member states for enhancing transit-transport in the regions.

Efforts towards this included the ‘SAARC Framework Agreement of Energy Cooperation (Electricity)’ agreement being signed by the foreign ministers of the eight member states. But progress was slowed down by Pakistan's tryst with India, which was temporarily resolved by the end of the summit.

Other agreements have also been lingering in wait, including the agreement on Vehicular Traffic, and one on Railways. Sushil Koirala, the Nepalese Prime Minister and current chair of SAARC pushed forward two agreements that need to be signed after review: ‘Regulation of Passenger and Cargo Vehicular Traffic amongst SAARC Member States’, and the ‘SAARC Regional Agreement on Railways’.

Furthermore, Pakistan had raised its ties with China (an observer of SAARC), in expressing its desire to give more weight to China's prospects, mainly the extension of its incredible ‘Maritime Silk Road’ project as a way to ramp up the traditional silk road's efficiency and productivity. China had also proposed for an ‘Asian Infrastructure Investment Bank (AIIB), and was seeking funding towards this extent. But due to India's reservation, requisition of more weightage towards China's concern was declined.

Therefore, overall productivity and progress has severely been slowed down with politics and historic prejudices between certain nations.

### India's Free Trade Agreements:

India has a total of 37 Free Trade Agreements, as given below:

Table 9: India's FTAs

S. No.	Name	Status
1	Comprehensive Economic Partnership for East Asia (CEPEA/ASEAN+6)	<i>Proposed/Under Consultation and study</i>
2	India-Colombia Preferential Trading Arrangement	<i>Proposed/Under Consultation and study</i>
3	India-Russian Federation Comprehensive Economic Cooperation Agreement	<i>Proposed/Under Consultation and study</i>
4	India-Turkey Free Trade Agreement	<i>Proposed/Under Consultation and study</i>
5	India-Uruguay Preferential Trading Arrangement	<i>Proposed/Under Consultation and study</i>
6	India-Venezuela Preferential Trading Arrangement	<i>Proposed/Under Consultation and study</i>
7	People's Republic of China-India Regional Trading Arrangement	<i>Proposed/Under Consultation and study</i>
8	Peru-India Free Trade Agreement	<i>Proposed/Under Consultation and study</i>
9	Taipei,China-India FTA	<i>Proposed/Under Consultation and study</i>
10	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) Free Trade Area	<i>(FA) signed</i>
11	India-Gulf Cooperation Council Free Trade Area	<i>(FA) signed</i>
12	India-Southern African Customs Union Preferential Trade Agreement	<i>(FA) signed</i>
13	India-Thailand Free Trade Area	<i>(FA) signed</i>
14	India-Australia Free Trade Agreement	<i>Negotiations Launched</i>
15	India-Canada Economic Partnership Agreement	<i>Negotiations Launched</i>
16	India-Customs Union of Russia, Belarus, and Kazakhstan FTA	<i>Negotiations Launched</i>
17	India-Egypt Preferential Trade Agreement	<i>Negotiations Launched</i>
18	India-European Free Trade Association Free Trade Agreement	<i>Negotiations Launched</i>
19	India-European Union Free Trade Agreement	<i>Negotiations Launched</i>
20	India-Indonesia Comprehensive Economic Cooperation Arrangement	<i>Negotiations Launched</i>
21	India-Israel Preferential Trade Agreement	<i>Negotiations Launched</i>
22	India-Mauritius Comprehensive Economic Cooperation and Partnership Agreement	<i>Negotiations Launched</i>
23	New Zealand-India Free Trade Agreement	<i>Negotiations Launched</i>
24	Regional Comprehensive Economic Partnership	<i>Negotiations Launched</i>
25	ASEAN-India Comprehensive Economic Cooperation Agreement	<i>Signed and In Effect</i>
26	Asia-Pacific Trade Agreement	<i>Signed and In Effect</i>
27	India-Afghanistan Preferential Trading Agreement	<i>Signed and In Effect</i>
28	India-Bhutan Trade Agreement	<i>Signed and In Effect</i>
29	India-Chile Preferential Trading Agreement	<i>Signed and In Effect</i>
30	India-MERCOSUR Preferential Trade Agreement	<i>Signed and In Effect</i>
31	India-Singapore Comprehensive Economic Cooperation Agreement	<i>Signed and In Effect</i>
32	India-Sri Lanka Free Trade Agreement	<i>Signed and In Effect</i>
33	India-[Republic of] Korea Comprehensive Economic Partnership Agreement	<i>Signed and In Effect</i>
34	Indo-Nepal Treaty of Trade	<i>Signed and In Effect</i>
35	Japan-India Comprehensive Economic Partnership Agreement	<i>Signed and In Effect</i>
36	Malaysia-India Comprehensive Economic Cooperation Agreement	<i>Signed and In Effect</i>
37	South Asian Free Trade Area	<i>Signed and In Effect</i>

Source: <http://aric.adb.org/fta-country>



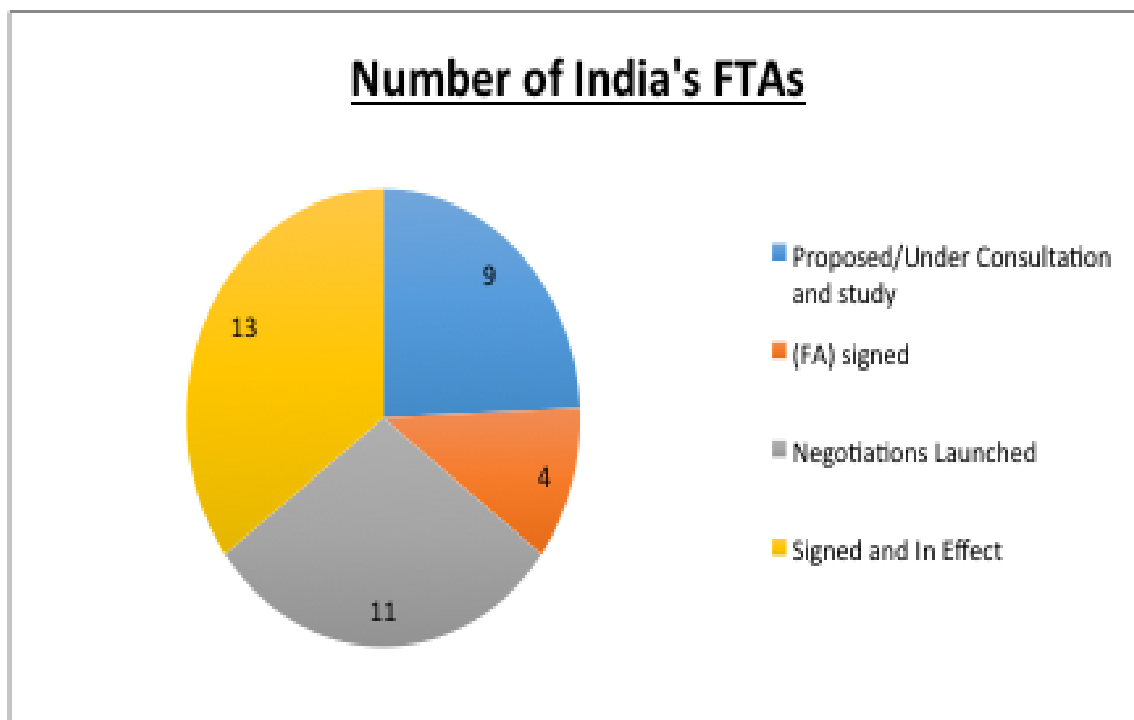


Figure 5: Status wise India's FTAs

## II. ANALYSIS

1. The reason why India is banking heavily on the 'Connect Central Asia' policy is due to the size of the potential market as well as an understanding of the role India would play in facilitating trade between Central Asia and South-East Asia.

As it stands there has not been much cooperated activity between these two regions, mostly due to internal conflicts within the regions themselves taking up so much effort. On the Central Asian part, there is a lot of terrorism remnant in Afghanistan, in part because of the former Taliban presence. From here, there are speculations that support there is movement of terrorists and training camps in several countries in the region such as Pakistan, Tajikistan, Uzbekistan, Kazakhstan, and Kyrgyzstan.

On the other side, conflict has been historically present for Japan, China, and (South) Korea draining over from the Second World War, when these nations were contesting against Japan. Apart from these grudges, there are several disputes over the islands, which have increasingly become the site of much protest and activism.

India, ideally or not, just happens to be in the middle of it all. The link between these regions, and stands to benefit from increased development in these regions as trade increases. There, however, are certain risks that India becomes exposed to whilst trying to save the day for Asia. India has been helping with the Anti-terrorism movement in Afghanistan (and the surrounding nations) for a long while now, and also with infrastructure development.

A recent development in India's commitment to the global fight against terrorism can be traced back to Prime Minister Narendra Modi's recent speech in the United Nations General Assembly, held on September 2014. He highlighted on the importance to have an integrated approach towards global issues like development and terrorism instead of having multiple summits like G5, G20 and so on; G-All (or G-1) ought to be formed towards the resolution of such issues. India has historically been endorsing strong relations with Afghanistan in order to have mutual economic, social, and geopolitical benefits. The position of Afghanistan allows India entry into Central Asia. Combine this with the preferential treatment towards Indian businesses allows India to explore much untapped potential in the region.

The Afghani people are appreciative of Indians, much more so than Americans or the Chinese according to a poll conducted in 2010 by Gallup.

**Table 9: Preference of Asian nations for U.S leadership**

*Do you approve or disapprove of the job performance of the leadership of (country)?*

Sorted by percentage who approve of U.S. leadership in 20 Asian countries

	U.S.	China	India
Singapore	77%	55%	40%
Australia	69%	28%	35%
Philippines	66%	43%	30%
New Zealand	65%	21%	27%
Mongolia	58%	46%	26%
Cambodia	56%	35%	14%
South Korea	55%	36%	23%
Taiwan	52%	44%	21%
Japan	51%	29%	34%
Thailand <sup>^</sup>	48%	35%	22%
<b>Afghanistan</b>	<b>43%</b>	<b>40%</b>	<b>50%</b>
Hong Kong	41%	54%	21%
Bangladesh	40%	30%	43%
Malaysia	39%	47%	26%
Nepal	34%	37%	44%
Indonesia	33%	28%	14%
Sri Lanka	30%	34%	44%
Vietnam	26%	31%	28%
Pakistan	18%	58%	13%
India	18%	8%	57%

Surveys conducted April through August 2010.

<sup>^</sup>Thailand surveyed in October 2009.

Data from China not available.

GALLUP®

Source: <http://www.gallup.com/poll/144269/leadership-popular-asia-china-india.aspx>

## 2. Energy in Central Asia:

The Middle East may very well be the leading source of oil and natural gas for much of the Western regions as well as globally, but with great offers coming in from Central Asia, that position may be in for a challenger.

The Caspian Sea, is the world's largest lake and is situated between the European and Asian regions. Around it are the nations of Kazakhstan, Russia, Azerbaijan, Iran, and Turkmenistan.

The first offshore wells, as well as machine drilled ones in the world were at Bibi-Heybat Bay, nearby Baku, Azerbaijan. Since then the region has become extremely significant, more so in the recent years.

The energy potential is of prime interest not just to the surrounding area, but to Western countries as well. The first country to exploit these resources was actually the USSR. In fact, all the oil industry was controlled by the Soviet Union from 1920. Since the fall of the Soviet Union, the region of Central Asia seeks to loosen Russia's adamant hold. The fact that the Caspian Sea is landlocked means that gas and oil would require travel across several borders before it can reach a customer.

Kazakhstan is the leading oil producer in the region with an output of 1.6 Million Barrels per day, exporting 90% of this. The attempt to get rid of Russia's monopoly is seen in the Baku-Tbilisi-Ceyhan network (2006). Turkmenistan possesses Central Asia's biggest gas deposits, and arguably one of the richest globally. Their effort to surpass Russia's grip came to be in the form of a pipeline to Iran in 1997. Talks of a Turkmenistan-Afghanistan-Pakistan-India link are on-going. But in an attempt to get out of Russia, and with how the region is still up and coming meant that there weren't many alternatives especially when you consider the geographical land-lock.

Thus, enter: China. At about 2,300 KM, the first pipeline connecting Xinjiang province in China with the Caspian shore is certainly one of the longest links and an architectural feat in itself. China's most significant oil supplier is Astana. China happened to move so quickly and efficiently that it actually controls 20% of Kazakhstan's production of oil. Trade between the two is set to reach 40 Billion USD by 2015-16.

Talking about gas, the Central Asia-China pipeline facilitates transferring hydrocarbons to China directly from Ashgabat. And although most of the gas exports are already purchases from Beijing, the volumes to be sold in within the decade to China are to be tripled. A 15 Billion USD deal for oil-gas-uranium was closed in 2013 with rising Uzbek-Chinese cooperation, as part of Uzbekistan's efforts to seek foreign investors. Beijing has also spent in excess of 100 Million USD in the Tajik Mining Sector. Kyrgyzstan, Tajikistan, and China have an additional deal signed for a gas pipeline, projected to initiate another 3 Million USD investment. A 1.4 Billion USD has been invested for the Kyrgyz part of the Central Asia – China pipeline that was announced in the previous year.

Meanwhile Russia is still in the game. In fact, with China moving into Central Asia in order to satisfy its energy needs, Russia intends on actually supplying to China, as Russian Energy exports constitute half of the country's federal budget revenues, and true to its role wants to quench China's thirst.

There already exists the Eastern Siberia-Pacific Ocean oil pipeline pumping around 1.2 Million barrels every day, is supplying to China 25% of that. In addition to this, a Russia-China gas arrangement is set to finish construction by 2018, to supply 38 Billion Cubic meters of gas per year.

Russian-Chinese partnership goes to show that Central Asia is more or less supplying oil to the same buyer, and that they are not necessarily better off with China, than they were with Russia. The main aim now being to diversify supply chains and transit routes. There is speculation that at the current rate of Chinese penetration into Central Asia's Energy reserves, half of the region's supply of gas could be imported by Beijing in 2020.

### **3. India's grasp at Central Asia's energy – International North-South Transport Corridor:**

An agreement in the form of a joint venture between the nations of India, Russia, Iran, and Azerbaijan, which is used to transport goods from India to Europe via Central Asia, and also join Central Asia and India via Iran on rail, road, and ship routes.

677 KM of the North-South Transport Corridor is the Kazakhstan-Turkmenistan-Iran link of railway. This line will connect with Iran's national railway network thus reaching the Persian Gulf. The respective governments are funding this link with an estimated cost of 620 Million USD, and the railway link was opened in December, 2014.

The part of the International North South Transport Corridor connecting the Persian Gulf with the Black Sea is the Southern Armenia Railway Project (Armenia-Iran). An amount of 15 Billion RUB is reportedly being invested by the Russian Federation President, Vladimir Putin as part of the development for this project. The significance of this project is extremely high as it would be the closest way to get goods across the two regions (Persian Gulf and Black Sea) and volume forecasts are at 18.3 Million tons per annum.

Bringing back the relevance to the Caspian Sea and Central Asian Energy, the port of Astarra which is situated South West to the sea, and was inaugurated by Iran in 2013, has a capacity currently set at 650,000 (set to increase soon). This link will allow goods from Turkmenistan, Russia, Kazakhstan, and Azerbaijan to reach India much faster.

### **4. India, Japan, and things in-between:**

India's relationship with Japan has been better than with most others, especially looking at Asia. There have been visits between the two countries' prime ministers, especially recently when the Indian Prime Minister Narendra Modi had been to Japan at the end of August, 2014. Not only did it mark Narendra Modi's first bilateral visit since he came into office, but it also showcased the priority that Japan had received in the new Indian Prime Minister's plans for future development in India, across Asia. During the meet, several points were discussed, including persuading Japan to set up industry in India, as part of the 'Made in India' campaigning, Japan expressing interest and readiness in setting up bullet trains in India (due to Japan's established shinkansen network).

Japan has also planned on investing more than 33.58 Billion USD in India over a period of 5 years. This fund is planned to sustain several projects, including infrastructure, smart cities, and regional development in the North Eastern states.

Talks have also went over increasing the number of Japanese firms operating in India, with better clearing procedures to be implemented.

On the 17th of January, 2015 the Japanese Foreign Minister Fumio Kishida had given a talk in the ICWA building, Delhi about “Special Partnership for the era of the Indo-Pacific”. Mr. Kishida expressed his enthusiasm about the significance of India and Japan’s relationship in the Indo-Pacific area, and also to find a synergy between the ideals of ‘Abenomics’, and ‘Modinomics’. He also expressed three major areas (bridges) to focus on peace efforts in the region: “Values and Spirits”, “Vibrant Economy”, and “Open and Stable Seas”.

Japan has continued to push forward its agenda for suppressing the use of nuclear energy for weaponry, and has requested India to pledge the same. Efforts towards development in the North-Eastern states have come under pressure recently due to Japan stating that no development will be provided in the areas of Arunachal Pradesh and Uttarakhand, due to on-going conflicts in that region with China.

### III. RECOMMENDATIONS

**1. Investments in Central Asia:** Central Asia is an important area of existing and upcoming development. The importance with respect to energy is something that has been over-looked by India and most countries. It is also a great entry point into Europe.

Russia and China are two of the countries with heavy investments in Central Asia, and are looking to exploit the resources of the area. However, with the region wanting to move away from Russia, and half-way into China’s cradle, India can take control of the situation by strategic investments in the resource rich nations, as well as set up shop in the surrounding areas, in an attempt to get closer with the region. Part of India’s ‘Connect Central Asia Policy’ is aimed at having more people come and go from the region. Which is a great thing, of course, but with a practically non-existent tourist appeal to Indians, the interest does not seem to be rising. Better connectivity between the regions would also help to get things in motion. With newer links being set up, it seems to be improving, but the pace is very slow. Setting up universities, which was also part of the Policy, and having the tuition fee be appealing to India students can gain a major boost in the exchange of students.

**2. China’s rapid progression:** While India’s been trying to play catch-up with China for a while now, China’s development has been anything but stationary, in fact its progress can only be termed as aggressive. The rising gain in power has come to make China potentially the next most powerful country, with that set to become a superpower very, very soon. India needs to figure out a way to share some of that progress with itself. Obviously we cannot isolate China from our allies, no matter what has happened, but in what way should the relationship proceed? More cultural visits and an open appreciation of China can help deter the rising hostility that Indians typically feel about China.

**3. Progress with Japan stalling:** Japan’s stance on nuclear weapons is pretty clear: No Nuclear Weapons. It’s a good argument, one that makes the most sense, actually. And Japan’s the only country that’s fit to really nail the point home. But India does not seem to be able to fully commit to Japan’s requirements. Obviously this has to do with how most countries are headed to be nuclear capable. India’s defence cannot just deny the power nuclear weapons brings to the table, especially when everyone else is bringing it. However, if India were to back Japan’s claims in asserting a peaceful world, one free from nuclear weapons, by agreeing to stop further development on nuclear power for offensive capabilities, and by disposing the existing stock of nuclear weapons, their partnership would be strengthened tremendously.

**4. Importance of Indo-Japan relations:** Japan’s relationship with India is currently very important. With an increasing number of Indian students learning Japanese, there has been a lot of student exchange programs as well. Japanese companies are coming to India, and have been looking India as a talent pool for employment. Furthermore, with many Indian projects have been given to Japanese teams, as India seeks to tie up all of its weakest and most ignored sectors, such as cleaning up rivers, metro development, smart city development, and North-Eastern states’ development. Along with India’s efforts at securing a strategic position in Central Asia, Japan is India’s key to South-East Asia and the Pacific regions.

**5. India’s strategic position in Asia:** India’s vast coastlines, natural resources, working-class population, and geographic location is very advantageous indeed. Although India is no longer the cheapest place to host BPO services and outsource

technical work, it continues to gain stronger positions as a refined market. Software development has been rising, and so has retailing (e-commerce especially). India is at a prime position to branch out to all its neighbours in order to improve Asia's overall trading situation.

#### IV. CONCLUSION

With the failure of trading blocs like SAFTA in Asia, India has raised its stance to create an integrated approach for negotiations and creating a trading framework, where all countries form a part of, and have a say in. Prime Minister Narendra Modi has asked for a 'G-ALL' or 'G-1' which would bring all the nations closer in this globalized world reducing the bureaucratic ambiguity to its minimum level.

We live in changing times. India is no longer the cheapest place to outsource work from the western nations, and has started to emerge from its cocoon. However, with economic uncertainties and problems across the world, India's focus has been skewed. It intends on focusing on the immediate surrounding region, as China has already been tapping into potential resources in the region (oil and gas), while ignoring to help the political situation in Afghanistan and the Central-Asian nations.

The focus on Asia goes East as well, mostly towards Japan, with which India is having good relations. Japan will be helping out in several projects in India, mostly those aimed at the development of smart-cities, metro-subway lines, and improving trade facilities in the North-Eastern states of India. In addition, several companies are set to come in to India, and many cultural visits are also in talks.

The challenges that lay ahead include China's terrifying progress with Central Asia, on-going border disputes which have been existing for a long time with no solution in sight, and having to really commit to Asia. India also needs to look internally to ensure there is enough enthusiasm from the population as far as relationships with Central Asia go. For a peaceful exchange of cultures, people, products, and services, citizens will need to be fully thorough with the plans for expansion that come with policies like the 'Connect Central Asia Policy', and the 'Act East Policy'

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