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New Dynamics of India-Uzbekistan's Economic Relations

*Dr. Govind Kumar Inakhiya**

Abstract

India–Uzbekistan economic relations are the outcome of the visits of the various highest-level officials and political leadership. In 2015, after becoming Prime Minister, Shri Narendra Modi visited Tashkent. In a press conference, he said, ‘I have begun my journey in Uzbekistan underling its importance for India, not just in this region, but also in Asia’. In a joint statement, he emphasized on building strategic partnerships, combating terrorism, stability in regions, regional integration, and economic cooperation. Before PM Shri Narendra Modi’s Tashkent visit, Uzbek President Islam Karimov paid an official visit to India in 2011, during which 34 agreements were signed. More than 30 projects were designed in the area of exploration and production of hydrocarbons with leading Indian oil and gas companies like ONGC, manufacturing optic-fiber cables at the Navoi free industrial-economic zone (FIEZ), projects in the field of pharmaceuticals and medicine production, communication technology, textile, cotton, silk, smartphones, and chemical industries. The visits of two leaders of India and Uzbekistan have boosted the trade and commercial relationships between the two countries. Therefore, in the last two decades, the relationship has been considered a new dynamic of India-Uzbekistan’s Economic Relations. In light of the above agreements and pacts, this paper mainly discusses to what extent the economic relationship between India and Uzbekistan has improved and what should be the way forward for future course of action. The paper is divided into three sections. The first section discusses Uzbek–India relations in a historical-cultural context. The second section analyzes Uzbek–India relations in a geopolitical and economic context. The third section examines the challenges before the relations of India and Uzbekistan.

Keywords: *USSR, India, Uzbekistan, Central Asia, Entrepreneurship Development Centre, Economic Cooperation, Indo-Uzbek Inter-Governmental Commission*

Uzbek–India Relation in Historical-Cultural Context

Uzbek–India relations can be explored through historical evidence. There are

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frequent references of Kamboja in Sanskrit and Pali literature, which claim the inclusion of various parts of present-day Uzbekistan in the kingdom. There are many references about the ancient trade route Uttarapath that passed through present-day Uzbekistan. Modern cities of Uzbekistan, including Fergana, Samarkand, and Bukhara, had emerged as prominent towns on the Uttarapath trade route, mainly connecting India with China and Europe. Bongard-Levin (1971) has mentioned that at various times, the empires such as Saka, Macedonian, Greco- Bactrian and Kushan Kindom of both India and modern-time Uzbekistan, and at other times were the parts of neighboring kingdoms. He further opines that Buddhism had also traveled to China through Uzbekistan and Central Asia. Ranjana Mishra (2012) is of the view that Emperor Amir Tamir and Babur both came from modern Uzbekistan to India.

Trade and commercial relations of the two countries were an integral part of the local economy, the Indian merchants based in Samarkand and Bukhara contributed a lot in that period. The close cultural linkages can be observed in architecture, dance, music, and cuisine. Well-known Indian poets Mirza Ghalib and Amir Khusrau are of Uzbek Ancestry (Singh, 2016). Uzbekistan-India relations were based on consistency, faith and mutual understanding during the Soviet era. During that period, Prime Ministers, including Jawaharlal Nehru and Lal Bahadur Sastri, visited Uzbekistan to strengthen bilateral relations. Uzbekistan had emerged as an independent State after the disintegration of the Soviet Union. Since 1991, various ups and downs were observed between Uzbekistan and India.

India had good relations with Uzbekistan during the Soviet era. Pt Jawaharlal Nehru (Sahai, 1990) and Lal Bahadur Shastri visited Tashkent and other places in Uzbekistan. After the disintegration of the Soviet Union in 1991, for the promotion of cultural activities in Uzbekistan, the government of India inaugurated the Lal Bahadur Shastri Centre, working under the Indian Council for Cultural Relations (ICCR). The cultural center is involved in organizing seminars, conferences, Kathak classes for the enrolled students, yoga and Hindi language classes for the registered students at the center. In the University of World Economy and Diplomacy, Tashkent, the Government of India established the India chair in 1996.

In Uzbekistan, Indian movies and serials are more popular than in other parts of Central Asia. Islam Karimov, former president of Uzbekistan, had maintained good ties with India, and his five visits to India may be witnessed as of healthy bilateral relations. He visited India in August 1991, and his visit opened doors to cooperation in the areas of science, technology, culture, economics, and investment (Pandey, 2012). After the independence of Uzbekistan, Shri P.V. Narsimha Rao was the first Prime Minister who visited Uzbekistan in 1993. In 2015, Indian Prime Minister Shri Narendra Modi's visit further improved the relations. After Islam Karimov's

death, President Shavkat Mirziyoyev is trying to establish fruitful ties with India. His two visits in 2018 and 2019 to India within a short period may be considered a landmark in the relationship between the two countries. During his visits, he signed seventeen agreements with India in various sectors. These recent visits and bilateral ties between India and Uzbekistan have improved relations between the two nations. Consequently, these visits have opened new doors for partnerships in the fields of economy, trade, energy, pharmaceutical, IT, and culture.

Uzbek–India Relations in Geo-Political and Economic Context

Before the independence of Uzbekistan, there were few visits of the dignitaries of India as well as of Uzbekistan, which had witnessed the political ties. After the disintegration of the erstwhile Soviet Union, visits to India by President Islam Karimov in 1991, 2000, 2005 and 2011 were the landmark in the bilateral relationship. In 1993, Indian Prime Minister P.V. Narasimha Rao visited Uzbekistan and made efforts toward healthy and cordial relations with the newly independent state.

Table: 1

Visits of the Political Leaders of India to Uzbekistan Vise – versa

Year	PMs visit to Uzbekistan	Year	President of Uzbekistan visit to India
1993	P.V. Narasimha Rao in	1991	Islam Karimov
2006	Manmohan Singh	1994	Islam Karimov
2015	Narendra Modi	2000	Islam Karimov
2016	Narendra Modi	2005	Islam Karimov
		2011	Islam Karimov
		2018	<u>ShavkatMirziyoyev</u>
		2019	<u>ShavkatMirziyoyev</u>

Source: <https://www.mea.gov.in/bilateral- documents.htm?dtl/30454/IndiaUzbekistan>

After Manmohan Singh’s visit to Tashkent in 2006, PM Narendra Modi visited Uzbekistan in 2015. The visit was fruitful in terms of building mutual relationships and trade relations with Uzbekistan. In 2016, the second visit of Prime Minister Narendra Modi to Uzbekistan was to attend the Shanghai Cooperation Organization (SCO) summit. In response to the visits of the Indian Prime Minister and other dignitaries, Uzbek President Shavkat Mirziyoyev made two visits to India in 2018 and 2019 within six months, showing how the leadership of the two countries are willing to build a productive

and conducive atmosphere in the region for trade and commercial activities.

Uzbekistan is the 12th largest oil producing country in the world . Uzbekistan possesses proven oil reserves to the amount of 0.6 billion barrels and 630 million tonnes of natural gas (Abduraxmonovich, 2003). The main reserves of oil and natural gas are in Ustyurt, Bukhara-Khiva, and Ferghana region. In India, the mineral resources are very low in comparison to its requirements. Consequently, dependency on foreign countries is obvious. India produced 30% of total demand, and the remaining 70% of dependency is fulfilled by foreign imports. India's geo-strategic interests in Uzbekistan are based upon various factors, such as the demand for natural resources. According to the 2002-2007 Five Year Plan, in 2002, the oil demand was 78 million barrels a day. In 2015, it was 103 million barrels, and by 2025, it may reach up to 119 million barrels per day. The demand for natural gas will also increase at a level of 2.5% a year till 2025.

The above facts show the need for India to build a healthy relationship with Uzbekistan. The efforts in this area were made in May 1993 when the Agreement on Trade and Economic Co-operation was signed by India and Uzbekistan. It was trade agreement between two countries. The agreement mainly aims to provide MFN treatment and smooth trade activities between the two countries. In 1993 both countries had signed an agreement on Avoidance of Double Taxation. In 1999, the same was canceled, and India proposed a Bilateral Investment Treaty with Uzbekistan.

For the trade, economic, scientific and technological cooperation, the Indo-Uzbek Inter-Governmental Commission (IGC) has met ten times. The last session of the Indo-Uzbek Inter-Governmental Commission was held in New Delhi in March 2014. Since independence, Uzbekistan has been very keen on expanding cooperation with India in various sectors, including information technology, automobile, pharmaceutical, light industry, computer programming, banking, etc.

Trade: India-Uzbekistan (Import-Export: 2008- 2019)

Table- 2 below shows that the value of bilateral trade between India and Uzbekistan has increased from a mere US\$ 91 million in 2008 to US\$ 355.5(Million) in the year of 2019.

Trade: India-Uzbekistan (Import-Export: 2008- 2019)

From diagram- 1 below, it can be seen that from 2008 to 2019, the volume of trade turnover in 2008 was US\$ 91 million, and it increased in 2019 to US\$ 355.5 million. From 2014 to 2019, most of the years' total turnover was more than three hundred million (US\$), except the year 2018, which was less than 300 US\$ (million). Which speak the volume of the trade between Uzbekistan and India is about US\$ 264.5, a healthy sign of

the economic relationship. All these improvements are due to the efforts made by the leadership from 2011 onwards of both countries.

Table- 2

Year	Export from India (in US\$ million)	Import from Uzbekistan (in US\$ million)	Total trade turnover(in US\$ millions)
2008	79.9	11.1	91
2009	101.8	23.1	124.9
2010	123.8	27.2	151.0
2011	137.6	22.2	159.8
2012	163.4	37.8	201.2
2013	217.4	42.2	259.6
2014	249.0	67.0	316.0
2015	260.6	58.7	319.3
2016	318.1	51.9	370.0
2017	291.0	32.6	323.6
2018	261.4	25.1	286.5 ¹
2019	330.5	20	355.5 ²

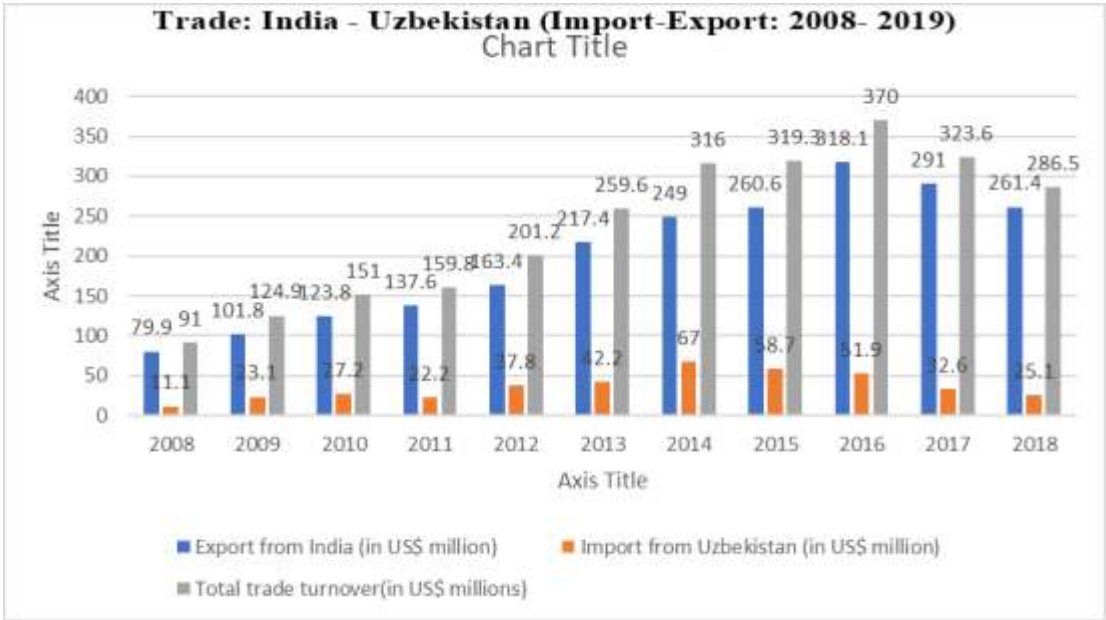
Source: Uzbekistan's State Statistics Committee.

Export From India (in US\$ million)

From diagram-2 below, the diagram indicates that from 2008 to 2019, export from India to Uzbekistan in 2008 was 79.9 US\$ (million), and in 2019 330.5 US\$ (million). The total increase in exports from 2008 to 2019 was 250.9 US\$ (Million). A huge jump in export was observed after 2013 onwards; in 2013 it was 217.4 (Million US\$), and in 2014-

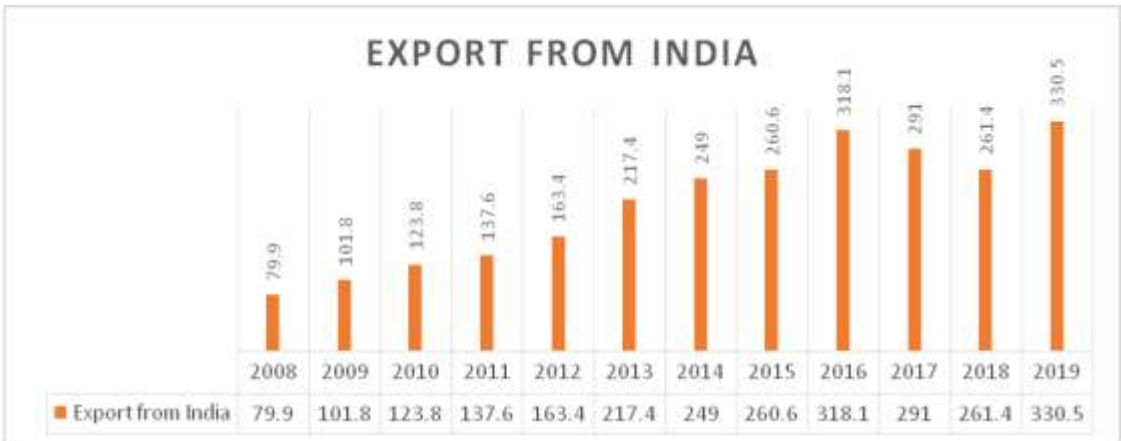
249 (Million US\$), 2015- 260.6 (Million US\$), 2016- 318.1(Million US\$), 2017- 291(Million US\$), 2018-261.4 (million US\$) and in 2019, it was highest i.e., 330.5 (million US\$).

Diagram -1



Source : Uzbekistan's State Statistics Committee.

Diagram -2

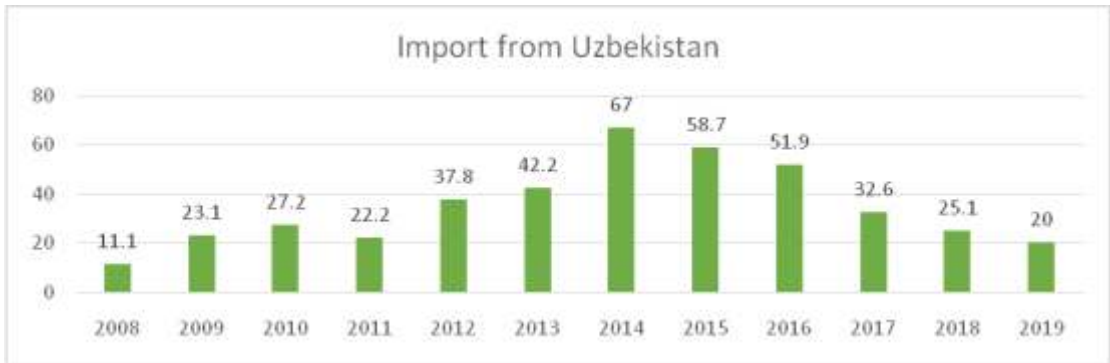


Source: Uzbekistan's State Statistics Committee.

Import From Uzbekistan from 2008-2019 (in US\$ million)

Diagram-3 below shows the imports from Uzbekistan from 2008 to 2019. In 2008, it was 11.1 (Million US\$), in 2014- 67 (Million US\$), a year of highest import from Uzbekistan, and in 2019 it was 20 (Million US\$).

Diagram- 3



Source: Uzbekistan's State Statistics Committee.

Diagrams 1, 2, and 3 indicate the last 11 years' trade turnover between India and Uzbekistan. From 2020 to 2022 date, there have been no such improvements in trade and commercial relations of both countries due to COVID-19, despite in 2021, US\$ 259.61 Million trade turnover happened. India's main export to Uzbekistan can be observed in sectors like mechanical equipment, vehicles, optical instruments, pharmaceutical products and equipment. India's main imports from Uzbekistan are juice, fertilizers, fruits, vegetable products, lubricants, etc.

Outcomes of the Last Two Decades in Mutual Cooperation

The facts speak about the Indian investment in Uzbekistan has increased in various spheres. The Uzbek Ministry of Foreign Economic Relations, Trade and Investment has indicated that in Uzbekistan, there are 113 companies from India that are established with Indian capital, out of which 19 companies have 100% Indian investment. In the automobile sector, the Indian company Minda established UzMinda in 2001, located in the Nvaoi region. The company mainly manufactures spare parts for General Motors of Uzbekistan. The Minda group has invested approximately US\$ 5 million in the Navoi Free Economic Zone. In 2011, for the children and youths in Uzbekistan, Polo Amusement Park and Fun and Food Village were set up by Gurgaon-based Company, the company invested around US\$ 4 million.

India is known for the less expensive and best quality products in the pharma and healthcare sector, and as far as the economic relations between India and Uzbekistan are concerned, the pharma sector is a key sector. There are, in the pharma sector, prominent pharma companies from India, such as Nova Pharma, Brava Pharma, and Shayana Pharma, which have established their ventures in various prominent locations in Uzbekistan. Nova Pharma is the first pharmaceutical company from India that has established a joint venture with an Uzbek company in Termez City of Uzbekistan. Nova Pharma has initially invested around US\$ 8 million in the production of pharmaceutical

and healthcare products. After Nova Pharma, Bravo Pharma was the second company in diagnostic and another healthcare service with an investment of US\$ 5.5 million. Another company called Shayan Pharma opened some units in Uzbekistan; the second unit of the company was operationalized in March 2017. Annual turnover of the company is US\$ 30 million. For less expensive and advanced healthcare facilities for the Uzbek people, one of the best hospitals affiliated with the Medanata the Medicity, Gurgaram, India, is Orient Medicity, which was established in 2011. Ramada Hotel in Tashkent has been functional since 4th July 2009; the owner of the hotel is a Delhi-based businessman, and the hotel has 120 rooms. In the hotel, there is one Indian restaurant, and all modern facilities are provided in the hotel, along with the two business centers as well.

For a healthy relationship with Uzbekistan, the Government of India in 2006, during Prime Minister Dr. Manmohan Singh's visit, gave a total grant of Rs 3 Crore to Jawaharlal Nehru India-Uzbek (JNIU) Center for IT. Established in Tashkent, the JNIU center mainly helps the students of Uzbekistan in IT sector, computing facilities, Hi-tech computer labs, and video conferencing facilities as well. After five years of the inauguration of the center on 11 October 2011, for the promotion of activities in the center, Ministry of Foreign Affairs sanctioned Rs 4.212 cores to upgrade the center. The Centre also facilitated ten Uzbek Master Trainers to get training from the Centre for Development of Advanced Computing (C-DAC), Pune. CDAC also conducted workshops from 26 January 2014 to 26 July 2014 for the Uzbek students in Tashkent. The motive of the Center is to create a good atmosphere among Uzbek students, and the Center also involves them in helping various consultancy and economic activities between both countries.

Challenges Before the Economic Relations of India and Uzbekistan

In this way, Indian attempts to access Uzbekistan were too late in the first two decades after the independence of Uzbekistan. One can say that it was because the Indian as well as Uzbek economies were in a transition stage. The major challenges before the two countries to invest and explore the areas of mutual confidence building are the issue of currency, too high exchange rates of the currency in Uzbekistan, transitional economies, common problems of developing a free market, a stronger legal system, tag of an authoritarian regime, weak opposition, international terrorism, extremism, organized crime, drug trafficking, and other challenges and threats to security. In the last two decades in the region, the increasing role of the China is one of the prominent challenges before India-Uzbek economic relationship. According to a report from the Uzbek State Statistics Committee, in 2020, China was the largest trade partner. In 2020, Uzbek–China bilateral trade reached US\$ 6.4 billion (“Despite drop”, 2021). At present, there are 1800

companies in Uzbekistan from China operational in various sectors (“Around 1,800 enterprises”, 2021). The lack of direct connectivity with Uzbekistan is another key challenge in the economic relations between the two countries. There are a few efforts made by the government of India, such as Chahbar port, through which India can access the Uzbek market along with other Central Asian countries.

Conclusion

Regarding the cooperation in the economic sphere, the facts of trade and investment between India and Uzbekistan do not project the potential of both countries. The lack of political willpower regarding the relationship with Uzbekistan’s initial two decades had limited access to the Indian investors in Uzbekistan. However, the changes at the national level leadership in Uzbekistan as well as in India have made efforts to strengthen the relationships. Two visits within six months to India by the current President of Uzbekistan and the historic visit of Prime Minister Modi to Uzbekistan have opened the doors to access to the region and cooperation in cultural, economic, and political spheres. The March month of 2022 was a historic month for both countries; first time from India, private traders transported goods to Uzbekistan via Pakistan and Afghanistan. The recent virtual meetings of the officials of both countries, as well as political leadership, will be a good sign for the improvement in trade and commercial relations between Uzbekistan and India.

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