

GROWTH AND CHALLENGES OF TRADE BETWEEN INDIA AND CENTRAL ASIAN COUNTRIES: AN EXPLORATORY STUDY

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ABSTRACT

The paper discussed the growing trade relations between India and the Central Asian countries, along with the challenges they face. It highlights that India now considers the Central Asian nations as part of its 'extended and strategic neighbourhood'. Kazakhstan, being the most economically developed country in the region, is also India's primary trade and investment partner. India's exports of goods and services to Kazakhstan and Uzbekistan exceed those to the other countries in the region. Additionally, Uzbekistan and Kazakhstan are the main sources of imports for India in the area. Except for Kazakhstan, India generally has a trade surplus with the other Central Asian countries. India's exports to Uzbekistan are more significant than to Kyrgyzstan and Kazakhstan. India has a strong trading relationship with Kyrgyzstan and Kazakhstan. The Trade Complementarity Index of India with central Asian countries is moderate. India exports more diversified products/services in central Asian countries. Even though there are good opportunities, there are still some practical challenges. Trade between India and Central Asia goes through other countries like Iran, Russia, or Azerbaijan. Each of these countries adds extra steps, paperwork, costs, and delays. High costs, rules that aren't about prices, and poor banking systems are stopping trade from growing. The International North-South Transport Corridor is a plan to connect India with Central Asia through the Chabahar Port in Iran. India is trying to increase trade with Central Asian countries by getting more investments. The India-Central Asia Dialogue has become an important way for India to build better connections in the region. Therefore, there should be constructive initiative from the governments of the region for increasing trade with India.

Keywords: Business, Balance of payments, Export, Import, and Trade.

INTRODUCTION

Trade between countries refers to the process of exchanging goods, services, capital, and labour among different nations. It primarily consists of two main activities: exports, which involve selling goods and services to other countries, and imports, which involve buying goods and services from other countries. This exchange contributes to economic growth, enables countries to access products and services that are not available domestically, and fosters better relations between nations. International trade is important because it helps the economy grow, offers more choices for consumers, lowers prices by encouraging specialization, creates jobs, promotes innovation, and improves international relationships. By letting countries access goods, they can't produce efficiently and focus on what they do best, trade leads to a more competitive global market, greater efficiency, and better living standards around the world. Trade gives businesses chances to sell to new markets, which can increase their revenue and help them grow. It also helps developing countries by creating economic opportunities and supporting new industries. Keeping strong trade relationships is crucial for India's economic stability, to reduce dependence on certain countries for essential supplies, and to control currency value by strengthening local industries and increasing exports. Ways to deal with trade deficits include increasing exports, cutting down on unnecessary imports, building up domestic industries, and managing currency and debt levels. India's reliance on imported oil means trade with countries that have a lot of energy is essential for maintaining its economic stability and securing its energy supply.

India and the Central Asian nations share deep historical, cultural, and civilizational ties that have existed for thousands of years. These relationships are now growing stronger due to new political, economic, and security

cooperation. The region includes Uzbekistan, Kazakhstan, Tajikistan, Kyrgyzstan, and Turkmenistan. The ancient Silk Route played a key role in promoting trade, cultural exchanges, and the spread of ideas such as Buddhism between India and Central Asia. Empires like the Kushanas, which covered parts of both regions, and the migration of Central Asian peoples to India, have had a significant and lasting impact on the Indian subcontinent. Central Asia has a lot of natural resources, especially uranium in Kazakhstan and natural gas in Turkmenistan, which are important for meeting India's energy needs. To improve connections, India is working on the International North-South Transport Corridor because there is no direct land border with this region. Events like the India-Central Asia Summit and the Connect Central Asia Policy are helping to build stronger ties in areas such as politics, economy, security, and culture. Additionally, India is helping Central Asian countries develop their digital public systems, online government services, and healthcare facilities.

LITERATURE REVIEW

Kothari (2018) pointed out that India's strategic goals in Central Asia involve securing energy supplies, promoting trade and business, and improving infrastructure. India has begun working together with Tajikistan, Uzbekistan, Kyrgyzstan, and Kazakhstan on security cooperation. Since the early 1990s, India has had steady economic growth, becoming one of the biggest consumers of oil and gas products around the world. This new economic position has allowed India to rethink its long-standing relationship with Central Asia. Abdullah (2020) notes that each country tried to boost trade by making sure that caravans carrying goods were safe and secure. Although there were indirect political and cultural connections between India and the former Soviet Central Asian countries, the fall of the USSR and the rise of independent Central Asian nations created new chances for India. These nations, as they built their countries, developed market economies, and worked towards democracy, offered India, as a neighbouring country, a chance to bring back its historical connections.

Kumar (2019) explored the concept of India's soft power in the Central Asian region. Soft power serves as a key factor in advancing cooperation between nations during the globalised world. In this context, India employs second-track and cultural diplomacy, using both traditional and newer methods to build and enhance its soft power. These efforts are aimed at encouraging investment and various forms of public diplomacy that influence the perceptions of people in Central Asia. Jan (2021) highlighted India's efforts to establish new relationships with countries in Central Asia. Given the region's strategic and economic importance, India has significant interests in maintaining and expanding its engagement. The future of cooperation between Central Asia and India, mainly in energy security, appears promising. The region's new energy resources are anticipated to play a crucial role in India's energy planning in the years ahead. Sreenivas (2021) emphasised the security, economic, and cultural dimensions of India's relationship with Central Asian nations. To strengthen political, economic, and cultural links with the region, India is actively working on fostering stronger ties. It demonstrates how India's increasing involvement in Central Asia is motivated by its concerns and interests. It examines how the relationship between India and Central Asia is growing in prominence. Wani (2023) looked into the impact of regional and bilateral trade agreements, bolstered by institutional frameworks, on trade between India and selected South and Central Asian countries. The study concluded that such trade agreements, supported by institutional structures, significantly contribute to enhancing trade among these nations. Dhoundup and Jose (2023) identified that the Central Asian region provides many opportunities for both countries to improve their cooperation and build mutual trust. Sectors like medical assistance in the post-Covid-19 recovery and regional security collaboration represent important areas where both nations can deepen their partnership.

Singh (2023) discussed the changing relationship between India and Central Asia following the end of the Cold War. The Central Asian countries are strategically located, making this region highly significant. India has substantial geostrategic and economic interests in the area. It focuses on the importance of future collaboration between Central Asia and India in the area of energy security. Aarif and Raghuramapatrani (2024) seek to analyse and identify the economic and trade connections between Central Asian economies and India, using methods like intensity indices and measures of comparative advantage and stability. Their study highlights the untapped potential between the two regions and the complementary nature of their trade in goods, which can be nurtured to enhance trade integration between India and Central Asia. Biswal (2024) pointed out that the current political, strategic, and economic landscape, both within the region and globally, creates both challenges and opportunities for India and Central Asia to increase their engagement. Both India and Central Asia have important roles in promoting peace, stability, growth, and development in the region and around the world. Strengthening the relationship between these two regions can result in greater security and prosperity for the countries involved and the global community.

Based on the analysis, it is evident that the trade relations between India and the Central Asian countries are intricate. Currently, the volume of trade between India and Central Asia remains relatively low, and major growth is unlikely without substantial improvements in transportation infrastructure. India's formal diplomatic relations with the Central Asian states began shortly after the Soviet Union's dissolution in 1991. Since these countries gained independence, India has consistently fostered strong political ties with them. As India's economy expands and seeks new strategic partners, engaging with Central Asian countries offers both political stability and opportunities for economic growth. India has deep historical and cultural connections with these nations, and cooperation in various areas is helping to reinforce these ties. Most discussions center around the trade relationship between India and the Central Asian countries.

OBJECTIVES

The general objective of the paper is to study the growth and challenges of trade between India and Central Asian Countries. The specific objective of this paper are

- (a) To study the trade relation of India with the Central Asian Countries; and
- (b) To study the prospects and challenges of trade of India with the Central Asian Countries.

METHODOLOGY

This study is designed descriptively and employs qualitative methods. Secondary data was gathered from the World Integrated Trade Solution (WITS), tradingeconomics.com, and research papers. The study utilises indices such as the Trade Complementarity Index, Trade Intensity Index, Herfindahl-Hirschman Index, Logistics Performance Index, and Global Peace Index. To explore the trade relations between India and the Central Asian countries, including the challenges involved, the study conducts descriptive analysis and content text analysis.

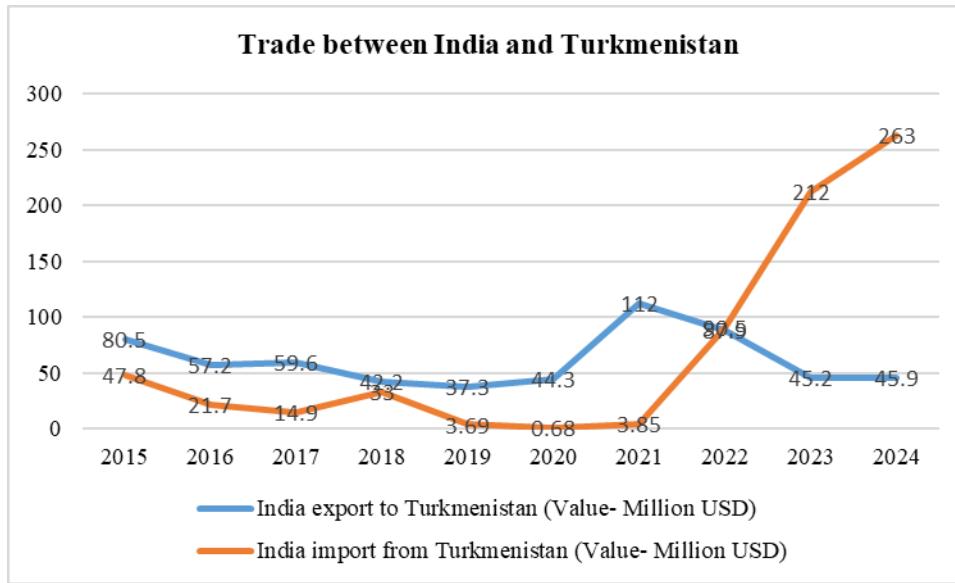
RESULTS AND DISCUSSION

India's relations with Central Asia are significant due to their deep historical and cultural bonds, shared interests in regional security and stability, and opportunities for economic cooperation, especially in energy, agriculture, and infrastructure. These relationships are essential for India to diversify its strategic partnerships and gain access to Central Asia's rich natural resources, while also helping the region grow economically and tackle common challenges like terrorism. India is a major market for raw materials from Central Asia and offers investment and technical know-how in various sectors, including agriculture, energy, and infrastructure. India's success in modernising agriculture and its progress in digital public infrastructure are beneficial for Central Asian development. India provides financial and technical support for infrastructure projects, improving regional connectivity and growth. India and Central Asia are part of each other's 'Extended Neighbourhood,' and they maintain close and friendly diplomatic relations based on ancient cultural and people-to-people ties. India has long-standing historical, cultural, and civilisational links with Central Asia.

Trade between India and Turkmenistan

India was one of the first countries to accept Turkmenistan as an independent nation in December 1991. The two countries officially started their official relationship in April 1992, and India set up its mission in Ashgabat in January 1994. The connection between India and Turkmenistan is a direct link between the two nations. India has an embassy in Ashgabat that was opened in 1994, and Turkmenistan has an embassy in New Delhi. India is very interested in the oil and gas that Turkmenistan has. Turkmenistan, Pakistan, Afghanistan, and India, known as the TAPI countries, are working together on a natural gas pipeline project that was supposed to be finished by early 2017. The total trade between Turkmenistan and India is not very high, and it is about \$42 million, according to India's Ministry of External Affairs.

Figure 1: Trade between India and Turkmenistan



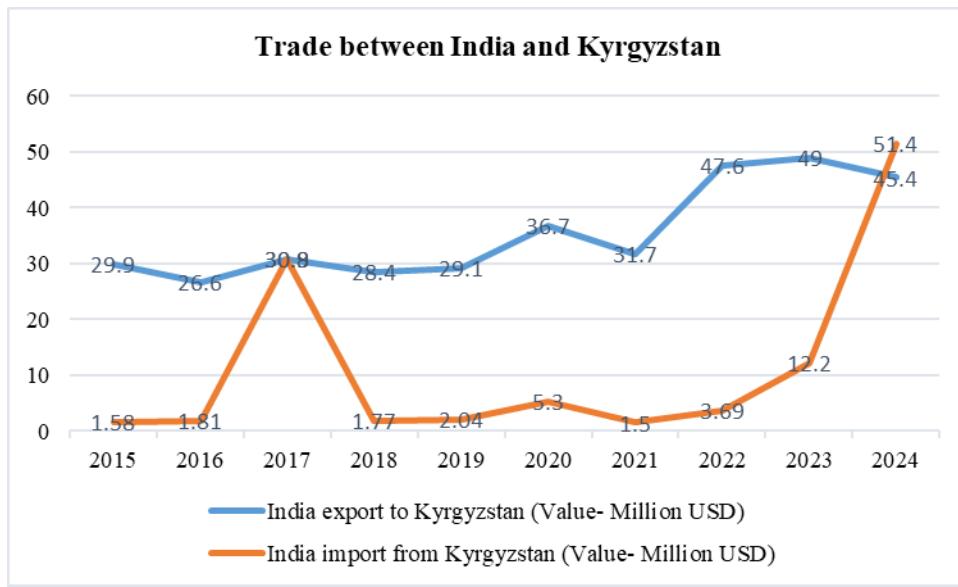
Source: <https://tradingeconomics.com/india/exports/turkmenistan/>
<https://tradingeconomics.com/india/imports/turkmenistan>, Note: Figure in million USD.

Figure 1 examined the trade relationship between India and Turkmenistan. It was observed that the value of India's exports and imports to Turkmenistan experienced frequent fluctuations. In 2015, India's exports to Turkmenistan amounted to 80.5 million USD, increasing to 112.0 million USD in 2021, and then decreasing to 45.9 million USD in 2024. India's imports from Turkmenistan were 47.8 million USD in 2015, 3.85 million USD in 2021, and surging to 263 million USD in 2024. The import value from Turkmenistan saw a sudden increase starting from 2022. India maintained a trade surplus with Turkmenistan from 2015 to 2021, but shifted to a trade deficit from 2022 to 2024. India mainly imports cotton, inorganic chemicals, raw hides, fertilizers, and petroleum products from Turkmenistan. In 2024, India brought in \$224.28 million worth of fertilisers. India sends products like meat, organic chemicals, machinery, medicines, and agricultural goods to Turkmenistan. Indian medicine companies are important in Turkmenistan's healthcare system, as they supply necessary medical items and help make healthcare more available. Both countries have made an agreement called a Double Taxation Avoidance Agreement to make trade and investments easier. The presence of a joint business called Turkmenderman-Ajanta Pharma shows that Indian companies and Turkmenistan are still working together.

Trade between India and Kyrgyzstan

India and the Kyrgyz Republic have always had friendly and warm political relations because of their shared history and cultural connections. After Kyrgyzstan became independent on 31 August 1991, India was one of the first countries to start official relations with Kyrgyzstan in 1992. The Indian Embassy in Kyrgyzstan was established in 1994. The two countries are considered Strategic Partners. The Kyrgyz Republic helped India gain full membership in the Shanghai Cooperation Organization and also supported India's efforts to become a permanent member of the UN Security Council. In 2014 and 2015, the total trade between India and Kyrgyzstan was \$38.53 million. India sent \$37.76 million worth of goods to Kyrgyzstan, while Kyrgyzstan sent only \$0.77 million to India. India mainly exports clothes, leather products, medicines, chemicals, and tea to Kyrgyzstan. On the other hand, Kyrgyzstan sends raw hides, metal ores, and scrap metal to India.

Figure 2: Trade between India and Kyrgyzstan



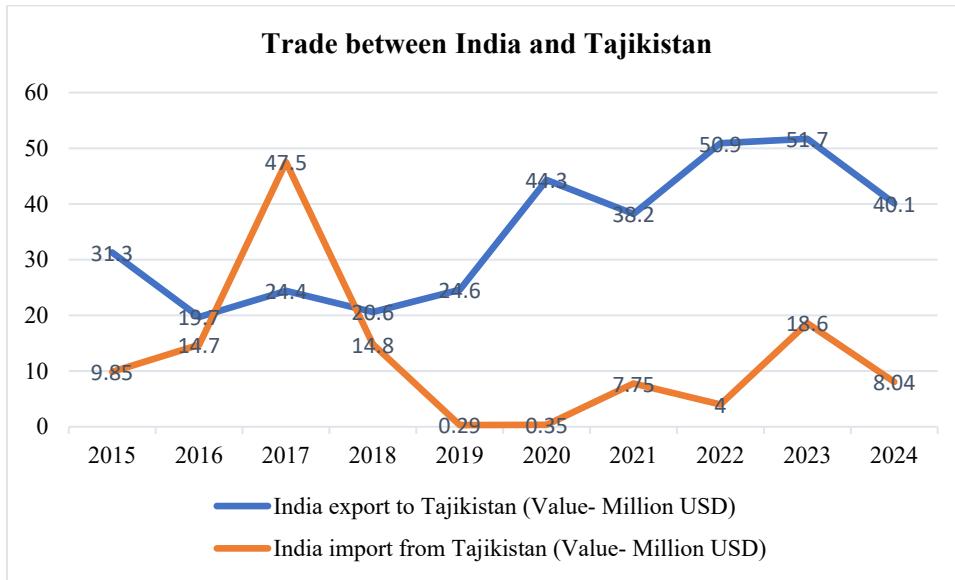
Source: <https://tradingeconomics.com/india/exports/kyrgyzstan/>
<https://tradingeconomics.com/india/imports/kyrgyzstan>, Note: Figure in million USD.

Figure 2 examined the trade relationship between India and Kyrgyzstan. It revealed that India has maintained a trade surplus with Kyrgyzstan except in 2024. India's exports to Kyrgyzstan were valued at 29.9 million USD in 2015, 31.7 million USD in 2021, and 45.4 million USD in 2024. India's imports from Turkmenistan were 1.58 million USD in 2015, 1.50 million USD in 2021, and rose to 51.4 million USD in 2024. There was a notable increase in imports from Kyrgyzstan in 2024. India had a trade surplus with Kyrgyzstan from 2015 to 2023, but faced a trade deficit in 2024. Imports from Kyrgyzstan remained relatively small but showed growth, with major products including chemicals, industrial items, leather, agricultural goods, jewellery and precious metals, machinery, and transport. India's exports to Kyrgyzstan primarily consist of tea, textiles, pharmaceuticals, electronic goods, and automobiles.

Trade between India and Tajikistan

The relationship between India and Tajikistan has grown a lot because of their work together on security and important issues. India set up its first military base abroad, in Tajikistan. Diplomatic ties began after Tajikistan became independent. The two countries have improved their economic ties and trade, promoting investments and exchanges in areas like hydroelectric power, transport, mining, food processing, construction, and tourism. However, trade between the two nations is not very big because Tajikistan is hard to reach. Right now, all trade between India and Tajikistan goes by sea from India to the port of Bandar Abbas in Iran, and then by land through Turkmenistan and Uzbekistan. This makes everything costly and leads to a lot of lost money because of the high transportation expenses.

Figure 3: Trade between India and Tajikistan



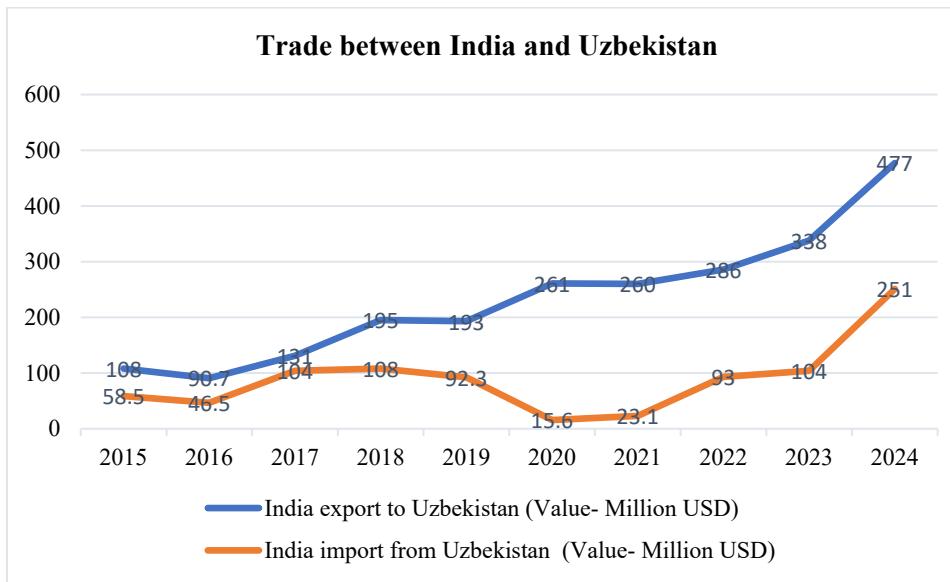
Source: <https://tradingeconomics.com/india/imports/tajikistan/>
<https://tradingeconomics.com/india/exports/tajikistan>. Note: Figure in million USD.

Figure 3 examined the trade relationship between India and Tajikistan. It was found that, excluding 2017, India has a trade surplus with Tajikistan. India recorded a trade deficit of 23.10 million USD in 2017. Trade surplus has increasing trend during the post-corona pandemic period India's exports to Tajikistan amounted to 31.3 million USD in 2015, 38.2 million USD in 2021, and 40.1 million USD in 2024. India's imports from Tajikistan were 9.85 million USD in 2015, 7.75 million USD in 2021, and 8.04 million USD in 2024. India's major exports to Tajikistan include textiles, machinery, sugar, tea, and pharmaceuticals, with pharmaceuticals holding a significant market share in Tajikistan. Other Indian exports consist of handicrafts and organic chemicals. Tajikistan, on the other hand, exports organic chemicals, ores, cotton, dry fruits, and aluminium to India. The trade between the two countries is constrained by the indirect transportation route, which increases costs and causes delays, thereby limiting the significance of trade despite its potential.

Trade between India and Uzbekistan

India was among the first nations to acknowledge the sovereignty of Uzbekistan following its independence. The agreement to establish diplomatic ties between India and Uzbekistan was signed in Tashkent on 18th March 1992. In 2011, both countries announced their Strategic Partnership. Their relationship has roots in ancient history. The two nations have signed seven agreements covering areas like energy, trade, education, and mineral exploration. India is among Uzbekistan's top ten trade partners, with bilateral trade reaching \$756.60 million. The relationship between India and Uzbekistan has been friendly and shows great promise for mutual benefits. The diplomatic ties between the two countries have significantly improved over time.

Figure 4: Trade between India and Uzbekistan



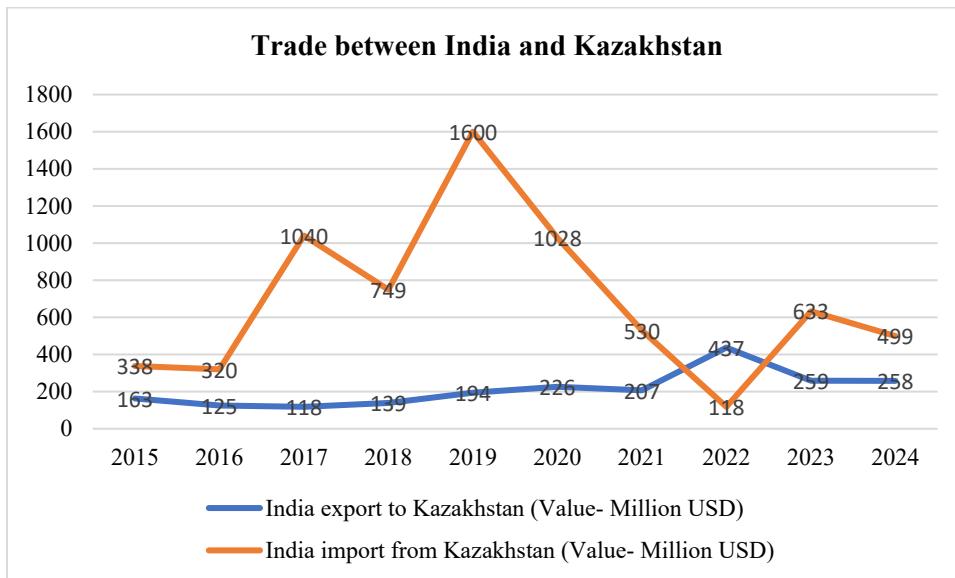
Source: <https://tradingeconomics.com/india/imports/uzbekistan/>
<https://tradingeconomics.com/india/exports/uzbekistan> Note: Figure in million USD.

Figure 4 examined the trade relationship between India and Uzbekistan. It reveals that India has maintained a trade surplus with Uzbekistan since 2015. The trade surplus for the years 2019-2021 amounted to 100.7 million USD, 245.4 million USD, and 236.9 million USD respectively. India's exports to Uzbekistan were valued at 108.0 million USD in 2015, 260.0 million USD in 2021, and 477.0 million USD in 2024. India's imports from Uzbekistan amounted to 58.5 million USD in 2015, 23.1 million USD in 2021, and 251.0 million USD in 2024. India exports a variety of goods to Uzbekistan, with mechanical equipment, machinery, pharmaceutical products, and vehicles being the major categories. Other significant exports include spices, tea, coffee, mobile phones, optical instruments, and frozen buffalo meat. There is an ongoing effort to boost bilateral trade, with Uzbekistan showing strong interest in importing more tea from India. Major imports from Uzbekistan to India include food products, fertilisers, machinery, and components. Uzbekistan is exploring the utilisation of Chabahar Port, an India-established infrastructure, to reduce export costs compared to the Bandar Abbas port currently in use. Gaining access to Chabahar and optimising logistics can considerably decrease the cost of imports from Uzbekistan.

Trade between India and Kazakhstan

India was among the first nations to recognise Kazakhstan's independence. Diplomatic relations between the two countries started on February 22, 1992. India and Kazakhstan share a strong and growing economic relationship built on mutual trust and collaboration. Both countries have worked together to establish a strategic partnership in the Central Asian region. The primary link between Kazakhstan and India is the International North-South Transport Corridor, which combines land and sea routes through the Caspian Sea to reach Indian ports in Iran. In 2009, India and Kazakhstan signed a Strategic Partnership treaty, and in 2015, they entered into a Defence and Military Technical Cooperation agreement. The two countries have worked closely to fight religious terrorism and extremism, and to improve regional security. To further support trade, they set up the Indo-Kazakh Joint Business Council. Kazakhstan is the major supplier of uranium to India.

Figure 5: Trade between India and Kazakhstan



Source: <https://tradingeconomics.com/india/imports/kazakhstan/>
<https://tradingeconomics.com/india/exports/kazakhstan>, Note: Figure in million USD.

Figure 5 analysed the trade relationship between India and Kazakhstan. It was revealed that India experienced a trade deficit with Kazakhstan. In 2022, India had a trade surplus of 319 million USD with Kazakhstan. India's exports to Kazakhstan amounted to 163.0 million USD in 2015, 207.0 million USD in 2021, and 258.0 million USD in 2024. On the other hand, India's imports from Kazakhstan were valued at 338 million USD in 2015, rising to 530 million USD in 2021, and reaching 499 million USD in 2024. India mainly imports metals such as copper and iron/steel, along with mineral fuels, machinery, cereals, and chemicals from Kazakhstan. India exports major goods like machinery, pharmaceuticals, and spices to Kazakhstan, with the total value of Indian exports to Kazakhstan reaching approximately US\$ 580.6 million in 2023. Additional important products include agricultural items like Basmati Rice and Gherkins, as well as telephone apparatus and construction goods.

Figure 6: Export of India to Central Asian Countries



Figure 6 discussed the value of Indian trade with the central Asian countries. It has found that India's export value of goods/services to Kazakhstan and Uzbekistan are comparatively higher than the other countries in the region. In 2015, India's exports to Turkmenistan amounted to 80.5 million USD, increasing to 112.0 million USD in 2021, and then decreasing to 45.9 million USD in 2024. India's exports to Kyrgyzstan were valued at 29.9 million USD in 2015, 31.7 million USD in 2021, and 45.4 million USD in 2024. India's exports to Tajikistan amounted to 31.3 million USD in 2015, 38.2 million USD in 2021, and 40.1 million USD in 2024. India's exports to Uzbekistan were valued at 108.0 million USD in 2015, 260.0 million USD in 2021, and 477.0 million USD in 2024. India's exports to Kazakhstan amounted to 163.0 million USD in 2015, 207.0 million USD in 2021, and 258.0 million USD in 2024.

Figure 7: Import of India from Central Asian Countries

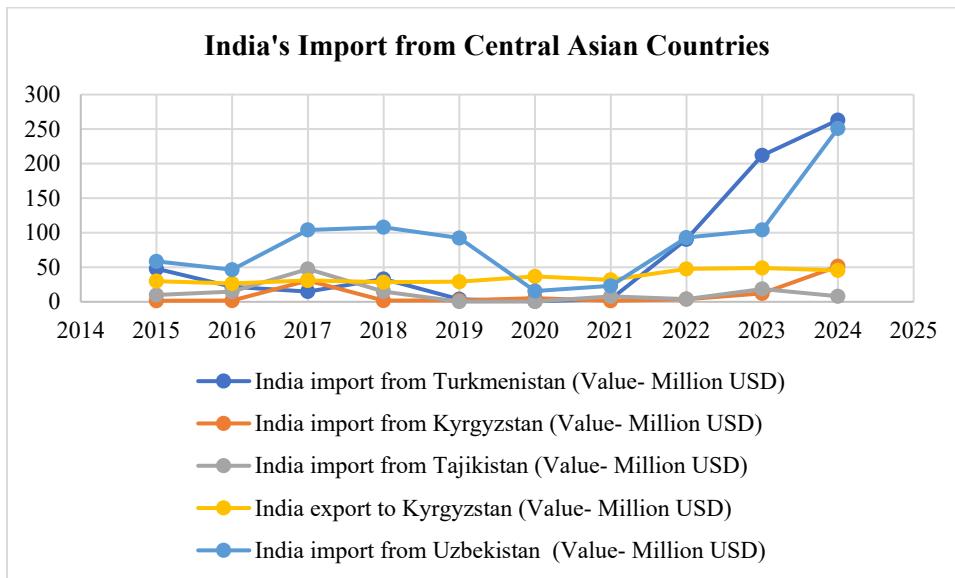


Figure 7 discussed the value of Indian trade with the central Asian countries. It has found that India's import from Uzbekistan and Kazakhstan are comparatively higher than the other countries in the region. India's imports from Turkmenistan were 47.8 million USD in 2015, 3.85 million USD in 2021, and surging to 263 million USD in 2024. India's imports from Turkmenistan were 1.58 million USD in 2015, 1.50 million USD in 2021, and rose to 51.4 million USD in 2024. India's imports from Tajikistan were 9.85 million USD in 2015, 7.75 million USD in 2021, and 8.04 million USD in 2024. India's imports from Uzbekistan amounted to 58.5 million USD in 2015, 23.1 million USD in 2021, and 251.0 million USD in 2024. India's imports from Kazakhstan were valued at 338 million USD in 2015, rising to 530 million USD in 2021, and reaching 499 million USD in 2024.

Figure 8: Trade Gap between India and Central Asian Countries

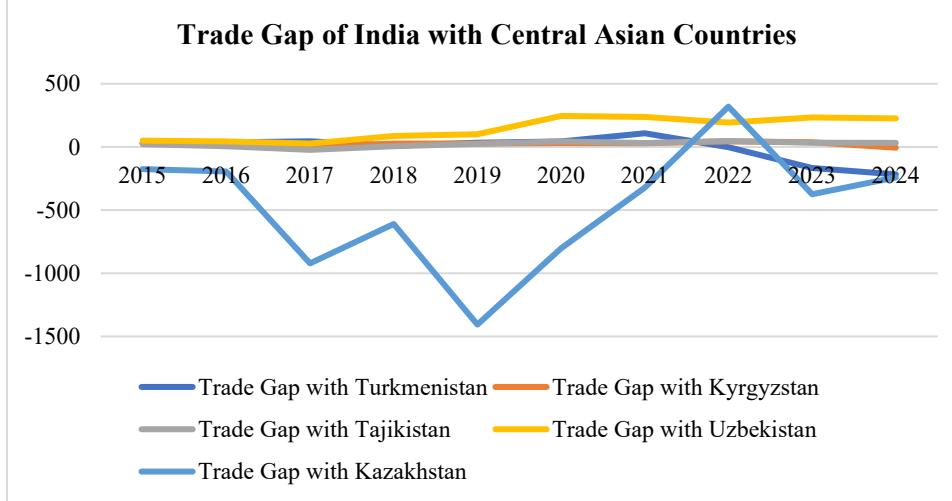


Figure 8 shown then there are mixed result of trade of India with the central Asian countries. It has found that except Kazakhstan, India has a general trend of trade surplus with other central Asian countries. India maintained a trade surplus with Turkmenistan from 2015 to 2021, but shifted to a trade deficit from 2022 to 2024. India had a trade surplus with Kyrgyzstan from 2015 to 2023, but faced a trade deficit in 2024. India has a trade surplus with Tajikistan. India recorded a trade deficit of 23.10 million USD in 2017. Trade surplus has increasing trend during the post-corona pandemic period. India has maintained a trade surplus with Uzbekistan since 2015. The trade surplus for the years 2019-2021 amounted to 100.7 million USD, 245.4 million USD, and 236.9 million USD respectively. India has a general trend of trade deficit with Kazakhstan, but has trade surplus of 319 million USD in 2022. Let us discuss the trade intensity, export concentration, export diversification, and logistics status of India with the Central Asian countries for measuring trade patterns. The Trade Intensity Index measures the value of a country's exports to a partner country relative to the total world exports to that partner country. The Trade Complementarity

Index assesses how well one country's exports align with another country's imports. The Export Diversification Index indicates how different a country's export structure is from the global export structure. The Logistics Performance Index is a composite score derived from weighted averages across six key dimensions.

Table 1: Trade Intensity Index of India with the Central Asian countries

Country	Trade Intensity Index (TII)				
	2019	2020	2021	2022	2023
India – Turkmenistan	NA	NA	NA	NA	NA
Turkmenistan - India	1.20	0.30	1.58	21.32	47.45
India- Kyrgyzstan	52.01	80.13	48.16	62.15	40.15
Kyrgyzstan - India	4.07	13.45	2.00	9.33	11.78
India – Tajikistan	NA	NA	NA	NA	NA
Tajikistan - India	1.27	1.18	19.28	6.76	6.70
India – Uzbekistan	90.48	140.52	113.88	131.00	101.00
Uzbekistan - India	27.83	6.11	6.33	25.34	19.57
India – Kazakhstan	45.68	77.67	42.24	51.54	63.92
Kazakhstan - India	126.2	144.9	36.2	5.1	25.2

Source: Calculated by author from WITS Website.

The Trade Intensity Index is a measure that assesses whether the level of bilateral trade between two countries is higher or lower than expected based on their significance in global trade. Its value above one indicates that trade is more intense than average, while a value below one suggests it is less intense than expected. It is calculated by comparing a country's trade share with a partner to the world's trade share with that same partner. From table 1, it has found that India's export of products/ services to Uzbekistan are more intense compared to Kyrgyzstan, and Kazakhstan. India has a significant trading connection with Kyrgyzstan, and Kazakhstan.

Table 2: Trade Complementarity Index between India with the Central Asian countries

Country	Trade Complementarity Index (TCI)				
	2019	2020	2021	2022	2023
India – Turkmenistan	50.79	52.73	51.49	53.90	54.03
India- Kyrgyzstan	50.58	55.84	49.62	42.25	46.71
India – Tajikistan	60.83	60.21	62.76	59.12	60.20
India – Uzbekistan	51.57	56.33	58.28	53.28	55.22
India – Kazakhstan	57.70	58.38	62.94	52.25	52.07

Source: Calculated by author from WITS Website.

The Trade Complementarity Index shows how well the goods one country sells match the goods another country buys, showing how likely they are to be good trading partners. A higher TCI means a country exports things that another country imports, and the other way around, which can lead to more trade between them and better economic benefits. The index goes from 0 to 100, with higher numbers showing a stronger match between their trade needs. From Table 2, it has found that India has some higher Trade Complementarity Index with Tajikistan, and Kazakhstan, it means India's export profile partially matches or complements the Tajikistan, and Kazakhstan import profile. Therefore, overall, the Trade Complementarity Index of India with central Asian countries is moderate.

Table 3: Export Diversification Index between India and Central Asian countries

Country	Herfindahl-Hirschman Index (HHI)				
	2019	2020	2021	2022	2023
India – Turkmenistan	NA	NA	NA	NA	NA
India- Kyrgyzstan	0.26	0.26	0.17	0.19	0.12
India – Tajikistan	NA	NA	NA	NA	NA
India – Uzbekistan	0.11	0.19	0.18	0.12	0.12
India – Kazakhstan	0.09	0.16	0.12	0.11	0.05

Source: Calculated by author from WITS Website.

An export diversification index or Herfindahl-Hirschman Index measures the degree to which a country's exports are concentrated or varied in terms of products, serving as an indicator of economic resilience. The lower values indicating a more diversified export basket and higher values suggesting a high concentration in a limited number

of products. From table 3, it can be concluded that India exports more diversified products/services in central Asian countries.

Table 4: Logistic Performance Index of India and Central Asian countries, 2023

Country	Rank	Score	Country	Rank	Score
India	38	3.4	Tajikistan	97	2.5
Turkmenistan	-	-	Uzbekistan	88	2.6
Kyrgyzstan	123	2.3	Kazakhstan	79	2.7

Source: https://lpi.worldbank.org/sites/default/files/2023-04/LPI_2023_report_with_layout.pdf

The Logistics Performance Index is a report published by the World Bank that evaluates and benchmarks the trade logistics performance of 139 countries. It measures the ease and efficiency of moving goods into and within a country by assessing performance across six key areas: customs performance, infrastructure quality, ease of arranging shipments, logistics services quality, consignment tracking and tracing, and timeliness of shipments. From table 4, it has been found that Kyrgyzstan has the lowest score in the Logistic Performance Index, preceded by Tajikistan, Uzbekistan and Kazakhstan. It indicates poor transport or logistic supply facilities in central Asian countries compare to India.

Table 5: Global Peace Index of India and Central Asian countries, 2025

Country	Rank	Score	Country	Rank	Score
India	115	2.229	Tajikistan	79	1.996
Turkmenistan	87	2.019	Uzbekistan	67	1.926
Kyrgyzstan	78	1.988	Kazakhstan	56	1.875

Source: <https://www.visionofhumanity.org/wp-content/uploads/2025/06/Global-Peace-Index-2025-web.pdf>

The Global Peace Index is the main way to measure peace around the world. It ranks 163 different countries and regions based on 23 different factors. These factors are grouped into three areas: how safe and secure society is, whether there are ongoing conflicts, and how much militarization there is. The table 5 discussed the Global Peace Index of India and central Asian countries. It has found that Central Asian countries are in a better position in the Global Peace Index than India. It means central Asian countries are more peaceful which will be helpful for future expansion of trade with the region.

Prospects and Challenges of Trade of India with the Central Asian Countries

Trade relations between India and the Central Asian countries have been growing steadily. These landlocked nations are resource-rich, with key areas including energy, minerals, agriculture, cotton, and dried fruits. Even though India has developed strategic partnerships with Kazakhstan, Uzbekistan, Tajikistan, and Kyrgyzstan, the level of trade between them remains low. Currently, India's trade with Central Asia is less than 0.5% of its total trade, which means the volume is very small. Without major improvements in transport connections, it will be hard to increase trade significantly. India has had a long-standing commercial and cultural link with Central Asian countries. Both sides are interested in exploring rare earth and critical minerals together. India's trade with Central Asia offers opportunities to source energy and minerals, and to expand its pharmaceutical and machinery exports. However, there are several challenges, including poor land connections, unstable conditions in Afghanistan, high logistics costs, strong competition from China through the Belt and Road Initiative, and the lack of comprehensive free trade agreements.

Among Central Asian countries, India has the largest trade with Kazakhstan, which is the biggest economy in the region. India and Central Asia have shared trade, religious, and cultural ties for thousands of years. Central Asia has large reserves of natural gas, oil, and minerals, which could supply India with essential resources for its growing economy. These countries can serve as new markets for Indian manufactured goods, especially pharmaceuticals and machinery. Countries like Tajikistan and Kyrgyzstan, which are mountainous, have potential for hydropower projects, an area where India has significant expertise. India's presence in pharmaceuticals and IT is growing, and there is potential to expand cooperation in education, civil aviation, and urban infrastructure. Initiatives like the International North-South Transport Corridor offer an alternative route to Central Asia through Russia and Iran. India does not have a direct land connection to Central Asia, so trade has to go through neighbouring countries, which are often expensive and unstable. The volatile situation in Afghanistan and strained relations with Pakistan create major difficulties for land-based trade and transit. These indirect routes increase the cost of goods and make trade less competitive. China's large infrastructure and trade investments via the Belt and Road Initiative also pose a strong challenge for India. The lack of comprehensive free trade agreements between India and Central Asian

countries limits broader trade growth. Currently, trade with the Central Asian Republics remains low and accounts for a very small part of India's total trade. India's strategic 10-year agreement with Iran for the Chabahar Port, along with negotiations for a free trade agreement with the Eurasian Economic Union, shows its commitment to strengthening economic and political ties in Eurasia. Developing the Chabahar Port as part of the INSTC aims to give India better access to Central Asia. India's participation in the INSTC helps improve connectivity and reduce transit times. Joining the Ashgabat Agreement further enhances its role in building a multimodal transport corridor for regional trade. India's membership in the TIR Convention makes cross-border goods transit smoother and more efficient. Encouraging the use of national currencies and improving interbank relations are ways to reduce payment issues. Economic and trade relations between India and Central Asia are still limited.

CONCLUSION

Kazakhstan is the richest country in Central Asia in terms of resources and is also India's biggest trade and investment partner. India's exports of goods and services to Kazakhstan and Uzbekistan are higher compared to other countries in the region. Similarly, India's imports from Uzbekistan and Kazakhstan are also higher than from other Central Asian countries. Except for Kazakhstan, India usually has a trade surplus with the other Central Asian nations. India exports more to Uzbekistan than to Kyrgyzstan and Kazakhstan. India has strong trade ties with Kyrgyzstan and Kazakhstan. The trade complementarity between India and Central Asian countries is moderate. India exports a wide variety of products and services to these countries.

On the economic side, India has always had good trade ties with Central Asia. In the last ten years, India's trade relations with Central Asia have changed a lot. India's growing ties with the Central Asian Republics (CARs) have become more important because of their role in regional security, energy resources, and projects that improve connections. India joins hands with CARs through groups like Shanghai Cooperation Organisation, focusing on security and cooperation, especially against terrorism and extremism. Even though trade between India and CARs is not very big, India is trying to increase it by encouraging investments in areas like pharmaceuticals, IT, and others. India is also working to improve regional connections through projects like the INSTC, which helps trade, lowers costs, and brings more economic benefits to both sides. Central Asian Republics are important for India's security plan, especially after the Taliban took over Afghanistan, as instability in the region can affect India's security and economy. India is trying to reduce China's influence in Central Asian Republics by offering other options through development projects, defence work, and economic ties, showing itself as a trusted partner in the region.

Central Asian countries want to spread out their partnerships to not rely too much on one country. India is a reliable and trusted choice for them, helping to balance things with other big players like China and Russia. India does not share a direct land border with any of the Central Asian nations, so trade and movement depend on routes through neighbouring countries. Even though there is a lot of potential for trade, the total trade between India and the five Central Asian Republics is still less than 0.5% of India's overall trade. High costs of moving goods, problems with trade rules, and weak banking and payment systems are making it hard to grow trade. There are no full Free Trade Agreements that help trade grow. Also, the unstable situation in Afghanistan and Iran, along with the presence of various terrorist groups, create security issues that affect the region and India's efforts to work with Central Asian Republics.

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