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The relations of India and Kazakhstan go way back to February 1992, when India recognized the independence of Kazakhstan and set up an embassy in Almaty.

When we look at the trade and political relations between India and Kazakhstan since 1992 till today we see that the total amount of trade has increased substantially over the years but has stagnated to some extent in the past decade or so with relatively modest growth in volumes or some breakthrough in political relations.

The scope of this report paper is to highlight the relative shortcomings in relations between the two countries, the opportunities available through successful relations and ways to improve the relations and leverage each other’s strengths for the better.

**Reasons for India’s growing interest in Kazakhstan**

As a net importer of Fossil fuels for the foreseeable future (International Energy Agency estimation predicts that with the current level of reserves and production, India’s oil dependence by 2030 is projected to grow to 91%. Thus, India is destined to be a net importer of oil until the extinction of total world reserves) India needs to build relations strong relations with resource rich countries like Kazakhstan which is the most resource-rich country in Central Asia and is also India’s largest trade and investment partner in Central Asia.

The country is endowed with enormous fossil fuel reserves and abundant supplies of other minerals and metals such as uranium, copper, Iron, zinc. More than 1,200 types of minerals are reportedly available in the region. Certain estimates puts Kazakhstan as the second largest source of uranium, chromium, lead, and zinc reserves and among the top ten sources of coal, manganese, copper, iron, and gold reserves. Kazakhstan also has the 11th largest proven reserves of both oil and natural gas. Mining accounts for 61.6 percent of industrial output.

From the perspective of energy resources, Kazakhstan is the world’s largest producer of Uranium. According to reports, India sources nearly 80 percent of its uranium requirement from Kazakhstan (as of the year 2019). India is trying to move away from coal fired power plants and is working towards the development of its civilian [nuclear energy](https://en.wikipedia.org/wiki/Nuclear_power) industry as a a cleaner, more reliable source of the energy to satisfy its huge energy needs

From a geopolitical point of view, Kazakhstan is the largest landlocked country on the planet, having a total land area equal to that of Western Europe but with one of the lowest population densities globally. Strategically, it links the large and fast-growing markets of China and South Asia with those of Russia and Western Europe by road and rail. Thanks to its location, Kazakhstan is very uniquely positioned to leverage its geopolitical location as a seasoned middleman between china, Russia and Europe, by forming good relations and facilitating trade with three of the biggest global economies will ensure financial growth for the country.

Most of the oil rich countries except Saudi Arabia are trouble-torn, marred by civic unrest, political instability, ethnic violence, terrorism or like in case of Iran, it has been battling the U.S sanctions and thus raises serious questions about the stability and reliability of Iran as a reliable source for India’s energy needs and trade. Therefore, it is natural on the part of India to look for diversifying its oil sources particularly available in its extended neighborhood: Kazakhstan

**The reason Kazakhstan is treated as the gateway country to other central Asian countries**

Kazakhstan accounts for approximately 70% of FDI into Central Asia. Around 50% of FDI in Kazakhstan has been attracted from the EU, including $96.6 billion from the Netherlands, $16.7 billion from France, $8.7 billion from Belgium, $6.8 billion from Italy and $5 billion from Germany (2020). Kazakhstan is also widely considered to have the best investment climate in the region, ranking 25th in the World Bank’s Doing Business Report (2019). The country has attracted over $330 billion in foreign direct investment since independence.

The Commonwealth of Independent States (CIS)[[a]](https://en.wikipedia.org/wiki/Commonwealth_of_Independent_States#cite_note-5) is a [regional intergovernmental organization](https://en.wikipedia.org/wiki/Regional_organization) in [Eastern Europe](https://en.wikipedia.org/wiki/Eastern_Europe) and [Asia](https://en.wikipedia.org/wiki/Asia). It was formed following the [dissolution of the Soviet Union](https://en.wikipedia.org/wiki/Dissolution_of_the_Soviet_Union) in 1991 and unites the following countries Azerbaijan, Armenia, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Uzbekistan and Ukraine. All of these countries have favorable trade and political relations with Kazakhstan as demonstrated by the multiple times Kazakhstan has to rely on these countries to glide through tough times due to low oil prices. CIS states have free trade agreements in place to facilitate free movement of goods, services, capital and even labor to move between the countries with a coordinated tax and economic policies seeking to increase the volume of trade between the countries, similar to the lines of the European Union but on a smaller scale.

Kazakhstan has a developed agro-industrial complex, which allows it to serve as a platform for production of agricultural products which can be traded with neighboring countries in terms of direct agricultural products as well as expertise as demonstrated in the case of Israel, thus cementing Kazakhstan’s position as a dominant player in central Asia, with substantial opportunities to increase its influence in the region.

**Current state of India’s trade and political relations with Kazakhstan**

Eight Joint Working Groups have been established in the areas of Counter Terrorism, Trade & Economic Cooperation, Defense & Military Technical Cooperation, Information Technology, Hydrocarbons, Textiles, Taea and Space Cooperation. It has been decided to set up two new Joint Working Groups on Transport & Connectivity and Health to take forward bilateral relations in the respective spheres.

India exported $325 million worth to Kazakhstan in 2020 with its top exports to Kazakhstan being packaged pharmaceuticals ($116 million), broadcasting equipment ($52 million), and tea ($24.9 million). India's exports to Kazakhstan have grown at an average pace of 15.7% over the past 25 years, from $8.55 million in 1995 to $325 million in 2020.

In 2020, [Kazakhstan](https://oec.world/en/profile/country/kaz) exported $1.98B to [India](https://oec.world/en/profile/country/ind) . The main products that [Kazakhstan](https://oec.world/en/profile/country/kaz) exported to [India](https://oec.world/en/profile/country/ind) were [Crude Petroleum](https://oec.world/en/profile/hs/crude-petroleum) ($1.82B), [Radioactive Chemicals](https://oec.world/en/profile/hs/radioactive-chemicals) ($74.3M), and [Silver](https://oec.world/en/profile/hs/silver) ($25.1M). During the last 25 years the exports of Kazakhstan to India have increased at an annualized rate of 25.2%, from $7.21M in 1995 to $1.98B in 2020.

During 2020, India had a large net trade with Kazakhstan in the exports of [Chemical Products](https://oec.world/en/profile/hs/chemical-products) ($142M), [Machines](https://oec.world/en/profile/hs/machines) ($98M), and [Vegetable Products](https://oec.world/en/profile/hs/vegetable-products) ($29.1M).

During 2020, Kazakhstan had a large net trade with India in the exports of [Mineral Products](https://oec.world/en/profile/hs/mineral-products) ($1.83B), [Chemical Products](https://oec.world/en/profile/hs/chemical-products) ($100M), and [Metals](https://oec.world/en/profile/hs/metals) ($29.1M).

30% of India’s tea exports is sent to Kazakhstan along with substantial share in pharma / medicine and medical chemicals.

**India’s Historical failures with Kazakhstan**

Trade between India and Kazakhstan is on a consistent upward trajectory. However the difference between actual and potential bilateral commerce, was calculated to be 86.19 percent of the volume of prospective trade.

India exports very few services to Kazakhstan namely financial services which makes up 3.94 percent of India's overall exports in that sector, excluding personal travel, architecture, engineering, and other technical consultation making up 1.95 percent.

The related numbers are actually very high for other notable CIS nations, like Kyrgyzstan (93.34%), Tajikistan (94.39%), Armenia (82.47%), and Uzbekistan (81.95%). Kazakhstan fared significantly better in the Central Asian region in terms of economic stability as well as governance indicators. Kazakhstan’s FDI flow to India has been minimal till date. Kazakhstan’s outward FDI initiatives are driven by the need for economic diversification beyond mining and improvement in competitiveness through overseas experiences, adoption of internationally accepted standards of corporate governance, etc. Therefore, its FDI destinations have been developed countries with very high concentration in The Netherlands, Italy and UK. Likewise, India’s contribution in FDI stock of Kazakhstan is also low. Although the investments they do have are mainly in the sectors of oil, engineering, procurement and construction (EPC) companies.

Uranium and petrochemicals are of critical strategic importance to India, while progress in other industries is hampered mostly by a lack of appropriate and reliable information on the market potential and prospects in both nations. According to Ashok Sajjanhar, the Indian ambassador to Kazakhstan (2010), there is a significant "knowledge gap" between the two nations, and Indian businesspeople and entrepreneurs are not completely aware of Kazakhstan's favorable investment climate. Another reason why Indian commercial firms hesitate is the language barrier, since then the countries have come a long way but still have a long way to go before becoming substantial trade partners.

In 2009, China outpaced India in snatching the deal from Kazakhstan for the satpayev block attributing to the prolonged delay from the Indian side. The Kazakh president using his sovereign rights had then signed the deal with China assuming India is unserious and lacks interests due to delays and red tapism.

Similarly in 2013, India lost a bid to acquire 8.4% of a venture in the North Caspian Sea as a Production Sharing Agreement from ConocoPhillips, even this deal was lost to china as they are believed to have bid higher than India’s 5 billion to the tune of 5.2- 5.4 billion.

It wast until 2017 when drilling was started in the satpayev block, India overall has been a very late entrant to the central Asian oil extraction initiatives, Some of its primary competitors such as China, USA, Europe have had successful arrangements to source Kazakh oil since 1990’s with their oil fields currently producing upwards of 80 million tonnes of oil per year.

**Corrective action which India can take for better future prospects**

Looking at the list of India’s failures in its endeavors and efforts in Kazakhstan, most of them are related to the problems signifying unreliability and disinterest – Proven by delays, red tapism, lack of investment and risk taking appetite as well as lack of confidence due to lack of proper and reliable sources of information prompting some distrust.

Looking at it in reference to the public sector, India as a country has very limited number of investments made in other foreign countries and its past experiences doing so haven’t proven to be very fruitful for it.

Being a developing countries, it is in India’s best interests to make investments after proper due diligence and after proper analysis about the nature and scope of the investments being made, but when the government or public companies on the governments behalf are vying for foreign investments, the government needs to ensure agility in decision making as well as in securing and deploying funds for the same.

Before the Russia-Ukraine war, Russia used to be dominating force when we look at the cultural as well as economic relations between Kazakhstan and other central Asian countries. Russia always had a very strong historical relationship with most central Asian countries and because of their similar cultures, Russia as a country enjoyed very strong approvals from Kazakh citizens with approval ratings over 85+ in most times. This situation has changed quite a lot post 2019, when the decade long president of Kazakhstan (Nursultan Nazarbayev) was succeeded by a newer (Kassym Tokayev), less Russia friendly president. Furthermore after the war in Russia Ukraine the relations between the two countries have remained strained. For India – it can benefit from this situation by (1) Currently most of the Kazakhstani crude oil is transported through the Caspian sea by a Russian port named Novorossiysk – India can seek Russian help to increase exports from this port as well as seek Russia’s help to find a better footing to improve relations with Kazakhstan, At the current stage Russia is already trying to make amends with Kazakhstan after some of its actions and thus India can pitch into the equation in some way. (2) After the fallout with Russia, it has been known that Kazakhstan is showing deep interest in building more oil pipelines to diversify its sources to export its crude and reduce dependence on Russia. The pipelines and most infrastructure related to crude oil extraction and transport have been financed by international MNC’s, India can step in through ONGC Videsh which already has presence in Kazakhstan, the idea of building a pipeline to get crude till Chabahar port of Iran has already been on the table, but at the current situation Kazakhstan might be more interested in exploiting the idea further. This idea suffers from two main drawbacks the Chabahar port is still in limbo because of US sanctions on Iran, moreover Russia might not be very happy with such an arrangement, If India can work through both of these issues, it can have a more secure supply of oil.

**Current problems related to India Kazakh Trade Relations**

* There is obviously a Problem of connectivity to Kazakhstan. The communication links are problematic and at present the region is connected only through air links with India as it is landlocked, there is an urgent need to develop other forms of land routes either through roads or trains to facilitate movement of goods as well as passengers.   
  The restricted methods of transportation available with the country act as major hindrances to trade with the country, as most movement of goods take significant amount of time and if flown in becomes economically unviable.
* The cost of trading across borders is quite substantial, costing double that of neighboring countries and four times as much as the OECD average. Taking 81 days to export is also significantly higher than the 10-day norm, and the same barriers are evident for imported goods, thus making the whole process a little unappealing for most businesses
* Apprehensions of Indian manufacturing and investment companies about entering the new, unfamiliar markets of Central Asia, this is due to the rather unfamiliar nature of markets as well as unawareness about the culture, economics, taxes, businesses, lack of strong government relationships and trade agreements.
* The country has been considered a safe haven for most businesses but the tax structure from the outside seems a little complex for most. Businesses operating in Kazakhstan are required to pay seven tax payments a year, and are considered tricky to deal with for the most part.
* The lack of banking channels, methods of transacting and strong banking agreements between Indian and Kazakh banks hamper expanding trade with Kazakhstan, Moreover their isn’t easy availability of paper or plastic money to transact while on business along with non-availability of easy and proper conversion facilities.

**Potential methods of increasing trade**

The government needs to pay special attention to priority projects, which include energy, space, military-technical cooperation, Fintech, IT, tourism, healthcare and pharmacology, It can prompt the private sector to operate and invest in these sectors by organizing various fairs or through other methods of increasing awareness in both private and public companies.

On the part of the government, it can –

* Invest and focus attention to projects such as the Trans Asian corridor/ Trans Asian Railway and the International North–South Transport Corridor, etc to increase access and volume of trade being facilitated through the movement of goods by improving overall connectivity
* Enter into bilateral agreements on customs, taxation as well come up with more agreements related to specific high priority products such as agricultural products, IT services, etc
* Entering into Free trade agreements or get the the status of the most favoured nation. This would serve as an incentive for businessmen wanting to do business in both countries to feel more confident in identifying the counties as favourable and trustworthy destinations to trade.
* Organising and Participating in more international bilateral trade fairs in a bid to raise awareness about the country, taxes, the nature of laws, nature of economy, culture, products and services suitable for import or export, etc. These fairs can help in forming cross cultural and cross country relationships between the citizens of both countries, creating an environment of trust between businessman and through fairs relevant information can be decimated to people of interest in order to take favourable business decisions.
* Set up more government funded or government private partnership offices to promote trade between both countries, Right now this does exist in some form but it isn’t creating a lot of meaningful impact. For example Kazakh invest has an office in India to generate awareness in the people about the business opportunities, etc.
* Ensuring better presence of financial institutions in the country or to develop a system or agreement between banks of both countries to ensure easy financial transactions, which forms the lifeline of any commercial multinational corporation. After the losses borne by Punjab national bank and because of the historical performance and culture of central Asian banks, Most banks aren’t willing to establish a permanent place of business and one can sense a sour taste for the government, An easier alternative can be to form arrangements between banks to ensure financial transactions –examples can be seen by agreements between scotia bank in Canada and HDFC Bank in India, These agreements need to be publicised by the bank to ensure increase in confidence by the transacting parties.
* Increase cooperation by facilitating more education focused approaches. Kazakhstan already has a significant Indian population which consists of mostly students who are studying for their MBBS Degrees, similarly prestigious central Indian universities such as JNU, Delhi University, etc can form more student exchange programmes or programmes to increase flow of Kazak students to India focusing on Technical and Financial courses, both of which form a part of the priority sector for Kazakhstan.
* Facilitate better cultural exchanges through methods of festivals or promoting inter-ministerial collaboration or cultural programmes through digital means, etc to increase understanding of cultures. India and Kazakhstan are both uniquely secular countries which have dominance of one ethnic group but are still willing to maintain their secularity and act as neutral countries favouring peace and harmony.

The single biggest challenge for Kazakhstan right now is to overcome its predominant reliance on natural resources and diversify its economic reliance on other sectors such as financial services, pharmaceuticals, IT services, transport, etc. A lot of these sectors have been added in the list of priority sectors for Kazakhstan, and thus has a lot of tax breaks, government grants, and resources are being diverted to develop these sectors. On closer inspection one can see that India has speciality in some of these priority sectors such as – Pharmaceuticals, IT Services, Financial services and Fintech, etc. India can thus leverage this opportunity to its advantage by forming partnerships in line with the goals of the Kazakh economy thus forming strong relationships through value addition and mutual benefit.

Expansion of business ties in sectors like banking and infrastructure will also help to enhance the ease of doing business not only in Kazakhstan but also in other fast growing and resource rich countries in Central Asia, thus driving India closer to its main goals.

It has been quoted many times that Kazakhstan plans to transport its crude oil southward towards Iran which should greatly help India in its efforts to achieve energy security. The Chabahar port has been one of the primary foreign policy achievements for India but it still isn’t fully functional due to many constraints. Furthermore with the recent (20th July 2022) introduction of railway between Kazakhstan and Iran further to turkey, proves to be a pivotal point spelling good news even for India. The railway is to be a method to increase trade between Kazakhstan and Europe but Iran and India can also benefit from the newly opened efficient trade route for the landlocked country.

In 2021, Indians spent approximately $12.6 billion on outbound travel, signifying the economic potential of vying Indian tourists, Kazakhstan has been trying to increase its tourism industry, primarily focusing on US and European tourists till now, even playing advertisements welcoming Borat 2 (a Hollywood movie) in a bid to attract more tourists. In 2019 India earned $30.6 billion from its tourism Industry, thus inbound tourism forms an important component of India’s economy and is especially important for foreign exchange earnings. The two countries can thus enter into various flying arrangements, visa relaxations, etc offering more attractive value to tourists to increase tourism between the two countries in mutual promotional schemes designed to boost tourism between the two countries which would provide dual benefits of economic gain as well as better cultural understanding between the citizens, indirectly helping in increasing core businesses to form better understanding and thus long term business relations.

**The Growing influence of China in Central Asia**

Russia's always had a traditional influence in Central Asia but in recent times China seems to have a growing influence in Central Asia and

is beginning to be the key factor changing the geopolitical and trade structure of Central Asia.

The shanghai five was formed in 1996 with 5 participating countries namely China, Russia, Kazakhstan, Kyrgyzstan and Tajikistan, it was later transformed into the SCO and included Uzbekistan as well.

The main point of worry for India at the current stage is China's new belt and road initiative which Seeks to transform the central Asian countries geographically as well as economically.

Russia has also becoming friendlier with China after they seek to cooperate on the construction of the joint Eurasian economic union and silk road construction projects. With the west alienating and targeting Russia specially after the Russia Ukraine war, china and India have been its allies which haven’t come forward with strong condemning notes against Russia, signaling to a soft corner and hope for maintenance of favorable relations. Russia has been cozying up to china recently following the alignment of their growing resentment to USA.

In 2018, China became the largest trading partner of three prominent central Asian countries namely Uzbekistan, Turkmenistan and Kyrgyzstan. According to official data released by Kyrgyzstan and Tajikistan, China is the largest source of foreign direct investment in the two countries. China has also overtaken Russia as the fourth-largest investor in Kazakhstan, while it is also known to have some military presence in Tajikistan with lax border rules and growing influence in the region especially after the Belt and Road initiative. Tajikistan can be easily considered to be the strongest link to showcase Chinese strategy and influence by capturing it in a debt trap, with Kyrgyzstan following close behind.

Kyrgyzstan’s debt to GDP ratio is over 65 percent with a significant portion (45.3%) towards Chinese debt which were primarily sanctioned for various infrastructure projects in the country such as the belt and road initiatives, development of hydropower plants, pipelines, etc.

Chinese companies have already started acquiring favorable mining rights in both countries because of their inability to pack back debts. The situation would soon turn dire for these relatively small economies in the face of the big Chinese authoritarian regime.

**How India can increase its influence in the region**

The primary method for India to gain influence in the region is through increasing trade, because unlike china India doesn’t have the strategic willpower or the capital to gain influence through Chinese methods.   
Through the points mentioned earlier, if India is able to develop favorable trade relations with Kazakhstan, it should be able to develop and build on the relationship to have a favorable foot in the door to increase trade with other central Asian countries. This doesn’t seem like a distant possibility because with operationalization success of the Chabahar port and the recent infrastructural developments between Kazakhstan and Iran, India should soon be able to increase its trade with Kazakhstan, in goods and later in crude. Once the INSTC (International North-South Transport Corridor becomes fully operational, India will be in a strong position to transport and fulfill its energy requirements not just from Russia, Iran and Kazakhstan but also the wider Central Asian region while still keeping the overall costs of acquisition down.

The Chabahar port is a very strategically important port for it because of the disability caused by china, Pakistan and Afghanistan in the region, India needs to explore other methods to increase its trade in the region by bypassing all these countries all together in order to secure its energy and economic needs.

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