



Eurasian
Development Bank

A scenic view of a cable-stayed bridge with two tall white pylons and numerous stay cables, spanning across a body of water. In the background, a city skyline is visible, including a prominent white arch bridge and a large circular structure resembling a Ferris wheel. The water is calm, reflecting the sky and the structures. The sky is a clear, bright blue.

Exploring Trade and Investment Relations between India and Central Asia: Unlocking Economic Benefits

Mumbai, Almaty – 2025

EXPLORING TRADE AND INVESTMENT RELATIONS BETWEEN INDIA AND CENTRAL ASIA: UNLOCKING ECONOMIC BENEFITS

KEY FINDINGS

ANALYTICAL REPORT '25

The economies of India and Central Asia states are developing fast and have the potential to grow even further

\$0.5tr (1.9x) GDP of Central Asia states

Middle-income countries.
Welfare of the population improving

\$3.6tr (2.1x) GDP of India

5th largest economy globally and one of the fastest-growing major economies in the world

Bilateral engagement has been modest and has great potential to be unlocked

\$1.7bn (3.5x) Trade between India and Central Asia

India's Exports to Central Asia (% of total)

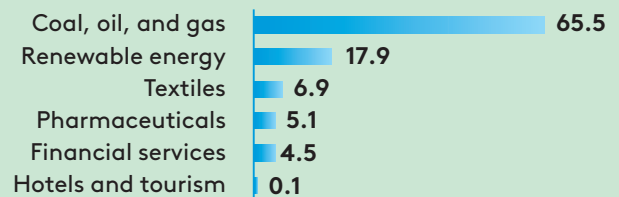
Pharmaceutical products	37.9
Electrical machinery and equipment	12.1
Machinery and mechanical appliances	10.4

Central Asia Exports to India (% of total)

Mineral fuels and mineral oils	35.3
Fertilizers	21.3
Inorganic chemicals	13.0

\$1.5bn Total tracked FDI inflows from India

Major sectors attracting Indian investments to Central Asia in 2010-2023 (% of total)



There are numerous opportunities for collaborations between India and Central Asian states

- Petrochemical Industry
- Renewable Energy
- Textile Manufacturing
- Agribusiness and Food Processing
- Information and Communication Technologies
- Healthcare
- Tourism and Hospitality
- Logistics and Transportation

Key Policy Recommendations for bilateral engagements

Enhancing trade based on identified potential
(Mapping import demand with export capabilities and competitiveness)

Cooperation in Digital Public Infrastructure
(Facilitating inter-bank transactions; joint payment systems)

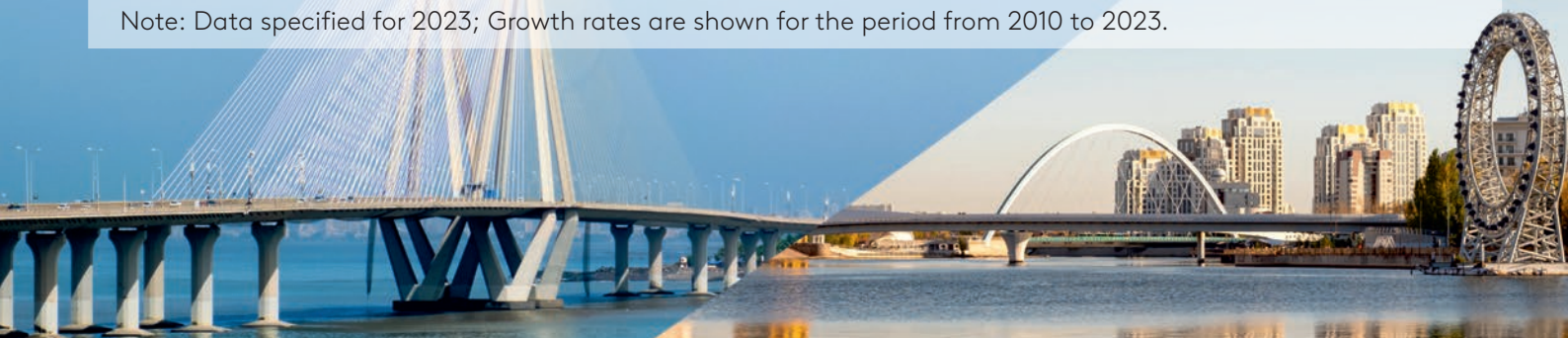
Facilitation of market entry through joint ventures and technological collaboration
(Collaboration through capacity building and knowledge transfer)

Enhancing access to trade finance
(Developing financial instruments or credit enhancement mechanism)

Trade and border-crossing facilitation
(Digitalization, harmonization and modernization of customs and border crossing procedures)

Improving transport and logistics
(Logistical breakthrough at the INSTC through development of hard and soft infrastructure)

Note: Data specified for 2023; Growth rates are shown for the period from 2010 to 2023.



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Abstract

Due to limited connectivity, India's engagement with Central Asian countries has been modest. This joint report focuses on a comprehensive analysis of the current state and potential for improving bilateral trade and investment relations between India and Central Asia. The report assesses macroeconomic trends, and India's bilateral trade and investment relationships with Central Asian countries. The report provides policy recommendations for closer cooperation, focusing on enhancing trade based on identified opportunities, joint ventures and technological collaboration, trade and border crossing facilitation, improving transport and logistics, and other domains.

Keywords: India, Central Asia, international trade, foreign investment, regional cooperation, infrastructure, transport.

JEL: O24, E01, E22, F21, F43, P33.

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Project team from the Export-Import Bank of India:

Mr. David Sinate, Chief General Manager, Research and Analysis Group

Dr. Viswanath Jandhyala, Assistant General Manager, Research and Analysis Group

Ms. Srejita Nandy, Manager, Research and Analysis Group

Ms. Vishakha Bhagwat, Research Officer, Research and Analysis Group

Project team from Eurasian Development Bank:

Dr. Evgeny Vinokurov, Vice Chairman and Chief Economist

Mr. Alexey Kuznetsov, Head of Research Department

Mr. Anton Malakhov, Head of the Centre for Analysis of International Finance, Research Department

Mr. Alexander Zaboev, Head of the Centre for Integration Studies, Research Department

Ms. Marina Sobolevskaya, Head of the Centre for Macroeconomic Analysis, Research Department

Mr. Konstantin Fedorov, Senior Analyst, Research Department

Ms. Aigul Berdigulova, Senior Analyst, Research Department

Mr. Madi Aldanazarov, Senior Specialist, Research Department

EXECUTIVE SUMMARY

Macroeconomic Overview of Central Asia

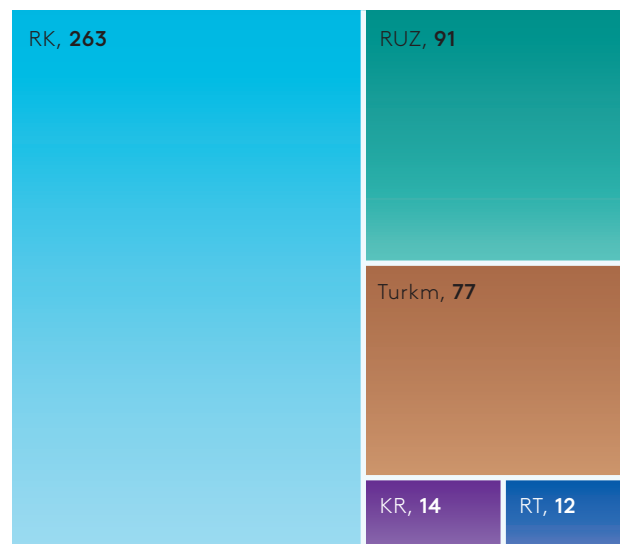
The economy of Central Asia is developing fast and has the potential to grow further. In 2023, the aggregate GDP of the region was US\$ 458 billion and it was home to 79 million people. Since 1999, Central Asia's aggregate GDP has increased more than four-fold in real terms and its population has increased nearly one and half times.

Despite the commonalities of its nations, Central Asia is a diverse region. Its economies vary in size and structure. Kazakhstan leads the region in economic size (58% of aggregate GDP) and living standards. Uzbekistan is the most populous country in the region, with 45% of Central Asia's population. All countries in the region are open economies, with the Kyrgyz Republic the most exposed to foreign trade.

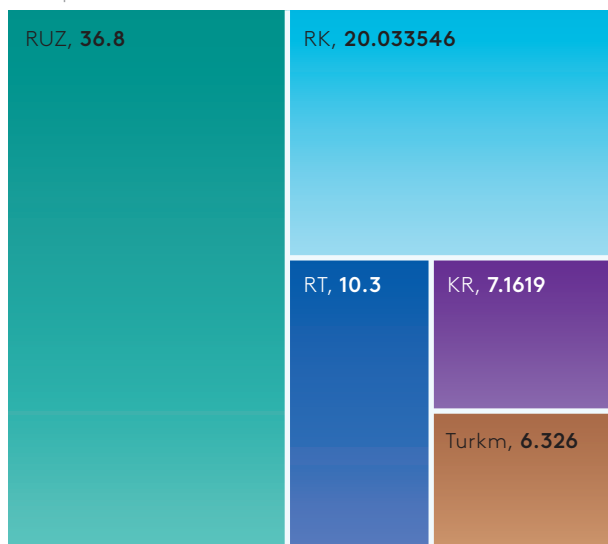
The well-being of the population is growing. After the structural reorganization of their economies, the well-being of the population began to improve. Kazakhstan (since 2008) and Turkmenistan (since 2013) are firmly lodged in the upper-middle income group. Uzbekistan, Kyrgyzstan, and Tajikistan joined the lower-middle income group in 2015, 2022, and 2011, respectively.

↓ Figure 1. Main Macroeconomic Indicators

A. GDP, \$ billion 2023



B. Population, millions 2023



Note: RK — Republic of Kazakhstan; RUZ — Republic of Uzbekistan; RT — Republic of Tajikistan; KR — Kyrgyz Republic (Kyrgyzstan); Turkm — Turkmenistan.

Sources: National agencies, IMF, ADB, CEIC

Kazakhstan is the leading economy of Central Asia. In 2023, its nominal GDP was US\$ 262.6 billion, accounting for 58% of the region's total GDP. Kazakhstan's GDP

per capita (purchasing power parity, PPP) in 2023 was 1.7–5.1 times greater than that of the other Central Asian countries. Strong fiscal and external balances help to withstand external shocks. During 2010–2023, Kazakhstan’s economy grew at an average of 3.9% per year. The government’s efforts are aimed at diversifying the economy and reducing its exposure to external shocks. Price stability is one of the priorities of macroeconomic policy.

The Kyrgyz Republic is the most open economy in Central Asia, despite the fact that it is a landlocked country with a difficult mountainous terrain. In 2023, its nominal GDP was US\$ 14.0 billion, accounting for 2.8% of the region’s total GDP. The Republic’s GDP per capita (PPP) in 2023 was US\$ 6,482 (2010: US\$ 3,103). The Kyrgyz economy is service-driven. During 2010–2023, the economy grew at an average of 3.9% per year. The government of Kyrgyzstan is committed to diversification of the economy, improvement of connectivity, and development of the energy sector.

Tajikistan has achieved significant economic success since the turn of the 2010s. The country moved from the low-income group to the lower-middle income group. GDP per capita increased by 60% over the 2010–2023 period from US\$ 738.3 in 2010 to US\$ 1,180 in 2023. Tajikistan’s economy demonstrates considerable resilience to external shocks. During 2010–2023, the economy grew at an average of 7.2%. The rapid growth of Tajikistan’s economy is largely attributable to the catch-up effect and strong demographics.

Turkmenistan’s 2023 GDP was US\$ 77.1 billion. The economic development process in Turkmenistan is state-driven. The public sector and state monopolies dominate the economy and the formal labor market. Turkmenistan uses a fixed exchange rate regime.

Uzbekistan’s GDP was US\$ 90.9 billion in 2023. Uzbekistan has significant and competitive labor resources. The population grew from 29.1 million at the beginning of 2010 to 36.8 million in 2023. In 2010–2023, the average annual economic growth rate in Uzbekistan was 6.1%. Dynamic economic development of Uzbekistan is largely attributable to the catch-up effect and the growth of the country’s workforce.

Macroeconomic Overview of India, Including Foreign Trade and Investments

The Republic of India, with a population of 1.4 billion, is the world’s most populous country. India is the fifth-largest economy in terms of nominal GDP (current prices) at US\$ 3.6 trillion in 2023. India emerged as the fastest-growing major economy in the world in 2023, growing at 8.2% through domestic demand and investment activity.

↓ Table 1. Macroeconomic Indicators of India

Economic Indicators	2010	2015	2019	2020	2021	2022	2023
GDP, current prices (US\$ billion)	1,675.6	2,103.6	2,835.6	2,674.9	3,167.3	3,353.5	3,567.5
Real GDP Growth (% change)	8.5	8.0	3.9	-5.8	9.7	7.0	8.2
Inflation (avg, % change)	9.4	4.9	4.8	6.2	5.5	6.7	5.4
Population (millions)	1,240.6	1,322.9	1,383.1	1,396.4	1,407.6	1,417.2	1,428.6
Unemployment, (% of total labor force, ILO Estimates)	8.3	7.9	6.5	7.9	6.4	4.8	4.7
Official Exchange Rate (INR: US\$, avg of the period)	45.7	64.2	70.4	74.1	73.9	78.6	82.6
Government budget balance (% of Potential GDP)	-9.2	-7.1	-8.7	-9.4	-8.4	-8.9	-8.3
Public debt (% of GDP)	67.7	69.0	75.0	88.4	83.5	81.7	83.0
Foreign trade in goods and services (% of GDP)	49.3	41.9	39.9	37.8	45.4	49.9	45.9
International reserve (US\$ billion, end of the period)	297.7	351.6	460.2	586.0	633.8	562.7	622.5
Current account balance (% of GDP)	-2.9	-1.1	-0.9	0.9	-1.2	-2.0	-0.7

Note: Negative sign of government budget balance indicates a budget deficit for the respective year.

Source: World Economic Outlook October 2024, IMF; World Bank and India Exim Bank Research

The size of the Indian economy has more than doubled from US\$ 1.7 trillion (nominal GDP in current prices) in 2010 to US\$ 3.6 trillion in 2023, growing at an average of 6.1% (real GDP constant prices). Total foreign trade (goods and services) as a percentage of GDP accounted for 45.9% in 2023, slightly decreasing from 49.3% of GDP in 2010, however still reflecting India's robust trade openness over the years.

India is a major player in global trade. It was the 17th largest merchandise exporter and 8th-largest importer of merchandise globally in 2023, accounting for 2.3% of global merchandise trade in value terms. India's total merchandise trade volume climbed from US\$ 575.3 billion in 2010 to US\$ 1,103.5 billion in 2023, reflecting an annual average growth rate (AAGR) of 6.7%.

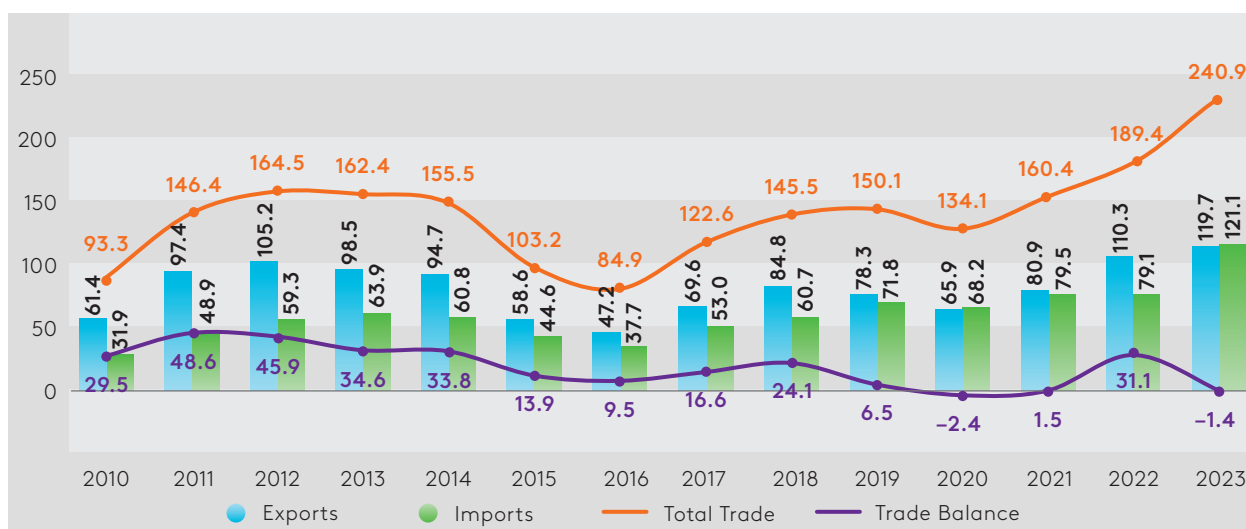
India was also the 7th largest services exporter, accounting for 4.3% of global services exports and 3.8% of global services trade in 2023.

India was ranked among the leading recipients of foreign direct investment (FDI) in 2023, demonstrating strong FDI inflows compared to other developing economies. FDI inflows positioned India as the 15th-largest recipient globally, highlighting its favorable investment climate to foreign investors. The cumulative FDI inflows into India from April 2000 to March 2024 amounted to US\$ 990.9 billion. India has increasingly emerged as an important global investor in overseas markets. The cumulative amount of actual ODI outflows totaled US\$ 301.2 billion from April 2000 to March 2024.

International Trade of Central Asian Countries

Central Asia, including Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan, being geographically landlocked, remains distant from the major global trade and economic centers. International trade remains below potential levels, confined by an arid climate, limitations in connectivity, market access issues, limited bilateral engagement, and difficult trade and transport facilitation.

↓ Figure 2. International Merchandise Trade of the Central Asian Region (US\$ billion)



Source: ITC Trade Map and India Exim Bank Research

With mineral resources, increasing diversification of economies, and a growing focus on regional cooperation, these landlocked nations have the potential to be integrated as important players in the global economy. The recent merchandise trade performance of these nations has been characterized by (i) rapid expansion of trade volumes; (ii) exports heavily concentrated in a few primary commodities; and (iii) trade partnerships limited to a few countries.

Between 2010 and 2023, overall merchandise trade surged at an AAGR of 10.2%. This expansion was fueled by a significant increase in exports, which climbed from US\$ 61.4 billion in 2010 to a staggering US\$ 119.7 billion in 2023, reflecting an AAGR of 8.6%. However, imports witnessed an even more pronounced growth trajectory, expanding at a rate of 13.8% annually, rising from US\$ 31.9 billion in 2010 to US\$ 121.1 billion in 2023.

Among the Central Asian nations, Kazakhstan is the leading exporting and importing nation, accounting for 65.7% of the total exports and 60.5% of the total imports by Central Asia to the world in 2023. This is followed by Uzbekistan (17.5% of the region's global exports) and Turkmenistan (12.8%) in the same year. Kyrgyzstan and Tajikistan recorded a modest share of 2.7% and 1.1% of the region's exports in 2023. Kazakhstan, Uzbekistan, and Kyrgyzstan were the largest importers of the region, accounting for 90.9% of the region's imports.

Central Asian economies suffer from a misalignment between their production and trade structures. This manifests itself in a limited and less diversified manufacturing sector, leading to a disadvantageous position in international trade. Exports are heavily concentrated in raw materials, which typically fetch lower prices, while imports are dominated by manufactured goods, often commanding a higher value. This was reflected in the export basket of the Central Asian nations, with 51.7% of the total exports concentrated in mineral fuels and oils valued at US\$ 61.8 billion. Around 16.6% of the total import basket consists of machinery and mechanical appliance valued at US\$ 20.1 billion in 2023.

Beyond the region, China stands out as a major export destination in Asia, while Türkiye and Switzerland represent key markets in Europe. For imports, Central Asian countries rely heavily on Russia, China, and South Korea in Asia, and Türkiye and Greece in Europe.

Trends in Foreign Investments in Central Asia

Foreign direct investment inward stock accumulated by the Central Asian countries reached US\$ 222 billion in 2023, which represents 50.2% of the regional GDP of the same year. During the period 2010–2023, the FDI received by the five Central Asian countries more than doubled.

↓ Table 2. FDI Inward Stock in Central Asian Countries

	2010 US\$ million	2010 % of GDP	2023 US\$ million	2023 % of GDP
Kazakhstan	82,648	55.8	157,198	60.4
Kyrgyzstan	1,698	35.4	3,810	31.4
Tajikistan	1,226	21.7	3,333	28.3
Turkmenistan	13,442	59.5	42,915	62.5
Uzbekistan	2,564	5.1	14,804	16.5
Central Asia	101,577	44.0	222,059	50.2

Source: EDB analysts' calculations based on data published by UNCTAD (2024)

FDI outward stock data from Central Asian countries shows the region's limited participation in international investment activities. All five Central Asian countries are net importers of FDI. However, the FDI outward stock of Central Asian countries rose to US\$ 17.9 billion in 2023, having increased 9.6% against 2010.

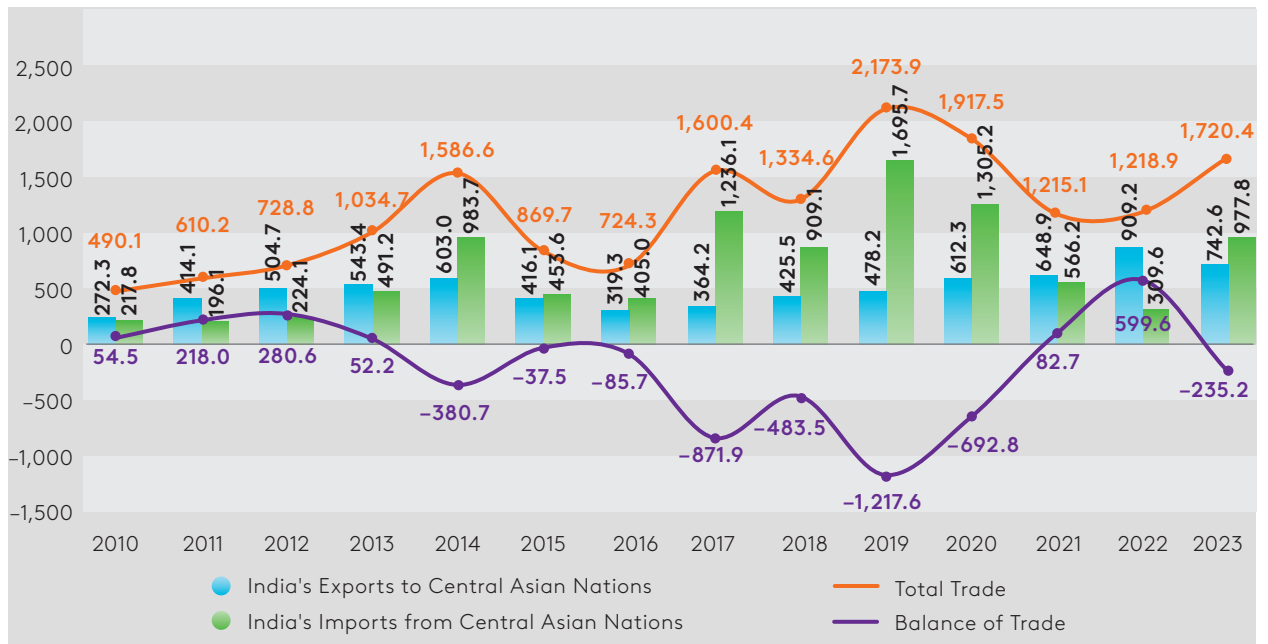
Within the region, Kazakhstan leads in terms of FDI per capita, with US\$ 8,018 in 2023, primarily attributed to its status as the foremost importer of FDI in Central Asia. In the region, Turkmenistan follows with FDI per capita of US\$ 6,586, Kyrgyzstan with US\$ 566, Uzbekistan with US\$ 421, and Tajikistan with US\$ 329.

India's Bilateral Trade Relations with Central Asian Countries

Central Asia's strategic location as a land bridge between Asia and Europe imbues it with undeniable geopolitical significance for India. This partnership encompasses a broad spectrum of shared interests, including security, energy, and other economic and commercial opportunities.

India's own remarkable economic growth has spurred a construction boom across the nation, creating a plethora of opportunities for Indian companies. From financial services to contracting, engineering, and management consultancy, Indian firms possess the expertise and manpower to contribute significantly to Central Asia's infrastructure development. Moreover, India can be a vital source of goods exports and technical know-how in diverse sectors such as infrastructure, hospitality, and medical equipment.

↓ Figure 3. India's Bilateral Trade with Central Asian Nations (US\$ million)



Source: ITC Trade Map and India Exim Bank Research

India's trade relationship with Central Asian nations has exhibited an upward pattern, ranging between US\$ 490.1 million in 2010 and US\$ 1720.4 million in 2023. Notably, Indian exports have demonstrated greater consistency throughout the observed period, achieving an AAGR of 10.6% from 2010 to 2023. In contrast, India's imports from Central Asia displayed greater volatility during this timeframe, with an AAGR of 39.6%. Imports peaked at nearly US\$ 1.7 billion in 2019, before moderating to US\$ 1.3 billion the succeeding year.

Pharmaceutical products accounted for 37.9% of the total exports to the Central Asian region, followed by electrical machinery and equipment (12.1% of the total

exports), machinery and mechanical appliances (10.4%), edible meat (5%), and fruits and nuts (3.2%) among others.

Mineral fuels and oils were the major imported commodity by India, accounting for 35.3% of the total imports from the region, followed by fertilizers (21.3% of total imports), and inorganic chemicals (13.0%) in 2023.

India's trade relations with Central Asia underwent a significant shift in the past decade. Uzbekistan emerged as the preeminent export destination, capturing a substantial 45.3% of India's total exports to the region. Kazakhstan, while maintaining a robust presence, accounted for 35% of India's exports in 2023. Tajikistan, Kyrgyzstan, and Turkmenistan followed, with shares of 6.9%, 6.6%, and 6.1%, respectively.

The import landscape presented a different picture. Kazakhstan was India's primary supplier from the region, contributing over 64.5% to the region's total imports in 2023. Turkmenistan commanded a decent 21.7% share. Uzbekistan contributed 10.6% to India's imports from the region, while Tajikistan and Kyrgyzstan had more modest shares of 2% and 1.2%, respectively.

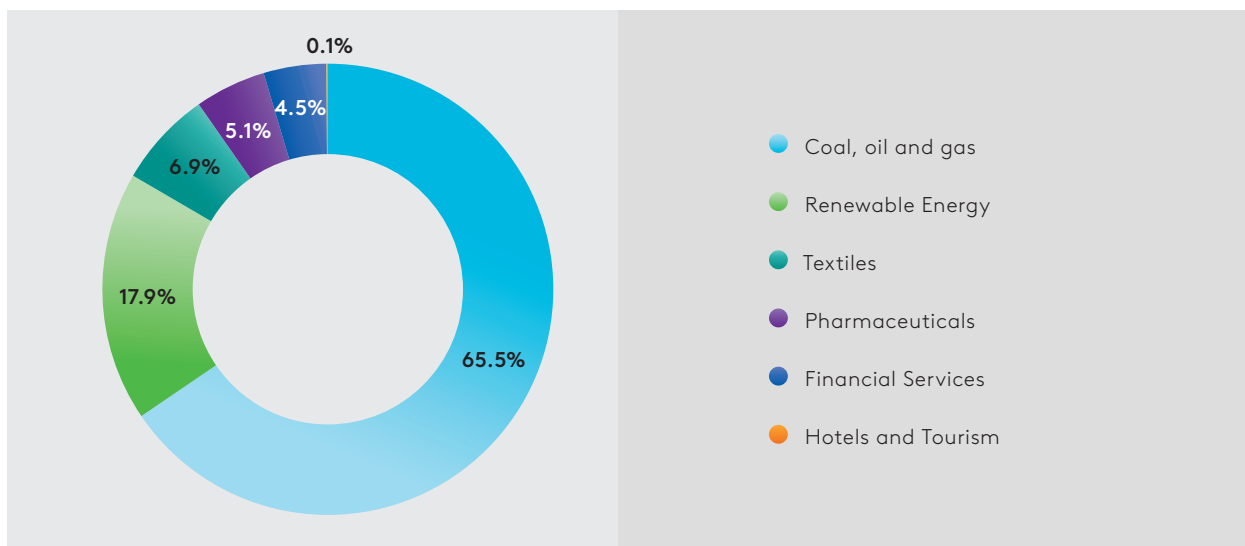
India's Bilateral Investment Relations with Central Asian Countries

According to the Overseas Direct Investments statistics published by the Ministry of Finance, Government of India, a cumulative amount of US\$ 392 million was invested in Kazakhstan between April 2000 and March 2024. This was followed by Kyrgyzstan (US\$ 24 million), Uzbekistan (US\$ 18 million), and Tajikistan (US\$ 5 million). No investments were made in Turkmenistan in this period. The total investment in the Central Asian region accounted for 0.1% of the total ODI of India during April 2000 to March 2024.

According to the Financial Times' fDi Markets, from January 2010 to December 2023, India was the 16th-largest investor in Central Asia, with a total envisaged capital expenditure of US\$ 1.5 billion in 10 projects. Bilateral investments in Central Asian nations were active between 2011 to 2019. Kazakhstan was the top recipient, attracting 78.4% of Indian investment during this period. Tajikistan followed with 17.8%, and Uzbekistan received 3.7% of the total investment from India.

The Central Asian resource sector proved attractive to Indian investors, with the coal, oil, and gas industry receiving the largest share of investment at US\$ 1,014.7 million. Renewable energy followed at a distant second with US\$ 276.6 million. Other sectors attracting Indian investment, though to a lesser extent, included textiles (US\$ 107.2 million), pharmaceuticals (US\$ 79.5 million), financial services (US\$ 69.6 million), and hotels and tourism (US\$ 1.7 million).

↓ Figure 4. Major Sectors Attracting Indian Investment in Central Asia during 2010–2023



Source: Calculations based on data published by fDi Markets and India Exim Bank Research

FDI inflows into India from Central Asia have been modest. According to the Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India, FDI statistics from April 2000 to March 2024, Kazakhstan invested around US\$ 27.3 million in India. This was followed by Tajikistan (US\$ 1.4 million), Kyrgyzstan (US\$ 0.003 million), and Turkmenistan (US\$ 0.002 million). According to the statistics, Uzbekistan has no investments in India so far.

The Eurasian Development Bank's Presence in Central Asia

In line with EDB's strategy, over US\$ 4 billion is targeted by the EDB in cumulative new investment from 2022 through 2026 in Kazakhstan, Kyrgyzstan, and Tajikistan to support countries' development objectives, to boost their economic growth and employment, with the bulk of the target — up to US\$ 3.8 billion — in investment in Kazakhstan.

The EDB's current investment portfolio in Central Asia at the end of 2024 totaled US\$ 3,072 million, almost 2 times that of 2021 (US\$ 1,618 million). The share of the current investment portfolio in Central Asian countries in the current investment portfolio of the Bank amounted to 66.3%.

As of the end of 2024, the EDB's current investment portfolio in Kazakhstan amounted to US\$ 2,934 million. Projects in Kazakhstan account for 63.3% of the Bank's current investment portfolio. The cumulative portfolio of the Bank's investments projects in the Republic of Kazakhstan exceeded US\$ 7,242 million (projects in energy, the financial sector, mining, agriculture, transport, metallurgy, chemical sector, machinery and engineering, construction, and other sectors).

India Exim Bank's Presence in Central Asia

India Exim Bank's commitment to building relationships and fostering cooperation among emerging and developing market economies is reflected in various activities and programs that India Exim Bank has set in place. India Exim Bank operates a comprehensive range of financing, advisory, and support programs to promote and facilitate India's trade and investment.

In the region, Indian project exporters secured project export contracts comprising infrastructure development and power generation and transmission projects in Kazakhstan, Tajikistan, and Turkmenistan.

India Exim Bank has supported Indian companies setting up joint ventures in countries including Uzbekistan and Kazakhstan in the Central Asian region, in pharmaceuticals, healthcare services, and construction sectors, with a sanctioned amount of INR 550 million.

Presently all five Central Asian countries are covered under the Trade Assistance Programme (TAP), as focus countries. Under TAP, transactions have been supported in Tajikistan totaling US\$ 7.3 million, facilitating export of textbooks and equipment from India, as well as for transmission lines in Tajikistan.

Potential for Enhancing India's Trade and Investment Relations with Central Asian Countries

India and the Central Asian countries offer natural synergy for expanding economic cooperation due to their complementarities across a spectrum of sectors. The agricultural landscape, encompassing related activities, food processing, and textiles, presents prospective areas for collaboration. Additionally, India's pharmaceutical expertise, coupled with Central Asia's resource-rich environment — with mining, metallurgy, and hydrocarbons — presents mutually beneficial opportunities.

Beyond these established areas, the potential for synergistic partnerships extends to mineral processing, infrastructure development, construction, and the chemicals sector. By capitalizing on these complementary strengths, both parties could create mutually rewarding economic relationships.

Central Asian nations are diverse economies with immense development scope when provided with a suitable ecosystem. There exists huge export potential in these nations stemming from their abundance of minerals and deposits of metals.

India's imports from Central Asian Republic countries are fertilizers, inorganic chemicals, iron, and steel. These countries have huge deposits of rare minerals and gases; however, due to limited technology, exploration has proceeded slowly.

There exists potential for enhancing exports of inorganic chemicals from the Central Asian Republics to India.

The abundance of natural resources in the Central Asian Republics presents a wealth of opportunities, particularly in sectors that align with Central Asia's unique strengths. These include renewable energy, leveraging the region's solar and wind potential.

Investments in logistics and transportation infrastructure, capitalizing on Central Asia's position as a crucial link between continents, hold immense promise. With a growing middle class, Central Asia has the potential to bolster its agricultural sector. By focusing on key crops like wheat, cotton, and fruits, while also diversifying production, the region can enhance food security and contribute to regional and global food markets.

The following sectors, among others, represent promising opportunities for Indian investors in the Central Asian Republics:

- Kazakhstan: Petrochemical Industry, Mining and Metallurgical Sector, Agribusiness and Food Processing, and Healthcare.
- Kyrgyzstan: Renewable Energy, Agriculture and Food Processing, Textile Manufacturing, and Tourism and Hospitality.
- Tajikistan: Mining and Refining, Heavy Equipment, Information and Communication Technologies (ICT), and Electrical Power Systems.
- Turkmenistan: Petrochemicals Exploration and Processing, Logistics and Transportation.
- Uzbekistan: Agricultural and Food Processing, Hydrocarbon Processing, Chemical Industry, and Travel and Tourism.

Key Policy Recommendations

India's bilateral engagements with countries in Central Asia have been modest owing to limited connectivity, when compared to other partner countries of the region. This relationship could, however, be bolstered by collaboration in sectors like agribusiness, renewable energy, healthcare and pharmaceuticals, IT and ICT, besides the traditional oil and gas sector.

A few strategies to enhance cooperation between India and Central Asian countries in order to further harness bilateral trade and investment opportunities are briefly analyzed.

Enhancing Trade Based on Identified Potential

India needs to expand its exports in products in which it has significant export capabilities at a global level, but which account for a modest share in Central Asia's imports. This study has identified potential items that could be targeted by Indian exporters. The identified products for increasing India's exports broadly include machinery, transport vehicles, electrical equipment, articles of iron and steel, pharmaceutical products, optical, photographic, and surgical equipment, apparel, chemical products, cereals, and plastics and articles made thereof. India's imports from Central Asia in 2023 accounted for only a share of 0.1% of total imports. Central Asia holds enormous potential to increase its exports to India for products like mineral fuels, fertilizers, inorganic chemicals and compounds of rare earth metals, among others.

The Reserve Bank of India has put in place an arrangement allowing transactions in domestic currencies to promote growth of global trade, with emphasis on exports from India and to support the increasing interest of the global trading community in INR. Banks from Kazakhstan among the Central Asian countries have opened Special Rupee Vostro Accounts in Indian banks. Further impetus to this scheme and local currency trade settlement agreements with the Central Asian nations could help in optimizing trade costs.

Cooperation in Digital Public Infrastructure

India has built a strong digital economy, driven by robust Digital Public Infrastructure (DPI), contributing significantly to economic development. The Unified Payment Interface (UPI) is an instant real-time payment system for facilitating inter-bank transactions, which is simple, safe, cost-effective, mobile-based, and has become one of the most prominent forms of digital payments in India today.

Several countries, including the UAE, are now accepting financial transactions through India's homegrown digital payments technology, the UPI. Exploring similar agreements with Central Asian countries for joint payment systems could help reduce transaction costs. India and Central Asian Republics could collaborate in developing similar digital infrastructure, including joint payment mechanisms, which could also help in digitally connecting India and Central Asian countries.

Facilitation of Market Entry through Joint Ventures and Technological Collaboration

Market access of Indian companies needs to be enhanced among the Central Asian countries to create awareness among the population about products and services supplied by India. This could be promoted through joint ventures and technical collaboration, especially in sectors like the petrochemical industry, renewable energy, textiles, tourism and hospitality, agriculture and food processing, healthcare

and medical devices, pharmaceuticals, chemicals, engineering and construction equipment, and logistics and transportation. Capacity building in technical areas could help create further demand. Knowledge transfer and investments are required to create the necessary image for the Indian products. India and Central Asian countries could develop a detailed industrial cooperation plan for joint projects in areas of mutual interest.

Enhancing Access to Trade Finance

According to ADB research, 57% of the total value of trade finance applications by MSMEs (micro, small, and medium-sized enterprises) in Central Asia undergo rejection, as compared to 33% in other Asian economies. Correspondent banking also remains limited in Central Asia, which has in fact undergone a retreat over the past six years since 2019. The withdrawal of global banks from correspondent banking relationships often relates to challenges in the capacity of local respondent banks. Correspondent banking plays a crucial role in cross-border payments, facilitating cross-border commercial transactions. In order to fill this gap, development finance institutions could develop financial instruments or credit enhancement mechanisms like risk participation and transaction guarantee agreements to support non-traditional confirming banks in countries of Central Asia.

Trade and Border Crossing Facilitation in the Central Asian Republics

Improving trade facilitation measures and developing transport infrastructure are crucial and could provide Central Asia with rapid economic growth, intensify mutual trade, capitalize on its strategic location, integrate the region into the global supply chain, and become a vibrant transport and logistics hub. A number of challenges remain unresolved:

- Central Asia needs to actively engage the trading community in policy development and enhance cooperation between national agencies in the region.
- The Central Asian countries should harmonize and modernize their customs and border crossing procedures in accordance with World Customs Organisation (WCO) standards and recommended practices as well as open access to information to simplify trade procedures.
- Further digitalization is indispensable to reduce duplication of customs formalities and border waiting time amongst the Central Asian countries.

Improving Transport and Logistics

Transport and logistics are among the key challenges facing trade between India and the Central Asian countries. Currently, there are no land routes in operation

connecting India and Central Asia. Air transport is the only type of direct connection, but is useful only for expensive or express delivery goods like perishable items. The bulk of goods are transported by two multimodal routes – the International North-South Transport Corridor (INSTC) and the route via Suez and Black Sea ports. The INSTC is significantly shorter, but its potential has not yet been unlocked for the delivery of goods between India and Central Asian countries due to administrative barriers and infrastructure bottlenecks. As a result, cargo travels triple the distance and several transshipments along the circuitous route through Suez and the Black Sea ports. High transport and logistics costs reduce the competitiveness of delivered goods and the volume of mutual trade.

Key policy recommendations for development of hard infrastructure for further facilitating bilateral trade and investments could include: electrification of the main railways in Central Asia, modernization of existing roads, construction of nodal multimodal freight transport and logistics centers, modernization of border crossing points, attracting investments in construction, modernization, and renovation of transport infrastructure. Implementation of measures in the three key areas of soft infrastructure, viz. harmonization, coordination, and digital transformation, could also significantly contribute to increased economic engagement and opportunities.