

RIS DISCUSSION PAPERS

Economic Cooperation between India and
Central Asian Republics
with
Special Reference to Uzbekistan

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RIS-DP # 53/2003



**Research and Information System
for the Non-Aligned and
Other Developing Countries**

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June 2003

**RESEARCH AND INFORMATION SYSTEM FOR THE
NON-ALIGNED AND OTHER DEVELOPING COUNTRIES (RIS)**

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RIS Discussion Papers intend to disseminate preliminary findings of the research carried out at the institute to attract comments. The feedback and comments may be directed to the authors(s).

Preface

The Visiting Research Fellowship in International Economic Issues and Development Policy is a programme conducted by the RIS under the Indian Technical and Economic Cooperation (ITEC) Programme of the Government of India with the objective of providing to the officials and scholars from other developing countries an opportunity of receiving training in India in specific areas of common interest. Under the Visiting Research Fellowship programme of the RIS, the selected Fellows spend about four months with RIS during which they attend specialized courses on select themes in the fields of economic development and international economic relations and also work on a select theme of research under the guidance of the RIS faculty. The Visiting Fellows are also given an opportunity to interact with experts in different fields.

Mr. Abdurahim Okhunov Abduraxmonovich, Senior Research and Economic Analyst, The University of World Economy and Diplomacy, Republic of Uzbekistan, conducted his research at RIS during February-May, 2003 as a Visiting Research Fellow under the programme. He also interacted with officials in the ministries, government organizations, industry and scholars in the academic world.

This paper resulted from Mr. Abduraxmonovich's work on "Economic Cooperation between India and Central Asian Republics with Special Reference to Uzbekistan" during his stay at RIS, under the guidance of Dr. Ram Upendra Das, Fellow, RIS.

An earlier version of the paper was presented at the Seminar on "Development Cooperation Prospects between India and Other Developing Countries" held at RIS on May 28, 2003. The Seminar had representation of ministries and government organizations, embassies, industry and academics, and the paper benefited from the feedback.

We are happy to release the research paper of Mr. Abduraxmonovich as RIS Discussion Paper for contributing to wider awareness about the potentials of cooperation between India and Uzbekistan. We do hope that the ideas and suggestions contained in this paper would be found useful both in India and Uzbekistan.

(Nagesh Kumar)
Director General

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Introduction

The sovereign and independent Republic of Uzbekistan, located in the middle of Central Asia, was formed in the wake of the collapse of the former Soviet Union. With independence, it became necessary to choose a form of government and a strategy for social and economic development that would ensure a transition to market relations.

Developing countries in general have integrated their economies more intensively with the world economy with the extensive reforms undertaken over the past two decades. During the 1990s, most Central Asian economies have undertaken extensive reforms to integrate themselves more intensively with the world economy.

The increasing global integration is expected to expand economic opportunities and also benefit them from the emerging international specialization, obviate the constraints on their development imposed by the size of domestic market, and absorb spillovers of knowledge and technological developments taking place in the rest of the world. However, the globalization process has also thrown many challenges for the developing worlds. The last decade of transition for the Central Asian countries has also posed unique challenges for them. Another important phenomenon of the world economy has been the upsurge of regional cooperation groupings. It is in this context, that the issue of economic cooperation between India and Central Asia and Uzbekistan in particular has been given the focus in this study.

The study is divided into various sections. Economic development of Uzbekistan and India are analyzed in Section I. In Section II a brief profile of the economic performance of Central Asian countries is presented. Indo-Uzbek bilateral economic relations are analyzed in Section III. A special emphasis is placed in Section IV on identifying constraints in cooperation. Finally, in Section V some policy recommendations have been made for intensifying economic cooperation between India and Uzbekistan, which might be relevant for providing an impetus to the economic cooperation process between India and Central Asian countries as well.

I. Economic Development of Uzbekistan and India

In this Section an attempt has been made to provide a brief account of the economic development of Uzbekistan and India in recent times.

Economic Development in Uzbekistan

Uzbekistan is a Sovereign Democratic Republic, which was founded on 31 August 1991. The country was created as a civic legal state founded on the universal principles of democracy and respect for human basic rights and freedom and social justice. The highest state representative body is a one-chamber parliament, the Oliy Majlis of the Republic of Uzbekistan, with legislative powers.

Having gained independence peacefully, by a parliamentary resolution, Uzbekistan chose its development path aimed at building a free and legal market-based democratic society and creating adequate living conditions for its citizens. Uzbekistan has chosen its own way of development, acknowledged throughout the world as the “Uzbek model” of government and social construction.

Since its early years of independence, Uzbekistan has been steadily implementing its own society reorganization strategy based on the five principles determined by the President Islam Karimov:

- economy’s priority over politics, full de-ideologization of the economic relations;
- the state acting as a chief reformer;
- supremacy of law, including legislation-based guarantees for foreign investments;
- social protection for the population;
- evolutionary character of the reforms.

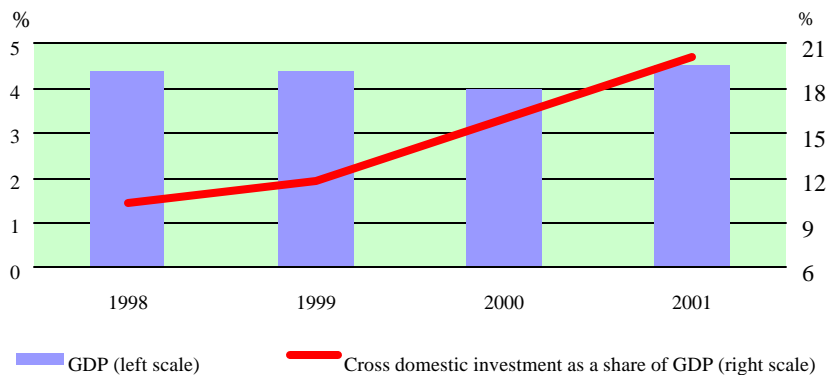
In its foreign economic relations, Uzbekistan is successfully implementing the “open door policy” that is aimed at ensuring:

- Development of trade and economic relations regardless of the ideological principles;
- Equal and mutually beneficial cooperation both bilateral and multilateral-based;
- Priority of international law over national law, recognition of the GATT and WTO principles and rules as applied to the stage-by-stage liberalization of the trade regime in the process of integrating into this organization;
- Reasonable trade-off between competition and cooperation;
- Provision of the Most Favoured Nation Treatment to countries and individual foreign investors that bring in up-to-date technology to the country.

Uzbekistan’s location in the middle of the Central Asia – at the crossroads of transport routes linking the East and the West just as in ancient times—provides it with a favourable geopolitical position.

GDP growth of 4.5 per cent in 2001 was marginally higher than in 2000, which pushed national income to 3 per cent above its pre-independence level in 1991 (Figure 1.). This reflected reasonably strong growth in industrial output and in agriculture, despite continuing drought conditions.

Figure 1 GDP Growth & Gross Domestic Investment Ratio, Uzbekistan, 1998-2001



The agriculture sector, the largest employer and exporter, recovered after poor performance in 2000, when the cotton crop was the lowest since independence. The sector registered an expansion of 4.5 per cent in 2001, as cotton yields increased by nearly 10 per cent.

Growth of industrial output accelerated to 8.1 per cent in 2001 from 5.8 per cent in 2000. Production of automobiles surged, mainly as a result of better capacity utilization at UzDaewooAuto, a joint venture. Production of natural gas and ferrous metals also rose, while output of oil and gas condensate decreased.

The fiscal deficit stayed at 1 per cent of GDP in 2001 (Table 1). The shortfall was financed by central bank credits, the issuance of treasury bills, and proceeds from the sale of SOEs.

Table 1

Major Economic Indicators, Uzbekistan, 1998-2002 (%)

Item	1998	1999	2000	2001	2002
Rate of growth of GDP	4.4	4.4	3.0	3.0	3.0
Fiscal balance/GDP	-3.4	-2.7	-1.2	-3.3	–
Current account balance/GDP	-0.8	-0.1	0.7	2.1	3.3
Inflation rate	17.7	29.1	28.2	22.5	22.0
Money supply (M2)/GDP	28.1	32.1	27.1	25.2	25.2
Export growth	-18.0	-2.7	-5.9	9.4	4.7
Import growth	-22.0	-11.9	-8.0	3.5	3.8
Growth Rate Agriculture	4.0	5.9	3.2	–	–

– Not available

Source: Asian Development Outlook 2002

The Uzbek economy performed quite well in 2002. The Gross Domestic Product (GDP) increased by 4.2 per cent, the volume of industrial production increased by 7.2 per cent, manufacturing of consumer goods went up by 11.5 per cent, total agricultural production up by 4.5 per cent, volume of retail trade turnover increased by 8.3 per cent, and paid services rendered to the public increased by 12.7 per cent. The budget deficit was only 0.8 per cent of GDP.

In terms of economic reforms, a number of complex measures on further liberalization of external, economic and currency policies had been achieved by year 2002. These measures allowed significant strengthening and increased volume of foreign currency transaction in cash with simultaneous strengthening of national currency. The country pays great importance to the development of private entrepreneurship, small and medium business.

Favourable investment climate enabled to attract about \$12 billion of foreign investments in the economy of Uzbekistan. A total of 3,800 enterprises were created with foreign capital.

Industry

Some of the prominent industries in Uzbekistan are the Automobiles, Aircraft and Engineering. After UzDAEWOO, the Uzbek–South Korean Joint Venture which was put into operation in 1996, Uzbekistan was included into the automobile powers

of the world. Since June, it has produced more than 250,000 cars worth US\$ 2.5 billion, and in plans to increase its production 1.7 times, or to produce 51,400 cars of “Nexia”, “Tico”, and “Damas” models one of micro buses, as well as 7,000 cars of “Matiz”, the new model. One of the biggest aircraft building plants operates in Tashkent viz. “*Uzbekistan’s Chkalov*” Corporation. This enterprise maintains one of the largest and most significant aircraft assembly plants in CIS. The fuel industry acquires great importance in the economy of the country. From the total reserves of Central Asia, Uzbekistan’s share makes up: gas condensate – 74 percent, oil – 51 percent, natural gas – 40 percent and coal – 55 percent. Uzbekistan is one of the biggest countries in Central Asia that produces ferrous metals, engines, tractors and trailers, as well as excavators, etc. Developing its engineering potential, Uzbekistan now also produces motors, cable and wire products, excavators, cranes, elevators, textile and spinning equipment, and cotton gins. The country specializes in agricultural machinery.

Agriculture

The agricultural sector is an important segment of the national economy. Uzbekistan is one of the major producers of cotton fibre with approximately 4 million tons of cotton growth per year. The country ranks 4th in the world for cotton fibre production and is the 2nd largest exporter of cotton fibre. Silk worm cocoons, leather and karakul industries are highly developed in Uzbekistan. The country also ranks as one of the best in the CIS for the variety of fruits and vegetables production.

In the course of agricultural reforms, new economic structures have been formed in villages during the years of independence. The share of the non-state sector of the economy was increased. To develop farms is one of the priorities of reforms in agriculture. Now there are 31,000 farms registered in the Republic.

Natural and Mineral Resources

Uzbekistan is a country with rich mineral resources. More than 100 types of mineral deposits can be found in its depths (natural gas, petroleum, coal, gold, uranium, silver, copper, lead and zinc, tungsten, molybdenum, etc.). Uzbekistan is one of the world leaders in terms of its reserves in Gold, Copper, Silver, Zinc and tungsten as a whole, and ranks 4th in the world for Gold deposits.

Currently producing approximately 70 tons of gold per year, Uzbekistan is the seventh largest producer in the world. The country's nonferrous metals, particularly

gold, already make a strong contribution to its export earnings. One of the major foreign investments - Newmont Mining Corporation (U.S.) - is in this sector, and is being carried out in joint venture with the State Committee on Geology and the Navoi Mining Company. This remains the recommended route in what is one of the most attractive sectors for foreign investors. Newmont has also formed a joint venture with Mitsui (Japan) and the State Committee on Geology to take over and invest \$200 million in the Angren mine, south of Tashkent; the foreign partners would have majority shares. Western Mining of Australia is planning to invest \$100 million in a small gold mine in southern Uzbekistan. Currently the world's fourth largest uranium producer, Uzbekistan exported nearly \$11 million in uranium concentrate to the U.S. in 1996. Copper production is also highly developed; Uzbekistan was the third largest producer of copper in the former Soviet Union. The Olmalyq Mining and Metallurgical Works, near Tashkent, processes most of Uzbekistan's copper and zinc, currently generating approximately \$300 million in copper and \$10 million in zinc exports per year.

Oil and Gas

The priority, which the government attaches to the sector and the nature of the projects being developed, make it a key focus for international financial, investment and contracting interest. Uzbekistan has the major oil and gas fields of Central Asia. It has confirmed reserves of 2 trillion cubic meters of gas and 350 million tons of oil. It also accounts for 14% of the potential hydroelectric resources in Central Asia.

Uzbekistan also possesses large deposits of crude oil and gas. The country has large plans for development of the gas extraction industry and production connected to natural gas and gas condensate extraction increased steadily from 3 to 8 million tons and gas extraction from 40 to 60 cubic meters. Uzbekistan also possesses the 2nd largest deposits of coal in Central Asia.

Uzbekistan possesses a well-developed system for transporting gas, which consists of 9 main gas arteries accessing the entire gas pipeline system of the CIS and other countries. The transport system of the country meets all domestic demands.

Uzbekistan possesses substantial hydrocarbon resources, particularly in natural gas, where it is among the world's ten largest producers. It became gas self-sufficient in 1985. Uzbekneftegas, Uzbekistan's state-owned national oil and Gas Corporation manage oil and gas production.

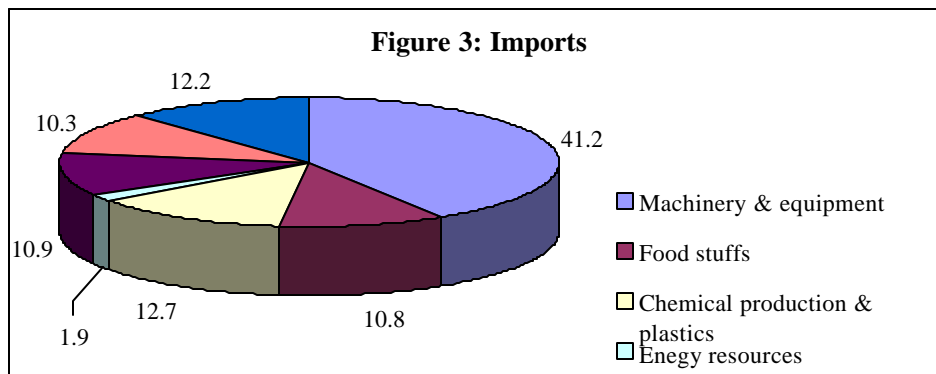
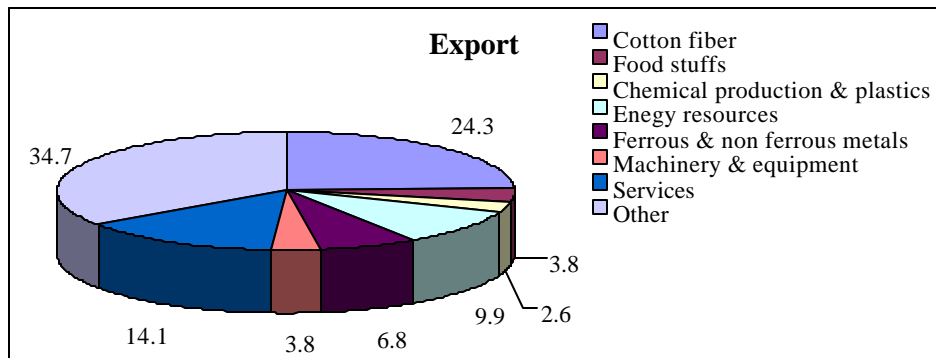
Banking Sector

The banking sector and financial markets are still at an early stage of development. This is reflected in the low level of financial intermediation in the economy. Moreover, the banking sector is highly concentrated, with the larger banks remaining in the public sector and facing limited competition.

External Sector

Foreign trade turnover of Uzbekistan rose in 2001 as compared to 2000 by 3.1% and made up US\$ 6,401.8 million. The foreign trade in 2001 covered more than 130 countries. At that, the developed countries' part of the trade made up 3.9%, that of developing countries 30.1%, CIS countries 35.7%. The major trade partners in the CIS are Russia – 17.6%, the Ukraine – 5.8%, Kazakhstan – 4.9%. The composition of Uzbek trade are given in Figures 2 and 3. The major export items are cotton fibre, food stuffs, chemicals, plastics, energy, metals, machinery, services, etc.

Figure 2: Uzbekistan's Trade Composition: 2001 (%)²



The major imports are machinery and equipments, food stuffs, chemicals, ferrous and non-ferrous metals, services, etc.

Economic Development of India

During the 1990s India has embarked upon economic openness which is reflected in policy reforms in the areas of trade, industry, investment, exchange rate, etc. This has entailed reduction in tariff duties, removal of quantitative restrictions, liberalization of FDI policies, delicensing in the industrial sector, liberalization and improvement in exchange rate management and so on. All these together have been coincided with a sustained economic growth performance in different sectors of the Indian economy. However, some of the developmental indicators concerning poverty, health, education, gender disparity have shown improvement but less than desired. Nevertheless, Indian economic development in recent times is note-worthy and a special mention needs to be made in terms of its success on account of a strong resilience in situations when different parts of the world confronted with economic crisis and shocks.

According to data for 2001-02, released by the Central Statistical Organization (CSO), the Gross Domestic Product (GDP) at factor cost at constant 1993-94 prices grew at 5.6 percent in 2001-02. The pick-up in growth of the Indian economy observed in 2001-02 was stronger than what had been initially anticipated. The monsoon failure, however, affected agriculture severely, with agriculture and allied GDP declining by 3.1 percent, as per the advance estimates released by the CSO on February 7, 2003. This agriculture-pulled deceleration in growth, in 2002-03, clouds an across-the-board improvement in the growth performance of industry and services from 3.3 percent to 6.1 percent, and from 6.8 percent to 7.1 percent, respectively, between 2001-02 and 2002-03. Indications are that, in spite of a severe monsoon deficiency, the rebound in growth observed since 2001-02 gained momentum in industry and services sectors in the current year. Some of the major macro-economic indicators are given in Table 2 that suggest that Indian economy has been doing quite well on different dimensions such as fiscal balance, current account balance, money supply, inflation, and foreign trade .

Table 2**Major Economic Indicators, India, 1999-2003 (%)**

Item	1999	2000	2001	2002	2003
Rate of growth of GDP	6.1	4.0	5.4	6.0	6.8
Fiscal balance/GDP	-5.4	-5.7	-5.7	-5.3	-4.8
Current account balance/GDP	-1.1	-0.6	-0.5	-1.0	-1.5
Inflation rate	3.3	7.2	4.7	4.0	5.0
Money supply (M3)/GDP	14.6	16.7	11.2	14.0	15.0
Export growth	9.5	19.6	-1.0	11.0	14.0
Import growth	16.5	7.0	-0.9	13.0	14.5

– Not available

Sources: Central Statistical Organization, National Accounts Statistics 2001, Ministry of Finance, Union Budget 2002-2003; Reserve Bank of India, RBI Annual Report 2000-01 and 2002, RBI Bulletin, February; staff estimates.

Foreign trade has displayed dynamism in recent years. During 1998-99, exports covered over 9,300 commodities to about 220 countries while imports were from about 180 countries of over 8,250 commodities. Exports cover a wide range of items in the agricultural and industrial sectors as also handloom, cottage and handicraft articles. Project exports which include consultancy, civil construction and turn key contracts have also made a significant progress in the recent years. Computer software exports have also increased significantly. Imports have increased substantially, bulk of which comprise items like petroleum and petroleum products, fertilizers, precious and semi-precious stones for export production and capital goods, raw material, consumables and intermediates for industrial production and technological upgradation.

Policies in the post-reforms period have emphasized upon greater encouragement and mobilization of non-debt creating private capital inflows for reducing reliance on debt flows as the chief source of external resources. Progressively liberal policies adopted in this regard have led to increasing inflows of foreign investment in the country, both in terms of direct investment (FDI), as well as portfolio investment. Annual aggregate foreign investment inflows varied between US \$ 4 to 6 billion during the period 1993-94 to 2001-02.

II. Economic Performance of Central Asian Countries

Central Asia, in the traditional sense includes: Uzbekistan, Kazakhstan, Kyrgyzstan, Tajikistan, and Turkmenistan. However, invariably countries of Southern Caucasus – Armenia, Azerbaijan and Georgia are also counted when it comes to discussion in a broader context. Together this group of nations constitutes Central Eurasia, as some experts prefer to call it.

During the 1990s, the gross domestic product (GDP) fell by 49 per cent in Tajikistan, 48 per cent in Kyrgyzstan, and 43 per cent in Kazakhstan, with somewhat smaller contractions, in Turkmenistan (19 per cent) and especially Uzbekistan (17 per cent). More recently, these economies have displayed economic dynamism in terms of growth in their GDP (Table 3)

	Country	1998	1999	2000	2001
Gross	Kazakhstan	-1.9	2.7	9.6	13.0
Domestic	Uzbekistan	4.4	4.4	4.0	4.0
Product	Turkmenistan	5.0	16.0	17.6	16.0
	Kyrgyzstan	2.1	3.7	5.0	5.3
	Tajikistan	5.3	3.7	8.3	10.2

The economies of Central Asia grew at 2.8 percent in 1999, up from the previous year's 0.8 per cent. Kazakhstan implemented major policy adjustments, including floating its currency, the tenge. Stabilization of commodity prices and prudent fiscal policy provided breathing space for implementing reforms, which helped the economy grow to 1.7 per cent in 1990, compared with a 1.9 per cent contraction the previous year. The Kyrgyzstan is economy was in the middle of a major fiscal and financial adjustment process, but the GDP growth rate in 1999 was 3.6 per cent, up from 2.1 per cent in 1998. Uzbekistan, the country with the largest population in Central Asia, is following its own gradual reform program. Foreign exchange controls the country's policy of self-sufficiency, and rudimentary financial markets all impede more rapid economic progress. GDP growth in 1999, at 4.4 per cent, was the same rate recorded in 1998.

Inflation in Central Asian Countries

The currencies of Kyrgyzstan and Tajikistan were relatively stable in 2001 owing to strong economic growth and tight monetary policies. A large inflow of hard currency from gas exports helped to stabilize the exchange rate of the manat in Turkmenistan, although the multiple exchange rate system remained in place in 2001. Uzbekistan introduced of policy measures to relax currency control for both foreign investors and national businesses in 2001 in order to liberalize the foreign currency market gradually. Among these were the abolition of tax on repatriated hard currency earnings and the exemption of SMEs from the surrender rate. While foreign investors could convert their profit from Uzbek sums to into the hard currencies at the new exchange rate without paying the 5 per cent commission, exporters still had to sell a minimum of 50 per cent of their hard currency earning to the Government. Uzbekistan thus continued to rely on the multiple exchange rate system, and the exchange rate of the sum was adjusted downwards from 433.7 to 680.9 to the Dollar in November 2001. However, the sum did not become fully convertible in 2001, as had been planned.

III. Indo-Uzbek Bilateral Economic Relations

The visit of the President of the Republic of Uzbekistan H.E. Mr. Islam Karimov to India in August 1991 was fundamental in development of Trade and Economic Co-operation between Uzbekistan and India. The second official visit of the President of Uzbekistan H.E. Mr. Islam Karimov to India in January 1994 gave a new impact to the Uzbek–India Trade and Economic Relations. In May 2000 the third official visit of the President of Uzbekistan H.E. Mr. Islam Karimov to India was held, when the Uzbek Ministry of Foreign Economic Relations and Confederation of Indian Industry signed the Memorandum of Understanding and Co-operation. Also basic agreements regulating external economic relations between the economic entities of the Republic of Uzbekistan and the Republic of India were signed. On 24 May, 1993 the government of the Republic of Uzbekistan and the Republic of India signed an agreement on Trade and Economic Co-operation, which established the Most Favoured Nation Treatment in trade between the two countries.

The agreement signed between the governments of the Republic of Uzbekistan and the Republic of India on May 18, 1999 on promotion and mutual protection of investments, creates legal base for development of mutual investment process.

On July 1993 in Delhi the first session of the Uzbek-Indian Joint Intergovernmental Commission on Trade-Economic, scientific and Technological Cooperation was held. The Second Session was held in November 1994 in Delhi, the Third Session in March 1996 in Tashkent, the Fourth Session in February 1999 in Delhi. A Meeting with the members of the Federation Indian Chambers of commerce and industry (FICCI) was also held and an Agreement on creation of Joint Business Committee between Chamber of Commodity Producers and Entrepreneurs of the Republic of Uzbekistan and Federation of Indian Chambers of Commerce and Industry and Associated India was signed.

Indo-Uzbek Joint Commission

It was decided to establish an Indo-Uzbek Joint Commission during the visit of Prime Minister Narasimha Rao to Uzbekistan in 1993. The First session of the Indo-Uzbek Joint Commission was held in New Delhi between 27th-28th July 1993. EAM and the Uzbek side by Deputy Prime Minister Miryakubov led the Indian side. At the end of the Joint Commission meeting, agreements were signed on cooperation in science & technology, tourism, avoidance of double taxation and a protocol on cooperation between the Foreign Ministries. The second session of the Indo-Uzbek Joint Commission was held in New Delhi on 22nd November, 1994. The Uzbek Deputy Prime Minister, Utkir Sultanov and the Union Commerce Minister of India led the respective delegations. An Indo-Uzbek credit agreement for the utilization of the second credit line of US \$ 10 million was also signed. An MOU was signed which envisaged closer interaction between government agencies in specific sectors including trade & economic cooperation, banking, technical education etc. Two sub-commissions, on trade and commerce and S&T, were constituted to address specific issues in these areas of interest and remove bottlenecks. The third session of the Joint Commission also took place during Indian External Affairs Minister's visit to Tashkent in March 1996. The 4th meeting of the Indo-Uzbek Joint Commission was held in New Delhi on 18-19 February 1999.

Indo – Uzbek Bilateral Trade Relations

The growth of trade turnover was connected both with growth of export of goods from Uzbekistan to India and with increase of imports of necessary raw materials and other goods from India. In comparison with 1992, trade turn over has increased by 12 times in 2000. The exports have increased by almost 10 times and imports by almost 15 times. In 2001, total trade turnover between the two countries was US \$ 19.98 mn., with exports of US \$ 10.52 mn. and imports of US \$ 9.46 mn.

The major exports from India are pharmaceuticals, tea, plant and machinery, surgical items and services (which includes payments for technology transfer by Indian joint ventures). On the other hand, export of commodities from Uzbekistan included non-ferrous metals, machinery and equipment, and agricultural produce. However, more than 95% of Uzbekistan's exports to India are shown as 'Services' in the figures published by the Uzbek authorities. This needs attention in terms of harmonizing the trade statistics between the two countries.

Joint Ventures

At present there are some Indian joint ventures in Uzbekistan. Five of them are in pharmaceuticals sector. The first Indo-Uzbek joint venture, which started production was 'East Butterfly' for the manufacture of stainless steel kitchenware. The joint ventures in pharmaceutical sector, which are already operational are Surkhan-Ajantha Pharma Ltd., Core Pharmsanoat Ltd., Gufic-Avicenna Ltd. and Reddy Pharmed Ltd. One more joint venture of Rusan Pharma Ltd. is still in the initial stage. A joint venture is being set up by Premier Explosives Limited, Secunderabad with M/s. Navoiazot in Nukus for manufacture of industrial explosives and detonators. In construction sector, M/s Tata Projects Ltd. completed the construction of a modern hotel (Hotel Le-Meridien) in Tashkent during 1996. Another Indian company M/s Larson and Toubro have constructed two hotels, one each in Samarkand and Bukhara.

Uzbek-Indian Centre for Promotion for Scientific and Technological Cooperation

The Uzbek-Indian scientific and technological interaction is based on the intergovernmental Agreement on cooperation between the two countries in the field of science and technology which was signed on the 29th of July 1993 in New Delhi. The "Uzbek-Indian Center for Promotion" was set up in 1994, for practical and successful realization of joint scientific and technological programs.

The co-ordinators of the Centre's activity are the State Committee of the Republic of Uzbekistan for Science and Technology (SCST) and Department of Science and Technology (DST), Ministry of Science and Technology, Government of India. The Centre also carries out the activities in the priority directions of co-operation, determined by the SCST and DST, such as agriculture, medicine, pharmacology, ecology, computer science (including software for computer), physics, energy sciences (including solar energy), theoretical problems of science and technology etc.

The Working Program of Co-operation between SCST and DST signed in Uzbekistan in May, 1998 allows to expand the exchange of experts between two countries.

Cooperation in the field of solar energy

The Uzbek-Indian Program of co-operation on solar energy is based on the experience of solar power installations and provides the realization of joint scientific researches, experiments and engineering works on the development and construction of Solar Furnace in India with the help of Uzbek experts. Executives of the program are the Institute of Material, Academy of Science of Uzbekistan, and International Center of Power Metallurgy and New Materials (ICPMNM) in Hyderabad.

The co-operation under the program is carried out in the direction of joint research of physical properties of high-temperature and especially clean materials and development of similar materials on the Large Solar Furnace of the Institute of Material. In 1999, the solar furnace with a concentration diameter of 2 meters and with power of 1.5 kwt, developed by the Institute of material, was handed over to the ICPMNM, for the development of scientific-technological works in India in the field of solar power, on a complimentary basis. The planned works have been completed, first trial smelting of materials was carried out and the original system of material presenting was developed.

Cooperation in the field of medical electronics, application of lasers in medicine and devices of exhaust gases control

As the result of fruitful cooperation in the given area, two Uzbek-Indian centers of laser therapy, equipped with medical devices, developed by Uzbek scientists, were established in Delhi and Indore. At present, the cooperation in the area is directed at the development of a new generation of medical devices with increased efficiency for disease treatment. Within the framework of the Program on application of laser

radiation in medicine the portable computerized cardiograph with three-channel registration of signals was created. The device for radiation and control of condition of active points of human body and treatment of chronic diseases by methods of reflex-therapy has been developed.

Cooperation in the field of agriculture

There has been cooperation in the field of development and improvement of technology of cultivation of rice by a sprout way and it has been generated and executed. A complex set of materials on technology and the technique of sprout way and two hand-operated mechanisms of rice sprouting for application in the field experiences in Uzbekistan were handed over by the Indian side on the complimentary basis. At present the concerned Uzbek agencies are carrying out large-scale experiments on application of the new technology in a number of regions in Uzbekistan. The partner links between the Institute of Plants Protection of Uzbekistan and Central Institute of Cotton Growing of India were established in order to conduct joint study of application and practice of biological methods of plants protection. Within the framework of the given program the scientists of the two countries have exchanged the new effective methods of plants protection without the use of chemical preparations.

In the framework of exchange of experience and scientific-technical information two seminars were held: in 1996 in Tashkent on advanced technologies, and in 1999 in India on agricultural research. The issues of mechanization of cotton growing, rice growing and gardening were discussed in the seminars. As a result the recommendations for development of cooperation in such areas as material, power, laser technologies, rice and cotton growing, gardening, soil-growing and agro-chemistry, irrigation, genetic fund of plants, genetic researches were developed. The given recommendations became the basis for realization of a number of major joint projects.

Cooperation in the field of information technologies

Within the framework of the program on joint development and the introduction of computer training programs to the education system, an agreement was reached on study of prospects of application in Uzbekistan of the experience of the Indian side for the organization of computer courses in various levels. An intensive exchange of experts between the two countries has been carried out and

training and retraining courses of experts were organized. Courses were organized on information technologies, automation, management and other disciplines. In 1999, special courses for the enterprises in village districts for the chiefs of regional scientific and technical Centers of Uzbekistan were also organized.

Posts & Telecommunications

India and Uzbekistan signed an Agreement on Bilateral Cooperation in the field of Posts and Allied Matters in January, 1994. A Joint Committee was constituted in 1996 to implement the above Agreement. The first meeting of this Joint Committee was held in New Delhi in January 2001, when the two sides discussed cooperation in mail transmission, EMS, imbalance rate and other terms etc. During the visit, the Uzbek delegation also held talks with the Telecommunications Consultants India Limited (TCIL) regarding counter computerization project and saving bank automation of Uzbek Posts. At present TCIL and Department of Posts are jointly implementing the two pilot projects in Tashkent city (<http://www.meadev.nic.in>).

IV. Constraints in Cooperation

An attempt has been made here to identify certain constraints in Cooperation between India and Central Asian Countries in general. However, in so doing, prospects for India-Uzbekistan economic cooperation has been given a special focus. Some of the obstacles are discussed and analyzed briefly below.

A Late Starter

Given the fact that most of the Central Asian Countries have embarked upon adoption of market-orientation policies more intensively during the 1990s acts as an important constraint in furthering their economic relations with other countries of the globe. This one single fact that a country like Uzbekistan is still in the phase of transition towards relatively more market-based economic policies acts as a major hindrance in fostering economic cooperation with India. Some of the notable specific problems are in the realms of pricing policies, exchange rate management, banking practices, etc.

Information Gap

Information gap between India and Central Asia and more specifically India and Uzbekistan acts as a major barrier for economic cooperation initiatives. It has been found that the trade and business community in India does not possess adequate

information about Uzbekistan which is necessary for making economic decisions. This is one important constraint due to which trade and investment flows between the two countries have remained rather limited. The study has discovered that the extent of information gap is very large in as much as Indian trading community does not have even an authentic trade directory of businessmen in Uzbekistan. Similar situation also exists in Uzbekistan and it must be highlighted that whatever information the business community in Uzbekistan has about Indian business sector is not up-to-date.

Lack of Information Technology Infrastructure

Central Asian Republics in general and Uzbekistan in particular suffer from one major bottleneck coming in the way of promoting economic relations with India and that is non-availability of adequate information technology infrastructure. Due to this factor information exchange, dissemination, analysis, market survey studies and finally policy and economic decisions are hindered.

Economic Research Capability

Since the economies are in the phase of transition towards market paradigm the newer market-based economic concepts are often not understood clearly in Central Asia and Uzbekistan in particular. Thus lack of economic research capability in the era of transition emerges as yet another obstacle for intensified economic relations. Economic research is also constrained due to lack of adequate statistics and research material which in turn hampers the economic policy making process itself. This is another important reason for low trade and economic relations between Uzbekistan and India.

Inadequate Banking Facilities

Interactions with business community in India have brought to the fore the need for improving the banking facilities in Uzbekistan especially in the realm of trade finance. One common complaint from the Indian business community is in terms of overdues and insecurities with respect to trade related payments and repatriation of profits. The inadequate banking facilities in a country like Uzbekistan has also come in the way of their interactions with their counterparts in India.

Exchange Rate Management

As highlighted above, since Central Asian Countries have been later starters with respect to economic reforms, exchange rate management poses a major challenge to the policy makers. This is one dimension which has important bearing on the trade and economic relations between Uzbekistan and India.

Currency Non-convertibility

The issue of currency non-convertibility has also been cited as one of the several constraints acting upon Indo-Uzbek bilateral economic relations in particular and Central Asia-India economic cooperation in general. However, this issue has implications for the macro-level policy in Uzbekistan and it is linked to its overall development strategy. Nevertheless, it would be pertinent to address this issue at the bilateral policy level at least to the extent possible.

Transport Bottlenecks

This is a major problem for a country like Uzbekistan which is in the centre of the Central Asian region. Apart from the transport bottlenecks imposed by the level of development itself, this country faces special problems relating to its land-lockedness. There is an urgent need to tackle this problem to provide an impetus to the Indo-Uzbek bilateral trade and investment cooperation.

Insufficient Travel Links

Inadequate travel links between India and the Central Asian region is considered as another major constraint in furthering the cooperation levels between the countries under question.

Single-entry Visa

Single-entry visa for Indian businessmen in Uzbekistan is yet another obstacle for doing business not only in Uzbekistan but also other Central Asian countries. An analysis of the situation suggests that a provision of multi-entry visas would do away with the constraint of accessing these countries for initiating trade and joint venture initiatives. It would help the business community to reap the economies of travel into the region and facilitate making Uzbekistan a hub for economic activities across the Central Asian region.

The above-mentioned constraints are some of the major ones that have been identified during the course of this study. Addressing these concerns would contribute to the economic cooperation initiatives between India and Uzbekistan as well as the Central Asian Republics.

V. Policy Recommendations

Against the background of the Study, more specifically, in the backdrop of the constraints that have been identified the following policy recommendations could be taken note of for improving the bilateral economic relations between India and Central Asia on one hand and Indo-Uzbek economic partnership on the other.

1. Conducting a Feasibility Study on Central Asia-India Economic Cooperation Agreement in general and Uzbekistan-India Free Trade Agreement in particular.
2. Signing of an MoU between Trade Point in India and Competent Institution in Uzbekistan.
3. Constitution of an Expert Group to Study the Possibilities of India Providing Technical Advice to Uzbekistan on Central Banking Functions and Commercial Banking Operations. Special attention needs to be given to the issue of currency convertibility in Uzbekistan.
4. Increasing Inter-governmental Exchange of Technical Experts Relating to Science and Technology Projects aimed at Economic Development.
5. Initiating Joint Ventures in the Areas of Cotton, Textiles and Garments, Automobiles, Bicycles, Food Processing, Telecommunications etc.
6. Cooperation in the Area of Services such as Database Creation and Dissemination, Consultancy Services, Infrastructural Services, etc.
7. Consideration of Multi-entry Visa provision in Uzbekistan in order to make it a window to other Central Asian countries.

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