

India- CIS Knowledge Report Reimagining 'An Extended Neighbourhood'

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INTRODUCTION

CIS economies centred in a region with avenues of unexplored natural wealth and drivers of economic progress has been of growing interest for various businesses and countries across the world. From its rich natural reserves and untapped resources to its economic advancements in energy, defence, pharmaceuticals healthcare, agro-processing, textiles, tourism, and hospitality - CIS economies remain a one stop destination with varied opportunities.

The Central Asian region comprises of its 'Five Stans' - Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan. After gaining independence in 1991, these economies went through transitions of economic change. Metals and mining; and energy resources continue to remain one of the key drivers of economic growth in this region. While Kazakhstan is the world's largest producer of uranium, Turkmenistan has the fifth largest natural gas reserves in the world. Abundant resources in hydropower has developed Tajikistan and Kyrgyzstan as a major producer in electricity. Tajikistan also holds one of the largest aluminium manufacturing plants in the world. Uzbekistan is among the world's leading producers of cotton and second largest exporter of cotton in the world.

Strategically located at the convergence of Asia and Europe, CIS economies can play an important role to enhance trade facilitation and investment linkages across different countries of Asia and Europe. Reigniting our ancient trade links dating back to the silk route era to weaving new threads of economic complementarities is the future for development. To actualise this process, seamless connectivity is key. More importantly, CIS economies, rich in its natural energy resources will need to be utilized to their best potential in a more sustainable manner. The outbreak of the COVID-19 has sent shockwaves across economies, seeking change in perspectives and reimagine our quest for global prosperity with sustainability, inclusivity, and social well-being.



INDIA-CIS RELATIONS

India and CIS countries have always shared cordial relations and trade linkages dating back to the ancient silk route era. The regions' mutual interests and cultural dimensions have led to strong synergies, people to people connects and deep-rooted bonds of admiration between India and Central Asia. Over the years, the relationship has strengthened by fine threads of mutual trust, economic complementarities & political goodwill, history & culture linkages which have withstood the test of times while enjoying the support of people of both the regions.

India has been investing heavily in the CIS region, from economies in Central Asia to the Russian Far East region. Significant investments in the energy sector and natural resources such as diamonds and gold are successful examples of Indian investments in the CIS region.

Some of the potential areas of collaboration include -

- Agribusiness and food sector - Agro products, food processing, machinery & equipment, fertilizers, irrigation, and packaging, etc
- Pharmaceuticals & healthcare - drugs, pharmaceutical products, medical devices & equipment, research & development, medical tourism & education, medical infrastructure including hospitals, clinics, medical research centres
- Energy, metals & mining- power generation & transmission, oil refining & petrochemicals, gas exploration, Iron & steel, non-ferrous metals
- Machinery & mechanical appliances - Electrical machinery, television image and sound recorders, etc
- Textiles - raw silk, raw wool, other textile yarn and fabrics, raw cotton, apparel, carpets, etc
- Gems and jewellery - pearls, stones, precious and semi-precious stones, diamonds and gold jewellery
- Leather and rubber -hides, skins, leather products, raw rubber



DEVELOPMENTS FOR ENHANCED CONNECTIVITY

As part of the 'extended neighbourhood', many economies of the CIS region strive to overcome the challenge of seamless connectivity for trade in goods, investment linkages and business partnerships with India. Resources in abundance from agricultural produce to untapped reserves in the oil and gas sector - CIS region calls for India's urgent attention to jointly collaborate for economic progress in development.

The **International North South Transport Corridor** initiated between India, Iran, and Russia currently suggests routes wherein goods can be transported from Jawaharlal Nehru and Kandla ports on India's west coast to Bandar Abbas Port in the south of Iran by sea. From Bandar Abbas, the goods can be transported by road to the Iranian port of Bandar Anzali on Caspian Sea and from there to the Russian port of Astrakhan by sea. The goods can then be transported into Russian Federation and Europe by Russian railroads. It is estimated that INSTC can reduce the time and cost of deliveries by 30-40%. It is much shorter than the current route, which runs through the Suez Canal and the Mediterranean Sea. Goods transported through the Suez take 45-60 days to reach Europe, compared to INSTC's 25-30 days. While the INSTC route is aimed at movement of goods through Iran and the Caspian Sea to Russia and Northern Europe, it also enables connectivity between India and Central Asia through Iran. The corridor, over the years, has witnessed the expansion of its membership to some of the Central Asian countries including Kazakhstan, Kyrgyzstan, and Tajikistan and other CIS economies including Armenia, Azerbaijan, Belarus, Ukraine, etc.

While Uzbekistan and Turkmenistan agreed to support its member countries in developing the missing links along the corridor, India has also explored the potential to connect with Central Asia via Iran's **Chabahar Port** followed by overland connectivity through Afghanistan. Afghanistan has also started using the port facility. It has sent its first export consignment to India through Chabahar Port in February 2019. Subsequently, it has sent three more consignments to India through Chabahar Port in June 2019.



As India and CIS economies, do not share a physical border, exploring ways to connect the regions will require various means to facilitate regional connectivity.

'NEW ARCHITECTURES' FOR CONNECTIVITY

AIR CONNECTIVITY – Building a 'Silk Route' in the sky

The viability of air connectivity can play a crucial role to boost economy, increase productivity, enhance business links, and further provide greater access to resources and international markets. Exploring new direct air routes and enhancing existing air networks with the CIS economies is the need of the hour.

Countries including Kazakhstan, Uzbekistan, Turkmenistan, Tajikistan, Kyrgyzstan, Georgia, Azerbaijan with growing economic interests have significantly expanded airport capacity, increased the number of flights that connect the CIS region with other regions of the world, and enhanced air routes in collaboration with other partner airlines. India, is in the position to further extend its air connectivity with CIS countries with increasing demand between the two regions in agricultural products, food items & food processing and growing opportunities in the field of higher education, medical tourism, etc. The distance covered by air between India and Central Asia is less than 4-5 hours compared to time taken by containers which is usually at least 2 months. Perishable goods, agricultural products and medicines of high value segments could benefit from a seamlessly connected air corridor across the CIS economies with India.

As the economies explore the possibility of an air corridor, increased participation from the airline industry and stakeholders of logistics and multimodal parks will help in developing an effective, remunerative, and flexible air corridor.

India Afghanistan Air Freight Corridor is an excellent example of air connectivity to enhance trade and investment linkages for long term partnerships. The connectivity established through the Air Freight Corridor provides Afghanistan, a landlocked country,



greater access to markets in India, and enhances businesses to leverage India's economic growth and trade networks for its benefit. It also enables Afghan farmers quick and direct access to the Indian markets for their perishable produce.

DIGITAL CONNECTIVITY – Bridging the digital divide

In the wake of transformational changes due to COVID-19, emerging technologies in digital infrastructure are bridging the digital divide and bringing the world together to reassess business models, restructure supply chain linkages and diversify areas of sectoral expertise for business continuity. Technological advancements and innovation including automation, big data, robotics, and the Internet of Things (IoT) are restructuring global value chains towards advanced manufacturing.

Even before the pandemic, India has taken several initiatives over the past few years in this confluence of emerging technologies and rapid digitalization. The **flagship programme Digital India**, is an initiative to transform India into a digitally empowered country by providing every citizen with access to digital services, knowledge, and information to meet India's digital needs. In addition, **JAM Trinity is one of India's major reforms** to deliver direct benefits to India's poor by linking Jan Dhan accounts, Aadhaar and Mobile number which has been a huge success since its establishment. It has demonstrated that using open Application Programming Interfaces (APIs) and open source technology, software products can be developed both by the Government and private entities. India has also initiated the **Bharat Net Program** which provides affordable broadband connectivity of 2 Mbps to 20 Mbps for all households and on demand capacity to all institutions. This programme is more relevant now than ever, considering its facilitation to deliver e-health, e-banking, e-governance, e-education, and other services to rural India. The Reserve Bank of India has also taken initiatives in the areas of Payment infrastructure, digital banking, and financial innovation.

India and CIS economies can enhance their relations by investments for development in digital technologies. Combined efforts in knowledge sharing, joint partnerships and



restructuring supply link chains using digital technology and advanced manufacturing can help build new networks of connectivity towards a digital future.

OTHER AREAS OF CONNECTIVITY

Developing economic corridors can help diversify the region's industries and make them competitive globally through technology, logistics and other business support services. India has undertaken several national and cross-border infrastructure development initiatives with its neighboring countries. The driving force behind the current push towards cross-border infrastructure development is the increasing growth in regional trade, obtaining greater access to international markets, benefiting from increased synergies in production, etc. At the national level, the various economic corridors include Delhi-Mumbai Industrial Corridor, the Bangalore-Chennai Economic Corridor, Amritsar-Kolkata Industrial Corridor.

This includes transforming social infrastructure facilities to strengthen connectivity networks as well. Enhancing medical infrastructure by increasing healthcare spending and in innovation are important pillars of social development. More recently, the use of telemedicine is witnessing countries overcome geographical barriers to provide access to medical healthcare. Improving housing communities, educational facilities close to manufacturing clusters and improving the clarity on property ownership by extending unique property ID and geo-tagging are indirect, yet important means to strengthen connectivity for economic development of regions.



Key takeaways of FICCI LEADS Session: Reimagining 'An Extended Neighbourhood'

The FICCI LEADS 2020: Session on Reimagining 'An Extended Neighbourhood' was organised on 15th October 2020 at 1345 hrs on the FICCI Bike virtual platform. The theme of the session included deliberations on the role of India and CIS economies to redefine and re-invent the economic fabric. Discussions about the future of the VUCA world and its imperative to build a framework of digital connectivity and strategic trade and investments, leveraging complementarities of CIS economies with India was the special focus. Role of business excellence and adaptability to change was given a special mention. Some of the key takeaways of the session include -

- Exploring direct air connectivity and enhancing existing traditional modes of network with the CIS economies are the need of the hour for furthering business and greater access to resources, to emerge stronger in the 'new normal'.
- Digital Connectivity through technological innovation will lead to advancement of joint partnerships, restructuring supply chains and build connectivity towards a digital future.
- With economies closely linked in complex, inter-woven value chains and the deepening technical cooperation for use of advanced technologies across sectors, will be a key factor in adapting to economic disruption(s) in trade and investments relations between India and the CIS.

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"FICCI remains committed to supporting the Government of India's strategic neighborhood policy with CIS economies." - Mr. Shiv Vikram Khemka, Vice Chairman, Sun Group

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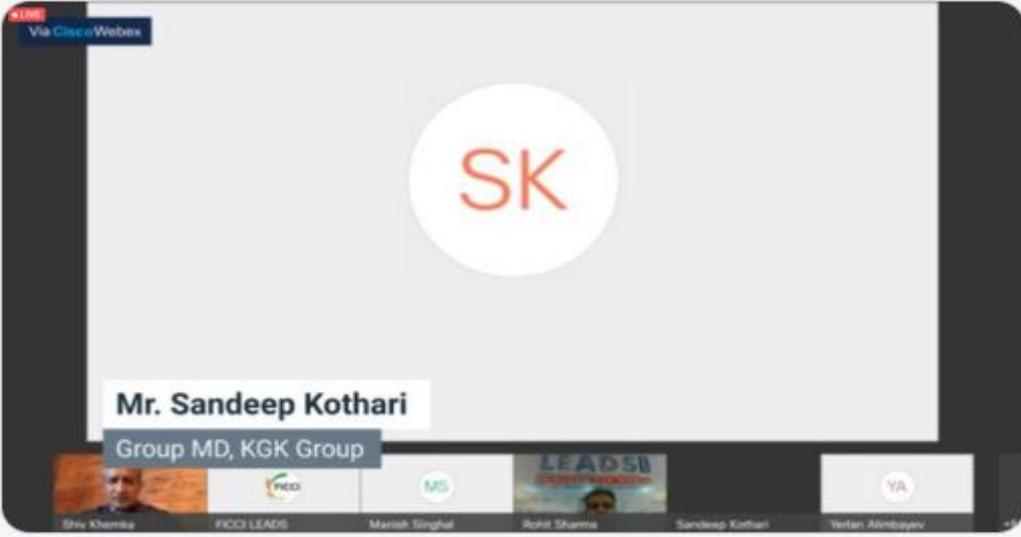


Mr. Shiv Vikram Khemka
Vice Chairman, Sun Group

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Mr. Sandeep Kothari, Group MD, @kgk_group stated that being in the diamond business, the luxury segment has been deeply impacted by the pandemic. But nevertheless, we are all finding our roots again.

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Mr. Sandeep Kothari
Group MD, KGK Group

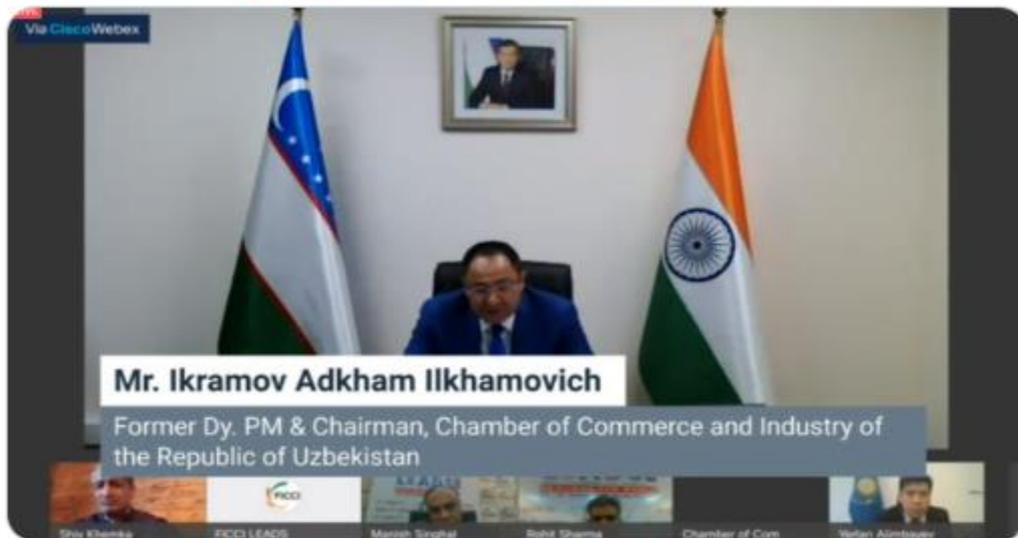


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"This is the time to open a new chapter with Central Asia" - Mr. Ikramov Adkham Ilkhamovich, Former Dy. PM & Chairman, Chamber of Commerce and Industry of the Republic of Uzbekistan

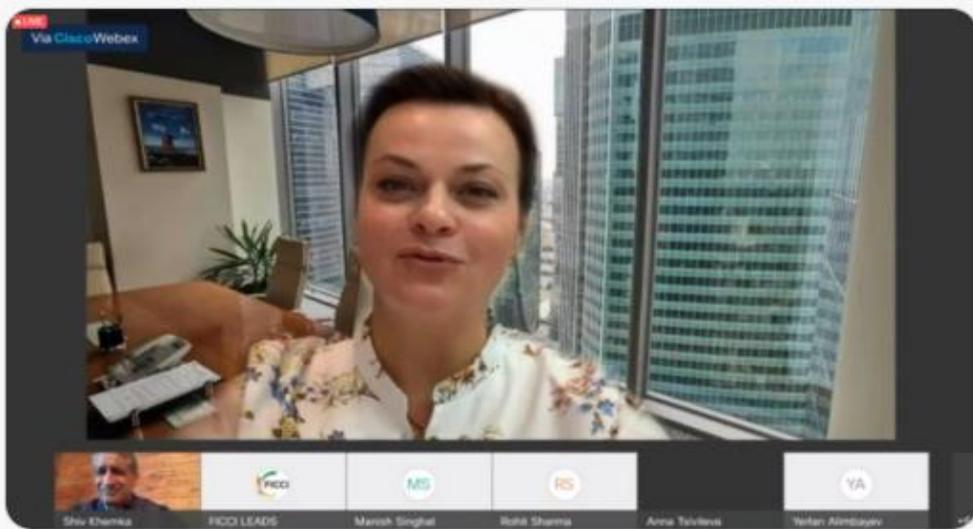
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Ms. Anna Tsivileva, Chairman of the BOD, Kolmar Group, Russia – "Asia-Pacific region is the most active participant with Kolmar in the world & India is the leader in the region. Indian companies including JSW Steel, Tata steel have been sent samples to start cooperation soon."



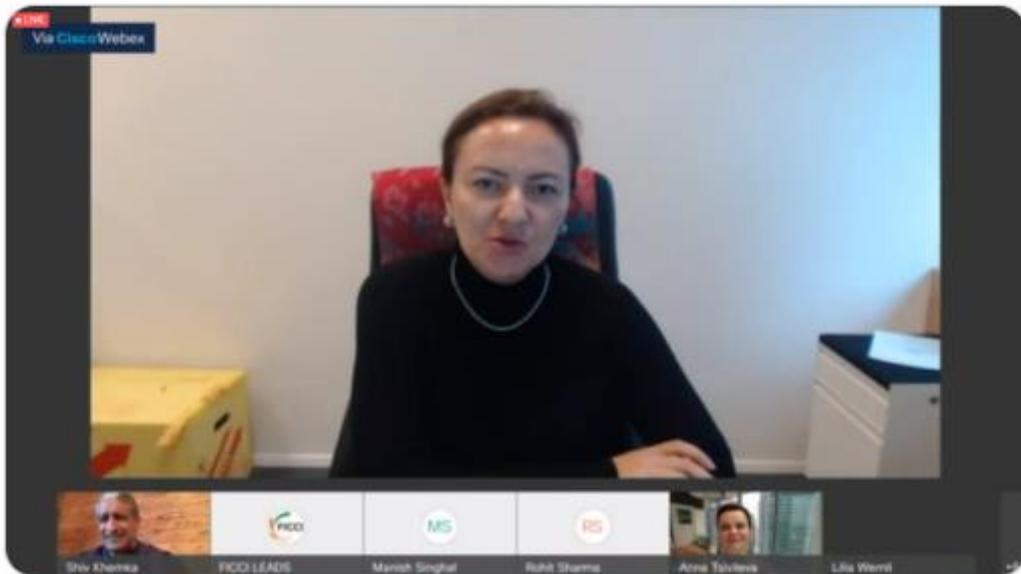
LEADS INDIA 2020
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REIMAGINE THE WORLD
 12th -15th October 2020 (Monday-Thursday)
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Ms. Lilia W, CEO, Kolmar Group AG, Switzerland drew emphasis on enhanced cooperation with Indian steelmakers and we would like to develop this cooperation further. India will become the largest coking coal consumer in the world & Kolmar would like to develop joint collaboration.



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Mr. James Martin, Chief Executive Officer, @AIFC_BC mentioned that “Logistics around the Caspian Sea, the southern silk route and INSTC corridor play a key role to enhance connectivity. It’s not only important to increase access by rail by also by air cargo.”

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Established in 1927, FICCI is the largest and oldest apex business organization in India. Its history is closely interwoven with India's struggle for independence, its industrialization, and its emergence as one of the most rapidly growing global economies.

A non-government, not-for-profit organization, FICCI is the voice of India's business and industry. From influencing policy to encouraging debate, engaging with policy makers and civil society, FICCI

articulates the views and concerns of industry. It serves its members from the Indian private and public corporate sectors and multinational companies, drawing its strength from diverse regional chambers of commerce and industry across states, reaching out to over 2,50,000 companies.

FICCI provides a platform for networking and consensus building within and across sectors and is the first port of call for Indian industry, policy makers and the international business community.