

India-Kazakhstan relations: Challenges and opportunities

By Shri Ashok Sajjanhar, Former Ambassador of India to Kazakhstan

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1. Kazakhstan will be celebrating the 22nd Anniversary of its independence from the Soviet Union on 16th December, 2013. 22 years are a short period in the life of a nation. For Kazakhstan however these years have been most significant, transformational and momentous. Kazakhstan's leadership and its people can justifiably look back with enormous pride, satisfaction and gratification at the rapid strides of development in political, strategic, economic, commercial, social and cultural spheres that the country has witnessed during this period.

2. Relations between India and Kazakhstan have also exhibited considerable dynamism and momentum over this period. India was one of the first countries to recognize Kazakhstan as a free, sovereign State after the break-up of the Soviet Union in 1991. President Nazarbayev chose India to be the first country outside the former Soviet block for a State visit in Feb, 1992 after the independence of Kazakhstan in Dec, 1991. This decision demonstrated the deep respect and admiration in which President Nazarbayev and the people of Kazakhstan hold India as a country endowed with a glorious past, having a vibrant present and blessed with a bright future. This visit was followed by a regular exchange of visits and meetings at the highest political level as well as at Ministerial and official levels. However the full potential of this partnership has as yet not been realized. Reasons are not far to seek. They are internal, regional as well as international. It is only over the last few years since the visit of Vice-President MH Ansari to Kazakhstan in April, 2008 followed by the State Visit of President Nazarbayev as the Chief Guest at India's 60th Republic Day Celebrations in 2009 that the relationship has started exhibiting signs of dynamism and vitality. Return visit by PM Dr Manmohan Singh in April, 2011 provided the much needed philip and impetus to the bilateral engagement. An exciting window of opportunity beckons the two countries to take the partnership to a qualitatively newer and higher level. The two Governments, corporates, business houses, academia, civil society and the common people will need to actively play their due roles and discharge their responsibilities if the relationship is to achieve its full potential. Both India and Kazakhstan stand today at the threshold of what promises to be a new, more dynamic and vibrant phase in their relations.

3. Kazakhstan has made remarkable progress over this short period of 22 years. Not only has it been able to preserve peace, security and stability in the country but equally importantly, has emerged as a significant economic and political actor in the Central Asian and CIS region.

4. Kazakhstan stands on the border between Europe and Asia. Astana, the new Capital of the country signifies the centre of the Eurasian heartland, not only in terms of its geographical location but also in the synthesis of architecture, economic dynamism, vibrant culture and social life that it represents. In addition to its large territory – Kazakhstan is the 9th largest country in the world with an area of 2.8 million sq kms, representing about 86% of India's landmass – Kazakhstan serves as a land bridge straddling the two huge landmasses of Europe and Asia providing a vital link between the civilizations that have prospered and flourished in these two continents. Notwithstanding the difficulties and

uncertainties at the time of its independence in 1991 and the immense economic hardship and lack of availability of essential commodities, Kazakhstan has evolved into a self-reliant and confident country and economy.

5. The economy of the country grew at an average rate of 10% from 2001 to 2007 when it was severely impacted by the US induced sub-prime mortgage lending crisis which triggered the international economic crisis. Kazakhstan's GDP dipped to 3.5% and 1.2 % over the next two years but bounced back robustly in 2010 and 2011 to more than 7% per annum. The Eurozone sovereign debt crisis which severely impacted upon the health of the international economy also hit Kazakhstan hard. The sharp decline in oil prices from USD 147 to USD 40 over these years also hurt the revenues and Current Account balance of the country. However the resurgence in the crude prices on account of uncertainty in West Asia, and wise policies of the Government have helped it to bounce back with increased vigour and dynamism. This is evident in the performance of several critical economic indicators. Per capita GDP increased from a level of USD 700 in 1994 to around USD 13,200 in 2011, an increase of about 16 times over a period of 15 years which is not a mean achievement by any yard stick. Poverty levels declined from 35% in 1999 to 8.2% in 2011. , unemployment declined from 13.7% in 1998 to 5.4% in 2011. Oil production rose from 798,000 bbls per day in 2001 to 1.6 million bbls per day in 2011. Exports grew from USD 5.2 billion to USD 89 billion while imports rose from USD 4.8 billion in 1999 to USD 42 billion in 2011. Cumulative FDI crossed the USD 100 billion mark in 2007. Current Account balance which was -7.2 billion in 2007 and -3.4 billion in 2009 surged to record an impressive gain and register a positive figure of USD 13.6 billion in 2011. The Capital of the country was transferred from the Southern city of Almaty to Astana in 1997 for a host of political, strategic, economic and social reasons. In this short span, Astana has emerged as an attractive, beautiful, modern metropolis with excellent infrastructure of roads, airport, hotels, government offices, museums, art galleries, business parks, theatres etc. Notwithstanding the ongoing economic and financial crisis, the city continues to grow and expand at an impressive pace.

6. Kazakhstan has pioneered several significant initiatives since its independence, both in the national and international fields. President Nazarbayev captured the imagination of the people of Kazakhstan even before the country became independent by raising his voice in 1989 against the use of Semipalatinsk as a site for nuclear tests by the Soviet Union. Nazarbayev followed this through after he became the President of the country by banning the testing of nuclear weapons at this site in August 1991, exactly 42 years after the first test was carried out in 1949. He also took the bold and courageous step of forsaking and giving up the world's 4th largest nuclear arsenal, notwithstanding the fact that Kazakhstan is surrounded on two sides by 2 nuclear weapon states. In the area of foreign relations, Kazakhstan launched the Conference on Interaction and Confidence Building Measures in Asia (CICA) through the address by President Nazarbayev to the United Nations General Assembly in October 1992. President Nazarbayev has also pioneered the three yearly Congresses of Leaders of World and Traditional Religions. Four such highly successful conclaves have been held so far in Astana in 2003, 2006, 2009 and the last one in 2012.. These meetings have grown in strength in numbers, participation and range of subjects deliberated upon with every passing year. These Meetings bring together leaders of all the major religions of the world to deliberate upon issues that confront them, in a friendly and

cordial atmosphere to determine mutually acceptable and beneficial solutions. Another significant achievement of Kazakhstan is maintaining peace and tranquility amongst its more than 130 ethnic communities that inhabit this land. Representatives of 130 nationalities live here. The local ethnic group – Kazakhs make the largest part of the population – 58.9%, while Russian – 25.9%, Ukrainians – 2.9%, Uzbeks – 2.8%, Uighur, Tatar and German – 1.5% each, and other groups comprise 4.3% of the population. There are more than 100 ethnic groups living in peace in Kazakhstan. Many nationalities have come to Kazakhstan not of their own will, but were driven here by political repression and persecution. In Stalin's time Kazakhstan hosted 1.5 million political prisoners from Russia and other regions of the USSR. More than 1.3 million people were deported by Stalin during World War II years "as representatives of unreliable nations".

7. Kazakhstan is the largest economy in Central Asia and the second largest (after the Russian Federation) amongst the Commonwealth of Independent States. In the national economic field, Kazakhstan has spearheaded the Strategy 2030 Initiative; ambitious plans to transform Kazakhstan into an Innovation Nation and bring it amongst the 50 most competitive economies of the world by 2015; established several new companies like Samruk-Kazyna to promote diversification of the economy and strengthen efficiency and competitiveness. Strategy 2030 has recently been further extended and expanded to Strategy 2050 to take Kazakhstan to new heights of economic growth and prosperity. Kazakhstan's economic initiatives have yielded significant and impressive results that have lifted large segments of the population above the poverty line and helped to spread prosperity among all segments of the population. In his National Day Address to the Nation on 16th Dec, 2012, President Nazarbayev laid out a strategy for the country, calling for better governance, improvement of welfare and tax systems, support for small- and medium-sized businesses and development of infrastructure. Currently ranked as the 51st most competitive country in the world, Kazakhstan, he said should work towards and aspire to be ranked among the 30 most advanced nations by 2050. To do so, Kazakhstan will need to integrate its economy into the global and regional economic systems by capitalizing on its transit potential and bolstering information technology capabilities. As an oil-rich country and a reliable international partner, he said that Kazakhstan will lift the existing subsoil use moratorium in an effort to become "a regional magnet for investment." This would be done in exchange for advanced technologies and creation of new production. He also tasked the government to increase the share of agriculture of the country's GDP fivefold by 2050 through a series of measures including government stimulus packages. Nazarbayev directed the government to lift all licenses and permits not directly affecting safety in the first half of 2013. He also said that it was necessary to redistribute responsibilities so that a second wave of privatization of non-strategic enterprises could begin. The goal: to preserve the nation's high rate of economic growth.

8. Kazakhstan is an active member of regional organizations like the Shanghai Cooperation Organization (SCO), Eurasian Economic Community (EURASEC), Commonwealth of Independent States (CIS), Collective Security Treaty Organisation (CSTO), etc. Kazakhstan has been active in launching the Eurasian Customs Union which came into effect from January 2010 with initial participation of Kazakhstan, Russia and Belarus. The Eurasian Economic Space is likely to become a reality by 2015.

Results so far of the Economic Union have been encouraging and have helped to significantly expand trade and economic linkages between the three partner countries even in a short span of 3 years.

9. The innovative and creative policies of the Kazakh Government since its independence by virtue of which Kazakhstan was able to build up a National Oil Fund of USD 28 billion stood it in good stead in dealing with the international economic crisis and the resultant financial and economic slow down. Combined with the USD 23 billion in foreign exchange reserves, Kazakhstani banks were able to effectively refinance or repay most of their debts which matured in 2007 (USD 12 billion) and in 2008 (USD 17 billion). Kazakhstan was able to achieve this by effectively supporting its national currency Tenge and not allowing it to depreciate which could have resulted in unmanageable inflation, severe erosion of confidence of the public and huge increase in repayment of foreign debts, most of which are denominated in hard currency.

10. The steep decline in international price of crude at the onset of the crisis in Aug, 2007 came as a double shock. The Government was, however, able to ride through this lean phase by curtailing expenditure on non-essential projects while maintaining and even enhancing expenditure on social programs. The Kazakh Government earmarked an amount of USD 21 billion (USD 10 billion from the National Oil Fund plus USD 5 billion from foreign exchange reserves plus USD 5 billion from the Pension Fund plus USD 1 billion from the Distressed Assets Fund) which it employed to enhance liquidity in the market, support the banking and financial system, promote agriculture, encourage small and medium sized business enterprises, provide housing for the middle classes as also stimulate innovation and diversification of the economy.

11. Thus unlike most other countries in its neighborhood and elsewhere, Kazakhstan managed to position itself in a cautiously comfortable position and was able to deal effectively with the crisis. None of this would have been possible were it not for the farsighted and sagacious leadership that Kazakhstan has been fortunate to enjoy since its independence.

12. The single most important challenge that confronts Kazakhstan today is to overcome its predominant reliance on natural resources so as to diversify into sectors such as telecommunications, financial services, transport, construction, pharmaceuticals, food processing etc.. With the possibility of developing (including value addition) of many key industrial sectors and modernisation in services sectors, Kazakhstan offers enormous opportunities for trade and investment. The situation is complicated by the fact that Kazakhstan is fortunate to have been endowed with large commercially viable deposits of most minerals on the Mendeleev Table. For instance, Kazakhstan is the second largest source of uranium, chromium, lead, and zinc reserves and among the top ten sources of coal, manganese, copper, iron, and gold reserves. Kazakhstan also has the 11th largest proven reserves of both oil and natural gas. Mining accounts for 61.6 percent of industrial output. The Kazakh Government is however using all available policy instruments to provide a fillip to manufacturing, industry, value-addition, services and agriculture in its GDP composition.

13. Relations between India and Kazakhstan are, of course, ancient and historical. They can indeed be characterized as being civilisational in scope, content and range. Ties between the countries date back

more than 2500 years when members of the Saka tribes traveled to India and established mighty empires in the North West of the country. There has been a constant and regular flow of trade in goods and, more importantly, free exchange of ideas, thought and philosophy through the Great Silk Route in the 5th -12th Century AD. This period also saw the introduction of Buddhism from India to Kazakhstan and travel of Sufism through the teachings of Khwaja Ahmed Yassawi to India. Babar's illustrious Mughal dynasty which included farsighted and visionary rulers and patrons of arts like Akbar and Shahjahan immensely contributed to the Indian civilization. Simultaneously, rulers and scholars like Mirza Haidar Dughlat left their indelible imprint on regions like Kashmir which they ruled for several years. More recently, during the last Century, we have seen new elements being added to our bilateral relationship through the popularity of Indian films, culture, dance and music in Kazakhstan. It would not be an exaggeration to say that India and Kazakhstan have felt a natural affinity and bond with each other for the past several millennia.

14. Reasons for our strong and abiding relations are not difficult to find. Both our countries are multi-ethnic, multi-linguistic, multi-cultural societies committed to following secular policies and to countering fundamentalism, religious extremism and terrorism. Views of both our countries coincide on all major domestic and international issues. This closeness and warmth in our relations was amply demonstrated by the fact that President Nazarbayev chose India to be the first foreign country outside CIS to visit in February 1992 after Kazakhstan attained independence in December 1991. This visit was followed by the visit of Prime Minister of India Sh. Narasimha Rao in 1993. Vice President of India Sh. KR Narayanan visited Kazakhstan in September, 1996 and Indian Prime Minister Sh. Atal Bihari Vajpayee came to Kazakhstan in June, 2002 for the first CICA Summit as well as on a bilateral visit.

15. More recently, Vice President of India Mohammad Hamid Ansari visited Kazakhstan in early April 2008. This was the first visit at such a senior political level for preceding several years. Fruitful discussions to provide greater economic and commercial content to the bilateral relationship were held with President Nazarbayev, the then Prime Minister Masimov as also with Chairman of Senate Kassym J. Tokayev and President of Lower House of Parliament Aslan Musin. Several areas including IT, space, agriculture, food processing etc. were identified for imparting a fillip to bilateral ties.

16. Visit by President Nazarbayev as the Chief Guest on India's 60th Republic Day celebrations on 23-26 Jan, 2009 imparted a significant impulse to our bilateral ties. Discussions were held on providing a big push to bilateral commercial and economic ties as well as in the area of energy cooperation. A breakthrough was made in bilateral relations when the Agreement between ONGC Mittal Energy Limited (OMEL) and KMG, the National Oil Company of Kazakhstan was signed in respect of the off-shore Caspian Sea block of Satpayev. A significant achievement of the visit was the signing of MOU between the National Company KazAtomProm and the Nuclear Power Corporation of India Limited for cooperation between the two sides, inter-alia, on supply of Uranium to India.

17. On the political side, President Nazarbayev strongly condemned the terrorist attacks in Mumbai and reiterated his full support to India for combating international terrorism. President Nazarbayev expressed his appreciation for the active cooperation and support by India to Kazakhstan's initiative of Conference on Interaction and Confidence Building Measures in Asia (CICA) which is a multilateral forum

promoting peace and stability in Asia. President Nazarbayev reiterated the support of Kazakhstan for India's candidature for permanent membership of the United Nations Security Council (UNSC). India on the other hand conveyed its support to membership of Kazakhstan to the ASEAN Regional Forum as and when the expansion of membership is considered by the Member States.

18. A Strategic Partnership Agreement was signed during the visit to propel cooperation between the two countries to a higher strategic level. The choice of President Nazarbayev as the Chief Guest at India's 60th Independence Day celebrations was a strong testimony to the warmth, affection and respect that India has for President Nazarbayev personally as well as for the people of Kazakhstan. President Nazarbayev is the first and only leader from Central Asia to have been invited by India in this capacity and to have been accorded this honour. This invitation also effectively underscored the strategic importance of India's relations with Kazakhstan and the bright prospects for further strengthening and diversifying ties in the coming years.

19. PM Dr Manmohan Singh's visit to Astana in April, 2011 provided the much needed impetus to bilateral relations. One of the most significant achievements of Dr. Singh's visit was the signing of the agreement for cooperation in peaceful uses of atomic energy. It provides a legal framework for cooperation in fuel supply, nuclear medicine, use of radiation technologies for health care including isotopes, reactor safety mechanism, exchange of scientific and research information, exploration and joint mining of uranium, design, construction and operation of nuclear power plants. The agreement needs to be viewed in the context of India's growing energy demands. According to India's 12th Five Year Plan, nuclear power will play a major role in meeting the country's energy needs. The country needs an additional 1,00,000 MW of power during the 12th Plan (2012-17).

20. The much-awaited agreement on energy cooperation was also finalised during this visit. A package of three agreements – participating share assignment agreement, carry agreement and joint operation agreement – on Satpayev exploration Block was signed between ONGC Videsh Ltd. and National Company "Kazmunaigas" (KMG).

21. India has been trying to gain a foothold in Kazakhstan's hydrocarbon sector since 1995. But it was only in 2009 that the Heads of Agreement was signed between the OVL and the KMG. This was followed by an Exploration Contract between India's Ministry of Oil and Gas and the KMG in 2010. And during Dr. Singh's visit came definitive agreements between the ONGC and the KMG. This agreement assigned 25 per cent participating interest in the Satpayev Block to OVL as a strategic foreign partner in the project. Thus, the agreement became the first breakthrough for India in the Central Asian energy sector.

22. Dr. Manmohan Singh's visit can be considered a major step forward in India-Kazakhstan relations during which the main thrust was given to cooperation in the field of hydrocarbons and peaceful use of nuclear energy and in finalising the Joint Action Plan for future cooperation for the period 2011-2014. Prime Minister Singh also acknowledged that "Kazakhstan is a very important and influential player in Central Asia" and India wants to develop this partnership in diverse fields.

23. India has consistently and actively supported the CICA process initiated by President Nazarbayev in 1992. India has an Observer status in the Shanghai Cooperation Organisation (SCO) and is keen to

enhance its contribution to the programmes and activities of this Organisation. India has applied for full Membership of SCO and there is considerable positive interest among Members of the Organisation to engage India more actively and substantively as a full Member of the Organisation. Interaction in UN and other international fora has been close and mutually supportive. Views of both countries coincide on all major domestic, regional and international issues.

24. In the cultural sphere, our relations are deep rooted, vibrant and dynamic. Indian feature films, dance, music and culture have a special place in the minds and hearts of Kazakh people because of similarities in our way of thinking and our views on life in general.

25. Economic and Commercial relations between India and Kazakhstan are growing and expanding. It needs to be recognised however that our interaction does not fully reflect the existing potential and is not commensurate with the strong and close relations and understanding between the two countries.

26. Bilateral trade between India and Kazakhstan increased from USD 120 million in 2005 to USD 210 million in 2006, an increase of about 75%. This showed a slight decline to USD 196 million in 2007. However, the two way commercial exchanges grew and remained steady at around USD 300 million over the last few years rising to around USD 500 million last year. This was announced by the Kazakh Foreign Minister Erlan Idrissov during his visit to New Delhi in Feb, 2013. The intervening economic crisis had kept the interaction subdued and significantly below par. Last few years have seen exports by Kazakhstan to India increase in a dynamic manner while those from India to Kazakhstan have struggled and slipped from their earlier levels. However, over the last several years, the composition of bilateral trade (exports as well as imports) has remained more or less unchanged. There is hardly any sign of product diversification with overall growth in trade volume. Trade expansion through exploring prospects in other commodities and reaping full potential of bilateral trade is yet to be realised

27. Kazakhstan is fast becoming a major source for metals and minerals. Iron and steel account for about 50 percent of India's imports. Zinc and its compounds constituted another 27.7 percent of imports and about 16 percent is accounted for by salt, sulphur, lime and other minerals. Thus, more than 90 percent of India's imports are on account of these commodities. Significantly, oil and natural gas do not feature in this list of major import items. On the other hand, pharmaceuticals, coffee, tea, spices, textiles and apparel are the main segments of exports from India. However, except for pharmaceutical products, among the top 15 merchandise imports by Kazakhstan, Indian exports figure less than one percent. Even in case of Indian pharmaceutical exports to Kazakhstan, percentage share of this item (as a percentage of total Indian export of pharmaceutical products) is less than one percent. India's export of services to Kazakhstan is negligible. Other than personal travel, financial services account for 3.94 percent of India's total export in that category and architectural, engineering and other technical consultancy account for 1.95 percent.

28. It is important to note that India's share in major imports by Kazakhstan from other Asian countries is less than 10 percent in all categories of products, except articles of iron or steel. It would be useful to look at India's comparative advantage in those product categories and compare it with that of its Asian competitors to understand future potential of Indian exports to Kazakhstan. However, over the last five

years, the composition of bilateral trade (exports as well as imports) has remained more or less unchanged. An important study on India's future trade prospects in the light of financial crisis has identified Kazakhstan as one of India's trading partners with a high unexplored trade potential. The gap between actual and potential bilateral trade was estimated at 86.19 percent of potential trade volume.

29. During 2007-09, annual FDI inflow into Kazakhstan was continuously above US\$11 billion. On the other hand, outward FDI from Kazakhstan reached US\$6.8 billion every year. Kazakhstan's FDI flow to India has been minimal till date. Kazakhstan's outward FDI initiatives are driven by the need for economic diversification beyond mining, and improvement in competitiveness through overseas experiences, adoption of internationally accepted standards of corporate governance, etc. Its FDI destinations have hence been developed countries with very high concentration in the Netherlands, Italy and UK. Likewise, India's contribution in FDI stock of Kazakhstan is also low. Despite having an investment treaty (Bilateral Investment Promotion and Protection Agreement) between India and Kazakhstan, which came into force in July 2001, cross-border investment relations are weak.

30. Several Indian nationals and Indian companies have a significant presence in Kazakhstan. Arcelor-Mittal Temirtau is a major investment by a non-resident Indian, the headquarters of which are located in Luxembourg. Several other well-known companies like M/s Punj Lloyd Kazakhstan Limited, KEC International Limited, TCS etc. have been active in this market in the area of construction of oil and gas pipelines, electric transmission lines, IT etc..

31. Tea and pharmaceuticals, in addition to engineering goods represent the largest components of our export basket to Kazakhstan. Indian tea has been gradually losing market in Kazakhstan on account of a variety of reasons including quality, packaging, marketing etc. Several initiatives have been taken by the Government to retain and further enhance India's position in this sector. In the area of pharmaceuticals, most large Indian companies are represented in the market. However given India's strong position in this sector, both in terms of quality as well as pricing, Indian companies can with a little focused and aggressive marketing significantly expand their share in the market.

32. The biggest problem in enhancing bilateral commercial exchanges is the absence of land connectivity and direct land access between India and Kazakhstan. Kazakhstan is in India's neighbourhood but India is not able to take advantage of its geographical proximity because it cannot use the land route through Pakistan and Afghanistan on account of the unstable security and political situation in these countries.

33. Another important reason is lack of adequate and authentic information available in Kazakhstan about the potential and prospects of collaborating with India, and vice-versa. There is a huge "information gap" between the two countries which keeps them from realizing the full potential of their relationship. Both the countries need to know each other better and come closer. It is essential to bridge the information divide that exists between the two countries to take full advantage of the existing regional and international economic and strategic environment.

34. The current regional and international economic situation provides an excellent opportunity for the two countries to further deepen and strengthen their cooperation. India has grown at an impressive pace over the last several years. Fundamentals of the Indian economy are strong notwithstanding some

recent hiccups. With bold economic reforms and measures which the Government has promised, the country is expected to continue its upward growth trajectory over the coming years.

35. Several areas present excellent opportunities for enhancing bilateral cooperation. In addition to Information Technology, Pharmaceuticals and Textiles, areas like Higher Education, Space, Small and Medium Business, Power generation, Food Processing and Agriculture also present rich potential for deepening our engagement.

36. Oil and gas of course represent the most important areas in which both countries can collaborate to mutual advantage. Currently India imports 70% of its energy requirements. India's demand for fossil fuels and other forms of energy is expected to keep increasing in view of its rapid economic growth. Currently Kazakhstan produces about 80 million tons per year (1.6 million barrels per day). With the Kashagan oil field expected to come on stream later this year, Kazakhstan's oil production is likely to go up to 150 million tons per annum by 2015 making it one of world's top ten exporters of oil. Kazakhstan can take advantage of the rich and vast experience that India has accumulated in downstream processing and refining of crude oil to manufacture petro-chemicals and other related products.

37. OVL was hopeful that it will be able to wrest a 8.3 % stake in the Kashagan oil field for which it had made an offer of USD 5 billion. Regrettably this share has been given to the Chinese for a similar amount although India had indicated its interest in this project much earlier. This has caused an avoidable psychological disappointment, shock and heartburn to the section of opinion makers and leaders in India who have been speaking out vociferously in favour of stronger strategic and economic links with Kazakhstan. However this setback notwithstanding, it would be important to continue to identify and pursue fresh initiatives and opportunities for strengthening and deepening the bilateral partnership.

38. Some fresh initiatives that Indian companies, both private and public sector can take are to establish joint ventures and manufacturing units for pharmaceutical products, textiles, leather products etc to cater to the needs and demands of not only the Kazakh market but also of the southern Russian Republics which have become accessible as a result of the Customs Union between Russia, Kazakhstan and Belarus.

39. Large Indian Companies also need to bid for infrastructure and construction projects in Kazakhstan in the field of road and railway construction, electric power transmission and distribution, telecommunications, power generation etc.. Several new projects are being undertaken with the support and assistance of International financial Institutions like ADB, WB, EBRD, IDB etc..With their expertise and proven track record, Indian companies would have an excellent chance of being successful in some of these projects.

40. It is imperative for Indian companies to look at the Kazakh market in a pro-active manner if they wish to garner a substantial part of the new projects that are being undertaken in Kazakhstan.

41. The Indian Government launched the "Connect Central Asia" Policy in June last year to provide an impetus to expanding its partnership and linkages with Central Asian Republics, including Kazakhstan.

This Policy calls for much greater interaction in all spheres including political, strategic, commercial, business, cultural, academic etc..

42. Civil nuclear energy cooperation presents attractive prospects for further diversifying our bilateral economic and commercial contacts. Kazakhstan actively supported India for an unconditional waiver for international commerce in civil nuclear energy in 2009 at the negotiations at the International Atomic Energy Agency (IAEA) and Nuclear Suppliers Group (NSG). Kazakhstan is the largest producer of uranium ore currently with annual production of around 20,000 tons per annum. It has the capacity to continue to be the largest producer with annual output of 27,000 tons by 2015. India has developed nuclear reactors indigenously. Both countries can collaborate successfully to mutual advantage and benefit in this field. Kazakhstan is also keen to use India's expertise to move up the value chain in production of nuclear fuel pellets.

43. In the area of space, the needs and demands of Kazakhstan and the expertise and capabilities of India are complementary to each other. The manufacture and launch of satellites as well as utilization of remote sensing technology for improving the living conditions of the people through uses like telemedicine, geo-prospecting etc. can be harnessed to mutual advantage.

44. The Indian Technical and Economic Cooperation (ITEC) Programme is an excellent initiative to enhance knowledge and upgrade skills of Kazakh officials and business entrepreneurs through training programmes in India. Under this programme, India offers around 60 scholarships to Kazakh specialists, entrepreneurs and officials, both in the public and private sector for imparting training in areas and sectors including Information Technology, English conversation, Mass Communication, Environment, Educational Planning, Bank Management, Remote Sensing, Textiles, Pharmaceuticals etc. These programmes are conducted in some of the best and most reputed institutions in India. India has indicated its readiness to expand the range, content, size and scope of these programmes depending upon the requirements of Kazakhstan.

45. Tourism is another area which presents immense possibilities. Today there are 5 flights every week between Almaty and New Delhi and several more connecting the two countries through the Gulf, West Asia, Turkey etc.. India has a rich and enterprising middle class of 350 to 400 million people. These people are prosperous and want to travel to other countries and experience different cultures and cuisines. Kazakhstan presents an excellent location in the neighborhood of the country which in addition to its unique steppes, lakes and hills, also offers snow clad mountains and ski slopes. Moreover, India also offers a rich and diverse culture, music, dance and varied cuisine in addition to providing immense opportunities for health as well as religious tourism. Large numbers of tourists already visit India to seek darshan and blessings of Satya Sai Baba of Puttaparthi, Anandmayee Maa and others. Similarly, Goa and Kodaikanal are important tourist attractions for the Kazakh people. The increased number of direct flights from Delhi to Almaty from 2 to 5 per week recently is testimony to the growing interest of Indian tourists and businessmen in travelling to Kazakhstan for work and relaxation.

46. Counter-terrorism is an area where both India and Kazakhstan can collaborate successfully and meaningfully to ensure that the region remains safe and secure from the diabolical forces of terrorism, fundamentalism and extremism. This has become all the more urgent in view of the deteriorating security situation in Afghanistan and Pakistan, the latter having emerged as the epicentre of terrorism. Afghanistan Post 2014 will present its own challenges and uncertainties which will need to be dealt with jointly. The former Prime Minister of UK Gordon Brown said during one of his visits to Islamabad that more than 3/4th of all terrorist attacks in the world have been traced back to Pakistan territory. It is in the interest of both India and Kazakhstan to work together to defeat the forces of terrorism wherever they might exist.

47. The rapid increase of contacts between academic and strategic communities has played a significant role in strengthening understanding and cooperation between India and Kazakhstan. A bilateral Cultural Agreement and Cultural Exchange Programme would go a long way in further strengthening and diversifying these contacts. However in the absence of such instruments of cooperation, academic and educational institutions as well as think tanks in both countries have been maintaining active and vibrant exchanges. The role of institutions like the Kazakhstan Institute for Strategic Studies under the President of Kazakhstan, Institute of World Economy and Policy, Al-Farabi Kazakh National University, Ablai Khan Pedagogical University, Foundation of the First President of Kazakhstan, Institute of World Languages and International Relations, and LN Gumiliev Kazakh National University on the one hand, and the Institute for Defence Studies and Analyses, Indian Council for World Affairs, Eurasian Foundation, specialized schools in the Jawaharlal Nehru University, India-Central Asia Foundation, Indira Gandhi National Centre for the Arts, Observer Research Foundation, Universities of Mumbai, Goa, Kashmir, Agra etc. on the other, have played a seminal role in promoting and deepening these contacts. Such exchanges provide important inputs to policy makers in both the countries to identify new promising areas of cooperation.

48. Overall, relations between the two countries are expanding and developing at a significant pace. The future holds even greater promise and potential. India enjoys the unique demographic advantage in that more than 1/3rd of its population is below the age of 15 years. This will ensure that India's economy will continue to have adequate number of brains and hands to take it forward on the upward path while going through much of the current century. The youth of India is ambitious, enterprising, hardworking, well educated and knowledgeable. India looks to its future with hope and confidence.

49. The current political, strategic and economic scenario, both regionally and internationally, presents immense potential for India and Kazakhstan to qualitatively and quantitatively enhance their engagement to bring it to a significantly higher level. Both India and Kazakhstan are factors of peace, stability, growth and development not only in their regions but also in the world. Stronger and deeper relations between these countries will further contribute to increasing prosperity and security for the peoples of the two countries as also for the world as a whole.