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Trade Environments between India and Countries of the Caucasus Region: Challenges and Government Initiatives

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Abstract

The paper discusses the trade environments between India and countries in the Caucasus region. It was found that India has a trade surplus over Armenia, Azerbaijan, and Georgia. International relations between Armenia and India are described as friendly. Both countries have good business, culture, military, and technology relations. Bilateral trade has grown in recent years, but its capacity remains low. Trade relations between India and Azerbaijan continue to grow. India is Azerbaijan's seventh-largest trading partner. India has a well-established pharmaceutical industry in Azerbaijan, and Indian pharmaceutical companies operate out of it. India and Azerbaijan are committed to exploring prospects in renewable energy, energy, and various oil, gas and future pipelines. India and Georgia have strong bilateral relations. Georgia's main exports include steel, fertiliser, and hazelnuts. Its main imports are oil, machinery, food, and pharmaceuticals. Therefore, there is more scope for increasing trade between India and the countries of the Caucasus region.

Introduction

Import and export trade is the exchange of goods and services between countries and is an important part of national development. Imports are goods and services purchased from other countries, while exports are goods and services produced domestically and sold to other countries. Imports balance the needs of countries, allowing consumers to import products that are not produced in their own country (Sarkar, 2017). Exports help a country make money abroad. Countries may impose trade restrictions, such as tariffs and import quotas, to protect their domestic markets. Countries not participating in international trade will experience higher prices, fewer goods and services, and slower economic growth (Sarkar, 2010). Countries use the balance of payments to track their trade with other countries. High inflation can lead to higher interest rates, higher exports, and lower exports. Exports are the sale of goods and services purchased or produced in the country abroad. Imports are the opposite of exports. Importing means buying goods and services from abroad and returning them to your country (Malhotra, 2021).

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Importing and exporting are an important part of international trade. If the value of a country's imports exceeds the value of its exports, the country has a negative trade balance, also known as a trade deficit. If a product is produced domestically and traded abroad, it is called an export. Another is when a country's citizens buy products and services produced in foreign countries (Sim, l & Aminjonovb, 2024). When a company exports more products, it also equals an inflow of money into the country, encouraging consumer spending and stimulating economic growth. When a country imports goods, it represents money leaving that country. India is fortunate to have the Himalayas to the north and the sea to the south. The presence of the ocean has helped increase trade across the world. In ancient times, India was a major exporter of silk, cotton, sugar and gemstones. The two largest commodities in India are gold and fossil fuels (Sarkar et al., 2024).

Objectives

The general objective of this article is to study the trade environments between India and countries in the Caucasus region (i.e. Armenia, Azerbaijan, and Georgia). The specific objective of the paper is (a) to study the export and import status between India and Armenia, (b) to examine the export and import status between India and Azerbaijan, (c) to examine the export and import status between India and Georgia; and (d) to identify the challenges and government initiatives for expansion of trade in the regions.

Materials and Methods

This study is descriptive in design and has utilised a qualitative approach. Secondary data for the study has been collected from government reports. A qualitative analysis comprising tabulation, descriptive analysis, content, and text analysis was performed to reveal the trade practices and prospects.

Result and Discussion

Business is a financial concept that involves the buyer's purchase and payment of goods to a seller or the exchange of goods or services between two parties. Marketing can occur in a producer-consumer market. Export and Import data shows that petroleum products are India's largest commodity, accounting for over 14 per cent of the country's total exports. The country's location and strategic potential make it a major market in the global oil industry. India's foreign trade has grown steadily since independence. The opening up of India's economy has led to significant growth in foreign trade and has boosted gross domestic product growth over the last two decades. India's policy is generally reformist and balances the need for economic development with an emphasis on international integration. An economy like India can benefit from embracing globalisation and increasing economic growth through the benefits of

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internationalisation. India's major trading partners are China, the United States, Saudi Arabia, and the Russian Federation.

(a) Trade between India and Armenia

International relations between Armenia and India are described as friendly. Both countries have good business, culture, military, and technology relations. More than half of the exports are generally food, including cigars, copper ore, diamonds, gold and ethanol. The main agricultural products are cereals, potatoes, vegetables, fruits and berries. Armenia's main exports are iron and diamonds. Other exports include energy, beverages, vegetables and fruits. Armenia's main export partners are Russia, Germany, Iran, Bulgaria, the Netherlands, the United States, Spain, Canada and Belgium. Armenian mines produce copper, zinc, gold and lead. Most of the energy is produced by oil from Russia, including natural gas and nuclear fuel from Armenia's Mesamor nuclear power plant. Armenia is famous for its beautiful landscape, cuisine, culture and history. Since Armenia was the first country to accept Christianity, travellers can find some of the world's oldest churches and cathedrals in this beautiful region.

Table 1: Export and Import of Commodities and Services between India and Armenia

India Exports to Armenia			
Year	Value	Year	Value
2012	42.1	2018	26.9
2013	63.2	2019	38.0
2014	95.9	2020	45.2
2015	37.1	2021	55.0
2016	31.6	2022	50.9
2017	32.9	2023	84.1
Armenia Exports to India			
Year	Value	Year	Value
2012	2.9	2018	0.55
2013	1.5	2019	3.48
2014	0.3	2020	73.4
2015	0.2	2021	127.0
2016	1.8	2022	99.4
2017	3.3	2023	34.6

Source: https://tradingeconomics.com/ Note: value in million USD,

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Armenia exported $34.59 million to India in 2023. India imports steel, organic chemicals, tanning materials, dye extracts, tannins, derivatives, pigments and rubber from Armenia. Cooperation is carried out, including visits for talks and exchange of information with the two countries' governments, as well as establishing friendship groups in the form of delegations. Bilateral trade has grown in recent years, but its capacity remains low. Armenia is a suitable location to provide India with a new maritime trade route, especially with Europe. The economy relies heavily on investment and support from Armenians abroad. The republic has developed a modern economy, supplying machinery, textiles and manufactured goods to sister republics in exchange for raw materials and energy. After independence, the importance of agriculture in the economy increased; by the late 1990s, its share had risen to over 30 per cent of gross domestic product and 40 per cent of all jobs. Most energy is produced from oil from Russia, including petroleum and nuclear fuel; small deposits of coal, natural gas, and oil exist but remain undeveloped.

Table 1 depicts the export and import of commodities and services between India and Armenia. It has been found that India has a trade surplus over Armenia. India's exports to Armenia were 42.1 million USD in 2012 and 84.1 million USD in 2023. Armenia's exports to India were 2.9 million USD in 2012 and 34.6 million USD in 2023.

(b) Trade between India and Azerbaijan

Trade relations between India and Azerbaijan continue to grow, and India is Azerbaijan's seventh-largest trading partner by 2023. In 2023, the trade volume between India and Azerbaijan was US$1.435 billion. Azerbaijan's main exports to India are crude oil, nitrogenous fertilisers and petroleum coke. India's leading products from Azerbaijan are automobiles, cocoa, medicines and tools. ONGC Videsh Ltd has invested over $1.2 billion in the Azerbaijan gas and Baku-Tbilisi-Ceyhan pipelines since 2013. There are direct flights between Delhi and Baku and between Mumbai and Baku. The basis of Azerbaijan's export sector is crude oil and petroleum. The country is known for its large reserves and the millions of tonnes of crude oil, refined oil, and other products it exports yearly.

India is Azerbaijan's seventh-largest trading partner. Azerbaijan eats Indian tea and basmati rice. In recent years, bilateral trade between India and Azerbaijan has increased steadily. India has a well-established pharmaceutical industry in Azerbaijan, and many Indian pharmaceutical companies operate there. India and Azerbaijan are committed to exploring prospects in renewable energy, energy, and various oil, gas and future pipelines. Azerbaijan-India relations are strong.

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Table 2: Export and Import of Commodities and Services between India and Azerbaijan

India Exports to Azerbaijan			
Year	Value	Year	Value
2012	91.4	2018	37.7
2013	123.0	2019	54.5
2014	112.0	2020	45.9
2015	59.6	2021	42.3
2016	31.6	2022	85.7
2017	41.6	2023	90.6
Azerbaijan Exports to India			
Year	Value	Year	Value
2012	1.89	2018	0.82
2013	1.10	2019	0.95
2014	0.78	2020	0.46
2015	0.27	2021	0.59
2016	0.55	2022	1.66
2017	0.40	2023	1.23

Source: https://tradingeconomics.com/, Note: value in million USD,

Table 2 depicts the export and import of commodities and services between India and Azerbaijan. It has been found that India has a trade surplus over Azerbaijan. India's exports to Azerbaijan were 91.4 million USD in 2012 and 90.6 million USD in 2023. Azerbaijan exports to India were 1.89 million USD in 2012 and 1.23 million USD in 2023.

(c) Trade between India and Georgia

India and Georgia have strong bilateral relations. India generally exports aluminium articles, aluminium, electrical machinery and equipment, pharmaceuticals, plastics, ceramic products, rubbers, organic chemicals, coffee, tea, mate and spices, machinery and mechanical appliances, boilers, nuclear reactors and cereals. Copper and copper articles, aluminium and aluminium articles, and fertilisers are the essential goods India imports from Georgia. Indian companies invest in Georgia's agriculture, farming, infrastructure, steel, and service sectors. India recognised Georgia after its independence

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but had no resident mission in Georgia. Georgia's major trade partners are Singapore, Germany, China, Mexico, and Canada.

Georgia has had trade relations with many countries and empires since ancient times, mainly due to its location on the Black Sea and the historical Silk Road. Gold, silver, copper and iron are mined in the Caucasus Mountains. Georgian winemaking is an ancient tradition and an important branch of the country's economy. Agriculture and tourism have been important economic factors throughout Georgia's modern history due to the country's climate and geography. For most of the 20th century, Georgia's economy was shaped by the economic blueprint of the Soviet Union. Since the beginning of the 21st century, Georgia's economy has experienced rapid growth. In 2007, Georgia's real GDP increased by 12 per cent, making it one of the fastest-growing economies in Eastern Europe. Georgia's current economy is based on Black Sea tourism, citrus fruits, tea, and fruit growing for manganese and copper; dozens of hydroelectric power plants have been built, including the Leoni and Sukhumi hydroelectric power plants, as well as numerous coal and natural gas power plants.

Table 3: Export and Import of Commodities and Services between India and Georgia

India Exports to Georgia			
Year	Value	Year	Value
2012	117.0	2018	103.0
2013	107.0	2019	89.8
2014	98.5	2020	98.7
2015	73.2	2021	147.0
2016	95.3	2022	249.0
2017	74.9	2023	219.0
Georgia Exports to India			
Year	Value	Year	Value
2012	14.9	2018	5.68
2013	6.36	2019	3.86
2014	10.8	2020	2.76
2015	14.3	2021	2.99
2016	22.2	2022	34.1
2017	8.96	2023	13.1

Source: https://tradingeconomics.com/, Note: value in million USD,

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The coal industry is one of the oldest mining industries. Manganese and non-metallic minerals, from talc to marble, meet the needs of many industries in the former Soviet Union countries. Georgia's chemical industry produces minerals, synthetic materials, fibres, and pharmaceuticals. The construction sector uses local raw materials, providing the country with cement, slate, and many prefabricated reinforced concrete structures and materials. Georgia's main exports include steel, fertiliser, and hazelnuts. Its main imports are oil, machinery, food, and pharmaceuticals. Georgia's trade relations also include imports and exports of vehicles. Its largest trading partners are Turkey, Russia, and China, but Georgia also trades extensively with its neighbours in the Caucasus and Eastern Europe.

Table 3 discussed the export-import of goods and services between India and Georgia. It has been found that India has a trade surplus with Georgia. India's Exports to Georgia were 117.0 million USD in 2012, and 219.0 million USD in 2023. On the other hand, Georgia's exports to India were 14.9 million USD in 2012 and 13.1 million USD in 2023. A large number of students move to Georgia for its low cost of living. It is a safe country and near to Europe. Its climate is pleasant. There are also many incidences of racism and discrimination against the Indians.

Conclusion

India's relations with the South Caucasus countries are based on historical relations. India's historical relations with the Caucasus and Central Asia are linked through common trade, religion and culture. India's move into the South Caucasus affects more than Russia and Iran's regional interests. By establishing deep cooperation with India, all the South Caucasus countries will grow exponentially in the economic sphere (and perhaps even in the military sphere). Although India immediately recognised the three Caucasus states of Armenia, Georgia and Azerbaijan in 1992, it has downplayed the importance of establishing good relations with these three countries. Azerbaijan is also India's largest trading partner in the South Caucasus.

Georgia's main exports include steel, fertiliser, and hazelnuts. Its main imports are oil, machinery, food, and pharmaceuticals. Georgia's trade relations also include imports and exports of vehicles. An important step in strengthening India's economic, trade and business relations in the Caucasus is strengthening and expanding cooperation with Azerbaijan, a trading region. India-Georgia relations have always been warm and friendly. Greater dialogue and cooperation with the region will ultimately define the region's geography and diversity. Potential areas of cooperation identified include medicine, agriculture, IT industry, culture, education, etc.

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