



India - Eurasian Economic Union Relations

Fortifying Trade and Tourism Prospects



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PHD Research Bureau
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INDIA – EURASIAN ECONOMIC UNION RELATIONS: FORTIFYING TRADE AND TOURISM PROSPECTS

1. Introduction

The economic relationship between India and the Member States of the Eurasian Economic Union has developed rapidly in the recent years, particularly under the impetus of India's far-reaching process of economic reform of the last year (Indian Government's emphasis on developing infrastructure, creating a roadmap for reforms, promoting ease of doing business, ramping up investment, creating a competitive, predictable, and clean tax policy environment, etc.) and deepening economic integration processes between the EAEU Member States.

In addition, the EAEU region is rich in natural resources, most notably energy resources, characterized by significant production and exports while India remains a net importer of the very same energy resources.

On the other hand, India's economic integration initiatives have largely been in the immediate neighborhood of South Asia and as part of the Look East Policy with the North and South-East Asia and Oceania. It is imperative to gauge a wider objective and canvass of cooperation whereby India could become an Economic Hub due its strategic peninsular geographic location connecting various sub-regions of Asia such as North, South-East, Oceania on one hand with South, Central and West Asia on the other. This could well be facilitated by recent initiatives such as the Make in India, Skill India and Digital India. It could well serve as a mechanism to harness India's demographic dividend as well if India economically integrates with other parts of Asia. This would be most relevant in sub-regions wherein India has so far not given adequate emphasis in terms of scaling up economic engagements in any comprehensive manner.

2. Trade Dynamics between India and Eurasian Economic Union

The bilateral trade between India and EAEU has remained in a constant phase. It was reduced marginally from USD 7.6 billion in 2012 to USD 7.3 billion in 2016.

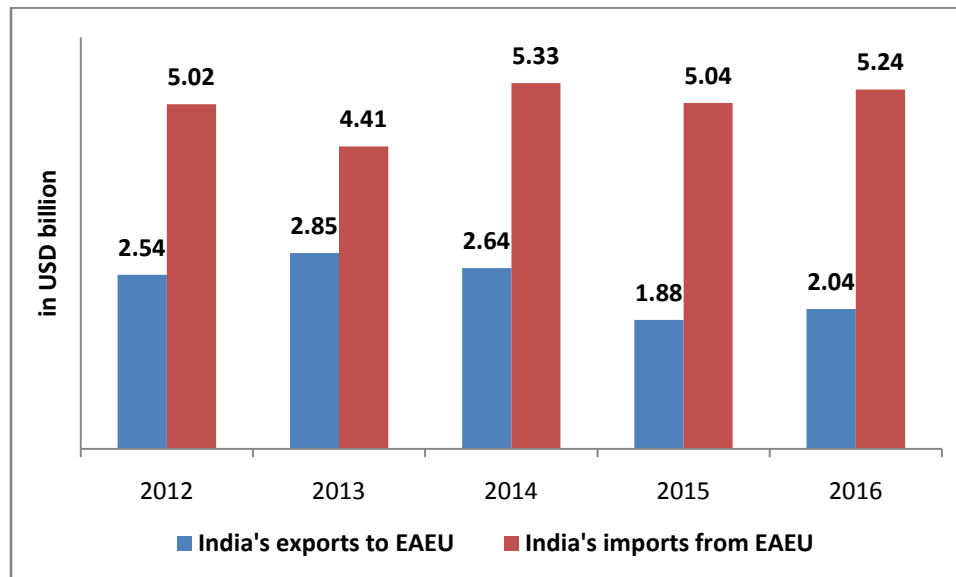
Further, India's total exports to the Member States of EAEU stood at USD 2.04 billion (2016) which is too meagre. Of which, the majority of exports is accounted by Russia (USD 1.82 Billion) followed by Kazakhstan (USD 125 Million), Belarus (USD 42 Million), Armenia (USD 31.6 Million), and Kyrgyzstan (USD 26.6 Million).

Although total imports from EAEU by India is higher at USD 5.24 Billion (2016). It also has Russia accounting for the maximum imports (USD 4.8 Billion) followed by Kazakhstan (USD 320

Million), Belarus (USD 136 Million), Armenia (USD 1.88 Million) and Kyrgyzstan (USD 1.33 Million).

Evidently enough, not only those bilateral trade linkages between India and the EAEU are very weak except Russia and Kazakhstan, the trade figures are abysmal. From Table 1 it is clear that except Armenia and Kyrgyzstan, India has trade deficit with the rest of the countries of the EAEU. Of these, Russia accounts for almost the entire trade deficit of India vis-à-vis EAEU amounting to USD 3 Billion with Russia, followed by Kazakhstan with USD 195 Million and Belarus with USD 147 Million. The trade surplus with Armenia and Kyrgyzstan amounts to a meager USD 30 Million and USD 25 Million, respectively. This shows that the proposed FTA could be really beneficial for India to increase its exports with the help of greater market access achieved through tariff liberalization.

Figure 1: India – EAEU trade at a Glance



Source: PHD Research Bureau; Compiled from Trade Map Database

Table 1: India – EAEU countries trade at a Glance

EAEU Group (in USD Million)		2012	2013	2014	2015	2016
Russia	India's imports	4602.156	3814.12	4207.629	4527.091	4782.005
	India's exports	2144.766	2418.963	2217.473	1611.893	1813.884
Kazakhstan	India's imports	163.994	441.841	924.993	337.545	320.361
	India's exports	262.961	275.732	237.906	168.372	125.026
Belarus	India's imports	252.514	151.595	198.927	162.15	136.269
	India's exports	56.684	58.197	51.09	34.251	41.86
Armenia	India's imports	2.297	0.648	0.486	1.582	1.808
	India's exports	42.107	63.211	95.889	37.063	31.64

Kyrgyzstan	India's imports	1.671	0.677	1.856	14.453	1.339
	India's exports	31.959	37.24	36.036	29.861	26.62

Source: PHD Research Bureau; Compiled from Trade Map Database

2. Role of Tourism in India – EAEU relations

Tourism sector in India is a major engine for promoting economic growth of the country through its forward and backward linkages. India is host to 35 world heritage sites, 10 bio-geographical zones and 26 biotic provinces. It plays a significant role in promoting inclusive growth of the less-advantaged sections of the society and poverty eradication. It has a great capacity to create large scale employment of diverse kind i.e. from the most specialized to the unskilled. Tourism sector has a very high employment potential with approximately 90 jobs creation per Rs. 10 lakhs of investment. Tourism is a big employment generator – every USD 1 million invested in tourism creates 78 jobs. One of the key sources of foreign exchange earnings and promotes cultural activities. Tourism is the third largest foreign exchange earner after gems, jewellery and readymade garments.

Tourism industry plays a pivotal role in the development of a nation. It has a significant share in the Services sector, and therefore in GDP and employment. A potential FTA between India and Eurasian Economic Union could unleash new opportunities and competition in the countries' domestic economy, lower prices for consumers and producers and shift factors of production to more efficient uses on the back of strong complementarities. The noteworthy essence of Eurasian Economic Union is its tourist potential. Endless rivers, clear lakes, dense forests, steppes spacious, a huge amount of pristine natural places, shrines, museums, monuments of history and culture — all this potential for rational and proper use will provide not only enhance the tourism industry, but also become the basis sustainable development.

Tourist Arrival from EAEU in India								
EAEU	Number of Arrivals (in thousands)			Share (in %)			Growth (in %)	
	2013	2014	2015	2013	2014	2015	2014/13	2015/14
Armenia	1	1.2	-	-	-	-	12.8	-
Belarus	8	10	-	-	-	-	20.4	-
Kazakhstan	147	167	145	0.21	0.22	0.18	14	-13.3
Kyrgyzstan	2	2.1	-	-	-	-	17.9	-
Russia	260	270	172	3.72	3.51	2.15	4.1	-36.1

Source: PHD Research Bureau; Compiled from Ministry of Tourism; - indicates Not Available

Number of Indian National Departures from India								
EAEU	2007	2008	2009	2010	2011	2012	2013	2014
Armenia	2590	3970	4100	4180	4311	4881	5013	4440
Belarus	229	221	154	73	97	18	18	73
Kazakhstan	9280	9022	-	11904	13778	14716	9929	10725
Kyrgyzstan	1277	1038	-	1788	2029	2801	3075	4223
Russia	68044	62163	59815	53364	60191	80127	95542	94259

Source: PHD Research Bureau; Compiled from Ministry of Tourism; - indicates Not Available

It can be fairly analyzed that Indian national departures from India to Eurasian Economic Union has witnessed a consistent rise over the years, as illustrated in Table above. Among top tourist destinations in EAEU, Russia and Kazakhstan have captured the top spot. However, it can also be highlighted that the true potential of tourism industry in EAEU has been achieved yet.

Performance of India and EAEU on Travel and Tourism Competitiveness Index 2017

Country	Rank(out of 136 countries)
	2017
India	40 th
Armenia	84 th
Kazakhstan	81 st
Kyrgyzstan	115 th
Belarus	-
Russia	43 rd

Source: The Travel & Tourism Competitiveness Report 2017

India jumped to 40th place from 52nd Position in Travel and Tourism Competitiveness Index 2017. A jump of 12 ranks compared to previous year ranking. Holds tremendous potential for future growth given country’s 7 million international visitors compared to China’s 55 million. India continues to charm international tourists with its vast cultural and natural resources (9th and 24th, respectively), and its price competitiveness advantage (10th). India continues to enrich its cultural resources, protecting more cultural sites and intangible expressions through UNESCO World Heritage lists, and via a greater digital presence.

3. Identification of Tourism prospects in EAEU nations

Nations	Tourism Prospects in EAEU nations
Armenia	<ul style="list-style-type: none"> • Tourism in Armenia has been a key sector to the Armenian economy. Armenia has been investing in new hotels to increase tourism. • Outdoor activities and scenery seem to be the primary attractions. Lake Sevan, the world’s largest mountain lake, is a popular summer tourist spot. • The Tsakhkadzor ski resort is open for skiing in the winter and hiking and picnicking the rest of the year. Yerevan, Armenia’s capital, also boasts opera, theaters and other cultural attractions.
Belarus	<ul style="list-style-type: none"> • Tourism has received the status of a state priority. Belarus has great tourism potential. The main areas of tourism in Belarus are: rural tourism, military-historical tourism, historical and cultural tourism connected with World Heritage sites declared by UNESCO. • No license is required to carry out activities in this sphere.
Kazakhstan	<ul style="list-style-type: none"> • As of 2014, tourism has accounted for 0.3% of Kazakhstan's GDP, but the government has plans to increase it to 3% by 2020. • Tourism in Kazakhstan is considered "hugely underdeveloped," despite the attractions of the country's dramatic mountain, lake and desert landscapes. • Factors hampering an increase in tourist visits are said to include high prices, "shabby infrastructure," "poor service" and the logistical difficulties of travel in a geographically enormous, underdeveloped country.
Kyrgyzstan	<ul style="list-style-type: none"> • Lake Issyk-Kul and the Tian Shan mountains are popular tourist destinations. • There are several opportunities to promote "eco-friendly" tourism in Kyrgyzstan. • In year 2010 Kyrgyzstan joined The Region Initiative (TRI) which is a Tri-regional Umbrella of Tourism related organisations. TRI is functioning as a link between three regions – South Asia, Central Asia and Eastern Europe.
Russia	<ul style="list-style-type: none"> • Rich cultural heritage and great natural variety place Russia among the most popular tourist destinations in the world. The country contains 23 UNESCO World Heritage Sites. • Major tourist routes in Russia include a travel around the Golden Ring of ancient cities, cruises on the big rivers including the Volga, and long journeys on the famous Trans-Siberian Railway. • Diverse regions and ethnic cultures of Russia offer many different foods and souvenirs, and show a great variety of traditions, including Russian banya, Tatar Sabantuy, or Siberian shamanist rituals.

4. Suggestions to boost India – EAEU tourism

Both groups should plan to create accounts in national currencies to simplify the trade between India and EAEU nations. Emphasis should be given on mutual collaboration on tourism matters.

1. **Ease of travelling-** Nations may collaborate and facilitate ease of travelling across identified integrated circuits through conducive payment mechanism, public transport modes and initiatives such as smart travel cards, refreshment cards, etc.
2. **Promotion of safety of tourists-** Setting up of tourist safety cell, increasing number of surveillance cameras, tourist police, compulsory registration of tourist guides, etc will ensure safety of tourists.
3. **Establishment of tourism research wing-** It is necessary to establish tourism research department specifically targeting the requirements of EAEU nations in order to tap the true potential of this sector by conducting studies, surveys, forecasts, planning, etc.
4. **Marketing and development of India-EAEU tourism prospects-** It is necessary to market and develop India-EAEU tourism potentiality to attract increase flow of tourists. Promotion of each other's market should be the top priority.
5. **Devising accentuating tourism policy-** The tourism policy of both the groups should aim at speedy implementation of tourism projects, development of integrated tourism circuits, special capacity building in the hospitality sector and new marketing strategies. Golf Tourism, Education Tourism, Luxury Trains, Eco-Tourism, Sports Tourism and Medical Tourism are emerging new products in tourism industry.

5. Conclusions and Way forward

The EAEU and India have possibilities to contribute to the competitiveness of industrial sectors in each country of the FTA, enhancing two-way trade and improving conditions for business cooperation. Also the findings of JFS indicate that the liberalization of agricultural goods trade could bring sufficient positive opportunities for both sides.

Special attention during negotiations on tariff liberalization should be paid to the goods of the main export interest of both sides. The successful accomplishment of improving market access conditions for the key export products will boost trade in both agricultural and industrial goods, maximizing the mutual benefits from an FTA. At the same time specific differences in economic development and other relevant elements of the economies of both sides should also be taken into account.

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The Research Bureau has been instrumental in forecasting various lead economic indicators national and sub-national. Many of its research reports have been widely covered by media and leading business newspapers.

Research Activities	Comments on Economic Developments	Newsletters	Consultancy
<ul style="list-style-type: none"> Research Studies 	<ul style="list-style-type: none"> Macro Economy 	<ul style="list-style-type: none"> Economic Affairs Newsletter (EAC) 	<ul style="list-style-type: none"> Trade & Inv. Facilitation Services (TIFS)
<ul style="list-style-type: none"> State Profiles 	<ul style="list-style-type: none"> States Development 	<ul style="list-style-type: none"> Forex and FEMA Newsletter 	<ul style="list-style-type: none"> Business Research Consultancy
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	<ul style="list-style-type: none"> Global Economy 		

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A: Thematic research reports

1. Comparative study on power situation in Northern and Central states of India (September 2011)
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3. Growth Prospects of the Indian Economy, Vision 2021 (December 2011)
4. Budget 2012-13: Move Towards Consolidation (March 2012)
5. Emerging Trends in Exchange Rate Volatility (Apr 2012)
6. The Indian Direct Selling Industry Annual Survey 2010-11 (May 2012)
7. Global Economic Challenges: Implications for India (May 2012)
8. India Agronomics: An Agriculture Economy Update (August 2012)
9. Reforms to Push Growth on High Road (September 2012)
10. The Indian Direct Selling Industry Annual Survey 2011-12: Beating Slowdown (March 2013)
11. Budget 2013-14: Moving on reforms (March 2013)
12. India- Africa Promise Diverse Opportunities (November 2013)
13. India- Africa Promise Diverse Opportunities: Suggestions Report (November 2013)
14. Annual survey of Indian Direct Selling Industry-2012-13 (December 2013)
15. Imperatives for Double Digit Growth (December 2013)
16. Women Safety in Delhi: Issues and Challenges to Employment (March 2014)
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18. Roadmap for New Government (May 2014)
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21. Budget 2014-15: Promise of Progress (July 2014)
22. Agronomics 2014: Impact on economic growth and inflation (August 2014)
23. 100 Days of new Government (September 2014)
24. Make in India: Bolstering Manufacturing Sector (October 2014)
25. The Indian Direct Selling Industry Annual Survey 2013-14 (November 2014)
26. Participated in a survey to audit SEZs in India with CAG Office of India (November 2014)
27. Role of MSMEs in Make in India with reference to Ease of Doing Business in Ghaziabad (Nov 2014)
28. Exploring Prospects for Make in India and Made in India: A Study (January 2015)
29. SEZs in India: Criss-Cross Concerns (February 2015)
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B: State profiles

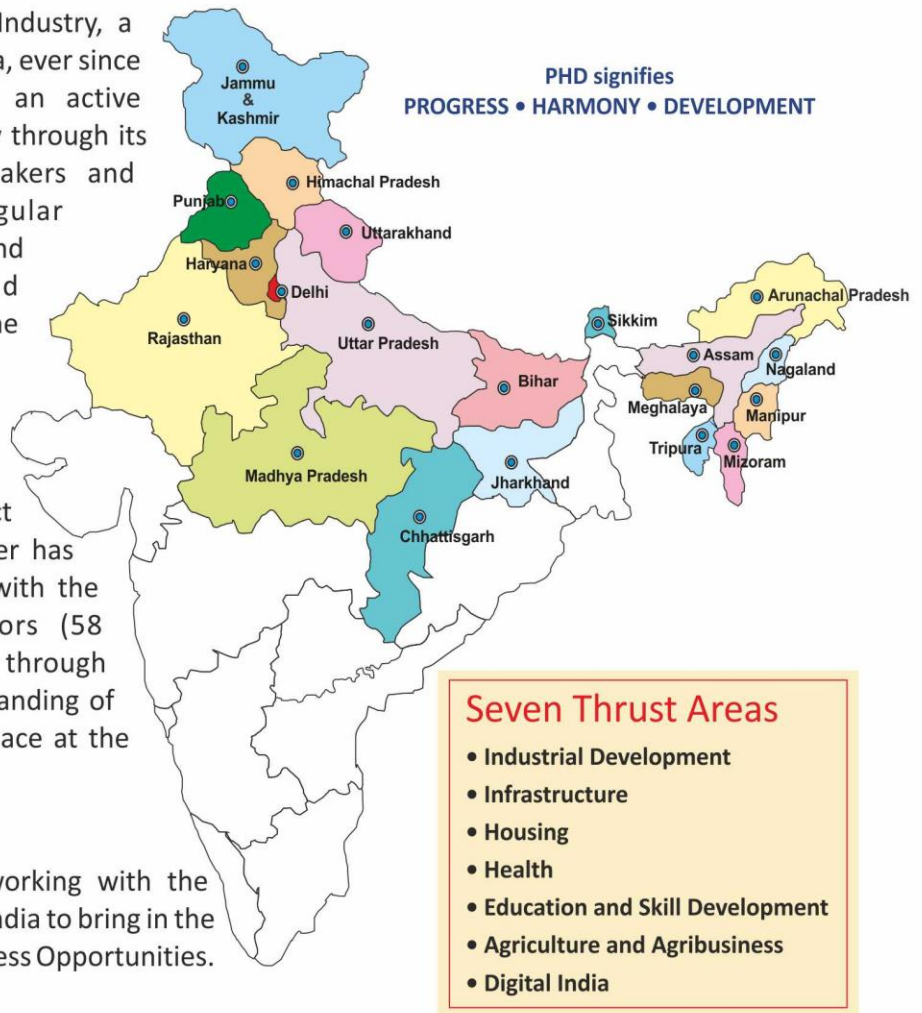
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