



## India –Azerbaijan Relations: Emerging Areas of Cooperation

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### Abstract

Azerbaijan is an important country in the Caucasus region and India's relationship with it is evolving well. While oil and natural gas continue to dominate the discourse of their bilateral relations, but with the passage of time, both sides have identified various other potential areas of cooperation, including, pharmaceutical, tourism, IT, science and technology, agriculture and education. The relationship between the two countries could further get widened with the prospects presented by the BTC pipeline and INSTC route. Notwithstanding trade and economic linkages, old cultural relations are also contributing to deepen the engagement.

**Key Words-** INSTC, BTC, Pipeline, Energy, Connectivity

### Introduction

India and Azerbaijan have cordial relations with each other since ancient times. The medieval monuments and sculptures in Azerbaijan with Devnagari and Gurumukhi wall inscriptions in the region bear the imprint of an age old relationship, which existed through the Great Silk route.<sup>1</sup> As part of Turkic-Islamic world, Azerbaijan has had very close interactions with medieval India. Undoubtedly, culture and people to people engagement acted as a bridge between the two countries in bolstering ties.<sup>2</sup> The famous Azerbaijani geographer and traveller Zeynalabdin Shirvani during his sojourn in India wrote extensively on India's people, cities, economy and villages subsequently. As Azerbaijan was a former republic of USSR, India's relations with Azerbaijan were routed through Moscow. Following the dissolution of the Soviet Union, India was among the first countries to recognize Azerbaijan's independence on December 26, 1991 and subsequently established diplomatic relations with that country on February 28, 1992. Though,

the relationship did not take off well in the initial years of Azerbaijan's independence, in the last few years the relationship has been cemented and the two countries are exploring new areas to expand their engagement.

### **Bilateral Engagements**

Bilateral engagements between the two countries continue to evolve in new directions. Over the years, bilateral trade has increased substantially from around US\$50 million in 2005 to around US\$ 497 million in 2016. Azerbaijan's huge repository of oil and natural gas are of enduring significance for India to meet its energy demands. While import of oil from Azerbaijan constitutes the bulk of the bilateral trade between the two countries, the two main export commodities that dominate India's exports to Azerbaijan are rice and bovine meat. Indian tea and Basmati rice are consumed in Azerbaijan. India's trade with Azerbaijan in 2014 was US \$ 815 million which was reduced to US \$ 305 million in 2015 due to the decline of oil price in the international market and various official restrictions on imports. However, 2016 witnessed an increase of over 60 percent in bilateral trade which increased to US \$ 497 million.<sup>3</sup> Bilateral trade is expected to accomplish new milestone in the year 2017 based on ONGC Videsh's presence as a stakeholder in the Azeri-Chirag-Gunashli oilfield and Baku-Tblisi-Ceyhan (BTC) and more Indian oil companies are eager to acquire share in Azerbaijani oilfields.

The bilateral interactions between the two countries is being increased through the mechanism of India-Azerbaijan Intergovernmental Commission (IGC) on Trade, Economic, Scientific and Technological Cooperation, which was established in 2007 and has had four sessions so far: in New Delhi (26<sup>th</sup> November, 2009), Baku (16<sup>th</sup> April, 2012), New Delhi (24-25 February, 2014) and Baku (25-26 October, 2016). The fourth (2016) meeting of Inter-Governmental Commission took stock of the prevailing relationship between the two countries and agreed to work on a wide range of issues to further strengthen the relationship. The potential areas of cooperation which were identified include, pharmaceuticals, agriculture, IT industry, culture and tourism, education etc.<sup>4</sup> In the hydrocarbon sector, both the countries are satisfied with their ongoing cooperation and propose to constitute a joint working group to strengthen further partnership. At the governmental level, both the countries have agreed to finalize the Bilateral Investment Promotion and Protection Agreement (BIPPA) and the Double Taxation Avoidance Agreement (DTAA) to expedite the process of doing business for the entrepreneurs of the two countries.<sup>5</sup>

### **Emerging Areas of Cooperation between the two Countries**

Beyond their cooperation in oil and gas sectors, the two countries are further exploring cooperation in various areas as already mentioned in the Protocol signed in the 4<sup>th</sup> Joint Inter-Governmental Commission meeting:

**Pharmaceuticals-** India has a strong foothold in the pharmaceutical sector in the global market as Indian products are of good quality and easily affordable. Indian pharma companies in the wake of market diversification strategy need to tap hitherto unexplored markets to boost revenues. Although, Azerbaijani market is comparatively small, it is no less important

from India's point of view. The markets of other Commonwealth of Independent States (CIS) countries in this regard also present a good opportunity for India to export its pharma products from Azerbaijan. Pharmaceutical Export Promotion Council of India (PHARMEXIL) has been conducting promotional activities including, buyer-seller meets, to bolster exports to CIS countries. In order to fast-track the cooperation, Azerbaijani authorities since February 2016 have initiated the process of accepting dossiers for registration of Indian pharma products and the final registration of products is under way.<sup>6</sup> Once this process is complete, various other good quality and reasonably priced Indian pharmaceutical products would be available in Azerbaijan. During the meeting between Indian Ambassador to Azerbaijan Mr Sanjay Rana and PHARMEXIL in December 2016 in Mumbai, many Indian pharma companies expressed their readiness to explore opportunities for doing business in Azerbaijan through joint ventures with Azerbaijani companies and to entail the possibilities of setting up manufacturing or packaging units for pharmaceuticals.<sup>7</sup>

**Agriculture-** Agriculture is also an area of India-Azerbaijan bilateral cooperation, which has already been highlighted by both the countries. The areas of cooperation in the agricultural sector are: cattle identification, agriculture machinery, plant breeding and exchange of agri-scientists and students. Azerbaijan is also making concerted efforts to develop its food processing sector. Indian manufacturers of processing equipment and machinery should be able to find good opportunities for expanding their presence in Azerbaijan in this area.<sup>8</sup>

**Culture and Tourism-** India and Azerbaijan have ancient cultural affinity. Famous Azerbaijani poet Nizami Ganjavi had a lasting impact on renowned Indian poet Amir Khusrau. Indian cinema is very popular in Azerbaijan and Azeri language and TV channels broadcast Hindi films frequently. The year 2017 is very important for both the countries, as India is celebrating 70 years of its independence which coincides with the 25 years of Azerbaijan's independence. Both the countries have also decided to celebrate 25<sup>th</sup> anniversary of their diplomatic relationship in 2017.<sup>9</sup> The event will be celebrated with 'India- Azerbaijan Dostluq Festival'. The whole year will be celebrated with a slew of events highlighting the close affinity of culture, cuisine and customs. Although, there is no direct flight connectivity between the two countries, discussions are in process in this regard. The direct flight connectivity will increase the flow of tourists and businessmen between India and Azerbaijan. In order to strengthen tourism cooperation between the two countries, India and Azerbaijan have streamlined procedures for visas for each other's nationals to expedite business and people to people exchange. India has added Azerbaijan to the list of countries whose nationals can apply for e-tourist visa (e-TV) through online application to visit India for holidays and sightseeing, business visits, medical treatment etc. In reciprocation in December 2016, Azerbaijan has also included India among the 81 countries whose citizens have the advantage of ASAN Visa through ASAN Visa Portal which will simplify the procedure for issuing visas to foreigners. The simplification of visa procedure will augment tourism between the two countries as India is an emerging destination for Medical Tourism.

**Information Technology-** India Azerbaijan cooperation in IT sector is another important area in their bilateral relationship. Azerbaijan acknowledges that India is one of the leading

countries in the world in terms of information technology and it is in Azerbaijan's interest to forge close cooperation with the country in this regard. Azerbaijan's President Aliyev praised India's achievement in this sector and emphasised that Azerbaijan must seek Indian expertise in this regard.<sup>10</sup> In November, 2012 Minister of Communication and Information Technology Kabil Sibal visited Azerbaijan to participate in the 7<sup>th</sup> meeting of the Internet Governance Forum. The visit included a bilateral meeting between the Indian minister and Azeri ICT minister. The meeting entailed the possibility of having a joint working group between the two countries to expedite cooperation in the ICT sector. Subsequently, a joint working group has been established in May 2013. The first session of JWG meeting on ICT was held on 8<sup>th</sup> November, 2016 through video conferencing. As Indian IT presence is already there in Armenia, that cooperation can also be replicated in Azerbaijan as well.

**Education-** With regard to the cooperation between the two countries in the education sector, under the flagship programme of Indian Technical and Economic Cooperation (ITEC), the Government of India offers ten fully-paid training courses to professionals from Azerbaijan every year. India also lends two scholar slots every year to Azerbaijani students under the General Scholarship Scheme of the Indian Council for Cultural Relations (ICCR). A Hindi teaching centre has been made functional in Azerbaijan University of Languages (AUL) since October 2010 with the support from ICCR. As of now, 30 Azerbaijani students are learning Hindi as an elective subject. Among the two Azerbaijani students, who have completed a special course for foreigners at Kendriya Hindi Sansthan at Agra, one student has already joined in Azerbaijan University of Languages (AUL) as a Hindi language teacher. In 2017, India has doubled the number of seats for Azerbaijani students and professionals to attend training courses and scholarships in India under the ITEC.

**Challenges:** India-Azerbaijan bilateral relations are growing not without certain challenges

- 1) The territorial dispute between Azerbaijan and Armenia over Nagorno-Karabakh continues to bedevil regional peace and stability. The region in general and Azerbaijan in particular are important for India owing to the geographic location of Azerbaijan being situated at the crossroad of Asia and Europe. The mitigation of this conflict will further pave the way for India's engagement with Azerbaijan and the region as a whole.
- 2) There is no direct flight connectivity between India and Azerbaijan. The issue has already been highlighted by both the countries in the wake of their growing cooperation and the decision in this regard will be taken at an early date. The establishment of direct flight connectivity will bolster tourism and commercial cooperation between the two countries.
- 3) The lack of high level visits acts as a stumbling block in the relationship between the two countries. Azerbaijan is a significant country for India in the Caucasus region not only geographically but also from the economic perspective. High level political visits are important to take the relationship forward.

### **Regional Prospects**

Steadily evolving bilateral relations between India and Azerbaijan has led the two countries to further expand their cooperation through regional engagements. From India's perspective,

Azerbaijan can become a dependable supplier of oil and gas. India imports crude oil from Azerbaijan, which has increased substantially from around US \$ 50 million in 2005 to US \$ 497 million in 2016 with the opening of the Baku-Tblisi-Ceyhan (BTC) oil pipeline to the Mediterranean port, from where Indian oil companies have been buying substantive quantities of crude oil.<sup>11</sup> Indian oil company ONGC Videsh has invested US \$ 1 billion in Azerbaijan and holds a share of 2.72 percent in the Azeri-Chirag-Gunashli oil field and 2.36 percent share in the Baku-Tblisi-Ceyhan (BTC) pipeline and has already opened an office in Baku in March 2013.<sup>12</sup> At present, Indian oil refining companies are involved in making spot purchases of Azerbaijan's light crude oil, which is shipped primarily through the BTC pipeline. India has also sought support from Azerbaijan with regard to hydrocarbon so that ONGC Videsh Limited could acquire Participating Interests (PI) in the upstream and midstream oil and gas assets in the Azerbaijani Chirag Guneshli (ACG) Contract area and in BTC pipeline.<sup>13</sup> The acquisition would provide ONGC Videsh the ability to produce about one million tons of oil per year for about a decade. In November 2014, the Gas Authority of India Limited (GAIL) concluded a Memorandum of Understanding (MoU) with the State Oil Company of Azerbaijan (SOCAR) to collectively avail LNG opportunities through capacity booking, LNG procurement and promotion of LNG projects globally. As part of the MoU, both the companies will also cooperate in the optimization of LNG marketing, sourcing and shipping requirements. GAIL and SOCAR will avail business opportunities in upstream assets across the world and joint investment in petrochemical projects.<sup>14</sup>

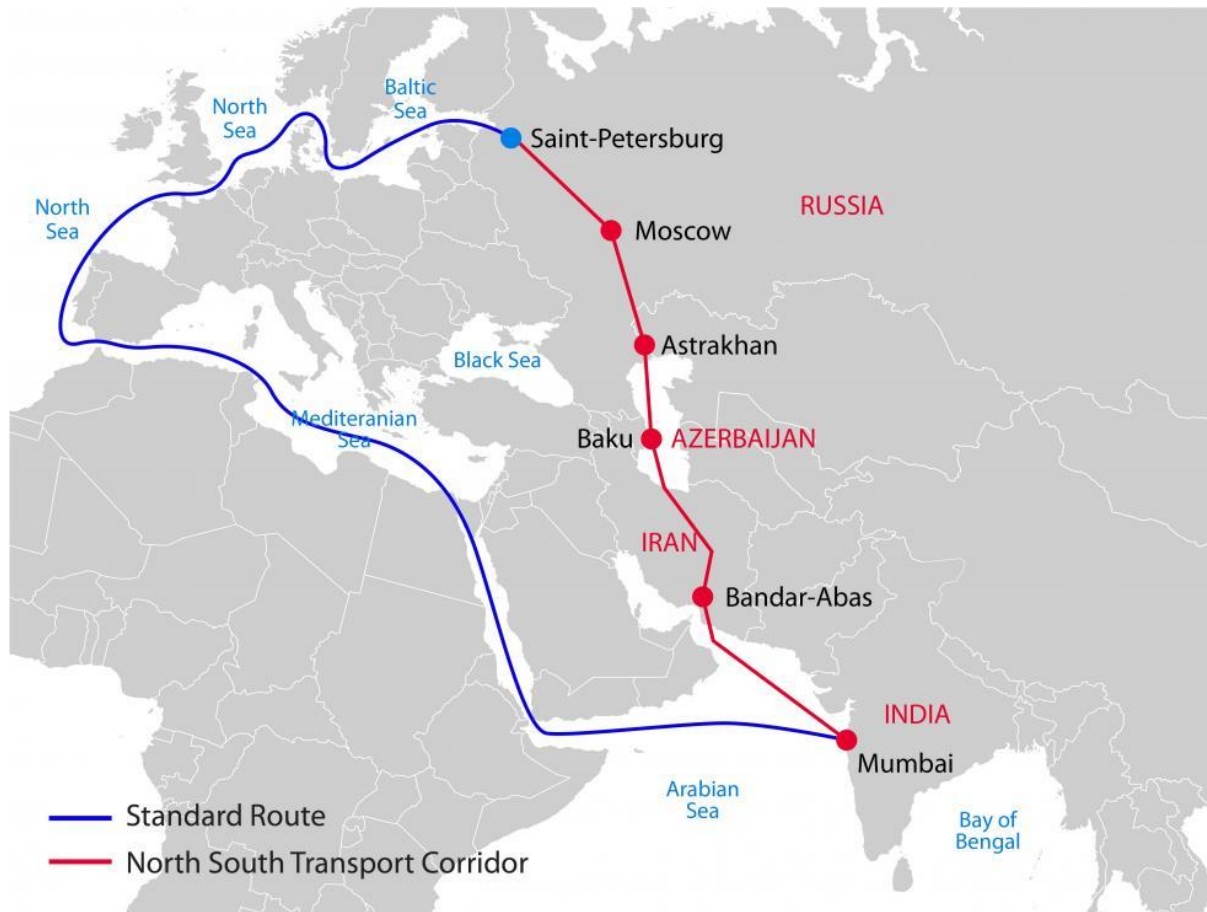


(Map Source: British Petroleum)

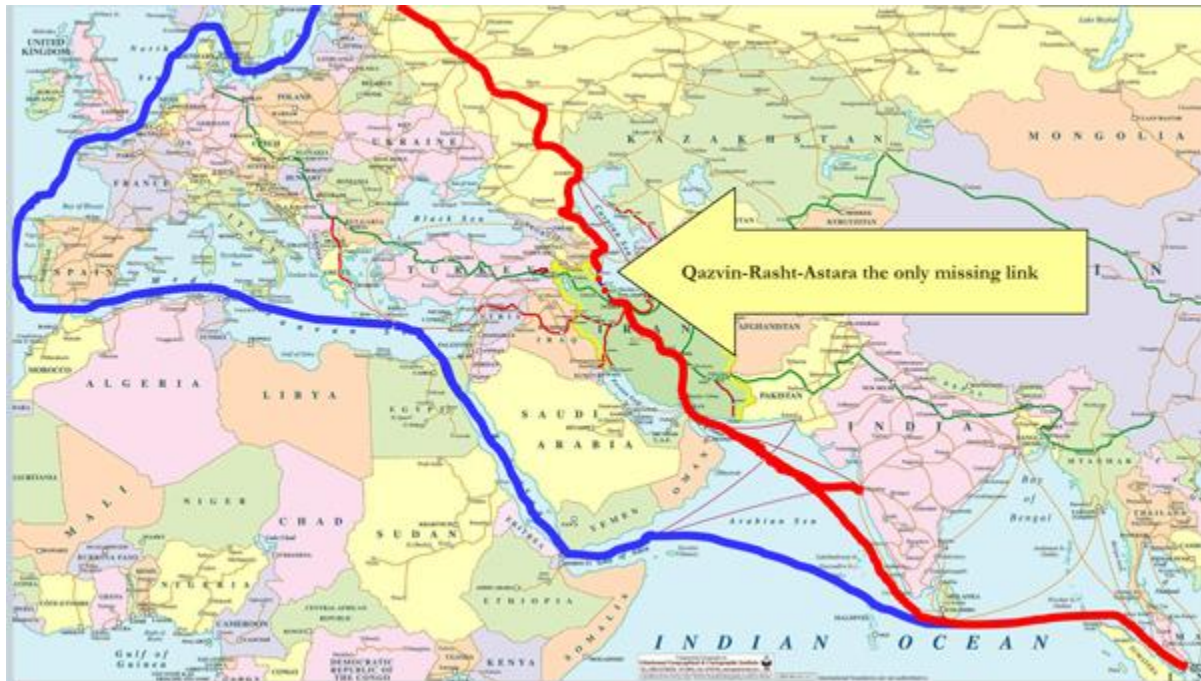
Another important aspect of India-Azerbaijan cooperation lies in the launching of International North South Transport Corridor (INSTC), which will connect Indian ports with Azerbaijan and Russia through Iran. Construction of INSTC is slated to finish in 2017,<sup>15</sup> once



completed; the 4,500 mile route will substantially reduce transport time between India and Azerbaijan. This transport corridor will have substantial potential to increase trade and commercial exchange in the region. It is also expected that this route will give greater leverage to the development of trade and economic relations between India and Azerbaijan. India has appreciated Azerbaijan's efforts in developing INSTC, which is being developed collectively by Azerbaijan, Iran, India, Russia and other countries.<sup>16</sup> At present, Iran and Azerbaijan are constructing Qazvin-Rasht-Astara railway route as part of INSTC. Once these links are available, the economic and trade cooperation between India and Azerbaijan and other markets in the vicinity will get a major fillip.



(Map Source: Alena Repkina)



(Map Source: Railway Pro Communication Platform, [www.railwaypro.com](http://www.railwaypro.com))

## Conclusion

The relationship between the two countries has evolved over a period of time. From India's perspective, Azerbaijan's stockpile of oil and natural gas would help to satisfy its quest for energy. Both the countries have also identified potential areas of further cooperation and have been working on those areas. The relationship between the two countries has moved beyond bilateral cooperation and getting strengthened through various regional initiatives like, INSTC route and BTC pipeline. Both countries are endeavouring to explore further prospects in renewable energy sector, energy efficiency and various upcoming projects in oil and natural gas and pipelines have broadened the orbit of the relationship. The cooperation and partnerships in the emerging areas in last few years is a testimony of their commitment for a lasting relationship for mutual benefit. The recent efforts are clearly showing a positive development in that direction.

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*Disclaimer: Views expressed are of author and do not reflect the views of the Council.*

## End Notes

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