

ANALYSIS OF THE DIRECTIONS OF DEVELOPMENT OF RELATIONS BETWEEN THE REPUBLIC OF ARMENIA AND THE REPUBLIC OF INDIA¹

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Introduction. Recently, discussions about the possibilities of developing relations between Armenia and India have become more frequent in the information field. The issue became especially relevant after the 2020 war, where Pakistan joined the regional geopolitical processes. On the other hand, the issues of infrastructure development and international trade relations of India under the current conditions of China's economic dominance in Asia are closely related to the location of transport hubs that do not pass through countries that have close relations and close geopolitical positions with Pakistan. It is also important to note the long-standing relationship in the field of migration flows between Armenia and India. However, in the academic environment, consideration of the prospects for the development of relations between Armenia and India is often considered only from the point of view of certain areas, for example, trade in goods and services or migration, which does not give a comprehensive vision of the prospects and possible problems of this process: many aspects elude the field perspective of researchers using this approach. In this study, the author tried to consider the bilateral relations between Armenia and India from the point of view of several basic institutions at once: the economy (in this block, the emphasis is on foreign trade relations, the possibilities of opening new commodity markets for both countries), infrastructure (the main context is related to the project “North-South”) and migration. According to the author, there is potential for the development of relations in all these areas, and it is the comprehensive development of relations along these tracks that will help achieve a greater effect.

Methodology. In all sections of the study, such general scientific methods as induction and analysis are simultaneously used: separately considered facts allow us to draw general conclusions about the situation in a particular area. To implement the study in the areas of migration and external trade relations between Armenia and India, a statistical analysis was carried out based on data from international and state analytical and statistical institutions, including the Statistical Committee, the Migration Service and the Central Bank of the Republic of Armenia. To prepare the necessary database, a desk study and study of relevant sources of information was carried out.

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To analyze the possibilities of implementing infrastructure projects, an institutional analysis was carried out in the context of assessing the viability of existing institutions, in particular legal institutions for the protection of private property, for risk-free implementation of such long-term projects. At the same time, a risk-oriented analysis was carried out to highlight the possible negative effects of current situation in this area. The main method of concluding the study is system analysis: this is a holistic vision of several directions of development of relations between Armenia and India, capable of giving a common vision of the future of these opportunities.

Literature review. Halford Mackinder in the article "The Geographical Pivot of History", which introduces new concepts of understanding geopolitics in general, gives a special role to the central part of Eurasia, calling it the Heartland [Mackinder, 1942, p. 105]. This idea is developed by the American scientist Nicholas Spyken. Spyken's main thesis was the organization of strict control over the coastal territory of Eurasia, in particular, over Europe, the Arab countries, India, China and Southeast Asia. Spyken called this strategically important belt "Rimland" and thus divided the geopolitical world into two parts: "Heartland" and "Rimland". In addition to this theory, Spyken develops the idea of the impact of "Rimland" on "Heartland": the latter is, in his opinion, a potential space that has received cultural impulses from "coastal zones", but not vice versa and, therefore, does not play an independent role and does not give a historical impulse [Spyken, 1944, p. 43]. This approach continues to be relevant to this day [Kefeli, 2018, p. 42]. Since 2014, the ongoing geopolitical and geo-economic processes have increased the importance of developing relations between the countries of the same region. It is also important to note the growing role of Eurasia in designing the future world order: the growing economic power of China and India, the important infrastructure initiatives "One Belt, One Road" and "North-South", as well as the military clash in the center of Eurasia, make the latter the main trend-maker of geopolitical processes in world [Mnatsakanyan, 2022, p. 324]. One of the main world players in the territory of Eurasia is India, and the development of relations with it is of strategic importance for Armenia. However, as noted above, the analysis of the prospects and opportunities for bilateral relations between Armenia and India is often considered only in the plane of one specific indicator or direction, which does not give a holistic vision of this process.

Scientific novelty of this study lies in the complexity of the analysis carried out and an attempt to combine an interdisciplinary approach in understanding the development of relations between Armenia and India: the geopolitical and geo-economic contexts are considered in conjunction with humanitarian and macroeconomic parameters, which opens up a different angle of vision of the subject under study. This closes the academic gap in the issue of a comprehensive examination of the Armenian-Indian relations, and also creates the basis for a new approach for further research.

Analysis. Foreign trade relations. The first direction in the development of relations is economic interaction. In this context, it is important to consider the mutual trade between Armenia and India. As shown in Figure 1, exports from Armenia to India over the past 2 years have grown 36 times in terms of exports in dollars. If we consider the share of exports to India in the total exports of Armenia, then the percentage increased from 0.02 percent in 2019 to 4.2 percent in 2021, that is, 210 times.

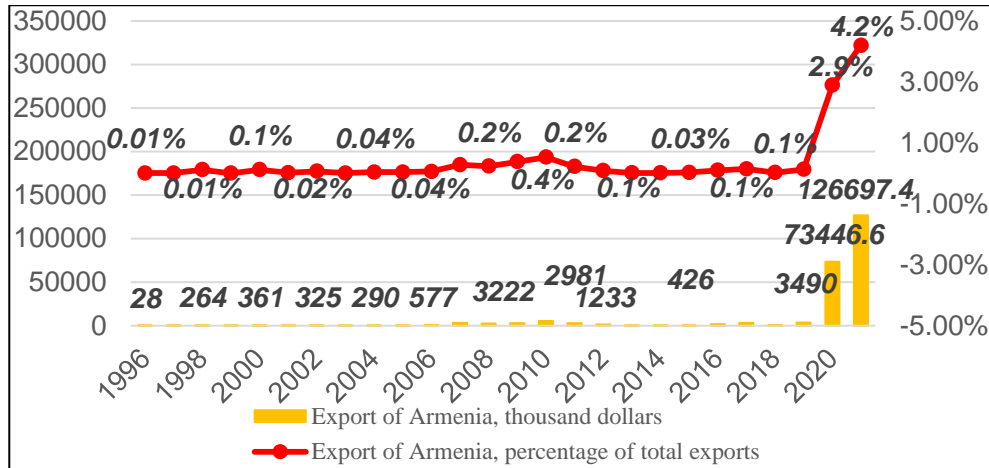


Figure 1. Armenian exports to India, 1996-2021

Source: RA Statistical Committee, Statistical Yearbooks of Armenia 2001-2022, <https://www.armstat.am/am/?nid=586>

It is important to note that imports from India remained at the same level: the volumes of imports over the past 5 years ranged from 75 to 130 million dollars, and in percentage terms, this figure was from 1.6 to 2.3 percent (Figure 2).

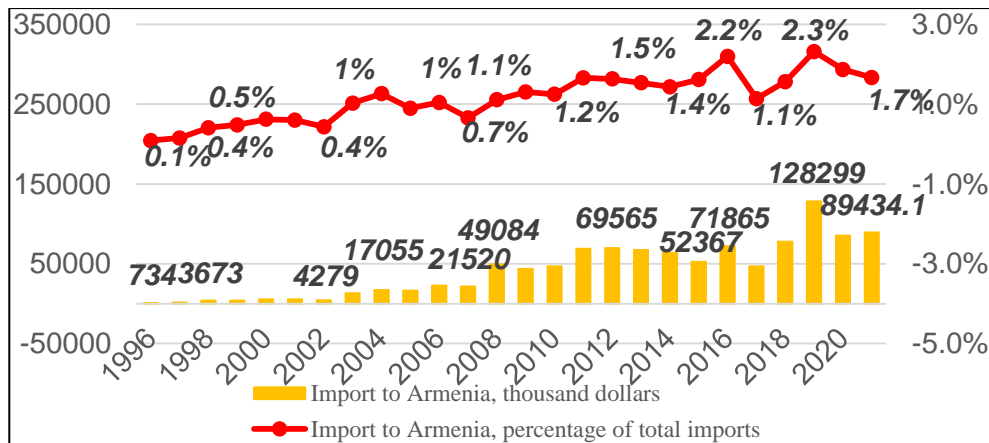


Figure 2. Imports of Armenia from India, 1996-2021

Source: RA Statistical Committee, Statistical Yearbooks of Armenia 2001-2022, <https://www.armstat.am/am/?nid=586>

When analyzing the structure of Armenia's exports by the main partner countries of foreign economic activity, it can be seen that the above growth is significant even in comparison with changes in export flows to other countries (Figure 3). It is important, however, to note that the trend towards an increase in the importance of the direction in the structure of Armenia's exports was registered not only in the case of India: similar processes are taking place, for example, in the context of relations with China.

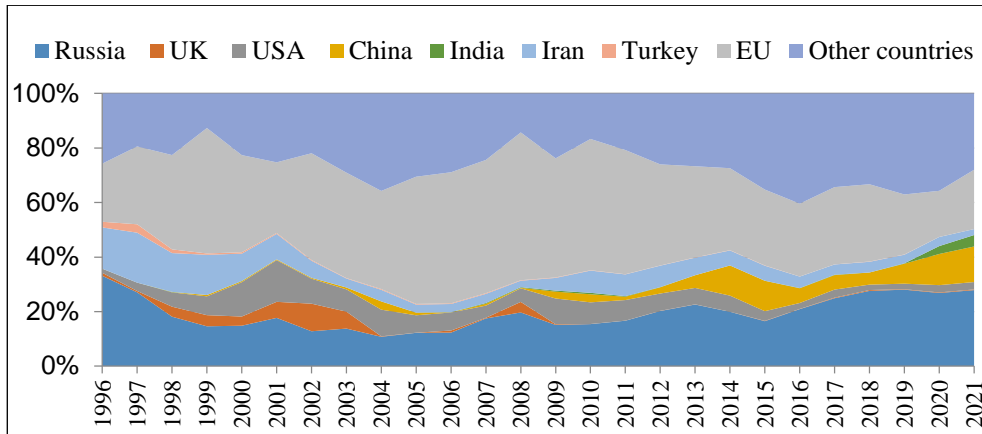


Figure 3. Distribution of Armenia's exports by major trading partners, 1996-2021

Source: RA Statistical Committee, Statistical Yearbooks of Armenia 2001-2022,
<https://www.armstat.am/am/?nid=586>

In the case of the country structure of Armenia's imports, one can notice that, unlike countries such as Iran or China, imports from which have become increasingly significant in recent years, India's position remains at the same level (Figure 4).

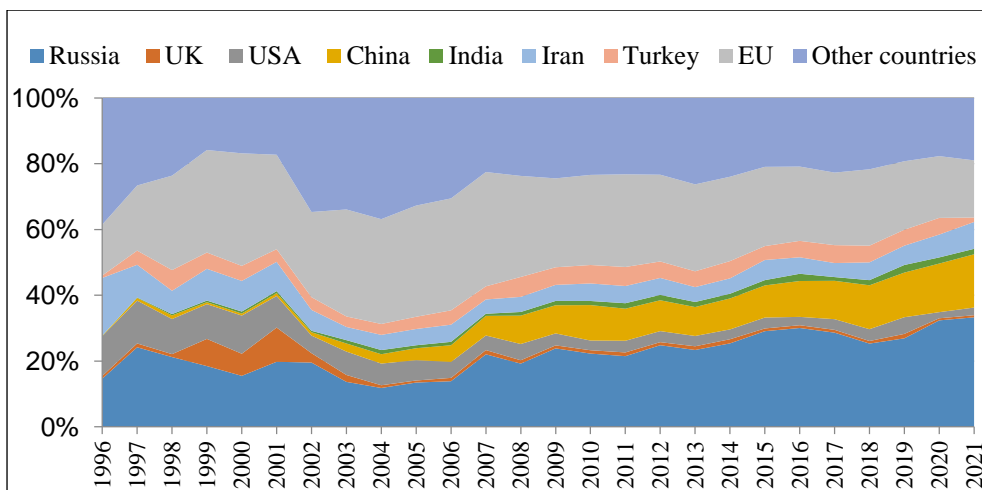


Figure 4. Distribution of Armenia's imports by major trading partners, 1996-2021

Source: RA Statistical Committee, Statistical Yearbooks of Armenia 2001-2022,
<https://www.armstat.am/am/?nid=586>

For a comprehensive consideration of the foreign economic cooperation between India and Armenia, it is also important to study the commodity structures of exports and imports between these countries. As can be seen from Table 1, the commodity structure of Armenia's exports to India over the past 20 years has significantly narrowed: for the past two years, only precious and semi-precious metals and stones have been exported from Armenia. Given that it was this export that dramatically changed the picture of external economic relations between Armenia and India and led to a sharp jump in indicators in Figure 1, it is important to understand that raw material exports, in the absence of diversification, have negative consequences, pose possible risks [Hayrapetyan, 2022].

Table 1. Commodity structure of exports from Armenia to India, 2002-2021

	2002-2006	2007-2011	2012-2016	2017	2018	2019	2020	2021
Precious and semi-precious metals and stones	1	40	48	0	1	4	100	100
iron and steel	29	0	4	0	6	87	0	0
Copper	29	1	10	72	0	0	0	0
Cars	0	3	4	0	42	4	0	0
Electronic machines and equipment	0	0	1	0	23	1	0	0
Optical, measuring devices	0	2	9	2	12	1	0	0
Aluminum	0	16	6	22	0	0	0	0
Raw hides and skins	0	0	8	2	5	2	0	0
Furniture, mattresses	0	0	8	0	0	0	0	0
Inorganic chemistry	0	32	0	0	0	0	0	0

Source: Hayrapetyan V. L., Candidate of Economics, Associate Professor, "Prospects and problems of development of financial and trade relations between Armenia and India", XVI Annual Scientific Conference of the Russian-Armenian University, dedicated to the 25th anniversary of the founding of RAU, 5-9 December, 2022, Yerevan

In the case of imports from India, there is a fairly significant level of easing the concentration of commodity structure, however, the absence of significant volumes of imports does not allow to fully assess positive impact of such diversification (Table 2).

Table 2. Commodity structure of Armenia's imports from India, 2002-2021

	2002-2006	2007-2011	2012-2016	2017	2018	2019	2020	2021
Precious and semi-precious metals and stones	10	17	13	26	26	47	30	30
Tobacco and tob. products	0	5	15	13	26	20	20	13
Meat products	55	34	17	14	9	7	1	13
Plastic products	1	4	8	5	4	3	5	3
Iron and steel products	0	1	4	0	0	0	0	0

Source: *Ibid*

It is important to note that the studies of the International Trade Center show that both the export of precious metals to India and the import of meat products from India have already crossed the threshold of efficiency and are now developing beyond their reasonable potential, which can only have negative consequences for both states. At the same time, the ITC analysis shows that the direction of precious stones, more specifically, diamonds, has a fairly large potential: it is interesting that studies have shown a significant potential for the development of exports of these products from both India and Armenia. This means that there is potential to create an entire diamond processing production chain, which will provide a high level of value added for both countries. On the other hand, if we separately consider the direction of exports of services, we can see that India has achieved quite a lot of success in the field of exports of computer services: according to this indicator, it is even ahead of the average result of the OECD countries (Figure 5). In the case of Armenia, a similar activation is registered in areas related to high technologies and the export of such products, which can be a good direction for the development of relations.

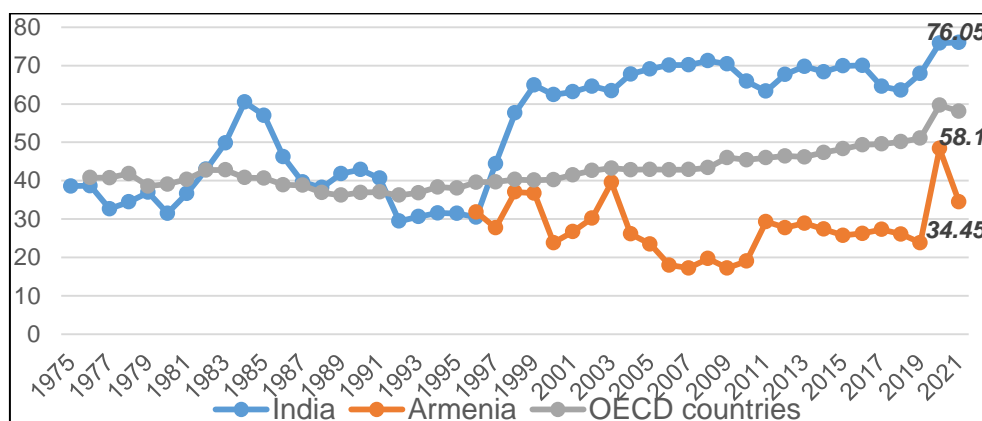


Figure 5. Share of exports of computer services in total exports of services, 1975-2021
 Source: World Bank Open Data, <https://data.worldbank.org/>

In the context of the development of high-tech industry and cooperation in this area, it is also important to consider the field of research and development in both countries. In both the case of India and Armenia, the level of spending on research as a share of GDP has not changed over the past 25 years: it continues to be at a significantly low level compared to OECD countries (Figure 6). Joint work in this direction can increase efficiency in the areas of IT and technology, which can become the main driver of external economic relations between Armenia and India. Thus, the creation of new scientific and technological platforms for cooperation in the academic field can become another direction for the development of relations. Summarizing the above analysis, it should be noted that at the moment the potential of foreign economic relations between Armenia and India is almost not realized: the current commodity structure of exports to India is

extremely highly concentrated, and imports have low volumes. At the same time, the commodity groups for which the current turnover is realized do not have economic profitability and expediency. Under such conditions, the effectiveness of economic relations between India and Armenia will decrease in the long term. In this context, it is important to consider the rapid development of such areas as diamond processing, computer services and high-tech services, as well as scientific cooperation: these areas have great potential and can become an engine for the economic development of both countries.

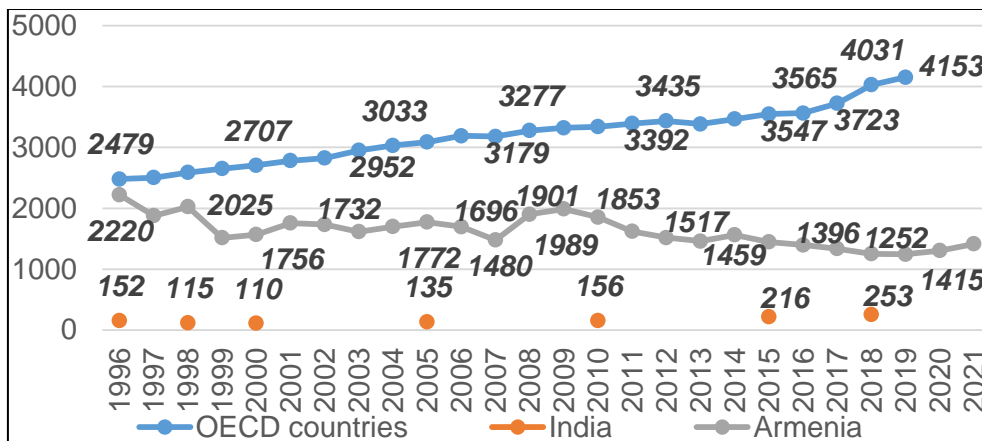


Figure 6. R&D as a percentage of GDP, 1996-2020
 Source: World Bank Open Data, <https://data.worldbank.org/>

Infrastructure. In the case of India, the issue of affordable and reliable infrastructure outside the borders of their country is especially acute in the context of the aggravation of the Kashmir conflict. This issue is not just a territorial dispute between two states, as it includes elements of religious, ethnic and economic conflicts. Pakistan insists that Muslim-majority Kashmir become part of it, while India emphasizes the request of Kashmiri leader Singh in 1947 to join India. Kashmir is of great geostrategic importance to both India and Pakistan as it is one of the main sources of fresh water and electricity generation for both countries. The control of rivers and glacial waters by one state can pose an existential threat to another. In addition, Pakistan is territorially closer to its ally China through Kashmir and also provides the China-Pakistan Economic Corridor, and for India it is a route to Afghanistan, as well as to Central Asia. On both sides of the line of control are the armed forces of Pakistan and India, between which there are constant armed clashes. Currently, about 55% of the territory in the states of Jammu, Kashmir and Ladakh is controlled by India, 30% in Gilgit-Baltistan and Azad Kashmir by Pakistan, and 15% in the northeast, i.e. Aksaiqin province, by China. The decision of the government of India and the upper and lower houses to abolish the special status of the state of Jammu and Kashmir has further aggravated the conflict: both Pakistan and India seek to gain complete control over Kashmir. Especially after the 2019 parlamenta-

ry elections in India, the rhetoric regarding the Kashmir conflict became tougher: the Prime Minister in his speech noted that in this matter it is necessary to follow the principles of Sardar Patel, one of the founding fathers of the Republic of India, noting determination in the only true solution to this conflict: full integration of Kashmir into India. On the other hand, the conflict may enter a new stage in 2023 due to internal political problems in Pakistan: The International Crisis Group considers an internal political crisis in Pakistan as one of the most likely in 2023, with a possible transition to civil war. In such circumstances, given the great turbulence throughout Eurasia and major changes in the geo-economic and geopolitical constructions of the world, a secure international infrastructure for a stable trade turnover is extremely important for India. It is this reason that becomes a basis for accelerating the development of North-South initiative by India.

Based on the foregoing, Armenia's North-South National Initiative can become not only part of China's large One Belt, One Road project, but also India's North-South project in the South Caucasus region. However, given the wide range of current problems with the construction of the North-South highway, regarding economic feasibility, safety, construction in the border areas and inefficient work of contractors, the inclusion of this road in global infrastructure projects is becoming an increasingly difficult task to complete.

Under such conditions, taking into account the current geopolitical and geo-economic situation and the growing interest of India in the speedy implementation of the North-South infrastructure project in order to minimize the risks of its foreign economic flows, Armenia needs to raise the level of efficiency of the implementation of the North-South highway project, mainly through the expansion of possible sources attracting additional capital resources to this project and improving the construction process itself.

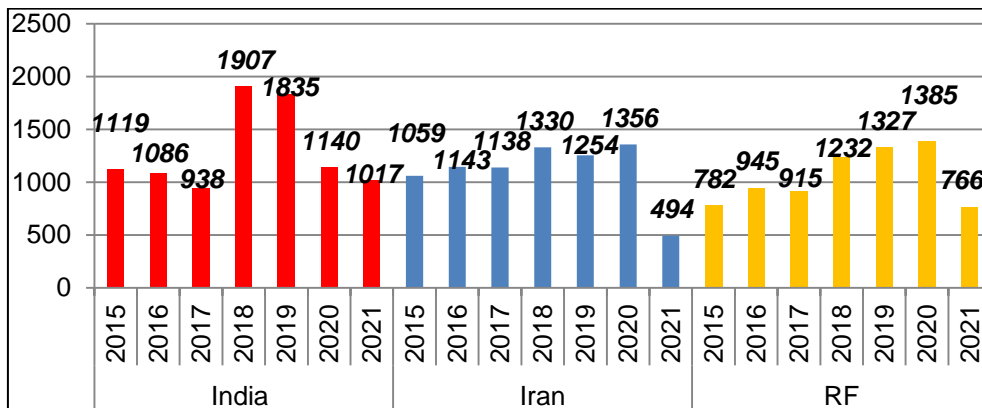


Figure 7. Distribution of foreigners who received the status of residence in the Republic of Armenia, by countries of citizenship, 2015-2021

Source: compiled by the author based on the database of the Migration Service of the Republic of Armenia

Migration. The third direction of relations between Armenia and India is the constant migration flows between these countries. The flow of immigration from India to Armenia is one of the main ones in terms of volume: over the past 5 years, India, along with Iran and Russia, has been among the top three in terms of immigration to Armenia (Figure 7). At the same time, India during this period showed the highest rate of citizens who received the status of residence in Armenia: in 2018, 2052 citizens of India received the status of residence in the Republic of Armenia.

At the same time, if we consider this indicator in the context of certain types of residence status, it becomes clear that, unlike citizens of the Russian Federation, citizens of India and Iran more often received the status of temporary residence than permanent (Figure 8).

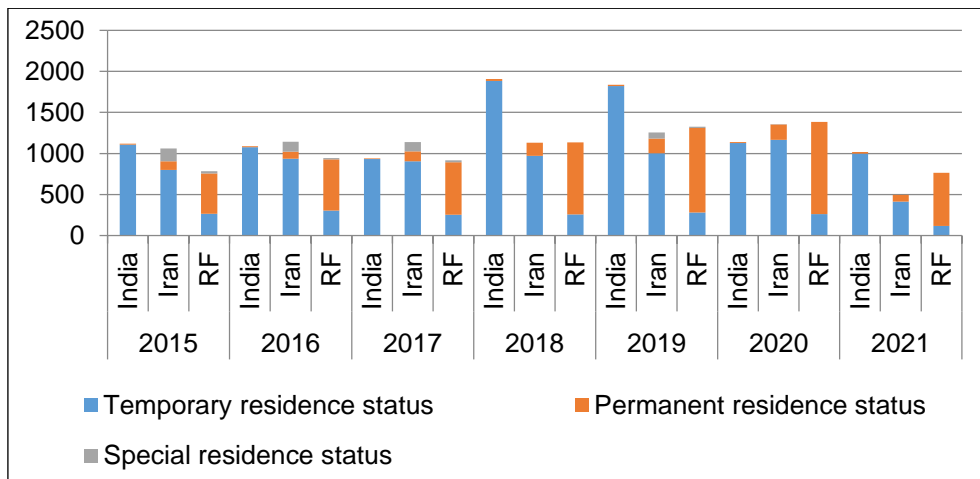


Figure 8. Distribution of foreigners who received residence status in the RA, by type of residence status, 2015-2021

Source: compiled by the author based on the database of the Migration Service of the Republic of Armenia

For a complete picture, it is also necessary to consider the patterns of immigration and its causes. Thus, the main reason for obtaining temporary residence status in Armenia by citizens of the Republic of India is study, which in recent years has reached 90 percent (Figure 9).

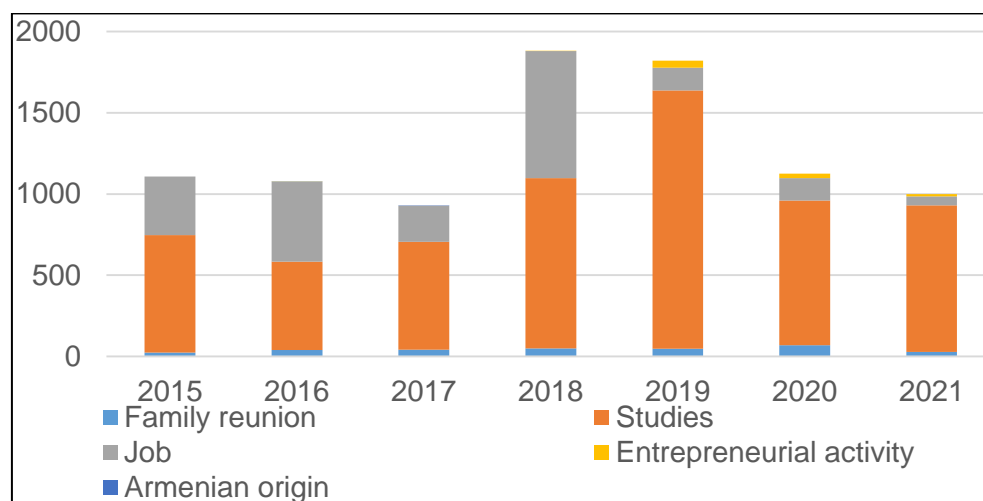


Figure 9. Distribution of Indian citizens who received the status of temporary residence in the RA, by the basis of receipt, 2015-2021

Source: compiled by the author based on the database of the Migration Service of the Republic of Armenia

The reason for the arrival predetermines the fact that there are no large flows of transfers of individuals registered from and to India. In terms of net remittance inflows, the Russian Federation and the United States lead the way, with the rest accounting for less than 5 percent of the total in 2021. Thus, although the migration flows between Armenia and India are not a source of significant financial resources, the continued pace of immigration of Indian citizens is an indicator of Armenia's successful experience in exporting educational services. It is also important to remember the social and cultural role of academic mobility, which is a kind of public diplomacy.

Conclusion. Summarizing the study, we can say that in all the areas considered there is a potential for the development of relations. In the case of trade relationships, a change in the structure of exports and imports is necessary: it is important to understand that a low level of diversification can have a negative effect on the economy. Under such conditions, it is necessary to consider the possibilities of developing high value-added areas, such as diamond processing and high-tech services. It is also important to maintain the influx of Indian citizens in the context of academic mobility. The current geopolitical situation also provides an opportunity to develop relations in the field of infrastructure projects. It is especially important to emphasize that the systematic development of relations along all the above tracks can have a greater synergistic effect and lead to much more positive results.

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Analysis of the directions of development of relations between the Republic of Armenia and the Republic of India

Key words: export, import, migration, infrastructure, North-South highway, GDP

In this article, the author tried to conduct a systematic analysis of various layers and institutions, the joint consideration of which makes it possible to understand the interaction and create a synergistic effect in the development of various areas, which enhances the positive results of the process of deepening relations between India and Armenia. The study showed that external trade, infrastructure and migration can be considered such areas: the combination of geopolitical and geo-economic views on the issue made it possible to understand that at the moment there is a significant untapped potential in all of the above areas. This is due both to India's desire to have a secure infrastructure and the expediency for Armenia to develop public diplomacy in the context of educational mobility. Regarding export-import relations, it should be noted that the Armenian-Indian relations in this direction need a deep rethinking and restructuring of current economic ties, based on the vision of long-term possible benefits of developing specific commodity groups.