

A Comparative Analysis of India's Export with the World with Special Reference to GCC & Non-GCC Countries

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DOI: [10.36348/sjef.2024.v08i04.003](https://doi.org/10.36348/sjef.2024.v08i04.003)

| Received: 08.03.2024 | Accepted: 15.04.2024 | Published: 18.04.2024

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Abstract

West Asian region is viewed as the most significant region from a variety of perspectives. The area has long served as a strategically important, commercially significant, politically active, and culturally sensitive focus of international affairs. Thus present study will try to examine the comparative analysis between India's trade relations with the World with special focus on GCC & Non-GCC countries of West Asian region since 1991. The paper comprises the nations of Bahrain, Iran, Iraq, Jordan, Kuwait, Israel, Lebanon, Oman, Qatar, Saudi Arabia, United Arab Emirates (U.A.E.), Yemen, Egypt, etc. Additionally, the study seeks to identify areas of convergence in India's exports within the region, shedding light on the intricate economic interdependencies that have shaped India's relationship with West Asian countries. By doing so, it aims to provide insights into strategic alignments, economic synergies, and potential growth avenues. Understanding these convergence points is crucial for formulating informed policies and strategies that align with India's broader economic and geopolitical objectives.

Keywords: India's trade relations, GCC & Non-GCC countries, India's exports.

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1. INTRODUCTION

India realized that in order to prosper and strengthen its position in the world trade, focus needs to be shifted from an inward-looking protectionist approach to an outward-looking approach. In 1991, India's attitude towards trade shifted dramatically. Due to serious economic issues and trade deficits, the country was compelled to open its doors to the outside world. Liberalization, privatization and globalization were the new principles of governing India's foreign relations. Embracing the foreign investors by removal of trade barriers with the adoption of new principles altogether proved to be a game changer for the economy. These measures have assisted the Indian economy in reviving up and progress significantly since then, although the pace remained gradual during the initial years and there were occasional glitches.

India's merchandise trade volume with the rest of the economies of the world has increased manifold since the adoption of the new economic reforms from 14.13 per cent in 1991 to 20.04 per cent in 2000 and further to 34.41 per cent in 2010 and 31.07 per cent in

2018. Upon closer examination, it has been observed that both export and imports have indicated a growth from 1991 to 2018 and declined in recent years (2019 and 2020) due to certain economic shocks. However, the country's imports have always been much higher than the exports owing to the composition of the import basket that primarily comprises of intermediate goods and other raw materials. With the changing scenario, the country's trade has experienced a shift from being import oriented to export oriented with the change in composition of export basket from agricultural commodities to non-agricultural (capital and intermediate goods) indicating a positive development for the economy.

2. METHODOLOGICAL FRAMEWORK

This study analyses India's export performance with special reference to GCC & Non-GCC countries using CEPII, WITS & Ministry of Commerce database since 1991 to 2020.

The focus on GCC and Non-GCC countries adds a layer of specificity, allowing for a more in-dept.

understanding of India's trade dynamics in these distinct regions. Through this approach, the research contributes valuable insights to the discourse on India's global trade relations and sets the stage for informed policy recommendations and strategic decisions.

3. India's Export Relations with the World

India has successfully transitioned from being primarily a primary product exporting nation to a non-primary goods (manufactured goods) exporting nation. Despite numerous unfavourable elements such as periodic famines, devaluation of the Indian rupee in terms of gold, and adverse British government policies, there has been a significant growth of country's exports both as a percentage of its GDP and as a percentage of global exports. During the initial phases of development,

the export was mostly comprised of oil and non-oil products that caused the economy's transformation and modernization since 1991 which faced numerous obstacles as a result of various domestic and international factors. However, the country's exports witnessed a much-needed recovery from a negative growth of (-) 1.5% in 1991-92 to 21 percent in 2000-01. There were substantial negative pressures on the rupee-dollar exchange rate in 2000-01 with the value of the Indian rupee falling by 6.7 percent between April and October 2000 (*Economic Survey 2003*), leading to instability in the foreign exchange market. Another notable factor for the strong growth has been various trade policy reforms including rationalizing of basic customs duty, deemed export benefits, setting up of Special Economic Zones (SEZ) and schemes for granting assistance to States, etc.

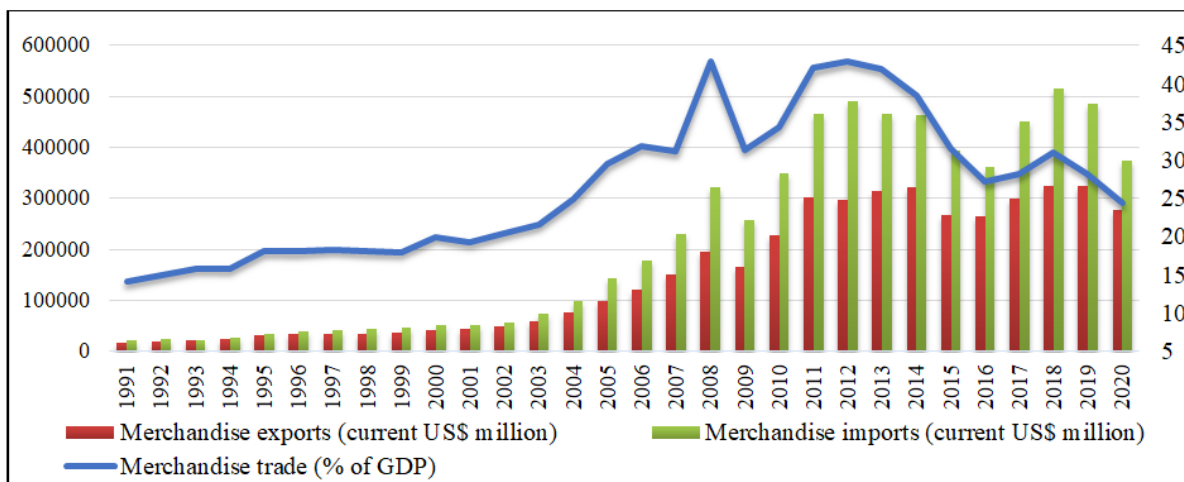


Figure 1: India's Trade since 1991

Source: Author's calculation based on World Bank Database

Table-3.1: Growth of India's Export

Year	Exports (US\$ million)			Growth rate (%)		
	Oil	Non-Oil	Total	Oil	Non-Oil	Total
1990-91	522.70	17622.50	18145.20	24.93	8.82	9.23
1995-96	453.70	31341.20	31794.90	8.83	20.94	20.75
1999-00	38.90	36783.50	36822.40	-56.49	11.03	10.85
2000-01	1869.70	42690.60	44560.30	4706.43	16.06	21.01
2005-06	11639.60	91450.90	103090.50	66.53	19.47	23.41
2010-11	41480.00	209656.20	251136.20	47.13	39.25	40.49
2015-16	30582.60	231708.40	262291.10	-46.15	-8.62	-15.49
2020-21	25784.10	265379.50	291163.50	-37.55	-2.46	-7.08

Source: Author's calculation based on RBI data.

Today, India enjoys amicable trade relations with almost every country with a few exceptions and has succeeded at upholding amicable relations with other nations, which has further benefitted country's relations

with numerous powerful trading partners, including the US, UK, UAE, Australia, and many others. However, the share of exports with each region has kept on changing decade after decade.

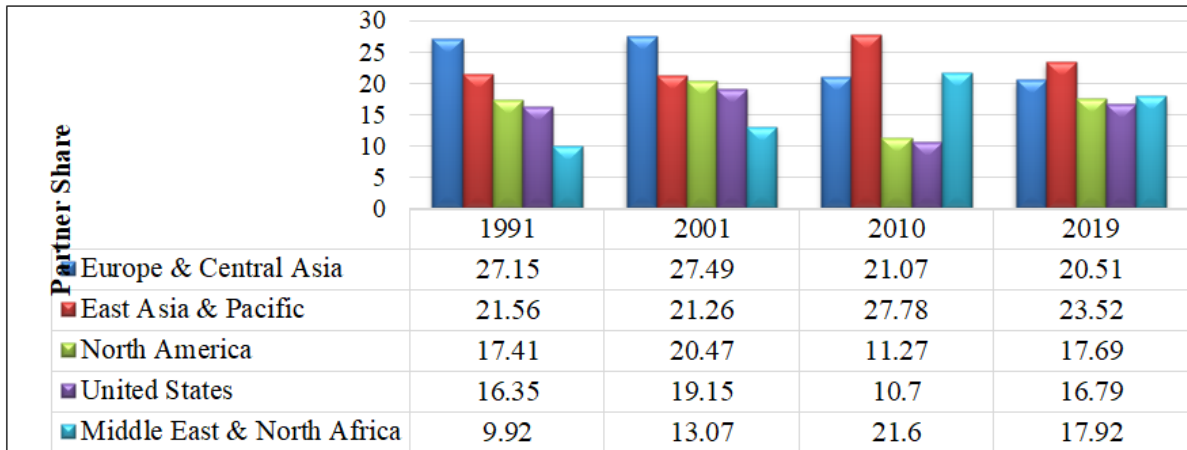


Figure 3.1: Export Partner Share (in percent)
 Source: Author’s calculation based on WITS database

During the initial period, India was majorly exporting to European & Central Asian region. The share of exports to the region was 27.15 per cent in the year 1991 followed by East Asia & Pacific (21.56 per cent), North America (17.41 per cent), United States (16.35 per cent) and Middle East & North Africa (9.92 percent) (Table 3.1). The most common items included Diamonds, Petroleum oils, iron ore, textile items, etc. The sequence of the share has been altered with East Asia & Pacific region becoming the top exporting partner of India with 23.52 per cent share in total exports in the year 2019 followed by Europe & Central Asia (20.51 per cent), Middle East & North Africa (17.92 per cent), North America (17.69 per cent) and United States (16.79 per cent) owing to many structural as well as economic reforms between India and the exporting partner over the years.

4. India’s Export relations with GCC Countries

India’s relations with the GCC countries underwent a profound transition in the 1990-1991 as a

result of two distinct yet important catalysts: the fall of the Soviet Union and significant economic reforms in India (Azhar, Muhammad 2017). Many barriers to the relations between the two vanished leading to a considerable strengthening of political relationships and significantly strengthening of economic cooperation (Pradhan, Samir Ranjan. 2006). Furthermore, initially two-third of the energy needs that were satisfied by domestic production and one-third by imports. With opening up of the economy, demand for energy increased, and the earlier situation went the other way by only one-third of the nation’s demand met domestically and the other two-third by imports that was largely met from GCC countries. Not only the imports were impacted but the country’s overall exports to GCC countries noticeably improved. The exports to GCC countries increased to US\$ 1286.74 Million in 1991 indicating a growth rate of 58.33 per cent as against the previous year (Table-4.1).

Table-4.1: India’s Export to GCC countries since 1991

Year	Value (US\$ Million)		Growth Rate (in Percent) *
	Export to GCC countries	Exports to West Asia	
1991	1286.74	1775.15	58.33
1995	2243.23	3054.48	11.45
2000	3679.21	5190.85	14.27
2005	11503.57	16227.65	28.34
2010	35434.54	47606.28	11.25
2015	41745.31	54707.37	-18.69
2018	40024.72	55824.66	0.62
2020	29138.32	41421.17	-28.64

Source: Author’s calculation based on WITS database. * Growth rate based on previous years (For ex: for 1991, previous year is 1990).

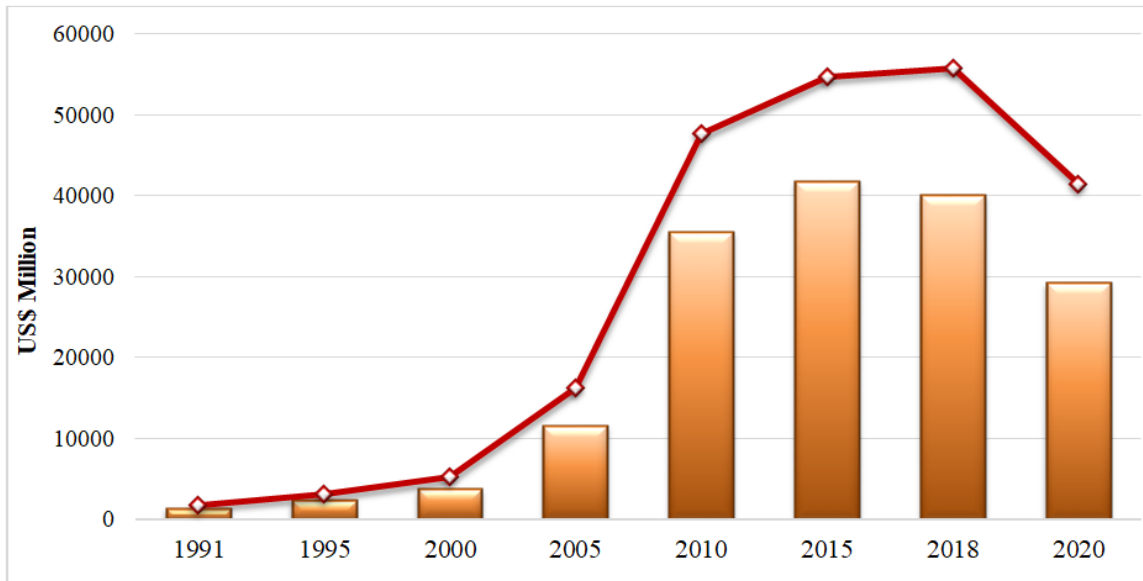


Figure-4.1: India's Export to GCC countries in US\$ Million
Source: Author's calculation based on WITS database

With various prompt and essential measures, the bilateral two-way trade between India and GCC member countries headed in the direction of normalization showing tremendous improvement. Total exports of India to GCC exponentially increased to US\$ 2243.23 Million in 1995 and further to US\$ 3679.21 Million in 2000 demonstrating an increase of 11.45 per cent and 14.27 per cent from the prior year (Table 4.2). India adopted the “*Look West Policy*” which was officially unveiled on 27th July, 2005 by the country's then-Prime Minister in an effort to forge a stronger relationship with the country's western neighbours in terms of trade and investment as one the priority amongst others involving energy security, strategic ties, cooperation, etc. These priorities were warmly welcomed by the GCC nations with consistent high and multi-level engagements over the years, who recognized India's potential as a sizable, stable, and democratic nation (Pradhan, Samir Ranjan. 2006). The export to GCC countries expanded by 28.34 per cent to reach US\$ 11503.57 Million in the year 2005, recording a strong growth as a result of India's efforts towards promoting exports to these regions and moving ahead with

economic integration. The exports have grown substantially since then to reach US\$ 35434.54 Million in 2010 demonstrating an increase of 11.25 per cent from the previous year. (Table 4.1).

Indian exports to GCC countries declined by 18.69 per cent and stood US\$ 41745.31 Million in the year 2015 (Table 4.1) as a consequence of the sharp decrease in oil prices brought on by the US's excess supply of SHALE gas and other alternative fuels.

Overtime, with the increased overall exports of India, the share of GCC countries have also increased since 1991. The exports to GCC countries against the exports to rest of the world have increased significantly indicating their increased contribution. Their contribution gradually increased from a mere 7.19 per cent in 1991 to 8.69 per cent in the year 2000 and further to 16.08 per cent in 2010 (Table-4.2). However, their contribution experienced a slight decline in the succeeding years to reach 15.79 per cent in 2015, 12.42 per cent in 2018 and 10.58 per cent in 2020 (Figure-4.2).

Table-4.2: Contribution of GCC countries in India's Total Export since 1991 (in Per cent)

Year	GCC	Rest of the World
1991	7.19	92.81
1995	7.08	92.92
2000	8.69	91.31
2005	11.46	88.54
2010	16.08	83.92
2015	15.79	84.21
2018	12.42	87.58
2020	10.58	89.42

Source: Author's calculation based on WITS database

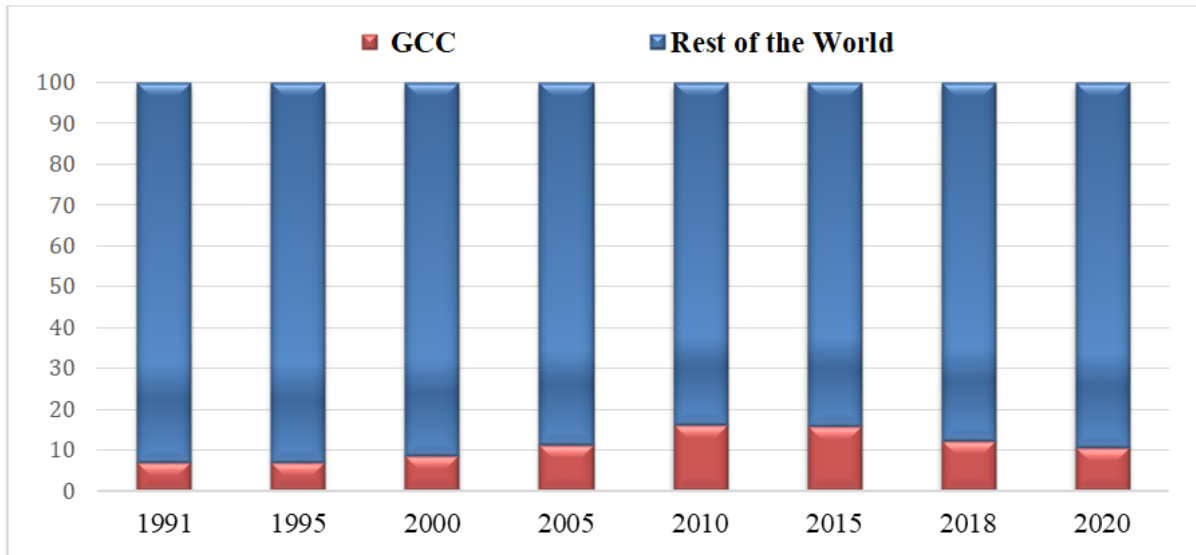


Figure-4.2: Contribution of GCC countries in India's Total Export since 1991 (in Per cent)

Source: Author's calculation based on WITS database.

5. India's Export relations with Non-GCC Countries

The globalization in the form of trade liberalization, and its acceleration over the years has created chances for many nations including the Non-GCC countries to engage in international trade and access the global market. The indulgence of these countries in global value chains (GVCs) and trade has proven to be an effective catalyst for the overall growth of their economies. As a result, nations like India, which were previously skeptical to deal with these nations, saw significant opportunity in these nations' growing demand for imported commodities as a way to increase the supply of their exports and generate more income. The exports of India to Non-GCC countries have been following an increasing pattern since the introduction of economic reforms as a result of diversification of the trade markets with a special focus on improving the country's exports to the other parts (Non-GCC countries) of the region. Table 5.1 shows the value of India's exports to Non-GCC countries from the year 1991 to the year 2020. The

exports to non-GCC countries increased manifold from US\$ 422.20 million in 1991 to US\$ 1300.56 million in the year 2000, indicating a growth rate of 33.99 per cent and 16.29 per cent against the previous years. In 2010, India's exports to non-GCC countries experienced a significant growth, expanded by 34.80 percent compared to the previous year, reaching a value of US\$ 8950.55 million. This growth can be attributed to India's efforts and its commitment to economic integration to these regions. By focusing on expanding overall trade and strengthening economic ties with non-GCC countries, India was able to achieve a strong increase in exports during that year. The bilateral trade between India and Non-GCC countries increased over the years, but the momentum has been slower as compared to the rest of the countries in WANA region. India's exports to these countries often faced a backlash during the year 2015 and declined by 28.89 per cent to reach US\$ 10777.09 million (Figure-5.1) as compared to the previous year.

Table-5.1: India's exports to Non-GCC countries since 1991

Year	Value (US\$ Million)		Growth Rate (in Percent) *
	Export to Non-GCC countries	Exports to West Asia	
1991	422.20	1775.15	33.99
1995	712.01	3054.48	33.75
2000	1300.56	5190.85	16.29
2005	3465.33	16227.65	15.07
2010	8950.55	47606.28	34.80
2015	10777.09	54707.37	-28.89
2018	12717.83	55824.66	18.64
2020	10023.68	41421.17	-29.30

Source: Author's calculation based on WITS database. * Growth rate based on previous years.

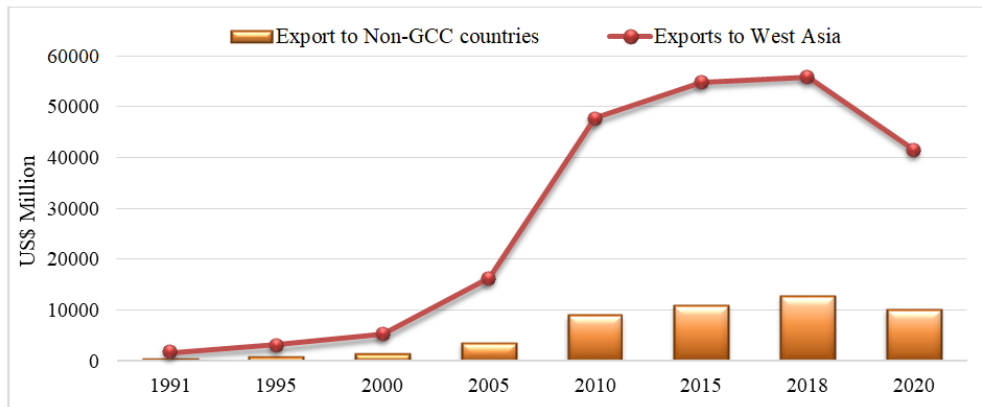


Figure-5.1: India's Export to Non- GCC countries in US\$ Million

Source: Author's calculation based on WITS database

The study by (Keshab Bhattarai, 2016) emphasizes that the potential for economies to change from developing to more advanced ones is by implementing trade promotion policies, but there is a need for clarity in the tariff reforms whether these should be unilateral or multilateral. It has certainly been also highlighted that the opening up of economies for free trade is not sufficient enough to reduce current account deficit. Free trade needs to be accompanied with the net inflows of income in order to prevent rising levels of outstanding foreign debt and devaluation of domestic currency in relation to reserve currencies.

The contribution increased from a mere 2.36 per cent in the year 1991 to 3.07 per cent in the year 2000 and further to 4.06 per cent in 2020 (Table-5.2). This clearly indicates India's progress in diversifying its export destinations and expanding trade relationships with countries outside the GCC region. However, it is important to mention that while the contribution of non-GCC countries has increased, their overall share is still relatively low compared to the rest of the world. The share seems to be again declining in the recent years to reach 3.95 per cent and 3.64 per cent in the year 2018 and 2020.

Table-5.2: Contribution of Non-GCC countries in India's Total Export since 1991 (in Per cent)

Year	Non-GCC	Rest of the World
1991	2.36	97.64
1995	2.25	97.75
2000	3.07	96.93
2005	3.45	96.55
2010	4.06	95.94
2015	4.08	95.92
2018	3.95	96.05
2020	3.64	96.36

Source: Author's calculation based on WITS database

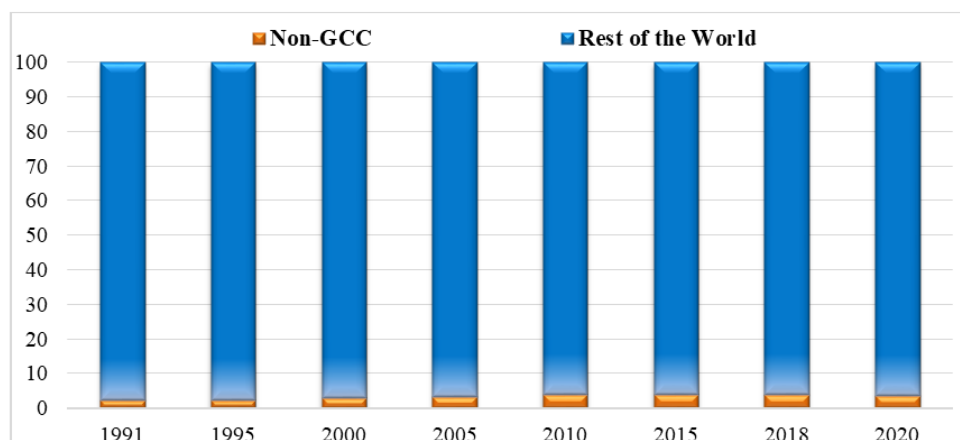


Figure-5.2: Contribution of Non- GCC countries in India's Total Export since 1991 (in Per cent)

Source: Author's calculation based on WITS database

In Table-5.3 below indicates that Non-GCC countries have become significant trade partners for India in the West Asian region, contributing more than 20 per cent to India's total exports to the area since 1991 with India's development and reduced dependence on single country/region. The contribution of non-GCC

countries in India's export to West Asia increased from 23.78 per cent in 1991 to 25.05 per cent in 2000. The overall structure and pattern of India- Non-GCC trade also depicts a contrasting picture in 2010, with the contribution of non-GCC in India's exports declining to 18.80 per cent during the same time.

Table-5.3: Contribution of Non- GCC countries in India's Export to West Asia since 1991 (in Percent)

Year	Non-GCC	Rest of the West Asia
1991	23.78	76.22
1995	23.31	76.69
2000	25.05	74.95
2005	21.35	78.65
2010	18.80	81.20
2015	19.70	80.30
2018	22.78	77.22
2020	24.20	75.80

Source: Author's calculation based on WITS database

With substantial efforts, modest recovery was observed when the contribution of non-GCC countries in India's export to West Asia increased to 22.78 per cent in the year 2018 against 19.70 per cent in 2015 (Figure-5.3). However, it can be said that with the contribution remaining somewhat stagnant over the years, it might be due to certain challenges or constraints in further expanding trade with non-GCC countries in the region. These challenges could include trade barriers, regulatory issues, geopolitical factors, or economic conditions in the

non-GCC countries themselves impeding the flow of goods and services between the two areas. India's export portfolio continues to be centered on a handful of traditional products, lacking a sense of vibrancy and diversity (Prasann Kr Das and Samir Ranjan, 2014). There exists significant untapped potential for broadening trade across various sectors and commodities, while also maintaining the robust growth momentum in the times to come.

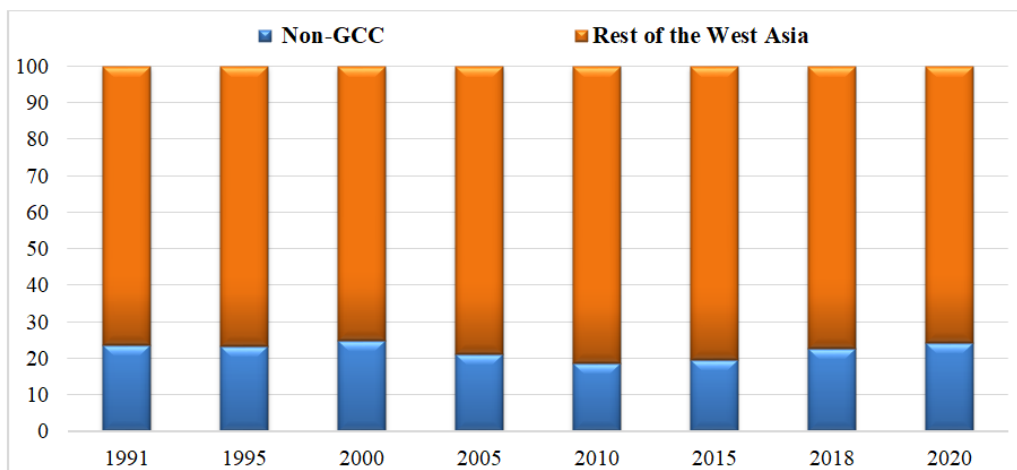


Figure-5.3: India's Share of Export to Non-GCC countries since 1991 (in Per cent)

Source: Author's calculation based on WITS database

Towards the end of 2008, the entire world economy experienced a severe economic and financial crisis leading to a global recession in 2009. This recession caused the most substantial decline in world trade in over 70 years. Before this crisis, the rate of trade growth had already decelerated from 6.4 percent in 2007 to 2.1 percent in 2008. However, the contraction of 12.2 percent in 2009 surpassed any downturn observed during the past and the subsequent years. Furthermore, this drop during 2009 was more pronounced when measured in US dollar terms than in volume terms, recording a decline of

22.6 percent (WTO Trade Report, 2010). The effects of the crisis were also seen in the export patterns of India to Non-GCC countries and the recovery through the subsequent years seemed to be insufficient to attain the pre-crisis levels (Figure-5.3).

The global recession, which was triggered by the financial crisis in 2008, led to a sharp decline in economic activity worldwide. However, India's export sector managed to maintain a certain level of growth during this period. The 13.6 percent export growth rate

for 2008-09, indicating that India's exports continued to increase despite the challenging global economic environment. The decline was more prominent in terms of the quantity than the value terms during the crisis year of 2009-10. India's export to the world declined by 18.9 per cent in quantity terms while the decline in value terms was comparatively lower i.e. 3.5 per cent, reflecting the effect of global recession (Table & Figure-

5.4). As per *Economic Survey 2010-11*, both the volume and unit values of manufactured goods experienced a decline in growth. Additionally, the export volume of food products such as rice, coffee, spices, and oilseed cake also decreased, although their unit values saw an increase. These reductions were primarily a result of supply limitations and policy actions, such as export bans on non-basmati rice.

Table-5.4: India's export to World in Quantity & Value terms

Period	Export		Growth Rate (in %)	
	Quantity (Thousands)	Value (US\$ Million)	Quantity (Thousands)	Value (US\$ Million)
2005-06	74268607.01	1,03,090.53	13.6	23.4
2006-07	90274503.02	1,26,414.05	21.6	22.6
2007-08	94065933.69	1,63,132.18	4.2	29.0
2008-09	94392150.94	1,85,295.36	0.3	13.6
2009-10	76544719.24	1,78,751.43	-18.9	-3.5
2010-11	96270067.23	2,49,815.55	25.8	39.8

Source: Author's calculation based on D/o Commerce Data Bank

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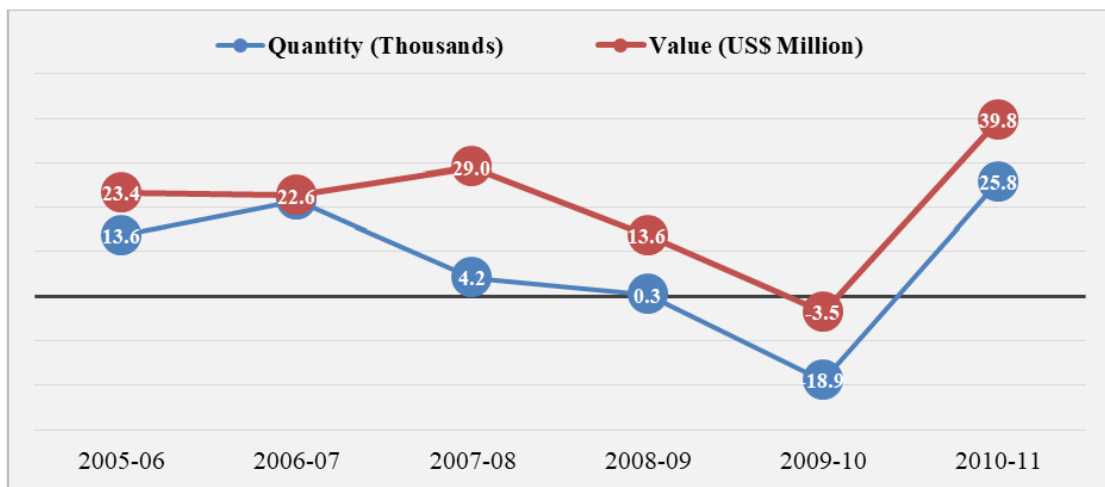


Figure-5.4: India's export to World in Quantity & Value terms (in Percent)

Source: Author's calculation based on D/o Commerce Data Bank.

6. CONCLUSION & POLICY IMPLICATION

This research provides a comprehensive overview of India's proactive involvement in regulating and promoting foreign trade, aligning its strategies with the principles of liberalization and export promotion in accordance with the overarching goals of the Indian Government. Notably, the study underscores India's significant realized potential with Gulf Cooperation Council (GCC) countries, as evidenced by robust export numbers. However, in a strategic shift, recent years have seen India redirecting its export policy towards Non-GCC countries within the West Asian region,

recognizing the untapped potential for substantial growth. This transition signifies an opportunity for India to diversify and increase its exports beyond the traditional partners. The research underscores the necessity for strategic policy measures to augment trade engagement, particularly with Non-GCC countries, emphasizing the need for a balanced and diversified approach. As India intensifies its focus on bolstering export activities, the study serves as a valuable resource for policymakers, offering insights that can guide the formulation of nuanced, export-oriented policies. It stresses the critical importance of fortifying trade relations with the entire West Asian region, emphasizing

the potential for mutual economic growth and positioning India as a dynamic player in the evolving global trade landscape.

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