
UNIT 17 WEST ASIA

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17.0 OBJECTIVES

After studying this Unit, you should be able to:

- Describe the basic economic structure of the West Asian countries
- Analyse the trends in trade of India with select West Asian countries
- Discuss the prospects of India-West Asia trade

17.1 INTRODUCTION

The region is surrounded by eight major seas; the Aegean Sea, the Black Sea, the Caspian Sea, the Persian Gulf, the Arabian Sea, the Gulf of Aden, the Red Sea, and the Mediterranean Sea. To the northwest and north, the region is delimited from Europe by the Turkish Straits and drainage divide of the Greater Caucasus, to the southwest, it is delimited

from Africa by the Isthmus of Suez, while to the northeast and east, the region adjoins Central Asia and South Asia.

West Asia as a region is set in the geographic area east of Southern Europe and south of Eastern Europe. The Dasht-e Kavir and Dasht-e Lut deserts in eastern Iran separate West Asia from Baluchistan and South Asia.

West Asia as a region is the richest region in Asia. Essentially, it is a set of countries that are oil rich. Through oil reserves the region has made economic progress. The countries under study are – Bahrain, Iran, Jordan, Kuwait, Qatar, Saudi Arabia, and UAE.

Many economies have been restructuring them as their oil reserves are going down. They have attained high levels of GDP and per capita income. With the removal of trade restrictions, the region provides rich opportunities for trade. In this Unit, you will learn the economic characteristics of selected West Asian countries i.e. Bahrain, Iran, Jordan, Kuwait, Qatar, Saudi Arabia and UAE. You will further learn India's trade pattern with Bahrain, Iran, Kuwait, Jordan, Qatar, Saudi Arabia and UAE. You will be also acquainted with India's trade prospects and challenges and opportunities with West Asia.

17.2 ECONOMIC CHARACTERISTICS OF SELECT COUNTRIES IN WEST ASIA

In the following analysis you will find consolidated trends in GDP (in current US \$), Growth rate of GDP, Consumer Price Index (CPI), Population, Exports, and Imports, between 2000 and 2020. Sometimes due to unavailability of data the years may differ.

Variables under study:

Table 1- Development and Trade Indicators

Country	Series
Bahrain	GDP (current US\$)
	GDP growth (annual %)
	Consumer price index (2010 = 100)
	Population, total
	Exports of goods and services (current US\$)
	Imports of goods and services (current

US\$)

In the following analysis you will find consolidated trends in GDP (in current US \$), Growth rate of GDP, Consumer Price Index (CPI), Population, Exports, and Imports, between 2000 and 2020. Sometimes due to unavailability of data the years may differ. This kind of analysis is known as quinquennial growth analysis. The data points are 2000, 2005, 2010 and 2020. In the case of GDP, Population, Export and Import an index has been presented. Generally, the base year of CPI is 2010.

$$\text{Index} = [((\text{GDP (2020)}/\text{GDP (2000)}) * 100) - 100]$$

This gives net growth during the 20-year period. Similarly, indices have been made for population, exports, and imports.

17.2.1: Economic characteristics of Bahrain

Table 2- Indicators of Bahrain

2000.00	2005.00	2010.00	2015.00	2020.00
9062898936.17	15968723404.26	25713271276.60	31050638297.87	34723357446.81
5.30	6.77	4.33	2.49	-4.94
83.44	87.50	100.00	110.53	116.02
664610.00	889157.00	1240864.00	1371853.00	1701583.00
7176063829.79	13396808510.64	17880319148.94	25805319148.94	25249202127.66
5132180851.06	10286968085.11	13097074468.09	22301861702.13	23296808510.64

The GDP in Bahrain has grown by approximately 283 per cent, showing robust growth. During the period 2000 and 2020 the rate of growth GDP has followed this pattern, in percentage terms: 5,7,4, 2 and -2. Like most other countries in the terminal year the growth has been negative. The best performance was in 2005. There has been a rise in the general price level (CPI) from 83 to 116. An increase of 33% in 20 years, which is low inflation. Population has grown by 156 per cent. Approximately, imports have gone up by three and half times and exports have gone up by 2 and half times.

17.2.2: Economic characteristics of Iran

Table 3- Indicators of Iran

2000.00	2005.00	2010.00	2015.00	2020.00
109591707802.22	226452138291.54	486807615326.15	408212918053.94	231547571240.47
5.85	3.19	5.80	-1.42	1.76
25.62	49.41	100.00	287.96	719.48
65623397.00	69762345.00	73762519.00	78492208.00	83992953.00
23526115003.49	68684788609.26	118779370294.38	76420864824.52	48047122404.35
21688407084.28	54596877011.56	94299456695.30	84507234721.68	59112942613.26

The GDP in Iran has grown by approximately 100 per cent, showing slow growth. During the period 2000 and 2020 the rate of growth GDP has followed this pattern, in percentage terms: 6, 3, 6 -1, and 2. Unlike other countries, Iran has experienced negative growth in 2015 and not in the terminal year 2020. The best performance was in 2000 and 2010. This may be because of internal strife during 2015. There has been a rise in the general price level (CPI) from 26 to 719. Population has grown by only 28 per cent. Imports have gone up by 172% and exports have gone up by 100%.

17.2.3: Economic characteristics of Jordan

Table 4- Indicators of Jordan

2000.00	2005.00	2010.00	2015.00	2020.00
8460424400.56	12588665303.24	27133804225.35	38587017887.32	43697659295.77
4.25	8.15	2.31	2.50	-1.55
67.24	75.76	100.00	116.40	126.02
5122495.00	5765639.00	7261541.00	9266573.00	10203140.00
3538928067.70	6634978843.44	12752112676.06	14101408450.70	10444366197.18
5795768688.29	11859379407.62	18240845070.42	22694366197.18	18424084507.04

The GDP in Jordan has grown by approximately 416 per cent, showing very robust growth. During the period 2000 and 2020 the rate of growth GDP has followed this pattern, in percentage terms: 4, 8, 2, 2 and -2. Apparently, like most other countries in the terminal year

the growth has been negative. The best performance was in 2005. There has been a rise in the general price level (CPI) from 67 to 126. An increase of almost 60% in 20 years, which is low inflation. Population has grown by 99 per cent. Imports have gone up by over two times and exports have gone up by two times.

17.2.4: Economic characteristics of Kuwait

Table 5-Indicators of Kuwait

The GDP in Kuwait has grown by approximately 180% per cent, showing good growth. During the period 2000 and 2020 the rate of growth GDP has followed this pattern, in percentage terms: 5,11, -2, 1, and -9. Apparently, like most other countries in the terminal year the growth has been highly negative. The best performance was in 2005. There has been a rise in the general price level (CPI) from 70 to 129. An increase of 60% in 20 years, which is low inflation. Population has grown by 108 per cent. Imports have gone up by two times and exports have gone up by 3 and half times.

17.2.5: Economic characteristics of Qatar

Table 6- Indicators of Qatar

2000.00	2005.00	2010.00	2015.00	2020.00
17759890109.89	44530494505.49	125122306346.15	161739955577.75	144411363345.27
..	7.49	19.59	4.75	-3.64
60.88	73.60	100.00	112.39	112.45
592467.00	865410.00	1856329.00	2565708.00	2881060.00
11949450549.45	28982692307.69	77975824175.82	92291208791.21	70933241758.24
3965659340.66	13207967032.97	29717307692.31	59271428571.43	59064560439.56

Qatar's GDP increased by a phenomenal 713 per cent, showing extremely rapid growth. During the period 2000 and 2020 the rate of growth GDP has followed this pattern, in percentage terms: 7.5, 20, 4.75, and -3.65. Apparently, like most other countries in the terminal year the growth has been negative. The best performance was in 2010. There has been a rise in the general price level (CPI) from 60 to 112. An increase of 52% in 20 years, which is low inflation. Population has grown by 386 per cent. Imports have gone up by fourteen times and exports have gone up by 5 and half times.

17.2.6: Economic characteristics of Saudi Arabia

Table 7- Indicators of Saudi Arabia

2000.00	2005.00	2010.00	2015.00	2020.00
189514926213.33	328459700114.76	528207332649.54	654269739552.02	703367841222.56
5.63	5.57	5.04	4.11	-4.14
76.69	77.25	100.00	116.62	122.48
20663840.00	23816175.00	27421468.00	31717676.00	34813867.00
82259466666.67	187388647220.52	261831200000.00	218010394722.27	184162133333.33
46926133333.33	81797389981.59	174202933333.33	247307252133.33	182127845459.22

In the case of Saudi Arabia, the growth of GDP has been somewhat slow. It is 2.71 times in 20 years. GDP growth has been hovering around 5%. In the terminal year it has been negative, understandably. The CPI has grown from 77 to 122, which is about 50%. Population growth is low. Exports have grown slowly around 1.25 times and imports have also grown reasonably by 3 times.

17.2.7: Economic characteristics of UAE

Table 8- Indicators of UAE

2000.00	2005.00	2010.00	2015.00	2020.00
104337372362.15	180617467964.60	289787452661.51	358134944420.50	358868765174.92
10.85	4.86	1.60	5.06	-6.13
..	..	100.00	109.35	112.14
3134067.00	4588222.00	8549998.00	9262896.00	9890400.00
..	122070878148.40	238328114363.51	361252552756.98	335237576582.71
..	93862491490.81	178610755616.07	266276378488.77	246886262679.92

UAE's growth pattern has been as follows: 11, 5, 1.6, 5 and -6. The growth has almost been declining. GDP growth has been 2.5 times but so has population. This makes per capita income stagnant. Exports have grown 1.75 times and imports have grown 1,63 times. Hence, UAE enjoys a positive balance of payments.

Check Your Progress A

1. Write economic characteristics of Bahrain for the year 2020.

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2. Write economic characteristics of Qatar for the year 2020.

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3. Write economic characteristics of UAE for the year 2020.

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17.3 INDIA'S TRADE WITH BAHRAIN

Given below is the trade pattern with Bahrain both in tabular form and graphical form.

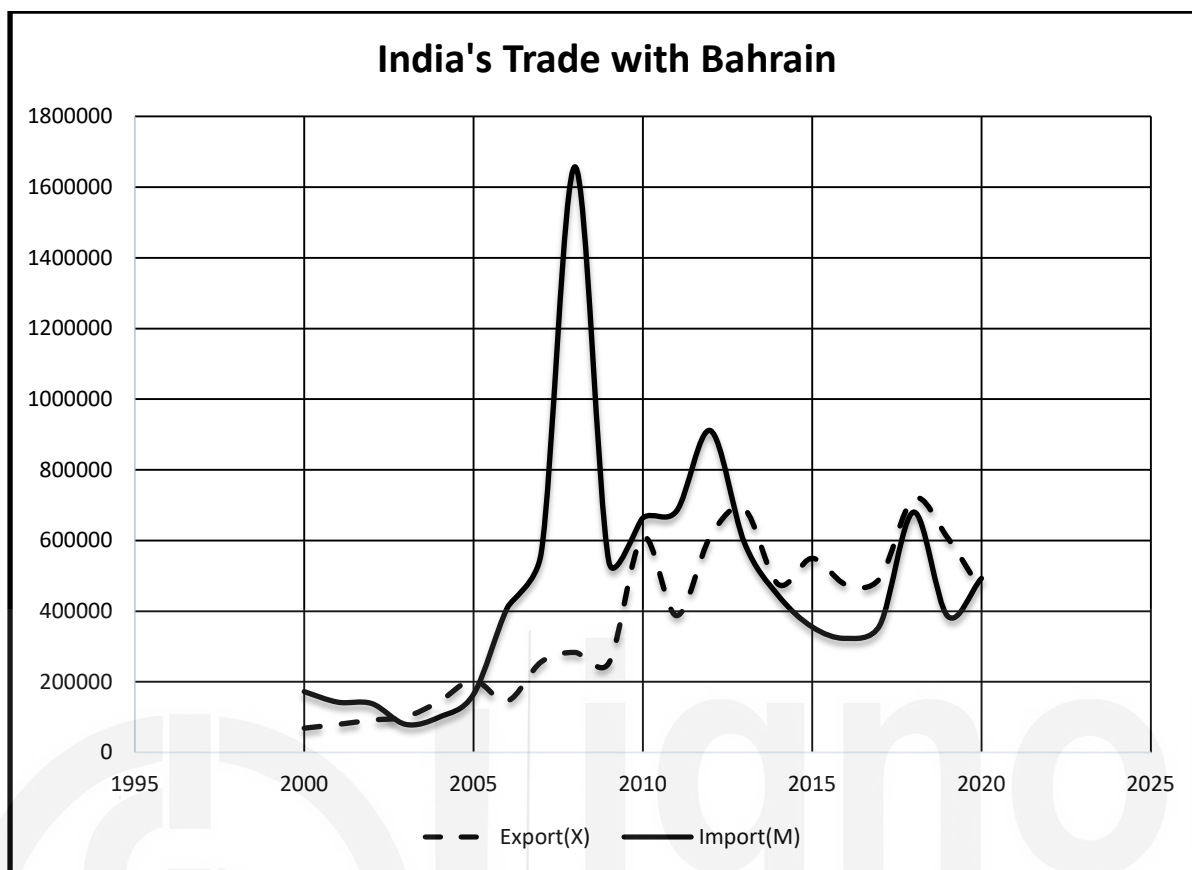
Table 9-India's Trade with Bahrain

Year	Export(X)	Import(M)	Trade Balance (TB)	Nature of TB
2000	68819.352	171759.385	-102940.033	Negative
2001	79454.809	142362.95	-62908.141	Negative
2002	91636.981	138431.444	-46794.463	Negative
2003	100949.165	79524.175	21424.99	Positive
2004	145026.201	100546.753	44479.448	Positive
2005	204714.514	164257.468	40457.046	Positive
2006	145826.849	409590.368	-263763.519	Negative
2007	256434.757	564090.406	-307655.649	Negative
2008	283153.844	1657728.479	-1374574.635	Negative

2009	253548.349	539820.725	-286272.376	Negative
2010	609004.406	663756.045	-54751.639	Negative
2011	387245.196	683782.606	-296537.41	Negative
2012	612051.83	910947.201	-298895.371	Negative
2013	688695.708	593825.42	94870.288	Positive
2014	476030.741	444360.319	31670.422	Positive
2015	549458.659	355479.931	193978.728	Positive
2016	475375.854	322989.322	152386.532	Positive
2017	492861.4409	360287.0046	132574.4363	Positive
2018	718506.4736	680394.5078	38111.96582	Positive
2019	607945.5375	386132.4674	221813.0701	Positive
2020	457030.9862	492848.3834	-35817.39721	Negative

With Bahrain India has a good trade record. In half the years we share a positive trade balance with her. During 2008 the negative trade balance was the maximum. The year 2019 witnessed the best positive trade balance. (Table 1).

Figure 1-India's Trade with Bahrain



It is in the 2008 that imports skyrocketed (Figure 1). India’s exports have been rising steadily ever since. Imports have been falling constantly. From 2013 to 2019, for 5 years, India experienced positive trade balance with Bahrain. Thereafter, India might be able to maintain the same pattern of balanced trade with minor periods of negative balance.

17.4 INDIA’S TRADE WITH IRAN

India has had some years of positive trade balance with Iran – from 2002 to 2005. During 2006 to 2018 the negative trade balance was continued. The years 2019 and 2020 witnessed the best positive trade balance Table 2.

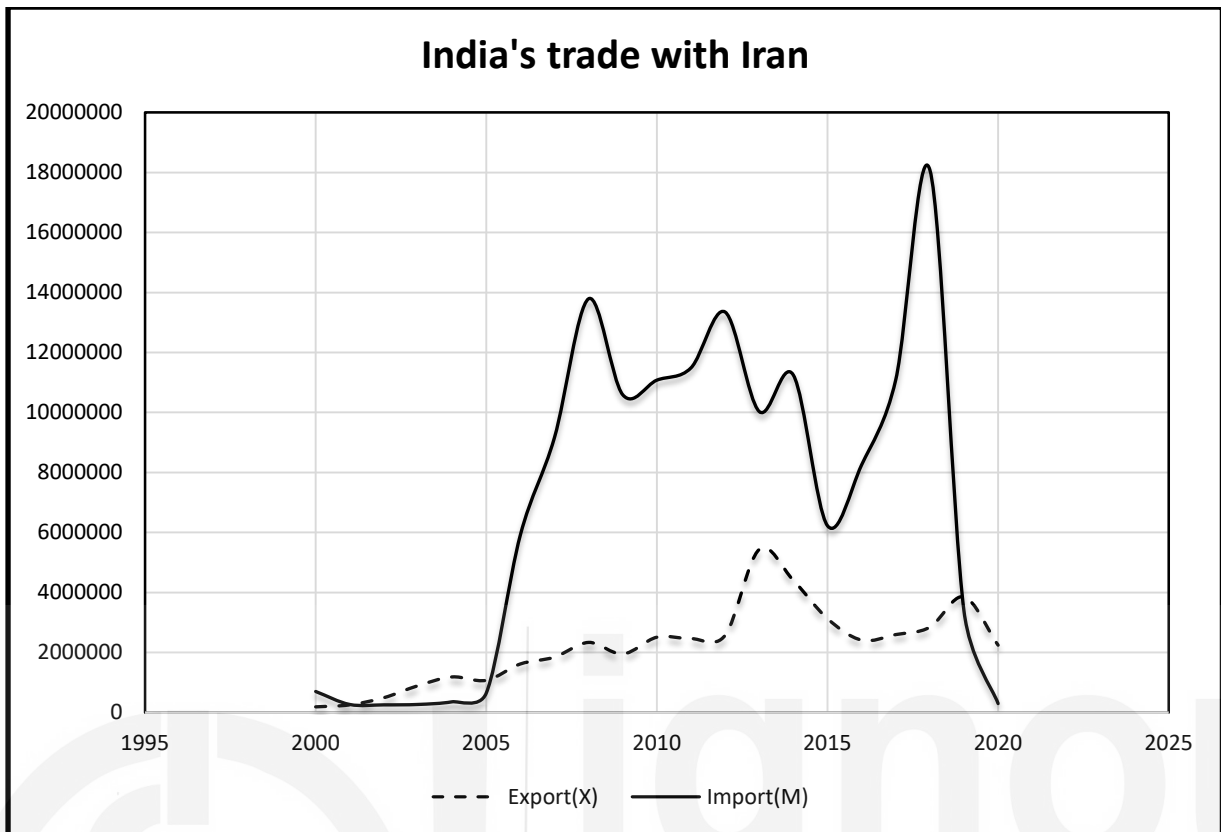
Table 10- India's Trade with Iran

Year	Export(X)	Import(M)	Trade Balance (TB)	Nature of TB
2000	187336.71	702360.922	-515024.212	Negative
2001	253275.566	266942.274	-13666.708	Negative

2002	492185.091	254158.441	238026.65	Positive
2003	892990.327	267688.555	625301.772	Positive
2004	1184997.36	355924.745	829072.617	Positive
2005	1072988.41	644172.181	428816.23	Positive
2006	1617340.01	5918056.375	-4300716.368	Negative
2007	1845260.44	9165576.891	-7320316.452	Negative
2008	2335908.44	13791494.41	-11455585.97	Negative
2009	1949088.2	10591666.75	-8642578.55	Negative
2010	2509258.3	11078291.75	-8569033.45	Negative
2011	2462294.5	11488127.69	-9025833.187	Negative
2012	2572133.75	13349275.04	-10777141.29	Negative
2013	5433900.67	10031594.89	-4597694.218	Negative
2014	4404314.34	11246347.17	-6842032.828	Negative
2015	3126868.84	6225320.61	-3098451.767	Negative
2016	2412534.96	8253714.509	-5841179.547	Negative
2017	2596780.52	11089432.71	-8492652.185	Negative
2018	2843528.31	18086943.56	-15243415.25	Negative
2019	3855008.08	3375419.775	479588.3076	Positive
2020	2243732.52	297121.7645	1946610.76	Positive

Figure 2- India's Trade with Iran

The first peak of imports was in 2008. This follows the Global Financial Crisis (GFC). In 2018 there was a second peak of imports. Presumably, this was due to oil prices. But in general, the import curve has been higher than the exports to Iran. It is only in 2013 that there was a slight jump in the exports (Figure 2). It is only in 2019 and 2020 that India has experienced a positive trade balance with Iran. The year 2020 saw the maximum positive trade balance of 1946610.76. Hopefully, India's dependence on oil imports from Iran has gone down. Partly, it is due to the changed political environment.



17.5 INDIA'S TRADE WITH KUWAIT

India has had some years of positive trade balance with Kuwait – from 2001 to 2004. During 2006 to 2020 the negative trade balance was the continued. The years 2019 and 2020 witnessed the best positive trade balance Table 3.

Figure 3- India's Trade with Kuwait

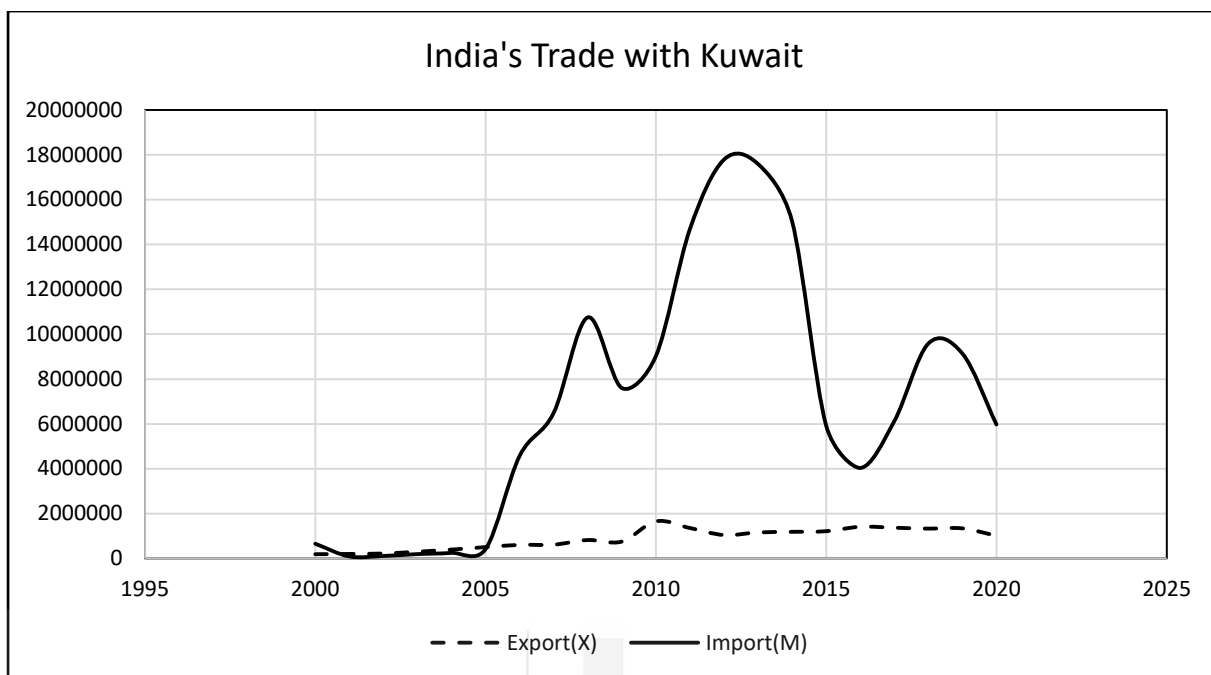


Table 11-India's Trade with Kuwait

Year	Export(X)	Import(M)	Trade Balance (TB)	Nature of TB
2000	188365.14	654315.613	-465950.478	Negative
2001	200188.93	88488.659	111700.271	Positive
2002	218857.84	109768.988	109088.847	Positive
2003	300039.19	192836.618	107202.575	Positive
2004	394307.84	247649.098	146658.745	Positive
2005	504455.89	416260.74	88195.154	Positive
2006	604351.06	4572922.43	-3968571.37	Negative
2007	613572.32	6493130.88	-5879558.56	Negative
2008	820529.35	10751159.9	-9930630.53	Negative
2009	750869.27	7602187.55	-6851318.29	Negative
2010	1654066.5	9021917.77	-7367851.29	Negative
2011	1356927.3	14690533.2	-13333605.8	Negative
2012	1043425.1	17786792.3	-16743367.2	Negative
2013	1159053.6	17591599.6	-16432546	Negative
2014	1186681.2	15036027.2	-13849346	Negative
2015	1214764.2	5923154.89	-4708390.65	Negative
2016	1411588.7	4034768.36	-2623179.65	Negative
2017	1369923.4	6118796.4	-4748872.96	Negative
2018	1328894.3	9582831.2	-8253936.92	Negative
2019	1340163.1	9137051.41	-7796888.29	Negative
2020	1010608.6	5975055.53	-4964446.95	Negative

In 2013 there was peak of imports. Presumably, this was due to oil prices. But in general, the import curve has been higher than the exports. Exports to Kuwait have been flat. There is hardly any rise in the level of exports. During 2008 and 2018 also there were prominent levels of negative trade balance (Figure 3). After the Iraq war India's relationship with Kuwait has declined in terms of exports but a high level of oil imports continues because the Iraq oil has gone down as a source.

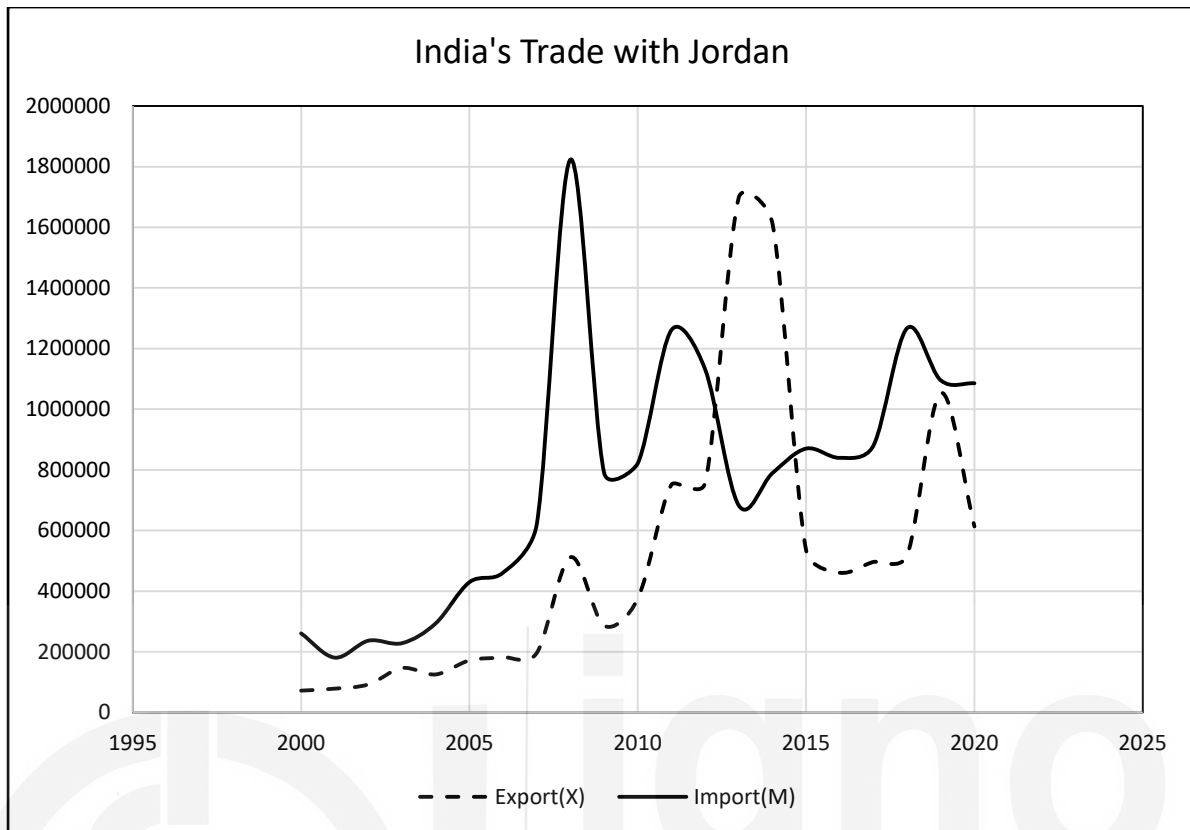
17.6 INDIA'S TRADE WITH JORDAN

With the exception of two years – 2013 and 2014 India always had a negative trade balance with Jordan. But this should not be seen a reason to discontinue trade with Jordan. It is a high growth economy (Table 4).

Table 12- India's Trade with Jordan

Year	Export(X)	Import(M)	Trade Balance (TB)	Nature of TB
2000	72072.414	260831.5	-188759.128	Negative
2001	78619.503	180844.4	-102224.901	Negative
2002	92644.92	236852.1	-144207.153	Negative
2003	146604.885	228658.2	-82053.313	Negative
2004	125506.926	294123	-168616.078	Negative
2005	171770.647	429753.9	-257983.278	Negative
2006	181880.259	461377.9	-279497.619	Negative
2007	196364.576	620881.1	-424516.48	Negative
2008	511924.841	1823509	-1311583.72	Negative
2009	286535.398	790274.9	-503739.546	Negative
2010	375318.343	821609.3	-446290.908	Negative
2011	751372.005	1261325	-509953.144	Negative
2012	757152.63	1131756	-374603.29	Negative
2013	1697954.13	682834.7	1015119.48	Positive
2014	1613056.53	789304.3	823752.277	Positive
2015	535078.939	870317.4	-335238.439	Negative
2016	460901.622	839704.3	-378802.656	Negative
2017	496498.889	880109	-383610.159	Negative
2018	518353.35	1267341	-748987.433	Negative
2019	1053858.54	1095436	-41577.7621	Negative
2020	613644.372	1085579	-471934.726	Negative

Figure 4 - India's Trade with Jordan



The picture that emerges while looking at the trade pattern with Jordan is very encouraging. There have been times when India enjoyed a positive trade balance (Figure 4). It indicates a healthy criss-crossing of India's export to and import from Jordan. India needs to persist with Jordan. If we observe the two waves of imports and exports, there seems to be a staggered effect. The two curves are deferred by 5 years. This means that India was first a net importer and then it became a net exporter. This is a healthy trend. From the year 2015 India is struggling to attain the net positive TB once gain. But in 2019 and 2020 the exports have fallen drastically. We need to achieve the peak of 2013 again.

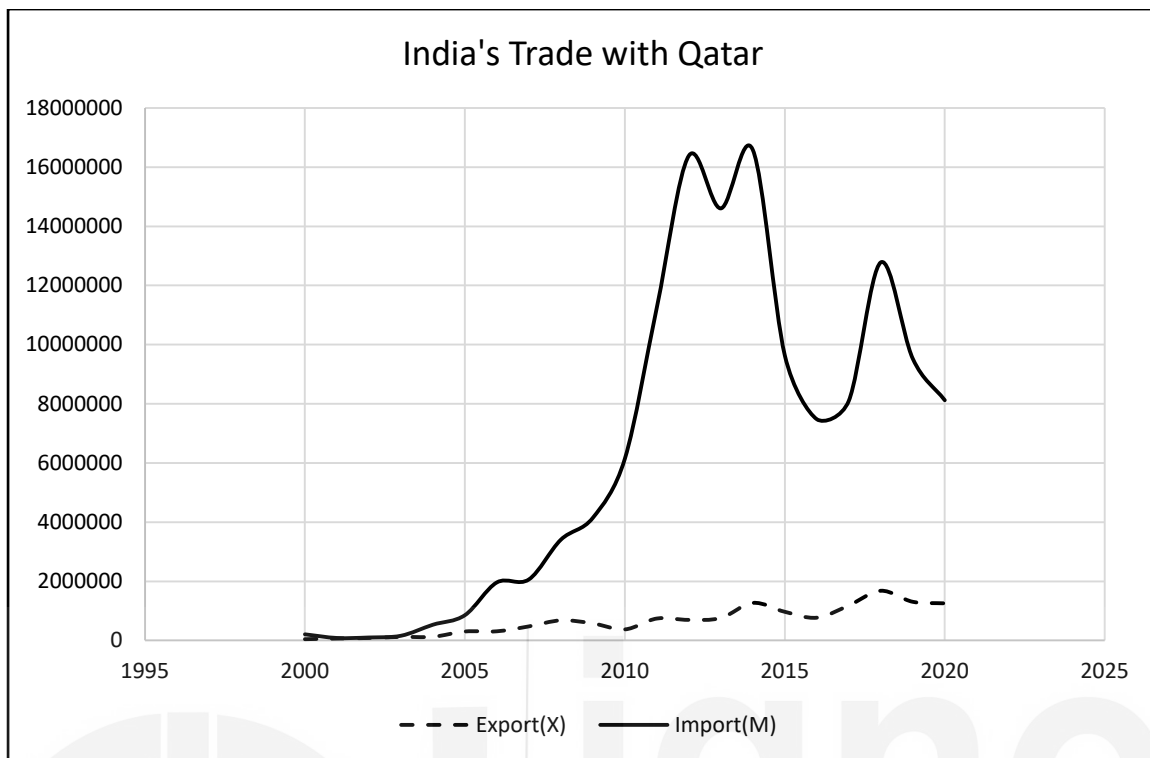
17.7 INDIA'S TRADE WITH QATAR

India's trade balance with Qatar has all along been negative. But India's economic and political ties have been excellent with Qatar. The only way to get out of this dismal picture is by pushing exports to Qatar. This would need a lot more of effort (Table 5).

Table 13- India's Trade with Qatar

Year	Export(X)	Import(M)	Trade Balance (TB)	Nature of TB
2000	42852.499	206953	-164100.456	Negative
2001	64418.087	83962.94	-19544.857	Negative
2002	84075.353	100445.8	-16370.489	Negative
2003	120675.99	158834.4	-38158.451	Negative
2004	123989.77	531683.1	-407693.368	Negative
2005	303381.59	854501.1	-551119.474	Negative
2006	309728.44	1962463	-1652734.15	Negative
2007	475320.06	2062722	-1587401.81	Negative
2008	678276.97	3406565	-2728288.11	Negative
2009	577066.4	4146324	-3569257.19	Negative
2010	373984.04	6141784	-5767800.05	Negative
2011	741066.11	11258453	-10517386.4	Negative
2012	695467.3	16385926	-15690459.1	Negative
2013	759182.07	14606452	-13847270	Negative
2014	1269459.8	16583917	-15314457.2	Negative
2015	968822.06	9637305	-8668482.6	Negative
2016	769355.4	7479482	-6710126.78	Negative
2017	1181665.1	8099718	-6918053.02	Negative
2018	1679936.1	12781700	-11101763.9	Negative
2019	1306737.7	9525661	-8218923.32	Negative
2020	1254718.8	8121369	-6866649.85	Negative

Figure 5 - India's Trade with Qatar



The graph shows an ever-widening gap that emerges while looking at the trade pattern with Qatar. There has not been any year when India enjoyed a positive trade balance (Figure 5). It indicates an increasing gap between imports and export with Qatar. Exports are rising but very slowly. New strategies and products need to be discovered to engage with Qatar. This is because Qatar has become a very aggressive economy in re-inventing itself. It has developed as a tourism and travel hub. India is collaborating with Qatar in the airline business. But the bulk of the share goes to Qatar.

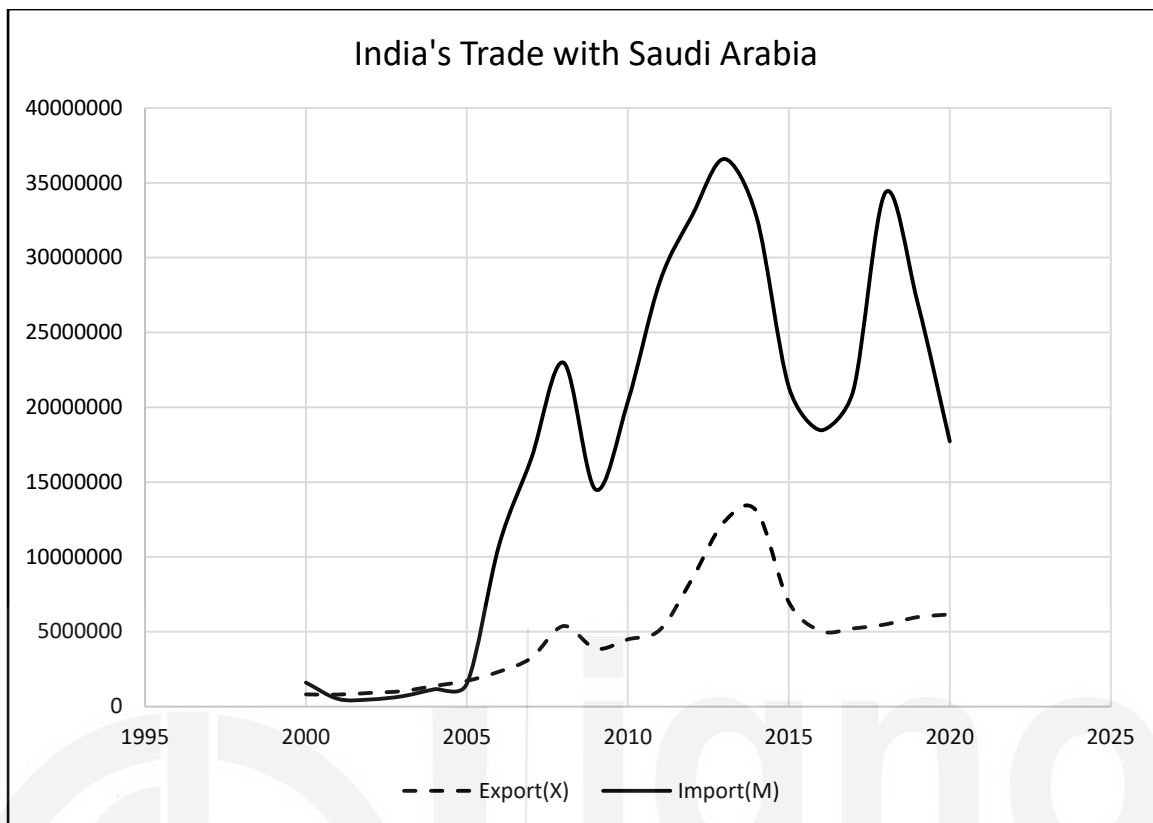
17.8 India's Trade with Saudi Arabia

It was only in the initial years that India had a small negative balance of trade. Then from 2001 to 2005 there was a positive TB.

Table 14- India's Trade with Saudi Arabia

Year	Export(X)	Import(M)	Trade Balance (TB)	Nature of TB
2000	809170.44	1597142.11	-787971.673	Negative
2001	796384.299	504320.59	292063.709	Positive
2002	908818.497	469160.815	439657.682	Positive
2003	1027369.16	687396.513	339972.651	Positive
2004	1374642.41	1155462.15	219180.264	Positive
2005	1713419.86	1526572.71	186847.145	Positive
2006	2329926.86	10783078.6	-8453151.769	Negative
2007	3246112.53	16570153.9	-13324041.4	Negative
2008	5375371.71	22982841.2	-17607469.48	Negative
2009	3867829.69	14494390.1	-10626560.45	Negative
2010	4483703.62	20374084.4	-15890380.82	Negative
2011	5133491.14	28423659.3	-23290168.19	Negative
2012	8546653.76	32826638.8	-24279985	Negative
2013	12357201.1	36596585.5	-24239384.35	Negative
2014	13063510.7	32703510.1	-19639999.37	Negative
2015	6970706.76	21353105	-14382398.27	Negative
2016	5045149.38	18460868.5	-13415719.16	Negative
2017	5217534.1	21086845.7	-15869311.61	Negative
2018	5486907.54	34342850.3	-28855942.77	Negative
2019	5974037.25	27000124.8	-21026087.54	Negative
2020	6154273.36	17723809.9	-11569536.55	Negative

Figure 6 - India's Trade with Saudi Arabia



From 2001 to 2005, India enjoyed a positive trade balance with Saudi Arabia (Figure 6). During 2008, 2013 and 2018 the gap between imports and exports was exceptionally large. This led to a negative trade balance. Even the last year 2020 witnesses a huge gap. The only encouraging thing is the fall in imports towards the end. Yet the gap remains. There has been a slow upward trend of exports but the imports are overwhelming. Saudi Arabia is a large, old, and powerful Arab country. A huge influx of labour goes to Saudi for employment. But their status is very poor in that country. Therefore, value-wise our manpower exports are a very small proportion of the total value of oil import. The year 2014 saw the best performance in terms of exports from India.

17.9 India's Trade with UAE

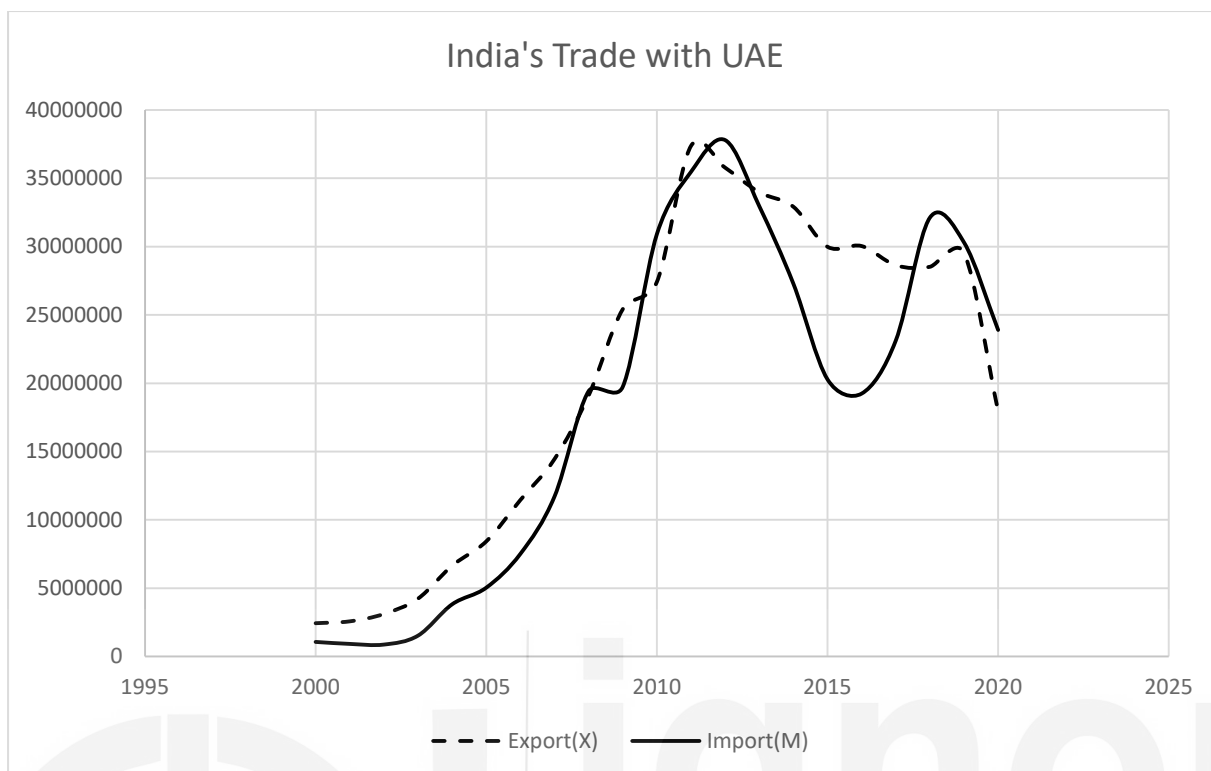
India holds the best trade record and pattern with India. In only 4 years out of over 20 years the trade balance was negative. There have been very close ties because of a huge export of manpower to UAE from South India, to support the migrant population there has been a high degree of trade amongst the two countries.

Table 15- India's Trade with UAE

Year	Export(X)	Import(M)	Trade Balance (TB)	Nature of TB
2000	2433791	1063999	1369792	Positive
2001	2569490	918961.1	1650529	Positive
2002	3107769	869671.9	2238097	Positive
2003	4231878	1523661	2708218	Positive
2004	6644331	3816625	2827705	Positive
2005	8421648	5033595	3388052	Positive
2006	11451552	7507380	3944172	Positive
2007	14447008	11702839	2744169	Positive
2008	19096532	19419289	-322757	Negative
2009	25415975	19735385	5680590	Positive
2010	27412253	30907472	-3495219	Negative
2011	37369375	35471580	1897795	Positive
2012	35781394	37799115	-2017721	Negative
2013	33980431	32964585	1015847	Positive
2014	32919602	27287867	5631735	Positive
2015	29989560	20283244	9706315	Positive
2016	30041758	19240913	10800844	Positive
2017	28636263	23115460	5520804	Positive
2018	28522550	32119463	-3596913	Negative
2019	29539358	30308879	-769521	Negative
2020	17953335	23901107	-5947771	Negative

Figure 7- India's Trade with UAE

Both the curves are hugging each other.



The pattern of trade has been very keenly contested. Sometimes India had the advantage and sometimes UAE. The closely hugging curves show this pattern. Before 2012 India almost had a supremacy with small positive trade balance. But the interesting thing is that UAE kept pace. It could be that due to the huge migrant Indian population in UAE, it continued to import from India. This means India's exports are at an advantage. The year 2016 is significant because there is a big dip in imports from UAE. But on the whole there is a healthy competition between India and UAE which is witnessed by the closely hugging curves. The slow growth of the region, however, does not support any breakthrough in the future. It seems unlikely that India is in any stage where it can surpass UAE in terms of exports.

17.10 TRADE PROSPECTS WITH WEST ASIA

Bahrain has experienced GDP growth of almost 300%. This shows good potential for economic and trade ties. Since, inflation has been low it is good for India if it needs to import from Bahrain. India would get cheaper imports. This makes Bahrain's currency strong, though. India can take advantage of the high growth in imports of Bahrain and position her exports towards Bahrain.

In Iran, there has been a rise in the general price level (CPI) from 26 to 719. Population has grown by only 28 per cent. Imports have gone up by 172% and exports have gone up by 100%. Hence, Iran represents a country whose economic performance is poor. GDP growth is low, inflation is exceedingly high and export potential for India is low because her imports have not increased at a fast rate.

Jordan's biggest strength is an extremely high growth rate. A fast-growing economy is a good indicator for increasing trade. Jordan has seen a rise in the general price level (CPI) of almost 60% in 20 years, which is low inflation. This means the currency is strong. Population has grown by 99 per cent, which is low. Imports have gone up by over two times and exports have gone up by two times. This indicates a balance trade and a well-managed economy. Jordan has enormous potential as a trading partner. But has a strong currency.

In the case of Kuwait, there has been a low inflation. This makes it a good economy to import from. GDP growth has been good. Population has grown by 108 per cent, which is moderate. Imports have gone up by 2 times and exports have gone up by 3 and half times. There is positive trade balance. So, India's trade strategy should be able to get into the supply chain of Kuwait and supply through exporting to Kuwait, some intermediate goods, or semi-finished goods. Also, there is great potential for service export.

Qatar's GDP increased by a phenomenal 713 per cent. Qatar has witnessed an increase in the price level of 52% in 20 years, which is low inflation. Population has grown by 386 per cent, which shows a growing market. Imports have gone up by 14 times and exports have gone up by 5 and half times. High growth, high population growth and an extremely high import growth make it an ideal country to trade with. Backward supply chains can very well be exploited by India. India can help in its infrastructure development.

Saudi Arabia is a traditional large oil exporting country. The growth is slow both in population and GDP terms. In the case of Saudi Arabia, the growth of GDP has been somewhat slow. It is 2.71 times in 20 years. Export growth is slow and import growth is moderate. The potential for trade is low.

UAE's growth pattern has been as follows: 11, 5, 1.6, 5 and -6. The growth has almost been declining. GDP growth has been 2.5 times but so has population. This makes per capita income stagnant. Exports have grown 1.75 times and imports have grown 1,63 times. Hence, UAE enjoys a positive balance of payments.

UAE's growth pattern has been having a declining trend for many years now. Per capita income has been stagnant. Exports and imports growth are slow. Hence, UAE enjoys a positive balance of payments. Ideally, India should pitch for countries whose balance of trade is negative because it gives potential to export to that country.

Clearly, India needs to diversify its trade away from traditional economies towards the new and upcoming economies like Qatar, Jordan, Bahrain, and Kuwait.

Saudi Arabia is a traditional large oil exporting country. The growth is slow. Export growth is slow and import growth is moderate. The potential for trade is low with trading partners like the UAE and Saudi Arabia. Thus, there is a need to diversify trade with other countries of the region which needs special effort by India.

India needs to speed up the Free Trade Agreement (FTA). This holds great potential for creating a jump in India-GCC economic relations. Although investments have increased it is doubtful as to how these investments would help the Indian economy in terms of backward linkages and trade.

Yet, even in terms of investment the possibilities are under-exploited. India needs to take concrete steps to attract foreign investment further. This has to be done in a manner which is on the basis of mutual benefit.

India's bargaining position in the oil sector needs to be altered. At present, India is just a passive bystander. West Asian countries call the shots. There is immense scope to India's advantage if it develops joint projects with all West Asian countries. India has immense potential for engineering and infrastructure projects. India has the technical manpower and skills to be able to enhance project exports to West Asia as a region. In West Asia, India can collaborate not only with international companies but also with local companies. Priority should be accorded to projects like LNG liquefaction, fertilizer and desalination plants, and other such ventures which will be beneficial for both sides. Through a mutually agreed upon mechanism, a share of the oil and gas revenues earned from India should be earmarked for investment in India. The purchase of a minimum fixed volume of oil and/or gas at average monthly prices could be worked out and agreed upon bilaterally now that it is a buyers' market. Surplus refining capacity is India's strength, which should be leveraged through contractual arrangements involving the purchase of crude oil and the sale of refined products with as many countries as possible.

17.11 CHALLENGES AND OPPORTUNITIES

Challenges

India has long standing relations with individual countries and the region as such. The main economic linkages have developed over the years when India helped in building up their economies. India provided manpower, technology and did project development in all these countries. The region is also vital for India's energy security. Nearly two-thirds of our hydrocarbon imports are from this region. Nearly 8 million Indians live and work in West Asia. India's total trade with West Asia in the year 2014 - 15 stood at US\$ 171.89 billion. The remittances from the region during 2014 were about US \$ 35 billion.

One of the main challenges for India is to reduce dependency on crude oil import from West Asia. Very often the gulf counties hike up the oil prices and this upsets the balance of payments of India. This has an impact not only on the economy, cost of living, cost of production and export competitiveness but it also has a long-term negative impact on the fiscal stability of the economy. Very often adhoc changes are necessitated in the priorities of development and growth within the economy.

Second, on the supply side if at some point oil resources deplete the whole of West Asia will reduce investment in the oil sector. The immediate implication would be that remittances will fall and many Indian workers may be retrenched.

Third, if the world succeeds in hugely enhancing renewable energy sources, then the demand for oil would drastically fall. Similarly, there would be an exodus from West Asia back to India. Accordingly, the remittances and ex-patriate investments in India would go down. While renewable energy is most desirable but under such circumstances it would act as a 'disruptor'. Such possible developments in the West Asian region indicates both positive and negative impacts that could be expected.

Fourth, any development in the West Asian region has direct implications for India. Any upsetting conditions would reduce gulf investments to India. The bi-lateral trade would also be affected badly.

Fifth, because of such changes there would be reversals in India's balance of payments. This would also affect India's exchange rate visa-a-vis West Asian currency (Dinar, Durham).

Sixth, the West Asian region does not enjoy the variety, variation, and richness of the local and cultures as within India. This does not help in developing markets for various export products from India.

Seventh, there are several issues - such as terrorism, piracy, criminal activities, money laundering, and small arms smuggling -which call for increasing security cooperation between India and the Gulf countries.

Eighth, the biggest strategic problem in the region is that needs to disengage trade from two countries with which has had very good relations in the past – UAE and Saudi Arabia.

Opportunities

First, in line with the successful Look East Policy the India-Gulf relationship has the potential to accelerate if India decides to have an articulated Look West Policy. Such a Policy would help in strengthening bilateral political, economic, and security ties with the countries of the West Asian region.

Second, India has the clout in the region and so it can use this cloud to forge more bi-lateral and multilateral treaties in the West Asian region.

Third, India can look at the opportunity to enhance economic relations with West Asia consequent upon Brexit.

Fourth, despite having difference amongst West Asian countries, the countries of the GCC follow similar policies on several political, economic, and strategic matters. This enables India to treat the region on a common market basis. Although, West Asia is not a custom's union but because of this commonness India can deal with them as a customs' union. It can be supplemented with the help of trade fairs.

Fifth, most important opportunity is that India would have been the advantage of being a hub for medical tourism. This is already underway. Thousands of West Asian people come regularly to India for treatment.

Sixth, tourism can be developed by India on a mutual basis by allowing free flow of West Asian tourists. There is a great potential because India has many geo-climatic regions within India.

Seventh, India's recent initiatives in terms of strengthening defence ties with UAE and the region of West Asia, in general, provides for a potential opportunity. But the growth has been very slow.

17.12 LET US SUM UP

The West Asia region is surrounded by eight major seas; hence it offers immense scope for sea trade, which is bulk trade rather than value trade. The countries under study are – Bahrain, Iran, Jordan, Kuwait, Qatar, Saudi Arabia, and UAE.

West Asia as a region is the richest region in Asia. Essentially, it is a set of countries that are oil rich. Through oil reserves the region has made economic progress. Many countries have lost their oil reserves through over-exploitation.

Many economies have been restructuring them as their oil reserves are going down. They have attained high levels of GDP and per capita income. With the removal of trade restrictions, the region provides rich opportunities for trade.

The countries that India needs to focus on are:

1. Bahrain – With low inflation imports from Bahrain would be cheap. High export growth of Bahrain lends the opportunity to India to create supply chains to link up with Bahrain's backward absorptive capacity.
2. Jordan – It has an extremely high growth rate. This lends the potential for India to develop economic and trade ties in various fields of mutual interest.
3. Kuwait – It has balanced trade so India should match up both exports and imports. Areas like service exports, project exports and semi-finished goods hold potential.
4. Qatar – It has experienced phenomenal growth. Qatar has emerged as a modern fast-growing economy. India has very favourable political ties and can very successfully enhance trade and economic relations with Qatar. This country provides the best opportunity.

There are a number of challenges and opportunities that India faces while trading with West Asia as a region. The mainly revolve around matters relating to crude oil, its availability, price and the control by OPEC. India needs to relegate some countries and promote others. She needs to alter the commodity basket and move away from dependence on oil as the major import. Project exports, service export and modernization of trade are needed.

Check Your Progress B

1. Write two challenges of India's with West Asia.

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.....
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2. Write two opportunities for India's trade with West Asia.

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3. Please answer all these questions by reading the relevant sections above. All questions relate to West Asia.

- I. West Asia is good for trade because it has.....
II. West Asia's main resource is
III. Which country is a traditional country?
IV. With which country does India have balanced trade?
V. With low inflation in Bahrain what is the advantage to India?
VI. Which country has a stagnant per capita income?
VII. From which country should India move away?
VIII. Which is the fastest growing country

17.13 ANSWERS TO CHECK YOUR PROGRESS

3

- I. It has many seas surrounding the region.
II. Oil export.
III. Saudi Arabia.
IV. UAE.
V. India can get cheap imports.
VI. UAE.
VII. Saudi Arabia

VIII. Jordan.

17.14 TERMINAL QUESTIONS

1. Why is West Asia important for trade? Describe the economic characteristics of major West Asian countries.
2. Which country profile in West Asia do you like the most and why? Discuss with examples.
3. Explain the recent trends of India's trade with major West Asian countries. Discuss the main causes for negative trade balance with West Asia.
4. Discuss India's challenges of trade with major West Asian countries.
5. Describe India's opportunities of trade with major West Asian countries.

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