Introduction
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The gulf has remained one of the most prominent areas of the world since ancient times mainly because of its geopolitical location. After the second world war its importance increased manifold due to its strategic location in the context of cold war. However, it was mainly since October 1973 that the region acquired an enviable position in international context in terms of business prospects. It emerged as one of the leading commercial and industrial centres on the face of the globe.

The developments in 1973 leading to the substantial hike in oil prices and the immediate wealth fetched from that made the Gulf emerge as one of the leading commercial and industrial centres. The strategic importance of the area both as a supplier of oil and a fast expanding market has considerably gone up. It is quiet obviously reflected in the massive flow of international goods and services acquiring new dimensions. With a favourable balance of trade position and accumulated funds. The Gulf States have initiated bold new programmes of modernization and industrialization to speedily build up infrastructure to diversify their economies in desired
This has also resulted in the large scale import of capital goods, consumer durables and of skilled and non-skilled manpower from East Asia and Indian Sub-Continent. However, developments in the beginning of the 1980s in the region have had a marked impact in the economy and security of the Gulf States.

India's relation with the Gulf are generally regarded as constituting an essential component of the legacy of Indo-Arab relations which is preposterous. The people of the Gulf states are of course of the Arab stock, Speak the Arabic Language and are the heirs of the Arab Cultural heritage. But in some ways, India's relation with the Gulf are qualitatively and quantitatively different from its relations with the rest of the Arab world and as such they deserve a distinct treatment.

After India's independence a new era ushered in the Indo-Gulf relations and particularly, since 1973, many developments in the region opened up new avenues of economic co-operation and collaboration in various fields. India has been playing an important role in the economic development of the Gulf with its exports of goods or services in the form of skilled and
unskilled manpower resources, technical know-how, managerial skill and above all the commitment of genuine friendship.

The 1990s have seen an expansion of economic activity among the developing countries through a series of economic reforms in their economies, which, in one form or another, are still under way. The process started in a climate of increasing economic integration and growing economic interdependence. This is associated not only with increasing cross-border movement of goods, services, capital, technology, information and people, but also with organization of economic cooperation between nations. This process is basically driven by the lure of profit and the threat of competition in the market. As a matter of fact, integration with the world economy through globalization and liberalization is believed to be highly beneficial to those countries which have laid the requisite foundation for industrialization and development. This has helped in raising productivity of the concerned economy, including the agricultural sector. This has also helped in the acquisition of technological and managerial capabilities and the creation of institutions that would regulate, govern and facilitate the functioning of markets.
In the 1990s it became almost clear that West Asian countries would give the private sector a free hand in developing their resources, given the importance of oil in their economies. Now, in recent years, various Organization of the Petroleum Exporting Countries (OPEC) conferences too have focused on the future of the oil industry, showing that, unlike the previous calculations, the major increases in oil consumption are likely to take place in Asia and the Far Eastern developing countries.

Perhaps the most important factor in business opportunities for foreign investors in the list of benefits which the Gulf countries can offer is their stability and high creditworthiness. And in order to capitalize on the opportunities offered by the Gulf markets, and to ensure sound and profitable investment decisions, foreign investors cannot but take into account the development strategy of the region. What the Gulf countries are after is not simply the establishment of production units, but the transfer, adaptation and acquisition of know-how and technology. In the liberalization era, the region has already been marked by fierce competition, in which only the most efficient producers, agents
and contractors can survive, and there is expected to an increase in the complexity of market conditions as new regulations of commercial policies are introduced. At the same time, it cannot be denied that in most of the West Asian countries there is a lack of development financial and legal environments that often causes constraints in business activities. For example, due to the lack of undeveloped stock markets, most industrial projects are financed through equity contributions by partners, commercial bank lending and industrial development fund lending. Although the Arab stock markets are becoming a ‘hot item’ for global investors, a growing number of multinational funds are now being set up or created to invest in the region’s equity markets. For global investors, the term ‘emerging markets’ has become synonymous with the tiger economies of South East Asia.

West Asia’s recently adopted economic philosophy of free enterprise and a development policy based on private sector participation now provides an excellent opportunity to developed and developing countries particularly India to gain from the area on a comparative advantage basis. Significantly, many countries in the region, with enormous private capital
accumulated abroad, are allowing the private sector, through market mechanisms, to meet the region’s demand for goods and services. After the opening up of the Indian economy since the early 1990s, the Gulf nations in particular have offered a wide scope for exports as well as setting up joint ventures and are viewing India as an attractive partner.

India is a high-performing economy now gearing up to meet the emerging economic and technological challenge of the 21st century. Since the early 1990s, the perception has changed both in India and West Asia owing to India’s policy encouraging foreign investment. In the field of trade and other economic relations, the vital aspect to be observed is of interdependence between the two regions. Although there are no restrictions or protectionist moves in the area of export markets, India’s volume of trade with West Asia as compared to other developing countries like South Korea, Taiwan and China is still insignificant.

With its technological progress on a wide front, India now ranks tenth among the industrial nations of the world. Further, on account of expansion in facilities for technical education and research, it has the third-largest reserve of
technical and scientific manpower in the world. India has now reached a level of competence where it is in a position to share the fruits of its development with other countries. It has also developed capabilities in a variety of fields extending from heavy engineering to consumer items. Also, Indian consultancy and construction firms are participating increasingly in projects in other developing countries. But it is surprising as to why India could not create healthy economic ties with the Gulf nations in these years, and also why Arab investment could not be attracted on a massive scale during the 1980s when a liberalised investment policy was initiated by Mrs. Indira Gandhi. It is now realised (though belatedly) that unlike most advanced countries which took keen interest in the Arab world after the 1973 oil crisis, India’s old relations with the region could not materialise in business terms. Strong bilateral relations are considered an important determinant of continued commercial success in specific countries. While this is not surprising given political considerations, the extent of the lack of commercial relations are greater than one might have suspected. Apart from very small contracts, Indian trade has been relatively consistent at around 15 per cent of the total of
the country's industrial exports to West Asia. But in contrast to the previous two decades, the liberalisation era of the 1990s has been marked by India's business prospects in the emerging markets of West Asia. Its bilateral science and technology agreements with a number of Arabian countries (as well as Israel) have helped enhance India's competitive edge vis-à-vis other Asian developing countries, and have also promoted closer diplomatic relationships through increased interdependence.

India can now collaborate in a wide range of activities covering plan formulation, feasibility studies and detailed project reports. Such services can be provided for a variety of industries. Apart from industrial project and engineering services, Indian consultancy services are also available for the entire range of infrastructural activities such as power generation, transmission, distribution, railways, roads, highways, bridges, ports, town planning and architecture, building and civil structure, dams, irrigation, etc. In addition, there are joint ventures in other countries where several Indian companies have already set up such ventures and the process is gaining momentum. There is no need to go into details that the
Gulf market, since the 1970s, has provided a new dimension to India’s export policy in particular and its foreign economic policy in general. Prior to the oil boom in 1973, Indian companies did have a few notable joint ventures in developing as well as some developed countries. But it was mainly the Gulf market which gave an impetus to both public and private sector companies in India to undertake and execute turnkey projects, both in civil engineering and industries of different size, scale and nature. Indian companies have had to face many problems, and occasionally there have been some failures on their part too. But in the light of the fact that this area was entirely new and different from other parts of the world, the kinds of jobs undertaken were unprecedented, and the nature of Indian industrial development was not geared to the extent of an interaction of this magnitude. Even there, it could be said that their performance has been, by and large, satisfactory, if not excellent.

The vital aspects of Indo-Arab economic relations in the 1990s can be assessed in exploring the business possibilities there. In this regard, two trends in the region are considered to have expanded the emerging market. The first is that the West
Asian peace process is now a consensus agenda, on which both Israel and hostile Arab regimes have agreed to settle their issues, and this has consequently prompted investors, both foreign and local, to invest their savings in enhancing the production capacities of most of the countries. Second, before 1990, i.e., in the Cold War era, both the West Asian nations and India were tied to the US and Soviet blocs respectively. Moreover, liberalisation had not begun at that time in either region. Perhaps this was the reason that despite great efforts on the part of the Indian government to expand trade volumes with the Arab world, business targets could not be achieved. As both factors have changed, it is now rightly felt that India can gain a lot by liberalising its economy, and at the same time benefit from the privatization boom in the West Asian countries.

Review of Literature on India’s Trade Relations with Gulf Countries:

In the following paragraph, a comprehensive review of literature on India’s trade relations with Gulf countries is presented to find out the research gap and to formulate the objective and hypothesis of the present study.
Dr. V.K. Bhaalla in the book 'Arab Gulf State and India, Trade and investment' 1987 has pointed out that the major constraints for the rapid growth in bilateral trade is lack of adequate foreign exchange and suggested that more innovative financing and trading practices may have to be adopted. He also highlighted that the areas in which close cooperation between two regions could be rewarding is fertilizers.

Subhash Narula in the book 'India's Gulf Exports, features, Trend and Prospects', Anupam Publications, Delhi, 1988 has made an attempt to trace India's response in the form of increased exports to the challenge posed by the price hike and its implied consequences. Piling up of large oil revenue by oil exporting countries in a very short period and their gigantic development efforts a sharp and somewhat unmanageable growth in their imports. With rise in their demand for practically everything on this earth, these countries provided India with a highly potential market in her neighbourhood. An attempt is also made to analyze the phenomenal growth in India's exports in terms of its pace, nature and growth.

Subhash Narula in the book 'India's Gulf Exports, features, Trends and Prospect', 1988, has correctly said that
India can effectively participate in human resource development. The Gulf countries being critically dependent on foreign skill for running most of their establishments, have a gigantic task of providing technical knowledge and expertise to their population. India can participate effectively by training their people for different types of skill managerial as well as technical, for small industries or medium/large industries. India has the capacity of providing required skills and can export trained and semi-trained manpower to Gulf Countries because the reputation is very good as compared to other countries.

Tayseer Abdel Jaber in the book ‘Foreign and Intra-Trade policies of the Arab Countries’, 1997 says the objectives of trade promotion and liberalization were not accompanied by measures to coordinate their development policies. Instead of making the full use of comparative advantage in certain factors of production to establish an integrated export oriented industry, each country sought industrialization for the sale of import substitution. This resulted in the emergence of a small number of similar industries, leading to high protectionist measures taken by other Arab countries to protect their domestic industry.
Al-Haj, Mohammad in, ‘Intra-Arab Trade Promotion, AMF, 1991’ has suggested that Arab countries has to take strong effective measures for a multilateral trade liberalization scheme covering all products of Arab origin and allowing for tariff and non tariff barriers to be phased in stages. Such a trade liberalization scheme provides a significant contribution to the implementation of the 1981 agreement for the facilitation and promotion of Intra-Arab Trade.

B. Bhattacharya, Somastic Mukhopadhyay and Bimal K. Panda in ‘India’s Trade Liberalization, IIFT, New Delhi, 1996 has thrown light on impact of liberalization that these measures is supposed to remove the anti-export bias in the policy regime, create an environment which will promote export of those products in which the country enjoys competitive advantage and promote only efficient import substitution.

Said El-Naggar in ‘Foreign and Inter Trade policies of the Arab Countries’, 1991 pointed out that the GCC countries represent a sizable economic and financial power in the Arab World, as a source of financial flows and an important market for goods and services. Such a market provides a great opportunity to absorb products from the Arab Countries that
have the potential to develop their agricultural and industrial production and have a comparative advantage over the rest of the GCC countries’ trading partners from outside the Arab region.

Involvement of states in export promotion by B. Bhattacharyya and L.D. Mago, 1994. This publication is the outcome of a seminar organised by the Institute to provide an opportunity to the policy-makers at the centre, the top bureaucracy of the states and leaders of Trade and Industry to interact on export related problems with an ultimate objective of ensuring greater involvement and participation of states in export promotion activities. The report has incorporated various suggestions given by the participants for enabling the state Governments to render effective support to the export efforts of the country.

Subash Narula in ‘India’s Gulf Exports, 1998’ has emphasized that though the scope for exporting food and other primary products to the Gulf countries is quite big, India must try to consolidate her position there, yet, one should also not ignore the opening in the field of engineering products too. India’s share in the total imports of engineering goods in the
Gulf countries has declined over the years, which means lot more needs to be done to improve her position here.

Sethuraman, S. in "Trades Scenario in Post independence Era", has thrown light on the radical shift from a highly regulated to an outward economy. India has generated immense interest abroad, but it has a long way to go before emerging as a strong global player.

Besides above cited references of books, writers and articles, a good number of trade journals, periodicals such as; Europa, IIFTs, Indian Economic Survey, Yojana, FICCI, Ph.D. Chambers of Commerce have been widely made good use of the purpose. Besides dailies such as Economic Times, Financial Express, Business Standards and others have also been scanned through to study the subject matter. Central statistical organization (CSO), National Accounts Statistics, Monthly Statistics of Foreign Trade of India and other related statistical books have been widely consulted. The International publications such as, IMF report World Report, Asian Development Outlook, SAMA have been of great significance in studying the appurtenant subject matter.
The present study throws light on India’s trade relations with Gulf countries in the post liberalization era and also examines the Asian Crisis and its impact on India’s trade.

Objective of the Study:

The following are the objectives of the study:

(a) To study the economic background of Gulf countries.

(b) To find out the potential areas of economic cooperation between India and Gulf Countries.

(c) To assess the impact of policies of economic liberalisation.

(d) To examine the trends in trade between India and Gulf countries, and

(e) To chalk out a strategy to boost India’s trading relationship with Gulf countries.

Hypothesis:

The work is essentially based on the secondary source, hence hypothesis of the study are based on the “Pilot Research” conducted by the researcher and are being tested by using
published material. However, the hypotheses are given as below:

(a) Gulf countries have great potential for other countries offering attractive liberalisation programmes and creating vast scope to maintain or increase exports to these countries.

(b) The place of India’s exports and imports from Gulf countries have increasing trends during the period under review.

(c) The economic structure of India and that of Gulf countries is such that they becomes complimentary to meet each other requirements.

(d) The EXIM policy of India is capable to create conducive atmosphere for increasing exports and its imports are aimed to increase the exports first.

(e) The trade compositions has underwent a substantial change but still it is highly skewed and diversification is needed.
Scope of the Study:

In the present thesis, an attempt has been made to study in detail the overall trade relationship with India and Gulf countries. The study has been segmented into pre and post-New Economic policy period to examine the impact of liberalisation and globalisation on trade and investment relationship between India and Gulf countries. The study covers the time span of about ten years. The Gulf countries include Saudi Arabia, UAE, Qatar, Kuwait, Oman and Bahrain.

Methodology:

Study covers a decade stretching from 1990 to 2000. The logic for selecting this decade is that the countries selected for study have brought a seachange in the value as well as volume of their foreign trade. Moreover uniform data is available for this period. The nature of study is such that the researcher has to depend on a secondary data for which the main sources are given below:

(a) The year Books of financial statistics and direction of trade statistics. IMF publication various issues.
(b) Government publication of India and other countries.

(c) Data regarding composition of India’s trade collected from various issues of statistics of the foreign trade of India by countries.

**Format of the Project:**

The project is divided in the five chapters in order to have a synoptic and comprehensive view of India’s trade relations with Gulf countries during the period of the years i.e. since 1990 and thereafter. In the first chapter an attempt is made to have a comprehensive but selective view of India’s foreign trade policy since 1990. The second chapter evaluates the trends, composition and direction of India’s foreign trade. The third chapter highlight in detail of the socio and economic conditions of Gulf countries. The fourth chapter deals with the India’s export and import to Gulf countries. The final chapter is the summary of the findings of the study and suggestions based on these findings.