CHAPTER VI

BALANCE OF TRADE AND PAYMENTS SYSTEMS IN INDIA AND ARAB OIL EXPORTING COUNTRIES.
The examination of balance of trade and payments problems arising out of trade between the participating countries in economic co-operation is a necessary in that it helps to know the possibility of enhancing trade as well as monetary matters between the participating countries. In this respect, in addition to the examination of trade pattern, volume of trade, and trade between the participating countries (which is already done in Chapter V), the examination of balance of trade and payments problems of these countries will help ascertain possibilities in these countries to enhance trade as well as monetary agreements and ultimately to enhance economic co-operation between themselves.

This chapter mainly deals with the study of trends in balance of trade of India and Arab Oil Exporting Countries. For this purpose the study covers nine years period from 1971 to 1979. It is also attempted to examine the position of balance of trade of India with Arab Oil Exporting Countries and that of the position of balance of trade of all the Arab Oil Exporting Countries with India. Table 6.1 shows over-all trade balance position of India and Arab Oil Exporting Countries. While Tables 6.2 & 6.3 show balance of trade position between India and Arab Oil Exporting Countries. The examination of the trends in
The balance of trade of these countries between themselves would enable us to know the willingness of these countries to adopt economic co-operation through increasing trade and monetary agreements between themselves. It is because a deficit in a country's balance of trade makes it obligatory on its part to maintain more trade relations with the outside countries. Moreover, the study attempts to examine the settlement of mutual claims arising out of trade and other transactions of India with the Arab Oil Exporting Countries and those of all these Arab Countries with India.

India:

Considering India's overall balance of trade during the period from 1971 to 1979, we find that India had enjoyed trade surplus only in the year 1971. But this surplus in its balance of trade had changed as a trade deficit in 1972. However, from the year 1972 to 1979 India had persistent trade deficit. It is also interesting to note that from the year 1972 to 1979 the overall trade deficit in India's balance of trade showed an increasing trend. The country has had an adverse balance of trade mainly on account of heavy imports necessary for its development.

The balance of trade of India with the Arab Oil Exporting Countries indicates that during the period from 1971 to 1979 India had trade surplus with some of the Arab Oil Exporting Countries. As well as during the same period India also had trade deficit with some of the above referred Arab Countries. From this viewpoint India in the year 1971 had trade deficit with Saudi Arabia. But in the same year India had enjoyed trade surplus with other Arab Oil Exporting Countries like Bahrain, Iraq, Oman, Qatar and UAE. In 1972 India had again trade deficit with Saudi Arabia and also it had trade deficit with Kuwait. In the same way she had trade deficit with Saudi Arabia, Kuwait, as well as with Bahrain and Iraq in 1973. However, in 1973 it had enjoyed trade surplus with other Arab Oil Exporting Countries like Oman, Qatar and United Arab Emirates (UAE). In the year 1974 India had trade deficit only with Saudi Arabia, Kuwait and Iraq. In the same year India had enjoyed trade surplus with many Arab Oil Exporting Countries like Oman, Qatar, United Arab Emirates and Bahrain. In the year 1975 India had trade deficit with many of the Arab Oil Exporting Countries like Saudi Arabia, Kuwait, Bahrain, Iraq and United Arab Emirates (UAE) while India in the same she had enjoyed trade surplus only with Oman, and Qatar. But in 1976 India had enjoyed trade surplus with more of the Arab Oil Exporting Countries like Oman,
Qatar, Bahrain, Kuwait and United Arab Emirates (UAE) and in the same year India had trade deficit with two other Arab Oil Exporting Countries namely Saudi Arabia and Iraq. The position of India’s trade surplus with more of the Arab Oil Exporting Countries and trade deficit only with some of them had remained constant in the year 1977. In this way India in 1977 had enjoyed trade surplus with Oman, Qatar, Bahrain, Kuwait and United Arab Emirates (UAE) and it had trade deficit only with Saudi Arabia and Iraq. But in 1978 India had again trade deficit with many of the Arab Oil Exporting Countries like Saudi Arabia, Bahrain, Iraq and Kuwait. While in the same year India had enjoyed trade surplus with the other Arab Oil Exporting Countries like Oman, Qatar and United Arab Emirates (UAE). Moreover, in 1979 India had trade deficit with countries like Saudi Arabia, Bahrain, Iraq and Qatar. And in the same year she India had enjoyed trade surplus with the other Arab Oil Exporting Countries like Oman, Kuwait and United Arab Emirates (UAE).

India’s overall balance of trade position and particularly its balance of trade position with the Arab Oil Exporting Countries indicate that India had overall trade deficit during 1971-75. Moreover, among the Arab Oil Exporting Countries during 1971-79 India had enjoyed continuous trade surplus with Oman while she had continuous trade deficit with Saudi Arabia.
Among other Arab Oil Exporting Countries during the same period India had enjoyed overall trade surplus with Qatar and United Arab Emirates. However, during 1971-1979 India had overall trade deficit with countries like Iraq and Kuwait. But in case of Bahrain during the same period India had enjoyed overall trade surplus. It means among the Arab Oil Exporting Countries during 1971 to 1979 India had overall trade deficit with more of the above referred Arab Countries. In this respect, India's trade deficit makes it obligatory on its part to trade more with the outside countries. Similarly India's overall trade deficit with most of the Arab Oil Exporting Countries makes it essential on its part to trade more with these countries.

Bahrain:

Among the Arab Oil Exporting Countries Bahrain in its overall balance of trade had enjoyed trade surplus in 1971. But from the year 1972 to 1979 Bahrain had continuous trade deficit in its overall balance of trade. At the same time the trade deficit in Bahrain's overall balance of trade during 1972 to 1979 show an increasing trend. It is because Bahrain's foreign trade has increased significantly in recent years touching the level of US $4629 million in 1979. Bahrain's trade deficit has been adverse increasing considerably in recent years.
increased from
US $ 11 million in 1975 to US $ 323 million in 1979.¹

Considering Bahrain's balance of trade with India as well as its neighbouring Arab Oil Exporting Countries during the period from 1971 to 1979 we find that in the years 1971, 1972, 1973 and 1974 Bahrain had continuous trade deficit with India. But in 1975 she had enjoyed trade surplus with India. In 1976 and 1977 Bahrain had again trade deficit with India and in 1978 and 1979 Bahrain had again enjoyed trade surplus with India. This means during the period 1971–79 Bahrain had overall trade deficit with India, which compels it to trade more with India.

In the same way Bahrain's balance of trade with its neighbouring Arab Oil Exporting Countries indicates that in 1971 Bahrain had trade deficit with Iraq and Saudi Arabia. In the same year Bahrain had enjoyed trade surplus with Kuwait, Qatar and United Arab Emirates (UAE). In 1972 Bahrain had again enjoyed trade surplus with some of the Arab Oil Exporting Countries like Kuwait, Qatar,

and United Arab Emirates, and had trade deficit with other Arab Countries like Iraq, Saudi Arabia and Oman. But in 1973 Bahrain had faced trade deficit with many of its neighbouring countries like Iraq, Saudi Arabia, Oman, and Kuwait and it had trade surplus with Qatar and United Arab Emirates. In 1974 Bahrain had again enjoyed trade surplus with more of its neighbouring Arab countries like Qatar, United Arab Emirates (UAE), Oman and Kuwait.

In the same year it had trade deficit with countries like Iraq and Saudi Arabia. Bahrain had again enjoyed trade surplus with its neighbouring Arab Countries like Qatar, United Arab Emirates (UAE) and Oman and had trade deficit with countries like Iraq, Saudi Arabia and Kuwait. In 1976 Bahrain had enjoyed trade surplus with Qatar, United Arab Emirates, Oman and Kuwait and had trade deficit with Saudi Arabia and Kuwait. But in 1977 Bahrain had enjoyed trade surplus with many of its neighbouring Arab Countries like Qatar, Oman, United Arab Emirates, Iraq and Kuwait. While it had trade deficit only with Saudi Arabia. The situation of Bahrain's trade surplus with many of its neighbouring Arab Countries like Qatar, UAE, Oman, Iraq and Kuwait, had remained constant in 1978. In the same way it had again trade deficit only with Saudi Arabia. Moreover, Bahrain had enjoyed trade surplus with countries
like Qatar, United Arab Emirates, Oman, Iraq and Kuwait, and had trade deficit only with Saudi Arabia in the same year.

Bahrain had trade deficit in its overall balance of trade during 1971-79. As well as during the same period Bahrain had overall trade deficit with India. Among its neighbouring Arab Oil Exporting Countries, Bahrain had enjoyed continuous trade surplus with Qatar, UAE and Oman over, it had enjoyed trade surplus with Oman. Bahrain during the same period had continuous trade deficit with Saudi Arabia and overall trade deficit with Iraq and Kuwait. In this respect the overall deficit in its balance of trade made necessary on its part to trade more with outside countries. Similarly, Bahrain's overall trade deficit with India compels it to trade more with India. Moreover, its trade deficit with some of the Arab Oil Exporting Countries like Saudi Arabia, Iraq and Kuwait compels Bahrain to trade more with these countries.

Iraq:

An examination of Iraq's overall balance of trade during the period from 1971 to 1979 indicates that in 1974 Iraq had enjoyed trade surplus. But in the years 1972, 1973 and 1974 Iraq had trade deficit in its overall balance of trade. From the year 1975 to 1979 Iraq had again enjoyed a continuous trade surplus in its overall
balance of trade. It is because of exports of petroleum in most years, Iraq enjoyed trade surplus in its overall balance of trade. However, the trade deficit experienced in certain years is an indication that the oil sector has not contributed as much to the national economy as Iraq's oil reserves and the clement world oil situation would suggest and the non-oil sector's have to generate exportable goods and services.  

The position of Iraq's balance of trade with India as well as with its neighbouring Arab Oil Exporting Countries shows that in 1971, Iraq had trade deficit with India, which had remained constant to trade deficit in the year 1972. But in the year 1973 Iraq had enjoyed trade surplus with India. Moreover, in the years 1974-75, 1976, 1977, 1978 and 1979 Iraq's trade surplus with India had remained constant. This means during the period from 1971 to 1979 Iraq had enjoyed overall trade surplus with India. This does not compel Iraq to trade more with India.

Iraq's overall balance of trade with the Arab Oil Exporting Countries shows that in 1971 Iraq had enjoyed trade surplus with Bahrain, Kuwait, Qatar, Saudi Arabia, and United Arab Emirates (UAE). In the same year

Iraq had trade deficit only with Oman. Moreover, the position of Iraq's balance of trade with its neighbouring Arab Countries as trade surplus with more of among these countries like Bahrain, Kuwait, Qatar, Saudi Arabia and United Arab Emirates (UAE), had remained constant in 1972, 1973 and 1974. While during these years Iraq had trade deficit only with Oman. In 1975 Iraq had enjoyed trade surplus with its neighbouring countries like Bahrain, Qatar, Saudi Arabia and United Arab Emirates (UAE). However, in the same year it had trade deficit with Oman and Kuwait. Iraq in the year 1976 had trade deficit with many of its neighbouring Arab Countries like Oman, Kuwait and Bahrain. She had enjoyed trade surplus with other neighbouring Arab Countries like Qatar, Saudi Arabia and United Arab Emirates. Again in 1977 Iraq had enjoyed trade surplus with many of its neighbouring Arab Countries like Qatar, Saudi Arabia, United Arab Emirates and Kuwait. In the same year Iraq had trade deficit only with Oman and Bahrain. The position of Iraq's trade surplus with Qatar, Saudi Arabia, United Arab Emirates and Kuwait and its position of trade deficit with Oman and Bahrain remained constant in the year 1978.

In 1979, Iraq had enjoyed trade surplus only with
Qatar and United Arab Emirates. But in the same year Iraq had trade deficit with Oman, Kuwait, Bahrain and Saudi Arabia.

The overall position of Iraq's balance of trade as well as its balance of trade with India and neighbouring Arab Oil Exporting Countries indicates that Iraq had enjoyed overall trade surplus during 1971 to 1979. At the same time Iraq had also enjoyed overall trade surplus with India. This situation does not compel Iraq to trade with outside countries and as well as with India. Iraq had also enjoyed overall trade surplus during the period 1971-1979 with its neighbouring Arab Oil Exporting Countries like Qatar, Saudi Arabia, United Arab Emirates (UAE), Kuwait and Bahrain. This situation also does not compel Iraq to trade with the above referred neighbouring Arab countries. During this period Iraq had continuous trade deficit only with Oman. This compel Iraq to trade more with Oman.

Kuwait:

During the period from 1971 to 1979 had enjoyed a continuous trade surplus in its overall balance of trade. But Kuwait's overall trade surplus showed declining trend from the year 1975. This position does not compel Kuwait to trade more with the outside countries.
When we consider Kuwait's balance of trade with India, we find that Kuwait had trade deficit with India in the year 1971. But in the year 1972 Kuwait's balance of trade with India changed to a surplus. The surplus in Kuwait's balance of trade with India had remained constant in 1973, 1974 and 1975. But in 1976 Kuwait's balance of trade with India had again changed to trade deficit. Its trade deficit with India had remained constant in the years 1977, 1978 and 1979. In this respect the position of Kuwait's balance of trade with India indicates that during 1971 to 1979, Kuwait had overall trade deficit with India. This makes obligatory on the part of Kuwait to trade more with India.

As regards Kuwait's balance of trade with its neighbouring Arab Oil Exporting Countries, we find that in 1971 Kuwait had enjoyed trade surplus with Qatar, Saudi Arabia, and United Arab Emirates (UAE). Among Arab Oil Exporting Countries in 1971 Kuwait had trade deficit only with Iraq. Kuwait's balance of trade position as trade surplus with some of the Arab countries like Qatar, Saudi Arabia and United Arab Emirates (UAE) and trade deficit with Iraq had remained constant in the year 1972. In 1973 Kuwait had enjoyed trade surplus with many of its neighbouring Arab Countries like Oman, Bahrain, Qatar,
Saudi Arabia and United Arab Emirates. In the same year Kuwait had trade deficit only with Iraq. As again in the year 1974 Kuwait had enjoyed trade surplus with all the Arab Oil Exporting Countries like Bahrain, Iraq, Oman, Qatar, Saudi Arabia and United Arab Emirates. Moreover, this position of trade surplus with all the Arab Oil Exporting Countries like Bahrain, Iraq, Oman, Qatar, Saudi Arabia and United Arab Emirates had remained constant during the period 1975-79.

Kuwait's overall trade surplus position during the period from 1971 to 1979 does not compel Kuwait to trade more with the outside countries. Similarly Kuwait's trade surplus position with all the Arab Oil Exporting Countries does not compel it to trade more with the above referred Arab Countries. But Kuwait's overall trade deficit position with India during the period 1971-79 compels it to trade with India.

Oman:

A perusal of Oman's overall balance of trade position during the period from 1971 to 1979 shows that Oman had enjoyed a continuous trade surplus during these preceding years. It is also interesting to note that during the same period Oman's trade surplus position
showed a continuous increasing trend over the preceding years.

Considering Oman's balance of trade position during 1971 to 1979 with India as well as with the Arab Oil Exporting Countries, we find that in 1971 Oman had trade deficit with India. The position had remained unchanged trade deficit during the period from 1972 to 1979. This means the persistent trade surplus position of Oman with India during the period from 1971 to 1979 does not compel the former to trade with the latter.

In the same way, among Arab Oil Exporting Countries in 1971 Oman had trade deficit with Saudi Arabia, and Oman had enjoyed trade surplus with United Arab Emirates (UAE) in 1971. In 1972 Oman had enjoyed trade surplus with many of the Arab Oil Exporting Countries like Bahrain, Iraq, Kuwait and United Arab Emirates. In that same year Oman had trade deficit only with Saudi Arabia and Qatar. In 1973 Oman's position of balance of trade had changed to trade deficit with many of the Arab Oil Exporting Countries like Iraq, Kuwait, Qatar, and Saudi Arabia. In that year Oman had enjoyed trade surplus only with Bahrain and United Arab Emirates (UAE). Further, in the year 1974 Oman had enjoyed trade surplus only with Iraq.
It had trade deficit with many of the above referred Arab Countries like Bahrain, Kuwait, Qatar, Saudi Arabia and United Arab Emirates (UAE). In the year 1975 Oman had trade deficit again with Bahrain, Kuwait, Qatar and United Arab Emirates. Moreover, in the years 1976, 1977, 1978 and 1979 Oman had face the same situation of trade deficit with the above referred Arab countries like Bahrain, Kuwait, Qatar, Saudi Arabia and United Arab Emirates during the period 1971-79.

The overall trade surplus position of Oman during 1971-79 does not compel Oman to trade with the outside countries. However, Oman's overall trade deficit with India during the same period compels Oman to trade with India. As well as Oman had trade deficit with many of the Arab Oil Exporting Countries like Bahrain, Qatar, Saudi Arabia and United Arab Emirates. This compels Oman to trade with these Arab Oil Exporting Countries. But Oman's overall trade surplus during the same period with Iraq does not compel Oman to trade with Iraq.

Qatar:

During the period from 1971 to 1979, Qatar had enjoyed trade surplus in 1971. But in the years 1972, 1973 and 1974 Qatar had continuous trade deficit. However, from the year 1975 to 1979 Qatar had again enjoyed a continuous trade surplus.
An examination of Qatar's balance of trade with India as well as with the Arab Oil Exporting Countries shows that Qatar had enjoyed continuous trade surplus with India during the period from 1971 to 1979. This situation does not compel Qatar to trade with India.

On the other hand, among the Arab Oil Exporting Countries in 1971 Qatar had trade deficit with many of these countries like Bahrain, Iraq, Kuwait, and Saudi Arabia. In 1972 Qatar had trade deficit with some of the Arab Oil Exporting Countries like Bahrain, Iraq, and Kuwait and it had enjoyed trade surplus with other Arab countries, like Oman, Saudi Arabia and United Arab Emirates. But in 1973 Qatar had again trade deficit like Bahrain with many of the above referred Arab countries like Bahrain, Iraq, Kuwait and Saudi Arabia. While in the same year she had enjoyed trade surplus only with Oman and United Arab Emirates.

The position of Qatar's trade deficit with many of its neighbouring Arab Countries like Bahrain, Iraq, Kuwait and United Arab Emirates (UAE) in 1974 had remained constant. While in the same year Qatar had enjoyed trade surplus only with Oman and Saudi Arabia. Qatar had again enjoyed trade surplus with Oman and Saudi Arabia in 1975, and trade deficit with Bahrain, Iraq, Kuwait and United Arab Emirates (UAE), but in the year 1976.
Qatar had trade deficit with all the Arab Oil Exporting Countries, like Bahrain, Iraq, Kuwait, Saudi Arabia and United Arab Emirates. Again in 1977 Qatar had enjoyed trade surplus with Oman and Saudi Arabia and trade deficit with other Arab Oil Exporting Countries like Bahrain, Iraq, Kuwait and United Arab Emirates. Qatar in 1978 had again trade deficit with all the Arab Oil Exporting Countries that of Bahrain, Iraq, Kuwait, Saudi Arabia, Oman and United Arab Emirates. Moreover, in 1979 Qatar had trade deficit with some of the above referred Arab countries like Bahrain and United Arab Emirates while in the same year it had enjoyed trade surplus with many of the Arab Oil Exporting Countries like Kuwait, Oman and Saudi Arabia.

In this prospect Qatar's overall trade surplus does not compel it to trade with the outside countries. But Qatar's continuous trade deficit with India during the period from 1977 to 1979 compel it to trade more with India. At the same time Qatar's continuous trade deficit with Bahrain, Iraq, Kuwait and overall trade deficit with United Arab Emirates during the period from 1971 to 1979 compel Qatar to trade with three countries. While among the Arab Oil Exporting Countries Qatar's continuous trade surplus with Oman and Saudi Arabia does not compel Qatar to trade more with these countries.
Saudi Arabia:

The overall balance of trade of Saudi Arabia indicates that during the period from 1971 to 1979 Saudi Arabia had enjoyed continuous trade surplus over the preceding years. It also indicates that during the same period, except in some years, Saudi Arabia's overall trade surplus had increased persistently over the years, rising sharply in 1972, yet more steeply in 1973 and much more so in the years from 1974 to 1979. This is mainly attributable to the increase in government's take from the export of every oil barrel since 1971, and also to increased oil production.

While considering Saudi Arabia's balance of trade with India as well as with the Arab Oil Exporting Countries we find that during the period from 1971 to 1979 Saudi Arabia had enjoyed continuous trade surplus with India. This state of affairs does not compel Saudi Arabia to trade with India.

Among the Arab Oil Exporting Countries, Saudi Arabia in 1971 had enjoyed trade surplus with Bahrain, Oman and United Arab Emirates and it had trade deficit with Iraq.

and Kuwait. Moreover, the situation of Saudi Arabia's balance of trade with the above referred Arab Countries as trade deficit with Iraq and Kuwait and trade surplus with Bahrain, Oman and United Arab Emirates (UAE) had remained the same in 1972. In the year 1973 Saudi Arabia had enjoyed trade surplus only with Bahrain and while she experienced trade deficit with many of the Arab Oil Exporting Countries like Iraq, Kuwait, and Qatar. In 1974 the situation of Saudi Arabia's balance of trade with above referred Arab Countries that of trade surplus with Bahrain and Oman and trade deficit with Iraq, Kuwait and Qatar had remained the same. In 1975, Saudi Arabia had enjoyed trade surplus with Bahrain and Oman; while in the same year it had trade deficit with Kuwait, Qatar and United Arab Emirates. Saudi Arabia again in the year 1976 had enjoyed trade surplus with Bahrain and Oman and trade deficit with Iraq, Kuwait, Qatar and United Arab Emirates. In the year 1977 the position of Saudi Arabia balance of trade with the above referred Arab Countries that of trade surplus with Bahrain and Oman and trade deficit with Iraq, Kuwait, Qatar and United Arab Emirates had remained the same as in 1976. In the year 1978 Saudi Arabia enjoyed trade surplus with Bahrain and Oman and it had trade deficit with Kuwait, Qatar and United Arab Emirates. Moreover, in the year 1979, Saudi Arabia had again enjoyed trade surplus with Bahrain and Oman. While in the same year Saudi Arabia had trade deficit with Oman, Kuwait, Qatar, and United Arab Emirates.
The discussion of overall position of balance of trade of Saudi Arabia as well as its balance of trade with India and Arab Oil Exporting Countries indicates that, the overall trade surplus during the period from 1971 to 1979 does not compel Saudi Arabia to trade with outside countries. In the same way Saudi Arabia’s overall trade surplus with India during the same period does not compel it to trade with India. Moreover, among the Arab Oil Exporting Countries her continuous trade surplus with Bahrain and Oman also does not compel her to trade with these Arab countries. But her continuous trade deficit with Iraq and Kuwait as also her overall trade deficit with Qatar and United Arab Emirates during the period from 1971 to 1979 compels her to trade with these countries.

**United Arab Emirates:**

During the period from 1971 to 1979 United Arab Emirates had enjoyed a continuous trade surplus in its overall balance of trade over the preceding years. Moreover, during the same period the overall trade surplus of United Arab Emirates shows an increasing trend.

A perusal of United Arab Emirates balance of trade position with India as well as with Arab Oil
exporting countries during the period from 1971 to 1979 indicates the United Arab Emirates had continuous trade deficit with India, which compelling United Arab Emirates to trade with India.

Among the Arab Oil Exporting Countries in the year 1971 United Arab Emirates had trade deficit with Bahrain, Iraq, Kuwait, Oman and Saudi Arabia and in the same year it had enjoyed trade surplus only with Qatar, in 1971. The position of United Arab Emirates balance of trade as trade deficit with Bahrain, Iraq, Kuwait, Oman and Saudi Arabia and trade surplus with Qatar had remained unchanged during the years 1972 and 1973, respectively. While in the year 1974 United Arab Emirates had trade deficit with Bahrain, Iraq, Kuwait and Saudi Arabia and trade surplus only with Qatar and Oman. Moreover, again in the years 1975 and 1976 the position of balance of trade of United Arab Emirates as trade deficit with Bahrain, Iraq, Kuwait and Saudi Arabia, as well as its trade surplus with Qatar and Oman) had remained unchanged. In the year 1977 United Arab Emirates had again enjoyed trade surplus with Qatar and Oman, but experienced trade deficit with Bahrain, however, Iraq, Kuwait and Saudi Arabia. But in the year 1978, United Arab Emirates had enjoyed trade surplus with many of the Arab Oil Exporting Countries like Iraq, Qatar and Saudi Arabia. In that it had trade deficit only with Bahrain and
Kuwait. In the year 1979 United Arab Emirates had enjoyed again trade surplus with Iraq, Saudi Arabia and Oman and in the same experienced trade deficit with Bahrain, Kuwait, and Qatar.

The position of United Arab Emirates overall balance of trade as well as its balance of trade position with India and Arab Oil Exporting Countries indicates that, its overall trade surplus position during 1971-79 does not compel United Arab Emirates to trade with outside countries. During the same period its overall trade deficit with India compels it to Arab Emirates to trade with India. At the same time its trade deficit position of United Arab Emirates with some of the Arab Oil Exporting countries like Bahrain, Iraq, Kuwait, Oman and Saudi Arabia compels it to trade with these countries. But its trade surplus deficit with Qatar during the same period does not compel United Arab Emirates to trade with Qatar.

From the discussion of the overall balance of trade of India and Arab Oil Exporting countries, it is clear that the overall trade deficit in balance of trade of India during the period from 1971 to 1979 compels it to trade with outside countries. At the same time India's trade deficit with most of the Arab Oil Exporting Countries like Saudi Arabia, Kuwait, Iraq and Bahrain compels India to trade with these countries. But during the same period
India's overall trade surplus with Oman, Qatar and United Arab Emirates does not compel her to trade with these countries.

On the contrary, during the period from 1971 to 1979 except Bahrain all the Arab Oil Exporting Countries had enjoyed overall trade surplus, which does not compel these countries to trade with the outside countries. But this is a contradictory situation found in balance of trade of most of the Arab Oil Exporting Countries, like Iraq, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates. The huge earnings of these countries from the exports of crude petroleum and petroleum products enable them to enjoy trade surplus in their balance of trade. But the total dependence of these countries for the imports of consumer as well as capital goods from other countries ultimately compels them to trade with the outside countries. Among the Arab Oil Exporting Countries Bahrain had overall trade deficit during the period from 1971 to 1979, and this ultimately compels Bahrain to trade with the outside countries. Moreover, in regards to the balance of trade of all the Arab Oil Exporting Countries with India as well as balance of trade among themselves. We find that Bahrain, Kuwait, Oman, Qatar and United Arab Emirates had overall trade deficit with India, which had compels them to trade with India.
But the overall trade surplus of Iraq and Saudi Arabia with India does not compel these countries to trade with India. In the same way during 1971-79 the overall trade deficit of Bahrain, Oman, Qatar, Saudi Arabia and UAE with their neighbouring Arab Oil Exporting Countries compels them to trade with other Arab Oil Exporting Countries.

The overall balance of trade of India as well as the Arab Oil Exporting Countries shows that India's trade deficit with most of the Arab Oil Exporting Countries compels India to trade with these countries and also to enhance monetary co-operation between India and the Arab Oil Exporting Countries. The monetary co-operation in respect of monetary aid from Arab Oil Exporting Countries will enable India to solve its problem of persistent continuous trade deficit, with Arab Oil Exporting countries hasten but also to its economic development. At the same time some of the Arab Oil Exporting Countries like Bahrain and Oman need grants from their neighbouring Arab Oil Exporting countries for their further development. of these countries. Monetary co-operation between India and Arab Oil Exporting

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Countries in the above mentioned respects will ultimately help these countries to enhance trade agreements between themselves.

We came to across that India having trade deficit with outside, as well as with most of the Arab Oil Exporting Countries earn convertible currencies. Moreover Most of the Arab Oil Exporting Countries enjoy trade surplus with India as well as with the outside countries. But from the exports of crude petroleum and petroleum products all the Arab Oil Exporting Countries earn convertible currencies. Thus earnings of convertible currencies of India and the Arab Oil Exporting Countries can be used in the settlement of payments.

It is necessary to know how payments problems arise out of trade transactions are solved by India and the Arab Oil Exporting Countries. In order to know which currencies are used in settling the deficit and surplus in the trade and especially trade between India and the Arab Oil Exporting Countries, for this purpose it is also necessary to examine the exchange rate system in India as well as in all the Arab Oil Exporting Countries.

Exchange Rate Systems in India and Arab Oil Exporting Countries:

India is a member of the International Monetary Fund (IMF). India has agreed for par value with the

1. Indian Rs. 7.9302 = 1 US $.
International Monetary Fund. But from the year 1975 the rupee was declined from pound sterling and linked with a basket of currencies. Therefore, the external value of the rupee in future will be determined by the market value of the units of the various currencies included in the basket. Moreover, the currencies included in the basket and their relative weights are kept confidential. The value of various currencies in the basket at the time of de-linking the rupee from pound sterling was equal to $5.4620. The advantage of linking Indian rupee with multicurrency basket is that it will enable India to select the chemicals which are important to her trade and payments.

All the Arab Oil Exporting Countries, all of these are the members of the International Monetary Fund (IMF). All these countries have for values agreed upon with the International Monetary Fund (IMF) and conduct all transactions on the basis of parity rates. Among the Arab Oil Exporting Countries, for Bahrain's Dinar there is a par value established with the Fund. The latest exchange rate is Dinar 1 = $2.6596. Of the commercial banks in the country are authorised to sell foreign exchange. Foreign exchange is also available in the free market at a premium. In this country there are no difficulties.

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1. Bahrain's Dinar 1 = $2.659
2. Iraqi Dinar 1 = $3.862
3. Kuwait's Dinar 1 = $3.6860
4. Omani Riyals 0.34540 = $1
5. Qatar's Riyals 1 = $0.23473
6. Saudi Riyals 3.250 = $1
7. UAE's Dirhams 3.6710 = $1
with regard to payments for imports from Sterling and
soft currency areas.

In the same way Iraq has also established par value
with the International Monetary Fund. The recent exchange
rate is Iraqi Dinar 1 = 3.3862 US $. The Central Bank of
Iraq is authorised to exchange control while the
department of foreign exchange of the Central Bank of Iraq
and the licenced dealers are authorised to sell the foreign
exchange. While in Kuwait, since 1975, the exchange
rate for the Kuwaiti Dinar has been maintained on the basis
of its value in terms of a weighed average of currencies.
There is no exchange control in the country. It is only the
dealings in currencies of the countries like Israel, Rhod-
esia and South Africa are restricted. The Central Bank of
Kuwait, sets daily buying and selling rates for sterling
and US dollars. While in Oman the Unit of Currency is
Omani Rial. Oman follows the exchange rates other than
market rates as notified to the Fund. The Central Bank
of Oman maintains fixed buying and selling rates for the
US Dollar. While the rates of other currencies are based
on market rates in London. In the year 1974 Oman had esta-
lished an initial par value of 2.13281 grams of fine gold
per Rial Omani. In the same way Qatar also follows the
exchange rates other than market rates as notified to the
Fund. Qatar has linked its currency with the SDR. There are no exchange control regulations in the country. The commercial banks are the authorised dealers in foreign exchange. The exchange rates of the commercial banks for currencies other than US Dollar and pound sterling are based on the Monetary Agency's rates for the US dollar and market rates for the other currencies against US dollars.

In the Saudi Arabia the unit of currency is Riyal. Saudi Arabia has linked its currency with the SDR. The par value is US $1 = Riyals 3.3250. The government of Saudi Arabia fixes the foreign exchange rate by issuing decrees from time to time. While the Saudi Arabian Monetary agency sells the foreign exchange to the banks at a rate fixed by government. In this country there is complete absence of exchange and payment restrictions. However, all the settlements with Israel, Rhodesia and South Africa are prohibited. While in the case of United Arab Emirates the new currency is Dirham. This currency was introduced in the year 1973 to replace the Bahrain Dinar and Qatar/Dubai riyal. The Bahrain dinar was in circulation in Abu Dhabi and the Qatar/Dubai riyal was in circulation in other Emirates. In the year 1974 the United Arab Emirates established an initial par value with US $1 = Dirham 3.95. While in the year 1978 there was a revaluation of the UAE dirham against US dollar by 0.5 per cent. The daily quotations for the US dollar are
announced by the United Arab Emirates Currency Board. While the rates for other currencies are fixed in relation to US Dollar-Dirham rate and the previous days closing rates in New York. Meanwhile, there is no exchange control as well as no exchange control authority in the United Arab Emirates.

Payments Systems between India and Arab Oil Exporting Countries:

India as well as all the Arab Oil Exporting Countries insist on the settlement of transactions either in sterling or in the US dollar. This also holds good in case of trade between India and the Arab Oil Exporting Countries. Moreover, there are no bilateral or multilateral payments agreements between these countries. For India as well as the Arab Oil Exporting Countries, Sterling and US dollar are overwhelmingly important in the sense of accounting for receipts and payments between themselves. However, the role of the currencies of individual countries among India and the Arab Oil Exporting Countries is at most a marginal one. This means, India and all the Arab Oil Exporting Countries are more interested in earning the convertible currencies by trading with outside developed countries. This naturally affects trade between themselves. The predominant use of sterling and US dollar in selling transactions by these countries is mainly due to general acceptability (convertibility) of sterling and US dollar and historical links of India and the Arab Oil Exporting
countries with UK and USA.

The predominant use of US dollar and/or sterling in settling trade transactions between these countries India and Arab Oil Exporting Countries discharges these countries from increasing trade with countries among themselves. Moreover, India's large deficit with outside countries (countries other than Arab Oil Exporting countries) especially developed ones compels her to use US dollar and Sterling rather than individual currency or currencies of the Arab Oil Exporting Countries. At the same time huge earnings of the Arab Oil Exporting Countries in terms of US dollars or sterling through exports of crude petroleum and petroleum products compel all these countries to use US dollar or sterling rather than currencies of individual countries.

To increase trade between India and the Arab Oil Exporting Countries, it becomes desirable that extensive use of any common currencies is made by India and Arab Oil Exporting Countries between themselves. In this respect, the establishment of an clearing arrangements becomes essential. For this purpose these countries can follow the clearing arrangement on the lines of RCD countries, Central American Countries, Arab Countries or West African Countries. The possibility of creation of a clearing arrangement among these countries is discussed in detail in Chapter VII.