Chapter 5
Summary, Findings, Limitations and Conclusion

5.1 Summary

Comparative advantage is the rationale of International trade. So, open and fair international trade is beneficial for all countries. There are two basic types of trade between countries: the first, in which the receiving country either cannot produce the goods or provide the services in question, or where it does not have enough; and the second, in which it has the capability of producing the goods or supplying the services, but still imports them. World Trade Organization (WTO) is an international organization created to coordinate trading rules among nations. The World Trade Organization has 153 members (95 percent of total world trade) and is headquartered in Geneva, Switzerland. The WTO is governed by a ministerial conference, a general council, and the director-general. India was a founding member of the General Agreement on Tariffs and Trade (GATT) in 1947 and of the World Trade Organization (WTO) in 1995, and so has actively participated in the different rounds of negotiations.

The Gulf Cooperation Council (GCC) was established by an agreement concluded on 25 May 1981 in Riyadh, Saudi Arabia among Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and UAE in view of their special relations, geographic proximity, similar political systems based on Islamic beliefs, joint destiny and common objectives. Presently it encompasses a total area of 2,672,700 sq.km. The official language is Arabic. GCC comprises of some of the fastest growing economies in the world, mainly due to an increase in oil and natural gas revenues coupled with a building and investment boom backed by reserves etc. The GCC enjoys strong cultural and historic ties with India. Led by India’s economic liberalization after 1990 and the “look east” policy of the GCC in the recent decade, the trade relationship between the two economies has flourished.
This research is aimed to analyses trade relations between the GCC countries and India. Since both India and the GCC countries are members of the World Trade Organization (WTO), it is important to investigate India’s trade potential in this market. There have been many in-depth empirical studies related to international trade; especially studies on bilateral trade relations between countries. However, to date, there has been no academic study or research focusing on WTO and India-GCC trade relations. This study evaluates trade relation between India and GCC and the impact of world trade organization on both trade relations.

5.2 Findings

In light of review of literature and analysis which has been done by the researcher, the research findings is presented in two categories namely, the findings which are from the review of literature and the findings from analysis of the secondary data which have been collected by the researcher.

5.2.1 Findings from Review of Literature

5.2.1.1 World Trade Organization

In this research it was found that Indian exports and GDP in terms per annum growth has declined, the decline in India’s export continued unabated later on after introduction of WTO arrangement in 1995. The decline in India’s exports during the post WTO regime may be attributed due to various restrictions imposed by various countries on Indian exports. This is certainly against the spirit of WTO. In this connection, it is significant to observe that India’s exports as well as India’s GDP have declined quickly during the post WTO era. (See 3.2 paragraph 1)

It also found that the share of India in world potato export declined from 0.43 per cent in 1995 to 0.35 per cent in 2000 and further to 0.14 per cent in 2001. The share of India in value term declined from 0.18 per cent in 1995 to 0.07 per cent in 2001. The share of India during pre-WTO period had increased from 0.06 per cent in 1988 to 0.33 per cent in 1994. This showed a declining competitiveness of Indian potatoes in comparison to developed countries during the post-WTO period. (See 3.2 paragraph 3)
Another findings in this thesis shows that the compound annual growth rate of trade during pre WTO (6.72%) was higher than the growth rate in pre-WTO (6.46%). On the other hand during the post-WTO the CAGR of world trade increased from 1.84% to 2.25%. The trade volume of India was increasing after the WTO implementation, though not at so good rate as compared to world trade. This was due to the new challenges faced by Indian economy imposed by WTO. For India, the imports and exports increased for all the years during pre and post the WTO. (See 3.2 paragraph 4)

There is another finding which revealed that India’s share in global agricultural exports before WTO witnessed an increased but decline during post WTO period. Liberalization under WTO has not increased the share of agricultural products in India’s global exports). Rather this share has been increased in global imports. The growth of India’s agricultural imports was more than exports during post WTO period. This has adversely affected self-reliance in agriculture. (See 3.2 paragraph 5)

5.2.1.2 Bilateral Trade Relations between India and GCC Countries

Among other things this research study revealed that the bilateral trade between India and the GCC countries has shown a tremendous growth since 2003-04. The export-import statistic showed that since 2005 India’s imports from GCC countries have been exceedingly greater than the exports. The GCC investors have started focusing on India as an investment destination. Strong economic growth on the back of service sector contribution has helped sustained economic growth. (See 3.3 paragraph 1)

It is also found that India’s exports to the GCC have risen from US$ 3.73 billion in the year 2000 to US$ 11.22 billion in the year 2005. After a marginal decline in the year 2001, India’s exports to the region witnessed a robust a growth thereafter, with an annual average growth rate of 35.3% during 2002-2005. And India’s total imports from the GCC have also witnessed an increased from US$ 3.68 billion in the year 2000 to US$ 8.13 billion in the year 2005. Excluding POL-related imports from the total figures, showed that India’s imports from GCC have increased from US$ 1.67 billion in 2000 to US$ 6.92 billion in 2005, underlined by the sharp increase of imports from UAE, Saudi Arabia and Qatar for the same period. (See 3.3 Paragraph 3)
This investigation revealed that India’s share in the GCC’s world exports has increased from 1.4 percent in 2003 to 2.5 percent in 2007. Similarly, the GCC’s imports from India have registered an annual average growth of 56.5 percent in the last five years. Consequently, India’s share in the GCC’s world imports has increased from 5 percent in 2003 to 6.5 percent in the year 2007. This shows the importance of India as a leading trading partner of the GCC countries. (See 3.3 Paragraph 5)

5.2.2 Findings from analysis of the secondary data

An analysis of quantitative data collected revealed the following findings:

Five industries have been studied and analyzed between India and Gulf cooperation council countries in this thesis. Revealed comparative advantage index is used to help assess India and GCC’s export potential. Also Trade Intensity index is used to find out the ratio of India and GCC export shares in compare to the global export and find out which countries of the GCC has traded most with India. Independent two sample T-Test is used to find out whether the trade relations between India and GCC countries has any significant growth before or after formation of World Trade Organization or not. Simple Linear Regression is also done to find out whether the trade relations between India & GCC countries have any impact on trade relations of India & GCC before and after establishment of World Trade Organization or not.

5.2.2.1 Revealed Comparative Advantage

5.2.2.1.1 Gems & Jewelry

In the pre WTO period, the findings reveal that India has a high level of comparative advantage as compare to GCC. Only in 1994 GCC has comparative advantage as compared to India. In the post WTO period GCC has overtaken India in terms of revealed comparative advantage i.e. 1995 to 2014. However, GCC has a very high level of RCA in the Indian market during the years 2001 to 2005. India has capability to export gems & jewelry to the GCC countries before establishment of WTO but as soon as WTO established and new rules came out by WTO, also some barriers and tariffs have been defined by WTO then exporting Gems & Jewelry had decreased from India to the GCC market.
5.2.2.1.2 Iron & Steel

In the pre WTO period, the findings reveal that GCC’s export of Iron & steel has comparative advantage in the Indian market except 1986 & 1987 which shows RCD of 0.23 and 0.32 respectively. In the post WTO the GCC’s export RCA position is the same as pre WTO. India has comparative disadvantage on exporting iron and steel in the GCC market over 20 years i.e. 1995 to 2014. In the post WTO, India has only comparative advantage in the year 2010. India is one of the main producers of Iron and Steel in the World and TATA is the biggest producer of steel in India. India is importer as well as exporter of Iron & Steel but it imports more and as the evidence shows in chapter 4 GCC had comparative advantage of Iron and steel in the Indian market.

5.2.2.1.3 Fuels

The findings shows that India’s export of Fuels has comparative disadvantage in the GCC market in the pre WTO from 1985 to 1991. In 1992, India has overtaken GCC and gained a RCA of 1.03 and again lost the comparative advantage and has comparative disadvantage for the rest two years. In the post WTO, the trend continues in the favor of GCC till 2001 and GCC were enjoying The RCA till date. But from 2002 to 2014 India gained the comparative advantage of exporting fuels to the GCC market. India has a very high level of RCA in these years compare to the GCC. India is one of the fuels importers in the world which importing crude oil and re-export them as petroleum to GCC and other countries in the world.

5.2.2.1.4 Pharmaceutical

The findings reveal that the comparative advantage of Pharmaceutical industry is alternate from 1985 to 1988 between India and GCC countries in the period of pre WTO. India has comparative advantage in 1985 and has comparative disadvantage in 1986, in 1987, India regained the RCA and re-lost it in 1988 and 1989. In 1990, both India and GCC enjoy same RCA but after that from 1991 to 1994 India gained comparative advantage. In the post WTO period, India’s export of pharmaceutical has comparative advantage in the GCC market over 20 years period except 2009 which GCC gained the RCA. Export of pharmaceutical industry of India increased in case of
the global market in recent years. India is having an important position of Pharmaceutical industry in the global market.

5.2.2.1.5 Textile

The findings show that GCC has comparative disadvantage of exporting textile industry in the Indian Market. India gained the revealed comparative advantage for all the years in the period of pre WTO. Even in the post WTO period, India gained the comparative advantage of textile industry in the GCC market. From 2000 to 2005, India has a very high level of export RCA of textile in the GCC market. India is the second largest exporter of textile in the world. The main items of textile industry which India exports globally are jute, silk, cotton and fibre.

5.2.2.2 Trade Intensity Index

The findings show that in the pre WTO India’s trade intensity with GCC countries individually as well as with them as a group was high only with United Arab Emirates, Saudi Arabia and Kuwait respectively. Among all GCC countries, Bahrain, Oman and Qatar has less trade with India respectively. United Arab Emirates has a high average of trade intensity over 10 years period of Pre WTO which is 11.450. Saudi Arabia is the second country which has the second highest average of trade intensity over this period. Kuwait, Qatar, Oman and Bahrain’s average for trade intensity are 5.207, 3.948, 3.538 and 1.515 respectively. Even after establishment of WTO India’s major trading partners in GCC are UAE, Saudi Arabia and Kuwait respectively. Almost all GCC countries have growth in trade intensity over the period of twenty years except Bahrain.

5.2.2.3 Independent two Sample T-Test

The trade relations between India and GCC countries was very good before establishment of WTO, India enjoyed high level of export to GCC as well as the GCC enjoyed exporting goods to India before establishment of WTO. In case of 5 industries which analyzed to find out which industry has significant growth before formation of WTO only two of them had significant growth and three of them had not significant growth. First one is fuels industry; there is no significant export growth of fuels industry between India and GCC before formation of WTO. The export of fuels
had not showing a significant growth as both India and GCC were exporting fuels and of curse India was the main importers of fuels compare to the GCC.

Second one is Gems & Jewelry industry; there is no significant export growth of gems & jewelry industry between India & GCC before formation of WTO. India and gulf cooperation council countries exporting gems & jewelry to each other but as compare to the post WTO period there were no significant export growth of Gems & Jewelry between India and GCC countries. Third one is iron & steel industry; there is no significant export growth of iron & steel industry between India and GCC before formation of WTO. In pre WTO, India was importing iron and steel from the GCC countries and GCC gained Indian market for Iron and steel but compare to the post WTO there were no significant export growth of Iron and Steel between India and GCC before formation of WTO.

Fourth one is pharmaceutical industry; there is significant export growth of pharmaceutical industry between India and gulf cooperation council before establishment of world trade organization. In pre WTO, the export of pharmaceutical products were done to India as well as GCC and both of them were enjoying export RCA in few years. Between 1985-1994, few years India had comparative advantage of pharmaceutical products in the GCC market and few years GCC had comparative advantage of the same products in the Indian market. In post WTO, there is no significant export growth of pharmaceutical industry between India and GCC. Comparing to the pre WTO there were no significant export growth in the post WTO and it is because of the rules and tariffs which has been approved by the World Trade Organization.

Fifth one is textile industry; there is significant export growth of textile industry between India and gulf cooperation council before establishment of WTO. India is one of the biggest exporters of textile in the world. India were enjoying export RCA of textile in pre WTO period as well as post WTO period. But in post WTO period there were no significant export growth of textile industry between India and gulf cooperation council countries.
5.2.2.4 Simple Linear Regression

As per the result showing the WTO has significant impact on trade relations between India and GCC. It means that establishment of World Trade Organization was very good and benefited India as well as GCC. Total trade has significantly improved between India and GCC countries after formation of WTO. Five industries also analyzed between India and GCC trade relations and establishment of WTO had significant impact on trade relations between India and GCC for all the five industries. Among all the five industries textile was the only industry which was not imported by India from GCC countries and India was the exporter of Textile to the GCC countries and has comparative advantage of this industry on GCC market. For other industries such as Gems & Jewelry, Iron & Steel, Fuels and pharmaceutical both India and GCC were exporting to each other. Of course Dubai in UAE is a commercial hub and transiting goods are done from this port. That is why compare to the other countries of GCC UAE is the biggest trade partner of India and almost importing and exporting all the industries.

5.3 Recommendations

The following recommendations were made to have a better and strong trade relations between India and GCC countries:

Free Trade Agreement: free trade agreement should be signed between India & GCC to cooperate more to reduce the trade barriers and also increase trade of goods and services. A framework agreement on economic cooperation between India & GCC was signed on August 2004. This agreement is done between India & GCC to extend and liberalize the trade relations. It was also for initiation discussions on the feasibility of the free trade agreement but since then there were no agreement between them. And only a framework agreement is not enough to extent the trade relations. If a free trade agreement is signed by both the parties then the way doing business gets easier for traders, the risk power for buying goods from the other party rises, customs duties and some other related duties would be removed or minimum amount is charged.

Foreign Direct Investment: FDI should be increased in India as well as GCC countries. Both the parties need to increase their foreign direct investment. India is
importing crude oil and Gas from GCC countries and GCC countries importing textile from India. The government of India liberalized textile sector and allowed 100% FDI on textile under automatic route. As the labor wage is low in India and 100% FDI is allowed for textile, the investors of GCC countries may establish large spinning and weaving factories in India to manufacture cotton and silk fabrics and export them to GCC. As many Indian labor migrated to the gulf countries, the government of India may construct refineries of oil and gas in GCC countries and use its own Indian workers in that refineries.

Joint venture: Joint venture companies should be increased between both the parties. As there are many small companies in both the parties and they want to invest in GCC or even in India but their capital is not enough to run a business, then joint venture is a very good solution to allow even small companies to run business in India as well as GCC. There are some joint venture companies which are associating to complete the projects, but these JV companies should be increased that also small companies could have a small share to make growth their country.

Joint Committee: Joint committee should be firmed between India and each country of GCC’s chambers of commerce, industry and mine individually, as well as the cities in which chambers of commerce are active. Firming these committees expand trade relations between India & GCC. When a joint committee is firmed between India and Qatar chamber of commerce, industry and mine or any other country of GCC, then exchange of information will be done by both the chambers, a list of exporters, importers and manufacturers will be provided to both the parties and exhibitions will be held in India as well as GCC countries and in this way traders will be more interested to do business.

Export promotion: Export promotions should be granted to all traders that they become encourage to export more. If a country want to boost its export and promote trade performance then that country should define some promotions for traders. When a trader importing goods from any country of GCC then there should be an offer for the trader that if you export textile or any other product which should be exported then the customs duty for your import products would be removed or minimum amount would be charged.
Remove tariff barriers: the tariff barriers should be removed. As soon as free trade agreement is signed by both the parties then tariff barriers will be one of key points in the agreement which will be removed. There are some imported goods which a high tariff defined by the government on them and these kind of imported goods would be too costly for the importer country. If a country wants to use its internal products instead importing products then high tariffs is defined by the government. These kind of tariff barriers may weaken the International relations. So, if India and GCC want to improve their trade relations then they should remove trade barriers and sign the free trade agreement as well.

Documentation procedures: The documentation procedures should be in an easier way that the trader who is trading has tendency to deal again with that country. When a trader importing any goods or livestock from India as well as GCC, before clearing the goods from the customs the buyer should prepare health certificate, certificate of origin, quarantine certificate, Performa Invoice and bill of loading should be submitted to the customs. So, there should be an integrated website for all the organization which are involved for issuing these certificates in the origin country and which submitting these certificate in the destination country. In this way, there is no need the trader involve himself to go to all organization and follow up for the required certificates.

Issuing Import-Export licenses: Issuing Export-Import licenses for the monopolized products which license has been issued to only one company and it is the only importer or exporter. The import and export license for a specified product should be given to all who want to import and export that there should be competition between them and make the prices even lower. But if an import or an export license for a specific product is issued for one company then the imported goods or the exported goods would be sold in a high price.

5.4 Limitations

Conducting research in the field of business and making relations with commercial companies or with the ministries to get information from them is very difficult. Of course there were constraints of resources and access to information in some of the organizations, banks and ministries and they don’t give or contribute information to researchers or students. When an organization doesn’t cooperate then it is very
difficult for a researcher to have access to the information which he/she is required. In this research, the researcher needed the trade data of India and GCC from 1985 to 2014 but the data were not available on the Indian websites. Only some of the data were available on ministry of commerce website which were from 1997 to 2014. So, the researcher contacted the ministry of commerce and requested for data from 1985 to 1997 but the researcher got a negative response. Those who are in charge of websites or replying the Emails are not cooperating neither in India nor in abroad. The researcher contacted World Bank, IMF and WTO and got no responses. There were difference between the two periods of pre and post WTO, the years for pre and post WTO were not equal. Pre WTO period was for 10 years from 1985 to 1994 and post WTO period was for 20 years from 1995 to 2014. There were only one source for WTO agreements and that was only WTO. Some other sources were available but explained only one or two agreement in brief. There were variations in data available in the ministry of commerce and the data which were on UNCOMTRADE database.

5.5 Direction for Future Research

These are the recommendations which are suggested for the future research:

- Only 5 industries have been taken for the present study between India and the GCC countries. In the future studies other industries should be considered and studied.
- Only trade relations of India and GCC are taken for the present study, in the future studies foreign direct investment and joint venture should be studied.
- This study analyzed the trade relations of India with the GCC countries and there were no study on the other countries of Gulf which are not members in the council, in the future the trade relations of India and gulf countries should be studied as well.

5.6 Conclusion

India had comparative advantage in fuel industry. Exporting fuels to the GCC countries have been growing at a high rate since 2002 and if the same goes then India will be one of the main fuel exporters in the world. India had comparative advantage in Gems & Jewelry industry before formation of WTO but after formation of WTO only for a few years India had comparative advantage in this industry and the GCC
 gained the comparative advantage of Gems & Jewelry industry over the Indian market. India also exporting Iron & steel to the GCC countries but it has comparative disadvantage of this industry over the GCC market. GCC gained the comparative advantage of iron & steel industry over the Indian market.

The comparative advantage of pharmaceutical industry between India and GCC is in a low level but India has comparative advantage compare to the GCC. In the early years of WTO establishment the level of RCA were high but year by year the export of this industry were reduced and the lowest RCA of this industry was in 2014 which is 0.07. The only industry which gained comparative advantage over GCC before and after formation of WTO for almost all years is textile industry. India is one the exporters of textile industry in the world and had comparative advantage of this industry over GCC market.

United Arab Emirates and Saudi Arabia are the two countries which have most traded with India. These two countries are India’s largest trading partners among GCC countries. Before formation of WTO the trade relations between India and GCC was good and there were significant growth in total export but after establishment of World Trade Organization there were no significant growth in total export. Only Iron & Steel and fuel industries had significant growth after formation of WTO among the five industries which have been chosen for this study. The establishment of World Trade Organization had impact on trade relations between India and GCC. It also had impact on all the five industries which analyzed by the researcher individually.