

# Trade between India and West Asia during Reform Period

## Abstract

Indian economy is one of the fastest growing economies in the world. But it was a completely different scenario in 1991. The year when new policies and reforms were introduced. The year which serves as a backbone to many of the current policies and decisions. This paper is design the study in the trends of India –West Asia trade and balance of trade. The pattern of trade between India and West Asian countries during the reforms period would not only reveal the performance of India and West Asian bilateral trade but also be indicative of the future prospects.

**Keywords:** Economic Reforms, Exports, Imports, Balance of Trade.

## Introduction

India has been strongly pursuing economic reforms to achieve a market regulated high growth economy since 1990-91. These reforms resulted in India achieving an average growth rate of over 6 % per annum in her GDP during the 1990-91 to 2016-17. India is only next to China in terms of the size of population. Thus a growing economy like India, with a large resources base and a wide market is most suited to generate opportunities economic co-operation. It should also be noted that India also has big deposits of natural resources. However India is short of oil and gas deposits with the result that India has to import these commodities on large scale. Not only that with the growth of economy the oil and gas demand has been estimated to grow accordingly. However India has significant volume of human resources which include large number of highly skilled people many of whom are surplus to the present requirement of the Indian economy. India's trade relations with the West Asian Countries are important. These countries can be divided into two groups. One group constitutes of gulf countries namely Bahrain, Iran, Iraq, Jordan, Kuwait, Oman, Qatar, Saudi Arabia, Yemen and UAE. The other group constitutes are Egypt, Israel, Lebanon, Syria and Turkey. In West Asia, the gulf region countries are very rich in oil and gas resources. Six countries from gulf namely Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia and UAE are members of OPEC. Through OPEC these countries are able to influence global oil market. The region has a very hostile climate and world famous deserts, which makes agricultural activity very difficult. The exceptions being the Caspian belt of Iran and some small regions in Oman, which have rich agricultural potential. Egypt Syria and Turkey have substantial water resources. Israel has very advance system of agricultural system and exporter of phosphate and its products. Jordan is also an important exporter of potash, phosphate and their products, Lebanon has served as regional centre for banking and business. Yemen has some potential for agriculture and contains ocean resources also. In West Asia the gulf countries though contain huge reserves of oil and gas but they lack human resources both skilled and non-skilled. The size of imports of the West Asian countries other than gulf is also substantial and overall size of West Asian trade is massive.

## Objectives

1. To analyze the trends in India-West Asia trade.
2. To analyze the trends in India's Trade Balance with West Asia.

## Methodology

This paper is based on secondary data. The data were collected from DOTS, IMF, Various Issues and handbook of statistics on the Indian economy, RBI.

## Statistical Techniques

We computed the long term growth rate by this formula given below



**Ajit Singh**

Assistant Professor,  
Deptt. of Economics,  
M.M.H. College,  
Ghaziabad (U.P.), India

$$CAGR = (\text{Logest}(V_1 \dots V_n) - 1) * 100$$

Where, V= Variables

We have calculated annual growth rate by using this formula:

$$AGR = (Y_t - Y_{t-1}) / Y_{t-1} * 100$$

### India-West Asia Trade

The data related to India- West Asia bilateral trade has been provided in Table 1. It is clear from the table that India-West Asia trade has grown hugely during the study period. Beginning with 1991-92 India-West Asia trade increased continuously upto 1997-98 but declined in 1998-99 and further in 2014-15 and 2015-16.

Table 1

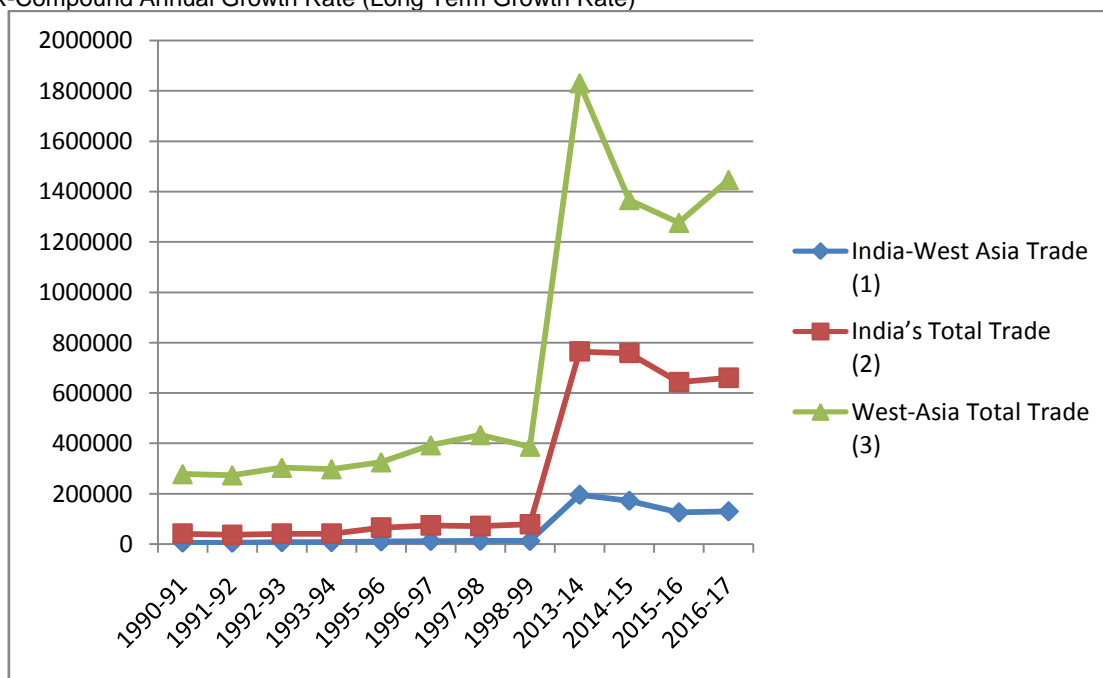
Trends in India-West Asia Trade in (Million of US dollars)

Years	India-West Asia Trade (1)	India's Total Trade (2)	West-Asia Total Trade (3)	AGR(1)	AGR(2)	AGR(3)	% of 1in2	% of 1in3
1990-91	5769	41803	278778				13.8	2.1
1991-92	5184	37381	274194	-10.1	-10.6	-1.6	13.9	1.9
1992-93	7433	41725	304121	43.4	11.6	10.9	17.8	2.4
1993-94	7727	41740	298306	4.0	0.0	-1.9	18.5	2.6
1995-96	10214	65493	325750				15.6	3.1
1996-97	12168	74497	393381	19.1	13.7	20.8	16.3	3.1
1997-98	12790	72259	433819	5.1	-3.0	10.3	17.7	2.9
1998-99	12272	78950	387786	-4.1	9.3	-10.6	15.5	3.2
2013-14	195733	764629	1830070				25.6	10.7
2014-15	171912	758385	1366737	-12.2	-0.8	-25.3	22.7	12.6
2015-16	125492	643298	1275875	-27.0	-15.2	-6.6	19.5	9.8
2016-17	129890	660209	1445706	3.5	2.6	13.3	19.7	9.0
<b>CAGR</b>	<b>42.7</b>	<b>37.6</b>	<b>20.0</b>					

Source: DOTS, IMF, Various Issues

AGR- Annual Growth Rate

CAGR-Compound Annual Growth Rate (Long Term Growth Rate)



From the table it is found that India-West Asia trade increased from \$5,769million in 1990-91 to

\$129890million in 2016-17. Thus during the study period of 1990-91 to 2016-17, India-West Asia trade

grew more than West Asia total trade. Thus India's total trade during the above period grew more than West Asia total trade. Thus it can be concluded that India-West Asia trade grew much faster than the growth in West Asian total trade. However it is also observed that India- West Asia trade grew more than the growth in India's total trade during the above period. Looking at the percent share of India-West Asia trade in India's and West Asian total trade it is found that India and West Asia trade constituted 13.8 % of India's total trade in 1990-91 and it was high by 25.6% in 2013-14. India-West Asia trade constituted 2.1 % of West Asian total trade in 1990-91 but improved to 12.6 % of West Asia trade in 2014-15. India West Asia Trade's annual growth rate was negative during the years 1991-92, 1998-99, 2014-15 and 2015-16. India West Asia Trade's annual growth rate was high during the year 1992-93 and was lowest during the year 2016-17. India Total Trade's annual

growth rate was negative during the years 1991-92, 1997-98, 2014-15 and 2015-16. India Total Trade's annual growth rate was high during the year 1996-97 and was lowest during the year 1993-94. West Asia Total Trade's annual growth rate was negative during the years 1991-92, 1993-94, 1998-99, 2014-15 and 2015-16. West Asia Total Trade's annual growth rate was high during the year 1996-97 and was lowest during the year 1997-98. The above discussion makes it amply clear that though India- West Asia trade grew during the above decade but its growth was less satisfactory but long term growth rate of India-West Asia trade was much high than India and West Asia total trade.

### India's Exports to the West Asia and World:

Table 2 provides information regarding the size of India exports to West Asia and India exports to world.

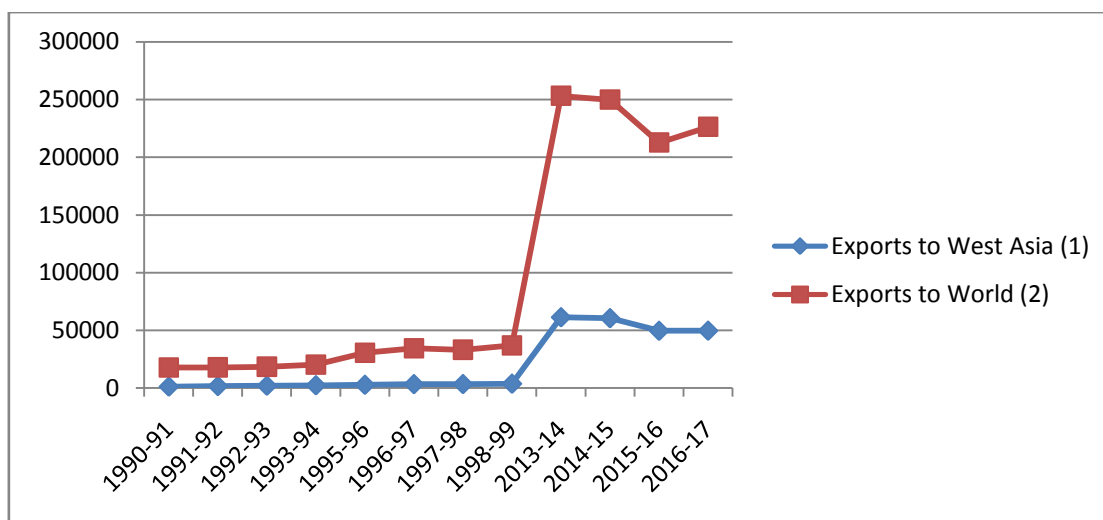
**Trends in India's Exports to West Asia (Million of US dollars)**

Years	Exports to West Asia (1)	Exports to World (2)	AGR(1)	AGR(2)	% 1 in 2
1990-91	1306	17813			7.3
1991-92	1773	17872	35.8	0.3	9.9
1992-93	2063	18498	16.4	3.5	11.2
1993-94	2467	20258	19.6	9.5	12.2
1995-96	2855	30537			9.3
1996-97	3437	34407	20.4	12.7	10.0
1997-98	3497	33179	1.7	-3.6	10.5
1998-99	3814	36880	9.1	11.2	10.3
2013-14	61288	253117			24.2
2014-15	60482	249856	-1.3	-1.3	24.2
2015-16	49562	212728	-18.1	-14.9	23.3
2016-17	49647	226205	0.2	6.3	21.9
<b>CAGR</b>	<b>47.2</b>	<b>33.0</b>			

Source: DOTS, IMF, Various Issues

AGR- Annual Growth Rate

CAGR-Compound Annual Growth Rate (Long Term Growth Rate)



India's Exports to West Asia improved from \$1306 million in 1990-91 to \$49647 million in 2016-17. Thus during the study period 1990-91 to 2016-17, Indian exports to West Asia increased more than India's exports to the World. Thus it is established that during the study period India's exports to West Asia grew much faster than the growth in India's global exports. In percentage share of India's exports to West Asia constituted 7.3% of India's total global exports in 1990-91. This increased to 24.2% in 2013-14 and 2014-15. However by 2016-17 India's exports to West Asia constituted 21.9% of her total global exports. India exports to West Asia's annual growth

rate was high during the year 1991-92, and lowest was in 2016-17 and it was negative during the years 2014-15 and 2015-16. India exports to world's annual growth rate was negative during the years 1997-98, 2014-15 and 2015-16 and it was highest in 1996-97 and lowest was in 1991-92. The compound annual growth rate of India exports to West Asia was much high than the India exports to world.

### India's Imports from West Asia and World:

The data regarding the changing size of India's imports from the West Asia and world has been provided in Table 3.

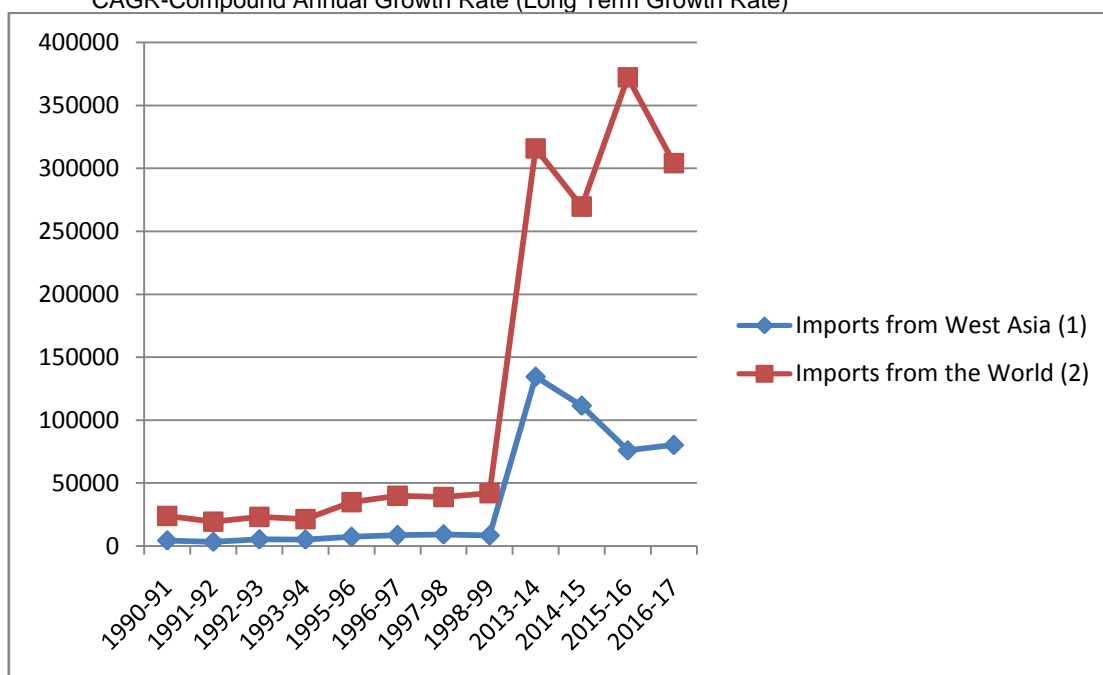
**Table 3**  
**Trends in India's Imports from West Asia (Million of US dollars)**

Years	Imports from West Asia (1)	Imports from the World (2)	AGR(1)	AGR(2)	% 1 in 2
1990-91	4463	23990			18.6
1991-92	3411	19509	-23.6	-18.7	17.5
1992-93	5370	23227	57.4	19.1	23.1
1993-94	5260	21482	-2.0	-7.5	24.5
1995-96	7359	34956			21.1
1996-97	8731	40090	18.6	14.7	21.8
1997-98	9293	39080	6.4	-2.5	23.8
1998-99	8458	42070	-9.0	7.7	20.1
2013-14	134445	315755			42.6
2014-15	111430	269577	-17.1	-14.6	41.3
2015-16	75930	372103	-31.9	38.0	20.4
2016-17	80243	304113	5.7	-18.3	26.4
CAGR	40.7	34.9			

Source: DOTS, IMF, Various Issues

AGR- Annual Growth Rate

CAGR-Compound Annual Growth Rate (Long Term Growth Rate)



India's imports from West Asia was estimated at \$ 4463 million in 1990-91 which grew to \$ 134445 million in 2013-14 but declined during the years 2014-15 to 2016-17. India's imports from the West Asia improved from \$ 4463 million to \$ 80243 million. Which indicate that Indian imports from West Asia a bit grew more than India's imports from world during the above period. Whereas India's total imports from world over increased from \$ 23990 million in 1990-91 to \$304113 million in 2016-17. India's global imports grew slower than the growth in West Asia imports. Therefore it is found that during 1990-91 to 2016-17, the long term growth rate of India's global imports grew slower than the India's

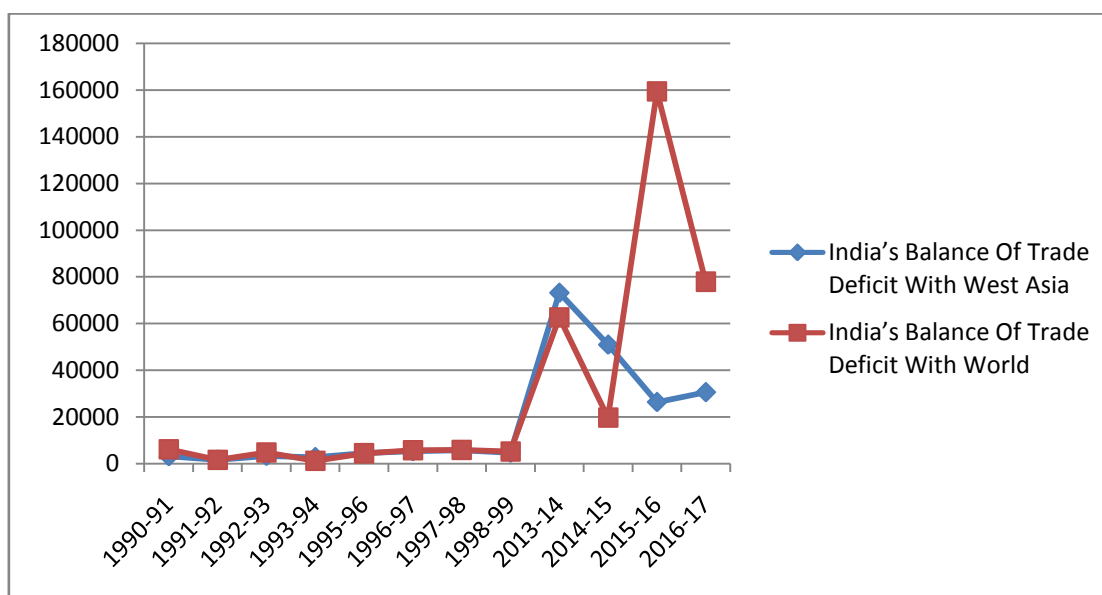
import from West Asia. This is further reflected in percent share of Indian imports from West Asia as compared to the Indian global imports. India's imports from West Asia constituted 18.6 % of her imports from world over during 1990-91. Whereas by 2013-14 the percent shares of India's imports from West Asia constitute 42.6 % of India's global imports. The annual growth rate of India's import from West Asia was high in 1992-93 and low in 1997-98 and it was negative during 1991-92, 1993-94, 1998-99, 2014-15 and 2015-16. The annual growth rate of India's global imports was high in 2015-16 and low was in 1998-99, it was negative during 1991-92, 1993-94, 1997-98, 2014-15 and 2016-17.

**Trends in India's Trade Balance with West Asia(Dollar Million)**

**Table 4**

Years	Exports to West Asia	Imports from West Asia	India's Balance Of Trade Deficit With West Asia	Exports to World	Imports from the World	India's Balance Of Trade Deficit With World	West Asian Deficit as Percent of World Deficit
1990-91	1306	4463	3157	17813	23990	6177	51.1
1991-92	1773	3411	1638	17872	19509	1637	100.1
1992-93	2063	5370	3307	18498	23227	4729	69.9
1993-94	2467	5260	2793	20258	21482	1224	228.2
1995-96	2855	7359	4504	30537	34956	4419	101.9
1996-97	3437	8731	5294	34407	40090	5683	93.2
1997-98	3497	9293	5796	33179	39080	5901	98.2
1998-99	3814	8458	4644	36880	42070	5190	89.5
2013-14	61288	134445	73157	253117	315755	62638	116.8
2014-15	60482	111430	50948	249856	269577	19721	258.3
2015-16	49562	75930	26368	212728	372103	159375	16.5
2016-17	49647	80243	30596	226205	304113	77908	39.3

Computed from table2 and table 3



From the analysis of above sections, it has clear that trade between India and west Asia grew continuously. However, it still remains to be analyzed whether India-West Asia trade grew in a balanced or unbalanced way. This can be verified from table 4, which provides trends in India's balance of trade with West Asia. From the above table it is observed that India has been facing regular and sever deficit in its balance of trade with West Asia. India's balance of trade deficit with West Asian countries was estimated at \$3157 million in 1990-91. This peaked at \$73157 million in 2013-14 before coming down to \$30596 million in 2016-17. Thus between 1990-91 and 2016-17, India's balance of trade deficit with West Asia increased from \$3157 million in 1990-91 to \$30596 million in 216-17. Compare this with India's balance of trade with the world where India's trade deficit came down from \$6177 million in 1990-91 to \$5190 million in 1998-99 but after that it increased. This peaked at \$159375 million in 2015-16.

**Significance:**

1. India is in the good position of being trusted by all the major factors in the Middle East.
2. It has good relations with Iran, Iraq, Saudi Arabia, Israel and the Gulf countries.
3. The numbers on trade between India and the Gulf countries are impressive.
4. There are large Indian Communities in the Gulf countries.
5. The remittances sent by Indian labour.
6. West Asia is crucial for stability and economic growth in India because around 65% of our oil and more than 80% of our gas supplies come from this region.

**Conclusion**

The detailed and in dept analysis of trade between India and West Asia attests to the importance that bilateral trade has for both India as well as West Asian countries. It has been empirically established that India-West Asia trade has been growing in importance for both the countries of West Asia and India. Further, India exports to West Asia grew faster than the growth in India's global exports. The growth in India-West Asia trade however has been highly unbalanced. India has always faced large deficits in its balance of trade with West Asia. Despite the above nature of India-West Asia trade, its performance during study period indicate a very bright scope of its all round expansion. The implementation of liberalization and economic reforms in study period India as well as West Asian countries has opened up plethora of opportunities for the future expansion of India –West Asia trade.

**References**

- Adishesiah Malcolm S. (ed) "Role of foreign trade in Indian Economy", Lancer International, New Delhi, 1986*
- Balance of Payments Statistics Yearbook, Various Issues, International Monetary Fund, Washington.*
- DOTS, IMF, Various Issues.*
- Handbook of statistics on the Indian Economy, 2018.*
- International Financial Statistics Yearbook, Various Issues, IMF, Washington.*
- Muhammad Azhar (2017) Trade between India and West Asia in Nineteen Ninetees: Performance and Prospects.*
- Muhammad Azhar "Indo-Jordanian Trade Performance and Prospects" Middle Eastern Studies, London, vol. 36 no 3, July 2000, pp 191-208.*