# India’s Economic Stakes in West Asia

## Why in news?

The diplomatic fallout from the communally charged comments made by two erstwhile spokespersons of the ruling party forced the government into firefighting mode.

## What is the issue?

- The provocative comments spurred criticisms and protests by several West Asian nations as well as the Organisation of Islamic Cooperation (OIC) and the Gulf Cooperation Council (GCC).
- In response, Indian officials asserted that the government stood by the country’s traditional values and respected all religions.
- It also tasked its diplomats to reach out to individual OIC member states and reassure them on India’s position of an inclusive approach to all communities.

To know more about the issue, click here

## Why is West Asia so significant for India?



- **Ties**- India’s cultural, economic and trade ties with the countries of the West Asian region are deep and abiding.
- **Trade route**- The West Asian region served as a land trade bridge to early European empires and a flourishing trade in spices, cloth, silk and indigo in exchange for gold and silver is well recorded.
- **Monetary system**- The British colonial era saw the advent of a loose common monetary system with the rupee serving as legal tender in several Gulf states till the middle of the 20th century.
- **Oil exploitation**- The discovery and commercial exploitation of oil in the Gulf region during the colonial era started to alter the balance of trade flows between India and the West Asian countries.
- **Trade-** Today, the countries of the West Asian region collectively accounts for over a sixth of India’s total bilateral merchandise trade and contribute about three fifths of India’s crude oil supplies.
- **Employment-** The region is a major provider of jobs to Indian workers, professionals and entrepreneurs and houses about 89 lakh Indians.
- **Remittance**s- The NRIs in West Asian countries annually send home about $40 billion, and account for more than 55% of the country’s total remittance inflows.
- **Investments**- Investments from sovereign wealth funds and other large investors from the Gulf Cooperation Council (GCC) have also climbed steadily in recent years.

*The GCC is a political and economic union of Arab states bordering the Gulf. It was established in 1981 and its 6 members are the United Arab Emirates, Saudi Arabia,*

*Qatar, Oman, Kuwait and Bahrain.*

## Why is India so dependent on West Asian countries for its energy needs?

- In 2020-21, the top oil exporter to India was Iraq (more than 22%), followed by Saudi Arabia (18%).
- Domestic crude production meets less than a fifth of the country's oil requirement, forcing India to take recourse to imports to fill the gap of more than 80%.
- A large proportion of India's refineries have been predominantly configured to process the sulphur-heavy sour grades of crude that are produced in the Gulf region.
- The sweeter (low sulphur) grade of oil such as Brent proves to be comparatively costlier than the sour grades.

## How reliant is India on the region for non-oil trade?

- From 2017 through 2021, Iran and the GCC member states accounted for a 15.3% share of India's cumulative two-way merchandise trade.
- Out of that, the UAE contributed the lion's share of almost 7%, followed by Saudi Arabia.
- The region is today a key market for several Indian commodities ranging from tea and basmati rice to electrical equipment, apparel, and machinery.
- India has signed a CEPA with UAE with the aim of increasing the total value of bilateral trade in goods to more than $100 billion and getting services trade to exceed $15 billion over the five years.
- The trade pact will provide Indian exporters preferential market access on 99% of the country's exports to the UAE in value terms, particularly from labour-intensive sectors.
- The government is actively pursuing a broader FTA (Free Trade Agreement) with the GCC as a whole.
- The region also serves as a key hub to markets in Africa.

*UAE is the third largest trading country with India in recent times after the US and China.*

**References**


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