Trade Pact with GCC

Why in news?

Despite the Gulf region being home to the largest Indian expatriate community with long-standing relations, its enormous economic potential remains unexplored.

What is GCC?

- The Gulf Cooperation Council (GCC) is a regional political and economic alliance of **6 countries** in the Gulf region - Saudi Arabia, the UAE, Qatar, Kuwait, Oman and Bahrain.
- The GCC was established by an agreement concluded in **1981** in Riyadh.
- **Headquarter** - **Riyadh,** Saudi Arabia
- **Aim** - To achieve ever closer union between the energy rich Gulf countries.
- **Significance** - GCC has over 8.5 million non-resident Indians, constituting around **65% of total NRIs**.
- GCC was the source of the largest foreign inward remittances, garnering **30% of total remittances**.

How about the India-GCC trade relation?

- **Economic Cooperation** - A Framework Agreement on Economic Cooperation between Republic of India and Gulf Cooperation Council was signed in **2004**.
- Since then, hardly any worthwhile progress has been made despite holding two rounds of negotiations in 2006 and 2008.
- **Trade deficit** - India has a trade deficit of 66.8 billion dollars with GCC in 2021-22.
- India had the highest trade deficit (2021-22) with Saudi, followed by the UAE and Qatar whereas India had a trade surplus with Bahrain.
- **Top imports** - Petroleum and petroleum products are among India's top imports from GCC accounting for 66% of its total imports in 2021-22.
- **Top exports** - India is a supplier of agricultural and manufactured products to GCC.
- Among the GCC countries, the UAE is India's major destination for exports, followed by Saudi Arabia and Oman in 2021-22.

How about the profile of GCC?

- The fall in global oil prices led to decline in GCC exports' share in the world market from 5.7% in 2013 to 3.3% in 2021.
- Owing to a revival in oil prices in 2022, the World Bank expects the economies of GCC to expand which might rise the trade deficit that India has with the GCC.
- Major GCC imports (2021) consist of electric machinery and equipment, machinery

and mechanical appliance, vehicles and pharmaceutical products.
- Among the GCC, **Saudi Arabia** has the highest exports.

What is needed for the mutual benefit of the two countries?

- GCC provide for India's energy security, while India ensures their food security.
- India and the GCC need to go beyond the Free Trade Agreement (FTA) and include investments and services as a part of comprehensive economic partnership.
- In a rapidly emerging multipolar world, early and effective implementation of Comprehensive Economic Partnership Agreement CEPA would provide a boost to India and GCC countries.

India and the UAE signed a Comprehensive Economic Partnership Agreement (CEPA) in 2022.

Under the CEPA, Indian merchandise got preferential market access to the UAE for 99% of India's exports to the UAE in value terms, besides enhanced access to over 111 sub-sectors from 11 broad services sector.

References

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