

An Analysis of Bilateral Trade between India and UAE

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Abstract

One of the distinctive features of the modern world is the rapid expansion of economic, scientific, technological and cultural ties among nations. Trade is an important and integral part of relations between different nations. Trade ties between India and UAE are deep rooted. In recent years India-UAE bilateral trade has grown enormously. The relationship between these two countries has evolved into a strong partnership in the economic sphere, with UAE emerging as the second largest market worldwide for Indian Goods. Indians have also emerged as important investors in the UAE, and India as an important export destination for the UAE manufactured goods.

The trade between India and United Arab Emirates has now reached close to 60 billion in 2014-15. This paper is an attempt to analyze the trends of India's Trade with UAE. It focuses mainly on the volume and composition of trade between these two countries. The Last five years (2010-11 to 2014-15) data on Indo-UAE Trade has been examined in this paper. The work is basically of analytical nature and hence the study is primarily based on secondary data.

JEL Classification: F10, F13

Keywords: Bilateral Trade, India-UAE Trade, Export, Import, Trade Relations

Introduction

Trade between India and United Arab Emirates started when these two nations used to deal some of the traditional items with each other. Though, India and UAE trade relation accelerate when H.H. Sheikh Zayed Bin Sultan Al Nahyan came to power in UAE and a federation was formed in 1971. Now there is a good Trade Ties between both countries. The items which are exported to UAE mainly are Gems and Jewelry, engineering goods, meat, tea, fruits, vegetables, chemicals, spices, textiles and rice. The items which are imported to India mainly are crude & petroleum products, precious and semi precious stones, transport equipments, gold & silver, pearls, electronics goods, metal ores and metal scrap. The United Arab Emirates is the largest investor in India from Arab world, accounting for 81.2% of investment from the Arab world. Total Foreign Direct Investment (FDI) from UAE to India is estimated to be US\$3.01billion (January. 2015) and ranked as tenth biggest investor in India. At the first meeting of India-United Arab Emirates High Level Task Force on Investment (HLTFI) held on February 18, 2013 in Abu Dhabi, Abu Dhabi Investment Authority

(ADIA) announced its plans of investing US\$ 2 billion in Indian Infrastructure sector. In 2012-13, UAE emerged as one of the biggest trade partner of the India with two way trade between these two countries exceeding US\$75 billion. The UAE also hosts the more than 2.5 million Indian expatriates. Remittances made by them are estimated to be more than US\$12 billion which is clear evidence of the thriving bilateral ties.

Review of Literature

Some of the relevant existing literatures have been reviewed to get some evidence and analysis regarding the topic. Some of them are:-

Pouria Mohajeri (2015) analyzed the Trends of Trade between India and PGC (Persian Gulf Countries) in his paper "Trends of India Trade with Persian Gulf Countries". The analysis based upon the growth evaluation of Indian trade with PGCs. Persian Gulf Countries (Iraq, Iran, UAE, Saudi Arabia, Kuwait, Bahrain, Qatar and Oman) are the big suppliers of Energy in the world market. Author used the Trade Intensity Index to measure the trade intensity with PGCs and observed that the highest volume of Indian Trade among PGCs is with United Arab Emirates. Author also discussed the share of PGCs in International Trade of India and explored that the UAE's share is the highest among all other PGCs Countries after UAE in PGC Group, the second place is occupied by Saudi Arabia. Author found from the analysis that the maximum Indian Import from PGCs falls under product category of HS-27 (mineral fuels, mineral oil, bituminous substances etc).

Das and Pradhan (2014) discussed India's trade relationship with Gulf countries in their study "India-Gulf Trade Relations". According to authors despite the outstanding growth in trade volume, the structure and pattern of India-Gulf trade depicts a very contrasting picture. To understand trade intensity between both regions they applied Trade Intensity Index and found that India's export intensity is above one for UAE, Saudi Arabia, Iran, Kuwait, and Oman. For other Gulf countries (Bahrain and Qatar) the export intensity is fluctuating. Moreover, India is importing smaller volumes from countries such as Bahrain and Qatar which is reflected in the low Import intensity Index.

Ranjit Gupta (2013) in his article "India and the Gulf: Looking beyond Energy, Islam and the Diaspora" indicated towards Close interaction between the peoples of India and of the Gulf region. Factors such as bilateral trade, gas and oil interdependency, remittances and the huge Indian passport holding Diaspora living and working in these countries, makes GCC countries India's leading socio-economic partner in the world. The political and diplomatic relationship is becoming stronger by the day. Overall, it is a

relationship of increasing mutual symbiotic advantage and synergy and increasingly significant strategically for both sides.

Meena Singh Roy (2013) in his study "India and Iran Relations: Sustaining the Momentum" briefly outlined Indo-Iran Bilateral Economic and Trade relations. The major portion of trade between these two countries is petroleum products which India imports from Iran. Author suggested some areas like Banking, Aeronautics and Pharmacy where cooperation can be enhanced in future. Another essential points on which author focused are regional security issues, bilateral investment, regional connectivity etc. Both countries foreign policy towards each other also discussed by the author that if India is concentrating means to give a push to its Iran policy, Iran, on the other hand, wants "sincere and deep-rooted ties"

At last author explained that the future of Indo-Iran relations will depend on both nation's foreign policy India has to manage relations with Israel, US and the GCC countries on the one hand and Iran on the other.

Geoffery Kemp (2010) "The East Moves west India, China, and Asia's Growing presence in the middle east" Author states that much likes its relationship with the other Gulf States; India's relationship with the United Arab Emirates has been driven by economics. Author also examines India's foreign policy and economic relations with UAE.

Samir Pradhan (2009) "India's Economic and Political Presence in the Gulf: A Gulf Perspective" This article focuses on India's economic and political presence in the gulf. Gulf-India trading connections which began over 3,000 years ago have since blossomed into a global network with India at its hub. Arab navigation and trading enterprises opened India to the wider world, and the Arab quest for knowledge in early Islam helped transfer Indian learning to Europe and vice versa.

Samir Pradhan (2008) "India GCC and the Global Energy Regime" author examined the various fundamentals of the oil and gas market in India and GCC Countries. He Explores one aspect of such transition, envisaging the emerging pattern of energy interdependence between India as a major energy consuming and importing country and the prominence of the Gulf Cooperation Council countries as the major source of energy supplies for India and the Asian region as a whole. The book argues that the evolving pattern of energy related links and tendencies will act as a stimulant to boost bilateral economic relations between India and the GCC to an elevated trajectory.

Azhar Muhammad (2003) in his article "Economic Co-operation between India and the United Arab Emirates in the 1990s" mentioned about the Indian expatriates role in economic development of India and compared both

countries business environment. This article examines the details of trends in Indo-UAE trade, its import and export structures. In addition it further looks into India's manpower exports and financial co-operation with United Arab Emirates.

Objectives of the Study

- 1) To Analyze the India's Trade with UAE.
- 2) To Examine India's Foreign Policy with UAE.
- 3) Suggest measures to strengthening Indo-UAE Bilateral Trade.

Methodology

The present study is based on secondary data. The annual time series data are used from 2010-11 to 2014-15. Data obtained from Ministry of Commerce's Website, DGFT, DGCIS, RBI, peer review journals, leading news papers etc.

Indo UAE Trade: An Overview

In the modern time of globalization there have been major changes in the Bilateral Relationships between the various

nations of the globe. India has important and strong Economic and Trade Relations with many countries in the world. The UAE is the largest trade partner of India in the Gulf and the Middle East region. India-UAE relations are deepening and strengthening year by year. The two countries share bonds of cultural affinity and have strong commercial and cultural linkages. The Indian Expatriates of over 2.5 million is a major part of UAE's Population and its economic success. The UAE has an open economy with a high per capita income and a great annual trade surplus. India has maintained trade relations with various countries. After the start of economic reforms of the early 90s, the Indian economy was opened to further bilateral trade relations and to Foreign Direct Investment (FDI). Import restrictions lifted on many items which led to expansion of India's economic relations with other nations.

According to Trade data obtained from Govt. of India, in FY 2014-15, Indo-UAE Trade crossed US\$ 59bn, with Indian exports worth US\$ 33.3bn to the UAE and US\$ 26bn worth of UAE's exports to India.

Table-1
Trade between India and UAE in last five years (US\$ Million)

S.NO.	YEAR	2010-11	2011-12	2012-2013	2013-14	2014-2015
1	EXPORT	33,822.39	35,925.52	36,316.65	30,520.42	33,028.08
2	%Growth		6.22	1.09	-15.96	8.22
3	India's Total Export	249,815.55	305,963.92	300,400.58	314,405.30	310,338.48
4	%Growth		22.48	-1.82	4.66	-1.29
5	%Share	13.54	11.74	12.09	9.71	10.64
6	IMPORT	32,753.16	36,756.32	39,138.36	29,019.82	26,139.91
7	%Growth		12.22	6.48	-25.85	-9.92
8	India's Total Import	369,769.13	489,319.49	490,736.65	450,199.79	448,033.41
9	%Growth		32.33	0.29	-8.26	-0.48
10	%Share	8.86	7.51	7.98	6.45	5.83
11	TOTAL TRADE	66,575.55	72,681.84	75,455.01	59,540.24	59,167.99
12	%Growth		9.17	3.82	-21.09	-0.63
13	India's Total Trade	619,584.68	795,283.41	791,137.23	764,605.09	758,371.89
14	%Growth		28.36	-0.52	-3.35	-0.82
15	%Share	10.75	9.14	9.54	7.79	7.8
16	TRADE BALANCE	1,069.22	-830.80	-2821.71	1,500.60	6,888.17
17	India's Trade Balance	-119,953.58	-183,355.57	-190,336.07	-135,794.49	-137,694.93

Source: www.commerce.nic.in, Export Import Data Bank Version 7.1

The above Table 1 reveal that total trade between India and UAE increased to USD 72.681 billion in 2011-12 from USD 66.57 Billion in 2010-11 by 9.17% Growth in Total Trade. From the above statistics it clearly shows that in last five years Indo-UAE Trade has a very ups and downs due to both nations foreign trade policy. When Bilateral Trade between these two countries reached at a record level of more than USD 75 Billion in 2012-13 the next year its shrink to just USD 59 Billion at a 21% decline in Total Trade. This negative trend noticed in trade because of India's huge restriction on some products imported from UAE. This declines in year 2013-14 seen in Export as well as Import from UAE. Where Import from UAE fall by approx 25% in 2013-14. It was USD 39 billion in 2012-13 which came to just USD 29 billion in 2013-14. Export to UAE fall by 15% approx in 2013-14. The major cause of fall in import is due to

India's gold import policy that increased import duties on gold and imposed a rule that required a fifth of all bullion imports be re-exported in 2013-14. As per estimates, the UAE's gold exports to India fall to \$4.1 billion in the 2014-15, from \$10.4 billion in financial year 2011-12. If we see the trade balance between India and UAE it was in favor in the year 2010-11 by \$ 1069.22 Million but in next two years it was in the favor of UAE. The surplus in the trade balance with UAE increased from \$ 1500.60 Million in 2013-14 to \$ 6888.17 Million in 2014-15.

India's Export to UAE

India's Major Export Items to UAE are Mineral Fuels, Precious and Semi Precious Stones, Gems and Jewelry, Clothes, Cereals and Mechanical appliances etc.

Table 2
Major commodities Export to UAE (US \$ million)

HS Code	Commodity	2014-15	2013-14	2012-13	2011-12	2010-11
10	CEREALS	580.97	560.92	571.82	896.10	657.25
27	MINERAL FUELS/MINERAL OIL /WAXE	6519.64	5039.94	6964.32	6571.21	4981.83
61	APPAREL AND CLOTHING ACCESSORIES, KNITTED OR CORCHETED.	1142.70	789.86	642.64	626.33	539.50
62	APPAREL AND CLOTHING ACCESSORIES, NOT KNITTED OR CORCHETED.	1507.56	947.94	792.64	725.04	562.36
71	NATURAL /CULTURED PEARLS, PRECIOUS OR SEMI PRECIOUS STONES/JEWELRY	12280.37	12778.80	18890.69	18392.75	19809.26
72	IRON AND STEEL	641.60	528.18	562.33	524.84	348.28
73	ARTICLES OF IRON OR STEEL	701.71	791.22	723.76	461.52	525.65
84	NUCLEAR REACTORS, BOILERS,MECHANICAL APPLIANCES	711.47	637.27	802.12	730.71	549.55
85	ELECTRICAL MACHINERY AND EQUIPMENT	615.73	1035.73	903.61	974.56	805.73
89	SHIPS, BOATS AND FLOATING STRUCTURES	1181.39	1068.58	686.81	1217.82	487.80

Source: www.commerce.nic.in, Export Import Data Bank Version 7.1

India is one of the big suppliers of precious and semi precious stones to UAE. Precious and semi precious stones export from India to UAE amounted to US\$ 12280.37 million and registered huge drop in 2013-14. There are some fluctuations also reported in the Mineral fuels export to UAE, however its export increased to 30% in last five years. There was trend of increase in export of garments to UAE. Indian Knitted and non knitted clothes demand in UAE are increasing every year. India's export of knitted clothes and apparel to UAE jumps to US\$ 1142.70 million in 2014-15 from US\$ 539.50 in 2010-11. Export of not-knitted clothes also rose to US\$ 1507.56 million. Export of electrical machinery and equipment to UAE from India sharply declined in 2014-15, and Its amounted to US\$ 615.73

million from US\$ 1035.73 million in 2013-14. Export of basmati rice (HS Code 10063020) has registered growth of 59.98%. India exported US\$ 314.38 million of basmati rice to UAE in 2014-15. It was US\$ 196.51 million in 2012-13. Indian Export to UAE grows by 8.22% in the fiscal year 2014-15. It rose to US\$ 33028.08 Million in 2014-15 from US\$ 30520.42 Million in 2013-14.

India's Import from UAE

India's major import items from the UAE include petroleum and petroleum products, precious metals, stones, gems and Jewelry, minerals, chemicals, copper, aluminum, wood and wood products.

Table: 3
India's major Import items to UAE (US \$ million)

HS Code	Commodity name	2014-15	2013-14	2012-13	2011-12	2010-11
25	SALT, SULPHUR, LIME, CEMENT	314.78	308.18	288.27	308.08	145.31
27	MINERAL FUELS/WAXE	13509.04	13263.35	14498.68	15102.54	9398.23
39	PLASTIC AND ARTICLES THEREOF	479.16	341.23	371.28	286.56	240.97
71	NATURAL /CULTURED PEARLS, JEWELRY, COIN	8795.44	11899.69	20376.74	18235.49	20896.32
72	IRON AND STEEL	572.48	460.79	560.30	556.23	350.51
74	COPPER AND ARTICLES THEREOF	638.70	681.13	450.81	396.45	263.20
76	ALUMINIUM AND ARTICLES THEREOF	502.26	427.76	371.22	294.06	281.86
89	SHIPS, BOATS AND FLOATING STRUCTURES	243.35	569.55	488.06	133.79	199.48

Source: www.commerce.nic.in, Export Import Data Bank Version 7.1

In 2010-11 India imported USD 7861.38 Million Petroleum oil, Crude from UAE. It was USD 11057.33 Million in last fiscal year 2014-15 hence it registered 40 % growth in last five years. The Total Import from UAE in Year 2014-15 was USD 26139.91 Million out of which 42% (USD 11057.33 Million) were the petroleum products which clearly indicate that Petroleum oil and crude are the main Items of India's Import from UAE.

Other Non-Monetary unwrought Forms of Gold (HS Code 71081200) imported from UAE declined by 20.49% in 2013-14. It is the second largest item of import from UAE after Oil. It was US\$ 5210.71 Million in 2013-14 which remain US\$ 4143.05 Million in 2014-15.

After the Oil and Gold if we analyze the above table which clearly shows that Sulphur, cement, Iron & Steel, Copper, Plastic and Aluminium's import value is increasing year by year. Details in the above table indicate a trend of fluctuations in the imports of Sulphur, Cement etc. during the 5 year period from 2010-11 to 2014-15. The imports of these natural products (HS Code 25) from UAE have

reached a maximum of US\$ 314.78 million in 2014-15 from US\$ 145.31 million in 2010-11 There has been a continuous rise in the import of Aluminium and articles thereof from UAE by India during 2010-11 to 2014-15. UAE is one of the biggest supplier of Aluminium. The value of imports of this item from UAE ranged from a minimum of US \$ 281.86 million in 2010-11 to US \$ 502.26million in 2014-15. The increase in the value of imports has been more than 75% during the 5 year period. Import of Copper and plastic from UAE also increased. Thus we can say that except gold, all other main items import from UAE in last five years increased.

Oil Imports in India from UAE

In 1975, UAE signed the first agreement with India to export oil and started to supply oil to the IOC (Indian Oil Corporation) and ever since, the Indo-UAE relationship in the energy field has continued to grow and today India is the second largest importer of oil from the United Arab Emirates.

Oil Imported from UAE in last five years (US \$ million)

2014-15	2013-14	2012-13	2011-12	2010-11
11057.33	11011.98	12,641.64	12564.31	7861.38

Source: www.commerce.nic.in, Export Import Data Bank Version 7.1

The UAE makes up nearly 8 % of India's total oil imports. The Oil trade between the India and UAE is a major part of the total bilateral trade between these two countries. Oil imported from UAE was 7861.38 Million USD. It increased to 12564.31 Million USD and 12641.64 Million USD in 2011-12 and 2012-13 respectively because of India's growing energy demand. But last two years it's declined slightly because of fall in oil prices.

India's Foreign Policy with UAE:-

India is honestly interested in expanding ties and friendship with UAE as one of emerging and growing economic and trade partner. India's foreign policy towards UAE is liberal and more steps and initiatives have been started to boost trade and economic relationship between India and UAE. Many MoUs and Bilateral Agreements have been signed in recent years for this purpose:-

- Agreement on Security Cooperation 2011
- Agreement on Customs Matters 2012
- Protocol to streamline admission of Indian contract workers by way of an electronic contract registration and validation system 2012
- MoU on establishing a Joint Committee on Consular Affairs 2012
- Double Tax Avoidance Treaty 2012
- Bilateral Investment Promotion and Protection Agreement (BIPPA) 2013
- MoU on Cooperation in the field of Renewable Energy Cooperation 2014
- MoU in the field of Tourism 2015

Modi Government is also focusing on Looks Middle East Policy to strengthen ties with Middle Eastern Countries. The share of UAE is very high in India's Total trade with Middle Eastern Countries. Many high official visits have been also made between both countries recently. Prime Minister Mr. Narendra Modi visited UAE in 2015 and signed many important agreements related to commerce & trade, both nations agreed for \$75 billion infrastructure investment fund. The latest visit from the side of UAE was made by His Highness Sheikh Mohamed bin Zayed Al Nahyan, Crown Prince of Abu Dhabi and Deputy Supreme Commander of the UAE Armed Forces in 2016. During the visit India and UAE signed 7 bilateral agreements across various sectors.

Limitations

1. This study is restricted to India's Trade Relations with "UAE" only.
2. Data between 20010-11 to 2014-15 has been analyzed.
3. Study is based on Secondary Data.

Conclusion and Suggestions

With the help of above analysis of trade between India and UAE we can easily say that the India and UAE are making good efforts to scale their economic and trade links to new heights and it is anticipated that economic and trade links between India and the UAE will continue to grow after the recent visit of Prime Minister Modi in UAE in which both nation made pledge to increase bilateral trade by 60 percent over the next five years.

Based on the above analysis we can suggest that though both nations bilateral trade is in good flow and hope that it will boost further in coming years but the trade between these two countries is not well diversified, major portion of India's export to UAE is based on just a few commodities, precious and semi-precious stones, jewelries were the major export commodities to UAE. If we focus on quality then can get good market for other Indian products in UAE which today other countries are supplying to UAE and apart from quality there is a need of good business environment to be developed at both sides, Export promotion schemes, Research and Development in Energy Sector, Tourism, New Trade Exhibitions and Fairs can also provide good opportunity for both nations to enhance trade relations. Good understanding of languages and cultures of each other should be developed, as it will help to understand business environment easily. Other areas of co-operation like Tourism, Knowledge based industries needs to be focus. Some Agreements which has signed but not yet implemented; like BIPA (Bilateral Investment Protection Agreement) should be implemented fully, Visa and immigration rules at both sides should be made easy, pending issues associated with existing UAE investments in India (Etisalat, Emaar & DP World) should be resolved. Problems associated with Indians in UAE should also be addressed and appropriate policies and initiative should be made as the Indians living there are also taking good part in strengthening trade relations between both countries.

It is expected that recent bilateral visits and important agreement signed between India and UAE may further boost the Indo-UAE trade relations which is good for both countries however some areas of concern should be improved so that the new heights in bilateral trade between India and UAE can achieve. At last but not least both countries should review the existing trade policies to enhance this trade relationship in common interests.

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