



Changing Dynamics Of International Trade Relations Between Gcc , East African Nations And India:

Hussen Ibrahim Mohammed, research Scholar, MUIT, University, Lucknow.

Manoj Mishra, Professor MUIT, Lucknow.

Enr no. 2019201520

Abstract:

International trade is one of the most significant aspects of economic growth and prosperity that has helped the world to develop economically over the years. With increasing economic globalization and the advent of international trade agreements, countries have realized the benefits that accrue from participating in international trade. The Gulf Cooperation Council (GCC) countries, East African nations, and India are among the regions that have increased their engagement in international trade in recent years. The GCC countries are a regional intergovernmental organization that includes Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates (UAE). The East African region comprises countries such as Djibouti, Eritrea, Kenya, Seychelles, Somalia, Sudan, Tanzania, and Uganda. India, on the other hand, is a country in South Asia with a booming economy that is actively engaging in international trade. This paper aims to explore the trade relations between the GCC countries, East African nations, and India. It seeks to investigate the nature of trade between the regions, identify trade patterns, and examine the implications of trade on economic growth, competitiveness, and development in the regions.

1. Introduction:

1.1 Trade Relations between GCC Countries, East African Nations, and India

Trade relations between GCC countries, East African nations, and India are strong, with India and the GCC countries being major trading partners of East African nations. The GCC countries provide a market for East African exports, especially oil, agricultural products, and minerals. India, on the other hand, provides a market for East African exports such as coffee, tea, precious stones, and other minerals.

It shall be considered that trade relations between the GCC countries and East African nations have intensified over the years, with trade between them growing from \$2.5 billion in 2001 to \$8.7 billion in 2016. During this period, Kenya and Tanzania emerged as the leading trading partners of the GCC countries in East Africa. Kenya's trade with GCC countries grew from \$442 million in 2001 to \$2.7 billion in 2016, while Tanzania's trade grew from \$27 million in 2001 to \$1.7 billion in 2016. In the same period, the UAE was

the largest trading partner of Kenya and Tanzania in the GCC countries, with exports to Kenya valued at \$1.1 billion and those to Tanzania valued at \$567 million.

India has also been a significant trading partner of the GCC countries, with trade between them growing from \$8 billion in 2001 to \$121.34 billion in 2018. During this period, the UAE emerged as India's largest trading partner in the GCC countries, followed by Saudi Arabia, Oman, Kuwait, Qatar, and Bahrain. On the other hand, India is a significant market for East African exports, with the country importing a variety of products such as food, chemicals, minerals, and textiles. The value of trade between India and East African countries stood at \$9.9 billion in 2019, up from \$1.7 billion in 2001 (Al-Shehhi and Mahajan ,2020)..

1.2 Trade Patterns between GCC Countries, East African Nations, and India

The trade patterns between GCC countries, East African nations, and India follow the commodity composition of trade, with the GCC countries exporting oil and gas while importing agricultural products and minerals from the East African nations and India. India, on the other hand, provides a market for East African exports such as coffee, tea, precious stones, and other minerals such as diamonds.

1.2.1 Trade in Agricultural Products

The GCC countries import a significant quantity of agricultural products from East African nations and India. According to the World Bank, the top agricultural exports from East African nations to the GCC countries include fruits, vegetables, spices, and cashew nuts. Kenya is one of the top exporters of tea to the UAE, with exports worth \$223 million in 2018. The UAE is also a significant importer of fresh vegetables such as tomatoes, onions, and beans from Kenya. Tanzania, on the other hand, exports raw cashew nuts to India, with exports worth \$100 million in 2018.

1.2.2 Trade in Industrial Products

Industrial products such as minerals, oil, and gas make up a significant proportion of exports from the GCC countries to East African nations and India (Al-Shehhi and Mahajan ,2020). In 2016, exports from the GCC countries to East African nations were mainly oil, plastics, and aluminium products. The GCC countries also export oil and gas to India, with the UAE being India's third-largest supplier of oil after Iraq and Saudi Arabia. In 2018, the UAE supplied 5.8% of India's total oil imports, representing a value of \$10.5 billion. Other industrial products imported from India by the GCC countries include textiles, chemicals, and machinery.

1.2.3 Trade in Services

Apart from the physical goods trade, GCC countries, East African nations, and India are engaged in a significant flow of services relating to tourism, transport, and communication. The UAE, which is home to many multinational corporations, serves as the hub for the service industry in the GCC countries, providing services such as consulting, banking, tourism, and logistics. Dubai, in particular, is the preferred

destination for East African tourists and businesspeople due to its advanced infrastructure and business-friendly environment (Al-Shehhi and Mahajan ,2020).

1.3 Implications of Trade on Economic Growth, Competitiveness, and Development

Trade relations between GCC countries, East African nations, and India have significant implications for economic growth, competitiveness, and development in the regions.

1.3.1 Economic Growth

Trade between these regions has contributed significantly to economic growth. The GCC countries have played a critical role in supporting the economic growth of East African nations by importing agricultural products, minerals, and providing market access for their oil exports. The importation of oil and gas from the GCC countries has also significantly impacted the economic development of India (Tandon et al. , 2019). India, on the other hand, has provided market access for the exports of agricultural products and minerals from East African nations.

1.3.2 Competitiveness

Trade relations between these regions have created competitiveness in various sectors of the economy. The competition has pushed producers and manufacturers of goods to improve quality and reduce costs to stay competitive in the market. This creates an efficient allocation of resources, which helps to improve competitiveness in the global market.

1.3.3 Development

Trade relations between GCC countries, East African nations, and India have the potential to contribute to sustainable economic development (El-Sayed, A., & Al-Khaldi, M. , 2018). The export of agricultural products and minerals from East African nations can boost their agricultural economy and create employment opportunities for their youth. This can lead to long-term sustainable economic growth in the region. The export of oil and gas from the GCC countries can also provide a source of revenue that can be used to promote sustainable economic development in the region.

1.4 Challenges Facing Trade between GCC Countries, East African Nations and India

Despite the existence of trade relations between GCC countries, East African nations, and India, various challenges still limit the full potential of trade in these regions. Some of the significant challenges include:

1.4.1 Political Instability

Political instability in some of the East African nations hinders the growth of trade (Al-Saleh, Y., & Al-Khaldi, M. ,2018). Political instability causes investors to shy away from doing business in these regions, leading to a decrease in investment and trade.

1.4.2 Transport Infrastructure

Infrastructure deficiencies are one of the significant challenges to efficient trade in the regions. Poor infrastructure leads to high transportation costs and time delays, which can affect the competitiveness of goods traded and significantly reduce profit margins (Chatterjee and Chakraborty, 2018).

1.4.3 Tariff and Non-tariff Barriers

Tariff and non-tariff barriers such as restrictions on the movement of goods and services, customs duties, and protectionist trade policies can limit the growth of trade in these regions. These barriers can cause increased costs of production, making it difficult for businesses to remain profitable while reducing incentives to trade.

1.4.4 Exchange Rate Risks

Exchange rate risks are one of the significant challenges facing trade between these regions. Fluctuations in exchange rates can lead to an increase in the cost of imported goods, making them less competitive in the market. This can lead to a reduction in the competitiveness of goods traded, affecting the profits of businesses in both the exporting and importing countries.

2. Conclusion

International trade is a critical aspect of economic growth and development. The trade relations between GCC countries, East African nations, and India have helped to create a competitive and efficient allocation of resources (Mahajan, V. et al., 2020). (Al-Saleh, Y., & Al-Khalidi, M., 2018). These trade relations have significantly contributed to economic growth, competitiveness, and development in the regions. However, despite the existence of these trade relations, various challenges still hinder the full potential of trade in these regions. Addressing these challenges is critical in promoting the growth of international trade and creating a sustainable economic environment.

References:

1. Al-Muhannadi, H., & Al-Thani, S. (2019). The Impact of International Trade on Economic Growth in the GCC Countries. *Journal of Economics and Sustainable Development*, 10(12), 1-10.
2. Al-Saleh, Y., & Al-Khalidi, M. (2018). The Effect of International Trade on Economic Growth in East African Countries. *Journal of African Development*, 20(1), 1-15.
4. Chatterjee, S., & Chakraborty, D. (2018). India's Trade Relations with East African Countries: An Empirical Analysis. *Journal of African Development*, 20(2), 1-17.
6. El-Sayed, A., & Al-Khalidi, M. (2018). The Impact of International Trade on Economic Growth in India. *Journal of International Business and Economics*, 20(1), 1-10.
7. Al-Muhannadi, H., & Al-Thani, S. (2018). The Impact of Free Trade Agreements on Bilateral Trade between GCC Countries and India. *Journal of World Trade*, 52(2), 223-245.

8. Tandon, A. et al. (2019). India-GCC Free Trade Agreement: An Assessment of Potential Benefits and Challenges. *Journal of Economic Integration*, 34(1), 1-26.
9. Mahajan, V. et al. (2020). Examining the Impact of GCC-India Trade on Economic Growth: Evidence from Panel Data Analysis. *Journal of Asian Economics*, 69, 101232.