iv) India's trade balances have been favourable with SAARC.

v) India's imports from SAARC have increased in 1999-2000.

19.16 LET US SUM UP

ASEAN and SAARC are two important regional economic groupings in Asia. India is a member of SAARC and is not a member of ASEAN. However, India is a dialogue partner of ASEAN. Currently there are nine members of ASEAN, SAARC has seven members. ASEAN is very important as a trading partner for India since it accounts for around 8 per cent of India's total trade. On the other hand SAARC accounts for only about two per cent of India's total trade. ASEAN countries have formed a Free Trade Area while SAARC has formed Preferential Trading Arrangement and are on their way to form a Free Trade Area.

19.17 KEY WORDS

Intra-regional Trade: Trade among the member countries of a particular economic grouping.

Preferential Trading Arrangement: In a trading arrangement when the member countries lower the barriers for imports among the members of the group in relation to those for non-members it is called Preferential Trading Arrangement.

Free Trade Area: In a free trade area the member countries do not have barriers among themselves, but they have separate laws for trade barriers for non-members.

19.18 ANSWERS TO CHECK YOUR PROGRESS

A 3 i) False ii) True iii) True iv) False v) True.

B 3 i) True ii) False iii) True iv) True v) False

19.19 TERMINAL QUESTIONS

1. What are the objectives of ASEAN? Explain the approach of economic cooperation and various summits of ASEAN.
2. Describe the dialogue of partnership between India and ASEAN.
3. Describe Indo-ASEAN trade and economic relations.
4. What are the trade prospects between India and ASEAN in the years to come.
5. How SAARC was formed and how does its member differ.
6. Keeping in view India's trade relations with SAARC, do you think it is an important economic grouping for India.
7. Describe briefly the formation of SAPTA and the hurdles that the members may face in the formation of a Free Trade Area.
8. Write briefly about the composition of India's trade with SAARC member countries.

UNIT 20 WEST ASIA

Structure

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20.2 Economic Structure of Selected Countries of West Asia
 20.2.1 Economic Structure of Bahrain
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20.5 India's trade with Selected West Asian countries
 20.5.1 India's Trade with Bahrain
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 20.5.7 India's Trade with United Arab Emirates
20.6 Trade prospects between India and West Asia
20.7 Let Us Sum Up
20.8 Answers to Check Your Progress
20.9 Terminal Questions

20.0 OBJECTIVES

After studying this unit, you should be able to:

- explain the economic structure of selected countries of West Asia
- describe foreign trade of selected countries of West Asia
- analyse trends in India's trade with selected countries of West Asia
- describe the composition of India's trade with selected countries of West Asia
- discuss India-West Asia trade prospects.

20.1 INTRODUCTION

International organisations classify differently the West Asian region. According to Direction of Trade Statistics, a publication brought out by International Monetary Fund which contains trade statistics of different countries of the world this region is classified as Middle East and include the following fifteen countries: Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Oman, Qatar, Saudi Arabia, Syrian Arab Republic, United Arab Emirates, and Yemen Republic of. According to the classification of United Nations Industrial Development Organization, this region is referred to as Western Asia and include the following seventeen countries: Armenia, Azerbaijan, Bahrain, Cyprus, Georgia, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syrian Arab Republic, Turkey, United Arab Emirates and Yemen. Yet another classification has been given by UNCTAD in its publication on "UNCTAD Commodity Yearbook", according to which this region has been referred to as West Asia and includes the following countries: Bahrain, Cyprus, Gaza Strip, Iran, Iraq, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syrian Arab Republic, Turkey, United Arab Emirates and Yemen.

According to these three classifications there are twenty one countries which form part of West Asia/Middle East. Further, there are nine countries which are included in one of the three lists and there are 12 countries which are included in all the three lists. These twelve countries which are included in all the three lists are Bahrain, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syrian Arab Republic, United Arab Emirates and Yemen.

Of the twenty one countries which are included in West Asia/Middle East, in the present unit we shall cover the following seven countries which are considered to be important from the point of view of India's foreign trade. These countries include: Bahrain, Iran, Jordan, Kuwait, Qatar, Saudi Arabia and United Arab Emirates. In this unit, you will learn the economic structure of selected countries of West Asia, foreign trade of these countries, India trade with these countries and trade prospects between India and West Asia.

20.2 ECONOMIC STRUCTURE OF SELECTED COUNTRIES OF WEST ASIA

The West Asian countries are very important for India's foreign trade. Let us discuss the economic structure of selected West Asian countries.

20.2.1 Economic Structure of Bahrain

Considered one of the best business environments in West Asia, Bahrain has attempted to move beyond its petroleum-based economy, enhancing it through government sponsored diversification efforts that support growth of a strong financial services sector in particular. With solid labour management relations and a relatively well-educated work force of approximately 200,000 this island nation offers a well-developed infrastructure, a fairly high standard of living, a history of political stability and favourable economic policies. Bahrain was one of the first Arab nations to discover and refine oil, which generates roughly 60 per cent of the country's revenues. The economy of Bahrain which grew by more than 8 per cent in 1993, registered a growth of and by 3.9 per cent in 1996 and 2.5% in 1999. The inflation rate in Bahrain has been quite insignificant and negative during the past few years. Look at Table 20.1 which shows the main economic indicator during the recent 3 years.

Table 20.1: Main Economic Indicators of Bahrain

	1997	1998	1999
GDP at market prices (BD billion)	2.4	2.3	2.6
Real GDP Growth (%)	3.1	4.8	2.5
Consumer price inflation (%)	2.5	-0.4	-1.3
Population million	0.6	0.6	0.7
Exports ($ million)	4383	3270	4088
Imports ($ million)	3778	3298	3369

Source: EIU, Aug 2000

20.2.2 Economic Structure of Iran

Traditionally an agricultural society, Iran had achieved significant industrialisation and modernisation by the 1970s. However, its economy was seriously hurt by a series of distortions — beginning with the Islamic revolution in 1979, and including a prolonged war with Iraq and falling oil prices in the 1980s. The economy of Iran which grew by only 1.8 per cent in 1994 registered a growth rate of about six per cent in 1996. It reduced to 2.5% in the year 1999. The inflation rate in Iran during the past few years has been quite high and touched almost 50 per cent in 1995. It came down to 21% in 1999. Look at Table 20.2 which show the main economic indicator during the recent 3 years.

Table 20.2: Main Economic Indicators of Iran

	1997	1998	1999
GDP (IR bn)	277.8	328.3	407.4
Real GDP Growth (%)	3.0	2.2	2.5
Consumer price inflation (%)	17.1	19.4	21.0
Population (million)	60.9	61.8	62.8
Exports ($ million)	18381	12982	19726
Imports ($ million)	14123	13608	13511

Source: EIU. Sept 2000.

20.2.3 Economic Structure of Jordan

The economy of Jordan registered a robust growth rate of 16.1 per cent in 1992. The growth started declining thereafter. It reduced to 1.3% in the year 1999. The inflation rate in Jordan which was around four per cent during 1992-94, came down to 0.6 per cent in 1999. Look at Table 20.3 which shows the economic indicator during the recent 3 years.

Table 20.3: Main Economic Indicators of Jordan

	1997	1998	1999
GDP (JD bn)	4.9	5.2	5.3
Real GDP Growth (at 1985 prices %)	1.3	1.7	1.3
Consumer price inflation (%)	3.0	4.5	0.6
Population (million)	6.1	6.3	6.5
Exports ($ million)	1835.5	1802.4	1782.4
Imports ($ million)	3648.5	3404.0	3302.2

Source: CMIE. Aug 2000.

20.2.4 Economic Structure of Kuwait

The Kuwaiti economy is driven by oil production and related industries. Since the Iraqi occupation and the Persian Gulf War in 1990-91, Kuwait has expended large sums to reconstruct its infrastructure. Although demand for oil has been strong and the country's wells and refineries have rebounded, the non-oil economy has been sluggish, due in large part to the changing demographics after the war. Kuwait's population has dropped by more than 20 per cent from pre-war levels. The economy of Kuwait grew by 75.0 per cent in 1992 and 40.3 per cent in 1993. It grew by 2% in 1998 and -2.4% in 1999. The inflation rate in Kuwait during the past few years has been quite low, i.e. 0.2% in 1998 and 3.0% in 1999. Look at Table 20.4 which shows main economic indicator of Kuwait for the last three years.

Table 20.4: Main Economic Indicators of Kuwait

	1997	1998	1999
GDP (KD billion)	9.1	7.7	9.0
Real GDP Growth (%)	2.3	2.0	-2.4
Consumer price inflation (%)	0.6	0.2	3.0
Population (million)	1.98	2.03	2.11
Exports ($ million)	14281	9618	12276
Imports ($ million)	7747	7714	6705

Source: EIU Sept. 2000

20.2.5 Economic Structure of Qatar

The economy of Qatar registered a negative growth rate of 2.4 per cent in 1993 and during the next two years grew by only one per cent. In the year 1998 it grew by 2% but in the year 1999 the growth rate was only 0.2%. The inflation rate in Qatar during the past few years has been quite low, i.e. around 2 per cent during 1999. Look at Table 20.5 which shows main economic indicators of Qatar.

Table 20.5: Main Economic Indicators of Qatar

	1998	1999
GDP (QR billion)	38.1	43.0
Real GDP Growth (%)	2.0	0.2
Consumer price inflation (%)	2.9	2.0
Population (million)	0.6	0.6
Exports ($ million)	5030	6003
Imports ($ million)	3071	3148

Source: EIU, Aug 2000

20.2.6 Economic Structure of Saudi Arabia

The discovery and exploitation of the largest oil reserves in the world and the use of its substantial oil revenues to develop industry and infrastructure have helped Saudi Arabia to rapidly transform itself from an undeveloped economy to a modern industrial state. As a country that relies heavily on oil it is subject to the effects of wide price fluctuations. The economy slowed down somewhat in early nineties due to government's emphasis on developing a sturdy and sophisticated infrastructure which will support diversified development for the long term. The economy of Saudi Arabia registered a negative growth rate of 0.6 per cent in 1993 and during the next two years grew by only 0.5 per cent. The growth rate was 1.6% in 1998 and 0.5% in 1999. The inflation rate during the past few years has also been quite low at about 1 per cent. It was -1.4% in 1999. Look at Table 20.6 which shows main economic indicator of Saudi Arabia.

Table 20.6 : Main Economic Indicators of Saudi Arabia

	1997	1998	1999
GDP (SR billion)	548.6	480.8	522.0
Real GDP Growth (%)	2.7	1.6	0.5
Consumer price inflation (%)	0.1	-0.6	-1.4
Population (million)	19.5	20.2	19.9
Exports ($ million)	60,731.0	38822.0	48482.0
Imports ($ million)	26370.0	27535.0	25718.0

Source: EIU, Aug 2000

20.2.7 Economic Structure of United Arab Emirates

The UAE's economy is influenced to a great extent by a single commodity - oil. Since its formation in 1971, oil revenues have transformed the seven emirates from a largely arid and sparsely populated region into a prosperous, modern economy. The real GDP growth was 2.5% in 1999 & inflation was 4.0% in the same year. Look at Table 20.7 which shows key economic indicators of UAE.

Table 20.7: Main Economic Indicators of United Arab Emirates

	1997	1998	1999
GDP (DH billion)	185.1	174.0	191.5
Real GDP Growth (at constant 1990 prices)	2.1	1.2	2.5
Consumer price inflation (%)	3.3	3.0	4.0
Population (million)	2.6	2.8	2.9
Exports ($ billion)	34.02	31.08	35.90
Imports ($ billion)	26.62	30.53	32.47

Source: EIU, Aug 2000.

20.3 FOREIGN TRADE OF SELECTED COUNTRIES OF WEST ASIA

Of all the Gulf Cooperation Council (GCC) countries Bahrain has traditionally been most dependent on imports, having one of the highest import/GDP ratios in the Arab world. Nevertheless, it has kept the value of imports steady despite increases in the oil price, while other Gulf states have increased imports relative to overall crude revenue. Bahrain's trade regulations are designed to encourage development of export-oriented industries which must compete based on free market forces. Higher value-added processed petroleum products represent the vast bulk of Bahrain's exports, with metal products (aluminium, iron and steel) and chemicals representing a relatively small but growing source of exports. Trade in services — particularly financial services - is also a growth sector. Bahrain remains dependent on imports of food, manufactured consumer goods, capital and intermediate goods. Saudi Arabia is Bahrain's largest trading partner, based primarily on purchases of crude petroleum as refinery stock. The US is Bahrain's next largest trading partner, followed by Japan, the UK, and Australia, which purchase petroleum products and provide capital, intermediate and consumer goods.

One of Iran's major goals is to exclude foreign influences while building trade ties. Of its total revenue from exports, 66 per cent comes from petroleum. Other important export items include foodstuffs, leather products, carpets and textiles. Imports include machinery, chemicals, intermediate industrial components, foodstuffs and fuels. Major trade partners include Germany, the UK, Italy and the United Arab Emirates.

Major exports of Jordan include fertilizers, phosphates, potash and medicaments. So far as its imports are concerned, the major items are: machinery & transport equipment, food & live animals, manufactured goods and chemicals. Main destinations of exports are India, Saudi Arabia UAE, Iraq and European Union. Jordan's major imports originated from European Union.

Major exports of Kuwait include petroleum — accounting for more than 85 per cent of all exports — machinery, natural gas, basic manufactures, and chemicals. Kuwait imports most of its needs including food-stuffs, transportation equipment, chemicals, electrical and non-electrical machinery and apparel. Following the war, Kuwait has increased its imports of military technology and construction equipment and materials. Major trade partners include Japan, Italy, the Netherlands, the US, Taiwan and the UK.

Like most of the West Asian countries Qatar's 80 per cent of export earnings come from crude oil & oil products. Its major items of imports include machinery & transport equipment, manufactured goods and foodstuff & live animals. Japan is the principal destination of Qatar's exports — accounting for more than 50 per cent, followed by Singapore, South Korea, Thailand and United States. Its major supplier is Italy followed by the UK, France, Japan and Germany.

Saudi Arabia's foreign trade has declined somewhat in recent years, as oil prices have dropped and other export markets have not yet developed enough to make up the difference. The US is the largest source of both its imports and exports, followed by Japan, France, Italy and Germany. Saudi Arabia's traditionally high trade surpluses are almost entirely the result of trade in petroleum - accounting for over 90 per cent of total exports. Saudi Arabia currently continues to run a large trade surplus, but it will have to focus its efforts on the development of other products and markets in order to maintain its favourable balance of trade.

Oil and gas have enabled the UAE to maintain a favourable balance of trade for many years. Japan is the principal destination for UAE exports, although other Asian nations are gaining in importance. Japan is also the UAE's most important import source, followed by the US, the UK and Germany. The UAE imports mainly machinery and transport equipment, as well as a substantial amount of food and live animals. It imports 90 per cent of the products it consumes.

Check Your Progress A

1) Enumerate the names of countries of Western Asia.

....

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....

....

2) Enumerate major exports item of Kuwait.

....

....

....

....

3) State Whether following statements are **True** or **False**.

   i) West Asia is also referred to as Middle East.

   ii) The GDP growth of Bahrain was 5.5% in 1999.

   iii) The GDP growth of Saudi Arabia was 4.3% in 1999.

   iv) The UAE's economy is influenced to a great extent by oil.

   v) Of all the Gulf Cooperation Council countries Bahrain has traditionally been most dependant on imports.

20.4 INDIA'S ECONOMIC REFORMS

Despite the fact that India is far better placed than a number of countries in the world in terms of a large domestic market, a broad-based industrial infrastructure, a large pool of training manpower, impressive entrepreneurial and managerial skills, abundant supply of cheap labour, and adequate natural resources, etc., it could not play the role of a global marketer because of its inward-looking economic management policies pursued for decades. At a time when world trade expanded fast, India missed its export opportunities because of its excessive emphasis on import substitution, sheltered markets and a controlled economy. The situation did not change until 1991 when the Government took a bold decision to integrate the Indian economy with the world economy by following a policy of liberalisation. Faced with a precarious foreign exchange situation, adverse balance of payments and huge external debt, the Government of India adopted a comprehensive programme of macro-economic stabilisation and structural adjustments beginning from June 1991. The programme included far-reaching trade, fiscal, monetary and industrial policy measures with a major thrust on improvement of competitive efficiency of Indian industries by utilising foreign investment and technology to a much greater degree than in the past.

Basically, the objective of reform measures was to dismantle controls on industry, external trade and foreign investments and to establish a climate of trust between the government and business & industry. The focus of the new policy is more on free play of market forces instead of State control in determining the country's future economic growth and development. Further, for the first time, the government has come out in favour of outward-oriented trade and industrial policies where exports assume prime importance.

20.5 INDIA'S TRADE WITH SELECTED WEST ASIAN COUNTRIES

Look at Tables 20.8 to 20.14 which shows India's trade with Bahrain, Iran, Jordan, Kuwait, Qatar, Saudi Arabia and United Arab Emirates. India's exports and imports have shown an increasing trend in all countries. At the same time, the trade balances have been negative with all countries due to large quantity of import of petroleum products.

India's major items of exports to selected West Asian countries include rice basmati and other than basmati; manmade yarn, fabrics, madeups, gems & jewellery; cotton yarn, fabrics, madeups, etc.; RMG cotton including accessories; machinery and instruments; manufactures of metals; meat & preparations; processed fruits & vegetables; oil meals; marine products; etc. India's major items of imports from these countries include petroleum and petroleum products; organic and inorganic chemicals; fertilizer manufactured; sulphur & unroasted iron pyrites; artificial resins, plastic materials; pulp and waste paper; etc. Let us now discuss India's trade with these countries in detail.

20.5.1 India's Trade with Bahrain

Look at Table 20.8 which shows that India's exports have increased from 185.56 crore rupees in 1994-95 to 239.13 crore rupees in 1998-99. The import has also increased from 2178.95 crore rupees in 1994-95 to 1978.79 crore rupees in 1998.99. The imports have been 8-9 times more than that of India's exports. The trade balance was -1993.39 in 1994-95 and went up to -2965.12 in 1996-97. It came down to -1739.66 in the year 1998-99.

India's major items of exports to Bahrain included cotton yarn, fabrics, madeups Rice basmati, RMG cotton, Wheat; manufactures of metals, meat & preparations paper/wood products and machinery & instruments; rice other than basmati; plastic & linoleum products; oil meals and manmade yarn, fabrics, madeups. So far as India's imports from Bahrain are concerned major items apart from petroleum & petroleum products included non-ferrous metals; inorganic chemicals; metalifers ores & metal scrap and organic chemicals.

Table 20.8: India's Trade with Bahrain

(Rs. crores)

Year	Export	Import	Trade balance
1994-95	185.56	2178.95	-1993.39
1995-96	198.43	2876.55	-2678.12
1996-97	222.81	3187.93	-2965.12
1997-98	239.65	2253.79	-2014.14
1998-99	239.13	1978.79	-1739.66

Source: DGCI & S, GOI. Various Issues.

20.5.2 India's Trade with Iran

Look at Table 20.9 which shows India's trade with Iran. The exports have increased from Rs. 492.18 crore in 1994-95 to 669.41 in 1998-99. The exports have increased marginally over the years. The imports have increased from Rs. 1684.59 in 1994-95 to Rs. 3104.21 crore in 1996-97. It has frther reduced to Rs. 1992.97 in 1998-99. The trade balance was - Rs. 1192.41 in 1994-95 and increased to Rs. -2412.05 in 1996-97. It further reduced to Rs. -1323.56 in 1998.99.

Table 20.9: India's Trade with Iran

(*Rs. crore*)

Year	Export	Import	Trade balance
1994-95	492.18	1684.59	-1192.41
1995-96	518.63	2001.07	-1482.44
1996-97	692.16	3104.21	-2412.05
1997-98	637.95	2352.64	-1714.69
1998-99	669.41	1992.97	-1323.56

Source: DGCI & GOI, Various Issues.

If one looks at India's exports to Iran, one finds that India's major items of export included drugs, pharmaceuticals & fine chemicals iron ore, machinery & instruments and rice other than basmati, inorganic/organic, agro chemicals manufactures of metals miscellaneous processed items and other cereals including wheat.meat & preparations; oil meals; tea and processed minerals.

So far as India's imports from Iran are concerned apart from the major item i.e. petroleum and petroleum products, other important items include organic chemicals, fruits & nuts excluding cashew nuts, inorganic chemicals, iron & steel, etc.

20.5.3 India's Trade with Jordan

Look at Table 20.10 which shows India's trade with Jordan. India's exports to Jordan have increased from Rs. 169.32 crore in 1994-95 to Rs. 289.33 in 1998-99. The increase in exports over the years have been marginal. The imports have increased from Rs. 481.89 crore in 1994-95 to Rs. 1161.15 crore in 1998-99. The trade balance also increased from Rs. -312.57 crore in 1994-95 to Rs. -871.82 crore in 1998-99.

Table 20.10: India's Trade with Jordan

(*Rs. crore*)

Year	Export	Import	Trade balance
1994-95	169.32	481.89	-312.57
1995-96	267.07	641.87	-374.80
1996-97	284.49	447.36	-162.87
1997-98	257.32	625.73	-368.41
1998-99	289.33	1161.15	-871.82

Source: DGCI & S, GOI, Various Issues

India's major item of export to Jordan was shellac, machinery and instruments, manmade yarn, fabrics, madeups, transport equipments, drugs, pharmaceuticals & fine chemicals and coffee.

So far as India's imports from Jordan are concerned, fertilizer manufactured and crude has accounted for more than 90 per cent of India's total imports in recent years.

20.5.4 India's Trade with Kuwait

Look at Tale 20.11 which shows India's trade with Kuwait. The exports have increased from Rs. 420.48 crore in 1994-95 to Rs. 692.75 crore in 1998-99. The increase in exports have been marginal. The imports have increased from Rs. 4647.70 crore in 1994-95 to Rs. 8546.01 crore in 1997-98. It reduced to Rs. 6315.08 in 1998-99. The trade balance has also increased from Rs. -4227.22 crore to Rs. -7855.28 in 1997-98. It has come down to Rs. -5622.33 in 1998-99.

Table 20.11: India's Trade with Kuwait

(*Rs. crore*)

Year	Export	Import	Trade balance
1994-95	420.48	4647.70	-4227.22
1995-96	453.34	6590.09	-6136.75
1996-97	549.14	8537.38	-7988.24
1997-98	690.73	8546.01	-7855.28
1998-99	692.75	6315.08	-5622.33

Source: DGCI & S. GOI, Various Issues

India's major item of export to Kuwait was rice - basmati gems & jewellery, RMG cotton including accessories, Manmade yarn, fabrics, madeups oil meals, machinery and instruments and rice — other than basmati.

So far as India's imports from Kuwait are concerned, like other West Asian countries, petroleum and petroleum products was the main item. From other items the only one which is of some significance was fertilizer manufactured.

20.5.5 India's Trade with Qatar

Look at Table 20.12 which shows India's trade with Qatar. The exports have increased from Rs. 93.99 crore in 1994-95 to Rs. 168.94 crore in 1998-99. Similarly imports have increased from Rs. 359.89 crore in 1994-95 to Rs. 495.65 crore in 1996-97. It has further gone down to Rs. 295.09 crore in 1998-99. The trade balance has also increased from Rs. -265.90 crore in 1994-95 to Rs. -382.39 crore in 1996-97. It has further reduced to Rs. -126.15 crore in 1998-99.

Table 20.12: India's Trade with Qatar

(*Rs. crore*)

Year	Export	Import	Trade balance
194-95	93.99	359.89	-265.90
1995-96	117.77	363.19	-245.42
1996-97	113.26	495.65	-382.39
1997-98	167.34	377.53	-210.19
1998-99	168.94	295.09	-126.15

Source: DGCI & S, GOI, Various Issues

India's major item of export to Qatar was oil meals, cotton yarn, fabrics, madeups paints, enamels, varnishes manufactures of metals machinery and instruments transport equipments and rice-basmati.

So far as India's imports from Qatar are concerned three items viz. fertilizer manufactured; organic chemicals and inorganic chemicals accounted for more than 80 per cent of India's imports from Qatar in recent years.

20.5.6 India's Trade with Saudi Arabia

Table 20.13 shows India's trade with Saudi Arabia. The exports have increased from Rs. 1368.00 crore in 1994-95 to Rs. 3257.44 crore in 1998-99. Similarly the imports have gone up from Rs. 4927.19 crore in 1994-95 to Rs. 9832.24 crore in 1996-97. It has frther reduced to Rs. 7705.10 crore in 1998-99. The trade balance has also increased from Rs. -3559.19 crore in 1994-95 to Rs. -7783.27 crore in 1996-97. It has further reduced to Rs. 4447.66 crore in 1998-99.

Table 20.13: India's Trade with Saudi Arabia

(*Rs. crore*)

Year	Export	Import	Trade balance
1994-95	1368.00	4927.19	-3559.19
1995-96	1613.27	6772.65	-5159.38
1996-97	2048.97	9832.24	-7783.27
1997-98	2564.56	9322.13	-6757.57
1998-99	3257.44	7705.10	-4447.66

Source: DGCI & S, GOI, Various Issues

India's major item of export to Saudi Arabia was rice-basmati & other than basmati, manmade yarn, fabrics, madeups, machinery and instruments, cotton yarn, fabrics, madeups, RMG cotton including accessories and manufactures of metals.

So far as India's imports from Saudi Arabia are concerned, like other West Asian countries, petroleum and petroleum products was the main item. Some other items of significance that are supplied by Saudi Arabia include organic chemicals, artificial resins, plastic materials, fertilizer manufactured and inorganic chemicals.

20.5.7 India's Trade with United Arab Emirates

Look at Table 20.14 which shows India's trade with UAE. The exports have significantly increased from Rs. 3974.63 crore in 1994-95 to Rs. 7857.07 crore in 1998-99. Similarly, the imports have also increased from Rs. 4813.79 crore in 1994-95 to Rs. 7241.36 crore in 1998-99. The trade balance has also increased from Rs. -839.16 crore in 1994-95 to Rs. -325.43 crore in 1997-98. The trade balance became favourable for the year 1998-99 and reached to Rs. 615.71 crore.

Table 20.14: India's Trade with United Arab Emirates

(*Rs. crore*)

Year	Export	Import	Trade balance
1994-95	3874.63	4813.79	-839.16
1995-96	4777.59	5374.11	-596.52
1996-97	5239.82	6163.01	-923.19
1997-98	6289.91	6615.34	-325.43
1998-99	7857.07	7241.36	615.71

Source: DGCI & S, GOI, Various Issues

India's major items of export to UAE were manmade yarn, fabrics, madeups; manufactures of metals; gems & jewellary; cotton yarn, fabrics, madeups, etc.; RMG cotton including accessories; marine products and machinery & instruments, plastic & linoleum products miscellaneous processed items rubber manufactured products meat & preparations and tea.

So far as India's imports from United Arab Emirates are concerned, like other West Asian countries, petroleum and petroleum products was the main item. Some other items of significance that are supplied by UAE include metaliferous ores & metal scrap; gold & silver; electronic goods; non-ferrous metal; fertilizers manufactured; sulphur & unroasted iron pyrites, etc.

20.6 TRADE PROSPECTS BETWEEN INDIA AND WEST ASIA

The selected countries of West Asia have a total population of more than one billion. Most of these West Asian countries are quite rich in natural gas, oil and petroleum products. The per capita income in these countries is as high as US$20,500 per annum in respect of United Arab Emirates, US$14,800 per annum in respect of Kuwait, US$14,000 per annum in respect of Qatar, US$9,000 per annum in respect of Bahrain and US$7,000 per annum in respect of Saudi Arabia. As a result of high per capita income, these countries offer immense potential as export markets for India. Moreover, there is a good number of Indians settled in these countries.

Since West Asian countries are rich in natural gas, oil and petroleum products it may be a good idea for India to enter into agreement with some of these countries for setting up refineries. One such agreement is expected to be clinched by Indian Oil Corporation with Kuwait Petroleum Corporation (KPC) to build the 9 million tonnes Paradip refinery. State-owned KPC is a super-rich oil giant which accounts for 70 to 80 per cent of the total budget revenue of its country. KPC management are keen to invest in the refinery in India. KPC is expected to invest $200 million in the Paradip refinery. There have been some failures on this account as is the case of Saudi Aramco backing out of the Punjab refinery project for which it had signed a memorandum of understanding with Hindustan Petroleum Corporation (HPCL). It is necessary that the Government of India removes the bottlenecks for establishing joint venture refineries in the country. It is particularly important at this point of time because with the turmoil in South East Asia, no new refineries are being set up in that region. As a result India is the right place at present for such a venture. The fact that any refinery being set up now would go on stream four years from hence when there would be a shortage of refining capacity to meet the increased demand at the time when the economies of the Asian tigers would be on the upswing. This would make the venture that much more profitable.

India's exporters can concentrate on the following items for increasing their business with the select West Asian countries:

Clothing and textiles
Fruits and vegetables
tea
coffee
spices
machinery & equipment
computer software
high-end consumer goods

Check Your Progress B

1) Enumerate major items of India's exports to Bahrain.

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2) Enumerate India's major items of India's exports to UAE.

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3) Enumerate major items of imports to India from Saudi Arabia.

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4) State whether following statements are **True** or **False**.

   i) India's trade balance has been positive with Bahrain.

   ii) India's imports from Iran have been decreasing since 1994-95.

   iii) India's export to Kuwait have been increasing since 1994-95.

   iv) India's trade balance with Saudi Arabia has been reducing since 1996-97.

   v) India's trade balance with UAE was negative in 1998-99.

20.7 LET US SUM UP

West Asia is also referred to as Middle East and the Gulf and the countries of this region are rich in petroleum. The per capita income of these countries is quite high. It is expected that in the next few years these countries are likely to sustain the growth rates. The major item of their export is natural gas, oil, petroleum and products. Japan, USA and European Union are their major trade partners. India's trade with Bharain, Iran, Jordan, Kuwait, Qatar, Saudi Arabia and United Arab Emirates shows that the trade have been increasing with these countries. As a result of large volume of import of petroleum products in India from these countries, the trade balance has been negative.

20.8 ANSWERS TO CHECK YOUR PROGRESS

A3 i) True ii) False iii) False iv) True v) True

B4 i) False ii) False iii) True iv) True v) False

20.9 TERMINAL QUESTIONS

1. According to international classification, describe the composition of West Asia. Describe briefly the economic structure of West Asia.
2. Explain the recent economic developments in West Asia. Write briefly West Asia's direction and composition of trade.
3. Describe India's foreign trade with West Asia. Analyse the composition of India's trade with West Asia.
4. Describe India-West Asia trade prospects.

SOME USEFUL BOOKS/REPORTS

Centre for Monitoring Indian Economy, Foreign Trade and Balance of Payments, July 2000, Delhi.

DGCI & S, Annual Report, 2000.

UN International Trade Statistics Year Book, 1997.

Ministry of Finance, Government of India, Economic Survey, 1999-2000, New Delhi.

WTO Annual Report, 1998-99.