



India and Gulf Cooperation Council

For Prelims: Types of Trade Agreements, India & Gulf Countries

For Mains: Significance of Indian-Gulf Relations, Opportunities for India under the Free Trade Agreement (FTA)

Why in News?

India and the [Gulf Cooperation Council \(GCC\)](#) have agreed to pursue a [Free Trade Agreement \(FTA\)](#) **between the two regions and resume the negotiations.**

- GCC is a **union of six countries in the Gulf region** — Saudi Arabia, the UAE, Qatar, Kuwait, Oman and Bahrain. The council is the largest trading bloc of India.

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Why is the Gulf Region Crucial for India?

- India has enjoyed centuries of good relations with countries like Iran, while smaller gas-rich nation Qatar is one of India's closest allies in the region.
- India shares good relations with most of the countries in the Gulf.
- The two most important reasons for the **relationship are oil and gas, and trade.**
 - Qatar accounts for **41% of India's total natural gas imports.**
- Two additional reasons are the **huge number of Indians who work in the Gulf countries,** and the remittance they send back home.
 - As per a research paper published by the [Reserve Bank of India](#), in the financial year 2020-21, remittances from the UAE to India were USD15.40 billion, which is 18% of India's total inward remittances.

What is the State of the India-GCC Trade Relationship?

- India's exports to the GCC member countries **grew by 58.26% to about USD 44 billion** in 2021-22 against USD 27.8 billion in 2020-21.
- **Bilateral trade in goods has increased to USD 154.73 billion** in 2021-22 from USD 87.4 billion in 2020-21.
- **Services trade between the two regions was valued at around USD 14 billion** in 2021-22, with exports aggregated at USD 5.5 billion and imports at USD 8.3 billion.
- **GCC countries contribute almost 35% of India's oil imports** and 70% of its gas imports.
- **India's overall crude oil imports from the GCC in 2021-22** were about USD 48 billion, while LNG and LPG imports in 2021-22 stood at about USD 21 billion.

What is the Status of Indian Trade Agreements with Other Countries?

▪ **India-Australia Trade Agreement:**

- Recently, the Australian Parliament **approved the India-Australia Economic Cooperation and Trade Agreement (Ind-Aus ECTA).**
- It is the **first Free Trade Agreement (FTA) that India has signed with a major developed country** in over a decade.
- The Agreement encompasses cooperation across the entire gamut of bilateral economic and commercial relations between the two friendly countries.

▪ **India-European Union FTA:**

- India and the EU restarted their FTA negotiations in goods and services in early 2021 after a gap of eight years.
- The two regions **aim to work out pacts in investments and geographic indications parallel to FTA engagement.**
- Round three of India-EU FTA talks will begin later this year at Delhi.

▪ **India-UK FTA:**

- Over the next few months, India and the United Kingdom will start talks on a free trade agreement (FTA).
- On the agenda is securing a patent regime against evergreening by pharma companies, seeking easier work visas as well as access to Indian movies in the region under the proposed FTA.

▪ **India-UAE CEPA**

- The Comprehensive Economic Partnership Agreement (CEPA) between **India and the United Arab Emirates (UAE) came into force from 1st May, 2022**
- **CEPA provides for an institutional mechanism to encourage and improve trade** between the two countries.

▪ **India-Canada CEPA:**

- Canada had previously been working to advance negotiations on a Foreign Investment Promotion Protection Agreement (FIPA) and a CEPA.
- In August 2022, India and Canada confirmed that they **would hold the fourth round of negotiations to secure an Early Progress Trade Agreement (EPTA),** an intermediate step till a Comprehensive Economic Partnership Agreement (CEPA) is reached.

Way Forward

- The Gulf region has historical, political, economic, strategic and cultural significance for India. India-GCC Free Trade Agreement (FTA) can provide a boost to the relations.
- Presently, the **GCC region is volatile,** thus, India needs to safeguard its large economic, political and demographic stakes in the region.

UPSC Civil Services Examination, Previous Year Question (PYQ)

Q. Which of the following is not a member of 'Gulf Cooperation Council'? (2016)

- (a) Iran
- (c) Oman
- (b) Saudi Arabia
- (d) Kuwait

Ans: (a)

Exp:

- The Gulf Cooperation Council (GCC) is an alliance of 6 countries in the Arabian Peninsula – Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. Iran is not a member of the GCC.
- It was established in 1981 to promote economic, security, cultural and social cooperation between the members and holds a summit every year to discuss cooperation and regional affairs.

- Hence, option (a) is the correct answer.

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