

An Analysis of India's Trade Intensity with UAE

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Abstract

Today no nation in the world is fully self-reliant on its own resources. All the nations of the world are somehow interdependent on others, because every nation has its own natural resources, climate, geographical conditions and sources of energy. International interdependence is the main feature of today's global economy. Trading links between India and UAE have existed since ancient times. Indo-UAE trade has grown enormously in recent years. Many statistical trade indices are available to measure trade between two countries. One of them is the trade intensity index. The trade intensity index appears in two forms, the export intensity index and import intensity index. A few studies have done to explore intricacies of the trade relationship between the two countries. Under such scenario this paper investigates the major trends of bilateral trade and explores issues associated with trade intensity. An attempt is made here to examine the India's Trade Intensity with UAE for the period from 2006 to 2016. The paper also suggests measures to enhance trade intensity between India and UAE. Time series data have been used to measure Trade Intensity Index (TII). The findings of the study reveal that India's trade with UAE is more intense in comparison with its other trading partners.

Keywords : Trade Intensity, Import-Export, India UAE Trade, Foreign Trade

Classification JEL : F13, F15, N15, N55

1. INTRODUCTION

In the era of globalization international trade has become the backbone of any economy. India and United Arab Emirates both economies have significant places in global economy. The Indian economy is the seventh largest in the world by nominal GDP and third largest by purchasing power parity. The United Arab Emirates has an open economy with a high per capita income. The UAE is one of the wealthiest countries in the Middle East. The India and UAE have old civilization, cultural, Commerce and trade ties with each other which have now turned in to a comprehensive strategic

partnership. India and UAE are constantly working hard to improve this relationship stronger than before. Trade between India and UAE started when these two nations used to deal some of the traditional items with each other. In recent years India-UAE bilateral trade has grown enormously. 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. With respect to bilateral investments, total Foreign Direct Investment (FDI) from UAE to India is estimated to be US\$3.01 billion (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.

2. REVIEW OF LITERATURE

Some relevant reviews of literature are as follows:-

K.A. Goyal & A. Vajid (2016) analyzed the bilateral trade between India and UAE in their study "An Analysis of Bilateral Trade between India and UAE". The authors examined the Indo-UAE trade data between 2011 to 2015. The study revealed that India and UAE are good trade partners of each other and having deep trade relations. India's major export items to UAE are minerals fuels, precious and semi precious stones, gems & jewelry, clothes, cereals and mechanical appliances etc. While UAE's main export items to India are petroleum products and oil. The authors briefly highlighted the diplomatic relations, bilateral agreements and MoUs signed by both countries to further enhance the bilateral trade.

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.

Sundar & Ambrose (2014) examined the Indo-Japan trade in their study "A Brief Analysis of India-Japan Bilateral Trade: A Trade Intensity Approach". The authors analyzed the trade intensity between India and Japan with the help of Kojima's trade intensity index. The study revealed that India has not diversified its export basket over the years to Japan. During the study (2001-2011) period it has been found that Japan's imports from India have declined much more than its exports to India. The authors concluded that the overall trade intensity whether its export of import, has declined over the period of study.

Sayeeda Bano (2010), in her study "India-New Zealand Trade And Trade Potential: Recent Experience And Future Opportunities" explores the evolution of trade relation and trade potential between India and New Zealand. The author analyzed the trade with the Kojima indices of trade intensities, revealed comparative advantages, intra industry trade and trade potential indices. Author concluded that bilateral trade between India and New Zealand is at very low level compared to the global trade profiles of both countries. At last

author suggested priority areas for realizing untapped trade and investment potential between both countries.

3. OBJECTIVES:

Objectives of this research paper are:

- To analyze the extent of intensity of trade between India and United Arab Emirates
- To suggest measures to enhance trade intensity between the two countries.

4. INDO-UAE TRADE

Bilateral trade between India and UAE for 2016 reached US\$50 billion. Trade between the two countries, excluding oil, stood at \$36bn. India accounts for about 10 per cent of the UAE's foreign trade. The country, which has been among the top three UAE trading partners in the past few years – is currently the largest partner. According to UAE's Ministry of Economy about 9 per cent of the UAE's total exports go to India, while 8 per cent of the UAE's imports come from India. According to Table 1 it's clearly revealing that in past 10 years from 2007 to 2016 India's Export to UAE has reached USD 30290.01 Million from USD 12021.77 Million which is more than 60%. Although it has witnessed some incline and decline in growth rates.

Table 1
India's Export to UAE

| Year | Export | Growth |
|------|----------|--------|
| 2007 | 12021.77 | |
| 2008 | 15636.91 | 30.07 |
| 2009 | 24477.48 | 56.54 |
| 2010 | 23970.40 | -2.07 |
| 2011 | 33822.39 | 41.10 |
| 2012 | 35925.52 | 6.22 |
| 2013 | 36316.65 | 1.09 |
| 2014 | 30520.42 | -15.96 |
| 2015 | 33028.08 | 8.22 |
| 2016 | 30290.01 | -8.29 |

Source: Compiled from Director General of Commerce Intelligence and Statistics

The below table 2 shows the India's imports from UAE. India's Import has also increased in past 10 years. It was USD 8655.28 Million in 2007 which reached to USD 19445.68 Million in 2016 reporting more than 55% increase in India's import from UAE in last 10 years.

Table 2
India's Import to UAE

| Year | Export | Growth |
|------|----------|--------|
| 2007 | 8655.28 | |
| 2008 | 13482.61 | 55.77 |
| 2009 | 23791.25 | 76.46 |
| 2010 | 19499.10 | -18.04 |
| 2011 | 32753.16 | 67.97 |
| 2012 | 36756.32 | 12.22 |
| 2013 | 39138.36 | 6.48 |
| 2014 | 29019.82 | -25.85 |
| 2015 | 26139.91 | -9.92 |
| 2016 | 19445.68 | -25.61 |

Source: Compiled from Director General of Commerce Intelligence and Statistics

5. TRADE INTENSITY BETWEEN INDIA AND UAE

With the help of trend analysis of growth rates one cannot get the full idea about intensity of trade between the two countries. In order to know the trade intensity between two countries and to see the trajectory of trade over the years, Kojima's (1964) Trade Intensity Index can be used. It helps to measure bilateral trade intensity between two countries and can identify how intensively the countries are trading with each other. Trade intensity index is defined as the share of one country's trade with another country, divided by the other country's share of global trade. The value of index can be 0 to 100. If the value comes 0, it implies no trade relationship between partner countries. On the other hand, if the value of import intensity index is more (or less) than 100, it indicates that country 'i' is importing more (or less) from country 'j' than might be expected from that country's share in total world trade. In export

too, if the value is 0 or nearer to 0, it implies export link between these two countries is negligible and if the value is nearer to 100 that indicates that performance is significant and if it exceeds 100 it indicates that country i is exporting more to country j than might be expected from that country's share in world trade.

MI = Total Import of India
 XG = Total Export of the UAE
 XW = Total World Export
 XI = Total Export of India.

The above Table 4 investigates the intensity of trade between India and UAE. The

Table 3
Indo-UAE Bilateral Trade 2007 - 2011

| Description | 2007 | 2008 | 2009 | 2010 | 2011 |
|----------------------------|-------------|-------------|-------------|--------------|-------------|
| India's Export to UAE | 14447008 | 19096532 | 25415975 | 27412253 | 37369375 |
| Total Exports of India | 145898053 | 181860898 | 176765036 | 220480496 | 301483250 |
| Total Import of the UAE | 127001505 | 175485699 | 164251000 | 187001000 | 210945000 |
| Total Import of the World | 14097221790 | 16345271437 | 12609807746 | 152316407041 | 18313272111 |
| Total Import of India | 218645294 | 315712106 | 266401553 | 350029387 | 462402791 |
| Total Exports of the World | 13777495680 | 15972677606 | 12317210483 | 15065283815 | 18072982655 |
| India's Import from UAE | 11702839 | 19419289 | 19735385 | 30907472 | 35471580 |
| Total Export of UAE | 156634000 | 210000000 | 174725000 | 198362000 | 252556000 |

Compiled from UN Comtrade

Table 3
Indo-UAE Bilateral Trade 2012-2016

| Description | 2012 | 2013 | 2014 | 2015 | 2016 |
|----------------------------|-------------|-------------|-------------|--------------|-------------|
| India's Export to UAE | 35781394 | 33980431 | 32919602 | 29989560 | 30041758 |
| Total Exports of India | 2895647659 | 336611389 | 317544642 | 264381004 | 260326912 |
| Total Import of the UAE | 261022920 | 2949669128 | 298611277 | 287024848 | 270882074 |
| Total Import of the World | 18504364372 | 1889462491 | 18901028897 | 16561697875 | 16045698257 |
| Total Import of India | 188976378 | 466045567 | 459369464 | 390744731 | 356704792 |
| Total Exports of the World | 18346873446 | 18851591759 | 18841472314 | 164069919752 | 15912143458 |
| India's Import from UAE | 37799115 | 32964585 | 27287867 | 20283244 | 19240912 |
| Total Export of UAE | 350123000 | 379488768 | 380339616 | 33362350 | 28965094 |

Compiled from UN Comtrade

Table 4
India's Trade Intensity with UAE

Export intensity Index (EII) of India with UAE =
 $(XIG / XI) / ((MG / (Mw - MI))$

Where, XIG = India's Export to the UAE

XI = India's total Export

MG = Total Import of the UAE

Mw = Total World imports

MI = Total Imports of India.

Import intensity Index (III) of India with UAE =
 $(MIG / MI) / ((XG / (Xw - XI))$

Where, MIG = Import of India from UAE

| Year | Export Intensity Index | Export Intensity Index |
|------|------------------------|------------------------|
| 2007 | 10.82 | 10.82 |
| 2008 | 9.59 | 9.59 |
| 2009 | 10.81 | 10.81 |
| 2010 | 8.96 | 8.96 |
| 2011 | 10.49 | 10.49 |
| 2012 | 8.53 | 8.53 |
| 2013 | 6.31 | 6.31 |
| 2014 | 6.4 | 6.4 |
| 2015 | 6.4 | 6.4 |
| 2016 | 6.68 | 6.68 |

Source : Author's own calculation based on UN Comtrade Data

values of Export Intensity Index (EII) and Import Intensity Index (III) were calculated for the time period 2007 to 2016 which shows that in recent years India's trade export and import intensity with UAE has been declined slightly, however it's still above unity which indicates the higher trade intensity between India and UAE. It can be analyzed from Table that India's Export Intensity with UAE is higher than its import intensity with UAE. India's Export intensity with UAE was 10.82 in 2007 which is now in 2016 calculated at 6.68. On the other hand India's Import Intensity with UAE was 4.65 in 2007 which is now 2.83 in 2016.

6. CONCLUSION & SUGGESTIONS

After analysis of trade intensity between India and UAE it can be concluded that India's trade with UAE is in good flow. In the study period from 2007 to 2016 India's trade intensity both export and import never went below unity that implies the both countries have good trade partnership in comparison with global trade. However it's matter of concern that in recent years, both India's export and import intensity with UAE has been declined. This decline is due to recession in global trade and some policy measures at both sides to improve their trade deficit.

- Suggestions to enhance trade intensity between India and UAE are:-

- There are still some underdeveloped areas in Indo-UAE trade that needs to be focus like knowledge based industries, tourism, telecom etc.
- Many bilateral agreements and MoUs have been signed between India and UAE in various sectors like Double tax avoidance, BIPA, Agriculture, banking etc. but for removing the trade barriers and other hurdles new policy initiative and agreement are required.
- Trade fairs and trade exhibition can also enhance the trade between India and UAE. So government should organize and arrange more trade fairs and exhibitions in both the countries to give good platform to both countries traders where they can meet and explore their commodities to each other.
- Good understanding of languages and culture of each other is very necessary to promote trade and investment between both India and UAE. English is the universal and common language for both the nations. It is necessary for the traders of both nation's to have good command over the other's local language. Government should establish training and teaching centre at both sides to promote language and culture. It can help to understand business environment easily at both sides.

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