

Bilateral Trade of India with Middle East Countries : A Study of Iran

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Abstract

From the recent past, it has been seen that the structure of international trade is made simple & smoothening. India is having a good political, cultural & economic relationship with Iran. Iranian oil is very popular in India while the cereals & other food materials are popular in Iran. The need of present hour is to build stronger trade relation with Middle East nations, among them Iran is an important country. From the study it has been found that the trade balance is negative for India in the recent past. The share of total export to Iran is also very low. Hence, policies should be made to encourage this trade between the two nations. Oil is the chief commodity imported due to its natural superiority. An alternative use for oil must be developed to decrease the use of oil in the nation. Better export of arts & artifacts must be done to improve the quantity of export from India. Political relation must be made stronger to enhance the trading between the nations. Providing better environment to the exporters through subsidies, financial & technical assistance, etc. to enhance the total growth of export will be a better option.

Keywords: *smoothening, Iranian oil, trade relation, Middle East, better environment.*

1. INTRODUCTION

Foreign trade has played an important role in the development of any nation. It has helped in developing various types of relationship among the trading countries. India & Iran relations span centuries marked by meaningful interactions. The two countries shared a border till 1947 and share several common features in their language, culture and traditions. Both South Asia and the Persian Gulf have strong commercial, energy, cultural and people-to-people links. However, the trade relations have traditionally been controlled by Indian import of Iranian crude oil resulting in overall trade balance in favor of Iran. Both the countries have immense share in educational system also. Many students of Iran come to India, vice-versa. Apart from social, cultural, educational & historical linkage, both the country posses economic trade behavior with each other from long era. Indus valley

civilization too shows many traces of trade among the two nations. In the recent past, the two countries exchanges huge amount of energy & edibles. In this paper, the emphasis is made on the status of international trade between them & some opportunities thereon. Recently, the P.M. of India visited in Iran building good relation among the citizens. A trade of petroleum product will took place with the essence of pipe line building among Iran-Afghanistan-Pakistan-India. It is assumed that more emphasis is made on the global peace & empowerment with the said project.

2. OBJECTIVE OF THE STUDY

Following are the major objectives of this research paper :

- (a) To study the present status of both the countries in World Trade.

- (b) To analyze the trend of export & import of Iran, & India’s share in it.
- (c) To analyze the composition of export & import between India & Iran.
- (d) To analyze the impact of growth of Iran’s import on India’s share.
- (e) To procure suggestive measures for the improvement of trade between India & Iran.

3. LITERATURE REVIEW

Various books, journal, research papers, etc. could be found in the related study. Some books of business ethics acts as a base of the study. Some of the prominent works done in the related field are mentioned below.

In his book, P. Cateora, the base of international marketing management is explained thoroughly, with the context of South Asia. Elements of international marketing are elaborated in detail, which has helped in understanding the topic. Export Management of B.S.Rathor has helped in understanding the concept of foreign trade & various international issues. Indian Trade Journal has helped in understanding the various bilateral trades between various countries. Balloch in his research paper has elaborated the economic trade relation between India-Iran in a well defined manner. Ilias in his research paper analysed the impact of US relations & Iran’s economic conditions. A.Gupta has explained in his research paper various data analysis technique, which has helped in making this paper. Mousavi has explained the India-

Iran relation after New Delhi declaration in a deeper manner that has helped in taking decision of making this paper. Various political issues have also been explained in that paper. Leverett has explained the US-China trade relation in a brief format. It has summarized their related relations. . Further, H. Zangeneh (1997), author, drew conclusion in his study “direction & evolution of International Trade in Iran: An Empirical Analysis” about international trade after revolution in Iran based on all economic indicators such as GDP, private per capita consumption, private investment, external debt, inflation and non-oil export. M. Alaei far (2000), author, studied the relationship between oil export and economic growth in the Iran from 1959 to 1999 in his paper “The Relationship between Export and Economic Growth: assessing from Iran (1959-1999)”, with the help of combining production function and international trade development theories, a six variable (economy, growth, petroleum, exports, capital, labor) and developed vector auto regression (VAR) made.

4. METHODOLOGY

In this research paper, secondary data is used to the greater extent. The data received from various sources are properly classified into tables, graphs, etc. The information is transformed into meaningful conclusion in the form of percentage share, annual growth, etc. Various statistical tools like index number, mean, etc. is used. The secondary data is taken from the published reports of Ministry of Commerce (India), Central Bank of Iran, EXIM bank, DGFT, WTO, etc.

Table 1: Status of World trade

US dollar at current prices (Millions)

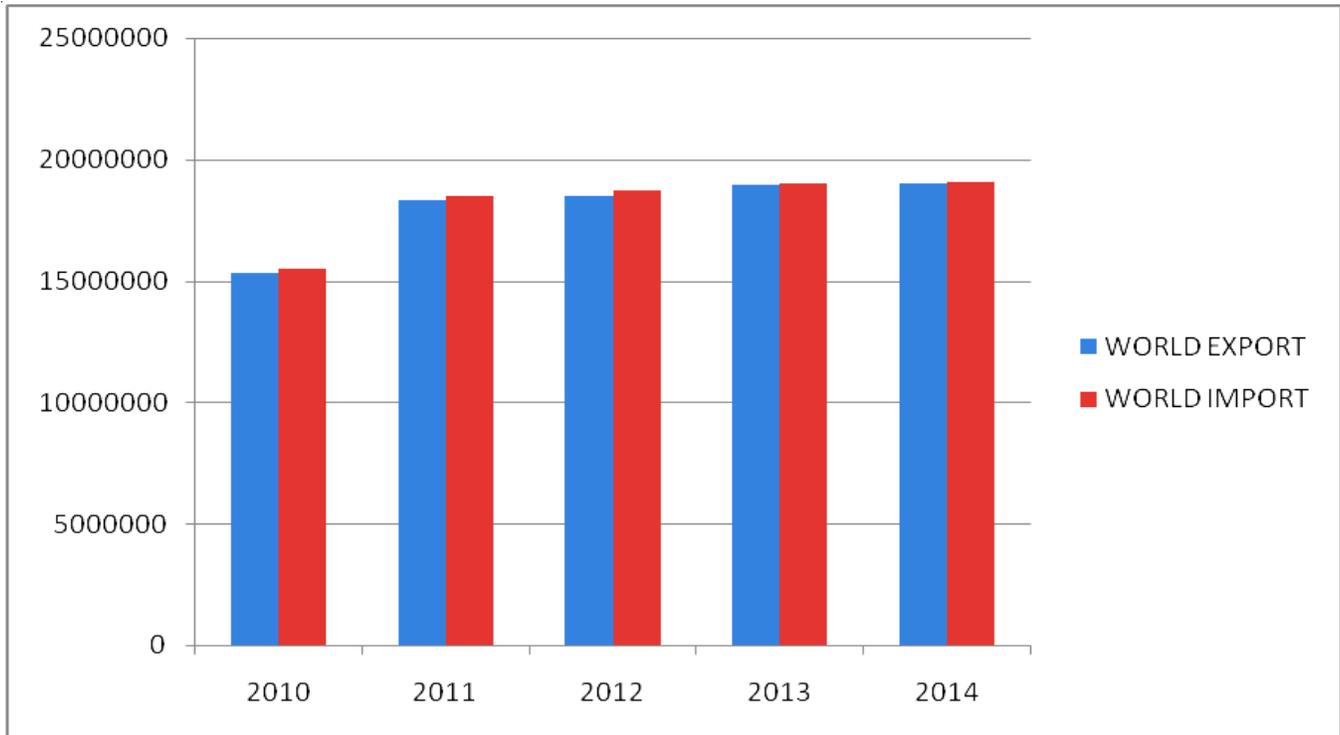
Year	World Export	World Import	Total Word Trade	Trade Balance
2010	15301000	15511000	30812000	-210000
2011	18338000	18503000	36841000	-165000
2012	18496000	18713000	37209000	-217000
2013	18954000	19026000	37980000	-72000
2014	19002000	19091000	38093000	-89000

Source : Statistical Database, WTO

The table 1 shows the status of total world trade for the last five years. It has been shown that the trade balance of total world trade is negative consecutively. It was largest in the year 2012 &

smallest in 2013. In the year 2014 the amount of total trade was biggest. The growth in total trade was highest in year 2011.

Figure 1: Status of Export-Import of World in the last five years

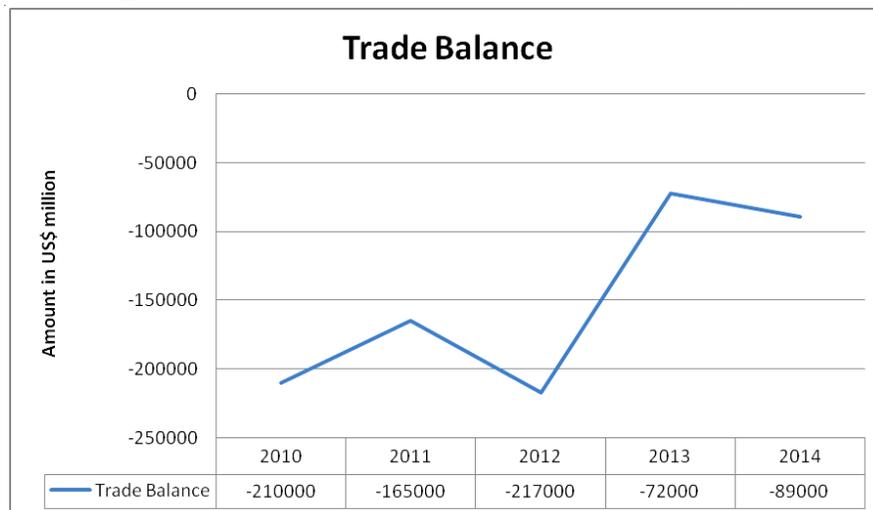


Source : Table 1

The figure 1 is the diagrammatical representation of table 1. The amount of total export & import is shown in the blue & red bar diagram

respectively for the last five years. From the diagram it has been clearly viewed that there is not very huge difference between the total world export-import.

Figure 2 : World's Trade balance for the last five year



It has been seen from the figure 2 that there is an average negative trade balance of -150600 US \$ million every year. The balance was highest in the year

2012. There is a zigzag pattern for trade balance in the last five year.

Table 2: Share in total world export by India & Iran in the last five years

US dollar at current prices (Millions)

Year	World Export	Indices Of World Export (2010 Base Year)	India's Export	Indices Of India Export (2010 Base Year)	Iran's Export	Indices Of Iran Export (2010 Base Year)
2010	15301000	100	226351	100	101316	100
2011	18338000	119.848376	302905	133.820924	132000	130.285444
2012	18496000	120.880988	296828	131.136156	104000	102.649137
2013	18954000	123.874257	314848	139.097243	82500	81.4284022
2014	19002000	124.187962	321596	142.078453	88800	87.6465711

Source : Author' calculation

In the table 2, the share of the two countries in the world's export is shown. It is seen clearly that both India & Iran is covering less than 1% of the total world's export for all the years. The growth of export

of India is moving positively while that of Iran is negatively. This growth was highest in 2011 for both the countries. Lowest or negative growth was highest in 2013 for Iran.

Table 3 : Share in total world import by India & Iran in the last five years

US dollar at current prices (Millions)

Year	World Import	Indices Of World Import (2010 Base Year)	India's Import	Indices Of India Import (2010 Base Year)	Iran's Import	Indices Of Iran Import (2010 Base Year)
2010	15511000	100	350233	100	65404	100
2011	18503000	119.289536	464462	132.615145	61760	94.4284753
2012	18713000	120.643414	489694	139.819492	57092	87.2912972
2013	19026000	122.661337	465397	132.88211	49000	74.9189652
2014	19091000	123.080395	463033	132.207131	51000	77.9768821

Source : Author' calculation

In the table 3, the share of the two countries in the world's import is shown. It is seen clearly that both India & Iran is covering less than 1% of the total world's import for all the years. The growth of import

of India is somehow moving positively while that of Iran is negatively. This growth was highest in 2011 for India. Lowest or negative growth was highest in 2013 for Iran.

Table 4- Iran’s foreign Trade: - Trends

Value in (US million \$)

Year	Export	Export Indices (1992-93 as base year)	Growth Rate	Import	Import Indices (1992-93 as base year)	Growth Rate	Trade Balance
1992-93	19868	100	-	23274	100	-	-3406
1993-94	18080	91	-8.99	19287	82.87	-17.13	-1207
1994-95	19434	97.82	7.48	12617	54.21	-33.76	6817
1995-96	18360	92.41	-5.52	12774	54.89	1.24	5586
1996-97	22391	112.69	21.95	14989	64.40	17.33	7402
1997-98	18602.31	93.63	-16.92	14621.53	62.82	-2.45	3980.8
1998-99	13104.22	65.96	-29.55	15013.88	64.51	2.68	-1909.7
1999-00	20882.34	105.11	59.35	13441.57	57.75	-10.47	7440.8
2000-01	28474.59	143.32	36.35	15860.06	68.14	17.99	12614.5
2001-02	23988.46	120.74	-14.47	18969.09	81.50	16.48	5019.4
2002-03	28109.6	141.48	17.17	22576.35	97.00	19.01	5533.2
2003-04	33991.66	171.9	20.92	30141.36	129.51	33.50	3850.3
2004-05	43834.6	220.63	28.95	38761.83	166.55	28.60	5072.8
2005-06	64524.79	324.77	47.20	43381.49	186.39	11.91	21143.3
2006-07	76190.24	383.48	18.07	49986.57	214.77	15.22	26203.7
2007-08	97667.24	491.58	28.18	58240.08	250.24	16.51	39427.2
2008-09	101288.82	509.81	3.70	70174.95	301.52	20.49	31113.9
2009-10	88326.08	444.56	-12.79	69246.57	297.52	-1.32	19079.5
2010-11	112787.7	567.69	27.69	75457.61	324.21	8.96	37330.1

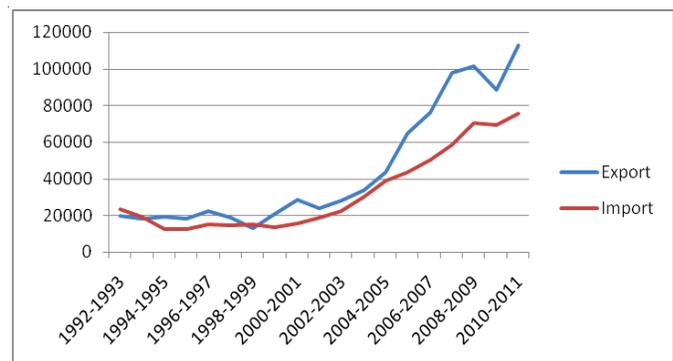
Source : Central Bank of Iran

It has been seen from the table 4 that the trade balance is continuously favorable except in 3 years out of 19 years. The major export of Iran amounts to the export of Iranian crude oil. Fuels & fertilizers amount to major part of export of Iran. Cereals, machinery, iron & steel, meat & other edible items, nuclear reactors, etc. amount to major part of import. The growth rate of export is far higher than the growth rate of import in most of the year.

In the figure 3, it is shown that the blue line of export is above the red line of import from the year 1999-00 continuously. This gap was maximum in the year 2006-07 & minimum in 2003-04. It could be forecasted that in coming future also the gap will exist,

due to the supremacy in the oil export in the world.

Figure 3 - Trend of export-import of Iran



Source : Table 4.

Table 5- Iran's Total Export – Oil & Gas Export and Non Oil Export & India's Share

Value in (US Million \$)

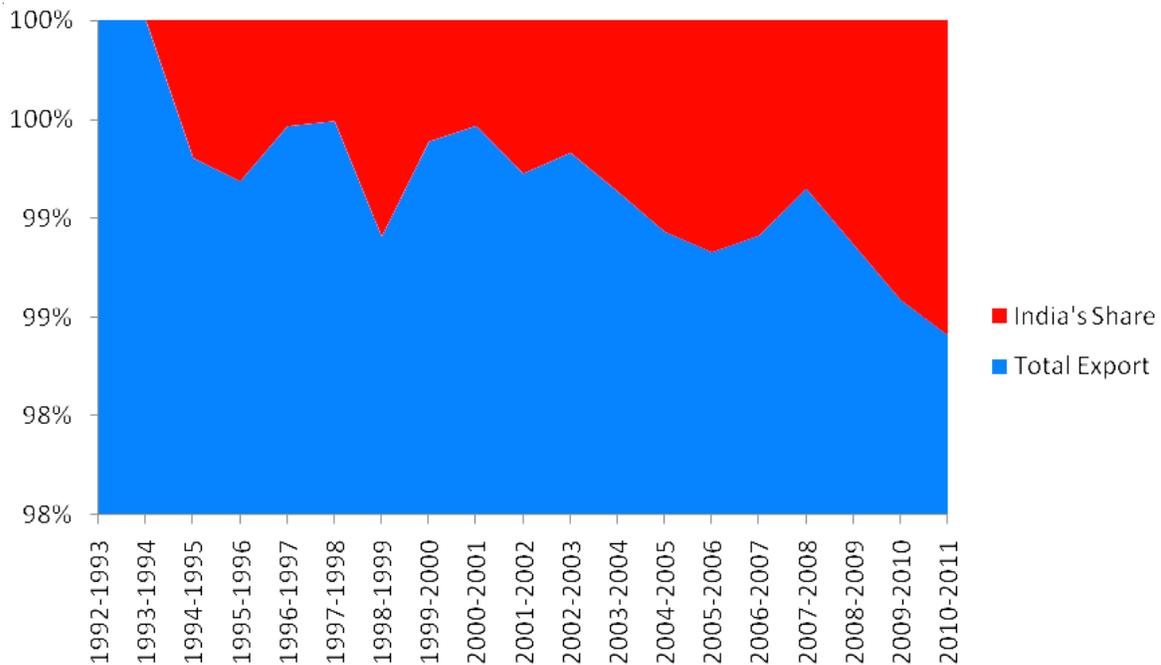
Year	Oil & gas Export	Non Oil Export	Total Export	India's share	% share of total export	% share of Non Oil Export
1992-93	16880	2988	19868	NA	NA	NA
1993-94	14333	3747	18080	NA	NA	NA
1994-95	14603	4831	19434	136	0.69	2.82
1995-96	15103	3257	18360	150.4	0.82	4.62
1996-97	19271	3120	22391	120.3	0.54	3.86
1997-98	15471.3	3131.01	18602.31	95.1	0.51	3.03
1998-99	9933	3171.22	13104.22	144.7	1.10	4.56
1999-00	17089	3793.34	20882.34	128.6	0.62	3.39
2000-01	24279.9	4194.69	28474.59	152.5	0.54	3.64
2001-02	19338.64	4649.82	23988.46	187	0.77	4.02
2002-03	22965.6	5144	28109.6	189.23	0.67	3.67
2003-04	27355.02	6636.65	33991.66	296.2	0.87	4.46
2004-05	36314.74	7519.86	43834.6	473	1.07	6.29
2005-06	53819.7	10705.09	64524.79	764	1.18	7.13
2006-07	62011.49	14178.76	76190.24	836.64	1.09	5.90
2007-08	81566.66	16100.57	97667.24	837.47	0.85	5.20
2008-09	82402.52	18886.3	101288.82	1159.44	1.14	6.14
2009-10	66189.64	22136.44	88326.08	1264.49	1.43	5.71
2010-11	86192.87	26594.82	112787.7	1821.71	1.61	6.84

Source : Central Bank Of Iran

The table 5 shows the share of India's import in the total export of Iran. It has been seen that India doesn't covers very huge amount of share in the export of Iran. The uniqueness of Iran's oil & gas has made the country economically stronger. The substitute of crude oil is still not present in the world due to this the need of such oil has not decreased anyway. The share of India is continuously increasing at a very slow rate in these 19 years. The share in non-oil export is in the range between 2.82% to 7.13% in the given period.

In the figure 4, it has been shown the coverage relationship between total export of Iran & India's share in it. It has been analyzed that from the year 2004-05 this share is increasing very slowly. The share was highest in the year 2010-11 while it was lowest in 1997-98. With this we can conclude that India is not the major partner of export of Iran. Iraq & UAE are the major exporting countries for Iran. They are increasing their import from Iran continuously.

Figure 4 - India's share in total export of Iran



Source : Table 5.

Table 6- Iran's total Import and India's Share

Year	Total Import	India's Share	% share of Total Import
1992-93	23274	NA	NA
1993-94	19287	NA	NA
1994-95	12617	214.1	1.70
1995-96	12774	222	1.73
1996-97	14989	231	1.42
1997-98	14621.53	230	1.57
1998-99	15013.88	204	1.36
1999-00	13441.57	199	1.48
2000-01	15860.06	253.8	1.60
2001-02	18969.09	560.8	2.96
2002-03	22576.35	716.8	3.17
2003-04	30141.36	883.4	2.93
2004-05	38761.83	1221	3.15
2005-06	43381.49	1115	2.57
2006-07	49986.57	1440.22	2.88
2007-08	58240.08	1457.33	2.50
2008-09	70174.95	1818.9	2.59
2009-10	69246.57	1792.94	2.58
2010-11	75457.61	1296.91	1.71

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.945627
R Square	0.89421
Adjusted R Square	0.887158
Standard Error	7674.673
Observations	17.000

ANOVA

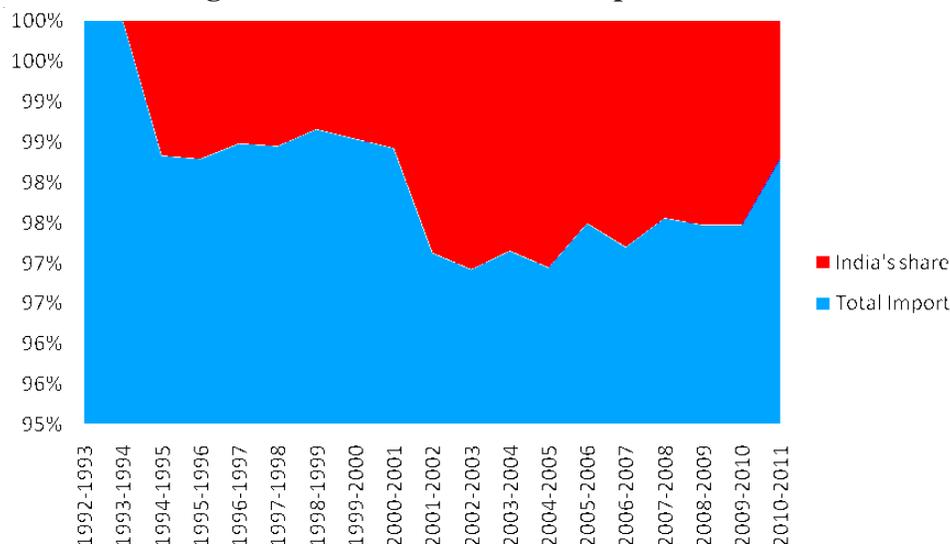
	df	SS	MS	F	Significance F
Regression	1	7.47E+09	7.47E+09	126.7907	1.03E-08
Residual	15	8.84E+08	58900612		
Total	16	8.35E+09			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	4641.371	3196.135	1.452182	0.167047	-2171.03	11453.77	-2171.03	11453.77
X Variable 1	35.89106	3.187445	11.26014	1.03E-08	29.09718	42.68494	29.09718	42.68494

Multiple R = 0.945627, the value of multiple R shows statistic nearer to 1. It implies that there is high impact of import of Iran upon the share of India. The table 6 shows the share of India’s export in the import of Iran for the given period. It has been seen that the share of India’ export in Iran’s import is

decreasing in the last three years of the study period. The range of share is in between 1.42% to 3.17%. The import from Iran is rising while export to Iran is decreasing slowly. In the year 2002-03 the share was maximum amounting to 3.17% whereas in the year 1996-97 it was lowest at 1.42%.

Figure 5- India’s share in total import of Iran



In the figure 5, it has been shown the coverage relationship between total import of Iran & India's share in it. It has been analyzed that the share is irregular in nature. The import share is increasing & decreasing without any pattern. The share was highest in the year

2002-03 while it was lowest in 1998-99. With this we can conclude that India is not the major partner of import for Iran. UAE, Germany & China are the major importing countries for Iran. They are increasing their export to Iran continuously.

Table 7 - Top 10 import commodities in India from Iran (based on 2 digit HS level) Value In (US Million\$)

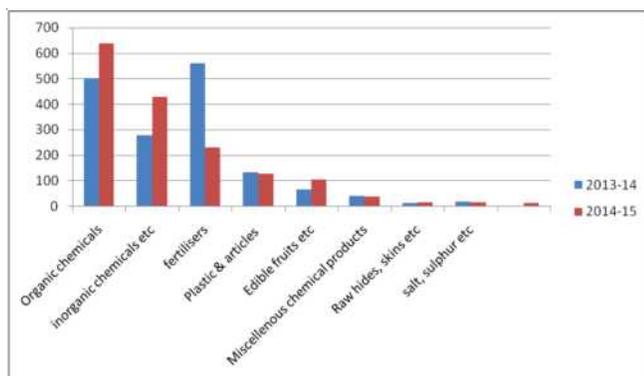
HS Code	Commodity	2013-14	2014-15	% Growth
27	Mineral Fuels, Mineral Oils And Products Of Their Distillation; Bituminous Substances; Mineral Waxes.	8,556.95	7,292.13	-14.78
29	Organic Chemicals	502.17	637.73	26.99
28	Inorganic Chemicals; Organic Or Inorganic Compounds Of Precious Metals, Of Rare-Earth Metals, Or Radi. Elem. Or Of Isotopes.	279.20	430.43	54.17
31	Fertilisers.	559.55	230.09	-58.88
39	Plastic And Articles Thereof.	134.20	127.27	-5.16
08	Edible Fruit And Nuts; Peel Or Citrus Fruit Or Melons.	67.74	104.66	54.5
38	Miscellaneous Chemical Products.	43.17	38.95	-9.77
41	Raw Hides And Skins (Other Than Furskins) And Leather	13.95	18	29.07
25	Salt; Sulphur; Earths And Stone; Plastering Materials, Lime And Cement.	19.62	17.46	-11.03
70	Glass and glassware.	2.82	13.73	386.78
	Total Import from Iran	10,307.16	8,955.02	-13.12
	Total Import of India	4,50,199.78	4,48,033.40	-0.48
	%Share Of Iran	2.2895	1.9987	

Source : Ministry of Commerce (Export Import Data Bank)

In the table 7 it is seen that there is a vast difference between the top most imported commodity & the 10th ranked commodity. It is also seen that the said table is giving information related to the import of top 10 commodities up to 2 digits HS Code. The growth % is negative for 5 commodities & positive for 5 commodities. The overall import from Iran & its share

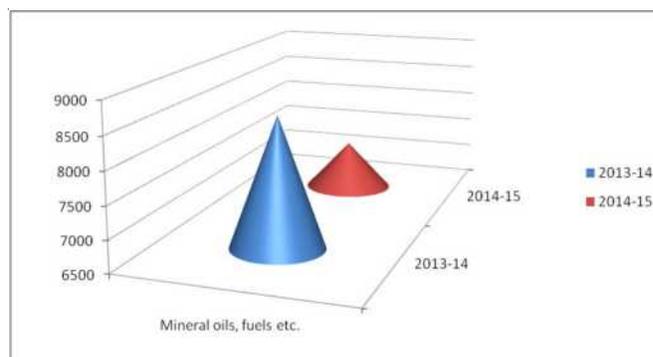
in total import of India is also decreased at -13.12% & 1.9987% respectively. The import of India is also decreased in the same year at -0.48 %. Mineral oils, fuels, etc. are imported most from Iran in both the year. The diagrammatic view of table is shown in Figure 4 & 5. Figure 4 shows non-oil imports while figure 5 shows oils import from Iran.

Figure 6 - Trend in import of non-oil commodities from Iran



Source : Table 7

Figure 7 – Trend in import of oil commodities from Iran



Source : Table 7

Table 8 - Top 10 export commodities in India from Iran (based on 2 digit HS level)

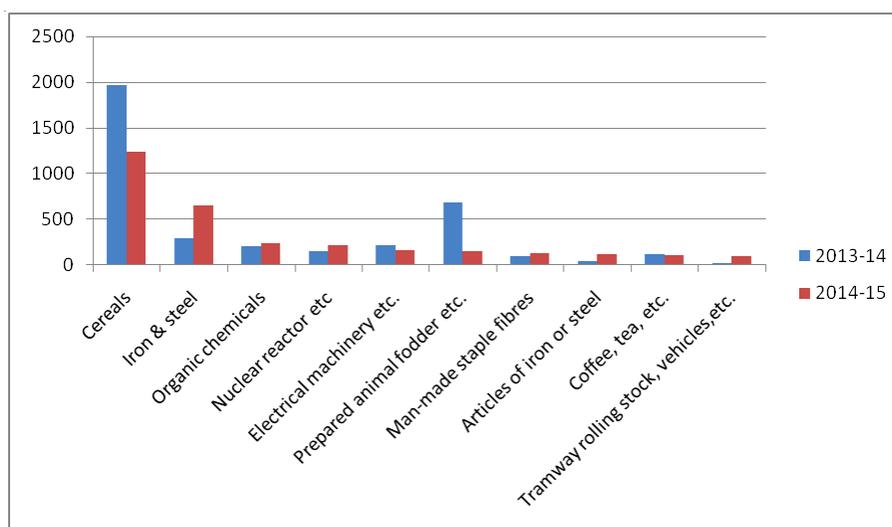
Value In (US Million\$)

HS Code	Commodity	2013-14	2014-15	%Growth
10	Cereals.	1968.73	1239.72	-37.03
72	Iron And Steel	290.16	654.48	125.56
29	Organic Chemicals	201.12	240.22	19.44
84	Nuclear Reactors, Boilers, Machinery And Mechanical Appliances; Parts Thereof.	154.38	211.96	37.3
85	Electrical Machinery And Equipment And Parts Thereof; Sound Recorders And Reproducers, Television Image And Sound Recorders And Reproducers, and Parts.	221.09	161.85	-26.8
23	Residues And Waste From The Food Industries; Prepared Animal Fodder.	681.37	156.25	-77.07
55	Man-Made Staple Fibres.	97.75	127.44	30.37
73	Articles Of Iron Or Steel	43.13	122.21	148.73
9	Coffee, Tea, Mate And Spices	120.48	105.8	-12.18
87	Vehicles Other Than Railway Or Tramway Rolling Stock, And Parts And Accessories Thereof.	25.76	95.89	272.2
	Total Export To Iran	4971.35	4175.06	-16.02
	Total Export From India	3,14,405.30	3,10,338.48	-1.29
	%Share Of Iran	1.5812	1.3453	

Source : Ministry of Commerce (Export Import Data Bank)

In the table 8 it is seen that there is a huge difference between the top most imported commodity & the 10th ranked commodity. It is also seen that the said table is giving information related to the export of top 10 commodities up to 2 digits HS Code. The growth % is negative for 4 commodities & positive for 6 commodities. The overall export to Iran & its share in total import of India is also decreased by -16.02% & to 1.3453% respectively. The export of India is also decreased in the same year by -1.29 %. Cereals are exported most to Iran in both the year.

Figure 8 – Trend in export of top 10 commodities to Iran



Source : Table 8.

The diagrammatic view of table is shown in Figure 8. The figure 8 helps in understanding the relationship of the export in the two years. In certain commodities the difference is seen positive while in some it is negative.

5. MEASURES TO ENHANCE TRADE BETWEEN INDIA & IRAN

Following measures should be taken by the government, traders & other planning bodies to enhance the trade between the two countries :

- (a) Analyzing the demand of the product in the country Iran & trying to produce such products.
- (b) Getting the procedure of foreign trade easier so that more people are engaged in it.
- (c) Usage of advance technologies & methods to increase the quality & quantity of the product.
- (d) Procuring the research in the field of fuel revolution & finding new energy resources, so that the import of oils could be reduced.
- (e) Subsidies should be given to the units which are engaged in export of commodities.
- (f) Easy form of financial & technical guidance to exporting units.
- (g) Appropriate marketing of home made products, enhancing quality thereon.
- (h) Taking steps in reducing the usage of inorganic chemicals & fertilizer, & promoting the organic chemicals produced in India.
- (i) Building strong political relationship in enhancing all types of trade.
- (j) Set up of export houses nearer to the region of exporters.

6. LIMITATION OF STUDY

The commodities which are related to foreign trade between the two nations, only those commodities are considered & centralized. The present study is a unique one. It shows economic & social relationship between India & Iran. Hence, it would be fruitful for all. The composition includes the major commodities traded. Data of last 10 years is taken into analysis. But there may be certain areas which are not covered in the study. It is mainly due to individual researcher's constraint & resource limitation. The study is highly depending upon secondary data which is received from various sources.

7. CONCLUSION

The relationship between the countries are nothing new, these find its traces in the Indus Valley civilization. The international peace is a big topic in the present era. Good economic & trade relation between India & Iran will help in building the long term peace & security in Gulf nations & Indian sub-continent. The study reveals the negative trade balance for India from various years. Some commodities like Iranian oils could not be stopped suddenly. Its alternative must be found like CNG, E-bikes, etc. Proper transportation activities must be followed to cover greater region of research. It has been seen that the import & export of India from Iran is reducing. The reason for such activities must be taken care. In this study it is helping the reader to find a bilateral relationship between India & Iran. Planning must be done in the field of research & development for the said field. The work is fruitful for the government, exporters, importers & other planning authorities.

○

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