



## AN OVERVIEW OF INDIA-BAHRAIN TRADE RELATIONS

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### ABSTRACT

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*Indian-Bahrain relations go back centuries and both are close allies. The Monarchy, along with its GCC allies, is one of the world's most influential advocates of India's candidacy for a permanent seat on the United Nations Security Council, according to Indian officials. In 2019-20, trade between India and Bahrain was USD 980.59 million. The wide Indian Diaspora in Bahrain is also the focus of debate as it is the foundation of India-Bahrain relationship.*

*An effort has been made in this paper to examine the India's trade relationship with Bahrain between 2011-2020. The study shows that India and Bahrain both have tremendous cooperation potential and therefore need to improve their trade diplomacy in order to establish a favourable trade facilitation climate.*

**KEYWORDS:** *Indo-Bahrain relations, Trade relations, Foreign Trade, International Relations, Foreign Relations, International Trade*

**JEL Classification:** *F10, F13*

### INTRODUCTION

For more than several centuries, India and Bahrain have had economic and trade relations; these relations received new impetus from the oil boom of the early seventies. Relative prosperity and higher living standards in Bahrain boosted global imports of goods and services, including from India. The industrial diversification policy of the Bahrain government also played an important role in improving the economy. Bahrain, because of its location, serves as the gateway to the GCC market. Mineral fuels, mineral

oils, inorganic chemicals, organic or inorganic compounds of rare earth precious metals, elam / radii / isotopes, cereals, nuts, fruit, apparel and clothing accessories, etc. are the main exports of India to Bahrain, while crude oils, mineral fuels, their bituminous substance, distillation, aluminum, fertilisers, ores / slag, etc., are the main imports from Bahrain.

With the largest financial institutions in the Gulf, Bahrain is the most mature and well-established business hub. With a track record of nearly 40 years and the highest number of financial institutions

licenced, Bahrain continues to be the region's leader in financial services. Bahrain provides businesses with a free, open and transparent environment and has a globally competitive business environment focusing on sustainability, skills and good governance. In the Middle East, Bahrain 's financial regulator is widely considered to be the best. Therefore, the reduction of trade barriers creates competitive pressures and the potential for technology transfer in order to give the economy a comparative advantage in terms of productivity gains and restructuring. A series of economic reforms to open up the economy were undertaken by Bahrain and India in the eighties and nineties, respectively. The extensive effort to liberalise its international trade has been noteworthy among these.

## REVIEW OF LITERATURE

Kadira Pethiyagoda (2017) advocated about the Gulf's Indian Diaspora's contribution and suggested some ideas that can upgrade their situations in Gulf. The author raise the voice against injustice and human rights issues in Gulf and also told that how to overcome with it. The author emphasis on Indian government's intervention to improve the working and living conditions of Indian workers in Gulf. Pouria Mohajeri (2015) analyzed the Trade between India and Persian Gulf Countries in his paper "Trends of India Trade with Persian Gulf Countries". Author used the Trade Intensity Index to calculate the trade intensity with PGCs and found that the highest volume of Indian

Trade among PGCs is with United Arab Emirates. The analysis is based upon the growth evaluation of Indian trade with PGCs. Persian Gulf Countries (Saudi Arabia, Kuwait, Bahrain, Iraq, Iran, UAE, Qatar and Oman) are the big suppliers of Energy in the world market. P.R. Kumaraswamy (2013) in his study "Persian Gulf 2013: India's Relations with the Region" studied the India's bilateral relations in 2012 with nine Persian Gulf countries, namely, Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia. Author also highlighted the Persian Gulf countries importance for India.

## OBJECTIVES OF THE STUDY

- To Analyse India's Trade with Bahrain
- To Examine Composition of Trade between India and Bahrain

## INDIA-BAHRAIN TRADE

India and Bahrain enjoy excellent bilateral relations characterised by cordial political , economic and cultural ties. India-Bahrain bilateral trade date back to around 5,000 years ago, tracing their origins from the Dilmun Civilization period in Bahrain to the Indus Valley Civilization era in India. Ancient Bahraini traders are believed to have engaged in thriving trade in Bahraini pearls with Indian spices. The presence of some 350,000 Indian nationals, who make up a third of Bahrain's total population of 1.4 million, is an important anchor of our bilateral relations with Bahrain.

**Table 1. India's Trade with Bahrain (Million USD)**

S.No.	Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
1	EXPORT	651.83	439.99	603.47	639.36	472.98	654.1	471.32	556.82	742.32	559.09
2	%Growth		-32.50	37.16	5.95	-26.02	38.29	-27.94	18.14	33.31	-24.68
3	IMPORT	641.25	905.98	664.66	563.24	446.25	356.9	290.69	431.12	539.63	421.5
4	%Growth		41.28	-26.64	-15.26	-20.77	-20.02	-18.55	48.31	25.17	-21.89
5	TOTAL TRADE	1293.08	1345.97	1268.13	1202.6	919.23	1011	762.01	987.94	1281.95	980.59
6	Trade Balance	10.58	-465.99	-61.19	76.12	26.73	297.2	180.63	125.7	202.69	137.59

Source: Director General of Commercial Intelligence and Statistics

Table 1 shows that the export trade of India with Bahrain has declined in recent years, it was USD 651.83 Million in 2011, which now in 2020 has reduced to the USD 559.09 Million. On the other hand, import of India from Bahrain has also decreased. In 2011 USD 641.25 Million of goods were imported from Bahrain but in 2020 it was amounted USD 421.5 Million. Total trade between India and Bahrain was around USD 1 Billion in 2019-20.

## INDIA-BAHRAIN TRADE COMPOSITION

India's main items of export to Bahrain for the last ten years are depicted in Table 2. Mineral Fuels (27), especially High-Speed Diesel (27101930) and other petroleum products like Tar, Light Diesel, etc. are the major items in this category. In cereal (10) category, rice is the biggest exporting item to Bahrain by India. Significant amount of Meat (02), Apparel Non Knitted (62) are also exporting by India to Bahrain. Furthermore, some items export to Oman have

been increased in recent years like Plastic (39), Electric Machinery (85), Vehicle other than railway (87)

**Table 2. Major Commodities export to Bahrain from India (Million USD)**

HSN	Commodity	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
02	Meat and Edible Meat Offal	8.26	9.51	8.21	12.76	13.99	21.37	21.99	19.68	24.68	23.04
10	Cereals	7.54	19.89	29.21	37.01	38.75	32.88	6.95	6.46	48.94	40.54
27	Mineral Fuels/Oil	7.80	22.22	83.78	229.33	5.69	4.36	3.93	15.63	65.82	45.49
39	Plastic	6.88	9.84	9.61	13.19	31.88	56.80	38.70-	30.38	51.60	48.10
62	Apparel Non Knitted	6.44	10.82	10.95	9.81	13.62	11.07	13.78	15.93	14.26	9.18
69	Ceramic Powder	2.22	2.91	2.52	3.14	7.00	8.94	10.03	11.98	13.05	13.26
71	Natural Pearls	10.27	34.41	16.22	28.81	68.40	108.11	18.64	20.01	42.75	35.66
73	Article of Iron and Steel	18.29	19.86	22.93	27.75	25.35	32.59	20.27	25.25	28.17	24.60
84	Nuclear Reactor	34.17	37.16	63.71	34.76	39.23	35.21	43.33	45.37	75.11	44.17
85	Electrical Machinery	24.56	29.84	32.81	29.41	25.33	23.72	22.90	37.08	34.10	27.28
87	Vehicles other than Railway	2.92	16.33	27.93	11.99	15.24	17.51	19.10	24.60	37.95	21.97
89	Ships and Boat	116.33	38.35	0.00	8.48	0.02	122.62	45.81	0.00	63.63	9.25

Source: Director General of Commercial Intelligence and Statistics

Import from Bahrain by India includes mainly Mineral Fuels (27), Fertiliser (31), Iron (72) and Aluminium (76).

**Table 3. Major Commodities import from Bahrain to India (Million USD)**

HSN	Commodity	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
26	Ores, Slag Ash	139.18	24.77	89.44	10.46	0.05	11.29	22.19	78.20	96.51	0.15
27	Mineral Fuels/Oil	219.19	605.89	329.85	359.23	215.82	94.07	46.94	69.12	118.94	113.42
31	Fertilisers	43.87	20.24	0.00	0.00	0.00	0.00	16.84	31.59	53.41	96.99
39	Plastic	0.97	0.31	0.28	1.23	3.29	7.85	43.23	3.54	10.42	8.54
72	Iron and Steel	44.46	60.66	50.29	35.19	47.83	23.42	16.52	25.23	35.17	30.04
76	Aluminum	97.92	103.10	121.89	92.91	129.31	91.83	106.44	150.59	115.96	75.38

Source: Director General of Commercial Intelligence and Statistics

### INDIAN DIASPORA IN BAHRAIN

While Bahrain is both geographically (only 765 sq. kms.) and population-wise (1.4 million) a small country, it has been a favourite destination for Indian nationals working as expatriates. Although in 2000 there were only 90,000 Indian nationals working in Bahrain, the number has since risen to approximately 350,000-comprising 200,000 from Kerala, 50,000 from Tamil Nadu, 40,000 from Andhra Pradesh & Telangana, 25,000 from Karnataka and the rest from Punjab, Rajasthan, UP, Maharashtra, Goa and Gujarat. In terms of professions, the vast majority are in the category of unskilled labour, i.e. 70 percent of our nationals. There are a considerable number of doctors, engineers, chartered accountants, bankers, managers and other professionals who play a vital role in the socio-economic development of Bahrain, in addition to the predominant blue-collar labour force.

Bahraini authorities and employers alike enjoy great goodwill from the Indian expatriate community. It is no secret that Indians from the subcontinent are preferred over other expatriates. The main reasons for

this include the confidence factor, strong work ethics and Indian expatriates' "apolitical" orientation.

In November 2015, Bahrain launched the 'Little India in Bahrain' project to recognise and mark the contribution of the Indian community to Bahrain's history and progress. Under the project, different buildings were restored and renovated outside, as well as a small public space was created to hold regular markets, fashion shows, Indian food stalls, and cultural performances, etc., to give visitors a sense of being in India.

Indian investment in Bahrain: There are 23 branches registered in Bahrain by leading Indian banks / companies and 3,181 Indian joint venture companies are registered in Bahrain. Between January 2003 and March 2018, India's total capital investment in Bahrain was estimated to be approximately US\$ 1.69 billion. Financial services, followed by the real estate and hospitality sectors, have the highest investment value (40 percent of total projects).

### Bahraini Investments in India: (Amount in US\$ Million)

Financial Year	March 2015	March 2016	March 2017	March 2018	March 2019	Sept 2019
Cumulative FDI equity inflows from Bahrain into India	48.93	64.65	144.92	164.60	173.38	174.73

• Source: DIPP/RBI

## BILATERAL INSTITUTIONAL MECHANISM

Four rounds of Foreign Office Consultation (FOC) were held between India and Bahrain. The first round was held in Delhi in November 2004; the second round was held in Bahrain on 23 October 2011 and the third round was held in New Delhi on 20 October 2014. The 4th round of the FOC was held on 14 November 2016 in Manama, where the Indian delegation was led by the Joint Secretary (Gulf) and the Bahraini delegation was led by Dr Rana bint Isa bin Duaij Al Khalifa, Assistant Undersecretary for Arab & Afro-Asian Affairs and Organizations, Ministry of Foreign Affairs. During the meeting, both sides discussed bilateral relations and discussed a variety of issues of mutual interest.

India and Bahrain signed an Economic and Technical Cooperation Agreement in April 1981 during the visit of Amir to New Delhi. India-Bahrain Joint Committee on Economic and Technical Cooperation (JCETC) established pursuant to this Agreement met four times (1986-New Delhi, 1991-Bahrain, 1998-New Delhi and 2007-Bahrain). MOS (EA) Ch. E. Ahamed led the Indian delegation to the 4th JCETC meeting in Bahrain on 14-15 November 2007. This mechanism has since been replaced by the High Joint Commission and upgraded to the EAM level, following the signing of the MOU on the establishment of the HJC during King Hamad's visit to India on 18-20 February 2014.

## CONCLUSION

After examining the various aspects of Indo-Bahrain trade, it can be said that it has been concentrated in just few items. Volume of trade is also very low in comparison with other gulf state. Just oil, fertilisers and aluminum like items are being imported from Bahrain. Whereas export to Bahrain by India includes items like Cereals, Diesel, Chemicals etc. So the other side of coin is that there are some great opportunities for both the countries to work on trade and also other areas of concerns such as counter terrorism, renewable energy etc. In August 2019, India's Prime Minister Narendra Modi visited Bahrain. Many new agreements were signed in field of space technology, cultural exchange program etc. This types of high official visits may provide an opportunity to further cement mutually beneficial ties between India and Bahrain. India has also advantage in trade with Bahrain and Balance of Trade is in favour of India.

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