

INDIA'S TRADE WITH GULF COOPERATION COUNCIL (GCC) COUNTRIES: A PANEL GRAVITY MODEL ANALYSIS

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Abstract

Present paper has investigated determinants of India-GCC trade flow with the help of panel gravity model for the period 2001 to 2015. Further, India's trade potential with all GCC countries has been calculated. Results show that India-GCC bilateral trade is positively determined by size of economies, trade openness and two binary variables namely trading affinity and Diaspora, while it is negatively determined by distance between them. Result of trade potential shows that India has significant trade potential with all six countries. India has highest trade potential with Kuwait, followed by Bahrain, Oman, UAE, Qatar and Saudi Arabia. At the end, paper suggested that both India and GCC should remove all kind of trade barriers and dummy variable Diaspora also play a positive role. So, Indian government should take extra care of their workers in GCC countries. Finally, the study suggests that proposed free trade agreement will boost bilateral trade.

Keywords: India-GCC Trade, Gravity Model, Panel Data, Trade Potential

JEL Classification: C23, F10, F13, F14, F15

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