

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

1. INTRODUCTION

Over the past few decades, structure of international trade has changed with the effort of General Agreement on Tariffs and Trade (GATT) and its successor, the World Trade Organization (WTO). Given the slow progress of Doha round in the WTO, both developed and developing countries have moved towards

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regionalism in a rigorous way to cater to their developmental needs (Ahmed, 2011). The share of developing countries in international trade flows has risen steadily, from 25.2 percent in 1991 to 44.6 percent in 2015 (UNCTAD, 2017). Much of this rise has been due to an expansion of trade not between developed countries and developing countries, but among developing countries (Das & Pradhan, 2014).

After adopting economic reform measures in the beginning of 1990s, India became a global player by opening its economy. After that India signed numbers of bilateral trade agreements with several countries and negotiation is also going on with other countries/regions including Gulf Cooperation Council (GCC) countries.

GCC countries, which is a group of six countries namely United Arab Emirates (UAE), Saudi Arabia, Qatar, Oman, Kuwait and Bahrain was formed on 25th may 1981. India's trade relation with all GCC countries exists even before oil discovery in this region. However, the period of 1970s to 1990s can be easily visualized as a timeframe when the already existing trade relationship of India with GCC countries has emerged with increasing imports of oil and gas (Alam & Ahmed, 2017). Labour migration is also a crucial link between these two sides. According to United Nations, 8.2 million Indians (largest expatriate community in every GCC countries) are working in GCC countries. Another aspect of this migration is that India received his maximum remittance from this region.

In case of region-wise study, GCC has one of the largest trading partners for India, and bilateral trade has intensified over the years. During the last decade, India's total trade with the GCC countries has risen from US\$ 5,485.01million in 2001-02 to US\$ 97,469.19 million in the year 20015-16 (see table 1). Volume of exports and imports has risen, but after 2005-06, volume of exports was less than volume of imports. So, trade balance became negative after 2005-06. That is because of increase of oil prices in international market and oils plays a very crucial role in India's imports basket especially from GCC countries. Trade balance was in surplus till 2005-06 and then goes in deficit and in 2015-16 it was US \$ 14,111.76 million.

Table 1: India's Trade with GCC Countries (in US \$ million)

Year	Export	Export (% share of GCC)	Import	Import (% share of GCC)	Total Trade	Trade (% share of GCC)	Trade Balance
2001-02	3,798.06	8.67	1,686.95	3.28	5,485.01	5.76	2,111.11
2003-04	7,067.03	11.07	3,252.53	4.16	10,319.56	7.27	3,814.50
2005-06	11,775.30	11.42	7,805.04	5.23	19,580.34	8.41	3,970.26
2007-08	21,760.24	13.34	45,089.79	17.92	66,850.03	16.12	-23,329.55

2009-10	30,479.97	17.05	53,497.43	18.55	83,977.40	17.98	- 23,017.46
2011-12	45,360.29	14.83	102,181.94	20.88	147,542.23	18.55	- 56,821.65
2013-14	48,221.20	15.34	101,799.42	22.61	150,020.62	19.63	- 53,578.22
2015-16	41,678.72	15.89	55,790.47	14.64	97,469.19	15.15	- 14,111.76

Source: DGCIS, Ministry of Commerce, Government of India, 2017

GCC countries have been hot favourites for Indian emigrants. The figures revealed by the United Nation in 2015 highlight an approx. of the massive 53 per cent of Indian emigrants have found an abode in GCC states. This makes it about 8.2 million people out of a total of about 15.6 million migrants from India. What justifies this claim further is when we look at the remittances received by India from GCC countries. Just like the substantial share in emigrants, the share of remittances received from GCC when compared to the total remittance received is huge. According to World Bank, India is the world's leading receiver of remittances, claiming more than 12 per cent of the world's remittances in 2015. Remittances to India stood at US\$ 68.91 billion in 2015, accounting for over 4% of the country's GDP. The remittance received from GCC countries in 2015 was 52.5% (approx. 38.6 billion US dollars).

Above figures clearly show that GCC region is playing a very important role in India's global trade. In this regard, present paper will try to find out the determinants which affect India-GCC bilateral trade with the help of augmented panel gravity model. Later, with the help of augmented gravity model results, India's trade potential with all six GCC countries will also be calculated.

2. LITERATURE REVIEW

Main theme of present paper is to analyse trade determinants and trade potentials with the help of gravity model of trade. There are numerous literatures who deal with this. Both cross-sectional and panel data has been used to analyse trade determinants and potentials.

M. Sultan and K. Munir (2015) have examined Pakistan's global export, import and trade potential separately with the help of gravity model. Panel data has been used for 2001 to 2013. Study covers 30 countries. Result shows that determinants of export, import and bilateral trade are different from each other's. Further result depict that Pakistan has highest trade potential with Norway and Hungry, while Pakistan has highest export potential with Switzerland and Hungry and in case of import potential it is highest with Norway and Philippines.

S. Kumar and S. Ahmed (2015) have investigated determinants of export and import flows of all eight south Asian countries with the help of gravity model. Panel data has been used for 27 years (1985-2011). Result depicted that GDP,

population, distance and tariff are crucial variable which are determine trade among this region. Further, result shows that South Asia Free Trade Agreement (SAFTA) made a positive impact to enhance intra-regional trade among SAARC countries.

Mohammad Mafizur Rahman (2009) has examined the trade potential of Australia with trading partners across the globe with the help of the augmented gravity model. He has used cross sectional data for the period 2001 and 2005. Gravity result shows that determinants which influence Australia's global trade are GDP of countries, per capita differential of both countries, distance between countries, trade openness and common language. Further, result of trade potential depict, it is highest with Argentina, followed by the Federation of Russian. Then come Chile, Norway, Brazil and Greece. Additionally, it can be said with confirmation that the nation has surpassed its trade potential with countries like Vietnam, China, Republic of Korea, Thailand, Kuwait, Indonesia, Malaysia, Saudi Arabia and Qatar in Asia and UK, Finland, Sweden, Ireland, Germany, Italy, the Netherlands and Switzerland in Europe. The country has over-traded with the Papua New Guinea, USA, South Africa and Fiji.

In this paper Mohammad Alawin (2009) attempts to explain trade determinants between Jordan and the other participating countries. By using the gravity model approach, the findings of the theoretical analysis point that income; distance, adjacency, and language are the main determinants of Jordan trade behaviour with the rest of countries. The paper covers trade figures of the major 34 trade partners of Jordan over the period 2000-2005. The empirical results show that all variables were consistent with the economic theory. However, the variable that represents the effect of distance between Jordan and its partners on the volume of Jordan trade was insignificant. This may suggest that with the worldwide developments in the shipments sector that reduced both the cost and needed time of shipping, distance becomes no longer a barrier to trade. On the other hand, the common language factor is still maintaining the highest contribution to trade volume.

S. R. Pradhan (2006) has used gravity model is to estimate the magnitude of export potential of India to the six-member Gulf Cooperation Council (GCC) countries. He used panel data for year 1994 to 2004. Apart from all other basic explanatory and dummy variable, he used "trading affinity" a new dummy variable to keep in the mind of India's historical trade ties with gulf countries. Results depicts that the magnitude of the export potential of India is the highest with Oman, followed by Qatar, Bahrain, and Kuwait. Further result also shows that India is overtrading with UAE and Saudi Arabia.

Amita Batra (2004): The main objective of this working paper was to know India's global trade potential with the different groups and countries of the world. Gravity model has been used to analyse the data collected for 2000. Globally, it is perceived that the Asia-Pacific region takes the lion's share in trade potential of India. The next in the line is Western Europe and North America. India can still explore the untapped potential for trade between developed nations. China, Italy,

France and UK are some of those nations where India can visualize their future enhanced trade relations. Considering the various trade unions, India practices the best trading relationship with Pakistan which is a member of SAARC, and Cambodia and Philippines (ASEAN).

Mohammad Mafizur Rahman (2003): The prime objective of this paper is to scrutinize the trading relationship of Bangladesh with its major importers and exporters. The investigation takes into consideration thirty-five states which are sorted out based on these criteria: how valuable the trading relationship is for Bangladesh and how easily the desired data were available. Panel data has been used for 27 years (1972-1999). The result shows that there are three important factors that positively influence the exports in Bangladesh. These are partner countries' total import demand, the rate of exchange, and the directness of the economy of Bangladesh. On the other hand the factor that affects the imports is calculated by the rates of inflation, the differentials of per capita income and once again the participating nation's sincerity in trade. One of the aspects that disturb the nation's trade is the cost incurred on transportation. So, it could be said beyond doubts that to undo the negative effects of transportation cost, Bangladesh should rather think more about enhancing the trading relationships with its neighbour's country like member nations of SAARC.

In this paper Tiiu Paas (2000) has attempted to find out Estonia's trade with its major trading partners by using the gravity model technique. The collected data comprise of prime traders who trade with Estonia. The trade with these countries comprises a little less than 96 per cent of total trade volume (foreign) of Estonian. The results propounds that these trade relationship are vital for Estonia for enhancing its foreign trade volume. Further, it is also inferred that if matters are handled properly, Estonia can hope for developing good trading partnership with Poland which is the biggest economy in transition amongst the CEE countries.

From the above, it is clear that gravity model of trade is widely used to find out the determinant of trade flow and trade potential. But as per my knowledge, in case of India-GCC very little study is available. To keep in the mind of GCC countries role in India's global trade pattern, present study will investigate determinants of India-GCC trade flow and India's trade potential with all six GCC countries.

3. METHODOLOGY AND DATA SOURCES

This paper is based on gravity model of trade which is used to find out the determinants which influence bilateral trade between two regions. Basically, gravity model of trade is derived from Isaac Newton's law of universal gravitation (1687) which states that in the universe every particle attract to another particle with a force which is directly proportional to the multiplication of their masses and inversely related to the square to distance between them. Application of this law is also used in number of discipline in all over the world including international trade.

In international trade this model was first used by J. Tinbergen in 1962. Like Newtonian universal gravity model, gravity model of trade also predict bilateral trade flows between two regions which is directly proportional to multiplication of economic size (often using GDP or GNP) and inversely related to distance between this two regions. Here distance is taken as proxy of trade cost which means as the distance between two regions will increase trade cost will also increase and that's impact will be negative in bilateral trade. So, the equation of basic gravity model of trade will be:

$$\text{Trade}_{ij} = \alpha \left[\frac{\text{GDP}_i \times \text{GDP}_j}{\text{Distance}_{ij}} \right] \quad (1)$$

Where,

Trade_{ij} is bilateral trade between country i and country j

GDP_i is Gross Domestic Product of country i

GDP_j is Gross Domestic Product of country j

Distance_{ij} is distance between country i and country j

α is constant

For the regression analysis equation (1) often transform into linear form after taking logarithms. So the new equation will be:

$$\log(\text{Trade}_{ij}) = \alpha + \beta_1 \log(\text{GDP}_i) + \beta_2 \log(\text{GDP}_j) + \beta_3 \log(\text{DIST}_{ij}) + e_{ij} \quad (2)$$

Where, α , β_1 , β_2 and β_3 are coefficient and e_{ij} is error term. This equation is known as basic gravity equation of trade to predict a bilateral flow between two sides.

Traditionally, many researchers used cross-sectional data to find out the bilateral trade flow by using gravity data. But cross-sectional data creates biased gravity model estimates due to heterogeneity (Chang & Wall, 2005). However, panel data estimation shows many advantages over cross-sectional and time series data due to its control for individual heterogeneity. Panel data framework increases the efficiency of econometric estimates by reducing collinearity among independent variables through large degree of freedom (Sultan & Munir, 2015). Another advantage is that panel data can capture the relevant relationships among variables over time (Kumar & Ahmed, 2015).

Among the various number of panel data estimation technique, fixed effect model (FEM) and random effect model (REF) are most common. Fixed effect model is used for time variant variables effect only while random effect model can see the effect of both time variant and time invariant variables. So, random effect model will be preferred over fixed effect model if we want to check the impact of (both time variant and time invariant variables (Ozdeser & Ertac, 2010). In this study, gravity model will check the impact of time invariant variable like distance and dummy variables along with time variant variables. That's why random effect

model has chosen. Further, the probability (Prob. > chi2) of LM is 0.000 (result of Breusch–Pagan Lagrange multiplier) indicated that random effect is appropriate.

This study estimates augmented gravity model for India's bilateral trade with all six GCC countries for the period of 2001 to 2015. Estimation of India-GCC countries bilateral trade has been calculated with following augmented gravity model:

$$\log(T_{ijt}) = \beta_0 + \beta_1 \log(GDP_{it}) + \beta_2 \log(GDP_{jt}) + \beta_3 \log(POP_{it}) + \beta_4 \log(POP_{jt}) + \beta_5 \log(DIST_{ij}) + \beta_6 \log(TO_{it}) + \beta_7 \log(TO_{jt}) + \beta_8 \log(Comlang_{ij}) + \beta_9 \log(Comcol_{ij}) + \beta_{10} \log(Tradeaffinity_{ij}) + \beta_{11} \log(Diaspora_{ij}) + e_{ijt} \quad (3)$$

Where i refers country i , j refers country j and t refers time period (year).

GDP (Gross Domestic Product) - basically in gravity model of trade, for the purpose of measuring the economic size of a country either GDP or GNP has taken. But here GNP data is not available for 2001 to 2015. So, GDP data has taken from WDI, World Bank in US Dollar at constant price 2010. As the GDP of a country will increase, trade will also increase. So, expected sign of coefficient of GDP for both country (β_1 and β_2) is positive.

POP (Population) – population data of country i and country j has taken from WDI, World Bank. Expected sign of coefficient of population (β_3 and β_4) is either positive or negative. If a country has big population and they enjoy economies of scale effect than expected sign of population will be positive. On the other side, due to absorption effect country export less than expected sign of population coefficient will be negative.

DIST (Distance) – it is distance between trade centre of country i and country j . Data source is Centre D' Etudes Prospectives et D' Informations Internationales (CEPII). Here distance is taken as a proxy of trade cost. So, as the distance between two countries will increase trade cost will also increase. So, expected sign of coefficient of distance (β_5) is negative.

TO (Trade Openness) – it is also known as trade GDP ratio. Data source is WDI, World Bank. If a country removes trade restriction or open his economy trade will increase. So, expected sign of coefficient of Trade Openness for both countries (β_6 and β_7) is positive.

Tradeaffinity (Trading Affinity) – as discussed earlier India's Trade relation with GCC countries has own history and they are playing a very important role in India's global trade. So, in this context, this dummy variable has taken on the basis of study like M. Noland (2005) and S.R. Pradhan (2006). If a country has an average more than one per cent share in India's global trade from 2001 to 2015, than dummy value will be one otherwise it will be zero. Expected sign of trading affinity is positive.

DIASPORA – study of S. B. Karayil (2007) suggested that large number of Indian immigrants in gulf countries positively impact in India's bilateral export to

Gulf region. So, in this context a dummy variable is developed by us. If average numbers of country i Diaspora population in country j is more than one per cent of total population of country j for the period of 2001 to 2015, dummy value will be one otherwise it will be zero. Source of migrant data is department of economic and social affairs, population division, United Nation (Data is available with five year gap. So, for the calculation of dummy variable Diaspora, average of migrant population for the year of 2000(in place of 2001), 2005, 2010 and 2015 has taken). Expected sign of Diaspora is positive.

Comlang (common language) – if country i and country j share common language (official or commercial) and ethnicity than it will be one otherwise zero. Data source is Centre D' Etudes Prospectives et D' Informations Internationales (CEPII). It is expected that common language will help to improve trade negotiation and further it will reduce transaction cost. So, expected sign of common language is positive.

Comcol (common colony) – if country i and country j were colonies with the same colonizer than it will be one otherwise zero. Data source is Centre D' Etudes Prospectives et D' Informations Internationales (CEPII). Expected sign of common colony is positive.

This study estimates augmented gravity model for India's bilateral trade with all six GCC countries for the period of 15 year (2001 to 2015). All data are annual. In this model real bilateral trade between country i and country j is dependent variable. Bilateral trade data in US Dollar at current price has taken from World Integrated Trade Solution (WITS), UNCOMTRADE Database. Than with help of GDP deflator, it is converted into real trade data in US Dollar at constant price 2010. GDP deflator data has taken from WDI, World Bank. Total observation in this dataset is 180.

TRADE POTENTIAL

Another useful aspect of gravity model is to predict future trade flows between two sides. India-GCC Trade Potential has been calculated by using the coefficient value from augmented gravity model. The study has estimated the total trade potentials for the latest period *i.e.* 2015. Ratio of computed trade value from augmented model (P) and actual trade value between India and GCC countries (A) defines India's trade potential with GCC countries. In others words, if P/A value is greater than one, it means India has trade potential with that country. To see the trade potential in absolute number, difference between computer trade value (P) and actual trade value (A) *i.e.* $P-A$ has also calculated.

4. EMPIRICAL RESULTS

4.1 DETERMINANTS OF INDIA-GCC TRADE

Result of above augmented gravity model display in table 2. Here India-GCC bilateral trade is dependent variable. The goodness of fit of the model (R^2) is 0.93. Result shows that all independent and binary variables sign are as expected. Population of country j is positively insignificant. Remaining all other explanatory variables is significant with expected sign. In case of binary variables, common language and common colony are positively insignificant while remaining other is significant with expected sign.

Table 2: Estimated Result of Augmented Gravity Model for Bilateral Trade

LTRADE _{ij}	Coef.	Std. Error	Z	P> Z	95% Coef. Interval	
LGDP _i	1.485	0.176	8.43	0.000	1.140	1.830
LGDP _j	0.803	0.198	4.06	0.000	0.415	1.191
LDistance	-2.286	0.729	-3.14	0.002	-3.714	-0.858
LPop _i	-0.379	0.219	-1.73	0.083	-0.808	0.049
LPop _j	0.226	0.217	1.04	0.298	-1.997	0.651
LTO _i	1.336	0.200	6.66	0.000	0.943	1.729
LTO _j	0.563	0.208	2.70	0.007	0.155	0.972
ComLang	0.117	0.109	1.07	0.283	-0.097	0.331
ComCol	0.179	0.134	1.34	0.180	-0.083	0.442
Tradeaffinity	0.319	0.168	1.90	0.057	-0.009	0.648
Diaspora	1.329	0.346	3.84	0.000	0.650	2.008
Const.	-12.490	2.495	-5.01	0.000	-17.380	-7.601

Source: Author's calculation

The estimated coefficient of GDP_i and GDP_j has positively significant at the 1 per cent level. The coefficient of GDP_i is 1.48, which means that if all the other things are constant; 1 per cent increase in GDP of country i will leads to increase in its total bilateral trade with country j by approximately 1.53 per cent. Here coefficient value is more than one, which means with the increase of GDP_i , total bilateral trade will increase with increasing rate if all the other things are constant. Further, coefficient of GDP_j is 0.80, which means that if all the other

things are constant; 1 per cent increase in GDP of country j will increase total bilateral trade between country i and j by approximately 0.80 per cent.

Coefficient of country i population is negatively significant at 10 per cent level. Here due to absorption effect, sign of population is negative in case of country i . In other words, country i has big population and they imports high and export less. Coefficient value of country's i population is -0.38, which means 1 per cent increase in population of country i would decrease total bilateral trade between i and j by 0.38 per cent if all other things are constant. Here coefficient value is less than one, so we can say that with the increase of country i population bilateral trade between country i and j will also increase but at decreasing rate.

Coefficient of distance between two nations which is proxy of trade cost is negatively significant at 1 per cent level. Size of distance coefficient is very high *i.e.* -2.29. It implies that 1 per cent increase in distance between these two sides will decrease total bilateral trade more than two per cent *i.e.* 2.29 per cent if all other things are constant. Here coefficient value is more than one, which means with the increase of distance between them, total bilateral trade will decrease with increasing rate if all the other things are constant.

Coefficient of trade openness of both countries is positively significant at 1 per cent level. Coefficient of country i trade openness is 1.34. It suggested that 1 per cent increase in country i trade openness will increase total bilateral trade by 1.34 per cent if all other things are constant. Here coefficient value is more than one, which means with the increase of country i trade openness, total bilateral trade will increase with increasing rate if all the other things are constant. Further, Coefficient of country j trade openness is 0.56. It suggested that 1 per cent increase in country j trade openness will increase total bilateral trade by 0.56 per cent if all other things are constant. Here coefficient value is less than one, which means with the increase of country i trade openness, total bilateral trade will increase with decreasing rate if all the other things are constant.

Binary variable trading affinity and Diasporas are positively significant at 10 per cent and 1 per cent level respectively. It means both of them promote trade between two sides. Number of Diasporas in GCC countries also impact positively. Study of S. B. Karayil (2007) also suggested that large number of Indian immigrants in gulf countries positively impact in bilateral trade between these two sides. Coefficient of Diaspora is 1.33. It suggested that with the increase of immigrants bilateral trade will increase with increasing rate if all other things are constant.

So, determinants for bilateral trade between India and GCC countries are GDP and trade openness of both sides, population of country i , distance between them, two binary variables namely trading affinity and Diaspora. All the variables are positively significant except distance and population of country i .

4.2 INDIA-GCC TRADE POTENTIAL

Table 3 shows the trade potential of India with all six GCC countries. It clearly shows that India has trade potential with all six GCC countries.

Table 3. *India-GCC Trade Potential (\$ millions)*

	P	A	(P-A)	$\frac{(P-A)}{A} * 100$	P/A
BAHRAIN	1770	991	779	78.61	1.79
KUWAIT	15,889	7,818	8,071	103.26	2.03
OMAN	5,851	3,964	1,887	47.60	1.48
QATAR	14,817	11,617	3,200	27.55	1.28
SAUDI ARABIA	32,192	31,024	1,168	3.77	1.04
UAE	70,296	55,065	15,231	27.66	1.28

Source: Author's calculation

India has highest trade potential with Kuwait whose P/A value is 2.03. It means India's trade potential could increase 103.26 per cent with Kuwait. After this, Bahrain comes at second position with P/A value 1.79. It means India's trade potential could increase 78.61 per cent with Bahrain. Next country is Oman with P/A value 1.48, which implies that India's trade potential could increase 47.60 per cent with Oman. Here India's trade potential with UAE and Qatar is almost equal but with the third place of decimal calculation UAE came at fourth position with P/A value 1.28. It means India's trade potential with UAE could increase 27.66 per cent and in case of Qatar whose P/A value is also 1.28 but India's trade potential with Qatar could increase 27.55 per cent which clearly shows that difference between these two countries is very minimal. Saudi Arabia is the last country in this list whose P/A value is 1.04, which means India's trade potential could increase only 3.77 per cent with Saudi Arabia.

But if you will see the absolute numbers, than India has maximum trade potential with UAE US\$ 15,231 million. Kuwait came at second position with US\$ 8,071 million than followed by Qatar with US\$ 3,200 million, Oman with US\$ 1,887 million, Saudi Arabia with US\$ 1,168 million and Bahrain with US\$ 779 million.

5. CONCLUSION

The relation between India and Gulf region has a complete history of itself. In the last fifteen years it attained new heights. In this regard, present paper investigated determinants of India-GCC trade flow. Migration and remittances has also played a crucial link between two sides. Study of S. B. Karayil (2007) also

suggested the same. So, apart from all other independent and dummy variables, a new dummy variable “Diaspora” has been developed by us.

Result of augmented gravity model estimated that bilateral trade between India and GCC countries are positively determined by GDP, trade openness of both sides and two binary variables namely trading affinity and Diaspora. Further, results also suggested that bilateral trade is negatively determined by population of country i , distance between them. Here due to absorption effect, sign of population is negative in case of country i . In other words, country i has big population and they import high and export less.

Further, with the help of coefficient value of determinants, this study has also estimated the India-GCC trade potentials for the latest period *i.e.* 2015. Results of trade potential show that India has trade potential with all six countries. India has highest trade potential with Kuwait, followed by Bahrain, Oman, UAE, Qatar and Saudi Arabia.

The policy suggestion from the above findings will be that both the sides should remove all kind of trade barriers as they can, because in the result trade openness variable plays a positive role to enhance bilateral trade. Here dummy variable Diaspora also play a positive role. So, Indian government should take extra care of their workers in GCC countries. Further, study also suggests that proposed free trade agreement (FTA) will boost bilateral trade.

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