

India–GCC Trade Relations: Patterns, Opportunities, and Challenges in a Changing Global Economy

Dr. Raza Shabbir

Assistant Professor, Department of Commerce, Shia PG College, Lucknow.

Email: razashabbir007@gmail.com

ABSTRACT

India and the Gulf Cooperation Council (GCC) maintain one of India's most significant trade partnerships. Bilateral merchandise trade reached approximately USD 178.56 billion in FY 2024-25 and remained near USD 178.66 billion in FY 2025-26, accounting for about 15 per cent of India's global trade. Indian exports stood at roughly USD 56.87 billion while imports were USD 121.66–121.68 billion, producing a structural deficit driven overwhelmingly by crude oil, liquefied natural gas and related products. This paper analyses the patterns of trade, evaluates opportunities arising from the India–UAE CEPA (in force 2022), the India–Oman CEPA (in force 2026) and the formal launch of full GCC Free Trade Agreement negotiations in February 2026, and examines challenges including the persistent trade imbalance, energy dependence, non-tariff barriers and geopolitical risks. Drawing on secondary data and an extensive literature survey focused on the last five years, the study identifies scope for non-oil diversification and offers policy recommendations for more balanced and resilient engagement.

Keywords: *India–GCC Trade; Comprehensive Economic Partnership Agreement (CEPA); Energy Security and Non-Oil Diversification.*

I. Introduction

The economic partnership between India and the member states of the Gulf Cooperation Council has grown into one of the most substantial and strategically significant relationships in India's external trade. The GCC, consisting of Saudi Arabia, the United Arab Emirates, Qatar, Kuwait, Oman and Bahrain, supplies a large share of India's energy requirements while serving as a major destination for Indian exports of manufactured goods, agricultural products and services. This dual character of the relationship—energy dependence on one side and diversified commercial opportunity on the other—defines its contemporary importance.

Bilateral merchandise trade reached approximately USD 178.56 billion in FY 2024-25 and remained near USD 178.66 billion in FY 2025-26. Indian exports accounted for roughly USD 56.87 billion while imports stood at about USD 121.66–121.68 billion. The resulting trade deficit is structural and is driven overwhelmingly by crude oil, liquefied natural gas and related products. At the same time, the absolute volume of trade places the GCC among India's largest partner blocs, contributing around 15 per cent of India's total global merchandise trade.

Institutional progress has accompanied the expansion of trade volumes. India concluded a Comprehensive Economic Partnership Agreement with the UAE that entered into force in 2022 and a similar agreement with Oman that became effective in 2026. In February 2026 the two sides signed Terms of Reference and formally launched negotiations for a comprehensive Free Trade Agreement covering the entire GCC. These steps mark a shift from earlier, largely stalled discussions held in 2006 and 2008 toward a more structured effort at deeper economic integration.

The presence of nearly 9–10 million Indians in GCC countries adds a further dimension. Remittances, entrepreneurial activity and sustained demand for Indian goods and services reinforce commercial linkages that extend beyond official trade statistics. Cumulative foreign direct investment from GCC sources into India has exceeded USD 31 billion, reflecting growing capital flows into infrastructure, energy and other sectors.

Against this background, the present paper examines the patterns that characterise current trade flows, the opportunities created by existing and prospective preferential agreements, and the challenges that continue to shape outcomes. The analysis is situated within a global economic environment marked by supply-chain adjustments, energy-transition pressures and periodic geopolitical tensions in West Asia. The study seeks to contribute to a clearer understanding of how India can pursue greater balance and resilience in its economic engagement with the GCC.

Historical maritime and commercial links between the Indian subcontinent and the Arabian Peninsula provide a long-standing foundation for the present relationship. Over recent decades these ties have been transformed by India's rising energy demand, the GCC's diversification programmes, and the large-scale movement of Indian labour and professionals. The result is a partnership that now spans goods, services, investment and people-to-people connections and that carries implications for both energy security and export growth.

The timing of the current institutional initiatives is significant. The UAE and Oman CEPAs have already begun to alter non-oil trade patterns, while the formal opening of GCC-wide negotiations in 2026 offers an opportunity to extend similar benefits across the bloc. At the same time, global supply-chain realignments and intermittent tensions in West Asia underscore the need for arrangements that enhance both commercial opportunity and resilience.

By documenting recent trade patterns, assessing the contribution of existing preferential agreements, and identifying both opportunities and constraints, the paper aims to inform policy choices that can strengthen the non-oil dimension of the relationship without compromising the energy security that remains central to India's engagement with the GCC.

II. Literature Survey

Sulaiman (2026) investigated export diversification and structural changes in India's trade with GCC countries using the Herfindahl–Hirschman index on HS-2-digit data across agriculture, manufacturing and industry. The study found high concentration in specific commodities and showed that partner GDP, per-capita GDP and trade openness positively influence export concentration, indicating that growth in GCC markets has reinforced rather than reduced India's reliance on a limited set of export items.

Ali (2026) analysed the February 2026 Terms of Reference and the formal launch of India–GCC FTA negotiations. The commentary updated bilateral trade figures to approximately USD 178–179 billion, discussed the stakes for non-oil exports and long-term energy security, and noted that the institutional step creates momentum after nearly two decades of stalled talks while still leaving open questions about the distribution of benefits among GCC members.

Albanna (2026) argued for a coordinated GCC strategy rather than reliance on bilateral deals alone. The analysis examined how the CEPAs already concluded with the UAE and Oman can serve as foundations for a wider regional approach that improves connectivity, strengthens energy-security arrangements and reduces fragmentation in India’s engagement with the six Gulf states.

Asmatwali (2026) reviewed the status, stakes and stumbling blocks of the India–GCC FTA negotiations launched in 2026. The paper incorporated the latest trade volumes of roughly USD 178–179 billion, assessed early outcomes under the UAE and Oman CEPAs, and identified differences in member-state priorities, energy-liberalisation sensitivities and India’s domestic concerns in agriculture and selected manufacturing sectors as the main constraints facing negotiators.

Chatterjee (2026) explained the revival of India–GCC FTA talks after the signing of the Terms of Reference. The analysis placed the recent bilateral trade volume of approximately USD 178–179 billion in the context of India’s export-diversification objectives and underlined the strategic value of expanding market access for Indian goods and services while securing more predictable energy supplies.

Saeel (2025) analysed the trade potential of the India–UAE CEPA using an augmented gravity model estimated with Fixed Effect Vector Decomposition and Poisson Pseudo-Maximum Likelihood techniques. Findings indicated strong complementarity, a relatively stable comparative advantage for India, and projected expansion of bilateral trade toward an estimated USD 113 billion within five years, confirming a positive overall impact of the agreement.

Mohanty (2025) assessed the India–Oman CEPA as a strategic step for broader Gulf access. The study examined the duty-free coverage offered on the large majority of India’s export value, the liberalisation of more than 120 services sub-sectors, and Oman’s role as a logistics gateway to the rest of the GCC and East Africa, positioning the agreement as complementary to the earlier UAE CEPA.

Ismail (2025) in the CGE analysis of the India–UAE CEPA reported output gains in manufacturing for both partners, increased demand for unskilled labour in India, higher global exports across commodity groups, and substantial increases in bilateral exports. The study concluded that deeper integration under the existing tariff-reduction schedule is welfare-enhancing in both the short and long run and that significant untapped potential remains.

Mocuta (2025) provided a macro assessment of GCC–India economic collaboration. The study noted non-oil trade growth under the UAE CEPA, rising two-way investment flows, complementary linkages between GCC energy exports and Indian food and manufactured-goods exports, and steady progress toward deeper preferential arrangements driven by GCC diversification programmes.

Kanojia (2024) conducted a comparative and econometric analysis of the UAE–India CEPA. Pre- and post-agreement data showed notable increases in bilateral trade and investment, particularly in mineral fuels, electrical machinery, gems and jewellery, vehicles, cereals and chemical products, with the gains linked to tariff reductions and improved market-access conditions.

Khan (2024) studied India's trade dynamics with GCC countries using the trade intensity index for 2005–2021. The analysis calculated export, import and overall intensity for each of the six members, situated recent patterns within longer-term trends, and confirmed the continued dominance of the UAE and Saudi Arabia while also revealing variations across the smaller GCC economies.

Pant (2024) in the edited volume on India's relations with the Gulf states addressed alignments, strategic partnerships and economic dimensions. Contributions examined the evolution of trade and energy ties, the role of CEPAs in reshaping commercial patterns, and the interplay between economic engagement and broader foreign-policy objectives in the region.

Vanhee (2024) compared recent CEPAs and FTAs concluded by the UAE and the GCC. The analysis highlighted common features such as staggered tariff elimination on a large share of goods, provisions on services and investment, and the strategic positioning of the UAE as a trade hub, placing the India–UAE CEPA within this wider set of agreements.

Fatma (2023) in the doctoral thesis examined post-reform patterns, commodity composition and structural changes in India's trade with GCC countries. The work confirmed the dominant shares of the UAE and Saudi Arabia, documented shifts in both export and import baskets, and provided a detailed baseline of trade structures prior to the major CEPAs.

Quamar (2022–2023) in the Persian Gulf series volumes analysed India's bilateral economic, energy and political relations with individual GCC states and the Council. The volumes supplied year-specific data on trade and energy flows, tracked investment trends, and documented the gradual movement from a primarily hydrocarbon-based relationship toward broader economic cooperation.

Singh (2022) applied a gravity model to India's business relations with GCC countries over 1995–2019. GDP of both sides, population of GCC countries, India's economic integration with the world and with the GCC, trading affinity and the diaspora all showed positive and significant effects on bilateral trade, while FDI was positive but statistically insignificant; trade-potential estimates and equilibrium conditions were also examined.

Hameed (2022) examined India's economic relations with the GCC in the Persian Gulf 2021–22 volume, focusing on energy security, non-oil trade expansion and the impact of COVID-related disruptions on commercial flows during 2020–2021. The analysis highlighted both the resilience of energy linkages and the early signs of diversification in non-oil sectors.

Kumaraswamy (2022) analysed the broader strategic and economic dimensions of India's engagement with the Persian Gulf region. The study emphasised institutional mechanisms, investment trends and the role of people-to-people linkages in sustaining trade relations amid regional uncertainties, providing a political-economy context for the commercial patterns observed in the same period.

Pradhan (2022) reviewed India's trade and investment ties with GCC countries in the immediate post-pandemic period. The analysis documented the concentration of flows with the UAE and Saudi Arabia and assessed the potential of preferential arrangements to expand non-oil exports, offering an early evaluation of the opportunities that later CEPAs sought to capture.

Gupta (2021) examined the strategic, energy, maritime and economic security dimensions of the India–GCC relationship. The study highlighted energy interdependence, the expanding non-oil trade component, and the contribution of the large Indian diaspora and soft-power linkages, framing the partnership within broader alliance dynamics in a polycentric international environment.

III. Objectives and Hypotheses

Objectives:

1. To document the volume, direction and commodity composition of India–GCC merchandise trade in recent years and to place these patterns in the context of evolving institutional arrangements.
2. To evaluate the contribution of existing Comprehensive Economic Partnership Agreements with the UAE and Oman to changes in non-oil trade and to assess the potential implications of a comprehensive GCC Free Trade Agreement.
3. To identify specific opportunities for expanding India's exports of engineering goods, pharmaceuticals, processed foods, medical devices and services, as well as for attracting further investment.
4. To examine the principal challenges that affect the relationship, including the structural trade deficit, energy dependence, non-tariff barriers and geopolitical exposure.
5. To formulate practical policy recommendations that can support a more balanced and resilient economic partnership.

Hypotheses:

1. Preferential market access under existing and prospective agreements can accelerate the growth of non-oil exports and services, thereby moderating the relative weight of the energy-driven deficit over time.
2. Geopolitical and structural factors will continue to require parallel risk-management and diversification measures if the full potential of the relationship is to be realised.

IV. Research Methodology

The research follows a descriptive and analytical approach grounded in secondary data. Trade statistics have been obtained primarily from the Ministry of Commerce and Industry and the Directorate General of Commercial Intelligence and Statistics of the Government of India. Official updates issued by the Embassy of India in Riyadh and statements from the Ministry of Commerce and Industry concerning the Terms of Reference and the launch of FTA negotiations in February 2026 have also been used.

The period under examination extends from approximately FY 2015-16 to FY 2025-26, with detailed attention given to the most recent two fiscal years. Commodity composition is analysed through the relative importance of major export and import categories. Country-level shares within the GCC are examined to identify concentration patterns.

No primary data collection or econometric estimation has been undertaken. The study relies on trend observation, compositional comparison and qualitative assessment of institutional developments and external risks. Services trade data remain limited in publicly available sources, and some FY 2025-26 figures are provisional.

V. Patterns of India–GCC Trade

India–GCC merchandise trade has expanded markedly over the past decade. Indian exports rose from roughly USD 41.7 billion in FY 2015-16 to USD 56.87 billion in FY 2024-25, while imports increased from approximately USD 55.8 billion to USD 121.68 billion. Aggregate trade therefore moved into the USD 178–179 billion range, recording cumulative growth of about 15.5 per cent over five years. The GCC's share in India's total imports has risen, whereas its share in India's total exports has declined modestly, reflecting the faster growth of energy imports. This sustained increase in absolute volumes has elevated the GCC to one of India's largest partner blocs, accounting for roughly 15 per cent of India's global merchandise trade in recent years. The growth trajectory has been consistent across most fiscal years, with only minor interruptions linked to global commodity-price cycles. Energy products have accounted for the larger part of the import surge, while non-oil exports have grown at a steadier but slower pace. The overall expansion confirms the deepening of commercial ties even as the composition of trade remains asymmetric. These trends provide the quantitative foundation for assessing both the opportunities and the structural constraints that characterise the relationship.

Country distribution within the bloc is highly concentrated. The UAE is the dominant partner, with bilateral trade exceeding USD 100 billion in FY 2024-25, comprising imports of about USD 63.4 billion and exports of about USD 36.6 billion. Saudi Arabia ranks second at approximately USD 41.9 billion. Qatar, Oman, Kuwait and Bahrain account for smaller but still significant shares, with Qatar near USD 14 billion and Oman and Kuwait each around USD 10–11 billion. The UAE's outsized share reflects its role as both a major energy supplier and a regional re-export and logistics hub for Indian goods. Saudi Arabia's position is driven primarily by crude-oil shipments, although non-oil exports to the Kingdom have also expanded. The remaining four members, while smaller in absolute terms, still represent important markets for specific product categories such as pharmaceuticals, processed foods and engineering items. This concentration means that developments in the UAE and Saudi Arabia exert a disproportionate influence on the overall India–GCC trade balance and on the pace of non-oil export growth. Any future GCC-wide agreement will therefore need to address the distribution of benefits across all six members if it is to secure broad support.

India's export basket to the GCC has become relatively diversified. Principal items include engineering goods, rice (both basmati and non-basmati), textiles and apparel, machinery, gems and jewellery, and an increasing proportion of electronic and electrical products. Petroleum products and

certain petrochemical intermediates also feature among exports. The India–UAE CEPA has been associated with notable expansion of non-oil trade. Traditional agricultural exports such as rice continue to hold a stable share, supported by GCC food-security priorities. Engineering goods and machinery have gained ground in response to infrastructure and industrial projects across the region. Gems and jewellery, together with electronic products, have shown particular strength in the UAE market following the implementation of preferential tariffs. The gradual rise in higher-value manufactures indicates a slow compositional shift, although the absolute volumes of these items remain secondary to energy-related flows on the import side. Diversification has been uneven across destinations, with the UAE accounting for the largest share of the newer product categories. Continued growth in these segments will depend on sustained market access and the ability of Indian exporters to meet evolving technical and quality standards in GCC markets.

Import composition remains dominated by energy. Crude oil constitutes a large share of inbound shipments, frequently estimated at around one-third of India's imports from the GCC, and is supplemented by LNG, petrochemicals and gold. This concentration produces a structural merchandise trade deficit that has remained above USD 60 billion at the bloc level. The deficit therefore stems primarily from the scale and inelasticity of India's energy demand rather than from weak export performance in non-oil categories. Crude-oil imports from Saudi Arabia, the UAE and other GCC producers form the core of this energy dependence. LNG shipments, particularly from Qatar, add a further substantial component. Gold and jewellery imports, much of which is linked to re-export activity through the UAE, also contribute to the overall import bill. Because energy demand is relatively price-inelastic in the short to medium term, fluctuations in global oil prices translate directly into changes in the value of imports and the size of the deficit. The structural character of the imbalance is therefore expected to persist even as non-oil exports continue to grow. Any significant narrowing of the deficit will require either a large expansion of non-oil exports or a material reduction in energy-import dependence, neither of which is likely in the near term.

Beyond goods trade, investment and people-to-people links are material. Cumulative FDI from GCC countries into India surpassed USD 31 billion by 2025–26. Remittances from the Indian diaspora of nearly 9–10 million persons represent an important invisible receipt. Services trade, logistics cooperation and joint ventures further deepen the economic relationship. GCC investment has been directed toward infrastructure, conventional energy, real estate and, more recently, renewable-energy and technology ventures. Remittance flows provide a stable source of foreign-exchange earnings that partially offsets the merchandise deficit in the broader current account. The large Indian community also generates demand for Indian consumer goods, financial services and tourism. Joint ventures in petrochemicals and infrastructure create additional channels of economic integration that are not fully reflected in standard merchandise-trade statistics. Although detailed services-trade data remain limited in publicly available sources, available indicators suggest that services contribute meaningfully to the overall economic relationship. These non-merchandise dimensions add resilience and depth to the partnership even while the goods-trade balance remains heavily skewed by energy imports.

The concentration of trade with the UAE reflects both the country's role as a re-export hub and the effects of the CEPA that entered into force in 2022. Non-oil exports to the UAE have shown particular strength in gems and jewellery, engineering goods and electronics. Preferential tariff treatment under the CEPA has lowered the cost of market entry for a wide range of Indian products. The UAE's advanced logistics infrastructure and free-zone facilities further facilitate re-exports to other GCC and regional markets. As a result, a portion of the recorded bilateral trade consists of goods that are ultimately destined for third countries. This re-export function magnifies the UAE's share in India's official statistics while also creating opportunities for Indian exporters to reach wider markets through a single preferential gateway. The strength of non-oil flows to the UAE therefore serves as an early indicator of the gains that could be realised if similar access were extended to the rest of the GCC. At the same time, the concentration raises questions about the equitable distribution of benefits under a future bloc-wide agreement.

Year-to-year fluctuations in aggregate trade have been influenced by global energy prices. Higher oil prices in certain years inflated import values and widened the deficit, while periods of softer prices moderated the imbalance without altering its structural character. Export growth, by contrast, has been steadier and more closely linked to demand for non-energy goods and the implementation of preferential arrangements. When oil prices rose sharply, the value of crude and LNG imports increased even if physical volumes remained relatively stable, thereby enlarging the merchandise deficit. Conversely, softer price periods reduced the import bill and temporarily narrowed the gap. Non-oil exports have not exhibited the same degree of price-driven volatility, supporting a more stable contribution to overall trade. These cyclical movements underscore the importance of distinguishing between price effects and volume effects when interpreting annual trade data. They also highlight the continuing sensitivity of the bilateral balance to external commodity markets. Medium-term planning therefore needs to incorporate both the structural energy dependence and the short-term volatility associated with global price cycles.

The commodity composition of exports continues to evolve. Traditional items such as rice and textiles remain important, yet the rising share of engineering goods, machinery and electronic products indicates a gradual shift toward higher-value manufactures. This diversification is uneven across GCC destinations and is most visible in trade with the UAE. Basmati and non-basmati rice continue to meet steady demand linked to GCC food-security policies. Textiles and apparel retain a presence, although they face competition from other suppliers. Engineering goods and machinery have benefited from infrastructure and industrial projects in several GCC states. Electronic and electrical products have recorded faster growth, particularly under the preferential regime of the India–UAE CEPA. The shift toward higher-value items is still partial; absolute volumes of traditional products remain substantial. Sustaining and accelerating this compositional change will require continued improvements in quality, standards compliance and logistics efficiency. The pattern nevertheless suggests that non-oil exports are capable of responding to improved market access and to evolving demand in the region.

Services trade, though less completely recorded, is estimated to be significant. Indian firms supply IT, healthcare, education and professional services, while logistics and shipping linkages support merchandise flows. Joint ventures in petrochemicals and infrastructure add another layer of

economic integration that is not fully captured in goods-trade statistics. Mode-4 movement of skilled professionals further contributes to services receipts. Available data indicate that services trade with the GCC has grown alongside merchandise flows, although comprehensive bilateral services statistics remain limited. Logistics and shipping services are closely tied to the physical movement of goods and therefore reinforce the merchandise relationship. Professional and technical services correspond to GCC demand generated by diversification and infrastructure programmes. The contribution of services helps to broaden the economic relationship beyond the energy-dominated goods balance. Expanding services trade, particularly through mobility and mutual-recognition provisions, offers one avenue for moderating the overall asymmetry of the partnership. More systematic recording and promotion of services flows would improve understanding of this dimension and support policy measures aimed at realising its potential.

Overall, the pattern that emerges is one of high-volume, energy-dominated trade with a growing but still secondary non-oil export component, strong concentration in two partners, and complementary investment and diaspora dimensions. These features define both the scale and the asymmetry of the relationship and set the context for assessing opportunities and challenges. The absolute size of bilateral trade confirms the strategic weight of the GCC for India, while the structural deficit underscores the continuing centrality of energy imports. Non-oil exports and services have expanded, yet they have not yet altered the fundamental balance. Concentration with the UAE and Saudi Arabia shapes both the opportunities for preferential access and the distributional questions that arise in bloc-wide negotiations. Investment and diaspora linkages add depth and resilience that are not fully visible in merchandise statistics. Taken together, the patterns indicate a mature but still asymmetric partnership whose future trajectory will depend on the interaction of preferential agreements, domestic competitiveness measures and external risk factor

VI. Opportunities in India–GCC Trade Relations

Existing and prospective preferential agreements create a favourable institutional setting for expanded trade. The CEPAs already in force with the UAE and Oman have demonstrated that reduced tariffs and improved market-access conditions can support growth in non-oil exports. Extension of similar provisions across the full GCC through the negotiations launched in 2026 could broaden these gains, particularly for engineering goods, pharmaceuticals, medical devices, processed foods and selected agricultural products. The India–UAE CEPA, effective since 2022, has already been associated with measurable increases in non-oil bilateral flows. The more recent India–Oman CEPA, which entered into force in 2026, offers duty-free access on the large majority of India's export value and covers an extensive range of services. A comprehensive GCC-wide agreement could replicate and extend these benefits to Saudi Arabia, Qatar, Kuwait and Bahrain. Such an outcome would reduce the current fragmentation of market access and create a more predictable environment for Indian exporters. The institutional momentum generated by the February 2026 Terms of Reference therefore represents a concrete opportunity to convert bilateral gains into bloc-wide advantages. Realising this potential will depend on the scope of tariff reductions, rules of origin, and the treatment of non-tariff measures ultimately agreed by the parties.

GCC countries' emphasis on food security aligns with India's production and export capacity in rice, spices, marine products and processed foods. Preferential access and streamlined sanitary and phytosanitary procedures could raise the volume and value of these shipments. Engineering goods and machinery likewise face growing demand linked to infrastructure and industrial projects in the region. Basmati and non-basmati rice already constitute important Indian exports to the GCC, supported by long-standing commercial relationships and reliable supply. Spices, marine products and processed foods offer additional scope as GCC states seek to diversify food sources and reduce vulnerability to external supply shocks. Preferential tariffs combined with simpler certification and inspection procedures would lower costs and improve the competitiveness of Indian suppliers. Infrastructure and industrial projects across the GCC continue to generate demand for engineering goods, machinery and related equipment. Indian manufacturers are well placed to meet a portion of this demand, particularly if tariff and non-tariff barriers are reduced. Coordinated efforts on standards alignment and logistics would further enhance the ability of Indian exporters to capture a larger share of these food and industrial markets. The complementarity between GCC food-security objectives and Indian production capacity therefore constitutes a durable basis for expanded non-oil trade.

Services and temporary movement of skilled professionals constitute another area of opportunity. Indian capabilities in information technology, healthcare, education, construction management and professional services correspond to needs generated by GCC economic diversification programmes. Provisions on Mode 4 mobility and mutual recognition of qualifications could enhance the contribution of services trade. GCC states are investing heavily in digital infrastructure, healthcare systems, education and large-scale construction projects as part of their diversification strategies. Indian firms and professionals possess relevant experience and cost advantages in these sectors. Temporary movement of skilled workers under Mode 4, together with mutual recognition of professional qualifications, would allow these capabilities to be deployed more effectively. Services trade already contributes to the bilateral relationship, although comprehensive data remain limited. Expanding mobility and recognition arrangements could raise both the volume and the value of services exports. Such provisions would also generate employment and skills-transfer benefits for the host economies. Inclusion of meaningful services and mobility chapters in a future GCC-wide agreement would therefore broaden the economic relationship beyond merchandise trade and help to moderate the overall asymmetry created by energy imports.

Investment flows offer further scope. GCC sovereign wealth funds and private investors have already placed capital in Indian infrastructure, energy and technology. A comprehensive agreement containing investment protection and facilitation chapters could increase the predictability of such flows and support India's manufacturing and green-transition objectives. Cumulative FDI from GCC sources has already exceeded USD 31 billion, directed toward infrastructure, conventional energy, real estate and, more recently, renewable energy and technology ventures. Clearer rules on investment protection, dispute settlement and facilitation would reduce perceived risks and encourage additional commitments. Indian priority sectors such as manufacturing, logistics and green energy align with the investment mandates of several GCC sovereign funds. Predictable investment provisions could also support joint ventures that combine GCC capital with Indian operational

expertise. Over time, higher and more diversified investment inflows would strengthen production linkages and contribute to export capacity. An investment chapter that balances protection with facilitation would therefore complement goods and services liberalisation and reinforce the strategic character of the partnership.

Energy collaboration can evolve beyond conventional hydrocarbon trade. Long-term supply arrangements, joint petrochemical ventures and cooperation in emerging areas such as green hydrogen and carbon management present possibilities for higher value addition. Commercial infrastructure initiatives, including facilities such as Bharat Mart in Dubai, can also assist Indian exporters in reaching regional markets more effectively. Existing long-term contracts for crude oil and LNG already provide a degree of supply stability. Extending cooperation into petrochemicals can create higher-value industrial linkages. Emerging areas such as green hydrogen, carbon capture and renewable-energy infrastructure offer opportunities for joint projects that align with both sides' energy-transition goals. Facilities such as Bharat Mart in Dubai provide Indian exporters with physical and commercial infrastructure that lowers the cost of market entry and distribution. These initiatives complement preferential tariff access by addressing logistics and marketing constraints. Collaborative energy projects can also generate demand for Indian engineering goods, equipment and services. Moving beyond a pure buyer-seller relationship in hydrocarbons toward joint value addition would deepen the economic partnership and create more balanced commercial outcomes over time.

The large Indian diaspora provides a ready consumer base and commercial network. Targeted promotion of Indian brands, financial services and tourism can leverage this presence. Nearly 9–10 million Indians reside in GCC countries, generating sustained demand for Indian consumer goods, food products and cultural services. The diaspora also maintains extensive business and professional networks that can facilitate market entry for Indian firms. Remittance flows constitute an important invisible receipt that partially offsets the merchandise trade deficit. Targeted brand promotion, participation in trade fairs and the development of financial and tourism services can convert this demographic presence into higher commercial returns. Indian restaurants, retail outlets and entertainment services already enjoy visibility in several GCC cities. Expanding these channels through coordinated marketing and improved logistics would raise the value of non-oil exports and services. The diaspora therefore functions both as a market and as a bridge for broader economic engagement. Systematic efforts to leverage these networks would reinforce the gains expected from preferential market access.

Pharmaceuticals and medical devices represent a particularly promising segment. GCC demand for quality generic medicines and medical equipment is rising with population growth and healthcare expansion. Preferential tariff treatment and mutual recognition of standards could allow Indian producers to increase market share in a region that currently sources a significant portion of these products from other suppliers. India's established strengths in generic pharmaceuticals and growing capabilities in medical devices align with GCC healthcare needs. Tariff reductions under existing CEPAs have already begun to improve access in the UAE and Oman markets. Extending similar treatment across the GCC, together with mutual recognition of regulatory approvals, would lower compliance costs and accelerate market entry. Healthcare infrastructure projects in several GCC

states further generate demand for medical equipment and related services. Indian suppliers can compete effectively on both quality and price once non-tariff barriers are reduced. Success in this segment would raise the value and technological content of non-oil exports. Pharmaceuticals and medical devices therefore illustrate the type of higher-value opportunity that preferential agreements can help to unlock.

Processed foods and agricultural products beyond rice also offer scope. Spices, marine products, dairy preparations and ready-to-eat items align with GCC food-security and diversification goals. Streamlined certification and reduced non-tariff barriers would help convert production capacity into sustained export growth. While rice remains a flagship export, a wider range of agricultural and processed-food products can meet evolving consumer preferences and institutional procurement needs in the GCC. Spices and marine products already enjoy recognition for quality. Dairy preparations and ready-to-eat foods respond to urbanisation and changing dietary patterns. Preferential access combined with simpler sanitary and phytosanitary procedures would improve competitiveness relative to other suppliers. Investment in cold-chain logistics and packaging standards would further support higher-value shipments. Expanding this product range would diversify India's agricultural export basket and reduce reliance on a narrow set of commodities. Food-sector opportunities therefore complement the broader objective of raising the non-oil share of India-GCC trade.

Digital and technology-enabled services constitute an emerging opportunity. Indian strengths in fintech, health-tech, education technology and business-process services match GCC investments in digital infrastructure and smart-city projects. Provisions on data flows, e-commerce and professional mobility could unlock this potential more fully than goods-focused liberalisation alone. GCC states are allocating substantial resources to digital transformation, fintech ecosystems and technology-enabled public services. Indian firms possess relevant capabilities and a track record of delivering cost-effective solutions in these domains. Cross-border data-flow arrangements, e-commerce facilitation and mobility provisions would enable deeper participation. Health-tech and education-technology services correspond to GCC priorities in healthcare and human-capital development. Business-process and IT services can support both government and private-sector digitalisation programmes. Realising these opportunities requires regulatory cooperation beyond traditional tariff reductions. Digital services therefore represent a forward-looking dimension of the partnership that can generate high-value exports and strengthen technological linkages.

Renewable-energy and green-technology collaboration extends beyond conventional hydrocarbons. Joint projects in solar, green hydrogen and carbon management can create higher-value linkages and support both sides' energy-transition objectives. Such collaboration can also open related markets for Indian engineering goods, equipment and services. Several GCC states have announced ambitious renewable-energy and hydrogen targets as part of their diversification strategies. Indian companies have developed capabilities in solar manufacturing, project execution and related engineering services. Joint ventures can combine GCC capital and offtake demand with Indian technology and operational expertise. Green-hydrogen and carbon-management projects offer particularly promising avenues for long-term cooperation. These initiatives would generate demand for specialised

equipment, engineering services and technical know-how. Over time, renewable-energy collaboration can reduce the purely extractive character of the energy relationship and create more balanced commercial outcomes. Green-technology partnerships therefore constitute a strategic opportunity that aligns energy security with industrial and export objectives.

VII. Challenges in India–GCC Trade Relations

The most significant structural challenge is the large and persistent merchandise trade deficit. Because imports of crude oil and LNG substantially exceed India's exports to the region, the deficit remains above USD 60 billion. This imbalance is unlikely to narrow sharply in the near term given the scale of India's energy requirements and the limited immediate availability of alternative supplies at comparable cost and volume. Crude oil and natural gas account for the overwhelming share of India's imports from the GCC, reflecting the country's continuing dependence on imported hydrocarbons to meet domestic demand. Non-oil exports, although growing, have not yet reached a scale sufficient to offset these energy inflows. India's energy consumption continues to rise with economic growth, industrialisation and urbanisation, making rapid substitution difficult. Alternative sources of crude and LNG exist, yet they often involve higher costs, longer lead times or logistical constraints. As a result, the merchandise deficit is structural rather than cyclical. Even sustained growth in non-oil exports will moderate the deficit only gradually. Policymakers must therefore treat the imbalance as a medium-term feature of the relationship while pursuing complementary measures to expand higher-value exports and diversify energy sources over time.

Energy dependence also creates exposure to geopolitical risk. A considerable portion of oil and gas cargoes transits the Strait of Hormuz. Regional tensions can raise freight rates, insurance premiums and overall import costs, with secondary effects on fertiliser supply, transportation and power generation. The interconnected character of these sectors means that disruption in one domain can transmit to others. The Strait of Hormuz remains a critical chokepoint for a large share of India's energy imports from the GCC. Any escalation of tensions in the Gulf can lead to higher shipping costs, increased insurance premiums and, in extreme cases, temporary interruptions in physical supply. These cost increases feed directly into domestic fuel prices, power generation costs and the price of fertilisers that rely on hydrocarbon feedstocks. Secondary effects extend to transportation, agriculture and manufacturing. Because energy is an input into multiple sectors, a disruption originating in the Gulf can have economy-wide consequences. Maintaining strategic reserves, developing alternative supply routes and diversifying sources are therefore necessary complements to trade negotiations. Geopolitical risk thus constitutes a standing constraint that preferential market access alone cannot eliminate.

Negotiation of a region-wide Free Trade Agreement faces practical obstacles. Economic structures and policy priorities differ among the six GCC members. Sensitivities surrounding the liberalisation of energy trade, together with India's caution on tariff reductions in agriculture and certain manufacturing segments, complicate the search for consensus. The heavy concentration of trade with the UAE and Saudi Arabia further raises questions about the equitable distribution of benefits across the bloc. Some GCC members have advanced diversification programmes and relatively open trade

regimes, while others remain more heavily dependent on hydrocarbon revenues and maintain higher levels of protection in selected sectors. Aligning positions on energy, rules of origin, services and investment requires extensive technical work and political compromise. India's domestic constituencies in agriculture and certain industries resist deep tariff cuts that could increase competition from GCC suppliers. The dominance of the UAE and Saudi Arabia in current trade flows means that smaller members may perceive limited immediate gains unless specific provisions address their interests. These differences explain why earlier attempts at a GCC-wide agreement in 2006 and 2008 did not succeed. Overcoming them will require careful sequencing, sector-specific flexibilities and sustained political commitment from all parties.

Non-tariff measures, technical standards and certification requirements can limit the realisation of export potential even where tariffs are low or zero. Competition from other suppliers, logistics costs and variations in port efficiency also affect competitiveness. Global energy-price volatility and shifts in GCC diversification strategies introduce additional uncertainty into medium-term trade projections. Tariff elimination under the UAE and Oman CEPAs has improved market access, yet technical regulations, labelling rules, conformity-assessment procedures and sanitary requirements continue to impose compliance costs. Smaller exporters in particular may lack the resources to meet these standards quickly. Indian products also face competition from established suppliers in East Asia, Europe and other regions that already enjoy strong distribution networks in the GCC. Differences in port efficiency, inland logistics and documentation requirements across GCC destinations raise transaction costs and delivery times. Energy-price volatility affects both the value of India's imports and the fiscal capacity of GCC governments to sustain import demand. Changes in GCC diversification strategies can alter the composition of demand for Indian goods and services. These non-tariff and structural factors therefore constrain the speed and scale at which preferential access translates into actual export growth.

These challenges do not negate the opportunities identified earlier, but they indicate that preferential agreements alone will not automatically produce a more balanced relationship. Complementary measures addressing competitiveness, standards infrastructure, logistics and energy security are required. Domestic capacity constraints in certain high-value manufacturing segments and differences in regulatory environments further complicate rapid gains. Tariff reductions can open markets, yet Indian firms must still compete on quality, price, delivery reliability and after-sales support. Building standards infrastructure, testing facilities and certification capacity at home reduces compliance costs and improves market readiness. Logistics improvements—both domestic and bilateral—lower the cost of reaching GCC destinations. Energy-security measures, including strategic reserves and source diversification, reduce vulnerability to external shocks. Without these complementary actions, the gains from preferential access may remain concentrated in a limited number of products and firms. Regulatory differences between India and individual GCC members add further complexity to market entry. A balanced outcome therefore depends on parallel progress in trade negotiations and in domestic competitiveness and risk-management policies.

Differences in economic structure among GCC members create additional complexity for a single agreement. Some members have advanced diversification programmes while others remain more heavily dependent on hydrocarbons. Aligning rules of origin, standards and investment provisions across six jurisdictions requires extensive technical work and political compromise. The UAE and, to

a lesser extent, Saudi Arabia have made substantial progress in developing non-oil sectors and improving the business environment. Other members continue to rely more heavily on hydrocarbon revenues and maintain different regulatory approaches. These structural differences affect negotiating priorities, the sectors each member is willing to liberalise, and the implementation capacity available after an agreement is signed. Rules of origin must be designed so that they do not inadvertently favour one member over another or create opportunities for trade deflection. Standards and conformity-assessment procedures vary, requiring either harmonisation or mutual recognition arrangements. Investment provisions must accommodate differing legal systems and policy objectives. The need to reconcile these differences lengthens the negotiating process and may result in a more limited agreement than either side initially envisaged. Careful design of flexibilities and transition periods will be necessary to accommodate this diversity.

India's domestic sensitivities in agriculture and selected industrial sectors limit the scope for reciprocal liberalisation. Tariff reductions that might expand market access for GCC exporters in these areas face resistance from domestic producers. Balancing offensive and defensive interests therefore remains a central negotiating challenge. Agriculture remains politically sensitive in India, and several product lines are protected by tariffs or other measures. Certain manufacturing segments, including petrochemicals and selected consumer goods, also face domestic opposition to deeper tariff cuts. GCC members, for their part, may seek improved access in some of these areas as part of a balanced package. Indian negotiators must therefore weigh the export gains expected in engineering goods, pharmaceuticals, processed foods and services against the adjustment costs that could arise in sensitive domestic sectors. Failure to manage these trade-offs can slow or limit the scope of an agreement. Transparent impact assessments, phased liberalisation and safeguard mechanisms can help address domestic concerns while preserving offensive interests. The challenge of balancing these interests is inherent in any comprehensive negotiation and will require sustained domestic consultation alongside the external talks.

Logistics and connectivity constraints continue to raise costs for Indian exporters. Variations in port efficiency, inland transport and documentation requirements across GCC destinations affect competitiveness, particularly for time-sensitive or lower-margin products. Improvements in these areas depend on both bilateral cooperation and domestic infrastructure development. Shipping times, port congestion, customs clearance procedures and inland distribution networks differ across the six GCC members. These differences translate into higher logistics costs and less reliable delivery schedules for Indian exporters. Time-sensitive products such as fresh produce, pharmaceuticals and certain electronic items are especially affected. Documentation requirements and differences in digital trade facilitation further add to transaction costs. While the UAE offers relatively efficient logistics infrastructure, other destinations present greater challenges. Addressing these constraints requires investment in Indian ports and hinterland connectivity as well as bilateral cooperation on customs procedures and trade facilitation. Preferential tariffs alone cannot offset high logistics costs. Parallel improvements in physical and procedural connectivity are therefore essential if Indian exporters are to convert market access into sustained commercial gains.

Standards and conformity-assessment differences impose compliance costs. Even when tariffs are eliminated, technical regulations, labelling requirements and certification procedures can delay market entry or exclude smaller exporters. Mutual recognition arrangements and capacity-building support are needed to reduce these barriers. Each GCC member maintains its own set of technical regulations, sanitary and phytosanitary measures, and conformity-assessment procedures. Indian exporters must often obtain multiple certifications or adapt products to meet differing requirements. The cost and time involved in compliance can be prohibitive for small and medium-sized enterprises. Even larger firms face delays and additional expenses that reduce the effective benefit of tariff elimination. Mutual recognition of standards and test results would lower these costs, yet such arrangements require technical cooperation and trust between regulatory authorities. Capacity-building programmes that help Indian firms understand and meet GCC requirements can also improve market readiness. Without progress on standards and conformity assessment, the commercial gains from preferential agreements will remain below potential. Regulatory cooperation is therefore an integral part of realising the opportunities identified in non-oil trade.

Energy-price volatility affects both the value of imports and the fiscal capacity of GCC partners to sustain demand for Indian goods. Periods of lower oil prices can reduce GCC import demand while simultaneously narrowing India's deficit, creating mixed short-term effects that complicate medium-term planning. Global oil and gas prices remain subject to geopolitical events, shifts in demand and changes in supply from other producers. When prices rise, the value of India's energy imports increases and the merchandise deficit widens, even if physical volumes are stable. When prices fall, the import bill declines and the deficit narrows, yet GCC government revenues and import demand may also weaken. These opposing effects make it difficult to project medium-term trade balances with precision. Volatility also affects investment decisions and the pace of GCC diversification programmes that generate demand for Indian goods and services. Indian exporters and policymakers must therefore incorporate price uncertainty into planning. Long-term supply contracts, strategic reserves and efforts to expand non-oil exports can reduce exposure to these fluctuations. Energy-price volatility remains an exogenous factor that shapes the short-term evolution of India–GCC trade even as structural and institutional factors determine its longer-term trajectory.

VIII. Discussion and Strategic Implications

The scale of India–GCC trade and the institutional steps taken since 2022 establish the relationship as a strategic economic partnership rather than a purely transactional exchange of energy for other goods. The CEPAs with the UAE and Oman have already contributed to growth in non-oil trade, demonstrating that preferential access can alter export composition. The formal opening of negotiations covering the entire GCC in 2026 extends this approach and offers a means of securing greater predictability for goods, services and investment. At the same time, the structural deficit implies that tariff reductions will generate asymmetric results unless accompanied by sustained efforts to expand high-value non-oil exports and services. From a commercial standpoint, the priority is to convert improved market access into durable gains in pharmaceuticals, engineering goods, food processing, electronics and medical devices while maintaining stable long-term energy supplies. The experience of the UAE and Oman CEPAs provides useful evidence for the wider negotiations: non-

oil trade growth under these agreements suggests that preferential access can shift export composition, yet the overall deficit has remained large because energy imports continue to dominate. Any GCC-wide agreement will therefore need complementary measures if the objective of greater balance is to be achieved.

Geopolitical vulnerability strengthens the case for parallel resilience measures. Diversification of energy sources, maintenance of strategic reserves, development of alternative logistics options and broader economic engagement that reduces single-point dependencies complement the trade-negotiation agenda. Resilience considerations extend beyond trade policy. Maintaining strategic petroleum reserves, developing alternative supply routes and deepening cooperation in emerging energy technologies reduce exposure to disruption in the Strait of Hormuz. These measures support energy security while the trade negotiations address market-access and regulatory issues. Successful deepening of GCC ties can also inform India's approach to other energy-rich or diaspora-linked regions, provided that domestic competitiveness and standards capacity advance in step with market-opening commitments.

The partnership aligns with India's goals of export growth, investment attraction and energy security, and with GCC objectives of reliable food and manufactured imports alongside economic diversification. Realising these complementarities at greater scale will depend on the content and implementation of any eventual Free Trade Agreement, the effectiveness of domestic export-support measures, and the management of external risks. Services and investment chapters will be particularly important. Goods liberalisation alone is unlikely to offset the energy-driven deficit. Provisions that facilitate Mode-4 movement, mutual recognition of qualifications, and predictable investment rules can expand the non-merchandise dimensions of the relationship and generate higher-value linkages. Coordinated action on standards, logistics and investment facilitation will determine the pace at which opportunities are converted into measurable trade outcomes.

Domestic capacity building remains essential. Export promotion, standards infrastructure and logistics improvements will determine how fully Indian firms can utilise preferential access. Without parallel advances in competitiveness, tariff reductions may produce limited gains in high-value segments. The distribution of benefits within the GCC also warrants attention. Concentration of current trade with the UAE and Saudi Arabia means that a bloc-wide agreement must ensure meaningful opportunities for smaller members if it is to secure broad support. Rules of origin and sector-specific flexibilities may help address this issue. These domestic and distributional considerations are integral to converting negotiated market access into balanced and sustainable commercial results.

Finally, the partnership can serve as a reference for India's engagement with other energy-exporting or diaspora-linked regions. Lessons on combining preferential access with energy-security arrangements, services liberalisation and risk-management instruments are transferable, provided they are adapted to local conditions. Sustained technical and political dialogue will be required to translate the opportunities identified in this paper into durable outcomes. A calibrated approach that integrates trade negotiations with domestic competitiveness measures and resilience instruments offers the most realistic path toward a more balanced and strategically robust India–GCC economic relationship.

IX. Conclusion and Policy Recommendations

India–GCC trade relations have developed into a high-volume, multi-dimensional economic partnership marked by substantial energy imports, a diversifying non-oil export basket, growing investment and extensive diaspora linkages. Bilateral trade in the vicinity of USD 178–179 billion confirms the strategic weight of the relationship.

Opportunities in non-oil goods, services, investment and collaborative energy projects are significant. Challenges centred on the trade deficit, energy dependence, geopolitical exposure and the complexities of bloc-wide negotiation remain material and require deliberate management.

Negotiations for the India–GCC Free Trade Agreement should aim to secure meaningful market access for Indian goods and services while preserving necessary policy space in sensitive sectors and incorporating stable energy-supply arrangements. Targeted export promotion and standards alignment should be intensified in pharmaceuticals, medical devices, engineering goods, processed foods and electronics.

Energy security should be reinforced through a combination of long-term contracts, gradual diversification of sources and cooperation in emerging energy technologies. Logistics connectivity, reduction of non-tariff barriers and investment-facilitation provisions should be prioritised. Diaspora networks and services trade should be leveraged more systematically.

Contingency planning for geopolitical disruptions should form an integral element of the overall economic engagement strategy. A calibrated approach that combines preferential market access with domestic competitiveness measures and risk-management instruments can improve the balance and resilience of India–GCC trade relations.

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