



INDIA'S TRADE POTENTIAL TO KUWAIT – PROBLEMS AND OPPORTUNITIES

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ABSTRACT

International trade is a major source of economic revenue for any nation that is considered a world power. Without international trade, nations would be limited to the goods and services produced within their own borders. International trade is in principle not different from domestic trade as the motivation and the behavior of parties involved in a trade does not change fundamentally depending on whether trade is across a border or not. The main difference is that international trade is typically more costly than domestic trade. The reason is that a border typically imposes additional costs such as tariffs, time costs due to border delays and costs associated with country differences such as language, the legal system or a different culture. The Indo-Kuwait economic and



trade relations are based on a sound foundation of mutual goodwill and friendship. There are similarities and dissimilarities in the basic structure of their respective economies. The nature and extent of trade, its pattern and composition after economic reforms of 1991 have witnessed changes over the years. The value and volume of exports and imports have shown both an upward and downward trend during the last two decades. Both India and Kuwait come under the category of developing countries seeking to achieve self-reliance and self-sustained growth. There exist vast potentialities not only in the field of extension and diversification of trade but also in the fields of agricultural and industrial development through transfer of technology, Research and Development and Joint Ventures etc. The problems relating to adverse balance of payment, international liquidity, and protectionist policies of the developed countries and other dominations in the policy decisions of the financial institutions like IBRD and IMF etc have assumed serious dimensions to the disadvantage of developing countries. The North-South dialogue has not been very fruitful. The spirit of South-South cooperation to bring about a New World Economic Order is gaining ground. Thus Indo-Kuwait economic and trade relations assumes a great importance in the context of South-South cooperation and the world new economic order.

Key Words: Export, Import, Global Trade, Tariffs, Balance of Payment

Introduction

Kuwait was founded in the early 1700s after tribes from Central Arabia settled in the Bay of Kuwait City. The Al-Sabah family has been in power since 1756. Fearful that the Ottoman Empire would expand further south, Kuwait came under British protection in



1899. In 1961 Kuwait gained independence from Britain while Iraq pressed a territorial claim to the country. Iraq invaded and occupied Kuwait on August 2, 1990. On February 26, 1991, a US-led international coalition liberated Kuwait by ousting Iraqi troops.

India and Kuwait enjoy traditionally friendly relations. These are based in history and have stood the test of time. Geographic proximity, historical trade links, cultural affinities and presence of a large number of Indian expatriates continue to sustain and nurture this long standing relationship. India has been a natural trading partner and a destination for higher learning. Until 1961, the Indian Rupee was legal tender in Kuwait. . Kuwaitis used to come to India in search of work before the exploration of oil. They used to come with pearls and dates to India for trade and work here for livelihood.

In the context of the present day situation and also in respect of the proposed study, the most important aspect of Indo-Kuwait relations is the growing economic and trade relations based on mutual trust and goodwill. The emergence of new sense of awakening among the developing countries has added new dimensions to the growing Indo-Kuwait economic and trade relations. It is true that Indo-Kuwait economic trade remained stagnant for quite sometime for various reasons like low percentage of India exports to Kuwait and ever-growing trade deficit due to crude oil being the import item of imports from Kuwait.

At present there is an enormous trade between two countries. India's exports to Kuwait have increased in last ten years and the commodity exported also varying. The major five commodities exported to Kuwait in 2010 were:



- 1) Mineral fuels, Mineral Oils & products of their distillation bituminous substances & mineral waxes
- 2) Iron and Steel & its products
- 3) Meat & its preparations
- 4) Nuclear reactors, boilers, machinery & mechanical appliances; parts thereof
- 5) Electrical machinery & equipment and parts thereof; sound recorders & reproducers, television image & sound recorders & reproducers and parts

India's experience and achievements in various sections of economic development can provide a sound basis for bilateral cooperation between developing countries in general and India & Kuwait in particular. New economic policies are now ready to embrace to these two cultural relatives. The new economic reforms have provided vast potentiality and new dimensions to Indo-Kuwait relations in the context of their economic development and growth. So far the foreign trade between the two countries had crude oil as its main content. There exists the necessary goodwill and keenness on part of both countries to extend full cooperation to each other. It is a hard reality that Kuwait will continue to be a major exporter of crude oil yet in many sectors India can extend its cooperation to Kuwait in many spheres in which India has achieved significant progress. Such cooperation will not only be of mutual benefit to the two countries but will also be in important link in the south-south cooperation. Here it is important to point out that there exists ample scope, not only for trade but also in investment opportunities for the mutual benefit of the two countries.

The traditional good relations and mutual goodwill are based on age-old historical background. This seems to be responsible for a positive response and full awareness among the two countries that mutual cooperation among the respective governments,



private and public institutions, investors and those interested in promotions of trade and industry shall be conducive in the promotions of trade and industry shall be conducive to economic development and growth.

Research Methodology:**Objectives:**

The objectives of the study are given as follows:

1. To study the bilateral trade and economic cooperation between India and Kuwait.
2. To study the export and import items traded between India and Kuwait.
3. To analyze the percentage change in export and import of major oil and non-oil items.
4. To study the problems and opportunities faced by India-Kuwait bilateral trade.
5. To suggest measures to overcome the problems and improve trade between India and Kuwait.

Research Design: Exploratory

Type of data: Secondary



Sources of data: National and International Journals, Economic Survey, Middle East Economic Digest, Oil and Gas Journal, Books, Internet.

Bilateral Trade and Economic Cooperation

Kuwait is a small, relatively open, petroleum based economy with heavy dependence on foreign manpower. It has always offered an open, highly competitive and affluent market for capital and consumer goods and for project exports. While Indian companies did well until the 80s in terms of project exports, there has not been any significant breakthrough on the investment front since the 90s. The bilateral trade between India and Kuwait has, however, risen steadily in the post liberation period.

India-Kuwait relations have always had a pro trade-bias, and bilateral trade has, risen steadily since 1991. India-Kuwait trade was US\$ 10.4 billion in 2008-2009, of which non-oil trade accounted for approximately \$1.2 billion while petroleum exports from Kuwait to India were approximately \$9.1 billion. India has consistently been among the top ten trading partners of Kuwait. As per Indian Government sources, the trade during 2005-2009 and 2009-2010 (Apr-Dec) were as follows:

Table 1: Bilateral trade between India and Kuwait (US\$ million)

	2005-06	2006-07	2007-08	2008-09	2009-2010 Apr-Dec
Indian Exports to Kuwait	513.73	614.81	681.54	797.50	562.74



Indian Imports from Kuwait	461.85	5,993.23*	7,704.25	9593.74	5,822.11
Total	975.59	6,608.04*	8,385.79	10,391.24	6,384.85

The figures are in US\$ million

Source: Department of Commerce, Ministry of Commerce & Industry, Government of India

Table 2: Bilateral trade between India and Kuwait (Rs. Lakhs)

	2005-06	2006-07	2007-08	2008-09	2009-2010 Apr-Dec
Indian Exports to Kuwait	2,27,447.64	2,77,989.70	2,74,490.59	3,62,840.57	2,69,976.99
Indian Imports from Kuwait	2,04,478.80	27,11,417.49	30,95,993.03	43,19,944.55	2,,81,872.10
Total	4,31,926.44	29,89,407.19	33,70,483.61	46,82,785.12	30,51,849.09

The figures are in Rs. Lakhs

Source: Department of Commerce, Ministry of Commerce & Industry, Government of India



Note : *The sharp increase in trade figures in 2006-07 is due to the inclusion of figures of Petroleum & its products (POL) which were not included in the previous financial years. POL imports accounted for US\$ 5,646.65 million (Rs. 25,57,078 lakhs) in the year 2006-07, US\$ 7,278.97 million (Rs. 29,29,129 lakhs) in the year 2007-08 and US\$ 9,193.78 million (Rs. 41,40,219.26 lakhs) in the year 2008-09.

India-Kuwait Bilateral Trade FY 2005-10

Total bilateral trade between India and Kuwait grew by 65% from Rs. 431,503.46 lakhs (US\$ 974.63 million) in FY 2005-06 to Rs. 713,484.46 lakhs (US\$ 1.57 billion) in FY 2006-07.

The total bilateral trade between India and Kuwait in US Dollars terms increased by 26.88% from US\$ 6,601.33 million in the year 2006-07 to US\$ 8,375.75 million in 2007-08. In Rupee terms, it grew by 12.75% from Rs. 2,989,407.19 lakhs in FY 2006-07 to Rs. 3,370,483.69 lakhs in FY 2007-08. The difference in the growth rates in rupee and dollar terms is due to the variation in the exchange rate in corresponding years.

Total bilateral trade between India and Kuwait in US\$ terms increased by 23.91% from US\$ 8385.79 million in the year 2007-08 to US\$ 10,391.24 million in 2008-09. In Rupee terms, it grew by 38.94% from Rs. 33,70,483.61 lakhs in 2007-08 to Rs. 46,82,785.12 lakhs in 2008-09. The difference in the growth rates in rupee and dollar terms is due to the variation in the exchange rate in corresponding years.

India's Exports to Kuwait



Below is the share of top 10 items of imports from India during 2006-07. This shows that the major items imported from India were rice (basmati), meat & its preparations, machinery & instruments, manufactures of metals, glass products, gems & jewelry, cotton & its accessories, iron & steel and transport equipments.

India's exports grew by 33.15% from Indian Rupees 227,428.27 lakhs (US\$ 513.69 million) in 2005-06 to Indian Rupees 302,818.46 lakhs (US\$ 669.22) in 2006-07.

The exports from India to Kuwait increased by 11.12% in US Dollars terms from US\$ 613.87 million in 2006-07 to US\$ 682.12 million in 2007-08. In Rupee terms, it, however, declined by 1.26% from IRs 277,989,70 lakhs to IRs 274,490.59 lakhs in the corresponding period due to appreciation of IRs vis-à-vis US\$.

The top 10 items of exports from India during 2007-08 shows that the major items exported from India were Cereals; iron & steel; meat & its preparations; nuclear reactors, boilers, machinery & mechanical appliances; electrical machinery & equipment, sound recorders, reproducers & parts; plastic & its products; dairy products, bird's eggs, honey; vehicle & parts; coffee, tea & spices and residues & waste from the food industries & animal fodder.

The exports from India to Kuwait increased by 17.01% in US Dollars terms from US\$ 681.54 million in 2007-08 to US\$ 797.50 million in 2008-09. In Rupee terms, it increased by 32.19% from Rs 274,490.59 lakhs to Rs 362,840.57 lakhs in the corresponding period.

A pie-chart showing the share of top 10 items of exports from India during 2008-09 shows that the major items exported from India were Cereals; meat and edible meat



offal; electrical machinery and equipments and part thereof, sound recorders and reproducers, television image and sound recorders and reproducers and parts; nuclear reactors, boilers,

machinery and mechanical appliances, parts thereof; mineral fuels, minerals oils and products of their distillation, bituminous substances, mineral waxes; iron and steel;

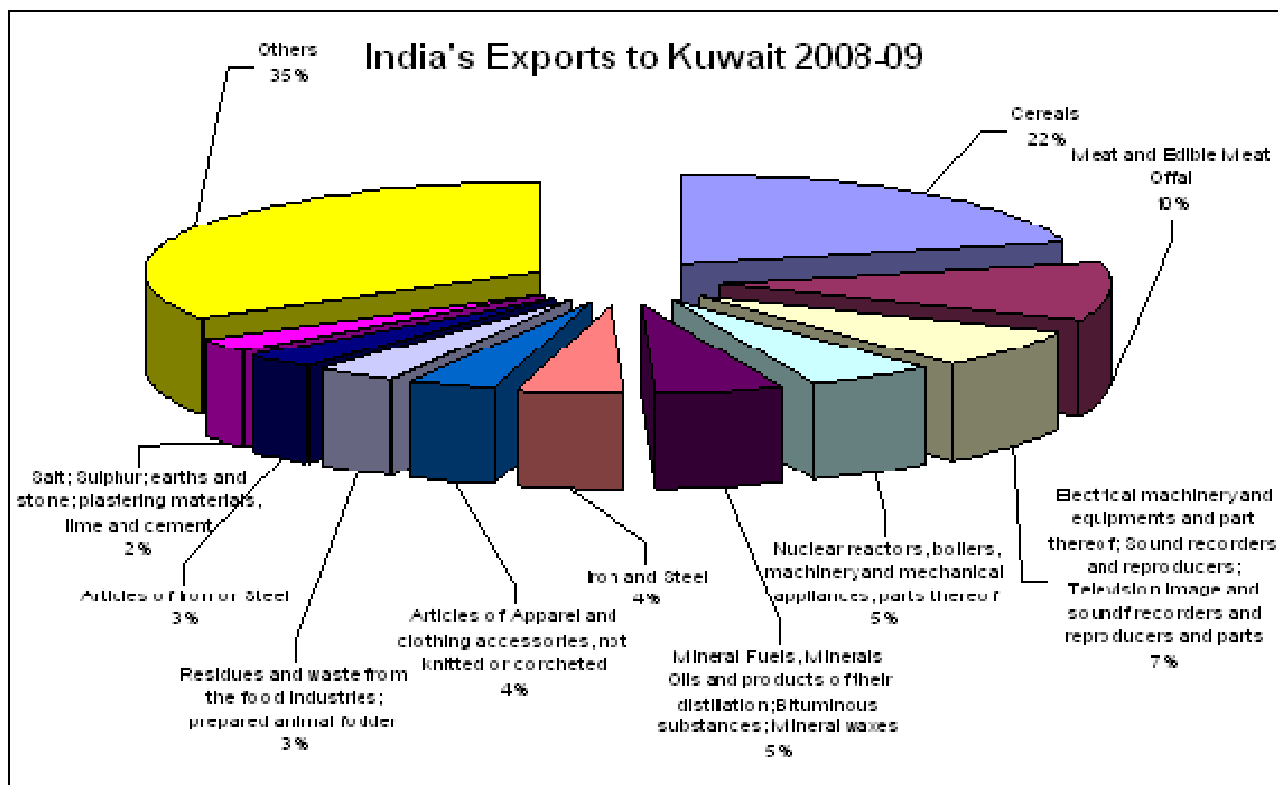
articles of apparel and clothing accessories, not knitted or crocheted; residues and waste from the food industries; prepared animal fodder; articles of iron or steel; salt, sulphur, earths and stone, plastering materials, lime and cement.

**Figure 1- India exports to Kuwait**

Source: Ministry of Commerce, New Delhi

India's Imports from Kuwait

Indian imports from Kuwait have gone up by 101% from Rs. 204,276.26 lakhs (US\$ 461.39 million) in FY 2005-06 to Rs. 410,666 lakhs (US\$ 907.56 million) in FY 2006-07, as per DGCIS statistics.





Below showing the share of top 10 items of exports from India during 2006-07 is given below. This shows the major items (excluding crude oil) imported by India as metalifer ores & metal scrap; organic chemicals; fertilisers; sulphur & unstd iron pyt; inorganic chemicals; artificial resins, plastic materials, etc.; textiles, fabrics & clothings; machinery except electric & electronic; and leather.

India's imports from Kuwait went up by 28.50% from US\$ 5,987.46 million in 2006-07 to US\$ 7,693.63 million in 2007-08. In Rupee terms, the imports rose by 14.18% from Rs. 2,711,417.49 lakhs to Rs. 3,095,993.11 lakhs in the corresponding period.

A pie-chart showing the share of top 10 items of imports (excluding Petroleum & its products) from Kuwait during 2007-08 is given below. This shows the major items (other than Petroleum & its products) imported by India as organic chemicals; iron & steel; salt, sulphur, earths & stone, plastering material, lime & cement; fertilizers; aluminium, & articles thereof; plastic & its articles; inorganic chemicals & its compounds; copper & its articles and paper & its products.

India's imports from Kuwait went up by 24.53% from US\$ 7704.25 million in 2007-08 to US\$ 9,593.74 million in 2008-09. In Rupee terms, the imports rose by 39.53% from Rs. 30,95,993.03 lakhs to Rs. 43,19,944.55 lakhs in the corresponding period.

India's imports from Kuwait (excluding POL) were US\$ 399.96 million in 2008-09. A pie-chart showing the share of top 10 items of imports (excluding Petroleum & its products) from Kuwait during 2008-09 is given below. This shows the major items (other than Petroleum & its products) imported by India as Salt, Sulphur, earths and stone, plastering materials, lime and cement; Organic Chemicals; Iron & Steel; Fertilizers;



Plastic and articles thereof; Aluminium and articles thereof; Miscellaneous goods; Ships, Boats and Floating Structures; Copper & articles thereof.

Figure 2: India's imports from Kuwait (Excluding POL)

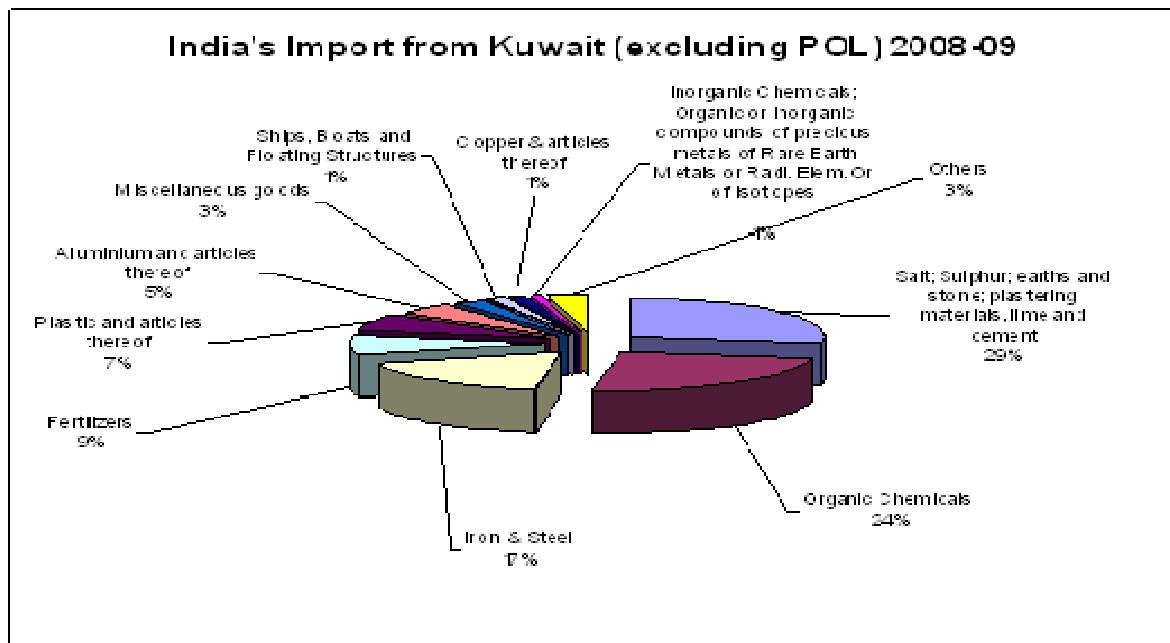


Table 3: Non-oil trade between India and Kuwait (US\$ million).

Kuwait is among the largest supplier of crude oil to India and the second largest supplier from the Gulf region. Indian imported Rs. 29,291 crores (US\$ 7.27 billion) worth of POL from Kuwait in the year 2007-08. Indian imported Rs. 41,40,219.26 lakhs (US\$ 9.19 billion) worth of POL from Kuwait in the year 2008-09.

	2007-08	2008-09	2009-2010 (Apr-Dec)
Indian Exports to Kuwait	674.96	755.88	561.56
Indian Imports from Kuwait	414.74	399.96	209.13
Total	1,089.72	1,155.76	770.69

Non-Oil Bilateral Trade

Total non-oil bilateral trade between India and Kuwait grew by 6% from US\$ 1,089.72 million in 2007-08 to US\$ 1,155.76 million in 2008-09. In Rupee terms, it rose from Rs. 4,38,727.88 lakhs to Rs. 5,23,139.89 lakhs.

Table 4: Non-oil trade between India and Kuwait (Lakhs)

	2007-08	2008-09	2009-2010 (Apr-Dec)
Indian Exports to Kuwait	2,71,864.46	3,43,414.60	2,69,419.70
Indian Imports from Kuwait	1,66,863.42	1,79,725.29	99,620.49
Total	4,38,727.88	5,23,139.89	3,69,040.19

Source: Department of Commerce, Ministry of Commerce & Industry, Government of India

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The most important items of Indian non-oil imports from Kuwait are organic chemicals- 37%, metalifers ores & metal scrap- 39%, fertilizers manufactured- 8%, sulphur & unroasted iron pyrites- 5%, inorganic chemicals- 4%, artificial resins, plastic materials etc- 3%, other textile yarns, fabrics, made-up article- 2% etc.

Among the developing Countries Turkey, India, Brazil, Jordan etc have presence in Kuwaiti markets. These countries have increased their market share from a negligible value to a significant level.



The EXIM Policy 2002-2007 was very important in the development of Indian Trade. Geared to bolster sluggish exports the new policy now makes exports free, easy and possibly rewarding. Most export promotion schemes have been improved upon and more innovative schemes have been added. The key to success is, of course, its implementation and stability, according to trade officials and analysis.

Bilateral trade between India and Kuwait is far below its potential and the Indo-Kuwaiti business cooperation has huge scope for enlargement through diversification of the trade basket, joint ventures and industrial tie-ups.

Finally it may be pointed out that while evolving the new economic policies framework for the implementation of these programmes a harmonious correlation between the national and international interests of the two countries should be the basis for promotion of their economic and trade relations.

Problems in Indo-Kuwait Trade

Kuwait has achieved considerable success in diversifying its imports through its foreign trade policy, keeping in mind the technological and industrial framework of the Kuwaiti economy. Kuwait's dependence on Western countries especially USA, does not allow it to turn to socialist and third world countries on a faster rate than what it desires to achieve.



In the context of the above observation it becomes necessary to analyze the other constraints in the way of promoting trade and economic relations between India and Kuwait. The constraints can be identified as follows:

1) India's competitive potentials in respect of Quality of Machine tools, Hand tools and other sophisticated Appliances: The Kuwaiti market is a highly competitive market. India will have to achieve a major breakthrough in respect of the quality of its manufactured goods to enable it to compete with the developed countries in the Kuwaiti market. It would be wrong to assume that India does not possess the necessary potentials to do so. All that is necessary is the effectiveness implementation of policy already initiated to improve the quality of goods meant for exports. In this connection it would be necessary to examine some of the items of exports that lack in the quality aspect.

This aspect needs special attention in case of machine tools, hand tools, sophisticated appliances and goods produced in the small-scale sector. Similarly it may be pointed out that the small-scale industries account for more than 30% of the total exports of the manufacturing sector.

A report by Industrial credit and investment corporation of India argues that the weakness of India's export thrust lies not so much in the inability to offer competitive prices as in other factors such as delivery, service support, lack of brand image, finish and technological excellence.

2) Lack of continuous and regular publicity of Indian goods in Kuwaiti Market: An important constraint in the Indo-Kuwaiti trade and economic relation is the lack of adequate publicity of nature and quality of Indian goods, especially in respect of highly



sophisticated machinery and mechanical appliances. India is in a position to supply textile machinery, sugar plants, agricultural appliances, automobiles parts and a host of other goods involving modern technology. The Kuwaiti buyers are generally ignorant about the progress and achievements of India in the field of technological developments.

3) Kuwait oil rises 30% in 2018: This is a serious problem which will affect India's balance of trade with Kuwait. Oil production in Kuwait is predicted to grow by nearly 30 percent by 2018, with crude volumes reaching 3.6m barrels per day, according to a new report. Between 2008 and 2018, global research firm Business Monitor International said it was forecasting an increase in production of 29.3 percent. Oil consumption in the same period is seen rising by 29.2 percent, with the country using 388,000 bpd by 2018.

4) Corruption in Kuwait: Corruption and bribery is perceived to be increasing in Kuwait, according to the 2009 Global Corruption Barometer, a new study that was conducted by Transparency International (TI), an international anti-corruption watchdog. Some 20 percent of the respondents in Kuwait claimed to have paid a bribe themselves or knew someone in their household who did in the past year.

Transparency International conducted public opinion surveys in 69 countries, polling 73,132 people between October 2008 and February 2009. Kuwait was part of the countries surveyed for the Middle East and North Africa regions in the 2009 Global Corruption Barometer. People surveyed were asked to assess the degree to which they believed public services were corrupt. In Kuwait, it is perceived that public officials and civil servants were the most affected by corruption. On a scale from 1 to 5, where 1 means not at all corrupted and 5 being extremely corrupted, Kuwait rated public officials and civil servants the highest with a score of 3.4. Political parties were rated 2.3 whereas businesses and private sectors received 3.0 and the media scored an average of 2.4.



5) Indo-Kuwaiti Trade Agreements: Indo-Kuwaiti trade is governed by the Trade Agreement between the Government of India and the Government of the State of Kuwait signed on February 13, 1974. High powered delegations including those at the Ministerial level visit to each other annually. As a result of these deliberations trade accord and other agreements signed with a view to extend trade and economic cooperation. In spite of these agreements the level of trade and economic cooperation has not shown a remarkable growth trend in recent years. This may be due to the fact that no serious efforts have been made to implement them effectively. Apart from these accords several committees have also been set up in recent years to promote economic cooperation in the fields of trade, agriculture, industry and technology etc. However these committees are not taking concrete steps to make them effective.

6) Constraints due to the national interest of India and Kuwait: In spite of mutual goodwill the basic fact cannot be ignored that no country can overlook its national interests. In this connection it may be pointed out that in 2004 it was agreed that efforts should be made for a three-fold increase in India's exports to Kuwait. India should import crude oil worth double the value of its export to Kuwait. Here the national interests of the two countries can no coincide to their mutual benefits. On one hand India is facing the problem of growing adverse balance of payment. Import of crude oil is a major component in India's balance of payments position. This has led India to make massive efforts to explore oil and natural gas deposits and increase domestic production of petroleum products to meet its growing domestic consumption, India has achieved the set objectives to some extent. On the other hand Kuwait cannot afford to increase imports at the cost of its oil exports because petroleum products are the basic foundation of the Kuwaiti economy. These conflicting national interests of the two countries are among the constraints in Indo-Kuwaiti trade.



7) Delay in the supply schedule of Indian exports to Kuwait: It has been observed that timely supply of imports orders from Kuwaiti importers is not implemented as per schedule. Very often it leads to unpleasant complaints from Kuwaiti importers, who insist on timely delivery of goods ordered by them. The main reason for this delay is lack of adequate shipping facility. There were not adequate transport facilities and Indian exporters find difficult to maintain their delivery schedule in the Kuwaiti market.

8) Difficulties Experienced in Exports to Kuwait: India has been a long time under the influence of socialist pattern of economy. Due to this pattern the negative impacts have been falling on the standard of products and services. The quality and standard are the major hurdles in enhancing the export to Kuwait. China, Korea, Japan and Singapore are now offering low priced and standard goods to Gulf Countries. For India these Gulf countries have a very competitive market. Small European countries and other Asian countries are the main competitors for India.

Late delivery of goods is also another drawback of Indian exports to Kuwait. Qualities as well as services are now need special attention in the modern world market scenario. Not only Kuwait but in other countries also the late delivery of goods have been the major problem from India. Setting up pricing is also not up to the international mark. The prices set by India exporters are not competitive. They are too high as compared to the prices set by other exporters for the same products. Small scale Industries cover about 40% of the total production but the quality and design of the products of these industries are not up to the mark.

Lack of marketing approach in Kuwait is another drawback of India's exporters. The importers of Kuwait are not well aware about the products of India. Lack of proper



advertising policies, Sales promotion events and Fairs & Festivals are the other problems.

9) Critical assessment of Policy measure to remove these constraints: The policy measures formulated by the government of India to promote exports are within a broad framework covering the broad spectrum of India's foreign trade. These include export subsidy, facilities for import of raw material at international prices for the production of goods exclusively for exports, simplification of export procedures, incentives to exporters for infrastructural disadvantages, simplified payment scheme to speed up settlement of exporters claims under the international price reimbursement scheme, simplification of export documentation etc.

In spite of all these facilities the performance of big industrial undertakings has not been very encouraging. They appear to be more interested in production for the domestic market rather than for exports. Imported raw materials meant for production of export commodities are delivered to production of good for domestic market, which appears to be easier and more profitable to them as these have an advantage of instant payment and full payment.

Opportunities in Kuwait-India Trade

There are many sectors in which Indo-Kuwait trade offer many opportunities and better prospects. Following are the major prospects of this study:

- 1) Indian exporters feel that there is a lot to offer to Kuwaiti market because of its higher per capita income. For that proper marketing research has to be performed.



- 2) Kuwait has a population of 3.6 million comprising of 1.12 million Kuwaiti and 2.48 million non-Kuwaitis. Indian population in Kuwait which is approximately 0.72 million is the highest among non-Kuwaitis population. Therefore there is a vast demand of Indian products by Indian people in Kuwait and that market has to be explored properly. In Kuwait there is a high demand of Indian products. There are many regional products which were not easily available in India (obsolete) but were retailed in Kuwaiti market. Noorani oil and Pyrohhea-maar manjan were selling in Bakala (General stores).
- 3) There are also better prospects of Indian products in Retail and Mall Culture. As Indian products are cost-effective against their Competitors from developed countries. Merchandisers from Super-markets or Hyper-markets generally prefer buying Indian products due to its cost advantage and similar needs of consumers. Lulu Hyper-market has a great presence in Kuwait and middle- Eastern countries. Max India formerly known as Landmark has more than 20 retail outlets in Middle East countries selling Indian products. Major portion of Retail sector has been discussed.
- 4) Indian exporters have an edge over Western exporters in terms of price but they have disadvantage in terms of quality. They have to maintain better quality so that Indian products will have a comparative advantage of both cost and quality over western products in Kuwaiti products.
- 5) There are many international retail outlets which are opened in India and have a better prospects like X-cite, Next and Jumbo electronics.
- 6) Indian exporters have location advantage over their western counterparts and this will be helpful in developing South-South Cooperation..
- 7) India's experience an achievements in some specific fields of economic development can provide a sound basis for bilateral cooperation between the two countries. It is a



hard reality that Kuwait will be a major oil exporting country yet in the development of some other sectors of its economy Indo-Kuwait cooperation will be beneficial to both of them. It is along term process and the ultimate goal should be sustained economic growth, especially in the industrial sector to provide better employment opportunities for the growing population and self-reliance free from the dominance of developed countries. India's new economic policy has given a new push to Indian economy. Free trade, foreign investment and participation of NRI's are contributing a lot to Indian economy.

- 8) Some developments in oil sector through the government of both countries are under process which will help to boost Indo-Kuwait Trade. This oil related prospects will offer a lot for Business from both sides.
- 9) The mode and model of trade is changing rapidly in recent years. Trade also demands a fair amount of education and training in the respective field and areas. India is extending cooperation in the education and training since long back. In accordance with the changing scenario, both the countries can promote mutual understanding and cooperation through a process of wide sharing of knowledge and professional talents in both academic pursuits and technical specializations.
- 10) Developments in the areas of information and communication technology (ICT) are growing rapidly. India has already moved in the advance stage in the ICT components, particularly in the software development. The demand for ICT is likely to increase in the future as well. This has been one of the prominent service trades having potential of high value addition. Kuwait can have well-educated and trained manpower in this sector. An Information Technology Park could also be established to facilitate and promote such activities. A couple of joint venture in this sector has already been emerged. In view of the comparative cheap labour and the growing demand for information technology, the private sector also obtains a good



opportunity to invest in this service trade. This sector offers a wide scope to go hand in hand to serve common interests

- 11) The number of joint ventures is increasing in India as a consequence of the policy change in the pattern of investment and ownership of the project. In this respect, it has been remarkably noted that one of the important incentives for foreign direct investment is free access to the large Indian market. By virtue of its proximity and the Trade Treaty with India, close economic linkages between the two countries have manifested themselves, inter-alia, through Kuwaiti investment and joint ventures in India.
- 12) The Economic Services Centre (ESEC) provides a package of non-banking services and helps interested parties to invest in industrial ventures in the country. The centre provides assistance in carrying out techno-economic feasibility studies. It also conducts management training programs.
- 13) Indian Exporters have great prospects in the field of Agricultural products, Food products, Oil Sector, Telecom Sector, Aviation Sector, Retail Sector, Pharmaceutical Sector, Agricultural Sector, Investment Sector, Banking Sector, Insurance Sector, Shipping sector, Technology and Engineering Sector, Software Sector, Apparel Sector, Gems and Jewellery Sector, Infrastructure Development Sector and Health-care Products Sector.

Suggestions:

India needs to take the following measures to improve its bilateral ties with Kuwait and to overcome the constraints to its trade relations with Kuwait:



1. The need of Kuwait is Agricultural products and technical know-how and the need of India is oil. The proper export and import policy and mutual understanding can solve many problems in single sittings. Keeping in view the mutual goodwill and friendly relations between the two countries there is a need to identify the specific areas of mutual cooperation in the context of new economic order of the world under light of new economic reforms of both the countries.

2. Since there are many similarities and dissimilarities in the respective economies of India and Kuwait, the nature and extent of trade and economic cooperation should be based on a long term strategy as to achieve the desired objectives in conformity with the national interests of the two countries. Besides a well-planned long-term strategy, there is a need for reorientation of the existing policy formulations and a sound mechanism to implement them. Such mechanism should be a multi-stage set up involving the official and non-official agencies like trade organizations, financial institutions and shipping corporations etc.

3. The scope for promotion of exports of traditional goods from India to Kuwait being limited, India should explore avenues of export promotion of manufactured goods involving modern technology and skill. India also has the capability to reap the advantage of economies of scale in the manufacture of capital-intensive manufactures, which have sufficient export potentials to Kuwait.

4. Another aspect that needs special attention is the quality of Indian goods in the highly competitive Kuwaiti market. Being a major oil exporting country, the Kuwaiti market is open to countries like USA, Japan, Germany, France, South Korea and East European countries, which offer a tough competition to India in respect of the quality and price of



their products. Thus India needs innovation in the quality and price structure of some specific commodities like Engineering goods, Electrical Appliances, Machinery equipments etc. The policy measures adopted by India in this regard have not proved so much effective in promoting its exports to Kuwait.

5. There is a need of effective arrangements for publicity of various categories of Indian goods in Kuwaiti market and vice-versa. The Kuwaiti people by and large have very little knowledge of the nature and quality of goods produced in India. This applies not only to the consumers but also to those involved in import business. Besides regular visits of trade delegation, trade fairs should be organized on a reciprocal basis.

6. Special efforts are needed to extend the existing shipping arrangements to ensure a timely delivery schedule of Indian export in the Kuwaiti market. The existing arrangement is not only inadequate but is responsible for high freight rates and delayed delivery schedule. Other shipping lines besides the existing one should also be allowed to operate to improve the position. For this purpose United Arab Shipping Company (UASC) of Kuwait has formed a joint venture (JV) in India with its Indian agent, Transworld Shipping Services. The JV, United Arab Shipping Agency Company India Private Ltd, specializes in shipping services including containers, packaging and shipping of cargo. There is urgent need to strengthen the capability of this shipping company to provide sufficient transport facilities to avoid unnecessary delay in the delivery schedule.

7. So far the policy measures of India to promote exports are commodity wise. These will be more effective if they are commodity wise as well as country wise.



Countries should be categorized into different groups for intensive exports promotion.

8. In the field of industrial development, especially in Kuwait, the most viable means to promote industrial growth along with trade lies in coordinated measures for technical cooperation and joint collaboration in the implementation of the industrial projects. This calls for a long-term framework to implement projects of mutual benefit, especially in Kuwait. These joint ventures can boost and intensify the export promotion strategy of India through the supply of plant and machinery, technical know-how for several industrial projects to set up in Kuwait to make its economy self-reliant.

9. With regard to the Balance of payment situation of the developing countries and the spirit of South-South cooperation, the only viable solution line is evolving an effective policy framework to reduce dependence on developed countries to the maximum possible extent, both in respect of trade and import of technology for industrial development. The technology imports from developed countries need modifications and innovations to suit the domestic needs of the importing country. This calls for adequate facilities for Research and Development etc. India's experience and achievements in this regard should be made available to Kuwait in the true spirit of South-South cooperation. Finally it may be pointed out that while evolving the new economic policies framework for the international interests of the two countries should be the basis for promotion of their economic and trade relations.

Conclusion:



The concept of South-South cooperation and a new economic order has assumed new dimensions not only in the field of trade but in other sectors like transport and communication, industry and agricultural development etc, which can be shared by the developing countries, particularly India and Kuwait. India's experience and achievements in some specific fields of economic development can provide a sound basis for bilateral cooperation between the two countries. It is a hard reality that Kuwait will be a major oil exporting country yet in the development of some other sectors of its economy Indo-Kuwait cooperation will be beneficial to both of them. It is a long term process and the ultimate goal should be sustained economic growth, especially in the industrial sector to provide better employment opportunities for the growing population and self-reliance free from the dominance of developed countries. India's new economic policy has given a new push to Indian economy. Free trade, foreign investment and participation of NRI's are contributing a lot to Indian economy.

As regards to the nature and the extent of Indo-Kuwait trade after economic reforms in India, it has achieved new dimensions irrespective of the fact that it constitutes only a small percentage of their respective total exports and imports. Still it is significant that the volume of Indo-Kuwait trade i.e. exports and imports have increased substantially during the last two decades and there exist greater potentialities for it in future.

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