3. Gulf Cooperation Council Free Trade Agreement- International Relation

India and the Gulf Cooperation Council (GCC) have signed the Terms of Reference for a Free Trade Agreement (FTA) in New Delhi

Terms of Reference (ToR) in a Trade Agreement

Conceptual Role

Terms of Reference (ToR) act as the foundational negotiating framework for a proposed Free Trade Agreement (FTA). They provide clarity on what will be negotiated, how it will be negotiated, and within what timelines.

Core Elements Covered

Scope of the agreement-

1. Trade in goods
2. Trade in services
3. Investment protection and facilitation
4. Other trade-related areas such as intellectual property, government procurement, and competition policy

Negotiation architecture-

1. Institutional structure (joint committees, working groups)
2. Phased negotiation rounds with timelines

Market access modalities-

1. Tariff reduction schedules
2. Sensitive and exclusion lists

Regulatory disciplines-

1. Rules of Origin (RoO)
2. Technical Barriers to Trade (TBT)
3. Sanitary and Phytosanitary (SPS) measures

Trade facilitation-

1. Customs cooperation
2. Digitisation of trade procedures

Dispute settlement mechanisms-

1. State-to-state dispute resolution frameworks
2. Consultation and arbitration procedures

About the Gulf Cooperation Council

Nature and Formation- A regional political and economic bloc established in 1981.

Member States

1. Saudi Arabia
2. Kuwait
3. United Arab Emirates
4. Qatar
5. Bahrain
6. Oman

Headquarters- Riyadh, Saudi Arabia

Strategic Objective- Promote unity and coordination among member states. Based on shared Arab identity, Islamic culture, and similar political systems.

Areas of Cooperation

1. Economic integration
2. Energy coordination
3. Security and strategic affairs
4. Infrastructure and investment cooperation

Significance of GCC for India

Economic Weight

1. Combined population- 61.5 million (2024).
2. Combined GDP- USD 2.3 trillion (current prices).
3. Ranks 9th globally as an economic bloc.

Indian Diaspora

1. Nearly 10 million Indians reside in GCC countries.
2. Major source of remittances, strengthening India's current account.

Strategic Sectors

1. Energy security- crude oil and LNG.
2. Emerging opportunities in-
    a. Food processing and agri-exports
    b. Petrochemicals
    c. Information and Communication Technology (ICT)

Geopolitical Importance- GCC forms a critical pillar of India's West Asia policy. Acts as a bridge between India, Africa, and Europe in global value chains.

India–GCC Trade Cooperation- Current Status

Trade Volume

Total trade (FY 2024–25)- USD 178.56 billion

1. Exports- USD 56.87 billion
2. Imports- USD 121.68 billion

Accounts for 15.42% of India's global trade.

Growth Trend- Average annual growth rate of 15.3% over the last five years.

Export Basket from India

1. Engineering goods
2. Rice and other agricultural products
3. Textiles and apparel
4. Machinery
5. Gems and jewellery

Import Basket from GCC

1. Crude oil
2. Liquefied Natural Gas (LNG)
3. Petrochemicals
4. Gold and other precious metals

Foreign Direct Investment- GCC cumulative FDI into India exceeds USD 31.14 billion (as of Sept 2025). Investments concentrated in infrastructure, energy, real estate, and logistics.

Strategic Benefits of an India–GCC FTA

Market Access- Preferential access to a high-income, import-dependent region.

Supply Chain Integration- Position India as a manufacturing and services hub linked to Gulf capital.

Diaspora Enablement- Greater mobility of skilled professionals through services liberalisation.

Energy and Capital Security- Long-term energy contracts and investment inflows.

Challenges in India–GCC Free Trade Agreement

Persistent Trade Deficit- Structural imbalance due to- High-value imports of crude oil, LNG, and gold. Tariff liberalisation will not significantly reduce energy dependence.

Limited Export Diversification- Indian exports remain concentrated in a few traditional sectors. GCC countries are themselves diversifying under initiatives like Saudi Vision 2030, increasing competition.

MSME Vulnerability

Trade liberalisation may expose Indian MSMEs to-

1. Competition from Gulf re-export hubs such as Dubai.
2. Cheaper third-country goods routed through GCC ports.

Rules of Origin Risks- Weak RoO may lead to trade circumvention, especially from non-GCC countries using GCC as a transit hub.

Way Forward- Policy and Negotiation Strategy

Balanced Tariff Liberalisation- Phased tariff reductions with protection for sensitive sectors.

Robust Rules of Origin- Strict value-addition criteria to prevent re-routing of third-country goods.

Export Competitiveness Enhancement

1. Logistics and port efficiency improvements.
2. Quality certification and standards harmonisation.
3. Leveraging Production Linked Incentive (PLI) schemes.

Energy Partnership Expansion

Move beyond crude oil to-

1. Renewable energy
2. Green hydrogen
3. Integrated petrochemical value chains

Services and Investment Focus- Greater emphasis on IT, fintech, healthcare, education, and professional services.

Conclusion

An India–GCC FTA is strategically inevitable but economically complex.

Success will depend on-

1. Managing asymmetrical trade structures
2. Aligning India's manufacturing ambitions with Gulf capital
3. Ensuring developmental gains without undermining domestic industry

Source- [https-//www.thehindu.com/business/india-gulf-cooperation-council-ink-terms-of-reference-for-starting-fta-talks/article70594992.ece](https://www.thehindu.com/business/india-gulf-cooperation-council-ink-terms-of-reference-for-starting-fta-talks/article70594992.ece)