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# TRADE RELATIONSHIP BETWEEN GULF COOPERATION COUNCIL COUNTRIES AND INDIA

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## ABSTRACT

The Gulf Cooperation Council (GCC) was established on 25 May 1981 in Abu Dhabi (UAE) with the signing of the GCC Charter which is a regional economic and political cooperation agreement. Promoting regional cooperation and integration in the areas of politics, economy, and security was the main goal of the GCC's formation. The economies of the GCC countries have been largely hydrocarbons-based, with oil and natural gas exports being the backbone of the economies. The region is set to be a driving force in the energy sector as petroleum contributes to a significant percentage of the GDP, government revenue and export earnings of each of the member countries.

The knowledge of the dynamics of international markets is a prerequisite for investors, policy makers and researchers in an increasingly globalized financial world. In the present study an effort has been made to analyse the trade relationship between GCC Collaborating Countries and India along with its contribution to the global GDP. The secondary data figures used in the research have been taken from the authorized websites of the two countries. Such linkages are significant for rapidly developing economies such as that of India and the GCC countries, which have robust economic, trade and financial ties with each other, notably in the energy, remittance and investment sector.

**Keywords:** GCC Countries, Covid 19, World GDP, Global Economy, Oil Inflation, GDP.

## INTRODUCTION

As the global financial landscape becomes more and more global, knowledge about the functioning of international markets has become essential for investors, policy makers and researchers. Risk-return relationship and volatility spillovers, among the most important characteristics of financial markets, describe the interaction and the border crossing of shocks between markets. Such ties are especially significant for developing countries, such as the GCC nations and India, which have significant economic, trade and financial ties, particularly in the energy, remittance and investment sectors.

**GCC COUNTRIES**

The GCC is a regional economic and political alliance, signed in Abu Dhabi (UAE) on 25 May 1981. The founding members of the group were the six countries of the Persian Gulf Arab states: Oman, Qatar, Saudi Arabia, Kuwait, Bahrain and the United Arab Emirates. GCC was formed with the primary aim to promote regional cooperation and integration in the diplomatic, fiscal and security areas. GCC countries have always been heavily reliant on the financial and economic system based on oil and natural gas exports. The region has a high proportion of its gross domestic product, government revenue and export income from petroleum activities, making it a significant player in the global energy markets.

The GCC countries, on the other hand, have embarked on ambitious economic diversification plans as a result of the changing oil prices, global energy transitions, and sustainable development goals. These include the Saudi Arab Vision 2030 and it's revenue diversification and economic transformation policies, as well as similar national plans of other member states. These programmes aim to reduce dependence on the oil sector by encouraging non-energy sectors such as fintech, hospitality, manufacturing and technology industry. These reforms have led to the expansion and modernization of the financial markets in the GCC, with increasing attempts to attract foreign direct investment, to make financial markets more efficient, and to link them to the international financial systems.

The Qatar Stock Exchange (QSE), ADX and Tadawul are key institutions that have seen a rise in investor participation and play a pivotal role in promoting capital market deepening and the development of financial institutions in the region.

The increasing interdependency of the GCC economies with international markets has made it vital to study financial linkages, risk transmission and volatility spillovers with the GCC. The policy makers, investors, and financial analysts who are concerned about risk management and profit from investment opportunities should understand these dynamics today, when the economy is increasingly interdependent.

**LITERATURE REVIEW**

It is imperative that they review past studies so that they can understand the theoretical framework, determine what gaps exist within the past studies and provide a rationale for the need for the current study.

**Agarwal (2017)** in his article covers the period 2000-2015 and measures Trade Potential Index (TPI) of India by using gravity model method of international commerce. Major findings indicate that there is a huge scope for untapped business scope between India and Middle Asia, and that India's commerce volume with Middle Asia could be increased by 6-10 times its existing trade volume if there are no political turbulence on the direct trade routes.

**Alam and Ahmed (2017)** analyzes the trade values from 2001 to 2014 using industry indices reveal that India's commerce with GCC is in sharp competition compared to its international trade with other world communities, and some sectors are yet to be explored. It recommends India could further expand trade by utilising these untapped fields or by forming Free Trade Agreement with these countries.

**Islam (2018)** with data set of the period 2009-2016, it has been found that India has secured a competitive and strategically favorable position in the bilateral and international trade relations and Bangladesh has been facing consistent trade deficit with India. India's comparative advantage is across a wider spectrum of products and intra-industry trade is limited.

**Jana (2024)** examined markets integration by analysing weekly data (1999-2019) of India's top 15 trading partners. The relationships between the stock market and other markets have shifted over time, particularly in times of financial crisis, such as the 2008 crisis. Overall, there is some level of integration with India across all 15 countries, so investors can't simply diversify across markets to reduce portfolio risk.

**Lohani (2020)** looked at the explanatory variables such as per head GDP, geographical stretch, linguistic commonality and borders. Consequently, the study reveals that there was an increase in trade beyond normal level, meaning that there was a marginal trade creation which was 21%. The lessons learnt here illustrate the structural aspects of India's trade relations with BRICS countries.

**Panda (2016)** studies the bilateral trade between China and India. The results show that both countries prefer to trade with more geographically similar counterparts, but with differing preferences: India's trade destinations have a higher affinity towards high GDP and relatively low average income countries, whereas China's business is more influenced by its collborators with high average earnings and common languages.

## RESEARCH DESIGN

The research design is an important guideline in conducting any study. It describes the methodology adopted, sampling methods and tools used for data collection. The next section is a brief summary of the research design used in the present study:

## NEED OF THE STUDY

The GCC countries, which have rich hydrocarbon reserves, have a notable role in the world's oil marketplace and are critical trade partners and sources of energy supply to India. Therefore, changes in oil prices, geopolitical developments, or economic uncertainty in the GCC can influence Indian markets, influencing investor confidence, inflows of foreign capital, and exchange rate stability. The financial connections between the two have complex and asymmetric dynamics, especially in times of crisis, due to the contrasting structural characteristics of the Indian economy – diversified and demand-led – and the economies of the GCC countries – oil-intensive and very open. It is important to study these linkages because these models aim to explain the financial phenomenon of time-varying volatility, volatility clustering and asymmetric shocks which are common in real-world markets.

This study is able to provide useful insights beyond theory by analyzing the volatility spillovers in terms of direction, strength and persistence. It can help portfolio managers optimize their portfolios, support policymakers in creating more resilient economic policies, and help institutions look at the financial policies of their institution and reduce systemic risk.

- **Interdependence:** It examines the correlation between the financial marketplaces of the two regions in detail and the effects of volatility in one region on the other. It provides a way to gauge if shocks in one market become uncertainty or turbulence in the other market.
- **Oil-Linked Economies:** Volatility and shifts in the economy get transmitted through oil prices, with the GCC countries being leading exporters and India being a major importer. It is important to understand this connection to develop robust energy policies and financial resilience.
- **Market Integration Post-Crisis:** The world financial crisis/recession, the coronavirus disease-19 and rising geopolitical tensions have altered the dynamics of market integration. This study explores if such crises have made the financial connection between India and GCC countries tighter or looser.

The findings of this study will assist central banks, financial policy makers and regulators, and governments of both regions to make more informed policy decisions, which help protect their economies from financial contagion or global shocks.

**SOURCE OF DATA**

The financial information and stock index data used throughout the study have been gathered from a trustworthy website, Investing.com. In order to ensure consistency and accuracy throughout the research process, all the data necessary to the financial and stock index has been acquired from a reliable platform, Investing.com. This study is focused on the Indian market and the Gulf Cooperation Council countries. The selection of these regions is based on their close economic contact, especially with respect to the oil trade and the links of the financial markets.

**OBJECTIVES OF THE STUDY**

1. To study about role of GCC countries and India in the Global Economy through contribution to the Global GDP.
2. To learn the significance of GCC Countries to India and other countries and their effect on market stability and investment area of these countries.
3. To investigate the bilateral commerce dynamics amid India and GCC countries. This relationship can help us determine if increased returns in these markets are associated with increased risk and how relative and absolute risks and returns in these markets vary by economy.
4. To evaluate the outcomes of global and regional shocks on market eccentricity in India and GCC countries. This goal is to understand the impact that significant events, such

as geopolitical events, oil prices, and pandemics, have on the stability of these markets. It is vitally important to recognize this impact when creating financial strategies in uncertain times.

**THE GCC's STRATEGIC ROLE IN THE CONTEMPORARY GLOBAL ECONOMY**

The strategic geopolitical location of the GCC also enhanced its role in the world of international trade and finance, along with its economic ambitions and natural resources. The area has been a hub for international trade for other reasons as well, as it also has good ties with the main collaborating partners such as China, India, United States and the EU. The following breakdown gives a refine picture of contribution made by GCC countries towards Global Economy:

The total GDP of the GCC countries is approximately 1% of the global GDP.

1. **Contribution to Global GDP:** $2.1 trillion. This is about 2% of world GDP (more than $100 trillion). In terms of size, therefore, they are smaller than economic giants such as the U.S., EU and China.

2. **Strategic Role in Energy Markets**: The largest and top crude oil exporters in the world is Saudi Arabia. The proven crude oil reserves in GCC countries are approximately 30% of world reserves, and have a significant proportion of world's proven natural gas reserves with Qatar being a leading exporter of liquefied natural gas. Their oil production decisions have direct consequences on the global energy price, inflation and economic stability.

3. **Sovereign Wealth Funds & Investments:** It maintains several of world's leading governments wealth funds, such as the Public Investment Fund (PIF) of Saudi, ADIA of UAE and the Qatar Investment Authority. Such funds invest in various industries like technology, real estate, infrastructure, and more, and therefore impact capital inflows in various parts of the world. They offer liquidity and stability to the international markets, particularly during economic crisis.

4. **Cities in the name of Trade, Finance and Tourism** – Dubai, Doha, Riyadh, Abu Dhabi are emerging as global financial and logistics hubs. Heavy

The investment in infrastructure, tourism, and economic diversification (Saudi Vision 2030) is expected to lower the dependence on oil, and increase global economic integration.

**CONTRIBUTION BY GCC TO THE WORLD GDP**

Total GDP of the **GCC's Collaborating six partners** = approximately **USD 2.2 trillion** (2023-2024 estimates). The **latest approximate GDP (nominal)** for each **GCC country** based on 2023-2024 estimates is shown below:

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| Country | GDP (USD, billions) |
|---|---|
| **Saudi Arabia** | $1,110 billion (1.11 trillion) |
| **United Arab Emirates (UAE)** | $550 billion |
| **Qatar** | $235 billion |
| **Kuwait** | $175 billion |
| **Oman** | $120 billion |
| **Bahrain** | $45 billion |
| **Total GCC GDP** | **$2.24 trillion** |

**World GDP (Nominal)** = **$115 trillion** (World Bank/IMF estimate for 2023).

**Percentage Contribution** = (2.2trillion/ 105trillion) *100 = 1.94%

So, the GCC countries together contribute **about 2% of the total world GDP.**

**CONTRIBUTION BY INDIA TO THE WORLD GDP**

India's share in the World GDP is 5 percent. India contributes 5 per cent of GDP to the world. India, being one of the fastest-growing emerging markets, is a complex mix of risk and return and market volatility, both influenced by internal changes and external events in the world. The country's financial markets are regulated by a well established regulatory charter, with key regulators like the Central Bank (RBI), Securities Market regulator (SEBI) to provide transparency, stability and investor protection.

The risk-return relationship, however, is very much in evidence, particularly in the stock and currency markets where greater potential returns are invariably accompanied with higher volatility. Indian markets are also vulnerable to volatility spills from global financial shocks, like interest rate movements in the U.S. or geopolitical tensions, that can impact the flow of capital and confidence in the markets. India, however, is starting to spill over into other emerging markets as a result of rising influence. This dynamic is important for investors and policymakers to understand, as they aim to manage the trade-off between growth and systemic risk. By 2025, India has a meaningful and increasing share of global economic activity:

1. **Nominal GDP**: India's nominal GDP is about 3.7% of the world's nominal GDP and thus ranks as the fifth. The other top four largest economy are United States, China,

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Germany and Japan.

2. **Purchasing Power Parity (PPP):** In PPE-adjusted terms, which provide a more accurate assessment of an economy's real output by controlling for cross-country price differentials, India accounts for approximately 8.2% of global GDP, thereby emerging at third number after China and the United States.

3. **Projections and Future Trend**: India's economy is on a strong growth path. According to Morgan Stanley, India's economy will grow to $4.7 trillion by 2026, passing Germany, and by 2028, it will be the third biggest economical power in the world with an economy that is $5.7 trillion. India could be on course to equal China's share of global GDP by 2028, Barclays projects, with its growth rate at 8%.

4. **Growth of World Economy**: India is set to be the most significant driver of the world economy with 16% contribution to GDP growth for 2023–24.

The forecasts highlight India's continued growth and influence in the global economy, primarily due to its demographic makeup, technological progress, and reforms in the economy.

**GCC COUNTRIES: IMPORTANCE TO INDIA AND OTHER COUNTRIES**

The strategic significance of the GCC countries for India and the world is derived from their supremacy in energy markets, their status in global trade, financial investments and geopolitical power. The GCC is vital for India with respect to energy security, remittances, trade and cooperation in investments.

**IMPORTANCE TO INDIA**

- **Energy Security**: The GCC countries and its collaborating partners (specifically Saudi Arabia, UAE and Kuwait) are major suppliers to India for oil and gas. GCC states are critical to India's energy security with more than 60% of its crude oil requirements are fulfilled from the region.

- **Remittances**: 8-9 million Indian workers work in the GCC countries. These workers bring back billions of dollars remittances to finance foreign exchange reserves of India and household incomes.

- **Trade Relations**: The two-way trade between the GCC and India is more than $150 billion, making it a strategic trading partner in India's global engagement. India's export merchandise to the GCC collaborating partners are food, textiles, machinery and pharmaceuticals.

- **Investment and Economic Ties**: Investment by sovereign wealth funds from the GCC in infrastructure, real estate and start-ups for India is significant (e.g. ADIA, PIF). The Gulf region is also a source of FDI and strategic investments for India.

- **Geopolitical and Strategic Cooperation**: Diplomatic relations are strong, with cooperation in the fields of counter-terrorism, maritime security and diaspora welfare.

**IMPORTANCE TO OTHER COUNTRIES**

- **Global Oil Market Stability**: The GCC countries, particularly Saudi Arabia, are part of OPEC and have an important role in controlling oil supply and prices around the world. Changes in the oil policies of the GCC countries impact on global inflation and economic stability.

- **Investment Capital**: GCC sovereign wealth funds invest in Western economies like the US, UK and Europe. They are huge investors in the real estate, technology and infrastructure markets around the world.

- **Logistical and Trade Hub**: UAE, Qatar are major aviation and shipping hubs that link up Asia, Africa and Europe.

- **Labor Markets for Migrants**: Large number of workers from South Asia, Africa and South-East Asian region are working in the GCC countries, remunerating their families back home and supporting local economies.

- **Geopolitical Influence**: GCC countries have a significant influence on Middle Eastern diplomacy and security, and the Gulf region is a strategic area for key global maritime routes.

**TRADE RELATIONSHIP BETWEEN GCC AND INDIA**

Due to their economic linkages, particularly in the field of oil trade, remittances and investment, the volatility of GCC countries can have a significant impact on India. Below is given a structured explanation of how GCC volatility impacts trade relationship with India:

1. **Economic & Trade Relations**: India is the biggest trading bloc in the Middle East with the GCC. Total India-GCC trade: $184 billion (2022-23). UAE and Saudi Arabia are the leading partners in the GCC with India. India imports natural gas, fertilizers along with crude oil from the GCC countries. For India's exports, refined petroleum products, machinery, food, textiles, gems & jewellery are being shipped to GCC. In 2022, India has inked an important trade agreement with the UAE, known as CEPA (Comprehensive Economic Partnership Agreement).

2. **People to People & Remittances**: There are about 9 million Indian nationals living and working in the GCC countries, a significant share of the expatriate community, who play a crucial role as an important channel for labour mobility and remittances. Indians contribute significantly to the labour force, especially in, Construction, Healthcare, IT and Hospitality. Remittances from the GCC to India are $40 – 50 billion annually which is an important source of funds for the Indian economy.

3. **Energy Security**: 50-60% of India's crude oil imports are from the GCC collaborating countries. India also imports LNG from Qatar (one of the world's top LNG suppliers). One of the key components of the relationship is energy cooperation.

4. **Investments & Strategic Partnerships**: UAE, Saudi Arabia and Qatar's Sovereign wealth funds are investing in Indian Infrastructure (roads, ports, airports), Renewable energy

(solar, green hydrogen), Real estate & startups. The governments Investment funds such as PIF, ADIA have already pumped billions into the Indian tech and energy industries. India is involved in the engineering, consultancy and IT solutions projects at the GCC.

5. **Political & Security Cooperation**: India has close diplomatic relations with GCC countries; regular high-level visits/summits. It had started talking with Collaborations on counterterrorism, maritime security, anti-piracy efforts in the Indian Ocean. There is a growing cooperation in defence as well which includes joint exercises, defence exports etc.

**IMPACT OF GLOBAL SHOCKS ON TRADE INTERCONNECTIONS AMID INDIA AND GCC COLLABORATING COUNTRIES**

The trade relationship between GCC and India got influenced by many global events which includes:

**I. Oil**

**II. COVID-19**

**III. GCC Criss**

**IV. Russia-Ukraine War**

**OIL**: Oil has a significant impression on the market eccentricity of the countries in the GCC region. In these countries the connection between oil and volatility is mostly because of the dependence of their economy on hydrocarbon exports.

1. **Macroeconomic Volatility**: In most GCC countries, oil revenues make up a large share of GDP, making macroeconomic volatility a challenge. Countries such as Saudi Arabia and Kuwait, where oil accounts for over 40% of GDP, can experience GDP growth volatility if there is a sharp shift in oil prices. Also, Government budgets in GCC countries are highly sensitive to oil prices. A decline in crude oil market prices could result in budget deficits or budget cuts and/or inflict losses on the sovereign wealth funds, whereas high prices would result in budget surpluses and budget booms.

2. **Financial Market Volatility**: GCC stock markets are positively correlated with oil prices, especially those indices that include more energy stocks. When oil prices fall, markets sell off, making stocks in oil-related government spenders more volatile (such as construction, banking). Though most currencies from the GCC countries of the Middle East are fixed to the US dollar, during oil price crashes, speculations of de pegging can cause volatility in FX market. This also impacts on sovereign bonds and credit spreads, since with this decline in the perceived default risk.

3. **External Sector Volatility**: Oil exports make up most export earnings. Falling prices can result in an increase in the current account deficit. Oil price fluctuations also have implications in the foreign reserves which may impact monetary policy and investor confidence.

4. **Volatility of Investment and Policy**: The investment cycle in the region is pro-

cyclical to the oil price. When prices are high, projects are mega projects and FDI is allowed to come in; when prices are low, projects are delayed or canceled. When oil prices are low, policy responses (like introducing VAT, reforming subsidies) tend to lead to economic uncertainty.

5. **Social and Employment Volatility**: A large number of GCC nationals work in the public sector, and are paid from oil revenues. An oil price decline can result in hiring freezes, pay reductions or the creation of less jobs, generating social tension or changes in the job market.

| Area | Impact of Oil Volatility |
|---|---|
| GDP | High correlation; strong growth in booms, contraction in busts |
| Fiscal Balance | Volatile due to oil-based revenues |
| Stock Market | Strong positive correlation with oil prices |
| Currency & Bonds | De pegging risk and widening credit spreads |
| Trade Balance | Current account surpluses/deficits follow oil price trends |
| Investment | Project pipelines expand/contract with oil revenue outlook |
| Social Policy | Economic reforms are more likely during low oil price periods |

## OIL INFLUENCES; ON INDIAN STOCK MARKET & BROADER ECONOMY

Oil market prices have a profound impact on both the Indian securities market and the broader economy because India is one of the largest importers of crude oil. The oil influences the Indian economy in the following ways:

1. **Trade Balance & Deficit**: India imports over 80% of its crude oil requirements. Higher oil prices resulted in an increase in import bill and further widened the trade deficit. This results in a decline in the current account balance, and can have an impact on both economic stability and the economy.

2. **Inflation**: Crude oil influences prices of fuel (petrol, diesel, LPG), transportation, manufacturing and food. The rising oil prices has increased transportation and input costs. High inflation diminishes purchasing power of consumers and impacts on overall demand.

3. **Fiscal Deficit**: The Government frequently subsidises fuel, particularly for the less well-off and farmers. Due to rise in oil prices, government needs to offer larger subsidies for supporting trade which increases the burden of fiscal deficit. A high High fiscal deficit reduce the government's spending power on infrastructure and development.

4. **Currency Depreciation**: Oil price inflation – more dollars required to import oil. This led to the demand for USD, and one of the reasons for depreciation of the Indian Rupee (INR). A depreciated rupee will lead to higher cost of imports which can aggravate inflation.

**The impact on Indian stock market is as follows:**

1. **Sectoral Impact:** Some sectors are adversely affected such as Aviation (e.g. IndiGo) and fuel cost is about 40% of operating cost. Likewise, the oil price inflation has pushed down the demand of cars in Automobiles (e.g., Maruti Suzuki). If the transportation costs are increased in Logistics and Cement businesses. There are certain sectors such as Oil Exploration Companies (ONGC, Oil India), Renewable Energy etc. where positive impact has been observed. The companies could boost their earnings and draw more investors to their investment to hedge against volatility of fossil fuels.

2. **Investor Sentiment**: With higher oil prices come concerns about inflation, higher interest rates and decelerating growth. This causes foreign and domestic investors to turn cautious in choosing the stock indexes.

3. **Interest Rate Policy**: RBI (Reserve Bank of India) can increase interest rates to combat oil-induced inflation. The higher rates of oil will raise interest rates for businesses, reducing profit and making it stand out as underperforming stocks.

4. **Foreign Institutional Investors (FIIs)**: Rupee depreciation and higher oil prices will lead to capital outflows. FIIs are investors who prefer to shift out of Indian investments to other more secure or stable markets and so contribute to a drop in the Indian stock market.

5. **Russia-Ukraine Conflict**: During the conflict with Russia and Ukraine, oil prices went above and beyond the impact. $100/barrel. India's import bill on the rise, inflation going up and RBI increasing interest rates. Indian equity markets rebounded, particularly in the oil-sensitive industries such as automobiles and aviation.

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| SUMMARY TABLE | |
|---|---|
| **Factors** | **High Oil Prices Impact** |
| Trade Deficit | Increases |
| Inflation | Rises |
| Fiscal Deficit | Expands (due to subsidies) |
| Rupee | Weakens |
| Interest Rates | Likely to rise (RBI response) |
| Stock Market | Often declines (except oil producers) |

## IMPACT OF OIL PRICE INFLATION ON INDIA

Oil prices are one of the macro-economic factors affecting India. When prices increase in the oil market, it has an adverse impact on the economy and securities market and when prices drop, it provides relief and boosts growth.

1. **Trade Deficit & Rupee Depreciation**: India's oil import bill got bigger and added to the trade deficit. The rupee hit its weakest point ever against the dollar, falling to ₹80/USD for the first time. A weak rupee resulted in higher prices of imports like oil, thereby further driving up inflation rates.

2. **Inflation Spike**: Retail inflation in India (CPI) has jumped to above 7% in April 2022, which is outside the comfort zone of the RBI (2-6%). The increase in fuel and food prices was nationwide and affected households.

3. **RBI Policy Action**: The RBI has taken various policy rate hikes in 2022 due to the inflation that was driven by oil prices. High policy rates become more costly loans and, consequently, less economic activity.

4. **Stock Market Reactions**: Nifty 50 and Sensex tumbled in March and April 2022 in the wake of fears of oil prices and inflation. FIIs pulled out billions of dollars from Indian markets i.e. about ₹2.5 lakh crore ($30 billion) in 2022.

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| SECTOR THAT SUFFERED DUE TO OIL PRICE INFLATION | | |
|---|---|---|
| **Sector** | **Companies** | **Impact** |
| **Aviation** | IndiGo, SpiceJet | Higher fuel cost → stock price drop |
| **Auto** | Maruti, Tata Motors | Demand hit due to expensive fuel |
| **FMCG** | HUL, Nestlé | Margins squeezed due to higher transport & packaging costs |

| SECTOR THAT GAINED DUE TO OIL PRICE INFLATION | | |
|---|---|---|
| **Sector** | **Companies** | **Impact** |
| **Oil & Gas (Upstream)** | ONGC, Oil India | Benefited from high crude prices |
| **Energy-Related ETFs** | Energy sector funds | Gained due to oil rally |

Thus, it can be inferred that the economy faced macro pressure due to high oil prices in the form of inflation, depreciating rupee, and high interest rates in India. Stock markets are volatile and can plummet. In some sectors outcomes are positive, in others, negative; the overall economy is stressed.

**THE IMPACT OF COVID-19 ON GCC COUNTRIES.**

The health, economy and labour market of the GCC countries were severely affected by the COVID-19 pandemic. They were encountering much difficulties because of oil dependency and expatriates driven government.

The crisis also helped to trigger reform and digital transformation, paving the way to more diversified and resilient economies in the future, especially at the level of economies.

1. **Health and Social Impact** – COVID-19 case rates have increased rapidly in an expanding number of countries as it spreads through global travel. Governments spent much money on testing, treatment and vaccination. Borders closed, schools closed, and businesses closed, with curfews in place. Good vaccination campaigns in UAE and Saudi Arabia helped to contain spread.

2. **Economic Impact:** In early 2020 oil prices collapsed, as demand for oil was low. Major impact on government revenues, especially for oil-dependent countries like Saudi Arabia and Kuwait. In 2020, the level of economic activity dropped markedly. GDP in Saudi Arabia decreased by approximately 4.1%. In UAE, GDP decreased by 6.1% and Oman was the worst hit because of its weaker reserves. Some expatriates faced job loss, such as in construction, hospitality and retail. Survival challenges for small and medium sized enterprises (SMEs).

3. **Fiscal and Policy Responses:** The total value of exports to the Kingdom of Saudi Arabia is USD 34.4 billion. To offset this loss of revenue, Saudi Arabia raised its VAT rate from 5% to 15%. Delay of loan repayments and injections of liquidity to staunch the financial sector.

4. **Effect on Key Sectors:** Aviation and Tourism in UAE and Qatar was affected as international travel was put on hold. Demand declined and projects were postponed. There was a decline in remittances from expatriate workers.

5. **Recovery and Long-Term Effects:** Covid 19 further highlighted the need to shift focus to the non-oil sector (Vision 2030 plans) in the GCC countries. In some nations, there have been attempts to ease some of the regulations regarding the employment of foreign nationals and to welcome talent.

## IMPACT OF GCC CRISES ON THE INDIAN MARKET

India has strong economic, labour and trade relations with countries in the GCC region. COVID-19 had left the economies of the GCC countries in a shaky state, particularly because they are so reliant on oil. This had a ripple effect on India, impacting remittances, trade, and financial markets. The crisis, however, has also paved the way for enhanced strategic partnership between India and GCC countries for the post-pandemic period.

1. **Oil & Energy Sector Impact** – India imports more than 60% of crude oil from the GCC countries. Oil price crash resulted in lower prices for imports and thereby lowered India's import bill, but also lowered remittance flow. GCC sovereign funds' investment slowed temporarily.

2. **Remittance Drop**, where there are more than 8 million Indian workers in the GCC. Due to job losses and repatriations, India's remittance income dropped (~$5 billion shortfall in 2020). This impacted families in states like Kerala and Tamil Nadu, which heavily rely on NRI income.

3. **Effect on Trade and Travel:** The crisis in the GCC Countries affected export of Indian goods such as food, medicine, textiles etc. to the GCC markets. Losses to the airline and tourism-related industries were experienced due to a reduction in tourism and business travel.

4. **Stock Market Volatility:** Early 2020, India's stock markets experienced panic selling. The slowdown in the Gulf impacted industry sectors such as oil & gas, aviation, and export-heavy industries.

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5. **Inter-dependence and Recovery:** Trade between India and GCC countries bounced back promptly by 2021-2022. The government diversified its oil imports and boosted its strategic oil reserves in India. In the field of diversification, investments were made in Indian startups, energy and infrastructure by GCC countries.

**RUSSIA-UKRAINE WAR**

This study enables comparisons over time, particularly before and after significant events like oil price shocks, the Coronavirus-19 pandemic and the Russia-Ukraine conflict. The comparisons provide greater understanding of the interdependence of markets in the event of a crisis.

1. **Oil Price Shocks**: The long and continuing war between Russia and Ukraine have pushed up oil and gas prices. It benefitted the GCC exporters but pressuring India's economy by impacting its import costs.

2. **Market Uncertainty**: The markets in India and GCC experienced increased volatility due to global panic. Initially affected by market uncertainty, the GCC markets rebounded with positive effects as oil prices rose, especially in those markets with close and strong ties with European energy markets.

3. **Safe-Haven Shifts**: The war has added to the uncertainty of the world, making investing and risk management more difficult. This spooked investors to shift their investments to safer assets leading to sell-offs in the India and GCC markets.

4. **Insufficient Rebuilding of the Educational System**: The educational system was not sufficiently rebuilt in the GCC, due to the oil price swings. The higher oil prices have led India to look for other kinds of energy and to improve its ties with the countries that provide to it such as Russia which has been providing discounted oil.

5. **Financial Uncertainty and Policy Reaction:** financial uncertainty due to rising prices resulted in interest rate increases. The war has caused the strengthening of the Rupee, which has raised the cost of imports and may impact the competitiveness of India's exports.

6. **Investor Sentiment Spillover**: Negative global sentiment was spilled over to Indian and GCC markets. Economic pressures have been mounting in India with inflation rising and supply chain problems.

7. **Disruption of Trade Routes:** Trade shocks created risks for both the exporters of the GCC and importers from India. The war has had several effects on the trade relationship between GCC countries and Indian economy, mainly rising energy prices, disruptions in supply chains and global economic uncertainty.

8. **Greater Financial Volatility Transmission**: Volatility from other areas reached India and the GCC through the capital flow. While initially experiencing negative In part because of enhanced oil and gas income, GCC stock markets have proven to be resilient and even positive after the initial war blow.

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## CONCLUSION

The study shows that the returns distribution in the GCC and Indian markets are not normally distributed and the volatility of the markets is also persistent; this means that marketplaces are hypersensitive to pessimistic shocks than optimistic shocks. Moreover, the high volatility spillovers between these economies reflect a closely woven financial network, with risks in one market (such as in Saudi Arabia or in the UAE) flowing to the other (India) and vice versa. This interdependence magnifies the risk of a crisis in these markets and suggests that diversifying within markets provides little risk mitigation. A positive risk premium for some indices also indicates that investors receive a premium for volatility, highlighting the need to time their investments and structure their portfolios accordingly. The findings underscore the importance for policy makers to work together on financial regulation and real-time surveillance of markets in order to effectively control the spillover effects. The study concludes that the direct and indirect volatility linkages are crucial for any decision to invest strategically and guarantee macroeconomic stability in a worldwide integrated market environment.

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