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## An assessment of trade potential between GCC and South Asia: Findings from a gravity model

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### Key words

Gravity model, Agricultural Trade, GCC and South Asia

### Abstract

*The purpose of the present study is to assess the export potential of food and agricultural items from South Asian Association for Regional Cooperation (SAARC) countries to the Gulf Cooperation Council (GCC) countries. We investigated the pattern of trade between the two regions using trade data for HS 1-24 categories and also estimated a gravity equation to determine the factors affecting bi-lateral trade relationships. We extracted UNComTrade data on exports from the Trademap and obtained data on gravity variables from the ARTNeT for 2012. WITS database was used to retrieve data in trade intensities. The results of the descriptive analysis show that meat & edible poultry meat offal, cereals, sugar cane and beet sugar and processed tobacco products are the major agricultural products imported by GCC countries from the world and Saudi Arabia and UAE account for about 80% of the total agricultural imports by GCC. Only India and Pakistan are among the top 5 exporters of any of the top 10 agricultural imports of GCC. At HS 2 digits level, SAARC supplied more than 30% of the import requirement of product groups categorized under the HS 3,9,14 and 10 in 2012.*

*India accounts for 80% of the total SAARC exports to GCC. It occupies 62%, 55% and 27.94% of market shares of total rice, meat of bovine animals and sugar cane and beet sugar imports of GCC respectively whereas Pakistan occupies 24% of total rice imports of GCC. Cereals account for about 40% of the total agricultural exports to GCC by SAARC countries. GCC countries depend on few suppliers for their major food and agricultural imports while SAARC countries have a substantial concentration over top three product groups exported to GCC. Analysis of indicative trade potential and trade intensity index revealed that India is in an advantageous position to achieve more gains from increasing GCC-SAARC food and agricultural trade. The results of the estimation of the gravity equation indicate that the conventional trade cost variables have significant effects on total and food and agricultural trade. There is a tendency for more trade between SAARC-GCC countries. Among the major SAARC exporting countries, India and Sri Lanka have high potential for increasing food and agricultural exports to GCC countries*

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