

DEVELOPMENTS IN THE GULF REGION

PROSPECTS AND CHALLENGES FOR INDIA
IN THE NEXT TWO DECADES

Editor
Rumel Dahiya

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INSTITUTE FOR DEFENCE
STUDIES & ANALYSES

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Rumel Dahiya

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Foreword

The Gulf region—comprising of Iran, Iraq, the six states constituting the Gulf Cooperation Council (GCC) and geographically contiguous Yemen—is the principal provider of India’s energy needs, home to about 6 million Indian expatriates and is also a burgeoning economic and political partner. The region forms a part of India’s extended neighbourhood. The increasingly complex environment in the region presents great economic opportunities as also serious security challenges for India. The region’s mineral wealth, its strategic location as a bridge between continents and civilisations, its geopolitical fragility and sectarian fault lines make it a complex arena for interplay of regional and global interests.

The “Arab Spring”, or “Awakening”, as some would like to call it, has created vast uncertainties for the region. India, with strategic interests in the region, cannot but be affected by the current turmoil in West Asia. To better inform the country’s priorities and future engagement with the region, it is important to examine its geopolitical undercurrents and map the contours of the emerging regional order and examine the entire spectrum of India’s Gulf policies. It is with this aim that the Institute for Defence Studies and Analyses’ (IDSA) undertook this study.

This volume is product of extensive research, including field trips to the Gulf region as well as interactions with experts and scholars familiar with the dynamics and nuances of the region as well as India’s foreign policy. The IDSA scholars and analysts have examined the emerging social, political, economic and security trends in the West Asian region, with particular focus on the countries of the GCC. Trends in West Asian heavyweights such as Turkey, Egypt and Iran, as well as critical regional security actors like Yemen and Syria, have also been considered to the extent that developments there have a bearing on the Gulf region.

This volume attempts to put together facts and perceptions on specific issues, identify critical drivers that will have a bearing on future developments, develop plausible scenarios to 2030 and make some

recommendations for consideration of the policymakers. The chapters on politics, security, energy, trade and migrants provide a detailed overview of the significant trends in the region and state of India's relations with the GCC countries. Based on the key trends, drivers and the critical uncertainties, three scenarios have been developed. They map out the possible configurations that could emerge in West Asia, which will impact the GCC and India over the next couple of decades, with the aim of delineating a set of guiding principles for developing a coherent policy for engagement with the region.

The authors argue that the Gulf region of 2030 will be shaped by the complex interaction of a multitude of factors at internal and external levels. At the global level, the transformation of global balance of power is bound to have a profound impact on the region's geostrategic evolution. The overall economic climate of the world and its impact on the energy prices will also have an impact on the region. At the regional level, the deep-seated ethno-sectarian divisions, especially the Shia–Sunni divide, will remain a major driver of the emerging political and security calculus. The internal dynamics of individual countries will also influence the ways in which the countries act externally. Because of the convulsions brought about by the Arab Spring, regime security appears to have become a major factor in state action in the region—both internally and externally. The long-term impact of these developments, however, remains uncertain.

Irrespective of which scenario becomes real, balancing the relationship between the GCC on the one hand, and Iran on the other, will remain a challenge for Indian foreign policy. Besides, India will have to contend with a highly unpredictable and unstable political and security environment in the Gulf. Although the future of the region will continue to be influenced by the developments beyond the region, it will be primarily determined by the choices that the countries in the region make for themselves. The region's importance for the West as a source for energy may go down but its importance for India's energy security is likely to only increase. Arab Spring may have faltered but the objective conditions for its revival still exist. Since security in the Gulf region is of utmost interest to India, it should encourage and nudge GCC regimes to take the path of a sustained political, social and economic reform that takes into account the aspirations of the people.

The authors recommend that India should become proactive in the West Asia region to which its key interests are linked. It should frame and

follow a genuine “Look West Policy” with a clear road map. At the same time, India should consciously avoid taking sides in intra-regional disputes. It should also encourage the building of an inclusive institutional mechanism for strategic dialogue that brings together all the major state actors of the region in an inclusive security architecture. Good political, economic and defence relations with the countries in the region will help the process greatly. More specifically, the authors recommend that India must enhance its defence diplomacy in the region and institutionalise joint training exercises and regular defence exchanges and dialogues. It should use its inherent strengths to support these countries’ economic transition. Education, health and information technology (IT) are examples of sectors where India can use its natural advantage to help build capacity in the GCC countries. India should get involved in major economic projects in the region and should be proactive in inviting investments from the Gulf to India. The authors opine that the need for skilled migrants in the region will persist over time but also recommend that as a measure of justified caution, India must prepare detailed contingency plans to evacuate its citizens from the region. The authors feel that given India’s huge dependence on energy imports from the Gulf region and the absence of meaningful strategic reserves, India needs to actively seek out alternatives to the strategically significant Strait of Hormuz.

I compliment the IDSA scholars who have contributed chapters to this volume, as well as Ms Melissa Cyrill for data mining for the project. I commend the efforts of Brigadier Rumel Dahiya (Retd) for coordinating this project, guiding the research and editing this volume. It is also my duty to acknowledge the valuable support and guidance provided by a large number of experts on the region who participated in the round table discussions and one-on-one discussions with the authors. I also wish to convey my thanks to the anonymous referees for their comments and suggestions on the earlier drafts which helped the scholars in improving the content.

Obviously, this modest effort would need to be supplemented by more focused research on specific issues. But I hope this volume will be of help to the scholars and policymakers and will help stimulate debate on the subject of India’s policy options for the Gulf region over the coming decades.

New Delhi
October 2013

Arvind Gupta
Director General, IDSA

The Contributors

Dr P.K. Pradhan, Associate Fellow at IDSA

Col. Rajeev Agarwal, Research Fellow at IDSA

Dr Meena Singh Roy, Research Fellow and Coordinator West Asia Centre
at IDSA

Dr M. Mahtab Alam Rizvi, Associate Fellow at IDSA

Neha Kohli, Associate Editor at IDSA

Medha, Project Associate at IDSA

Manali Kumar, Project Associate at IDSA

Rahul Chauhan, Project Associate at IDSA

Melissa M. Cyrill, Intern at IDSA

Brig (Retd) Rumel Dahiya, Deputy Director General, Institute for Defence
Studies and Analyses (IDSA), New Delhi, India

List of Abbreviations

AQAP	: Al-Qaeda in the Arabian Peninsula
<i>bcm</i>	: billion cubic metres
BP	: British Petroleum
<i>bpd</i>	: billion barrels per day
<i>C&F</i>	: Cost and Freight
CAR	: Central Asian Region
CNPC	: China National Petroleum Corporation
CST	: Central Sales Tax
DRDO	: Defence Research and Development Organisation
EC	: Emergency Certificates
ECR	: Emigration Check Required
EEZ	: Exclusive Economic Zone
FDI	: Foreign Direct Investments
FICCI	: Federation of Indian Chambers of Commerce and Industry
FTA	: Free Trade Agreement
GAFTA	: Greater Arab Free Trade Area
GCC	: Gulf Cooperation Council
GDP	: Gross Domestic Product
HRDF	: Human Resources Development Fund
IAEA	: International Atomic Energy Agency
IAF	: Indian Air Force
ICWF	: Indian Community Welfare Fund
IDS	: Institute for Defence Studies and Analyses
IEF	: International Energy Forum

IOM	: International Organisation for Migration
IOR-ARC	: Indian Ocean Rim-Association for Regional Cooperation
IPEEC	: International Partnership for Energy Efficiency and Cooperation
IRENA	: International Renewable Energy Agency
JBC	: Joint Business Council
KCCI	: Kuwait Chamber of Commerce and Industry
LeT	: Lashkar-e-Toiba
LNG	: Liquefied Natural Gas
<i>mcmd</i>	: million cubic metres a day
mt	: million tonnes
MEA	: Ministry of External Affairs
MFN	: Most Favoured Nation
MGRP	: Manpower and Government Restructuring Programme
MOIA	: Ministry of Overseas Indian Affairs
MoU	: Memorandum/Memoranda of Association
NATO	: North Atlantic Treaty Organization
NIC	: National Intelligence Council
NPT	: Non-Proliferation Treaty
NRI	: Non-Resident Indian
OECD	: Organisation for Economic Co-operation and Development
ONGC	: Oil and Natural Gas Corporation
OPEC	: Organization of the Petroleum Exporting Countries
PIO	: People of Indian Origin
RAFO	: Royal Air Force of Oman
RCP	: Regional Consultative Process
SDP	: State Domestic Product
<i>Sinopec</i>	: China Petroleum and Chemical Corporation

SLOC	: Sea Lines of Communication
SME	: Small and Medium Enterprises
SOM	: Senior Officials' Meeting
TERC	: Trade and Economic Relations Committee
UAE	: United Arab Emirates
UNGA	: United Nations General Assembly
UNSC	: United Nations Security Council
US	: United States (of America)
VAT	: Value Added Tax
WMD	: Weapon(s) of Mass Destruction

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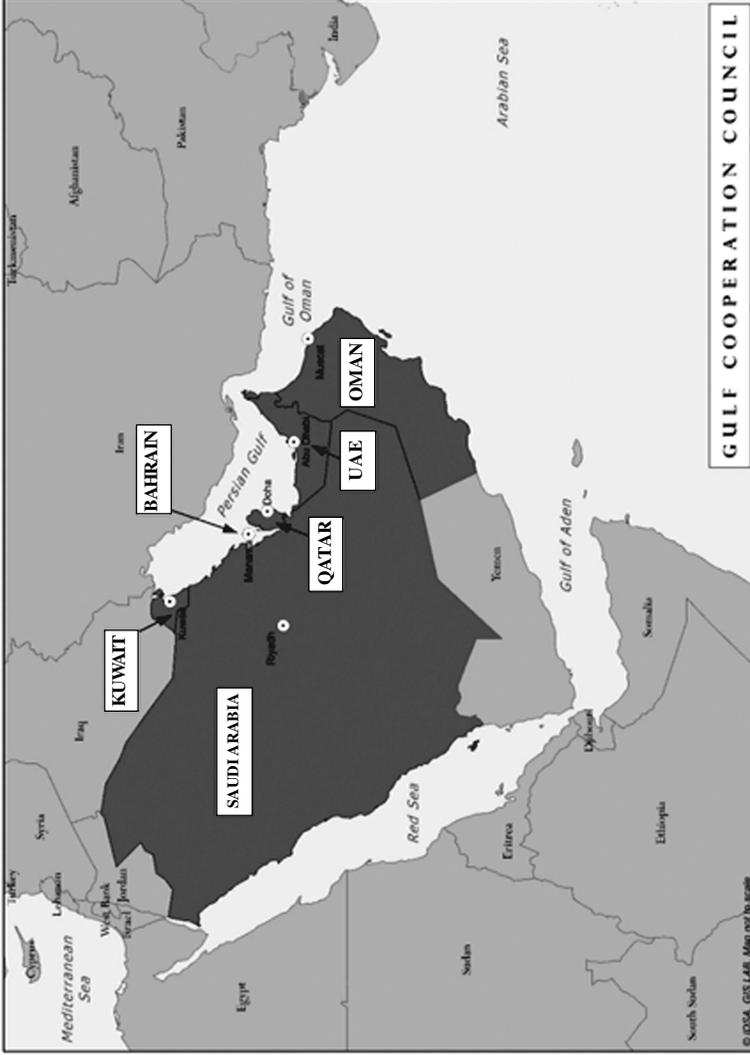
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GULF COOPERATION COUNCIL

Introduction

The Gulf region, comprising of Iran, Iraq, six member countries of the Gulf Cooperation Council (GCC) and geographically contiguous Yemen, forms a part of India's extended neighbourhood. The increasingly complex environment in the region presents India with great opportunities as also serious challenges for its policies for the region. Already, the Gulf region is one of the largest trade partners for India. An expatriate workforce of about 6 million—constituting more than 35 per cent of the entire Indian expatriate population—plays a vital role in strengthening economic and cultural ties between India and the region. Even more importantly, nearly 70 per cent of India's energy needs are supplied by this region—a figure that is likely to only go up in the future.

In view of this immense significance of the Gulf region for Indian foreign policy, this book aims to identify the trends and drivers of change in the region over the next two decades in an attempt to delineate the emerging geopolitical contours of the region and to further draw out the implications of these changes for Indian foreign policy and wider engagement with the region. The study specifically focuses on the Gulf region, although it encapsulates trends and developments in the wider West Asian region since the developments in the wider West Asian region directly impact the Gulf region and vice versa.

West Asia is currently undergoing a turbulent period of change, catalysed by popular uprisings commencing early 2010, uprooting some established autocracies across the Arab world and challenging the remainder. Even though the unfinished nature of these revolutions and their mixed legacy three years on has, to a certain extent, dampened the initial euphoria of the “Arab Spring”, there is no doubt that in many ways, West Asia is being remade. The monarchies in the Gulf region have, so far, largely remained unchallenged except for some turbulence in Bahrain that was managed through intervention by Saudi Arabia. However, this does not mean that the monarchies are immune to this “revolution” or “trouble”—as Prince Turki Al Faisal of Saudi Arabia chose to describe it.¹ Looking

forward into the future, they will have to adapt to the rising tide of peoples' aspirations. Perhaps, the prolonged struggle in Syria has delayed the onset of revolution in the Gulf states and the fresh convulsions in Egypt may slow down the process further. But beyond a point, even the fear of violence will be unable to stop people from demanding their freedoms, dignity and right to decent livelihood. The resultant outcomes of this process will have far-reaching consequences not just for the domestic political environment of the countries in the Gulf region but also in the rest of West Asia. It will also affect the balance of power in this geopolitically sensitive region and there will be implications for the rest of the world.

The unfinished revolutions in West Asia have left many questions unanswered while raising new ones; the foremost among them being about the possible forms of governing structures likely to evolve in the countries affected by popular uprisings. Trends indicate that the region's secular, modernist but autocratic dictatorships are giving way to popular Islamic democracies, perhaps along the Turkish model, which itself is coming under strain. As seen in Egypt and Tunisia, political Islamists—long a part of the civil society, but untested by the challenge of governance—have been the main beneficiaries of the transition in progress. No doubt, the transition in the affected countries has been fraught and at times, precarious. The chaotic nature of transition continues to confound and dismay most observers. However, it needs to be appreciated that many of the countries wracked by popular protests are plural societies without experienced political parties to manage the transition and therefore, the process of change is bound to be full of contestation. In Tunisia, for instance, the Islamists are contesting for the political space with the left-of-centre political parties even while sharing the power. No matter what form the new regimes take, however, it is fairly certain that they will have to be more responsive to popular sentiment than before, in both internal and external affairs. If these regimes try to monopolise power and do not deliver on governance, freedoms and livelihood issue, then they will lose credibility very quickly and be forced out of power like it has happened in Egypt in July 2013. The nature of power transition will also have an impact on the ways in which the countries in transition engage with the rest of the region and the wider world.

The trajectory of change will also, to a certain degree, be driven by the responses of other regional and global actors. A lot will depend, for instance, on whether the West continues to back pro-Western regimes (including those in the GCC) at the cost of popular sentiment. There is also the risk—as amply evident in the case of Syria and Egypt—of external

intervention, both overt and covert, and state fragility nullifying the gains of mass nationalist mobilisations. In the overall scheme of things, the outcomes of this period of socio-political instability in what is considered one of the main shatter belts of global geopolitics will have vital consequences for the region's security architecture as well as the world at large, including India.

Saudi Arabia meets nearly one-fourth of India's energy needs and is home to one of India's largest expatriate communities; in fact, it has become the prime focus of India's diplomatic efforts in the region. Socio-cultural exchanges resulting from centuries-old ties and strengthened over the years due to a large number of Indian hajj pilgrims to the holy shrines add another dimension to this relationship. The driving force, however, remains economic as both countries seek to leverage complementarities. At the political level, India has maintained high-level contacts with the nation ever since independence, but relations have been complicated due to the presence and actions of extra-regional actors, namely, the United States (US), Pakistan and China, in the region. The last decade has seen substantial progress in relations as evinced by the visit of the Saudi Monarch to India in 2006 and the visit of the Indian Prime Minister, Manmohan Singh, to Saudi Arabia in 2010 resulting in the Riyadh Declaration, heralding "a new era of strategic partnership" between the two countries. India remains uncomfortable with the spread of Wahabism from Saudi Arabia, but this concern is not articulated forcefully in the context of overall improvement in bilateral relationship.

Iran also shares a long-standing meaningful relationship with India based on the strength of historic cultural ties and convergent mutual interests. During the Cold War days, the two countries were partners in the non-aligned bloc. Even today, India and Iran share complimentary geopolitical views and interests—with regard to Afghanistan, for instance. However, the main thrust of the relationship has been energy. Though the US-led sanctions have resulted in India reducing its crudeoil imports from Iran—from the high of 22.08 million tonnes (mt) in 2008–09 to 13.22 mt in 2012–13—this still constitutes about 8 per cent of India's total crude oil imports.² Furthermore, in the late 1990s, the two countries successfully initiated the North–South Transportation Corridor Project, which, when completed, has the potential to substantially strengthen India's trade relations—not just with Iran, but also with Russia, Central Asian countries and Afghanistan. At the same time, India's burgeoning relationship with the US and Israel as well as the changing geopolitical climate means that

over the last decade, bilateral engagement with Iran has been rather tricky to handle. Iran is part of India's extended neighbourhood and India is concerned about its nuclear programme. It has consistently voted against Iran at the International Atomic Energy Agency (IAEA) in 2005, 2006, 2009 and 2011 for its failure to comply with its obligations under the nuclear Non-Proliferation Treaty (NPT). In the near to long term, India's engagement with Iran is likely to come under increasing pressure as India tries to balance its regional interests with the larger emerging geopolitical imperatives.

Egypt is also a key player in the West Asian region and has the potential to rise to prominence again as the regional leader on the strength of its geostrategic location, largest population among the Arabic countries, strong defence forces and cultural and ideological strength. Politically also, Egypt has often shown adeptness in undertaking political heavy lifting in the region, with the most recent example being the ceasefire agreement brokered by it between Israel and Hamas in 2012. In the post-independence years, the relationship between India and Egypt was driven by ideological congruence—both had a shared history of anti-colonial struggle and were committed to the principles of non-alignment. As the Cold War progressed, however, Egypt increasingly became part of the American bloc, while India was seen to be closer to the Soviet Union. As Indian foreign policy became more and more driven by economic considerations post-liberalisation in the 1990s, relations with Egypt took a further backseat. Recent calls for democracy that swept through West Asia commencing 2010 provided India an ideal opportunity to re-engage with Egypt and reinvigorate ties. The country was quick to share its electoral process experience with Egypt as it moved towards parliamentary elections. Diplomatic engagement was further strengthened by the visit of Minister for External Affairs, S.M. Krishna, to Egypt in early 2012 and the visit of the Egyptian president to India in 2013. At present, Egypt remains at a crucial juncture politically and its role within West Asia will remain tied to political developments within the country. Howsoever precarious the situation may appear presently, the ongoing political turmoil is bound to be settled sooner or later. Everyone realises that the immediate priority for the people is stronger economy, stability and rule of law. These are comparatively easier to fix than to establish democracy in a fractured society. Either way, it is likely to remain a bellwether for the other democratic movements in the region.

Turkey is yet another nation that is uniquely positioned to play a key role in the West Asian region. After years of Europe orientation, it has

begun to reinvigorate ties with its Eastern neighbours. During the last 10–12 years, Turkey has made a serious attempt to take advantage of its strategic geographical location and historical relationship to expand political and economic ties with Iran as well as the Arab world. The Arab Spring offered further opportunities to Turkey to expand its influence in the region as a moderately Islamic and democratic role model, but it failed to capitalise on the goodwill it enjoyed, for expanding its soft power, because of a series of missteps and overreach. Despite serious setbacks in Syria and Egypt recently, and the fact that it is a non-Arab state, Turkey will remain a significant player in the region and a beacon for political Islam as long as it can avoid being seen to be taking sides on sectarian considerations. India's relationship with Turkey has been marked by studied indifference in the past since the two countries were not on the same side during the Cold War period. The relationship at political and economic levels has witnessed some traction in the recent past. The two countries, both part of G-20, can benefit immensely from closer economic and political ties, provided Turkey is prepared to moderate its close security relationship with Pakistan.

Developments in politically sensitive Yemen also have relevance for India, not the least due to the presence of a 7,000-strong expatriate community in the country. Amidst the calls for secession by some elements in the South there are high expectations from the country's National Dialogue Conference. The outcome of the conference, part of the Arab Spring's only negotiated transition so far, is of great significance not only for the country but also for the wider region and beyond. With large sections of Yemeni population increasingly coming under the spell of the Al-Qaeda, together with widening sectarian divides within and without, the possible political trajectory of the country will be crucial for future regional strategic and security configurations. Success of the National Dialogue is vital for survival of Yemen as a unified state. Similarly, outcomes in Syria also hold tremendous significance for the future political and security architecture of the region, especially since the country has become a microcosm of the sectarian, social and political rivalries that dominate the region.

India and the Region

India has historically enjoyed close political, economic and cultural ties with the nations of Gulf region even though complex post-Second World War dynamics within the wider West Asian region have remained a source of challenge for Indian policymakers. Great power politics and domestic

compulsions within India added another level of complexity to foreign policymaking with respect to the Gulf countries and the wider West Asian region. The fraught relationship with Pakistan, which in many ways has always sought to isolate India from the Islamic world, added further to this complexity. As a result, since independence, India has attempted to follow a policy of “equidistance” with various states in the region and the focus has been on building bilateral relationships.

These relationships, however, have not been impervious to the geopolitical considerations, both internal and external to the region. Events such as the Iran–Iraq war, the Soviet invasion of Afghanistan and end of the Cold War often queered the pitch, requiring India to make perceptible shifts in its foreign policy outlook. So, while in the immediate aftermath of independence, India focused on building substantive relationships with Egypt, Palestine and Iraq, over the years, there has been a noticeable reorientation in its foreign policy towards Israel, Iran and Saudi Arabia.

India embarked on economic liberalisation during the 1990s and the subsequent growth of India’s stature as an emerging economy also significantly informed the evolution of India’s relationship with the countries in the Gulf region. Cultural ties, political considerations and trade and economic linkages have historically played a significant role in this relationship. Recently, a turn towards the economic imperative in external engagements has been the key in bringing economic and energy security to the core of India’s foreign policy towards the region. Since the end of the Cold War, India has also moved significantly closer to the US which, in turn, has resulted in India further enhancing its ties with the GCC. This has also had the effect of significantly complicating India’s relationship with Iran which, besides its vast oil reserves, also has strategic control over the Strait of Hormuz and provides a crucial route for India into Afghanistan and Central Asia. With embargoes in place against Iran to curb its potential nuclear ambitions and increased external pressure, India has been placed in a challenging situation. Balancing the relationship with the GCC countries on one side, and Iran on the other, will always remain a challenge for India.

India’s relationship with the countries in the GCC has been deepening and diversifying over the last couple of years on the strength of significant historical, political, strategic and economic ties. That India has vital stakes in the region is borne out by the fact that the GCC countries play host to about 6 million Indian expatriates,³ who remit about \$30 billion⁴ annually

to the country. Additionally, the momentum of relations is also driven by the crucial role the region plays in India's energy security calculus, as well as complimentary trade and economic interests. As the US looks likely to further reduce its energy dependence on the region, the GCC countries are also seeking to diversify their energy portfolio, in addition to transforming their economies from primarily petroleum driven to more knowledge and information driven. Given its obvious strengths in this area, India makes an ideal partner for these countries. Thus, it is no wonder that bilateral trade between the GCC and India—already at US\$ 158.41 billion in 2012–13⁵—is only likely to rise further with a free trade agreement (FTA) also in the works.

Thus, we see that India has numerous interests in the Gulf region, and its engagement with the various countries of the region will continue to be driven by the particular imperatives of that relationship, while also being affected by the broader dynamics of the evolution of the regional geopolitical architecture in West Asia. It is important, therefore, to consider the possible trajectories of change in developing our foreign policy towards the region in years to come.

Given this backdrop, and the importance of the region for India, an effort has been made to study the emerging trends and identify key drivers in key thematic areas, such as politics, security, energy, trade and migrants, with implications for Indian foreign policy and engagement with the region. Each of these subjects is analysed in subsequent chapters and alternative scenarios culled out for the Gulf region and the wider West Asian region in as much as it affects the Gulf countries.

Methodology

This book is a product of extensive research, including field trips to the Gulf region as well as interactions with experts and scholars familiar with the dynamics and nuances of the region as well as India's foreign policy. The Institute for Defence Studies and Analyses' (IDSA) scholars and analysts have examined the emerging social, political, economic and security trends in the West Asian region with particular focus on the countries of the GCC. Trends in West Asian heavyweights such as Turkey, Egypt and Iran, as well as critical regional security actors like Yemen and Syria, have also been considered to the extent that developments there have a bearing on the Gulf region.

A key aspect of this study has been scenario building. In a fundamentally complex and unpredictable regional strategic environment, thinking about possible future scenarios will allow policy planners in India to prepare for a variety of contingencies, rather than merely react to situations. Such a foresight-based approach will also allow India to invest in policies that would allow it to proactively shape its strategic relationship with key partners in the region. Three alternative scenarios have been constructed based on critical drivers identified after exploring the key trends in the region's evolving social, political, economic and strategic environments. The work carried out by the IDSA team has been supplemented by a series of very informative and insightful round tables and interviews with experts from various domains, including diplomats, scholars and analysts.

A broad analysis of trends in key areas suggests that:

- Political instability is likely to persist in West Asia in the near to longterm as the ramifications of popular revolutions run their course. New political dispensations are likely to emerge even as older, entrenched interests attempt to hold on to power. It is now evident that Islamic political forces that were suppressed by secular autocracies in the past are likely to play a greater role in the political life of many countries of the region. While the secular elite have been tainted by despotism and corruption, Islamic parties, that thus far operated on the plane of the civil society in these countries, are relatively blemish free but inexperienced in the art of governance. This may, however, put them in competition with the largely secular institutions in place in these countries and the elite that participated in the revolutions in several places. The political space is bound to be contested fiercely and the transition is likely to be more chaotic than peaceful. The GCC monarchies are also not immune to the broader winds of change sweeping the region and will increasingly have to respond to sentiment on the ground to ensure their own survival. For India, it will be important to engage with all sections of society in these countries, supporting democratic forces and processes at individual country level and the region, while also remaining true to its principle of non-intervention in internal affairs of other countries and respect for their sovereignty.
- The consequences of centuries of great power politics will also continue to play out in the region, creating and perpetuating

conflict. One of the main axes of conflict, that is likely to persist, is the sharp antagonism between Sunni Saudi Arabia and Shia Iran. Palestine will also remain a driver of conflict in the region. The situation will be further exacerbated by Iranian ambitions to acquire nuclear weapons. India will have to carefully balance and navigate this minefield in order to ensure security of its migrant population as well as manage its various economic and energy interests in the region.

- Trends in energy security suggest that the US dependence on West Asian energy resources is likely to diminish further over the next decade. This will, however, not decrease the geopolitical importance of the region—not the least because emerging economies such as India and China and developed economies like Japan and South Korea will continue to depend on West Asian energy resources to fuel their economic growth. This may result in new rivalries and usher in a new era of extra-regional involvement as rising powers vie for more influence in the region.
- Non-energy trade relations between the GCC countries and India are also on an upward trajectory, though much depends upon the success of the various diversification strategies undertaken by the GCC countries. Trends also indicate an increasing demand for services from India in the GCC countries.
- The economies of the GCC countries are among one of the most dependent on temporary migrant workers, whether it be in the blue-collar low/semi-skilled category or the white-collar professional category. Though this has been a largely mutually beneficial relationship, increasingly attempts are being made to reduce this dependence through an array of indigenisation policies. Despite these attempts, however, given the structure of the economies of the Gulf region, the dependence on migrant labour is likely to persist in the near to long-term future even though there may be a shift in the source countries and composition of this migrant workforce.

Layout of the Report

The chapters on politics, security, energy, trade and migrants provide a comprehensive overview of the significant trends in India's relations with the GCC countries, and identify key drivers of change in these crucial

thematic areas. Such in-depth environmental scanning also allowed our scholars to understand the links between various trends in these different but highly interrelated areas, as well as flag turning points that may have important implications for the region's strategic and security contexts as well as India's interests in the region. The exact figures of Indian migrant workers in the Gulf region are hard to find. The figures mentioned in the report are drawn from diverse sources, including opinion from experts dealing with the region.

A key aspect of this project has been the creation of a set of plausible scenarios to provide relevant policy insights. Rather than providing precise predictions, our hope is to stimulate thinking about possible outcomes by engaging with key trends and drivers in the evolving geostrategic environment of the Gulf region. While no particular outcome is predetermined, the scenarios presented here offer insights into some of the plausible ways in which the political, economic and security environment in the region may evolve. Accordingly, the final chapter of this volume presents a set of three scenarios for the West Asian region as a whole. Each scenario includes five separate thematic scenarios relating to politics, security, energy, trade and migrants.

Among the three sets of scenarios discussed, one scenario represents the "business as usual" perspective derived from a linear extrapolation of current trends. Two additional scenarios are envisaged by identifying drivers which are less certain, but whose impact may be enormous. These sharply contrasting scenarios challenge us to consider policy responses in both optimistic as well as adverse scenarios which may help the Indian policymakers to devise core and alternate strategies.

NOTES

1. Prince Turki Al Faisal preferred to call the Arab Spring as 'Arab Trouble' during his address "The Ongoing Developments in the Middle East and the Importance of Bilateral Relations between Saudi Arabia and India", delivered at Institute for Defence Studies and Analyses, New Delhi, on 05 December 2011 which the author attended. From the point of view of Gulf monarchies perhaps this was an accurate description since they have all treated the uprisings in the West Asia North Africa region as a trouble to be kept away from the Gulf region. A smooth democratic transformation of the region will obviously not be in the interest of the monarchies.
2. Department of Commerce, Ministry of Commerce and Industry, Government of India, "Export-Import Data Bank", available at <http://commerce.nic.in/eidb/default.asp>.
3. According to Ministry of Overseas Indian Affairs (MOIA) figures of May 2012, the six GCC states collectively host 5,687,032 Indians. For country-wise distribution of overseas

Indians, see “Population of Non-resident Indians: Country Wise”, MOIA, May 2012, available at <http://moia.gov.in/writereaddata/pdf/NRISPIOS-Data%2815-06-12%29new.pdf> (accessed on 27 January 2013). It must be noted, however, that there are significant discrepancies in the number of Indians in the GCC in different media/sources and at various points in time.

4. “Gulf Remittances 2012: Which Countries Sent Money Where?”, *Arabian Business*, 13 May 2013, available at <http://www.arabianbusiness.com/photos/gulf-remittances-2012-which-countries-sent-money-where—501228.html?img=2> (accessed on 20 May 2013).
5. Department of Commerce, Ministry of Commerce and Industry, Government of India, “Export–Import Data Bank”, available at <http://commerce.nic.in/eidb/iecnt.asp> (accessed on 2 August 2013).

Chapter 1

India and the Gulf: Strengthening Political and Strategic Ties

Prasanta Kumar Pradhan

Trade and energy have remained the most dominant components of India's relationship with the Gulf region. With a new world order emerging and the inevitable rise of India as a stable political and economic power in the world, an opportunity has arisen for strengthening these ties further. The bilateral trade and commerce has been growing steadily during last two decades and it is time for both sides to look beyond economic and energy cooperation. The Gulf countries expect India to play a proactive role in the region but India has been cautious about its involvement in the political and security affairs of the region. The emergence of the Arab Spring has further added to the political instability of the region. The need for balancing relationships in the region and some other hurdles remain in the way of establishing stronger political ties with Gulf countries. Therefore, India should continue to engage with the region on a bilateral basis.

Introduction

In the past, the India–Gulf relationship was mainly dominated by energy and trade. The Gulf region is the primary source of India's energy needs and a sizeable market for Indian manufactured goods like textiles, spices, food products and lately, electrical goods and machineries and information technology (IT) products. The economic interaction between India and the region is growing at a faster pace today and their interdependence is increasing. However, the political and strategic aspects of the relationship have not received as much attention from both sides. The lack of political warmth can be attributed to many reasons. The legacy of the Cold War, regional political dynamics, differences in political systems and the divergence of interests between the countries of the region and India have been some of the important factors inhibiting the establishment of a

stronger political relationship between the two. Earlier, the countries of the Gulf region had maintained a close relationship with the United States (US) and Pakistan, while India had remained non-aligned, albeit with strong ties with the former Soviet Union. Similarly, India's recognition of Israel in 1950 and its support for the secular Arab nationalist regimes in Egypt, Iraq and Syria had kept India politically distant from the region. The Kashmir issue, the Bangladesh Liberation war and the perception in the Gulf about the treatment of Muslims in India have been other factors that have caused misunderstanding between the two sides. India's muted response to the Soviet invasion of Afghanistan and India's soft stand over the Iraqi invasion of Kuwait had upset Gulf countries. Thus, with such major political hurdles in the way, for decades, the relationship was utilitarian, confined to energy and trade; the political and strategic aspects of the relationship were neglected.

In this context, this chapter makes an attempt to analyse the current state of relationship between India and the region, and explore the possibilities of deepening the engagement to a much higher level. It is argued that though there is a strong economic linkage between India and the countries of the region, the same has not been translated and reflected in the political and strategic fields. India has huge stakes and interests in the region which call for looking beyond the established ties in trade and energy sectors. There have been some factors that have hindered the establishment of a strong relationship; and the recent popular uprisings in some countries in the region have thrown up additional policy challenges for India. This chapter also examines the perspective of the Gulf countries on their relationship with India, and suggests a case for entering into the next stage of strengthened political understanding and forging strategic partnerships between the two sides.

The chapter has been divided into the following sections:

- State of relations between India and the Gulf region
- Looking beyond traditional ties
- Gulf perspective
- Arab Spring: Implications for the region and India
- Factors hindering the relationship
- Major drivers of regional politics
- Recommendations

State of Relations between India and the Gulf Region

India considers the Gulf region as part of its “extended neighbourhood” and a part of its “natural economic hinterland”. Some consider it as India’s “immediate neighbourhood”, with only the Arabian Sea separating the two. Though economic relations remain the backbone of the relationship, both sides have been looking for new areas of cooperation and are trying to strengthen their political and strategic ties. The Gulf Cooperation Council (GCC) has become a major trade partner for India as bilateral trade has grown tremendously. The total trade between India and the GCC has gone from about US\$ 5.55 billion in 2000–01 to US\$ 158.41 billion in 2012–13.¹ Such a massive growth during a short period of one decade can be attributed mainly to the higher commodity prices, especially oil prices, in that period, and partly to the increased efforts to enhance trade relationship that were undertaken during this period by both sides. Today, the United Arab Emirates (UAE) and Saudi Arabia are among the top five trading partners of India.

Further, about 6 million strong Indian migrant workers constitute the largest expatriate workforce in the GCC countries and the remittances received from them constitute a significant portion of India’s foreign exchange receipts. According to the World Bank statistics, in 2012, India received US\$ 29.69 billion as remittances from the GCC countries.² The amount constitutes 47 per cent of the total remittances to India, out of the US\$ 63 billion received from all over the world in the same year.³

In recent years, along with growing trade and business, the India–Gulf relationship has accelerated with the exchange of high-level visits and signing of bilateral agreements with the countries of the region. However, the changing political and security scenario in the West Asian region requires India to move beyond the dominant trade and business relationship and deepen its political and strategic ties with the Gulf. In recent years, there have been some instances of success in engagements with the countries of the region.

India and GCC: Convergence of Interests

The relationship between India and the GCC countries has expanded in the last two decades. Apart from the increasing trade and business relationship, cooperation in several other fields such as defence and security, science and technology, cultural exchange, cooperation in education and so on has increased. Both India and the GCC countries acknowledge each

other's importance and the necessity of forging a strong partnership between them. India has been granted the status of a "dialogue partner" in the GCC; the only others being the US, the European Union (EU) and Japan. There are a number of important issues of mutual concern which need to be addressed through the joint efforts of India and the GCC.

Terrorism is an important issue of common concern. In the GCC, Yemen is the biggest victim of terrorism, with the scourge of Al-Qaeda continuing in the country. Saudi Arabia has been able to control terrorist activities but still remains a source of manpower and funds for the terrorists. In recent times, Al-Qaeda's movements have been noticed in Oman, Kuwait and the UAE. The GCC countries are also seriously concerned about the spread of Al-Qaeda activities in Iraq and Yemen with some sections of their societies being prone to radicalism. As far as India is concerned, there is evidence of a number of Pakistani and Kashmiri militant groups getting financial support from the Gulf countries. Militants groups like Lashkar-e-Toiba receive financial support from Saudi Arabia and several charity organisations based in the Gulf.⁴ India, being a victim of terrorism, should seek to work in close cooperation with the region in terms of intelligence sharing, tracking the movement of terrorists, money, arms, etc.

Maritime security is another potential and important area for cooperation between India and the Gulf region. Though terrorists have been attacking India mainly through the land route, the 26 November 2008 Mumbai attacks have clearly exposed the weakness of India's maritime security and the possibility of terrorist threats emerging from the sea.⁵ Similarly, securing the sea lanes from pirates is also another area of concern for both. In recent years, both India and the GCC countries have been victims of piracy off the Somali coast. A joint effort on the part of the navies of India and GCC countries to check piracy in the region would be beneficial for both. The safety of the oil tankers in the Arabian Sea, Strait of Hormuz and the Gulf of Aden is a matter of serious concern to India.⁶

Illicit trafficking has remained a major concern for both India and the Gulf due to the widespread trafficking of narcotics and small arms. It has been found that narcotics produced in Afghanistan make their way to GCC countries as well as to India. Narcotics are supplied from Afghanistan to India via Pakistan and to the Gulf via Pakistan, Iran and Iraq. Dubai is the major port of transit for these illicit drugs, while Saudi Arabia is emerging as a potential consumer in the region.⁷ According to the *International Narcotics Control Strategy Report* (INCSR), 2009, of the State Department

of the US, Dubai is a major regional transportation, financial and shipping hub.⁸ Hashish, heroin and opium shipments originate in Afghanistan, Pakistan and Iran and are smuggled in cargo containers, via small vessels and powerboats, and/or sent overland via Oman.⁹ In recent times, individual GCC countries—the UAE, Oman and Qatar—have introduced measures to check and regulate the flow of narcotics into their territories and have devised ways to prohibit their land being used as a transit or destination for narcotics. India and the Gulf states need to undertake joint efforts in this regard.

Similarly, the illicit flow of small arms has been a cause of worry for both India and the GCC with terrorists and criminal gangs operating in these countries. Identifying the supply routes, breaking into the arms supply networks and finally, identifying the receiving groups would require a well-coordinated joint effort.¹⁰ Money laundering, which has been going on for a long period, is also a matter of concern and efforts to control this menace have not been successful. While some expatriates use the hawala channel to avoid banking hassles and secure the quick delivery of money, terrorists and criminals specifically use it for the untraceable transfer of funds.¹¹

With accelerating trade and business relations, and the recognition and acknowledgement of each other's importance and areas of mutual concern, it has become imperative that India and GCC work in greater tandem. The emerging political and security challenges could be converted into an opportunity to strengthen this relationship. While India's bilateral relations with various Gulf countries in trade and security spheres are explained in separate chapters that follow, a brief summary of India's relations with GCC and its neighbouring West Asian countries is given in the succeeding paragraphs.

India and Saudi Arabia

The legacy of the Cold War, the regional political dynamics, difference in ideological orientation and divergent interests of both countries affected the India–Saudi Arabia relationship in the past. The situation changed after the 9/11 attacks in the US in which 15 Saudi nationals were found to be involved. This led to strong criticism of the Saudi policy towards terrorism and allegations relating to Saudi support for extremists—both ideologically and financially. Anxieties about the spread of Wahabi ideology and money from Saudi Arabia to various countries existed before 9/11 also, but its criticism was muted. Saudi Arabia came under tremendous

pressure after 9/11 and began to realise the need for looking beyond its traditional allies and engaging with other major Asian countries such as India, while at the same time taking action against extremists on its soil.

For India, Saudi Arabia is a major regional player with substantial political influence in the region and also in the wider Arab and Muslim world, demonstrated most recently in Egypt. Saudi Arabia is also important for India's energy security as it is the largest supplier of oil to it. In the year 2012–13, Saudi Arabia supplied 34.96 million metric tonnes (MMT) of oil to India.¹² The visit of King Abdullah to India in 2006 was a landmark event in the India–Saudi Arabia relationship as it opened the channels of communication at the highest level between the two countries and laid the foundation for a stronger relationship. The visit resulted in the signing of the Delhi Declaration in which both countries agreed to work together on a number of political and security issues. Similarly, the return visit of Prime Minister Manmohan Singh to Riyadh in 2010 further strengthened the mutual understanding wherein both countries agreed to take the relationship to a strategic level. India and Saudi Arabia signed the Riyadh Declaration which has been termed as “a new era of strategic partnership” by both countries. Manmohan Singh urged Saudi Arabia to forge a comprehensive energy partnership with India.¹³ Saudi Arabia has assured India about their readiness to provide India with its present and future oil needs. Saudi Arabia remains an important trade partner for India. In fact, it is the fourth largest trading partner for India with a total trade volume of US\$ 43.91 billion.¹⁴ Import of crude oil by India forms a major chunk of the trade volume.

India and Oman

India and Oman enjoy a very cordial relationship with strong historical ties covering political, security and the economic fields. Bilateral political understanding between India and Oman has remained strong. Oman is one of the few Muslim states who have not opposed India in international fora on the Kashmir issue. The Prime Minister, Manmohan Singh, visited Oman in 2008, when both the countries signed a memorandum of understanding (MoU) for establishing an India–Oman Joint Investment Fund with a seed capital of US\$ 100 million which could be raised to US\$ 1.5 billion.¹⁵ During the visit, both the countries decided that the strong bilateral ties should be upgraded to a strategic partnership. Both countries agreed to deepen cooperation in the security area to tackle the threats such as piracy, terrorism and transnational crime. The bilateral total

trade between India and Oman was US\$ 4.55 billion in 2012–13.¹⁶ The trade figures have more than doubled since 2008 when the total trade was US\$ 2 billion.¹⁷ In 2003, both the countries started annual strategic consultative group meetings to deliberate on mutual bilateral, regional and international issues; and in this regard, the ninth meeting of the India–Oman Strategic Consultative Group was held in Muscat on December 2012.¹⁸ India and Oman also have a robust cooperation in defence and security matters, details of which are given in the next chapter.

India and Qatar

India and Qatar have taken a number of initiatives to strengthen their bilateral relations. There have been a number of important high-level bilateral visits exchanged between the two countries that have facilitated the deepening of bilateral ties. Prime Minister, Manmohan Singh, visited Qatar in 2008, when he discussed a number of issues with the then Qatari Emir, Sheikh Hamad bin Khalifa Al Thani. Both the leaders decided to take the relationship to a strategic level.¹⁹ The most visible outcome of the visit was the signing of an agreement in the field of defence cooperation as well as an agreement on cooperation in security and law enforcement matters. The security agreement covers cooperation between the two countries on terrorism, piracy, transnational crime, etc. An India–Qatar Joint Defence Committee was set up during the prime minister's visit. So far, both countries have held two meetings, in 2010 and 2012.²⁰ The previous Qatari Emir, Sheikh Hamad bin Khalifa Al Thani, visited India in 2012 when both countries signed MoUs/agreements on cooperation in the field of oil and gas, education, legal affairs, banking and so on.²¹

There are no major disagreements between India and Qatar over bilateral political and strategic issues. Qatar is supportive of India's candidature for the United Nations Security Council (UNSC). On Kashmir issue, Qatar supports the resolution of conflict through bilateral dialogue. It has maintained neutrality on the nuclear issues relating to India.

Qatar is an important trade partner for India. The volume of the total trade between the two countries is increasing rapidly and the amount of total trade between them has gone up from US\$ 2.99 billion in 2007–08 to US\$ 16.3 billion in 2012–13.²² Qatar also remains the most reliable supplier of natural gas to India. India has signed an agreement to purchase 7.5 million tonnes of liquefied natural gas (LNG) every year from Qatar for a period of 25 years; the first shipment took place in 2004. The full yearly supplies of 7.5 million tonnes have started from January 2010.²³

India and Kuwait

India and Kuwait have enjoyed warm relationship with strong historical and cultural ties. India has been one of the first countries to recognise the independence of Kuwait. In recent times, the relationship suffered a jolt during the Iraqi invasion of Kuwait where India took a pro-Iraq stand. But the relationship has improved a lot since then, and the visit of India's Vice-President, Hamid Ansari, to Kuwait in 2009 has, to a large extent, bridged the political and diplomatic gap. During his visit, both countries signed agreements on education, culture and science and technology.

Kuwait is also an important trade partner for India. The value of total trade between the two countries has increased from US\$ 10.39 billion in 2008–09 to US\$ 17.67 billion in 2012–13.²⁴ Currently, Kuwait is the thirteenth largest trade partner of India.²⁵ Kuwait is also the third largest exporter of oil to India, supplying 18.74 million tonnes of oil in 2012–13.²⁶

India and the UAE

India–UAE relationship is growing steadily in political, economic and security fields. Frequent exchange of visits at the ministerial level keeps taking place and both countries have signed a number of agreements covering security, defence, economy, manpower, culture and so on. India and the UAE hold annual foreign office consultations at the secretary level to discuss bilateral and regional issues. Both countries have also signed an MoU in 2011 to hold annual political consultations between the two countries. India and the UAE signed a defence cooperation agreement in 2003. During the visit of India's former Minister of External Affairs, Pranab Mukherjee, to the UAE in 2008, talks were held to explore ways to establish a “long-term” defence relationship based on possible joint development and manufacture of sophisticated military hardware.²⁷ President Pratibha Patil visited the UAE on a state visit in 2012. However, there has been no prime ministerial visit to the UAE since 1981.

India and the UAE have similarity of views on most of the political matters. The UAE condemns terrorism and it shares India's concerns over the issue. It also realises that the scourge of terrorism may spill over into the country and favours an international effort to tackle it. The UAE supports India's candidature for membership of the UNSC. It believes that the Kashmir issue should be resolved in accordance with the Shimla agreement.

The UAE became the largest trade partner of India with bilateral total trade of US\$ 74.7 billion in the year 2012–13;²⁸ a significant increase from US\$ 29.11 billion in 2007–08. The UAE is also the sixth largest exporter of oil to India supplying 15.59 million tonnes of oil in 2012–13.²⁹

India and Bahrain

India and Bahrain have maintained friendly ties with each other and the relationship is becoming stronger day by day. Foreign office consultations are held regularly between the two countries. They have signed several bilateral treaties, agreements and MoUs covering diverse issues like information and communication technology (ICT), extradition treaty, manpower agreement, investment promotion and so on. Bahrain supports India's permanent membership in the UNSC and believes that it would have a stabilising influence in the whole region. India has also committed its support for Bahrain's candidature for a non-permanent seat in the UNSC for the year 2026–27.³⁰

Over the last five years, there has been no significant growth in the bilateral trade volumes between the two countries. The bilateral trade between India and Bahrain presently stands at US\$ 1.32 billion.³¹

India and Iran: Progress amidst Controversy

India–Iran relationship has followed a descending curve since the emergence of the Iranian nuclear controversy. Though both the countries attach great importance to each other, regional political dynamics over Iran's suspected nuclear programme have negatively affected India–Iran relationship. The nuclear issue came up when both the countries were drawing closer to each other with a couple of high-level bilateral visits and the signing of a defence cooperation agreement in 2001. The ties became strained when India consistently voted against Iran at the International Atomic Energy Agency (IAEA) and asked Iran to clarify doubts about its suspected nuclear programme, whilst at the same time supporting Iran's right under the nuclear Non-Proliferation Treaty (NPT) to use nuclear energy for peaceful purposes. Similarly, Iran also believes that India has come under the pressure of the US, Europe and the GCC, compromising its independent foreign policy and, in turn, its relationship with Iran. Despite such big political misunderstandings, trade and energy ties between the two countries have continued. Even after decline in oil imports from Iran during the last two years, it is still the third largest

exporter of oil to India. As per the latest available figures, bilateral trade between the two stands at US\$ 14.95 billion.³² Iran is an important country for India for several other reasons and thus, India needs to carefully calibrate its policies towards the region.

Need to Revive Ties with Iraq

India and Iraq had enjoyed good relations in the past but these ties were interrupted in the aftermath of the American invasion and resultant instability in the country. Nevertheless, full-fledged diplomatic ties are now in place again. Though visits of officials do happen at regular intervals, high-level bilateral visits have not taken place since a long time. Presently, India is engaged in post-war relief and reconstruction activities in Iraq. In response to the United Nations (UN) secretary general's urgent appeal, India has committed US\$ 20 million to Iraq. Additionally, India has also contributed US\$ 10 million towards the International Reconstruction Fund Facility for Iraq (IRFFI).³³ India's economic engagement with Iraq is also increasing steadily with bilateral trade going up from US\$ 7.1 billion in 2007–08 to US\$ 21.43 billion in 2012–13.³⁴ Iraq is now the second largest supplier of oil to India, supplying 25.38 million tonnes of oil in the year 2012–13.³⁵ As Iraq slowly moves towards peace and stability, the prospects for future cooperation in various fields will also grow. There is huge scope for both the countries to further enhance their bilateral trade and energy ties. However, there is a long way to go before India–Iraq relations reach the depth and diversity of the 1970s and the 1980s. There is, of course, no doubt that Iraq, despite being affected by state fragility and interference from its neighbours competing for influence in the country, will play an important role as an energy supplier to India in future. It will also offer opportunities for profitable investments once the internal security situation stabilises.

Strengthening Relationship with Yemen

Yemen is a poor country with several internal fault lines, and going through a difficult phase of transition. A weak economy in the oil-rich Gulf neighbourhood, Yemen is important for its geostrategic location between the Red Sea and the Arabian Sea. India has had historical ties with Yemen, yet the relationship has always remained low key. India has provided assistance in the fields of education and health; and is looking to buy more oil from Yemen. In the year 2012–2013, the total trade between the two countries was US\$ 2.35 billion.³⁶ The Eighth Session of the India–Yemen

Joint Committee for Economic, Scientific and Technical Cooperation took place in New Delhi on March 2013. Both sides have agreed to cooperate in the areas of education and training, culture, health, hydrocarbons, agriculture, fertilisers, trade, investment and security.³⁷ Meetings between senior officials are going on regularly but the high-level political visits have not been taking place between India and Yemen. Yemen is a member of the Indian Ocean Rim-Association for Regional Cooperation (IOR-ARC). India would need Yemeni cooperation to tackle piracy in the Gulf of Aden. As the Indian Navy has deployed ships to counter piracy, an active collaboration with the Yemeni Navy would further facilitate the operations. Yemen is going through a difficult phase of transition in its history after departure of President Ali Abdullah Saleh, and it would be wise for India to provide all possible help to the country and engage with the emerging leadership.

Looking beyond Traditional Ties

Engaging Gulf in Defence Diplomacy

India has been trying to strengthen its security ties with the Gulf countries and has established military ties with countries like the UAE, Qatar, Oman and Iran by signing defence cooperation agreements with them. The agreements cover wide range of defence and security issues, including joint military exercises, information sharing, exchange of goodwill visits, exploring the possibility of joint production of military equipment, training and education courses for military personnel, etc.³⁸ India is looking forward to signing a defence cooperation agreement with Saudi Arabia. From India's side, the level of engagement and talks over the military cooperation have increased over the years. This is a reflection of growing Indian interest and India's search for more cooperative opportunities in the region.

The Indian Navy has been at the forefront in dealing with its counterparts in the Gulf region and has been playing an important role in India's "Naval Diplomacy". The larger purpose of the navy's diplomatic role is to "favourably shape the maritime environment in the furtherance of national interests, in consonance with the foreign policy and national security objectives".³⁹ Indian Navy has been engaged with navies of the Gulf region and others in conducting joint exercises, port calls, goodwill visits to other's ports and deepening interactions.

Through this engagement, India aims to achieve some key objectives. First, India will be looking at active cooperation with the Gulf countries in fighting against piracy. The safety of the sea lines of communication (SLOC) is of primary importance for India as about 90 per cent by volume and 70 per cent by value of India's international trade is carried on through maritime transport.⁴⁰ Thus, any disruptions in the SLOC will have a negative impact on Indian economy. Energy supply is crucial for India and therefore, it is important to keep the region out of bounds for pirates and other non-state actors. India's maritime interest is not restricted to guarding the coastline and island territories, but also includes safeguarding of our interests in the exclusive economic zone (EEZ) as well as keeping our SLOC open in times of peace, tension or hostilities.⁴¹ Working with the navies of the regional partners, Indian Navy would be able to provide security to the ships and deter the pirates.

Second, by engaging the Gulf countries militarily, India would ensure that its interests in the western part of the Arabian Sea and vast Indian Ocean—which include the Strait of Hormuz, the Suez Canal, the Gulf of Oman, the Bab el Mandeb, the Cape of Good Hope and the Mozambique Channel—are safeguarded. Along with the broad economic and security interests, India intends to achieve the “security” of the various “gates” to the Indian Ocean, and to cultivate ties with the nations adjacent to these choke points.⁴² These strategic choke points are important for trade and energy supply and by collaborating with the Gulf countries, India would try to secure the choke points in the western Indian Ocean.

Cultivating Deeper Political Understanding

In order to engage with different countries simultaneously, India needs to enhance political understanding with them. Without increased interaction and understanding at the political level, the relationship will remain confined to trade and energy sectors. The geopolitics of the region is complicated and will remain so in the foreseeable future. India's ambition of a deeper engagement with the region calls for exploring areas of bilateral political understanding with the countries of the region. As India's stakes are very high, the future engagement has to move beyond the energy buyer–seller relationship. India needs to adopt measures to instil confidence in the minds of the elite in Gulf countries. For that to happen, there is a need to have frequent high-level political interaction with them.

High-level political visits have, by and large, remained infrequent and it is only in the recent past that some such visits have taken place with some of the GCC countries such as Saudi Arabia, Oman and Qatar. High-level visits have understandably not taken place to Iraq because of the internal security situation in the country, while Yemen remains a mostly neglected territory for India. Though India is under pressure to join the Western bandwagon to isolate Iran over its nuclear issue, Prime Minister Manmohan Singh visited Iran to attend the Non-Aligned Movement (NAM) summit in 2012. But the good news is that bilateral visits and talks at the ministerial and official level are now being held regularly. The details of two-way high-level visits since the year 2000 are given in Table 1.1 and Table 1.2.

Table 1.1: High-level Visits from India to Gulf since 2000

<i>S. No.</i>	<i>Name of the Dignitary</i>	<i>Country</i>	<i>Year</i>
1.	Shri Atal Behari Vajpayee, Prime Minister	Iran	2001
2.	Dr A.P.J. Abdul Kalam, President	UAE	2003
3.	Dr Manmohan Singh, Prime Minister	Oman	2008
4.	Dr Manmohan Singh, Prime Minister	Qatar	2008
5.	Shri Hamid Ansari, Vice-President	Kuwait	2009
6.	Dr A.P.J. Abdul Kalam, President	Oman	2009
7.	Dr Manmohan Singh, Prime Minister	Saudi Arabia	2010
8.	Smt. Pratibha Patil, President	UAE	2010
9.	Dr Manmohan Singh, Prime Minister	Iran	2012

Source: Ministry of External Affairs, Government of India.

Table 1.2: High-level Visits from Gulf to India since 2000

<i>S. No.</i>	<i>Name of the dignitary</i>	<i>Year</i>
1.	Mohammad Khatami, President, Iran	2003
2.	Sheikh Hamad bin Khalifa Al Thani, Emir of Qatar	2005
3.	King Abdullah bin Abdulaziz, Saudi Arabia	2006
4.	Emir Sheikh Sabah Al-Ahmed Al-Jaber Al-Sabah, Kuwait	2006
5.	Sheikh Hamad bin Jassim Al Thani, Prime Minister, Qatar	2006
6.	Sheikh Mohammed bin Rashid Al Maktoum, Vice-President and Prime Minister of the UAE and Ruler of Dubai	March 2007, March 2010 & May 2011
7.	Dr Mahmoud Ahmadinejad, President, Iran	2008

Source: Ministry of External Affairs, Government of India.

In order to boost interaction and further strengthen political cooperation, an India–GCC political dialogue was initiated on the side lines of the United Nations General Assembly (UNGA) meeting in 2003.

Both sides acknowledged the dialogues as having heralded a “new era” in the India–GCC relationship.⁴³ In continuation of the dialogue, the sixth India–GCC Political Dialogue was held in New York in 2011 on the side lines of the UNGA meeting, where both sides discussed several issues of bilateral and regional importance.

Forging Strategic Partnership

In recent times, a boost to India’s relationship with the region has come with the visit of Prime Minister Manmohan Singh to Saudi Arabia in 2010 where both the countries signed the Riyadh Declaration. The Riyadh Declaration has been termed as “a new era of strategic partnership”,⁴⁴ identifying areas of mutual concern which need to be addressed. Riyadh Declaration condemned terrorism and extremism, agreed to enhance cooperation in the exchange of information relating to terrorist activities, money laundering, narcotics, arms and human trafficking, and to develop joint strategies in combating these threats, further strengthen defence cooperation and to develop a broad-based economic partnership, including energy, and enhancing bilateral trade.⁴⁵ Thus, India has made its intent clear that it is going for a long-term engagement with the kingdom.

During Prime Minister Manmohan Singh’s visit to Qatar in 2008, the two countries decided to enhance the relationship to a strategic level. Both sides decided to activate the ministerial-level joint committee and foreign office consultations and reviewed the state of bilateral relations, including in the fields of defence and security.⁴⁶

As mentioned earlier, a secretary-level annual strategic consultative group meeting has been started with Oman in 2003 for exchange of views on bilateral, regional and international issues. In this regard, the ninth meeting of Indo-Oman Strategic Consultative Group (IOSCG) was held in Muscat in December 2012.⁴⁷ India and Oman, during the visit of Prime Minister Manmohan Singh in 2008, decided to transform the existing relationship into a strategic partnership.

As is clearly evident, high-level visits to these countries, though infrequent, have paid dividends in terms of promoting deeper understanding and strengthening bilateral relations. As already mentioned, both India and the countries of the Gulf region have a lot in common in terms of security, politics and economy, and it is important for them to work together in these fields. The approach and perception of India and the Gulf countries may not be identical all the time and their respective

world views may differ. But the benefit of entering into cooperation in mutual areas of concern is massive and ignoring it would be disadvantageous for both. Building strategic partnerships on the basis of long-term mutual benefits, and at the same time adopting an independent foreign policy in the region, is what India should look forward to.

Importance of Gulf for India in the Wider Muslim World

For a considerable period of time, India's image in the Muslim world has been affected by a number of reasons. With the rise of India as a secular and stable democratic country with a growing economy, there has been a positive change in the perceptions of the Muslim countries regarding India. India's image as a Hindu-majority country, the Kashmir problem, tensions with Pakistan, poverty, intermittent communal violence in India, etc., all have been the factors which have shaped the thinking and perception of the Muslim countries towards India. The recent decades have witnessed significant interaction with the Muslim countries in both political and economic fields which has helped in improving India's standing with the Muslim world. The fact that the Muslim population in India is the third largest in any country is well recognised among the Gulf countries.

The Gulf countries play active role in the multilateral organisations like Organisation for Islamic Cooperation (OIC) and Arab League; thus, it is important for India to tap this crucial political support. Their support is also crucial for reforms of the UN. Saudi Arabia exercises significant influence among a number of Muslim countries because of its huge oil wealth and the location of the two holy places in the country. It is undoubtedly the most influential player in the GCC as well. Similarly, Iran is also another big and potentially wealthy Islamic country which has considerable political and religious influence over a number of countries in the world. Building strategic ties with the countries of the region will be an effective platform for India to further its interests with the Muslim world.

India's Balancing Act in the Gulf

As the region is divided on political and ethnic lines, it is always a challenge for India to maintain a balanced relationship with all the countries. The GCC, particularly Saudi Arabia, and Iran are two major actors whose relationships have been marked by competition and rivalry in the region. Both have engaged in ideological conflicts over the Shia–Sunni divide, territorial disputes, presence of the US in the region and the Iranian nuclear

programme. The Saudi–Iranian relations have, in many ways, steered the relationship.⁴⁸ The relations between Iran and the GCC countries have posed challenges for the Indian foreign policy in the Gulf region in the recent times. India’s proximity with one side causes disquiet on the other side. India’s relationship with Iran raises suspicions in the minds of the GCC countries; while at the same time, India’s relationship with the GCC countries, who are close allies of the US, has also created doubts among the Iranians regarding India’s commitment towards strengthening its relationship with them. There is also a dominant perception in Iran that India has thoroughly allied itself with the US in the Gulf and is not following an independent foreign policy.⁴⁹ In such a situation, India needs to balance its priorities and interests between both the players. Cultivating both the powers is essential as India has substantial interests with both.

Gulf Perspective

The thinking and approach of the Gulf countries towards India has undergone a positive change in the last two decades. The Gulf countries have started thinking of India as a stable democratic country in the South Asian region, a vibrant economy and an important player in world affairs. However, India needs to establish its credentials as a country of many potentials and opportunities. Way back in 2004, a Bahraini scholar wrote that “Gulf’s recognition of India’s advancement in numerous vital areas and its political willingness to learn and benefit from India...is a new Gulf rhetoric—and India is no more seen as a backward country supplying poor quality goods and unskilled labour”.⁵⁰ He argued that “both sides should establish a long term strategic partnership as the Cold War political dynamics have now changed; and that in Gulf, India has maintained a policy of economic development and keeping the region away from foreign intervention”.⁵¹

India is very strongly positioned to play a role in the region for several reasons. India is “politically non-intervening” in the internal affairs of the Gulf countries, a policy that is much appreciated by them. Some analysts in the Gulf think that India has shown a high level of sophistication in dealing with the region, but there is also a degree of political unwillingness in India to further deepen the relationship. To take the substance of the relationship beyond trade and energy would require additional political will and enthusiasm, which is found lacking among the senior decision-making authorities in India.⁵² Though in the past, many opportunities

have been missed by both India as well as the Gulf countries, it is high time for both to explore and exploit the opportunities.

The steady rise of India has been observed very closely by the region. In the aftermath of the 9/11 attacks in the US, the GCC countries have started focusing on strengthening ties with major Asian powers, including India. The subsequent cultural backlash which the Muslims faced in the West led them to believe in diversifying their cooperation and engagement. Their attempt to diversify their engagement has driven them to Asia where the emerging and developed economies of India, China, Japan, South Korea, etc., are the potential partners. For the GCC countries, these Asian powers are not only big markets for their oil but also potential trade partners. Though they continue to remain friends and allies of the West, their shift in focus has brought them closer to the Asian powers. India figures prominently in their “Look East Policy” and energy, trade and investment would remain major factors in the relationship.⁵³

The rising insecurity in West Asia and North Africa has made the Gulf Arab regimes apprehensive and they, too, are looking for more international support. At present, the level of insecurity among the GCC countries is very high. They are facing both internal and external threats which they themselves are unable to tackle. Iran is viewed to be the principal threat to Gulf security. Iranian ambition to dominate the region and Iran’s suspicious nuclear programme make the GCC countries believe that the main security threat for them is Iran.⁵⁴ They believe that a nuclear Iran will adopt a more aggressive foreign policy in the region. Iran claims the three disputed islands of Greater Tunb, Lesser Tunb and Abu Musa, to which the UAE also lays claim; and to much of the discomfiture of the GCC countries, Iran has opened an office in one of the islands. Also, periodic Iranian threats of closing the Strait of Hormuz, which is the main channel of oil supply from Gulf to the outside world, shows larger Iranian design of dominating the passage to the Gulf waters.

Significant Iranian influence among the Shia communities in countries like Iraq, Bahrain and Yemen has further alarmed the GCC countries about the Iranian ambitions in the region. The perceptions about the nature of Iranian threat are very strong and these countries feel that it will be difficult for them to counter this threat without external support. It is in this context that GCC countries expect India to play a role in Gulf security.

For the GCC countries, India is an emerging global power and has huge stakes in the security of the region. Thus, India should contribute to

the Gulf security,⁵⁵ which would boost their position vis-à-vis Iran. The GCC countries would like India to put more pressure on Iran over its nuclear programme and further isolate Iran.

Iran, on the other hand, feels that India has neglected its old ties with it and is leaning more towards the Gulf Arab states. This sense of neglect has been further consolidated with India's votes against Iran at the IAEA over the Iranian nuclear issue. Though Iran expresses no grudge against India over its relationship with the GCC countries, the feeling of "benign neglect"⁵⁶ of Iran by India has hampered the relationship to a considerable extent. Iran believes that India has come under the American pressure to vote against Iran at IAEA. The outgoing President, Mahmoud Ahmadinejad, has stated that big powers try to weaken nations who have the potential to "go global", such as India and Iran, and therefore pressurise them. Thus, he suggested, under the current circumstances, it is for both India and Iran to strengthen their ties.⁵⁷ Unlike the GCC countries, Iran does not want any external forces to play any role in the regional security architecture as it believes that the issues of regional security should be addressed by the countries of the region alone without any involvement of outsiders.⁵⁸ Thus, Iran expects India to maintain neutrality over regional issues without taking sides. Rather, Iran views India as a major power in the region who can mediate and should try to bring together the countries of the region such as Egypt, Saudi Arabia and Iran to the table.⁵⁹ Iran also thinks that India has the capability to bring the countries like Russia and China together through Brazil, Russia, India, China and South Africa (BRICS) Forum to build a new framework in the region; obviously, in a manner that suits Iran.

For both Iran and GCC countries, India's relationship with Israel has been a big talking point and was used as an excuse in the past for not establishing a strong partnership. For them, India's close relationship with Israel has led India to soften its stand on the Palestine issue. They also say that India has adopted a more pragmatic approach towards the Israel–Palestine conflict and the moral tone and content of Indian foreign policy has been watered down. The fact is that rhetoric notwithstanding the Palestine issue is no more a core pan-Arab or pan-Islamic issue and various Gulf states have direct or indirect relations with Israel. Most of these countries are more anti-Iran than being anti-Israel. The Palestine issue, however, continues to be a convenient stick to beat a non-Arab state with when required. India, on its part, has put this issue firmly behind after

years of explaining its stand to the Arabs. It supports Palestine without being rhetorical and simultaneously, maintains normal state-to-state relations with Israel.

The Gulf countries are aware of India's energy dependence on them. They also understand the importance of remittances from the Gulf region for India's economy. These factors have often resulted in some of these countries being less sensitive to India's concerns like the treatment of Indian workers, and also less responsiveness to India's political concerns like private support and siphoning of funds to anti-India terrorist groups and fundamentalist organisations in India. This situation is now changing, albeit slowly. With peak oil theory more or less abandoned and alternate sources of energy coming up, India is now being seen as a big energy market with a large population, growing economy and increasing industrialisation. India would still be import dependent for meeting its energy requirements but then, it will have options and the Gulf will also need to sell its oil and gas and cannot afford to neglect one of its largest and steady customers. The dependency will be mutual and this will call for fundamental reset of relationship.

Saudi Arabia, which is the largest oil supplier to India, has assured long-term oil supplies to India and wants to retain it as a long-term market. There has been significant pressure on India to cut down oil imports from Iran. Oil imports from Iran were also reduced because of the looming payment issue which arose because of sanctions on the banks through which payments were taking place. Iran, however, is quite sceptical over decreasing oil imports by India as it feels India has succumbed to international pressure and is otherwise capable of finding a way to make payment. Iran also believes that India is using the rivalry between Iran, Saudi Arabia and Iraq to get cheaper, if not secure a greater accessibility to, oil, which in its view is a short-sighted policy. Two big players, Iran and Saudi Arabia, are willing to supply more oil and address the issue of energy security of India in order to receive India's political support.

Critics in the region point out that India seems content with the energy and trade relationship; and they point out that India's approach towards the Gulf region has been primarily economic.⁶⁰ They also accuse India of not being bothered about the region's security and lacking the enthusiasm and political will for further strengthening the relationship in political and strategic fields. India has been accused of being reactive in its policy in the Gulf region without following any structured long-term policy. They also

believe that India is not worried about the situation in the Gulf as long as its energy supplies are continuing, SLOC are secure and the Indian community is safe in the region. Such a purely economic approach to the relationship is not appreciated by many as they expect India to play a proactive role in the political and security arena in the region. They are, however, short on specificities. Also, no official requests for any specific intervention by India have been made so far.

As the Gulf countries are aware of the huge Indian stakes and vulnerabilities in the region, they want India to be part of the Gulf regional security architecture. As both regime security as well as the regional security is a concern for the GCC countries, India's involvement in the region's security would be beneficial for them. They argue that as India has such big interests in the Gulf, it comes as a natural responsibility for India to contribute towards the security of the region. India's hesitation and unwillingness to play the role of a security provider in the region makes them believe that India is shying away from its responsibilities in its extended neighbourhood and keeping itself detached from the regional security of the Gulf.⁶¹ India is aware of the fact that external powers with influence in the region are not particularly popular on the Arab street. Even Muslim countries like Turkey have burnt their fingers in double-quick time by getting involved in intra-regional affairs. The region is best left to itself till its domestic political system reaches a high degree of maturity.

Arab Spring: Implications for the Region and India

The recent phenomenon of the Arab Spring has exposed the vulnerability of the authoritarian and undemocratic rulers throughout the region. Visible impact of the protests has been seen in countries like Bahrain, Yemen, Oman and Saudi Arabia, while there were hardly any organised protests in Qatar, the UAE and Kuwait. Protests in Bahrain rang the alarm bell for the Gulf monarchies. The monarchies were concerned about the fact that any change in regime in Bahrain would have a domino effect on their own future; and also, Bahrain, being a Shia-majority country ruled by the Sunni royal family, is vulnerable to sectarian forces which play a vital role in the region's politics. For these reasons, the Saudi and UAE security forces entered into Bahrain to help Bahraini troops quell the protests and protect the Khalifa family. The protests have been suppressed but strong undercurrents continue to exist as the issues remain unresolved.

Yemen is the only country in the Arabian Peninsula where the long-serving ruler, Ali Abdullah Saleh, has been removed and the country is going through a difficult process of transition. After a long period of uncertainty following Saleh's departure, the major political parties and groups have started the process of the National Dialogue Conference; a GCC initiative. The result of the National Dialogue Conference remains uncertain but, certainly, a tough road ahead awaits Yemen before the country moves forward with a stable political system, strong economy and internal security. Though Yemen is a republic with a weak economy unlike its oil-rich Gulf neighbours, any instability in Yemen, including the spread of the Al-Qaeda activities, will impact the other Gulf countries. As the security of the region is indivisible, the future trajectory of Yemen remains important for the security of the region. Saudi–Iran proxy war has been continuing in troubled Yemen. The beginning of the protests in Yemen left the situation wide open for external intervention. Iran—which supported the Houthis against the Saleh regime—supported the protesters calling for regime change. Saudi Arabia has huge stakes in the stability of its southern neighbour, providing millions of dollars in aid, and therefore, initially stood with Saleh. But, with situation going out of control and the protests continuing despite all kinds of promises and a strong security crackdown, the GCC intervened with a proposal for a regime change which was finally accepted by Saleh. The Saudi-dominated GCC initiative has given Riyadh an advantage over Tehran in the conflict-ridden Yemen.

There were reports of protests in the Eastern Province of Saudi Arabia where the protesters took to the streets demanding political, economic and social equality. The Eastern Province of Saudi Arabia is both economically important and politically sensitive as a large number of oil fields are located in that region and the sizeable population in that province is Shia. The Saudi regime has been careful in dealing with the situation. Though the protests have not been strong enough to challenge the authority of the royal family, it certainly has brought to the fore the issue of the legitimacy of the system and acceptability of the monarchs among the people. The kingdom has adopted both coercive measures to quell the protests and massive welfare measures to pacify the people. But this, again, is a temporary solution to a chronic and systemic problem. The kingdom has attempted to provide an economic solution to a political problem which does not seem successful in the long run.

The escalation of protests also led to increasing tensions in the regional politics in the Gulf. The already fraught Saudi–Iranian relations have further deteriorated with sectarian politics becoming more vocal. The first manifestation of sectarian politics during the Arab Spring was visible with the Iranian support for the protesters in Egypt where Iran openly called for the overthrow of the regime. Similar Iranian calls continued as protests spread from one country to another, and took an ugly shape when Iran supported the protesters in Bahrain. Iran was also accused by Bahrain of instigating the protesters. Since the beginning of the protests, Iran supported the protesters, albeit mildly, in the streets and termed it as “Islamic Awakening”. Saudi Arabia, on the other hand, wanted to quell the protests and asked Iran not to interfere in the internal affairs of the Arab countries. The situation further aggravated when Saudi forces entered Bahrain under the umbrella of the Gulf Peninsula Shield Force to control the situation.

The overthrow of the Morsi regime too has brought home a number of lessons. First, success of political Islam is not a given. The Islamists have to prove themselves in governance and be more inclusive if they want to succeed. Ideology can take them only this far and not beyond. Second, Turkey may be a good role model for the newly emerging democracies but the model will be successful only if fundamental problems like weak economy and unemployment are fixed on priority. Third, proactive foreign policy backed with some cash does not make a nation powerful. It must be a bitter but useful lesson for Qatar. Saudi Arabia has, once again, proved its preminent position in the region on the back of enduring and strong attributes like physical size, abundant resources, control over the holy shrines and loyal support base among the population of most of its neighbouring states. Saudi strength, however, is only comparative since the very same attributes have been found inadequate to force a regime change in Syria. Last, a lesson which will take some pain to learn, is that support to revolutionaries in other countries will, at some stage, produce a blowback effect which will force a change at home.

In some ways, the emergence of protests and subsequent developments has affected India as well. First, India has been affected by the rise in oil prices that followed the protests. India being a major importer of oil and dependent on Gulf oil has been feeling the pressure on its economy. This, however, has been a minor irritant so far. Should the protests spread to the oil-producing countries and the oil production or its despatch get affected, the impact on India will be huge. Second, the protests have prompted the rulers to start the process of nationalisation of the workforce to deal with

the problem of unemployment and discontent of the youth. Saudi Arabia has seriously pursued its “Nitaqat” programme which intends to clean up the illegal foreign workers from the country. Other Gulf countries have been seriously mulling over such plans for quite a long time. If implemented seriously, the programmes will definitely affect some of the Indians working in the region. Third, a major potential challenge is the safety of the Indians living in the region. About 6 million Indians are living and working in the Gulf region and in case of any emergency, it will be a formidable task for India to evacuate its citizens from the region. India has an experience of evacuating its citizens from Kuwait, Libya and Egypt, but it would be a daunting task for India if large-scale evacuation becomes necessary from the Gulf region. Fourth, on the diplomatic front, it has created temporary uncertainties over the regional security and the domestic political situation in the countries of the region. The heightened tension between Iran and Saudi Arabia poses a challenge for Indian foreign policy in the region. As India tries its best to calibrate its policies carefully, the situation is certainly proving to be more testing.

The spread of the Arab Spring to the Gulf region seems to have paused, basically, because of two reasons. First, the rich monarchies were able to placate the restive sections of their societies with monetary inducements; and second, the governing structure permitted them to take speedy and decisive administrative actions where required, for example, replacing a number of unpopular ministers in Oman. The protracted nature of internal struggle in Syria and the resultant bloodshed also seems to have affected the expansion of the revolution to the Gulf monarchies. The recent turn of events in Egypt may also engender scepticism amongst sections of pro-change sections of the population. It is possible that the change in this region will be evolutionary rather than revolutionary. However, it seems likely that more participative change will take place in the entire region sooner or later. The countries that may face succession-related disputes, or those that possess limited financial capacity to provide welfare packages, may face the change earlier than others. It is also unlikely that the Turkish model of a moderate and secular Islamic state will find any traction in this region, primarily because of different historical experiences and a deeply conservative nature of society in the Gulf region. As and when the monarchies hand over power to the elected representatives or convert themselves into constitutional monarchies, the political space may be dominated by a mix of the Iranian and the Tunisian models. Historical precedence suggests that once the change comes about, it is likely to be

followed by a long period of political and economic instability. The Gulf region is unlikely to disprove this hypothesis.

Factors Hindering the Relationship

There are a number of factors which are responsible for hindering the establishment of a strong political relationship between India and the region.

First, in recent times, India's relationship with Iran has made the GCC countries apprehensive. India is attempting to re-engage Iran considering its energy security imperative, for enhancing bilateral trade⁶² and securing connectivity to Afghanistan and Central Asia. Though India's opposition to the Iranian nuclear programme at the UN must have given a sigh of relief to the Gulf countries, India's desire to build a strong political and economic relationship with Iran has irritated them. Iran's nuclear ambitions have made the GCC countries feel insecure as it increases their vulnerability vis-à-vis Iran and at the same time, threatens to change the balance of power in the region.⁶³

Second, Pakistan has taken advantage of her religious affinity and close relationship with the Gulf countries for depicting India as an anti-Muslim country. Historically, while India's relations with the Gulf countries have been based upon the huge amount of trade and business, Pakistan's relations with the region have been mainly ideological and political.⁶⁴ Pakistan has, particularly, enjoyed very good relations with countries like Saudi Arabia and the UAE.⁶⁵ Occasional communal clashes between Hindus and Muslims in India have been exaggerated by Pakistan and put before the GCC countries as a proof of India being anti-Muslim. Pakistan has repeatedly said that Indian Muslims are not safe in India. Similarly, on Pakistan's bidding, the Kashmir issue has mostly been seen through a narrow sectarian prism by the Gulf states. Thus, Pakistan has used its religious and political affiliation with these countries to further its economic, political and strategic interests and at the same time, undermine India's secular credentials and international image. But, in recent years, there has been a growing realisation among the GCC countries that India is a liberal, secular and progressive country in which Muslims enjoy equal rights and opportunities. They also realise that whereas India is emerging as a big political, economic and military power in the region and beyond, Pakistan is descending into chaos day by day. Notwithstanding this realisation, Pakistan still remains an irritant in the relationship as it still enjoys a close

filial relationship with some countries in the Gulf region. In most of these countries, religion still trumps reason. Even after a democratic transformation of the region at some future date, the deeply religious nature of politics that is likely to replace monarchies will not support India against Pakistan. India, therefore, cannot frame its relationship with the Gulf states in opposition to Pakistan.

Third, excessive dependence on the US on political and security matters has dwarfed the engagement of Gulf states with other powers. The region has remained heavily dependent on the US and it seems that the trend will continue in the near future. Though some countries of the region have started looking towards the Asian powers, this policy is still in the evolving stage and a solid partnership has not yet been forged. Undoubtedly, India has made its mark in the Gulf, but there is still a long way to go before it is even considered as a suitable replacement for the US whose presence itself is more of a compulsion for these countries. Even the population in these countries would not easily support the involvement of other countries in political and security affairs of their region. Therefore, India needs not go out of its way to intercede in regional disputes till requested by parties in dispute.

Fourth, although to a much lesser extent, India's close ties with Israel, particularly the Indo-Israeli defence cooperation which began in the 1990s, have been resented by the GCC countries. Gulf countries sometimes complain that India has toned down her voice against the oppression of the Palestinians at the hands of the Jews since India developed close security ties with Israel. Though India has time and again reiterated its undiluted stand over the issue, there still remains some scepticism among the Gulf countries regarding India's stand on the Palestine issue. However, of late, the Arabs themselves have not taken any strong anti-Israel stand and Qatar has often been interacting with Israel. Also, there are unconfirmed reports of Israeli defence equipment reaching the UAE. The Gulf states are themselves not united in their stand with regard to intra-Palestinian issues or about their stand on Israel.

Drivers which will Shape the Political Future of the Region

1. **Iranian nuclear issue:** The controversy over the Iranian nuclear issue will remain at the centre of the politics of the Gulf region for the foreseeable future. Iran looks more determined and confident about its stand on the issue and is perceived a security

threat by its Arab Gulf neighbours. The issue also remains a potential driver to start nuclear proliferation in the region. The approach of the extra-regional powers such as the US, the EU, Russia and China towards the Iranian nuclear issue will also shape the strategic environment in the Gulf.

2. **GCC–Iran relations:** The relationship between the GCC countries and Iran will be an important determinant of the future of Gulf politics and security. There are a number of issues such as ideological rivalry, Iranian nuclear issue, presence of the US forces and clash of interests over regional political and security issues which inhibit the GCC–Iran relations. The Arab Spring has further worsened the GCC–Iran relationship as Iran supported the protesters against the Arab Gulf regimes and tensions aggravated as Saudi forces entered Bahrain to quell the protests. There is a proxy war going on in Syria and Iraq is suffering the consequences of Saudi–Iranian rivalry. It seems the GCC–Iran relationship will remain antagonistic for many years to come as the areas of convergence of interests still remain unexplored or obstructed. India cannot afford to take sides in this conflict for regional dominance.
3. **Role of the US:** The US continues to be the most important external player in the region. Recently, there has been a debate over the continuing presence of the US in the Gulf. It has been argued that the discovery of shale gas and oil in the US would lessen their dependency on oil from the Gulf region and lead them towards energy independence. Also, the state of the American economy and its “Pivot to Asia” policy, which focuses on the Asia-Pacific, make some believe that the US will gradually retreat from the region. But it also has other reasons to continue its presence in the region. The security of the state of Israel and tackling terrorism are two major factors which would keep the US in the region. It would continue to remain the primary security provider for Gulf monarchies for decades if not more. It may maintain a slightly lower profile because of economic reasons and other foreign policy priorities, but in the near future, it does not look like the US is going to leave the region alone. Furthermore, it is equally unlikely to let any other major power fill the strategic void in its place. The US’ relations with Iran are not predestined to remain hostile for ever. Normalisation of this bilateral relationship

will only come at some cost to the Gulf Arab states.

4. **Sectarian divide:** The Shia–Sunni sectarian divide would remain another area of potential conflict in the region. The infiltration of sectarian and religious divisions into the political realm is becoming stronger by the day. While Iran espouses the politics of the Shia unity with the support of Iraq, Syria, Hezbollah and the Shia population in countries like Bahrain and Yemen, such a unity is against the interests of Saudi Arabia which champions the case of the Sunni dominance in the region. Such sectarian calculations will continue to play a significant role in determining the future course of the politics of the region.
5. **Saudi–Iran proxy wars:** The Saudi–Iran proxy wars would be an important driver not only of the region's politics but also the security situation throughout the region. The Saudi–Iranian rivalry has been witnessed in the shape of proxy wars in the countries like Yemen, Syria and Iraq where different groups and factions have been supported by either Saudi Arabia or Iran. Though both countries refute any such allegations against them, it is apparent that long-drawn wars of such intensity cannot continue without the support of regional big players. Such activities by these two important regional players further aggravate the already delicate security situation in the region. Outcome of conflict in Syria will only sharpen the divide due to high stakes involved for both sides.
6. **Regime security:** For the GCC rulers, regime security is the most serious concern. There has been some dissidence in those countries, questioning the way the affairs of the state are conducted by the royal families. There are also criticisms about deep-rooted corruption, nepotism, financial mismanagement, authoritarianism and so on. In the past, the regimes have tried to co-opt dissidents and in some other cases, dissidents have been dealt with a heavy hand. The Arab Spring provided an opportunity to the people to air their legitimate grievances, and at the same time, alarmed rulers about the necessity of change in those countries. The Bahrain incident must have reminded the other Gulf rulers about the importance of their regime safety and stability so as to overcome any such waves of protests in future. Oman, Qatar and Kuwait are taking some measure towards democratisation. The others are perhaps less confident about ushering in the change. At least, some of these kingdoms

becoming constitutional monarchies over the next two decades is not only possible but likely.

Recommendations

1. **Look beyond the economic approach:** India should look beyond the “economic approach” in its engagements with the countries of the region. Though bilateral trade remains the most important aspect of the relationship and is poised to grow further, other areas of cooperation should also be explored and strengthened. It is time for India to strengthen political understandings and forge strategic ties. Thus, along with consolidating ties in trade and commerce, deepening of mutual trust through open-minded and frequent or rather substantive high-level political interaction will facilitate a closer relationship in all fields.
2. **Identify areas of mutual concern:** It is important for India to take up issues of mutual concern and forge consensus over them. For that to happen, both the sides should identify and prioritise the most important issues between them and work together to resolve them. Apart from the increasing ties in trade and commerce, attempts should be made to explore fresh areas of cooperation, including political, security and strategic aspects. Also, both India and the Gulf countries can work together in different multilateral fora on specific issues affecting them.
3. **Enhance security ties:** India’s recent initiatives with the region reflect its growing desire to strengthen defence and security ties with the Gulf countries, though this has been taking place at a slow pace. There are several issues such as terrorism, piracy, criminal activities, money laundering and small arms smuggling which call for increasing security cooperation between India and the Gulf countries, but security being a very sensitive issue, these countries usually adopt caution in moving forward. However, as the security challenges continue to grow not only for India but also for the Gulf countries, increased cooperation in this field is required in the future regional security architecture.
4. **Adopt a “Look West Policy”:** As India–Gulf relationship is taking an upward trajectory, and India’s stakes and interests are growing with time, it is time for India to adopt a formally articulated “Look West Policy” in line with the successful “Look East Policy”. The policy should focus on strengthening bilateral political, economic

and security ties with the countries of the Gulf region. As the countries of the region have adopted a Look East Policy to targeting the Asian powers, it is an opportune time for India to adopt and pursue a policy solely focusing on the region. Institutionalising the exchange of regular high-level visits and setting reasonably high targets with specific time lines will be necessary. Regular interaction at the highest levels will infuse further confidence in the relationship.

5. **Also engage with the GCC:** Despite their internal differences on some matters, the countries of the GCC follow a similar policies on several political, economic, security and strategic matters. Most recently, their unity was reflected during the uprising in Bahrain where the member countries not only gave political support but also economic aid and military support to deal with the crisis. The shared challenges in the region have gradually made the organisation stronger and they have been taking steps to further strengthen their links and discover new areas of cooperation among themselves. Thus, it may be easier to deal with the organisation as a whole on matters on which all members of GCC have a common position.
6. **Restore ties with Iraq:** The American military intervention in Iraq, and the subsequent political turmoil and insecurity that followed, forced India to withdraw its envoy from Iraq. Subsequently, India's relationship with Iraq was reduced to humanitarian support and assistance in reconstruction of the war-torn country. As Iraq slowly moves towards stability and parliamentary democracy, India looks forward to restoring old ties. But regional political dynamics will also play an important role in shaping India's approach towards Iraq. Iran has gained influence in Iraq ever since the Shia-dominated Nouri al-Maliki government came to power. Saudi Arabia and the GCC are vying for influence in the post-Saddam Iraq. Both Iran and the GCC have been supporting different political forces in Iraq. As Iraq moves ahead, it will continue to face such external interferences from the neighbourhood. In such a situation, India will have to adopt a calibrated approach in Iraq so as to not be seen taking sides but renovating the strong ties of the past.
7. **Balanced approach:** Given the complex nature of the politics in the region, it would be wise for India to continue with the policy

of balancing its relationship with major players in the region. As India has stakes transcending the GCC, Iran and Iraq, taking sides will be detrimental to India's interests. Rather, India should try to engage with the countries and work together on the mutual areas of interest.

8. **Downplay the Pakistan factor:** Pakistan has remained an irritant in India's relationship with the Gulf region, using its religious affinity with the countries of the region to achieve political access and economic gains. In the last two decades, India has clearly left Pakistan behind in the Gulf region as Gulf rulers have started looking at India beyond the religious prism. Pakistan herself has contributed in no small measure towards changing the perceptions in the region. Thus, it is neither necessary nor desirable to frame the relationship with the Gulf states in opposition to Pakistan.
9. **US–Iran relations and India:** The US–Iran tension is an important factor in the political and strategic environment of the Gulf region. Though the tension is likely to continue in the foreseeable future, it is not a predetermined element. The hostility might give way to some kind of rapprochement in the future. India should not be caught by surprise by such a development and must factor such an eventuality in its policy options.
10. **Remain prepared for a prolonged GCC–Iran tension:** The GCC–Iran rivalry seems set to continue in the foreseeable future. There remain several critical issues—geopolitical, ideological and strategic—between them which are likely to remain unresolved in the near future. The Arab Spring has further added fuel to the rivalry between them. Iran's support for the protesters on the Arab streets and Bashar al-Assad's regime in Syria has irritated Gulf monarchies. The Gulf countries, on the other hand, have warned Iran to keep off from the Arab affairs. This has heightened the tension between the two. India has interests in both, the GCC countries as well as Iran. Balancing interests between Iran and the GCC will remain a challenge for India. India's interests will be adversely affected if the GCC–Iran tensions reach a point where a choice has to be made between the two. India's policy of calibrating a fine balance between the GCC countries and Iran will have to continue for some time in the future as India keeps itself prepared to deal with a volatile Gulf region.

NOTES

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Chapter 2

Security in the Gulf Region: India's Concerns, Vulnerabilities, Interests and Engagement Options

Rajeev Agarwal

The recent uprisings in the Arab world have exposed the Gulf region's fragile security. Syrian conflict has polarised the region and Iran's nuclear issue remains a big security concern. Additionally, the United States (US) has announced its "Asia Pivot", giving rise to concerns in the Gulf that the US may dilute its military presence in and commitment to the region. In such a scenario, the Gulf is looking for a guarantor of security with vital interests in the region, mutually acceptable to all stakeholders involved and which will remain invested in the region for a long time. India, with its image as a benign but growing power that harbours no extra-territorial ambitions, could step in and play a more proactive and participative role in the region's security or can it? Post-9/11, India has made some efforts towards improving its security ties with the countries of the region. India, with critical interests in the region, would always be directly affected by any developments in the Gulf region. A deteriorating or polarised security situation could adversely impact India's core interests in the region—trade, energy and migrant workers coupled with the threat of the spill over effect of terrorism and spread of religious fundamentalism. India needs to remain vigilant to the developments in the region and take proactive steps to secure its security interests in the region.

Introduction

Our defence cooperation has grown and today we have unprecedented access to high technology, capital and partnerships. We have also sought to assume our responsibility for stability in the Indian Ocean Region. We are well positioned, therefore, to become a net provider of security in our immediate region and beyond.

Dr Manmohan Singh, 23 May 2013¹

The Arabian Peninsula, or the Gulf region as it is popularly called, has always been the focus of regional and global power play due to its intrinsic web of intra-regional differences as well as issues affecting global trade and power differentials. The Gulf Cooperation Council (GCC), plus Iran and Iraq, holds 56 per cent and 40 per cent of the world's conventional, proven oil and gas reserves.² Oil and gas revenue accounts, on an average, for about 75 per cent of the total government revenue in the GCC countries and such exports comprise 65 per cent of total exports.³ It is, however, the uncertain nature of geopolitical dynamics that has kept this region under continued global spotlight. Besides internal issues, the developments in and policies of its neighbouring countries also greatly impact events in the region. While Western powers and the erstwhile Soviet Union had exercised influence in the region in the past, today, the major countries and issues impacting the region include Iran, Iraq, Egypt and the Israel–Palestine issue. In recent times, re-emerging and new global powers like Russia, China and India have expanded their footprint in the region.

The recent uprisings constituting the “Arab Spring” or “Arab Awakening” brought to the fore the critical fault lines in the region. Although the Arab Spring has not yet impacted the Gulf region greatly, there have been distinct undercurrents in most of the nations that could spell trouble for the existing regimes, at least in the long run. Already, the popular public uprisings and the change of regimes in Egypt, Tunisia, Libya and Yemen have pushed in new political actors to the forefront, creating possibilities for new alignments and an as yet undetermined new political and security order in the region. The monarchies in the Gulf have been able to manage the destabilising impact of the Arab Spring on regimes so far, but none of these countries can be immune to the long-term spread of democratisation and political change. The nature of outcome of the conflict in Syria and developments in Egypt and Iran will determine the speed and degree of change in the GCC countries.

In contemporary times, the threats of terrorism, sea piracy and transnational movement of criminals have become common concerns for both India and the Gulf region. A deteriorating or a polarised security situation could have adverse effects on India's core interests in the region—trade, energy and migrant workers coupled with the threat of spill over effect of terrorism and spread of religious fundamentalism. India needs to remain vigilant to the developments in the region and take proactive steps to secure its security interests in the region.

India's role in the security dynamics of the region would, however, depend upon how critically India views its engagement with, and core national interests in, the region. Also, its acceptability to all major stakeholders in the region as a reliable partner, which does not harbour any extra-territorial ambitions, will be a critical factor impacting India's policies. Finally, the depth of India's strategic vision in the Gulf region and willingness to commit resources will dictate India's security engagement in the region. Against this backdrop, this chapter examines the evolving security dynamics in the Gulf region with special reference to India's engagement options and whether India can emerge as the "Net Security Provider" in the region.

The chapter has been divided into the following sections:

- Security environment in the Gulf region
- Key factors affecting security in the region
- India's security concerns, vulnerabilities and interests
- Engagement options for India
- Key drivers and recommendations
- Conclusion

Security Environment in the Gulf Region

West Asia, and particularly the Gulf region, has always been known to be a volatile and unstable region. In the recent history, the basic fault lines emerged from the creation of the modern Arab states after the fall of Ottoman Empire and the subsequent boundary demarcations in the twentieth century. The discovery of oil and the Iranian revolution were two other important landmarks that further polarised the region and invited external influences and pressures. The current security environment, which is a product of complex intertwined factors, can be better understood through a brief look into the recent history of conflicts in the region.

Inferences from a Past Account of Conflicts in the Gulf Region

The most striking memory of the military conflicts in the region is of the long eight-year Iran–Iraq war from 1980 to 1988. It was significant as it immediately followed the Islamic Revolution in Iran polarising the region between two sectarian poles, Shia and Sunni, a situation that exists even today. Post this war, cases of intra-regional military conflict during the past two decades or so include the Iraqi invasion of Kuwait in August

1990 and the internal conflict in Yemen. The two other military operations involving Iraq—Operation Desert Storm in January 1991 and Operation Iraqi Freedom in March 2003—were United States (US) led and are not considered intra-regional conflicts. Of course, the Israel–Palestinian conflict has been protracted, yet a narrowed perspective of the recent history of the Gulf region would indicate the absence of an inter-state military conflict in the past two decades. A look at the region beyond the Gulf and even West Asia, however, provides a completely contrasting picture. The Caucasus to the north has had a troubled recent history. The Armenia–Azerbaijan war over Nagorno-Karabakh in the 1990s, the conflict in Moldova in 1990s, the civil war in Georgia in 1994 and the Russia–Georgia war of 2008 provide a peep into the troubled security situation in the area. In the Central Asian Region (CAR), the civil war in Tajikistan in 1992, which threatened to engulf the entire CAR, stands out. The war in Afghanistan has captured global attention for the past 12 years. To the west, the war in the Balkans throughout the 1990s and the fragmentation of Yugoslavia still casts a shadow on the security situation in that region. And finally, to the south of the Gulf region, the African continent has been beset with numerous ethnic and military conflicts right through these two decades.

The examination of this recent history of conflicts in the region suggests that in spite of the grave security concerns expressed by many, the Gulf region has not been more conflict prone than many of the other regions around it during the past few decades. It may be due to the huge US military presence in the area, which not only acts as a deterrent for any state attempting military adventure, but through separate bilateral treaties and arrangements, has acted as a guarantor of security for the region. The threat of disruption in oil supplies and the danger thereof to global trade also acts as a major deterrent. Oil revenues that make up the major chunk of the gross domestic product (GDP) of most regimes ensure the legitimacy as well as the survivability of these regimes. Thus, despite being beset by serious potential security threats, the Gulf region has been relatively stable in the recent past. This could change in the medium and long terms due to the region's changing geopolitical situation. It is thus imperative to briefly examine the dynamically evolving political landscape in the region, especially with regards to its implications on security.

Developing Situation in the Region and its Impact on Security

Commencing with Tunisia in December 2010, the entire West Asian region, and the Gulf region to a lesser extent, has been subjected to popular peoples' revolts that have threatened to not only alter the political dynamics but also the security balance in the region. Signs of major geopolitical realignments are already visible, but the realignment has not reached the level of stability and durability. The emerging political order in West Asia has been marked by considerable shifts within individual countries as well as at the regional level. Domestically and internationally, new actors are emerging in strong positions and others are fading in importance. Though the Islamist parties are on the rise, their dominance is being contested by the others and economic concerns have risen to the fore across the region.

The developments in the region are likely to have a major effect on its security. Some of the important ones are enumerated next:

- The likely changing role of the US in the form of its military presence, as also its bilateral and multilateral security arrangements with various countries, would have a profound effect on the balance of power in the region. With the shift of focus towards the Asia-Pacific, decreasing dependence on oil from the region and reduced active military engagements (drawdown from Iraq and Afghanistan), the US is likely to have a much more diluted military presence in the Gulf region in the next decade and beyond. Its effect on the security calculus of individual Gulf nations as also effect on the regional military balance would have a major bearing on the region's security.
- Re-emergence of Egypt on the regional power matrix is likely to dilute the present bipolar arrangement in the region dominated by Saudi Arabia and Iran. But as the recent developments suggest, there will also be a contest among Saudi Arabia, Turkey and Iran to win the affections of Egypt.
- Progressive build-up of economy in Iraq over time is likely to result in growing confidence and stability in the country, the present turmoil notwithstanding. Coupled with it would be the obvious modernisation and re-equipping of its armed forces. In 10–15 years, Iraq is likely to re-emerge as a potential military power in the region. Its ties and relationship with Iran would then determine the balance of power in the Gulf region, which would have a resultant effect on the regional security.

- Outcome of the crisis in Syria will be a major factor shaping regional security. If Saudi Arabia–Turkey–Qatar axis is able to bring down the Assad government, it will not only be a major victory for them, but would also result in decreased Iranian influence in the region and especially, break the contiguity of its influence across the region through Iraq, Syria and Lebanon or the so-called “Shiite Crescent”. Protracted internal conflict in Syria, however, will have a spill over effect in the entire region.

Irrespective of the outcomes of the ongoing developments in the region having security implications, some of the core drivers of security are likely to remain relevant to the region in the short to medium term.

Key Factors Affecting Security in the Gulf Region

Security in the Gulf region is a complex product of critical drivers affecting the security of different countries and core security threats in the region. Added to it is the decades-old presence of foreign military in the region and its impact on maintaining peace by preventing any direct military conflicts in the region. Any kind of long-term security engagement for India can thus be examined only after taking these factors into account. Before moving ahead, it is worthwhile to examine the critical factors affecting security in the Gulf region.

- Iran’s future trajectory remains the overwhelming factor affecting the security in the Gulf region. With its sheer size, military strength and territorial as well as ideological differences with the countries of the region, it forms the biggest security concern for the GCC countries.
- The threat of proliferation of nuclear weapons is the next big security challenge for the region. Again, Iran is at the core of this concern.
- With Iraq no longer a significant military power post the Second Gulf War, the region has lost the natural balancer between Iran and Saudi Arabia. The Sunni regime under Saddam Hussein not only acted as a counterweight against the military might of Iran but also acted as a significant obstacle in the proverbial Shiite Crescent stretching presently from Iran across to the Levant. The region is thus polarised between Saudi Arabia and Iran on opposite sides. The smaller nations have to identify space within or between these two very divergent poles.

- Even among the GCC nations, there is an atmosphere of mutual suspicion and mistrust owing to historical disputes and claim over islands, oil and gas fields and water channels. Although most of the territorial friction and disputes over islands have been resolved over time,⁴ mutual mistrust over the possible recurrence of such issues remains. This manifests itself in the prevailing military tension in the region.
- The weakness and lack of legitimacy of the lone regional military force in the region, the “Peninsular Shield Force”,⁵ has resulted in a security deficit for the region. Post the fall of Iraq, it is Saudi Arabia dominated and is seen as an enforcer of Saudi Arabia’s regional aspirations against Iran than a regional peace force.
- Foreign military presence in the region, led by the US, has helped in maintaining security, trade flows and in constraining Iran’s influence. It has however resulted in the Gulf countries being over-reliant on foreign military presence, which vitiates the atmosphere for a stable regional security arrangement in the long term. Likely drawdown of US military presence from the region due to reduced dependence on Gulf oil, economy-driven reduction in military interventions and shift of focus to Asia-Pacific is likely to impact the security dynamics in the region.
- Al-Qaeda and cross-border terrorism is afflicting most of the region. Syria, Yemen and Iraq are most affected, while its presence in Saudi Arabia is somewhat controlled but not eliminated. These terror organisations have gained a new lease of life after the onset of the Arab Spring and more specifically, after the eruption of the Syrian crisis. After the Arab uprisings, a case of Islamists dominating the regional and domestic political discourse could strengthen the hands of groups favouring radical Islam. If the Muslim Brotherhood regains and consolidates power in Egypt, its affiliate gains power in Syria, then Jordan could become more vulnerable and the whole region will get impacted. Saudi Arabia and the United Arab Emirates (UAE) are expected to do their best to prevent Brotherhood from succeeding.
- In addition, one of the biggest security challenges would be the consideration of regime survival. The Arab Spring has demonstrated how popular revolutions overturned dictatorial regimes. Thus, “regime security” would be one of the primary concerns for the countries in the region. Unlike in countries ruled

by secular autocrats, the legitimacy of the monarchies has not been directly challenged so far, except in Bahrain, and wealthier monarchies have used surplus cash to diffuse potential turmoil, but the demand for democracy and/or a greater say in running the affairs of the state by people is bound to rise in future. “Regime security” will, thus, be one of the major drivers that will affect national security and resultantly, the regional security in Gulf.

Security Threats in the Gulf Region

A recent history of military conflicts may lead us to believe that the Gulf region does not seem to be as volatile as some other regions. The existence of potential security threats in the region, however, projects a grim picture. The Gulf region, despite escaping major military conflicts, remains a volatile region. Most of the threats to security emerge from deep-rooted ideological disputes. The fact that there is no state with overwhelming power and all major powers in the region (Iran, Saudi Arabia and even Iraq) and around it (Egypt, Turkey) vie for leadership role adds to the security challenge. It is thus essential to examine, in brief, these threats and their implications for regional security dynamics. Major potential security challenges faced by the region are:

- Iran–GCC issues;
- Threat of proliferation of nuclear weapons and weapons of mass destruction (WMDs);
- The sectarian conflict and Saudi Arabia–Iran rivalry; and
- Threat of Al-Qaeda and transnational terrorism.

Iran–GCC Issues

One of the biggest threats to security in the region is the mistrust and suspicion of the GCC countries with regards to Iran. The GCC, in fact, owes its creation to Iran. Post the Iranian Revolution, threatened by the ideological and military threat from Iran, the Gulf states formed the GCC in 1981. There are territorial disputes between Iran and a number of GCC countries; Iran’s nuclear programme often casts a shadow over the future security situation; and there is an ideological conflict between the Shia Iran and the Sunni-ruled GCC countries. However, it may not be correct to state that the collective Iran–GCC threat perceptions are also shared by each of the individual GCC countries.

With the UAE, Iran has been involved in a dispute over three islands—Abu Musa, Lower Tunb and Upper Tunb—in the Persian Gulf.⁶ However, Iran and the UAE share strong trade ties and Iran was ranked as the UAE's second largest re-export market in 2010; a trade process that allows third parties to sell to Iran while avoiding United Nations Security Council (UNSC) and US sanctions. Whereas Saudi Arabia strongly supports the UAE in the dispute, Oman is ambivalent.

Kuwait and Iran share strong cultural ties. An estimated 30 per cent of Kuwait's population is Shia and among them 3–4 per cent are Iranians.⁷ Due to this, Kuwait is always apprehensive of Iran's designs of exporting its Shia ideology to Kuwait. Kuwait and Iran had a dispute over the Arash/Durra oil field. However, in 2006, they agreed to jointly develop the Arash/Durra field. Kuwait is also very apprehensive of potential damage that may be caused due to any radiation leakage from Bushehr nuclear plant in Iran. Overall, Kuwait still considers Iran to be a threat to its national security and has sought security guarantees from the GCC and the US.

With Bahrain, relations remain strained due to a large Shia population in the country and therefore, the fear that Iran is attempting to export its Islamic Revolution to Bahrain. In fact, Iran has also often referred to Bahrain as its 14th province.⁸ The protests sparked by the Arab Spring in Bahrain drew strong support from Iran but no physical intervention. The fact that Bahrain hosts the US Fifth Fleet⁹ has often been heavily criticised by Iran.

Oman and Iran share close diplomatic, economic and military ties. As compared to other Gulf states, Oman has always been less worried about any threat from Iran. Both countries have even conducted joint military exercises; last being in February 2011. Iran and Oman have a robust economic relationship, including in energy field. They have signed an agreement to supply natural gas from Iran to Oman. In addition, the two countries have opened a joint bank to facilitate their mutual financial dealings. Oman, thus, presents a picture quite different from other Gulf countries with regard to relations with Iran.

Qatar and Iran share cordial ties. Qatar has refrained from directly criticising Iran's interference during Bahrain's Shia uprising in 2011. Together the two states control the South Pars gas field, a massive global natural gas reserve, 38 per cent of which lies under Iran's territorial waters. Both have agreed to develop this gas field jointly under a long-term partnership. There has also been talk of defence ties between the two countries, which were discussed during a meeting on 7 July 2009 between

the Chief of Staff of the Qatari Armed Forces, Hamad bin Ali al-Attiyah, and Iran's Defence Minister, Mostafa Mohammad-Najjar, in Tehran.¹⁰ Since 2011, however, Qatar's decision to support the opposition in Syria with economic aid and military support has drawn severe criticism from Iran. Considering Iran's core interests in Syria, this divergence has the potential to upset the cordiality of relationship between the two countries.

Finally, with Saudi Arabia, Iran has often found itself in geopolitical competition and proxy conflicts across the greater Middle East ever since the Islamic Revolution in Iran in 1979. The relationship, which is one of the enduring security concerns in the region, is discussed separately in the chapter.

The Threat of Proliferation of Nuclear Weapons and WMDs

The geopolitical realm of the region would undergo a drastic change if Iran obtains a nuclear weapon. The Iranian effort to obtain a nuclear weapon could serve as the Shia axis's ultimate shield against any attempts to curtail its progress. The Sunni-ruled states of the Arab world, especially the GCC led by Saudi Arabia, fear that if Iran acquires nuclear weapons, they are the ones who will be subject to pressure and blackmail that will be difficult for them to counter. Although officially the GCC recognises Iran's right to a peaceful nuclear programme, its attitude changed in 2002–03, when evidence emerged about a clandestine Iranian nuclear weapons programme.

A nuclear-armed Iran would multiply the threat perceptions of the GCC countries. With Iran possessing nuclear weapons, the US and Israel would stop short of responding militarily in order to avoid a nuclear war. Hezbollah, Hamas and other proxies of Iran would gain much more courage to act. The popularity of radical and terrorist forces under these conditions may rise and the proliferation of nuclear weapons in the region will be very difficult to prevent. The fear of a nuclear arms race within the already volatile region is a huge concern for the regional as well as world security.

The Sectarian Conflict and Saudi Arabia–Iran Rivalry

Saudi Arabia and Iran form the two poles of the strategic landscape in the region. Separated by the Gulf, both strive for leadership role in the region. Despite the changes taking place in the region after the onset of Arab Spring, their rivalry defines the strategic landscape in the region.

The rivalry is not only geopolitical but also ideological. While Saudi Arabia is a Sunni state, Iran projects itself as a leader of the Shia Muslims. With only Azerbaijan as the other predominantly Shia Muslim country in the world, Iran projects itself as the leader and protector of Shias in the world. Since the Islamic Revolution in Iran in 1979, most nations with Shia population fear Iranian interference and the export of its ideology into their countries. Prominent among these nations are those in the Gulf region, as mentioned earlier in the chapter. Saudi Arabia, with a sizeable Shia population, especially in the oil-rich eastern provinces, fears Iran's disruptive designs in the region.

Saudi Arabia's close defence ties with the US are also a cause of friction. Iran views the US as its most potent enemy and seeks to reduce, if not eliminate, the US' influence in the region.

Saudi Arabia's influence over the GCC countries irks Iran as it seeks to expand its own influence across the Gulf. In recent times, especially after the onset of the Arab Spring, this rivalry has intensified. While Iran has tried to support the revolutions as the "Second Islamic Awakening",¹¹ Saudi Arabia has tried to woo the new leadership with economic support. The two major points of conflict have been Bahrain and Syria. While Saudi Arabia accused Iran of stoking unrest and supporting the revolution in Bahrain, Iran termed the March 2011 Saudi-led military intervention in Bahrain as provocative and hegemonic. Syria is another point of conflict where Saudi Arabia is supporting the opposition, whereas Iran considers Assad as its staunch ally. Iran's nuclear issue is perhaps the most potent threat and point of conflict between the two. So far, both Iran and Saudi Arabia have handled the situation maturely. The threat of the situation aggravating into a potential military conflict, however, remains a possibility.

Al-Qaeda and Transnational Terrorism

Al-Qaeda and its affiliates have taken advantage of the internal instability in the region and have expanded their presence. Syria, Yemen and Iraq have been particularly targeted by their offshoots. Tie ups between Al-Qaeda and various other militant outfits in the region exporting the concept of "Islamic terrorism" is threatening security in the region.

In January 2009, Al-Qaeda's division in Saudi Arabia merged with its Yemeni wing to form Al-Qaeda in the Arabian Peninsula (AQAP). Centred in Yemen, the group takes advantage of the country's poor economy, demography and domestic security. In August 2009, they made the first

assassination attempt against a member of the Saudi royal dynasty in decades when they targeted the then Assistant Interior Minister and presently Interior Minister, Prince Muhammad bin Nayef.¹² The linkage of Al-Qaeda with other groups was highlighted by the US Secretary of Defense, Leon Panetta, in his statement in December 2011 that the US operations against Al-Qaeda “are now concentrating on key groups in Yemen, Somalia and North Africa”.¹³

There are also fears that there is active collaboration between Al-Shabaab group operating across the Bab-el-Mandeb in Somalia and AQAP, which could create further instability and threaten the Red Sea route through the Suez Canal.¹⁴ Al-Qaeda and its affiliates are threatening the region with their militant ideologies, and their manifestation is clearly seen in rise of Al-Qaeda in Iraq and Jabhat Al Nusra in Syria (reportedly merged to form Islamic State in Iraq and Syria [Sham]¹⁵), supported affiliates in Sinai Peninsula in Egypt and their traditional ties with Hamas. Any security arrangement in the Gulf region thus has to chart out a clear road map to tackle the spread of this menace.

Foreign Military Presence and its Impact on Regional Security

Foreign military presence in the region has always been a major contributory factor governing the security dynamics of the region. Primarily, it has been the US which has served as the security guarantor for the smaller Gulf nations against their perceived existential threat from Iran after British withdrawal from the region in 1971. Apart from the threat from Iran, the GCC countries have used the US military presence as a bulwark against destabilisation of the region and for regime survival.

Presently, the US has a significant number of troops and military assets like aircraft carrier-based naval task forces and fighter aircraft squadrons in the Gulf region. Oman has five US military bases¹⁶: Masir, Omolghanam, Khazab, Samarit and Beitolfalaj. Most of these bases have landing strips of adequate length to enable operation of modern long-range fighter aircrafts. Saudi Arabia hosts major land and naval bases in the form of Zahran Aerial Naval Base, Asaafanie Naval Base, Hafrolbaten Airborne Warning and Control System (AWACS) Aerial Base and a naval facility at Jebel Island. Qatar hosts Al Udeid Air Base, west of Doha, which hosts a forward headquarters of the United States Central Command, headquarters of United States Air Forces Central, No. 83 Expeditionary Air Group, Royal Air Force (RAF) and the 379th Air Expeditionary Wing of the US Air Force. Kuwait hosts up to 15,000 US troops stationed at Camp Arifjan,

Ali Al Salem Air Base and Camp Buehring, using them primarily as staging hubs, training ranges and bases to provide logistical support. The UAE does not permit permanent bases on its soil, although Al Minhad Air Base, located approximately 24 km south of Dubai, has been used often by the US Air Force. Also, in 2009, France established the Peace Camp, a naval air station in Abu Dhabi. Bahrain hosts the most important and strategic military presence in the Gulf region with the Naval Support Activity Bahrain, a US Navy base, and is home to the US Naval Forces Central Command and the US Fifth Fleet. It is the primary base in the region for naval and marine activities.

Apart from these, around the region, the US armed forces detachments are also present in Turkey, Jordan and Israel, either on training missions or on North Atlantic Treaty Organisation (NATO) assignments. In addition, the US has close military partnerships with Georgia and Azerbaijan in the Caucasus. With the war continuing in Afghanistan, the US has significant military presence in that country, and also in Pakistan and in some of the Central Asian republics.

Impact of Foreign Military Presence

The US-led foreign military presence has had a huge impact on the regional security dynamics of the region. While continuing to guarantee regional security, it has helped in the regime security of the Gulf monarchies. Commencing from the Cold War era and the Carter Doctrine of 1980, it has seen its role being redefined from being a strategic partner in the Cold War era to a protector of region not only from conventional military threats but also from the threat of terrorism.

Although it has prevented local wars within the Gulf region and helped regimes survive, the US' presence has, in the long run, been detrimental to the larger security interests of the region. With its predominant military presence in the west and south of the Gulf, it has polarised the region into pro and anti-Iran camps. The war in Iraq has helped Iran extend its influence in Iraq, thus extending the proverbial Shiite Crescent across the north of Arabian Peninsula up to the Mediterranean Sea. The ongoing civil war in Syria could define the extent of influence which Iran would finally exercise across the Levant.

Military bases and bilateral security guarantees have also inhibited the evolution and progress of a viable regional security framework wherein the GCC countries could have found solutions to their historical disputes

amongst themselves. The bogie of “imminence of hostilities” has been successful in triggering off an arms race in the region. Also, bilateral defence deals have prevented the development of any concrete security architecture. Small standing armies and near-total dependence on Western military equipment and training has been the big fallout of foreign military presence in the Gulf region.

Foreign troops in the region have also given cause and justification to the rise of Islamic fundamentalism and the rise of Al-Qaeda and the radicalisation of disenchanted elements in the region. Transnational terrorism and the spread of ideational alternatives to national identities have emerged as a significant challenge to Gulf regimes. Terrorist groups like Al-Qaeda have whipped up public opinion against the presence of “foreign military boots on their soil” and have emerged as a major security threat in the region.

India’s Concerns, Vulnerabilities and Interests in the Region

The West Asia and the Gulf region, which are part of India’s extended neighbourhood, are of vital strategic importance to it. Economic relations have traditionally formed the backbone of India’s relationship with the Gulf. It is a source for more than 65 per cent of India’s oil and gas requirement and hence, critical for its energy security. In recent times, the threats of terrorism, sea piracy and transnational movement of criminals have become common concerns for both India and the Gulf. The shared waters of the Arabian Sea and the sea lines of communication (SLOC) are some of the other binding factors in mutual security relations. Above all, about 6 million Indian migrants work in the region, which is not only a huge human resource but also a significant source of revenue for India through remittances. Their safety and well-being is a matter of great importance for India. In case of conflict in the region, many of these workers may have to be evacuated in a limited time and space. Therefore, it is necessary to have elaborate plans with multiple options for evacuation of Indian nationals from the region.

The recent uprisings in the Arab world have exposed the fragility of security in the region. The civil war in Syria has polarised the region. The internal situation in Yemen remains volatile despite the National Dialogue Conference in progress since 18 March 2013.¹⁷ The GCC countries themselves remain susceptible to internal disturbances. Bahrain continues to remain a ticking time bomb and a virtual proxy battleground between

Iran and Saudi Arabia. And, the Iranian nuclear issue remains a big security concern for the region.

In middle of this, the US announced its “Asia Pivot”, which gave rise to concerns over security in the Gulf region. In such a scenario, the region would be looking for a *guarantor* of security that could remain invested in the region for a long time, would have vital interests in the region and be mutually acceptable to all stakeholders in the region.

India, with its image as a benign but growing power which harbours no extra-territorial ambitions nor the desire to export its ideologies abroad, could step in and play a more proactive and participative role in the security of the region. Its growing stature in the region as a nation which exercises, strategic autonomy on regional and global issues, and a fast developing economy with modern armed forces could contribute to India’s proactive and positive role in the security arena of the region. It will, however, depend upon the willingness of the countries in the region to involve India in addressing their security concerns and the political will exercised by the Indian leadership of the time.

Security in the Gulf and India’s Security Interests: A Shared Concern

The security environment in the Gulf region has always had a direct impact on India’s core interests and security concerns. The Iran–Iraq war had led to concerns over oil supplies, whereas Iraq’s invasion of Kuwait in 1990 forced India to evacuate a large number of its citizens to safety. The recent uprisings in Libya, too, had forced India to evacuate its citizens from there. The continued instability in the Gulf region not only threatens peace in the region, but is also a direct threat to India’s energy supplies.

The Syrian conflict, which has polarised the region and is threatening to expand into a major regional security concern, has ramifications for Indian security interests. The proliferation of Al-Qaeda in Iraq, Yemen and Syria also threatens to spill over into the neighbouring countries posing a future security threat for India. The threat of sea piracy has added a new dimension to security in the region, which has led to India committing its naval resources in ensuring the safety of its SLOC.

Any conflict in the region would thus have a direct impact on India and would force it to secure its core national and security interests, including ensuring the security of Indian nationals working in the region. It could call for the deployment of military resources for the evacuation of its citizens and for securing the lines of communication for its energy supplies, if

required. Thus, it is quite evident that Gulf security and Indian security interests are closely intertwined, and therefore necessitate stronger Indian security engagement in the region.

India's Security Ties with the Gulf Region

Traditionally, India has not had very strong security ties with the Gulf region, due mainly to the Cold War era dynamics. However, 9/11 provided the spark to revisit the crucial issue of security ties with this region. As a result of the newly emerging concerns, India was granted the status of “dialogue partner” by the GCC on 1 October 2003, only the third country after the US and Japan to have this privilege. Perhaps alluding to it, in July 2005, Prime Minister Manmohan Singh, in a meeting of the Prime Minister’s Trade and Economic Relations Committee, encouraged the cabinet to pursue a “Look West Policy”.¹⁸ The focal point of the meeting was to kick-start the India–GCC free trade agreement (FTA) talks and comprehensive economic agreements with all the GCC countries. In this meeting, Dr Manmohan Singh stated:

The [Persian] Gulf region, like South Asia is a part of natural economic hinterland. We want to pursue close economic relations with all our neighbours in our wider West Asia neighbourhood. India has successfully pursued a look east policy to come closer to the countries of South East Asia. We must similarly come closer to our West Asian neighbours in the [Persian] Gulf.¹⁹

The articulation, but not the implementation, of a “Look West Policy” of India coincided with the “Look East Policy” of Saudi Arabia and other Persian Gulf countries, particularly in the aftermath of 9/11. The congruence of interests has resulted in the improvement and consolidation of not only political and economic relations but also, more significantly, security relations of India and GCC countries. Thus, in the past one decade, India has improved its defence and security ties with the region and also added new dimensions like terrorism and sea piracy in its security ties. A status check on India’s security ties with each of the countries would give a better perspective of the ongoing relationship and prospects for the future.

India and Saudi Arabia

Though Saudi Arabia is a major player in the region, India is yet to sign a defence cooperation agreement with it. In the past, Saudi Arabia did not figure in the list of priorities of defence or security ties, mainly due to its strong military ties with Pakistan. King Abdullah’s visit to India in 2006

as the Chief Guest for the Republic Day celebrations and the Delhi Declaration signed thereafter has, however, changed all that—imparting a fresh momentum to the bilateral relationship. The visit provided the framework for cooperation in all fields of mutual interest.²⁰ However, there was no concrete agreement on counter-terrorism cooperation except for signing a memorandum of understanding (MoU) on combating crime. The declaration also urged both the countries to cooperate with each other in matters of security. As a result, today, Saudi Arabia, which is the largest constituent of the GCC, and India now view each other as indispensable enough not to let the absence of a formal security agreement and Saudi Arabia's traditional military ties with Pakistan get in the way of building broad-spectrum security ties. There has been a strong realisation on the part of Saudi Arabia on the need to cooperate with India on counter-terrorism. In recent years, it has also been increasingly feeling concerned over the collaboration between AQAP and Lashkar-e-Toiba (LeT) and the possible implications on its security in the long run.

The overall bilateral relations quickly improved to the level of “strategic partnership” in 2010 during Prime Minister Manmohan Singh's visit to Saudi Arabia. Prime Minister Manmohan Singh pointed out that India and Saudi Arabia are “strong allies against the scourge of extremism and terrorism that affects global peace and security”.²¹ The improved relations were also reflected in the signing of the extradition treaty between the two countries in the same year. Defence Minister A.K. Antony's visit to Saudi Arabia in February 2012, the first by a defence minister of India to that country, boosted defence ties between the two countries, including firming up cooperation in counter-terrorism.

Saudi Arabia now seems to acknowledge India's regional security role, as evidenced by the kingdom's acceptance of Indian Defence Minister A.K. Antony's proposal to carry out hydrographic surveys off the Saudi coastline.²² Such surveys, which facilitate the operation of submarines, had until now been outsourced only to the US. Also, the informal arrangement on security issues is now set to change. A.K. Antony's discussions with his Saudi counterpart, Prince Salman, resulted in the formation of a joint committee to work out a road map for defence cooperation. One of the areas that the panel will take up on an urgent basis is the establishment with Indian assistance of a mountain warfare school in Saudi Arabia.²³ Accessing Indian expertise in mountain warfare is of particular significance to the Saudis, who face insurgent threats in the highlands bordering Yemen.

Also on the agenda is joint training in the Red Sea and the Persian Gulf. India is looking to increase Saudi participation in the Indian Ocean Naval Symposium; a 33-member grouping that seeks to provide a framework for Indian-led security architecture in the Indian Ocean. One of the prime objectives of the naval interaction will be to secure the northern Indian Ocean from non-state actors such as pirates. Indian Navy ships have been visiting Saudi Arabia on goodwill visits and for joint naval exercises.

Indian Foreign Minister, Salman Khurshid, on his visit to Riyadh on 26 May 2013, reaffirmed the commitment to further strengthen and deepen their counter-terrorism cooperation. "Our cooperation would not only benefit our two countries but also contribute significantly to the stability and security of the entire region and beyond," he said after a meeting with his Saudi counterpart, Prince Saud Al-Faisal. He also said that the security and stability in the Arabian Peninsula is closely linked to the security in South Asia.²⁴

India and Oman

Oman is one of the first countries with which India established defence agreements in the region. India and Oman signed a military protocol agreement in 1972. An MoU on defence cooperation was signed between India and Oman in 2005. The areas of cooperation envisaged in the MoU include supply of Indian weaponry to the armed forces of Oman, joint military exercises, exchange of expertise in military training and information technology, utilisation of military and educational courses and programmes, exchange of observers attending military exercises and exchange of formal visits.²⁵

The Indian Air Force (IAF) and Royal Air Force of Oman (RAFO) defence cooperation was initiated in 2006. The IAF and the RAFO conducted joint exercises in October 2009. The exercise, called "Exercise Eastern Bridge", included Omani Jaguars and F-16s along with Indian Darin-I Jaguars and IL-78MKI air-to-air tankers. The Indian and Oman navies have been conducting joint exercises as well

During the last few years, there have been frequent bilateral visits between the two countries relating to defence cooperation. Indian Defence Minister, Pranab Mukherjee, visited Oman in March 2006 and said that the successful India–Oman economic ties could be replicated in the defence field as envisaged in the MoU. The Military Cooperation Committee between the two countries was set up as a result of the MoU. In May

2006, Oman's Under Secretary for Defence, Mohammad Nasir Mohammad Al Raasbi, led a defence delegation to India and discussed the possibility of deeper interaction between the two armed forces. Oman's Defence Minister, Sayyed Badar Saud Harib Ali Busaidi, visited India in February 2009. Similarly, India's Defence Minister, A. K. Antony, also visited Oman in May 2010.

India and the UAE

An agreement on defence cooperation was signed by India and the UAE in 2003 when Sheikh Mohammed bin Zayed Al-Nahyan, Chief of Staff of the UAE Armed Forces, visited India. The agreement aims at providing for military training, cooperation in military medical services and jointly combating pollution caused by the military at sea.²⁶ It also includes co-production and development of defence equipment, joint exercises, information sharing and technical cooperation.

The UAE defence personnel have been undergoing training in India for a long time. India has been participating regularly in all international defence exhibitions (IDEX) organised by the UAE. Both the countries formed a Joint Defence Cooperation Committee (JDCC) in 2003. Turnaround and goodwill visits by Indian naval ships have been taking place from time to time and interaction between the coast guards of both the countries has enabled in identifying possibilities of cooperation in this area as well.²⁷ The first ever India-UAE Joint Air Forces exercise took place in September 2008 at the Al-Dhafra base in Abu Dhabi in which 8 Su-30MKI aircrafts took part along with one IL-76 aircraft.

India and Qatar

Qatar is located in a critical geographical location in the Gulf region abutting both the Saudi Arabian Peninsula as well as the Iranian coast. Hosting the US military forces had been crucial, in the past, to Qatar's foreign policy to balance out the regional rivalry between Saudi Arabia and Iran. Of late, however, Qatar has realised that it requires another reliable partner which is geographically closer and shares similar security and strategic concerns. Perhaps this calculation has drawn it closer to India.

Given the shared concerns, India and Qatar signed a defence cooperation pact during Dr Manmohan Singh's visit to Qatar on 10 November 2008. The two sides signed agreements on defence and security, dealing with key areas like maritime security, intelligence sharing on terrorism, money laundering and transnational crime. The pact addresses

the security concerns of Qatar and also seeks to safeguard India's interests in Qatar and the region. "The agreement is just short of stationing troops (in the region)," a top Indian official was quoted having said during the visit.²⁸

Joint training exercises, training of personnel and maritime cooperation are the highlights of the pact. Another agreement on law and security enforcement was also signed which deals with issues such as money laundering and transnational crimes. It lays out the framework for the sharing of information and a database on threats posed by extremists and other security and legal matters. The defence and security agreements have thus made India the most substantial security partner, other than the US, to Qatar, which is based on the reciprocity of Qatar's ability to meet India's energy needs of liquefied natural gas (LNG).

India and Bahrain

Bahrain has always faced a geographical disadvantage and sectarian fault lines. Iran refers to it as its 14th province, whereas Saudi Arabia has crucial stakes in protecting the Sunni ruling monarchy. In such a scenario, Bahrain found it best to seek US military assistance and security guarantees, which led to the positioning of the US Fifth Fleet in Bahrain. With regard to India, despite having cordial economic and cultural relations, the two countries do not have any formal security ties. India has concerns over the security of its huge migrant workforce numbering close to 400,000. In terms of treaties, India and Bahrain have signed an extradition treaty as well as an Agreement on Mutual Legal Assistance in Criminal Matters but no defence agreement.

India and Kuwait

India–Kuwait relations have primarily centred on energy issues and Indian workers in Kuwait. It was only during the visit of Indian Vice-President, Hamid Ansari, to Kuwait in April 2009, when apart from signing key agreements in the fields of science and technology, education and emphasising the relevance of cultural exchanges, the issue of international terrorism was discussed as a serious subject to be brought within the ambit of bilateral discussions. Presently, there is no formal security agreement with Kuwait, although some exchanges on visits and attendance at military courses do take place. The only formal agreements between India and Kuwait are on Mutual Legal Assistance in Criminal Matters (2004); Extradition (2004); and Drug Demand Reduction and Prevention of Illicit

Trafficking in Narcotic Drugs (2006). With the US virtually providing security guarantees, Kuwait has not looked beyond its immediate neighbourhood for security ties.

Engagement Options for India

The critical factors to be considered in any major security engagement with the region are: the criticality of our interests; willingness of the GCC countries; and India's capacity-cum-will to undertake this role. While energy security, migrant workers, trade and sea piracy are enough to justify the criticality of our needs in the region, the question of capability still needs to be examined. With Pakistan's belligerence unlikely to go down and China making rapid strides in military modernisation and upgradation not only across the shared borders with India but also in its neighbourhood, India's military engagement in the Gulf has to be assessed carefully. The soft option of exchanging visits, courses, joint exercises or naval port calls is not the answer for the kind of security engagement that would serve India's objectives in the region. A more comprehensive and proactive engagement would be the need of the hour. The willingness of the Gulf states to involve India in its security needs is also a major factor to be considered.

Perceptions in the Region

Most of the inputs indicate that the Gulf region views India's engagement with the region favourably since their security concerns are closely linked. Post the onset of "Arab Spring" and the announcement of the "Asia Pivot" by the US, calls for India to take a more proactive role in regional security are growing louder.²⁹

Most of the GCC countries even believe that India could play the role of an effective interlocutor on Iran–GCC issues and could prevail upon Iran to give up its nuclear weapons programme. There are, however, concerns in the region over the perceived strong India–Iran ties coming in the way of stronger Indian engagement in the region. India's defence ties with Israel are another source of disquiet within the region. Despite these hindrances, India is seen as one of the most suitable regional players to engage on regional security issues.³⁰

The Imponderables in India's Engagement Options

India's options have to be examined in the light of the evolving security paradigm in the region as well as India's strategic reach and vision. Before examining the possible engagement options, it is necessary to address the following questions:

- Can and should India, which has been a distant and rather insignificant player in the Gulf with regards to military engagement, evolve into a "Net Security Provider" for the region?
- With the US slowly moving its focus towards the Asia-Pacific region to concentrate on the "Asia Pivot", can India move in to fill the prospective void in the Gulf?
- Will India be able to balance its Gulf security engagement without disturbing long-standing ties with Iran or defence cooperation ties with Israel?
- Can India use its goodwill and trust across both sides of the Gulf to help evolve a unified security architecture which includes all major stakeholders?
- Will Pakistan's relations and past security ties with some of the countries in the Gulf region come in the way of India's enhanced defence and security engagement with the region, especially Saudi Arabia? Even though Saudi Arabia has displayed some signs of frustration with Pakistan in recent times, especially on counter-terrorism issues (Abu Jindal extradition), would these nations be ready to sacrifice long-term "Muslim" ties at the expense of India?
- With an unstable neighbourhood and the threat of transnational terrorism, will India be able to spare sufficient troops and equipment for its security engagement in the Gulf region?

India's engagement options have to answer the above-mentioned questions and only then can India work out concrete options. No one doubts the goodwill and trust which India enjoys across both sides of the Gulf region. India will, however, need to work out its own options in pursuit of its national interests to implement workable option(s). Many a time, India has moved slowly in pursuit of its security interests owing to concerns of other regional stakeholders or major powers like the US and Russia. India going slow in its engagement with Iran and Central Asian republics are two such examples. Public sensitivities in the region about the involvement of foreign countries in the regional affairs will need to be

carefully weighed before embarking on enhanced and visible military engagement with the Gulf states.

There is, however, reason to be hopeful due to two important reasons. First, India, unlike the US, enjoys geographical proximity to the Gulf region which would preclude the requirement of stationing troops or equipment in the region. Second, with acquisition and modernisation plans underway, India may be able to cater for some military resources for the region. Naval ships moving in or out of anti-piracy operations could be manoeuvred so as to ensure a discreet footprint and near-continuous naval presence in the proximity of the Gulf at all times. This subject falls in the domain of security planners and is not being discussed further.

India's Engagement Options

India, in its quest to enhance its security engagement with the Gulf region, would need to move ahead both on bilateral as well as multilateral/regional bases. While bilateral engagements would provide the initial footprint and enhance mutual confidence, multilateral engagement would give India the increased visibility of a "Net Security Provider" in the region. India could, therefore, exercise the following options in its engagement with the Gulf region.

1. **Defence wings:** Commencing with bilateral ties, India has to first beef up its embassies in the Gulf region with dedicated defence wings. In countries with scope for enhanced engagements, such defence wings could have a larger scope. The present system of defence or military attaché being accredited simultaneously to more than one country would need to change, especially within the Arab world. Naval war ships too need enhanced frequency of port calls, especially on ports of Qatar, Saudi Arabia, Oman, and possibly Yemen at a later stage. Joint exercises involving all three services will need to be made a regular feature to enhance interoperability and develop mutual understanding.
2. **Maritime agreements:** The India–Qatar maritime security initiative provides India and Qatar with an opportunity to join hands in combating a variety of maritime asymmetric threats of terrorism, piracy and securing the offshore oil installations. India would need to sign similar maritime security agreements with other countries in the region too. As mentioned earlier, the Indian Navy would need to increase its frequency of port calls, as well as naval basing, joint exercises and missions to see the proactive

implementation of such agreements and thus acceptance of India's footprint in the region. India's maritime doctrine, published in 2009, lays out the basic framework under which naval forces would be utilised and deployed in securing India's security and foreign policy interests in the region.

3. **Counter-piracy cooperation:** A large percentage of India's trade, including oil and fertilisers, passes through the Gulf of Aden. The Ministry of Shipping of the Government of India has estimated that Indian imports and exports through the Gulf of Aden route were valued at several billion dollars. About 20–24 Indian-flagged merchant ships transit the Gulf of Aden every month. Although this accounts for only 13 per cent of our trade (the remainder is carried in foreign "bottoms"), the crew of the most foreign-flagged vessels comprise Indian nationals, as India's large seafaring community accounts for nearly 7 per cent of the world's seafarers.³¹ As a part of its counter-piracy mission, India has an autonomous role in maritime security in the region and the Gulf of Aden where the Combined Task Force 150 (CTF-150) operates. India needs to commit more aggressively towards this cause, and also seek this opportunity to acquire basing rights for its ships in the region. India could further consolidate its present access to the Arabian Sea and Gulf of Aden for forward basing some of its critical air assets too.
4. **Counter-terrorism engagement:** Terrorism is a common enemy and concern that India shares with the region. Cooperation in countering terrorism already forms part of the existing security protocols with some countries of the region. India needs to further deepen this engagement by completing similar protocols with all countries of the region. Intelligence sharing and extradition treaty should form important elements of such cooperation. Additionally, India could offer to train troops from the Gulf countries in counter-terrorism operations or even set up a regional counter-terrorism school under the aegis of the GCC.
5. **Regional military engagement:** If India has to finally emerge as a "Net Security Provider" for the region, it has to display its military capability in the region. This can be best achieved by engaging the regional armies in training exercises conducted on their soil in operational scenarios visualised by their defence planners. Successful conduct of such exercises would help in

enhanced mutual confidence and acceptance. One such example could be a yearly exercise with the Peninsular Shield Force to tackle regional security threats.

6. **Provision of military equipment:** Most Gulf countries have the US and Western equipment. They, however, seek additional military equipment that India could provide. It will not only generate additional revenue but further cement defence ties with the region. India will have to develop its indigenous defence production capability substantially to be able to compete with other exporters of advanced defence systems.
7. **Specific role in regional security:** Perhaps the most important role that India can play in the region is that of a regional interlocutor. Building on goodwill and trust, it can help settle many of the intra-Gulf issues. It can also help overcome the present atmosphere of hostility and mistrust between the pro and anti-Iran camps, something extremely vital to Gulf security. Enhancement of India's status in the GCC from "dialogue partner" to something like an "Associate Member" could help such a cause. This could then be followed by the establishment of a "bilateral security dialogue" between India and the GCC.

India and the Gulf Security Architecture

Any discussion on India and its role in the Gulf security architecture has to answer some vital questions, namely, constraints faced by India that it needs to overcome before becoming an active player in Gulf security architecture; whether India's engagement in Gulf security would in any way contribute to resolving security issues in the region; and what could be a workable and viable Gulf security architecture?

Indian Constraints

India has to overcome physical as well as ideological constraints before it can really call itself an active partner in Gulf security. First, it has to develop a political discourse which can then guide the activation of the hard component of military engagement. Presently, there seems to be a lack of political will to venture into the Gulf region in a hard security framework.

Second, India has to have the capacity and the will. If India wishes to become an active partner in Gulf security, it would have to dedicate resources for it. Its modernisation plan for the armed forces is not progressing well due to various issues like allegations of corruption, issues

of multiple vendors and delays in the development of indigenous equipment by Defence Research and Development Organisation (DRDO). The Indian Armed forces have not got a suitable Howitzer since the import of 155 mm Bofors in 1986, and are still looking for basic arms like assault rifles for its soldiers for years now. Multi-role fighter aircrafts are still years away and the navy is still looking for aircraft carriers. In such a scenario, to imagine India taking on the mantle of a “Security Provider” in the Gulf region looks farfetched. India will thus have to take a serious look at its equipment profile and modernisation plans to see that its security interests in the immediate and extended neighbourhood are well served in the coming decades.

Third, as discussed earlier in the chapter, India’s relations with Iran and defence cooperation with Israel could come in the way of Gulf countries accepting an active Indian participation in Gulf security matters. Obviously, the Pakistan factor and how it plays out in context is important. However, going by the recent and current India–Saudi Arabia security engagement, this could be overcome.

Last is the question of space. It is unlikely that the US will cede enough space for any other major security player in the Gulf region in at least in the coming decade. In such a scenario, if all the above constraints are overcome, the best India could do is to play a more collaborative role in the Gulf security. Besides, there are other suitors that might enter to fill the vacuum if it gets created.

Gulf Security Architecture

Any kind of security architecture would have to take care of the primary security concern of GCC, that is, Iran. Therefore, the basic security architecture would need to have the GCC and Iran in it. Thereafter, Yemen and Iraq would be the next countries of immediate engagement. The engagement could then radiate outwards to include Turkey, Egypt and even Syria and possibly Israel. Finally, important external players like US, China and India would need to be included in some form. A possible model could take inspiration from Association of Southeast Asian Nations (ASEAN) where, apart from the core countries, there are various forums to engage and address various issues. India with its strong acceptability in the region could play an important role not only in forming such architecture but also having an important consultative as well as active role in it.

Key Drivers and Recommendations

Key Drivers

Iran nuclear programme will remain one of the most important drivers impacting Gulf security and India's engagement options thereon. Iran's presidential election of June 2013 results have offered some hope for progress and flexibility during future talks. The contours of this driver remain critical towards shaping the security in the region.

Sectarian divide remains another critical driver shaping the security in the region. It is unlikely that the Shia–Sunni divide or the Saudi Arabia–Iran rivalry will disappear soon. How this critical driver shapes up in the coming decades will be critical towards determining security paradigm in the Gulf.

Iran–GCC mistrust and suspicion is another significant driver dictating the security in the region. How Iran and the GCC countries, collectively and bilaterally, are able to resolve various territorial issues as well as allay fears of Iran's hegemonic designs in the region will shape the security situation in the coming decades. The formulation and success of any Gulf security architecture too depends on this critical driver.

Key Recommendations

India has to look at the Gulf region with renewed focus and interest. It needs to proceed cautiously and steadily in progressively increasing its security engagement in the region. Commencing with soft and benign options like joint exercises and opening up of defence wings, it should aim at being counted as a major player in Gulf security in next two decades. Some of the key recommendations towards the goal of India becoming a "Net Security Provider" in the Gulf region by 2030 are as given next.

Defence wings in each of the countries is a good start point towards increasing visibility in the region as regards security. It could thereafter be used to coordinate and conduct bilateral and regional military exercises as well as high-level visits. At the same time, defence wings could then seek out opportunities for establishing and enhancing defence cooperation.

Maritime agreements and counter-piracy operations is another opportunity not only to earn goodwill but also enhance military visibility in the region.

Role in regional security architecture is another opportunity for India to seek a significant role for itself in the region. It could commence with

India taking the initiative to bring the GCC and Iran on a common platform to initiate a dialogue on regional security. It could slowly lead to enlargement of the GCC to include Iran, Iraq and Yemen. India could initially seek an “Observer or Associate Member” status before becoming a full member in the longer run.

Elaborate plans for evacuation of Indian nationals from the region with multiple options must be prepared and regularly updated. This is not to say that a major regional conflict is imminent or inevitable but detailed contingency planning is imperative in view of the numbers involved and the scale and scope of evacuation, if it becomes necessary,

Conclusion

India has always seen itself standing at the crossroads of Asia and has spoken about its historic ties with the Gulf region and the Indian Ocean region. It now has a range of policy options to proactively engage the region and emerge as an important player in the Gulf. The ongoing institutionalisation of the relations with the GCC, expanding commercial ties, energy partnerships and increased political interaction have improved India’s visibility in the region. But there is a lot more desired by the countries in the region for India to do, especially in areas of regional security.

The experience of India’s partnership with South-East Asia could provide indicators towards enhanced engagement in security ties with the GCC. Within a decade of launching the Look East Policy, India has become an integral part of the East Asian regional institutions and its likely contribution to a new Asian security architecture is very much part of an international debate. For this, India needs to complement its “Look East Policy” with a “Look West Policy”.

As the US itself rethinks its foreign policy in the region, as China begins to increase its engagement with the region and as the traditional balances between Arabia and Persia, Shia and Sunni, and Saudi Arabia and Iran, are transformed, there is significant scope for India to deepen political and security cooperation with the Gulf states. This enhanced security cooperation must be a part of a long-term strategic vision for the region, one that is in close concert with regional dynamics and actively contributes to a peaceful and conflict-free region, while harnessing the economic and trade potential that is mutually beneficial. There is thus a need for building up a strategic and security partnership with the GCC as well as bilaterally with the countries in the region.

NOTES

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Chapter 3

India–West Asia Energy Dynamics: Managing Challenges and Exploring New Opportunities

Meena Singh Roy

Despite India's ongoing initiatives to secure its increasing energy requirements through its policy of diversification, West Asia remains the main source of India's imports. It is argued that in the past, despite the problems and crises in West Asia, India continued to secure uninterrupted, its energy supply from the region. Nevertheless, the stable continuity of such a scenario is questionable. Will India be exposed to a new set of challenges to secure its energy supply from the West Asian region? What factors would be most likely to impact India's energy cooperation with the West Asian region? These are some of the important questions that the chapter aims to explore. Iran and Iraq are critical for India's energy security. Therefore, both these countries need to be factored in a big way while formulating India's energy policy towards the region. In this context, the following factors have been identified as being likely to impact India–West Asia energy relations both in terms of posing new challenges and offering more opportunities: global energy scenario; the demand–supply and price factor; regional geopolitical complexities; political stability in the oil-producing countries; success of the economic diversification policy in the region; Iran–US relations; and increasing China–West Asia energy cooperation.

Introduction

West Asia weighs heavily on India's strategic calculations given its energy dependence on the resource-rich region. This is not to deny the importance of other factors like historical relations, growing economic ties and the presence of about 6 million Indians who work mostly in the Gulf region thereby enhancing the significance of West Asia for India. The importance of region's energy resources has also to be viewed in the context of India's growing demand for energy and geographical proximity that reduces transportation costs. India is projected to become the fourth largest economy in the world by 2020, after China, the United States (US) and

Japan,¹ and its energy demands are likely to grow exponentially. As per the June 2013 report published by India Brand Equity Foundation (IBEF), a Trust established by India's Ministry of Commerce and Industry, the country is the sixth largest consumer of oil in the world and the ninth largest crude oil importer.² India's annual oil consumption is expected to rise to 245 million tonnes (mt) by 2020 and the country is likely to be the world's single largest importer of oil by 2050.³ Similarly, India's demand for natural gas for the non-power sector alone is expected to increase from 120 million cubic metres a day (mcmd) to 391 mcmd by 2025. Looking at the percentage of India's energy mix over a period of time, it becomes obvious that the share of gas demand will increase in future. The share of gas in the total energy mix is expected to rise to 20 per cent in 2025, with oil and gas together accounting for approximately 45 percent of the total demand (see Table 3.1).⁴

Table 3.1: The Energy Mix in India (%)

<i>Year</i>	<i>Coal</i>	<i>Oil</i>	<i>Gas</i>	<i>Hydroelectricity</i>	<i>Nuclear</i>
1997–98	55	35	7	2	1
2001–02	50	32	15	2	1
2006–07	50	32	15	2	1
2010–11	53	30	14	2	1
2014–25					
Projected	50	25	20	2	3

Source: Government of India, *Report of the Group on India Hydrocarbons Vision 2025*.

India's economic growth in the last two decades has resulted in an accelerated demand for energy resources.⁵ As domestic resources remain limited, India's dependence on imports from resource-rich regions of the world will continue to grow to fulfil its future energy requirement. So far, the imports have been mainly from West Asia. Despite India's current policy of diversification of imports to maintain energy security, among other reasons, and procuring energy resources from other regions like Africa, Latin America and Central Asia, West Asia continues to be the principal source of India's energy imports. In 2010, around 63 percent of the total oil and gas imports came from West Asia, followed by 22 per cent from Africa and 10 per cent from Western hemisphere.⁶ Further, this is unlikely to change appreciably even in future due to the advantage of geographical proximity. It thus becomes important to analyse the future trends, opportunities and challenges that India will be exposed to in the process

of managing its energy security given its energy dependence on West Asia; a region that is undergoing a tumultuous process of major political and economic transformation.

In the light of this current political transformation, with the emergence of new regional alliances and actors and a shifting balance of power, the entire region of West Asia and North Africa has been exposed to a new set of security and economic challenges. Additionally, there have been some noticeable developments on the world energy scenario, for example, in the discovery of shale gas in the US and a likely progressive reduction in the US dependence on West Asian energy resources, all of which will have implications for the global energy market. A greater focus on renewables and the emergence of new Asian giants—India and China—as major energy consumer countries with competing interests in the world energy market will have short and long-term implications for energy-consuming and producing countries. India will have to carefully watch and plan its future strategy to maximise the gains and minimise the risks whilst preserving its energy interests from the West Asian region. India needs to find answers to some critical vulnerabilities to its energy security emerging from the continued heavy reliance on supplies from an unstable region, the possibility of supplies being disrupted due to the closure of the Strait of Hormuz, insufficient strategic reserves, etc.

It is in this context that this chapter attempts to examine the India–West Asia energy dynamics. Although the book is largely focused on the Gulf Cooperation Council (GCC) countries, the neighbouring states of Iran and Iraq are also significant players in India's energy security calculus. Therefore, this chapter covers a wider area than just the GCC. It is argued that in the past, despite the problems and crises in West Asia, India continued to secure uninterrupted, its energy supply from the region. Nevertheless, the stable continuity of such a scenario is questionable. Will India be exposed to a new set of challenges to secure its energy supply from the West Asian region? What factors would be most likely to impact India's energy cooperation with the West Asian region? These are some of the important questions that the chapter aims to explore. Towards this end, the following factors have been identified as being likely to impact India–West Asia energy relations both in terms of posing new challenges and offering more opportunities:

- global energy scenario; the demand–supply and price factor;
- regional geopolitical complexities;

- political stability in the oil-producing countries;
- success of the economic diversification policy in the region;
- Iran–US relations; and
- increasing China–West Asia energy cooperation.

This chapter is divided into different sections. The following section looks at West Asia's energy dynamics while placing it in the global energy scenario. The next section examines the importance of West Asian energy resources in the context of India's major energy requirements. The penultimate section identifies and explains key drivers that are likely to impact India's energy ties with West Asian countries. The last section provides a prognosis to the India–West Asia energy dynamic and recommendations for enhancing India's energy cooperation with the region's countries.

Placing West Asia in the Global Energy Scenario

The significance of West Asia's energy resources (both oil and gas) in the global energy scenario is undeniable, as it is the region with the world's major oil and gas reserves. Four countries in the region—Iran, Qatar, Saudi Arabia and the United Arab Emirate (UAE)—rank among the top 10 countries of the world with large proven gas reserves; and five countries—Saudi Arabia, Iran, Iraq, Kuwait and the UAE—rank among the top 10 countries of the world having large proven oil reserves (Tables 3.2 and 3.3). According to recent reports, Saudi Arabia's total capacity, including 50 per cent of the Neutral Zone it shares with Kuwait, is 12.5 million barrels per day (bpd).⁷ Saudi Aramco has also begun pumping heavy crude from its huge offshore Manifa oil fields, ahead of schedule, and plans to raise production to 500,000 bpd by July 2013.⁸

Two additional factors enhance the significance of the region in the global energy market: first, the cost of production of oil in these countries is lower when compared to others. The cost of production, with the exception of Oman, amounts to US\$ 3–5 per barrel. Second, three countries, Saudi Arabia, the UAE and Kuwait, have spare capacity which they can bring to the market when needed. Normally, Saudi Arabia plays a significant role when it comes to the production of extra oil to meet a shortfall at short notice, making it a key player in the world energy market.

Table 3.2: World Proven Gas Reserves—Top 10 Countries

	<i>Country</i>	<i>Proven Gas Reserves (trillion cubic metres)</i>
1	Russia	44.38
2	Iran	26.61
3	Qatar	25.37
4	Turkmenistan	8.10
5	Saudi Arabia	7.92
6	US	6.93
7	UAE	6.43
8	Venezuela	5.67
9	Nigeria	5.25
10	Algeria	4.50

Source: *BP Statistical Review 2010*, in “World Oil & Gas Map 2010/2011”, *Petroleum Economist*, London, available at www.petroleum.economist.com.

Table 3.3: World Proven Oil Reserves—Top 10 Countries

	<i>Country</i>	<i>Proven Oil Reserves (billion barrels)</i>
1	Saudi Arabia	264.6
2	Venezuela	172.3
3	Iran	137.6
4	Iraq	115.0
5	Kuwait	101
6	UAE	97.8
7	Russia	74.2
8	Libya	44.3
9	Kazakhstan	39.8
10	Nigeria	37.2

Sources: *BP Statistical Review 2010*; *BP Statistical Review of World Energy 2008*, in “Energy Map of Russia & Neighbouring Countries 2009”, *Petroleum Economist*, London, available at www.petroleum.economist.com.

The current analysis of major energy-producing countries of the world indicates that Iraq is likely to emerge as the next oil superpower in the years to come. Iraq’s oil production is rising. According to recent reports, its oil production in December 2012 was around 3.2 million bpd—the highest figure since 1983. Its current exports amount to more than 2.6 million bpd, with the major share of it going to Asia.⁹ This makes Iraq a critical source of global oil supplies once again. According to the International Energy Agency (IEA), Iraq’s oil output should double by 2020, reaching 6.1 million bpd, and is expected to rise to 8.3 million bpd by 2035, thus making it the world’s fourth largest producer. Despite North

America's oil renaissance, West Asia still remains at the core of the world's oil reservoir. The IEA report goes on to state that Iraq's rising supplies will account for almost half of the extra oil produced worldwide in the next 22 years.¹⁰ As per IEA projections about Iraq's gas sector, its natural gas production is likely to grow to almost 90 billion cubic metres (bcm) by 2035 and to almost 115 bcm in the best-case scenario. In addition to the largest share of associated gas from southern oil fields around Basra, the rise in volumes of non-associated gas production in the north of Iraq is also expected.¹¹ Uncertainty about political stability within Iraq and the role being played by external powers will determine if Iraq can realise its true energy potential.

India's Energy Dependence on West Asia

Energy security is not only high on the global agenda but has emerged as an integral component of India's strategic partnership with many leading energy-rich countries. As one of the largest energy consumers in the world, India is particularly vulnerable because of its high dependence on imports. If India's economy grows at an average annual rate of about 8 per cent during the Twelfth Plan period (2012–17), its energy consumption would have to grow at 6 per cent every year. Recognising these vulnerabilities, India has, of late, included energy security as a critical component in its foreign policy agenda. It is diversifying its energy engagement by consolidating relations with oil and gas-exporting countries and changing its energy portfolio. It has a vast range of programmes on energy-related engagements with many stakeholders and players, including Riyadh-based International Energy Forum (IEF) as well as the International Partnership for Energy Efficiency and Cooperation (IPEEC) and the International Renewable Energy Agency (IRENA), etc. Under the new policy approach, companies are encouraged to buy assets abroad. Oil and Natural Gas Corporation (ONGC) Videsh has US\$ 14 billion worth of assets in 13 countries. Other companies are also looking at opportunities in Mozambique, Australia and in Latin America. By acquiring assets, India aims to achieve diversification. India has increased its purchase of energy resources from Latin America and Africa. The figures of imports were 22 per cent from Africa and 9 per cent from Latin America in 2010.¹²

Yet, despite India's ongoing initiatives to secure its increasing energy requirements through its policy of diversification, West Asia remains the main source of India's imports. Countries like Saudi Arabia, the UAE,

Iran, Qatar and Iraq meet the bulk of India's oil and gas needs. In recent years, the Persian Gulf region alone has accounted for more than 60 per cent of India's total hydrocarbon imports. India's bilateral ties with most of the countries along the Persian Gulf, such as Iraq, Kuwait, Saudi Arabia and Yemen, have been dominated by energy imports. In value terms, out of the US\$ 152,076.16 million worth of oil and gas imports in 2012–13, as much as US\$ 97,918.40 million worth came from the countries of West Asia alone. The oil import bill of India has been increasing steadily in the past few years. India's import bill, which amounted to US\$ 47,018.75 million in 2006–07, increased to US\$ 144,519.72 million in 2012–13. For the data on India's oil imports in value terms from 2006–07 to 2012–13, see Table 3.4.

While India's oil import bills from the West Asian region show an upward trend during the period from 2006 to 2013, the percentage of total imports from the region show some reduction in the same period. In 2006–07, India imported more than 72 per cent in terms of value but this reduced to 63.61 per cent in 2012–13.¹³ India's current policy of diversification explains this slightly reduced share of West Asia in its overall oil imports.

However, if one looks at the quantity of oil imports from the West Asian region in absolute terms, the trend shows an upward movement. This is a function of the burgeoning demand for energy in the country. In 2006–07, India imported 78.55 mt of oil from West Asia which increased to more than 92.48 mt in 2008–09 and 120.27 mt in 2012–13. The import data reveal that Saudi Arabia and Iraq stand out as key energy partners of India. For details of India's oil imports in quantitative terms, see Table 3.5.

The scenario of liquefied natural gas (LNG) imports from the West Asian region highlights two important trends: first, that there has been a steady increase in terms of both value and quantity (see Tables 3.6 and 3.7); and second, that Qatar continues to be the major supplier of LNG to India. The value of India's LNG imports from Qatar accounted for US\$ 5,734.18 million in 2012–13, which is a 18.21 per cent increase from the previous year's figure of US\$ 4,850.83 million (Table 3.6). The increase was much higher at about 90 per cent between 2010–11 and 2011–12. Since 2010, Yemen has also emerged as an important source of LNG supply for India. The value of LNG imports from Yemen amounted to US\$ 246.70 million in 2012–13—more than double when compared to US\$ 75.76 million in 2011–12. A comparative analysis of data on LNG

Table 3.4: Oil Import Values (in US\$ millions) for the Period 2006–07 to 2012–13

Country/Year	2006–07	2007–08	2008–09	2009–10	2010–11	2011–12	2012–13
Bahrain			0.03				
Kuwait	4,965.82	6,149.82	7,914.95	7,310.90	8,759.29	14,196.17	14,449.88
Oman		371.19	261.01	2,762.69	3096.86	1,835.42	344.54
Qatar	633.37	407.46	1,412.94	2,398.23	3075.73	5,224.51	6,668.78
Saudi Arabia	10,901.90	15,143.74	15,827.31	14,049.15	16294.82	26,311.67	28,384.08
UAE	3,456.73	6,457.54	9,208.67	5,448.84	7861.38	12,564.31	12,641.64
GCC Total	19,957.82	28,529.75	34,624.91	31,969.81	39,088.08	60,131.91	62,488.92
Iran	6,520.75	9,760.64	11,034.97	10,193.27	9219.27	11633.47	9,587.70
Iraq	5,500.16	6,834.57	7,655.81	6,979.59	8954.66	18826.19	19,141.11
Yemen	1,870.45	1,279.15	585.04	1,470.17	1638.1	852.10	658.00
Syria	64.14		119.74	108.04		144.94	61.79
West Asia Total	33,913.32	46,404.11	54,020.47	50,720.88	58,900.11	91,588.61	91,937.52
World Total	47,018.75	64,052.50	77,310.75	77,506.56	92,651.77	134,154.97	144,519.72

Source: Department of Commerce, Government of India, "Export-Import Data Bank", available at <http://commerce.nic.in/eidb/default.asp>. (accessed on 21 August 2013).

Table 3.5: Oil Import by Quantity (in million tonnes) for the Period 2006–07 to 2012–13

<i>Country/Year</i>	<i>2006–07</i>	<i>2007–08</i>	<i>2008–09</i>	<i>2009–10</i>	<i>2010–11</i>	<i>2011–12</i>	<i>2012–13</i>
Bahrain			0.001				
Kuwait	11.49	11	14.08	14.61	14.38	17.94	18.74
Oman		0.6	0.43	5.22	4.78	2.29	4.63
Qatar	1.41	0.7	2.49	4.61	4.83	6.13	8.07
Saudi Arabia	24.79	27.27	25.91	26.88	26.29	31.86	34.96
UAE	7.39	11.17	14.21	10.43	12.65	14.97	15.59
GCC Total	45.08	50.74	57.121	61.75	62.93	73.19	81.99
Iran	16.5	19.04	21.58	22.08	16.08	14.98	13.24
Iraq	12.83	12.63	12.22	13.88	14.76	23.77	24.24
Yemen	4.03	2.32	0.95	2.92	2.77	1.01	0.72
Syria	0.11		0.37	0.2		0.16	0.08
West Asia Total	78.55	84.73	92.48	100.65	96.54	113.11	120.27

Source: Department of Commerce, Government of India, “Export–Import Data Bank”, available at <http://commerce.nic.in/eidb/default.asp> (accessed on 21 August 2013).

imports clearly highlights the increasing trend. India’s total LNG import from the GCC countries in terms of value amounted to US\$ 1,111.80 million in 2006–07 and this increased to US\$ 5,980.88 million in 2012–13 (see Tables 3.6 and 3.7).

Table 3.6: LNG Imports Values (in US\$ millions) for the Period 2006–07 to 2012–13

<i>Country/Year</i>	<i>2006–07</i>	<i>2007–08</i>	<i>2008–09</i>	<i>2009–10</i>	<i>2010–11</i>	<i>2011–12</i>	<i>2012–13</i>
Oman	137.97	226.5	102.44	35.9		80.46	
Qatar	923.62	1,340.75	1,408.42	1,596.67	2,545.71	4,850.83	5,734.18
Saudi Arabia			49.5		39.24		
UAE	50.21		78.94	12.20		29.77	
GCC Total	1,111.80	1,567.25	1,639.3	1,644.77	2,622.09	4,961.06	5734.18
Yemen					37.14	75.76	246.70
World Total	1,488.97	2,303.32	2,817.21	2,325.35	3,220.00	6,832.34	7,556.44

Source: Department of Commerce, Government of India, “Export–Import Data Bank”, available at <http://commerce.nic.in/eidb/default.asp> (accessed on 21 August 2013).

Table 3.7: LNG Import by Quantity (in million kg) for the Period 2006–07 to 2012–13

<i>Country/Year</i>	<i>2006–07</i>	<i>2007–08</i>	<i>2008–09</i>	<i>2009–10</i>	<i>2010–11</i>	<i>2011–12</i>	<i>2012–13</i>
Oman	623.80	329.51	186.44	65.91		135.61	
Qatar	5471.81	6476.69	6480.48	6795.54	8053.13	10271.01	10302.36
Saudi Arabia			72.12		129.60		
UAE	111.78		95.83	60.31		46.56	
GCC Total	6,207.39	6,806.20	6,834.87	6,921.76	8,182.73	10453.18	1,0302.36
Yemen					137.51	179.52	396.46
West Asia							
Total	6,207.39	6,806.20	6,834.87	6,921.76	8,320.24	10,632.70	10,698.82

Source: Department of Commerce, Government of India, “Export–Import Data Bank”, available at <http://commerce.nic.in/eidb/default.asp> (accessed on 21 August 2013).

Various Indian and international estimates suggest that India’s import dependency is likely to increase further in near future. According to India’s Planning Commission document, “The gap between supply and availability of crude oil, petroleum products as well as gas from indigenous sources is likely to increase over the years.”¹⁴ According to the IEA estimates, 90 per cent of India’s crude oil needs would have to be met through imports. This growing dependence on imports, and specifically imports from the West Asian region, contributes towards enhancing importance of the region for India as also attendant vulnerabilities.

Key Drivers Affecting Energy Ties with West Asian Region

The Demand–Supply and Price Factor

According to the National Intelligence Council (NIC) report of 2012, the global demand for food, water and energy resources will grow substantially in next 15–20 years. Mainly due to the increase in global population, by 2030, the demand for food is expected to rise by approximately 35 per cent, water by 40 per cent and energy by 50 per cent. It is expected that fragile states in Africa and West Asia would be more at risk of experiencing shortages of food and water. More importantly, managing problems related to these resources will be linked to the supply and demand for other resources (like oil and gas). Despite sitting on major reserves of oil and gas, the countries of West Asia are vulnerable in terms of ensuring their food and water security and these are going to be major areas of concern in future.¹⁵

The other noticeable trend that is likely to impact the energy market is the discovery of shale gas; the US could have sufficient natural gas not only to meet its own domestic needs but could also potentially become a global exporter of shale gas in the decades to come.¹⁶ The US could even become energy independent in the next 15 years or so. It has regained its position as the world's largest natural gas producer and expanded the life of its reserves from 30 to 100 years with the help of hydraulic fracturing technology.¹⁷ It is projected that the global spare capacity may exceed over 8 million barrels, resulting in a situation where Organisation of the Petroleum Exporting Countries (OPEC) could lose control over pricing, leading to the collapse of crude prices.¹⁸ The IEA also projected in November 2012 that the US will surpass the Gulf petrogiant as the world's top energy producer by 2020. In May 2013, again, it was reported by IEA that North America's rapid development of its unconventional oil industry is set to dominate global oil production over the next five years.¹⁹ These developments, coupled with the increasing focus on renewable sources of energy and increased availability of Iraqi, Iranian and Russian (from the Far East) oil and gas supplies, could cause a major negative impact on the Gulf oil-exporting economies. However, it is equally significant to note that environmental concerns and technological limitations could prevent the US from achieving energy self-sufficiency. This, in turn, could cause a spike in energy prices aided by the speculative nature of the energy market.

Saudi Arabia is the largest exporter of oil in the world and to India. Some studies show that unforeseen developments like a regional conflict or low oil prices for a year or more due to oversupply from other producers could negatively impact Saudi Arabia's economy. Steady oil prices are essential for Saudi Arabia to meet the expectations of its citizens, particularly in the post-“Arab Spring” era, when it is trying to manage public discontent through economic incentives. In view of Saudi Arabia's heavy dependence on its oil revenues to provide social services to its people, it would like to keep the oil price at around US\$ 100 per barrel. According to the projections by Riyadh-based Jadwa Investment, Saudi Arabia's break-even price is expected to reach US\$ 118 per barrel by 2020, US\$ 175 per barrel by 2025 and to more than US\$ 300 by 2030.²⁰ These figures may be misleading to an extent and given out to justify high oil prices, yet it is estimated that in order to balance its budget in future, Saudi Arabia will need to either increase its production and sell at lower prices or drill less oil (thus reducing global supply) to maintain higher prices. However, past evidence suggests that even at a time of higher oil prices (in the 1980s)

when the world economy grew, Saudi Arabia barely increased its production capacity. Oil is considered to be a fungible commodity and its prices are determined by the global market, including speculative activity. Therefore, if the US drills more oil, Saudi Arabia will simply produce less, keeping the supply/demand relationship tight and price high.²¹ The current debate on the US shale revolution and its likely negative impact on the Gulf giant oil-producing countries has been countered by a new discourse which reveals that the US shale revolution is only “temporarily” going to boost production and oil prices will remain high, thus favouring Saudi Arabia and the OPEC cartel.²²

A recent IEA monthly oil market report suggests that crude oil prices are likely to find support from a diverse range of supply risks, despite generally bearish market fundamentals. The report reveals that “While fundamentals may be easing, rarely has the market faced such diffuse risks”.²³ The IEA report has also warned of the risks to oil supplies from both non-OPEC and OPEC countries, as well as more generic geopolitical risks. According to this report, new risks in non-OPEC countries mainly include cyclones in Australia and “disruptively cold weather” in North Dakota. Among the OPEC countries, the agency highlighted the poor security situation in Libya and Nigeria, while stressing on threats posed by the Syrian civil war, Iran’s nuclear programme and sabrerattling in North Korea as major risks. The world demand for oil has increased from 88.94 million bpd in 2011 to 89.78 million bpd in 2012 and to 90.58 million bpd in 2013.²⁴ It is fair to mention, that over a longer period, additional supplies are likely to become available from Iran, Iraq and the Russian Far East. However, due to the uncertainties involved, it is difficult to make reliable forecasts about the demand and supply balance in next two decades.

While Arab Gulf states have always been viewed as major resource periphery of hydrocarbon for the world which had surplus resources to export, this scenario is changing in the current context. In earlier years, these countries had small population with low level of consumption of its resources. However, with the rising population and increasing consumption at home, the sustainability of Gulf countries as energy-exporting countries in years to come raises many questions. It is believed that at current rate of consumption growth, Saudi Arabia may have to reduce its oil exports by the end of the decade. Kuwait is in slightly better position, but Oman and Bahrain are already in depletion-led decline. The energy demand in the Arab Gulf region has undergone major transformation in past four decades, with some 0.5 percent of world population of the region

consuming 5 percent of global oil output.²⁵ The GCC energy consumption has grown from more than 200 mt of oil to almost 380 mt during 2001–10. By 2020, this figure is likely to double to some 660mt. In 2009, Saudi Arabia emerged as number six top oil-consuming country, surpassing Brazil and Germany and coming just after Russia. Similarly, natural gas consumption has also exceeded production in the UAE and Kuwait since 2008. In case of Bahrain and Saudi Arabia, consumption and production are nearly matched, with Oman remaining a small net exporter of gas.²⁶ These are some of the developments in the Gulf region which are likely to impact the world energy market for the oil-importing countries. When domestic consumption exceeds production, countries are likely to transform from oil exporters to net importers. This has happened in case of China and the US.

India cannot remain unaffected from the impact of these developments in the world energy market. In the current scenario, India's resource periphery—West Asia—will continue to meet a large percentage of India's energy requirements. Enhanced availability of supplies globally and stability in energy prices figure high in India's strategic interests. However, at the same time, India will have to prepare for the critical uncertainties in the Gulf and beyond, as highlighted by numerous IEA reports.

Regional Geopolitical Complexities

These include inter alia Saudi–Iranian rivalry, possibility of armed conflict and threats to the security of the sea lines of communication (SLOC). At present, the West Asian region is going through a phase of political transitions where several countries have been preparing themselves to manage the consequences of the Arab Spring. There are fears, apprehensions and uncertainties about the future. The sharpening Shia–Sunni sectarian divide, the ideological and geopolitical rivalry between Iran and Saudi Arabia, threats posed by extremist elements, the ongoing armed conflict in Syria and uncertainties about the situation in Bahrain and Yemen are some of the critical elements that contribute to the region's complexity. It also seems that “based on new realities, Iranian leaders have concluded that Iran's only viable approach in international relations is to become the indispensable regional player in the region”.²⁷ The political and security implications of these developments have been examined in detail in separate chapters. However, their likely impact on India's energy security needs requires examination. There is no denying the fact that the Shia–Sunni divide is an endemic phenomenon in the West Asian region. The Saudi

Sunni ruling family has heavily invested in strengthening its alliances with countries in the West and in the region to balance its arch rival, Shia Iran. However, from India's point of view, its energy supply has not been affected by this rivalry thus far. Yet, in the future as India would seek greater inroads into the West Asian energy sector, it could be confronted with a situation where sectarian conflict would limit the realisation of its energy interests. For example, escalating tensions in Iraq's energy-rich region of Kurdistan will have implications for the energy sector's development, and also on companies aiming to secure their energy share.²⁸

Moreover, if the Syrian regime were to fall without a settlement in place, Iran's influence in the region would most likely decrease. This would leave Iran vulnerable forcing it to manoeuvre to create fresh opportunities for it to reclaim geopolitical influence in the region, thus sparking another round of destabilisation. Iraq and Bahrain could also become the next sectarian battlegrounds.

The other important factor which merits some attention is the security of the SLOC for the uninterrupted supply of oil and gas to India. The problems of securing the SLOC or preventing the blockade of choke point(s) may become major challenges in the future for India to secure its energy supply from the West Asian region. Any blockade of Strait of Hormuz will have serious implication for India to secure its energy supply from the West Asian region. In the light of the increasing tension between Iran and the US, and Iran and Israel over its nuclear issue, the risk of this choke point being blocked has generated debate about Iran's threat to shut down the Strait of Hormuz, and its implications for the energy supply for Asian and European countries. The Strait of Hormuz is the world's most important oil choke point. According to the reports, about 17 million barrels of oil passed every day through Hormuz in 2011, and this flow through the Hormuz has been increasing steadily. In fact, more than 85 per cent of the crude oil exports went to Asian countries like China, India, Japan and South Korea.²⁹ Shutting Hormuz would block Qatar's 77 mt a year of LNG production capacity, which amounts to 30 percent of global LNG supply.³⁰ Such a scenario will increase the vulnerability of India's supply from the West Asian region. However, what is significant to note is that there is counter-narrative to this vulnerability risk theory as studies suggest that given the heavy presence of the US Navy, Iran would only be able to close the strait for a short period not exceeding two weeks or so. Thus, to ensure its energy supply from West Asian region, India needs to promote the idea of laying oil and gas pipelines, bypassing choke points, to ensure

uninterrupted energy supplies. Such pipelines could connect oil and gas fields in Iraq, Kuwait, Qatar, Saudi Arabia and the UAE to a suitable Omani port on the Indian Ocean.

Regime Stability

It is too early to conclude the overall impact of the Arab Spring as it is still unfolding. The impact of the Arab Spring in the region has been somewhat uneven. The regimes in Saudi Arabia, Qatar, Kuwait and Oman have been largely unaffected by the challenge. In case of Bahrain and Yemen, the problems are simmering and their future is quite uncertain. In case of Saudi Arabia, some experts are of opinion that the change in the country can only come from above. “Managed change” is what can happen in Saudi Arabia.³¹

India has a good equation with the present regimes in the region and is also prepared to engage with new leaders irrespective of their political background as with President Morsi of Egypt recently. Orderly change of regime or system of government in any of the West Asian countries will not have any impact on the energy trade between India and the regional countries. Sudden and violent regime change in any of these countries, however, will unleash a dangerous instability which may impact energy supplies at least for some time. It is argued that if the issue of political stability in the region affects India’s interests, then it has to identify and engage with all the actors that may play a major political role in future.

India’s energy supplies from the region were not impacted due to the Arab Spring. Most of the experts have argued that this situation is unlikely to change in the future, save for a catastrophic development like a war with Iran. In case of a major catastrophe in the region, India will be one of many states in the world in managing the impact on energy supply. It is equally important to mention that a violent change in regime in any of the resource-rich countries of the region would require India to get into fresh energy contracts with the new regime in power. This process would most likely take time, and alternate sources of supplies of oil and/or gas would have to be found. A case in point is that of Iraq in the post-US invasion period where India’s energy interests were affected because of the fall of Saddam regime. Diversification of imports is therefore important.

Economic Diversification in the Region

Countries in the Gulf region are attempting to diversify their economies to reduce their dependence on finite energy resources, and also reduce the

economic vulnerability caused by the unpredictability of energy prices. However, they face significant challenges because of a limited indigenous human resource pool, economies of scale, a lack of competitiveness, etc. Most of the countries in the region are intensifying economic diversification to neutralise the impact of Arab Spring and to develop their non-oil sector. The countries of the region want to transform themselves from pre-eminent oil states to economic powerhouses. The experts are of the view that no departure is expected in economic policy of these countries. The role of state will continue to be important. Not very serious steps have been taken up, so far, by the GCC countries regarding the diversification strategy. Diversification is happening around petroleum sector. In this context, equally important is to examine what this means for India. Economic reforms will definitely open many more opportunities for India. The diversification process is very much part of Gulf countries' new economic strategy but will this grow beyond oil sector is still to be seen. Some economists feel that at present, there is no such indication, and this is where India can play a role and where opportunities for cooperation exist. These countries are coming up with free zones which, again, open new areas for cooperation between India and the GCC countries.³²

A degree of success in diversification will have some impact on the ability of these countries to determine the price of oil and gas. Correspondingly, a failure to diversify significantly will necessitate high volumes of exports to manage domestic budgets, thereby reducing their ability to influence prices.

Iran–US Relations

Increasing confrontation between Iran and the US over the nuclear issue and the recent harsher economic sanctions imposed by the European Union (EU) and the US³³ on the Iranian oil and financial sectors have led to greater isolation of Iran from the international community. The United Nations Security Council (UNSC) has already imposed four rounds of global sanctions on Iran. In response to the EU and the US economic sanctions on its energy and banking sectors, Tehran threatened to block the Strait of Hormuz.³⁴ Iran's economic relations with the external world remain limited. Foreign companies are coming under increasing pressure to cut off ties with Iran. While the full impact of these sanctions is yet to be seen, Iran's economy is already under severe stress. Many companies from the US and other countries, including India, have stopped doing business with Iranian companies. Even Reliance Industries, which used

to refine Iranian crude and was the main supplier of petrol and diesel to Iran until 2009, had to back out of trading with Iran.³⁵ Already there are problems related to the channel of payment of oil dues and insurance coverage to tankers and refineries. In view of these difficulties, both Iran and India are exploring other options such as a sovereign guarantee and the cost and freight (C&F) mode for crude oil import from Iran.³⁶ The US and the EU sanctions are likely to continue to impact Indian business ties with Iran even if India does not fully abide by these unilaterally imposed sanctions. Although New Delhi has so far been able to manage this issue, it will be faced with difficult choices, including that of finding reliable alternate source of oil supplies, if the Iran–US confrontation intensifies and culminates into an armed conflict. The US–Iran relations are not preordained to remain adversarial for the long term. Should they bury the hatchet and arrive at an understanding, countries like India who have curtailed their economic interaction with Iran under the US pressure are likely to be the losers.

Iran used to be India's second largest supplier of oil but now, it has slipped to the sixth position. India imported 16.08 mt of oil from Iran in 2010–11 and 14.98 mt of oil during 2011–12. The quantity has gone down further in the year 2012–13 to 13.24mt.³⁷ Though India reduced its oil imports from Iran, it is trying to expand trade in other commodities like tea, pharmaceuticals, automobile, electronics, spare parts and agricultural products. India has already approved a US\$ 364 million (20 billion rupees) fund to provide reinsurance to local refineries that process Iranian crude oil and the quantum of the fund can be raised in future.³⁸ One can also notice the impact of Western sanctions on India–Iran trade relations. India's trade with Iran has been on a downward trend and while it remains among India's top 25 trading partners, its position has come down from the ninth in 2009–10 to nineteenth in 2011–12.³⁹

There has been change in Iran's leadership this year and it is expected that during President Hassan Rouhani's period, Iran's engagement with India is likely to grow. It is unlikely that under Presidency of Rouhani, India–Iran relations will witness reversal of initiatives taken by both the countries in past few years. Iran under President Rouhani is expected to enhance cooperation with India in the areas of energy, connectivity and trade, and also on the issue of regional security, particularly Afghanistan. In the past few years, both India and Iran have been trying to manage their economic, energy and political cooperation in the shadow of the US and EU sanctions. India's decision to upgrade the Chabahar Port project

was conveyed during the external affairs minister's visit in June this year. India has also agreed to invest US\$ 100 million in free trade zone in Chabahar.⁴⁰ In this context, two important developments merit some attention:

1. Recently, Iranian oil minister and managing director of the National Petrochemical Company (NPC) stated that petrochemical hubs will be created in Lavan Island in the Persian Gulf and Chabahar region in the south-eastern province of Sistan and Baluchistan. Lavan hosts Iran's big gas and oil fields. Creation of petrochemical hub in Chabahar will help reduce the cost of petrochemical exports to both India and China.⁴¹
2. The second important development from India's point of view is China's recent offer of Euro 60 million credit to Iran to upgrade the Chabahar Port.⁴² In recent years, China has emerged as major trading partner of Iran.⁴³ In such a scenario, India will have to expedite its involvement in Chabahar project.

From the Iranian viewpoint, India has unfairly used the rivalry between Iran and Saudi Arabia to fulfil its energy needs. This has increased the competition between Iran and Saudi Arabia. In the light of the current problem of acquiring Iranian oil because of sanctions, India's diversification by turning more to Saudi Arabia and Iraq to compensate for reduced imports from Iran has been viewed by the Iranian officials as a short-term solution to the problem. But in the long term, this is not in India's interest in the regional context.⁴⁴ Balancing regional relationships will remain a tough task but India cannot shy away from taking the call based on the requirements of its national interests. It is suggested by the Iranian officials that to improve India's energy ties with the West Asian region in general, and Iran in particular, India should adopt a policy of allocating some percentage of oil import quota to each country in West Asia from where India imports oil. This would mean that India pre-fixes the share of oil which it wants to import from the West Asian countries, while getting full commitment from exporting countries for regular delivery of oil.⁴⁵

China's Footprint in the West Asian Energy Sector

China has increased its presence in the West Asian energy sector to meet its growing energy demands. In February 2012, China and Saudi Arabia formed the Yanbu Aramco Sinopec Refining joint venture, which will develop and operate the refinery. Saudi Aramco (holding a 62.5 per cent

stake in the joint venture) and China's state-owned company, Sinopec, have signed a US\$10 billion deal to build a 0.4 million bpd refinery at Yanbu—situated at the Red Sea coast. This plant is expected to be functional by 2014. In fact, Sinopec is Aramco's largest Chinese customer of crude oil, buying 0.8 million bpd.⁴⁶ Similarly, China has emerged as a major energy partner of Iraq and is now the biggest customer of Iraqi oil. It is reportedly buying nearly 1.5 million bpd, which amounts to nearly half of the oil that Iraq produces. China's National Petroleum Corporation (CNPC), a partner with British Petroleum (BP) at the Rumaila oil field, is believed to be the likely buyer of Exxon Mobile's stake, which is selling its position in the south of Iraq.⁴⁷ Chinese companies have seized every possible opportunity to infiltrate Iraq's energy sector in the post-Saddam period by bringing in more than US\$2 billion a year and hundreds of Chinese labourers into the country. They have also accepted to play by the rules of the Iraqi government, settling for lower profits to win the contracts. To secure its energy interests, China has also built its own airport near the Iranian border to ferry workers to Iraq's southern oil fields and is now planning to begin direct flights from Beijing and Shanghai to Baghdad.⁴⁸ As mentioned earlier, China is seen by the Iranian regime as an important strategic partner in the context of the increasing isolation faced by Tehran because of the US and EU sanctions. China is Iran's major trading partner and the largest importer of oil, buying 22 per cent of Iranian oil.⁴⁹ China's crude imports from Iran jumped by 155,000 bpd in 2013 as compared to last year, even as total Chinese crude imports dipped by 2.1 per cent year-on-year. The surge was expected due to unusually low volumes bought in early 2012, but imports of 410,000 bpd were still down by 113,000 bpd from February's 523,000 bpd.⁵⁰

From India's point of view, the question that needs to be addressed is: as to what extent will China's foray into the West Asian energy sector impact India's energy cooperation with the region? There are two sets of opinion on this issue.

One set of experts feel that China is India's leading competitor and will become a major challenge for India given its economic strength and its increasing political weight in the international arena. More importantly, because of their increasing energy demands, China and India are competing for the same resources, but Chinese companies have been more successful in terms of acquiring energy contracts as compared to Indian companies, be it West Asia, Central Asia, Latin America or Africa. These factors are

likely to pose some challenges for India while it tries to secure its energy interests by and large, as well as in the West Asian region.

The second set of opinion is that India and China are not really competing as there are sufficient resources in the world for India and China to meet their energy demands. Therefore, China is not the major problem and factor in India's energy security in West Asia. It is argued that both India and China enjoy different advantages in the West Asian region. The major advantage which India has in West Asia is its geographical proximity with the region. China does not enjoy this advantage. Similarly, the security consideration of the SLOC is not the same for China as compared to India. There is also a larger competition for creating a new global order between the US and China, which gets reflected in the region as well. As compared to China, India has an advantage of being viewed as a friendly partner of the US in the West Asian region, which creates a better political environment for India (with an exception of Iran where the US policy limits India's involvement in Iran's energy sector) to enhance its energy cooperation with the region. What goes in India's favour is that Gulf countries prefer India over China because of India's deep-rooted and long-standing relations with the Gulf countries. India needs to maximise this advantage by working more closely with the local companies.

Recommendations for Enhanced Energy Security

Despite new discoveries of oil and gas in different geographies and the diversification policy of India, its dependence on West Asian energy resources is likely to grow. In a real sense, India has never faced major challenges in terms of its oil supplies from the region. In the future also, unless there befalls a major catastrophe in the region, India's energy supplies are not likely to get affected in isolation. But it is still possible that energy flows from the region could get affected due to one or the other reason.

Other major challenge for India will be to expand its energy cooperation with Iran and Iraq.⁵¹ Ensuring supplies from Iran is becoming ever-more problematic given the US and EU sanctions imposed on Iran. For the present, this shortfall is likely to be met by oil from Iraq and the GCC countries but a prolonged hiatus will create the structural problems of excessive dependence on a few countries. Regime changes in the oil-exporting countries may create temporary shortages, albeit not for long periods since the oil-rich countries will also need to sell its oil to stabilise itself. What will matter is not the regime change itself but the process of

change, which is what needs to be taken into account by India. To enhance its energy ties with the West Asian region, the following important measures are recommended to be adopted:⁵²

- The current buyer–seller relationship needs to change into a partnership of criss-cross investments in India and the West Asian oil-exporting countries. This policy will facilitate greater interdependence and also help address the general criticism that India’s policy towards the region needs to go beyond energy considerations.
- India should look for opportunities for joint ventures in West Asia not only with international companies but also with local companies. Priority should be accorded to projects like LNG liquefaction, fertiliser and desalination plants and other such ventures which will be beneficial for both sides. For attracting investments from the sovereign funds of these countries, India should engage in high-level diplomacy with countries like Saudi Arabia, the UAE and Qatar.
- Through a mutually agreed upon mechanism, a share of the oil and gas revenues earned from India should be earmarked for investment in India. The purchase of a minimum fixed volume of oil and/or gas at average monthly prices could be worked out and agreed upon bilaterally.
- Iran and Iraq are critical for India’s energy security. Therefore, both these countries need to be factored in a big way while formulating India’s energy policy towards the region. Although Iraq is a high-risk proposition and Iran a problematic one, to ensure its future stable energy supply, India should work on long-term plans to expand its energy cooperation with Iraq and Iran. Despite pressures from the West, India needs to continue importing oil and gas from Iran to the extent it makes economic sense. It is absolutely important for India to assert its will to safeguard its national interests, even if some other countries do not appreciate it at the moment. By doing so, India will be seen as a strong and reliable partner by all the countries.
- Food security is a big issue in the West Asian region, therefore an energy and food trade-off can be looked upon as a policy option to strengthen India’s energy ties with the regional countries. Some new models of cooperation can be worked out in this direction.
- Surplus refining capacity is India’s strength, which should be

leveraged through contractual arrangements involving the purchase of crude oil and sale of refined products with as many countries as possible. Nigeria lends itself to such an arrangement in view of its limited refining capacity. The idea is to diversify oil imports, while at the same time, increasing exports of value-added products. Some oil-exporting countries may want refining capacities to be created on their soil. India could enter into joint ventures for establishing refineries on their soil.

- In order to ensure the security of the SLOC, essential to the uninterrupted supply of energy resources, India should take a lead in establishing a regional SLOC protection arrangement involving all countries of the region extending from the Gulf and Bab el Mandeb on one side, and the South China Sea on the other. India should also advocate the creation of an oil and gas pipelines network joining oil and gas fields from all producing countries (Iraq, Kuwait, Qatar, Saudi Arabia and the UAE) to the Omani Indian Ocean coast. This will eliminate the Hormuz dilemma for both oil and gas-importing and exporting countries. This collaborative project will go a long way in ensuring the stability of energy supplies.
- There could be a structured India–GCC energy cooperation dialogue every year to enhance the energy cooperation between India and the GCC countries.
- Major oil-importing countries should come together and shape the global energy trade mechanism to ensure uninterrupted supplies of oil and gas. Swapping should be resorted to wherever feasible. Possibility of swapping oil and gas from Sakhalin-1 with Japan in exchange for oil and gas purchased by Japan from the Gulf region will save transportation costs for both.
- Given the uncertainties, India will have to create big strategic reserves which will accommodate for any eventualities in case of delay in supply of hydrocarbon resources either due to conflict in the region or otherwise.

Despite various initiatives which India has taken in the recent past to ensure its energy security, 100 per cent energy security is difficult to achieve. Therefore, all efforts are required to be made to ensure greater security which include, among others, rationalising consumption, enhancing energy efficiency, coordinating all forms of energy and recognising that energy

consumption and energy production regimes have convergence.⁵³ India's prospects for securing its energy interests in the West Asian region would depend on how New Delhi is able address new challenges which are still unfolding in the region and whether it is able to maximise gains from the new economic opportunities which the region is likely to offer in post-Arab Spring period.

NOTES

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Chapter 4

India's Trade Relations with Gulf Cooperation Council (GCC) States

M. Mahtab Alam Rizvi

Trade and economic relations between India and the Gulf Cooperation Council (GCC) have been growing at a steady pace and this trend is likely to persist for various reasons. It will no doubt have a spill over effect in the political and security arenas as well. India's rising economy, ability to absorb huge investments in its infrastructure sector and a market of billions provides vast potential for the GCC countries to broaden their presence in India. Both India and the Gulf countries are shedding the studied indifference of the past and now engaging more proactively in enhancing trade relations. This change has come about due to the increasing economic significance of India and the Gulf's increased interest in building relations with its Asian neighbours, including India. About 6 million-strong Indian workforce in the Gulf region has also created a significant market for Indian goods in the region. It is argued that the time is ideal for upgrading the India–Gulf trade relationship substantially in next two decades based on shared complementarities and improved political and security ties. In this context, this chapter explores the contours and prospects for improving trade relations between India and the GCC countries.

Introduction

The combined population of the Gulf Cooperation Council (GCC) countries is 45.9 million¹ with a nominal gross domestic product (GDP) of about US\$ 1.37 trillion.² The per capita income of GCC is US\$ 29.9 thousand.³ The GCC economy is largely based on its oil revenues that have increased considerably in recent years, but is also focused on developing the physical and social infrastructure required for private sector development. Further, due to the uncertainty about sustaining high oil prices in the long run, all GCC countries have been working towards the diversification of their economies.

Due to the diversification process underway in the Gulf region and the rising trade and economic profile of India, their economic engagement is growing steadily. India's increasing dependence on the Gulf region for energy supplies and other oil-based products like petrochemicals and fertilisers, and the demand for manufactured goods in the Gulf region, offers an ideal opportunity for a more robust and mutually beneficial economic relationship between India and the Gulf region.

The GCC region has emerged as a major trading partner for India. In brief, the GCC provides a huge opportunity to India for cooperation in trade, investment, energy, manpower, etc. The GCC consists of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates (UAE). Yemen is also making efforts to become a GCC member and is expected to join it by 2016. The GCC countries, including Yemen, formed the Greater Arab Free Trade Area (GAFTA) to strengthen their economic cooperation. Due to an increase in oil and natural gas revenues coupled with trade and investment growth, the GCC is considered to be one of the fastest-growing economies in the world. Yemen is also important for India; however, its bilateral trade with Yemen is very limited. India's total trade with Yemen was only US\$ 2.36 billion in 2012–13.⁴ Two other important trade partners of India in the Gulf region are Iran and Iraq. The total trade between India and Iran was around US\$ 15 billion in 2012–13,⁵ while India's total trade with Iraq was US\$ 21.43 billion in the same year.⁶ However, trade with these countries largely consists of the import of crude oil with a very small component of non-oil trade.

Despite enduring civilisational, cultural and commercial linkages, and geographical proximity, India presently does not figure in the list of top trading partners of the GCC region. In the recent past, however, there has been a marked increase in high-level interactions between the two sides. A number of agreements and memorandums of understanding (MoUs) have been signed in the last few years covering a wide range of trade items and infrastructure projects. With rising population, diversification of economies and vast sums of oil wealth at their disposal, the GCC region is a vibrant and growing market that can provide Indian corporate entities with a plethora of opportunities for serious economic engagement aside from oil and gas. The GCC countries offer an outstanding market potential for India's manufactured goods and services, especially in project services exports. It is time to synergise complementarities and make use of the geographical proximity to develop multipronged, robust and stable economic relations between India and the region.

The economic relations between India and the Gulf countries grew a great deal in the past 10 years as trade and investment flows between the two increased substantially. Within a decade, India's exports to the GCC countries rose from US\$ 7.07 billion in 2003–04 to US\$ 51 billion in 2012–13.⁷ India's imports from the GCC region also increased from US\$ 3.25 billion in 2003–04 to US\$ 107.42 billion in 2012–13,⁸ underlined by the sharp increase of imports from the UAE, Saudi Arabia, Qatar, Oman and Kuwait in the same period. The UAE and Saudi Arabia are the leading trade partners of India among the GCC countries. Their combined share in the total India–GCC trade in the year 2011–12 was more than 74 per cent. The UAE is the leading importer of Indian goods and services. Saudi Arabia is the leading exporter of crude oil to India. The total trade between India and Saudi Arabia in 2012–13 was US\$ 43.91 (see Table 4.6). The bilateral two-way trade between India and the GCC during the year 2012–13 was US\$ 158.41 billion⁹ (see Table 4.1). It is expected that the bilateral trade between India and the GCC countries will continue to grow in the near future. This is true that the balance of trade between India and the Gulf states has been heavily skewed in favour of the latter, except for the UAE. But it is only to be expected because of India's heavy dependence on petroleum imports. However, India can reduce imbalance through increase in exports of engineering goods and textiles, and also increase in consultancy services, including turnkey projects in the infrastructure sector.

Table 4.1: India–GCC Trade (including oil and gas)

(All figures in US\$ billion)

Country	2011–12			2012–13		
	Import	Export	Total	Import	Export	Total
Saudi Arabia	31.06	5.68	36.74	34.13	9.78	43.91
UAE	35.79	35.92	71.72	38.44	36.26	74.70
Oman	3.32	1.32	4.65	1.95	2.60	4.55
Kuwait	16.37	1.18	17.56	16.57	1.06	17.67
Qatar	12.92	0.81	13.73	15.61	0.69	16.30
Bahrain	0.88	0.44	1.32	0.72	0.60	1.32
Total	100.35	45.36	145.72	107.41	51.00	158.41

Source: Department of Commerce, Ministry of Commerce and Industry, Government of India, available at <http://commerce.nic.in/>.

This chapter is divided into various sections. The following section covers India's trade with the GCC region as a whole and status of the free trade agreement (FTA) between the two. The next section deals with India's

trade relations with individual GCC countries. The penultimate section deals with the economic situation in each of the GCC countries. The last section lists out some recommendations to improve the trade relations between India and the GCC countries.

India–GCC Trade and Free Trade Agreement (FTA)

Background

With the emergence of India as a major economic power in recent years and simultaneous impressive economic development in the Gulf region, economic trends are reinforcing mutual interdependence. Indian presence in the Gulf region is not new; it had started before 3 BC, when bilateral trade was initiated between the two regions. However, the major boost came in bilateral trade after the discovery of oil in the GCC region and the demand for Indian goods, services and manpower. Due to the changing world order and increasing geoeconomic interdependence, the Gulf region perceives India not only as an economic power but also a capable “bridging power” that can play a productive role in supporting regional peace and stability.¹⁰

The GCC region is an important destination for India’s external investment. The major areas for investment in the GCC countries are: software development services, engineering services, tourism, readymade garments, chemical products and agricultural and allied services. The GCC countries got importance in India’s foreign trade especially after India’s trade policy liberalisation, which began in 1991. Liberalisation policy created opportunities for an export-friendly environment and the free flow of trade with comfortable regulatory procedures. In order to encourage trade, India has also granted most favoured nation (MFN) status to the Gulf countries.¹¹

Despite the existence of great potential for trade with the region, till recently, India–GCC bilateral trade remained limited to oil, spices and labour. The GCC countries transacted more extensively with the Western markets. However, due to the economic slowdown in Western countries, the GCC countries are shifting their focus towards Asia, including India, for trade and investment. The instability in oil prices has compelled the GCC countries to diversify their economies by developing the non-oil sector and building refining capacities to produce value-added products. India with a more than US\$ 100 billion market, is considered very important for trade by the countries in the region.¹² It is not merely huge energy imports, but the heavy demand for oil-based products like petrochemicals,

fertilisers and also capital for infrastructure development that make India a lucrative trading partner for the region.

Current Status of the FTA

Giving a boost to commercial and economic ties, India and the GCC signed a Framework Agreement on Economic Cooperation on 25 August 2004, to explore the possibility of an FTA. On 19 November 2004, a three-member delegation of the GCC visited India and held discussions on a number of issues related to FTA and non-tariff barriers affecting Indian exports to the region. While the India–GCC FTA is likely to open a billion-strong consumer market for the Gulf countries, it will also profit India, especially in economic and trade sectors.¹³ The FTA, which will cut down restrictive duties and reduce tariffs on goods trading, is likely to offer Indian pharmaceutical and chemical industries a boost in their presence in the GCC region. India has been constantly working with the GCC to conclude the FTA covering goods, investments and services.

The first round of dialogue was held in Riyadh, 21–22 March 2006. It was decided that the proposed FTA will also include services and investment besides trade in goods. Four working groups on Trade in Goods, Trade in Services, Investment and Economic Cooperation and Rules of Origin and Customs Cooperation were formed. The second round of meeting was held in Riyadh, 9–10 September 2008. The third round of India–GCC FTA talks was organised in January 2009 in Riyadh.

Chairing the Trade and Economic Relations Committee (TERC) meeting in New Delhi, in 2005, the Indian Prime Minister, Manmohan Singh, said:

The Gulf region, like South-East and South Asia, is part of our natural economic hinterland. We must pursue closer economic relations with all our neighbours in our wider Asian neighbourhood. India has successfully pursued a Look East policy to come closer to the countries of South-East Asia. We must, similarly, come closer to our Western neighbours in the Gulf.¹⁴

India has also tried to conduct negotiations with individual GCC countries for economic cooperation agreement on goods, investments and services. Prime Minister Manmohan Singh's three-day visit, 8–10 November 2008, to Oman and Qatar and signing of agreements relating to economic and trade was an important step in transforming India's dynamic with the region. In February 2013, India's Union Minister for Commerce, Industry and Textiles, Anand Sharma, conveyed to Sheikha Lubna Bint Khalid Al

Qasimi, Minister of Foreign Trade for the UAE that UAE should take the lead in “reenergizing the negotiations for concluding the India–GCC FTA talks”, which have stalled for a while.¹⁵

The FTA has not been signed so far due to concerns by various stakeholders on both sides about some of its provisions, which include: the demand by some of the Gulf states, especially the UAE and Saudi Arabia, to incorporate oil imports in the FTA because of which India would stand to lose revenues from import duties; and anxieties of the Indian petrochemical sector due to the likely loss of competitiveness and different regulations, procedures and patterns followed by GCC member countries. The global financial crisis and the political disturbances in the region have also been responsible for obstructing the finalisation of the FTA deal. India is also looking for greater protections for its chemical and petrochemical industry to safeguard domestic players.

Investments

A key component of India's recent growth has been its ability to attract foreign direct investments (FDI) into its economy. With the requirement of funds for infrastructure development and the need to balance a high current account deficit, India needs robust FDI inflows worth hundreds of billions of dollars every year. India is trying to attract foreign capital for both private and public sector projects. Moreover, large and independent Indian corporates that have risen in the past two decades are interested, for their own profitability, in finding lucrative investment opportunities overseas. Gulf countries are sitting over more than a trillion dollars worth of sovereign funds, besides the surplus capital available with companies and high net worth individuals.

The GCC's investments into India have increased in recent years from US\$ 223 million in 2005 to US\$ 2,639.5 million in January 2012.¹⁶ However, GCC investments in India remain much below their potential. Also, investments in India are only a small percentage of the overall investments by GCC countries outside their region. This indicates that India has been unable to attract sufficient interest from the investors in the Gulf despite improvement in relations between India and the region. India has taken some steps to attract foreign investments by further relaxing regulatory restrictions and inviting GCC investors to actively participate in India's robust growth story for mutual benefit. For instance, the Indian government invited the UAE-based Abu Dhabi Investment Authority in January 2012 to invest in its infrastructure projects. The UAE and Oman

are the only two major GCC countries investing significantly in India (see Table 4.2 below).¹⁷

Table 4.2: Investments by GCC Countries in India

(All figures in US \$ million)

<i>Country</i>	<i>2005</i>	<i>2007</i>	<i>2009</i>	<i>2011</i>	<i>January 2012</i>
UAE	141.0	588.4	1,507.2	2,090.9	2,219.8
Oman	24.0	53.5	64.0	338.6	339.5
Saudi Arabia	19.1	15.3	29.1	33.8	33.8
Bahrain	32.7	24.7	25.8	27.0	27.0
Kuwait	6.1	6.7	15.3	17.4	17.8
Qatar	0.1	0.1	0.1	1.6	1.6
GCC	223.0	688.7	1,641.5	2,509.2	2,639.5

Source: Department of Commerce, Ministry of Commerce and Industry, Government of India, Ministry of Commerce and Industry, Department of Commerce, available at <http://commerce.nic.in/index.asp>. See also AlpenCapital, available at http://www.alpencapital.com/downloads/Trade%20and%20Capital%20Flows%20%20GCC%20and%20India_Final_May%2002%202012.pdf.

India's Major Trade and Investment Challenges in the GCC

Despite favourable conditions for investment in the GCC countries, Indian companies continue to face some difficulty in setting up their business in the region. Lack of unified rules, procedures and standards followed by the GCC countries still pose a major trade challenge to India. For example, GCC countries impose different tariff rates based on their individual contracts with India. However, GCC countries are working to establish a customs union authority, which will help meet these challenges. If this union becomes fully functional, all member states would have to follow common trade and investment procedures. This union will help foreign investors, including India, to enhance its trade and investment with the GCC region.

Indian businessmen also face some challenges due to divergent norms practised by GCC countries regarding FDI. However, FDI is generally permitted in most sectors for foreign investment. Another problem that Indian companies face in the region is the lack of uniformity in cost structure even within a country. For example, within the UAE, the electricity tariff system charged in Abu Dhabi is different from Dubai and Sharjah. While Dubai and Sharjah practice a slab tariff system, Abu Dhabi has recently changed from a flat-rate system to a timing-based system.¹⁸

To enhance bilateral economic and trade cooperation, the tariff structure should be common within a country.

Lack of official documents and an updated database is also one of the challenges to trade and investment flow in the GCC region. The absence of written documents related to rules and regulations, procedures and economic policies adversely impacts foreign investors, including those from India. Lack of transparency in investment regulations, procedures and trade and economic policies in the GCC countries is a major hurdle to developing business relationships between the two regions. In GCC countries, FDI and trade and investment policies are not available in the public domain or are not updated on a regular basis in many GCC countries. This makes it tricky to examine the investment trends and potential.

Red-tapism and bureaucracy is also one of the challenges in the GCC countries for trade and investment. In a recent survey carried out by the Federation of the GCC Chambers of Commerce and Industry (FGCCI),¹⁹ policy discrimination against foreign investors was accepted as a major problem to investments in the region.

GCC's Major Trade and Investment Challenges in India

The GCC countries argue that despite the region having been granted the MFN status by India, the custom duties demanded on the merchandise imported from the region still high compared to a nominal duty of 5 per cent on India's exports to the GCC. Apart from tariffs, GCC States are also required to pay some other taxes like Value Added Tax (VAT) and the Central Sales Tax (CST). However, the VAT regime was set up in April 2005 to stop multiple state-level tax structures and to encourage the idea of a common market, GCC businessmen point out that Indian states continue to demand CST of around 2 per cent over and above the VAT.

Aside from the tariff-related barriers, GCC countries find fault with India for erecting some non-tariff barriers like import licensing, quantitative limits, mandatory testing, export subsidies and certification for a big number of merchandise items.

The GCC countries also accuse India of imposing a number of limitations for investments by foreign companies in certain service sectors such as telecommunication and legal services. They further argue that despite assurances by the Indian government at the World Trade Organisation (WTO) Doha Round to liberalise these sectors, no such action has taken place.

Companies from the GCC countries additionally require the Indian government's special approval for investment in certain sectors that include the railways, agriculture and retail trade (particularly multi-brand retailing). Nonetheless, there has been some easing of norms. Now, India permits GCC companies to invest up to 100 per cent FDI in single-brand retail. India is also working on a mechanism that allows the GCC countries to invest in other sectors such as in aviation, retail and banking.

However, GCC countries are unimpressed with the state of infrastructure in India. This is one of the major difficulties for trade and investment flows into India. India presently ranks 91st out of 139 nations in terms of the quality of its infrastructure.²⁰ In terms of its power grids, airports, railways, road and port infrastructure, India fails to meet the high standards of Japan, the United States (US) and China. The Indian government's plans to invest around US\$ 1.5 trillion over 2007–17²¹ towards infrastructure development must therefore be implemented.

Among other issues, GCC analysts also point out the complex and time-taking customs and investment procedures that discourage investments by foreign companies. This view is shared by others too. According to the International Finance Corporation (IFC)–World Bank's "Doing Business Index",²² a foreign company wishing to invest in the construction sector in India has to complete 34 procedures, which take an average of 227 days before a licence is granted, while the contracts take about 1,420 days to come into force.

India's Trade Relations with Individual Countries of GCC

Oman

Oman is a middle-income economy that has seriously embarked upon diversification plans involving industrialisation and privatisation due to its limited oil and gas resources. Tourism and gas-based industries are major mechanisms of the government's diversification strategy. India and Oman signed an MoU in November 2008 to establish an India–Oman Joint Investment Fund with a seed capital of US\$ 100 million, which would be extendable to US\$ 1.5 billion.²³ This mechanism aims to recognise projects in infrastructure, health, tourism, telecommunications, utility and urban infrastructure in both countries. Both countries have also signed an MoU in the field of manpower to increase the employment of Indian professionals in different sectors in Oman and to stop illegal recruitment and human trafficking. Existing contracts on the Avoidance of Double

Taxation and Promotion and Protection of Bilateral Investments offer the essential legal framework for facilitating trade and investment flows. Both countries also signed the Agreement on Economic, Trade and Technical Cooperation, during the visit of Indian Prime Minister P.V. Narasimha Rao in 1993, visualised the setting up of an India–Oman Joint Commission Meeting (JCM). The two countries also signed an agreement to establish the Joint Business Council (JBC) in April 1995.²⁴ Both countries signed numbers of agreements including agreements relating to economic, energy, defence and security during Indian Prime Minister Manmohan Singh's three-day visit to Oman in November 2008. The visit of Indian Prime Minister and signing of agreements were important steps in the changing bilateral relationship between the two countries.²⁵ Bilateral trade figures between India and Oman are given in Table 4.3.

Table 4.3: India–Oman Bilateral Trade

(Figures in US\$ million)

<i>Trade</i>	<i>Year</i>					
	<i>2007–08</i>	<i>2008–09</i>	<i>2009–10</i>	<i>2010–11</i>	<i>2011–12</i>	<i>2012–13</i>
India's Exports	939.43	779.04	1,032.93	1,086.48	1,322.13	2,599.16
India's Imports	1,141.46	1,205.46	3,499.89	4,002.07	3,345.94	1,948.53
Total Trade	2,080.88	1,984.50	4,532.82	5,088.55	4,668.44	4,547.68

Source: Department of Commerce, Ministry of Commerce and Industry, Government of India, 2012, available at <http://commerce.nic.in/eidb/iecmt.asp>.

Presently, India is the third largest exporter of products and services to Oman, and is likely to gain the number one slot within the next five years. The projection is made on the basis of the increasing trade and economic relations as well as many joint ventures in progress between the two countries. By 2010–11, there were over 1,527 Omani–India joint ventures across 13 socio-economic sectors.²⁶ The India–Oman JCM mechanism has identified certain areas of cooperation with special focus on food security, fertilisers, tourism and medical tourism, investments in industry, chemicals and pharmaceuticals, enhancing non-oil trade exchanges.²⁷ Due to the global economic slowdown, bilateral trade between the two countries has been fluctuating over last three years, but the figures are likely to increase in coming years.

Qatar

Qatar's economy has been growing at a rapid pace in recent years with sustained high real GDP growth. During the financial crisis, the Qatari

government sought to protect its local banking sector with direct investments into the banks. Its economic policy is focused on developing Qatar's non-associated natural gas reserves and increasing private and foreign investment in non-energy sectors, but oil and gas still account for more than 50 per cent of its GDP.

India has a long history of friendly relations with Qatar marked by commercial links and people-to-people contacts. More recently, a number of steps have been taken to further strengthen and increase bilateral relations. The privatisation and diversification of the Qatari economy has provided good opportunities for Indian companies and investors. Qatar is also keen for bilateral cooperation with India in the cyber security sector and information technology (IT) solutions.

India's trade with Qatar increased from US\$ 4.17 billion in 2008–09 to US\$ 16.30 billion in 2012–13 (see Table 4.4).²⁸ While India's exports to Qatar were limited during this period, there was a massive jump in exports from Qatar to India due to the increasing demand of LNG in India. This trend is likely to continue in future. Further, there is vast scope for Indian businesses in the Qatari market to eliminate trade imbalance between the two countries. Qatar, being a fast-growing market, needs the expertise of Indian companies. This is an opportune time for Indian companies to invest in Qatar, especially in the engineering, procurement and construction sectors, given that Qatar will be hosting the 2022 FIFA World Cup.

Table 4.4: India–Qatar Bilateral Trade

(Figures in US\$ million)

<i>Trade</i>	<i>Year</i>					
	<i>2007–08</i>	<i>2008–09</i>	<i>2009–10</i>	<i>2010–11</i>	<i>2011–12</i>	<i>2012–13</i>
India's Exports	538.73	674.37	536.97	375.39	807.95	687.05
India's Imports	2,455.75	3,498.91	4,648.52	6,819.87	12,916.35	15,616.58
Total Trade	2,994.49	4,173.28	5,185.49	7,195.27	13,724.30	16,303.63

Source: Department of Commerce, Ministry of Commerce and Industry, Government of India, 2012, available at <http://commerce.nic.in/eidb/iecnt.asp>.

Qatar has mainly invested in India's infrastructure sector. After the recent visit, in April 2012, of Qatar's Emir, Sheikh Hamad bin Khalifa Al Thani, to India, the two countries are looking to enhance their economic relations beyond energy. Qatar is also looking towards India as a strategic investor, especially in India's infrastructure plans. Qatar's sovereign fund—

one of the largest in the world—will ostensibly invest at least US\$ 10 billion annually in India,²⁹ with more than half of that being invested in India's infrastructure sector alone. In addition to the pact on hydrocarbon sector investment, five other agreements were signed during Hamad's visit to India, including one between the Indian and Qatari central banks, to share supervisory information and strengthen cooperation in banking supervision.³⁰ These developments indicate that leaders from both sides are serious about enhancing trade relations between the two countries.

Bahrain

Bahrain is one of the most diversified economies in the GCC region with well-developed communication and transport facilities that make it an important place to do business. But the overall size of their economy is small and despite its diversification plan, Bahrain's economy continues to depend heavily on oil. Seventy per cent of government revenues come from oil, and 11 per cent of its GDP (exclusive of allied industries) depends on oil. In 2011, Bahrain faced economic setbacks as a result of domestic turmoil. Presently, Bahrain risks losing its status as the region's financial hub to other regional centres, such as Dubai or Doha. However, despite the political turmoil, Bahrain's economy is improving and is expected to grow at 4–5 per cent in the current financial year as per government sources. In case domestic political instability returns, Bahrain will be faced with a very adverse economic situation.

Bahrain and India have enjoyed strong economic and trade relations spanning over several decades. Since the oil boom of the early 1970s, these relations have received a new momentum. With the privatisation and diversification of the Bahraini economy in progress, it provides vital opportunities for Indian companies and investors. The total trade between India and Bahrain has been fluctuating year on year and has not shown a stable trend, as reflected in Table 4.5.³¹

Table 4.5: India–Bahrain Bilateral Trade

(Figures in US\$ million)

<i>Trade</i>	<i>Year</i>					
	<i>2007–08</i>	<i>2008–09</i>	<i>2009–10</i>	<i>2010–11</i>	<i>2011–12</i>	<i>2012–13</i>
India's Exports	252.47	286.52	250.21	651.83	439.99	603.14
India's Imports	835.42	1,442.82	502.86	641.25	905.98	722.29
Total Trade	1,087.89	1,729.34	753.07	1,293.08	1,345.97	1,325.43

Source: Department of Commerce, Ministry of Commerce and Industry, Government of India, 2012, available at <http://commerce.nic.in/eidb/iecnt.asp>.

To enhance bilateral economic and trade relations, both countries have set up a JBC on 12 October 1994. The FICCI has made a number of presentations to Bahraini delegations in different sectors, especially relating to IT, food industry, telecommunications and small and medium industries. During the official visit of His Royal Highness, Prince Salman bin Hamad Al Khalifa, Crown Prince of Bahrain, to India, an agreement between FICCI and the Bahrain Chamber of Commerce and Industry on the establishment of Bahrain–India Business Council was signed on 30 May 2012.³² During his visit to India, Hamad also announced the signing of a Tax Information Exchange Agreement to promote economic and joint investments between the two countries. However, despite agreement on the JBC, their bilateral trade has not been growing as expected. In 2008–09, bilateral total trade between the two countries was US\$ 1.72 billion, and in 2012–13, it was US\$ 1.32 million only. One of the reasons for this decline of total trade between the two countries has been the political turbulence in Bahrain.

Saudi Arabia

Saudi Arabia is promoting the growth of the private sector in order to diversify its economy and also provide more job opportunities to its nationals in industries and other sectors. Its diversification process is mainly directed to the power generation, telecommunications, natural gas exploration and petrochemical sectors. Saudi Arabia has largely encouraged spending on job training and education for its growing youth population. A recent example is the opening of the King Abdullah University of Science and Technology—Saudi Arabia’s first co-educational university. Saudi Arabia’s economy increased 6.8 per cent in 2012.³³ As part of its attempt to attract foreign investments, Saudi Arabia acceded to the WTO in December 2005 after many years of negotiations. According to a FICCI report, “The Saudi government has planned to promote foreign investment and spend US\$ 373 billion between 2010 and 2014 on social development and infrastructure projects to strengthen its economy.”³⁴

Bilateral trade relations between India and Saudi Arabia have expanded over the years. India perceives Saudi Arabia as a significant economic partner for investments, joint ventures and transfer of technology projects. Bilateral trade between the two countries has grown remarkably by a recorded threefold increase in the last five years.³⁵ Saudi Arabia is the fourth largest trade partner of India.

The total trade between India and Saudi Arabia has increased from US\$ 25.08 billion in 2008–09 to US\$ 43.91 billion in 2012–13 (see Table 4.6).³⁶ However, the trade balance is in favour of Saudi Arabia due to huge oil imports by India from the kingdom. In order to correct this imbalance, the focus of India's trade with Saudi Arabia needs to be shifted to investment and joint ventures. India should also focus on enhancing trade in commodities, manufacturing as well as in services.

Table 4.6: India–Saudi Arabia Bilateral Trade

(Figures in US\$ million)

<i>Trade</i>	<i>Year</i>					
	<i>2007–08</i>	<i>2008–09</i>	<i>2009–10</i>	<i>2010–11</i>	<i>2011–12</i>	<i>2012–13</i>
India's Exports	3,711.16	5,110.38	3,907.00	4,684.40	5,683.29	9,783.81
India's Imports	19,470.30	19,972.74	17,097.57	20,385.28	31,817.70	34,130.50
Total Trade	23,181.46	25,083.12	21,004.57	25,069.68	37,501.00	43,914.31

Source: Department of Commerce, Ministry of Commerce and Industry, Government of India, 2012, available at <http://commerce.nic.in/eidb/iecnt.asp>.

In March 2013, Saudi Arabia granted permission to Indian companies for investment in the kingdom worth US\$ 625 billion in major sectors, including infrastructure, petrochemicals, electricity, IT, tourism, natural gas production, agriculture and education. Abdul Rahman Al-Rabiah, Chairman of Saudi–India JBC, said, “the governments of the two countries have done their job of facilitating two-way business engagements...Yet, the results in terms of business exchanges are not to the level we would like to see.”³⁷ He also added that there are a lot of opportunities for Indian companies with their high technology and experience to participate in the kingdom's development. Nevertheless, Indian investment in Saudi Arabia has been only around a consistent US\$ 400 million,³⁸ still insufficient as compared to its potential.

Saudi Arabia is the 45th largest investor in India with investments from April 2000 to December 2012 amounting to US\$ 40.90 million³⁹ only, which is grossly below the potential. There are billions worth of sovereign funds idling in Saudi banks, which can be invested in Indian infrastructure projects and financial markets. This sovereign fund investment would benefit both India as well as Saudi Arabia. India needs to make a concerted effort to attract Saudi investors. To promote Saudi investment in India, an agreement could be signed that could include provision for Saudi Arabia to invest a percentage of its earnings from oil

exports to India on mutually agreed projects or joint ventures in India. This could help in mitigating the current adverse trade imbalance.

The UAE

The UAE's strategic plan for coming years concentrates on diversification and generating more prospects for nationals through better education and encourage private sector employment. The UAE's free trade zones—offering 100 per cent foreign ownership and zero taxes—have been very attractive to foreign investors.

India maintains a special relationship with the UAE because it has been its top trading partner as well as a strategically important country. In the last few years, India and the UAE have signed a number of agreements and MoUs in all possible areas of mutual interests, including trade and investment. Due to the global economic crisis, markets in Europe and the US are declining and the UAE has been looking to India for trade and investment. Besides being one of the important trade corridors in the world, the UAE has emerged as India's leading trade partner. Bilateral trade between the two countries increased during the last five years from US\$ 48.27 billion in 2008–09 to US\$ 74.70 billion in 2012–13 (see Table 4.7). The trade balance continues to be in favour of India. There are two major reasons for India's trade balance with the UAE. First, India–UAE trade is sustainable. Second, till date, non-oil trade between the two countries has a higher proportion in the overall trade.

Table 4.7: India–UAE Bilateral Trade

(Figures in US\$ million)

<i>Trade</i>	<i>Year</i>					
	<i>2007–08</i>	<i>2008–09</i>	<i>2009–10</i>	<i>2010–11</i>	<i>2011–12</i>	<i>2012–13</i>
India's Exports	15,636.91	24,477.48	23,970.40	33,822.39	35,925.52	36,265.15
India's Imports	13,482.61	23,791.25	19,499.10	32,753.16	36,756.32	38,436.47
Total Trade	29,119.52	48,268.72	43,469.50	66,575.55	72,681.84	74,701.16

Source: Department of Commerce, Ministry of Commerce and Industry, Government of India, 2012, available at <http://commerce.nic.in/eidb/iecnt.asp>.

Investment is another important area that offers vast opportunities where both the countries can benefit. At present, the UAE is India's tenth largest investor, with a capital base of US\$ 1.8 billion.⁴⁰ It is estimated that Indian companies have invested nearly US\$ 5 billion,⁴¹ making India the third largest investor country in the UAE. A High Level Task Force

(HLTF) on Investment has been formed in May 2012 between the two countries. A preparatory meeting at the official level in India—the UAE HLTF—took place on 11 November 2012. It is also speculated that more than 3,300 Indian companies have established manufacturing units or started local offices in the UAE.⁴² Without doubt, it could be argued that trade and business are bound to grow between the two in the years to come.

Kuwait

India has a long history of friendly relations with Kuwait marked by trade and investment cooperation. In 1989, a joint trade committee meeting was held in Kuwait to develop ways and means to enhance and strengthen trade relations between the two countries. The value and volume of exports and imports between India and Kuwait generally indicate an upward trend during the last two decades. Bilateral trade between the two countries has increased from US\$ 10.39 billion in 2008–09 to US\$ 17.67 billion in 2012–13 (see Table 4.8).⁴³

Table 4.8: India–Kuwait Bilateral Trade

(Figures in US\$ million)

<i>Trade</i>	<i>Year</i>					
	<i>2007–08</i>	<i>2008–09</i>	<i>2009–10</i>	<i>2010–11</i>	<i>2011–12</i>	<i>2012–13</i>
Exports	681.54	797.50	782.45	1,856.01	1,181.41	1,060.80
Imports	7,704.25	9,593.74	8,249.49	10,313.64	16,439.64	16,569.63
Total Trade	8,385.79	10,391.24	9,031.95	12,169.65	17,621.05	17,673.43

Source: Department of Commerce, Ministry of Commerce and Industry, Government of India, 2012, available at <http://commerce.nic.in/eidb/iecmt.asp>.

Besides the GCC countries, the trade figures for other three countries in the Gulf region, that is, Iraq, Yemen and Iran, are given in Tables 4.9, 4.10 and 4.11 respectively.

The large volume of trade between India and Kuwait in non-oil sectors indicates the sustainability and depth of the trade relationship between the two countries. The Kuwait Chamber of Commerce and Industry (KCCI) board member, Fahad Al-Jouaan, said, “India is one of the biggest economies globally as it enjoys many preferential qualities and natural resources, as well as its development in technology and information field.”⁴⁴

Table 4.9: India–Iraq Bilateral Trade*(Figures in US\$ million)*

Trade	Year					
	2007–08	2008–09	2009–10	2010–11	2011–12	2012–13
Exports	272.10	437.43	477.13	678.14	763.97	1,278.13
Imports	6,837.80	7,709.94	7,026.93	9,008.30	18,918.47	20,155.94
Total Trade	7,109.90	8,147.37	7,504.06	9,686.44	19,682.44	21,434.07

Source: Department of Commerce, Ministry of Commerce and Industry, Government of India, 2012, available at <http://commerce.nic.in/eidb/iecnt.asp>.

Table 4.10: India–Yemen Bilateral Trade*(Figures in US\$ million)*

Trade	Year					
	2007–08	2008–09	2009–10	2010–11	2011–12	2012–13
Exports	1,017.54	787.29	727.39	514.10	730.62	1,477.01
Imports	1,468.97	754.61	1,575.55	1,743.90	970.72	880.76
Total Trade	2,486.51	1,541.91	2,302.95	2,258.00	1,701.34	2,357.77

Source: Department of Commerce, Ministry of Commerce and Industry, Government of India, 2012, available at <http://commerce.nic.in/eidb/iecnt.asp>.

Table 4.11: India–Iran Bilateral Trade*(Figures in US\$ million)*

Trade	Year					
	2007–08	2008–09	2009–10	2010–11	2011–12	2012–13
Exports	1,943.92	2,534.01	1,853.17	2,492.90	2,411.33	3,351.07
Imports	10,943.61	12,376.77	11,540.85	10,928.21	13,556.71	11,603.79
Total Trade	12,887.53	14,910.78	13,394.01	13,421.12	15,968.03	14,954.86

Source: Department of Commerce, Ministry of Commerce and Industry, Government of India, 2012, available at <http://commerce.nic.in/eidb/iecnt.asp>.

Kuwait is expected to spend a staggering US\$ 117 billion in various projects over the next three years.⁴⁵ The projects are wide ranging besides in the oil and gas sectors. They include real estate, construction of new cities, hospitals, housing units, infrastructure, roads, airports, metro and railway projects, power and transmission, petrochemicals, gas processing and pipelines.⁴⁶

Table 4.12 gives details of the major items of import from and export to various countries of the region.

Table 4.12: India–GCC Major Import–Export Commodities

<i>Countries</i>	<i>Import</i>	<i>Export</i>
UAE	Crude oil and petroleum products, precious metals, semiprecious stones, gems and jewellery, minerals and chemicals.	Refined petroleum products, precious metals, stones, gems and jewellery, minerals, food items, textiles, engineering and machinery products and chemicals.
Saudi Arabia	Mineral fuels, mineral oils and its products, organic chemicals, plastic and its articles, inorganic chemicals, fertilisers, aluminium and its articles.	Mineral fuels, mineral oils and products thereof, cereals, nuclear reactors, boilers, electrical machinery and equipment, iron and steel, organic chemicals, meat and other food items.
Oman	Urea, LNG (through spot purchase), polypropylene, lubricating oil, dates and chromite ore.	Textiles and garments, machinery and equipment, electrical and electronic items, chemicals, iron and steel products and food items.
Qatar	Petrochemicals, LNG, fertilisers, sulphur and iron pyrites.	Machinery and equipment, transport equipment, textiles, food products, ores and minerals.
Bahrain	Mineral fuels, mineral oils and products of their distillation, slag and ash and fertilisers.	Inorganic chemicals, organic or inorganic compounds of precious metals and floating structures, machinery and mechanical appliances.
Kuwait	Crude oil, precious stones and metals, chemicals.	Precious stones and metals, chemical products, textile and textile articles, plants and vegetable products, basmati rice and RMG cotton, glassware, primary and semi-finished iron and machinery.

Source: Department of Commerce, Ministry of Commerce and Industry, Government of India, 2012, available at <http://commerce.nic.in/eidb/iecnt.asp>. See also FICCI, February 2013, available at http://www.ficci.com/international/75148/Project_docs/.pdf

Economic Condition of GCC Countries

The common structural characteristics of the GCC economies include: a serious dependence on foreign labour and revenues from energy exports; a rapidly growing young and educated domestic labour force; and a large public sector. Economic policies among GCC countries mainly reflect their common circumstances, including open economies with free trade and capital movements and an exchange rate pegged to the US\$, either directly or indirectly. The level of trade openness differs, as specified by the ratio of total exports and imports to GDP, which varies from 73 per cent in case of Kuwait to 158 per cent in the case of the UAE. In each of these

economies, the state plays a significant role in economic activities.⁴⁷ On ease of doing business and logistics performance, the GCC countries secure a good position against global leaders. Saudi Arabia and Bahrain have especially established a good position with regards to their business-enabling environment and the UAE excels in logistics.

The recent global economic crisis and resultant volatility in oil prices created some anxiety in the Gulf states since their economy depends substantially on energy exports. Presently, however, oil prices are sustaining above US\$ 100 per barrel due to supply constraints from Iran, Iraq and Libya (in between), despite the recession persisting in Europe and falling commodity prices. Should the recession continue much longer and if the current predictions of the shale gas revolution in the US come true, there is a real likelihood of oil prices moderating rather than firming up in the next decade or two. The idea of electric cars revolutionising the automobile sector has not caught on so far because of the lack of public acceptability, limitations of range of operation and very high battery costs, but the energy-deficient advanced economies will continue efforts to reduce their dependence on fossil fuels. Realising the uncertainty about oil prices, the GCC countries have been keen to diversify their economies. Though the economies in the Gulf are not yet matured, these states have been able to attract outside investments and technology primarily because of perceived security of investments and because of sound investment policies followed by them.

The Major Drivers of Trade and Economic Relations

1. **India's energy security:** The Gulf region holds huge energy resources like oil and gas and supply these to most of the Asian and European countries. Propensity for instability of the region is the main concern for the entire world. The GCC contribution towards international economic and energy security has grown significantly, especially after the US-led economic sanctions against Iran, by raising their oil and gas production. Any change in this region is bound to have an immediate and strong impact on the world economy and politics, and definitely on India's economy in view of the large volume of its bilateral trade with the region.
2. **Investment climate for GCC investors in India:** The state of India's infrastructure remains well below world standards. This is one of the major problems for trade and investment flows into India. In some sectors, including power grids, airports, railways,

road and port infrastructure, India is much behind other major economies like China. Without doubt, GCC investment in India has increased in recent years, but is much below the actual potential. India has to improve its business environment if it is serious about attracting investments from the GCC countries.

3. **India's trade policy:** India–GCC trade has increased considerably in the recent years following major economic reforms after 1991. The UAE and Saudi Arabia have become major trade and investment partners for India. India has also broadened its trade basket gradually and is one of the major investors in the GCC region. However, future course of the development of trade and investment cooperation will depend upon India's seriousness about pursuing a more export-oriented policy and commodity basket diversification.
4. **Diversification policy of the GCC countries:** Most of the countries in the region are intensifying their economic diversification to develop their non-oil sector economies with a view to reducing their heavy dependence on oil and gas sector. But the diversification is related to the petroleum sector, though there is a boom in infrastructure and new projects have been coming up in the region. Yet, no major departure is evident from the existing economic policies of these countries. The role of the state will continue to be important. If the diversification policy and economic reforms succeed, it will definitely open many more opportunities for Indian businesses in the region. The diversification process is very much part of their new economic strategy but will this grow beyond the oil sector is yet to be determined. Some economists feel that at present, there are no such indications. In terms of formulations, the countries of West Asia are looking towards the service sector where opportunities for cooperation could exist for India. These countries are coming up with free zones that could open up new areas for cooperation between India and the GCC countries.⁴⁸ The degree of success in the diversification policy of different GCC states is uncertain at the moment in view of the deep structural changes required in the Gulf economies for the policies to succeed. However, should diversification come about effectively, it will be conducive for the growth of India–GCC trade relations and could open new employment opportunities for skilled Indian migrants.

Recommendations

Increasing trade and economic relations between India and the GCC will no doubt have a spill over effect in the political and security arenas. India is a huge present and future market for hydrocarbon exports from the Gulf region, besides being an equally huge market for goods and services. Indian citizens have been contributing a lot towards the growth of the economies in the Gulf region, while at the same time, sending back huge amounts in foreign currency as remittances. These remittances are of immense value to India and help manage its current account deficit. Therefore, India is an indispensable economic partner for the GCC countries. With improvement in political and security ties between the two sides, it appears that the situation is ideal for taking the India–Gulf trade relationship to a higher orbit. A large number of agreements and MoUs have been signed in the last few years covering wide-ranging areas. An early conclusion of the FTA between the two sides and a higher level of investment flows from the Gulf region to India will be catalysts for a higher degree of economic relations between India and the Gulf region.

India, being a US\$ 100 billion market, is very relevant to the GCC countries. It is not simply the import of crude oil and gas by India that underpins India–Gulf economic relations but also the trade in other petroleum products, fertilisers and manufactured goods, besides the presence of a huge number of Indian workers who keep the wheels of Gulf economies moving, that are equally important. With the likelihood of the US involvement with the region decreasing and muted economic growth in Europe in the next two decades, the GCC will be looking forward to a higher level of trade and economic relationship with the big Asian economies, including India. India needs to leverage its geographical proximity, economic and cultural relationship going back thousands of years and economic complementarities to enhance its trade and economic ties with the Gulf states. This relationship is equally important for both sides. Closer India–GCC ties will be mutually beneficial. India needs to protect this relationship from the vagaries of regional geopolitical tussles, internal political dynamics in each of the countries and the volatility of oil prices, while the GCC states must be more forthcoming in making investments in India.

Despite India's historical and cultural linkages with GCC countries, India is not exploiting the opportunities presented by the GCC countries, especially in the economic and trade sectors. The global economic crisis

and the subsequent moderation in the world economy and oil prices have had its impact on the India–GCC bilateral trade as well. The following recommendations need to be taken note of:

1. It is estimated that Indian economy will grow around 6 per cent in current financial year but will need huge foreign investments to increase the growth rates to 8–9 per cent annually on a sustained basis. The GDP growth below that level is insufficient to make appreciable improvement in people's lives. Adequate surplus and investible funds are available in the GCC countries. India has to take special efforts to attract these investments by improving the investment climate, making quick decisions on investment proposals and reframing complicated and time-consuming customs and investment procedures.
2. To promote transparency in trade and investment, India must work with GCC countries to make official policies and databases widely accessible by placing these in the public domain and updating these regularly.
3. India has built its expertise in the small and medium enterprise (SME) business model worldwide; however, this talent has still not been utilised in the GCC countries properly. India should leverage this strength and the desire of the GCC countries to diversify their economies to build a mutually beneficial relationship. Analysts believe that SMEs could play a vital role for the creation of new job opportunities for a growing younger generation and the GDP growth for GCC economies in the future.
4. Trade relations between India and the GCC should be widened beyond traditional exports and imports. To strengthen their trade and investment cooperation, active state visits by high officials and business delegates could be increased on both sides.
5. There is a need to identify specific areas for cooperation in the light of new economic realities. For instance, there is scope for India to increase its exports of engineering goods and textiles, and also a huge scope for increase in consultancy, including turnkey projects in the infrastructure sector in the Gulf region.
6. India should evaluate the country-specific needs and opportunities and then focus on areas where it has a competitive advantage and a niche capability whilst deliberately targeting those sectors. India should also focus on a closer personal engagement with leaders,

- officials and businessmen because in the Gulf countries, a lot of deals are done on a person-to-person basis.
7. There is a huge scope for economic cooperation in view of complementarities in the economies of India and the GCC. Trade and investment cooperation must be based on a long-term strategy and an effective mechanism so as to achieve the desired objectives of the two sides. The mechanism should be a multistage setup involving both official and non-official agencies like trade organisations, financial institutions and shipping corporations.
 8. The bilateral trade between India and Saudi Arabia has recorded a threefold growth in the last five years. However, trade balance is heavily tilted in favour of Saudi Arabia due to the huge quantity of oil imported by India. In order to address the problem of current account deficit, India needs to encourage investments from and joint ventures with Saudi companies, in either country or even in other countries.
 9. India and the GCC should conclude the FTA quickly. It has the potential to increase bilateral trade substantially and will go a long way in addressing the issue of trade imbalance with the region.

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Chapter 5

Indian Migrants¹ in the Gulf Countries

*Neha Kohli**

The presence of about 6 million Indians in the Gulf is reflective of a mutually beneficial relationship between the Gulf states and India. The Indian migrants are preferred over others owing to their skills and non-involvement in the domestic affairs of the host country, and this particular preference has ensured a steady flow of remittances back home. The Indian migrants' 40 year sojourn in the Gulf has helped build the foundation of a strong bilateral relationship with most of the countries in the region. In view of recent developments, however, there is a need to examine if migration of Indians to the region will continue at the same level in next two decades. Economic slowdown in some countries of the Gulf, internal demographic compulsions, indigenisation policies and political uncertainties plaguing some of the states could have a negative impact on Indian migrants working in the Gulf Cooperation Council (GCC) countries. In this context, this chapter examines the profile of Indian migrants in the region; level of remittances; the immediate impact of renewed indigenisation policies; political uncertainties and possible contingencies in future; bilateral and multilateral initiatives undertaken by the Indian government to aid mutually beneficial migration to the region; and finally, the socio-economic and cultural impact of migration on India and the implications of a large-scale return of migrants from the Gulf. The chapter also identifies some key drivers affecting migration from India to the Gulf region and offers some recommendations.

Introduction

Indians moved to the Gulf in large numbers following the oil boom of the 1970s, and their numbers grew further as the economies of the GCC states—Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates (UAE)—expanded in the following decades. As of date, there

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are approximately 6 million Indians living and working in the six Gulf states. Not only are they the second largest overseas Indian community situated in a geographical region, they also remit more than one-third of the annual \$69 billion remittances by the Indian expatriates to India. Collectively, they also outnumber expatriates from other individual countries in the region.

Indians, along with other migrants to the region, benefited from the Gulf states' policy of inviting foreign manpower in order to offset the mismatch between the availability of local workforce and the requirement to sustain the rapid modernisation of these economies. Moreover, the large numbers of migrants in these countries can also be attributed to the reluctance of the local population to undertake many jobs: on the one hand, this stemmed from the state's ability to undertake and provide "womb to tomb" welfare and on the other, a cultural reluctance to undertake certain jobs. This, in turn, has resulted in a de-Arabised² labour market in these economies, with Asian, Western and non-Gulf Arab migrants collectively comprising a significant share of the labour market. The presence of migrants comprising almost 70 per cent of the total workforce in the GCC, thus, has profound implications for the GCC states in the social, political, economic and cultural spheres.³

The 2008 financial crisis and the Arab Spring of 2011 were a jolt to the hitherto stable and secure regimes, galvanising them into action to address the socio-economic realities of Arab societies so as to ensure regime stability. "Indigenisation" or "Arabisation" policies, especially pertaining to the labour market, are thus being applied with renewed vigour in the GCC states. Such policies, coupled with the changing political and security dynamics in the region, could have an impact on the 6 million Indians in the region.

In the larger context of India's relationship with the GCC states over the next 10–20 years, this chapter examines the profile of Indian migrants in the region; remittances; the immediate impact of renewed indigenisation policies; political uncertainties and possible contingencies in future; bilateral and multilateral initiatives undertaken by the Indian government to aid beneficial migration to the region; and finally, the socio-economic and cultural impact of migration on India and the implications of a large-scale return of migrants from the Gulf. The chapter also identifies some key drivers affecting migration to and from India vis-à-vis the Gulf and offers some recommendations for consideration.

Indian Migrants in the Gulf: A Profile

While Indians have always been present in West Asia, the last 40 years have seen large-scale migration of Indian nationals to the region seeking job opportunities, especially to the Gulf states. Initially comprising primarily of unskilled and semi-skilled labour, this expatriate community is steadily encompassing small but growing numbers of skilled and professional migrants.⁴ The Ministry of Overseas Indian Affairs (MOIA), the nodal ministry dealing with the Indian diaspora, estimates that approximately 6 million Indians live and work in West Asia, mostly in the GCC countries.⁵ Of the approximately 22 million overseas Indians (including non-resident Indians [NRIs] as well as people of Indian origin [PIOs]), those in the Gulf comprise the second largest expatriate Indian community in any single region in the world, with South-East Asia accounting for the maximum.⁶ Table 5.1 lists the break-up of the estimated Indian population in the GCC states.

Table 5.1: Indians in GCC States

<i>Country</i>	<i>Population (2012)</i>	<i>Number of Indians (2012)</i>
Bahrain	1,248,348	350,000
Kuwait	2,646,314	579,390 *
Oman	3,090,150	718,642 *
Qatar	1,951,591	500,000
Saudi Arabia	26,534,504	1,789,000
UAE	5,314,317	1,750,000

Note: *According to data presented to the Lok Sabha in August 2012 by MOIA in response to Question No. 1351 regarding estimated country-wise total number of Indians residing/working in various countries for last three years and current year (2012), there were 15,000 Indians in Iraq, 641,062 Indians in Kuwait and 718,000 in Oman.

Sources: The GCC countries' population has been sourced from <http://www.indexmundi.com/factbook/countries> (accessed on 21 May 2013). The number of Indians has been sourced from "Population of Non-resident Indians: Country Wise", MOIA, May 2012, available at [http://moia.gov.in/writereaddata/pdf/NRISPIOS-Data\(15-06-12\)new.pdf](http://moia.gov.in/writereaddata/pdf/NRISPIOS-Data(15-06-12)new.pdf) (accessed on 27 January 2013).

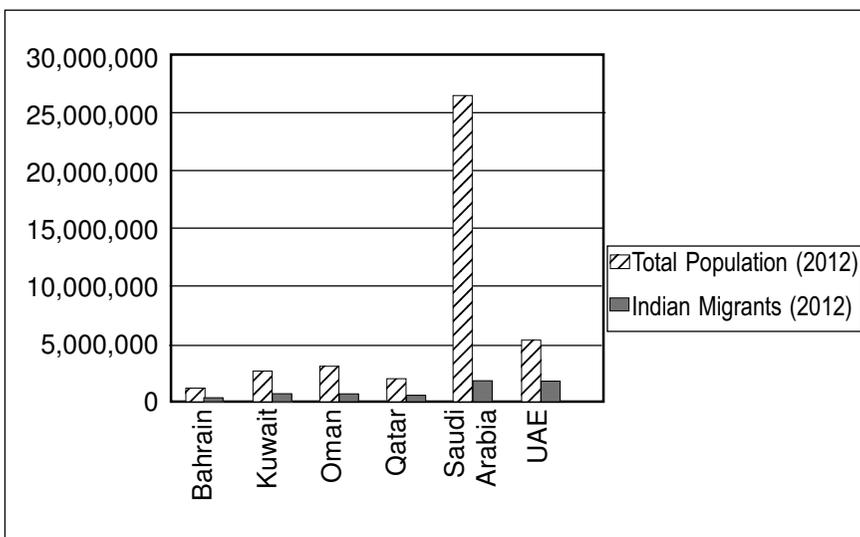
As Table 5.1 shows, the largest Indian community in the GCC is that in Saudi Arabia at about 1.79 million, followed by the UAE with 1.75 million. Accurate figures, however, are hard to come by. Gulf censuses, if occurring periodically, understandably "undercount the numbers of foreign migrants in their countries. Instead, [one] must rely on the data from sending countries, whose economies rely on remittances from these

workers.”⁷ In case of the latter, there are various approximations: for example, Table 5.1 shows May 2012 MOIA figures for Indian migrants in the GCC states, while a news report in December of the same year quotes Minister of Overseas Indian Affairs, Vayalar Ravi, as stating that “two million Indians work in Saudi Arabia followed by 1.8 million in the UAE”.⁸ The report further quotes Ravi as stating that “Kuwait was home to an Indian working population of 641,062, followed by Oman (581,832), Qatar (500,000) and Bahrain (400,000)...”⁹

Figure 5.1 indicates the number of Indian migrants vis-à-vis the total population in the GCC countries. The concentration of Indians residing in the GCC is extremely high in Bahrain, Qatar and the UAE, constituting nearly 36 per cent, 35 per cent and 34 per cent of these countries’ total population, respectively.¹⁰ Indians also form the largest expatriate community within each GCC country and collectively account for approximately one-third¹¹ of the expatriates in all the GCC states.

There has been significant growth in the numbers of Indian migrants to the Gulf over the course of the past four decades. In the 1970s, when Indians began moving to the Gulf in search of employment, their numbers were approximately 40,000; in 1980, there were 50,000 registered Indian expatriates in the Gulf states; and an estimated 1 million in 1985.¹² In

Figure 5.1: Country-wise GCC Population including Indian Migrants (2012)



Source: Based on data in Table 5.1.

2001, the numbers of Indian expatriates in the Gulf stood at approximately 3.5 million. By 2011–12, this number more or less doubled to approximately 6 million (see Table 5.1). Some recent though unconfirmed estimates put the numbers close to 7 million. Table 5.2 lists the estimated number of Indians in the Gulf region from 1975 to 2012, indicating clearly the growth in numbers over the years (also see Figure 5.2), especially between 2001 and 2012, a period that saw numbers rise substantially. Indians are preferred over others for their skills and also for the fact that they are seen as largely apolitical. The long historical and cultural connection between India and the region and the fact that Indians began moving to the Gulf in large numbers in the immediate aftermath of the oil boom have led to a preference for them above other migrant communities.

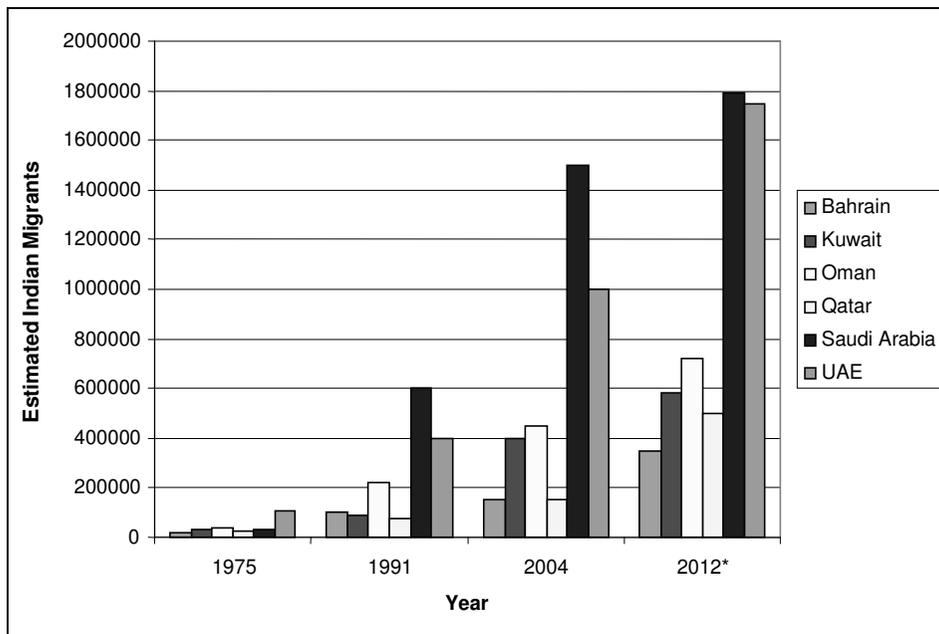
Table 5.2: Estimated Indian Migrants in the GCC States, 1975–2012

Country	Year						
	1975	1983	1987	1991	2004	2008	2012*
Bahrain	17,250	30,000	77,000	100,000	150,000	230,000	350,000
Kuwait	32,105	115,000	100,000	88,000	400,000	550,000	579,390
Oman	38,500	10,000	184,000	220,000	450,000	600,000	718,642
Qatar	27,800	40,000	50,000	75,000	150,000	220,000	500,000
Saudi Arabia	34,500	270,000	380,000	600,000	1,500,000	1,600,000	1,789,000
UAE	107,500	250,000	225,000	400,000	1,000,000	1,200,000	1,750,000

Note: *2012 figures based on MOIA data that includes NRI and PIO population.

Sources: Figures from 1975–2008 sourced from P.C. Jain, “An Incipient Diaspora: Indians in the Gulf Region”, in P.C. Jain (ed.), *Indian Diaspora in West Asia*, Delhi: Manohar, 2007, p. 181; and *Annual Reports* of the Ministry of External Affairs (MEA), Government of India, as cited in Satyanarayan Pattnayak, “The Indian Diaspora in Persian Gulf: An Analysis”, *Think India Quarterly*, Vol. 14, No. 2, 2008, p. 64. Figures for 2012 sourced from “Population of Non-Resident Indians: Country Wise”, available at [http://moia.gov.in/writereaddata/pdf/NRISPIOS-Data \(15-06-12\) new.pdf](http://moia.gov.in/writereaddata/pdf/NRISPIOS-Data (15-06-12) new.pdf).

The majority of the Indian population in the GCC is from the southern Indian states, Andhra Pradesh, Tamil Nadu and Kerala, while the rest belong to Gujarat, Maharashtra, Goa, Punjab, Uttar Pradesh, Bihar and Rajasthan.¹³ The original settlers in the region were mostly Sindhis and have been the integral part of the business community in the Gulf (especially in the UAE).¹⁴ There are some PIOs in Iran, Iraq, Oman and Kuwait, but their numbers are negligible.

Figure 5.2: Estimated Indian Migrants in the GCC States, 1975–2012

Source: Based on data in Table 5.2.

Indian migrants in the GCC states can be divided into the following categories:¹⁵

1. unskilled workers, employed in construction companies, municipalities, agricultural farms and as domestic workers;
2. skilled and semi-skilled workers;
3. professionals, such as doctors, engineers, accountants, nurses and paramedics, employed in government and private sectors; and
4. businessmen/entrepreneurs.

Since accurate figures are unavailable, an educated guess can be made about the profile of the Indian migrants to the Gulf. In 1990, blue-collar workers—category 1, unskilled—were the overwhelming majority at approximately 90 per cent, with white-collar non-professionals accounting for the rest; in 2000, 70 per cent were blue-collar workers, 20 per cent were white-collar professionals and 10 per cent were white-collar non-professionals.¹⁶ A 2012 report on India–GCC trade flows estimates that “white-collar workers...today form over 35 [per cent]” of this population.¹⁷ Professional Indians are increasingly being “employed at senior and mid-

level positions in several of the business organisations in these countries, and occupy important positions in socio-economic institutions.”¹⁸

An extrapolation of this trend would suggest that while the coming decades would see a steady professionalisation of the Indian migrant to the region, blue-collar workers would still, at least in the near future, seem set to remain the largest segment of the migrant population.

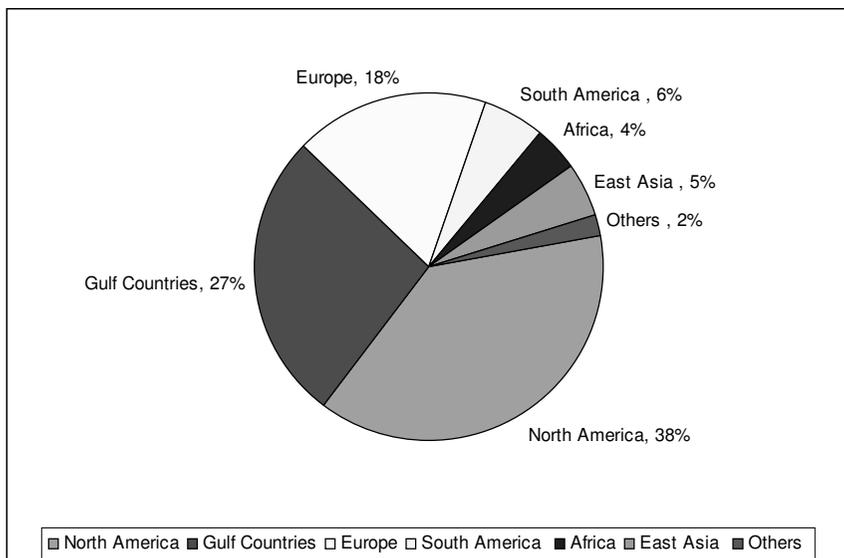
The presence of 6 million Indians in the GCC states has both ensured and furthered close ties between India and the GCC. On the one hand, Indians are preferred over other expatriate communities in the GCC and, on the other, India benefits from the massive inflow of remittances from the region. Both sides are thus invested in keeping this mutually beneficial relationship alive and healthy.

Remittances

For highly populated developing countries such as India, which have low levels of per capita income and high unemployment rates, migration has two advantages: first, migration outflow addresses the issue of (un)employment; and second, it brings in vital foreign exchange, necessary to address the persistent current account deficit. In the present context, this is exactly what drives the consistent Indian migration to the Gulf states: on the one hand, the migrant moves to the region for employment while, on the other hand, the state benefits from the money the migrant sends home. The resulting remittances form a significant chunk of not just national gross domestic product (GDP)—around 3–4 per cent of the national GDP—but of state domestic products (SDPs) as well—in Kerala, for example, remittances accounted for 22 per cent of net SDP in 2003–04.¹⁹

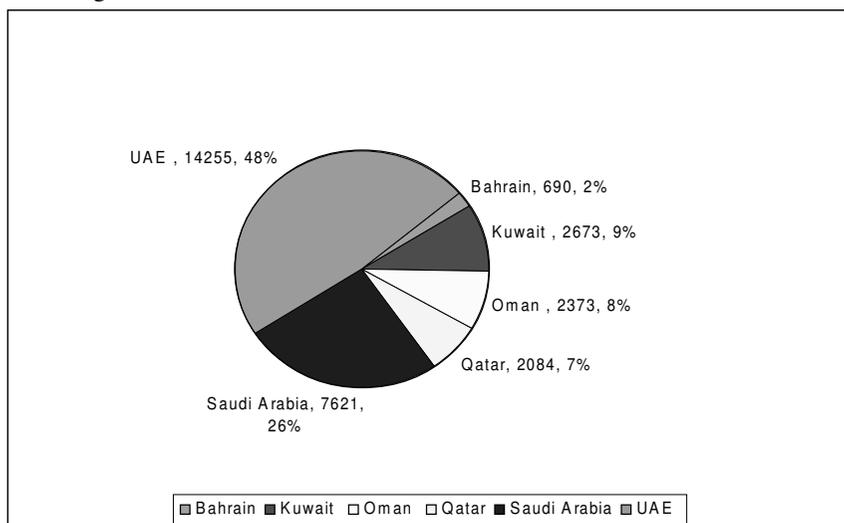
A Reserve Bank of India (RBI) survey conducted in 2008–09 estimated that of the total remittances received by India at the time, 27 per cent came from the Gulf countries (see Figure 5.3). Of these, Indians in the UAE and Saudi Arabia were the largest remitters.²⁰ Indians in the UAE and Saudi Arabia were the largest remitters to India in 2011 as well (see Figure 5.4). Of total remittances of US\$ 29.6 billion remitted from the GCC to India in 2011, the UAE remitted \$14.2 billion (48 per cent), Saudi Arabia remitted \$7.6 billion (26 per cent), Kuwait remitted \$2.6 billion (9 per cent), Oman remitted \$2.3 billion (8 per cent), Qatar remitted \$2 billion (7 per cent) and Bahrain remitted \$690 million (2 per cent). These countries continue to be among the top destinations for the low

Figure 5.3: Source of Remittance Flows into India, 2009–10



Source: Chart sourced from “Remittances from Overseas Indians: Modes of Transfer, Transaction Cost and Time Taken”, *RBI Monthly Bulletin*, April 2010, p. 787, available at http://www.rbi.org.in/scripts/BS_ViewBulletin.aspx?Id=11116 (accessed on 24 May 2013).

Figure 5.4: Bilateral Remittance Estimates for 2011 (US\$ million)



Source: Data sourced from the World Bank, *Migration and Development Brief 2012*, Washington DC: Migration and Remittance Unit, World Bank, available at <http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTDECPROSPECTS/0,,contentMDK:22759429~pagePK:64165401~piPK:64165026~theSitePK:476883,00.html#Remittances> (accessed on 6 August 2013).²³

and semi-skilled workers from India, with Saudi Arabia alone pulling in 289,297 low and semi-skilled workers from India in 2011.²¹ Additionally, 138,861 Indians migrated to the UAE; 73,819 to Oman; and 41,710 to Qatar during the same period.²²

Regardless of the four-year global economic slowdown and intermittent recessionary trends across economic sectors, overall remittance inflows have remained positive. The World Bank's *Migration and Development Brief 20* notes that officially recorded remittance flows to developing economies grew by 5.3 per cent over 2011 figures to reach an estimated \$401 billion in 2012.²⁴ India has consistently been the top recipient of remittances for 15 of the past 23 years, including successively for the last five years.²⁵ India's remittances grew from approximately \$49.6 billion in 2009 to \$69 billion in 2012,²⁶ followed by China (\$60 billion), Philippines (\$24 billion), Mexico (\$23 billion) and Nigeria and Egypt (\$21 billion each).²⁷ Remittance flows are expected to grow at an average of 8.8 per cent annual rate between 2013 and 2015 to about \$515 billion in 2015.²⁸ Going by past trends, it would be safe to assume that India would continue to be one of the top recipients of remittances in the years to come. The increased remittances could be attributed to one of two sources in the Gulf: remittances from larger numbers of blue-collar workers, indigenisation notwithstanding, remitting money home; and high-value remittances being sent by a relatively smaller but increasing number of professionals in the region. As discussed earlier, despite the questionable accuracy of numbers, migration to the GCC states would probably remain relatively high owing to medium to robust levels of economic growth in the region, with remittance flows from the region to India remaining buoyant and a crucial financial inflow into the economy.

Impact of Indigenisation Policy on Migrant Workers

On 27 March 2013, the deadline for implementation of the "Nitaqat" (Arabic for "ranges") or "classification" policy in Saudi Arabia expired. First announced in June 2011, Nitaqat is a facet of the "Saudisation" programme being undertaken by the Kingdom of Saudi Arabia to address an internal security and demographic challenge: a large youth bulge of educated, unemployed Saudis that need jobs, coupled with a desire to avoid the restiveness witnessed in the region during the Arab Spring. Through this programme, the Saudi government aims to create 1.12 million new jobs for Saudi nationals by 2014, or employ Saudi nationals in 92 per cent of

all new jobs created.²⁹ Nitaqat categorises companies into colour bands—red, yellow, green and blue/premium—depending on the range/proportion of Saudi employees out of the total workforce on their payroll. “It assigns different nationalisation rates according to the size and activity of companies, so smaller companies have smaller overall quota requirements than larger ones...[it] will also level severe penalties on violators and offer incentives and quotas to firms meeting the quotas.”³⁰

Moreover, as of 15 November 2012, Saudi employers with a workforce of less than 50 per cent Saudi nationals have to pay a monthly fee of Saudi Riyal 200 (US\$ 54) for each extra foreign worker they employ. The Ministry of Labour aims to increase competitiveness and employability of Saudi youth in a labour market that is dominated by non-Saudi foreign workers, especially in the private sector. By doing so, it “aims to reduce Saudi unemployment which stands at 10.5 per cent.... [In 2013], Saudi Labour Minister Adel Fakieh announced that Saudi Arabia plans to create three million jobs for Saudis by 2015 and six million jobs by 2030.”³¹

Similar laws have been proposed and/or implemented in other Gulf states. Oman was one of the first to undertake the “Omanisation” policy in 1988,³² wherein it deliberately undertook mechanisms to replace expatriates with trained Omani personnel. For example, in 2002, flowing from this policy, Omanis made up 37 per cent of the 34,549 employees in the hotel and catering business, exceeding the 30 per cent target set by the government.³³ Post-2011, the state policy focus on ensuring employment for Omani nationals in both public and private sectors has gained further momentum. For 2013, the target is to create “56,000 jobs, of which 20,000 will be in the government sector”, compared to “36,000 jobs for Omanis” in 2012, according to Finance Minister Darwish al-Balushi.³⁴

The GCC is considering a uniform law to regulate the presence of foreign workers in the region, returning “marginal”, non-contracted and unskilled foreign labour to their home states. The council will also attempt to eliminate workers who claim skills that they do not possess, the idea being to minimise unused labour—that is, labour with no clear contracts—in these economies.³⁵ Kuwait has already stated that “it will cut down and send away 100,000 expatriate workers who are considered marginal in order to replace them with local labour”, according to Fawzi Al Majdali, Secretary General of the Programme for Restructuring the Labour Force and the Executive Agency in Kuwait.³⁶

The UAE' national workforce is expected to double to around 500,000 by 2020, thus requiring the regime to create more job opportunities for nationals. This has made the "Emiratisation" policy a crucial item on the government's agenda,³⁷ with 2013 being declared as the year of "Emiratisation".³⁸ The UAE "hopes to reduce the unemployment rate among Emiratis to less than 5 per cent by 2030."³⁹ The drive, however, has not resulted in concrete results as nationals still prefer working in the public sector or limited areas in the private sector, such as banking and financial services.

Bahrain is in the process of reviewing "Bahrainisation" rates in certain sectors of the economy.⁴⁰ It has also begun to crack down on illegals, with an estimated 52,000 expatriates living in Bahrain without proper paperwork, according to the country's Labour Market Regulatory Authority.⁴¹ Qatar, through the *Qatar National Vision 2030*, has set projections which are to be incorporated into the business plans of both private and public sector firms. The policy aims at securing 50 per cent or more of Qatari citizens with viable and stable employment opportunities.⁴²

Though recently newsworthy owing to the large numbers of Indians queuing up in Riyadh to obtain the relevant documentation for their return to India, the indigenisation phenomenon has been progressing quietly, albeit slowly, over the last decade or so. Table 5.3 illustrates some key labour reforms undertaken by the GCC states over the last decade as part of the drive to bring in more nationals into the workforce.

Table 5.3: Labour Market Reforms in the GCC Countries in the 2000s

<i>Country</i>	<i>Reforms</i>
Bahrain	<ul style="list-style-type: none"> • Developed a new National Employment Strategy that includes providing fiscal subsidies for training nationals in the private sector and financial aid for the unemployed. • Introduced measures to improve general education standards and vocational and technical training programmes, and increased employment quota of Bahrainis in small and medium-sized companies while abolishing the "free visa" system to expatriate labour force.
Kuwait	<ul style="list-style-type: none"> • Established Manpower and Government Restructuring Programme (MGRP) in July 2001 to implement the labour law, provide unemployment benefits to unemployed Kuwaiti nationals, provide training and facilitate employment of Kuwaiti nationals in the private sector. • In September 2002, approved quotas for the proportion of Kuwaitis that private companies must employ. Companies that fail to meet this target would be subject to a fine and sanctions such as exclusion from bidding for government contracts.

(Contd.)

<i>Country</i>	<i>Reforms</i>
Oman	<ul style="list-style-type: none"> • Introduced measures to improve vocational and technical training programmes and set a uniform minimum wage for Omanis at Omani rial (OMR) 100 (plus OMR 20 as transportation allowance) instead of the previous two-tiered (skilled/unskilled) minimum wage. • Authorities are modernising the educational system at all levels. • Created new Ministry of Manpower in 2002 and adopted new labour law in May 2003.
Qatar	<ul style="list-style-type: none"> • Formally ended the policy of automatic employment for Qatari graduates. Now assists job seekers by maintaining information on job openings and by counselling and training. • Established a department in the Ministry of Civil Service with responsibility for this function.
Saudi Arabia	<ul style="list-style-type: none"> • Created the Human Resources Development Fund (HRDF) in 2000—with financial participation of the private sector—to provide training of Saudi labour force in skills required by the private sector, and development of a database for matching and placement of Saudi workers in the private sector.
UAE	<ul style="list-style-type: none"> • Established the National Human Resource Development and Employment Authority (Tanmia) in 1999 to help improve skills of the UAE nationals looking for jobs. • Established a national labour market database to facilitate nationals' job searches.

Source: Adapted from Ugo Fasano and Zubair Iqbal, "GCC Countries: From Oil Dependence to Diversification", International Monetary Fund, 2003, available at <http://www.imf.org/external/pubs/ft/med/2003/eng/fasano/#4> (accessed on 13 May 2013).

Socio-economic and demographic imperatives may not be the only drivers of indigenisation. For long, there has been awareness in the Gulf states of their dependence on foreign expatriate labour. Indigenisation essentially would, in the long run, aid these countries to: (a) lessen that dependence; and (b) wean their nationals away from welfare towards work. However, demography, more often than not, works against the policy: countries such as Bahrain and Qatar, where expatriates constitute around 80–85 per cent of the total population, would be able to enforce limited indigenisation. Saudi Arabia, on the other hand, has the largest population in the GCC, with significant numbers of youth set to enter the job market in the coming decades. Furthermore, indigenisation targets the private sector, which has hitherto depended almost entirely on the expatriate workforce. Not only do nationals prefer working in the public sector, the private sector often finds that even qualified nationals are unable to come up to scratch. It remains to be seen how the imperatives of indigenisation and the requirements of the private sector come together in future.

With indigenisation well in place in some countries (for example, Oman) and gaining momentum in others (for example, Saudi Arabia), a central concern facing the migrants in the Gulf today, particularly the white-collar professionals and to some extent, non-professional services categories, is the host countries' changing labour policies. Yet, consistently high (and growing) remittances from the region and rising numbers of migrants over the past decade and more, also indicate that the Indian migrant is capable of adapting to various contingencies to survive, and even thrive. According to Dilip Ratha, economist and manager of the World Bank's Migrations and Remittances Unit, "despite the global financial crisis many migrants have stayed put and continued to deliver on remittances by scaling back on consumption, moving across sectors to find new jobs despite the risk of temporary unemployment and saving on rent."⁴³ After the global economic downturn, a large number of Indians employed in the construction sector in Gulf countries, for example, transferred to retail trade and building maintenance. Increasing professionalisation of the migrants' profile would also ensure that there remains a consistent demand for such people in the region.

Since the end March 2013 deadline for Nitaqat's deadline (and despite an initial three-month waiver), around 75,000 Indians had registered by the end of May with the Indian Embassy in Riyadh seeking Emergency Certificates (EC) to leave Saudi Arabia amid concerns about possible job losses.⁴⁴ It must, however, be kept in mind that this is a relatively small proportion of the total number of Indians in the country, and that it is people who were working without valid work permits and runaways who came under the scanner here.⁴⁵ In early July, however, the Saudi monarch announced a further four-month extension to the waiver till 4 November 2013. This "...would give all workers without valid work permits the opportunity to legalise their stay in the Kingdom and allow others to return without harm to their future job prospects."⁴⁶

There are those who see this as a temporary phase and remain positive about working in the Gulf: if opportunities are limited in one country, for example, Saudi Arabia, as a result of government policies, they are optimistic about finding work in another country, for example, in the UAE. An article in *The Diplomat* quotes a returnee migrant from Saudi Arabia to Kerala's Malappuram district as saying: "I have already contacted agents for a job in the UAE or Bahrain..." adding that he is ready to leave again for the Gulf.⁴⁷

It looks certain that the Gulf states will move ahead with indigenisation over the next 10–20 years. It is difficult, at present, to make a definitive

assessment of the impact on the Indian expatriate community. Past trends (see Table 5.2 and Table 5.4), however, indicate that that significant numbers would still move to the region in search of employment, including those temporarily repatriated as a result of indigenisation policies or a conflict in the region.

Table 5.4: Labour Outflows from India by Destination, 1988–2012

<i>Year</i>	<i>Bahrain</i>	<i>Kuwait</i>	<i>Oman</i>	<i>Saudi Arabia</i>	<i>UAE</i>	<i>Others</i>	<i>Total</i>
1988	8,219	9,653	18,696	85,289	34,029	9,348	165,234
1989	8,520	5,679	16,574	49,710	28,189	11,786	120,458
1990	6,782	1,077	34,267	79,473	11,962	6,300	139,861
1991	8,630	7,044	22,333	130,928	15,446	7,121	191,502
1992	16,458	19,782	40,900	265,180	60,493	13,971	416,784
1993	15,622	26,981	29,056	269,639	77,066	19,974	438,338
1994	13,806	24,324	25,142	265,875	75,762	20,476	425,385
1995	11,235	16,439	22,338	256,782	79,674	28,866	415,334
1996	16,647	14,580	30,113	214,068	112,644	26,162	414,214
1997	17,944	13,170	29,994	214,420	110,945	29,951	416,424
1998	16,997	22,462	20,774	105,239	134,740	54,952	355,164
1999	14,905	19,149	16,101	27,160	79,269	42,968	199,552
2000	15,909	31,082	25,155	59,722	55,099	56,215	243,182
2001	16,382	39,751	30,985	78,048	53,673	59,825	278,664
2002	20,807	4,859	41,209	99,453	95,034	106,301	367,663
2003	24,778	54,434	36,816	121,431	143,804	85,193	466,456
2004	22,980	52,064	33,275	123,522	175,262	67,857	474,960
2005	30,060	39,124	40,931	99,879	194,412	144,447	548,853
2006	37,688	47,449	67,992	134,059	254,774	134,950	676,912
2007	29,966	48,467	95,462	195,437	312,695	127,426	809,453
2008	31,924	35,562	89,659	228,406	349,827	113,223	848,601
2009	17,541	42,091	74,963	281,110	130,302	64,265	610,272
2010	15,101	37,667	105,807	275,172	130,910	76,699	641,356
2011	14,323	45,149	73,819	289,297	138,861	–	–
2012	20,150	55,868	84,384	357,503	141,138	–	–

Sources: Data compiled from various annual reports of the Ministry of Labour and MOIA, Government of India. The table has been sourced from K.C. Zachariah and S. Irudaya Rajan, *Kerala's Gulf Connection, 1998–2011: Economic and Social Impact of Migration*, New Delhi: Orient Blackswan, 2012, p. 13. Figures for 2011 and 2012 sourced from MOIA, *Annual Report 2012–13*, p. 53, available at http://moia.gov.in/writereaddata/pdf/Annual_Report_2012-2013.pdf.

Uncertain Political and Security Dynamics

The Gulf region is witnessing an uncertain political/security scenario, especially with an adamant Iran across the Gulf. Political uncertainty in the Gulf region could result in hostilities which would directly impact all the foreign nationals working in specific countries in the region. Although the first instinct of migrants would be to stay on because of economic considerations, and the host countries would want them to stay on in order to prevent their economies from grounding to a halt, they may be obliged to leave if the situation becomes unmanageable (as was the case in Kuwait in 1990). This would raise policy issues about the mechanisms/facilities of large-scale evacuation of Indian nationals and would require preparation of country-wise contingency plans.

Although such situations are very difficult to predict, it is necessary that the government has an evacuation strategy in place. India has evacuated her citizens from Kuwait in 1990 (one of the largest airlifts of the kind till date), Lebanon in 2006 and, most recently, from Libya in 2011. In all these instances, the government was able to mobilise and utilise all available resources: armed forces of the country, the national carrier and even private airlines were pressed into service to evacuate the stranded citizens. The process of the evacuation from Lebanon has been hailed by some as a model that could form the basis of a standard procedure for future contingencies.⁴⁸ Any delay in response compounds the situation, thus speedy evacuations have to be undertaken the moment the government deems the situation as worsening. With 6 million Indians, any such operation in the Gulf region would mean a massive logistical and operational challenge. Simultaneously, India has to ensure good relations with friendly nations as well as with those countries in India's neighbourhood whose expatriates live and work in the Gulf. In an adverse situation, these countries could be called upon to assist in evaluation as well as requested to allow Indian citizens to seek shelter in camps across borders. Arranging for evacuation as well as relief space, such as camps, would be crucial for the success of such an endeavour.

The government could establish a specific division involving staff from the concerned ministries, such as the MEA and the MOIA, which is dedicated to cater to such situations. Standard operating procedures that could be immediately implemented should be in place, while the MEA negotiates for added facilities such as visa waivers from neighbouring states. Further, as the situation unfolds, a team of experts should be nominated to start dealing with issues and logistics of a possible evacuation in a phased

manner, while complying with immigration laws, adequate camps, availability of essential items such as food and water, etc., for the vast numbers that it might have to evacuate.

The prognosis, however, does not appear to be dire and the analysis points to a positive trend. Table 5.4 shows the labour outflows from India to Bahrain, Kuwait, Oman, Saudi Arabia and the UAE over a 22-year period from 1988–2010. It shows that in 1992, in the aftermath of the First Gulf War, the labour outflow from India to Bahrain, Kuwait, Oman and Saudi Arabia almost doubled from 1991 figures; for UAE, it went up four times as compared to 1991. Figures for 2004, in the immediate aftermath of the Second Gulf War, saw a negligible dip in Bahrain, Kuwait and Oman, while there was a marginal increase in the case of Saudi Arabia and the UAE. Between 2006 and 2010, the numbers largely showed an upward trajectory.

Going by the data given in Table 5.4, it can be inferred that while the possibility of conflict exists, and the number of migrants could dip substantially owing to a conflict in the region, past trends indicate that in a post-conflict scenario, larger numbers of migrants would make their way back to the GCC states to meet the demands of post-war reconstruction.

Another factor that would affect growth in numbers of migrants is the economic policies of the Gulf states. The success of diversification and growth in the non-oil sectors of these economies (for example, manufacturing and services) could lead to an increase in the number of Indian migrants moving to the GCC states. It seems that over the next few decades, there will be more professionals moving to the Gulf for employment opportunities. However, significant numbers of unskilled/semi-skilled labour could continue to dominate in the local job market, where they could face increasing competition from migrants from other South and some South-East Asian countries as well as from non-GCC Arab states.

Bilateral and Multilateral Initiatives to Mitigate Migrant-related Issues

Migration to the Gulf states occurs through a dispersed system of recruitment: through recruitment agencies, corporate recruitment centres, channels of government agencies as well as through the long-engaging informal social channels of relatives, friends, family and community that help establish contacts and secure employment. The majority of the Indian

migrants go against short-term work contracts that require periodic renewal. As a general practice in the Gulf states, citizenship is not granted to migrants, irrespective of the source country. Therefore, while they may live and work in the region, and raise families, neither they nor the children born there would become citizens of those countries. Cases when citizenship has been granted are very rare and usually occur in cases where the concerned family has been in the country for a few generations, although some Westerners are reported to have been granted citizenship by the ruler of Bahrain in 2013.⁴⁹

Social polarisation is pronounced in the region: the GCC nationals sit at the top of the population pyramid, followed by proportionately vast numbers of non-national migrants; the latter are further divided on the basis of both ethnic origin and economic status, with Westerners occupying the higher strata. There are issues of adjustment depending on where one lives in the region, especially with respect to nationality, gender, religion and language and culture. In most cases, Indians, as do other nationalities, tend to live in clustered communities. The blue-collar workers, especially those working in the construction business, are housed in labour camps, often in miserable conditions. Yet, they move to the Gulf in significant numbers each year because of lack of employment opportunities back home and better remuneration for the same job. According to one estimate, the “[p]er Indian migrant average earning in GCC countries is \$4,887....Among GCC countries, the average earning varies from country to country... [ranging] from \$7,264 [in the UAE to] \$2,279 [for Oman].”⁵⁰ The view of the skilled, professional segment, a much smaller proportion of the total population in the region, is similar. Many concede that the quality of life is better than what they would have in India, and that they earn far more in their resident countries.⁵¹ However, there are caveats: most aspire to working and living in essentially a tax-free system, as is the case in the Gulf states.

Moreover, especially in the case of the blue-collar workers, labour laws in most of the recipient countries are tilted against migrant labour. There are documented instances of contract violations, exploitation (including sexual exploitation), visa violations, etc., in almost all cases.⁵² Despite a requirement of periodically renewing work visas, there are many instances when migrants, especially blue-collar labour, stay on with expired visas. Instances of contract violations abound, and often blue-collar migrants become victims of unscrupulous recruitment agencies. A mitigating measure

is the amnesty provided at periodic intervals largely to regularise lapsed work visas. However, few took advantage of the most recent amnesty instituted by the UAE government in January 2013 to return to India.⁵³ This could be due to the fact that the number of migrants without proper documents may have steeply dropped in recent years, compared to the past.⁵⁴ The immediate impact of the Saudi Nitaqat law, too, is being felt by illegals, as mentioned earlier, and the extended waiver is essentially an amnesty designed to ensure regularisation of work visas.

Fly-by-night recruitment agents, illegal activities and exorbitant fees are being tackled by the government through legal regulation of recruitment agencies. The Government of India, through the MOIA, has established the office of the Protector of Emigrants, which is “responsible for granting emigration clearance to the intending emigrants as per the procedure prescribed under the Emigration Act, 1983.”⁵⁵ A major function of the Protector of Emigrants is to “[i]nquire into the treatment received by emigrants during their voyage or journey to [and from], and during the period of their residence in the country to which they emigrated...”⁵⁶ It is advised that those seeking employment abroad do so through agencies which are registered with the MOIA, which has stipulated stringent guidelines for the process as per the Emigration Act of 1983.⁵⁷ The ministry has also established the Indian Community Welfare Fund (ICWF) in countries with significant overseas Indian population.⁵⁸ Other benefits include the Pravasi Bima Yojna,⁵⁹ which provides insurance cover of up to Rs 10 lakh (Rs 1 million) to migrants, and the Mahatma Gandhi Pravasi Suraksha Yojana, a pension and life insurance scheme targeted at migrants holding emigration check required (ECR) passports.⁶⁰

In order to further mitigate issues of illegals, contract violations and exploitation, the Government of India has instituted a framework for bilateral cooperation for the protection and welfare of Indians in the Gulf states.⁶¹ It has signed a series of bilateral Memorandums of Understanding (MoUs) and labour agreements with the recipient countries, the oldest being the agreement with Qatar signed in 1985. An additional protocol to the existing agreement was signed in 2007. It has signed similar agreements with the UAE in 2006, Kuwait in 2007, Oman in 2008 and Bahrain in 2009. The MOIA is negotiating similar MoUs with Saudi Arabia and Yemen.

At the multilateral level, India is part of Ministerial Consultation on Overseas Employment and Contractual Labour for Countries of Origin

in Asia, or the Colombo Process, a regional consultative process (RCP) under the aegis of the International Organisation for Migration (IOM), launched by the labour-sourcing countries of Asia in 2003. The process provides a platform for Asian countries to collaborate on the management of overseas employment and contractual labour. The source countries include Afghanistan, Bangladesh, China, India, Indonesia, Nepal, Pakistan, the Philippines, Sri Lanka, Thailand and Vietnam. The process also includes eight destination countries, which joined it as observers in 2005: Bahrain, Italy, Kuwait, Malaysia, Qatar, Republic of Korea, Saudi Arabia and the UAE.⁶²

The Colombo Process focuses on:⁶³

1. Protection of and provision of services to overseas temporary contractual workers. In particular, protecting these workers from abusive practices in recruitment and employment and providing them appropriate services in terms of pre-departure information and orientation and welfare provisions.
2. Optimising benefits of organised labour mobility. This includes the development of new overseas employment markets, increasing remittance flows through formal channels and enhancing the development impact of remittances.
3. Capacity building, data collection and inter-state cooperation. This includes institutional capacity building and information exchange to meet labour mobility challenges; increasing cooperation with destination countries in the protection of overseas temporary contractual workers and access to labour markets; and enhancing cooperation among countries of origin.

India is also part of the Ministerial Consultations on Overseas and Contractual Labour for Countries of Origin and Destination in Asia (Abu Dhabi Dialogue), established in 2008, which includes the six GCC countries. The Dialogue resulted in the Abu Dhabi Declaration, which defined “a new collaborative approach, forward-looking and action-oriented, to better address issues of temporary contractual labour mobility and to optimise its benefits for the development of both countries of origin and destination as well as the workers themselves.”⁶⁴ Under this mechanism, the Government of India, along with the Governments of Philippines and the UAE, “launched a pilot project to test and identify best practices in managing the temporary contractual employment cycle.”⁶⁵ The pilot project covers 1,500 temporary contractual workers each from India and the

Philippines who work in the construction, health care and hospitality sectors in the UAE,⁶⁶ and will focus on fairer recruitment processes and better planned re-integration of workers in source countries (India and Philippines), and development of accessible and transparent mechanisms to deal with unsatisfactory living and working conditions in the recipient country (the UAE).

Impact of Gulf Migration on States in India

The presence of about 6 million Indian migrants in the Gulf has socio-cultural and economic ramifications for the states that contribute sizeable numbers. Since all migrants to the region go on temporary work contracts and not many can afford to take their families along with them, they retain strong links with India and their home states. There is also a strong community feeling among migrants in the Gulf states. A portion of the money they remit back home, in turn, is injected into the local economy.

Kerala is the prime example of Gulf migration's reverse impact. Emigration to the Gulf has "...totally changed the socio-economic conditions of certain [districts] in Kerala like Malappuram, Kasargod and Thrissur. The migration has changed the consumption and investment patterns, lifestyle, religion and education" in these districts, so much so that "economically and culturally, some parts of the state simulate the Gulf countries."⁶⁷ Given the state's established connection with the Gulf region, which is both a contribution to and a consequence of migration, various needs-based institutes have opened up, including those providing construction work-related courses, computer education, motor and machine operations, catering, paramedical courses, etc.⁶⁸ Outward migration from the state has, in turn, fuelled a significant shortages in the state's labour market, particularly in semi-skilled workers. The shortage is compounded by the buoyant housing and construction work facilitated by foreign earnings, and the reluctance of young people to engage in manual work due to increased education levels and standard of living through the earnings of their parents working in the Gulf.⁶⁹ This shortage has been hitherto addressed by a corresponding wave of internal migration from Tamil Nadu and Karnataka and even from the northern states. Taking the example of Nitaqat, it still remains to be seen how the return, and consequent rehabilitation, of a large number of migrants from Saudi Arabia would affect the unskilled/semi-skilled job market in the states in the long run.

There would be a corresponding dip in remittances as well—Saudi Arabia accounts for around 26 per cent of total Gulf remittances to India (see Figure 5.4).

For aspirational and upper middle-class migrants, the Gulf states serve as a stepping stone to further diasporisation, with Canada, England, New Zealand, Australia and the United States (US) as typical destinations.⁷⁰ The poor unskilled or semi-skilled migrant, on the other hand, often risks life-long and familial savings to merely migrate to the Gulf states. Such desperation has facilitated the “proliferation of recruitment and placement agencies, sometimes colluding with prospective employers and exploiting illiterate job seekers.”⁷¹ In these circumstances, migrants are exploited in many ways ranging from “passport withholding, denial of remuneration or promised jobs, denial of legal rights for redressal of complaints, use of migrants as carriers of smuggled goods, victimization and harassment of women recruits to household work, etc.”⁷² There have been many recorded and unrecorded cases where women employed as domestic workers or governesses face ill treatment in some Gulf countries, at times even being subjected to sexual abuse.⁷³ The requirement to periodically renew work contracts, and the need to obtain the requisite sponsorship, very often does not favour the migrant, and s/he stays on illegally. These then are the reasons why migrants often survive the most adverse conditions without being activist or assertive in the light of their negligible rights; awareness of their rights too is quite low. While mitigating measures are in place (mentioned earlier), much more can and should be done to alleviate this problem.

A migrant’s work profile in the Gulf essentially dictates the stratum of migrant society s/he belongs to, the living conditions and the levels of vulnerability in the face of limited human rights. Class, community, ethnicity and nationality also shape the way the migrants live. Whilst unskilled workers live in dormitory-like labour camps in the semi-urban and industrial hinterlands of cities with varying degrees of basic facilities provided, the skilled/professional migrant is fortunate to live in rented apartments or high-rise buildings, if not in privileged and secure compounds. Western migrant workers often have access to luxurious villas or live in gated communities. Consequently, it is the balance between social conditions and economic sustenance that shapes the experience of these migrant workers. A fortunate few can afford to live and work in the Gulf with their families; however, for those migrant workers unable to

accommodate their families, life can be quite difficult. Most evident in the case of unskilled workers, it also affects the qualitative living of the region's plethora of bachelor labour migrants (many of whom have wives and children back home). Little to no ability to participate in social and cultural activities, unfriendly weather conditions, nature of working environment and long periods of separation from families lead to emotional and psychological deprivation.⁷⁴ Such isolation and social exclusion from the social structure of host countries consolidates the religious space for migrant workers. Irrespective of the faith they belong to, migrants often turn to religious spaces and symbols to deal with hardships and challenges.

Ginu Zacharia Oomen has studied how diasporic religious practices play an important role in sustaining the transnational links between home and host settings, and create an alternative sense of belonging to the destination state.⁷⁵ While his analysis pertains primarily to Keralite Syrian Christians in Kuwait and their espousal of more stringent sects such as Pentecostalism, a similar overt conservatism is also spreading in Muslim-majority districts in the state—among the Mappilas in Malappuram district and the Koyas in Kozhikode. By embracing an overtly Islamic and a “Gulf-oriented modernity and way of life, Muslim migrants re-nourish themselves at an imagined and sentimentalised heartland of Islam...intensifying processes of communalisation and community closure”,⁷⁶ both in the host country and in the home country. This proclivity has further been reinforced by world and Indian political events—as a reaction to popular Hindu and Christian (in the case of Kerala) communal and caste organisations, the rise of Hindutva, and perceptions of comparable inequality as well as the widely prevalent Islamophobia due to current global events creating a sense of being a “community under siege”.⁷⁷ Nevertheless, the community does not assert its exclusive Islamic identity that could expose them to accusations of being foreign to the nation.⁷⁸ Yet, at the same time, the rise of reformist Islamic discourses has enhanced the religious orthodoxy. Reformist literature and orthodox believers advise Muslims against participating in what are considered un-Islamic practices. For instance, joining in Onam, or Christmas celebrations or lighting the lamp onstage that is seen to be marked with a “Hindu flavour”. In this way, Orthodox Muslims in Kerala form their relationships with other communities on the basis of accommodation or “unity in diversity”, under the protection of the secular state that guarantees the rights of minorities.⁷⁹

Assessment

The GCC's heavy dependence on expatriate labour—ranging from the blue-collar low/semi-skilled worker to the white-collar professional—is likely to remain in the coming decades, their attempt to reduce this dependence notwithstanding. How individual, country-specific moves towards indigenisation—or for that matter, a collective initiative by the GCC—will impact migrant workers still remains to be seen. The immediate impact of such a policy is currently apparent only in Saudi Arabia, whose implementation of the Nitaqat law has led to many Indian workers beginning the formalities of their journey home (the extension of the waiver till November 2013 will, of course, give many more the opportunity to regularise their papers and either stay on or return). However, it must be kept in mind that early assessments and terming of this development as “striking a blow to the Indian migrant” in the country or the region would be hasty and, to an extent, faulty. For one, regularisation of work visas and papers is an imperative and would benefit Indian migrants much more in the long run. Countries such as the UAE and Qatar, where expatriates comprise between 80–85 per cent of the workforce, cannot reduce their dependence on foreign workers, and could actually help cushion the “so-called blow” dealt by expulsion of some migrants from Saudi Arabia.

A steady professionalisation of the Indian migrant would also be beneficial in the long run as a migrant keeps going back to the region; having picked up the skills learnt in a previous job, he becomes more and more entrenched in the local workforce. For the blue-collar worker, migration to the Gulf offsets his low skill levels with higher paying opportunities and significant earnings vis-à-vis the home country. The latter holds true for the white-collar professional as well. It enhances financial status through investment in property, savings and education, but also enables them to secure capital gains that would be otherwise unimaginable when working in India. Hence, going by migration trends over the past 20-odd years and more, the Gulf would continue to remain a favoured destination for the Indian migrant.

For India, the remittances from the Gulf are indispensable presently, bringing in vital foreign exchange and ensuring a certain level of economic buoyancy, even if it hovers around 3–4 per cent of the national GDP. To go further in an increasingly high-stakes migration game, with increasing competition from its South Asian and South-East Asian neighbours, it is

imperative that the Indian migrants adapt to the call of the times. The thrust towards skill building and professionalisation thus needs to be emphasised. At the same time, the 6 million Indian citizens in the region ensure that India's relationship goes beyond a simple give and take, measured only in terms of trade figures and quantities of energy required. There is both a hard and soft power component at work in the relationship: on the one hand, the presence of Indian migrants in the GCC states enables India to engage these countries for certain benefits for its citizens; and on the other, it also ensures that India has a stake in ensuring both security and stability in the region. It deepens the relationship at both the bilateral and multilateral levels. The presence of the large Indian workforce sustains the economies of the Gulf states and is therefore beneficial to them as well. India needs to leverage this 6 million-strong asset for its benefit by developing stronger political, security and economic ties with the host countries, thereby further strengthening the foundation of this essential, mutually beneficial relationship.

Key Drivers Affecting Indian Migrants in Future

While engaging with the GCC states to ensure the welfare of its people, India also has a stake in the larger peace and stability in the region. The following key drivers have been identified as possibly affecting the Indian migrants in the future.

State Fragility and Regime Security

On the surface, the Gulf regimes appear to be stable. However, they are not immune to events occurring in the larger Arab world, particularly the transition brought about by the Arab Spring. On occasion, there has been muted clamour for greater decentralisation of power, which is concentrated in the hands of ruling clans. Succession too can be a contested issue, especially in Saudi Arabia and Oman. Social dissension and sectarian divide is a reality that the regimes have to contend with, especially with large Shia minorities in Bahrain, Kuwait and Saudi Arabia. Displacement or return of the migrants owing to instability in the region is thus a cause of concern, and stable and secure regimes would be key to the security of Indian migrants in the region.

Economic Diversification and Growth

Limited in natural resources except oil, the Gulf states nevertheless are some of the richest economies in the world. While oil has led them this

far, there is awareness that this is a limited resource. Bahrain was one of the first to run through its oil reserves, but has managed to transform itself into a financial hub. The UAE is yet another example: over the past few decades, Dubai has moved to build itself into a financial and logistical hub; Abu Dhabi is following suit. Qatar, too, is competing with its larger neighbours to emerge as a major player in the region. Economic growth and diversification policies thus are crucial to the employment security of the Indian migrants. The demands of economic diversification would necessitate a change in the migrants' profile as well, already visible in the increasing numbers of professionals.

Demographic Compulsions

As compared to the other Gulf states, Saudi Arabia has a far larger indigenous population. It has been putting in place measures since 2011 to ensure that it is able to employ larger numbers of young Saudi nationals in government and private sector jobs. Oman, with just over 3 million population (including expatriates), was one of the first to undertake indigenisation in the late 1980s, with the other Gulf states following suit. While on the surface, it might seem a short-term measure, there is a long-term stress on education and building skills and capability of the large numbers of young nationals so as to enable them to compete effectively in the job market. Over the next 20-odd years, there will be larger numbers of educated Gulf nationals looking for suitable jobs within their own countries and the immediate neighbourhood. This phenomenon could lead to a reduction in white-collar job opportunities for migrants unless these economies manage to create additional jobs commensurate with the rising numbers of educated locals entering the job market, especially given the latter's preference for public sector jobs or certain professions in the private sector, such as banking and finance.

Migration and Indigenisation

Indigenisation policies have been in place for quite a while. While the thrust towards indigenisation might be to address socio-economic and demographic imperatives, the fact remains that all Gulf economies are heavily dependent on expatriate workers. Indigenisation, therefore, is an attempt to reduce this dependence. This must, however, be viewed dispassionately: barring Saudi Arabia, the other countries simply do not have adequate numbers of nationals that can undertake the vast array of jobs—ranging from menial to skilled and professional—that their rapidly

expanding economies require. Moreover, while the overall population of the region is projected to reach 50 million in 2013,⁸⁰ how much of this increase will be fuelled by migration to the region remains to be seen. Finally, indigenisation will also depend on the states' ability to negotiate with the private sector, with the latter depending primarily on expatriates, be it blue collar or white collar.

Socio-economic Inequality/Alienation

The job market, and indeed society itself, in the GCC states is heavily stratified, with GCC nationals at the top of the pyramid, followed by Westerners, non-GCC Arabs and finally, migrants from Asian countries such as India, the Philippines, Bangladesh, Sri Lanka and Pakistan. These communities, in turn, live in community enclaves and/or labour camps. Alienation and socio-economic inequalities are a reality; however, presently the benefits far outweigh the costs. Employment opportunities and better remuneration propel Indians to the Gulf region in large numbers each year, as does the quality of life. Therefore, migration levels would continue to remain significant in the future unless the Indian economy is able to generate and sustain double-digit growth in the future.

Armed Conflict

The Iran nuclear issue and any possibility of escalation would impact these states and consequently, Indian migrants as well. There is a possibility that, as was the case in Kuwait in 1990, where around 176,000 people were evacuated by air,⁸¹ similar operations might need to be undertaken if the conflict envelops the GCC. While India has shown, time and again, its capability to evacuate its nationals from conflict zones—Kuwait in 1990, Lebanon in 2006 and Libya in 2011—preparing for the evacuation of far greater numbers of Indian citizens from the Gulf would amount to a massive logistical challenge.

Recommendations

Based on the detailed study of the Indian migrants in the Gulf, discussions with experts and practitioners and observations made during a field trip to the region, the following recommendations are being made:

1. Undertake more collaborative projects vis-à-vis labour/migration management, such as the one undertaken under the aegis of the Abu Dhabi Declaration with the Philippines and the UAE, in all

the GCC states. This would go a long way in strengthening both the bilateral as well as collaborative multilateral processes to better manage labour migration to the region.

2. Make use of latest technology to manage the migrants—smart cards can be instituted for all migrants, especially for those holding ECR passports. This digitised smart card is essentially a tool, somewhat akin to the unique identification (UID)/Aadhaar card but with information of relevance to the migrant in the destination country. All relevant information pertaining to the migrant, including passport details, recruitment, validity of the contract, terms of employment, insurance, medical details, whether return fare has been paid or not, etc., should be stored in the card. A digitised copy of that information should be shared with all Indian embassies in the region, which can further share relevant information with the concerned host government. Rights of the migrants and the authorities to be contacted in case of a need should also be included in the information provided.
3. While registration of recruitment agencies is mandatory with the MOIA, a similar databank of information regarding recruitment agents, including registered/approved or deregistered agents/agencies, should also be provided to all relevant parties in digital format. It is also recommended that there should be a public announcement in local media catering to the Indian migrant community—be it through the written or the audio-visual medium—regarding deregistered agents on a regular basis.
4. Passport renewals could be made more frequent, for example, annually or every two years, which would ensure that all migrants appear at the Indian embassies and consulates in the region at regular intervals. This would enable the missions to keep track of exploitative practices and mitigate such instances.
5. A formal initiative to identify the skills that would be required in future in the Gulf states and creation of training facilities at home to provide relevant skills to prospective migrants should be considered at the earliest. This will have two advantages: on the one hand, the training will build much-needed skills; and on the other, in the long run, it will ensure a more or less permanent/recurring demand for Indian migrants. Basic knowledge of nutrition, hygiene, language, etc., would go a long way in ensuring the suitability of the Indian migrant for the demanding Gulf

labour market. This will increase the proportion of skilled workers as against unskilled workers migrating to the Gulf states and will also enhance their social profile in the region.

6. Contingency plans to evacuate Indian migrants from the Gulf states in times of emergency must be formulated at the earliest. This must include nomination of a central authority to formulate contingency plans; creation and updating of database of migrants in various countries; establishment of channels of communication for passage of information through a community network in the host countries; identification and earmarking of state-level coordinating agency; earmarking of air and sea-borne resources for transportation; identification of evacuation centres in various countries and relief camps in countries not affected by internal or external conflict; and agreements with host and neighbouring countries for assistance in evacuation of migrants from affected areas. All the agencies of the state who will have a role in the evacuation process need to be involved in drawing up the plans. The central and the state governments should also have contingency plans in place to provide temporary relief, including employment and health facilities, to the low-earning returnees to rehabilitate them till they find gainful work at home or abroad.

NOTES

1. A “migrant” is defined as “an itinerant worker who travels from one area to another in search of work”. The expatriate Indian in the Gulf is essentially a contractual worker—be it a blue-collar, white-collar or professional worker—who is there on the basis of short-term contracts that undergo periodic renewal. In the context of this chapter, it is felt that the term “migrant” is the most apt term to collectively describe this community and address its wide variety, although diaspora is a more benign term used for expatriates.
2. Andrzej Kapiszewski, “Arab versus Asian Migrant Workers in the GCC Countries”, Paper presented at the meeting of the United Nations Expert Group on International Migration and Development in the Arab Region, Population Division, Department of Economic and Social Affairs, United Nations Secretariat, Beirut, 2006, available at http://www.un.org/esa/population/meetings/EGM_Ittmig_Arab/P02_Kapiszewski.pdf (accessed on 13 May 2013).
3. N. Janardhan, “Labour Reforms: Redefining the Rules of Engagement”, in N. Janardhan, *Boom Amid Gloom: The Spirit of Possibility in the 21st Century Gulf*, London: Ithaca, 2011, p. 89.
4. Binod Khadria, “India: Skilled Migration to Developed Countries, Labour Migration to the Gulf”, Working Paper, Red Internacional Migracion y Desarrollo, available at meme.phpwebhosting.com/~migracion/modules/ve7/2.pdf (accessed on 26 January 2013).
5. According to MOIA figures of May 2012, the six GCC states collectively host 5,687,032

Indians. For country-wise distribution of overseas Indians, see “Population of Non-resident Indians: Country Wise”, MOIA, May 2012, available at <http://moia.gov.in/writereaddata/pdf/NRISPIOS-Data%2815-06-12%29new.pdf> (accessed on 27 January 2013). It must be noted, however, that there are significant discrepancies in the number of Indians in the GCC in different media/sources and at various points in time. Some sources who prefer to remain anonymous put the number of Indians in the GCC at approximately 7 million.

6. Ibid. According to the MOIA figures available up to May 2012, overseas Indians number 21,909,875.
7. O. Winckler, *Arab Political Demography, Volume 1: Population Growth and Natalist Policies*, Brighton: Sussex Academic Press, 2005, as quoted in Edward J. Malecki and Michael C. Ewers, “Labor Migration to World Cities: With a Research Agenda for the Arab Gulf”, *Progress in Human Geography*, Vol. 31, No. 4, 2007, p. 475.
8. Ravi is quoted in *ummid.com*, 13 December 2012, available at http://www.ummid.com/news/2012/December/12.12.2012/indian_in_gulf.htm (accessed on 19 March 2013). One must keep in mind that the total number of expatriates and the number of working expatriates (excluding dependents) would differ. As of now, there are no accurate numbers for either category.
9. Ibid.
10. See “Trade and Capital Flows—India and the GCC”, *Alpen Capital*, 2 May 2012, p. 20, available at http://www.alpencapital.com/downloads/Trade%20and%20Capital%20Flows%20-%20GCC%20and%20India_Final_May%2002%202012.pdf (accessed on 29 May 2013).
11. This is an assessment put forward by Ambassador Talmiz Ahmad in a round table discussion on the issue, held at the Institute for Defence Studies and Analyses (IDSA), New Delhi, on 5 March 2013.
12. Satyanarayan Pattnayak, “The Indian Diaspora in Persian Gulf: An Analysis”, *Think India Quarterly*, Vol. 14, No. 2, 2008, p. 64.
13. Samir Pradhan, “India’s Economic and Political Presence in the Gulf: A Gulf Perspective”, in *India’s Growing Role in the Gulf: Implications for the Region and the United States*, Dubai: Gulf Research Center, 2009, p. 20. For changing migrants’ profiles, see ChidanandRajghatta, “Increasingly Migration to Gulf is not from Kerala but Bihar, Punjab”, *The Times of India*, 6 October 2013, available at http://articles.timesofindia.indiatimes.com/2013-10-06/all-that-matters/42763530_1_remittances-dilip-ratha-india-and-china (accessed on 14 October 2013).
14. Ibid.
15. Ibid.
16. Assessment put forward by Talmiz Ahmad in round table at IDSA, New Delhi, 5 March 2013.
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Scenarios 2030

Medha, Manali Kumar and Rahul Chauhan

The Gulf region—a part of the larger West Asian region—as the principal provider of India’s energy needs, home to a large proportion of Indian migrants and a burgeoning economic and political partner, holds vital significance for Indian interests. Examination of geopolitical undercurrents and mapping the contours of the emerging order in the region to better inform the country’s priorities and future engagement is thus of utmost importance to India. This section maps out some, and not all, of the plausible scenarios that could emerge in West Asia over the next couple of decades with an aim of delineating a set of guiding principles for developing a coherent policy for engagement with the region.

The previous chapters on politics, security, energy, trade and migrants provide a comprehensive overview of the significant trends in the region and India’s relations with Gulf Cooperation Council (GCC) countries. Key drivers of change in these crucial thematic areas have also been identified. In this chapter, three alternative scenarios are being sketched out based on the critical trends and drivers thus identified. The purpose of drawing these sharply contrasting scenarios is to challenge the policymakers to consider policy options that would respond to varying conditions, and then devise robust strategies for engagement with the West Asian region in general and the GCC in particular. Prior to delving into the scenarios, however, the most important trends and drivers affecting the future of region are described to map out the geostrategic context of the region.

The Gulf Region 2030: Trends and Drivers

Developments in the Gulf—and the wider West Asian region—will be shaped by the interaction of forces at the global, regional and individual country level. At a larger plane, a transformation in the global balance of

power is bound to have a profound impact on the region's geostrategic evolution. This is especially true since the region has been at the centre of great power rivalry since the end of the Second World War. In this context, the United States' (US) Asia-Pacific pivot and a potential shrinking of its interests in the region owing to expected energy independence is likely to be a key driving force for the security architecture of the region. This is especially so since the US has been the region's chief security guarantor for over two decades now. Further, geopolitical rivalries at a global level could also begin to manifest themselves in the region. The arraying of Russia and China against the US and the rest of the West in Syria, for instance, could be seen as an incipient manifestation of a brewing neo-Cold War. The shift in economic centre of gravity towards Asia is already manifesting itself in the form of increased energy exports to Asia. In the future, this could form the basis of a new rivalry and contest for resources in the region. The overall economic climate of the world will also have an impact on the region. Trajectory of world energy prices is also a primary driver since revenues from energy exports continue to form a significant portion of the Gulf countries' gross domestic product (GDP).

At the regional level, the increasing and deep-seated ethno-sectarian divisions, especially the Shia–Sunni divide, have become a major driver of the emerging political and security calculus. The Saudi–Iran rivalry is, to a large extent, a manifestation of this driver. Further, sectarian divisions operate at the regional as well as domestic level and interact in a complex manner with both. Another regional-level factor within the GCC is the perceived Saudi hegemony. It has been a major factor in scuttling efforts towards a deeper GCC union, for instance. A countervailing force, albeit much weaker in potential than Saudi influence, is the increasing assertiveness of smaller states such as Qatar and the United Arab Emirates (UAE) in regional affairs.

The internal dynamics of individual countries are also pertinent to the study as this influences the ways in which the countries act externally. In the face of greater citizen assertiveness, regime security appears to have become a major factor in state action in the region—both internally and externally. In the Gulf states, policies such as economic diversification, indigenisation, managed political reform as well as increased surveillance and suppression, all are driven by the need to preserve regime continuity. Socio-economic inequality—unless steps are taken to mitigate it—will also continue to affect the internal dynamics of GCC states. Demographic factor

is another deep causal driver of transformation in the region. The increasing numbers of relatively well-educated youth in the populations of most countries could be a positive force of change in the region. However, if factors such as high unemployment, socio-economic inequality, corruption and a repressive political culture inhibiting full participation of the youth persist, the result could be greater instability.

Thus, we see that the Gulf region of 2030 will be shaped by the complex interaction of a multitude of factors at internal and external levels. In the next section, we present three scenarios derived through a permutation and combination of these factors. The scenario “Camel Ride” is an extrapolation of current trends and presents the business-as-usual picture, while the scenarios “Blooming Desert” and “Perfect Desert Storm” present sharply contrasting variations as a means to offer the widest canvas for robust policymaking.

The Scenarios

Scenario 1—Camel Ride

Overview

The year 2030 sees a tenuous and uneasy balance of power prevailing in West Asia, as many of the long-standing issues complicating the region’s security situation continue to fester. The GCC countries remain islands of monarchies in a wider West Asian region that has progressed towards varying degrees of democratisation. Demands for greater socio-economic and political rights have heightened, but the incumbent regimes in the GCC have maintained their reign through a mix of token, piecemeal political reforms, economic incentives and repression.

Externally, most GCC countries consider Iran as a primary threat to stability and survival—especially because of the former’s ambiguous nuclear status. In contrast, the neighbourhood’s burgeoning democracies are seeking greater engagement with Iran. Persistent state fragility in Yemen, Syria, and to a lesser extent in Iraq, continues to be a security risk, allowing extremist groups to strengthen their stronghold in fragile areas. Ethno-sectarian fault lines continue to simmer. Despite overlapping threat perceptions, fears of Saudi hegemony have scuttled efforts towards a deeper political and economic GCC union and the construction of a meaningful GCC security architecture. The US remains the main security guarantor and provider of weapons to the GCC countries.

In the economic sphere, however, it is China that wields the most clout. Not only is China the region's biggest energy importer, it is also, increasingly, one of the largest investors into the GCC. The GCC countries also remain significant consumers of Chinese products. Most diversification strategies taken up a couple of decades ago remain limited to the energy sector, but there is a noticeable shift away from export of crude oil to that of value-added refined products and petrochemicals.

Despite policies aimed at indigenisation and provision of greater employment opportunities to citizens, migrant workers remain in demand, particularly in the fields of infrastructure development, high-end technology and banking and finance. The perception that unemployment is a result of foreign workers taking over jobs from locals persists.

Politics

Two decades since the region was shaken by a series of popular anti-regime protests, the GCC monarchies remain an anachronism in the wider West Asian region. On their periphery lie states negotiating a transition from authoritarian to more popular and participative forms of government. Most successful in this regard have been Tunisia and Egypt, though the process has been uneven and includes periods of reversals. On the other end of the spectrum, Syria and Yemen are still dealing with the fallout of a protracted conflict and have failed to coalesce into coherent states. State fragility has also been a hallmark of Iraq with the centre struggling to maintain its authority over governorates. Overall, the situation has exacerbated ethno-sectarian divisions that continue to influence political and security developments in the region.

The schism between the GCC countries and the region's consolidating democracies in terms of their stance towards Iran has widened. While the GCC as a whole views Iran as a security threat, the burgeoning democracies such as Egypt are proactively engaging with Iran while attempting a policy of equidistance with other regional powers. Iran has also consolidated its relationship with the Shia-majority central government in Iraq, further exacerbating Saudi/GCC fears.

Intra-GCC fears of Saudi hegemony, together with ideological differences, have scuttled efforts at a more integrated GCC union. Qatar continues to use its considerable energy wealth to increase its regional and international profile by playing the role of the mediator in the region's various conflicts albeit with mixed results. While the UAE and Saudi Arabia

view the Muslim Brotherhood as a destabilising factor, Qatar is supporting the moderate Islamist group. Oman continues to balance relations with Iran and Saudi Arabia and chart its own independent foreign policy.

Internal politics within individual GCC members has also pulled the countries in different directions. The Saudi monarchy has continued to maintain its firm grip on power through a judicious use of repression and appeasement in the face of protests from groups as disparate as women, youth, the Shia minority as well as conservative Salafists. Bahrain continues to oscillate between periods of popular agitations, repression (with the Saudi help) and negotiation. Kuwait has fared better with the government taking cognisance of citizens' expectations. In the UAE, demands for greater political participation are being managed through carefully structured reforms, though uneven growth between different Emirates is a cause of discontent. In Qatar, wealth from gas exports and sustained social and human capital investments have helped create a highly educated, rich society. Socio-economic inequality, however, remains a potential source of trouble, especially as the disparity between the migrant population and citizens remains high. Oman's Sultan committed himself to the country's transition to a constitutional monarchy by 2020. Though this transition has been slow, difficult and has seen several reversals, it has helped manage popular aspirations for a greater say in politics.

Beyond the GCC, Iran has witnessed demands for greater political freedoms and civil rights, but the regime continues to maintain a firm grip on power. A preponderance of youth in the population coupled with an increase in civil society actors has, however, meant that the citizens have a greater say in decision making, particularly at the local and provincial levels.

India's relationship with various actors has improved incrementally, but it has not been able to establish itself as an influential interlocutor for resolving intra-regional issues owing to domestic political and economic constraints.

Security

A fragile balance of power continues to be maintained in West Asia in 2030 with adversarial Saudi Arabia–Iran dynamic as its fulcrum. A mutual mistrust pervades the wider GCC–Iran relationship, though individual countries have chosen to deal with Iran on their own terms. Oman and Qatar, for instance, continue to balance their relations with Saudi Arabia

with relatively close ties with Iran. The UAE, despite being involved in an island dispute with Iran, continues to maintain trade relations with Iran. Intra-GCC mistrust and lack of cohesion means that despite threat of a common enemy, the GCC has failed to institutionalise common security architecture and remains dependent on the US for its security. The drawing down of US forces has forced Saudi Arabia, Qatar and the UAE to increase their defence spending. The situation is complicated by a more democratic and populist Egypt's increasing willingness to engage with Iran on a range of issues. The Shia-dominated Iraq has also drawn closer to Iran.

The region-wide sectarian Shia–Sunni schism is another factor of regional instability. Saudi Arabia, for instance, blames Iran for instigating protests among its minority Shia population, as does Bahrain.

Further complicating the security scenario is the presence of unstable, fragile and failing states. Syria has failed to recover from the bloody civil war that fractured the country along ethnic and sectarian lines. Now, even though elections are held periodically and a nominal central government is in place, its control is limited to the capital Damascus. In Iraq, a Shia-dominated central government is constantly under pressure due to tensions with the autonomous Kurdish north, which has drawn closer to Turkey. The persistent civil war situation across the border in Syria has resulted in a stream of refugees arriving in Iraq, even as it exacerbates internal divides. At stake is also control over the country's considerable oil resources, a significant proportion of which are located in the Kurdish-majority areas. Corruption remains rampant and social indicators are poor. In Yemen, tribal and ethnic tensions are pulling the country apart. In the face of worsening water scarcity and depleting oil reserves, the southern secessionist movement has remained alive despite the road map to a federal structure with greater power devolution being enshrined in the constitution. Al-Qaeda has expanded its presence across the region.

India continues to shy away from making security commitments in the region because of threat perception within immediate neighbourhood and the slow pace of armed forces' modernisation.

Energy

Despite attempts at diversification, revenues from the energy sector continue to form the most significant proportion of the GDP in most GCC countries. Even though the US has become largely energy

independent, demand from rising Asian powers has kept the oil prices stable. However, with internal consumption rising just as rapidly, the GCC countries are also beginning to realise the imperative of focusing on greater energy efficiency and diversification of sources of energy. Saudi Arabia in particular has moved steadily towards acquiring nuclear energy. Steps have also been taken to move up the value chain in energy exports, away from just crude oil to refined products and petrochemicals. Oil and gas production in Iran remains hampered due to lack of major investments during the long period of sanctions, but Iraq is beginning to emerge as a major energy supplier. Qatar has benefited tremendously from the emergence of gas as a major source of energy.

Oman has embarked on a major infrastructure development project, the centrepiece of which is a port in the southern city of Duqm. Besides provision of employment, the aim of the establishment of the port is to reinvent Oman as the region's trading hub (thereby challenging the UAE) and make the country less dependent on its dwindling oil reserves. There are plans to link Duqm to Saudi Arabia and the UAE through a network of roads, pipelines and rail links, and to position the port as a way to avoid the geopolitically sensitive Strait of Hormuz—the most important oil transit choke point in the world.

As regional security concerns drive decision making, environment and natural resources receive the least attention. As the salinity of underground aquifers and coastal water increases, the energy–water–food nexus begins manifesting itself. Agricultural production is also badly affected.

Trade and Economics

Asian countries led by China and India now form the biggest trading partners of the GCC, mainly on the strength of energy imports. China, in particular, has vastly increased its presence and influence to become the GCC's top trading partner. The Chinese footprint is visible in major infrastructure projects across the region, be it for refineries, nuclear power plants or transportation networks. This has become a cause of concern for India. A two-way relationship has been established, with the GCC countries—particularly Saudi Arabia—deploying its vast sovereign wealth fund (SWF) to invest in China. As trade intensity between the two countries increases, currency agreements are put in place to allow direct trading in their currencies. India's trade with individual Gulf countries has also increased but is still way behind China's. Trade with the UAE

also reaches a plateau after the opening of a direct trade route between India and Pakistan.

Migrants

In an attempt to increase employment opportunities for their own burgeoning youth populations, the GCC countries have implemented various degrees of workforce indigenisation policies tailored to their specific needs. Saudi Arabia and Oman, in particular, have been most rigorous in the implementation of such policies. White-collar workers from abroad thus are increasingly finding it rather difficult to acquire work permits. High penalties are levied on firms that do not conform to rules and regulations. A consequence, however, is a short-term loss in the business competitiveness of these countries.

In Qatar, much of the blue-collar and low-skills jobs continue to be performed by migrant workers but labour reforms initiated prior to the 2022 Football World Cup have helped manage migrant discontent. Due to its relative economic strengths, the UAE remains a magnet for migrants—both from the wider West Asian region as well as other parts of the world. Though the migration of Indians to GCC has plateaued, the treatment of migrant labour from India has become a major diplomatic issue as Indian policymakers have come under sustained pressure from civil society activists. Instances of migrants in the GCC uniting in protest to demand better wages and living facilities have also increased and occasionally, even turned violent. India is working closely with host governments to ensure migrant welfare and address issues. At the same time, concerns about the social, economic and political impact of the migrants returning in large numbers continue to constrain India's response to complaints about ill-treatment of its citizens.

Scenario 2—Blooming Desert

Overview

The year 2030 appears to herald the prospect of a more harmonious West Asia. Even though contentious issues (such as the Israel–Palestine conflict, terrorism and religious extremism) remain, a major breakthrough between the GCC and Iran regarding the nuclear issue has done much to temper tensions. This has gone hand-in-hand with efforts to bridge entrenched ethno-sectarian divisions.

Within the GCC, greater coordination in the realms of foreign policy, security and economy is clearly discernable. A new security framework involving the GCC, Iran and Iraq is beginning to take shape, reducing the region's dependence on security guarantees from extra-regional powers such as the US.

Internally, driven by a process of negotiated change, many GCC countries have transitioned to, or are in the process of transitioning to, constitutional monarchies. This has helped manage citizen aspirations, even as the ruling monarchs maintain strict control at the helm. Successful economic diversification and indigenisation policies have resulted in greater employment opportunities, further tempering discontent.

Economically, the GCC countries remain largely dependent on energy export revenues, but have increasingly moved up the value chain to refined products and petrochemicals. In addition, apart from tourism, finance and real estate, the region has also become an education hub, and this has given impetus to the knowledge economy. As a consequence, the number of migrants in skilled white-collar jobs has decreased. The construction and energy sectors, however, still remain dependent on the migrant workforce.

The wider West Asian region has also benefited from GCC's prosperity—Egypt's delicate transition to popular democracy, for instance, has been sustained and supported by loans and grants from the GCC, even though there are reservations about secular Islam taking hold in the country's polity. The easing of tensions between Saudi Arabia and Iran has also had a positive effect on Syria and Iraq. Though the two countries remain fraught with internal divisions, efforts at reconciliation and rebuilding are on track. Since the dismantling of sanctions, Iran is beginning to emerge as a significant economic actor in its own right and some of this has translated to greater political rights for its citizens.

Politics

In 2030, West Asia appears to be in the midst of a dramatic political realignment—one that foreshadows the prospect of greater peace and prosperity. The pivotal axis of this change is the Iran–Saudi Arabia/GCC rapprochement process that began in the early 2020s, together with the resolution of Iran's nuclear programme question.

The geopolitical breakthrough occurred in the early 2020s when, faced with internal unrest triggered by worsening economic hardships as a result

of long-standing sanctions, Iran responded to US overtures supported by the European Union (EU), Russia, China and India. Negotiations resulted in both sides making concessions. There was also a tacit understanding that Saudi Arabia and Iran would stop using Syria as a proxy battleground.

Both sides are now engaging with the nascent Syrian democracy, supporting its transition since the setting up of a unity government in the second half of the 2010s. Though the process has been turbulent and has witnessed periodic setbacks, Syria appears to have embarked on a long-term process of reconciliation and state building. The second elected government has managed to survive its full term and third elections are on the horizon.

Steps towards sectarian reconciliation in Syria and in the wider region have also helped dampen the divisiveness that had begun to dominate Iraqi politics. The federal system is more or less consolidated with clearly defined centre–governorate mandates. In particular, an oil revenue-sharing mechanism has been worked out with the autonomous Kurdish province.

Yemen's path towards a viable democracy has moved in fits and starts and has seen a lot of reversals, but sustained support from the GCC has prevented the country from splitting. Corruption is still rampant and the country remains mired in tribal and ethnic divisions. Al-Qaeda in the Arabian Peninsula (AQAP) has been able to maintain some of its strongholds and these are effectively beyond the control of the centre, creating another factor of instability.

Since the dismantling of the sanctions, Iran has opened up to the world economy and has witnessed rapid economic growth, thus raising its profile in the region. This, together with carefully managed reforms according greater socio-political rights to citizens, has managed discontent for the time being, allowing the regime to continue to manage affairs at the helm. The rise of civil society organisations has also, to a certain extent, eroded the veto power of the clerics over national issues.

Egypt, after a series of false starts and internal convulsions, has managed to steer the course of its transition to a more inclusive and democratic polity with the GCC countries crucially stepping in with aid and loans when economic problems threatened political stability. As a result, it has largely aligned itself with the GCC in terms of foreign policy. Popular sentiment within Egypt has forced Muslim Brotherhood and the Salafists to be more accommodative of the liberal secular and minority concerns.

The political parties have had to come together to form a series of coalition governments. Relations with GCC countries, Iran and Turkey have been normalised with no distinct tilt towards any one country. Domestically, the state has moved towards a Turkey-like moderate Islamic secularism.

Saudi Arabia has retained its stature in the GCC and managed Qatar's overzealousness in regional politics. Nevertheless Qatar's economic influence over the region has increased as a result of its diplomatic agility and ability to commit resources to support its regional foreign policy initiatives.

Despite their best efforts, the GCC monarchies have not been immune to varying degrees of challenges to their authority, owing to rising citizen expectations and desire for greater socio-economic and political rights. However, they have largely managed to maintain their grip on power through a gradual process of negotiated political change, institution of the rule of law, greater civil rights and economic opportunities.

In Saudi Arabia, reforms at the provincial and local levels have allowed citizens to have a greater say in decision-making processes. Women are now an integral part of workforce and constitute 33 per cent of the legislature. Greater rights have also been accorded to the Shia minority. In Bahrain, Saudi Arabia's rapprochement with Iran and its own Shia minority has paved the way for smoother inter-sectarian relations. The legislature has higher Shia representation and rule making is its exclusive preserve. Socio-economic disparities continue to persist, however, and remain a threat to stability. Oman has also managed to take into account the aspirations of its youthful population via a controlled transition towards a constitutional monarchy and provide increased job opportunities through a successful economic diversification strategy. The UAE has progressed most in the direction of becoming a constitutional monarchy with the entire 40-member Federal National Council (FNC) (half of whose members used to be selected by an electoral college appointed by the Emirate rulers) now being directly elected. Its power to propose laws and reforms has increased. Several pro-women legal reforms have been instituted. In Kuwait, the episodic turf war between the ruling Emirs and the parliament has finally given way to a more stable power-sharing model.

India has subtly nudged the GCC states along the democratisation process through active interaction and engagement as well as sharing of India's considerable democratic and electoral experience when necessary.

Security

With the shadow of a potential nuclear threat from Iran receding, new security architecture is emerging in West Asia. The rapprochement between Iran and Saudi Arabia has done much to decrease tensions across the region, giving rise to hope for a new, more peaceful West Asia. With tensions at an all-time low, the US has dramatically decreased its military presence, while it still maintains some key bases in the GCC countries.

China, which has developed significant economic interests in the region, together with the GCC and Turkey, has taken the lead in bringing together regional partners to create a security framework to promote coordinated action on geopolitical and economic issues. The proposed framework of GCC+2 was instituted in mid-late 2020s to include Iran and Iraq as dialogue partners and the US, the EU, Russia, Turkey, China and India as observers.

Bilateral disputes between individual countries are also being put on the back burner. These include the disputes between the UAE and Iran over the Abu Musa islands and Lower and Upper Tunb in the Persian Gulf. Turkey's influence in the region has increased, especially since the successful resolution of its separatist Kurdish movement.

With regime security uppermost in mind, the GCC countries have been making a concerted effort to smoothen inter-community relations and bridge divides. This process has included greater political rights for women and minorities. In some cases, this has resulted in a backlash from conservative religious forces—the Salafists in Saudi Arabia, for instance, have decried what they consider the loosening of moral, social and religious norms. The mainstreaming of the Muslim Brotherhood and allied parties in countries such as Egypt, Tunisia, Syria and Yemen has also added to a sense of insecurity in countries such as the UAE, which are wary of its influence.

The reactionary conservative forces are also opposed to China's increasing involvement—by now, as it is deeply entrenched in infrastructure building. There have been instances of terrorist attacks on Chinese-run factories and cases of Chinese personnel being kidnapped. Although the presence of AQAP and allied outfits has diminished, it continues to maintain strongholds in parts of Yemen, Syria and Iraq.

Rapprochement with Pakistan has helped India develop close security ties the Gulf states. Joint military exercises with Oman, the UAE, Qatar

and naval exercises with Saudi Arabia and Iran are now a regular feature. It has also entered into joint defence production with Qatar, the UAE and Saudi Arabia. Turkey has become a significant defence equipment supplier to the region.

Energy

The acceleration of growth rates in China and India has increased energy demand, putting an upward pressure on oil prices. Gulf countries have reinvested the resulting windfall to develop their gas and renewables and diversify internal power generation. The Gulf countries had undertaken extensive deep-water exploration during the 2010s in an attempt to find new reserves and expand production. The safety and security of these deep-water sites has, however, become a major concern.

High oil prices are a drag on an oil-importing nation such as Egypt. However, sustained investments by the GCC in the country's power and transportation sectors has helped mitigate the crisis. The Egyptian government's pro-business policies and a skilled young population have enabled the country to emerge as a manufacturing hub. The lifting of sanctions has allowed investment into Iran's economy, especially in its aging energy infrastructure. The Chinese, in particular, have poured investments into Iran's energy infrastructure. It has also floated plans to extend its pipelines in Central Asia to Iran. A framework agreement for oil and gas pipelines joining production facilities in Kuwait, Qatar, Saudi Arabia and the UAE with a new port on Oman's Indian Ocean coast has been signed by all members of the GCC. Iraq is still holding out under Iranian pressure but there are signals that it will also eventually join the project.

Trade and Economics

High energy prices have enabled the GCC countries to maintain a fiscal surplus and expand their external public assets, which it proactively deploys to pursue foreign policy objectives, and are also looking to diversify their investment portfolio to include developing Asia. Free trade agreements (FTAs) with India and China also come through during the late 2010s, giving an impetus to the region's trade ties with rising Asia. Export of information technology (IT), health care and education services to the GCC have helped India rebalance its widening trade deficit with the GCC. At the same time, GCC countries have also used their SWFs to invest in Indian IT, pharmaceuticals, financials and transportation sectors.

Most GCC countries have undertaken steps to diversify their economies away from the energy sector by moving on to value-added products and developing the services sector. In some cases, this has resulted in overcapacity and intra-GCC competition—particularly in downstream products like petrochemicals and fertiliser and chemicals, and in energy-intensive industries such as aluminium or steel. The rise of Oman as a key shipping hub has pitched it in competition with an established player like the UAE. Similar competition is evident in the financial sector with Kuwait and Saudi Arabia emerging as new financial centres.

The GCC countries view economic growth as the most important prerequisite for a harmonious society. This has created blind spots as far as social inequities and environmental degradation is concerned. Government regulatory capacities have failed to keep up with the rapid pace of developments. Thus, while the GCC economies diversify and grow, the consequences of depletion of natural resources and increased environmental degradation are also beginning to be felt. Water scarcity is also becoming a major issue. Vital sectors such as desalination and wastewater treatment plants have been privatised to reduce reliance on government spending, reduce corruption, attract investments, enhance service delivery and spur innovation, but desalination itself remains fossil fuel dependent.

Migrants

The success of economic diversification has spurred economic coordination within the GCC. Coordinated indigenisation policies have also been successful and the private sector in the GCC now employs a significant number of locals. However, the burgeoning financial and services sector is creating new jobs requiring white-collar workers from abroad. Unskilled and semi-skilled migrant workers also remain in demand.

The labour market, however, has become increasingly competitive with labourers from Bangladesh, Sri Lanka and the Philippines willing to work at lesser salaries than Indians. The outflow of migrants from India has begun to plateau and there are signs of a reversal.

Scenario 3—The Perfect Desert Storm

Overview

With **Iran** testing its nuclear weapons in the late 2020s with a view to manage internal dissent, the entire West Asian region is in turmoil. There

has been a lot of posturing and counter-posturing by countries but thus far, a tense and fragile peace has prevailed. The incident has triggered a nuclear arms race in the region and the nuclear Non-Proliferation Treaty (NPT) lies in tatters. Apart from heightening the prospect of large-scale inter-state conflict, the test has also had enormous repercussions in terms of redefining regional alignments and upsetting West Asia's fragile balance of power.

The Shia-majority central government in Iraq has clearly aligned itself with Iran, even as Kurdistan has de facto separated and drawn closer to Turkey. The Shia–Sunni sectarian divide has deepened. Shias, in particular, feel emboldened in places where they have previously been marginalised, including Saudi Arabia and Bahrain. In Shia-majority Bahrain, the situation seems to be slipping out of control with repressive measures failing to quell persistent anti-regime protests. Saudi Arabia, also facing a Shia uprising in its oil-rich Eastern region, is unable to help. Also under pressure are countries such as Oman and Qatar, which have previously sought to balance relations between Iran and Saudi Arabia.

Regional and internal chaos has adversely affected the economies of the GCC countries. Early attempts at diversifying away from oil and gas never really took-off and youth unemployment is pervasive. The migrant situation is perilous with the unstable geopolitical situation making their presence in the area rather unsustainable. The fraught geopolitical situation and threat of war has caused panic in energy markets leading to high volatility. The production has come down due to violence in energy-rich areas such as the Shia-majority areas in Eastern Saudi Arabia. The threat of closure of Strait of Hormuz also looms. The US is forced to station additional forces in the region to restore calm.

Volatility in energy prices, decline in reserves, spikes in food prices and massive water shortages, as well as increasing youth unemployment, all are adding to popular discontent which appears to be at an all-time high all across the region.

India, having condemned Iranian nuclear test, is short of options despite engaging in multilateral negotiations. The looming threat of large-scale displacement of migrant workers is causing internal political tensions and contingency plans are being formulated for their evacuation and rehabilitation.

Politics

Iran has gone nuclear, triggering a major political crisis. The country's nuclear test in the late 2020s was a great shock as it reversed nearly a decade of the international community's engagement with Iran. Much progress appeared to have been made and it seems that Iran had relegated its nuclear programme to the back burner. The test was mainly a tool to manage internal discontent and bring the country, split apart by youth-led protests, together under the banner of nationalism. The 2017 elections, which returned a conservative, pro-establishment dispensation, were widely believed to have been stage-managed and resulted in widespread discontent. With repressive measures failing to dampen protests, the Iranian regime under the new Ayatollah decided to push the nuclear agenda ahead.

The immediate fallout of the nuclear test was the sudden increase of tensions in an already geopolitically sensitive region, with Israel and Saudi Arabia (among others) demanding decisive action. Though this has remained limited to rhetoric owing to intense behind-the-scenes negotiations with the US, Russia, China, Turkey, Egypt and India trying to defuse tensions, the nuclear test has decisively altered the region's balance of power and triggered a realignment of political forces.

The Iranian nuclear test has especially had the effect of galvanising and emboldening Shia communities in countries where they were previously marginalised, causing upheaval in countries such as Bahrain and Saudi Arabia. Bahrain, where the Shia majority has long suffered socio-economic and political marginalisation, has erupted in protests. Repressive measures, instead of quelling protests, have served only to further galvanise, and in some cases radicalise, the protesters. Fearing a descent into a Syria-like situation, Qatar has taken the lead in trying to bring the parties involved to the negotiating table to reach a compromise solution.

Brewing discontent in Saudi Arabia's oil-rich, Shia-dominated areas in the east has severely affected Saudi Arabia's economy, making it difficult for the regime to "buy out" political discontent. There is widespread youth dissatisfaction as a result of the state's inability to generate adequate employment opportunities. Extremist Salafi groups have also taken advantage of the situation to further pressurise the regime. The regime, in turn, has responded with extreme repression, while also hyping up the Iran threat.

Despite successive elections, Iraq continues to be wracked by deteriorating centre-state relations and deep sectarian divides. The Shia-

dominated federal government's increasing closeness with Iran has exaggerated Sunni fears. The centre's hold has weakened considerably. Corruption, nepotism and violence have become endemic. Intense conflict between the federal government and the local government of the Kurdish autonomous region over sharing of oil revenues and dispute over the internal Kurdish–Iraqi border spilled over into a military confrontation between the government of Iraq and Kurdish security forces, resulting in a de facto separation. The de facto independent province of Kurdistan has drawn closer to Turkey, adding to the centrifugal forces tearing Iraq.

The region has further descended into chaos due to the messy break-up of Yemen into North and South Yemen. Disillusionment with lack of representation and marginalisation in the National Dialogue Process that began in 2013, combined with deteriorating socio-economic situation (corruption, poverty, unemployment, food and water shortages, lack of social services), strengthened the widely supported secessionist movement in the South—Al-Hirak al-Janoubi—resulting in a unilateral declaration of independence. It was widely speculated that Iran was covertly supporting the southern separatist movement as well as the Shia Al Houthi rebels in the North.

Syria has been without an effective central government since the downfall of the Assad regime in the late 2015. The prolonged civil war and failure to re-establish a centralised authority owing to infighting among the various opposition groups has torn the country apart and deepened ethno-sectarian divisions. Different factions now exercise control over different parts of the country and it remains a proxy battleground for competing interests.

Security

In the immediate aftermath of Iran's nuclear test, the already dire security situation in West Asia deteriorated rapidly with Saudi Arabia, the GCC and Israel ratcheting up the rhetoric calling for decisive action against Iran and threatening unilateral strikes in the absence of the US/international support. Iran, in turn, threatened blockading the Strait of Hormuz and reverse strikes on Israel and the US bases in the Gulf. The region (and the international community) was on high alert and there was a period of tense standoff. There was urgent activity behind the scenes with China and India mitigating tensions, and Egypt and Turkey playing the role of regional mediators.

The standoff, has since, slowly winded down, but the region is now further militarised. The US has reinforced its military presence and there has been an increase in across-the-board military build-up. The non-proliferation regime has broken down and it is believed that Saudi Arabia has acquired nuclear capability from Pakistan. Turkey has sought security guarantees from the North Atlantic Treaty Organisation (NATO), while Egypt and the UAE have kicked off civil nuclear programmes as possible hedges. The region-wide Shia–Sunni divide has widened, adding to instability in the region.

South Yemen's unilateral decision to secede from Yemen at the conclusion of the National Dialogue Process in the early 2020s has precipitated a long-drawn confrontation between the Yemeni security forces and separatist groups. Northern Yemen continues to be beleaguered by the Shia-led Houthi rebellion, while the AQAP has strengthened its presence in South Yemen. The initial euphoria of independence has faded with the secessionists failing to coalesce together, resulting in the emergence of several de facto microstates. The ongoing instability in Yemen is also exerting a major destabilising effect on the security of the wider region leading to sudden spurt in piracy in Bab el Mandeb and Gulf of Aden.

The internal instability and chaos following the collapse of the Assad regime in Syria has continued unabated. Various factions now control different areas in Syria and internecine conflict has become the norm. Spill over from the Syrian war has gravely complicated the situation in Iraq too, exacerbating its internal divides. The AQAP has spread its network across Yemen and Syria and is using these countries as bases to coordinate and further radicalise its various factions in the West Asia and North Africa (WANA) and the GCC regions. Jordan has become a new battleground between Muslim Brotherhood and Salafists.

Energy

In the late 2010s, the slump in demand for oil due to a feeble global economic recovery, together with new discoveries of oil and gas in the Mediterranean and increase in output from Iraq and Iran, had resulted in a fall in oil prices. At that point, Organisation of the Petroleum Exporting Countries (OPEC) stepped in to prevent/arrest decrease in oil prices by reducing production. Prices, however, still remained below the break-even level required by several oil-producing countries, resulting in budget deficits and rising debt. This resulted in schisms within the OPEC, with Iran and Iraq leading the demand for raising oil prices and demanding a higher

quota within the OPEC. An isolated Saudi Arabia unilaterally ramped up production as a diplomatic ploy, thereby causing oil prices to fall further and significantly hurting Iran and Iraq. This push-and-pull within the OPEC has raised oil prices. Natural gas is increasingly becoming a more attractive option with exploration and production expanding exponentially, particularly in Iran, Iraq and Saudi Arabia.

Iran's nuclear test has further spooked energy markets. As a full range of sanctions has been imposed on Iran, including complete prohibition of oil trade, Iran has threatened to block the Strait of Hormuz. The global economy is facing a threat of unprecedented crisis.

Trade and Economics

The deteriorating political and security situation in West Asia has had a grave negative impact on the region's economy. Flight of capital away from the region has halted attempts at diversification and for the first time, the oil-rich GCC countries see their budgets slipping into the red. Governments have been forced to implement unpopular policies like increasing domestic oil prices and instituting income taxes. Oil price volatility has also had an impact on the commodity prices. Food imports have become expensive putting further pressure on the national budgets of the Gulf states.

At the same time, propelled by FTAs and strengthened by energy interdependence, Asia has become the GCC countries' largest trading region. There is an increase in export of services from India—particularly in the education, tourism, telecommunication, health care and IT sectors. However, volatility in oil and gas prices and the fraught geopolitical situation with threat of disruption of supplies have caused economic slowdown in India.

Migrants

With the political, economic and security condition in the Gulf deteriorating, the situation of migrant communities has become particularly difficult. The first sign of trouble for migrant communities was witnessed in the break-up of Yemen. The escalation of the civil war in Yemen spurred India's immediate neighbours to turn to the Indian Navy for assistance in evacuation of their citizens. Though the Indians in Yemen only numbered 7,000, the task was challenging since they were located in both North and South Yemen.

Youth unemployment remains a challenge for most GCC countries and with economic downturn, foreign professionals have become a focus of discontent. There is a distinct trend of migrant workers being attacked by Arab vigilante groups. In India, news of these attacks and allegations of “extreme Salafi indoctrination” has resulted in public demand for strong state action. Taxation of remittances has been identified by the GCC countries as a potential means of retaining capital within the country. This has resulted in a reduction in remittances to countries such as India and has, at the same time, made the Gulf a less attractive destination for migrant workers. The likelihood of regional conflict has also forced white-collar professionals to relocate to India and other countries. Many of these workers have been denied access to their bank accounts in the Gulf. There are sustained protests in Kerala and some other states by the Gulf returnees, their families and regional associations.

Key Recommendations

The three scenarios sketched out in the preceding section offer the broadest range of alternative futures the Gulf region may find itself in the next couple of decades. The aim is to offer policymakers a chance to test current and prospective policies against a wide set of variables allowing for the creation of robust and resilient policies and initiatives as India reinvents its engagement with the Gulf region. Drawing from the three given scenarios, the broad recommendations are as follows.

India will have to contend with a highly unpredictable and unstable political and security environment in the Gulf and the wider West Asian region. The situation may be complicated owing to a reduction in the US interests in the region as a result of its Asia-Pacific pivot and increasing energy independence. This withdrawal of the region’s chief security guarantor could further heighten tensions in an already fraught neighbourhood. As a rising power, India may be called upon to play a larger role in the shaping of an inclusive security architecture in the Gulf region. In such a situation, India will need to tread carefully and balance its various alliances in the region. India should encourage the building of an inclusive institutional mechanism for strategic dialogue that brings together all the major state actors of the region. Regular high-level interaction at political and institutional level will be necessary to build trust and mutual confidence between India and the GCC countries.

Since stability and security in the Gulf region is of utmost interest to India, it should encourage and nudge GCC regimes to take the path of a sustained political, social and economic reform that takes into account the aspiration of the people.

India has to consciously avoid taking sides in intra-regional disputes, while at the same time, being ready and available to provide advice when requested by both sides. From time to time, there will be a necessity to make issue-based decisions in national interest. India should not be apologetic in taking those decisions but must be prepared to articulate its position to any country having reservation about the decision. India should approach its future relationship with the Gulf region with a positive outlook and not waste its energy trying to overcome past prejudices.

India must enhance its defence diplomacy in the region and institutionalise joint training exercises, trainings and defence exchanges. Mechanisms should be put in place for counter-terrorism dialogue and information sharing with regard to organised crime and cyber security.

Since the Gulf countries have clearly identified economic diversification as a means to reduce reliance on energy as a prime source of income, India should use its leverage and inherent strengths to support these countries' transition. Education, health and IT are examples of sectors where India can use its natural advantage to help build capacity in the GCC countries.

Given that the region is of utmost importance for India's energy security, India should proactively invest in energy infrastructure development in the Gulf countries, while also encouraging the GCC countries in improving their energy efficiency as this is directly related to the amount of oil likely to be available for future export.

Given India's huge dependence on energy imports from the Gulf region and the absence of meaningful strategic reserves, India needs to actively seek out alternatives to the strategically significant Strait of Hormuz. Although the Strait of Bab el Mandeb is considered a potential alternative, it is also a choke point besides being vulnerable to piracy. As a possible alternative, India should encourage the setting up of a port in Oman, bypassing these two choke points and connected to a regional oil and gas pipeline network to allow for direct export to India.

Keeping in mind the unpredictability associated with the region and the need for ensuring safety and security of a large number of Indian nationals in the region, India must prepare detailed contingency plans for their evacuation and rehabilitation. Good political, economic and defence

relations with the countries in the region will help the process greatly. Simultaneously, India should create institutions and facilities to identify the future requirement of skills in the Gulf region and impart skill development training to perspective workers. This will improve the profile of Indian workers in the region and fetch them better remuneration and respect.

Conclusion

The West Asian region, a shatter belt of geopolitics, is once again undergoing tumultuous changes. Surrounded by countries that are wrestling with the forces unleashed by the Arab Spring, the GCC countries appear to have weathered these winds of change thus far. Yet, these Arab Spring movements have empowered people who are demanding social, political and economic reforms, and it is unlikely that the GCC countries will remain immune to the broader undercurrents in their neighbourhood.

How the political and security environment in the Gulf and the wider West Asian region evolves in the coming years will be crucial to India's national security. India's centuries-old relationship with the Gulf region has gained renewed significance in the last couple of decades. Already, nearly 70 per cent of India's energy needs are supplied by this region, and this figure is only going to increase as India's economic growth and development accelerates in the coming decades. Furthermore, the region is home to nearly 6 million expatriate Indian workers who contribute nearing US\$ 30 billion in remittances annually.

Although India's ties with West Asia and the Gulf countries are centuries old, in the last few decades, India has been cautious about its involvement in the region's political and security affairs, preferring to perform a "balancing act" in this complex region. Yet, the region's significance for India has grown tremendously in the last few decades and is only likely to increase further in the future.

Already, the region is India's main source of hydrocarbon energy. Trade between India and the GCC has grown from a mere US\$ 10.28 billion in 2003–04 to US\$ 158.42 billion in 2012–13, and the UAE and Saudi Arabia are amongst India's top five trading partners. Furthermore, about 6 million Indian migrant workers in the region contributed an estimated US\$ 29.69 billion in remittances to the Indian economy in 2012 and the region is a growing market for India's goods and services. However, despite all these successes, the GCC countries often complain about the lack of strategic

depth in India's relations with the region and call upon India to play a more proactive role. When questioned deeply, the interlocutors are unable to state the exact nature and the scope of India's involvement in the regional affairs. The difference in political ideologies of India and some of the important countries in the region like Saudi Arabia is similarly understated from either side, but certainly constricts the space for enhanced political engagement.

Indeed, looking ahead, it is likely that India will have to engage with the GCC far more proactively to secure its national interests. Already, several areas of mutual concern to both India and the Gulf have emerged. These include terrorism, maritime security, piracy and illicit trafficking in narcotics and arms. Furthermore, recent Arab Spring uprisings across West Asia have renewed concerns regarding the political stability of the region. Although the Gulf countries appear largely unaffected by these movements thus far, it is possible that instability could spread to the GCC countries as well. Thus, the issue of guaranteeing the security of Indian expatriates in the region has also assumed significance. Forging a strong partnership between India and the GCC countries on a regional as well as bilateral basis will be crucial for managing these concerns.

In addition to further improving economic ties, India must also focus on deepening its political and strategic engagement with the region. Increasing high-level political interaction will be very helpful. Improving defence relations with the Gulf, through joint training and exercises, will also help India ensure its interests in the western part of the Arabian Sea and the vast Indian Ocean, including the sea lines of communication (SLOCs) critical for ensuring trade and energy supplies.

India's rise to global power status in the coming decades will depend on its ability to secure its interests across the wider Asian region, including West Asia. At the same time, trends suggest that the West Asian security environment is likely to remain complex and volatile over the next few decades.

Already, the US' announcement of its "Asia Pivot" has raised concerns regarding its willingness to continue to underwrite security in the Gulf region. A significant change in the US' presence in the region as well as its bilateral and multilateral security arrangements with various countries will have a profound impact on the region's balance of power. In such a situation, deterioration of GCC–Iran relations, re-emergence of Egypt on the regional power matrix, the sharpening of the Shia–Sunni divide in the region or

increased social and political instability could push the region to a dangerous tipping point. Thus, in order to guarantee its national interests in the region, as well as solidify its stature as a regional and rising global power, India may be called upon to act more proactively and decisively in the region's political and security affairs in the future.

India could find acceptance as a more proactive player in the region's security due to its image as a benign power that does not harbour any extra-territorial ambitions. To emerge as a "Net Security Provider" of the region, India would need to deepen its bilateral and multilateral engagement with the region. Dedicated defence wings at all of India's embassies in the GCC as well as regular joint exercises involving all three services from either side will be critical for enhancing interoperability and developing mutual understanding. Maritime agreements, counter-piracy and counter-terrorism engagement and promoting dialogue to achieve peaceful settlements to the regions many simmering disputes will help increase India's footprint in the region.

Despite efforts to diversify its sources of energy, India remains heavily dependent on imports from West Asia. India's continued economic growth in the coming decades will be matched by a steady increase in its energy needs. It is projected that India's energy requirement may more than double to the equivalent of 833 million tonnes of oil by 2030, most of which may likely have to be imported. At the same time, China's growing energy needs will increase the pressure on net energy supplies. Greater focuses on renewable sources of energy, as well as shale gas revolution in North America, have the potential to significantly alter global energy markets. However, these are critical uncertainties and it is clear that India will have to carefully plan its future strategy to best secure its energy interests from the West Asian region.

The region's geopolitical complexities pose a threat to the continuity of energy flows from West Asia, particularly through the strategically vulnerable Strait of Hormuz. Furthermore, by 2030, the demand for food in West Asia is expected to rise by approximately 35 per cent, water by 40 per cent and energy by 50 per cent. Fragile states in Africa and West Asia are expected to face heightened risk of food and water shortages. This would further complicate the region's already fraught security dynamics. Violence in the area could result in massive shocks to the supply of oil and natural gas.

To guard against future disruptions to its energy supplies from West Asia, India should focus on transforming the current buyer–seller relationship into a partnership of criss-cross investments in India and West Asian oil-exporting countries. Such a policy will help increase mutual interdependence as well as add much-needed depth to India's ties with the region. India should also look for joint ventures in West Asia with both international and local companies.

India's trade and economic relations have grown remarkably in the past decade. It is likely that this trend will continue in the future, and have spill over effects on India's strategic relations with the region. Indeed, India's improving economic profile and the diversification process underway in the Gulf region present opportunities for developing an even-more robust and mutually beneficial relationship between India and the GCC countries.

One of the main areas of concern in India's trade relations with the GCC remains the significant trade imbalance as India imports an ever-increasing amount of hydrocarbons from the region, while exporting relatively low-value products. Although India and the GCC signed a Framework Agreement for Economic Cooperation on 25 August 2004 to explore the possibility of an FTA, an agreement is yet to materialise. Several issues have impeded progress, including the global financial crisis and structural impediments inherent in the GCC economies. For instance, these countries remain heavily dependent on foreign labour and revenues from energy exports. Their rapidly growing young, educated and aspirational domestic labour force is now beginning to protest against the presence of the huge numbers of migrants in the GCC economy, increasing the pressure on an already large public sector to generate more employment opportunities.

The success of diversification policies will be a critical determinant in the ability of the GCC countries to provide adequate opportunities to their skilled youth population. This presents opportunities for India to strengthen trade and economic relations with the GCC. Increased investment cooperation, expanding India's exports of engineering goods and textiles as well as collaboration on turnkey projects in the infrastructure sector in the Gulf region can all help deepen India's economic relations with the GCC.

About 6 million-strong Indian migrant community, living and working in the GCC countries, reflects a mutually beneficial relationship between India and the Gulf. Preferred for their skills and their non-involvement in

the domestic affairs of these states, the migrants have helped build the foundations of strong bilateral and regional relationship between India and each of the GCC countries. While continued migration to the region serves India's interests, factors such as economic slowdown, internal demographic compulsions, indigenisation policies and political uncertainties plaguing some of the states could reverse—or at least slow—the tide.

To a large extent, the employment of large numbers of migrants in these countries can be attributed to the reluctance of the local population to undertake many jobs. At the same time, over the last four decades, the labour market in these economies has been steadily “de-Arabised”. The presence of migrants, who comprise almost 70 per cent of the total workforce in the GCC, has profound social, political, economic and cultural implications for these states. Yet, it is likely that the GCC will remain dependent on expatriate labour—ranging from blue-collar/semi-skilled workers to white-collar professionals—in the coming years, despite attempts to reduce this dependence via indigenisation policies.

In the future, state fragility, regime security, demographic compulsions, armed conflict and indigenisation policies will be key determinants of continued Indian migration to the region. In addition to putting in place better regulations to prevent the exploitation of workers, as well as engaging with the GCC states diplomatically to ensure the interests and safety of Indian citizens in the Gulf, India must also set up robust evacuation plans.

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