The Gulf for centuries has acted as a bridge connecting India with the Arab world, and beyond with the West. History, culture and religion have all contributed to strengthen the ties created by the facts of geography. Dating back to the days of Mohenjodaro and the Sumerian civilization, Indo-Arab relations were strengthened when two of the greatest religions were received—Islam and Christianity—from West Asia through the Arabian Gulf. An irony of history appearing in the form of a common colonial bondage—the British Empire—also contributed in its own way towards close emotional proximity between India and the Gulf region. Even as late as the 1950s, the common currency between India and the Gulf was the Indian rupee. The break of colonial bondage witnessed in the Indian subcontinent had its happy repercussions on the Gulf region. In less than two decades of India winning its freedom, the entire Gulf region, became free of colonial bondage. The oil bonanza with which the Indians have been blessed has further contributed to bring the two regions close to each other. Our half a million Indian workers are employed gainfully in the Gulf and are contributing their mite to the task of reconstruction. They have become one of the major sources of foreign exchange for our country. Direct remittances from the Gulf contribute over Rs. twenty thousand million worth of foreign exchange. Another Rs. five thousand million to Rs. six thousand million is earned through Indian exports to the Gulf. The Indian community in most of the Gulf countries constitute the second
or third largest group of immigrants. The Gulf has also become our life line for supplies of oil. Besides, being a direct supplier, the region provides a very sensitive route. The security of this region is of the utmost importance to our country, if for nothing else, at least for ensuring regular and uninterrupted supplies of petroleum products.

In the middle of 1970s India and Iran strived together to unite themselves in strategic cooperation for shared objectives in Southwest and South Asia. Indira Gandhi's visit to Tehran in May 1974 and the Shah's return visit to India in October expanded bilateral economic cooperation. In 1979-80 not only the bridge of understanding between India and Iran collapsed with the fall of the Shah and the triumph of Iran's Islamic revolution the Indian plan for South Asia broke down under the impact of the Soviet intervention in Afghanistan and the cold warish U.S.-Soviet rivalry to that traumatic event. All communication come to a halt between India and Iran. Prospects of Pakistan receiving substantial quantities of military weapons from the United States, including the glamorous F-16 fighter, revived the traditional strategic cleavage in South Asia. Refusal to condemn the Soviet movement into Afghanistan isolated India from the conservative Islamic countries of Southwest Asia. Only will Iraq did India's channel of economic cooperation and political communication

remain open. India, which had stood the first big hike in oil prices in 1974-75 rather remarkably well, nearly wilted before the more grievous second hike in 1979-80.

Adversity made it necessary for India to make a fresh bid to build bridges to the oil-rich countries of Southwest Asia. In 1981 the Prime Minister Mrs. Gandhi made a successful trip to Kuwait and the United Arab Emirates and in 1982 an even more successful one to Saudi Arabia. Her talks with the leaders of these Southwest Asian countries covered political and security issues, as well as questions relating to economic cooperation. The most significant result of the conversations was the recognition that the security of Southwest and South Asia had become indivisible and interdependent. Although this did not confer on India a security role in Southwest Asia, it did lend a new dimension to India's regional foreign policy and diplomacy and a certain weight to India's voice on matters of security and stability in Southwest Asia.

After the partition India had a whole new set of frontiers to defend and develop. The dispute with Pakistan over Kashmir led to the war of 1947-48; in India's view, Pakistan became both an independent threat and a symbol of India's own internal religious cultural cleavage. Less than three years later, China extended its control to the whole of Tibet, ending India's inherited privileges in Outer Tibet. This action also

breathed new strategic life to the long somnolent Himalayan territories of Nepal, Bhutan and Sikkim. These territories, together with Kashmir started to dominate India's security scenario. About the same time, Pakistan opted out of "greater India" by concluding a military pact with the United States. This brought the cold war to the subcontinent ad India accepted political support and development assistance from the Soviet Union.

In the 1950s, both India and Pakistan reached out to the Arab and Islamic countries for friends and allies, Pakistan masqueraded its Islamic identity. India rode the tide of nationalism, anti-imperialism, anticolonialism and anti-Zionism. Thus, Indians applauded Mossadegh's bid in 1951 to free Iran from the clutches of the international oil cartels. Later, strong linkages were formed between Nehru's non-alignment and Nasser's positive neutralism. Forces of decolonization mingled with cold war rivalries of the two power blocs to divide the countries of the Middle East and the Persian Gulf into two categories: non-aligned and pro-Western. The first group came to be identified as progressive, the second reactionary, Islamic or pro-Western. India was with the progressive group. Its West Asian policy was Cairo-centric, so much so that Indo-Egyptian relations came to be represented as Indo-Arab relations. One

3. Ibid. pp. 151-52

inevitable result was that India's relations with the pro-Western countries remained cool. Among these countries were Iran, Saudi Arabia, Kuwait and M.A.E etc., which in those days carried little political or economic weight, though not Iraq after the revolution of 1958 and the collapse of the Baghdad Pact. For a while, linkages with Nasserism and anti-Western Arab nationalism proved to be emotionally and ideologically satisfying to the Indians. But the political diplomatic lag became rudely apparent for the first time in 1962-63, when a majority of the West Asian and Persian Gulf countries refused to back India in the border war with China. Pakistan's pan-Islamic cry met with strong resistance in Egypt and Turkey in the 1950s, but received ample hospitality in the majority of the Middle Eastern and Persian Gulf nations, and India realised during and after the Sino Indian war of 1962 and the Indo-Pak war of 1965 that many of the Arab states as well as Iran were Pro-Pakistan, if not anti-India. Indian parliamentary debates on the 1967 Arab-Israeli war manifested unprecedented hostility towards the Arabs and put the government's policy of total support for the Arabs against Israel entirely on the defensive.

India's West Asian and Persian Gulf diplomacy underwent radical change in the mid and late 1960s after the death of Nehru and the decline of Nasser's influence and finally his demise. The Persian Gulf came, for the first time, in the focus of Indian foreign policy. A number of new power centres emerged and several of them—Iran, Iraq, Kuwait, notably—were located in the Gulf region, geographically closer to India than Egypt and Syria. Foundations of a new economic diplomacy in Iran were

5. IRIS
laid in 1965 with an agreement on the establishment of an oil refinery in Madras, South India with an annual capacity of 2.5 million tonnes. This agreement's economic, political and strategic significance became clearer eight or nine years later. It was concluded in spite of the fact that the Shah had given strong support to Pakistan in its 1965 war with India, indicating that Pakistan need not be an insuperable barrier to closer relations between India and Iran. In fact, the new Indian diplomacy in the Gulf - Middle East region was cushioned more on economic interests than on the ideology of anti-imperialism, on non-involvement in inter-Arab differences rather than on the dichotomy between progressive and reactionary groups of states. Even then Pakistan remained a barrier between India and the Gulf. In 1971, India once again failed to persuade the majority of the Arab and Gulf nations that it had valid reasons to intervene on behalf of the Bangladesh liberation war. Several high level Indian missions toured these countries, but only from Egypt was a measure of understanding and cooperation forthcoming. India designed the Simla agreement with Pakistan to legitimize the new political map of the subcontinent. But Zulfikar Ali Bhutto, then Pakistan's president, normalised his country's relations with Bangladesh not within the framework of Simla agreement, but with the good offices of leaders of the Islamic Conference he was able to convene with great fanfare in Lahore in 1973. The Shah of Iran, fearing that India might further dismember Pakistan, committed Tehran in 1972 to the defence of Pakistan's territorial integrity by announcing that any attack on Pakistan would be considered an attack on Iran. The Islamic countries of the Persian Gulf and the Middle East in effect worked together with Pakistan to deny India the political and strategic
fruits of its victory in December 1971 over Pakistan and its role as the liberator of Bangladesh.

Indo-Gulf relations saw a measure of improvement in the wake of the oil crisis of 1973-74. India had to absorb the traumas of the Arab Israeli October 1973 War and the international oil crisis that followed. The war obliged India to take an explicit stand on behalf of the Arabs against Israel; this was no wrench, but only a revival of traditional pro-Arabism. By forceful support of the Arab demand that Israel withdraw from all territory occupied during the war of 1967, India got the oil exporting Arab regimes promptly to delete its name from the list of countries selected for the oil embargo as well as the oil squeeze. It also gained a measure of bilateral Arab sympathy for its own claim that the Chinese vacate territory they had occupied along the Indian border as result of the 1962 war. The economic blasts proved to be harder to face. India's oil imports have remained more or less static since 1970-71, within the range of fifteen/seventeen million tonnes. But the import bill increased forty-two times from one hundred forty six million dollar in 1970-71 to $6.3 billion in 1980-81. Like other most/nations, Indian had to improvise an oil diplomacy. Involved in this enforced enterprise were the need to boost exports, risking domestic shortages of many essential commodities, diversifying sources of oil supplies (the Soviets once again proving to be helpful with a long-term agreement to supply 2.5 million tonnes of crude annually), obtaining deferred payment facilities in Iran and Iraq, and getting as large a share as possible of the fat pie of Arab petrodollars.

7. TIMES OF INDIA, November 11, 1970
Since 1974, India has been projecting to the Persian Gulf countries an image of a nation that is eminently in a position to meet a visible portion of the goods and services they need for their dazzling modernization and development projects at rates considerably cheaper than those available in the developed capitalist countries. Furthermore, India's development experience would be more relevant to these oil-rich developing countries than the growth and development concepts of the Western nations. India offered joint ventures, Joint commissions on industrial and technological cooperation, turn-key projects, consultancy and new patterns of trade relations. By the late 1970s, India's vigorous economic diplomacy was rewarded with promising returns. It came with offers of investments totalling $1 billion. Indian public and private sector companies built railroads, airports, townships, housing projects, and electric power supply plant, a water filtration plant, a sponge-iron plant, and a fertilizer factory in countries in the Persian Gulf region. India also became the second largest supplier of manpower to the region, after Pakistan.

India's economic diplomacy in the Persian Gulf, however, lacked the underpinning of political clout, in the absence of which economic relations seldom flourish. Relations with Saudi Arabia remained poor; those with Kuwait, Bahrain and the U.A.E. stagnant at a level of burea...
friendliness. Relations were the warmest with Iraq, but here too the 
Iraki version of Baath socialism failed to attract Indians' intellec-
tual or emotional attention. It is in this context that the strategic un-
derstanding that grew between India and Iran in the mid 1970s has to be 
seen. India's diplomatic success in Iran was all the more remarkable 
because it was scored in spite of Teheran's long standing treaty 
relationship with Pakistan. In India's perception, the Shah's attempt 
to make Iran the dominant regional power in the Persian Gulf did not 
entirely jell with America's strategic and economic interests in that 
region. The Shah had reacted with studied chilliness to a hypothetical 
american take-over of Persian Gulf oil installations in an extreme 
emergency situation. Indians saw certain similarities between Iran and 
India as an emerging and an emergent regional power in the interlinked 
geostrategic regions of Southwest and South Asia. In fact both attach the 
greatest possible value to the attainment of security autonomy, and both 
have to live with dependence on external security for a fairly long time. 
Both are therefore anxious to maintain and assert as much independ-
ence and initiative as possible within the framework of their relationship 
with their respective patron power. What has changed the Indo-Soviet 
relationship with dynamism is India's initiatives as a major regional 
power even at the risk of Soviet disapproval, namely, its nuclear 
explosion and the annexation of Sikkim. In concluding a far reaching 
agreement with Iraq with the help of the Algerian president, the Shah 
was guided by the interest of his own country rather than the preferences
of the United States. The Shah, in other words, would seem to be as much interested in reducing Iran's dependence on the U.S. for so, as in India in reducing its dependence on the Soviet Union.

The political scenario in Iran underwent a sea change in wake of Khomeini revolution. The Shah's regime was in ruins. He, once one time was an embodiment of power and glory, became an exile. With the Shah's fall, the tenacious bridge between Tehran and Delhi was lost in limbo, and the Persian Gulf became critical area of confrontation between the United States and the local and international forces arrayed against it. To the Carter administration, the American loss of Iran was in itself, a major Soviet gain, even though the Soviets had no clout in an aroused Iran, nor were they responsible for the collapse of the Shah's regime. The White House initiated a series of strategic and political measures in 1979 aimed simultaneously at protecting vital U.S. and Western interests in the Gulf region, minimizing losses in Iran, and meeting any overt Soviet military move southward towards Iran. In November–December 1979, Carter ordered the streamlining of the rapid deployment force (RDF) for use in future crises in the Third World; despatched special aides to Saudi Arabia, Oman, and Kenya to seek access to military, specially naval, bases; and asked Defence Secretary Harold Brown to make his long-awaited trip to Beijing, thus symbolically inaugurating an "era of Sino-U.S. military cooperation. In this

critical ambience in the adjacent Gulf, the Soviet Union carried out its stunning military intervention in land locked Afghanistan in the closing days of 1979. The intervention aimed not so much to secure a wobbly Marxist regime as to preempt a U.S. military intervention in Iran by aligning by Soviet military in a position of strategic advantage. Carter linked the Soviet intervention to the general crisis in the Persian Gulf region, of which, too, he held Moscow partially responsible. A Soviet occupation of Afghanistan, Carter declared, threatened both Iran and Pakistan and was a stepping stone to their possible control over much of the world's oil supplies. Carter's offer of military and economic aid to Pakistan cost that country's military ruler, General Zia ul-Haq, in an important international role and ended his relative isolation, following the hanging of Zulfiqar Ali Bhutto. General Zia clutched at his unexpected luck. His perception of the Soviet intervention in Afghanistan mirrored Jimmy Carter's.

Indira Gandhi returned to the helm of Indian affairs after two years in the wilderness within two weeks of the Soviet lurch into Afghanistan. Even before formally taking over, she framed India's response to that traumatic event. She did not support, nor approve of, the Soviet intervention. But she saw the intervention as legitimate, i.e., in her view, the Soviets had acted on the request of the Afghan government, and she trusted the Soviet assurance that the troops would be withdrawn as soon as Afghanistan so asked. She also backed the Soviet argument...

that Moscow's intervention was more of a response to a series of provocations from the United States than a calculated challenge flaunted at the United States. Mrs. Gandhi perceived more danger to India's security in the cold-warish responses of the United States to the Soviet action, particularly in the arming of Pakistan and making that country a staging ground for the strategies to contain Soviet power. The Afghan crisis generated the biggest ever diplomatic enterprise on India's part, bringing as many as thirty foreign dignitaries to the Indian capital in 1980 and involving visits by Indian diplomats to twenty capitals, brought Pakistan and India face to face not, alas, in a strategic partnership to safeguard the integrity and independence of South Asia, but as deeply estranged neighbours talking furiously at one another in the abrasive language of discord and disputation. For a while India stood forlorn and isolated in the comity of nations. It was severely cut off from the great bulk of Islamic countries, which rallied to the support of Pakistan at successive sessions of the Conference of Islamic Nations. Pakistan stood as a formidable barrier between India and the countries of the Persian Gulf. None of these countries showed interest in India's diplomatic efforts in 1980 to insulate the subcontinent from superpower rivalries, more specifically to stop the transfer of F-16 aircraft to Pakistan. Indeed, scholars at New Delhi's Institute of Defence Studies and Analyses saw Pakistan cast

12. IBID CHAPTR No.6
13. IBID.
by the United States in the role of a security provider to the Persian
Gulf, a somewhat tarnished replica of Iran before it was seized by the
Islamic revolutionary cohorts of the Ayatollah Rohullah Khomeini.

India's isolation from the Persian Gulf, however, did not
last long. A qualitative change in the situation in the Gulf region began
to occur in 1981, offering India opportunities to reach out to the Gulf
community, individually as well as collectively. The outbreak of the
Iraq Iran war jeopardised for a while India's assured oil supplies from
the Gulf, but India did not find it difficult to arrange for alternative
sources of import. What hurt more was the forced departure of a large
body of Indian workers—skilled and unskilled, from Iran and Iraq and the
consequent loss in hard currency remittances. But the war activated the
non-aligned peacemaking mechanism and gave India an opportunity to join
with other non-aligned countries on repeated peace missions to the two
warring capitals. Meanwhile an oil glut and falling prices of petroleum
threw a pale cast of thought on the grand affluent designs of the sheikhs
and princes of oil rich Arabia. The concept of Carter doctrine did not
receive needed approval from the states of the Gulf including Saudi Arabia.
Saudis started to keep a certain distance from the anti-Soviet strategies
of the United States, and in 1981 took the initiative to frame a regional
security doctrine. Its basic premise was that security of the Persian
Gulf region was basically the concern of the native states; they should
keep external powers out of the region as providers of security.

161-62
15. THE TIMES LEADERS, 23.11.80
In the autumn of 1980 the Indian government announced a liberal policy for foreign investment designed to attract Arab capital. The then Finance Minister R. Venkataraman visited several Persian Gulf capitals in October (1980) to project the new policy to prospective Arab investors. The first spin-off came in the shape of an agreement with the UAE in February, 1981, providing for the setting up of a 1.2 million tonnes oil refinery in Gujarat and a sponge-iron plant in the U.A.E., projects that had been hanging firesince 1978. The U.A.E. minister of state for foreign affairs, who signed the agreement on his country's behalf, indicated interest in Joint ventures in which U.A.E. natural gas and oil could blend with Indian raw materials and technical know-how. A fifty percent increase in trade was also agreed upon for 1981. The most important visitor from the Gulf was the foreign minister of Saudi Arabia, Prince Faisal, the first ranking member of the Saudi royal family to come to India after the visit of King Saud thirty years ago. Prince Faisal's talks with Indira Gandhi and Narasimha Rao were wide-ranging, covering the strategic-political situation in the Persian Gulf and the Middle East, the role of the superpowers, Israel-Arab relations, the Iran-Iraq war, the role of Pakistan in the U.S. strategic design in the region, and last but not the least, economic cooperation between India and Saudi Arabia. Faisal refused to yield to Indian pleading that Saudi Arabia should not finance Pakistan's purchase of F-16 fighters from the United States, and his Islamic rigidity narrowed prospects of political understanding with India.
But he was interested in initiating economic and trade linkages with India, and as an earnest of this desire agreed to Indian purchase of 1.5 million tonnes of Saudi crude in 1982, the first ever oil deal between the two countries.

India's relations with Iran also moved out of the trough in early 1982. A former Iranian Prime Minister, Ayatollah Kashadavi Lami, led a four member team to Delhi to persuade the Indian government to shift the venue of that year's/aligned summit conference from Baghdad in view of Iraq's aggressive war on Iran. Almost simultaneously a 14-member Iranian delegation explored possibilities of Indian assistance to complete several unfinished projects in Iran. Encouraged by her talks with the prized visitors from the Gulf Indira Gandhi put cooperative relations with South west Asian countries at the top of her foreign policy priority list in 1981. In May 1981, she herself inaugurated the new policy by well organised visits to the J.A.R. and Kuwait and followed this up with an equally vigorous visit in April 1982 to Saudi Arabia. In both visits she was accompanied by important cabinet ministers and half a dozen officials heading the economic ministries. The minister for external affairs flew in from Baghdad (where he was leading a nonaligned peace mission) to join her in the J.A.R. and Kuwait. Mrs. Gandhi also collected nine Indian ambassadors in the Gulf region for a comprehensive, self-critical assessment of opportunities, states, and impediments of Indian diplomacy in the region.


17. Rathani Sen Gupta, CR. CIT. p. 165
Thus, a sudden opportunity propelled India to reach out to the Gulf countries in 1981-82. The initial results of an unusually vigorous and well-planned diplomatic offensive proved to be handsome. However, formidable difficulties remain to be overcome before India can plant itself firmly in the sands of Arabia as a true friend of its princes and peoples and as a viable source of collaboration in their massive development drives. The problems are complex and of a fairly old vintage, having mingled with the fluids of religious beliefs and loyalties, cultural processes, and political-strategic alignments. As noted, India’s relations with Iraq have been the best in the Gulf region. With Kuwait India has done much better than with the U.A.E. and Bahrain. The problems, then, are mainly with those countries in the Gulf the U.A.E., Bahrain and Saudi Arabia— who follow an orthodox Islamic domestic policy and pro-Western foreign policy and who are close friends of Pakistan. Indeed Pakistan remains the hardest barrier between India and these countries, and a great deal of Indian diplomacy continues to be spent in pulling that barrier down. In early 1982, Mrs. Gandhi engaged Pakistan in a process of diplomatic negotiations and offered to the visiting foreign minister of Pakistan a treaty of peace and friendship. While General Zia-ul-Haq shrank away from her offer, Mrs. Gandhi hastened to write personal letters to the heads of government of Persian Gulf and Middle Eastern countries informing them of the measures she had taken to improve Indo-Pakistani relations and explaining her objections to the Pakistani acquisition of -16 aircraft. She also recorded her readiness to conclude a no-war pact with Pakistan if General Zia-ul-Haq would
assure her that he would not place military bases or facilities at the disposal of the United States in the event of an emergency situation developing in the Persian Gulf.

In 1982, the Gulf regimes were more sympathetic to the Indian perspective of security and stability in Southwest Asia than they were in 1980-81. In fact, the string of uncertainty in the Gulf, in the first winter of their discontent with international oil prices, were in no mood to invite a superpower confrontation. As a result, when Mrs. Gandhi visited Saudi Arabia, she found its rulers concerned by a commercial situation in India as well as India's benign attitude towards Russia in the wake of its intervention in Afghanistan. Mrs. Gandhi took extraordinary pains in presenting her case in proper perspective and assuring the feelings of Saudi princes.

It would, however, be extremely naive to feel smugly satisfied over the quantum of cooperation already achieved. Seen in the backdrop of the overall proximity of our two regions, the area of cooperation falls far short of our potential. For instance, the Gulf contributes nearly Rs. twenty-five thousand million by way of foreign exchange through remittances and exports. Even then as a trading partner of the Gulf, India occupies a position as low as the fifteenth or the sixteenth on the list. What is worse, it is constantly being pushed down this list. India is among a dozen most important trading partners of the Gulf.

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18. IIM, p. 165.
India's share comes to less than one per cent. The poor performance is not restricted just to our exports, which may be suffered from various types of constraints and bottlenecks, bureaucratic barriers in lack of standardization. It is equally reflected in the dwindling trend in terms of foreign exchange remittances from our nationals in the Gulf.

Koreans for example, are earning far larger amounts, although they are far fewer than the Indians. One major reason may be that economic activity in the Gulf region is becoming increasingly machine oriented rather than labour intensive. Thus emphasis in the future would increasingly be on higher technical skills as regards manpower and more sophisticated machine raised goods as regards exports.

Equally dismal is the picture in the matter of mass media. Almost all our projections of each other are routed through the culprits blame the multinationals for every conceivable ills affecting our region, but seldom do we do anything to rectify the harm they are doing to us. Peldon has the need been realised to provide alternative channels for the areas of understanding and communications which the multinationals are monopolizing. Almost all the mass media providing for current events in India and the Gulf states continue to be dominated by western news agencies. Efforts like the non-aligned news pool have proved virtually non-starters. On our side even the Press Trust of India (PTI) has officially walked out of it. The blame has to be shared equally by those controlling the media in the two regions. Besides, almost all are
projections regarding the economic potential of the Gulf region are based upon studies by institutions like the World Bank, the International Monetary Fund and such other Western dominated agencies. There has hardly been any attempt to have a meaningful direct dialogue between the top level policy-makers of the two sides. This is so in spite of the fact that not only we in India have a smaller number of institutions having excellent resources but in Iraq, Kuwait and the United Arab Emirates too. Lack of understanding could prove extremely harmful and disastrous in the days to come. India with its third largest community of scientists and high technologists, should be far more important to our friends than merely as a recruiting centre for unskilled labourers and maid servants.

The setting up of the Gulf Cooperation Council (GCC) in 1981 among six countries of the Gulf (Kuwait, Bahrain, Qatar, the UAE, Oman, and Saudi Arabia) is a reflection of the desire for greater cooperation in that region and towards increasing self-reliance. GCC countries under the Unified Economic Agreement, are moving towards all economic cooperation among themselves. They are actually engaged in turning their temporary non-renewable wealth in the form of oil resources to lasting benefit. India and the Gulf countries can contribute to each other's future development programmes. India has tremendous human resources, cultural and material achievements, which has given rise to

21. IVID pp. 97-98
Highly skilled managerial talents, and agricultural and manufactured products and services for export India needs capital and some raw materials for further industrial growth. Therefore, considerable potential exists for increased commercial and financial relations between India and the Gulf countries. The Gulf countries have limited natural resources other than oil; insufficient skilled and unskilled manpower, and somewhat small domestic markets. They need a diversified portfolio for their investment capital. India requires energy and energy-based resources to sustain development and offers excellent scope for foreign investment, having a number of large investment projects. The Indian investment structure has achieved a certain level of maturity and its economy can absorb capital from Gulf countries. Currently, the business structure in the Gulf is undergoing change from principally trading to manufacturing and consultancy-oriented activities. There is need for reasonable continuity in policy. Frequent changes in India's export policies had been inhibiting the expansion of trade between India and the Gulf countries. Once the importer had shifted to another source, he finds it difficult or unnecessary to move back to the Indian exporter. It is also exhorted by the experts of Economics that economic relations between India and the Gulf countries will have to be a two-way traffic. It should not be assumed that the Gulf countries were only financiers and importers and India alone the exporter. Profitability and sales in Western Europe and U.S. are declining. In contrast, the return on investment were relatively high in India. The Gulf area friend should take this fact into serious consideration. Also, in trade and investment
relations, one should not be impressed by short term factors but should take a medium longer term view. Taking advantage of local Indian skills, possibilities of joint ventures should be explored not only between India and the Gulf countries but also for undertaking such joint ventures in third countries. Civil construction is one such area. In several countries of Africa, India's technology and entrepreneurial abilities and Gulf area finance can jointly assist in investment projects.

It is no longer the case that the Gulf countries have only funds and not technology. There is great need for cooperation in scientific and technological research, such as in developing alternative energy sources and agro-production combined with industry. Careful studies of future-oriented joint ventures ensuring liquidity, profitability, and security should be undertaken. Possibilities of investment in sectors other than exports such as India's domestic consumer production industries may also be explored. The export-import figures for India and the Gulf countries are not heartening. Imports from the Gulf states amount to 12.4% of Indian imports while Indian exports to the Gulf countries are only 1.2% of their imports. There is promising potential for growth of mutual trade and investment. Investment from Gulf countries is a very small percentage of total foreign investment. The communication gap between India and the Gulf countries can be removed by building an effective financial infrastructure of cooperation such as by having larger exchange relationships.

22. ROUND TABLE : GULF COUNTRIES AND INDIA , TRADE AND INVESTMENT (a monograph) Edit by Dr. V.K. Sharma & Dr. V.K. Bhalla, sponsored by the Indian Council for Research on International Economic Relations (ICRIER) held on 25-26 October, 1984, New Delhi, pp. 8-10
of banks in the respective countries. Gulf countries should be looked upon as more diversified economies and India as an emerging exporter of agricultural products. India also offers technical skills to Gulf countries at competitive rates. Indian contractors would do well to adopt a consortium approach among themselves, and even with foreign contractors. New institutions should be established to further these new trends and a Joint group should be constituted to prepare viable investment projects.

India and the Gulf countries provide an exemplary situation of being totally complementary to each other. Geographically speaking, we are placed in an ideal position of not being next door neighbours, but neighbour's neighbours. This insulates us from the danger of tension which often erupts with next door neighbours. At the same time, we are close enough to have an ample field for cooperation. The time has come to exploit this potential fully and forcefully. Of the utmost importance to us should be the importance which our areas have for each other in terms of each other's security. The Gulf is the life line to us not merely for oil but for all our maritime contacts with the world west of Bombay. Seen thus in the light of the paramount importance of the Gulf, the political and security response of India to the region, particularly at present, appears to be highly inadequate. Indeed it falls short of our needs. India should be important to the Gulf not merely because it supplies some fruits, vegetables, meat and fans and sewing machines at competitive rates,

23. IBID pp 10-11
but essentially because this region alone can provide a viable defence
plank to the countries of the Persian Gulf exposed increasingly to
direct threats of Zionist-Impérialist intervention. The need for friendly
cooperation between India and the Gulf states as members of the Indian
Ocean community has become all the more urgent and pertinent, following
the adoption of the most aggressive posture by the United States of
America declaring its intention to despatch a one-hundred thousand strong
task force of its navy equipped with the most lethal and most modern
weapons to police what it calls the Gulf route.

Much of the hue and cry has been raised against the rise in
oil prices. It is actually the result of these forces of Western imperialism
who have so far been exploiting the economic resources of the Gulf to feed
their own greed. Equally obvious is the fact that whenever an inflationary
spiral starts with the rise in oil prices, the Gulf states alone are not
blamed. One must realise that the tax component in the oil prices paid
by the consumer in India is as high as 80 per cent. The gulf contribution
to inflation is very marginal as far as the rise in oil prices is concerned.
The hue and cry over the rise in oil prices is actually a part of the
propaganda being carried on by anti Arab and anti-India forces to create
misunderstanding. An index of the low priority our two regions accord to
each other is a comparatively low level of diplomatic representation among
our countries. The total number of Indian diplomats accorded to the various
countries in the entire Gulf region is perhaps a little more than one
of the Indian staff of the Indian High Commission in the United Kingdom.

24. Diwan Berindranath, 'India and the Gulf, Close Neighbours, Mistakes
Friends,' OP. CIT. pp. 95-100
Indian consulates in some of the Gulf countries don't have even a competent interpreter or translator to transact business with the people and the Government in a meaningful manner. Though Gulf representation in India is uniformly of a highorder, it is quite plain, and there seems to be no need for us here to elaborate the point, that the manpower resources fall far short of the work involved.

The areas of complementarity and pattern of trade role is between India and the Gulf countries are bound to alter, especially in the field of industrial products. Viable joint ventures can be promoted by taking into account the aggregate demand of India and the Gulf countries. Several petroleum and petro chemical products and energy intensive manufactures will fall in this category. This can be an area which can be examined together to see how to balance the import - export trade in products of this type. There is great need for retaining of Indian skilled manpower, both in technology and management, according to the future requirements of the Gulf countries to maintain the flow of remittances. Existing Indian organisations must coordinate and consolidate among themselves to meet the exacting standards of the local consultancy organisations in the Gulf countries. Besides, the Gulf countries, in particular Saudi Arabia, have a comparative advantage over India in the Petro chemical field, especially in ethylene and derivatives. It is for consideration whether India should continue to build up its own plants or import these items from the Gulf countries. In turn India has comparative advantage in agriculture meat, light engineering goods, technical and managerial skills. If India is to build on these export opportunities

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25. IBID, pp 100-101
a certain stability of policy was needed, as a reliable supplier. Factories and transportation are no less important. The economic advantages of materials, cheap energy and markets might be brought together by Joint ventures. Bauxite to alumina and then to aluminum is an obvious example; another is iron ore into iron and steel.

There is need to think of selectivity in trade. Cooperation must begin at the financial level, and a Joint Merchant Bank must be set up. Financial integration at the institutional level with research and development and investment in trade, will help in exploring fresh areas such as offshore trading, offshore production, etc. Bearer of Indian Chambers of Commerce and Industry (FICCI) effort in promoting trade and strengthening economic relations between business community of India and the Gulf region, is commendable. The setting up of Arab -Indian Joint Business Council in 1971, is welcome. It is true that India's efforts at export promotion and maintain the earlier trade momentum in spite of the advantages of geographical proximity as well as almost good will that exists in the Gulf countries for India. It is proposed that sub-committees should be set up to integrate the alternative approaches being suggested in specific areas for the promotion of relations between India and the Gulf states. Further liberalisation of policies towards each other will establish a permanent bond between India and the Gulf countries. Also a suitable institutional system should be developed.

26. Round Table : GULF COUNTRIES AND INDIA, TRADE AND INVESTMENT OP. CII pp. 12-13
and existing ones reactivated to render them more effective. There should be a frequent exchange of trade missions, organisation of seminars and discussions on current problems to bridge the communication gap and for developing intimate contact between India and the Gulf region. Cooperative researches and specific studies may be undertaken. Coordinated approach on the economic and social programmes must be evolved for closer understanding of each other.

Recent trends in Indo-Gulf relations are far from satisfactory due to ongoing Iran-Iraq War. By the last year (1985) the construction projects of the total value of about $2.5 billion undertaken in Iraq by Indian firms were completed. These projects employed over thirty thousand Indian workers and experts, who were allowed to remit to Indian all but twenty per cent of their emoluments. The completion of these projects was followed by a slack period as the tempo of development in Iraq fell because of the accelerating effect of the prolonged Gulf war on Iraqi economy. More than forty Indian firms, from both public and private sectors, were involved in the ongoing projects. Most of these firms had no new projects in hand although they hoped to bid for some before those projects were completed. Most of the projects had run into weather rough/about three years ago when the Iraqi government decided on deferring payment of their foreign exchange components. The Exim (Export-Import) Bank of India had to step in to solve the problem. The bank agreed to consider extending the deferred payment facility to new projects Indian firms might win. Some of the projects were in war zones close to the border with Iran. But this did not interrupt work on any of them. The

27. Ibid pp. 13-15
Iraqi demand for deferred payment has led to a sharp decline in the trade between the two countries. Indian experts at different project levels of the view that Iraq's recovery from the effects of the war would be very quick since the country is one of the biggest oil producers in the world.

Despite all odds there have been instances of cooperation in various areas between India and Iraq. The Iraq Government granted in 1984 a $35 million dollar contract to the Engineering Projects India (EPI)Limited for a certain additional work on the prestigious council of ministers complex, it is constructing here. The new contract meant to modify some of the designs in the buildings earlier given by the Iraqi Government, brought the total value of the EPI contract to onehundred million dollars. The project involves construction of the main complex service buildings, carparkings, roads, a helipad, emergency power generation system and installation of sophisticated infra red and microwave security systems as well as some electrical, mechanical and telecommunication equipment. For the gardens of the building a computer controlled irrigation system is also being set up. The project was initially awarded in May 1979 but due to design modifications, work was held at the instance of the Iraqi Government during 1983 and the first few months of 1984. Non other instances the Indian built railway line connecting the two holy towns of Karbala and Najaf, is noteworthy. A three hundred fifty million

28. THE TIMES OF INDIA, New Delhi dated 27.10.84
29. THE HINDU TIMES, New Delhi dated 9.10.84.
dollar railway line project in Iraq has been successfully implemented in July 1985 by the Indian Railway Construction Company Ltd (IRCON), a public sector concern. The line was formally inaugurated by the Iraq's first deputy prime minister, Mr. Faha Yaseen Ramadhan. The Union steel Minister, Mr. Natwar Singh headed the Indian delegation to participate at the function. The IRCON has earned a foreign exchange of over Rs. fifty five crores from this project. Its other associates have earned about Rs. thirtyfive crores worth of foreign exchange. To India's pleasure the Iraqi Government was fully satisfied with the quality of work. It has shown its appreciation by granting another one hundred ten million dollar contract to IRCON for construction of high speed branch line to cement factory at Muthanna in Iraq. The Mussayed-Karbala-Sumawa railway line has been designed for a high speed of two hundred fifty kms. an hour and has been constructed as per schedule in a record time of three and a half years.

For the first time since the Iraqi revolution of 1958 Baghdad's relations with New Delhi showed strain following the shifting of the venue of the seventh non-aligned summit from Baghdad to New Delhi-Iraq, which did not like this, seems to have chosen the occasion of the funeral of Mrs. Indira Gandhi to indicate its unhappiness with India for being unable to end its over four years old war with Iran. An Iraqi official told the Gulf News Agency (GNA) of Bahrain that his country had informed India many times of its dissatisfaction with the non-aligned movement's role in ending the war and that 'Indian endeavours in this regard were only enunciated in an appeal made by Mrs. Gandhi and the making of contacts with Teheran and Baghdad.' Iraq sent a low level representation to the funeral Mrs. Gandhi. Also, despite the

30. THE INDIAN EXPRESS, New Delhi dated 7.7.85
traditionally strong ties of friendship, the Iraqi Government did not declare any mourning period. The Iraqi stand towards the death of Mrs. Gandhi was much less than the stand taken towards the death of late Yugoslavian president Marshal Tito six years ago—when President Saddam Hussein personally attended the funeral and Iraq had declared mourning for three days. Iraq's official reaction to the death of Mrs. Gandhi has reflected the minimum degree of diplomatic obligations between the two friendly countries which are linked by old ties of friendship as members of the non-aligned movement. Although Mr. Saddam Hussein and the Iraqi foreign minister, Mr. Farq Asiz, have said that India has been mediating effectively to end the war as chairman of NAM the use of Mrs. Gandhi's funeral to express its dissatisfaction is bound to take New Delhi and most non-aligned capitals by surprise, particularly as Mrs. Gandhi's leadership in strengthening the movement has been praised by one/all. The timing of the Iraqi move also indicates the pressure the war is having on the country, which the non-aligned movement, the United Nations, the Islamic Conference Organisation (ICO), the Gulf Cooperation Council (GCC) and some European and West Asian countries have been trying to end. The main difficulty has been the tough stands taken by Iraq and Iran. Iraq has shown more willingness to end it peacefully if Iran agrees. Iran insists that as Iraq started the war it must bear full responsibility and pay compensation as well as remove Saddam Hussein for launching it.

31. THE STATESMAN, New Delhi dated 10.11.84
The visit of Dr. Ali Akbar Velayati, Iranian foreign minister to India in November 1984 proved significant in that the two sides for the first time after revolution freely exchanged their views on various issues and found almost complete identity in them. He met the Prime Minister Rajiv Gandhi and discussed the Iran-Iraq war besides bilateral relations and international issues including the future of the non-aligned movement. Dr. Velayati insisted that the Gulf war could be ended only on terms set by Iran. The Prime Minister expressed India's concern at the enormous suffering of the people the war was causing in both Iran and Iraq. Since both were non-aligned countries, an early end to the war would also strengthen the non-aligned movement. The Iranian minister was also told about the decline in India's exports to Iran in recent years during the period of the new regime in Iran. Certain suggestions were also made as to how the present imbalance in Indo-Iran trade could be removed. The Indo Iranian Joint Commission concluded its three day deliberations on expanding economic and trade relations. During ministerial level talks the two sides discussed in detail the specific areas which had been identified earlier in the field of industry, notably in the engineering, power transmission, agricultural machinery, leather, airways and setting up of industrial estates. The Government of Iran has welcomed the setting up of an Indian Cultural Centre in Tehran which will further strengthen the cultural ties existing between the two countries. Speaking at the signing ceremony, Mr. Parthasarathy, who led the Indian delegation, said the progress has been generally good in the
the decisions taken at the first joint commission meeting held in Teheran in July 1983. There were, however, certain areas specially in the field of commerce and trade where there was need to strengthen the efforts to achieve the targets the two countries set for themselves. Mr.

Parthasarthy expressed the confidence that the two countries will work closely for their mutual benefit within the framework of the south-

32 south cooperation.

Mr. B.R. Bhagat, the then external affairs minister, visited Teheran in January 1986, to attend the Indo-Iranian Joint Commission meeting and had talks with Mr. Ali Akbar Velayati. Addressing the opening session of the meeting, the two leaders expressed the hope that the two countries could help each other in their economic progress. Areas of agreement had already been thrashed out by the official level officials of the two countries. The two countries had earlier agreed on the principle of barter trade in 1983 but it had not been implemented. Sources, however, indicated that 1986 would mark the beginning in this direction. Indian exports to Iran account for ninety million dollars but the balance of trade has always been in favour of Iran as it has traditionally been one of the biggest suppliers of crude to India. According to the reliable sources a substantial part of oil supplied to India would be adjusted against imports from India. State Bank of India (SBI) officials were already there to work out a banking agreement.

32 THE TIMES OF INDIA, New Delhi dated 30.11.84.
arrangement for barter payment once the minutes of the Joint Commission were finalised. Although India's indigenous steel production would steadily rise, the Indian imports in this regard would also continue to rise due to the likely increase in domestic demand over time.

The main irritant between India and Iran in recent years has been the issue of the lifting of iron-ore concentrates from Kudremukh project. It may be recalled that during his visit to India, the Shah of Iran had committed his country to meet the entire cost of financing the Rs. six hundred crores Kudremukh project on the explicit understanding that iron-ore pellets would be supplied to Iranian steel mills. This commitment could not be honoured apparently because of the revolution in which the Shah was ousted. By then Iran had advanced two hundred fifty million dollars roughly Rs. two hundred sixty crores. The project was completed subsequently by the government in record time and within the stipulated cost. The issue regarding supply of iron-ore concentrates to Tehran had been discussed at various levels between the two countries in the recent past but a breakthrough was achieved during the visit of the former external affairs minister Sh. B.R. Bhagat to Teheran in January 1986. During his wide ranging discussion on bilateral relations, Sh. Bhagat had emphasised that a way must be found to resolve the outstanding issues pertaining to the Kudremukh project which had been partially financed by Iran. In consequence, Iran agreed to lift non-ore concentrates from Kudremukh. Initially it would import six lakh tonnes of concentrates.

33. THE HINDUSTAN TIMES, New Delhi dated 13.1.86
and gradually increase the quantity to about four million tonnes. The decision is a major development in rebuilding bilateral economic ties which suffered following the revolution in that country. Agreement with Iran would help improve not only the health of Kudremukh Iron Ore Company but also boast India's foreign exchange earnings. The adverse balance of payment has been a source of concern to the Government.

The failure on the part of Iran to lift iron-ore concentrates from the Kudremukh project had created enormous difficulties and India had to look to other customers. The export of concentrates to various countries during the current year is expected to be around two million tonnes. But with the signing of an agreement with Iran and some other countries which have expressed willingness to lift iron-ore concentrates from Kudremukh the exports would go up to about two million tonnes during 1986-87. Even at this level the KIOC will continue to be in the red since nearly half of its capacity will remain unutilised. The Kudremukh project has the capacity to produce 7.5 million tonnes of iron ore pellets per annum. However, on account of lack of customers the capacity had been grossly under utilised. Official circles, however, hope that the conclusion of an agreement with Teheran and keeping in view of the additional inquiries being received from other countries, it would be possible to increase substantially the capacity utilisation of Kudremukh project in the next two to three years.

34. THE TIMES OF INDIA, New Delhi dated 30.1.86
35. IBID
Indo-Iranian relations suffered a jolt in December 1984 when for the first time, an Indian oil tanker fell a victim to Iranian bombing. The two lakh seventy-six thousand tonne "Kanchanjunga" was hit three times and set ablaze. No fatalities had been reported and these injured had been removed for treatment, to an American vessel that happened to be in the vicinity. The 'Kanchanjunga' originally bound for the ports of Vadinar in Gujarat, was then said to be heading for Dubai. First reports about the tragic incident stated that the oil tanker had been reprehensible strike. Given the precise spot where the "Kanchanjunga" was hit, on its way home after taking full load of Saudi crude from the Ras Tanura port, this seems entirely plausible. For this is an area where Iranian planes alone had been active. The Iraqis have, by and large, confined their depredations on third country ships to the neighbourhood of the Kharg island where the main Iranian oil terminals are located. By then, the Iranians had been careful to hit only Kuwaiti and Saudi ships for the obvious reason that Kuwait and Saudi Arabia are Iraq's principal backers in the region, while the Iraqis have been unsparing in their aerial raids, damaging oil tankers of a number of countries including Greece and Switzerland. Any way, the Iranian behaviour was puzzling and condemnable. All through the Iran Iraq war, India has maintained good relations with both and has bought oil from both, apart from Saudi Arabia and Kuwait. Bilateral relations between India and Iran have been friendly and friendly and Teheran has repeated expressed interest in expanding and deepening these. Since the Iranians could not possibly have been unaware that they were attacking an Indian ship, it is difficult to give
In April 1986 India agreed to lift substantial quantities of petrochemical products from Saudi Arabia under long-term agreements while Saudi Arabia would finance a major health project in Madhya Pradesh and recruit more Indian workers, particularly doctors and paramedical staff. The agreement to this effect was signed on 23 April 1986 by the finance minister Mr. V.P. Singh and his host counterpart, Mr. Aba Al Khail after three days of deliberations, stipulating these and several other steps to boost bilateral trade and industrial and scientific cooperation. The steps reflect the desire of the two countries to step up their economic ties on the occasion of Indo-Saudi Joint commission meeting. The first meeting of the Joint Commission was held in August 1983, a year after it was set up following the late Indira Gandhi’s visit to the Saudi kingdom. Before departure from Saudi Arabia, Mr. Vishwanath Pratap Singh expressed satisfaction at the outcome of the meeting. The two sides also agreed to avoid double taxation between India and Saudi, the Saudi Arabian national carrier, to help the two airlines operate more profitably.
India has been a major buyer of petrochemical products like alcohol and sulphur from the Saudi basic industries corporation (SABIC) in the past and any new agreements on petrochemical products would be in addition to crude purchase of which is negotiated separately in accordance with the country's needs. The last agreement for buying two million tonnes of crude from Saudi Arabia expired in December 1985. The health project covered the setting up of a hospital in Gwalior and some other facilities. So far, the Saudi Kingdom has assisted in setting up four major health projects in India. The project would cost about forty to fifty million dollar. At India's request, the Saudi side agreed to consider favourably the proposed import of meat from India, which it had banned a couple of years ago saying that the meat did not match Saudi health conditions. The Indian side pointed out that several other Gulf states were importing meat from India and that even the World Health Organisation (WHO) had cleared Indian meat for human consumption.

As a result of the deliberations of the Indo-Saudi Joint Commission, the Saudi fund has also approved co-financing of the Shawa Shova Project. The Joint Commission which met at Riyadh, also discussed the possibility of funding three more projects—Composite Health Project and Sardar Sarover Project in Madhya Pradesh and the Madras Hydro-electric project. A Saudi fund team will be visiting India for appraisal of the health project in Madhya Pradesh which had been given top priority. The Indian delegation also discussed the issue of IDA-VIII replenishment. The Saudi Government

39. IBID
supported an IDA replenishment of at least twelve billion US dollar and expressed the hope that India's share in it would not be lower than in IDA VII. The two sides also discussed the possibility of establishing a joint investment company. The Indian side emphasised the need for expanding and diversifying the two-way trade. India could export more of agricultural products, processed foods, textiles, gems and jewellery, drugs, pharmaceuticals and engineering goods. The Saudi export basket to India comprised refined petroleum products, petrochemicals and sulphur. India's capabilities both in public and private sectors in the areas of providing operation and maintenance services in refineries, petrochemicals, railways, telecommunication and hospital services were appreciated. It was noted that this area offered scope for greater cooperation between the two countries.

India strengthened its diplomatic representative in Saudi Arabia by the opening of its new view embassy in the capital city of Riyadh from 2 October, 1985. Till then the embassy was functioning in Jeddah. To facilitate Indian workers in the western and southern regions of the kingdom as well as Hazel visitors from India, the mission in Jeddah continues to function as a consulate. The office of ambassador was shifted to Riyadh. Both the embassy and the consulate general handle cases of manpower recruitment. This is the first consulate general in Saudi Arabia and the second in the Arab GCC countries, the first in Dubai in the United Arab Emirates. Other consulates general in the Gulf region have been located at Basra in Iraq and Khorram Shehr and Zahidan in Iran.

40 The Times of India, New Delhi dated 26.4.86
41. The Hindustan Times, New Delhi dated 2.10.85
The visit of Mr. B.K. Bhagat to Teheran in January 1986 had twin purposes. It was meant not only to attend the Joint Commission meeting but also to make further attempt towards ending the Gulf war. After assessing the Iranian view on the Gulf war he visited Kuwait and conveyed his assessment to Sheikh Jaber-al-Sabah the Emir of Kuwait. Expressing pessimism Mr. Bhagat said that he saw no possibility of an immediate end to the five-year old Gulf war, as the two neighbours had divergent views. He made it clear to the newsmen in Kuwait that non-aligned movement did not contemplate any sanctions against Iran for its refusal for cessation of hostilities. He explained that both Iran and Iraq were valuable members of the movement and NAM wanted to ensure peace and stability through discussions only. Both India and Kuwait were in full agreement that the war was a negative and destabilising factor in the region and that coordinated effort should be made to end the war. India has been indebted to Kuwait for extending liberal assistance for various projects. To present recent example, Kuwait signed a loan agreement on 12 February 1986 with India providing Kuwaiti Dinar seven million Rs. twenty eight crore. The loan was for the development of the second phase of the Khalinadi Hydroelectric project in Karnataka state. In 1976 Kuwait had given a soft loan of Rs. forty five crore for the first phase of the project. The Kuwaiti assistance in soft loans to India totals about Rs. three hundred twenty crore so far. The other Kuwaiti assisted projects in India are the Koppili based fertilizer project and the south basin gas development project.

42. THE TIMES OF INDIA, New Delhi dated 1.1.86.
43. The INDIAN EXPRESS, New Delhi dated 14.2.86
Private investors from the Gulf States have all to invest in setting up joint ventures in India as they feel India provides a very stable ground for investment, according to Mr. M.S. Talwar, president of the Punjab, Haryana and Delhi Chamber of Commerce and Industry (FHDCCI) who led a 10 member delegation to four Gulf countries in December 1984. The Gulf private investors have however, been concerned about the cumbersome tax structure in India. The delegation which visited the U.A.E. Kuwait, Bahrain and Qatar held discussions with members of the chambers of commerce of these countries. The Gulf investors have been particularly interested in investing in light engineering, pharmaceuticals, processed foods, bottling plants, jeweller, handicrafts and textiles. There has been a strong move for the creation of a joint Indo-Arab investment company and Joint banking services to facilitate private sector investment. Recognising the immense possibilities of growth, development and promotion of bilateral trade FHDCCI signed an agreement with the Dubai chamber of commerce and industry. So far as Job opportunities in the Gulf are concerned, it is no more the free-for-all of the 1975-81 period, when these countries were having an oil boom. But there is still scope for skilled Indians in these countries as the Americans were de-44

India signed a contract with the Soviet Union on 18 June, 1986 for the import of 3.5 million tonnes of crude and 2.5 million tonnes of petrol products during the current calendar year. A similar agreement with Saudi Arabia for the import of 2 million tonnes of crude has also been finalised. With the signing of the agreement with the Soviet Union and Saudi Arabia, all the term contracts via the traditional
suppliers of crude and petroleum products would have been completed. Agreements for import of 2.5 million tonnes of crude with Iraq and 0.75 million tonnes with Abu Dhabi have already been signed. The term contracts which are normally finalised at the beginning of the year could not be entered into this year because of an extremely volatile and fluid situation in the international oil market. India had, however, assured the traditional suppliers that it would enter into term contracts after market conditions stabilised in the event of some agreed formula being reached. It is heartening that all the countries with whom contracts have been signed have agreed to supply oil at the market related petroleum product prices. These are highly favourable terms, reflecting easy market conditions. Although it had been argued in certain quarters that India should not enter into term contracts keeping in view the easy conditions prevailing in the international oil market, the Indian Government felt term contracts are a must on account of diplomatic considerations. In this context it is stated that all the countries which have been supplying oil and petroleum products to India had honoured their commitment even at times when the spot market prices were significantly higher than the official prices.

India had decided to import during 1986 between sixteen and fifteen million tonnes of oil and 3.7 million tonnes of products during the current year. All these spot purchases of crude totalling 6.3 million tonnes had already been made. Spot purchases also have been made for eight lakh tonnes of kerosene. Keeping in view the growing demand, probably...
for kerosene, the government has signed a flexible agreement with the Soviet Union for the import of 0.6 to 1.2 million tonnes of kerosene during the current year. The agreement with the Soviet Union will provide for the import of 0.5 million tonnes each of high speed diesel and furnace oil and 1.5 million tonnes of kerosene. Since the agreement with the Soviet Union for import of crude and petroleum products is part of the overall trade agreement, all the payments in this case have to be made in rupees which lend an added advantage.

The president and chief executive officer of Gulf Oil Trading Co. (GOTCO.), Mr. Herbert I. Goodman informed in Bombay on 14 June 1984 that his company was making a strong bid to participate in India's oil programme. GOTCO. was the spin off of the 1984 Chevron-Gulf merger in which the international trade business of Gulf Oil Corporation was acquired by a group of private investors including members of the former Gulf management and the leading Saudi European Investment Corporation, with the international Hinduja Group having the controlling interest.

The large share holding of Hinduja is likely to stimulate greater company involvement in India's oil exploration. The U.S.-based multinational has already set up a state-of-the-art lubricant-blending refinery near Bombay. GOTCO. also has the facilities to train drilling and oil blending engineers and expertise in other related areas. The company has studied many possibilities for India's oil exploration programme. In fact, Gulf Oil Trading was taken over in early 1984 by Standard Oil of California.

46. IBID
now known as Cheiron. The latter divested itself of the Gulf Oil Trading interest in November 1984. For one year GOTO would have the right to operate the title of Gulf Oil Trading Company. The Hindiya-led group of investors purchased the Gulf Trading interests against fierce competition from ten gigantic international companies. Sheikh Yamini of Saudi Arabia has interests in GOTO through the Saudi European Bank.

The massive, unprecedented oil boom of mid seventies which fuelled rapid expansion of industrial activities and social welfare programs in most of the oil rich countries of the West Asia led to the large-scale exodus of skilled and unskilled manpower from various parts of the world to this region endowed with the perpetual flow of black gold. As it is the emphasis of various projects in the oil rich West Asian countries was on the creation of a solid, productive infrastructure that would prepare these countries for the day when the oil reserves would run out. In 1975 faced with an unstatuted demand for labour to handle the multifaceted, gigantic construction activities, most of these countries— from Oman and Saudi Arabia to Kuwait and Bahrain— decided to go in for the relatively cheaper reliable and politically inert Asian workers. Thus a growing number of Indians came to be employed all over West Asian countries— Saudi Arabia, Iraq, Oman, Muscat, Yemen, Bahrain, Kuwait and United Arab Emirates— as traders, professionals, construction workers and domestic hands. Interestingly, the enterprising and imaginative Malayalees from the Indian state of Kerala—which has the highest population

48. THE STATESMAN, New Delhi dated 24.11.84
densely in the country- formed more than eighty per cent of expatriate Indian population in this part of the world. The term 'Gulf' came into vogue in India to collectively denote, the countries to which a large number of Indians migrated in search of more paying Jobs. For the last five years, the remittance by this labour force has been an important factor in obviating India's balance of payment from slipping into red. In mid seventies the remittance from Gulf employed Indians constituted about thirtyfive per cent of India's total earnings from export.

Unfortunately as a result of the cumulative impact of variety of unforeseen developments, there has been a slow but sure decline in the economic level of Gulf countries with the result that the expatriate workers are forced with a bleak prospect of unemployment and repatriation. According to HEED, a London based Journal, Indian drivers, Pakistani clerks and Korean building workers have started leaving Middle eastern countries indroves as their contracts have expired with for all openings unavailable. The exodus has been kicked off by the tapering off of construction and real estate activities. Obviously, the construction sector which recorded fastest growth in West Asia was hit hardest in the wake of declining oil prices. In the progressive Kuwait, boasting the highest per capita income in the world there has been a cut in the labour force to the tune of forty per cent between 1983 and 1985. In the nearby United Arab Envirorate (UAE) which has the highest number of immigrant workers in this region, the cut in labour force during the last three years has been estimated at 25-30 per cent a year. According to one source, in early eighties there were three lakh Indian emigrants

49. THE PIONEER, Lucknow dated 5.5.86
in UAE. The uncontrolled decline in the daily crude oil flow coupled with a steadily decreasing oil price in the global market have dealt crippling blows to the once booming economics of the region. To cite a specific example the earnings from oil for Qatar, Kuwait Saudi Arabia and United Arab Emirates fell as much as by two billion U.S. 50 dollar in 1985 compared to the previous year's figure.

According to Saudi Arabia's minister of planning, the kingdom has decided over the next five years to relieve six lakh expatriates working for the Government. The figure does not include dismissals by over four hundred private companies which could match or even exceed those laid off by the Government. In Kuwait, a draft law has been submitted to reduce the number of non-Kuwaitis to fortyfive per cent of the population over the next fifteen years. In 1985, non-Kuwaitis constituted around sixty per cent of the 1.7 million population. In the United Arab Emirates, the federal national council submitted a recommendation to the cabinet to take immediate steps to reduce the inflow of expatriate workers. Currently a "six month rule" requires that any expatriate finishing employment in the UAE must leave the country and stay away for at least six months before returning to new employment. With the completion of the major infrastructural projects in the region, the demand for unskilled and semi-skilled labour will be less. On the other hand, professionals and higher skilled workers would be required more to man the services and maintenance sectors and to manage the emerging industrial sectors.

50. IBIL

51. THE TIMES OF INDIA, New Delhi dated 21.4.86
According to the Bahrain Industrial Development Department, about two million foreign workers in West Asia would lose their job before the end of this decade. In 1984 alone about 7 lakh alien workers have left Bahrain, Kuwait and Iraq on completion of the contract. This year, another three lakh workers are expected to leave UAE. In Saudi Arabia, about 1.5 lakh Indians, of whom 70 per cent are Malayabees will have to quit on completion of their job contract. No renewal of work permits are allowed in the Sheikhdom where there is an estimated 6.5 lakh expatriates from India. The Iran-Iraq war in which both the countries have burnt more than one hundred dollars on arms purchase has also significantly contributed to the shrinking West Asian labour market for the Indians. 

Mr. A. M. Tandon, Joint Secretary in the Indian Ministry of Labour, says that Iraq, which used to be a major recipient of the Indian labour has now stopped taking them because of the war. Perhaps it is only Oman whose economy continues to be buoyant that will not axe out foreign workers. In fact, the number of Indians going to take up jobs has been rising by 16 per cent a year. According to Middle East observers, four events had a hand in decelerating the pace of socio-economic development in this part of the world with the consequent adverse impact on the manpower requirements. They are: the 1982 attack on holy shrine in Mecca; the 1983 revolt in Bahrain and 1985 attempt on the life of Kuwait ruler Sheikh Jaber Al Ahmad Al Sabah as well as the continuously declining oil prices; Of late, many rulers of Gulf states have become wary of aliens.
The fast drying up of resources coming for the Gulf pipeline has hit the economy of Kerala hard and deep. One of the glaring side-effects of "Gulf Exodus" is the sudden bull and deathly depression the real-estate sector of the state. To cite a specific example, the land price in the prosperous central Kerala township of Chavakkad—popularly called Kerala's Gulf—from where a substantial proportion of male population had migrated to Gulf has hit the nadir of Rs. one hundred per cent (440 sq. ft) from the one time high of Rs. ten thousand per cent. This development implies a twin blow to Gulf-returned nationals. On the one hand, they are without any employment that brings in any income. On the other hand, the immovable properties acquired at a fancy price have to be disposed of for a song since that is the only means left for them to raise funds. Likewise nearly 7.5 lakh loans, running in the Gulf countries are facing the danger of termination of their services due to the new Job policy of those governments. Although the process is going in a phased manner, the return of the expatriates is going to create a major resettlement problem for a small area like Kerala.

Dr. Ahmad Ali, Finance Director of the leading Abdullah corporate units opines that if the Kerala Government fails to institute any action to cushion the shock delivered by the exodus of Gulf Malayalees through an imaginative and innovative industrialisation program aided by foreign remittances, the state is in for a massive economic shock. Bank officials in Kerala say not only remittances from the Middle Eastern countries have declined dramatically but also withdrawals of deposits have shown a steep upward trend. Various socio-economic studies carried out in Kerala during the last one decade go to show that the

53. THE TIMES OF INDIA, New Delhi dated 7.5.86
than eighty per cent of the "Gulf Money" was invested in unproductive sectors with only ten per cent invested on such productive lines as agriculture, business and industry. According to Prof. K. A. Madhavan Nair, Professor in the Department of Economics in Kerala University, three fourth of the Gulf remittance estimated at five million U.S. dollars a year were pumped into non-productive, channels like purchase of land, construction of houses and ostentations social ceremonies. Thus for Kerala, the short-lived 'Gulf dream' of get-rich-quick has become a veritable nightmare. It would be years before Kerala recovers from the shattering blows delivered by the exodus of Malayalees from the Gulf.

Prime Minister Rajiv Gandhi's visit to Oman in November 1985 to participate in its national day celebrations marks a significant development in that it was his first visit to the Gulf and it reaffirmed the age-old ties between the two countries. It also afforded an exchange of views at the highest level on the Iran-Iraq war, demilitarisation of the Indian Ocean and superpower rivalry in the region as well as the overall security perspective in Asia. The visit was also important as it followed the two-day summit of the six Gulf cooperation Council (GCC) states which began in Oman on 2 November 1985. The summit agenda which included discussion of ways to end the Iran-Iraq war and keeping the oil rich Gulf region free from international rivalry, is of considerable import not only to India as well as those countries which had declared support to the GCC stand that the security and stability of the Gulf area was a concern for the regional states alone. Besides Oman, the GCC includes the United Arab Emirates (UAE), Kuwait, Bahrain, Saudi Arabia and Qatar. It may be noted that the late Indira Gandhi had visited Kuwait and UAE just before the first summit of the six states held here in May 1981 launched this
strategic and economic grouping. The Indo-US joint communique issued at the end of her visit recognized for the first time that the security of the Indian subcontinent and the Gulf region was interlinked due to geographical proximity. At that time India also expressed support to the Gulf states more to achieve strategic solidarity.

During the national day celebrations Sultan Qaboos briefed Mr. Rajiv Gandhi about the summit. Besides Mr. Gandhi, others who came for the occasion were president General Zia-ul-Hassan, Egyptian president Hosni Mubarak, and deputy rulers of the neighboring states. The occasion offered Mr. Gandhi a chance to have talks with Mr. Hosni Mubarak on the Palestinian crisis and the need to support the liberation movements in the world. All the six GCC states are members of the Non-aligned movement (NAM). They share India's concern at the increasing naval activities of the superpowers in the Indian Ocean, the need for disarmament, and other principles the movement stands for. To protect their oil wealth, the six states have embarked upon a massive arms acquisitions spree but that is apparently due to the fact that a decade or so ago, their military strength was not relative to their income. The Gulf states spend some 30 per cent of their per capita income on defense but all of them have declared that they want to be outside the power blocs. Speaking on the Oman television Mr. Gandhi called upon the Non-Aligned Movement to persist in its efforts to bring about reconciliation and peace in the west Asian region. Mr. Gandhi said India and the Gulf states had expressed their displeasure over the continuation of the Iran-Iraq conflict. India had been unflinching in its support for the people of

55. THE TIMES OF INDIA, NEW DELHI dated 4.11.85.

56. IBID.
Palestine and their authentic representative, the Palestine Liberation Organisation. He further said, Israel must be made to vacate the territories it has illegally occupied. The Palestinians must be granted their right to self determination and a state of their own in their homeland. Referring to the age-old ties between India and the Gulf states Mr. Gandhi said "we have been linked by commerce and culture, the Gulf and the Arabian Sea have been a bridge between us. Even five thousand years ago the people of the Indus Valley traded actively with Dilmun, the land we know today as Oman". In an interview to 'Khaleej Times' of Dubai, Mr. Gandhi said "it was ridiculous to find India and the Gulf states not getting on well. The people are the same. The border has really been drawn up by the British. There is no real dividing line there and there is no reason why we cannot get along better.

The Government of India has been taking all possible steps to promote traffic from India to Gulf and Arab travellers as a "cheap family resort with extensive and varied tourism possibilities. The tourist traffic to India from the Gulf has shown the maximum increase of 22.5 per cent per year during the decade 1972-82 as compared to all India growth of 9.6 per cent per annum. The compound growth rate of tourist traffic from Saudi Arabia was the highest 42.3 per cent per year during this decade. The Arab tourists spend an estimated eleven billion dollars on worldwide travel which represents ten per cent of the total world expenditure on travel. Travellers from the Gulf States alone spend 4.1 billion dollars on travel annually. The Indian Government has been keen to exploit tourism in West Asia which has of late emerged as a major source of market for tourists to India."

57. THE HINDUSSAN TIMES, New Delhi dated 18.11.85
58. THE INDIAN EXPRESS, New Delhi dated 16.12.84
India and four Gulf states—Bahrain, Qatar, Oman and Abu Dhabi—finalised a new agreement for their respective airlines Air India and Gulf Air at New Delhi in May 1986 after reviewing their existing traffic arrangements and the current market situation on the Indo-Gulf routes. In this connection a high level delegation comprising top Government and Gulf Air officials from those states reached the Indian capital on 28 May 1986. The earlier accord, stipulating six thousand five hundred seats a week for each airline in either direction was signed on 13 October, 1985 when an Indian team led by civil aviation secretary Dr. S.S. Indra, visited Bahrain. Indian ambassador Ishrat Aziz, who was coordinating the talks in Abu Dhabi, said that the review had been agreed upon in October itself as both the carriers wanted to do a periodic assessment of the Indo-Gulf route potential. The new arrangement had been necessitated as the Dubai Government had withdrawn traffic rights for Gulf Air for India-Dubai and some other sectors in favour of its own newly set up airlines, which now has an agreement with Air India to weekly ferry two thousand two hundred fifty passengers in either direction on a bilateral basis.

It was decided by the Indian Government in July 1985 to set up a commercial service for the Gulf countries and strengthen its broadcast services during the Seventh Plan period. The need for this had been felt for some time. Many countries in the Gulf region did not allow advertising on their radio and television. The Arabic speaking neighbouring countries had derived a lot of benefit from this and set up special radio and TV stations for commercial services. Egypt has, for instance, set up powerful TV relay stations all along the Suez canal facing Saudi Arabia. Since the Saudis do not allow advertising on radio or TV provide a huge market for consumer goods.

59. THE TIMES OF INDIA, New Delhi dated 29.5.86
the manufacturers have been on the look out for an opportunity to reach their advertising to this market. Egyptian TV provided this. Similar situation existed in this country when advertising was not allowed on All India Radio. Sri Lanka (then Ceylon) became popular in India because of its commercial service which provided interesting programmes. Very wisely the AIR started its own commercial service. There is no reason why AIR's commercial service should not do well in the Gulf region.

Proposal to set up two 250 kW shortwave stations had already been cleared and subsequently approved by the planning commission for inclusion in the Seventh Plan.

The Government of India has specifically relaxed the condition of transfer of technology with investment exclusively for investors from the oil exporting countries. Useful results of this liberalised policy of investment are seen in such cases as Indo-Gulf fertiliser and Petrochemical Joint venture being set up in India. Several other projects in service and production industries like hotels, hospitals, offshore structures and platform units, cement plant, soyabean, newsprint and paper plants, automotive castings, are at different stages of implementation. The slow growth of Joint ventures between India and the Gulf states may be attributed to the communication gap on such matters as policies, taxes and incentives for investment in India. Indian Investment Centre can play a vital role in bridging the communication gap between the two regions. India's tax avoidance agreements have been concluded.

60. THE TIMES OF INDIA, New Delhi dated 7.7.85
with as many as thirty four countries, but of these treaties India has only one treaty with Kuwait in the GCC region and that too relates to aircraft operations. There is great need to have double taxation avoidance agreements with these countries.

European and American banks recognised early enough that the financial resources of the Gulf countries were building up and they brought the whole package of financial services to the door of the GCC countries at a time when nobody else was willing to do so. Subsequently with the setting up of Kuwait and other state funds, interest in Third World countries development programmes developed. Later, India also stepped in as one of the first among the developing countries who have given a major policy relaxation to the Gulf countries for welcoming their investment. Some of the existing institutions can themselves be more fully utilised for achieving the objectives of greater trade and investment cooperation; in this context, the Indo-Gulf Joint Business Council and the Indo-Arab Chamber of Commerce, can be mentioned. The growth of surplus funds in Gulf countries has been affected by certain unfavorable developments: mainly imported inflation, the Gulf war, cut in oil production and reduction in oil prices, volatility of exchange rates, changing financial policies of industrialised world. In the next decade, GCC countries would need first to consolidate and restructure their economies. The future flow of investment would be based on the degree of diversification of their respective economies. There is a great

61. Round Table : GULF CONTROLS AND TRADE AND INVESTMENT, CP B. pp. 15-16
scope of collaboration in hydrocarbon sector, including upstream and
downstream activities such as petrochemicals and fertilizers. India
is in the midst of an energy transition and is a growing market for
hydrocarbons. There must be joint efforts in exploring oil bearing
basins and other viable projects in both regions. Indian organisations
like Oil and Natural Gas Commission, Engineers India Limited, Indian
Petro-chemical Corporation etc have the expertise and if need be, the
Indian experts might be deployed for training in refineries, petrochemicals
and fertilizer complexes in GCC countries.

Existing financial institutional framework should be reactivated
and utilised fully to promote investment. Setting up of new institutions
costs a good deal unless there is a significant volume of transactions
and business turnover. A proper mix of physical and portfolio (or financial)
investments is imperative for fruitful economic cooperation between India
and the Gulf states. Earlier investments were mostly of portfolio nature.
Now the Gulf countries have started having second thoughts on portfolio
investments and are inclined towards direct participation also so as to
optimise the returns and retain control over production. So far, agriculture has not been given due weightage in Indo-Gulf cooperation.
Imports hold that there are two important bottlenecks "communication
gap" and "confidence gap" in the promotion of relations between India
and the Gulf states. These gaps should be bridged by having continued
dialogue and cooperative efforts of institutions working in the same field.

The cooperation between the countries of the Third World in general and between India and the Gulf states in particular has had international ramifications. New patterns of volume, composition and direction of international trade have lent substance to the aspiration of the Third World to become a decisive factor in the reorganisation of the international system. The accumulation of financial surpluses in the Gulf and the conceptual efforts of the oil producing countries across the world have created an atmosphere in which demand for a fair deal to the teeming millions of Asia, Africa and Latin America is receive urgent attention. Diplomatic cooperation between India and the Gulf states in the various international fora in the new context has now acquired a credibility which such cooperation had failed to acquire even in the hey day of non-alignment. UNCTAD IV for instance, underlined the need for a new economic order which would ensure an equitable system of commodity exchange between nations and fair terms for transfer of technology, resources and capital.

Despite all the previous discussions on Indo-Gulf relations, the fact remains that so far we have not been able to fully or satisfactorily utilise our potential for cooperation. There is hardly any unified agency for ensuring an integrated approach. If we are really serious

63. IDIO pp. 18 & 20

64. Z... "ureshi, I.DC-31.de-31.3111111, article published in COMMUNITY GILH, edit by Surendra Bhutani, New Delhi 1980, p.94
about the crucial importance that each has to the other, our leaders in all fields will have to come together for a dialogue on a much wider, on a much higher and on a much more important scale than the present one. It is high time that policy planners, political leaders and opinion-makers from India and the Gulf come together to formulate a real projection of areas of concern for our two regions and take stock not only of the existing areas of cooperation but also of our problems and potential. We have been good neighbours so far; but neighbourliness must make way for fruitful friendliness. In terms of the problems of security, economic prosperity or political independence, India and the Persian Gulf could indeed make ideal friends. We have everything to gain from cooperation, and there is hardly any point for confrontation. India could concentrate gainfully on the reconstruction of the region without being ever in a position to pose the type of threat which the big multinational concerns of the West do hold out to them. The Gulf people on the other hand have a huge investment potential in India. Inspite of our limitation it may be worth mentioning that India is the most developed among all the developing countries of the world. We may have our troubles, but we are also at least a semi-nuclear and semi-space power. And yet we have no territorial designs on any other region, leave alone the Persian Gulf.

No doubt certain apprehensions remain in our minds. It is conceivable that Indian immigrants cannot pose any threat to the Persian Gulf. We also cannot imagine that the Gulf financial investment in India would mean a repetition of the type of economic and political domination which the West has been accustomed to with regard to countries like ours. Meaningful cooperation in matters like defence security can be achieved on the basis of effective equality only. This is thus, the potential for cooperation for which the sky is literally the limit. The only problem facing us today is whether we have the will to utilise potential properly.

Summing up, it is contended that Indo-Gulf relations are at once the oldest and the newest in human history. Dating back to time immemorial they have been most fruitful for human progress ever since they were established. They are based more on the complementarity of economic needs and personal services than merely or exclusively on the identity of political views and social objectives. That is why they bid fair to survive the vicissitudes of time.

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66. Ibid.

67. Z. Qureshi, INDO-GULF RELATIONS, AN OVERVIEW, OP CII.