CHAPTER VII

AGREEMENTS BETWEEN INDIA AND
ARAB OIL EXPORTING COUNTRIES -

A MODEL FOR ECONOMIC CO-OPERATION
This chapter is examines of various agreements regarding cultural exchange programmes, training programmes and co-ordination of education, common research services, joint use of natural resources, various trade agreements like bilateral and multilateral trade, long-term trade expansion, trade agreements for specific purchase, trade agreements for limited payments arrangements, preferential trading, bulk purchase and selective trade liberalisations between India and the Arab Oil Exporting Countries. At the same time the joint industrial ventures and clearing arrangements between these countries are also examined. The examination of such agreements between independent nations is very much necessary because this is a practical way towards enhancing economic co-operation between the developing countries. The gains from economic co-operation among the participating countries depend ultimately on the different agreements among themselves. The potential of different agreements between participating countries paves way for economic co-operation among themselves. However, it is only after the adoption of economic co-operation that the potential for above referred agreements between the participating countries can be realised. Therefore gains
from economic co-operation among the participating countries can be seen by examining the actual agreements between these countries.

In this chapter it is attempted to examine actual agreements between India and the Arab Oil Exporting Countries. The above referred agreements among these countries will enable them to increase mutual self-help among themselves. Hence in the initial stages of economic co-operation among developing countries like India and the Arab Oil Exporting Countries, the effective implementation and revision of different agreements is necessary.

The existing agreements between India and Arab Oil Exporting Countries pertain to the following aspects:

(i) Agreements relating to improvement of friendship.
(ii) Visits of ministers and delegates.
(iii) Operation of air services.
(iv) Cultural Exchange Programmes.
(v) Technical and Scientific Co-operation (to set up Joint Commission/Technical and Economic Co-operation).
(vi) Monetary Co-operation (sanction of loans and advances, promoting investment between these countries.)
(vii) Research agreements.
(viii) Joint industrial ventures and consultancy services and;
(ix) Trade agreements.
(1) Existing Agreements between India and Arab Oil Exporting Countries:

Considering the different agreements signed between India and all the Arab oil exporting countries, it is clear that India signed various agreements with almost all the Arab oil exporting countries. But among the above referred, India signed more agreements with Iraq. Moreover, the agreements between these two countries are related to different fields. These two countries signed first agreement between themselves after the political independence of India in the year 1952, and was relating to the improvement of friendship between themselves. They also signed an agreement in the year 1954 to extend their cultural relations. Again in the year 1971 these countries had signed an agreement on cultural relations. India and Iraq had in 1970 not only signed an agreement on technical and scientific co-operation, but in the year 1974 they also signed an agreement on the setting up of permanent Joint Commission on economic and technical co-operation between themselves. In the year 1980 India and Iraq signed a protocol to expand economic and technical co-operation. The another important aspect on which they agreed and signed an agreement is to collaborate in petroleum research. For this purpose, they had signed an agreement to collaborate
in petroleum research in 1975. As well as these countries had also signed an agreement for Indian assistance in setting up of fertilizers plant in Iraq in the year 1974. Besides, sometime India and Iraq also entered into different trade agreements which enable them to increase trade between themselves. For this purpose they signed yearly trade agreements. In the years 1953, 1958, 1962, 1970, 1973 and 1976 they signed such trade agreements for their increased trade turn-over. (Agreements relating for increasing trade between themselves they also signed agreements like India's agreement with Iraq to purchase crude oil) In addition to the above trade agreements, these countries also signed agreements for additional trade of crude oil between themselves. In this connection, in 1979 Iraq signed a long term agreement with India to sell more diesel and kerosene in addition to normal supplies of petroleum products. In the same year Iraq signed an agreement to supply 60 lakh tonnes of additional crude to India. Further, in the year 1980 Iraq had signed another agreement to supply additional 20 lakh tonnes of crude and 5 lakh tonnes of kerosene to India (See Table 7-1). These position of agreements between India and Iraq during the period 1952 - 80 clearly show the signs of enhancing economic co-operation between themselves. They also reflect interests of these countries in different types of agreements. They have signed such agreements which are necessary for
increasing economic co-operation between independent nations. They have signed the agreements for friendship, as well as cultural exchange programmes, technical and scientific co-operation through exchange of technocrats and researchers, and for increasing interdependence between themselves through different trade transactions.

Kuwait is another Arab Oil Exporting Country which had signed different agreements with India during the period from 1971 to 1980. The first agreement between these two countries was signed in the year 1971. This agreement was related to the further development of cultural relations between these countries. In 1973 they signed an agreement to establish inter-governmental Joint Committee for economic and technical co-operation. Further, in 1974 they had signed a bilateral trade agreement as well as an agreement for joint ventures development between themselves. In the same way India also signed agreements with Saudi Arabia. But agreements between India and Saudi Arabia covered limited aspects. In 1970, India and Saudi Arabia negotiated a Bilateral Aid Services Agreement. Moreover, in 1977 Saudi Arabia extended its first ever loan to India worth Rs. 10 crores for two power projects. Therefore, the existing agreements between India and Kuwait, as well as between India and that of Saudi Arabia show that agreements between India and Kuwait cover different fields, while those between India and Saudi Arabia are
very limited and also cover very limited purpose. This means between India and Saudi Arabia must sign more agreements regarding different fields. Agreements between these countries should cover the fields like cultural exchange programmes, technical education and research and exchange of technical know-how.

The United Arab Emirates (UAE) had also signed a number of agreements with India. Moreover, agreements between India and United Arab Emirates are related with different fields. In 1972 these countries signed the first agreement between themselves. It was in relation to the establishment of diplomatic relations between them. In 1975 India and United Arab Emirates (UAE) exchanged letters for the establishment of a Joint Commission on economic, technical and cultural co-operation. Further, in 1979 these countries had signed an agreement on cultural exchange programme between themselves. From the existing agreements between these two countries it is clear that these countries should mobilize the existing agreements. At the same time these countries should enter into new fields of agreements like exchange of research and education programmes, technical and scientific co-operations and various trade transactions.
However, Agreements signed between India and the Arab Oil Exporting Countries like Bahrain, Oman, and Qatar are not significant. India and these countries had signed very few agreements and these covered very limited fields. Among these countries in 1974 the Omani delegation visited to India in 1975. In 1975 India and the Gulf States like Bahrain, Oman and Qatar reached agreements on the operation of air services. In 1975, India's agreements with the above referred Arab countries like Bahrain, Oman and Qatar are few.

To strengthen economic co-operation between India and these Arab countries there is a need to increase agreements in different fields like cultural exchange programmes, research and technical education, technical know-how and different trade transactions.

The overall situation of different agreements between India and the Arab Oil Exporting countries indicates that among the above referred Arab countries India had signed more agreements with countries like Iraq, Kuwait and United Arab Emirates. At the same time India's agreements with these Arab countries cover different fields. What is needed for strengthening economic co-operation between India and these countries is to mobilize the existing agreements. For the effective implementation of these agreements the regular up-and-revision and follow-up necessary. In addition these
countries should enter in new agreements in order to cover other number of fields. However, India had signed very limited agreements with some of the Arab oil exporting countries like Bahrain, Oman, Qatar and Saudi Arabia. At the same time and these agreements with these countries cover very limited fields. Therefore what is needed for India and these Arab countries in economic cooperation is to sign more agreements relating to different fields. However, adoption of economic co-operation between India and all the Arab oil exporting countries will ultimately help to all of these countries to utilize the existing agreements for furthering their development. Economic co-operation will also enable them to sign new agreements covering more number of fields. It is because successful economic co-operation is mainly based on the adoption of different agreements between independent nations.

(II) Joint Industrial Ventures and Consultancy Services:

The establishment of Joint industrial ventures between the independent nations is an important method of economic co-operation between themselves. Joint industrial ventures enable the participating countries to increase exchange of different resources like natural resources, technical know-how, capital resources, managerial expertise and skilled labour between themselves. It is a method of economic co-operation that is used by participating countries for the creation of new trade in support of existing trade
between themselves. In this way it helps to extend the market limits of the member countries. Though the establishment of joint ventures the investing countries get new lines of production with which they may be able to get required foreign exchange for the requirements of further development. As well as the host countries get technical know-how, natural resources, capital resources, managerial expertise, and skilled labour for their industrial development. Hence joint industrial ventures are important from the viewpoint of creation of new lines of trade and production. They help the industrial development of the concerned countries. Here in this study it is attempts to examine only the existing joint ventures between India and Arab oil exporting countries. It also examines the exchange of monetary resources between these countries.

Existing Joint Industrial Ventures between India and Arab Oil Exporting Countries:

An examination of prevailing conditions (economic and natural) in India and Arab Oil exporting countries will help us to find out the scope for joint industrial ventures between these countries. The picture becomes more clearer by examining the potential for joint industrial ventures in all the Arab oil exporting countries. The examination will also indicate the capacity of India to establish such joint ventures in developed and developing countries.
Considering the economic and natural conditions in Arab Oil Exporting Countries we find that all these countries mainly depend on crude-petroleum and petroleum products for their national income and economic development. But in recent years fluctuations in prices of these products make the economies of these countries as more vulnerable. Therefore, the governments of all the Arab Oil Exporting Countries are interested to make their respective economies more stable. For this purpose, the governments of these countries have started giving importance to diversification of productive activities from the production of oil and oil products to other sectors. In this respect they are giving more importance to the establishment of new manufacturing and industrial units in their countries. It is also important to note that, apart from oil resources, the other natural resources in all the Arab Oil Exporting Countries are extremely limited. This is an important limitation which restricts manufacturing and the industrial development of these countries. To come out from this bottleneck all these countries, with the help of foreign expertise, have started geological surveys to explore specific minerals. The Japanese geological mission has completed the survey work for iron ore in some parts of

of Saudi Arabia and estimated that the ore resources are
nearly 391 million tonnes in Saudi Arabia. Besides
in all the Arab Oil Exporting Countries small populations
in individual countries bind the markets are limited due to
small populations. This is another limitation for the
industrial development of these countries. But in recent
increase in the years a substantial national income as well as per capita income
is one incentive has led to increased demand of capital
and consumer goods. We find other important bottle-
necks prevailing everywhere in all the above referred Arab coun-
tries and they are, non-availability of capital goods and natural
resources, shortage of skilled labour, scarcity of managerial
expertise and lack of technical know-how. On the
contrary the only thing available is abundance everywhere
in all the Arab Oil Exporting Countries is monetary resources.
Moreover, most of these countries are ready to spend these
capital resources available with them in other countries
in exchange for raw materials, capital equipment,
technical know-how, managerial experience and skilled labour.

On the contrary, considering natural and economic
conditions prevailing in India we find that India’s efforts
for industrial development during last thirty years had

2. In countries like Iraq technological level may be low
   but the managerial expertise is high.
changed the Indian scene and placed the country as tenth industrialised country in the world. During this period India had attempted a fairly high degree of industrial development as well as experience and expertise in industrial field. The experience, expertise and technology developed in India are considered as suitable and appropriate for the industrialisation programmes of developing countries like Arab Oil Exporting Countries. Moreover, a country like India at this stage of industrial development faces the problem of shortage of capital. Therefore transfer of more capital to other developing countries at this stage of economic development is neither possible nor desirable. The only thing India can provide to other developing countries is transfer of technology, managerial expertise and skilled labour through the promotion of joint industrial ventures in these countries. Transfer of technology between these countries is also possible through training and education. However, in exchange for this India can get the

1. Edit., Ajeet Cour, "Directory of Trade Between India and the Middle East Countries", Ajanta Publication, 1983, p.28. This is so because the developing countries can assimilate the technology developed by developing countries. More easily than the sophisticated technology offered by the developed world. The developing countries face peculiar problems of economic development, a stage through which a country like India has passed through is better suited to offer remedies and solutions to such peculiar situations. The developing countries, which are in the midst of teething troubles of industrialisation are not in a position to make use of advanced fertile ground for establishment of joint ventures by countries like India.
scarce capital resources from Arab oil exporting countries, as most of the Arts oil exporting countries are ready to invest their funds in other countries. This becomes clear from the fact that some of the Arab oil exporting countries like Kuwait, Saudi Arabia and UAE had already offered loans to India. Among the above referred Arab countries Kuwait announced a loan to the tune of Rs. 50 crores for a power project in U.P. This loan is for a period of 25 years and carries only 4 per cent of rate of interest. Moreover, Kuwait offered this loan in addition to a loan of Rs. 52 crores which it had given earlier for two projects - the Kalindi Hydro-electric project in 1976 and a similar project at Kapli in 1978. In the same way till the year 1980, the share of Saudi Arabia in the total aid authorised to India was Rs. 590 million (or 0.7 per cent). Saudi Arabia also promised to offer a loan to India of U.S. $ 100 million to India from the Saudi development fund for the Sar-i-Sailam and Nagarjunasagar projects and it has also committed $ 30 million for Koalkaro Hydel Project in Bihar.

As regards United Arab Emirates (UAE) co-operation with India, we find that it had agreed to invest substantial funds for a large number of industrial projects to be set

in India. United Arab Emirates (UAE) also agreed to finance hotels, hospitals and health projects and 12 million tonnes oil refinery to be set up in India. Moreover, India and United Arab Emirates (UAE) have agreed for the formation of a joint investment company to facilitate investment in India, the United Arab Emirates (UAE) and other countries. Till 1980, UAE has given an aggregate of Rs. 650 million as aid to India. However, it is also interesting to note that the government of India has decided to permit investments in India from Oil Exporting developing countries.

On the background of the above referred prevailing conditions in India and Arab Oil Exporting Countries the efforts from both the sides to establish joint industrial ventures between themselves are encouraging. There are 222 joint industrial ventures of India, which are effectively operating in a number of countries. Out of the total joint ventures of India 125 were under production till the year 1982. Of the total projects under production the target number of them have been set up in the neighbouring countries of South East Asia (63) followed by Africa (22), and Middle East (16). Taking into account the countrywise distribution of India's joint ventures under production among the middle east countries, we find large number of these projects in

United Arab Emirates (9), followed by Saudi Arabia (3), and Oman (2). While in Bahrain and Kuwait, there is one joint venture under production in Bahrain and Kuwait. But in the case of Qatar, there is only one joint venture of some India and there is under the stage of implementation stage (see Table 2).

Moreover, the Indian joint ventures so far set up so far in all the Arab oil exporting countries are in different sizes of operations—small, medium, and large scale. The fields covered by these joint ventures are fairly varied. These fields include items like textiles, sugar, cement, steel foundry, diesel engines, enamelled wires and cables, gas cylinders, sulphuric acid, caustic soda, antibiotics, welding electrodes, shipping, etc. On the contrary, the Arab oil exporting countries are interested in joint ventures of small, as well as large scale. The potential fields for joint ventures in these countries are stone cutting, sugar confectionary, electric cables, plastic shoes, paper bags, nylon bags, fish oil, milk and dairy products, and footwear from leather and rubber.  

On the other hand, the potential for joint ventures in the field of large scale are petro-chemical complex, steel rolling mills, aluminium plants, match factory, cement, fertilizers and textile, sulphur etc.
ventures in different countries and particularly in the above referred Arab countries it is also necessary to examine India's investment in these ventures in terms of exports of capital equipment and capitalisation of technical know-how. In 125 joint ventures which are in operation India has invested Rs. 42.1 million in these ventures. Out of total investment in these ventures the most part India invested is through the way of exports of capital equipment. The percentage of exports of capital equipment to total investment amounted to more than 60 percent. While the percentage of technical know-how amounted to more than 6 percent of total investment (see table 73). Moreover, out of total investment of 42.1 million India has invested Rs. 11.5 million in 16 joint ventures which are operating in the middle east countries or the Arab oil exporting countries. The percentage of India's investment in 16 joint ventures in Arab oil exporting countries amounted to only 27 percent of the total investment (see table 74).

From the discussion of joint industrial ventures between India and Arab oil exporting countries it is clear that all the Arab oil exporting countries are very much in need of natural resources, technical know-how, managerial expertise and skilled labour. On the contrary in recent years India has reached higher level of industrial development and, therefore, able to provide these resources to Arab oil exporting countries. In this respect joint industrial ventures between these countries are a good medium to exchange required resources for their industrial development. At the same time the Arab oil exporting countries have considerable amount of monetary resources through the export of crude petroleum and petroleum products. On the contrary, India for its further industrial development faces the scarcity of capital resources. Joint industrial ventures help both of them to get the necessary inputs for their industrial development. Joint ventures are also helpful to the above referred Arab countries to extend their markets, limits, as well as. Just as they are helpful to India for getting benefits from additional exports.

Overall, the joint industrial ventures are important for both the countries that of India and the Arab oil exporting countries. The progress achieved so far by these countries in establishment of joint ventures between
themselves is encouraging. What is necessary for economic co-operation is to mobilise the existing joint ventures for promotion of economic co-operation. As well as it is also necessary to explore the new areas for development of joint ventures in these countries.

**Construction of Projects and Consultancy Services:**

The construction of projects and consultancy services is an important and a new area of economic co-operation between the developing countries. Moreover, this area of economic co-operation is more important for India and the Arab oil exporting countries. In addition to joint industrial ventures between India and the Arab oil exporting countries the construction of projects and consultancy services between themselves can be used. This type of co-operation is advantageous for both India and the Arab oil exporting countries, it is because in recent years all the Arab oil exporting countries have started their industrial development. For this purpose these countries are giving more importance in their economic planning for the development of infrastructural facilities. These programmes include construction of townships, roads, airports, civic centres, power stations, water supply plants, hotels, hospitals, communication network, etc. Moreover, most of the Arab oil exporting countries are giving top priority to the development of water resources, because the industrial
and agricultural progress in these countries is not possible without adequate supply of water. The Arab oil exporting countries in recent years have started to diversify their attention from the single industry of crude petroleum and petroleum products to the development of other industries. For this purpose they referred Arab countries have started the survey work of some land areas for the exploration of specific minerals.

On the contrary in recent years India has developed a considerable expertise and capabilities in the fields such as designing and construction of roads, airports, harbours, bridges, flyovers, dams and irrigation works, water supply and sewerage projects, various industrial units like fertilizers projects and silos, thermal and hydel power houses, power generation, transmission and distribution networks, construction, management, maintenance and rehabilitation of railways, construction of T.V. and radio centres, sports stadium, vocational training centres, schools, university campuses, hospitals, residential and office buildings and housing colonies. Moreover, co-operation in respect of construction works and consultancy services is more profitable between India and the developing Arab oil exporting countries as compared to co-operation in this respect between the developed countries and the developing Arab oil exporting countries.
Because the developed countries are more interested in buying raw materials and semi-processed goods at low prices from the developing countries. On the other hand, these developed countries sell their manufactures and technology at high prices. The only way is to increase co-operation in this respect between the developing countries like India and the Arab oil Exporting Countries.

Given

On the above background of the needs of construction works and consultancy services in all the Arab Oil Exporting Countries and India's experience and capacity to provide these demands of Arab Oil Exporting countries, it is clear that India has secured the construction works of more than 5400 crores in the Middle-East countries i.e. Arab Oil Exporting Countries. At the same time, India through its private and public companies secures both civil engineering and construction contracts and contracts other than civil engineering and construction in these above referred Arab countries. Among the Arab Oil Exporting Countries, India secured more civil construction contracts in Iraq (2100 crores) followed by Kuwait (200 crores), and United Arab Emirates (190 crores).

The contracts other than construction India secured non-construction contracts only in Saudi Arabia (140 crores) and in United Arab Emirates (40 crores). (see Table 7.5).
In addition to the contracts of construction of different projects in the Arab Oil Exporting Countries, India also exported the consultancy services in different fields to the Arab countries. It is clear from the exports of consultancy services from India to all the Arab Oil Exporting Countries in different fields. Moreover, the exports value of these consultancy services from India to the Arab Oil Exporting Countries shows an increasing trend during the recent years.

From the discussion of construction projects and consultancy services between India and the Arab Oil Exporting Countries, it is clear that this is a new scheme of economic co-operation between these countries. The need for industrial development in all the above-referred Arab countries calls for the development of infrastructural facilities while industrial development of India enables it to provide the requirements of these Arab countries in respect of construction works and consultancy services. Moreover, the existing contracts regarding construction works and consultancy services between these countries are quite considerable.

Clearing Union:

Monetary co-operation between the participating countries helps to solve their balance of

payments problems, which ultimately enable them to increase economic interdependence through increased trade between them. Monetary co-operation is possible either in the form of clearing union or payments union and reserve fund or a monetary union. Clearing union is a first step towards monetary co-operation between the participating countries. In a clearing union it is possible to enhance co-operation between the central banks or monetary authorities of the respective countries, which are the members of a clearing union. A clearing union provides mutual clearing arrangements. For this purpose the central banks of the respective member countries specify the exchange rate of their national currencies in terms of either the U.S. dollar or Special Drawing Right, which enables these countries to use the regional currencies for settlement of their balance of payments accounts. Hence a clearing union that avoids the necessity of settling individual transactions in U.S. dollars or sterling. In a clearing union the exporters and importers of the participating countries pay and receive in their own currencies through commercial banks while commercial banks through central banks. Central Banks, after particular period (six months in Central American Clearing House, three months in the Arab payments union, the case of one month in Western Africa and one year in RCD countries)
settle net claims and liabilities in US dollars. In this respect the Central American Clearing House was the first clearing arrangement among developing countries. The Arab Payments Union, agreement among Western African Central Banks and RCD Banks payments agreements are the other illustrations of this type of arrangements.

From the above discussion of clearing arrangement in independent countries it is clear that such type of clearing arrangements between India and the Arab Oil Exporting Countries are also useful. India as well as the Arab Oil Exporting Countries can also be settle all the receipts and payments arising out of trade in these countries in regional currencies. For this purpose all the accounts can be maintained by the clearing house established by India and the Arab Oil Exporting Countries. At the end of a year, six months or one month, the net position of individual country can be determined. The surplus or deficit of any country can be settled at the end of this period in terms of US dollars or sterling pounds (according to the requirements of a participating country). Through such an agreement the present practice of using excessive foreign exchange in terms of US dollars and sterling for the settlements of trade accounts among these countries can be avoided. The experience in this regard of the Central

1. This is the first clearing arrangement among the developing countries, which was formed in 1961 by the Central American countries like El Salvador, Guatemala and Honduras. In the year 1962 and 1963 Nicaragua and —

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American Countries, Arab Countries, West African Countries and RCD countries shows that such clearing arrangement have helped them in increasing trade between themselves. Such clearing arrangements also help these

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Costa Rica respectively joined in the clearing union. In this arrangement a importer pays in his own currency to the exporter a personal cheque issued by importers bank or a cashier's cheque purchased from his bank. The exporter by presenting this cheque in his commercial bank obtains credit in his own currency. The commercial bank reimburses this cheque with the Central Bank. The Central Bank forwards this cheque for clearance to the Central Bank of the importing country and notice to the clearing house of its claim. The clearing house after the confirmation by the Central Bank of the import- ing country debits and credits of its liability. For this purpose the unit of account used is Central Ameri- can Peso which is equivalent to US $ 1. And At the end of six months all the transactions paid in this manner are settled in US dollars. Finally the excess is settled in US dollars during this period i.e. the net claim of a member exceeds the prearranged limits on interim credit is extended by it to the clearing union.

2. The members of the Arab Economic Unity was formed the Arab payments Union. Therefore the members of this Union are Jordan, Tunisia, Sudan, Iraq, Saudi Arabia, Syria, UAR, Lebanon, Libya, Yemen, Morocco and Kuwait. The difference between the Arab payments Union and the other clearing arrangements in the world is that the settlement period of Arab payments Union has not been clearly specified. While the maximum period in Arab payments union for the settlement is not to exceed three months. Moreover, as compared to other clearing arrangements in Arab payments union a fixed amount of credit is advanced by each member to the rest as limits to the net credit and debit positions permis- sible within the accounting period.

3. In the year 1975 the Governors of 12 Western African Countries, Zambia, Ghana, Liberia, Mali, Nigeria, Sierra Leone, Benin, Ivory Coast, the Niger, Senegal, Togo and Upper Volta, Under the agreement each Central Bank receives a credit hire of 10 percent of the value of imports and exports from or to other member central banks. And Each Central Bank allows a credit equivalent

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countries in minimising the use of US dollars in the settlement of transactions arising out of trade. Moreover, a clearing union of these countries helps to develop their banking system as well as to avoid the substantial delay in realising the bills. On this background of the benefits of a clearing union to these countries, the experience of some of the Arab Oil Exporting Countries⁵ in this regard

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to 20 percent of its imports and exports from or to other Countries with member Central Banks. The clearing house determines the net position of each member at the end of every week and informs it to other member banks as early as possible. At the end of every month the clearing house advises net position of each bank with other Banks. If the allotted credit to a bank exceeds them, it has to make payment immediately if the amount is in excess to the creditor bank(s).

4. The treaty of Regional Co-operation for Development (RCD) was signed in 1964 by Pakistan, Iran and Turkey. Under this treaty they decided to establish a special payments facility on the lines of Central American Countries. Under this arrangement each member shall extend credit up to US dollar 2 million to each of the other two members. The accounting period is from 1st July to 30th June. At the end of the year the outstanding balances of each member shall be ascertained and shall be compensated against each other in their Central Banks. The remaining balance in any of the account at the end of accounting period the debtor shall pay to the creditors 50 percent of its debt with 30 days in convertible currency. And the remaining 50 percent of the debt shall be carried forward and charged to the credit limit of the concerned country for the following accounting period.

5. Some of the Arab Oil Exporting Countries like Iraq, Saudi Arabia and Kuwait are the members of the Arab Economic Unity as well as member of the payments union. /Arab
a guide line for India and the Arab Oil Exporting Countries to establish a clearing arrangement.

From the overall discussion regarding different agreements between India and the Arab Oil Exporting Countries it is clear that this is a model for economic Co-operation between the developing countries. This model is more advantageous to India and the Arab Oil Exporting Countries. Among the different possible agreements India and the above referred Arab countries have signed some agreements like cultural exchange programmes, technical and scientific Co-operation, research and different trade agreements. But among the Arab Oil Exporting Countries India signed more agreements only with Iraq, Kuwait and United Arab Emirates. In the same way to create additional trade and to exchange requirements of industrial development like technical know-how, managerial expertise, natural resources and skilled labour India and the Arab oil Exporting Countries have established different joint industrial ventures between themselves. These countries have also utilised the new area of economic co-operation i.e., the construction works and consultancy services. Moreover, to increase trade between these countries the establishment of a clearing arrangement is of great importance. For this the experience of some of the Arab Oil Exporting Countries like Iraq, Saudi Arabia and Kuwait is a guideline.
What is needed in economic co-operation is to renew the number of existing agreements and to enter into more agreements in different fields between these countries. The agreements relating to different fields enable the participating countries to increase mutual self-help between themselves. With the adoption of any particular agreement between these countries, however, the more economic gains to India and the Arab oil exporting countries can not be expected. For this purpose these countries should utilise a combination of different approaches like cultural exchange programme, training programme and co-ordination of education, common research services, use of natural resources, establishment of joint industrial ventures, creation of clearing arrangement and trade co-operation through different trade agreements.