CHAPTER VIII

AREAS OF ECONOMIC CO-OPERATION BETWEEN

INDIA AND ARAB OIL EXPORTING COUNTRIES
In the previous chapters we have studied the agricultural, industrial and trade structure of India and Arab Oil Exporting Countries. Moreover, we have studied the balance of trade position and also different agreements between these countries. In this respect the agricultural, industrial and trade structure of India and Arab Oil Exporting Countries indicates the existing position of these countries for enhancing economic co-operation among them. At the same time the existing agreements like cultural exchange programmes, technical and scientific co-operation, trade agreements, joint industrial ventures and consultancy services also show the existing efforts of India and Arab Oil Exporting Countries to increase economic co-operation among them.

This chapter mainly tries to visualize the possible areas of economic co-operation between India and Arab Oil Exporting Countries. To find out these possible areas of co-operation the existing agricultural, industrial and trade structure of these countries is examined. Moreover, the study also considers in general the existing agreements like cultural exchange programmes, research agreements, training and education, monetary co-operation, trade agreements, joint industrial ventures and consultancy services as a base to find out the scope for implementation of these agreements between India and Arab Oil
Exporting Countries. This enables to know the possibilities of implementing these methods of economic co-operation between India and Arab Oil Exporting Countries.

Cultural Exchange Programmes:

The cultural exchange programmes between India and Arab Oil Exporting Countries are one of the possible areas of economic co-operation. The agreements signed so far between India and Arab Oil Exporting Countries for enhancing cultural exchange among them are very few. Moreover, India has signed such agreements only with some Arab Oil Exporting Countries. Therefore, there is more scope for increasing agreements in respect of cultural exchange programmes between India and Arab Oil Exporting Countries. In this respect the ex-Prime Minister of India said: "Arab links with India have existed for centuries. India has a larger Muslim population than any Arab country. The cultural links have been made stranger through years of mutual understanding." Therefore there is a great need to establish a permanent joint commission in cultural co-operation between these countries. Because most of the Arab countries have entered into agreements to establish a permanent joint commission in cultural exchange.

programmes. The joint commission in cultural exchange programmes of India and Arab Oil Exporting Countries will enable them to develop stronger cultural relations between themselves. These countries through this commission can foster the exchange of various personnel like poets, administrators, journalists, ministers, writers and various delegations between themselves.

Research Programmes:

The exchange of research activities is one of the important fields of economic co-operation in which India and Arab Oil Exporting Countries have more scope to take each other's help. There are different fields in which the Arab Oil Exporting Countries India is able to help in respect of research activities, to the Arab Oil Exporting Countries. Moreover, all the Arab Oil Exporting Countries are in a great need of research guidance in different fields. The Arab Oil Exporting Countries need research guidance, in natural resources and medicine. The agricultural sector in these countries requires more efforts for its development. Therefore the agricultural research facilities are necessary for the agricultural development. The ex-Agricultural and Irrigation Minister of India said that "Iraq is keen to have a farm university like the Indian Agricultural Research Institute though agricultural colleges already exist in the country. One of these institutions could be upgraded to offer post-graduate courses and research facilities." The

agricultural sector in most of the Arab Oil Exporting Countries requires more attention. So emphasis in these countries is on scientific research, agricultural extension and training. These countries are also in need of manufacturing development and mineral exploration. In this respect most of the Arab Oil Exporting Countries have signed for technical assistance in setting up different industrial plants. The production of petroleum and petroleum products in Arab Oil Exporting Countries needs research facilities. Moreover all the Arab Oil Countries face the problem of shortage of drinking water and water for irrigation. Thus research facilities are also necessary to harness river and ground water resources. The arid Arabian countries are compelled to make use of sea water desalination technology on a large scale. At the same time these countries also require research facilities in medicine. In this field these countries require research particularly on diseases of the eyes and other ailments common to arid countries. In general there is a great need to establish a research institution

between India and Arab Oil Exporting Countries in
natural resources and medicine on the lines of East
African Community. The establishment of a research
institutions will facilitate exchange of research
facilities available with India to the needy countries.
like all the Arab Oil Exporting Countries.

Training and Education:

This method of economic co-operation enables the
participating countries to start common educational and
training institutions universities and training
institutions between themselves. It helps the participat-
ing countries to avoid duplication of investment in
the field of establishment of educational and training
institutions. But in case of India and Arab Oil Exporting
Countries At this stage of economic co-operation between
Arab Countries it is not possible for them to establish such a
common institution. Instead, by sending personnel
from one country to another for advanced training or
acquisition of additional qualifications in field of
education, India and Arab Oil exporting countries can

1. The East African Community runs twelve research
stations all over East Africa. There are two councils
to coordinate the activities of research in medicine
and natural resources.
obtain the benefits of economic co-operation from the training and education. Moreover, training and education is one of the important modes of transfer of technology\(^1\) between the participating countries in economic co-operation. However, some time India and Arab Oil Exporting countries so far have not entered any agreement in the field of education and training. But there is more scope for the utilisation of this mode of economic co-operation between these countries. It is because in recent years all the Arab Oil Exporting Countries have started giving more importance for all types of education in their countries. Therefore, at this stage of their educational development all the Arab Oil Exporting Countries are in great need of teachers, scholars, professors, doctors, engineers and technical experts. However, India at this stage of its educational development is in a position to fulfill the requirements of Arab Oil Exporting Countries in this field. It is therefore, India and Arab Oil Exporting Countries can enhance exchange of educated personnel between themselves. In addition, all the Arab Oil Exporting Countries can send their students, scholars for advanced studies and training in Indian universities or in technical institutions.

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Monetary Co-operation

The creation of a clearing arrangement between the participating countries for economic co-operation is the best way to enhance economic interdependence. A clearing arrangement between the participating countries helps them to solve their problems of balance of payments. Among India and Arab Oil Exporting Countries there are some countries like India and Bahrain which were facing continuous deficit in the balance of trade during the period from 1971 to 1979. Hence there is a scope for creating a clearing arrangement between India and Arab Oil Exporting Countries. The clearing arrangement will help the deficit countries like India and Bahrain to solve their problems of balance of payments. This will ultimately help in increasing trade between India and Arab Oil exporting countries through the implementation of various trade agreements. Moreover, a clearing arrangement will also facilitate the exchange of monetary resources from a member country where monetary funds are available in abundance to the other member country which needs such resources for its further agricultural and industrial development.

In recent years most of the Arab Oil Exporting Countries have accumulated huge amount of monetary resources with them thanks to the hike in oil prices in 1973 and continuous increase in production of petroleum
and petroleum products. Therefore, most of these countries are giving monetary aid through granting loans at concessional rates to the developing countries of Asia, Africa and Latin America. However, India and some of the Arab Oil Exporting Countries like Bahrain and Oman at the present stage of their economic development, are in need of monetary aids from outside countries for their further development.

It is also interesting to note that the most generous donors of foreign aid are the Arab States of Gulf whose contribution outstrips that of the United States and European powers. Among the donors of foreign aid the Arabian countries like Saudi Arabia, Kuwait and United Arab Emirates (UAE) give more than 5 per cent of their goods National product (GNP) in aid to poor countries, as compared to 0.25 per cent given by the United States. At the same time, the Arab Countries give assistance to developing countries as not to create market for Arab goods. In this respect an Arab aid official quoted in a statement, "whenever we lend money at concessional terms for use in projects of developing countries around the world, we are creating a market for your goods - not ours."

3. Ibid.,
4. Ibid.,
Of the foreign aid donors of Arab Oil Exporting Countries the Six Arab funds for economic development in the Arab world extending credit and aid to developing countries of Asia, Africa and Latin America. Among these funds the Saudi Development Fund (SDF), the Kuwait Fund for Economic Development (KFAED) and the Abu Dhabi Fund for Economic Development (ADFED) are leading in granting aid to the developing countries. In this respect these funds can play a significant role in monetary co-operation between India and Arab Oil Exporting Countries. The existing loans granted by these funds or from the other Arab Oil Exporting Countries are not sufficient to bring further monetary co-operation between India and Arab Oil Exporting Countries. Thus, there is a scope for the establishment of a clearing arrangement or a common monetary fund between these countries. Through a common monetary fund India and the other Arab Oil Exporting Countries can get more monetary aid for their further economic development. However, the Arab Countries prefer to invest their funds in their neighbouring Arab Oil Exporting Countries rather than in outside countries outside the Arab world. An Iraqi member of planning organisation said, "We do not think Iraqi, we think Arab. Our oil is part of Arab wealth. We, therefore, have to invest whatever in Iraq or elsewhere for collective X..."
Arab benefits. Therefore, through increasing monetary co-operation between India and Arab Oil Exporting Countries, India will be able to get more monetary aid from these countries. Moreover, in exchange for monetary aid to India the Arab Oil Exporting Countries will get the capital goods and consumer goods at reasonable prices which ultimately helps India and Arab Oil Exporting Countries to enhance economic co-operation between themselves.

II Trade Agreements:

The various trade agreements between the participating countries are a very important mode of enhancing economic co-operation between themselves. From this point of view the existing trade agreements between India and Arab Oil Exporting Countries are very limited. At the same time among Arab Oil Exporting Countries India has entered into more trade agreements only with Iraq. On this background we can conclude that there is more scope for increasing more trade agreements between India and Arab Oil Exporting Countries. Moreover, all the Arab Oil Exporting Countries must enter in such agreements with India.

The scope for various trade agreements between India and Arab Oil Exporting Countries becomes clear by considering the agricultural and industrial structures of these countries. As consider the agricultural sector of India and Arab Oil Exporting Countries, we find that India is an agricultural country. It produces a variety of agricultural goods. The important agricultural goods produced and exported by India are wheat, rice, sugar, coffee, tea, pepper, groundnuts, onions, meat, potatoes, and pulses. India has exportable surplus in these agricultural goods. At the same time India exports more of agricultural goods, rather than it imports. On the contrary, most of the Arab Oil Exporting Countries are non-agricultural. These countries depend largely on imports of food grains and other agricultural goods. In this respect, the important imports of these countries are meat, wheat, rice, sugar, coffee, tea, potatoes, pulses, onions, vegetables, and fruits. However, in some the Arab Oil Exporting Countries are the only agricultural commodity available for exports. In this respect, there is a more scope for implementation of trade agreements in the above referred agricultural goods between India and Arab Oil Exporting Countries.
Considering the industrial sector of India and Arab Oil Exporting Countries we find that the manufacturing sector of India is well developed among the developing countries of Asia. India produces a variety of manufacturing goods. However, the industrial sector in most of the Arab Oil Exporting Countries is confined to the production of a few manufacturing goods. At this stage of industrial development India is able to export a variety of manufactured goods like cement and other building materials, rubber manufactures, wood and wood manufactures, handloom and mill-made textiles, iron and steel tubes and pipes, various kinds of machinery and transport equipment, readymade garments and footwear. All the Arab Oil Exporting Countries, except petroleum and petroleum products all of these depend heavily on the imports of consumer and capital goods from the outside countries. The production of petroleum and petroleum products like jet fuels, kerosene, gasoline, white spirit, distillate fuel oils, residual fuel oil and lubricating oils is the important economic activity in most of the Arab Oil Exporting Countries. However, in recent year some of these countries are able to produce and export some manufacturing goods like cement, fertilizers and aluminium products. India On the other hand,
India, although producing a variety of manufactured goods, depends heavily on the imports of petroleum and petroleum products and fertilizers. The share of petroleum and petroleum products in India's imports has increased from 8.30 per cent in 1970-71 to 45 per cent in 1980-81. Therefore, it is also in case of variety of manufacturing goods there is more scope for increasing trade agreements between these countries. Overall, there is more scope for trade agreements in different agricultural goods and as well as manufactured goods between India and Arab Oil Exporting Countries.

From the above discussion of existing trade agreements between India and Arab oil exporting countries and the existing agricultural and industrial structure of these countries, it becomes clear that there is a further scope for strengthening trade agreements among them. But it is also necessary to consider the difficulties in implementing various trade agreements between these countries. Of the various trade agreements, India and Arab Oil Exporting Countries must implement the trade agreement of limited payments arrangements as the first step towards increasing closer economic co-operation between themselves. Because a trade agreement of limited payments arrangement helps to increase trade between these countries.

In this agreements are not envisaged to be made in non-convertible currencies. And the period for these agreements is twelve or fifteen months, but extendable if neither party wishes to withdraw from the agreement.

Scope for Joint Industrial Ventures between India and Arab Oil Exporting Countries:

The establishment of joint industrial ventures is one of the major methods of economic cooperation between India and Arab Oil Exporting Countries. Because in recent years all the Arab Oil Exporting Countries have started hastening their industrial development through establishing variety of manufacturing units in different fields. All these countries, more or less have the problems of non-availability of capital goods and natural resources, shortage of skilled labour, scarcity of managerial expertise and lack of technical know-how, the pre-requisites of industrial developments. On the contrary, India as a fairly well industrialised among the developing countries of Asia, is able to provide these requirements for industrial developments of the Arab Oil Exporting countries. India for its further industrial development, needs more capital resources. The Arab Oil Exporting Countries with huge amount of monetary recourse and are ready to invest these funds in developing countries of Asia, Africa and Latin America. From this point of view there is more scope for
establishment of joint ventures between India and Arab Oil Exporting Countries. Therefore, the scope for joint ventures in these countries can be seen by considering:

a) establishment of joint ventures in Arab Oil Exporting countries, b) establishment of joint ventures in India and c) setting up joint ventures in participation of India and Arab Oil Exporting Countries in the outside countries.

Considering the scope for joint ventures in Arab Oil Exporting Countries, we find that as on the 1st January 1982, there were 125 Indian joint ventures in operation and 97, under implementation in as many as 39 countries spread out in four continents of Asia, Africa, Europe and North America. Nearly two-thirds of the Indian joint ventures abroad are located in Asia, with the largest number being in South East Asia followed by Middle East (Arab Oil Exporting Countries) as shown in Table 7.2 of Chapter VII. At the same time, there are 97 joint ventures in different stages of development. Out of this, there are 10 joint ventures in Arab Oil Exporting Countries in different stages of development. There are also some joint ventures in Arab Oil Exporting Countries in the stage of operation (see Table 7.2). In this respect, the portion of India's joint

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There is scope for increasing the joint ventures in Arab Oil Exporting Countries. Because if India starts to giving more importance for establishing new joint ventures only in Arab Oil Exporting Countries than establishing such joint ventures in other countries of world, then India and Arab Oil Exporting Countries can get more benefits of economic co-operation.

The industry-wise distribution of India's joint ventures abroad (Table 8.1) shows India's capacity to participate in different types of industrial joint ventures abroad. India's total joint ventures in operation as on June 30, 1980 most of them are in the field of engineering. Out of 109 joint ventures in production, about 40 joint ventures are in engineering and electrical industries. The other important fields of joint ventures are chemical industries, synthetics, dye-stuffs, drugs and pharmaceuticals, textiles, readymade garments, paper, oil refining and fractionation, soaps and cosmetics, glass industries, cement, asbestos, refractories, mineral exploration, rubber and canvas goods, stationary products, wood and wood products packing and bottling, food products, hotels, restaurants and confectionaries, construction, consultancy, shipping company and trading (See Table 8.1 A). It shows the capacity of India to participate in a variety of industrial joint ventures. On the contrary, the Arab oil exporting
countries need the help to develop their industrial sector in the form of technical know-how, skilled labour and capital resources, as well as natural resources. Moreover, India is in a position to provide technical know-how in a variety of industries and consultancy services. Table 8.1 shows India's capacity to provide technical know-how for different industries and consultancy services.

On the contrary, all the Arab Oil Exporting Countries are in great need of technical know-how, skilled labour, and natural resources for their development of different manufacturing units. The industries in which the Arab countries require the above mentioned resources are cement, brick and lime, petrochemicals, fishing industry, textiles, steel rolling mill, aluminium plant, matches, fertilizers, sugar, electric bulbs, plastic shoes, paperbags, milk and dairy products, glass factory, sulphur etc. Therefore, there is more scope for joint ventures in most of the Arab Oil Exporting Countries.

As we consider the possibility of establishment of joint ventures in India, we find that there is also more scope for establishing joint ventures in India, a country although India is like India is attempt an industrially well developed among the developing countries, but at this stage of development she face the problem of scarcity of capital resources. However,
Most of the Arab Oil Exporting Countries have obtained huge amount of monetary resources with them. At the same time, some of the Arab Oil Exporting Countries like Kuwait, Saudi Arabia and United Arab Emirates have already invested large amounts of monetary resources in different projects in India. Kuwait is also interested in participating in joint ventures in India in the paper, pulp, drug, cement, fertilizers, hotels, and hospitals. It also agreed to co-operate in exploration and exploitation of India's oil resources. Therefore, there is more scope for joint ventures in India. Because the Arab Oil Exporting Countries have vast investible resources while India has the technical manpower and technology. The suitable areas for such collaboration are, however, yet to be identified. In this respect, it must be noted that instead of financing various projects, the Arab funds might perhaps be more usefully utilised in areas where the concerned industrial product will have a ready export market in these countries.

In the same way, there is also more scope to set up joint ventures in other developing countries of Asia, African and Latin America in participation by India and Arab Oil Exporting Countries. Because India has already started its joint ventures in more than 39 countries of the world. Out of this, most of these joint ventures are in developing countries of Asia. Moreover, India is industrially well developed among the developing countries of Asia. While all the Arab Oil Exporting Countries have huge amounts of monetary resources. In this respect, the idea is to use Arab's

money and Indian know-how for setting up such joint ventures in other countries. Moreover, India and one of the Arab oil exporting countries, namely Kuwait have agreed to set up a joint Indo-Kuwait investment Corporation to initiate joint ventures in other developing countries.

Scope for Consultancy and Construction Services between India and Arab Oil Exporting Countries:

The consultancy and construction services are a new method of economic co-operation between India and Arab oil exporting countries. There is more scope for adoption of this method as compared to other methods of economic co-operation between these countries. The consultancy and other services which India is able to provide to other countries are given in Table 1B. From Table it is clear that India is able to provide four types of consultancy and other services. Among these the important one is consultancy and construction for industries. The industries for which India can provide these services are iron and steel, aluminium, aluminium and non-ferrous metallurgical plants, rolling mills, foundries, sugar, cement, chemicals, pulp, paper and other forest-based industries, textiles and synthetic fibres, agricultural input plants, food processing industries, engineering and capital goods industries, oil refineries and petrochemicals. In the second category India can provide construction

and consultancy service for the entire range of infrastructure like power generation, transmission and distribution, railways, road highways and bridges, ports, town planning and architecture, buildings and civil structures, dams, irrigation and flood control schemes and water supply. At the same time Hotels and tourism are the other fields in which India can provide consultancy and construction services. Hence in the entire range of industrial and infrastructural fields India can provide consultancy and construction services to other countries.

When we examine the requirements of these facilities for Arab Oil Exporting Countries we find that India had already received contracts in the field of civil engineering construction. (On this background we can find the scope for consultancy and construction services in these countries) A large number of projects are available for these services in Arab Oil Exporting Countries. These can be broadly classified into two groups. The first group includes such projects which are necessary for industrialisation of these countries. These projects are development of ports, industrial, agricultural and transport infrastructure such as railways, roads, bridges and airports. The second group consists of projects required to meet the growing needs for housing, urban development, health, education, tourism, leisure and recreational facilities.
Considering the scope for consultancy and construction services of India in industrial Arab Oil Exporting Countries, we find that among these countries in Bahrain there are new construction schemes of more than $2000 million. In the same way in the countries like Iraq the economic activities are growing at a rapid rate. The sectors in which large investments have been made are industry, agriculture and basic infrastructure. The war between Iran and Iraq has necessitated a huge fund for reconstruction of the economy. While Qatar is giving more importance for the development of industry and agriculture. Electricity, water, sewage, housing and public buildings are the other fields in which Qatar is investing more funds. However, Saudi Arabia during its third development plan for 1980-85 had directed more resources for industrial development. The other fields in which investment was contemplated on a large scale are electricity, water desalination schemes, health facilities, road construction, railways, airports and ports. Moreover, in United Arab Emirates the emphasis will be on construction of houses, roads, buildings, etc.

From the above discussion of India's capacity to provide consultancy and construction services and the new areas in Arab Oil Exporting Countries which need help, there is need of these services. It is clear that scope for enhancing co-operation between these countries. At the same time
In Arab Oil Exporting Countries the Western Countries are facing stiff challenges from contractors from India and other. For East countries, in bidding for civil works, the reason is that the Indian contractors are steadily increasing their share of works in the Arab Oil Exporting Countries. In stiff competition with long established western and Japanese firms, Indians have bagged contracts worth millions of dollars in the Middle East. "What is more important is that Arabs no longer think of India as a backward and poor country. Instead they have begun ranking it as the leading industrialised nation in South East Asia and the one which can help the Arab world in their race against time to develop fast. 15

The discussion regarding the scope for a various methods of economic co-operation between India and Arab Oil Exporting Countries reveals that there is scope for implementation of the methods of economic co-operation like cultural exchange programmes, research activities, education and training, monetary co-operation, trade agreements, joint industrial ventures and consultancy and construction services between these countries. What is necessary to implement these methods is establishment of a permanent joint commission for these exchange programmes. This commission will foster the exchange of various personnel like poets, writers, journalists, administrators and various delegations between these

countries. In case of research activities there is need to establish a common research institution in natural resources and medicine between these countries on the lines of East African Community. For the implementation of training and education it is necessary to enhance exchange of educated personnel like teachers, scholars, professors, doctors, engineers and technical experts between themselves. Moreover, to implement monetary co-operation the establishment of a clearing arrangement and a common monetary fund between India, Arab Oil Exporting Countries is essential. It will help to exploit the monetary resources available with all the Arab Oil Exporting Countries for solving the balance of payments problems of countries like India and Bahrain and as well as for the extensive use of natural resources of India and Arab Oil Exporting Countries. At the same time, there is scope for implementation of trade agreements of a limited payments arrangements in various agricultural and industrial goods. Wheat, rice, sugar, coffee, tea, pepper, groundnuts, onions, potatoes, pulses and vegetables are the agricultural goods which India can export through increasing trade agreements with Arab Oil Exporting Countries. Moreover, India can increase trade agreements with the Arab Countries for exporting different manufacturing goods like cement and building materials, handloom and mill made textiles, iron and steel tubes and pipes, various kinds of machinery and
transport equipment, readymade garments and footwear etc.

With the Arab Oil Exporting Countries. On the contrary, in

exchange for the above mentioned goods the Arab Oil Exporting

Countries can enter into the trade agreements with India

in agricultural and industrial goods such as dates, fertilizers, cement, aluminium products, sulphur, crude petroleum and petroleum products like jet fuels, gasoline, kerosene, white spirit, distillate fuel oils, residual fuel oils and lubricating oils. However, there is more scope for the implemention of joint industrial ventures and consultancy and construction of cosmetics services between India and Arab Oil Exporting Countries. All the Arab Oil Exporting Countries have the problems of non-availability of capital goods and natural resources, shortage of skilled labour, scarcity of managerial expertise and absence of technical know-how. The only thing available with these countries is abundance of monetary resources. On the contrary, India at its fairly advanced stage of industrial development is able to provide most of the necessary requirements for industrial development to other countries. The main problem for its further industrial development is shortage of capital resources. Therefore, the monetary resources available with Arab Oil Exporting Countries and technical know-how available with India are suitable for establishment of joint ventures in Arab Oil Exporting Countries, in India.
and as well as in other countries. Moreover, all Arab Oil Exporting Countries are in great need of consultancy and construction services. India on the other hand is able to provide these services for the construction of industries and infrastructural facilities. India has already obtained contracts of huge amounts for consultancy and construction of industries, roads, railways, ports, airports, housing, buildings, hospitals etc. But there is more scope in this field, because all the Arab Oil Exporting Countries are investing more funds in these fields.