

THE GCC STATES AND INDIA RELATIONS (THE RELATIONS BETWEEN GCC STATES AND INDIA)

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ABSTRACT

The Gulf Cooperation Council (GCC) came into being by an agreement signed on 25 May 1981 in Saudi Arabia among six countries namely as Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and UAE in view of their special relations and their common objectives, and thereby to enhance their cooperation.

The importance of Gulf Cooperation Council as a collective entity has crucial significance for India. Through Arabian sea India has constituted the “immediate” neighborhood with the GCC States. Therefore, India plays a vital role in the stability, security and economic well-being of the Gulf. As a group, the GCC determines the economic, political, and security policies of its member States. The GCC States are moving ahead rapidly with their economic progress and advantages. Now, the GCC has turned as a major trading partner for India; it also has vast potential as India’s investment partner for the future. The GCC’s substantial oil and gas reserves are of important necessities for India’s supplied energies. The GCC countries are collectively host to a large Indian expatriate community. In short, the GCC offers tremendous potential for cooperation in trade, investment, energy and manpower.

KEYWORDS: Gulf Cooperation Council, India, Politic, Economic, Security

INTRODUCTION

India is very keen to involve in a close interact with the GCC States. Separated only by the Arabian Sea, India has a major role in the stability, security, and economic well-being of the Persian Gulf region. The GCC has been increasingly determined the economic, political, and security policies of its member States, which are growing fast in their economic integration efforts. India’s old historical ties with the GCC States has become increasing for the imports of oil and gas as well as trade opportunities. Further, the presence of 3.5 million Indian workers in the region is of significant interest to India. India’s economic ties with the GCC have been constantly on an increase during 1970, 1980, and 1990, in particular due to boost in oil imports. Analysts point out that a pattern of interdependence is emerging between India and the GCC States due to their strategic position and central role in the current energy security discourse. Development induced growth in India during the 1990s, resulted in higher energy consumption, increasing oil demand and a growing reliance on oil. The process of deregulation of the petroleum industry in India was completed in 2002, and the lifting of curbs by the Indian government on Foreign Direct Investment in the petroleum sector. On the supply side, there has been a decline in the western market share of Persian Gulf oil and also in Persian Gulf States’ oil revenues. However, it is anticipated, due to vast reserves and low cost production capabilities, this will stabilize and, they will regain their position as key oil suppliers. Even though India has taken significant measures to diversify the import sources of oil and gas, the current trends of consumption indicate it clearly that its dependence on the Persian Gulf is likely to remain. From the strategic point of view,

India and the GCC share the desire for political stability and security in the region. Their common political and security concerns translate into their efforts for peace, security, and stability in the Persian Gulf region and South Asia all this will create further opportunities for the GCC-India cooperation in the future with security consideration, the areas for cooperation are also widening beyond investments, trade, commerce, sharing, and development of human resources.

After coal, oil is the second largest source of energy in India, making about thirty six percent of its national energy basket. India's oil demand is expected to steadily increase at about three percent per year up to 2030, when it will import about ninety percent of its requirements. An energy resource of India is traditionally supplied from Persian Gulf, so India has been dependent to this region. Over fifty percent of India's oil imports come from the GCC States. The share of natural gas in India's energy mix is seven percent. In January 2011, India had thirty eight trillion cubic feet of proven gas reserves, making it the world's twenty fifth largest producer, though its reserves could increase with new discoveries off its eastern coast. India imported 429 bcf billion cubic feet in 2012 and will remain dependent on imported resources. The GCC States were a major supplier of gas as LNG, meeting sixty five percent of India's imports. However, the process of gas pipeline pursued by India which it has been so tardy and no transnational pipeline project involving India is being executed at present in 2014.

ECONOMIC COOPERATION

The economic cooperation is perhaps the most active and significant component of the GCC- India relationship. A pattern of interdependence is created as the two regions have expanded their traditional trade ties into a sustainable economic partnership. India has established key economic connection with individual the GCC States as well as in the region as a whole. It has granted the Most Favored Nation MFN status of the GCC countries. A Framework Agreement for Economic Cooperation was signed between India and the GCC in August, 2004. Besides for the beginning of discussions on the feasibility of FTA, the agreement provides for setting up a joint committee on economic cooperation to oversee the implementation of the pact and other bilateral agreements. Both the sides have agreed to make arrangements for setting up joint investment projects for facilitating corporate investments in various fields. The first GCC-India Industrial Conference which was held in Mumbai in February, 2004 comprised ministerial and business delegations from the GCC States and India.

Thus, the trends show the emergence of an active trading relationship between India and the GCC, having multidimensional implications for regional economic engagement in Asia. Against the backdrop of this vibrant trading relationship, one could foresee a scenario of broader economic integration, based on a more pervasive emerging energy paradigm. As rightly observed, "Both sides have recognized that oil has and will continue to be the mainstay of India-GCC economic cooperation. There has been an increased recognition of the fact that, while India needs to secure its energy needs through increased Gulf cooperation, both sides cannot afford to overlook the opportunities emerging in other sectors". Right after new investment laws, came into force in Saudi Arabia in mid-2000, a number of Indian firms have taken advantage of the new Saudi laws providing for hundred percent foreign ownership of projects in the Kingdom. Since, Indian companies have established 108 joint ventures in Saudi Arabia in different sectors. In January 2006, during his trip to India, King Abdullah of Saudi Arabia signed four accords significant among these are the agreement's include agreement on avoidance of double taxation and the bilateral investment protection agreement.

In 2012, approximately twenty five percent of Saudi Arabia's exports to India were oil and gas. Diversification means that the highest boost in exports to India was in chemicals, which will account for over eighty percent of total exports from Saudi Arabia to India between 2013 and 2030. In 2013, Saudi Arabia has emerged as the fourth largest trading partner of India. With its huge population, rapidly growing middle class and capabilities in industrial and post-industrial sectors, India is a market with considerable potential. A number of trade and industry delegations have visited Saudi Arabia to explore opportunities for long-term partnership and cooperation, including joint ventures.

The significant relationship between India and the United Arab Emirates has developed in the economic and commercial fields as UAE became the second largest market for Indian products in the world. Indians have become as important investors within the UAE as they become a major export destination for the UAE manufactured goods. Many Indian companies have contributed to the growth of a number of sectors in the region, including power generation and transmission, highways, telecommunication, water and other infrastructural development. The presence of huge stores of Indian companies in the UAE has also resulted in an increase in the trade, not only with the UAE, but also with other Persian Gulf countries.

Economic and commercial exchanges between India and Oman dates back to the nineteenth century where a group of merchant migrated from India and settled down there for several years. This interaction causes for a multi-dimensional economic relationship between the two countries. Oman embarked on its process of development and increasing oil revenues started flowing into the country beginning in the 1970. An Agreement for Economic Trade and Technical Cooperation was signed between India and Oman in 1993. India-Oman trade has been growing, and India is the fifth largest source for imports about 4.5% into Oman. India and Oman have also finalized a Bilateral Investment Promotion and Protection Agreement (BIPA) and a Double Taxation Avoidance Agreement (DTAA). Oman is the first Persian Gulf States to have formalized defense relations with India. Both countries conducted joint military exercises in 2006 and subsequently signed a defense agreement. Following (the former) Prime Minister Manmohan Singh's visit to Oman in 2008, defense cooperation between the two countries was further stepped up. The Indian Navy has been utilising Oman's ports as bases for conducting anti-piracy operations in the Gulf of Aden. The Indian Air Force has also been holding biannual joint exercises with the Royal Air Force of Oman since 2009. In 2010, bilateral trade between India and Oman stood at \$ 4.5 billion. India was Oman's second largest destination for its non-oil exports and its fourth largest source for imports. India is a major destination for Omani students pursuing higher studies and since 2010 to 2012, there have been increasing numbers of medical tourists coming into the country from Oman. Oman has also been trying to promote itself as a tourist destination in India. Annually around twelve thousand Indians visit Oman on tourist visas and that number is expected to triple by 2015.

India and Kuwait continue their traditional friendly relations. The first ever meeting of the Indo-Kuwait Joint Ministerial Commission for Trade, Economic, Scientific, and Technological Cooperation took place in Kuwait in November, 2006. The second meeting of the Commission was held in July 2008, in New Delhi. A Memorandum of Understanding (MOU) on Labor, Employment and Manpower Development was also signed in Kuwait in April, 2007. The most important encouragement in terms of economic, trade and investment cooperation is the agreement for Mutual Promotion and Reciprocal Protection of Investments (BIPA) and also a Double Taxation Avoidance Agreement (DTAA) between India and Kuwait. Thus, while there has been investment in marketable securities and investment through third

countries, the BIPA and DTAA would provide an opportunity and comfort for direct investments. There have been regular high level bilateral state visits between the two countries. In 2006, the Emir Sheikh Sabah Al Ahmed Al-Jaber Al-Sabah visited India in 2009. Hamid Ansari has also led Indian visits to Kuwait. Kuwait is India's third largest trade partner in the Arab world and it accounted for 3.34% of India's global imports in 2011. India is Kuwait's second largest export market and its fifth largest source of imports and had been consistently among the top ten trading partners of Kuwait with bilateral trade doubling to \$17.5 billion in 2011–2013 from \$8.35 billion in 2007–2008.

There is a growing synergy between India and Qatar in the hydrocarbon and other sectors. Indeed, the two countries are natural economic partners, with their strengths and potentialities complementing each other. Qatar has made significant progress in the development of its natural gas reserves in the North Dome Field. India is a large and expanding market for export of LNG from Qatar and the geographical proximity of the two countries virtually ensures mutually beneficial interaction in a long-term perspective. There are many opportunities for expanding mutual trade and other economic linkages, considering the geographical proximity and historical ties between the peoples of both the countries. India is the tenth biggest source of imports from Qatar and the third biggest market for exports from Qatar. However, bilateral trade constitutes only a part, though an important part, of the potential for economic cooperation between India and Qatar. The Government of Qatar has made large investments in the development of its two LNG projects. With its large, expanding and long term requirements of natural gas, India is naturally interested to take advantage of the existence of a reliable and virtually inexhaustible source of natural gas situated so close to its own consuming centers. In July 1998, H.E. Abdullah Bin Hamad Al-Attiyah, Minister of Energy and Industry led a high-level delegation to India at the invitation of his counterpart and continued the ongoing dialogue for dual cooperation in the hydrocarbons sector. India has also signed an agreement to purchase 7.5 million tons of LNG every year from Qatar and the first shipment took place in 2004. In 2005, some of the agreements signed between India and Qatar are: Bilateral Investment Promotion and Protection Agreement, Double Taxation Avoidance Agreement, MOU on Foreign Office Consultations, Agreement on Cultural Cooperation, Agreement on Economic and Technical Cooperation, Agreement on Organization of Manpower Employment. In 2008, the India-Qatar security cooperation was inaugurated by the visit of former Prime Minister Manmohan Singh.

The agreements with the Emirate of Qatar envisioned the issues of maritime security among others while the agreement on security and law enforcement covers issues like common threat perceptions and sharing of intelligence and cooperation to combat money laundering and transnational crime. India's bilateral trade with Qatar increased from US\$ 1.2 billion in 2008 to US\$ 3.7 billion in 2012. Indian exports to Qatar increased from US \$ 380 million to US\$ 900 million during this period.

India and Bahrain signed an economic and technical cooperation agreement in April 1981 during the visit of H.H the Amir to New Delhi, following which Instruments of Ratification were exchanged in 1983. The first meeting of the Indo-Bahrain Joint Economic and Technical Committee (JETC) was held in New Delhi in 1986 and the second in Bahrain in 1991. The Fourth Meeting of the India - Bahrain Joint Committee on Economic and Technical Cooperation (JCETC) was held in Bahrain on November 14-15, 2007. The delegation included Joint Secretary, Ministry of External affairs, representatives from the Ministries of Commerce, Overseas Indian Affairs, Petroleum and Natural Gas as well as Public Sector Undertakings like National Small Industries Corporation and Education Consultants India Ltd. Both countries

looked at the possibility of cooperation in areas of petroleum, aluminum, chemicals, shipping, finance and hospitality. The issues of cooperation in the financial sector including Avoidance of Double Taxation, health, IT, civil aviation, manpower, education, information, culture, youth, and sports were also discussed. Both the sides wanted closer cooperation in the areas concerning, inter alia, World Trade Organization related matters and technical cooperation in areas of standardization and intellectual property rights. Between 2006- 2011, non-oil trade between Bahrain and India grew more than 135 percent, brought the figure up to \$882 million. Bahrain's ruler Sheikh Hamad Bin Isa Al-Khalifa visited India in February 2014 during which the two countries signed a number of MOUs during which \$450 million of bilateral trade and investment were signed. The Prime minister, the President and various ministers from India met and discussed trade and the 350,000+ Indians staying and living on the island.

POLITICAL AND STRATEGIC COOPERATION WITH INDIA

The political relationship has totally changed, while the economic relationship between India and the Persian Gulf states goes back to several centuries. When it came to regional politics, Muslim Pakistan was consistently favored over India. Persian Gulf States sympathized with Islamabad in wars with India and backed Pakistan's claims in Kashmir. Pakistan has traditionally supplied the Persian Gulf countries with soldiers, pilots and police. India-Gulf uneasiness was also compounded by Delhi's policy of aligning itself with the erstwhile Soviet Union and its concept of a socialist State. This puts India at odds with the pro American policies of the Persian Gulf States. In particular, India's relations with the Persian Gulf States have been symptomatic of its political partnership with Saudi Arabia. There was a significant cooling of relations between India and Saudi Arabia in the early 1990 due to several reasons for the destruction of the Babri Masjid in India to the India's sympathy for the Iraqi regime during the first Gulf war. Likewise, in political cooperation, the landmark "GCC-India Political Dialogue" involving the External Affairs Minister of India with the GCC Chairman, the Secretary General and Ambassadors/representatives from the GCC States were held, for the first time, on the sidelines of the United Nations General Assembly on September 26, 2003. In 2003, India was eager on cooperation with the GCC to ensure safety and security of sea lanes and of communication safety and freedom of navigation in the shipping lanes and trade routes, counter religious extremism and transnational terrorism, narcotics trafficking and proliferation of weapons in the region and achieve peace in the sub-continent given Pakistan's bond with the region. India has made notable developments in its defense capabilities. To capitalize on this, over the years, India and some of the GCC States have also taken significant steps to further cooperation in the field of defense.

India and the UAE entered into issues related to security and defense and for annual meetings of Strategic Dialogue signed in June 2003 in New Delhi. The two countries resolved to examine the possibility of import and export of arms, interact on various aspects of defense policy and security and exchange information on scientific research, humanitarian and peacekeeping operations. The subsequent meeting of the Joint Defense Cooperation Committee was held in April 2006 in New Delhi. Interaction between the Coast Guards of both the countries has enabled identifying the possibilities of cooperation in this area as well. UAE defense personnel have also been undergone defense training in India under Self Financing Schemes. Considered the closest to India among the GCC States, Oman is being offered training cooperation of its officers and men in Indian military training institutions. In December 2006, an agreement on Defense Cooperation was signed between India and Oman. The areas of cooperation was in the agreement including exchange of expertise in military training and information technology, utilization of military and educational courses and programs,

exchange of observers attending military exercises and exchange of formal visits. The agreement is expected to further enhance constructive interaction between the two countries and facilitate strengthening bilateral defense relations, including the supply of Indian equipment to Oman. In November 2008, India and Oman agreed to step up defense cooperation by upgrading their joint naval exercises. The issue of stepping up defense cooperation was discussed during Prime Minister Manmohan Singh's three-day visit to the Persian Gulf countries.

Sources in the Indian Defense Ministry said that Singh's visit led to a defense agreement with Qatar which includes the possibilities of stationing Indian troops in the Arab country. The two countries have also joined in a maritime security arrangement, which will be extended to other countries. Earlier in June 2007, the two countries had agreed to jointly produce weapons and equipment. Indian Defense Ministry sources said Qatar is interested to collaborate with Indian private and state-owned defense companies, which in turn have entered into some sort of a tie-up with American companies for weapon and equipment production. In 2007, India was also keen to established defense ties with other the Persian Gulf States and was in dialogue with some of them towards this end. Indian Prime Minister Manmohan Singh visited Qatar and Oman in 2008 and Saudi Arabia in 2010. During his visit in February-March 2010, he signed the most significant Riyadh declaration with the Saudi King Abdullah bin Abdul Aziz. At the same time, Vice President Hamid Ansari also undertook a high level visit to Kuwait in April 2009 and signed significant agreements in the field of education, science and technology and cultural exchange program. Later in November 2010 Indian President Pratibha Singh Patil visited UAE and urged the UAE government to invest in the Indian infrastructure. In 2012, The Gulf Cooperation Council and India was expected to conclude a free trade agreement for boosting trade till the end of 2012. The six GCC States and India have identified various potential sectors like petroleum oil and energy, gas and fertilizers, information technology, higher education, civil aviation, and agriculture. An FTA in the region will benefit India substantially as the six member countries control over forty five percent of the world's recoverable oil wealth and twenty percent of gas resources. The FTA will remove restrictive duties and push down tariffs on goods being traded. This will provide Indian pharmacy and chemical industry to export their products to the Persian Gulf region. In 2013, India looked forward to further strengthen its existing cooperation in the area of defense with GCC nations and the ongoing goodwill visited by four naval ships of its Western Fleet in the region, was in the framework of the country's excellent long-standing relations with the respective States.

CONCLUSIONS

Persian Gulf States have experienced a radical but apparently smooth transition from pearls to petroleum and poverty to prosperity in recent decades. Oil revenues have fuelled the development of economic infrastructures, new welfare systems and radically different and at least materially better lives of their inhabitants. These rapid changes have been accompanied by remarkable political continuity at the apex of the system: these six countries continue to be ruled by centuries old tribal elites.

This article has considered the relation of India with GCC States as a historical one in the life of the Gulf region. The GCC and India have held together and have made substantial progress towards achieving its goals. It is recognized internationally as an institution to be reckoned with and as a force for comity and cooperation in a quite turbulent and strategically important part of the world. In respect with the GCC cooperation process, the council is considered a success compared to other entities in Arab and other regions. It is an elastic framework which responds to the changed

development and the dynamic of achievements with no limits. The GCC is a successful attempt of six Persian Gulf States to accommodate their historical antipathies as well as their current mutual suspicions and conflicts. The remarkable degree of economic, cultural, political, and experimental homogeneity characterizing the GCC is evident by comparing it with other regional groupings.

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