



Gulf Research Centre Cambridge
Knowledge for All

The 2011 Gulf Research Meeting

July 6 – 9, 2011
University of Cambridge

Workshop 6

India and the Gulf: What Next?

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Abstract

Relations between India and the Gulf countries have evolved greatly since the days when Bombay was the premier marketing center for pearls and dates from the Gulf, and Indian currency and postage stamps were officially used in the region. Over the last two years, the UAE has emerged as India's number one trade partner, with two-way non-oil merchandise trade valued at \$48 billion in 2008-09, and \$43 billion in 2009-10. Again, in terms of economic groupings, the Gulf Cooperation Council (GCC) was India's number one trade partner in 2008-09, with two-way trade amounting to \$91 billion. In 2009-10, the GCC slipped to second place (\$74 billion) after the European Union (\$84 billion). If the value of crude oil imports and remittances by Indians resident in GCC countries are taken into account, the total financial value of economic interaction would soon be approaching \$ 200 billion, far greater than economic ties India has with any other regional entity. Over the last 40 years, after the oil boom, India's ties with the Gulf were based primarily on import of oil and export of human resources. This was a mutually beneficial arrangement in terms of which the Gulf countries met India's ever-increasing oil requirements, while India made available highly skilled and trained human resources in the shape of blue collar and white-collar workers and, increasingly, professionals, to build the Gulf countries infrastructure and welfare services. Today, the Gulf region provides about 90 per cent of India's oil imports and almost all of its gas imports. At the same time, the Indian community numbers nearly 5.5 million in GCC countries, the largest single national group in each of the six countries of the bloc. Again, over the last 15 years, the GCC countries have increasingly been recruiting Indian professionals, particularly in the banking and financial sectors; in the health, management, accountancy areas, and as engineers and architects. Over the last ten years, there has also been a significant increase in two-way investments and joint ventures, with almost all of the

major companies of the Gulf engaged in India. Indian companies in the Gulf, on their part, tend to dominate the small and medium enterprises sector: for instance, Indian entities constitute the majority of establishments in UAE's industrial estate and free zones, while, in Saudi Arabia, nearly 550 Indian small and medium enterprises have been licensed, with a total capital value of \$2.5 billion. India's commitment to sustaining high growth rates of 8-10 per cent annually up to 2032, i.e., up to the end of the 15th Five Year Plan, makes it incumbent on the country to ensure its energy security and infrastructure development. In both areas, the countries of the Gulf are likely to play a major role by providing the much-needed oil and gas, downstream products and petro chemicals, as also investments for India's infrastructure, power, industry and services sectors. The robust returns provided by India's financial markets are also likely to encourage increased Gulf investments in India in the coming years. The political area, too, is witnessing winds of change. From the beginning of the current decade, the Gulf countries have recognized the importance of building up substantial political and economic ties with India. Between 2005 and 2007, most of the leaders of the GCC countries paid a visit to India, including King Abdullah bin Abdulaziz of Saudi Arabia, who was the Chief Guest at India's Republic Day celebrations in January 2006, the first visit of a Saudi monarch to India after nearly 50 years. In fact, during King Abdullah's visit, the historic Delhi Declaration was signed by the Saudi ruler and the Indian prime minister pledging the two countries to pursue strengthening of political and economic relations. Four years later, following the visit of Prime Minister Dr. Manmohan Singh to Saudi Arabia, the two countries emphasized, in the Riyadh Declaration, their joint commitment to the pursuit of a strategic partnership.

Today, India has major stakes in the Gulf:

(i) The region is the principal provider of India's oil and gas requirements, which are likely to increase significantly in the coming years.

(ii) The Gulf is a major economic partner in terms of trade and increasingly investments and joint ventures also.

(iii) The Gulf countries see India as a potential partner in the development of their knowledge economy by taking advantage of India's achievements in science and technology, particularly information technology, bio-technology, space and telecommunications.

(iv) The 5.5-million Indian community in the GCC countries remits nearly \$35 billion every year, which is about one-third of India's average annual oil import bill. The welfare of the community and the maintenance of its number one status in the Gulf remain matters of priority interest to India.

Taking the above factors into account, it can be confidently stated that within the existing paradigm, India's ties with the Gulf have peaked; the stage is now set for them to enter the next level, i.e., the construction of a strategic partnership between India and the Gulf countries including the evolution of a strategic role of India in the region. As economic growth helps India make rapid strides in building up its comprehensive national power, India is shedding its past reticence and is adopting greater strategic realism. The idea of an extensive ring of national security involving the Indian Ocean littoral and the Gulf, the principle that India must play a more

proactive role in the region, and a readiness to deploy the necessary resources for such tasks, are already a part of India's strategic vision. In recent years, India has been more explicit about showcasing its power and influence in the region, recognizing that the security of the Gulf countries, as well as the wider West Asia, is a matter of paramount concern and needs to be safeguarded from maritime or land threats, both internal and external. Much of this is expected to be achieved by modernizing the Indian Navy, which is well underway: in 2002, the Indian government launched, a 20-year program to become a world power whose influence is felt across the Indian Ocean, the Arabian Gulf, and all of Asia. This includes changing the status of its navy from brown water to blue water, building nuclear submarines and commissioning its indigenously-built stealth warship. These developments are taking place in tandem with the transformation across several sectors in the Gulf, including the security scenario. The Gulf countries are looking to diversify their political and economic engagements with a robust Look East policy that gives priority to ties with China and India. In regard to security matters, the new mantra in the region is: a lasting Gulf security system should be based on a regional initiative, since the conflicts of the region and the world are too big to be handled by one major power. The Gulf countries seem increasingly interested in supplementary if not alternative security arrangements; could there be a larger role for India and China. At the same time, there is a recognition in both India and the GCC countries that the policies pursued so far, in terms of which India reaped considerable economic benefits from its engagement with the Gulf and vice versa, but which had little or no security/strategic content need comprehensive reevaluation and upgrading. This emerges primarily from urgently rising shared concerns about the deterioration of the regional security environment mainly consequent on the breakdown of central authority in Pakistan and the opportunity this has provided to extremist elements, within and outside the Pakistani establishment, to expand their influence and territorial presence, and consolidate their authority both in Pakistan and in Afghanistan through the resurgence of the Taliban and the Al Qaeda. These developments are a matter of serious concern to India and all the countries of the Gulf region, i.e., Saudi Arabia and the other GCC members, Iran, Iraq and Yemen. This troubling scenario constitutes a solid foundation for the development of political, security, intelligence and defence ties between India and the Gulf countries.

Workshop Description and Rationale

The workshop aims to explore the future dynamics of the India-Gulf relationship from the perspectives of both sides. While being rooted in the prevalent economic dynamics-oil, economy and community-which form the bedrock of existing ties, the focus will be on how bilateral ties would condition prospects especially in the political and security arenas, bearing in mind also as well as other relevant actors and factors. The questions under scrutiny would include:

- Can the opportunities arising out of Gulf's Look East policy as well as the positive momentum of Gulf-India ties be converted into mutually gainful and enduring strategies by India and the GCC countries?
- Is the Gulf keen about an Indian role beyond the economic realm?
- Is India willing to play a more active role in the security scenario and what are the possible approaches in this regard?

- How will India balance its ties with Iran and Israel on one side and the Gulf Cooperation Council countries on the other?
- Since India-Gulf interests are closely linked to developments in Pakistan, Afghanistan, Iraq and Israel/Palestine, how could there be more synergy between the two sides?
- What innovative steps are required to consolidate gains arising from the shift in the economic power centre from West to East?
- What will be the repercussions of India-China strategic competition for the Gulf? Can we envisage a scenario in terms of which India and China could cooperate in promoting Gulf security and stability?
- How will the US factor and US-Iran relations play out amidst these complexities?
- Finally, could a security architecture in the Gulf region be envisaged, in which Iran, Iraq, India and China would participate with the GCC?

Anticipated Participants

The papers presented could examine the specific relationship between one Gulf country or more and India, look at how selected third parties either affect or are affected by the relationship between one Gulf country or more and India. It could also follow a thematic approach by tracing the impact of one factor/commodity/concern on the Gulf-India relationship in general (e.g. Islam, oil, options for strategic economic/military cooperation, terrorism, etc.). Within the framework of themes put forward above, we are seeking participants from a wide range of backgrounds: Gulf researchers with interests in this field, Indian researchers with a record of Gulf involvement, other scholars with expertise in particular dimensions of the relationship. The involvement of young researchers (including PhD students who are engaged in this field) is particularly welcome

Workshop Director Profiles

Amb. Ranjit Gupta is a retired Indian Foreign Service officer. During his 39-year career with the Ministry of External Affairs, he served successively in Cairo, New York, Gangtok, Jeddah (Deputy Chief of Mission), Frankfurt and Kathmandu. Later he was successively India's Ambassador to Yemen (North), Venezuela, Oman, Thailand and Spain and finally was Head of the non-official Office in Taiwan. One of his postings at Headquarters was as Head of the West Asia and North Africa Division in the Ministry of External Affairs dealing with Arab countries. Currently, he is a Member of the National Security Advisory Board; a Distinguished Fellow of the Institute of Peace and Conflict Studies; and, a visiting Fellow at the Institute of Chinese Studies. He is leading the Indian team in a joint research project sponsored by India's Ministry of External Affairs with the Gulf Research Centre, Dubai, on India-GCC Relations; he has very recently been granted a two-year research project by the Indian Council of World Affairs on India-GCC Relations. He has been delivering lectures at think tanks and other academic institutions in India and abroad and participating in conferences, seminars and workshops primarily relating to India's relations with the Gulf region, Southeast Asia and East Asia, as well as countries and issues of relevance to these regions.

Prof. Abubaker Bagader is a Professor of Sociology at King Abdul Aziz University in Jeddah, Saudi Arabia. He also serves as an Advisor for Cultural Affairs to the Minister of Hajj, Director of the ministry's department of Public Relations, Media Information and Hajj Awareness.