



## المجلة الأردنية في القانون والعلوم السياسية

اسم المقال: مصالح الهند الجغرافية والاقتصادية في منطقة الخليج العربي

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## Geo-economics of India's Interests in the Arabian Gulf Region

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### Abstract

The Arabian Gulf region is of immense significance for India from a geo-economic perspective in terms of economic and trade relations, energy security, overseas investment, and presence of huge Indian Diaspora there, which in turn impacts upon India's geopolitical interests in that region. Indian presence in the Gulf region has developed into a vibrant relationship over the years. With the emergence of India as a rising economic power and with the Gulf region simultaneously witnessing spectacular economic growth, geo-economic trends are reinforcing mutual interdependence. India has come to realize the importance of further consolidation of its already friendly relations with the Gulf Cooperation Council (GCC) member countries. In the wake of geo-economics gaining precedence over geopolitics, this article attempts to analyze geo-economics of India's stakes in Arab Gulf region in terms of economic and trade relations, energy security, investment and remittances from this region.

**Keywords:** Geo-economics, Gulf Cooperation Council (GCC), Arab Gulf, India, energy security, Indian Diaspora.

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## مصالح الهند الجغرافية والاقتصادية في منطقة الخليج العربي

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### ملخص

تتمتع منطقة الخليج العربي بأهمية كبيرة بالنسبة للهند، سواء من الناحية الجغرافية الاقتصادية والتجارية أو من حيث العلاقات السياسية، بالإضافة إلى مجالات كل من: أمن الطاقة، والاستثمار الخارجي، ووجود الشتات الهندي الكبير في إقليم الخليج العربي، الأمر الذي يؤثر بدوره على المصالح الجيوسياسية للهند في تلك المنطقة. وقد تطور الوجود الهندي في منطقة الخليج العربي، إذ وصل، وعلى مر السنين، إلى حالة من العلاقة الاستراتيجية والحيوية بين الهند وإقليم الخليج العربي - مجلس التعاون لدول الخليج العربية.

ومع ظهور الهند كقوة اقتصادية متصاعدة وواحدة، بالتزامن مع النمو الاقتصادي الذي شهده إقليم الخليج العربي، نتيجة لارتفاع اسعار النفط، فإن الإتجاهات العامة للسياسة الهندية بشكل عام، وفي مجال الجغرافية الاقتصادية بشكل خاص، ساهم في تعزيز الروابط المشتركة وتبادل المصالح بين الطرفين، الهند وإقليم الخليج العربي. إذ أصبحت الهند تدرك أهمية تعزيز علاقاتها الإيجابية والودية مع أعضاء مجلس التعاون لدول الخليج العربية، خاصة في أعقاب اكتساب الجغرافيا الاقتصادية الأولوية على الجغرافيا السياسية. لذا فإن هذه الدراسة تحاول تحليل الأبعاد المتعددة لمصالح الهند الجغرافية والاقتصادية وما تتعرض له من مخاطر في منطقة الخليج العربي، سواء من حيث العلاقات الاقتصادية والتجارية وأمن الطاقة، أو من ناحية فضاء الاستثمار والتحويلات المالية من هذه المنطقة.

**الكلمات الدالة:** الجغرافيا الاقتصادية، مجلس التعاون الخليجي، الخليج العربي، الهند، أمن الطاقة، الشتات الهندي.

## **Preface:**

### **1. i- Purpose of the Study and its importance:**

The purpose of the study is to analyze the geo-economics of India's Stakes in the Arabian Gulf Region. This study assumes that India attempts a preliminary appraisal of the role of the Geo-Economic factory and its part in the economic relations with the GCC, particularly in the fields of energy, labor, and other related sectors of cooperation

Also, this study tries to focus on promoting political and economic elements which can play a positive role in developing the relations between the two regions.

### **1. ii- Objectives of the Study:**

- a. The study will trace the eras of the relations between India and GCC, particularly in the economic field and discusses the geo-economic effects on the political relationship.
- b. Shed light on the circumstances; internally, regionally, and internationally that led to this stage of an advanced Indo-GCC Economic relationship.
- c. The study will analyze, specifically, the role of energy and manpower in the development of the Indo-GCC relations.
- d. Also, this study will trace the obstacles and the main problems facing the development of Indo-GCC Economic relations.

### **1. iii-The Problem of the Study:**

In the wake of geo-economics gaining precedence over geopolitics in international relations, India's interests in the Arab Gulf Region need to be redefined in geo-economic terms to ascertain as to how India is safeguarding its geo-economic interests in the changing scenario and what it needs to do more in terms of economic and trade relations, ensuring energy security, eliciting investment and maintaining sustainable inflow of remittances, etc. These are the main problems discussed and analyzed in this paper.

In addition to that, this study encountered some difficulties and queries that can be summarized as follows:

- a. Scarcity of neutral, as well as, specialized academic research in the geopolitics field and its effect on the economic relations specifically.
- b. The International Relations of any country is usually subjected to some changes. This feature is to the foreign political behavior of any decision-maker due to the changes of its international interests, particularly the economic side, whether in the short or long term. India is not far from this role, for it has its own realm of national interest and therefore, it will be influenced by changes with other foreign policies, whether they were

Gulf Arab Countries, regional, or international. This, of course, forms instability in Indo-GCC relations.

- c. The overlap of the influence has three dimensions: GCC and the international community; especially the USA. The task to manage between these three-dimensions is not an easy task for a researcher who tries to build a neutral framework for the study of Indo-GCC relations.

#### **1. iv - Limitations:**

The analysis in this paper is mainly confined to geo-economical aspects of India's relations with Arab Gulf countries.

#### **1. v-Theoretical Framework of the Study:**

A brief theoretical framework is developed to analyze the concept of India's geo-economics and the study is descriptive, comparative and analytical in nature.

In the meantime, this study commits to objectively and neutrally analyze the facts with respect to the contradiction in the different views where such discrepancies reflect the contradiction of interests, goals, and means. Consequently, this study will objectively try to show both the strong and weak points of Indo-GCC Relations.

In addition to that, the theoretical framework has been developed around the concepts of Geo-Politics, as well as, the Economic Interests and Relations. While briefly showing the concept of Economic Relations, the focus of the analysis has been made on Energy and manpower. Similarly, the concept of political Relations has been theoretically examined with its own field. While the concept of current; Indo-GCC Political and Economic Relations has been analyzed in its historical and comparative contexts.

#### **1. vi- Methodology of the Study:**

Standard tools of research and techniques were followed in this paper. In addition to that, this study follows the historic methodology that helped the researcher analyze and explain all related information by referring to different resources, particularly, the official one from both sides; India and the GCC.

It also is essential to refer to the constructive method in this study in order to find out the reasons behind the different Geo-political views of both sides. The elaborate use of historical, comparative and analytical methods of research has been made in this study. Historical evidence has been cited to substantiate ideas. While a comparative method has been followed to clarify the concepts in unstable political circumstances. Meanwhile, the materials available in both

primary and secondary sources have been used to present an objective and neutral analysis.

### **I.vii- Questions of the Study:**

This study is important in the sense that it attempts to provide an integrative and analytical description to understand the nature of contemporary Indo-GCC Geo-Economic Relations. In addition to that, the study also tries to analyze India's interest in the Gulf region, particularly the GCC, and briefly discusses the course of economic relations evolution since its inception.

While attempting to discuss this title the study will try to answer the following questions:

- a. What are the main factors influencing the formulation of Indo-GCC Geo-Economic Relations?
- b. Is there any kind of obstacles preventing India's interest strategy in the GCC to be achieved?
- c. How the unstable political situation in the Gulf region affected Indo-GCC relations?
- d. To what extent is the influence of the regional or international factors in the present Indo-GCC relations, particularly, at the economic activity?

The concern is to find answers to these basic questions in the attempt to identify the main elements which can participate positively in the promotion of the development of the mutual interests between India and GCC. The intention is to provide forward-looking analysis of current conditions, and future needs for a correct path for mutual interests for both parties.

### **I.viii- Hypothesis of the Study:**

This study proceeds with the assumption that the Indo-GCC relations reflect the mutual, equal relations, and real interests, and does not hide any kind of strategic domination. Therefore, India's Geo-Economic interests in the GCC are fair and according to international law and regulations.

In addition to that, the study believes that the Indian manpower in the GCC, plays a positive factor in the sustainable development in these countries, without any kind of negative political, demographic, social or cultural goals.

Also, the study believes that India, with its deep-rooted, economic as well as political, relations with the GCC, plays an essential role in the balance of power, stability, and security of the Gulf region.

Moreover, the study also sees that the consequences of the Indo-GCC bilateral relations have played an important role in the GCC political options.

### **I.ix- Previous Researches:**

Relations between India and the Arab Gulf Region is a fertile area of academic research and it has attracted considerable attention. However, this paper focuses on the emerging dynamic concept of geo-economics and its increasing application at the regional and global levels to ascertain as to how geo-economics can help in complimenting and supplementing these interests of India and the Arab Gulf region.

That's means, the title under study, which it's the Indo-GCC relations, required a multi-variant approach in dealing with different aspects of the problem. The topic involved a historical descriptive study of the available sources both in published as well as in archival form. And due to the absence of some written comprehensive source material we investigated the different aspects of the material from different primary and secondary sources. These sources included India-GCC manifestoes, official documents, writings, speeches, autobiographies and the official correspondences between the related departments of both partners; India and GCC.

### **1. x- Results and Conclusion:**

Trends emerging from the analysis of this Paper demonstrate that both sides are eager to further their geo-economic relations in terms of increased cooperation in the realms of bilateral trade, energy cooperation, investment and well-being of the India Diaspora for their mutual interests and for ensuring the stability and security of both regions.

### **1. xii- Bibliography:**

There is no special bibliography attached to this paper. The bibliography is given in the form of references at the end of the Paper.

### **1. xii- Outline of the Study:**

Outlines of this Paper are as follow:

- (1) Introduction;
- (2) Concept of Geo-economics;
- (3) Economic Ties;
- (4) Energy Ties;
- (5) The India Diaspora;
- (6) Conclusion and Prospects;
- (7) References.

### **(1) Introduction:**

India's commercial and cultural links with the Arab world are said to have existed since the third millennium B.C. According to ancient Egyptian inscriptions, Queen Hatshepsut of the New Kingdom reportedly sent an expedition in 1495 B.C., to India. In the second Millennium B.C. a group of Indian military men known as Hittites and Mitannis established their rule in northern Mesopotamia, who worshipped Indian gods, Mitra, Varuna, and Indra, and taught the people of the region horse breeding and breaking (Majumdar, 1931).

The advent of Achaeminids in Persia (549 B.C.) brought India into wide-ranging contact with the outside world. The construction of the Nile canal, exploration of the Indian Ocean from the Arabian Gulf to the delta of the Indus and then to the apex of the Red sea, all contributed to this (Ibid).

Dionysus was sent by Ptolemy Philadelphus to the Mauryan court, and left an account of India. The Mauryan kings also sent ambassadors to the Egyptian court. It is said also that the rulers of Syria had good relations with the rulers of India. Antiochus of Syria (206 B.C.) maintained a direct contact with India (Ibid; Elliot and Dowson, 1867: 433-435).

India's commercial relations with the Arab world was established between the merchants of the Kulli culture in southern Baluchistan and those of early dynastic Sumer, probably soon after 2800 B.C. The Harappa civilization may have established contact with the West about 2000 B.C. By the later historic times in Mesopotamia, Indian cotton was known under the name of Sindhu, and it passed into Greece in the form of Sindon (Ibid, p.203).

The earliest recorded Indo-Arab intellectual contact came in 771, when a Hindu astronomer and mathematician reached Baghdad, bringing with him a Sanskrit work (Brahma Siddhanta by Brahma-Gupta) which he translated into Arabic with the help of an Arab mathematician. Titles of three other works on astronomy translated from Sanskrit have been preserved by Arab bibliographers, and Siddhanta, came to be known in Arabic as "Sind hind,". He had the greatest influence on the development of Arab astronomy. In mathematics the most important contribution of the subcontinent to Arabic learning was the introduction of what are known in the West as "Arabic numerals," which Arabs themselves call "Indian numerals" (al-resume-al-Hindiyyah) (Ibid :185-187).

In addition to that, and before the rise of Islam the peaceful contacts of the Arab sailors and traders, with India played a very positive role in developing the relations between India and The Arab World. And soon after the rise of Islam, the Arabs established a very important; social, as well as, Economic and trade contacts in a number of major ports such as Cambay, Chaul, and

Honawar. Thus, the contacts between the Arab world and India in the hoary past in different fields were mutually beneficial which paved way for strengthening the pattern of relations between the two sides on a strong edifice in the centuries to come (for More details see: Ibid: 185-187).

After the independence of India in 1947, and during the era of the two leaders, Jawaharlal Nehru and Jamal Abdelnassier, these relations reached its glory age particularly after the Non-Alignment Conference in Bandung 1955.

In the Contemporary period, and as a consequence of the withdrawal of the UK from the east of Suez at the end of the 1960s and the early beginning of 1970, accompanied by the independence of Arabian Gulf countries, a new era of the relations started between India and the Arabian Gulf Region countries.

So in this period and up to date, the Arabian Gulf Region, represented by a collective entity in the form of Gulf Cooperation Council (GCC), especially after it established in May 25, 1981, occupies tremendous significance for India, especially in geo-economic terms.

Undoubtedly, the Arabian Sea geographically divides India and the Arab Gulf Region; nevertheless, India has vital stakes in the stability, security and economic well-being of the region. The economic, political, and security policies of the countries of the region are increasingly determined by the GCC and its member countries are marching ahead rapidly with their economic integration efforts.

India's centuries-old historical ties with the GCC states, together with growing energy, economic and investment opportunities, and the presence of about 4.5 million Indian workers in the region, has an immense significance for India. Increasing mutually beneficial interaction in the realms of economics, trade and energy in recent years has seemingly envisaged a pattern of interdependence between India and the GCC due to their strategic position and central role in the current energy security discourse.

The contemporary strategic environment in the Arab Gulf region entails local, regional and global implications. Availability of massive oil wealth and burgeoning economic growth have been instrumental in envisaging unprecedented transformation in the social, political, economic, cultural and strategic realms of the Gulf region. Security and strategic perceptions of the GCC members are pervasively influenced by certain favourable and adverse domestic, regional and international factors.

Geographical proximity and its emergence as a global power makes India a reference point for the Arab Gulf countries as a potential partner in their quest for managing the evolving geo-economics to attain geopolitical objectives. This shift of perception about India in the Gulf region is perhaps based on a 'new constellation' in which India is increasingly looked upon as a reliable non-

partisan global player which can positively help in managing conflicts and restoring peace and tranquility in the region. Prospects of a dawn of a new era of deepening ties between India and the GCC states are seemingly bright in view of Arabian Gulf region's eastward shifting economic engagements, burgeoning trade and investment linkages.

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Geographical proximity and perception of an emerging global power make India a reference point for the Arab Gulf countries as a potential partner in their quest for managing the evolving geo-economics to attain geopolitical objectives. This shift of perception about India in the Gulf region is perhaps based on a 'new constellation' in which India is increasingly looked upon as a reliable non-partisan global player which can positively help in managing conflicts and restoring peace and tranquility in the region. Prospects of dawn of a new era of deepening ties between India and the GCC states are seemingly bright in view of Arabian Gulf region's eastward shifting economic engagements, burgeoning trade and investment linkages.

**(2) Concept of Geo-economics:**

Geo-economics is fast emerging as the most potent instrument of statecraft and it is gradually gaining space in discourse on international relations by relegating geopolitics to the background. Countries like China and Russia are resorting to the systematic use of economic instruments to accomplish geopolitical objectives to undermine the US interests, which is still committed to geopolitical means of statecraft and ignores the increasing significance of geo-economics; thereby, allowing the global geo-economic playing field tilting against Washington.

Undoubtedly, the term 'geo-economics' has gained salience in contemporary narratives on international relations; nevertheless, the works of many scholars (Cowen & Smith, 2009; Gagne, 2007; Luttwak, 1990; Baldwin, 1985; and Decastro, 2000) make it discernible that definitions of the term 'geo-economics' provided by these scholars are mostly ambiguous and almost fail to provide a specific working definition. Scholars like Richard Youngs (2011) are inclined to focus on the use of geo-economics or military might for economic ends and in this regard Youngs (2011) defines it thus: "Geo-economics denotes the use of statecraft for economic ends; a focus on relative economic gain and power; a concern with gaining control of resources; the enmeshing of state and business sectors; and the primacy of economic over other forms of security" (Youngs, 2011:4).

Thirlwell (2010) attempts to define geo-economics more broadly, as 'the entanglement of international economics, geopolitics, and strategy'; and similar definition is offered by Setser and Swartz (2009) when they define geo-economics simply as "anything that touches on both the economy and geopolitics." Samuel Huntington (1993) tries to divide 'geo-economics with economic competition, labeling the instruments of power to be focused around productive efficiency, market control, trade surplus, strong currency, foreign exchange reserves and so on (Huntington, 1993). Scholars like Babic (2009) primarily stress on trade and protection of industries. Admittedly, such scholars have attempted to provide a kind of catch-all definition of geo-economics; nonetheless, such definition obscures more than it clarifies (Blackwill & Harris, 2016: 20).

Blackwill & Harris (2016: 20-21) opine that available definitions and other earlier interpretations of geo-economics are useful, but they are also imperfect because none of them succeeds in comprehensively capturing the phenomenon that seems most responsible for "the term's recent resurrection: the use of economic instruments to produce beneficial geopolitical results." Accordingly, Blackwill & Harris define geo-economics as "the use of economic instruments to promote and defend national interests and to produce beneficial geopolitical

results; and the effects of other nations' economic actions on a country's geopolitical goals (Blackwill & Harris, 2016: 20).

Notion of geo-economics, as elaborated by Blackwill & Harris (2016) finds support other scholars as well, albeit with small reservations. In his attempt to prove triumph of geo-economics over geopolitics at the regional level, Pavel Baev (2019) argues that power politics in East and Southeast Asia is characterised by economic means, despite considerable conflict dynamics. According to Baev, these regional states, especially China, have focused on domestic economic growth and modernisation for several decades and by now, it is economics that makes these countries powerful – not their military capabilities, at least not in the first place.

Domestic economy constitutes the very basis of geo-economic strategies to be pursued by a nation because “for geo-economics, being powerful depends on domestic growth and modernisation than it does for military-based power politics” (Scholvin et al., 2019: 221). In matters pertaining to interdependence, it is the economic power that is frequently more consequential than military power in the pursuit of strategic goals (Blackwill & Harris, 2016; Wigell and Vihma, 2016); and economic concerns assume more relevance than military concerns for national security (Brattberg and Hamilton, 2013).

Building upon the notion of Blackwill and Harris (2016) about interrelatedness between economic prosperity and military prowess, Baracuhy (2019) has further argued that economic and military aspects are always somewhat interrelated: economic prosperity constitutes the basis of defence expenditures; military power and (geo)political events are often entail economic impacts. This demonstrates that “that ‘geo- economics and geopolitics are distinct yet related [...] types of geostrategy” (Baracuhy, 2019: 18). Affirming that geo-economics has not replaced geopolitics Scholvin (2019) has demonstrated that secondary powers in sub-Saharan Africa – Angola, Ethiopia, Kenya and Nigeria – point to a mix of geo-economics and geopolitics in their foreign policies, thereby trying to shape their respective near abroad.

While asserting that ‘geo-economics’ is both a method of analysis and a form of statecraft, Blackwill & Harris (2016) divide their definition of geo-economics into three parts. The first part – “the use of economic instruments to promote and defend national interests” – applies in a general way to traditional understandings of how domestic economic strength promotes a country's power projection, at least in theory. This part is important and well understood. Second part of the definition of geo-economics – “the use of economic instruments . . . to produce beneficial geopolitical results” – entails that it is these economic techniques of statecraft that, “while aptly describing much of foreign policy practice today, puzzlingly remain underexplored territory, especially in any conceptual way” ( Blackwill & Harris, 2016: 22).

Similarly, the final part of this definition of geo-economics – “the effects of other nations’ economic actions on a country’s geopolitical goals” – has attracted considerable interest in recent years. This renewed interest in geo-economics is also partly attributable to the revival of international political economy.

Blackwill and Harris (2016: 36) attribute resurrection of geo-economics chiefly to three factors. In the first place, they argue, the contemporary ‘rising powers’ are progressively resorting to “economic instruments as their primary means of projecting influence and conducting geopolitical combat in the twenty-first century.” While raising the question as to why geo-economics is gaining popularity among ‘rising powers’ they also provide the answer: “It may be a lack of promising alternatives” (Ibid). A second factor instrumental in the revival of geo-economics is that, unlike the yesteryears, “those states most prone to economic displays of power today have vastly more resources at their direct disposal (ibid.).

The third factor explaining the re-emergence of geo-economics has to do with changes occurring in global markets. These “markets — deeper, faster, more leveraged, and more integrated than ever before— exert more influence over a nation’s foreign policy choices and outcomes, compelling more attention to economic forces along the way. Apart from how states are turning more to economic instruments to produce beneficial geopolitical results, market forces and economic trend lines are themselves dictating strategic outcomes” (ibid.: 37).

This article relies on definition of geo-economics as propounded by Blackwill and Harris (2016). Economic and energy ties and presence of India Diaspora in the region are the main determinants of geo-economics of Indian stakes in the Arab Gulf region.

### **(3) Economic Ties:**

Economic cooperation between the GCC and India is seemingly the most active and significant component of the relationship between the two regions, which have over the years expanded their traditional trade ties into a sustainable economic partnership, creating a pattern of interdependence. India has established key economic alliances with individual GCC countries as well as with the entire region. India has accorded the Most Favoured Nation (MFN) status to the GCC countries and in August 2004 a Framework Agreement for Economic Cooperation was signed between India and the GCC. However, economic ties between India and the GCC had remained limited to oil, spices and labour until recently. Economic relations between India and GCC countries which developed during the oil boom period remained limited in composition despite growth in volume.

The boom in the GCC countries' extensive transactions with the Western market started registering decline in the wake of diminution in oil revenue which forced the GCC countries to diversify their economies by developing the non-oil sector and building capacities to process oil to elicit higher value added to their products. The concurrent development of India switching over to market economy at the outset of the 1990s along with a huge market of over 1.20 billion people has made India extremely relevant for the GCC. According to one opinion, it was not merely energy consumption, but the heavy demand for oil-based products like petrochemicals and fertilizers that provided the basis for a more pronounced and beneficial economic relationship on both sides (Pant, 1999).

Collectively, the GCC countries are India's largest trade partner. India's imports from the GCC countries, which stood at \$ 2.567 billion in 2000-2001, rose to \$ 30. 994 billion in 2006-2007 and by 2012-2013 it had reached to \$ 108.092 billion to register gradual decline in subsequent years and in 2015-16 it stood at \$ 55. 790 billion. This decline in Indian imports from the GCC could be attributed to falling global trends in oil prices and diminution in India's oil imports. India's exports to the GCC countries in 2000-01 stood at \$3.907 billion and recorded increase in subsequent years to reach at \$ 16. 374 billion in 2006-07. India's exports to the GCC countries which stood at \$51.054 billion in 2012-13 started registering slight decline in subsequent years to reach at \$ 41. 689 billion in 2015-16 (IEDB, 2017).

This makes it discernible that India-GCC trade has been on a growth trajectory since 2001-01 and that the share of India's exports to the GCC countries' has almost doubled in the span of a decade (2006-16). Undoubtedly, Indian exports to the GCC countries have registered a decline in the past couple of years; nevertheless, the value of India's exports to the G.C.C. countries in 2015-16 was more than ten times greater than in 2000-01. It is also revealed that the India-Gulf trade balance is heavily tilted against India, whose export earnings from the GCC are less than half the value of its import bill.

After almost five years of a downward trend, India's exports and imports trade with the Gulf region registered positive growth in the 6-month period of the current financial year, beginning from April 2018. Indian exports to the GCC region during April-Sept 2018 were to the tune of \$21.09 billion, as against \$20.55 billion during the same period a year ago, registering an uptick of 2.65 percent, albeit marginally. India's imports from the GCC region, however, have picked up by a robust 30.70 percent in the first 6-month period of FY19, going up to \$38.24 billion as against \$29.26 billion, according to the latest data available with Directorate General of Commercial Intelligence and Statistics (DGCIS) under India's Department of Commerce. The trend reversal in the trade with the GCC region, one of India's major trading partners, comes

after consistent negative growth in exports to and imports from the region since 2013. Indian imports from GCC, however, were in the positive territory in FY18, posting a 16.14 percent, after registering negative growth since 2013-14. The rise in crude oil prices, especially in the second half FY18, inflating India's import bill, was said to be main reason for increase in imports from the region in last fiscal (Matthew, 2018)

Amongst the GCC countries, the UAE is India's largest trading partner in the region. India's imports from UAE in 2000-01 were to the tune of \$659 million, which rose to \$39.138 billion in 2012-13 to witness declining trend in subsequent years and in 2015-16 it accounted for \$ 19.446 billion (IEDB, 2017). However, slight increase in India's imports from UAE could be seen in 2016-2017 when it amounted to \$ 21.5 billion and registered marginal increase during 2017-2018 by accounting for \$ 21.7 billion (Embassy of India, UAE).

Almost similar trend was discernible in India's exports to UAE. Indian exports to UAE, which stood at \$ 2.598 billion in 2000-01, registered almost 16-fold increase in 2012-13 when it accounted for \$36.317 billion to be followed by gradual decline and by 2015-16 India's exports to UAE stood at \$30. 290 billion (IEDB, 2017). Nevertheless, a mild improvement in Indian exports to UAE could be seen in 2016-2017 when total exports stood at \$ 31. 18 billion to witness a declining trend in 2017-2018 by standing at \$ 28. 15 billion (Embassy of India, UAE).

Apart from being India's largest commercial partner in the region, UAE is also India's largest export destination in the region and its second-largest worldwide (Kader, 2016). Besides, the UAE is not only India's largest source of investment from the Arab World and India's 11 largest foreign investor; it has also made investments primarily into five sectors in India: construction, power, metallurgy, services, and computer software and hardware (Gulf News, 2017). UAE ambassador in India in an interview on 16 January 2017 stated that UAE's proposal to make a \$75 billion commitment to the India infrastructure sector was currently under review (Haidar, 2017).

Viewed in a broad spectrum, existing India-GCC trade profile is not diversified and remains heavily concentrated on the consumption patterns and subsequent imports of goods catering to needs of over 7 million Indian expatriates living in the region (Karayil, 2007). Empirical evidence shows that India has huge export potential in the GCC countries except UAE and Saudi Arabia. This is mainly due to the fact that both Saudi Arabia and the UAE are India's largest trading partners in the GCC, so unless India's export profile to these countries is diversified, the existing potentials cannot be exploited (Pradhan, 2007).

Major competitive advantages such as the booming consumer base, low labour costs, resource prices good dividends, secure markets and strategic geographic location are the driving forces behind the expansion of Indian business activities in the Gulf region. Indian employees in senior/middle level management are reportedly playing an important role in the top Bahraini businesses. There has been a consolidation and expansion of business-to-business contacts in recent years between India and the Arab Gulf region. As the Gulf countries have diversified into industrial and commercial activities, Indian expatriates have turned into entrepreneurs, investing in retail stores, gold and textile trade, hotels and restaurants, IT companies and joint ventures.

With a view to provide further impetus to commercial and economic ties, India and Gulf Cooperating Council signed on 25 August 2004 a Framework Agreement on Economic Cooperation to explore the possibility of a Free Trade Area between them. Since then, two rounds of negotiations have been held wherein talks proceeded with the expectation of covering trade in goods, service and investment. India's foreign minister in a meeting with Arab GCC counterparts in September 2015, referred to the Gulf as "an extended part of our neighbourhood," called for early finalization of the India-G.C.C. Free Trade Agreement and operationalizing of the Framework Agreement (The Hindu, 2015). By early months of 2019, the negotiations for finalizing the India-GCC FTA were still in progress.

The free trade agreement is expected to reduce tariffs and duties, extend existing trade frameworks, and lead to more intensive economic engagement. There is a large market in the Gulf countries for both industrial and agricultural products from India. The non-diversified industrial base in the GCC also offers trade complementarities between India and the GCC. Besides helping boost trade, this agreement could also provide G.C.C. investors greater access to Indian markets.

#### **(4) Energy Ties:**

Energy trade between India and the GCC constitutes a pivotal aspect of their overall relationship. The GCC is the traditional supplier of oil and oil-products to India. In recent years, India's dependence on oil and oil-product imports from the GCC has substantially increased, owing to the burgeoning demand for oil and gas to fuel its rapidly industrializing economy. Consumption of primary energy more than doubled from 1990 to 2012, and by 2013 India was the third largest consumer of energy in the world and estimates by the International Energy Agency expect India to account for 25 percent of the projected rise in global energy usage between 2015 and 2040 (Bagchi, 2015). Most of that energy has to be imported, as domestic production is insufficient to meet growing demand.

Significantly, with the spectacular growth of the refining industry and subsequent increase in exports of petroleum products, India's exports of petroleum products to the GCC are on the rise. In 2005-06, India's exports of petroleum products to the GCC were worth approximately \$11 billion. In fact, the energy sectors of India and the GCC complement each other. As the GCC loses considerable leverage in Western export markets for its oil, India is becoming a crucial export destination for the GCC, and likewise, the GCC markets are becoming crucial for India's exports of oil products. By 2016, over half of India's oil and gas imports were coming from GCC countries, which cumulatively were India's largest trading partner in 2014-15 with trade valued at \$137.7 billion, which was energy-dominant.

Efforts by India to become energy independent will take many decades and this provides further impetus for the Indian government to view GCC relations through a geo-economic prism to garner better geopolitical dividends. Geo-economics of India's energy stakes in the GCC is evident from recent moves, especially Indian Prime Minister's visit to the UAE in August 2015 during which the two countries discussed the establishment of a strategic petroleum reserve in India (PIB, 2015), and his visit to Saudi Arabia in April 2016 when both the countries agreed to "transform" the buyer-seller relationship into a deeper partnership that focuses on investments and joint ventures in petrochemical complexes, research and development, and exploration in India, Saudi Arabia, and other countries (PIB, 2016).

In the backdrop of imposition of sanctions imposed by Washington on Iran, the countries importing oil from Iran, including India, were required to reduce oil imports from Iran eventually after the lapse of period of country-specific waiver. In the wake of expiry of waiver on 2 May 2019, India's dependence on oil imports from GCC countries has increased to compensate for loss of Iranian market. India's contemplated move to build strategic crude oil reserves for maintaining emergency oil reserves equivalent to at least 90 days of net imports, a major part of which has already become operational, has elicited positive response from some GCC countries (Livemint, 18 October 2018). India has already signed bilateral agreements with Oman, Saudi Arabia and UAE in this regard.

##### **(5) The Indian Diaspora:**

Perhaps the most significant element of India's geo-economical relationship with the GCC countries is the presence of a sizeable Indian expatriate population of whopping 8,161,153 overseas Indian or about 72 per cent of their total 11,422,045 world-wide population as in April 2016 (Singh, 2016). Among the six GCC countries, Saudi Arabia was counted to have maximum number of overseas Indian, totalling 2,960,000 in 2016, which recorded some decline and stood at 2, 814, 568 in December 2018 (MEA, 2018), to be followed by the

UAE with overseas Indian numbering 2,600,000 in 2016 and increasing to 3,104,586 by December 2018 (MEA, 2018) and Kuwait is the third largest centre of Indian Diaspora among the GCC countries where the number of overseas Indians stood at 929,903 by December 2018 (MEA, 2018). The Sultanate of Oman was home to a total of 795,082 of overseas Indians in 2016 and by December 2018 this number registered a decline by standing at 689,145 (MEA, 2018). After Oman comes Qatar where the number of overseas Indians which stood at 630,000 in 2016 increased to 692,039 by December 2018 (MEA, 2018). In Bahrain, the number of the NRIs stood at 316,175 by December 2018 (MEA, 2018).

The Indian expats in the Gulf contribute considerably to the bilateral relations and their remittances have contributed significantly to India's economic resurgence. The GCC is the second-largest source for remittances for India after North America, accounting for around 35 per cent of the total remittances to India. In 2015, India attracted \$ 69 billion in remittances world wide of which \$ 36.06 billion was from the GCC countries – UAE \$ 12.57 billion, Saudi Arabia \$ 10.51 billion, Kuwait \$ 4.69 billion, Qatar \$ 3.97 billion, Oman \$ 3.07 billion and Bahrain \$ 1.25 billion (Wikipedia). In 2016, India's remittances stood at \$62.7 billion, registering a significant 8.9 per cent drop in remittances as compared to 2015 and this was attributable mainly to the drop in oil prices and fiscal tightening and weak economic growth in the GCC countries (PTI, 2017). However, India's overseas remittance rose to \$ 65.3 billion in 2017 and by 2018 this figure reached to \$ 79 billion, the highest ever (World Bank, 2019).

Most of these Indian expatriates in the GCC countries are either semi-skilled or unskilled workers. Some of them are also professionally qualified doctors, engineers, chartered accountants, managers etc., while others are white collar staff like clerks, accountants, store keepers, booking clerks, secretaries etc.. A vast majority of these expatriates are laborers/technicians working on project sites, industrial establishments and on operation and maintenance jobs.

This amply demonstrates geo-economic significance of the Indian expatriates both for India as well as the GCC countries.

#### **(6) Conclusion and Prospects:**

Over the years, the GCC countries have come to occupy prominence in India's geo-economic strategy which is gradually witnessing a sharp shift of emphasis from geopolitics to geo-economics. This shift is characterized by phenomenal growth in bilateral trade, GCC's indispensability in meeting India's energy requirements and presence of a vast number of Indian expatriates in the region whose remittances contribute significantly to India's economic growth. However, the overall trade pattern is heavily skewed in favour of

energy that tilts the balance against India and the GCC investment is only from the UAE; this scenario needs to be changes and one wonders whether the implementation of an India-GCC free trade agreement would be harbinger of this change.

Concurrently, India is also is facing tough competition from China, Japan, and Korea — countries having very strong manufacturing base — in accessing Gulf markets. China is the G.C.C.'s premier trading partner and the largest importer of petroleum products from the Gulf and it has recently signed more than 11 agreements with Saudi Arabia pertaining to various investment fields (Asoomi, 2016). Undoubtedly, India has benefited handsomely from cheap crude oil over the past two years; nevertheless, these conditions are not going to last forever (Dasgupta & Singh, 2016). Therefore, India needs to forge strong and deep ties with the GCC countries more from a geo-economic perspective than from a geopolitical perspective.

Diplomatic crisis between Qatar and other member countries of the GCC which erupted in the first half of 2017 was termed by India as an 'internal affair of the GCC' and Qatar authorities assured India in August 2017 that jobs of the Indian expatriates in Qatar would not be politicised (Sonal, 2018).

India's new five-year Foreign Trade Policy (FTP) unveiled in April 2015, which aims at expanding India's share of global trade from 2.1 percent to 3.5 percent and double exports (to \$900 billion) by 2020 (PTI, 2015), holds some promise of strengthening India's geo-economic stakes in the Arab Gulf region in ensuing years. India has vital strategic geo-economic interests in terms of energy security, trade, investment and remittances in the GCC countries and it should brook no further delay in concluding free trade agreement with the GCC and implement its new FTP with major focus on the Arab Gulf region.

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