



**INDIA'S RELATIONS WITH THE MAJOR GULF STATES
IRAN, IRAQ, KUWAIT AND SAUDI ARABIA
1971-81**

THESES SUBMITTED
FOR THE DEGREE OF

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BY

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ABSTRACT

Traditionally India has had close links with the Gulf countries; geographical proximity is only one of several elements. There are features of complementarity, which have not been utilised to any great extent for mutual benefit by the Gulf countries or India. With better information and improved perceptions, they can help one another forward in their development endeavours, particularly at the present time when regional economic cooperation is taking shape in the Gulf area and Indian policy-makers while framing the Seventh Plan have given full consideration to this trend.

The Indo-Iranians bore the common national name Arya and they appear to have been homogeneous in race. The ancient scripture of the Hindus and Parsees throw some light on the origin and early history of Aryas. According to the tradition of Vendidad, the handbook of the Parsees, the ancestors of the Iranians lived in fifteen other countries turn by turn. One of these countries was Hapta-hindu, i.e., Saptasindhu, the cradle land of Indo-Aryan civilization. This is the clearest proof of the fact that the Aryan ancestors of the Iranians were once a part and parcel of the Aryans of Saptasindhu before they finally settled in Iran. Excessive heat created in this region by Angra Mainyu was according to the testimony of the Vendidad, the reason why the ancestors of the Iranians left this country. Likewise, the Indo-Arab relations date back to pre-Islamic times. For India the 7th century A.D. was a period of political disruption and decline. The glorious years of the Mauryas

and the Guptas had ceased to be, but the literary and scientific achievements of the Indians during these periods were known, though vaguely to the Arabs also, for they are referred to in the Arabic literature that followed in the Middle East subsequently. The period of Harsha coincided with that of prophet Mohammad in Hijaz. While the Indians faced general political decline the Arabs were going through new political experience for the first time in their history. The political success of the Arabs of Hijaz and Najd brought them close to the boundaries of India and finally, the conquest of Sind by Mohammed b. Qasim in A.D. 711-12 extended the Arab rule to the very soil of India. Thus having been cut amputated from the body-politic of India, Sind became a part of the vast Islamic Empire extending from Gibraltar in North Africa to Central Asia and from the caucasus regions to the shores of the Arabian sea.

Hence, Indo - Gulf relations have a long history, and we do have a few competent studies on the nature, magnitude and significance of these relations. The ancient civilizations which flourished on the banks of the Tigrates, the Nile and the Indus may well be regarded as representing a sort of relay race of human culture. The expansion of Islam beyond the confines of Arabian peninsula all the way to the land of the Ganga set off a process of acculturation and gave rise to many movements of social egalitarianism in the Indian subcontinent. A competent Indian scholar identified the medieval period as ' a golden age of Indo - Gulf relations' owing to the large-scale fruitful exchange

that then occurred between India and the Gulf region in the fields of culture and sciences. This was followed by a period of limited contacts. Finally with the emergence of national self-consciousness in the colonial world, a new era of appreciation of each other's political aspirations dawned both in India and in the Gulf states. Thanks to the perspective afforded by the appreciation, the Indian National Congress was able to perceive the colonial machinations in Palestine for the creation of a sectarian state for a global community. The Government of India was able to adopt a well-defined stance on the Palestine question as a cardinal principle for its foreign policy. In recent years the policy has paid dividends by way of grateful appreciation on the part of the Gulf states and, in a way, paved the way for friendly Indo-Gulf ties.

One of the striking features of Indo-Iranian relations in modern period is the setting up of Indo-Iran Joint Commission. Through the meeting of the commission the two sides have been able to explore the possibilities of cooperation in various fields. Pakistan's close relations with Iran (until Khomeini Revolution) has been a factor in India's policy towards Iran and an obstacle in the way of cordial relations between the two countries. Break up of Pakistan has had damaging effect on Indo-Iranian relations and had hurt the feeling of Shah as well as Iranian people. But the impact of strong traditional tie was reflected in the frank statement of Shah when he said that he did not doubt India's bonafide and that the peace in the subcontinent

was in the interest of all parties- India, Pakistan and Iran. Sharing the view of the Shah Mrs. Indira Gandhi stressed that both the countries were confronted with more or less the same problems inherited by the expansionist ambitions of Great Powers. The main achievements of Mrs. Gandhi's visit to Iran in April 1974 have been the agreement on having a common market for the Indian Ocean area and the decision to form a joint shipping line to operate between the two countries. The constant and frequent exchanges at the highest level were a happy feature of Indo- Iranian relations.

So far as Indo- Iraq relations are concerned the fact that Iraq is a staunch Arab and a member of the non- aligned movement, is a natural cause for drawing India and Iraq closer to one another. India's consistent and unflinching support to Arab cause and her being a founder member of the non- aligned movement are common knowledge . The frequent exchanges by bureaucrats and political elites of the two countries have contributed to strengthening the relations in various fields. The decision to set up an Indo- Iraqi Joint Planning Committee in December 1972 when Planning Minister of Iraq visited New Delhi, speaks for the fact that both the countries have the will to forge a beneficial relations between them. The visit of the then Vice President of Iraq Mr. Saddam Hussein to India paved the way for the setting up of a permanent Joint Commission charged with the task of exploring new areas of cooperation in economic and cultural fields. Among oil producing countries Iraq was the first to have committed to supply crude to India for ten years. The conferring of the honorary degree of Doctor of Laws

on Mrs. Gandhi is significant in that Baghdad University had made a departure from its tradition since the degree is usually meant for a head of the state. Both the countries wish the maintenance of the unity and solidarity of the non-aligned movement and are inimical to the Pretoria Government for its illegal occupation of Namibia flouting the U.N. resolutions. The Iran-Iraq war has had bearing on Indian diplomacy. It is reflected in India's attempt as the member of the Non-aligned Coordination Bureau to end the war. The irony is that both the warring countries claim to be the members of the movement and they are competing in defeating the very purpose of the movement - establishment of peace.

Indo- Saudi relations are based on the fact that Muslims constitute the second largest majority in India and Saudi Arabia is the birth place of Islam. It is India's interest to have cordial relations with Saudi Arabia in view of the emergence of Pakistan, so that India is not isolated from the Islamic world and not exposed to the risk of losing the benefit of oil bonanza. It is also incumbent upon India to show to the world the success and justness of her policy of secularism. It has to be established that the rights of the Muslims in India are better protected than the rights of those in Islamic states. A goodwill delegation visits Saudi Arabia regularly at the time of Haj. India extended unequivocal support to Fakh Plan which stressed the need for recognition of the PLO (Palestine Liberation Organisation) as a reality and as the legitimate representative of the Palestinian people. The visit of Mrs. Gandhi to Saudi Arabia in April 1982 is significant in that it

was the first visit by an Indian Prime Minister in twenty six years. Notwithstanding the fact that Saudi Arabia is fairly pro-US, she displayed extraordinary capacity to accommodate Indian sentiments by expressing readiness to make a joint endeavour to curb superpower influence in the region. The Saudis, generally antagonistic to the Soviet Russia, acknowledged the significance of India's relations with the USSR and appreciated India's position on Afghanistan. The other highlight of Mrs. Gandhi's visit to Saudi Arabia was the decision to set up a Joint Economic Commission which in its first meeting in New Delhi in August 1983 explored the possibility of expanding trade and increasing technical cooperation between the two countries.

India and Kuwait came close due to the fact that this is the only country in the Gulf that has broad-based democratic political institutions and that represents true character of a non-aligned nation. Her foreign policy can be termed as 'equidistance from both the super powers'. During the visit of Mr. Sharan Singh (the then Foreign Minister Of India) to Kuwait in February 1973, Sheikh Sabah Al Ahmad, the Foreign Minister of that country, affirmed the basic principles of non-alignment and both the leaders underlined the need for co-operation among the members of the movement for furthering the cause of world peace. Both sides agreed to set up an intergovernmental joint committee for economic and technical cooperation between the two countries. The exchange of visits by the Emir of Kuwait Sheikh Jaber Al Ahmad Al Sabah and the then Indian Prime Minister Mrs. Indira/
Gandhi

contributed to further strengthening the relations between India and Kuwait. During the Amir's visit to India the age-old contacts were recalled and the Amir dubbed India as ' a cradle of original civilisation' that flourished thousands of years ago. During Mrs. Gandhi's visit to Kuwait in May 1981 the two leaders underscored the relevance of non-aligned movement in present international context. The views of the two leaders on various international issues were found identical.

India's cultural relations with the Gulf states date back to pre-historic times. Actually the Harappans, Dravidians and Aryans wove the webs of many cultures in India. Recent excavations provide an insight into the traditional cultural relations between the Indian subcontinent and the Gulf region. It is welcome that the continuity of that old relations is still maintained. In course of exchange of visits by the leaders and the officials of the two sides the cultural relations have been receiving impetus in modern times. The existence of Indo- Iranian Joint Commission has been helpful in boosting cultural ties between the two countries progressively. Both Iran and India have been well- known for their cultural heritage. There has been exchange of cultural troupes between India and Iran for the promotion of culture. An agreement was signed in October 1973 that marks the expansion of cultural ties between the two countries. The agreement covered various fields including culture, sports, archaeology and general education. The original agreement was signed in December 1956 which had also included exchange of dance and music troupes. The subsequent agreements included such items as dance and music troupes

perhaps due to the growing influence of Muslim fundamentalists in Iran. The Indo- Iraqi Cultural Agreement was originally signed in 1954 and that agreement was replaced in April 1973 that aimed to expand and consolidate the cultural relations between India and Iraq. The agreement contained the provision of the grant of scholarships to the university students of each others' country and the exchange of teachers and scientists. The move of Iraqi news agency to open news bureau in New Delhi in January 1976 is welcome. The objective was to present before the Arab world correct image of India. Actually our country has been in extreme need of such step because India's domestic as well as foreign policies were often criticized in Arab world due to misinterpretation of events in Indian subcontinent. During Janata rule the cultural tie between India and Iraq was renewed and a cultural exchange programme was signed. The programme included the fields of cultural, science and education. The official level cultural contacts between India and Saudi Arabia have been absent in modern times. It has been due to her conservative political system and linguistic parochialism. Indo Kuwaiti cultural ties have been rare in modern times. It has also been due to linguistic parochialism. But in view of the broad-based polity of Kuwait and open outlook of her Amir towards politics we should be optimistic about the promotion of cultural links between the two countries in course of time.

Technical cooperation i.e. cooperation in the field of science and technology, between India and the Gulf -region is not a new phenomenon. Gulf people are indebted to India in the field of medicine, astronomy and mathematics. Indian physicians and medical systems enjoyed a wide reputation even in pre-Islamic Arabia. The famous pre-Islamic Persian ^{Academy} / of Gondeshapur invited Indian physicians to meet their counterparts and a curious blending of sciences took place therein. Indian astronomy also made great impact on Arab world. The celebrated Indian astronomical work 'Surya Siddhanta' brought by the physician Kuttika to the court of the newly founded capital Baghdad, was translated into Arabic under the name of 'As Sind Hind'. The continuity of such relations is maintained so far. The fact that India possesses the third largest technical manpower in the world and the Gulf states have secured phenomenal economic power due to their oil bonanza provided best opportunity for fruitful cooperation between the two regions. So far as Indo-Iranian relations in technical field are concerned, the meeting of the Joint Commission of the two countries in 1970 was significant in that it examined the possibilities of closer cooperation between their industrial units. It also considered ways and means for the speedy development of Iranian small-scale industries. The technical cooperation was further boosted with the visit of Sardar Sarwan Singh, the then Foreign Minister, to Iran in February 1974. There was agreement between the two sides on the establishment of joint venture fertilizer plants in Iran. It was also decided to set up a Joint committee of experts to identify industries in India with a view to meet the Iranian needs of Indian products. Mrs. Gandhi's visit to Iran in 1974 further strengthened

technical relations in that Iran agreed to provide credits in excess of one billion dollars to increase the industrial production of India. The Joint Communiqué also envisaged the establishment of a Joint shipping line and the increase in the capacity of the Kudremukh iron-ore project. During the sixth ministerial session of the Indo-Iranian Joint Commission in September 1977 a protocol was signed that marks a step forward towards strengthening technical cooperation. The protocol envisaged Iran's participation in exploiting the bauxite reserves in Orissa and Andhra Pradesh and her cooperation in setting up the paper and pulp manufacturing industries. The signing of a memorandum of understanding in August 1982 by the two countries is indicative of the extent to which Iran was interested in utilising India's technical know-how. As for Iraq, the decision to set up an Indo-Iraqi Joint Planning Committee gave a fillip to technical cooperation between the two countries. It was decided in December 1972 when a four member Iraqi delegation led by the Planning Minister of Iraq Mr. Hashim Jawad visited India and had talks with Mr. D.P. Mohan, the then Planning Minister and members of the Planning Commission in New Delhi. In 1973 a number of agreements in technical field were signed between India and Iraq. The agreements related to exploration of oil in Iraq and exchange of consultancy services. India also agreed to supply goods and services for a number of development projects i.e. ship building and repair facilities, steel rolling mills, Baghdad-Ramadi-Ali Qain railway project and manufacture of light engineering goods etc.

So far as Saudi Arabia is concerned, a contract between the Indian Oil Corporation and Saudi Arabian Oil company signed in March 1976,

contained among other things the provision of technical cooperation. It involved two oil companies Exxon and its affiliate Meso for marketing and refining operation. Caltex also benefitted from Saudi crude by receiving it for refinery operation at Vishakhapatnam. In course of exchange of visits between the officials and the leaders of India and Saudi Arabia the desires for fruitful cooperation in the field of science and technology were reaffirmed. In pursuance of this, Bharat Heavy Electricals Limited undertook the electrification of Jizan region in Saudi Arabia and completed the work fantastically well before schedule. The first meeting of Indo Saudi Joint Commission held in August 1983, decided to cooperate in the field of solar energy agricultural research, oceanography, computers, electronic system and telecommunication. The visit of Sardar Swarna Singh the then External Affairs Minister to Kuwait in February 1973 marked an important development in the annals of Indo-Kuwait relations. It was during this visit that the agreement on the setting up of inter governmental joint committee was concluded. So far Kuwait has not been able to utilize the potential for cooperation to any great extent.

As far economic relations between India and the major Gulf states, like the other poor oil importing countries the Indian economy too has been subjected to severe strain by the oil crisis. No doubt now the situation has considerably changed. Presently the oil prospects are better than those in early 1970 s. There is a glut in world oil markets. The Organization of Petroleum Exporting Countries has lost its clout to great extent. Its total share in the world's oil production has come down from nearly two thirds to one third. By virtue of successive discoveries of crude and prudent oil policies new oil exporters such as Britain, Norway and the USSR ^{have} emerged

in world oil market. The traditional oil exporters of OPEC in general and the Gulf region in particular are not in a position to dictate terms. Notwithstanding these facts, India's position in regard to oil is not heartening. Her self-sufficiency in oil has registered a decline from seventy-six per cent in 1984 to seventy per cent in 1986. Hence, India has to depend to a large extent on external supply and her energy policy would have to be integrated with its Persian Gulf Policy, for the region is and likely to remain as India's major oil supply area. Besides, India has been getting loans on favourable terms for various projects from certain financial institutions of the Gulf states. Indian exports to the Gulf include engineering goods, components of buses, trucks and tractors, steel, iron ore, alumina, chemicals and pellets. Our country also provides the Gulf states with the services of skilled and unskilled workers. Certain key projects involving India and the major Gulf states are mentioned as follows :

- (i) BHEL undertook the electrification of Jizan region in Saudi Arabia. The work was completed in March 1980.
- (ii) Koal Koro hydro-electric project of Bihar is being financed by Saudi Arabia through Saudi Fund for Development. The agreement to this effect was signed in April 1981.
- (iii) Saudi Fund for Development also decided to finance the Brisailam and Nagarjunasagar power project of Andhra Pradesh.
- (iv) Saudi Arabia also agreed to give a loan of Rs. 30 crore for Koraput Raigad railway project in Orissa out of Saudi Fund for Development. The agreement was signed in August 1983.

- (v) Kuwait invested in Thal Vajnet fertilizer project of Maharashtra. The agreement to this effect was signed in December 1981.
- (vi) Kuwait Fund for Arab Economic Development provided Rs. 50 crore loan to India for south basin gas development project, located approximately sixtyfive kms west of Bombay in the Arabian sea. The agreement was signed in October 1983.
- (vii) Iraq financed Mathura refinery and provided oil to India in substantial quantity for it.
- (viii) India provided goods and services for Baghdad- Ramadi-Ali main railway project.
- (ix) Iran provides oil to India for Madras refinery.
- (x) Kudremukh iron- ore project of Karnataka was partially financed by Iran.

It would however, be extremely naive to feel smugly satisfied over the quantum of cooperation between India and the Gulf states already achieved. Seen in the backdrop of the overall proximity of our two regions the area of cooperation falls far short of our potential. For instance the Gulf contributes nearly Rs. twentyfive thousand million by way of foreign exchange through remittances and exports. Even then as a trading partner of the Gulf India occupies a position as low as the fifteenth or the sixteenth on the list. Imports from the Gulf states amount to 12.4% of total Indian imports, while Indian exports to the Gulf countries are only 1.2% of their imports. The poor performance is not restricted just to our exports, which may be suffering from various types of constraints and bottlenecks, bureaucratic bungling and lack of standardization. It is equally reflected in the dwindling trend in terms of foreign exchange remittances from our nationals in the Gulf. A major reason may be that

that economic activity in the Gulf region is becoming increasingly machine-oriented rather than labour intensive. Thus emphasis in the future would increasingly be on higher technical skills as regards manpower and more sophisticated mechanised goods as regards exports.

Existing financial institutional framework should be reactivated and utilised fully to promote investment. A proper mix of physical and portfolio (or financial) investments is imperative for fruitful economic cooperation between India and the Gulf states. Earlier investments were mostly of portfolio nature. Now the Gulf countries have started having second thoughts on portfolio investment and are inclined to ards direct participation also so as to optimise the returns and retain control over production. So far agriculture has not been given due weightage in Indo-Gulf cooperation. Slow growth in joint ventures may be attributed to communication gap on such matters as policies, taxes and incentives for investment in India. Another factor is credibility gap which is in my view, the extension of communication gap. These gaps should be bridged by having continued dialogue and cooperative efforts of institutions working in the same field.

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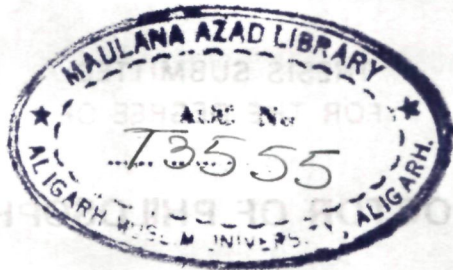


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P R E F A C E

Traditionally India has had close links with the Gulf countries ; geographical proximity is only one of several elements. There are features of complementarity which have not been utilised to any great extent for mutual benefit by the Gulf countries or India. With better information and improved perceptions, they can help one another forward in their development endeavours, particularly at the present time when regional economic cooperation is taking shape in the Gulf area and Indian policy-makers, while framing the Seventh Plan have given full consideration to this trend.

The present thesis is a modest attempt to go into the vicissitudes of India's relations with four major Gulf- states- Iran, Iraq, Kuwait and Saudi Arabia, in recent times. Chapter I, which is intended to serve as introduction, is a brief historical sketch of Indo-Gulf relations. Chapter II deals with the political phenomena of India's relations with the Gulf countries with special emphasis on diplomatic success India has been able to score at present. Chapter III attempts to study the progress of cultural and technical links between the two regions. Chapter IV dwells upon economic contacts and emphasises the fact that despite easier situation in the contemporary world oil market India's dependence on the Gulf crude would remain for the longer time. Lastly, Chapter V, that is conclusion, makes a general assessment of the entire relationship between India and the Gulf area.

(ii)

I express my sense of gratitude to my supervisor Professor S.M.H. Bilgrami for his interest and valuable suggestions during the various stages of the preparation of this thesis. I am also indebted to my friends Mr. Khaleeqe Ahmad, Mr. Afrozul ~~Hasan~~ Rizvi and Mr. Mohammed Saqib for extending cooperation in course of looking for material in various libraries of Delhi. Finally, I am grateful to the staff of Maulana Azad Library, A.M.U. and Mr. Subhash Chandra Mallick for patiently typing the manuscript.

A.M.U. Aligarh.

December 18, 1986

Atiq Ahmad Faruqi
(A T I Q A H M A D F A R U Q I)

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CHAPTER - I

INDIA AND THE GULF REGION IN HISTORICAL PERSPECTIVE

This is a famous statement, ' Political Science without History has no root'. Hence, to provide an insight into the contemporary relations between India and the Gulf countries historical antecedents have also to be taken into account. For academic convenience the present chapter as different from the ensuing ones, is divided into two parts- relations between India and Iran and relations between India and Arab world.

RELATIONS BETWEEN INDIA AND IRAN

The Indo- Iranians bore the common national name Arya and they appear to have been homogeneous in race. The ancient scripture, of the Hindus and Parsees throw some light on the origin and early history of Aryas. according to the tradition of Vendidad¹ the ancestors of the Iranians lived in fifteen other countries turn by turn. One of these countries was Hapta hindu, i.e. Saptasindhu, the cradle land of Indo- Aryan civilization. This is the clearest proof of the fact that the Aryan ancestors of the Iranians were once a part and parcel of the Aryans of Saptasindhu before they finally settled in Iran. Excessive heat created in this region by Angra Mainyu was, according to the testimony of the Vendidad, the reason why the ancestors of the Iranians left this country, but this could not have been the only reason,² there are other reasons as well.

It is well known fact that whereas in the later Vedic and Sanskrit literature the words Deva and Asura mean god and demon respectively, in the Avesta the two words convey just the opposite senses. There are good grounds

1. The handbook of the Parsees.

2. Bhargava, P.L., The Origin and Early History of Indo- Iranian Peoples', one of the papers published in the book ' INDO- IRAN' and presented at the Congress of Iranologists and Indologists (4-6 October 1971) in New Delhi on the Occasion of the 2500th Anniversary of the founding of Monarchy in Iran, New Delhi, p. 2

to believe that the use of these two words in the opposite senses by the Indians and the Iranians was the result of a schism which was perhaps one of the causes of the separation of the two branches of the Aryan race. It is however, clear that before schism took place the two words must have been used by the united Aryas in the same. This is exactly t what we find in the bulk of the Rigveda which calls every one of its great gods both Deva and Asura. This can only mean that in the earlier part of the Rigveda age the ancestors of the Indians and the Iranians were still one people without any religious differences. Since the hymns of the Rigveda were composed in the region of Saptasindhu, the united Indo- Aryans must have been living in this region before the great split. Thus the evidence furnished by the history of these two words supports the conclusion that we have reached on the testimony of the Vendidad and supplies an added reason for the exodus of the Iranians from Saptasindhu. That the words Deva and Asura began to be used in opposite senses by the two sections of the Aryas as a result of schism is proved by the later Vedic and Puranic literature. There is mention both in the Brahmanas and Puranas of a long conflict between the Devas and the Asuras. The fact that the leaders of the conflict were Aryan kings shows that it was really a conflict between two sections of Aryas, one worshipping the divinity under the name of Deva and the other under the name of Asura. It is thus clear that the Aryan ancestors of the Indians and the Iranians have bequeathed to us a magnificent tradition of which we can justly be proud.

The earliest Indo- Iranian relations date from the chalcolithic age when the Indus Valley civilization displayed remarkable similarity with

(3)

the second pre- Diluvian culture of Elam. Indus Valley seals have been discovered in the ruins of Elam. The Indo- Iranian branch of the Indo- European family had lived long in a common habitat either around the upper reaches of the Tigris where the Euphrates meets it and from where it lent its gods and numerals to the covenanters of Boghas - koi or in the vast ' doab ' of the rivers Vahvi - Datiya and Kanha, the Oxus and Jaxartes, which the Indo- Iranians called their dear land Eranvej. The memory of that common dwelling kept recurring to the Aryans long after they had settled down in the Sapta- Sindhu in terms like Prithus and Parsus, the Parthians and Persians, in the Rigveda. A large number of common -cult- words was so persistently used in the Rigveda that Hillebrandt was forced to suggest that these parts of the Rigveda in which Iranian names and terms occur were composed already in Iran.⁴

In course of time the bonds snapped and the lands drifted away from each until they were brought together again by the Achaemenids. Arrian records that Indians between the rivers Indus and Gophen, the Sindhu and Kabul were in ancient times subject to the Assyrians, the Medes, and finally to the Persians under Cyrus to whom they paid tribute he imposed on them. After the Assyrians had been, to sword and their capital at Nineveh set on fire by the Medes and Babylon of Belshezzar had met its holocaust following the writing on the wall, the Achaemenians laid claims to the land of the Indus and conquered it. Gandhara, Punjab and Sind now became the newly acquired satrapies of the empire of Darius I , as evidenced by his epigraphs of Persepolis and Nakhsh - i- Rostam, yielding 360 Eubonic talents of gold dust amounting to

4. Upadhyaya , B.S. " The Impact of Iran on Ancient Indian Politics and Culture " a paper published in INDO- IRAN, p. 37.

(4)

a million pound sterling, about half the entire revenue of his extensive dominions. The empire extended from southern Russia to the cataracts of the Nile and from the Danube to the Indus, and within these bounds Greeks, Bactrians, Sakas, Iranians, Indians all were forced to meet as citizens. Indian mercenaries roamed the coasts of the Caspian and skirmished with the wild Scythians and the Khudrakas of the Ravi were deployed beyond the Hindukush. Indians fought under Xeres and Darius III at the battles of Thermopylae and Gaugamela and shared the Persian defeat. They battled under the command of the Persian Pharnaces, son of Artabates, and took part in the Boeotian campaign under the Iranian commander Mardonius. Indian caravans roamed round the Caspian, across the Samarra on to the towns of Aleppo, Sidon and Tyre, to Corinth and along the Danube, and merchants from Syria s rambled up hill and down dale to reach Ujjain where they unbuckled and sold their wares.

Going by the preceding discussions it can be inferred that there are perhaps no two countries in the world which have had such close and long contacts as Iran and India. These contacts date from even before the dawn of history, stemming from such common denominators as racial origin, traditions, philosophy, language and literature. Among different parts of the country Gujrat has got special relationship with Iran.

True, Gujrat's name itself has associations with the Gujar tribe of Iran that inhabited the region of Gujistan (after which it was so called), situated near the Caucasus Mountains in the west of the Caspian Sea. In Gujarati, the name used for these people is Gurjaras. They, along with other class, poured in from Iran into India between the 5th and 6th centuries A.D. and spread into different directions and ultimately

5. Ibid, p.37-38.

6. Imperial Gazetteer, Vol.,I, p.201 (1909)

(5)

made their home in different places inclusive of the region of what is known as present Gujrat. The majority of the population of Gujrat is constituted of the Hindus. The ancestors of the Hindus and the Iranians had originally belonged to the great Indo-European family that lived together for many centuries under the same skies, in the vast pasture lands of Central Asia. Thereafter the Indo-Iranians lived for a long time in ⁷ ~~Iran~~ as one race, speaking the same language and following the same religion. There was a great split among them, which led to the subsequent formation of the two well-known religious groups, the Iranians who stayed on in Iran and the Hindus who penetrated to the south and spread all over India of which Gujarat forms a part. Their language was bifurcated into Avesta and Sanskrit ⁸ respectively.

So far as the political history of Gujrat is concerned, the Satraps of Saurashtra and Cutch like these of other places assumed independent authority after the conquest of Alexander and acknowledged the suzerainty of the Iranian empire—first of the Parthians and later of the Sassanians. The sway of these Satraps is attested to by the discovery in Saurashtra of Parthian coins dating from the beginning of the Christian era bearing the impression of the firepan which was the stamp of the Iranian Kings. In the history of Gujrat, the period of ~~three~~ ⁹ centuries beginning from A.D. 78 is shown as the 'Kshatraps (Satrap) period. That rule in Gujrat extended upto A.D. 400. The first Kshatraps king of Gujrat and Surashtra was the Iranian Nahapana.

7. Name of the original land of Iran

8. Naik, C.R., 'Political and Cultural Relations between Iran and Gujarat' paper published in the book 'Indo-Iran, p.46-47.

9. Parikh, Rasiklal C., 'Kavyamushasana of Kshemachandra-Suri' Introduction, pt.II

The arrow and thunderbolt on his coins connect him with the Parthians. The next noteworthy prominent Kshatrapa was Chashtana who was succeeded by Jayadaman and he by the well-known Rudradaman I who was the greatest of Kshatrapas and ruled about A.D. 150 over a vast dominion.

In the A.D. 625 the empire of the Sassanians was brought to an end by the Arabian invasion of Persia. The last Zarathushtrian king Yazdugird III became a homeless fugitive and was hunted from place to place, till he was murdered for love of filthy lucre by a low-bread miller. One of his daughters named Moh-banu is said to have fled to India with a few companions. According to a tradition, she married a Hindu prince and became the ancestress of the Sisodias of Udaipur, the bravest and the most famous among the Rajput families some of which have their homes in Gujrat as well. The Arab persecution of the Zarathushtrians and the consequent threat to the security of life, to the self-respect and independence of non-Muslims went on increasing and became unendurable. They left their homes and a large group migrated to Gujrat where they established the Parsi community which assumed a lofty position among the people of Gujrat.

There is no authentic detailed account of this migration in recorded history. But there is a small but well-known Persian poem of 864 verses entitled Qissa-i-Sanjan (Episode of Sanjan) written in A.D. 1599, by a Persian priest of 'Navsari (one of the main centres of this community in Gujrat today) named Behman Kaiqubad Harmuzdyar Sanjana.

10. Commissariat, M.S., 'A History of Gujrat- A Sketch of the Early History of Gujrat,' p.XXXIII.

11. Ibid., p. XXIV

12. Naik, C.R., Op Cit., p. 49-49.

(7)

The relevant pieces of information given in the poem are as follows: When the Arabs conquered Iran, some pious souls escaped from the turmoil and established themselves for a hundred years in the hilly region of Khurasan. When the Arab menace too imminent, they left that place and settled for fifteen years at the part of Harmuz (or Ormuz). But when there, too, they found the conditions still disquieting, at the advice of a sagacious Dastur, well-versed in astrology, a large band of the Iranians with women and children boarded ships, sailed away from Hurmuz and landed at the port of Div on the coast of Saurashtra. There they stayed for nineteen years, and again sailed away in search of a more suitable place. During their voyage they were caught in a terrible storm and so they offered prayers to God vowing to build on Atish Bahram (the fire of Bahram, i.e., the cathedral fire temple) if their lives were spared. Their prayers were heard and they happened to land safely at a port named Sanjan. According to a tradition Jadi Rana the then king of the palace was reluctant to admit them into his kingdom as nothing about their antecedents was known. With a view to evade their entrance as politely as possible, he sent them a cup of milk full to the brim, gently insinuating thereby that there was no accommodation for refugees in his kingdom just as there was no room in the cup of milk. Their sagacious leader quietly sprinkled a handful of sugar into it, thereby suggesting that just as the sugar sweetened the milk, they would harmonize their interests with those of their fellow people. The king was pleased to hear the reply and generously vouchsafed them the protection they needed on these conditions: the adoption of the regional language of Gujrat, the consent to adopt also for their water

the dress worn by women of Gujarat, the reunification of arms for a life of peaceful industry and performance of the nuptial ceremony in evenings. In reply they promised to remain friends of India. Some five years later the parsees decided to build a temple for their sacred fire (Atish Mahran) and the Rana gave them all the facilities for construction thereof. This sacred fire came to be described by the Parsees of Gujarat under the honorific designation of Iranshah (the King of Iran) as being the symbol of their ancient religion and empire. After a long stay at Sanjan , extending over some generations, many of the Parsees are said to have migrated to the towns of Navsari, Surat, Broach, Cambay and other centres of Gujarat.¹³

Ever since their settlement they never ignored their Iranian co-religionists from whom from time to time they have been seeking guidance and enlightenment and thereby keeping up their contact with Iran, and the people of Gujarat have been sharing the joys and merriments of the observance of their festivals of Navroze and others. The Parsees excepting in the matter of religion lead almost the same kind of life as their Hindu brethren today. They are for all practical purposes the inhabitants of Gujarat, speaking and writing the same language and their contribution to Gujarati literature is considerable in bulk and distinguished in quality. After the establishment of Muslim regime in Gujarat, the cultural contact between Iran and Gujarat kept on developing under the fostering care of several noted Sultans, the last of whom was Bahadurshah (A.D. 1526-1537) one of the ablest rulers of the time. After his death, during the rule of the weak Sultans that followed, there was confusion throughout the

13. IBID, pp 50-52 : QISS- a-i- SANJAN translated in S.H. Modiwala's studies in Paris History, pp 96-106.

the kingdom. Taking advantage of that, Akbar, the Mughal emperor, conquered it and annexed to his empire in A.D. 1572. These Sultans in general and the Mughal emperors and their Subedars in particular were renowned for their magnificent patronage of men of letters.

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These descriptions lead us to conclude that we have been having close relations with Iran for a long time and Gujarat has been the key part of India so far as genesis of this relationship is concerned. This close contact is time-tested and deep rooted unchallenged by any upheavals, crises and revolutions in international politics.

3 RELATIONS BETWEEN INDIA AND ARAB WORLD :

For India the 7th century A.D. was a period of political disruption and decline. The glorious years of the Mauryas and the Guptas had ceased to be, but the literary and scientific achievements of the Indians during these periods were known, though vaguely, to the Arabs also, for they are referred to in the Arabic literature that followed in the Middle East subsequently. The period of Parsha coincided with that of prophet Mohammad in Hijaz. While the Indians faced general political decline the Arabs were going through new political experience for the first time in their history. The political success of the Arabs of Hijaz and Najd brought them close to the boundaries of India and finally, the conquest of Sind by Mohammad b. Qasim in A.D. 711-12 extended the Arab rule to the very soil of India. Thus having been amputated from the body-politic of India, Sind became a part of the vast Islamic Empire extending from Jaira-wan in North Africa to Central Asia and from the caucasus regions to the shores of the Arabian sea.

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14. Naik, C.R. Op. Cit, pp. 54- 55.

15. S. Maqbool Ahmad, ' INDO -ARAB RELATIONS, Chapter II, New Delhi 1976, p. 68.

1. Arabian Rule Over Sind And Gurjara- Pratiharas :

The relations of the Arab rulers of Sind with the neighbouring Indian princes, the Gurjara- Pratiharas (ruled from A.D. 800 - 1037) were anything but peaceful. Multan in the north and al Mangura in the south had roughly formed the eastern boundaries of the Arab rule in Sind and the Punjab. It appears from the scattered references in Arabic writings that political tension continued to exist between the Arab rulers of Sind and the Indian rulers. The reason for this was that Multan at this time was an important pilgrim centre, for it had the great temple of the sun-god Aditya which the Hindus from all over India came to worship. Thus it was a great source of revenue for the Arab rulers. It also acted as a deterrent against the invasion of the Gurjara- Pratiharas, for whenever they planned to conquer Multan or carry away the idol, the Muslims threatened the invaders with destruction of the idol. Al- Mensura was comparatively secure from such raids perhaps due to the intervening barrier of the Thar desert. There the 'khutba' was read in the name of the ' Abbasid Caliph Of Baghdad.

2. Contacts Between The Arabs And The Rashtrakutas :

The position of the Arabs living in Southern India was different from that of the Arabs of Sind. In the South the Arab merchants and travellers were cordially welcomed by the rulers, specially by the Rashtrakutas of the Deccan, whom the Arabs refer to as Balhara. The Arab writers of this period are full of praise for these rulers, for they protected their lives and property and gave them full facilities for trade and freedom of worship. Whether the Rashtrakutas' cordial and friendly

relations and attitude towards the Arabs visiting their kingdom was due to the fact that the Arabs came to their country as peaceful merchants, or whether there was any other reason, is not clear from the Arabs' accounts. It may be that since the Rastrakutas were not on peaceful terms with the Arabs of Sind, the Rastrakutas displayed a specially favourable attitude towards the Arabs so as to gain the sympathies of the Arab rulers of Sind. However the conditions were more favourable in the south than in the north for the Arabs. This was one of the reasons why the Arab travellers and historians were able to write in greater detail about southern India than about north. It was not until the beginning of the 11th century that we find detailed and comprehensive accounts of India beginning with those of Al. Biruni. During this period several envoys and embassies were sent to India for the purpose of establishing cultural contacts. In this respect the illustrious viziers of the Abbasid caliphs, al-Barmaki, played a very important role. One such embassy was sent to the Caliph Harun-al-Rashid as a result of which several Indian scientists and physicians visited Baghdad. Yahya-bin-^{Abd}halid-Barmaki, the distinguished vizier of Caliph al-Mansur, had sent an envoy to the East to collect material on political and religious conditions, on medicinal plants and other aspects of life of the Eastern peoples. The date of his visit has been fixed at A.D. 800. It is not certain if these embassies had any political objectives. Diplomatic relations did however exist between the Arab rulers of Sind and the Abbasid Caliphs of Baghdad or the Fatimid Caliphs of Egypt in so far as the question of the Arab rulers' allegiance to one caliphate or the other was concerned.

3. Contacts Between muslim Rulers Of India And The Caliphs :

One of the most important religio - political aspects of the relations between the Arab and non- Arab Muslim rulers of India on the one hand and the Abbasid' caliphs of Baghdad or the Fatimid caliphs of Egypt on the other was that generally the Indian Muslim rulers considered it politically expedient to get legal sanctions for their rule, from the Arab caliphs in the form of ' manshurs' and ' sanads'. The caliphs of Baghdad, right up to the 13th century A.D. were accepted as the lawful representatives and vicegerents of Prophet Muhammad by the orthodox Muslims of the East, and as such they exercised considerable influence, religious and political; Muslims looked up to them and respected their opinions. It was for this reason and in order to establish the legality of their rule that the Arab rulers of Sind and the Sultans of Delhi endeavoured to get ' sanads' and ' manshurs' from the caliphs. This legal sanction made their rule acceptable to the Muslims and established them as an integral force in the political set up of the Islamic world of the time. However the status of the 'Khilafat' itself had not become stabilized. The establishment of the Fatimid rule in North Africa and Egypt in the 10th century A.D. had complicated matters. The Islamic world was divided into two big camps; the Sunnis and the Shiis, originating from a rift that was caused in the early history of Islam over the religio- political question of the Khilafat. Thus the Ismaili or the Shia rulers in general owed allegiance to the caliphs of Baghdad. In a way, therefore the factional politics of the Arab world continued to be reflected in the rivalries and jealousies of the Arab rulers in Sind and

Contacts Between The Arabs Of Sind And The Caliphs :

The rulers of al- Mansura read the Khutba for the ' Abbasid. The amir of Multan, Qurayshite and a descendent of Sama-b. Lu'ayy b. Ghaliib, did not obey the ruler of al. Mansura but read the Khutba in the name of the Abbasid caliphs Mutazz b. Ahmad (or Mughir b. Ahmad), the ruler of Turan, read the Khutba for the Caliph of Baghdad and so did Mutahhar b. Rija the ruler of Mashkay. These rulers of Sind belonged mainly to the 10th century A.D. but by the end of this century the political influence of the Ismailis had increased considerably and for more than a century Multan and Mansura continued owing allegiance to the Fatimid caliphs of Egypt.

After the collapse of the Samanids and with the expansion of the State of Ghazna under his energetic rule, Mahmud felt strong enough to assume the title of ' Sultan'. (The thought) it worth his while to get his title as an independent ruler confirmed by the caliph of Baghdad. He had received the title of Yamin al- D-aula and Amin al- Milla but was anxious to get additional titles from the Caliph. But the latter declined to give him one. The Ghories were equally eager to secure confirmation of their sovereignty from the Caliph/Baghdad. Q'ayas al- Din received his investiture from Caliph al- Mustadi (1170 - 80) and al- Nasir (1180- 1225). Similarly , Yaloz got his Letters of Patent from the Caliph. Iltutmish described himself as the lieutenant of the Caliph on his coins.

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19. Nizami, A.K., ' SOME ASPECTS OF RELIGION AND POLITICS IN INDIA IN THE 13th CENTURY', Aligarh 1961, p. 291.
20. R.P. Tripathi, ' SOME ASPECTS OF MUSLIM ADMINISTRATION', Allahabad 1956, p. 9.
21. IBID, p. 18

and possibly in the 'Khutba' also. In this he simply followed the Islamic Law, political convention and the heritage from the Ghaznavids and the Ghoris. He had also received a robe of honour from the Caliph al-Bughia, but it is not clear whether the robe was sent to him on his own request or whether the Caliph conferred it upon him for political reasons. R.P. Tripathi remarks that whatever may be the case "the fact fastened the fiction of Khilafat on the Sultanate of Delhi, and involved legally the recognition of the final sovereignty of the Khalifa, an authority outside the geographical limits of India, but inside that vague yet none the less real brotherhood of Islam."

Iltutmish maintained diplomatic relations with Baghdad and frequently exchanged envoys. Maulana Razi-al-Din Hasan Sagham came to Delhi during the reign of Iltutmish as the envoy of the Caliph al-Nasir li-Din al-Muzaffar (A.D. 1179-1225) and his successors. Ikhtiyar al-Mulk Rashid al-Din Abu Bakr Habsh was sent to Baghdad on a mission by the court of Delhi, probably to secure a manshur from the Caliph. Once the Caliph sent Gadi Jalal 'Urus with an old copy of Safinat al-Khalifa' which contained some eulogistic inscription from al-Mamun. The Sultan was so pleased with this present that he wanted to give half of his kingdom to Gadi Jalal. However, Balban inscribed the coins and read the Khutba in the name of the deceased Khalifa. It was a sort of challenge to the Mughal Khaqan; for it amounted to : "The Khalifa is dead, long live the Khalifa." As the fourteenth century Arab historian Ibn Tadmur Allah al-Umari tells us, Muhammad b. Tughlaq

22. IBID , p. 26

23. Nizami, A.K. OP. CIT, p. 334

24. R.P. Tripathi, OP. CIT, pp. 36-37

had deputed one of his secretaries named Bayghadan to go to Sultan Abu Said, one of the Ilkhans of Persia (A.D. 1316-1335), as messenger and had given him one million tankas to be distributed in the shrines of Kufa, Basra and Iraq. But Bayghadan had different ideas and he did not intend to return to the court of Muhammad. On his arrival in Iraq he found that Abu Said had died. He went to Baghdad, then to Damascus and finally settled down in Baghdad.

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5. GOLDEN AGE OF TRADE BETWEEN INDIA AND ARAB WORLD:

The golden age of Indo-Arab trade has been the period between the rise of ~~the~~ Islam in the 7th century A.D. upto about the 10th century A.D. Hijaz has been a centre of Islam, a historic place wherein the great religion originated. The Arabs of Hijaz were mainly inland traders. Mecca which lay midway between Syria and Yemen was the centre of their commercial activities. However, these Arabs did carry on some sea trade as well. They were agents of trade between Egypt, Abyssinia and Hijaz and their main port was Jiddah. In the inland trade, they bought Indian goods in Yemen and sold them in Mecca and other towns. In Mecca at this time a fair was annually held in which the commodities bought in Sana and other towns or in Syria were sold to the Beduins who gathered there to buy their requirements and also to worship their deities kept in the Kaba. The Quraysh who were the custodians of the Kaba were also leading merchants of the town. Mecca being the nerve centre of the commercial and cultural activities of Hijaz at this time, it is no wonder that the message of Islam arose and spread from this town.

25. S. Maqbool Ahmad, Op.Cit. p. 74.

26. S. Maqbool Ahmad, Op.Cit, p.81

Among the goods that were imported from India at this period and sold in the markets of Hijaz was the Indian sword called by the Arabs 'al-Mihannad.' The Beduins being warring tribes, instruments of war were most popular among them. Swords were imported both from Yemen and India. Those manufactured in Yemen were made out of the iron imported from India; other were manufactured in India. The swords of India had the reputation of being very supple and sharp. Pre-Islamic Arabian poetry has many references to these and other goods that came from India and were popular among the Beduins. An important factor contributing to the development of Indo-Arab trade was the rise and spread of the Arab political power which within a few years of the rise of Islam engulfed vast territories stretching between the Canary Islands, off the west coast of Africa, in the west and the borders of China in the east, and between the Caucasus in the north and the shores of the Arabian Sea in the south. The inclusion of Sind within the Arab Emirate further accelerated the overland trade with India. However the greatest impetus to the Indo-Arab sea trade was given when Baghdad was founded by the 'Abbasid Caliph Abu Jafar al-Mansur on the site of an ancient Sasanian village of the same name. The foundation of Baghdad was an epoch making event in the history of Indo-Arab trade relations, for now, for the first time the capital of the Arab Empire was directly linked by water with the Arabian sea through the water systems of the Tigris and the Euphrates which jointly

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flowed into the Persian Gulf.

27. Salih Ahmad El.Ali, al-tanzimat al ijtima'iyah wa l-iqtisadiyah fi l-Basra, Baghdad, 1953, p.217.

28. S. Maqbool Ahmad, Op.Cit p.34

During the first century after the rise of Islam (622-722 A.D.) the main trade of India was with Iraq, but there was considerable decline as compared to the previous position, and India's trade with other Arab countries also declined. As pointed out by Sateh Ahmad El-Ali, this was a direct result of the Arab conquests. The import of finished goods from India had decreased as the Arabs, who had now become masters of the Middle East, increasingly needed armaments and weapons of war and cheap essential commodities rather than costly finished goods. Moreover, Arab merchants became engaged in the purchase and sale of stocks of booty acquired by the conquering armies, which business they found to be more profitable. Sea trade declined as it involved greater risks like wreckage, harm from pirate activities etc. However, gold played an important part in what trade there was between India and the Arab countries. It was used as the only means of exchange by the Indian merchants. After the foundation of Baghdad in A.D. 762 direct trade relations between India and the Arab countries seemed to have improved and lasted until roughly the 16th century A.D. The import export commodities from India to the Arab world were Teak wood, raw-iron, swords, silver and other metals, pearls, the horn of the rhinoceros, ivory diamond, gold, aromatics, spices, scents, pepper, cardamom, cinnamon, camphor, sandal wood, alses-wood and perfumes, mangoes, jack-fruit, lemons, coconuts, Jamans, sugar candy, elephants, civat cats, peacocks, muslin, cotton cloth, indigo and various types of dyes. Among the goods imported by India were frankincense, ivory tusks, horses, gold,

29. Salih Ahmad El-Ali, *Cp.Cit.*, pp.232-33.

30. *Ibid*, p.p.215-17

pearls, dates and other finished goods. It is difficult to say anything about the general effects of this trade on the economy of the imports and exports and the periodic trade figures and balances have not yet been worked out. But on the basis of the accounts of the Arab writers of this period, it may be summarised that the total balance of trade must

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have been favourable to India.

By the tenth century A.D. Baghdad had lost its former glory and importance as the cultural and economic centre of Islam. Fustat (Old Cairo) had come into prominence. As a result of the continuous wars of the crusades a large portion of Syrian and Egyptian trade was diverted to Western countries. Then the devastation caused by the Mangol invasions of Western Asia, the rise of the petty dynasties in the latter 'Abbasid period had caused much disruption in trade and shaken the balance of economy of the Arab world. The Abbasid caliphate came to an end in A.D. 1258 when Halagu sacked Baghdad. All these factors led to the decline of Arab trade with India. But by far the greatest setback was caused by the appearance of the Portuguese in the Arabian Sea. Soon after this event both Arab and Persian sea-trade with India collapsed, and Arab naval strength deteriorated.

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31. S. Maqbool Ahmad, Civ. Lit. p.85

32. Ibid p.86

6. CULTURAL CONTRACTS BETWEEN INDIA AND THE ARAB WORLD :

India's cultural relations with Arabia date back to prehistoric times. In India the Harappans, Dravidians and Aryans wove the webs of many cultures. In the Arab lands Babylon, Assyria, Syria, Palestine, Arabia, Egypt, Sumer and Elam were the centres of ancient civilizations. The people of the Indus Valley had intimate relations with the people of Sumer and trade relations with Egypt and Crete as the excavations reveal. From the most ancient times India's communications with West Asia have been both along the land and sea routes. The ocean between these two great nations, touching on the one side the holy land of the Arabs and on the other the foothills of the Aryavasta, forms a long and broad high way over which have travelled from prehistoric times Indian ships with sails and hundreds of oars. Objects found in Sumeria and Egypt indicate the traffic between these countries as far back as 3000 B.C. According to the author of the Periplus of the Erythrean Sea (composed about the middle or first half of the first century A.D.) these voyages used to be made in small vessels kept close to the shore and following its windings. The best season for ships to sail for India from Egypt was July. Strabo, the Greek geographer and historian (born about 63 B.C.), found that about 120 ships sailed from Myes-Hormas (Mussel Harbour) to India, although in the time of Ptolemies scarcely anyone would venture on this voyage. Direct voyages in those days were rare. Indian and Arabian traders used to meet half way to exchange their products. The Indians sailed from the western Indian sea ports along the coast, entered the Persian Gulf and rested at Bahrain, where recent diggings by a Danish Mission have uncovered seals and other objects which show that the island's culture

group ran the trade between the Indus civilization and the Sumerian. According to Strabo, large quantities of Indian merchandise were conveyed over the Oxus to the Caspian Sea and transferred from there by the Scythians and through the adjoining countries to Euxina. Hippalus was the first pilot to observe the bearings of the ports, the configuration of the sea and the direct course across the ocean. It is worthwhile to recall in this connection the story of that adventurous Indian who set out from India in search of a direct rout to Egypt. He had almost drifted for months till his companions had perished one by one due to hunger and starvation and he was found half-dead near his destination. This shipwrecked Indian gave the impetus to that famous explorer Eudoxus of Cyzicus to make a voyage to India which went a long way to further closer relationships between India and the countries of West Asia. Trade relations got an impetus in the subsequent centuries. 'Harakesha' mentions horses belonging to Arabia besides these of 'Parthava' (Persia). The Arabian steeds in King Harsha's camp were as popular as the sword made of Indian steel-'Saif-i-Hind' proverbial in Arabic literature. Daba (situated in the south eastern corner of Arabia) was one of the major ports of pre-Islamic Arabia. An annual fair there attracted traders from Hind, China and Greece. These early contacts led to the establishment of an Indian colony in Alexandria in the 2nd century B.C. The Indians built two temples containing the images of their gods. The great riches of Arabia Felix (Aden) were largely due to the visit of Indian traders who came there in large numbers from Potara (Patiala), founded by Alexander on the river Sindhu.

33. P.N. Chopra, 'India and the Arab World : A Study of Early Cultural Contacts', article published in 'India Quarterly' Journal, Vol. XXXIX No.4, October-December, 1983, New Delhi, pp-477-95.

There is also considerable evidence of the presence of Hindu philosophers in Western Asia during the time of Socrates who discussed metaphysical problems with them. Asoka, encouraged this - exchange of visits and emissaries to Syria, Egypt, Macedon, Cyrenaica and Epirose, Al-Biruni (1000 A.D.) corroborates Asoka's claim that in former times Iraq, Mosul and the country upto the frontiers of Syria were under Buddhist influence and that Indian culture had definitely extended to these West Asian countries. The extreme empiricism of the Buddhists made a deep impression on Arab scholars, theologians, philosophers and Jurists; we frequently come across references to the Indian school of thought in their discussion of epistemology and the theory of knowledge. Manichaeism religion which flourished in the third century A.D. contains unmistakable traces of Buddhist influence. Dean Milburn points: 'It is certain that the genuine Indian mysticism first established a permanent western settlement in the deserts of Egypt.' Mani and Mazdak, the two most prominent propagators, were scattered all over Western Asia. Their teachings were based upon a combination of zoroastrianism, Buddhist and Christian ideas. The fact is that Central Asia including Turkestan and Khorasan, owed allegiance to Buddhism before the rise of Islam, as the evidence of the Chinese traveller Itvien Tsiang amply proves. Asoka further authorized his emissaries or 'dutas', as they were called to undertake philanthropic works on his behalf in the kingdoms of the Hellenic rulers of West Asia. Thus walls at every half 'kas' and rest houses were constructed, medicinal herbs and roots, wherever they did not exist, were imported and planted. These acts, the Emperor thought, would obtain release for him from the debt he owed to his creatures. With

the advent of Islam, relations between India and the Arab countries were further strengthened. Prophet Muhammed is reported to have told his companions that he "gets cool breezes from the side of Hind." Indian tribes, like the Jats, were settled in some parts of Arabia during this time. Bukhari in his work 'Kitabul Adabul Mufrad' states that when Ayasha, the favourite wife of the Prophet, fell ill she was treated by an Indian physician who belonged to the Jat tribe. Two prominent Indians Sarmanak (said to have been the Raja of Kanau) and Ratan visited Arabia during the Prophet's time. Ratan is believed to have collected the sayings of the Prophet, still extant as Ar-Rataniyat. Ibn 'Ali Hatim relates that the valley of Hind, where Adam descended from heaven and the valley of Mecca, which had the tradition of Abraham, were the best valleys of the world (Subhat-ul-Namjan). The fourth Caliph, is reported to have said, "the land where books were first written and from where wisdom and knowledge sprang is India." According to Ghulam 'Ali Azad Bilgrami, words like 'taoba', 'sundas', and 'ablai', which occur in the Quran are of Sanskrit origin. Names of many Indian articles, for instance, 'qurum phul' (karan phul), 'Kafur' (Camphor), 'ambuj' (am), Harjil (Hariyal), etc., passed into the Arabic language. Arabic words too found their way into, the Indian languages. Indian words- 'sukkan' (rudder), 'Malumi' (Captain of ship) from Arabic Malumi, 'Kambal', 'qutal', 'qurban', 'bandar', 'dost', kaghaz etc- which are commonly used are all derived from the Arabic language. This mutual intercourse led the Arabs to take interest in Indian literature, some of India's best known works, such as 'Panchatantra', the book of morals

taught through animal and bird stories was translated from its Pahlavi version into Arabic and therefrom introduced to the Western world.

'Hitopadesha', or good advice, selection and adaptation of tales from 'Panchtantra' found their way to Europe through Baghdad, Byzantine and Cairo. According to some scholars, the basis of the famous 'One Thousand and One Nights' was a Persian work containing several of Indian origin. The reign of Mansur (754-776 A.D.) opened a new chapter in the cultural relations of these two regions. Mansur's zeal for learning attracted many Hindu scholars to the Abbasid court. The deputation of Sindhi representatives to the court of the Caliph in 771 A.D. was memorable. One of the members of the delegation, a noted scholar, presented a copy of Siddhanta which was translated into Arabic by Ibrahim Al. Farzani.

Indian physicians and medical systems enjoyed a wide reputation even in pre Islamic Arabia. The famous pre Islamic Persian Academy of Gondeshapur invited Indian physicians to meet their counterparts and a curious blending of sciences took place there. The Syrian medical books, particularly 'Abdal- al- Adwaiya' (substitute for remedial), which was written by a Persian Jew, Masarjawaih, give an idea about the blending of these two medical systems. In the 8th century A.D. we find Arab and Persians translating into their respective languages the thousand year old compendia of Sushruta (on surgery) and 'Charaka- Samhita' (on medicine). These works were fully made use of and quoted in extensive detail. Raazes down to Ibnal- Baiteer, the pharmacologist who lived in the 11th century. The Caliph Al. Mamun felt so fascinated by the Indian works on medicine and philosophy that he had a scholar Al- Abbas specially appointed to read out to him daily some passages from these works. Harun Rashid (786-809) imported Indian physicians to organise hospitals and schools in Baghdad. It was under his reign that the famous family of Barmecides or Barmarks came into prominence. Originally they were Biddites

and were in charge of the famous temple of Nava- Vihara in Baikh. Under their patronage Baghdad became the centre of Hindu learning. Writing about the services they rendered to the advancement of science and culture, Ibn an- Nadim said : " Yahya - ibn- Khalid, the Wazir, sent a mission to India to collect information regarding medicinal herbs and to report on their religious beliefs and practices". The Arabic historian relates how Caliph Harun suffered from a severe headache and it was Manaka, an Indian physician, who was called to treat him. In another case, Saleh-ibn. Qasbi was called to treat a member of the royal family who appeared to have died and was about to be buried. He was however restored to life. Apart from Manaka, there were two other successful Indian medical practitioners in Baghdad during the reign of Harun, Ishaq and Salih, and the names of 15 Indian medical works rendered into Arabic during the Abbasid Caliphate are known. From that time onward Indian physicians and Indian medicines played an important part in the scientific renaissance in Baghdad. In his rare work of simple drugs, ' Kitab al- Sawaiq', al- Biruni makes the significant observation that, " On the East there are no people inclined towards the sciences except the Indians."³⁵

Equally important in the context of Indo- Arab relations is the influence of Indian astronomy. The celebrated Indian astronomical work 'Surya Sidhanta' brought by the physician Kuttaka to the court of the newly founded capital Baghdad was translated into Arabic under the name of al- Sind Hind. It served as a handbook till the time of al- Mamun when it was abridged and even improved by Mohammed- ibn- Mura, an astronomer. It also

35. IBID, p. 427

prepared a book on Indian calculations which has come down to us. There were other Indian astronomical works such as ' Kar Khanda Khadvaka' of Brahmagupta, and Varāamihira's works on astronomy which were translated into Arabic. It is interesting to recall in this connection that the astronomical terms ' qubbat- ul- arin in Arabic (the supposed division of the polar axis from the meridian line) is derived from the name of the Indian city Ujjain which was believed by the Indian astronomers to be the dividing part of the earth. Such terms as ' jib' (heart) and 'aug' (the highest point of sky) has originated from Sanskrit ' jiva' and uchha respectively. We may also refer to the work produced by that great indologist al- Biruni after hard labour of six years, ' Jawami' al- Hanjia Li- Khawatir- al- Hanud' completed in 422 A.D. as a comprehensive work on Indian astronomy. He was much indebted to the earlier works of Indian astronomers especially for their solar and lunar theories and the treatment of eclipses. Thus, through al- Biruni Indian astronomy exercised a far reaching influence on Muslim astronomical sciences of subsequent generations. In the field of Mathematics, it was the conception of sine which contributed to and revolutionised the science of triangles. Even the famous Almagest employed chords. The Muslims learnt the principles of this science from the Hindus and taught the same to the Europeans facilitating the problems of trigonometry. The Greeks studied these works based on the researches and inventions of Indians. The Egyptians and Mesopotamians had carried on fresh inquiry in the field of Mathematics. The Arabic numerals 1,2,3 as they are called in the west were borrowed by the Arabs from India and were consequently known as Al- Arkan- al- Hindia or Indian numerals. The Indian science of music also made a deep impact on

Arabic musicians. According to Ibn- al- Qifti, an important work containing the fundamental principles of Indian music was translated into Arabic. This impact helped to produce the greatest Muslim musician of medieval India Amir Khusro. It was during the reign of Alauddin Khilji that a Muslim convert Brahmin Kamrup translated the abbrated 'Amrit Kund' into Arabic. This exchange of ideas continued even after the advent of the Arabs in Sind in the 8th century A.D. due to the cordial relations that prevailed between the Arabs and Hindus. While five or six Indian Physicians resided at the court of Baghdad several Indian works on medicine and philosophy were translated into Arabic by the scholars. Ibn an-Nadim and Ibn- Ali- Usaybiah. *Milal-i- -a'-Nihal* refers to a religious discourse between the Arabic scholars especially deputed by Harun- ar- Rashid and the renowned pandits at the court of the Raja of Sind. A young Arab resident of Mansurah, the capital of Sind even composed a poem in praise of Raja Mahrug of Alora who sent a special messenger to escort the poet to the court where he was greatly honoured and rewarded. He stayed at the Raja's court for three long years and at his behest translated the holy Quran into Hindi. We also owe a debt of gratitude to Arab travellers and geographers whose works are important sources, though yet unexplored in the reconstruction of the history of India, particularly after the 9th century A.D. The names of Al-Biruni and Ibn- Batuta are too well known to need any introduction. While Mahmud of Ghazni was carrying out expeditions in India, this great Arabic scholar was engaged in studying the culture and civilization of our country. The bulky volume which he

produced is in many respects the most rational and comprehensive account of India ever written by a foreigner until modern times. Some of the important Arabic writers on India who deserve mention are Ibn-Khurdadben, al-Masalik ul-Aimam, the merchant Abu 'Aid Sairafi, Abu Dulaf-Ibn-Ishahil, Buzurg-Ibn-Shahryar, al-Masudi and Ibn-Haukal. Al-Ya' Qubi lavishes praise on Indians for their advanced knowledge in science, astronomy, medicine, philosophy and for the large number of scholarly works produced on these subjects. Abdul Fazl, too in his celebrated work Ain-i-Akbari takes note of several Arabian towns including Madina, Baghdad, Tanjore, Basra etc. and has given their longitudes and latitudes.

Fellowship and amity has been the cardinal note of Indo-Muslim relations since the dawn of history. We have it on the authority of Muslim historian that the Hindu Rajas gave full liberty to the Arab traders settled on the western coast of India, to build mosques and to practise their religion without any hindrances. Not only this, Muslim magistrates were also appointed to administer the Civil Code of Islam to their co-religionists. Masudi and Balazuri (Mudh-as-Sind) praised the Rajas of Sind, Balhari and others, for their just and generous treatment. The Arabs too, on their part, when they came to Sind, reciprocated by readily adopting Indian titles and Indian names. The employment of professional performers and courtesans seems to be a development inspired by Indian practices, for in Central Asia and even in the Arabian countries, free born professional musicians of the female sex was a rare social phenomenon. The Indian courtesan or the nachwar was not paralleled by the trained 'Jariya'. The impact of Arabic thought on Hindu religion and practices is linked with the advent of Islam and the

establishment of Muslim power in India. It may be pointed out that the traits of the Hindu revival such as the increasing emphasis on lordship, emotional worship, self-surrender, the need for devotion to a spiritual teacher, as well as the growing laxity in caste rules and indifference to rituals at least among some sects have all been held in some way or the other to be the outcome of Islamic influence.

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CHAP. IIPOLITICAL RELATIONS BETWEEN INDIA AND THE GULF STATES(IRAN, IRAQ, KUWAIT & SAUDI ARABIA)

Indo-Gulf relations have a long history, and we do have a few competent studies on the nature, magnitude and significance of these relations. The ancient civilizations which flourished on the banks of the Euphrates, the Nile and the Indus may well be regarded as representing a sort of relayrace of human culture. The expansion of Islam beyond the confines of the Arabian peninsula all the way to the land of the Ganga set off a process of acculturation and gave rise to many movements of social egalitarianism in the Indian subcontinent. A competent Indian scholar identified the medieval period as ' a golden age of Indo-Gulf relations' owing to the large scale fruitful exchange that then occurred between India and the Gulf region in the fields of culture and sciences. This was followed by a period of limited contacts. Finally with the emergence of national self consciousness in the colonial world, a new era of appreciation of each other's political aspirations dawned both in India and in the Gulf states. Thanks to the perspective afforded by this appreciation, the Indian National Congress was able to perceive the colonial machinations in Palestine for the creation of a sectarian state for a global community. The Government of the Republic of India was able to adopt a well- defined stance on the Palestinian question as a cardinal principle for its foreign policy. In recent years the policy has paid dividends by way of grateful appreciation of

the part of the Gulf states and, in a way, paved the way for friendly Indo- Gulf ties.¹

It does not mean any way

Relations between India and the Gulf States are generally regarded as constituting an essential component of the legacy on Indo-Arab relations. This is not absolutely preposterous. The people of the Gulf States, with the single exception of Iran, are of Arab stock, speaking the Arabic language and are heirs to Arab cultural heritage. Of course in a sense, India's relations with Gulf states are qualitatively different from its relations with the rest of the Arab world and as such, deserve a distinct treatment. As a peripheral region, the Arab coastal belt had for a long time in history kept out of the main stream of Arab cultural development. Unlike those who lived in the land-locked towns, the inhabitants of the coast had vast uncharted oceans before them, and they felt little need to unravel the mysteries of the mirage land of the desert. Instead of carrying out raids and engaging in trade along the various caravan routes, they devoted their energies to piracy and maritime trade. Their contribution to Arab culture consists in developing the science of navigation and in making geographical discoveries. Their adventures took them far away from their homes to the mysterious lands of Asia and Africa. They established settlements in areas as far away as Canton in China, Malabar in India and Sofala in East Africa. They acquired mastery over the physical features of the earth and gained a perspective

1. ... Qureshi, 'Indo- Gulf relations : An Overview', article published in the book JOURNAL OF INDIAN GEOGRAPHY, New Delhi, 1980, pp 89

of comparative cultural ecology. They kept up their contacts with widely scattered regions of Asia and Africa and became the chief means of cultural communication in a vast area of the World.² The study of India's political relations with the major Gulf states is undertaken as follows:

1 RELATIONS WITH IRAN :

as we have seen in the previous chapter India has been having contacts with Iran even before the dawn of history. After India's independence the Indo-Iran joint Commission was set up and the periodic meeting of the Commission took place regularly. At the third meeting of the Commission held in Tehran in December 1970 an agreement was reached for the import of certain chemicals over the next few years and the possibilities of cooperation in various fields (economic, cultural, and technical)³ were explored. The only obstacle affecting the cordial relation between India and Iran has been the latter's affinity with Pakistan until the Khomeini revolution. Iran has been candid and outspoken regarding her relation with Pakistan. In an interview with the Times of India in August 1973 the Shah made a statement that India could be completely reassured that unless it attacked Pakistan, it would not face either direct or indirect, the arms Iran was acquiring. Apparently sensitive to the possibility that his qualification regarding an attack on Pakistan might be misunderstood in India where his massive purchase of highly sophisticated military hardware have already caused some concern, the Shah took pain to emphasise that he was convinced that India had no interest in working for the dismemberment of what remained in Pakistan. On the contrary in his view India was as alive to the dangerous consequences

2. IBID. pp 89-90

3. INDIA, a reference annual (1971-72), p.528

of the break up of Pakistan vs Iran. He also said that not only was he not encouraging intransigence on the part of Pakistan, but he was imploring it to pursue a policy of peaceful coexistence and indeed active cooperation with India because it was evident to him that there could be no stability in Asia without it. Iran's own interest required peace in the subcontinent. The Shah was known to be unhappy that his statement affirming support for territorial integrity of Pakistan should have been interpreted in India to imply a willingness on his part of transfer military hardware to Islamabad. That is presumably why he used the occasion provided by the interview to make it clear that he did not doubt India's bonafides.

The exchange of visit by the heads of the two states and identity of stances on divergent national and international issues also give testimony to the longstanding cordial relations between them. The then Indian Prime Minister Mrs. Indira Gandhi paid a four day official visit to Tehran in April 1974. She was given a warm and affectionate welcome by the thousands of cheering people of Iran. She was received by the then Prime Minister of Iran Mr. Amir Abbas Hoveyda, the then Foreign Minister Mr. Abbas Ali Khalatbary and other dignitaries. She was accompanied by the then External Affairs Minister, Sardar Swaran Singh, the then Foreign Secretary Mr. Iqbal Singh, the Prime Minister's Secretary Mr. P.N. Dhar and other Foreign Ministry officials. At a State dinner Mrs. Gandhi said that Iran and India had inherited similar problems and there was wide scope for developing the range and depth of mutual industrial and scientific cooperation. " We welcome Iran's emphasis on regional cooperation in trade and economic development. Idealism and pragmatism are not always in conflict for our own strength we should work for the economic development of entire region." At a press conference on the Security of India.

Ocean Mrs. Gandhi said it was not a matter on which two of them could take a decision. They could only express their view that there should be peace and lessening of tension. She further said although there was no direct threat to India the presence of any one Power in the Indian Ocean would provoke other Powers. This was how tension escalated. It was not for herto say anything about Iran's position but her impression was that Iran would like to see that the Indian Ocean remained an area of peace. Asked for her views on the Shah's idea on having a common market for the Indian Ocean area, she said India had always believed in multilateral and regional cooperation. In today's world it was more important than ever before. That was why any kind of economic cooperation was very welcome. First, it would strengthen the region as a whole. If peace and establtity could be achieved through economic cooperation it could do a lot of good to the international situation. Any kind of regional cooperationshould not be directed against any country. According to a joint communique issued on 2 May 1972 at the conclusion of Mrs. Gandhi's visit Iran was expected to provide credits in excess of one billion dollars to India to help maximise the capacity of its expert oriented industry, establish a joint shipping line with an initial capacity of five lakh tonnes and triple ~~the~~ capacity of the Kudremukh iron-ore project to seven million tonnes. It was for the first time that Iran had agreed to extend soft lones to India. The two countries were now closer to each other in their assessment of the situation in the Indian subcontinent, the Indian Ocean region and West Asia. Mr. Hoveida supported all efforts to settle outstanding disputes

between India and Pakistan through bilateral negotiations and through peaceful means. The two sides also felt that an overall settlement of the West Asia problem could be achieved only through the full implementation of the Security Council resolution of 1967 calling for complete withdrawal of Israeli forces from occupied territories and the just solution of the Palestinian problem. They reviewed the developments in the Indian Ocean and reaffirmed their support for declaring it as a zone of peace in accordance with the UN resolution. The two sides also decided to form a joint shipping line with financial assistance with an initial capacity of five lakh tonnes to operate between the two countries and other routes, which might be agreed upon by the two countries. The memorandum of understanding provided for increasing the production of the Kudremukh iron-ore project in Karnataka from 3.5 million tonnes of pellets per year to 7.5 million tonnes to be exported to Iran as also a study on increasing the capacity of the alumina project to three lakh tonnes, over which Iran would have the first option.⁵

The Shah of Iran and his wife the Shahbanou arrived in New Delhi on 2 October 1974 on a three day state visit. In his welcome speech Mr. Fakhruddin Ali Ahmad the then President of India, referred to the earlier visits of the Shah in 1956 and 1969. He said the constant and frequent exchanges at the highest level were a happy feature of Indo-Iranian relations. At a state banquet Shah referred to the " numerous treaties, agreements and accords between the two countries. A joint

5. The HINDUSTAN TIMES, New Delhi, 3.5.74.

commission for economic, commercial and technical cooperation had also been set up. Before a press briefing Shah emphasised Iran's attitude towards India and Pakistan:

" We will never assist Pakistan if they start an aggressive war against India. I am sure India is not going to start a war for the sake of it. We will support no country in an aggressive move. The question of arms supply to Pakistan is irrelevant in the light of Iran's friendship with India and our cardinal policy of peace in the region. We shall do everything to avoid antagonism between the countries."

He did not think CENTO would have any significant role in the event of another confrontation between India and Pakistan. The heads of both countries reaffirmed their conviction that a peaceful and secure world order can only be achieved by strict adherence by all countries to the principles of the UN Charter, non-interference in the internal affairs of other nations, respect for their sovereignty and territorial integrity, and the inadmissibility of the use of force in international relations for settling outstanding disputes or obtaining territorial gain. Iran and India welcomed the admission of Bangla Desh to the UN and looked forward to Bangla Desh playing its rightful role in the world community. As the members of the UN adhoc committee on the Indian Ocean, India and Iran noted with satisfaction that the concept of the Indian Ocean as a zone of peace free from Great Power rivalry, tension and military escalation, was gaining wider acceptance and support and that there was a growing realisation among states that the implementation of the UN resolution in this regard would contribute towards strengthening international peace and security and promoting the true interest of the littoral States of the Indian

Ocean. They called upon the Great Powers to extend their cooperation in establishing the Indian Ocean as a zone of peace. They agreed that the peace and security of these areas should be the concern and responsibility of the littoral states and that there should be full cooperation among them to achieve this objective. Reiterating their support to the independence, sovereignty and territorial integrity of Cyprus, they called for the fulfilment of the resolutions of the Security Council on Cyprus and expressed the view that the future political arrangements in Cyprus should be worked out through consultations between the two communities in a peaceful climate free from external pressures or interference. Reviewing the situation in Vietnam, they agreed on the urgent need for the full implementation of the Paris Agreement by the parties concerned in order to restore peace and tranquility in that region and enable the people to live free from suffering and war. They also agreed on the necessity of achieving complete and universal disarmament including nuclear disarmament under effective international control. In this connection the Indian Prime Minister welcomed the proposal of Shah to 29th session of the UN General Assembly for the establishment of a nuclear weapon-free zone in the Middle East and expressed the Indian Government's support for this proposal.

The Shah of Iran, accompanied by the Shahbanon visited India during Janata rule also. They arrived in New Delhi on 2 February 1978 to a warm welcome. At a news conference when asked about rejection by Pakistan of his idea of an Asian Common Market, he said he would get a first hand idea about Pakistan's attitude during his stopover at Islamabad. The idea of a common market of Indian ocean riparians was not new in the three

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years since he had proposed it, " many countries have rallied to this idea." He said " his proposal was not in the interest of a few to the detriment of the rest. I think they will all profit by it." On Arab-Israel conflict he said stand on the conflict was based on the principles of the UN charter that no one could use force to take over other people's territory and on the recognition of the right of the Palestinian people. In a joint communique issued on 5 February 1978 at the end of the Shah's visit, Iran offered India additional crude supplies annually on credit terms or lumpsum payment to participate in or finance approved projects " such as the alumina project for the eastern coast deposits of bauxite, paper and pulp factory for Tripura and the second stage of the Rajasthan canal". Crude supplies which would be on credit terms would be at OPEC price. The Prime Minister Mr. Morarji Desai accepted the lucrative offer. Official sources said the additional crude supplies would not be a gift. The detailed agreement would later spell out terms of credit and its repayment in cash or kind. The bulk of repayment was likely to be through products made possible through approved projects. The two leaders reaffirmed their solidarity with the people of Southern Africa in "their just struggle against the forces of racialism, colonialism and exploitation." They hope that the last vestiges of colonialism and racial discrimination in every form would be ended without delay. The two sides agreed on the necessity of achieving complete and universal disarmament, specially nuclear disarmament under collective international control. While reviewing the question of peaceful uses of nuclear energy the Shah reiterated his Government adherence to the Non- Proliferation Treaty. Both sides have

have agreed to cooperate with each other for the development of nuclear science for peaceful purposes. The Shah and Mr. Desai stressed the urgent need for the speedy establishment of a new international economic order based on interdependence, equality and justice. They laid particular stress on the need to reform the international trading system on these principles so as to bridge the gap between the industrialised and the developing countries which if unattended to, would threaten the prospects of peace in the whole world. The two leaders called upon the developed industrial nations to respect the right of developing countries to fair and equitable prices for their export commodities and to have access to advanced technology.

In a joint statement issued simultaneously in New Delhi and Tehran on 2 May 1982 India and Iran called for a just and comprehensive settlement of the Afghan question on the basis of the withdrawal of "all foreign troops and the principles of non-interference and non-intervention. The Statement urged all concerned to work towards such a settlement which would ensure that the Afghan people would determine their own destiny free from outside interference. Actually Russian intervention in Afghanistan had sparked off controversy over India's stance on this issue. Iran the neighbouring country of Afghanistan vigorously condemned Russian move due to her security interest and expected India to join her in the chorus. But the fact that India has not been candid in denouncing Soviet Russia created misunderstanding between India and Iran. But this phase of Indo-Iranian strained relations proved short-lived and the joint

statement by the spokesmen of their respective countries dispelled all suspicions and the cordial relations between the two countries were resorted to. On the Iran-Iraq war, the statement said that the Iranian side had briefed the Indian side on their views. The Indian side had expressed the hope for a just solution of the dispute in the near future. India as a member of the coordination bureau of the non-aligned movement made considerable attempt to end the war but due to intransigent attitudes of both the warring parties and apparently indifferent views taken by the superpowers all talks of peace proved infructuous. Also as the chairperson of the non-aligned movement India's bid for peace has been commendable. Reviewing the situation in West Asia, the two Foreign Ministers reaffirmed their support for the legitimate struggle of the Palestinian people with the Palestine Liberation Organization as their legitimate representative. The two sides agreed to set up in the near future an Indo-Iranian Joint Commission to give a fillip to their bilateral relations in economic, trade, industrial, science and technology, cultural and other fields. They drew up a detailed programme for enhanced economic cooperation.

2. RELATIONS WITH IRAQ :

Iraq is first and foremost an Arab, hence an ardent supporter of Arab, hence an ardent supporter of Arab cause. Besides, in the wake of revolution in 1958 she assumed the character of a non-aligned nation.

The fact that India has been consistently supporting Arab cause and a founder member of non-aligned movement has contributed to strengthening the relations between the two countries in modern times. There has been frequent exchange of visits by the officials and leaders of the two countries. A goodwill delegation comprising Mr. A.P. Sharma the then M.P. and Mir Qasim, a political leader of Jammu & Kashmir, visited Iraq in July 1970. The then Deputy Minister for External Affairs also paid a goodwill visit to Iraq in September 1970 and annual trade talks between the two countries were regularly held. An agreement was signed for increased turn over.

A four member Iraqi delegation led by the then Planning Minister Dr. Hashim Jawaid met the then Indian Minister of Planning Mr. D.P.Dhar and members of the planning Commission in New Delhi in December 1972 and decided to set up an Indo-Iraqi Joint Planning Committee. The Committee had to study and utilize planning activities of the two countries for mutual benefit. The two sides also agreed that consultancy organizations of the two countries, which have already had preliminary discussions during the visit of the delegation, would hold further discussions to arrive at specific collaboration arrangements between them. These contacts are indicative of the fact that both the countries have will to strengthen relations and to benefit from each other.

The then Vice President of Iraq Mr. Saddam Husain was given a warm welcome on his arrival in New Delhi in early 1974 on a three day official visit. Mr. Husain who is one of the top policy makers in his country was received by the then Prime Minister of India Mrs. Indira Gandhi and her cabinet colleagues. Mr. Husain had wide-ranging talks with Indian leaders on bilateral matters particularly the strengthening of economic relations.

9. INDIA, A Reference Annual (1971-72), p. 529

10. THE HINDUSTAN TIMES, New Delhi, dated 24.12.72

Iraq was the first among the oil producing countries to have committed to an agreement with this country for supplying crude for ten years. Virtually speaking relations between India and Iraq grew progressively ever since the Baath party came into power in the country. According to the communique issued, an agreement finalized the establishment of a permanent joint commission charged with overall responsibility for locating new areas of cooperation in economic and cultural fields and their implementation. The joint commission came into existence in 1973 by an exchange of letters between the two Governments. Both leaders expressed their common resolve to see the Indian Ocean develop as a zone of peace. They also expressed the support for Arab cause- vacation of all occupied Arab territories by Izraelis and establishment of an independent Palestinian State.

The Indian Prime Minister Late Mrs. Indira paid an official visit to Baghdad on 19 January 1975. Mrs. Gandhi and the then Vice Chairman of the Revolutionary Command Council Dr. Saddam Husain later held talks in which they stressed the need for Asian countries to stand up against outside interference. Both leaders affirmed their desire to develop and diversify cooperation between the two countries. They also acknowledged that the trade relations had not always been as smooth as could be desired because of occasional bureaucratic delays. On 20 January 1975, Baghdad University departed from its tradition in conferring on Mrs. Gandhi an honorary degree of Doctor of Laws- an honour usually reserved only for Heads of State. Mrs. Gandhi stressed that Indo-Iraq friendship dated back thousands of years and both countries were pioneers of maritime commerce.

In a joint communique issued on 21 January 1975, at the end of Mrs. Gandhi's visit, India and Iraq expressed confidence in increasing possibilities of collaboration between the two countries in the development of the oil industry, setting up of Industrial and transportation projects and developing potential of agriculture and water resources in Iraq. The two leaders said that just peace could not prevail in the Arab region without liberation of all occupied Arab territories and restoration to the Palestinians of their full rights. They reiterated full support of their Governments to the struggle of Palestinian people to regain their homeland. They agreed on the importance of maintaining unity and solidarity of the non-aligned movement and resolved to cooperate actively to ensure success of the movement. The two leaders stressed the importance of the Indian Ocean being a zone of peace; free from foreign military bases and Great Power rivalry and tension. The two leaders called on developed countries to place their economic relations with developing countries on an equitable and just basis. They reaffirmed their conviction that developing countries should also strengthen economic and technical cooperation among themselves in order to achieve^{speedier} and all round progress. They strongly condemned the illegal occupation of Namibia by South Africa in defiance of the UN resolutions.

The then Vice President of Iraq Mr. Taha Marouf visited India in the first week of July 1978 during which he held talks on bilateral matters with the erstwhile Prime Minister of India Mr. Morarji Desai and other leaders. A joint communique was issued on 7 July 1978 in which India and Iraq called for unity and cohesion of the non-aligned movement

so that it remained an effective forum for fostering mutually beneficial cooperation in all areas. The two countries were satisfied that the movement had successfully and effectively emerged as a formidable moral force against all evils confronting mankind, particularly all forms of colonialism, zionism, alien domination and apartheid. The two leaders emphasized the urgent necessity for the recognition by the developed countries of the legitimate rights and aspirations of all the people of the world for economic and social progress. The talks between the two leaders reflected the traditional close ties between the two countries and the earnest desire of both sides to further consolidate their friendship and to expand the areas of mutually beneficial cooperation in all fields. Both the leaders reaffirmed their unflinching support for Arab cause.

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It would not be irrelevant to dwell upon six year old Iran-Iraq war while discussing political relations of India with these two warring states. For one thing, this development has a bearing on Indian diplomacy and for another India is one of the founder members of the non-aligned movement and both the warring countries are the members of the movement. This is a different thing that both are competing in defeating the very objective of the movement- establishment of peace. As a result of the persistent efforts of Yugoslavia to have some mechanism of conflict resolution for the member states within the movement, The Belgrade Ministerial Conference in July 1978 accepted the principle of resolving the disputes bilaterally, through various forms of good offices or within the framework of regional organisations. The Ministerial Conference also agreed that :

the Non-aligned Movement can also help parties to a dispute to prevent, in time, such disputes from developing into armed conflicts and involving foreign interests. In this regard, the Conference examined the possibility when the parties to a dispute do request, of establishing informal adhoc groups for providing good offices to parties in dispute and encouraging peaceful settlements through negotiations, mediation, good offices and other measures embodied in the charter of the United Nations. The composition of these groups would be determined in the light of concrete situations, the nature of conflict and the views of the countries involved in the dispute.

The provision of an adhoc group to help settle conflicts between non-aligned states was invoked in relation to the Iran-Iraq war. The New Delhi Ministerial conference asked the Foreign Minister of Cuba, India, Zambia and the Head of the Political Department of the PLO to exert all possible efforts to resolve the conflict. The groups was asked to work on the basis of the principles of non-use of force, non-aggression, territorial integrity, sovereignty and non intervention (para 86, New Delhi Declaration). After nearly 18 months of tireless efforts the group has almost confessed its failure at its meeting in Geneva in early July 1982, owing to the "absence of any response from Iran." Thus the attempt on the part of India and other members of the movement to end of the Gulf-war yielded no result.

14. Part II, Paras 43 and 44, BELGRADE DECLARATION 1978, as mentioned in the article 'Non-alignment in Asia' by S.D. Muni, published in IDSA JOURNAL Volume XV Number 1 July-September 1982, New Delhi, pp 11-12

15. The TIMES OF INDIA, New Delhi, 14.7.82

3. RELATIONS WITH SAUDI ARABIA :

The political relations between India and Saudi Arabia are marked by the willingness of both the countries to have cordial relations with each other. The facts that Muslims in India constitute second largest majority, Islam emanated from Saudi Arabia and this country has been having an old cultural contacts with India, gave rise to such willingness. It was incumbent upon our country to ensure that the birth of Pakistan as a sovereign independent Islamic state did not come in the way of friendly relations between her and Saudi Arabia. It is true that Pakistan emerged as an adversary to India and has religious affinity with Saudi Arabia still this princely state has been respecting Indian attitude towards the Muslims and has been commending her secular character. The frequent exchange of visits by the officials, diplomats and the leaders of the two countries speak of the truth.

As a routine course Indian good will delegation visits Saudi Arabia at the time of Haz. India has been consistently supporting Arab cause and in pursuance of this policy the official spokesman of the Ministry of External Affairs issued the following statement on the Saudi Plan for peace in West Asia on 20 November 1981.

" The Fahd Plan has been welcomed by us as a declaration of the basic principles of peace in West Asia. The Saudi Peace initiative enunciated by Crown Prince Fahd in his statements elaborating the 8 point peace plan has attracted world attention and is becoming

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an instrument of ^anew hope in the region. The Saudi initiative has rightly included the recognition of the Palestinian issue as one of the important elements of any comprehensive and durable West Asian settlement. As clarified by Crown Prince Fahd himself to the Saudi Press agency later, the plan stressed the need for recognition of the PLO as a reality and as the one legitimate representative of the Palestinian people. Without PLO's ^{no} participation ~~no~~ Palestinian State can be set up. The Saudi initiative is in line with India's general position; consistently stated in various national and international fora. India therefore welcomes the Fahd Plan, as already stated by the ¹⁷Foreign Minister."

At the invitation of Crown Prince Fahd the then Prime Minister Mrs. Indira Gandhi visited Saudi Arabia on 18 April 1982. She was accorded a colourful royal reception in Riyadh and was warmly greeted by prince Fahd. It was the first visit by an Indian Prime Minister in 26 years. The Saudi Prince expressed the hope that her visit would turn a new leaf in Indo-Saudi bilateral relations. Thanking him Mrs. Gandhi said that India greatly valued its relations with Saudi Arabia. The high power Indian delegation included besides the Finance Minister, Mr. K.P. Mukerjee, two Ministers of State, the Principal Secretary to the Prime Minister, four full-fledged Secretaries (of chemicals and Fertilizers, External Affairs, Petroleum and Commerce), the Economic Advisers in the Department of Economic Affairs and quite a few other officials. On 19 April 1982 Mrs. Gandhi and King Khalid decided to make a joint endeavour

to curb Super-Power influence in the region. They agreed that if the countries of the region got themselves trapped in big Power designs, it would only exacerbate tensions and lead to more conflicts and confrontations. Both sides expressed grave concern at the continuing Iran-Iraq war and called for renewed efforts by the non-aligned group of four and the Islamic Conference to halt it. Despite the fact that Saudi Arabia is pro U.S. for all practical purposes Prince Fahd said the super-Powers had vested interests and that developing countries should guard against their moves. Mrs. Gandhi reiterated her opposition to foreign intervention of any kind in other countries. She said such interferences should be condemned and opposed whenever they occur. On Afghanistan she said that India had expressed its views openly as well as in private conversations with the Soviet leaders. Prince Fahd said he understood the significance of India's relations with the Soviet Union and appreciated India's efforts to improve its ties with the U.S.A.

In a joint communique issued on 20 April 1982, at the end of Mrs. Gandhi's visit India and Saudi Arabia underlined the importance of maintaining an atmosphere conducive to further negotiations between Pakistan and India to attain the objectives of non aggression and non-use of force. They agreed that consolidation of Indo-Pak relations would contribute to the security, stability and peace in South Asia and the entire region. India stressed its desire to establish peaceful and harmonious relationship with all countries, including Pakistan. The two sides agreed that the stability and security of the Indian subcontinent and the Gulf-region

were closely interlinked. It announced the decision to set up a joint Economic Commission which would hold its first meeting in October 1982. It was proposed that a delegation of Saudi businessmen and industrialists should visit India soon to further explore the possibilities of mutual beneficial cooperation. The Saudi side appreciated India's consistent and firm policy of support for the Arab cause. Mrs. Gandhi reiterated that India would continue this policy. In this context, She welcomed Crown Prince Fahd's eight point peace plan as a "constructive initiative towards achieving a just and durable solution to the West Asian problem." Noting with grave concern the escalation of Great Power rivalry in the Indian Ocean, the two sides urged these powers to "reduce progressively and eliminate eventually their presence." India welcomed the establishment of the Gulf Cooperation Council- and appreciated the "resolves of its members to keep the region free from any interference." The two sides recalled with profound satisfaction the age old Indo-Arab relations and stressed that in the recent years India's traditional relations had developed into a multi dimensional relationship with Saudi Arabia as also with other Arab countries.

In pursuance of the decision taken during Mrs. Gandhi's visit to Saudi Arabia to set up a Joint Economic Commission, its first meeting was held in August 1983. At the end of the first meeting of the Commission in New Delhi on 11 August 1983 India and Saudi Arabia agreed to further strengthen their bilateral cooperation in various fields. Besides signing

a protocol on cooperation and an agreement on a Rs. thirty crores Saudi assistance for the Koraput Raigad railway line project, the two countries also agreed to consider long-term arrangements for the exchange of Indian iron-ore with Saudi sulphur. The leader of the Saudi delegation and co-chairman of the Joint Commission Sheikh Mohammad Abal Khail and the then Commerce Minister Mr. Vishwanath Pratap Singh discussed the possibility of exchange of Indian iron-ore and Saudi sulphur during their meeting. They agreed that the joint Commission could be used for strengthening trade ties and finding new avenues for commercial exchanges. They also considered scope for joint ventures consultancy services in the context of expanding economic cooperation. Mr. Singh suggested that Saudi Arabia should lift the ban on import of meat from India in view of the tightened quality control and pre shipment inspection by Indian authorities. The Saudi Minister promised that once his country's conditions were satisfactorily maintained the matter would be reviewed. All the five committees of the joint Commission completed their work before the protocol was signed.

4. RELATIONS WITH KUWAIT :

Among the major Gulf - states Kuwait is the only state which has evolved a system of responsive government. Besides, this is the only country in Arab world that bears true character of ^a non-aligned nation. These two facts are sufficient to bring this country close to India which is the largest democracy of the world and is a founder member of the non-aligned movement. It was due to this affinity that the then External Affairs Minister of India Sardar Swaran Singh visited Kuwait

in February 1973 and the two countries agreed on 15 February 1973 to form a special committee to study Joint ventures.

The Kuwait Foreign Minister, Sheikh Sabah Al Ahmad informed that their talks had centred on boosting economic and industrial cooperation. India and Kuwait agreed to set up an inter-government joint committee for economic and technical cooperation. The committee would meet at officials' level at least once in a year in India and Kuwait alternatively. The two sides reaffirmed their dedication to the policy of non-alignment and stressed the necessity of coordination among the non-aligned countries for making a positive contribution to world peace. The two countries reaffirmed their commitment to the principles of peaceful co-existence mutual respect and non-interference in others' internal affairs. The Kuwaiti side shared India's stance on the Arab-Israeli conflict and on the African peoples struggle against colonialism and racialism.

Sheikh Jaber-Al-Ahmad Al-Jabar Al-Sabah, the Emir of Kuwait received a very warm welcome when he arrived in New Delhi on 9 September 1980 from Islamabad on a three day visit. This was the first visit by an Emir of Kuwait to India. The President Mr. N. Sanjiva Reddy, the Prime Minister Mrs. Indira Gandhi, her cabinet colleagues, Defence Services Chiefs, Senior officials and diplomats greeted the Emir. Recalling the age-old contacts between the Kuwaitis and Indians, he said India was a cradle of an original civilization that flourished thousands of years ago. "This land has witnessed such monumental sublime vestiges of Islamic civilization

as the entire humanity has to be proud of." Indian skilled workers were already playing a significant part in the development of Kuwait which has attracted eighty thousand Indians in the wake of its oil boom. Kuwait which has the highest per capita imports in the world has about eight hundred Tata buses plying on its roads. India ranks seven on the list of exporters to Kuwait. Indian exports include traditional and non-traditional items. The Emir and the then Prime Minister Mrs. Indira Gandhi viewed with grave concern the growing escalation of Great Power rivalries in the region which lead to increasing tensions and conflicts. They called on all concerned to convert the Indian Ocean into Zone of peace and keep the Gulf free of Great Power rivalry. India appreciated the courageous stand taken by Kuwait against foreign military presence in the Indian Ocean. The two leaders viewed with gravity the developments in West Asia which had assumed ominous dimensions because of Izrael's expansion, aggression and intransigence. They emphasized the urgency of finding a just and durable solution based on complete withdrawal of Izrael from all occupied Palestinian and Arab territories including Arab Jerusalem. The Kuwaiti side expressed its appreciation of the consistent and solid support extended by India to the Arab cause. They reaffirmed their adherence to the basic principles of non-alignment. The two leaders fully supported the just struggle of the peoples of South Africa and elsewhere against colonialism, apartheid and racial discrimination. Mrs. Gandhi expressed her appreciation of the financial assistance offered to India under the Kuwaiti Fund for Arab Economic Development. The Fund would attach importance to the programme of development that fell within its specialisation, particularly those related to the energy sector.

Mrs. Gandhi visited Kuwait in May 1981 and had discussions with the Emir of Kuwait Sheik Jabar. Al-Sabah and the Crown Prince and Prime Minister Sheikh Saad Abdullah Al Saleem Al. Sabah. The communique issued after her visit to Kuwait showed close similarity in perceptions and views on a wide range of issues which were covered during the talks in Kuwait. In the discussion on world situation, the leaders of the two countries noted with concern the deterioration in international environment, the persistence of ~~tension~~. In this connection, it was stressed that the policy of non-alignment was indispensable for the promotion of international peace, cooperation and progress. It was felt that there was need more than ever before to reassess the role of the non-aligned movement as an independent non-bloc factor in international relations and as a positive moral and political force for preserving and strengthening peace and security in the world. The two sides reaffirmed their unflinching support to the Arab cause and were convinced that no solution of the problem could be found without the participation of PLO as a full partner in any negotiations. The two leaders condemned the Israeli aggression against Lebanon and Israel's illegal intervention in the internal affairs of that country, and called for an urgent and peaceful solution based on the maintenance and respect for sovereignty, independence and unity of Lebanon.

On the situation in Afghanistan, the leaders called for an urgent, peaceful and comprehensive political settlement of the question on the basis of the full respect for the independence, sovereignty, territorial integrity and non-aligned status of Afghanistan, the withdrawal of foreign troops and strict observance of the principles of non-intervention and non-interference. Expressing deep concern and distress at the Iran-Iraq

conflict, the leaders hoped that Iran and Iraq would resolve their differences peacefully. They expressed their full support for the efforts being made to restore peace between the two States. The leaders called for total support of the decisions taken by the Non-Aligned Foreign Ministers' meeting on Namibia held in Algiers in April 1981. The leaders expressed their grave concern over the increasing exaltation of Great Power presence in the Indian Ocean area notwithstanding the express wishes of littoral and hinterland States of the Indian Ocean. They reaffirmed the need to redouble efforts for the speedy implementation of the Declaration of the Indian Ocean as a Zone of Peace. Mrs. Gandhi expressed her satisfaction at the establishment of the Gulf Cooperation Council and her sincere wishes for the success of this step. On the international economic situation, the leaders noted with deep concern the acute crisis facing the world economy and in particular the developing countries. They underlined the urgent need to make structural changes in the present international economic system that alone could enable the effective application of the new international economic order. Reviewing bilateral relations between India and Kuwait Mrs. Gandhi expressed her Government's appreciation for the assistance that had been extended over the past few years by the Kuwait Fund for Arab Economic Development. In mid 1981 Govt. of India made relaxations by permitting equity investment from oil exporting developing countries in industrial and other projects in India.

The Problem with the study of Indo-Gulf relations has been that we dont have abundant authentic material on this subject. We get indirect references to these relations while studying the ancient civilizations.

which developed and prospered in course of time along the banks of India, Nile and Euphrates. Those civilizations have had positive effects on the people of the Indian subcontinent due to the remarkable quality of - assimilation they possess. In consequence, a process of acculturation set in and the land of the Ganga witnessed the dominant movement of social egalitarianism. The medieval period should be taken as honey-moon era of Indo -Gulf relations due to the cultural and scientific contacts of wide dimensions during the period between the people of the two regions. Thereafter the contacts between them marked a decline until the awakening of national- selfconsciousness among these peoples in the modern period. The edifice of colonialism suffered a severe jolt when the realisation of independence, sovereignty and the idea of self determination dawned upon the people of these regions. The Governments of the two regions identified the similarity of interests and political aspirations and perceived the ill- designs of Great Powers in Palestine for the creation of a Zionist State to serve the interest of her benefactor. The Indian National Congress adopted a clear position on Palestine and articulated a firm opposition to new colonialism and expansionism.

Due to the distinct situation of the coastal Arab states their contributions and activities differ from rest of the Arab world. Since they had vast seas before them they were not bothered about knowing the mysteries of the mirage land of the desert. They were not interested in trade along the various 'caravan' routes. Instead they concentrated in piracy and maritime trade. They developed the science of navigation and devoted their energies to making geographical discoveries. In pursuance of these objectives the Gulf people reached the rich lands of Asia and Africa and established settlements therein. Among the settlements they made in far away areas Malbar in India is noteworthy.

So far as India's relations with Iran in modern period, is concerned the setting up of Indo-Iran Joint Commission and its yearly meeting deserve first mention. Through the meeting of the commission the two sides have been able to explore the possibilities of cooperation in various fields (economic, cultural and technical). Ofcourse Pakistan's close relations with Iran (until Komeini Revolution) has been a factor in India's policy towards Iran and an obstacle in the way of cordial relations between the two countries. In an interview with the times in August 1973 the Shah tried to dispel the apprehension in India about Iran's arms transfer to Pakistan. He made it plain that Iran would not extend arms assistance to Pakistan unless she was attacked by India. Actually break up of Pakistan hurt the feeling of Shah as well as Iranian people. He emphasized that the peace in the subcontinent was in the interest of all parties-India, Pakistan and iran. Shah was candid in stating that he did not doubt India's bonafides. During the visit of Mrs. Gandhi to Iran in April 1974 she stressed that both the countries were confronted with more or less the same problems inherited by the expansionist ambitions of Great Powers. There was wide scope to diversify the cooperation in various fields, specially science and industries between the two countries. She welcomed the Iran's proposal on regional cooperation in economic development and underscored the need to work for the economic development of the entire region. She pointed out the implied danger due to the presence of Big Powers in the Indian Ocean. She also agreed with the Shah on having a common market for the Indian Ocean area that should help achieve peace and stability in the region but simultaneously warned that it should not be directed against any country. Mrs. Gandhi's visit yielded tangible results. Iran was prepared to extend loan in excess of one billion dollars to India to maximise the capacity of its export oriented industry. Iran for the first time agreed to give soft loan to India and there was identity of views of the two leaders on international situation. The decision between

the two countries was not a mean achievement.

The constant and frequent exchanges at the highest level were a happy feature of Indo-Iranian relations. Shah reciprocated appropriately by paying a return visit to India in October 1974. It was not the first time that Shah visited India, earlier he had visited this country in 1956 and 1969. She stressed the basic principles of Iranian foreign policy as under :

1. Iran shall never be an aggressor.
2. Iran shall promote peace in the world.
3. Iran shall avoid antagonism between the countries.

The cardinal principles of Iranian foreign policy imply that by the early 70s Iran had adopted the character of a true non-aligned nation. In order to dispel the fear of India about her intention Iran recognized Bangladesh and welcomed her admission to the United Nations. India and Iran both as the members of the UN adhoc committee on the Indian Ocean promoted the concept of the Indian Ocean as a zone of peace. Due to their joint endeavour the concept gained wider acceptance and support at international forums. Both the leaders supported the independence and territorial integrity of Cyprus and emphasized the need to implement the resolutions of the Security Council on Cyprus and warned against external interference or pressures. On the issue of Vietnam the two leaders stressed the need for the implementation of the Paris Agreements by the parties concerned for achieving peace and stability in that region. They also advocated total disarmament under effective international control. India also supported Iranian proposal to establish a nuclear-weapon free zone in the Middle

East. During Shah's visit to India in the wake of the installation of Janata Government he dwelt upon his proposal of an Asian Common Market at length. He stressed that he would seek Pakistan's acquiescence with the proposal during his stopover at Islamabad. Actually Pakistan had expressed her displeasure with the idea. Shah made it clear that this proposal would benefit all the countries of Asia, it was not in the interest of a few to the detriment of the rest. In a joint communique at the end of his visit Shah reaffirmed firm support of his Government and people for the Arab cause. He offered additional curde supplies on the terms favourable to India. He also accepted to extend soft loans to our country to finance certain projects. The two leaders also expressed sympathies with the blacks of South Africa and strongly condemned the policy of apartheid adopted by Pretoria regime. Both sides advocated the development of nuclear energy for peaceful purposes. Both the leaders called upon the big powers to help in the establishment of a new international economic order based on interdependence, equality and Justice. They pleaded for the reform of international trading system and the abandoning of growing protectionism by the developed countries.

Two events brought about drastic change in the perceptions and the views of the leaders of the two countries- Khomeini revolution in Iran and Russian intervention in Afghanistan. In Iran in the wake of the revolution muslim fundamentalists came to power. The killing of Muslims in India during riots agitated the Iranian Government and India's stand on Russian intervention in Afghanistan further affected Indo-Iranian relations. An atmosphere of surpicion between the two countries prevailed.

This followed the frequent exchange of visits by the officials of the two countries. The old cordial relations were restored to when the Indian Government assured its Iranian counterpart of the protection to the rights of Muslim minority and shared the Iranian concern for her security owing to the foreign intervention in her neighbouring country. In May 1982 India expressly condemned the outside interference in any country of the world including Afghanistan. The attempt on the part of India, as the chairperson of non-aligned movement to end Iran-Iraq war reinforced the Iranian confidence in Indian bonafide. Iran came closer to India on Palestinian issue after having severed her trade relations with Israel. Both the Government have agreed to set up an Indo-Iranian joint Commission to boost their bilateral relations in various fields.

So far as Indo-Iraq relations are concerned, the fact that Iraq is a staunch Arab and a member of the non-aligned movement is a natural cause for drawing India and Iraq closer to each other. India's consistent and unflinching support to Arab cause and her being a founder member of the non-aligned movement are common knowledge. The exchange of visits by bureaucrats and political elites of the two countries has contributed to strengthening the relations in various fields. The decision to set up an Indo-Iraqi Joint Planning Committee in December 1972 when Planning Minister of Iraq visited New Delhi, speaks of the fact that both the countries have the will to forge a beneficial relations between them. The visit of the then Vice President of Iraq Mr. Saddam Husain to India paved the way for the setting up of a permanent Joint Commission charged with the task of exploring new areas of cooperation in economic and cultural fields. Among oil producing countries Iraq was the first to have

committed to supply crude to India for ten years. Both the leaders expressed their willingness to see the Indian Ocean develop as a zone of peace. During Mrs. Gandhi's visit to Iraq in January 1975 the two leaders warned the Asian countries against outside interference. They acknowledged that the trade relations between the two countries could not reach desired level due to their ignorance of the areas of cooperation.

The conferring of the honorary degree of Dr. of Laws on Mrs. Gandhi is significant in that Baghdad University had made a departure from its tradition since the degree is usually meant for a head of the State. Mrs. Gandhi recalled the historical fact that India and Iraq had been pioneers of maritime commerce. The two leaders laid emphasis on increasing cooperation in industrial field in general and oil industry in particular. They reaffirmed the support of their Governments to the struggle of the Palestinian people to regain their homeland. They wished the maintenance of the unity and solidarity of the non-aligned movement and to actively work for its success. They lashed out at Pretoria Government for its illegal occupation of Namibia flouting the UN resolutions. During Janata rule there was no tangible change in Indian policy towards Iraq. The highlights of the communique issued at the end of the visit of Mr. Taha Marouf, the then Vice President of Iraq, to India, were the same as those of the earlier communique issued during Congress rule. No doubt the Iran-Iraq war has had bearing on Indian diplomacy. It is reflected in India's attempt as the member of the Non-aligned Coordination Bureau to end the war. This is different thing that both the warring countries are the members of the movement and they are competing in defeating the very purpose of the movement-establishment of peace.

Indo-Saudi relations are based on the fact that Muslims constitute the second largest majority in India and Saudi Arabia is the birth place of Islam. It is in India's interest to have cordial relations with Saudi Arabia in view of the emergence of Pakistan, so that India is not isolated from the Islamic world and not exposed to risk of losing the benefit of oil bonanza. It is also incumbent upon India to show to the world the success and Justness of her policy of secularism. It has to be established that the rights of the Muslims in India are better protected than the rights of those in Islamic states. A good-will delegation visits Saudi Arabia regularly at the time of Haj. India extended unequivocal support to Fahd Plan. The plan stressed the need for recognition of the PLO as a reality and as the legitimate representative of the Palestinian people. The visit of Mrs. Gandhi to Saudi Arabia in April 1982 marks the first visit by an Indian Prime Minister in 26 years. During her visit it was hoped that it would turn a new leaf in Indo-Saudi bilateral relations. Saudi Arabia displayed extraordinary capacity to accommodate Indian sentiments by expressing readiness to make a joint endeavour to curb super Power influence in the region. It is noteworthy that Saudi Arabia is fairly pro-U.S. Both the leaders were concerned about continuing Iran-Iraq war and advocated to continue the efforts to end it through various fora. Saudi Arabia generally inimical to Soviet Russia, acknowledged the significance of India's relations with the U.S.S.R. and appreciated India's position on Afghanistan. Saudi Arabia stressed the need to maintain an atmosphere conducive to further negotiation between Pakistan and India on the basis of basic principles of non-aggression and non-use of force. Friendly relations between these two neighbours are a must if security and stability in South Asia have to be achieved. They affirmed that the security of the Indian subcontinent was closely interlinked with the security of the Gulf region. A joint Economic

Commission was also set up during Mrs. Gandhi's visit. India welcomed the establishment of the Gulf Cooperation Council and hoped that it would keep its activities free from Great Power influence. The Indo-Saudi Joint Economic Commission during its first meeting in New Delhi in August 1983 explored the possibility of expanding trade and increasing technical cooperation between the two countries.

India and Kuwait came close due to the fact that this is the only country in the Gulf that has broad-based democratic political institutions and that represents true character of a non-aligned nation. Her foreign policy can be termed as 'equidistance from both the superpowers.' On the issue of Iran Iraq war while other members of GCC (Gulf Cooperation Council) were in favour of inviting the U.S. for intervention, Kuwait was the only member which advocated self-reliance. During the visit of Mr. Swaran Singh (the then Foreign Minister of India) to Kuwait in February 1973, the Foreign Minister of that country Sheikh Sabah Al Ahmad affirmed the basic principles of non alignment and both the leaders underlined the need for cooperation among the members of the movement for furthering the cause of world peace. Both the sides agreed to set up an inter Governmental Joint Committee for economic and technical cooperation.

The exchange of visits by the Emir of Kuwait Sheikh Jaber Al-Ahmad Al-Sabah and the then Indian Prime Minister Mrs. Indira Gandhi contributed to further strengthening the relations between India and Kuwait. During the Emir's visit to India the age-old contacts between the two countries were recalled and the Emir dubbed India as a cradle of

original civilization' that flourished thousands of years ago. The Emir acknowledged the role of Indian technicians and engineers in the development of Kuwait. India stands seventh on the list of exporters to Kuwait. The Emir and the Prime Minister expressed concern over escalation of Great Power rivalries in the region. They called upon all concerned to attempt to convert Indian Ocean as a zone of peace and the Great Powers to keep away from the Gulf and Indian Ocean areas. The two leaders also voiced their opposition to the expansionist and aggressive policy of Izrael in West Asia. The views of the two leaders on other international issues such as Palestine and South Africa were also found identical. Mrs. Gandhi appreciated the offer of Kuwait regarding the financial assistance to India from the Kuwait Fund for Arab Economic Development. This aid had to be utilized in energy sector.

During Mrs. Gandhi's visit to Kuwait in May 1981 the two leaders underscored the relevance of non-aligned movement in present international context. They emphasized the need to reassess the role of the movement as an independent non-bloc factor in international relations and as a moral force for furthering the cause of peace in the world. They urged the importance of Palestinian participation in any peace talks for a just and durable solution of the problem. They also condemned Izraeli aggression against Lebanon. India shared the Kuwait's concern over Russian intervention in Afghanistan. Though she (India) did not expressly condemn Soviet Russia but India alongwith Kuwait advocated complete withdrawal of foreign troops from the territory of Afghanistan and restoration of independence, sovereignty and non-aligned status of Afghanistan. Both

the leaders were concerned about the continuance of Iran-Iraq war and hoped that both the warring parties would resolve their differences peacefully. Mrs. Gandhi hailed the establishment of Gulf Cooperation Council and wished it all success. Mrs. Gandhi opined that this organization could play a constructive role in bringing about peace in the Gulf-region. They pleaded for drastic reform in world economic system that alone could enable the effective application of the new international economic order in which there should be an equitable system of commodity exchange between nations and fair terms for transfer of resources, capital and technology.

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CHAPTER IIICULTURAL AND TECHNICAL RELATIONS BETWEEN INDIA AND THE GULF STATESCULTURAL RELATIONS :

There is hardly any country in the world with which we have better, warmer and more cordial relations than the Gulf States. India's cultural relations with these countries as has been discussed in the first Chapter, date back to pre-historic times. As mentioned earlier the Harappans, Dravidians and Aryans wove the webs of many cultures in India. Recent excavations provide an insight into the traditional cultural relations between the Indian subcontinent and the Gulf region. It is welcome that the continuity of that old relation between these two regions is maintained so far. In course of exchange of visits between the leaders and officials of the two sides the cultural relations have received impetus in modern times. The study of this relationship is undertaken one by one as follows:

RELATIONS WITH IRAN :

The third meeting of the Indo-Iranian Joint Commission was held in Teheran in December 1970 in which cultural relations between the two countries were discussed at length. Indian students were offered fellowships and it was decided that the cultural troupes of the two countries would exchange visits. In pursuance of such decisions India and Iran signed in Tehran on 7 October 1973 an agreement for the expansion of cultural ties. The agreement which covered the period 1974-75, provided for cooperation between them in the fields of science, culture, exchange of teachers and students and sports. It also provided for collaborative

1. INDIA (A Reference Annual 1971-72) p. 528

programmes for archaeological field work, cooperation between their respective libraries and museums in respect of exchange of Manuscripts and seminars of scholars and senior teachers to evaluate human values. The agreement was signed by the then Minister for Education, Welfare and Culture Mr. Murul Hasan and his Iranian counterpart Mrs. Farrokhru Parsay.²

A cultural exchange programme envisaging cooperation between India and Iran in fields of science, education, culture and arts for two years was signed in New Delhi on 12 December 1973. The programme, which was signed in pursuance of Cultural Agreement between India and Iran on 1 December 1956, provided for cultural cooperation in the fields of radio, television, press and sports. It also provided for the exchange of scientists, scholars, educationists, writers, journalists, artists and sportsmen, besides the exchange of dance and music groups, art exhibitions, books, radio and T.V. material and award of scholarships.³ In pursuance of the expansion of cultural contacts India and Iran signed in Teheran in the third week of April, 1978, a three year cultural exchange programme for 1978-80. The programme contained nearly fifty items ranging over activities in the fields of art and culture, higher education and science, radio, T.V. press and sports. The two countries also agreed upon participation in film festivals organized by either sides, besides cooperation in the fields of radio, television and production of documentary and feature films. They also agreed to exchange dance and music ensembles, besides exchanges of

2. THE TIMES OF INDIA, Bombay, dated 8.10.73

3. ASIAN RECORDER 1974, New Delhi, p. 11799

exhibition of books and publications between the universities of the two
4
countries.

2. RELATIONS WITH IRAQ :

Iraq and India signed in Baghdad on 20 April 1973, a Cultural Agreement replacing one concluded in 1954. The agreement provided for expanding and consolidating cultural ties between the two countries. The two countries would exchange teachers and scientists and grant each other scholarship facilities at higher educational institutions. Mr. Hisham Shawi, the then Iraqi Minister for Higher Education, and Mr. K.R.P. Singh the erstwhile Indian ambassador in Baghdad, signed the accord on behalf
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of their respective countries. After a few months another Cultural agreement was concluded the same year by the same parties. The new agreement took into account the present day relations in the two countries and sought to promote Education and Scientific Research and existing age-
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old cultural ties between the peoples of Iraq and India. During Mrs. Gandhi's visit to Iraq in January 1975, Baghdad University conferred an honorary degree of Doctor of Laws on her. Actually in doing so the University made a departure from its tradition since this honour is usually reserved for Heads of State. It testifies the depth of long
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standing cultural ties between the two countries.

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4. ASIAN RECORDER 1978, NEW Delhi, p. 14345
 5. THE TIMES OF INDIA, Bombay dated 21.4.73
 6. ASIAN RECORDER 1973 New Delhi, p. 11531
 7. THE TIMES OF INDIA, Bombay, dated 21.1.75

Iraqi news agency, IIA, opened on 15 January 1976 news bureau in New Delhi to project India's correct image in the Arab world. The bureau was opened in collaboration with the Press Asia International. In a message of greetings, Mrs. Gandhi expressed the hope that the venture would go a long way to promote Indo-Arab relations. India and Iraq signed a three year programme in New Delhi the same day for cooperation in education, science and technology, arts and culture, sports, health, radio, T.V. Press and films which provided for exchanges of teachers, scientists, research scholars, artists, writers, sportsmen and Journalists. In April 1979 the cultural tie between the two countries was renewed when a cultural exchange programme was signed between them envisaging cooperation in the fields of education, culture and science. Both the sides would exchange academicians in humanities, engineering, medicine and science, Closer relations would be encouraged between the universities and institutes for engineering, agriculture and pure sciences. Experts in the fields of archaeology, mass media, youth activities, sports and performing arts would visit each other's country.

India also signed a cultural exchange programme with Iraq in New Delhi on 1 July 1982. The programme signed by Mir Nasrullah, Additional Secretary in the Ministry of Education and Culture, covered a wide range of activities in the field of education, culture, science, mass media, sports, youth and tourism. It also provided for the conclusion of two protocols on cooperation in the sphere of information and mass media, and the equivalence of degrees diplomas awarded in both countries.

8. ASIAN ALMANAC 1976, Singapore, p. 7820

9. ASIAN RECORDER 1979, New Delhi, p. 14832

10. THE TIMES OF INDIA, New Delhi dated 2.7.82

3. RELATIONS WITH SAUDI ARABIA :

There have not been official level cultural contacts between India and Saudi Arabia in modern times. No doubt private individuals and organizations have been maintaining such contacts. Two factors account for this cultural gap in present days- conservative political system and linguistic parochialism. The conservative regime of Saudi Arabia has been resisting modern current of thought that might undermine the basic structure of its political system. Their thinking is incompatible with the modern ideas of equality, liberty and fraternity. Linguistic parochialism is the offshoot of this actuality. The royal family would welcome only those men and material and these principles and ideas that may not prove a threat to their rule of medieval style. Only Arabic knowing people are welcome in Saudi Arabia. In Universities and colleges the medium of instruction is Arabic. All subjects but those of professional courses are taught in Arabic. The objective is that Saudi people may not be exposed to political education. That is why there has been no exchange of academicians, scholars and students between the two countries in recent times. It is well known to Saudi rulers that India is the largest democracy of the world and its citizens infected with the germs of democracy may disseminate them among Saudi people and thus damage the traditional regime of that country. The height is that Western technocrats are preferred to Indian ones. Only people engaged in promoting Islamic cause, such as Muslim theologians, members of Jamaat-i-Islami and 'Tableeghi Jamaat', who have nothing to do with the politics are hailed in Saudi Arabia. One of the top Muslim theologians Maulana Syed Ali Nadwi has received Shah Faisal award for his Arabic proficiency. Any way,

the relations between the two countries in other fields (political, economic, technical) have developed considerably and we should be optimistic about the promotion of cultural relations as well in the near future.

4. RELATIONS WITH KUWAIT :

Indo-Kuwaiti cultural contacts in recent times have been rare. A cultural agreement between the two countries was signed in early 70s. But thereafter the cooperation in cultural field ceased to exist. Though Kuwait has the distinction of having a responsive government among the Gulf states, but linguistic parochialism still prevails there. This is a great hurdle in the way of promotion of cultural relations between India and Kuwait. But since the Emir of Kuwait has broad outlook towards politics and has respect for the aspirations and expectations of the peoples of the two countries we should hope that cultural relations between two peoples shall develop in course of time.

Cultural and technical relations between India and four major Gulf states deserve elaborate assessment so that we may find out something distinct and new. As discussed at the outset the cultural relations between India and the Gulf countries date back to prehistoric times and there has been no let up in such relations throughout the ages. Its continuity is maintained in modern times as well. So far as Indo-Iranian cultural relations are concerned, the existence of Indo-Iranian Joint Commission has been helpful in boosting such ties between the two countries progressively. Cultural contacts are a must for the training of mental or moral powers of the people of the countries concerned. Both Iran and India have been well known for their cultural heritage. There has been exchange of

cultural troupes between India and Iran for the promotion of culture. The Indian students were also offered fellowships by Iranian Government. These decisions were given effect by signing an agreement in October 1973 which marks the expansion of cultural ties between India and Iran. The agreement covered various fields including culture, sports and science and technology. It also included the fields of archaeology and general education. A similar agreement was signed between the two countries in December 1973, providing for cooperation in the fields of press, sports, radio and television. Actually it was the extension of an agreement originally signed in December 1956 which had also included exchange of dance and music troupes. The 1973 agreement excluded the items of dance and music perhaps due to the growing influence of Muslim fundamentalists in Iran. In April 1978 India and Iran signed in Tehran a three year cultural exchange programme containing a wide range of items including dance and music. It is interesting to note that in previous agreement the Shah excluded the items of dance and music but the agreement of 1978 had contained these items. It reflects the Shah's animosity towards the Muslim fundamentalists during the last days of his rule. The cultural exchange programme not only contained dance and music but also there was provision of mutual participation in film festivals and cooperation in the production of documentary and feature films.

The Indo-Iraqi Cultural Agreement was originally signed in 1954 and that agreement was replaced in April 1973 that aimed to expand and consolidate the cultural relations between India and Iraq. The agreement contained the provisions of the grant of scholarships to the University

students of each other's country and the exchange of teachers and scientists. This agreement was followed by another agreement of the same nature purported to promote age old cultural ties between two peoples. Mrs. Gandhi's visit to Iraq in January 1975 marks a milestone in the annals of Indo-Iraqi cultural relations in that Baghdad University had conferred the degree of Dr. of Laws on her making a departure from its established practice. This honour is generally meant for Heads of State. It speaks for the deep rooted cultural contacts the two countries have been cherishing. The move of Iraqi news agency to open news bureau in New Delhi in January 1976 was hailed in India. The objective was to present before the Arab World correct image of India. Actually India has been in extreme need of such step because India's domestic as well as foreign policies were often criticized in Arab world due to misinterpretation of events in Indian subcontinent. Communal riots in India and her strained relations with Pakistan have been factors hurting the sentiments of Arab people. Mrs. Gandhi aptly observed that the venture would be conducive to the promotion of Indo-Arab relations. It is also noteworthy that the change of Government in India in 1977 did not affect its relations with Iraq or any other Muslim countries including Pakistan. The then Foreign Minister Mr. Atal Bihari Bajpai, who till the other day had been the spokesman of a communal Hindu Party, turned most secular the moment he came to power. He visited most Muslim countries of the world and took all possible measures conducive to promoting better relations between India and them. During Janata rule the cultural tie between India and Iraq was renewed and a cultural exchange programme was

was signed. The programme included cooperation in the fields of culture, science and education. They also agreed to encourage closer relations between the universities and institutes of the two countries in pure sciences, engineering and agriculture. It also envisaged exchange of visits to each others country in thefields of sports, performing arts, mass media and archaeology. It is noteworth that cooperation in the field of science and technology was given priority by both the countries. The reason for this priority is that both want to catch up with other industrialised nations of the world. Another contributory factor in Indo-Iraqi cooperation in cultural field is that the leaders of both the countries have broad outlook towards politics and prefer to encourage free exchange of ideas between the two peoples, That is why in cultural agreement between them there has been provision for exchange of academicians, research scholars and students of all branches of studies, No doubt the continuing Iran-Iraq war has dealt a severe folt to cultural contacts due to the deteriorating economic condition of Iraq as well as the bombing of civilian population by both the warring nations. The signing of cultural exchange programme by the two countries in July 1982 is significant for two reasons. For one thing, it covered a wide range of activities in various fields i.e. sports,youth,tourism, science, mass-media,culture and educating. For another it recognized the equivalence of degrees dipolmas secured by the students of both the countries. Thus it opened up new avenues to the job aspirants in India and Iraq.

As has already been mentioned the official level cultural contacts between India and Saudi Arabia have been absent in modern times. It has been due to her conservative political system and linguistic parochialism. Although cultural ties between India and Kuwait has not been totally absent in recent times but of course rare. There also the relations suffer from linguistic parochialism. But due to the broadbased polity of Kuwait and open outlook of her Emir towards politics we should be optimistic about the development of cultural links between the two countries with the passage of time.

TECHNICAL RELATIONS :

Technical cooperation i.e. cooperation in the field of science and technology between India and the Gulf-region is not a new phenomenon. As has already been discussed, the Gulf people are indebted to India in the field of medicine, astronomy and mathematics. Indian physicians and medical systems enjoyed a wide reputation even in pre-Islamic Arabia. The famous pre-Islamic Persian Academy of Gondeshapur invited Indian physicians to meet their counterparts and a curious blending of sciences took place there. Indian astronomy also made great impact on Arab world. The celebrated Indian astronomical work Surya Sidhanta brought by the physician Kuttka to the court of the newly founded capital Baghdad was translated into Arabic under the name of 'As-Sind Hind.' The continuity of such relations is still maintained. The fact that India possesses largest technical manpower in the world and the Gulf states have secured phenomenal economic power due to their oil bonanza provided best opportunity for fruitful cooperation between the two regions. The study of such cooperation is undertaken countrywise as follows :

1. RELATIONS WITH IRAN :

The Third meeting of Indo-Iranian Joint Commission held in Teheran in December 1970 is significant in that it investigated the possibilities of a greater exchange of expertise and components between industrial units in India and Iran. In this meeting India offered fellowships and services of experts to help Iran in the development of its small -scale industries.¹¹ He visited of Sardar Swaran Singh, the then External Affairs Minister, to Iran in February 1974, has been of crucial importance so far as economic and technical cooperation between the two countries are concerned. The two sides agreed in principle to establish joint venture fertilizer plants in Iran. Besides in order that industrial capacity in India might be further expanded to meet the rapidly growing needs of Iran for various commodities, it had been decided to set up a Joint Committee of experts with the objective of identifying industries in India which were of interest to Iran and determine the best manner in which Iran could assist to expand production so that the products in required quantities could be made available to that country.¹² During Mrs. Gandhi's visit to Iran in April 1974 she emphasized that there was wide scope for developing the range and depth of mutual industrial and scientific cooperation. The joint communique issued at the end of her visited mentioned the Iranian readiness to provide credits in excess of one billion dollars to India to help maximise the capacity of its export oriented industry, establish a Joint shipping line with an industrial capacity of five lakh tonnes and triple the capacity

11. INDIA (A Reference Annual 1971-72) p. 528

12. THE HINDUSTAN TIMES, New Delhi dated 23.2.74

of the Kudremukh iron ore project to seven million tonnes. The memorandum of understanding provided for a study on increasing the capacity of the alumina project to 3 lakhs tonnes, over which Iran would have the first option.

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India and Iran signed in New Delhi on 9 September 1977 a protocol which would pave the way for further expansion of economic and technical cooperation between the two countries. The protocol embodied agreement in principle for Iran's cooperation in exploiting the bauxite reserves in Orissa and Andhra Pradesh and in establishment of paper and pulp manufacturing industries. The signing ceremony took place at the conclusion of sixth ministerial session of the Indo-Iranian Joint Commission for

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economic and technical cooperation. Prior to this protocol an agreement on the peaceful uses of nuclear energy was signed between the two countries in Bombay on 25 Feb. 1977. Dr. Akbar Etemad, president of the Iran Atomic Energy Organization told the newsmen that to begin with, there would be an exchange of technical and scientific know-how as well as scientists. This know-how would mainly be in the fields of reactor technology and equipment for reactors. A number of Iranian scientists would also come for training. Later other programmes would be launched. When asked why Iran was investing so much on nuclear energy when it had large reserves of oil, Dr. Etemad said oil reserves would suffice for another twenty to twenty five years and by then the infrastructure of nuclear projects should be

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ready. During Shah's visit to India in February 1978 both sides reaffirmed

13. KAYHAN INTERNATIONAL, Tehran dated 3.5.74

14. ASIAN RECORDER 1977, New Delhi, p. 13958

15. THE TIMES OF INDIA, Bombay dated 26.2.77

(77)

their resolve to cooperate with each other for the development of nuclear science for peaceful purposes.

India and Iran signed a memorandum of understanding to cooperate in wide ranging sectors as well as to increase trade and industrial collaboration with each other. The document was signed in Teheran on 26 August 1982 by the then Commerce Minister of India Shivraj V. Patil, and the Iranian Minister of Commerce Mr. Habibollahaskar Guladi Rosalman. It was agreed that Iran would identify and initiate specific areas and items in which it would get technical know how from India. It indicated tentatively areas such as development of water resources, manufacture of steel through reduction processes, agricultural machinery and implements, development of small scale industry in rural areas and paper machinery. The Indo Iranian Joint Commission meeting held in Teheran in the third week of July 1983 marks a distinction in the history of Indo Iranian relation. The Commission agreed to start lifting from 1984 iron-ore concentrate from the Kudremukh plant. This decision thus paved the way for a comprehensive agreement on this complex issue and it was expected that the remaining problems with regard to quantity, prices and delivery schedule would be sorted out later. The \$ 660 million Kudremukh project was set up exclusively for exporting iron ore to Iran, but difficulties cropped up because the steel production plan of that country underwent a drastic change.

16. HINDUSTAN TIMES, New Delhi Dated 6.2.78

17. ASIAN RECORDER 1982, p. 16350.

18. ASIAN RECORDER, 1983 p. 17361.



2. RELATIONS WITH IRAQ :

In then Deputy Minister of India for External Affairs paid a good-will visit to Iraq in September 1970. Prior to this visit a good-will delegation, comprising Mr. A.P.Sharma M.P. and Mr. Mir Kasim, a political leader of Jammu & Kashmir visited Iraq in July 1970. These visits boosted technical cooperation between Iraq and India. A four member Iraqi delegation led by the then Planning Minister Dr. Hashem Jawad visited India in December 1972 and had talks with then Indian Minister of Planning Mr. D.P.Dhar and members of the Planning Commission in New Delhi. It was decided to set up an Indo-Iraqi Joint Planning Committee to study and utilize planning activities of the two countries and to give a fillip to technical collaboration. In April 1973 as many as seven agreements, mostly in the field of technology, were signed between India and Iraq. One of the agreements was concluded between the Iraqi National Oil Company and the Oil and Natural Gas Commission (ONGC) for a 'service contract' for exploration of oil in an onshore concession in Iraq. Another agreement related to the exchange of consultancy services between Engineers India Limited and the Iraqi Petroleum industry. It was also agreed to purchase the crude oil by India from Iraq on a long term basis. In return for Baghdad-Banadi-Ali main railway project, steel rolling mills, electric power transmission ship building and repair facilities, supply of iron-ore for an Iraqi steel project, manufacture of light engineering goods, fertilizer and aluminium projects and natural gas plants etc. Supply of goods and services

19. INDIA (A Refence Annual (1971-72) p.529.

20. THE HINDUSTAN TIMES, New Delhi dated 24.12.72

in respect of these projects was expected to result in balanced trade between the two countries. If this did not happen, the imbalances would be settled in convertible currency.

India and Iraq reached an Agreement in October 1973 under which India's Oil and Natural Gas Commission (ONGC) would have a right to search for oil in some specific regions in Iraq. In fact the Agreement had been decided in April 1973 when an Iraqi delegation had visited India. The Agreement empowering ONGC to search for oil, formed part of an overall agreement on the sale of Iraqi crude oil to India. The purchase of the Iraqi oil could be the most important factor in Indo-Iraqi cooperation. In addition to the search for oil, a railway would be built in Iraq and there would be an exchange of technical know how. Saddam Husain's visit (the then Vice President of Iraq) to India in March 1974 also invigorated the technical cooperation between two countries. The two Governments agreed to cooperate in the implementation of major irrigation and agriculture projects in Iraq. The expanding bilateral trade would be given a boost in the coming years, for which a concrete trade expansion plan for the period from 1 April, 1974 to 31 March 1975 had been finalised. According to an Agreement India would establish three technical institutes and polytechnics in Iraq on a 'turn key basis' aside from continuing to provide facilities for the education of Iraqi nationals in the technical institutes and polytechnics of India.

21. THE STATESMAN, New Delhi dated 7.4.73

22. ASIAN RECORDER, 1973, New Delhi, p. 11624.

23. THE TIMES OF INDIA, New Delhi dated 29.3.74

India and Iraq signed another Agreement in New Delhi on 1 March, 1975 under which both countries would collaborate in petroleum research, chemicals and pharmaceuticals, engineering and space research, construction designs and material research. The Agreement was signed by Dr. Y. B. Chaudhary, the then Director General of the Council of Scientific and Industrial Research (CSIR) and Dr. Najib Abdul Karim the then resident of Iraq's Scientific Research Federation. Under the agreement the CSIR would assist Iraq to recruit 15 to 20 experts from India for the foundation of Scientific Research in Iraq. Dr. Karim also mentioned that Iraq was establishing a space research centre and some observatories and would also take Indian help for that. At the end of the Mrs. Gandhi's visit to Iraq in January 1975 both the countries expressed confidence in increasing possibilities of collaboration between them in the development of the oil industry, setting up of industrial and transportation projects and developing potential of agriculture and water resources in Iraq. The two leaders affirmed their conviction that developing countries should strengthen economic and technical cooperation among themselves in order to achieve speedier and all round progress.

India and Iraq signed a three year programme on 15 January 1976 in New Delhi for cooperation in science and technology. According to a report published on 16 August 1975 ONGC had spudded its first exploratory well in search of oil in Iraq. This well is located about 265 km. South-

24. ASIAN RECORDER, 1975 New Delhi p. 12549

25. THE TIMES OF INDIA, Bombay dated 22.1.75

26. ASIAN ALMANAC 1976 Singapore, p.7820

West of Basra in the desert area bordering Saudi Arabia. An area of about 4200 sq. km. was allocated to ONGC for oil exploration and production under a contract signed earlier with the Iraqi National Oil Company. In another report published on 13 September 1975, it was said that oil and Natural Gas Commission was to conduct a seismic survey in southern Iraq. The Commission had been engaged for this work by the Iraqi National Oil Company and was already exploring for oil in an adjacent region under a service contract. The Commission was to receive a fee of about US \$ 3 million and would also train Iraqi personnel in topographic surveying and handling seismographic vibrators.

India and Iraq signed a protocol in New Delhi on 9 November 1977 for the fourth meeting of the Joint Commission envisaging wide ranging technical cooperation in the fields of Agriculture, industry, railways and consultancy services and deputation of Indian technical experts. The protocol was initialled at the conclusion of the Joint Commission meeting by the then Petroleum and Chemicals Minister Mr. H.N. Bahuguna and Mr. Ghanim Abdul Jalil, member of the Revolutionary Command Council of Iraq. Both leaders were the co-Chairman of the commission which was set up in 1974. According to the protocol India would depute experts to advise the Iraqi officials on agricultural projects in the rain-fed areas, production of sugar and sugar-cane, animal husbandry and drinking water supply. The two sides also discussed the possibility of setting up a Joint shipping service between the two countries to give a boost to bilateral trade and

27. IBID , p. 7451

28.. IBID, p. 7602

commerce. Besides, India would assist Iraq in building grain silos, a specialised institute of engineering and 300 housing units, help in servicing and maintenance of instruments and equipment for the cement plants, develop the Iraqi iron and steel industry and set up an electronics complex. India would also assist them in manufacture of machine tools, synthetic fibres and extend assistance in the field of mining. Besides, India would set up in Iraq centres in metallurgy and fertilizers devoted to training, research and development purposes. The two sides also agreed on the modalities of cooperation between the consultancy organizations of the two countries. In certain fields, India would also train Iraqi experts in various Indian institutes.

The Oil and Natural Gas Commission decide to abandon its concession in Iraq after spending Rs. eight crores on the project. Not that the well drilled by ONGC was dry. It had yielded oil at the rate of around twenty four hundred barrels per day. By Indian standards this was a good find, but in Iraq a minimum flow of three thousand barrels per day was needed for the Government to recognize a discovery as of commercial value. ONGC could probably have stepped up production to three thousand barrels per day by stimulation techniques but it decided this would not be worthwhile. Under the contract ONGC was entitled to thirty percent of any oil it found. Even this would not be given free of charge ONGC would have to pay forty per cent of the posted price for it. This would have been an economic proposition if a large field had been discovered. But ONGC experts came to

the conclusion that the field was a small one and would not be able to sustain a production of three thousand barrels per day for more than seven years. Normally an oil field is expected to last twenty years. The Iraq concession was in a very remote area and it would have taken a considerable amount of investment in pipelines and other facilities to develop it.

In view of the low production potential of the Zone, ONGC decided to curtail its losses and pull out.

India won a contract in Iraq when the construction of a Rs. three crore weir was entrusted to a Bombay firm in the third week of June 1960. The weir was to be built on the Tihasa Chai river, about 260 km from Baghdad, near Kirkuk in Faim government. This was the third irrigation project India was constructing in the country. India had by then won contracts worth more than Rs. one thousand crores of which contract worth Rs. five hundred crores were obtained in 1960. The first half of 1980 saw Indian firms getting contracts worth Rs. 50 (fifty) crores and above. In 1979 the largest single contract awarded to a single Indian firm was worth Rs. forty crores. Although Indian companies share of projects under the massive development programme in Iraq is small compared to that of Japanese, West German and other firms, the demands for India's trained and skilled manpower continues to grow. The number of Indian experts has considerably increased. More than ten thousand Indian workers have been in employment in Iraq. Indian civil engineering firms are engaged in such diverse jobs as housing, sewerage network, massive soils for grain storage, canal excavation work, installation of huge gas and oil storage

tanks and preparation of feasibility studies and project reports. The public sector Engineering Projects (India) Limited was engaged in the construction of five huge buildings for Iraqi television and the Council of Minister building. Indian firms have also been providing consultancy and management support services.

India and Iraq signed a protocol in New Delhi on 21 April 1980 to further expand technical cooperation between the two countries. The Iraqi Oil Minister Mr. Fayen Abdul Karim who led a delegation at the Ministerial level talks signed the protocol on his country's behalf. Mr. Virendra Patil the then Minister for Petroleum and Chemicals signed on India's behalf. On the industrial side, India has been participating in a big way in construction projects in Iraq. India also agreed to participate in projects involving advanced technology in fields such as petrochemicals, irrigation and agriculture. The protocol also envisaged joint search on solar energy. Iraq would also assist India in its oil exploration programme. The Protocol also covered Indian cooperation in developing tourism in Iraq which wanted training facilities in India for hotel personnel. In the seventh session of the Indo-Iraq Joint Commission held in Baghdad on 21 & 22 October 1981, the two sides reviewed the developments since the last session of the Joint Commission which was held in New Delhi in April 1980. They had noted that there had been commendable improvements in the fields of projects and other areas including technical relations. In view of the large number of Indian experts and

31. ASIAN RECORDER, 1980, New Delhi, p. 15635

32. THE TIMES OF INDIA, Bombay dated 22.4.80

workers working in Iraq, both sides agreed to develop general guidelines for the recruitment of experts so that an orderly and mutually beneficial arrangement for such recruitment could be facilitated. The two sides also agreed to set up a separate sub-committee dealing with technical cooperation. In the field of Tourism detailed discussions took place and the two sides finalised a draft protocol on cooperation in the field of tourism between ITOC and the Iraqi State Organization for Tourism.³³ While reviewing the collaboration in construction work Mr. Sethi the then Indian Minister for Petroleum said there was some panic at the initial stage of Iran Iraq war when the Indian construction workers fled Iraq and the Indian companies halted work. But when the Iraqi Government explained the situation and assured safety to the Indians they got back in strength and the fiftythree companies were working in full swing. India³⁴ was involved in construction projects worth about \$ 3 billion.

3. RELATIONS WITH SAUDI ARABIA :

A contract was signed between the Indian Oil Corporation and the Saudi Arabian Oil Company on 1 March 1976 under which India would import 1.1 million tonnes of light crude oil from Saudi Arabia during 1976. In addition to crude received on Government to Government basis, India would continue to get 2.75 million tonnes of Saudi Arabian crude from ~~Exxons~~ under the agreement signed at the time of acquisition of its affiliate Esso's marketing and refining operation in March 1974. Caltex also

33. ASIAN RECORDER 1981, New Delhi, p. 16368

34. THE INDIAN EXPRESS New Delhi dated 23.10.81.

received from its principles Saudi Arabian crude for processing in its refinery at Vishakhapatnam. During the visit of the then Petroleum and Chemicals Minister of India Mr. K.D. Malviya to Saudi Arabia on 20 July 1975, he paid a courtesy call on the then Crown Prince and acting Premier Prince Fahd bin Abdul Aziz. The Prince assured the Indian Minister of Saudi Government's desire to expand bilateral relations in technical and other fields. ³⁵ The electrification of Jizan region in Saudi Arabia by the public sector Bharat Heavy Electricals Limited (BHEL) is a glaring example of Indo-Saudi technical cooperation. The Rs. seven hundred twenty million project was formally commissioned and power switched on to nearly eight thousand consumers on 20 March, 1980. This was the first time that India had executed such a job on turnkey basis abroad. The scope of contract awarded to BHEL involved construction of a forty two megawatt central power station near Jizan town, construction of 17 k.m. of 33-kw transmission lines and 50 km. of 13.8 -K.V. distribution lines and a net-work connecting eight thousand consumers. In addition, sub stations were constructed at Jizan, Sabya Abu Arish and Hadayrah. The contract was awarded to BHEL in June 1977 and its phase comprising power-house, housing colony and substation was handed over to Saudi Arabian authorities before the scheduled date in March 1980. BHEL also secured a contract

35. ALAMANAC 1976, Singapore, p. 7926.

for operation and maintenance of the power station, sub-station and entire
36
electrical distribution network for ~~two~~ years. India and Saudi Arabia
signed in New Delhi on 14 April 1981, an economic and technical cooperation
agreement aimed at encouraging investment and flow of capital and exchange
of goods and products. The agreement also envisaged the formation of a
joint commission to meet alternately in India and Saudi Arabia. The ~~fit~~
fields of cooperation mentioned in the Agreement included encouragement
of the establishment of agricultural and technical development projects
between the two countries, encouragement of exchange of information
relating to scientific and technical research ; encouragement of exchange
of various goods and products between them ; and encouragement of training
of technical staff regarded for specific cooperative programmes. Exchange
of views by economic and technical representatives and delegations between
the two countries would also be encouraged. The agreement would come into
37
force on the date of exchange of instruments of ratification. Besides,
at the end of the first meeting of their Joint Commission in New Delhi
on 11 August 1983. India and Saudi Arabia agreed to further strengthen
their bilateral cooperation in various fields including technical one.
The committee of the commission on science and technology identified the
areas of cooperation in solar energy, Joint research in agriculture,
pure sciences, computers, electronic system and oceanography. The
committee on technical cooperation identified three fields which would
provide a good basis for further cooperation. These included telecommunication
38
and education.

36. The TIMES OF INDIA, New Delhi, dated 21.3.80

37. THE HINDUSTAN TIMES, NEW DELHI dated 15.4.81

38. ASIAN RECORDER 1983, New Delhi , p. 17370.

4. RELATIONS WITH KUWAIT :

The conclusion of an agreement in early 1970s between the two associated cement companies of India and the Government of Kuwait for the construction of a Clinker Grinding and Packing Plant, which had to be fabricated almost entirely in India marked a notable example of technical cooperation between the two countries. During the visit of the then External Affairs Minister Sardar Swaran Singh to Kuwait in February 1973. India and Kuwait agreed to set up an inter Governmental Joint Committee for technical cooperation between them. The committee would meet at officials' level at least once in a year in India and Kuwait alternatively. It is true that for the past fifteen years Kuwait could not benefit substantially by the technical know how of India as compared to other Gulf states. She preferred to enter into contract with industrialised nations. It is pity that so far Kuwait has not been able to utilize India's potential in her developmental activities though India has the privilege to have the largest and cheaper technical manpower in the world. No doubt India's labour class is welcome in Kuwait. The financial participation of Kuwait in India's projects has been commendable for instance. The Kuwait Fund for Arab Economic Development (KFAED) granted loan to India for the multi billion dollar Thal Vaishet fertilizer project in Maharashtra. Likewise KFAED, according to an agreement signed in New Delhi in October 1983, would provide a Rs. fifty crores loan to India for South Basin Gas

39. INDIA A Reference Annual 1971-72). p. 529.

40. THE TIMES OF INDIA, New Delhi, dated 16.2.73

41. ASIAN RECORDER 1982, New Delhi, p. 16751.

development project.

India and the Gulf states maintained cooperation in the field of science and technology even before the advent of Islam. It has been readily discussed how pre-Islamic Persian Academy of Gondeshapur played a commendable role in bringing about a curious blending of sciences by inviting Indian physicians to Iran. The translation of the celebrated Indian astronomical work 'Surya Siddhanta' into Arabic in Baghdad speaks for the active cooperation between India and the Arab world in the field of astronomy in ancient times. Though India's privileged position in having the largest technical manpower in the world has not been fully utilized in fruitful technical cooperation with the Gulf countries in the modern times, still such cooperation countries to exist.

Indo Iranian relations in technical field have been discussed at length suffice. There it would be concentrated on the basic features of these relations. The meeting of Joint Commission of the two countries in 1970 was of exploratory nature and the possibilities of closer cooperation between their industrial units were examined. It also considered ways and means for the speedy development of Iranian small-scale industries. The technical cooperation was further boosted with the visit of Sardar Swaran Singh, the then Foreign Minister, to Iran in February 1974. There was agreement between the two sides on the establishment of Joint venture fertilizer plants in Iran. It was also decided to set up a Joint Committee of experts to identify industries in India with

view to meet the Iranian needs of Indian products. Iran expressed her readiness to extend all help at her disposal so that industrial capacity in India might be further expanded. Mrs. Gandhi's visit to Iran in 1974 further strengthened technical relations in that Iran agreed to provide credits in excess of one billion dollars to increase the industrial production of India. The Joint Communique also envisaged the establishment of a joint shipping line and the increase in the capacity of the Kudremukh iron-ore project. The two sides also decided to make a study on increasing the capacity of the alumina project keeping in view the the Iran's interest in the project.

The signing of protocol by India and Iran in September 1977 marks a step forward towards strengthening technical cooperation. The protocol envisaged Iran's participation in exploiting the bauxite reserves in Orissa and Andhra Pradesh and her cooperation in setting up the paper and pulp manufacturing industries. The protocol was signed during the sixth ministerial session of the Indo-Iranian Joint Commission. In pursuance of India's pronounced policy in nuclear field she signed an agreement on the peaceful uses of nuclear energy in February 1977. This action on the part of India also aimed to dispell Pakistan's doubt over India's integrity in the wake of Pokharan explosion. It was designed to convince Pakistan that like Iran, one of her allies, she should also be fearless from India's side and she (Pakistan) should not pursue her nuclear programme for weapons' purpose certain quarters in India were suspicious of Iran's nuclear programme due to the fact that she has large

services of oil. Dr. Atef, President of IAO convincingly argued that oil reserves would suffice for another 20 to 25 years and by then Iran had got to prepare the required infrastructure of nuclear projects. The signing of a memorandum of understanding in August 1982 by the two countries is indicative of the extent to which Iran was interested in utilizing India's technical know-how. The reason is that within a short period of time India has made phenomenal advance in the field of science and technology and her technical manpower is cheaper than that in western countries. The memorandum of understanding provided that Iran would decide upon specific areas and items in which it would require Indian technology. It mentioned tentatively a number of items including agricultural machinery and implements, development of small scale industries and water resources. In the wake of Iranian revolution the steel production plan of that country underwent a drastic change and the lifting of iron-ore concentrate from Kudremukh plant was held up.

The decision to set up an Indo Iraqi Joint Planning Committee gave a fillip to technical cooperation between the two countries. It was decided in December 1972 when a four member Iraqi delegation led by the Planning Minister of Iran Dr. Hashim Jawad visited India and had talks with Mr. D.P. Dhar the then Planning Minister and members of the Planning Commission in New Delhi. In 1973 a number of agreements in technical field were signed between India and Iraq. The agreements related to exploration of oil in Iraq and exchange of consultancy services. India also agreed to supply goods and services for a number of development projects i.e. ship building and repair facilities, steel rolling mills, Baghdad Ramadi Ali Jain railway project and manufacture of light engineering goods etc. In October 1973 Indian Oil and Natural Gas Commission got the right to search for oil in certain regions in Iraq.

This agreement was finalised in April 1973 and it also contained the provision of the sale of Iraqi oil to India in abundance. It also envisaged the building of a railway in Iraq and an exchange of technical know how. During Saddam Husain's visit to India the two countries decided to further strengthen technical cooperation and India undertook the implementation of major irrigation and agricultural projects in Iraq. Besides, a concrete trade expansion plan was finalised. India also agreed to establish technical institutes in Iraq on a "turn-key basis." According to another Agreement signed in New Delhi in March 1975 India and Iraq had to collaborate in engineering and space research, chemicals and pharmaceuticals, petroleum research, material research and construction designs. Iraq's Scientific Research Foundation has been indebted to Indian Council of Scientific and Industrial Research for its assistance in the recruitment of Indian experts for the foundation. Iraq has also been looking to India's help in the establishment of a space research centre and some observatories on her soil Mrs. Gandhi's visit to Iraq in January 1975 further paved the way for fruitful cooperation between the two countries in the field of science and technology. In pursuance of this policy a three year programme was signed in January 1976.

Oil and Natural Gas Commission started drilling in Iraq in August 1975. The contract also embodied the provision of import of Iraqi Oil in substantial quantity in India. Besides, ONGC also undertook to conduct a seismic survey in southern Iraq. The commission was operating under a service contract between ONGC and Iraqi National Oil Company. The system of service contract contained terms favourable to host country (Iraq). The commission was obliged to train Iraqi personnel in

handling certain instruments and equipment. The fourth meeting of Indo-Iraqi Joint Commission heralded a new era in technical cooperation between the two countries since it decided to sign a protocol envisaging every significant field. It is a matter of satisfaction that change of Government in India did not affect her policy towards the Gulf States. But instead the relations were improved in every field. The signing of protocol in November 1977 testifies to this fact. The protocol provided for the deputation of Indian experts for consultancy services in Iraq regarding the production of sugar and sugar-cane, drinking water supply, animal husbandry and agricultural projects in the rain fed areas. Mr. H.N. Bahuguna the then Petroleum and Chemicals Minister and Mr. Ghanim Abdul Jalil, member of the Revolutionary Command Council of Iraq also exchanged views on the possibility of setting up a Joint shipping service between the two countries. India was also to assist Iraq in building a specialized institute of engineering, three hundred housing units and grain silos. India would also help develop the Iraqi iron and steel industry, servicing and maintenance of instruments and equipment for the cement plants and setting up an electronics complex. The protocol also envisaged India's assistance in the manufacture of synthetic fibres, machine tools and assistance in the field of mining. The setting up of centres in metallurgy and fertilizers in Iraq for research and training purposes was also planned. An important aspect of our technical cooperation with Iraq is that the cooperation was sustained to the extent it was favourable to both the parties. The moment we felt that certain deal was detrimental to the interest of either party it was abandoned. For instance in 1977 ONGC relinquished a concession in Iraq after investing a good deal of money. The commission's achievement of yielding twenty four hundred barrels per day cannot be said to be modest. But it was below Iraq's expectation of

of 300 barrels per day. ONGC could have reached the target by stimulation techniques but since the terms of contract were not favourable to India and the situation of oil field was such that India would have to invest in infrastructure much more than expected, it was thought expedient to abandon the contract.

There are a number of other instances of fruitful technical cooperation between India and Iraq. In June 1980 a Bombay firm won a contract for the construction of a Rs. three crores weir to be built on the Khasa Chai river in Hamim governorate. By then (1980) India's contracts were of the order of Rs. one thousand crores. 1980 marked the winning of the contracts of largest amount of Rs. five hundred crores by Indian firms. An important feature of Indo-Iraqi technical cooperation is that Indian companies share of projects has been small compared to that of Japanese, West German and other firms but the demands for India's trained and skilled manpower have been showing upward trend. More than ten thousand Indian workers have been in employment in Iraq prior to Gulf war. No doubt the war has adversely affected the strength of Indian employees in Iraq. Indian engineers are occupied with a host of activities such as canal excavation work, installation of huge gas and oil storage tanks, housing, sewerage network and preparation of feasibility studies. The construction of buildings for Iraqi television and the Council of Ministers was also undertaken by the public sector engineers. The signing of Indo-Iraqi protocol in April 1980 by the then Petroleum Ministers of the two countries marks an advance in technical cooperation. The protocol encompassed cooperation in construction projects and advanced technology in the fields such as irrigation, agriculture and petrochemicals. It also covered Joint research in solar energy. Iraq's initiative for

the development of solar energy reflects her concern for the depleting oil reserves. The protocol also included the provision for cooperation in developing tourism. The seventh session of Indo- Iraqi Joint Commission held in October 1981 reviewed the progress of the projects undertaken through the decision of the previous session. It was found that the pace of implementation of various projects had been commendable. The main achievement of the Joint Commission was that both the countries decided to evolve general guidelines for the appointment of the experts so as to facilitate the modality of recruitment. It was agreed to set up a sub-committee to deal with the cooperation in technical field. A draft protocol for the cooperation in tourism was also finalised. There was anxiety among Indians about the safety of their countrymen at the initial stage of war. But with the assurance of Iraqi Government of full protection to Indians the normal work on different projects was restarted. These Indians who had fled in the wake of war went back and reembarked on their duties. At that time India's participation in construction projects in Iraq was at its peak involving \$ three billion.

In March 1976 a contract between the Indian Oil Corporation and Saudi Arabian Oil Company contained among other things the provision of technical cooperation. It involved two oil companies Exxons and its affiliate Esso for marketing and refining operation. Caltex also benefitted from Saudi crude by receiving it for refinery operation at Vishakhapatnam. During the visit of the then Petroleum and Chemicals Minister of India Mr. K.D. Malviya to Saudi Arabia, the then Crown Prince and acting Premier Prince Fahd bin Abdul Aziz assured the Indian Minister of Saudi Government's desire to diversify bilateral relations in various fields

including science and technology. Actually, Saudi Arabia was impressed by the advance made by India in the field of technology and wanted to benefit by it. Bharat Heavy Electricals Limited undertook the electrification of Jizan region in Saudi Arabia and completed the work fantastically well schedule. The contract was significant in that India for the first time concluded an agreement abroad on turn key basis. BHEL not only completed the electrification work but also took the responsibility of operation and maintenance of the power- station and electrical distribution network in the entire region for two years. In order to expand bilateral relations between the two countries a Joint Commission was formed in April 1981. The Commission was to meet alternatively in India and Saudi Arabia. They also signed an agreement in economic and technical field to encourage investment and flow of capital and exchange of products. The agreement emphasized the need to encourage the exchange of information relating to research in science and technology, encourage the training of technical staff required for cooperative programmes, encourage the establishment of agricultural and technical development projects and exchange of views by economic and technical experts of the two countries the first meeting of Joint Commission of India and Saudi Arabia held in August 1983 took the following decisions :

- (i) To expand the bilateral relations with special emphasis on technology.
- (ii) To cooperate in the field of solar energy, agricultural research, oceanography , computers electronic system telecommunication and education.

The above decisions reflect two points. For one thing, Saudi Arabia recognized India's potential in the field of science and

technology. For another Saudi Government was conscious of the fact that oil is a depleting and non-renewable source of energy and it should take effective measures for commercial development of solar energy.

Kuwait sought assistance of two associated cement companies of India in the construction of clinker Grinding and Packing Plant in early 70s. The visit of Sardar Swaran Singh the then External Affairs Minister to Kuwait in February 1973 marked an important development in the annals of Indo- Kuwaiti relations. It was during the visit that the agreement on the setting up of inter- Governmental Joint Committee was concluded. Though India has the largest and comparatively cheaper manpower in the world, so far Kuwait has not been able to substantially utilize Indian know-how. It is ironical that the technocrats of Western nations are preferred in Kuwait to Indian ones. Labour power constitutes the majority of total Indian immigrants.

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CHAPTER IVECONOMIC RELATIONS BETWEEN INDIA AND THE GULF STATES

Like the other poor oil importing countries the Indian economy too has been subjected to severe strain by the oil crisis. No doubt now the situation has considerably changed. Presently the oil prospects are far better than those in early 70s. There is a glut in world oil markets. OPEC has lost its ~~clout~~ ^{clout}. Its total share in the world's oil production has come down from nearly two thirds to one third. By virtue of successive discoveries of crude and prudent oil policies new oil exporters such as Britain, Norway and the U.S.S.R. have emerged in world oil market. The traditional oil exporters of OPEC in general and Gulf region in particular are not in a position to dictate terms. Still India's position in regard to oil is not heartening. Her self-sufficiency in oil has registered a decline from seventy six per cent in 1984 to seventy per cent at present (1986). Therefore India has to depend to a large extent on external supply and her energy policy would have to be integrated with its Persian Gulf policy, for ^{this} region is and likely to continue as India's major oil supply (two thirds of total imports) area. Besides, India has been getting loans on favourable terms for various projects from certain financial institutions (such as Sandi Fund for Development and Kuwaiti Fund for Arab Economic Development) of the Gulf-states. Indian exports to the Gulf include engineering goods, components of buses, trucks and tractors, steel, iron-ore alumina, chemicals (Sulphur & Phosphoric Acid) and pellets. To present a precise view of Indo-Gulf economic relations each major oil supplier is undertaken as follows :-

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1. ECONOMIC TRENDS (Vol. XIII) No. 3, February 1, 1984, p. 33
 2. Ghosh Partha S., World Oil Outlook : Some Policy Implications for India, article published in INDIA QUARTERLY & Vol. XXXIX No. 4, New Delhi, October-December 1983, p. 400.

1. RELATIONS WITH IRAN :

The contact between India and Iran in economic sphere is not a new phenomenon ; it is traceable to ancient times as corroborated by historical antecedents. In spite of upheavals, turmoil and revolution in that country the continuity of such relationship is maintained till recently. India entered into an agreement with Iran in 1973 for avoidance of double taxation of income of enterprises of the two countries operating aircraft in international traffic. The agreement provided for the exemption of the income of aircraft enterprises for the earlier years also. The then External Affairs Minister, Sardar Swaran Singh announced on his return to New Delhi on 22 February, 1974 after a visit to Iran that India and Iran had reached a major agreement on economic cooperation which included additional crude oil supply to India over the next five years. The agreement described by Sardar Swaran Singh as a significant step, also provided for extensive credit facilities from Iran to cover not only the import liabilities but also to augment exports to Iran. The agreement could reasonably be said to be a turning point in the relations between India and Iran. The terms of agreement were favourable to India in that India might not be called upon to make immediate payment for additional oil imports. The items to be exported by India to Iran under the agreement on a long term basis were pellets and pellet feeds, iron -ore and alumina. Large quantity of pellets was likely to be exported from Kudremukh project in Karnataka. Iran had agreed to give credit worth three hundred million dollars for developing new iron-ore mines along with the necessary facilities for

transportation and pelletisation. Iran would also import one lakh tonnes of alumina per year on a long term basis and for this too Iran would obtain credit facilities for developing necessary facilities to the extent of sixty million dollars to seventy million dollars. Iran and India also agreed on cooperation in fisheries in the Persian Gulf and the Indian Ocean, including supply of ships and in marketing the products. India agreed to supply Iran three lakh tonnes of cement that year (1973) and sixty-five thousand tonnes of steel products, among other items under the new agreement. The two sides also agreed in principle to establish joint venture⁴ Fertilizer plants in Iran.

Mr. Swaran Singh informed of another project also for which Iran had agreed to provide credit and which was for the production of alumina based on bauxite. Iran had indicated that its requirement of alumina would be about one lakh tonnes a year over a period of ten to fifteen years. Preliminary estimates indicated that this credit might come to several million dollars. He further stated that in order that industrial capacity in India might be expanded more to meet the rapidly growing needs of Iran for various commodities, it had been decided to set up a joint committee of experts with the objective of identifying industries in India which were of interest to Iran and determine the best manner in which India could assist to expand production so that additional quantities could be made available to that country. Iran also undertook to supply one million tonnes of crude per year to India for the next five years mostly on a deferred payment, besides ensuring the present supply of 2.8 million tonnes a year for the Madras refinery and an additional seven lakh tonnes a year

4. THE HINDUSTAN TIMES, New Delhi dated 23.2.74 .

for the refinery when its capacity was expanded to 3.5 million tonnes. India would have to pay in cash for only a small portion of the additional crude supplies. The rest would be available against deferred payment at low interest rates. There would be no repayment for the first five years. Repayment would start in the sixth year and would be spread over five years in equal annual instalments. The rate of interest would be 2.5 per cent. Over the five year period the credit would amount to about four hundred million dollars. Additional supplies from Iran would be on Government -to-Government account. The agreement did not apply to crude imports by Burmah Shell and Caltex which were getting sizeable quantities for their refineries. In the coming years as the Iranian Government's share in participation in crude oil produced by foreign oil companies increased, the availability of crude with the companies would decline. The agreement also ensured that in the Fifth Plan starting from April 1974, India would not have to pay for additional crude supplies, except to a small extent. This would provide considerable relief in view of the strain on foreign exchange resources.

Iran promised to extend a credit of nine hundred million dollars to India in 1974 for purchase of crude oil. Of this five hundred million dollars would cover shipment of crude over five years. The amount was to be repayed during the next five years at 2.5 per cent interest. The grant element was forty per cent. In August 1974 Iran had agreed in principle

6 to provide about four hundred million dollars as united credit to India. Besides, a positive understanding between India and Iran to augment trade and ensure extensive and wide-ranging economic cooperation was reached at the end of Ministerial level talks in New Delhi on 16 January, 1974. The leader of the Iranian delegation Mr. Hushang Ansari expressing his satisfaction at the outcome of the talks remarked that it certainly constituted a step forward. A joint statement said among important subjects discussed were oil and other commodities, development of India's mineral resources for export to Iran, maximization of industrial capacity in India for the benefit of both countries, extension of credit facilities to India and cooperation in the field of petro-chemicals. Justifying the decision of the petroleum producing countries to raise oil prices, Mr. Ansari said that it had been done to preserve the purchasing power of the oil producing countries to acquire commodities from the industrially advanced countries. He indicated that to take advantage of surplus revenue from oil, Iran was developing a new economic strategy which would place greater emphasis on development of agriculture, petrochemical, services and infrastructure. 7 Mrs. Gandhi's visit to Iran in April 1974 marks a milestone in the history of economic relations between India and Iran. During this visit the talks on economic matters had been frank and in a cordial atmosphere and certain key decisions were taken. At a state dinner Mrs. Gandhi said that Iran and India had inherited similar problems and there was wide scope for developing the range and depth of mutual industrial and

6. ASIAN RECORDER, New Delhi, 1974, p. 12333.

7. THE TIMES OF INDIA, New Delhi, 17.1.74

scientific cooperation. " We welcome Iran's emphasis on regional co-operation in trade and economic development. Idealism and pragmatism are not always in conflict. For our own strength we should work for the economic development of the entire region." At a press conference when asked for her views on the Shah's idea on having a common market for the Indian Ocean area, she said India had always believed in multilateral and regional cooperation. In today's world it was more important than ever before. That was why any type of economic cooperation was very welcome. First, it would strengthen the region as a whole. If peace and stability could be achieved through economic cooperation it could do a lot of good to the international situation. Any kind of regional cooperation should not be directed against any country.

According to a joint communique issued on 2 May, 1974 at the conclusion of Mrs. Gandhi's visit Iran is expected to provide credits in excess of one billion dollars to India to help maximise the capacity of its export-oriented industry, establish a joint shipping line with an initial capacity of five / lakh tonnes and triple the capacity of the Kudremukh iron-ore project to seven million tonnes. It was for the first time that Iran had agreed to extend soft loans to India. The frequent exchange of visits by the leaders of the two countries removed the existing misunderstanding and paved the way for fruitful economic

8. THE HINDUSTAN TIMES, New Delhi 30.4.74

9. KAYHAN INTERNATIONAL , Tehran 3.5.74

cooperation. India and Iran concluded on 31 August 1974 a five year trade agreement under which India would export more than one million tonnes of cement to Iran in the next two years. India would supply Iran with one lakh thirty thousand railway track sections and vast quantities of sugar, while Iran would deliver to India petrochemical products, machinery and transformers. Both sides agreed to set up a joint shipping company with 10 shares held equally by the two national shipping organizations. Besides, Iran and India signed in Tehran on 23 April 1975 a Protocol for an agreement under which production of selected Indian export items to Iran would be financed by Iran. Top of the list was a ^{twenty} / 1 year project for India to send Iran 7.5 million tonnes of iron-ore a year, starting in 1977 or 1980. Iran would grant a long term credit of three hundred million for exploitation of the Indian iron deposits. Iran would also invest in an industrial complex in India for paper, with most of the planned two lakh tonnes yearly output earmarked for Iran. The two countries agreed to develop the capacity of Iran's aluminium plant at Arak, India would supply three lakh tonnes of aluminium a year. ¹¹ Iran granted India a six-hundred thirty million dollar loan for development and exploitation of Kudremukh iron-ore mines to be repaid in iron-ore exports to Iran. The relevant agreement was signed in the presence of the Iranian Minister of Finance and Economic Affairs, Mr. Hushang Ansary and the then Indian

10. INDIA'S TRADE AGREEMENTS, Ministry of Commerce, Government Of India, New Delhi 1976, pp 209-214.

11. THE HINDUSTAN TIMES, New Delhi, 24.4.75.

Foreign Minister Mr. Y.B. Chawan on 4 November 1975 after talks at the Indo-Iranian fifth Ministerial Conference on expanded trade and increased economic and technical cooperation. Iran and India also finalized concrete economic deals that would give a new content and meaning to their friendly, economic and political relations.

According to a communique on the visit to Iran by the then Minister for Commerce Mr. D.P. Chattopadhyaya, India and Iran were to embark on many more joint ventures. Iran had responded favourably to India's proposal for developing the Rajasthan canal command area as a joint venture at a cost of U.S. Three hundred million U.S. dollars and India would soon submit a detailed feasibility study to Iran. India and Iran signed in New Delhi in September 1977 a protocol which would pave the way for further expansion of economic cooperation between the two countries. According to the protocol Iran was to cooperate in exploiting the bauxite reserves in Orissa and Andhra Pradesh and in establishment of paper and pulp manufacturing industries. The signing ceremony took place at the conclusion of the sixth ministerial session of the Indo-Iranian Joint Commission for economic and technical cooperation. Shah of Iran's visit to India in February 1978 further strengthened the economic and other relations between the two nations. In a joint communique issued on 5 February 1978, Iran offered India additional curde supplies annually on credit terms or

12. THE TIMES OF INDIA, Bombay, 6.11.75.

13. ASIAN ALMANAC, Singapore, 1976 p. 7601.

14. Asian Recorder, New Delhi, 1977 p. 13958

lumpsum payment to participate in or finance approved projects. Crude supplies which would be on credit terms would be at OPEC price. The then Prime Minister Mr. Morar Ji Desai took no time in accepting the lucrative offer. According to official sources the additional crude supply would not be a gift. The detailed agreement would later spell out terms of credit and its repayment in cash or kind. The bulk of repayment was likely to be through products made possible through approved projects. The Shah and Mr. Desai stressed the urgent need for the speedy establishment of a new international economic order based on inter-dependence, equality and justice. They laid particular stress on the need to reform the international trading system on these principles so as to bridge the gap between the industrialized and the developing countries which, if unattended to, would threaten the prospects of peace in the whole world. The leaders called upon the developed industrial nations to respect the right of developing countries to fair and equitable prices for their export commodities and to have access to advanced technology.

An Indian delegation ended its five/^{day}visit to Iran on 9 May, 1979 with the signing of an agreement with the National Iranian Oil Company under which India was to get 2.6 million tonnes of crude oil that year. The crude was meant for the Madras refinery and general purposes. The supply was expected to fully cover India's requirements for the current financial year. This was the first agreement to be signed between the

Government of India and the new Government of Iran after the revolution. In a joint statement issued simultaneously in New Delhi and Tehran in May 1982, the two countries agreed to set up in the near future an Indo-Iranian joint commission to give a fillip to their bilateral relations in economic, trade, industrial, science and technology, cultural and other fields. The two delegations drew up a detailed programme for enhanced economic cooperation. Iran has been one of the major oil suppliers to India and has interest in joint projects. An official delegation had visited Iran the same year (1982). Iran had shown interest in purchasing a large number of engineering and consumer items from India. The Indo-Iranian joint commission meeting in Tehran held in July 1983 removed the main obstacle in economic relations between the two countries i.e. the lifting of iron-ore concentrate from the Kudremukh plant. The two sides agreed to start lifting from 1984 iron-ore from the Kudremukh plant. It was expected that the remaining problems with regard to quantity, prices and delivery schedule would be sorted out later on. Therefore it can be regarded as a step forward in promoting the economic relations between Iran and India. Actually the six hundred sixty million dollar Kudremukh project aimed at exporting iron-ore to Iran and it was set up exclusively for this purpose. In the wake of Khomeini revolution in Iran the steel production plan of that country underwent a drastic change. Iran also agreed not to exclude its oil exports from the purview of the Asian Clearing Union of which both countries are members. Payments for Iranian oil would be credited

16. The Times of India, New Delhi, 10-5-79

17. Asian Recorder, New Delhi, 1982 p.16641.

in Indian currency for sixty days. Rupee funds would thus be generated
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for Iran to import Indian goods.

2. RELATIONS WITH IRAQ :

The agreement between India and Iraq on setting up Joint Planning Commission marks a milestone in the annals of economic cooperation between the two countries in modern times. It was decided to set up an Indo-Iraq Joint Planning Commission to study and utilize planning activities of the two countries for mutual benefit. This was confirmed after a four member Iraqi delegation led by the Planning Minister Dr. Hashem Jawad had discussions with the then Indian Minister of Planning Mr. D.P. Dhar and members of the Planning Commission in New Delhi. The two sides also agreed that consultancy organizations of the two countries, which have already had preliminary discussions during the visit of the delegation, would hold further discussions to arrive at specific collaboration arrangements between the two countries.
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The agreement was initialled on 23 December, 1972. In April 1973 India and Iraq signed an agreement for the supply of 30 million tonnes of crude oil over a ten year period. It was one of the seven agreements signed in New Delhi on 6 April, 1973. The agreement was signed by Prof. D.P. Chattopadhyaya, the then Indian Minister of Commerce. Other important agreements were between Ramabrahman, the then Chairman of the Indian Oil Corporation and Iraq for a fifty million dollars credit for the supply of crude oil to the proposed refinery at Mathura;
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18. Indian Economic Diary, edited by Hari Sharan Chhabra, New Delhi 1982, p.9308

19. INDIA'S TRADE AGREEMENTS, Op Cit. pp 215-23.

20. The Hindustan Times, New Delhi, 24.12.72.

another for a Government guarantee for the credit and another between the same parties in respect of a gold clause in the credit agreement. According to a Joint Press statement issued after the conclusion of the talks, commercial exchanges between the two countries would be on a balanced basis to the extent possible. The imbalance would be corrected every six months by payments in convertible currency. The fifty million dollar credit provided by Iraq in the form of crude supplies was meant to assist India to meet part of the foreign exchange cost of the Mathura refinery.²¹

Iraq signed an agreement with India in March 1974 for sale of two million tonnes of oil, of which almost half was to be financed by 100-110 million of credits at 2.5 percent over ten years with a five year grace period and a 39 percent grant element.²² The visit of Mr. Saddam Husain, the then Vice-President of Iraq in March 1974 further boosted economic relations between India and Iraq. On 28 March, 1974 an agreement was signed for an Iraqi loan of one hundred ten million dollars for the import of crude. Iraq also agreed to give credits for setting up plants to produce alumina and pelletised iron-ore in India. These products would then be exported on a long term basis to Iraq. The oil credit would be repayable in ten years with an initial grace period of five years during which no repayment would be called for. Interest would be levied at 2.5 percent. The two Governments also agreed to cooperate in the implementation of major

21. The Statesman, New Delhi 7.4.73

22. Asian Recorder, New Delhi 1974 p.12333.

irrigation and agriculture projects in Iraq. The expanding bilateral trade would be given a boost in subsequent years, for which a concrete trade expansion plan for the period from 1 April, 1974 to 31 March, 1975 had been finalised. ²³ During Mrs. Gandhi's visit to Iraq the economic cooperation between India and Iraq was reviewed comprehensively. The two sides acknowledged that the trade relations had not always been as smooth as could be desired because of occasional bureaucratic ²⁴ delays. Besides, in November, 1977 the two countries signed in New Delhi a protocol for the fourth meeting of the Joint Commission envisaging wide-ranging technical and economic cooperation in the fields of industry, railways, agriculture and consultancy services. The protocol was signed at the conclusion of the Joint Commission meeting by the then Petroleum and Chemicals Minister Mr. H.N. Bahuguna and Mr. Ghanim Abdul Jalil, member of the Revolutionary Command Council of Iraq. Although India would assist Iraq in every field of economic activity on a long term basis, Iraq also agreed to double the imports from India from 850 million to \$ 100 million- Rs.90 crores in one year. The two sides also discussed the possibility of setting up a Joint Shipping service between the two countries to give a boost to bilateral trade and commerce. India would assist Iraq in building grain silos, a specialised institute of engineering and three hundred housing units, and help in servicing and maintenance of instruments and equipment for the cement plants, develop the Iraqi iron and steel industries and set up ²⁵ an electronics complex.

23. The Hindustan Times, New Delhi, 29-3-74

24. The Times of India, Bombay 20-1-75

25. The Indian Express, New Delhi, 10-11-77

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Iraq had offered to step up its crude oil exports to India by 4 million tonnes in 1979 to make up, to a considerable extent, the gap created by the disruption of Iranian oil supplies. This was revealed at a news conference in New Delhi on 30 December, 1978 by Mr. H.N. Bahuguna, on his return after attending the Indo-Iraq Joint Commission meeting in Baghdad. It was stated that Iraq which had supplied 2.5 million tonnes of crude to India in 1978 had agreed to make available a total of 6.5 million tonnes for 1979. The supplies would be at a higher level in the first quarter of 1979 to enable Indian refineries to maintain their normal crude throughput. India had been importing about 6 million tonnes of oil from Iraq. Though Mr. Bahuguna hoped the situation in that country would normalize, he said, efforts were being made to fill the entire gap through additional supplies from alternative sources. Total imports of crude for 1979 were projected at 16.75 million tonnes against 14.5 million tonnes in 1978. With the additional commitment of four million tonnes by Iraq and the increase of half a million tonnes promised by UAE, a total of 14.5 million tonnes of imports for 1979 had already been tied up. Iraq also agreed to step up its exports of kerosene to India from one lakh tonnes earlier to two lakh ten thousand tonnes for 1979. All the supplies would be completed by September 1979. It also committed the export of one lakh fifty thousand tonnes of naphtha to India. Likewise Iraq offered to raise export of sulphur to India from two lakh fifty thousand tonnes to four lakh fifty thousand tonnes and possibly to five lakh tonnes

during 1979. Urea supplies would also be raised from thirty thousand tonnes to fifty thousand tonnes. Indian exports to Iraq, which had increased from fifty million dollars in 1977 to over one hundred million dollars in 1978 were targeted to raise to \$ 153 million during 1979.

The year 1980 proved very fortunate to India in which she obtained contracts worth Rs.500 crores. The first half of 1980 saw Indian firms getting contracts worth Rs.50 crores and above whereas in 1979 the largest single contract awarded to a single Indian firm was worth Rs.40 crores. Although Indian companies share of projects under the massive development programme in Iraq is small compared to that of Japanese, West German and other firms. The demands for India's trained and skilled manpower continues to grow.

The signing of a protocol by India and Iraq in New Delhi on 21 April, 1980 marks further expansion in economic and technical cooperation between the two countries. India and Iraq had a \$ 300 million trade both ways and it was expected to go up by \$ 20 million in the year 1980. Iraq had been a steady supplier of oil to India. In 1979 Iraq supplied six million tonnes of crude and in 1980 the supplies would be maintained at the same level. Iraq also assured that India's crude requirement would be met on special basis. Indian experts numbering two thousand were then assisting Iraq's economy in various fields. Iraq wanted this number to be increased substantially.

India promised to do its best to meet Iraq's requirements. The seventh

27. Asian Recorder, New Delhi, 1979, p 14731
 28. Asian Recorder, 1980, New Delhi, p.15635
 29. The Times of India, New Delhi dated 22.4.80

session of the Ind-Iraq Joint Commission held in Baghdad was significant in that it thoroughly reviewed the economic relations between the two countries. The delegations were headed by the Iraqi Minister of Oil and the Indian Minister of Petroleum, Chemicals and Fertilizers. Ministerial level meeting was held on 21 & 22 October, 1981 and a preparatory official level meeting from October 17 to 20, 1981. The two sides reviewed the developments since the last session of the Joint Commission which was held in New Delhi in April, 1980. They had noted there had been commendable improvements in the fields of projects and other areas of technical, economic and trade relations. The Indian side appreciated the Iraqi Minister's statement that Iraq would guarantee future supplies of crude oil to meet India's requirements. The two sides also agreed to set up three sub-committees within the Joint Commission dealing with trade, with economic cooperation and with cultural and technical cooperation.

The sub-committee on economic cooperation reviewed progress being executed in Iraq by Indian companies. The Iraqi side suggested that legitimate claims for compensation filed by Indian companies would be considered through the concerned client organisations in accordance with certain general instructions to be issued by the Iraqi Government. In the field of tourism detailed discussions took place and the two sides finalised a draft protocol on cooperation in the field of tourism between Indian Tourism Development Corporation and the Iraqi State Organization for Tourism. In particular, the two countries agreed

30. REPORT (1981-82) brought out by Government of India, Ministry of Commerce, New Delhi 1982, p.86.

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on an indicative plan of one hundred eighty ~~dollar~~ million dollars for exports from India to Iraq during 1980. The plan covered agricultural products (e.g. tobacco, tea, plywood, tamarind and spices), chemicals and minerals, bantonites, barytes, iron-ore fines, textiles, woollens and engineering manufactured items. The realisation of individual export contracts would depend on competitive offers in respect of prices, quality, delivery and after-sale services. India also provided another list of various types of products and commodities to Iraq for circulation to the concerned buying organizations. This would be followed by lists of reliable exporters of these commodities and products. India also agreed to import of dates, valued at \$ 10 million from Iraq during 1982. From the beginning of 1983, Iraq would also make available to India specified phosphates and fertilizers etc.

3. RELATIONS WITH KUWAIT :

Kuwait signed an agreement with India on 13 February, 1974, providing for increased financial trade and possibilities of joint ventures. The agreement stemmed from a visit to Kuwait by the then External Affairs Minister Sardar Swaran Singh during a Gulf tour in 1973 and the work done by a special committee to follow up his talks. Another agreement between the two countries was signed on 27 January, 1976 under which Kuwait fund for Arab Economic Development would grant a loan of us \$ fifty million for twenty five years at 4% for the Kalinadi hydroelectric project in Karnataka State. The two hundred million rupee project would have an installed capacity of nine hundred ten mw and would generate up to four thousand million K.W.R. by

31. Asian Recorder 1981, New Delhi, p.16368

32. INDIA'S TRADE AGREEMENTS, Op.Cit. pp. 317-20

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harnessing the Kali river and its tributaries. Besides, Kuwait extended a loan of 9.4 million dinars (about Rs. 271.5 million) to India to help finance a hydraulic project. Agreement for a total of 22.35 million dinars (about Rs.645.36 million) in loan to India, Bangladesh, Sudan, and Lesotho were signed in Kuwait on 4 July, 1978. The Bangladesh loan of 6.75 million dinars (about Rs.194.91 million) would contribute to the cost of a national power grid. During the Kuwaiti Emir's visit to India in September, 1980 the two sides reviewed the progress of economic relations between the two countries. India ranks seventh on the list of exporters to Kuwait. Indian exports include traditional and non-traditional items. Food products such as cardamom, tea, coffee, meat, spices, fresh vegetables and fruits constitute about 33 percent of India's exports. Engineering products like iron and steel rods, structurals, pipes and tubes and automobile buses constitute another 33 percent and the rest of the exports consists of textile and jewellery. India, in turn imports fertilizers and refined petroleum products from Kuwait. India is the largest purchaser of fertilizers from Kuwait. During the year 1980 India imported a significant quantity of liquified petroleum gas (LPG) from Kuwait. The balance of trade has shifted in favour of India since 1976. An important aspect of Indo-Kuwait economic cooperation is the participation by the Kuwait Fund for Arab Economic Development in India's development. During Mrs. Gandhi's visit to Kuwait in May 1981 she expressed her

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33. The Hindustan Times, New Delhi, dated 28-1-76
 34. Asian Recorder, 1978, New Delhi, p 14469
 35. The Times of India, New Delhi, dated 10-9-80

Government's appreciation for the assistance that had been extended over the past few years by the Kuwait Fund for Arab Economic Development. In mid 1980 Government of India made relaxations by permitting equity investment from oil exporting developing countries in industrial and other projects in India.³⁶

The Kuwaiti International Investment Company (KIIC) remitted Rs. fortysix crores to India to cover half the promised investment from Kuwait for the Rashtriya Chemicals and Fertilizers (RCFL), a public sector undertaking in Maharashtra. According to an Indian Embassy spokesman, another instalment of Rs. fortysix crores was remitted on 20 January 1982 thereby completing the purchase of bonds floated by the Indian company to raise funds from Kuwait for its Thal Vaishet Fertilizer project. With the remittance of the second instalment, the Thal Vaishet project attracted the single largest segment of investment from Kuwait. The issue of bonds in the Kuwait Dinar market was managed by the KIIC alongwith the Kuwait Foreign Trading Contracting and Investment Company and the Kuwait Investment company. An agreement in this regard was signed on 12 December, 1981 by the RCFL chairman and managing director Mr. Duleep Singh and KIIC deputy chairman and managing director, Mr. Salah al Marzook. The agreement is guranteed by the Government of India and carries an interest of 12.25 percent. This was the first time that India came to the international financial

36. The Hindustan Times, New Delhi dated 10.5.81

market to raise funds and that the bond issue, totalling Rs. ninetytwo crores, was also the biggest ever floated by any Kuwaiti institution in the local market. The investment was the best example of growing ties between India and the Gulf states and indicated the complementarity between the Gulf investment and Indian expertise. That Vaishet project is meant for the production of ammonia.

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The Kuwait Fund for Arab Economic Development (KFAED) granted a ~~one~~ soft loan of 14.3 million Kuwaiti dinars for the multi-billion-dollar Thal Vaishet fertilizer project in Maharashtra. An agreement in this regard was signed in Kuwait between the Kuwaiti Minister for Planning and Finance, Mr. Abdul Latif Al Hamad, and the Indian ambassador Mr. S.J.S. Chhatwal. The loan would be repaid with an interest rate of 3.5 percent. The first instalment, will be due on 1 May, 1987 and the last on 1 November, 2006. An administrative charge of .5 per cent will also be levied. Provision was made for a grace period of five years. This was the first loan given by the KFAED to India for development in the fertilizer sector. Earlier, three loans had been given for development in the energy sector. The loan would cover 5.1 per cent of the total project cost of the Thal Vaishet, estimated at K.D. 82.2 million dinars³⁸, KFAED would also provide a Rs. fifty crore loan (Kuwaiti dinars 14.6 million) to India for phase I of the South Basin gas development project. An agreement to this effect was signed in New Delhi on 27 October, 1983 between India and the KFAED. The South Basin offshore gas project aims at producing up to twenty million cubic metres of gas a day from the South Beisin field located approximately sixtyfive k.m. west of Bombay in the Arabian Sea at a

37. INDIAN ECONOMIC DIARY, op. Cit. p. 8828.

38. ASIAN RECORDER, 1982, NEW DELHI, p. 16751

water depth of about fiftyseven metres. The project is to be implemented in two phases. Phase I includes facilities for producing at least five million cubic metres of gas per day in 1984 and at least ten million cubic metres of gas per day in 1985 together with the pipeline transport facilities to the coast in Gujarat, with a capacity of twenty million cubic metres of gas per day in 1984. Phase II includes facilities to bring the project to its capacity by about 1987.

In pursuance of the policy of expansion in economic cooperation India and Kuwait entered into an agreement to avoid double taxation of income from international air transport with retrospective effect from January 1, 1967. Under the agreement which came into force on 31 March 1983, income derived by aircraft enterprise of one country would be exempt from tax in other country. While the provisions of the agreement would apply retrospectively in respect of the earnings of the airlines of the two countries from 1 January 1967, the assessment in respect of the period prior to 1 January 1967, would be reopened.

4. RELATIONS WITH SAUDI ARABIA :

The annual turn-over of trade between India and Saudi Arabia registered a substantial increase in 1970. Under a contract signed between the Indian Oil Corporation and the Saudi Arabian Oil Company on 1 March, 1976 India would import 1.1 million tonnes of light crude oil from Saudi Arabia during 1976. In addition to crude received on government-to-

39. THE INDIAN EXPRESS, New Delhi dated 28.10.83.

40. Asian Recorder 1983, New Delhi, p. 17203.

41. INDIA (A reference Annual 1971-72) p. 530.

(120)

Government basis India would continue to get 2.75 million tonnes of Saudi Arabian crude from Exxon under the agreement signed at the time of acquisition of its affiliate Esso's marketing and refining operations in March 1974. Caltex also receives from its principals Saudi Arabian crude for processing in its refinery at Vishakhapatnam. Saudi Arabia participated in India's projects by extending loan to her. For instance, she extended on 2 June, 1977 her first ever loan to India worth one hundred million dollar for the Srisaillam and Nagarjunasagar power projects. An agreement to this effect was signed in New Delhi by the then Finance Minister Mr. H.M. Patel and Dr. Mahsoun Jalal, Director General (earstwhile) of the Saudi Arabian Fund for Development. The Fund had an authorised capital of three thousand million dollar and was set up in 1974. The Fund authorities had earlier appointed a team of German experts to scrutinise the Srisaillam and Nagarjunasagar power projects to assess their viability. The Srisaillam scheme envisaged four generators of hundred ten M.W. with a provision for three more units later. These would be commissioned in rapid succession between March 1979 and October 1980, and the total cost was estimated at Rs. two hundred eight crores. The Nagarjunasagar scheme would use the dam in Andhra Pradesh for generating hydro- electricity. The generator was expected to be commissioned in August 1977. The total cost would be Rs. 12.97 crores.

42. THE TIMES OF INDIA, New Delhi dated 2.3.76

43. THE HINDUSTAN TIMES, New Delhi dated 3.6.77

Likewise, Saudi Arabia agreed to give a loan of Rs. two hundred sixty five million for a new hydro- electric project in Bihar to be taken up by the National Hydro Power Corporation (NHPC). The Rs. two thousand seven hundred thirty million Koel Karo project would generate seven hundred ten M.W. of power by harnessing the South Koel river and its tributary.⁴⁴

Four oilrich Gulf-States-Saudi Arabia, Kuwait Qatar and the United Arab Emirates (UAE) promised oil supply to India to make up for the loss due to the Gulf war. The then finance Minister Mr. R.Venkataraman during a brief stopover in Doha (Qatar) on 17 November, 1980 on his way to Dubai from Dhahram (Saudi Arabia), told newsmen that the interim supply would not be a "big" quantity. But India's growing need for oil would be taken into account by the friendly Gulf neighbours while committing their oil sale for the next year. The four OPEC countries had temporarily raised their output or stayed their planned cutback totalling one million barrels a day to help the countries badly hit by the loss of supplies from Iraq and Iran. The worst hit was India which lost about seventy five per cent of its supplies- six million tonnes from Iraq and five million tonnes from Iran.⁴⁵ India and Saudi Arabia also signed in New Delhi on 14 April 1981, an economic and technical cooperation agreement aimed at encouraging investment and flow of capital and exchange of goods and products. By another agreement Saudi Arabia extended a loan of ^{one} hundred six million riyals (about \$ 32 million) to finance the Koel

44. ASIAN RECORDER , New Delhi 1979, p. 15171.

45. THE HINDU, Madras dated 18.11.80 .

Karo hydro- electric project in Bihar. The project envisages the construction of two earth dams across the north Karo river and south Koel river and the installation of power stations with a total generating capacity of seven hundred ten M.W. The participation of the Saudi Fund for Development in the project ~~may~~ must be considered as a landmark in the promotion of close and fruitful cooperation between the Government of India and the Saudi Arabian Kingdom. The agreement also envisaged the formation of a joint commission to meet alternately in India and Saudi Arabia. ⁴⁶ It was finally decided during Mrs. Gandhi's visit to Saudi- Arabia in April 1982 and the first meeting of the joint commission was to be held in October 1982. It was also proposed that a delegation of Saudi businessmen and industrialists should visit India shortly to further explore the possibilities of mutual beneficial economic cooperation. In consequence, on 22 May 1982 India signed the first ever long term agreement with Saudi Arabia for importing just over five million tonnes of crude in the next 2½ years. This would be at the rate of two million tonnes per annum starting from 1 June 1982. The agreement would end in December 1984. Besides the long- term agreement India would also be importing 1.40 million tonnes of crude during 1982 from the Saudi based Exxon company of the United States. In the past Saudi oil had been supplied on an adhoc basis and supplies had been interrupted several times. ⁴⁷

46. THE TIMES OF INDIA, New Delhi dated 15.4.81 .

47. THE INDIAN EXPRESS, New Delhi Dated 23.5.82.

At the end of the first meeting of their Joint Commission in New Delhi on 11 August, 1983 India and Saudi Arabia agreed to further strengthen their bilateral cooperation in various fields and an agreement on a Rs. thirty crores Saudi assistance for the Koraput- Raigad railway line project was signed. The two countries also agreed to consider long-term arrangements for the exchange of Indian iron-ore with Saudi sulphur. The leader of the Saudi delegation and co-chairman of the Joint Commission, Sheikh Mohammad Abal Khail and the then Commerce Minister, Mr. Vishwanath Pratap Singh, discussed the possibility of exchange of Indian iron-ore and Saudi sulphur during their meeting. They agreed that the Joint Commission could be used for strengthening trade ties and finding new avenues for commercial exchanges. They also considered scope for joint ventures consultancy services in the context of expanding economic co-operation. During the discussion the issue of ban on import of Indian meat also figured and Mr. Singh suggested that Saudi Arabia should lift the ban ~~the ban~~ on import of meat from India in view of the quality control and pre-shipment inspection by Indian authorities. The Saudi Minister promised that once his country's conditions were satisfactorily maintained, the matter would be reviewed. The Saudi team also discussed the arrangements for the supply of crude oil to India. The team met the then Energy Minister Mr. P. Shiv Shanker. They discussed the renewal of

the arrangement for the supply of Saudi crude oil to India. The contract for the sale of two million tonnes of crude oil every year was to expire on 31 December 1984. They also signed an agreement under which Saudi Arabia would give a Rs. thirty crores loan for the Koraput- Raigad railway project in Orissa. This would be the third loan to be advanced to India out of the Saudi Fund for Development. The earlier two totalling Rs. one hundred thirty cores, were given for the Nagarjunasagar and Srisailem projects and the Koel Karo project.

So far as Indo- Iranian economic relations are concerned the aforesaid agreements and contracts in economic sphere speak for the fact that their relations are based on complementarity and mutual understanding. The agreement for avoidance of double taxation of income between the two countries reflects the view that they have necessary will to honour the sentiments of each other and strengthen the friendship. A major agreement on economic cooperation including additional crude oil supply to India in February 1974 proved turning point in the relations between India and Iran. The agreement had two salient features. For one thing it provided for extensive credit facilities from Iran to cover the import liabilities. For another India might not be called upon to make immediate payment for additional oil imports. Going by the contents of contracts entered into by the two sides we find that Iran always took into consideration the difficulties and problems facing India and made full concession to remove

48. THE INDIAN EXPRESS, New Delhi dated 12.8.83.

49. ASIAN RECORDER, 1983, p. 17371, New Delhi.

them. For instance, under the said agreement Iran had not only to import one lakh tonnes of Indian alumina per year on a long term basis but she also agreed to extend credit facilities for developing necessary facilities to the extent of sixty million dollars to seventy million dollars. Other such agreements whose terms were favourable to India include cooperation in fisheries in the Persian Gulf and the Indian Ocean, supply of cement and steel products to Iran, establishment of Joint venture fertilizer plants, Iranian credit for the production of alumina based on bauxite, supply of Iranian crude, one million tonnes per year for the next five years (from 1974) mostly against deferred payment, supply of an additional crude seventy thousand tonnes a year for Madras refinery when its capacity was expanded to 3.5 million tonnes and non- payment for additional crude supplies, except to a small extent in the Fifth Plan starting from April 1974. In order to monitor these agreements the two countries also decided to set up a joint committee of experts.

In January 1974 Ministerial level talks between India and Iran held in New Delhi, according to Mr. Hushang Ansari, the leader of the Iranian delegation, constituted a step forward. The subjects discussed in the meeting included maximisation of industrial capacity in India for the benefit of both countries, development of India's mineral resources for export to Iran, cooperation in the field of petro chemicals, extension of credit facilities to India and oil and other commodities. Mrs. Gandhi's visit to Iran in April 1974 must be considered as a milestone in the annals of economic and political cooperation between two states. The reason is that firstly, the talks were held in a cordial atmosphere and dispelled India's apprehension about Iranian hegemony in the region and

and secondly certain key decisions were taken by India and Iran. Mrs. Gandhi agreed for having a common market for the Indian Ocean and said if peace and stability could be achieved through economic cooperation it would do a lot of good to the international situation. But she cautioned, any kind of regional cooperation should not be directed against any country. The other important decisions taken in May 1974 at the conclusion of Mrs. Gandhi's visit include extension of soft loans to India, giving credit to India to maximise its industrial capacity and the establishment of a joint shipping line. A five year trade agreement between the two countries in August 1974 marks a significant development in the history of trade relations. Under the agreement India would supply to Iran at least one million tonnes of cement, one lakh thirty thousand railway track sections and vast quantities of sugar. Iran undertook to deliver to India transformers, machinery and petrochemical products. It was also decided to set up a joint shipping company with equal shares held by the shipping organisations of the two countries. The signing of a protocol in April 1975 is also noteworthy in that it contained a twenty year project for India to send to Iran 7.5 million tonnes of iron-ore a year, starting in 1977 or 1980. The protocol also provided for the grant of a long term credit of three hundred million dollars by Iran for exploitation of the Indian ore deposit. It had also the provision of investment by Iran in an industrial complex in India for paper, with most of the planned two lakh tonnes yearly output earmarked for Iran. The highlight of the Indo-Iranian fifth Ministerial conference held in November 1975, was the grant of six hundred thirty million dollars loan

by Iran to India for development and exploitation of Kundremukh iron-~~ore~~^{exports} mines to be repaid in iron-ore~~/to~~ to Iran. The ministers of the two countries also entered into concrete economic agreements that would give a new content and meaning to their friendly, economic and political relations. Therefore the importance of the fifth Ministerial conference cannot be lost sight of.

Shah of Iran's visit to India in February 1978 further boosted the economic relations between the two countries. Iran agreed to supply India with additional crude on credit terms favourable to India. The bulk of repayment was to be through products made possible from approved projects. The shah of Iran and Mr. Morar Ji Desai emphasized the need to establish a new international economic order based on equality and justice. They also stressed the need for reform in the international trading system to bridge the gap between the industrialised and the developing countries. In the wake of the revolution the first agreement signed between India and Iran in May 1979 related to the supply of crude oil meant for Madras refinery. Therefore the revolution did not disturb the continuity of economic relations between the two nations. In May 1982 the two countries decided to set up an Indo- Iranian Joint commission to give a boost to economic and other relations. This move was lauded by the people of both the countries due to the fact that Khomeini regime is also interested in the promotion of bilateral relations in various fields. The Indo- Iranian Joint Commission's meeting held in Teheran in July 1983 proved crucial in that it solved to a great extent the problem of the lifting of iron-ore concentrate from Kudremukh plant. The problem arose due to the minor shift in trade

policy effected by Khomeini regime. The two sides decided to invoke the earlier agreement regarding the supply of iron ore and the remaining problems i.e. delivery schedule, prices and quantity were expected to be sorted out later on. Iran also expressed her readiness to keep oil exports within the purview of Asian clearing Union. They also agreed that payments for Iranian oil would be made in Indian currency for sixty days.

In December 1972 India and Iraq agreed to set up Joint Planning Commission giving testimony to the fact that both the countries are interested in maintaining close economic cooperation. The commission aims to study and utilize planning activities of the two countries for mutual benefit. In April 1973 they signed as many as seven agreements in New Delhi. One of the agreements related to the supply of thirty million tonnes of crude oil to India over a ten year period. Another important agreement was in connection with a \$ fifty million credit for the supply of crude oil to the proposed refinery at Mathura. It was also agreed that commercial exchanges between the two would be on a balance basis and the imbalances had to be corrected every six months by payments in convertible currency. The visit of Mr. Saddam Husein the erstwhile Vice President of Iraq in March 1974 marks a significant development in that it paved the way for increased trade and commerce between the two sides. It opened the flood gate of a host of agreements i.e. an Iraqi loan of one hundred ten million dollars to India for the import of crude from Iraq, Iraqi credit to India for setting

up alumina plants and plant for pelletization of iron- ore, cooperation in the implementation of major irrigation and agriculture projects in Iraq and finalisation of a concrete trade expansion plan for the period from 1 April 1971 to 31 March 1975.

Mrs. Gandhi's visit to Iraq in January 1975 provided an opportunity to the two countries to review the economic cooperation comprehensively. Both the leaders came to the conclusion that the trade relations had not always been as smooth as it ought to have been due to occasional bureaucratic delay. During the fourth meeting of the Indo- Iraqi Joint Commission a protocol was signed that envisaged wide ranging technical and economic cooperation in the fields of agriculture, consultancy services, industry and railways. The protocol was signed in November 1977 that also contained among other things, an agreement by Iraq to double the imports from India from fifty million dollars to one hundred million dollars Rs. ninety crores in one year. This gesture on the part of Iraq was lauded by the people of India. Other features of the Joint Commission meeting include the discussion about the possibility of setting up a joint shipping service between India and Iraq, agreement by India to assist Iraq in building grain silos, three hundred housing units and a specialised institute of engineering. Iraq's offer to step up its crude oil exports to India to make up the gap created by the disruption of Iranian oil supplies, is praiseworthy and speaks for the fact that Iraq is ever willing to accomodate the sentiments of India. Iraq agreed to supply 6.5 million tonnes of crude to India in 1979 whereas the supply for 1978 was just 2.5 million

tonnes. Iraq also stepped up its exports of kerosene to India from one lakh tonnes earlier to two lakh ten thousand tonnes for 1979. Other items for whose exports Iraq agreed to step up during 1979, were sulphur and urea.

The year 1980 saw a host of lucrative contracts between India and Iraq. India obtained contracts worth Rs. five hundred crores, an amount unprecedented in the history of Indo- Iraqi economic cooperation. A protocol signed in April 1980 envisaged further expansion in economic relations between the two countries. It was agreed that Iraq would maintain the 1979 level of its oil supply to India i.e. six million tonnes of crude in 1980 too. The outcome of the seventh session of Indo- Iraqi Joint Commission held in October 1981 was heartening in that India was assured of continued Iraqi crude supply in the future and there was agreement on setting up three sub- committees dealing with trade, economic cooperation and cultural and technical cooperation. These sub- committees played a vital role in the expansion of trade and commerce between the two countries. Iraq also agreed to give compensation to Indian companies after the consideration of their legitimate claims according to general guide lines issued by the Government of Iraq. A draft protocol for the promotion of tourism was also finalised after the discussion between Indian Tourism Development Corporation and the Iraqi State Organization for Tourism. The two sides agreed on an indicative plan of \$ one hundred eighty million for exports from India during 1980. The export commodities include tea, spices, tobacco, plywood, chemicals and minerals, bantonites, barytes, woolens, engineering goods and textiles. Iraq agreed to supply India with dates, specified phosphates and fertilizers in subsequent years.

When we talk of Indo-Kuwaiti economic relations in modern times we inevitably shower words of praise on Kuwait Fund for Arab Economic Development, a Kuwaiti financial agency which has been principal aid donor to India. During a visit to Kuwait by the then Indian External Affairs Minister Sardar Swaran Singh in February 1974 an important agreement was signed by India and Kuwait that provided for increased trade and explored the possibilities of joint ventures. In another agreement signed in January 1976 Kuwait Fund for Arab Economic Development undertook to grant a loan of fifty million dollars for twenty five years at 4% for the Kalinadi hydroelectric project in Karnataka state. Besides, Kuwait's loan of 94 million dinars (about Rs. 271.5 million) to India meant to finance a hydraulics project, also speaks for the fact that Kuwait has been liberal in granting loan to India. Kuwaiti Emir's visit to India provided an opportunity for a thorough review of Indo-Kuwaiti economic relations. India stands seventh on the list of exporters to Kuwait. The list of Indian exports includes a number of food products such as spices, meat, coffee, fresh vegetables, fruits, tea, cardamom, and engineering goods i.e. automobile busses pipes and tubes, iron/steel rods and textiles and Jewellery. Indian imports from Kuwait include petroleum products and fertilizers. An encouraging feature of Indo-Kuwaiti economic relations is that balance of trade has shifted in favour of India since 1976. Participation by Kuwait's Fund for Arab Economic Development in India's development has created a lot of good will among Indians and Mrs. Gandhi during her visit to Kuwait in 1981 acknowledged the assistance extended by the KFAED and uttered a few words in appreciation

of Kuwaiti leaders. India reciprocated this Kuwaiti gesture by permitting equity investment from Kuwait and other oil exporting developing countries in various projects in India.

We have a number of examples of investment by Kuwaiti financial institutions in Indian projects. Rashtriya Chemicals and Fertilizers (RCFL) a public sector undertaking in Maharashtra received Rs. fortysix crores from the Kuwaiti International Investment Company (KIIC), to cover the promised investment from Kuwait for it (RCFL). In fact India had floated the bonds to raise funds from Kuwait for its Thal Vaishet Fertilizer project. The project meant for the production of ammonia, attracted the single largest segment of investment from Kuwait. It is also noteworthy that for the first time India sought the help of international financial market to raise funds and the bond of Rs. ninety two crores was also the biggest ever floated by any Kuwaiti institutions in the local market. Thal Vaishet project also benefitted from KFAED which granted a soft loan of 14.3 million Kuwaiti dinars. The loan is to be repaid with an interest rate of 3.5 per cent. The first instalment will be due on 1 May, 1987 and the last on 1 November 2006. The concession of providing a grace period of five years by Kuwait, also reflects Kuwait's brotherly attitude towards India. KFAED also provided loan for South Basin gas development project. South Basin field is located approximate sixty five km west of Bombay in the Arabian Sea. To make air transport between Kuwait and India smooth the two countries entered into an agreement to avoid double taxation of income from international air transport. The

aforesaid agreements give testimony to the growing ties between India and Kuwait and indicate the complementarity between the Kuwaiti investment and Indian expertise.

Indo-Saudi economic relations in modern times is also, like other countries of the Gulf, based on complementarity, mutual benefit and long standing Indo-Arab economic tie. The trade between the two countries gained momentum in 1970s when the annual turnover of trade registered a substantial increase. Saudi participation in various India's projects through extending loans and continuous supply of oil to India explain the element of affinity between India and Saudi Arabia. According to an agreement signed in March 1974 apart from the crude received on Government-to-government basis India would continue to get 2.75 million tonnes of Saudi crude from Exxon (an American company based in Saudi Arabia). The Indian projects financed by Saudi Arabia include Srisaïlam Nagarjunasagar power project of Andhra Pradesh, Koel Karo Hydro-electric project of Bihar and Koraput Raigad railway line project in Orissa. We must be all praise for Saudi Fund for development which extended liberal assistance for Indian projects. The formation of Joint Commission between India and Saudi Arabia in 1982 contributed a lot to the promotion of economic relations between the two countries. The first meeting of Indo- Saudi Joint Commission was important in that it tried to settle certain important issues. It is in this meeting that Saudi plan to finance Koraput Raigad railway line project was finalised. Both the sides also discussed the possibility of a long- term arrangement for the exchange of Indian ore with Saudi sulphur. They also talked about the expansion of trade and commerce between India

and Saudi Arabia. The leader of the Indian delegation also raised the issue of meat export to Saudi Arabia and assured the Saudi delegation of the tightened quality control and pre-shipment inspection by Indian authorities. Saudi Minister promised to sympathetically consider the matter. The timely move by four oil rich Gulf States- Saudi Arabia, Kuwait, Qatar and the United Arab Emirates to supply crude to India to compensate for the loss due to the Gulf war, deserves compliments from us. It is noteworthy that India had lost about seventy five per cent of its supplies from the Gulf region- six million tonnes from Iraq and five million tonnes from Iran- at the beginning of the war.

Now we would like to discuss the genesis of the Indo- Gulf economic relations in recent times. In fact Britain's imperial needs brought India and the Gulf countries into close contact with each other. Trade and commerce between India and Gulf countries grew by leaps and bounds. India and Arab traders carried on between the two areas. Many children of the Gulf aristocracy came to India to receive their education in schools and colleges of the country. Indian currency came to be accepted as legal tender in the Gulf markets. Primary technical skill from India was regarded as handy for the Gulf people and safe for British imperial interests. In the local military and police, personnel of Indian origin were preferred. Even the 'bazar' Hindustani was not really an unknown language for the local people. Many Indians took up permanent residence in the Gulf states. Two socio- economic developments on the global scene gave Indo-Arab relations a new turn and raised them to a new level of cooperation. The states of the Gulf region resumed

historical ties with India in the 1970s under the impact of these socio-economic changes. First of all the policy of socio-economic planning adopted in force India had not only raised the standard of living of its people but also enhanced their technical knowledge and skill. Thanks to this transformation ^{that} ~~the~~ a new class of technologists arose in India, technologists capable of undertaking constructive enterprises both in India and in the countries of the Third World.

Generally speaking the revolution of rising expectations in the developing countries made the Indian technical elite available for service in the Gulf states. India already had a huge surplus of manpower, skilled and unskilled, which could be productively utilized in constructive projects abroad. Although a superior quality of technical know how was available in countries like Japan for use in the Gulf states, its supply was scarce in view of the smaller surplus, mostly in view of the wage structure in Japan, and partly irrelevant in view of the absence of supporting unskilled labour. Moreover the level of technology in India was more suitable for the sort of development envisaged in the Gulf states. The other factor signifying global socio-economic change was the discovery of large deposits of oil in the Gulf region and the world's growing reliance on oil as the pre-dominant source of energy. Its impact was definitely felt when the various oil producing countries adopted policies of nationalization of oil-drilling so that the newly acquired wealth provided a source of economic and technical advance of the local populations. In 1973 they used oil as an instrument of foreign policy in support of

the rights, ~~of~~ the Palestinian Arabs. On the initiative of the Gulf States an organisation known as Organisation of Petroleum Exporting countries (OPEC) was set up to determine international oil prices. What oil has done is to turn India's spotlight on the Persian Gulf region. Almost overnight India realized that oil would not flow in for the asking; close concentrated and sustained contacts and goodwill would be necessary. Besides, the old picture that the Middle Easterners were "poor relatives" must be flung out of the window, for oil has brought an unprecedented wealth in some most significant quarters. If India must buy there, it must also sell there and it has found that in the new environment export possibilities have in fact vastly increased. Thus during the last few years more delegations and visits to the Gulf states have been exchanged than in any comparable period. India's President, Prime Minister, numerous Ministers, high officials, business chiefs and top specialists have visited several states, heading the outflow of an extraordinary variety of Indians, from carpenters to plastic surgeons. And it has been a two-way traffic. The people of the Gulf have also discovered India : a developing country no doubt and yet commanding great resources and technological competence of the highest order in several fields. It is interesting to record that the closing down of the Suez Canal, while it bore heavily upon India's trade with Europe, brightened up its opportunities

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in the Gulf states. These developments on the global scene combined to

51. IBID, p. 92

52. Maharaj K. Chopra, India's Oil Strategy and Its Consequences, article published in AUSSENPOLITIK (a quarterly foreign affairs review) Hamburg (FRG), 1977, p. 223.

raise Indo- Gulf relations from an ideological convergence and political cooperation to the more concrete level of collaboration in the fields of developmental and reconstructive projects. Cooperation between the Indian labour force, managerial enterprise and technical know- how on the one hand and the capital resources of the member states of the OPEC on the other not only exemplifies the new pattern of Indo- Gulf relations, but also shifts the emphasis of Indian policy from diplomatic- political cooperation to economic- technical collaboration and its Arab focus from Egypt, Syria and the Lebanon to the Gulf States.

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India's chief gain in various collaborations is however, in the field of foreign exchange and trade. A large number of skilled and unskilled workers as well as technical and educational personnel of Indian origin working in the Gulf states remit their savings in Indian banks increasing India's foreign exchange earnings. This is in addition to the profits that India's public undertakings and private companies make in the projects assigned to them. Moreover, India maintains generally favourable balances of payment with the Gulf States. Ofcourse, in the case of Kuwait India's imports exceed its exports, but even this cannot be regarded as adverse to India's national interest ; for its imports from the Gulf consists mostly of crude oil and petroleum products. India's exports to Kuwait registered about a five fold increase in the last five

years. The export items to Gulf countries generally include sugar, rice, textiles, steel, tyres and tubes, commercial vehicles and jeeps, electrical equipment, pumps and motors, machine tools and handicrafts. The Gulf region is getting to be one of the major markets for Indian products. The import items include inter alia crude oil, petroleum products and minerals which are scarce items in India. India certainly stands to gain by its growing commercial relations with the Gulf states even where its trade with them might indicate an unfavourable balance. However far from being unfavourable, the balance is getting to be more and more favourable.⁵⁴

Realizing that politico-economic action-reaction is normally inevitable, India's foreign policy makers are having a hard look at the Gulf region on its scale of external relations.⁵⁵

Notwithstanding the good news from domestic oil industry and the talk of India becoming self-sufficient in oil it is unlikely that India would cease to be an oil importer. It must be realised as it appears from the present reckoning, that after Bombay High and related offshore structures we have yet no established source of additional crude and all increases in consumption after 1987-88 would have to be met by imports. It is feared that even by the turn of the century oil imports might well absorb 75 per cent India's export earnings. Views have also been expressed that the present slump in the price of oil may not last long.⁵⁶

It is predicted that by the end of the century the forces leading to price rises would be stronger than those exerting a downward pressure on

54. IBID p. 93-94.

55. Maharaj K. Chopra, India's Oil Strategy and Its Consequences, Op. Cit.

56. Partha S. Ghosh, 'World Oil Outlook : Some Policy Implications For India' article published on INDIA QUARTERLY (A Journal Of International Affairs), Vol. XXXIX No.4, New Delhi, Oct.-Dec. 1983, p 402

prices. The current oil glut " was a 'structural' phenomenon and that low prices would persist indefinitely was not correct.⁵⁷ It is in the shadow of these anxieties that India's diplomacy has to be tailored ; in the first place, to ensure a smooth supply of oil from external sources and ~~secondly~~, to develop viable economic links with oil exporters so as to make both the partners mutually dependent on each other thereby reducing the vulnerability of the Indian economy to the whims and fancies of the oil exporting countries. To effect these, India's dependence on external supply has to be diversified and viable economic relations have to be built up with the Persian Gulf-states who are India's largest suppliers. So far as diversification of oil imports is concerned India's efforts have been commendable. Although Persian Gulf-states continue to be India's major exporters yet since 1980 we have on our list of suppliers such countries as Mexico, Venezuela, Malaysia, Algeria and Nigeria. Kuwait which was previously not our supplier has emerged as one. The Soviet Union which was a relatively small supplier in 1977 has over⁵⁸ the years become a major one.

But in spite of these diversifications India's dependence on the Persian Gulf oil is still enormous. So it is imperative that India's energy diplomacy takes serious note of the development in the Gulf region and tailer its policy so as not to jeopardize its economic growth ~~which~~

57. TIMES OF INDIA, New Delhi, 19 June 1983.

58. Partha S. Ghosh ' World Oil Outlook : Some Policy Implications for India', op. Cit.

which a cut in the oil supply from the region might lead to. It is still in Indian memory that following the oil crisis of 1973 the oil exporting Arab countries had included India in the list of countries selected for oil embargo as well as oil squeeze. In the initial phase of the oil crisis Indian economy became so vulnerable to the dictates of the oil exporting Arab countries that some apprehended that India might even intervene in the Middle East to safeguard its vital interests. In March 1975, speaking at Iran's institute of International Political and Economic Studies, Christopher Bertrum, Director of London based International Institute of Strategic Studies, expressed such apprehension. No doubt Bertum's view smacked of a typical Western imperialistic solution of a given economic contingency. But what his fear underscored was the fact that India had vital stakes in Gulf oil for its economic development. The main ^{determinant} ~~determinant~~ of India's policy towards West Asia ^{is} ~~is~~ in this fact. In ^{is} ~~is~~ the Arab- Israeli conflict India's policy has been one of expressing solidarity with the cause of the Arabs. That this policy has paid some dividends is evident from the fact that by forceful support to the Arab demand that Israel withdraw from all territory occupied during the War of 1967, India got the oil exporting Arab countries to promptly delete its name from the list of countries selected for the oil embargo and the oil squeeze. Alongside wooing the Arabs politically, India also made efforts to develop economic relations with these which had overnight become rich. Since 1974 India has been projecting to the Persian Gulf

59. K.R. Singh, "INDIA AND WANA" in Bimal Prasad, (Ed) India's Foreign Policy : Studies in Continuity and change (New Delhi, 1979) p. 249, see also Gurcharan Singh, THE MIDDLE EAST AND INDIAN DIPLOMACY (Pearl River, N.Y. 1975) pp 166-206.

countries its image as a nation that is eminently in a position to meet a sizeable portion of the goods and services they need for their dazzlingly ambitious modernization and development projects at rates considerably cheaper than those available in the developed capitalist countries. By the late seventies, India's vigorous economic diplomacy was rewarded with promising returns. Indian public and private sector companies built railroads, airports, township, housing projects, an electric power supply plant, a water filtration plant, a sponge iron plant and a fertilizer factor in countries located in the Persian Gulf region. India also became the second largest supplier of manpower to the region, after Pakistan.⁶⁰

Now that there is a glut in the world oil market and price of oil is falling India has an opportunity to strengthen its solidarity with the Arab countries by not exploiting their predicament, The recent development in Indo- Iran economic relations have indicated the usefulness of this strategy. It is believed that the Indian gesture of not demanding discounts when the prices of oil were falling have contributed to the setting- up of the Indo- Iran joint commission. Among the important items that have been negotiated is that the imbalance in trade, which favoured Iran ten to one, should be corrected to the extent possible and that Iran should supply oil to India against payment but give it sixty days time to pay as stipulated by the eight- member Asian clearing Union.⁶¹

60. INDIAN EXPERTISE IN PROJECTS, Calcutta Engineering Export Promotion Council, Calcutta, November, 1980.

61. TIMES OF INDIA, 20 July, 1983.

Besides, India's Arab strategy with the ostensible object of obtaining deferred payment facility for its oil imports and getting as large a share as possible of the enormous aid pie of Arab petrodollars for its developmental projects should also include a relatively accommodating approach towards Pakistan without ofcourse compromising the basic tenets on which its Pakistan policy rests. Policy towards Pakistan is indeed much more central to India's foreign policy than its relations with the Gulf-states and hence the latter cannot determine the former; still efforts to normalisation of Indo-Pak relations can contribute to India's building credibility with the Gifl people. To come closer to the Gulf countries India might consider making some readjustments, 'even if cosmetic', in the relationship with Pakistan. When Mrs. Gandhi visited Saudi Arabia in April 1982 she found that the Saudis saw India hostile to Pakistan, inhospitable to its own large Muslim minority and pro-Soviet. She took pains to persuade the Saudis that India had major differences with the Soviet Union over Afghanistan and certainly desired withdrawal of Soviet troops as quickly as possible and that India was seriously striving to improve relations with Pakistan. Many Indians now realise that a break through in Indo-Pak relations and India's ability to improve its relations with the United States are two essential conditions for its success in getting a large slice of Arab development and investment funds^{for} Indian projects and ensuring significant Indian participation in Persian Gulf development.

62. Ehabani Sen Gupta, ' Bridging the Gulf' and ' The Gulf Narrows' Both in INDIA TODAY(New Delhi), 1-15 June 1981 and 15 May 1982, respectively.

The price and availability of oil more often not depend on political factors rather than an economic ones. The first oil crisis was sparked off by the Arab- Israel War of 1973 while the second by the collapse of the Shah of Iran followed by the Iran- Iraq war. Judging by experience it is quite likely that the current trend of falling prices might be reversed any day following a new flare up in the region. There also is existent the destabilising factor of undermarked offshore boundaries in the Persian Gulf. There is no other international water of comparable size in the world surrounded by so many different political units thirteen in all. With new discoveries of oil in the Gulf this element can be a potential ground for conflicts. Since a sustained peace in the region ensures a low price and easy availability of oil it is desirable for India to see that peace prevails. But the politics of the region being too complicated and the superpower interest being of a high order, India's capability to influence events there is rather limited, Still taking advantage of its position as the chairman of the Non Aligned Movement India can use its good offices as far as possible to defeat the forces of destabilisation and prevent a fresh outbreak of hostility. The despatch of Romesh Bhandari, the then secretary in the External Affairs Ministry in 1983 by Mrs. Gandhi to the Middle Eastern capitals was in tune with this policy. Bhandari returned with images of a region poised for sudden, unpredictable and explosive developments. Things do not augur too well for the future in so far as India's oil

63. Will D. Swearingen, ' Sources of conflict Over Oil in the Persian Arabian Gulf', THE MIDDLE EAST JOURNAL (Washington D.C.) Vol.35.No. 3 Summer 1981, pp 315-30

imports from the Middle Eastern Persian Gulf- region is concerned .

There is however, one redeeming feature of the present situation and that is since the world is becoming less and less depending on the Gulf for its oil supplies there is less possibility of political turmoil in the area having the same kind of impact that it had during the last decade. But for certain concluding remarks the present chapter on economic relations between India and the Gulf countries would remain incomplete. There are unique elements of complementarity between India and the Gulf countries of an enduring nature. India is a large country, with a vast and growing market, rich in a variety of natural resources and endowed with a substantial pool of skilled and unskilled labour. However these resources have not yet been fully utilised or exploited. This, in a sense, explains the fact that India is still a developing country. On the other hand the Gulf countries are rich in their endowment of oil based resources. They have been attempting to use their substantial oil resources to diversify their economics and to convert their non-renewable wealth into lasting welfare for their peoples. The constraints being faced in these countries are : Limited natural resources other than oil, insufficient, skilled and unskilled manpower and small domestic markets. India offers excellent scope for foreign investment, because of the large number of viable investment projects big and small ones. India at the same time, requires more energy and energy based resources to sustain its development. In contrast, Gulf countries need to invest their financial resources not only in highyielding investments, but also in terms of diversified portfolios, and not only in financial instrumentalities but also in physical capital. They also need to import certain

basic items, including food and other consumer items, and skilled and unskilled manpower from outside to assist in diversifying their economics.

The development profiles of the Gulf area economics and of India are changing. The dynamics of this change must be appreciated by both sides and the degree of complementarity between their economics assessed and wherever possible utilized through joint endeavours. For instance substantial investment is taking place in the Gulf countries in (basic) petrochemicals; taking note of this, India's industry programmes could give greater weightage to downstream industries rather than basic petrochemicals. The Gulf countries would then have an assured market and also participate in profits from processing of basic inputs. India would have low cost feedstock materials. Similar tie up arrangements based on long-term contracts, can be made in other fields. Indian exports of agricultural items, including fruit and dairy products can meet the continuing needs of Gulf area markets and can be an element of food security for that region. Indian technology and management cadres, can assist in the industrial and economic advance of the Gulf Cooperation Council countries. Systematic utilisation of skills and services is essential for optimising resource development, enhancing the value of investment decisions, and realising the full development potential of India and the Gulf countries. The financial and other resources of the Gulf-region, when combined with the range and sophistication of Indian skills and technology, are likely to be a source of strength to the developing world. Competent training facilities can be organised in India on an economical basis. Adequate technical skills are crucial for the industrialisation and the diversification

of the Gulf countries. For personnel from the Gulf area India is also in a position to offer technical skills in short supply in the Gulf countries at competitive rates. But without systematic efforts these possibilities are unlikely to be realised.

There ~~are~~ can be no real and lasting development without adequate research and training. India has several well established institutions which can be drawn into a joint effort. Gulf countries are also developing research in areas of their specialisation. Research and training will in particular be required to see how the food products, and other agricultural commodities for export, need to be packaged, stored, and preserved, in order to cope with the climatic conditions in the Gulf countries, and to meet the consumer preferences in these countries. Clearly, more specific studies are needed. It would be particularly useful if there could be some cooperation in carrying out these studies between the concerned research institutions and business organisations in India and the Gulf.

Often, investors are too much influenced by short-term factors, but in trade and investment relations between two areas of the world, one has to take a medium term view. The combination of liquidity, profitability and security of projects both in the private and the public sector should be taken into account. India has maintained a steady growth rate of 3.5 per cent over the years. In the course of the Seventh Five Year Plan a faster tempo is likely and an explosion of consumer demand is expected. India offers a stable political and sound economic environment for business collaboration. The Government of India through its recent actions has improved this environment. Significant opportunities for collaboration exist and they can be tapped profitably. A foreign investor can receive

measurable returns in the form of dividends, royalties, lump-sum payments and equipment sales. This combination of resources, markets and export incentives creates excellent opportunities to increase earnings. In October 1980 India modified its industrial policy with respect to foreign investments, specifically to allow portfolio investment from oil exporting countries in new companies in a number of industries upto forty percent, even if it is not accompanied by technology. Results so far in terms of investment in India have been limited. India particularly needs to analyse the elements thereof and consider what procedural and other aspects need to be corrected. The Gulf countries should reevaluate their investment preferences and past attitudes, and India must convince intending investors from the Gulf region that investment opportunities in India have an edge over those available elsewhere. The Gulf oil countries themselves would seem to be somewhat disenchanted with the results of their large investments in Western markets, and there seems to be a growing ~~and~~ awareness of the desirability of diversifying investments, gradually and with care, India could be a magnet for diversification, especially because of attractive rates of returns.

Recently, there is a new trend in the Gulf countries looking inwards and focussing on consolidation. The processes of urbanization, commercialisation and industrialisation mutually interact and are intertwined. A dynamic pattern of economic activity is emerging. Merchants of yesterday are the industrialists of tomorrow. Domestic output of many items imported earlier from the outside world would meet local requirements and be available for exports. India must view its trade exchanges with Gulf countries in this

dynamic context. The possibilities for expansion and diversification of mutual exports and imports are immense. It is also a fact that over the last few years GCC is playing a significant role in the economic endeavours of its member states. Relations with the GCC need to be strengthened to provide a good avenue for a coordinated approach to economic cooperation between India and the Gulf States. Joint ventures in India or in Gulf countries and even in third countries are likely to prove to be effective instruments for maximising benefit to be derived by all the concerned countries. In such fields as petro chemicals and aluminium, Joint ventures could be promoted by taking into account the aggregate demand of India and Gulf countries. So is the case with the hydrocarbons sector. Pioneering initiatives are called for. A few success stories will help to generate a favourable environment.

Certain well- appraised irrigation and agricultural projects in India could be considered by the Governments of the Gulf countries and their investment institutions, for major financing, specially with a view to assuring exports of agricultural and dairy items to the Gulf countries. Such buy- back arrangements and for exports to Third countries could figure in joint ventures. Effective steps on the part of Indian entrepreneurs are to be taken to penetrate what is a very large market and what will continue to be an area of very large agricultural imports, by dealing with problems of quality, regular supply, packing, and by ensuring that the agricultural products that are exported from India remain in good condition and can be marketed satisfactorily. The export policy of India should be stable one, so that the exports of commodities go on uninterrupted.

Over the seventies, the world economy has seen important changes in the traditional mechanism of international capital flows. It is an encouraging development, that some member states of the Gulf Cooperation Council have acquired a significant state and influence in the decision-making processes of the international financial system. The experience gained by these States should prove to be a valuable asset in building up financial relations between India and Gulf countries. There are many ways in which these relations can be strengthened. An existing financial institution in one of the Gulf countries could join forces with an existing financial institution in India, or a new development finance company could set up with joint equity participation. A joint investment trust is ~~is~~ another possibility. As financial integration among the Gulf countries gathers momentum, a major Development facility jointly owned and operated by persons based in India and the Gulf will fulfil a felt need. Such a facility will commend the confidence of investors and industrialists. It will be in a position to mobilise funds for investment in productive enterprises and serve the best interest of both owners and users of capital. It may be expected to work out market related terms for loan finance, guarantee minimum return on equity capital, and service in other ways the expansion of commerce and industry. Besides, there is urgent need to bridge the wide gaps in communication and information. An aspect of the problem relates to the lack of institutional framework to discuss problems openly and to address them in a business like manner. Two suggestions may be offered. First, there should be increasing involvement from particular institutions working in the same field. They should set up committees, exchange visitors send delegations, and

service contacts at individual and institutional level. The concept of joint collaboration must ^{obviously} ~~obviously~~ be extended to the fields of existing institutions. Second, frequent seminars and Round Table Conferences on Indo- Gulf relations should be organised in India as well as in the Gulf, region. And many of the useful suggestions advanced in the course of the discussions should be concerted in consultation with the participants.

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CHAPTER VCONCLUSION

The Gulf for centuries has acted as a bridge connecting India with the Arab world, and beyond with the West. History, culture and religion have all contributed to strengthen the ties created by the facts of geography. Dating back to the days of Mohenjodero and the Sumerian civilization, Indo-Arab relations were strengthened when two of the greatest religions were received Islam and Christianity- from West Asia through the Arabian Gulf. An irony of history appearing in the form of a common colonial bondage- the British Empire- also contributed in its own way towards close emotional proximity between India and the Gulf region. Even as late as the 1950s, the common currency between India and the Gulf was the Indian rupee. The break of colonial bondage witnessed in the Indian subcontinent had its happy repercussions on the Gulf region. In less than two decades of India winning its freedom, the entire Gulf region, became free of colonial bondage. The oil bonanza with which the Indians have been blessed has further contributed to bring the two regions close to each other. Our half a million Indian workers are employed gainfully in the Gulf and are contributing their mite to the task of reconstruction. They have become one of the major sources of foreign exchange for our country. Direct remittances from the Gulf contribute over Rs. twenty thousand million worth of foreign exchange. Another Rs. five thousand million to Rs. six thousand million is earned through Indian exports to the Gulf. The Indian community in most of the Gulf countries constitute the second

or third largest group of immigrants. The Gulf has also become our life line for supplies of oil. Besides, being a direct supplier, the region provides a very sensitive route. The security of this region is of the utmost importance to our country, if for nothing else, at least for ensuring regular and uninterrupted supplies of petroleum products.¹

In the middle of 1970s India and Iran strived together to unite themselves in strategic cooperation for shared objectives in Southwest and South Asia. Indira Gandhi's visit to Tehran in May 1974 and the Shah's return visit to India in October expanded bilateral economic cooperation. In 1979-80 not only the bridge of understanding between India and Iran collapsed with the fall of the Shah and the triumph of Iran's Islamic revolution the Indian plan for South Asia broke down under the impact of the Soviet intervention in Afghanistan and the cold warish U.S. response to that traumatic event. All communication came to a halt between India and Iran. Prospects of Pakistan receiving substantial quantities of military weapons from the United States, including the glamorous F-16 fighter, revived the traditional strategic cleavage in South Asia. Refusal to condemn the Soviet movement into Afghanistan isolated India from the conservative Islamic countries of Southwest Asia. Only with Iraq did India's channel of economic cooperation and political communication

1. Dewan Berindranath, 'India and the Arab Gulf Close Neighbours, Distant Friends', article published in CONTEMPORARY GULF, Edit Surendra Bhutani, New Delhi, 1980 pp. 95-96

remain open. India, which had stood the first big hike in oil prices in 1974-75 rather remarkably well, nearly wilted before the more grievous² second hike in 1979-80.

Adversity made it necessary for India to make a fresh bid to build bridges to the oil-rich countries of Southwest Asia. In 1981 late Prime Minister Mrs. Gandhi made a successful trip to Kuwait and the United Arab Emirates and in 1982 an even more successful one to Saudi Arabia. Her talks with the leaders of these Southwest Asian countries covered political and security issues, as well as questions relating to economic cooperation. The most significant result of the conversations was the recognition that the security of Southwest and South Asia had become indivisible and interdependent. Although this did not confer on India a security role in Southwest Asia, it did lend a new dimension to India's regional foreign policy and diplomacy and a certain weight to India's voice on matters of security and stability in Southwest Asia. After the partition India had a whole new set of frontiers to defend and develop. The dispute with Pakistan over Kashmir led to the war of 1947-48 ; in India's view, Pakistan became both an independent threat and a symbol of India's own internal religious cultural cleavage. Less than three years later, China extended its control to the whole of Tibet, ending India's inherited privileges in Outer Tibet. This action also

2. Bhaboni Sen Gupta, ' India's Relations with Gulf Countries', article published in **THE GREAT GAME : RIVALRY IN THE PERSIAN GULF AND SOUTH ASIA**, Edit, Alvin Z. Rubinstein, New York, 1983, p.151.

breathed new strategic life to the long somnolent Himalayan territories of Nepal, Bhutan and Sikkim. These territories, together with Kashmir started to dominate India's security scenario. About the same time, Pakistan opted out of "greater India" by concluding a military pact with the United States. This brought the cold war to the subcontinent and India accepted political support and development assistance from the Soviet Union.³

In the 1950s, both India and Pakistan reached out to the Arab and Islamic countries for friends and allies, Pakistan masqueraded its Islamic identity. India rode the tide of nationalism anti-imperialism, anticolonialism and anti-Zionism. Thus, Indians applauded Mossadeq's bid in 1951 to free Iran from the clutches of the international oil cartels. Later, strong linkages were formed between Nehru's non-alignment and Nasser's positive neutralism. Forces of decolonization mingled with cold war rivalries of the two power blocs to divide the countries of the Middle East and the Persian Gulf into two categories: non-aligned and pro-Western. The first group came to be identified as progressive, the second reactionary, Islamic or pro-Western. India was with the progressive group. Its West Asian policy was Cairo-centric, "so much so that Indo-Egyptian relations came to be represented as Indo-Arab relations."⁴

3. IBID, pp. 151-52

4. K.R. Singh "India and WANA" in 'INDIA'S FOREIGN POLICY: STUDIES IN CONTINUITY AND CHANGE', Ed. Bimal Prasad (New Delhi: Vikas Publishing House, 1979), p. 249

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inevitable result was that India's relations with the pro- Western countries remained cool. Among these countries were Iran, Saudi Arabia, Kuwait and M.A.E etc, which in those days carried little political or economic premium, though not Iraq after the revolution of 1958 and the collapse of the Baghdad Pact. For a while, linkages with Nasserism and anti-Western Arab nationalism proved to be emotionally and ideologically satisfying to the Indians. But the political diplomatic lag became rudely apparent for the first time in 1962-63, when a majority of the West Asian and Persian Gulf countries refused to back India in the border war with China, Pakistan's pan- Islamic cry met with strong resistance in Egypt and Turkey in the 1950s, but received ample hospitality in the majority of the Middle Eastern and Persian Gulf nations, and India realised during and after the Sino Indian war of 1962 and the Indo-Pak war of 1965 that many of Arab states as well as Iran were Pro-Pakistan, if not anti-India. Indian parliamentary debates on the 1967 Arab- Israeli war manifested unprecedented hostility towards the Arabs and put the government's policy of total support for the Arabs against Israel intirely on the defensive.

India's West Asian and Persian Gulf diplomacy underwent radical change in the mid and late 1960s after the death of Nehru and the decline of Nasser's influence and finally his demise. The Persian Gulf came, for the first time, in the focus of Indian foreign policy. A number of new power centres emerged and several of them- Iran, Iraq, Kuwait, notably, were located in the Gulf region, geographically closer to India than Egypt and Syria. Foundations of a new economic diplomacy in Iran were

laid in 1965 with an agreement on the establishment of an oil refinery in Madras, South India with an annual capacity of 2.5 million tonnes. The agreement's economic, political and strategic significance became clearer eight or nine years later. It was concluded in spite of the fact that the Shah had given strong support to Pakistan in its 1965 war with India, indicating that Pakistan need not be an insuperable barrier to closer relations between India and Iran. In fact, the new Indian diplomacy in the Gulf - Middle East region was cushioned more on economic interests than on the ideology of anti-imperialism, on non-involvement in inter-Arab differences rather than on the dichotomy between progressive and reactionary groups of states. Even then Pakistan remained a barrier between India and the Gulf. In 1971, India once again failed to persuade the majority of the Arab and Gulf nations that it had valid reasons to intervene on behalf of the Bangladesh liberation war. Several high level Indian missions toured these countries, but only from Egypt was a measure of understanding and cooperation forthcoming. India designed the Simla agreement with Pakistan to legitimize the new political map of the sub-continent. But Zulfikar Ali-Bhutto, then Pakistan's president, normalised his country's relations with Bangladesh not within the framework of Simla agreement, but with the good offices of leaders of the Islamic Conference he was able to convene with great fanfare in Lahore in 1973. The Shah of Iran, fearing that India might further dismember Pakistan, committed Tehran in 1972 to the defence of Pakistan's territorial integrity by announcing that any attack on Pakistan would be considered an attack on Iran. The Islamic countries of the Persian Gulf and the Middle East in effect worked together with Pakistan to deny India the political and strategic

fruits of its victory in December 1971 over Pakistan and its role as
 6
 the liberator of Bangladesh.

Indo-Gulf relations saw a measure of improvement in the wake of the oil crisis of 1973-74. India had to absorb the traumas of the Arab Israeli October 1973 War and the international oil crisis that followed. The war obliged India to take an explicit stand on behalf of the Arabs against Israel ; this was no wrench, but only a revival of traditional pro-Arabism. By forceful support of the Arab demand that Israel withdraw from all territory occupied during the war of 1967, India got the oil exporting Arab regimes promptly to delete its name from the list of countries selected for the oil embargo as well as the oil squeeze.
 7 It also gained a measure of bilateral Arab sympathy for its own claim that the Chinese vacate territory they had occupied along the Indian border as result of the 1962 war. The economic blasts proved to be harder to face. India's oil imports have remained more or less static since 1970-71, within the range of fifteen/seventeen million tonnes. But the import bill increased fortytwo times from one hundred
 to
 forty six million dollar in 1970-71 to \$ 6.3 billion in 1980-81. Like
 8
 other most/nations , Indian had to improvise an oil diplomacy. Involved in this enforced enterprise were the need to boost exports, rising domestic shortages of many essential commodities, diversifying sources of oil supplies (the Soviets once again proving to be helpful with a long-term agreement to supply 2.5 million tonnes of crude annually), obtaining deferred payment facilities in Iran and Iraq, and getting as large a share as possible of the fat pie of Arab petrodollars.

6. Amir Tahiri, ' Policies of Iran in the Persian Gulf Region', in THE PERSIAN GULF AND THE INDIAN OCEAN IN INTERNATIONAL POLITICS, ed. Abbas Ameri (Tehran, 1975), pp. 265-70

7. TIMES OF INDIA, November 11, 1970

8. Economic Survey, 1981-82, Government of India.

Since 1974, India has been projecting to the Persian Gulf countries an image of a nation that is eminently in a position to meet a sizable portion of the goods and services they need for their dazzling, ambitious modernization and development projects at rates considerably cheaper than those available in the developed capitalist countries. Furthermore, India's development experience would be more relevant to these oil-rich developing countries than the growth and development concepts of the Western nations. India offered joint ventures, Joint commissions on industrial and technological cooperation, turn-key projects, consultancies and new patterns of trade relations. By the late 1970s, India's vigorous economic diplomacy was rewarded with promising returns. Iron came up with offers of investments totalling \$ 1 billion. Indian public and private sector companies built railroads, airports, townships, housing projects, and electric power supply plant, a water filtration plant, a sponge-iron plant, and a fertilizer factory in countries in the Persian Gulf region. India also became the second largest supplier of manpower to the region, after Pakistan.

India's economic diplomacy in the Persian Gulf, however, lacked the underpinning of political clout, in the absence of which economic relations seldom flourish. Relations with Saudi Arabia remained poor; Those with Kuwait, Bahrain and the U.A.E. stagnant at a level of bureaucratic

9. Bhabani Sen Gupta, Op. Cit, p. 158

friendliness. Relations were the warmest with Iraq, but here too the Iraqi version of Baath socialism failed to attract Indians' intellectual or emotional attention. It is in this context that the strategic understanding that grew between India and Iran in the mid 1970s has to be seen. India's diplomatic success in Iran was all the more remarkable because it was scored in spite of Teheran's long standing treaty relationship with Pakistan. In India's perception, the Shah's aspiration to make Iran the dominant regional power in the Persian Gulf did not entirely jell with America's strategic and economic interests in that region. The Shah had reacted with studied chilliness to a hypothetical American take-over of Persian Gulf oil installations in an extreme emergency situation. Indians saw certain similarities between Iran and India as an emerging and an emergent regional power in the interlinked geostrategic regions of Southwest and South Asia. In fact both attach the greatest possible value to the attainment of security autonomy, and both have to live with dependence on external security for a fairly long time. Both are therefore anxious to maintain and assert as much independence and initiative as possible within the framework of their relationship with their respective patron power. What has charged the Indo-Soviet relationship with dynamism is India's initiatives as a major regional power even at the risk of Soviet disapproval, namely, its nuclear explosion and the annexation of Sikkim. In concluding a far reaching agreement with Iraq with the help of the Algerian president, the Shah was guided by the interest of his own country, rather than the preferences

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of the United States. The Shah, in other words, would seem to be as much interested in reducing Iran's dependence on the U.S. for security, as in India in reducing its dependence on the Soviet Union.

The political scenario in Iran underwent a sea change in the wake of Khomeini revolution. The Shah's regime was in ruins. He, no longer one time was an embodiment of power and glory, became an exile. With the Shah's fall, the tenuous bridge between Tehran and Delhi was left in limbo, and the Persian Gulf became critical area of confrontation between the United States and the local and international forces arrayed against it. To the Carter administration, the American loss of Iran was in itself, a major Soviet gain, even though the Soviets had no clout in an aroused Iran, nor were they responsible for the collapse of the Shah's regime. The White House initiated a series of strategic and political measures in 1979 aimed simultaneously at protecting vital U.S. and Western interests in the Gulf region, minimizing losses in Iran, and meeting any overt Soviet military move southward towards Iran. In ~~November~~ December 1979, Carter ordered the streamlining of the rapid deployment force (RDF) for use in future crises in the Third World; despatched special aides to Saudi Arabia, Oman, and Kenya to seek access to military, specially naval, bases; and asked Defence Secretary Harold Brown to make his long-awaited trip to Beijing, thus symbolically inaugurating an era of Sino-U.S. military cooperation. In this

10. Bhabani Sen Gupta, 'The View from India' in *THE PERSIAN GULF AND THE INDIAN OCEAN IN INTERNATIONAL POLITICS*, Ed. Abbas Amerie (Tehran 1975) p. 192.

critical ambience in the adjacent Gulf, the Soviet Union carried out its stunning military intervention in land locked Afghanistan in the closing days of 1979. The intervention aimed not so much to secure a wobbling Marocist regime as to preempt a U.S. military intervention in Iran by placing by Soviet military in a position of strategic wantage. Carter linked the Soviet intervention to the general crisis in the Persian Gulf region, for which, too, he held Moscow partially responsible. A Soviet occupied Afghanistan, Carter declared, threatened both Iran and Pakistan and was a stepping stone to their possible control over much of the world's oil supplies. Carter's offer of military and economic aid to Pakistan cast that country's military ruler, General Zia ul-Haz, in an important international role and ended his relative isolation, following the hanging of Zulfikar Ali Bhutto. General Zia clutched at his unexpected luck. His perception of the Soviet intervention in Afghanistan mirrored Jimmy Carter's.

Indira Gandhi returned to the helm of Indian affairs after two years in the wilderness within two weeks of the Soviet lurch into Afghanistan. Even before formally taking over, she framed India's response to that traumatic event. She did not support, nor approve of, the Soviet intervention. But she saw the intervention as legitimate, as, in her view, the Soviets had acted on the request of the Afghan government, and she trusted the Soviet assurance that the troops would be withdrawn as soon as Afghanistan so asked. She also backed the Soviet argument

11. Bhabani Sen Gupta, THE AFGHAN SYNDROME (New Delhi : Vikas, 1982) Ch.7

that Moscow's intervention was more of a response to a series of provocations from the United States than a calculated challenge flaunted at the United States. Mrs. Gandhi perceived more danger to India's security in the cold-warish responses of the United States to the Soviet action, particularly in the arming of Pakistan and making that country a staging ground for the strategies to contain Soviet power. The Afghan crisis generated the biggest ever diplomatic enterprise on India's part, bringing as many as thirty foreign dignitaries to the Indian capital in 1980 and involving visits by Indian diplomats to twenty capitals. brought Pakistan and India face to face not, alas, in a strategic partnership to safeguard the integrity and independence of South Asia, but as deeply estranged neighbours talking furiously at one another in the abrasive language of discord and disputation. For a while India stood forlorn and isolated in the comity of nations. It was severely cut off from the great bulk of Islamic countries, which rallied to the support of Pakistan at successive sessions of the Conference of Islamic Nations. Pakistan stood as a formidable barrier between India and the countries of the Persian Gulf. None of these countries showed interest in India's diplomatic efforts in 1980 to insulate the subcontinent from superpower rivalries, more specifically to stop the transfer of F-16 aircraft to Pakistan. Indeed, scholars at New Delhi's Institute of Defence Studies and Analysis saw Pakistan east

12. IBID CHAPTER No.6

13. IBID.

by the United States in the role of a security provider to the Persian Gulf, a somewhat tarnished replica of Iran before it was seized by the Islamic revolutionary cohorts of the Ayatollah Rohullah Khomeini.

India's isolation from the Persian Gulf, however, did not last long. A qualitative change in the situation in the Gulf region began to occur in 1981, offering India opportunities to reach out to the Gulf community, individually as well as collectively. The outbreak of the Iraq Iran war jeopardised for a while India's assured oil supplies from the Gulf, but India did not find it difficult to arrange for alternative sources of import. What hurt more was the forced departure of a large body of Indian workers- skilled and unskilled, from Iran and Iraq and the consequent loss in hard currency remittances. But the war activated the non-aligned peacemaking mechanism and gave India an opportunity to join with other non-aligned countries on repeated peace missions to the two warring capitals. Meanwhile an oil glut and falling prices of petroleum threw a pale cast of thought on the grand affluent designs of the sheikhs and princes of oil rich Arabia. The concept of Carter doctrine did not receive needed approval from the states of the Gulf including Saudi Arabia. Saudis started to keep a certain distance from the anti- Soviet strategies of the United States, and in 1981 took the initiative to frame a regional security doctrine. Its basic premise was that security of the Persian Gulf region was basically the concern of the native states; they should keep external powers out of the region as providers of security.

14. Bhabani Sen Gupta, INDIA'S RELATIONS WITH GULF COUNTRIES, CP JTF pp. 161-62

15. THE HINDU Madras, 23.11.80

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In the autumn of 1980 the Indian government announced a liberal policy for foreign investment designed to attract Arab capital. The then Finance Minister B. Venkataraman visited several Persian Gulf capitals in October (1980) to project the new policy to prospective Arab investors. The first spin-off came in the shape of an agreement with the UAE in February, 1981, providing for the setting up of a 1.2 million tonnes oil refinery in Gujarat and a sponge-iron plant in the U.A.E, projects that had been hanging fire since 1978. The U.A.E. minister of state for foreign affairs, who signed the agreement on his country's behalf, indicated interest in Joint ventures in which U.A.E. natural gas and oil could blend with Indian raw materials and technical know-how. A fifty percent increase in trade was also agreed upon for 1981. The most important visitor from the Gulf was the foreign minister of Saudi Arabia, Prince Faisal, the first ranking member of the Saudi royal family to come to India after the visit of King Saud thirty years ago. Prince Faisal's talks with Indira Gandhi and Narsimha Rao were wide-ranging, covering the strategic - political situation in the Persian Gulf and the Middle East, the role of the superpowers, Israel-Arab relations, the Iran, Iraq, war, the role of Pakistan in the U.S. strategic design in the region, and last but not the least, economic cooperation between India and Saudi Arabia. Faisal refused to yield to Indian pleading that Saudi Arabia should not finance Pakistan's purchase of F-16 fighters from the United States, and his Islamic rigidity narrowed prospects of political understanding with India

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But he was interested in initiating economic and trade linkages with India, and as an earnest of this desire agreed to Indian purchase of 1.5 million tonnes of Saudi crude in 1982, the first ever oil deal ¹⁶ between the two countries.

India's relations with Iran also moved out of the trough in early 1982. A former Iranian Prime Minister, Ayatollah Mahadavi Leni, led a four member team to Delhi to persuade the Indian government to shift the venue of that year's ^{non}aligned summit conference from Baghdad in view of Iraq's aggressive war on Iran. Almost simultaneously a 14-member Iranian delegation explored possibilities of Indian assistance to complete several unfinished projects in Iran. Encouraged by her talks with the prized visitors from the Gulf Indira Gandhi put cooperative relations with South west Asian countries at the top of her foreign policy priority list in 1981. In may 1981, she herself inaugurated the new policy by well organised visits to the U.A.E. and Kuwait and followed this up with an equally vigorous visit in April 1982 to Saudi Arabia. In both visits she was accompanied by important cabinet ministers and half a dozen officials heading the economic ministries. The minister for external affairs flew in from Baghdad (where he was leading a nonaligned peace mission) to join her in the U.A.E. and Kuwait. Mrs. Gandhi also collected nine Indian ambassadors in the Gulf region for a comprehensive, self - critical assessment of opportunities, states, and impediments of Indian diplomacy ¹⁷ in the region.

16. THE HINDU , Madras April 14, 1981.

17. Bhabani Sen Gupta, OP. CIT. p. 165

Thus necessity and opportunity propelled India to reach out to the Gulf countries in 1981-82. The initial results of an unusually vigorous and well-planned diplomatic offensive proved to be handsome. However, formidable difficulties remain to be overcome before India can plant itself firmly in the sands of Arabia as a true friend of its princes and peoples and as a viable source of collaboration in their massive development drives. The problems are complex and of a fairly old vintage, having mingled with the fluids of religious beliefs and loyalties, cultural processes, and political-strategic alignments. As noted. India's relations with Iraq have been the best in the Gulf region. With Kuwait India has done much better than with the U.A.E. and Bahrain. The problems, then are mainly with those countries in the Gulf the U.A.E. Bahrain and Saudi Arabia- who follow an orthodox Islamic domestic policy and pro-Western foreign policy and who are close friends of Pakistan. Indeed Pakistan remains the hardest barrier between India and these countries, and a great deal of Indian diplomacy continues to be spent in pulling that barrier down. In early 1982, Mrs. Gandhi engaged Pakistan in a process of diplomatic negotiations and offered to the visiting foreign minister of Pakistan a treaty of peace and friendship. While General Zia-ul-Haq shrank away from her offer, Mrs. Gandhi hastened to write personal letters to the heads of government of Persian Gulf and Middle Eastern countries informing them of the measures she had taken to improve Indo-Pakistani relations and explaining her objections to the Pakistani acquisition of F-16 aircraft. She also recorded her readiness to conclude a no-war pact with Pakistan if General Zia-ul-Haq would

assure her that he would not place military bases or facilities at the disposal of the United States in the event of an emergency situation developing in the Persian Gulf.¹⁸

In 1982, the Gulf regimes were more sympathetic to the Indian perspective of security and stability in Southwest and South Asia than they were in 1980-81. In fact, the string of uncertain incidents in the Gulf, in the first winter of their discontent with international oil prices, were in no mood to invite a superpower confrontation. Nevertheless, when Mrs. Gandhi visited Saudi Arabia, she found its rulers annoyed over communal situation in India as well as India's benign attitude towards Russia in the wake of its intervention in Afghanistan. Mrs. Gandhi took extraordinary pains in presenting her case in proper perspective and assuaging the feelings of Saudi princes.¹⁹

It would, however, be extremely naive to feel smugly satisfied over the quantum of cooperation already achieved. Seen in the backdrop of the overall proximity of our two regions, the area of cooperation falls far short of our potential. For instance The Gulf contributes nearly Rs. twenty five thousand million by way of foreign exchange through remittances and exports. Even then as a trading partner of the Gulf India occupies a position as low as the fifteenth or the sixteenth on the list. What is worse, it is constantly being pushed downwards. Ten years ago India was among a dozen most important trading partners of the Gulf.

18. IED, p. 168.

19. IED, p. 168-69.

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terms of the overall quantum of trade between India and the Gulf region, India's share comes to less than one per cent. The poor performance is not restricted just to our exports, which may be suffering from a host of types of constraints and bottlenecks, bureaucratic bungling and lack of standardization. It is equally reflected in the dwindling trend in terms of foreign exchange remittances from our nationals in the Gulf.

Koreans for example, are earning far larger amounts, although they are far fewer than the Indians. A major reason may be that economic activity in the Gulf region is becoming increasingly machine oriented rather than labour intensive. Thus emphasis in the future would increasingly be on higher technical skills as regards manpower and more sophisticated mechanised goods as regards exports.

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Equally dismal is the picture in the matter of mass media. Almost all our projections on each other are routed through the press. We blame the multinationals for every conceivable ill afflicting our region, but seldom do we do anything to rectify the harm they are doing to us. Feldon has the need been realised to provide alternative channels for the areas of understanding and communications which the multinationals are monopolising. Almost all the mass media providing for coverage of events in India and the Gulf states continue to be dominated by western news agencies. Efforts like the non-aligned news pool have proved virtually non-starters. On our side even the Press Trust of India (PTI) has officially walked out of it. The blame has to be shared equally by those controlling the media in the two regions. Besides, almost all our

projections regarding the economic potential of the Gulf region are based upon studies by institutions like the World Bank, the International Monetary Fund and such other Western dominated agencies. There has hardly been any attempt to have a meaningful direct dialogue between the top level policy-makers of the two sides. This is so in spite of the fact that not only we in India have a smaller number of institutions having excellent resources but in Iraq, Kuwait and the United Arab Emirates too. Lack of understanding could prove extremely harmful and disastrous in the days to come. India with its third largest community of scientists and high technologists, should be far more important to our friends than merely as a recruiting centre for unskilled labourers and maid servants.

The setting up of the Gulf Cooperation Council (GCC) in 1981 among six countries of the Gulf (Kuwait, Bahrain, Qatar, the U.A.E., Oman, and Saudi Arabia) is a reflection of the desire for greater cooperation in that region and towards increasing self-reliance. GCC countries under the Unified Economic Agreement, are moving towards full economic cooperation among themselves. They are actually engaged in turning their temporary non-renewable wealth in the form of oil resources to lasting benefit. India and the Gulf countries can contribute to each other's future development programmes. India has tremendous human resources, cultural and material achievements, which has given rise to

highly shelled managerial talents, and agricultural and manufactured products and services for export India needs capital and some raw materials for further industrial growth. Therefore, considerable potential exists for increased commercial and financial relations between India and the Gulf countries. The Gulf countries have limited natural resources other than oil; insufficient skilled and unskilled manpower, and somewhat small domestic markets. They need a diversified portfolio for their investment capital. India requires energy and energy based resources to sustain development and offers excellent scope for foreign investment, having a number of large investment projects. The Indian investment structure has achieved a certain level of maturity and its economy can absorb capital from Gulf countries. Currently, the business structure in the Gulf is undergoing change from principally trading to manufacturing and consultancy-oriented activities. There is need for reasonable continuity in policy. Frequent changes in India's export policies had been inhibiting the expansion of trade between India and the Gulf countries. Once the importer had shifted to another source, he finds it difficult or unnecessary to move back to the Indian exporter. It is also exhorted by the experts of Economics that economic relations between India and the Gulf countries will have to be a two way traffic. It should not be assumed that the Gulf countries were only financiers and importers and India alone the exporter. Profitability and security in Western Europe and U.S.A. are declining. In contrast, the returns on investment were relatively high in India. The Gulf area friends should take this fact into serious consideration. Also, in trade and investment

relations, one should not be impressed by short term factors but should take a medium longer term view. Taking advantage of local Indian skills, possibilities of joint ventures should be explored not only between India and the Gulf countries but also for undertaking such Joint ventures in third countries. Civil construction is one such area. In several countries of Africa, India's technology and entrepreneurial abilities and Gulf area finance can jointly assist in investment projects.

It is no longer the case that the Gulf countries have only funds and not technology. There is great need for cooperation in scientific and technological research, such as in developing alternative energy sources and agro- production combined with industry. Careful studies of future oriented Joint ventures ensuring liquidity, profitability, and security should be undertaken. Possibilities of investment in sectors other than exports such as India's domestic consumer production industries may also be explored. The export -import figures for India and the Gulf countries are not heartening. Imports from the Gulf states amount to 12.4% of Indian imports while Indian exports to the Gulf countries are only 1.2% of their imports. There is promising potential for growth of mutual trade and investment. Investment from Gulf countries is a very small percentage of total foreign investment. The communication gap between India and the Gulf countries can be removed by building an effective financial infrastructure of cooperation such as by having larger exchange

22. ROUND TABLE : GULF COUNTRIES AND INDIA ,TRADE AND INVESTMENT(a monograph) Edit by Dr. M.A. Sharma & Dr. V.K. Bhalla, sponsored by the Indian Council for Research on International Economic Relations (ICRIER) held on 25-26 October, 1984, New Delhi, pp. 8-10

of banks in the respective countries. Gulf countries should be looked upon as more diversified economies and India as an emerging exporter of agricultural products. India also offers technical skills to Gulf countries at competitive rates. Indian contractors would do well to adopt a consortium approach among themselves, and even with foreign contractors. New institutions should be established to further these new trends and a Joint group should be constituted to prepare viable investment projects.

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India and the Gulf countries provide an exemplary situation of being totally complementary to each other. Geographically speaking, we are placed in an ideal position of not being next door neighbours, but neighbour's neighbours. This insulates us from the danger of tension which often erupts with next door neighbours. At the same time, we are close enough to have an ample field for cooperation. The time has come to exploit this potential fully and forcefully. Of the utmost importance to us should be the importance which our areas have for each other in terms of each other's security. The Gulf is the life line to us not merely for oil but for all our maritime contacts with the world west of Bombay. Seen thus in the light of the paramount importance of the Gulf, the political and security response of India to the region, particularly at present, appears to be highly inadequate. Indeed it falls far short of our needs. India should be important to the Gulf not merely because it supplies some fruits, vegetables, meat and fans and sewing machines at competitive rates,

but essentially because this region alone can provide a viable defence plank to the countries of the Persian Gulf exposed increasingly to direct threats of Zionist-Imperialist intervention. The need for friendly cooperation between India and the Gulf states as members of the Indian Ocean community has become all the more urgent and pertinent, following the adoption of the most aggressive posture by the United States of America declaring its intention to despatch a onehundred thousand strong task force of its navy equipped with the most lethal and most modern weapons to police what it calls the Gulf route.

Much of the hue and cry has been raised against the rise in oil prices. It is actually the result of these forces of Western imperialism who have so far been exploiting the economic resources of the Gulf to feed their own greed. Equally obvious is the fact that whenever an inflationary spiral starts with the rise in oil prices, the Gulf states alone are not blamed. One must realise that the tax component in the oil prices paid by the consumer in India is as high as 80 per cent. The gulf contribution to inflation is very marginal as far as the rise in oil prices is concerned. The hue and cry over the rise in oil prices is actually a part of the propoganda being carried on by anti Arab and anti-Inda forces to create misunderstanding. An index of the low priority our two regions accord to each other is a comparatively low level of diplomatic representation among our countries. The total number of Indian diplomats accorded to the various countries in the entire Gulf region is perhaps a little more than half of the Indian staff of the Indian High Commission in the United Kingdom.

24. Diwan Berindranath, 'India and the Gulf, Close Neighbours, Dictant Friends, CP. CIT. pp. 99- 100

Indian embassies in some of the Gulf countries don't have even a competent interpreter or translator to transact business with the people and the Government in a meaningful manner. Though Gulf representation in India is uniformly of a high order, it is quite plain, and there seems to be no need for us here to elaborate the point, that the manpower resources fall far short of the work involved.²⁵

The areas of complementarity and pattern of trade relations between India and the Gulf countries are bound to alter, especially in the field of industrial products. Viable Joint ventures can be promoted by taking into account the aggregate demand of India and the Gulf countries. Several petroleum and petro chemical products and energy intensive manufactures will fall in this category. This can be an area which may be examined together to see how to balance the import - export trade in products of this type. There is great need for retaining of Indian skilled manpower, both in technology and management, according to the future requirements of the Gulf countries to maintain the flow of remittances. Existing Indian organisations must coordinate and consolidate among themselves to meet the exacting standards of the local consultancy organisations in the Gulf countries. Besides, the Gulf countries, in particular Saudi Arabia, have a comparative advantage over India in the Petro chemical field, especially in ethylene and derivatives. It is for consideration whether India should continue to build up its own plants or import these items from the Gulf countries. In turn India has comparative advantage in agriculture meat, light engineering goods, technical and managerial skills. If India is to build on these export opportunities

25. IBID, pp 100- 101

a certain stability of policy was needed, as a reliable supplier. Production and transportation are no less important. The economic advantages of materials cheap energy and markets might be brought together by having Joint ventures. Bauxite to alumina and then to aluminum is an obvious example ; another is of iron ore into iron and steel.

There is need to think of selectivity in trade. Cooperation must begin at the financial level, and a Joint Merchant Bank must be set up. Financial integration at the institutional level with research and development and investment in trade, will help in exploring fresh areas such as offshore trading, offshore production, etc. Rejuvenation of Indian Chambers of Commerce and Industry (FICCI) effort in promoting trade and strengthening economic relations between business community of India and the Gulf region, is commendable. The setting up of Arab-Indian Joint Business Council in 1976, is welcome. It is true that India's efforts at export promotion and maintain the earlier trade momentum in spite of the advantages of geographical proximity as well as almost good-will that exists in the Gulf countries for India. It is proposed that sub-committees should be set up to integrate the alternative approaches being suggested in specific areas for the promotion of relations between India and the Gulf states further liberalisation of policies towards each other will establish a permanent bond between India and the Gulf countries. Also a suitable institutional system should be developed

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and existing ones reactivated to render them more effective. There should be a frequent exchange of trade missions, organisation of seminars and discussions on current problems to bridge the communication gap and for developing intimate contact between India and the Gulf region. Cooperative researches and specific studies may be undertaken. Coordinated approach on the economic and social programmes must be evolved for closer understanding of each other.

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Recent trends in Indo-Gulf relations are far from satisfactory due to ongoing Iran-Iraq War. By the last year (1985) the construction projects of the total value of about \$ 2.5 billion undertaken in Iraq-by Indian firms were completed. These projects employed over thirty thousand Indian workers and experts, who were allowed to repatriate to India all but twenty per cent of their emoluments. The completion of these projects was followed by a slack period as the tempo of development in Iraq fell because of the accelerating effect of the prolonged Gulf war on Iraqi economy. More than forty Indian firms, from both public and private sectors, were involved in the ongoing projects. Most of these firms had no new projects in hand although they hoped to bid for some before those projects were completed. Most of the projects had run into weather rough/about three years ago when the Iraqi government decided on deferring payment of their foreign exchange components. The Exim (Export-Import) Bank of India had to step in to solve the problem. The bank agreed to consider extending the deferred payment facility to new projects Indian firms might win. Some of the projects were in war zones close to the border with Iran. But this did not interrupt work on any of them. The

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Iraqi demand for deferred payment has led to a sharp decline in the trade between the two countries. Indian experts at different project are of the view that Iraq's recovery from the effects of the war would be very quick since the country is one of the biggest oil producers in the world.

Despite all odds there have been instances of cooperation in various areas between India and Iraq. The Iraq Government granted in 1984 a 35 million dollar contract to the Engineering Projects India (EPI) Limited for a certain additional work on the prestigious council of ministers complex, it is constructing here. The new contract meant to modify some of the designs in the buildings earlier given by the Iraqi Government, brought the total value of the EPI contract to one hundred million dollars. The project involves construction of the main complex service buildings, carparkings, roads, a helipad, emergency power generation system and installation of sophisticated infra red and micro-wave security systems as well as some selectrical, mechanical and telecommunication equipment. For the gardens of the building a computer controlled irrigation system is also being set up. The project was initially awarded in May 1979 but due to design modifications, work was held at the instance of the Iraqi Government during 1983 and the first few months of 1984. Among other instances the Indian-built railway line connecting the two holy towns of Karbala and Najaf, is noteworthy. A three hundred fifty million

28. THE TIMES OF INDIA, New Delhi dated 27.10.84

29. THE HINDUSTAN TIMES, New Delhi dated 9.10.84.

dollar railway line project in Iraq has been successfully implemented in July 1985 by the Indian Railway Construction Company Ltd (IRCON), a public sector concern. The line was formally inaugurated by the Iraqi's first deputy prime minister, Mr. Faha Yaseen Ramadhan. The Union steel Minister, Mr. Natwar Singh headed the Indian delegation to participate at the function. The IRCON has earned a foreign exchange of over Rs. fifty five crores from this project. Its other associates have earned about Rs. thirtyfive crores worth of foreign exchange. To India's pleasure the Iraqi- Government was fully satisfied with the quality of work. It has shown its appreciation by granting another one hundred ten million dollar contract to IRCON for construction of high speed branch line to cement factory at Muthanna in Iraq. The Mussayed- Karbala-Samawa railway line has been designed for a high speed of two hundred fifty kms. an hour and has been constructed as per schedule in a record time of three and a half years.

For the first time since the Iraqi revolution of 1958 Baghdad's relations with New Delhi showed strain following the shifting of the venue of the seventh non-aligned summit from Baghdad to New Delhi- Iraq, which did not like this, seems to have chosen the occasion of the funeral of Mrs. Indira Gandhi to indicate its unhappiness with India for being unable to end its over four years old war with Iran. An Iraqi official told the Gulf News Agency (GNA) of Bahrain that his country had informed India many times of its 'dissatisfaction' with the non-aligned movement's role in ending the war and that ' Indian endeavours in this regard were only enunciated in an appeal made by Mrs. Gandhi and the making of contacts with Tehran and Baghdad.' Iraq sent a low level representation to the funeral Mrs. Gandhi. Also, despite the

traditionally strong ties of friendship, the Iraqi Government did not declare any mourning period. The Iraqi stand towards the death of Mrs. Gandhi was much less than the stand taken towards the death of late Yugoslavian president Marshal Tito six years ago- when President Saddam Hussain personally attended the funeral and Iraq had declared mourning for three days. Iraq's official reaction to the death to the death of Mrs. Gandhi has reflected the minimum degree of diplomatic obligations between the two friendly countries which are linked by old ties of friendship as members of the non-aligned movement. Although Mr. Saddam Husain and the Iraqi foreign minister, Mr. Farq Aziz, have said that India has been mediating effectively to end the war as chairman of NAM the use of Mrs. Gandhi's funeral to express its dissatisfaction is bound to take New Delhi and most non-aligned capitals by surprise, particularly as Mrs. Gandhi's leadership and in strengthening the movement has been praised by one/all. The timing of the Iraqi move also indicates the pressure the war is having on the country, which the non-aligned movement, the United Nations, the Islamic Conference Organisation (ICO), the Gulf Cooperation Council (GCC) states and some European and West Asian countries have been trying to end. The main difficulty has been the tough stands taken by Iraq and Iran albeit Iraq has shown more willingness to end it peacefully if Iran agrees. Iran insists that as Iraq started the war it must bear full responsibility and pay compensation as well as remove Saddam Hussain for launching it.

The visit of Dr. Ali Akbar Velayati, Iranian foreign minister to India in November 1984 proved significant in that the two sides for the first time after revolution freely exchanged their views on various issues and found almost complete identity in them. He met the Prime Minister Mr. Rajiv Gandhi and discussed the Iran-Iraq war besides bilateral relations and international issues including the future of the non-aligned movement. Dr. Velayati insisted that the Gulf war could be ended only on terms set by Iran. The Prime Minister expressed India's concern at the suffering of the people the war was causing in both Iran and Iraq. Since both were non-aligned countries, an early end to the war would also strengthen the non-aligned movement. The Iranian minister was also told about the decline in India's exports to Iran in recent years during the period of the new regime in Iran. Certain suggestions were also made as to how the present imbalance in Indo-Iran trade could be removed. Meanwhile the Indo Iranian Joint Commission concluded its three day deliberations on expanding economic and trade relations. During ministerial level meeting the two sides discussed in detail the specific areas which had been identified earlier in the field of industry, notably in the engineering, power transmission, agricultural machinery leather, airways and setting up of industrial estates. The Government of Iran has welcomed the setting up of an Indian Cultural Centre in Teheran which will further strengthen the cultural ties existing between the two countries. Speaking at the signing ceremony. Mr. Parthasarathy, who led the Indian delegation at the ministerial level talks said the progress has been generally good on the

the decisions taken at the first joint commission meeting held in Teheran in July 1983. There were, however, certain areas specially in the field of commerce and trade where there was need to strengthen the efforts to achieve the targets the two leaders had set for themselves. Mr. Parthasarthy expressed the confidence that the two countries will work closely for their mutual benefit within the framework of the south-south cooperation.

Mr. B.R. Bhagat, the then external affairs minister, visited Teheran in January 1986, to attend the Indo-Iranian Joint Commission meeting and had talks with Mr. Ali Akbar Velayati. Addressing the opening session of the meeting, the two leaders expressed the hope that the two countries could help each other in their economic progress. Areas of agreement had already been thrashed out by the official level delegations of the two countries. The two countries had earlier agreed on the principle of barter trade in 1983 but it had not been implemented. Sources, however, indicated that 1986 would mark the beginning in this direction. Indian exports to Iran account for ninety million dollars but the balance of trade has always been in favour of Iran as it has traditionally been one of the biggest suppliers of crude to India. According to the reliable sources a substantial part of oil supplied to India would be adjusted against imports from India. State Bank of India (SBI) officials were already there to work out a banking

arrangement for barter adjustment once the minutes of the Joint Commission were finalised. Although India's indigenous crude production would steadily rise, the Indian imports in this regard would still continue to rise due to the likely increase in domestic demand over the years.

The main irritant between India and Iran in recent years has been the issue of the lifting of iron-ore concentrates from Kudremukh project. It may be recalled that during his visit to India, the Shah of Iran had committed his country to meet the entire cost of financing the Rs. six hundred crores Kudremukh project on the explicit understanding that iron-ore pellets would be supplied to Iranian steel mills. But this commitment could not be honoured apparently because of the revolution in which the Shah was ousted. By then Iran had advanced two hundred fifty five million dollars roughly Rs. two hundred sixty crores. The project was completed subsequently by the government in record time and within the stipulated cost. The issue regarding supply of iron-ore concentrates to Teheran had been discussed at various levels between the two countries in the recent past but a breakthrough was achieved during the visit of the former external affairs minister Mr. B.R. Bhagat to Teheran in January 1986. During his wide ranging discussion on bilateral relations, Mr. Bhagat had emphasised that a way must be found to resolve the outstanding issues pertaining to the Kudremukh project which had been partially financed by Iran. In consequence, Iran agreed to lift iron-ore concentrates from Kudremukh. Initially it would import six lakh tonnes of concentrates

and gradually increase the quantity to about four million tonnes. The decision is a major development in rebuilding bilateral economic ties which suffered following the revolution in that country. Agreement with Iran would help improve not only the health of Kudremukh Iron Ore Company but also boost India's foreign exchange earnings. The adverse balance of payment has been a source of concern to the Government.

The failure on the part of Iran to lift iron-ore concentrates from the Kudremukh project had created enormous difficulties and India had to look to other customers. The export of concentrates to various countries during the current year is expected to be around two million tonnes. But with the signing of an agreement with Iran and some other countries which have expressed willingness to lift iron-ore concentrates from Kudremukh the exports would go up to about four million tonnes during 1986-87. Even at this level the KIOC will continue to be in the red since nearly half of its capacity will remain unutilised. The Kudremukh project has the capacity to produce 7.5 million tonnes of iron ore pellets per annum. However, on account of lack of customers the capacity had been grossly under utilised. Official circles, however, hope that the conclusion of an agreement with Teheran and keeping in view of the additional inquiries being received from other countries, it would be possible to increase substantially the capacity utilisation of Kudremukh project in the next two to three years.

34. THE TIMES OF INDIA, New Delhi dated 30.1.86

35. IBID

Indo- Iranian relations suffered a Jolt in December 1984 when for the first time, an Indian oil tanker fell a victim to Iranian bombing. The two Lakh seventysix thousand tonne " Kanchanjunga" was hit thrice and set ablaze. No fatalities had been reported and those injured had been removed for treatment, to an American vessel that happened to be in the vicinity. The ' Kanchenjunga' originally bound for the ports of wadinar in Gujarat, was then said to be heading for Dubai. First reports about the tragic incident stated that the oil tanker had been reprehensible strike. Given the precise spot where the " Kanchenjunga" was hit, on its way home after taking full load of Saudi crude from the Rastunara port, this seems entirely plausible. For this is an area where Iranian planes alone had been active. The Iraqis have, by and large, confined their depredations on third country ships to the neighbourhood of the Kharg island where the main Iranian oil terminals are located. By then, the Iranians had been careful to hit only Kuwaiti and Saudi ships for the obvious reason that Kuwait and Saudi Arabia are Iraq's principal backers in the region, while the Iraqis have been unsparing in their aerial raids, damaging oil tankers of a number of countries including Greece and Switzerland. Any way, the Iranian behaviour was puzzling and condemnable. All through the Iran Iraq war, India has maintained good relations with both and has bought oil from both, apart from Saudi Arabia and Kuwait. Bilateral relations between India and Iran have been friendly and friendly and Teheran has repeatedly expressed interest in expanding and deepening these. Since the Iranians could not possibly have been unaware that they were attacking an Indian ship, it is difficult to give

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them the benefit of doubt. Similar incident was reported in February 1986 when four Indian seamen were killed while a Greek-owned Cypriot tanker was hit allegedly by an Iranian Phantom Jet with four rockets about one hundred km. off the Qatari coast in the southern Gulf. Two other seamen one Indian and one Filipino, were seriously injured and rushed to the Hamad hospital in Doha by Qatar navy helicopters. These incidents certainly have not had good impact on Indo-Iranian relations.

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In April 1986 India agreed to lift substantial quantities of petrochemical products from Saudi Arabia under long-term agreements while Saudi Arabia would finance a major health project in Madhya Pradesh and recruit more Indian workers, particularly doctors and paramedical staff. The agreement to this effect was signed on 23 April 1986 by the finance minister Mr. V.P. Singh and his host counterpart, Mr. Aba Al Khail after three days of deliberations, stipulating these and several other steps to boost bilateral trade and industrial and scientific cooperation. The steps reflect the desire of the two countries to step up their economic ties on the occasion of Indo-Saudi Joint commission meeting. The first meeting of the Joint Commission was held in August 1983, a year after it was set up following the late Indira Gandhi's visit to the Saudi kingdom. Before departure from Saudi Arabia Mr. Vishwanath Pratap Singh expressed satisfaction at the outcome of the meeting. The two sides also agreed to avoid double taxation between Air India and Saudia, the Saudi Arabian national carrier, to help the two airlines operate more profitably.

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36. THE TIMES OF INDIA, New Delhi dated 26.12.84

37. THE HINDUSTAN TIMES, New Delhi dated 8.2.86

38 THE INDIAN EXPRESS, New Delhi dated 24.4.86

India has been a major buyer of petrochemical products like methanol and sulphur from the Saudi basic industries corporation (SABIC) in the past and any new agreements on petrochemical products would be in addition to crude purchase of which is negotiated separately in accordance with the country's needs. The last agreement for buying two million tonnes of crude from Saudi Arabia expired in December 1985. The health project covered the setting up of a hospital in Gwalior and some other facilities. So far, the Saudi Kingdom has assisted in setting up four major health projects in India. The project would cost about forty to fifty million dollar. At India's request, the Saudi side agreed to consider favourably the proposed import of meat from India, which it had banned a couple of years ago saying that the meat did not match Saudi health conditions. The Indian side pointed out that several other Gulf states were importing meat from India and that even the World Health Organisation (WHO) had cleared Indian meat for human consumption.

As a result of the deliberations of the Indo-Saudi Joint Commission, the Saudi fund has also approved co-financing of the Mahwa Sheva Project. The Joint Commission which met at Riyadh, also discussed the possibility of funding three more projects- Composite Health Project and Sardar Sarover Project in Madhya Pradesh and the Madras Hydro-electric project. A Saudi fund team will be visiting India for appraisal of the health project in Madhya Pradesh which had been given top priority. The Indian delegation also discussed the issue of IDA-VIII replenishment. The Saudi Government

supported an IDA replenishment of at least twelve billion US dollar and expressed the hope that India's share in it would not be lower than in IDA VII. The two sides also discussed the possibility of establishing a joint investment company. The Indian side emphasised the need for expanding and diversifying the two way trade. India could export more of agricultural products, processed foods, textiles, gems and Jewellery, drugs, pharmaceuticals and engineering goods. The Saudi export basket to India comprised refined petroleum products, petrochemicals and sulphur. India's capabilities both in public and private sectors in the areas of providing operation and maintenance services in refineries, petrochemicals, railways, telecommunication and hospital services were appreciated. It was noted that this area offered scope for greater cooperation between the two countries.

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India strengthened its diplomatic representative in Saudi Arabia by the opening of its ~~new~~ view embassy in the capital city of Riyadh from 2 October, 1985. Till then the embassy was functioning in Jeddah. To facilitate Indian workers in the Western and southern regions of the Kingdom as well as Haj visitors from India, the mission in Jeddah continues to function as a consulate. The office of ambassador was shifted to Riyadh. Both the embassy and the consulate general handle cases of manpower recruitment. This is the first consulate general in Saudi Arabia and the second in the Arab GCC countries, the first in Dubai in the United Arab Emirates. Other consulates general in the Gulf region have been located at Basra in Iraq and Khorram Shehr and Zahidan in Iran.

40 THE TIMES OF INDIA, New Delhi dated 26.4.86

41. THE HINDUSTAN TIMES, New Delhi dated 2.10.85

The visit of Mr. B.M. Bhagat to Teheran in January 1986 had twin purposes. It was meant not only to attend the Joint Commission meeting but also to make further attempt towards ending the Gulf War. After assessing the Iranian view on the Gulf war he visited Kuwait and conveyed his assessment to Sheikh Jaber -Al-Sabah the Emir of Kuwait. Expressing pessimism Mr. Bhagat said that he saw no possibility of an immediate end to the five-year old Gulf war, as the two neighbours had divergent views. He made it clear to the newsmen in Kuwait that non-aligned movement did not contemplate any sanctions against Iran for its refusal for cessation of hostilities. He explained that both India and Iraq were valuable members of the movement and NAM wanted to ensure peace and stability through discussions only. Both India and Kuwait were in full agreement that the 'war was a negative and destabilising factor in the region' and that coordinated effort should be made to end the war. ⁴² India has been indebted to Kuwait for extending liberal assistance for various projects. To present recent example, Kuwait signed a loan agreement on 12 February 1986 with India providing Kuwaiti Dinar seven million Rs. twenty eight crore. The loan was for the development of the second phase of the Khalinadi Hydroelectric project in Karnataka state. In 1976 Kuwait had given a soft loan of Rs. forty five crore for the first phase of the project. The Kuwaiti assistance in soft loans to India totals about Rs. three hundred twenty crore so far. The other Kuwaiti assisted projects in India are the Kopili based fertiliser project and the south basin gas development project. ⁴³

42. THE TIMES OF INDIA, New Delhi dated 1.1.86.

43. The INDIAN EXPRESS, New Delhi dated 14.2.86

Private investors from the Gulf States have opted to invest in setting up joint ventures in India as they feel India provides a very stable ground for investment, according to Mr. J.M. Talwar, president of the Punjab, Haryana and Delhi Chamber of Commerce and Industry (PHDCCI) who led a 10 member delegation to four Gulf countries in December 1984. The Gulf private investors have however, been concerned about the cumbersome tax structure in India. The delegation which visited the U.A.E. Kuwait, Bahrain and Qatar held discussions with members of the chambers of commerce of these countries. The Gulf investors have been particularly interested in investing in light engineering, pharmaceuticals, processed foods, bottling plants, jewellery, handicrafts and textiles. There has been a strong move for the creation of a joint Indo-Arab investment company and Joint banking services to facilitate private sector investment. Recognising the immense possibilities of growth, development and promotion of bilateral trade PHDCCI signed an agreement with the Dubai chamber of commerce and industry. So far as Job opportunities in the Gulf are concerned, it is no more the free for all of the 1975-81 period, when these countries were having an oil boom. But there is still scope for skilled Indians in these countries as the Americans were demanding higher salaries.

India signed a contract- with the Soviet Union on 18 June, 1986 for the import of 3.5 million tonnes of crude and 2.5 million tonnes of petroleum products during the current calendar year. A similar agreement with Saudi Arabia for the import of 2 million tonnes of crude has also been finalised. With the signing of the agreement with the Soviet Union and Saudi Arabia, all the term contracts with the traditional

suppliers of crude and petroleum products would have been completed. Agreements for import of 2.5 million tonnes of crude with Iraq and 0.75 million tonnes with Abu Dhabi have already been signed. The term contracts which are normally finalised at the beginning of the year could not be entered into this year because of an extremely volatile and fluid situation in the international oil market. India had, however, assured the traditional suppliers that it would enter into term contracts after market conditions stabilised in the event of some agreed formula being reached. It is heartening that all the countries with whom contracts have been signed have agreed to supply oil at the market related petroleum product prices. These are highly favourable terms, reflecting easy market conditions. Although it had been argued in certain quarters that India should not enter into term contracts keeping in view the easy conditions prevailing in the international oil market, The Indian Government felt term contracts are a must on account of diplomatic considerations. In this context it is stated that all the countries which have been supplying oil and petroleum products to India had honoured their commitment even at times when the spot market prices were significantly higher than the official prices.

India had decided to import during 1986 between sixteen and fifteen million tonnes of oil and 3.7 million tonnes of products during the current year. All these spot purchases of crude totalling 6.3 million tonnes had already been made. Spot purchases also have been made for eight lakh tonnes of kerosene. Keeping in view the growing demand, notably

for kerosene, the government has signed a flexible agreement with Kuwait for the import of 0.6 to 1.2 million tonnes of Kerosene during the current year. The agreement with the Soviet Union will provide for the import of 0.5 million tonnes each of high speed diesel and furnace oil and 1.5 million tonnes of kerosene. Since the agreement with the Soviet Union for import of crude and petroleum products is part of the overall trade agreement, all the payments in this case have to be made in rupees which⁴⁶ lend an added advantage.

The president and chief executive officer of Gulf Oil Trading Co. (GOTCOI.V.) Mr. Herbert I. Goodman informed in Bombay on 14 June 1986 that this company was making a strong bid to participate in India's oil programme GOTCOI.V. was the spin off of the 1984 Chevron- Gulf merger in which the international trade business of Gulf Oil Corporation was acquired by a group of private investors including members of the former Gulf management and the leading Saudi European Investment Corporation, with the international Hindiya group having the controlling interest. The large share holding of Hindujas is likely to stimulate greater GOTCOI.V involvement in India's oil exploration. The U.S. based multinational has already set up a state-of-the art lubricant- blending refinery near Bombay. GOTCO also has the facilities to train drilling and oil blending engineers and expertise in other related areas. The company has studied⁴⁷ many possibilities for India's oil exploration programme. In fact Gulf Oil Trading was taken over in early 1984 by Standard Oil of California,

now known as Cheiron. The latter divested itself of the Gulf Oil Trading interest in November 1984. For one year GOTCO would have the right to operate the title of Gulf Oil Trading Company. The Hindiya-led group of investors purchased the Gulf Trading interests against fierce competition from ten gigantic international companies. Sheikh Yamini of Saudi Arabia has interests in GOTCO through the Saudi European Bank.

The massive, unprecedented oil boom of mid seventies which fuelled rapid expansion of industrial activities and social welfare programmes in most of the oil rich countries of the West Asia led to the large-scale exodus of skilled and unskilled manpower from various parts of the world to this region endowed with the perpetual flow of black gold. As it is the emphasis of various projects in the oil rich West Asian countries was on the creation of a solid, productive infrastructure that would prepare these countries for the day when the oil reserves would run out. In 1975 faced with an unstated demand for labour to handle the multi-faceted, gigantic construction activities, most of these countries- from Oman and Saudi Arabia to Kuwait and Bahrain- decided to go in for the relatively cheaper reliable and politically inert Asian workers. Thus a growing number of Indians came to be employed all over West Asian countries- Saudi Arabia, Iraq, Oman, Muscat, Yemen, Bahrain, Kuwait and United Arab Emirates - as traders, professionals, construction workers and domestic hands. Interestingly, the enterprising and imaginative Malayalees from the Indian state of Kerala-which has the highest population

density in the country- formed more than eighty per cent of expatriate Indian population in this part of the world. The term 'Gulf' came into vogue in India to collectively denote, the countries to which a large number of Indians migrated in search of more paying Jobs. For the last five years, the remittance by this labour force has been an important factor in obviating India's balance of payment from slipping into red. In mid seventies the remittance from Gulf- employed Indians constituted about thirtyfive per cent of India's total earnings from export.

Unfortunately as a result of the cumulative impact or variety of unforeseen developments, there has been a slow but sure decline in the economic level of Gulf countries with the result that the expatriate workers are forced with a bleak prospect of unemployment and repatriation. According to MEED, a London based Journal, Indian drivers, Pakistani clerks and Korean buildingworkers have started leaving middle-eastern countries indroves as their contracts have expried with fresh openings unavailable. The exodus has been kicked off by the tapering off of construction and real- estate activities- Obviously, the construction sector which recorded fastest growth in West Asia was hit hardest in the wake of declining oil prices. In the progressive Kuwait, boasting the highest per capita income in the world there has been a cut in the labour force to the tune of forty per cent between 1983 and 1985. In the nearby United Arab Emirate (UAE) which has the highest number of immigrant workers in this region, the cut in labour force during the last three years has been estimated at 25-30 per cent a year. According to one source, in early eighties there were three lakh Indian emigrants

in UAE. The uncontrolled decline in the daily crude oil flow coupled with a steadily decreasing oil price in the global market have dealt crippling blows to the once booming economics of the region. To cite a specific example the earnings from oil for Qatar, Kuwait Saudi Arabia and United Arab Emirates fell as much as by two billion U.S. dollar in 1985 compared to the previous year's figure.⁵⁰

According to Saudi Arabia's minister of planning, the kingdom has decided over the next five years to relieve six lakh expatriates working for the Government. The figure does not include dismissals by over four hundred private companies which could match or even exceed those laid off by the Government. In Kuwait, a draft law has been submitted to reduce the number of non-Kuwaitis to fortyfive per cent of the population over the next fifteen years. In 1985, non-Kuwaitis constituted around sixty per cent of the 1.7 million population. In the United Arab Emirates, the federal national council submitted a recommendation to the cabinet to take immediate steps to reduce the inflow of expatriate workers. Currently a "six month rule" requires that any expatriate finishing employment in the UAE must leave the country and stay away for at least six months before returning to new employment. With the completion of the major infrastructural projects in the region, the demand for unskilled and semi-skilled labour will be less. On the other hand, professionals and higher skilled workers would be required more to man the services and maintenance sectors and to manage the emerging industrial sectors.⁵¹

50. IBID

51. THE TIMES OF INDIA, New Delhi dated 21.4.86

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According to the Bahrain Industrial Development Department, about two million foreign workers in West Asia would lose their job before the end of this decade. In 1984 alone about 7 lakh alien workers have had left Bahrain, Kuwait and Iraq on completion of the contract. This year, another three lakh workers are expected to leave UAE. In Saudi Arabia, about 1.5 lakh Indians, of whom 70 per cent are Malayabees will have to quit on completion of their job contract. No renewal of work permits are allowed in the Sheikhdon where there is an estimated 6.5 lakh expatriates from India. The Iran-Iraq war in which both the countries have burnt more than one hundred dollars on arms purchase has also significantly contributed to the shrinking West Asian labour market for the Indians. Mr. A.M. Tandon, Joint Secretary in the Indian Ministry of Labour says that Iraq which used to be a major recipient of the Indian labour has now stopped taking them because of the war. Perhaps it is only Oman whose economy continues to be buoyant that will not axe out foreign workers. In fact, the number of Indians going to take up jobs has been rising by 16 per cent a year. According to Middle East observers, four events had a hand in decelerating the pace of socio-economic development in this part of the world with the consequent adverse impact on the manpower requirements. They are : the 1982 attack on holy shrine in Mecca; the 1983 revolt in Bahrain and 1985 attempt on the life of Kuwait ruler Sheikh Jaber Al Ahmad al Sabah as well as the continuously declining oil prices ; Of late, many rulers of Gulf states have become wary of aliens.

The fast drying up of resources coming from the Gulf pipeline has hit the economy of Kerala hard and deep. One of the glaring effects of "Gulf Exodus" is the sudden and deadly depression in the real-estate sector of the state. To cite a specific example, the land price in the prosperous central Kerala township of Chavakkad - popularly called Kerala's Gulf - from where a substantial proportion of male population had migrated to Gulf has hit the nadir of Rs. eight hundred per cent (440 sq.ft) from the one time high of Rs. ten thousand per cent. This development implies a twin blow to Gulf-retained families. On the one hand, they are without any employment that brings regular income. On the other hand, the immovable properties acquired at a fancy price have to be disposed off for a song since that is the only means left for them to raise funds. Likewise nearly 7.5 lakh Indians, working in the Gulf countries are facing the danger of termination of their services due to the new Job policy of those governments. Although the process is going in a phased manner, the return of the expatriates is going to create a major resettlement problem for a small area like Kerala.

Dr. Ahmad Ali, Finance Director of the leading Dubai-based corporate units opines that if the Kerala Government fails to initiate any action to cushion the shock delivered by the exodus of Gulf Malayalees through an imaginative and incentive industrialisation programme aided by foreign remittances, the state is in for a massive economic shock. Bank officials in Kerala say that not only remittances from the Middle Eastern countries have declined dramatically but also withdrawals of deposits have shown a steep upward trend. Various socio-economic studies carried out in Kerala during the last one decade go to show that more

than eighty per cent of the "Gulf Money" was invested in unproductive sectors with only ten per cent invested on such productive lines as agriculture, business and industry. According to Prof. K. Ramachandran Nair, Professor in the Department of Economics in Kerala University, three fourth of the Gulf remittance estimated at five million U.S. dollars a year were pumped into non-productive, channels like purchase of land construction of houses and ostentations social ceremonies. Thus for Kerala, the short-lived 'Gulf dream' of get-rich-quick has become a veritable nightmare. It would be years before Kerala recovers from the shattering blows delivered by the exodus of Malayalees from the Gulf.

Prime Minister Rajiv Gandhi's visit to Oman in November 1985 to participate in its national day celebrations marks a significant development in that it was his first visit to the Gulf and it reaffirmed the age-old ties between the two countries. It also afforded an exchange of views at the highest level on the Iran-Iraq war, demilitarisation of the Indian Ocean and superpower rivalry in the region as well as the overall security perspective in Asia. The visit was also important as it followed the two-day summit of the six Gulf cooperation Council (GCC) states which began in Oman on 2 November 1985. The summit agenda which included discussion of ways to end the Iran Iraq war and keeping the oil rich Gulf region free from international rivalry, is of considerable importance to India as well as those countries which had declared support to the GCC stand that the security and stability of the Gulf area was a concern for the regional states alone. Besides Oman, the GCC includes the United Arab Emirates (UAE), Kuwait, Bahrain, Saudi Arabia and Qatar. It may be noted that the late Indira Gandhi had visited Kuwait and UAE just before the first summit of the six states held here in May 1981 launched this

strategic and economic grouping. The Indo- UAE joint communique issued at the end of her visit recognised for the first time that the security of the Indian subcontinent and the Gulf- region was interlinked due to geographical proximity. At that time India also expressed support to the Gulf states more to achieve strategic solidarity.

During the national day celebrations Sultan Qaboos briefed Mr. Rajiv Gandhi about the summit. Besides Mr. Gandhi, others who came for the occasion were president General Zia- ul- Haz, Egyptian president Hosni Mubarak, and deputy rulers of the neighbouring states. The occasion offered Mr. Gandhi a chance to have talks with Mr. Hosni Mubarak on the Palestinian crisis and the need to support the liberation movements in the world. All the six GCC states are members of the Non-aligned movement (NAM). They share India's concern at the ~~increasing~~ increasing naval activities of the superpowers in the Indian Ocean, the need for disarmament, and other principles the movement stands for. To protect their oil wealth the six states have embarked upon a massive arms acquisitions spree but that is apparently due to the fact that a decade or so ago, their military strength was not relative to their income. The Gulf states spend some 30 per cent of their per capita income on defence but all of them have declared that they want to be outside the power blocs. Speaking on the Oman television Mr. Gandhi called upon the Non- Aligned Movement to persist in its efforts to bring about reconciliation and peace in the west Asian region. Mr. Gandhi said India and the Gulf states had expressed their displeasure over the continuation of the Iran Iraq conflict. India had been unflinching in its support for the people of

55. THE TIMES OF INDIA, NEW Delhi dated 4.11.85.

56, IBID.

Palestine and their authentic representative, the Palestine Liberation Organisation. He further said, Israel must be made to vacate the territories it has illegally occupied. The Palestinians must be granted their right to self determination and a state of their own in their homeland. Referring to the age-old ties between India and the Gulf states Mr. Gandhi said " we have been linked by commerce and culture, the Gulf and the Arabian Sea have been a bridge between us. Even five thousands years ago the people of the Indus Valley traded actively with Dilmun, the land we know today as Oman". In an interview to 'Khaleej Times' of Dubai, Mr. Gandhi said " it was ridiculous to find India and the Gulf states not getting on well. The people are the same. The border has really been drawn up by the British. There is no real dividing line there and there is no reason why we cannot get along better.

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The Government of India has been taking all possible steps to promote traffic from India to Gulf and Arab travellers as a "cheap family resort with extensive and varied tourism possibilities. The tourist traffic to India from the Gulf has shown the maximum increase of 22.5 per cent per year during the decade 1972-82 as compared to all India growth of 9.6 per cent per annum. The compound growth rate of tourist traffic from Saudi Arabia was the highest 42.3 per cent per year during this decade. The Arab tourists spend an estimated eleven billion dollars on worldwide travel which represents ten per cent of the total world expenditure on travel. Travellers from the Gulf States alone spend 4.1 billion dollars on travel annually. The Indian Government has been keen to exploit tourism in West Asia which has of late emerged as a major source of market for tourists to India.

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57. THE HINDUSTAN TIMES, New Delhi dated 18.11.85

58. THE INDIAN EXPRESS, New Delhi dated 16.12.84

India and four Gulf states- Bahrain, Qatar, Oman and Abu Dhabi- finalised a new agreement for their respective airlines Air India and Gulf Air at New Delhi in May 1986 after reviewing their existing traffic arrangements and the current market situation on the Indo-Gulf routes. In this connection a high level delegation comprising top Government and Gulf Air officials from those states reached the Indian capital on 28 May 1986. The earlier accord, stipulating six thousand five hundred seats a week for each airline in either direction was signed on 13 October, 1985 when an Indian team led by civil aviation secretary Dr. S.S. Sindhu, visited Bahrain. Indian ambassador Ishrat Aziz, who was coordinating the talks in Abu Dhabi, said that the review had been agreed upon in October itself as both the carriers wanted to do a periodic assessment of the Indo- Gulf route potential. The new arrangement had been necessitated as the Dubai Government had withdrawn traffic rights for Gulf Air for India -Dubai and some other sectors in favour of its own newly set up Emirates Airlines, which now has an agreement with Air India to weekly ferry two thousand two hundred fifty passengers in either direction on a bilateral basis.

It was decided by the Indian Government in July 1985 to set up a commercial service for the Gulf countries and strengthen its external broadcast services during the Seventh Plan period. The need for both these had been felt for some time. Many countries in the Gulf region did not allow advertising on their radio and television. The Arabic speaking neighbouring countries had derived a lot of benefit from this and set up special radio and TV stations for commercial services. Egypt has, for instance, set up powerful TV relay stations all along the Suez canal facing Saudi Arabia. Since the Saudis do not allow advertising on radio or TV provide a huge market for consumer goods

the manufacturers have been on the look out for an opportunity to reach their advertising to this market. Egyptian TV provided this. Similar situation existed in this country when advertising was not allowed on All India Radio. Sri Lanka (then Ceylon) became popular in India because of its commercial service which provided interesting programmes. Very wisely the AIR started its own commercial service. There is no reason why AIR's commercial service should not do well in the Gulf region. -- proposal to set up two 250 KW shortwave stations had already been cleared and subsequently approved by the planning commission for inclusion in ⁶⁰ Seventh Plan.

The Government of India has specifically relaxed the condition of transfer of technology with investment exclusively for investors from the oil exporting countries. Useful results of this liberalised policy of investment are seen in such cases as Indo- Gulf Fertilizer and Petrochemical Joint venture being set up in India. Several other projects in service and production industries like hotels, hospitals, offshore structures and platform units, cement plant, soyabean, newsprint and paper plants, automotive castings, are at different stages of implementation. The slow growth of Joint ventures between India and the Gulf states may be attributed to the communication gap on such matters as policies, taxes and incentives for investment in India. Indian Investment Centre can play a vital role in bridging the communication gap between the two regions. India's tax avoidance agreements have been concluded

with as many as thirty four countries, but out of these treaties India has only one treaty with Kuwait in the GCC region and that too relates to aircraft operations. There is great need to have double taxation avoidance agreements with these countries.⁶¹

European and American banks recognised early enough that the financial resources of the Gulf countries were building up and they brought the whole package of financial services to the door of the GCC countries at a time when nobody else was willing to do so. Subsequently with the setting up of Kuwait and other state funds, interest in Third World countries development programmes developed. Later, India also stepped in as one of the first among the developing countries who have given a major policy relaxation to the Gulf countries for welcoming their investment. Some of the existing institutions can themselves be more fully utilised for achieving the objectives of greater trade and investment cooperation; in this context, the Indo-Gulf Joint Business Council and the Indo-Arab Chamber of Commerce, can be mentioned. The growth of surplus funds in Gulf countries has been affected by certain unfavorable developments : mainly imported inflation, the Gulf war, cut in oil production and reduction in oil prices, volatility of exchange rates, changing financial policies of industrialised world. In the next decade, GCC countries would need first to consolidate and restructure their economics. The future flow of investment would be based on the degree of diversification of their respective economics. There is a great

61. Round Table : GULF COUNTRIES AND INDIA, TRADE AND INVESTMENT, OP. CIT.

scope of collaboration in hydrocarbon sector, including upstream and downstream activities such as petrochemicals and fertilizers. India is in the midst of an energy transition and is a growing market for hydrocarbons. There must be Joint efforts in exploring oil bearing basins and other viable projects in both regions. Indian organisations like Oil and Natural Gas Commission, Engineers India Limited, Indian Petro-chemical Corporation etc have the expertise and if need be, the Indian experts might be deputed for training in refineries, petrochemicals and fertilizer complexes in GCC countries.

Existing financial institutional framework should be reactivated and utilised fully to promote investment. Setting up of new institutions costs a good deal unless there is a significant volume of transactions and business turnover. A procer mix of physical and portfolio (or financial) investments is imperative for fruitful economic cooperation between India and the Gulf states. Earlier investments were mostly of portfolio nature. Now the Gulf countries have started having second thoughts on portfolio investments and are inclined towards direct participation also so as to optimise the returns and retain control over production. So far agriculture has not been given due weightage in Indo-Gulf cooperation. Experts hold that there are two important bottlenecks " communication gap" and " confidence gap" in the promotion of relations between India and the Gulf states. These gaps should be bridged by having continued

dialogue and cooperative efforts of institutions working in the same
63
field.

The cooperation between the countries of the Third World in general and between India and the Gulf states in particular has had international ramifications. New patterns of volume, composition and direction of international trade have lent substance to the aspiration of the Third World to become a decisive factor in the reorganisation of the international system. The accumulation of financial surpluses in the Gulf and the concerted efforts of the oil producing countries across the world have created an atmosphere in which demand for a fair deal to the teeming millions of Asia, Africa and Latin America is receive urgent attention. Diplomatic cooperation between India and the Gulf states in the various international fora in the new context has now acquired a credibility which such cooperation had failed to acquire even in the hey day of non-alignment. UNCTAD IV for instance, underlined the need for a new economic order which would ensure an equitable system of commodity exchange between nations and fair terms for transfer of technology, resources and capital.
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Despite all the previous discussions on Indo- Gulf relations, the fact remains that so far we have not been able to fully or satisfactorily utilise our potential for cooperation. There is hardly any unified agency for ensuring an integrated approach. If we are really serious

63. IEIS pp. 18 & 20

64. Z... Tureshi, INDC-GULF-RELATIONS : AN OVERVIEW, article published in CONTEMPORARY GULF? edit by Surendra Bhutani, New Delhi 1980, p.94

about the crucial importance that each has to the other, our leaders in all fields will have to come together for a dialogue on a much wider, on a much higher and on a much more important scale than the present one. It is high time that policy planners, political leaders and opinion - makers from India and the Gulf come together to formulate a real projection of areas of concern for our two regions and take stock not only of the existing areas of cooperation but also of our problems and potential. We have been good neighbours so far ; but neighbourliness must make way for fruitful friendliness. In terms of the problems of security, economic prosperity or political independence, India and the Persian Gulf could indeed make ideal friends. We have everything to gain from cooperation, and there is hardly any point for confrontation. India could concentrate gainfully on the reconstruction of the region without being ever in a position to pose the type of threat which the big multinational concerns of the West do hold out to them. The Gulf people on the other hand have a huge investment potential in India. In spite of our limitation it may be worth mentioning that India is the most developed among all the developing countries of the world. We may have our troubles, but we are also at least a semi- nuclear and semi-space power. And yet we have no territorial designs on any other region, leave alone the Persian Gulf.

No doubt certain apprehensions remain in our minds. It is conceivable that Indian immigrants cannot pose any threat to the Persian Gulf. We also cannot imagine that the Gulf financial investment in India would mean a repetition of the type of economic and political domination which the West has been accustomed to with regard to countries like ours. Meaningful cooperation in matters like defence security can be achieved on the basis of effective equality only. This is thus, *the potential for cooperation for which the sky is literally the limit.* The only problem facing us today is whether we have the will to utilise ⁶⁶ potential properly.

Summing up, it is contended that Indo- Gulf relations are at once the oldest and the newest in human history, Dating back to time immemorial they have been most fruitful for human progress ever since they were established. They are based more on the complementarity of economic needs and personal services than merely or exclusively on the identity of political views and social objectives. That is why they ⁶⁷ bid fair to survive the vicissitudes of time.

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66. *IBID.*

67. Z.I. Qureshi, *INDO- GULF RELATIONS, AN OVERVIEW*, OP CIA.

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