



Foreign Policy of India and **West Asia**

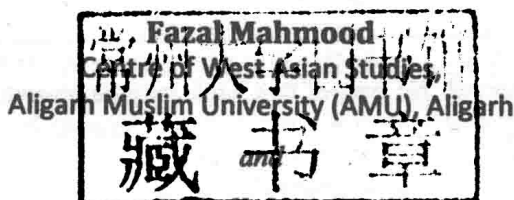
Change and Continuity

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Foreign Policy of India and WEST ASIA

Change and Continuity

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New Century Publications
New Delhi, India

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New Delhi - 110 002

Tel.: 011-4356 0919

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First Published: 2014

ISBN: 978-81-7708-381-1

Published by New Century Publications and printed at Salasar Imaging Systems, New Delhi.

Designs: Patch Creative Unit, New Delhi.

PRINTED IN INDIA

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About the Book

West Asia, stretching from Iran to Turkey, has loomed large for the Indian foreign policy makers irrespective of its politically turbulent nature. Since Independence in 1947, India has tried to build good relations with West Asia. Both India and West Asia are endowed with vast resources of varied nature which make the relationship highly desirable. India as an emerging Asian power, with a large population and economic potential, can play a vital role in the development of West Asia. On the other end of the spectrum, West Asia has the potential to meet the growing energy requirements of India. The bonds between India and West Asia have gone beyond oil and expatriates, encompassing almost all important dimensions of bilateral relationships.

The present book is an attempt to explore and analyse India's multi-faceted engagement with West Asia from an interdisciplinary perspective. The book examines the relations between India and West Asia in all their ramifications. The academics from Aligarh Muslim University, Aligarh, Jamia Millia Islamia, New Delhi and Jawaharlal Nehru University (JNU), New Delhi have contributed to this volume. Research papers included in the book relate to energy security, migration, bilateral trade, diplomatic relations, India's policy on Palestine, and the issue of terrorism.

About the Editors

Dr. Fazal Mahmood is Associate Professor (Geography) at the Centre of West Asian Studies, Aligarh Muslim University, Aligarh. He obtained his M.Sc., M.Phil. and Ph.D. degrees from the same university. He has published more than 20 articles on different geo-political aspects of West Asia in reputed national and international journals. Specializing in social, political, economic and tourism geography with special reference to West Asia, he has attended and presented papers at various national and international conferences/seminars.

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Preface

Ever since independence, India's relations with West Asia have occupied an important position from political, economic and cultural points of view. Geography has been a prominent factor in influencing India's relations with West Asia since early times. The region of West Asia stands as a bridge between India and Europe, Africa and Central Asia through land as well as sea routes. Apart from historical and cultural links, the presence of vast quantities of oil and natural gas reserves makes the region very important for India.

There was first a shared heritage of anti-colonial struggle, with a special fellow feeling for the peoples of West Asia. Subsequently, West Asia became crucial in India's striving for a strategy of non-alignment symbolized by Nehru's rapport with Nasser. Palestine became a focal issue in India's foreign policy.

India got involved in West Asian affairs first through the Khilafat movement and later through the Palestine issue. At the time of Indian independence, the contours of the emerging international order had already become quite clear. The Cold War between the two superpowers was a reality to which every nation had to respond in a way that best served its national interest. India's West Asian policy, during the Cold War years operated within the given international context. Nehru's non-aligned initiatives in West Asian and Sub-Saharan Africa, Indira Gandhi's activist Palestine policy and the decision to establish close relations with Iraq were the best available option for India during the Cold War when the basic thrust of the country's foreign policy was based on ideological issues of the time like anti-imperialism, non-alignment and anti-colonialism.

The end of the Cold War and the subsequent disintegration of the Soviet Union brought about radical changes in the international power configuration which had far reaching implications for the conduct of relations among nations. The

ideas of free market and economic liberalization became a major tendency the world over and the thrust shifted to economic co-operation in view of the increasing sway of globalization. Each nation had to adjust to this new reality by bringing about necessary changes in its foreign policy, both at the broader as well as regional levels. India was no exception to that.

Both India and West Asia are endowed with vast resources of varied nature which make the relationship highly desirable. India as an emerging Asian power with a large population and economic potential can play a vital role in the development and growth of West Asia. West Asia, on the other, has the potential to meet the growing global demand of energy. Its cheapest cost of production of oil and gas and the overall well developed energy exploring infrastructure makes it a valuable partner for economic ties. In fact, resource diversity enhances the opportunity of economic, political and strategic alignments between them.

The importance of West Asia in India's overall energy security framework is likely to increase manifold in the coming years. West Asia also provides an attractive market for several Indian commodities like tea, rice, wheat, pulses, meat, wood products and light engineering goods. Bilateral trade between India and West Asia turns into billion of dollars. Finally, the presence of hundreds of thousands of Indian workers in the region is also an important aspect in Indo-West Asian relations. The expatriate workers are a major source of India's foreign exchange earnings through remittances in hard currency. The cultural relationship between India and West Asia, in which Islamic culture and Arabic and Persian served as bridges, is now supplemented by the huge stream of temporary migrants that India sends to the Gulf. There is, therefore, new cultural interaction not witnessed before, with subtle shift of Indian Muslims from the Iranian to the Arab cultural tradition.

The present book examines the relations between India

and West Asia in all their ramifications.

I take this opportunity to place on record my deep sense of gratitude to Professor Irfan Habib, Emeritus Professor of History at the Centre of Advanced Study of History, AMU, Aligarh, for his moral support and constant encouragement in the preparation of the present study. I am equally indebted to Professor Shireen Moosvi of the Centre of Advanced Study of History, AMU, Aligarh and Professor Ali Mohammad, Department of Geography, AMU, Aligarh for their generous help and support.

Thanks are also due to the following scholars for their help and co-operation at every stage of the completion of this work: Professor Shamir Hasan, Professor Mohammad Gulrez, Professor Nizam Ali, Dr. Mohammad Iqbal, Dr. Javed Iqbal, Professor Mohammad Azhar, Mr. Shamim Akhtar and Mr. Ashraf Husain.

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Contents

<i>About the Book</i>	v
<i>About the Editors</i>	vi
<i>Contributors</i>	ix
<i>Preface</i>	x-xii

Part I: India-West Asia Economic Relations

1. West Asia's Current Economic Inclination towards India	1-20
Javed Ahmad Khan	
2. India's Economic Relations with Iran	21-35
Mohammad Iqbal	
3. Iran-Pakistan-India Gas Pipeline and Indo-Iran Relations	36-47
Rafiullah Azmi	
4. Non-resident Indian Entrepreneurs in Gulf Countries	48-65
Prakash C. Jain	
5. Economic and Social Consequences of Indian Emigration to West Asia	66-82
Anisur Rahman	

Part II: India's Palestine Policy

6. India's Palestine Policy: A Historical Review	83-95
Shamir Hasan	

7. Mahatma Gandhi, Jawahar Lal Nehru and the Palestine Issue	96-107
Mohammad Gulrez	
8. Palestine as a Factor in Indo-Israeli Relations	108-127
Jawaid Iqbal	
9. Cultural Relations between India and Israel: Role of Indian Jews	128-154
Khurshid Imam	
Part III: Terrorism, Globalization and Security	
10. India-West Asia Co-operation in Fighting Terrorism	155-168
Bansidhar Pradhan	
11. Impact of Globalization on the Arab World	169-186
Akhtar Nazmi	
12. India and Saudi Arabia: Retrospect and Prospects	187-216
A.K. Pasha	
13. India and the 1956 Suez Crisis	217-236
Fazal Mahmood	
Index	237-244

Part I
India-West Asia Economic Relations

West Asia's Current Economic Inclination towards India

Javed Ahmad Khan

Arab businessmen and investors in recent years have shown extraordinary optimism about business prospects despite concerns about terrorism, and political risks. According to a survey of 140 senior Arab executives interviewed in 14 countries by PricewaterhouseCoopers and the Dubai-based Moutamarat group, released at the World Economic Forum in Davos, Switzerland, about 83 percent of them saw conditions improving further over the next year. This was basically to show that the general level of confidence in the Arab world in the non-oil sectors is very high and these countries are aiming to achieve growth through alliances and joint ventures.

With the introduction of economic and political reforms in the region, the increasing role of the private sector in the infrastructure of GCC countries, as well as a rapid rise in the number of privatizations, has seen the number of developmental projects growing into an industry worth US\$ 100 to 150 billion globally.

GCC Eyes the Asian Market

But the most noteworthy phenomenon is their recent drive is to woo Asian investments as most of the Gulf States, in order to broaden their economic bases have started a push to attract direct investment from Asia's regions. Two major factors point toward this shift. First, the resurgent Gulf economies are flush with money from oil sales and need fresh pastures to invest and diversify. Secondly, the increase in

Asia's oil consumption with both energy-starved China and India, needing the fuel to boost their growth engine. Asia consumes 30 percent of world's oil. GCC oil exports to Asia are two-thirds of its output and Asian oil consumption will be more than double by 2020. Additionally, more than half of total GCC exports go to Asian countries while a third of GCC imports are from Asia.

Under the new global market development, the oil rich Arab Gulf States are showing their inclinations towards the Asian and East Asian countries where India is emerging their vital economic partners. The existence of this new phenomenon is mainly due to the economic and political reforms that are taking place in the Arab world. But another important factor is the anti-West feeling in these countries particularly after the September 11, 2001 attacks, US occupation of Iraq and the style of Western worlds fight against 'Islamic terrorism' and these altogether prompted Arab world to seek geo-strategic and economic cooperation from their traditional Asian partners.

But the two major positive developments in this regard point toward this new shift. First, the resurgent Gulf economies are flush with money from oil sales and need fresh pastures to invest and diversify. Secondly, the increase in Asia's oil consumption with both energy-starved China and India needing the fuel to boost their growth engine. Clearly, economic integration between Asia and the GCC is increasing and the Asian market is becoming a major target for GCC oil exports. Thus there can be seen the rising optimism among business executives for the prospects of their companies despite concerns about terrorism, and according to a survey by the PricewaterhouseCoopers and the Dubai-based Moutamarat group, Arab companies were willing to open up their markets, at a time when global corporations are looking for new opportunities. [1]

This paper aims to focus on the Arab world's new 'Look East Policy' towards the Asian region especially of their

seeking geo-strategic and economic collaboration with the India. Here, the anti-West feelings in the Arab world are seen as one of the major factor behind this inclination. The paper basically points that there is now an atmosphere of interdependence on each other's market in recent years. Finally, it is argued that the current Indo-Gulf economic relations is more realistic and hence durable than the relations of 1980s and early 1990s because of the prevailing politico-economic factors that have surrounded these Gulf States.

India an Attractive Market for GCC

The major trend of the Arab Gulf's economic inclination towards India could be seen in the first GCC-India Industrial Conference that was held in February 2004 and also known as 'Mumbai Declaration'. This was the first time that the ministerial and business delegations from the Gulf States came together to search the potential Indian market. They discussed under the theme 'Opportunities and Challenges in the 21st Century', focused on four select priority areas covering GCC and India: (i) trade, (ii) investments, (iii) industrial cooperation including small and medium enterprises (SMEs), small-scale industries (SSIs), and (iv) transfer of technology including information technology. India and the GCC member-states also signed the framework agreement on economic cooperation in August 2004. The salient features of this include that both sides agreed to consider ways and means for expanding and liberalizing their trade relations including initiating discussions on the feasibility of a free trade area (FTA) between them and to make arrangements for setting up joint investment projects and facilitating corporate investments in various fields. [2]

An India-AGCC joint commerce and trade committee has defined the contours of a preferential/free trade agreement with the AGCC, which accounts for about 11 percent of India's exports. The framework agreement with the AGCC is aimed at exploring opportunities in areas of oil and gas, knowledge-