

13. INDIA LOOK WEST POLICY

Background

India has traditionally pursued a pro-Arab policy regarding the Arab-Israeli conflict in order to counteract Pakistani influence in the region and to secure access to Middle East petroleum resources. In the 1950s and early 1960s, this pro-Arab stance did not help India in establishing good relations with all Arab countries but may have served to keep peace with its own Muslim minority. India concentrated on developing a closer relationship with Egypt on the strength of Nehru's ties with Egyptian president Gamel Abdel Nasser. Delhi-Cairo friendship was insufficient to counteract Arab sympathy for Pakistan in its dispute with Israel (it came at the expense of cultivating relations with such countries as Saudi Arabia and its influence in the region).

In the late 1960s and in bilateral relations by developing mutually beneficial economic exchanges with a number of Islamic countries, particularly Iran, Iraq, Saudi Arabia, and the other Persian Gulf states. The strength of India's economic ties enabled it to build strong relationships with Iran and Iraq, which helped India weather the displeasure of Islamic countries stemming from India's war with Pakistan in 1971. Indian-Middle Eastern relations were further strengthened by New Delhi's anti-Israeli stance in the Arab-Israeli wars of 1967 and 1973 and by Indian support for the fourfold oil price rise in 1973 by the Organization of the Petroleum Exporting Countries (OPEC). Closer ties with Middle Eastern countries were dictated by India's dependency on petroleum imports. Oil represented 8 percent of India's total imports in 1971; 42 percent in 1981; and 28 percent in 1991. India purchased oil from Iran, Iraq, Saudi Arabia, the United Arab Emirates, and Kuwait and, in return, provided engineering services, manufactured goods, and later. The 1980-88 Iran-Iraq War forced India to shift its oil purchases from Iran and Iraq to Saudi Arabia and the Persian Gulf states. Saudi Arabia and the Gulf states also have received large numbers of Indian workers and manufactures and have become the regional base for Indian business operations.

Two events in 1978 and 1979, the installation of the Islamic regime under Ayatollah Sayyid Ruhollah Musavi Khomeini in Iran and the Soviet invasion of Afghanistan in support of the pro-Soviet Marxist regime in Kabul—complicated India's relations with Middle East countries. From the Indian perspective, these two events and the Iran-Iraq War changed the balance of power in West Asia by weakening Iran as a regional power and a potential supporter of Pakistan, a situation favorable to India. At the same time, proxy superpower competition in Afghanistan strengthened the hand of India's adversary Pakistan by virtue of the military support Pakistan received from the United States, China, and Arab states led by Saudi Arabia. In the 1980s, India performed a delicate diplomatic balancing act. New Delhi took a position of neutrality in the Iran-Iraq War, maintained warm ties with Baghdad, and built workable political and economic relations with Tehran despite misgivings about the foreign policy goals of the Khomeini regime. India managed to improve relations with Middle Eastern countries that provided support to the Afghan mujahideen and Pakistan by redirecting Indian petroleum purchases to Saudi Arabia and the Persian Gulf countries. New Delhi, which traditionally had had close relations with Kabul, condemned the Soviet invasion only in the most perfunctory manner and provided diplomatic, economic, and logistic support for the Marxist regime.

In the early 1990s, India stepped back from its staunch anti-Israeli stance and support for the Palestinian cause. Besides practical economic and security considerations in the post-Cold War world, domestic politics, especially those influenced by Hindu nationalists—played a role in this reversal. In December 1991, India voted with the UN majority to repeal the UN resolution equating Zionism with racism. In 1992, following the example of the Soviet Union and China, India established diplomatic relations with Israel.

During the 1990-91 Persian Gulf War, Indian policy makers were torn between adopting a traditional nonaligned policy sympathetic to Iraq or favoring the coalition of moderate Arab and Western countries that

could benefit Indian security and economic interests. India initially adopted an ambivalent approach, condemning both the Iraqi invasion of Kuwait and the intrusion of external forces into the region. When the National Front government led by V.P. Singh was replaced by the Chandra Shekhar minority government in November 1990, the Indian response changed. Wary of incurring the displeasure of the United States and other Western nations on whom India depended to obtain assistance from the International Monetary Fund (IMF), New Delhi voted for the UN resolution authorizing the use of force to expel Iraqi troops from Kuwait and rejected Iraq's linkage of the Kuwaiti and Palestinian problems. In January 1991, India also permitted United States military aircraft to refuel in Bombay. The refueling decision stirred such domestic controversy that the Chandra Shekhar government withdrew the refueling privileges in February 1991 to deflect the criticism of Rajiv Gandhi's Congress (I), which argued that India's nominal pro-United States tilt betrayed the country's nonaligned principles.

In the third period, from 2001 to the present, India's foreign policy focus has shifted from economics to security. Military power and defensive capabilities have taken a more prominent role. India also seeks interaction with superpowers, greater influence in global affairs, and a permanent seat on the UN Security Council.

Prime Minister Narasimha Rao's September 1993 visit to Iran was hailed as "successful and useful" by the Indian media and seen as a vehicle for speeding up the improvement of bilateral relations. Key developments included discussions on the construction of a pipeline to supply Iranian natural gas to India and allowing India to develop transit facilities in Iran for Indian products destined for the landlocked Central Asian republics. India also sought to assuage its concerns over a possible Iranian-Central Asian republics nuclear nexus, which some saw as a potential and very serious threat to India should Pakistan also join in an Islamic nuclear front aimed at India and Israel. When Iranian president Hashemi Rafsanjani visited India in April 1995 to sign a major trade accord (the accord also was signed by the foreign minister of Turkmenistan) and five bilateral agreements, India-Iranian relations could be seen to be on the upswing.

Perspectives on India-Iran Relations

Iran-India relations are far-reaching and multidimensional. However, a variety of issues, including the upheaval in the Middle East and North Africa, U.S. and Israeli influence over the region, Iran-Israel belligerence, and terrorism all constrain bilateral diplomacy.

Historically, Iran and India have shared social, political, and economic ties. Until the British colonization of India, the court language of India was Persian. During colonization relations between India and the rest of the world were subject to drastic changes, and consequently contact between Iran and India decreased. Postcolonial political and cultural ties between the Shah of Iran and India were strong.

The Iranian Revolution of 1979 then-restructured Iran's relations with the rest of the world. Iran's seizure of U.S. diplomats as hostages, the death sentence assigned to Salman Rushdie, rhetoric toward Israel, support for Hezbollah and Hamas, and the Iran-Iraq War all isolated Iran from the global community. Indeed, most of the world sees Iran as a hostile country that is resistant to change. Accordingly, the Iran-India relationship has been checkered. With the wave of Western sanctions imposed on Iran, relations between the two countries are likely to become even more complicated. However, leaders of both nations have tried to expand ties in a number of areas, including counterterrorism, regional stability, and energy security.

Several key issues shape the Iran-India relationship

Iran and India have the largest and the fourth largest Shia Muslim populations in the world, respectively. Therefore they share a mutual concern over Sunni-Shia conflicts, especially in Pakistan. Through emphasizing these conflicts, New Delhi sees an opportunity to limit Pakistan's influence in international Islamic forums. In addition, Iran's geopolitical position is significant for India, as it can counteract China's increasing presence throughout Asia and boost India's regional influence. India is working with Tehran to open the Iranian port of Chabahar. The development of this port as well as Indian investment in infrastructure along Iran's border with Afghanistan not only helps India to counter the massive Chinese investment in Pakistan's Gwadar port but also

boosts India's influence in Afghanistan, which counters Pakistan's influence there. Lastly, Iran is rich in oil and gas reserves and thus can help meet India's domestic energy needs and aid it in avoiding an overreliance on Saudi Arabia, which has had traditionally close ties with Pakistan.

Iran's Approach to India

Iran considers India significant for a number of reasons. First, India, like Iran, is an Asian country, and the two share historic, cultural, and ethnic links. India's foreign policy is also congruent with that of Iran: they are both opposed to U.S. unilateralism and a unipolar world. Following the New Delhi Declaration of 2003, Iran and India referred to each other as "strategic partners" and embarked on joint military exercises. However, Iran cannot expect India to favor it in global and security issues, especially in its nuclear issue.

Cooperation and Convergence

Given their affinities, there are various areas of potential cooperation for Iran and India.

International Structure

Both countries are looking to revise the global security equation and the structure of international security. Iran objects to the world management model, especially the UN Security Council structure, India, for its part, as a nascent great power, is seeking a permanent seat on the Council. Because the two countries are outsiders in regard to this structure, they are brought together.

Economics

India is under pressure from its Western allies vis-à-vis its relationship with Iran, yet India's sustained economic growth makes Iran's economic cooperation and energy indispensable. However, international sanctions have caused a decline in Iranian oil exports to India. In the first seven months of 2013, India's oil imports from Iran fell 46 percent compared with the same period last year. As payment to Iran is in rupees rather than dollars, India could save \$8.5 billion in the 2013-14 fiscal year if it was able to continue importing Iranian oil at the same rate as before.

The Iran-Pakistan gas pipeline, also known as the Peace Pipeline Project, is under construction and will deliver natural gas from Iran through Pakistan and to

New Delhi. It will augment India's influence in the Middle East and Central Asia but also diversify its energy basket. The project could also boost and deepen Iranian economic diplomacy and political influence in the continent. In this way, energy is the main field of cooperation between the two countries. Yet, after the Iran-India relationship equation, with India seeking closer ties with the West and India stalks and discussions about the pipeline, India's foreign policy drastically changed, and the project has halted.

Stability and Regional Security

One of the top security issues for India is Pakistan, as the two neighbors have a long relationship of animosity. Communal tension and violence between Hindus and Muslims have risen in some areas of India over the past decade, and India's growing relationship with Israel and the United States, which has brought about domestic criticism, has prompted India to reinforce its ties with the Muslim world. Iran can be helpful to India by providing it with a Muslim partner that acts as a counterbalance to Pakistan, and thus Iran presents a potential strategic advantage for India.

International Terrorism

Tehran and New Delhi are both concerned about the spread of pernicious Sunni Islamist militias in South Asia and the revival of Wahhabi power in Asia and the Middle East. This concern led to the establishment of a joint committee in 2003 targeted at eliminating terrorist activities, gun trafficking, and the narcotics trade. During the Taliban era, when Iran was under a serious threat from both Pakistan and Afghanistan, it decided to expand its cooperation with India and Russia, and even helped the United States to overthrow the Taliban. India and Iran welcomed the Taliban's demise in October 2001 and made Afghanistan's reconstruction and stability a common, critical goal. Thus, counterterrorism can be a significant area for convergence and integration between the two countries.

Strategic and Defense Cooperation

One of the most significant provisions of 2003's New Delhi Declaration sought to upgrade defense cooperation between Iran and India. The wide-ranging partnership involved all three military services: the army, navy, and air force. After the Iran-Iraq War, Tehran

rebuilt its conventional arsenal by purchasing tanks, combat aircraft, and ships from Russia and China. It also reportedly solicited Indian assistance in 1993 to help develop new batteries for three Kilo-class submarines it had purchased from Russia. The submarine batteries provided by the Russians were ill-suited to the warm waters of the Persian Gulf, and India had substantial experience operating Kilo-class submarines in warm water. Iran remains inclined to acquire Indian assistance for other upgrades to its Russian-supplied military hardware, including MiG-29 fighters, warships, and tanks. However, despite these initiatives, strategic and defense cooperation between the two countries is relatively low. The reason for this is India's turn to the West.

Realistically, India should make it a priority to expand and deepen its ties with the United States. Politically, the United States has announced its commitment to the process of making India a global power, and militarily, the U.S. army is looking to India as a military partner to implement its short-term operations in Asia.

India has already begun to choose the United States over Iran, and will likely continue to do so. In terms of strategic affairs, such as Iran's nuclear program, India has acted in conformity with U.S. policies. When more of such changes occur in India's foreign policy toward Iran, they may come as a surprise to Iranian politicians, who still view India as neutral and non-aligned, especially in regard to Third World countries. Iran also expects India, as a developing country, to have a revisionist or reformist outlook toward the politico-economic structure of the international system.

Saudi and Indian companies promote new joint ventures

Crown Prince Salman, deputy premier and minister of defense, has met with a number of Indian businessmen including business tycoon M. A. Yusuffali in New Delhi.

The audience with the crown prince was followed by talks between Commerce and Industry Minister Tawfiq Al-Rabiah and his Indian counterpart Anand Sharma as well as several individual business meetings in New Delhi.

Yusuffali, chief of the Lulu Group, announced an ambitious plan to open 15 Lulu Hypermarkets in Saudi Arabia during the next two years following his meeting with Crown Prince Salman and other senior Saudi officials. Besides the Lulu's plans to open 42 new hypermarkets in the Middle East including 15 in Saudi Arabia, four other major agreements involving Saudi and Indian companies were signed on the sidelines of the visit.

The issue of taxation of capital gains, meanwhile, figured prominently at the India-Saudi Business Forum organized jointly by the Federation of Indian Chambers of Commerce and Industry (FICCI) and the Council of Saudi Chambers in New Delhi.

Referring to the new business deals signed by the Saudi and Indian companies," a statement from the FICCI said chairman of Al-Qahtani Group Sheikh Abdul Aziz Al-Qahtani and Indian firm Sledge Hammer Oil Tools **Pradeep Mohanty** signed a joint venture agreement for setting up a plant for oil drilling products in Saudi Arabia. On the other hand, Yusuf bin Ahmed Kanoo Company and India's Seaworld Shipping and Logistics signed a joint venture to establish a joint logistic and shipping network.

The third agreement was signed by the KRBL Limited of India and Omar Ali Balsharaf Est to supply 165,000 tons of Basmati rice to the

Kingdom, while Al Rabiah & Partners and India's Novatech had signed deal for engineering, procurement and construction of industrial equipments to the Saudi firm. Several other Indian and Saudi companies evinced keen interest to set up joint-ventures in other sectors on the sidelines of the visit.

Referring to the capital gains tax which is a major hurdle in promoting Saudi investments in Commerce and Industry Minister Tawfiq Al-Rabiah said that the issue of taxation of capital gains continues to be a major impediment in promoting Saudi investment in India. Both the ministers stressed on the need to transform the buyer-seller relationship, into one of deeper energy partnership with investments in petrochemical complexes, modernization of refineries, and joint ventures. Both the ministers stressed the need to ink a free trade agreement between the Gulf Cooperation

Council (GCC) countries and India for boosting trade and commercial ties.

The GCC and India have identified sectors like petroleum and oil, gas and fertilizers and information technology among other to be given focus. Sharma highlighted the need to diversify India's export to Saudi Arabia. The Saudi side also raised the issue of anti-dumping duty imposed on various items of their industry is detrimental for the trade relation between the two countries.

The Indian side explained that the anti-dumping duties in India are imposed after due diligence and is a quasi judicial exercise. Sharma said India had withdrawn anti-dumping duties from two items i.e. polypropylene and pentaerythritol. Sharma also invited Saudi investors to actively participate in the construction projects for highways, ports, airports, metros, supply chains and warehousing and power plants in India. Saudi Arabia and India have forged closer ties in trade. In fact, the trade has grown significantly to exceed \$43 billion in 2012-13.

There is need to diversify trade relations to non-oil trade sectors. Sharma said Indian globally-reputed companies, with expertise in infrastructure development are keen to work in upcoming projects in Saudi Arabia.

India-Tehran Relation

On 04 April 2014 Indian and Iranian governments have begun drawing up a transit agreement to allow India to ship more goods to Afghanistan by going through Iranian territory. According to the report, as part of the agreement the Indian government has begun pushing a cabinet note on investing over US\$100 million in the **expansion of Chabahar port** in southeastern Iran. India helped finance the construction of the port and first used it to ship 100,000 metric tons of wheat to Afghanistan in early 2012.

Delhi has long viewed Tehran as an integral part of its Afghan strategy given the Persian Gulf state's proximity to Afghanistan, which allows India to use it to bypass Pakistan. Indeed, Afghanistan, Iran, and India have long discussed different options for utilizing the Chabahar port to enhance trilateral cooperation, including setting up a joint working group on the matter following a meeting the three countries held on the sidelines of the Non-Aligned Movement summit in Tehran. Besides

allowing India to bypass Pakistan, Chabahar is particularly well-suited for India to aid Afghanistan because the Iranian government has built a series of roads connecting Chabahar port to the Iran-Afghanistan border. From there goods can be transported by road to the southwestern Afghan city of Zaranj thanks to the **215 km-long Delaram- Zaranj highway (Route 606)** that India built for Afghanistan at a cost of around US\$110 million.

Delhi has also expressed interest in **building a 900-km railway linking Chabahar to Hajigak, Bamiyan province in central Afghanistan**, where a consortium of Indian state-run and private companies have been awarded rights to mine Afghanistan's largest iron deposit.

In this sense the timing of the deal can be partly attributed to India's need to protect its Afghan investments especially following the withdrawal of NATO forces in Afghanistan. During the 1990's both India and Iran backed the Northern Alliance forces that battled the Taliban for control over the country. It is likely Delhi and Tehran are prepared to revive this strategy of supporting Afghanistan's non-Pashtun population should the Taliban begin to make gains in Afghanistan after most foreign troops leave the country at the end of next year.

None of these are more important from Delhi's perspective than **China's recent decision to assume responsibility** for operating Gwadar Port in southwestern Pakistan. The deep-water port was built with US\$200 million of funds from China and is viewed by many in India and elsewhere as part of Beijing's so-called "string of pearls" strategy of erecting strategically located ports that could potentially service PLA Navy vessels in the future.

Gwadar port's strategic location suggests it would play a crucial role in allowing PUN to establish a presence in the Persian Gulf in order to better protect China's oil investments in the Middle East, should Beijing decide this is necessary in the future.

Chabahar port is just 44 miles (70 km) away from Gwadar and is strategically situated between Pakistan and the Persian Gulf, making it especially valuable for checking any Chinese attempt to use Gwadar to deepen naval deployments in Middle Eastern waters. Iran would

almost certainly share this goal with India given Tehran's efforts dating back to the Shah to limit foreign navies' operating in the Persian Gulf in order to enhance its own position.

Also guiding Indian policy towards Iran is the recent progress Iran and Pakistan have made towards constructing a pipeline to transport Iranian natural gas to energy-starved Pakistan. Initially the Iran-Pakistan pipeline was supposed to extend to India but Delhi pulled out of the project over concerns about Western sanctions on Iran over the latter's nuclear program.

There are many obstacles still plaguing the Iran-Pakistan pipeline and ultimately the project may never be completed. That being said, Pakistan's willingness to flout Washington's threats of sanctions in pursuing the project though driven by Islamabad's desperate energy situation has heightened Pakistan's strategic value for Iran, especially compared to India which has proven much lessening to both the U.S. on the issue of sanctions, its leaders' rhetoric notwithstanding.

Although the U.S. has certainly sanctioned individual Iranian port operating companies, the U.S. sanctions do not cover investments in Iran's port infrastructure. If true, India likely views financing the expansion of Chabahar as a means of deepening strategic cooperation with Iran without attracting the ire of the U.S. Treasury Department.

Bahrain seeks to boost ties with India during King Hamad Al Khalifa's first visit

Bahrain's King Hamad Al Khalifa will seek to bolster his country's long-standing ties with India and open up new horizons of cooperation in all sectors during his first visit to the country on 18 Feb 2014. During his three-day visit, the two sides will also discuss latest regional and global developments and issues of mutual concern.

Minister of Transportation and Acting CEO of the Economic Development Board (EDB) Kamal bin Ahmed said the King's visit to India is in line with the kingdom's keen interest to boost ties with India and South Asian countries and open up new horizons of joint cooperation in all fields. The minister said that a number of agreements and memoranda of understanding will be signed with India during the visit.

King's visit meant to re-affirm Bahrain's interest to boost its deep-rooted ties with India which boasts of a strong economy and a great number of investors who can take advantage of Bahrain's strategic location and investment incentives to enter the USD 1.5 trillion Gulf Cooperation Council (GCC) market. GCC is a political and economic union of Arab states bordering the Persian Gulf, namely Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.

Bahrain is an important trading partner for India with non-oil bilateral trade in 2012-13 exceeding USD 1.3 billion. Over 350,000 Indian nationals work in Bahrain. Ahmed said that the visit of the Bahraini economic delegation to India last month was welcomed by Indian investors and businessmen. He said that a 120-member delegation will visit New Delhi on the sidelines of the Royal visit. Hamad's father Shaikh Isa bin Salman Al Khalifa visited India in 1981. External Affairs Minister Salman Khurshid had visited Bahrain in December. Bahrain's Foreign Minister Sheikh Khalid bin Ahmed bin Mohammed toured India in October 2009.

Gas pipe line connecting Oman and Iran to India discussed in tripartite talk

Energy-deficient India discussed the possibility of reviving a project for a deep sea pipeline connecting Oman and Iran to India. The \$5 billion proposal was discussed separately with Indian Foreign Minister Salman Khurshid and Minister Responsible for Foreign Affairs Yousuf bin Alawi bin Abdullah, and Iranian Foreign Minister Javad Zarif during the meeting.

According to reports, the pipeline would be mutually advantageous for Iran and India, with the former having a massive surplus of gas and the latter having high energy needs. India imports around 75 per cent of its crude oil. The Iran-Oman-India pipeline would source its gas from Iran's South Pars oil and gas fields located in the Arabian Gulf. The pipeline would be 1,400 kilometres long. In December 2013, reports emerged that an Indian firm had conducted feasibility studies for the proposed deep sea pipeline route with favourable results.

The cost estimate by India's South Asia Gas Enterprise Pvt Ltd (SAGE) was around \$4-5 billion. The pipeline is expected to carry 31 million cubic metres of gas per day. The deep sea pipeline would be an alternative for

India to the proposed Iran-Pakistan-India gas pipeline which ran into several complications after Pakistan failed to meet its obligations in a timely manner.

Khurshid and Sharif met and Indian interest in Chabahar port figured prominently during the meeting between them and it was agreed that specific proposals regarding the port could be finalised by Navruz holidays in Iran (in March 2014). The two sides also reviewed the entire expanse of the bilateral relationship and emphasised the 'strong political will in both countries to nurture bilateral relations.

With Oman, talks also touched on "developments in the Gulf, Afghanistan, Syria as well as the Indian

Ocean region in general as both Oman and India are members of the Indian Ocean Rim Association.

Kuwait, India agree to continue security cooperation

Kuwait and India have re-affirmed their resolve to continue the security cooperation in various areas concerning both the nations. The two sides agreed continuation in security cooperation. They also agreed to conduct regular exchange of visits of officials of concerned authorities. The two countries also agreed that they would move forward with a unified vision over the security concerning them.