INDIA'S ECONOMIC RELATIONS WITH THE ARAB-GULF COUNTRIES 1991-1996

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CERTIFICATE

This is to certify that the M. Phil Dissertation entitled " INDIA'S ECONOMIC RELATIONS WITH THE ARAB-GULF COUNTRIES 1991-1996" submitted by M.M. SHANKARE GOWDA in partial fulfilment for the award of degree of MASTER OF PHILOSOPHY of Jawaharlal Nehru University is his original work. This has not been published or submitted to any other University for any other purpose. We recommend that this dissertation be placed before the examiners for evaluation.

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[M.M. SHANKARE GOWDA]

CHAPTER I

THE ARAB-GULF MARKET : THE POST-WAR RECOVERY PHASE

The Arab-Gulf member countries with the exception of Bahrain, share one dominant common characteristic namely, oil. Their economies are largely based on the extraction and export of a single commodity — described as mono-culture economies. This factor — the economic dependence of the Arab-Gulf countries on a single and depletable resource — is the overriding common element among these economies. The depletable nature of oil resources means that each barrel of oil extracted reduces the number of barrels to be produced in the future by an equivalent amount. This distinguishes oil exporters and for that matter, exporters of all depletable resources, from exporters of agricultural on manufactured products, since the income or output of the latter is derived from a sustainable economic base.[1]

Current oil production in a sense reduces the aggregate national capital stock or wealth of oil producing countries and, in turn, the future flow of income, if the oil had not been extracted today.[2] Future income and consumption levels can only be protected from declining of the revenues derived from oil wealth are transformed into productive domestic or foreign assets. A current account surpluses are normally viewed as surplus funds for the GCC countries, given the source of the temporary surplus, that is, the depletion of their oil wealth, the current account surplus should be interpreted differently. Current account surpluses are derived from the sale of oil

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1 John A. Sandwick, Gulf Cooperation Council (ed.), ***Moderation & Stability in an Inter-Dependent World***, p. 90.

2 Ibid.

assets and should be used to derive alternative sources of income through foreign investments and ultimately through a diversified domestic economic base.[3]

In such a setting, the GCC countries should be keenly aware of the current savings and investment needs of their economies if economic output is to be maintained once the oil is depleted. All GCC countries thus planned for diversification of their economies. Consequently, the Gulf market emerged not only large in volume terms, but also diversified in its competition.

Excess capacity of the OPEC members of GCC countries was at its lowest in 1979, largely as a result of the decline of production in Iraq and Iran, which, in turn, was due to the Iranian revolution and the war between the nations, Saudi Arabia was producing close to 10 million barrels per day [mbd] for the period 1979-81. During the period 1974-81, the share of GCC production in OPEC output increased from 44 per cent to 58 per cent.[4]

The import bill of the region then soared from a level of about $12 billion in 1975 to $67 billion in 1982. However following the oil price decline, the import value has been consistently declining, reaching a level of US $ 44 billion in 1987, thus recording a decline of about 35 per cent during the 1982-87 period. Given the nature of demand and the suddenness of buoyancy, suiting only the developed countries, the share of non-oil exporting developing countries in imports has remained small. Despite decline in imports after 1982, the Gulf market continues to be a fairly large market.

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3 John A. Sandwick, Gulf Cooperation Council (ed.), ***Moderation & Stability in an Inter-Dependent World***, 199 ,p. 90

4 Ibid.

Saudi Arabia, by virtue of its size, has been the largest market. Its total imports into the region almost doubled from 33.3 per cent in 1975 to 60.3 per cent in 1982. On the other hand, share of UAE [mainly Abu Dhabi and Dubai] declined from more than 23.3 per cent to about 15 per cent in the same period.[5] Similarly, the share of Kuwait declined from 20.7 per cent to about 12 per cent. It is worth noting that while increases in the level of imports into Qatar and Oman were due to increased availability of oil revenue, in the case of Bahrain, it was largely the result of its emerging as a major financial and commercial centre serving the interests of the other economies of the region.[6]

TABLE 1
IMPORT TREND IN GCC COUNTRIES

YEAR	GCC [TOTAL]	BAHRAIN	KUWAIT	OMAN	QATAR	SAUDI ARABIA	UAE
1975	11632	1198	2388	670	409	4213	2754
1981	59887	4124	7038	2288	1518	35268	9651
1982	67359	3614	8285	2683	1947	40653	10177
1983	62200	3342	7373	2492	1456	39181	8356
1984	55075	3524	6902	2748	1162	33696	7043
1985	44531	2896	6390	3153	1139	23622	7331
1986	38267	2397	5869	2802	1099	19112	6986
1987	43893	2693	5198	2395	1138	24485	7894
Change in 1987 over 1982 [%]	- 34.8	- 25.5	- 37.3	- 10.3	- 42.5	- 39.8	- 22.4

SOURCE: IMF, Direction of Trade Statistics Yearbook, 1987.

5 *Middle East Economic Digest*, August 26, 1994, p. 16.

6 *Middle East Economic Digest*, August 26, 1994, p. 16.

TABLE 2
COUNTRY-WISE SHARE IN TOTAL GCC IMPORTS
[PER CENT]

YEAR	BAHRAIN	KUWAIT	OMAN	QATAR	SAUDI ARABIA	UAE
1975	10.3	20.7	5.8	6.6	33.3	23.3
1981	6.9	11.8	3.8	2.5	58.9	16.1
1982	5.4	12.3	4.0	2.9	60.3	15.1
1983	5.4	11.9	4.0	2.3	63.0	13.4
1984	6.4	12.5	5.0	2.1	61.2	12.8
1985	6.5	14.3	7.1	2.6	53.0	16.5
1986	6.3	15.3	7.3	2.9	48.9	18.3
1987	6.2	11.8	5.6	2.6	55.8	18.0

SOURCE : IMF, Direction of Trade Statistics Yearbook, 1987.

The oil production of the GCC countries went up sharply from 13.2 mb/d in 1973 to a peak of 14.7 mb/d in 1979 but it fell down more dramatically reaching as low as 6.16 mb/d in 1985 since then, it has been recovered but with slow pace.

It can be noticed from the table that as late as in 1994, the GCC countries were producing oil equal to the volume they were producing in 1996.

TABLE 3
GCC OIL PRODUCTION [mb/d]

1973	13.15
1979	14.65
1985	6.16
1992	12.86
1993	13.26
1994	13.57
1995	13.60
1996	13.12

Source: UN International Trade Statistics, Yearbook,1997, Vol. 1.

The oil export profile of the region during the period 1980 to shows 1990s that, oil revenue earned by GCC countries declined from $151 billion to $38 billion between 1980 and 1986, i.e., a fall of about 75 per cent. The recovery made since shows that by 1993, these countries were earning only 46 per cent of the oil revenue they were getting in 1980. The country-wise comparison shows that in 1986, Bahrain was earning only 56 per cent of its earning of 1980, Kuwait 33 per cent, Oman 75 per cent, Qatar less than 20 per cent, Saudi Arabia 19 per cent and UAE 36 per cent.

Kuwait despite the Iraqi invasion and the devastation caused to its export capacities, earned in 1993 more than 50 per cent compared to 1986. Similarly, Oman earned 21 per cent more, Qatar's oil earning jumped up by 160 per cent, Saudi Arabia 100 per cent and so was the case with the UAE. [7]

TABLE 3
GCC OIL REVENUE

COUNTRY	1980	1986	1990	1991	1992	1993
Bahrain	3.2	1.8	1.320	0.810	0.770	0.850
Kuwait	18.4	6.0	5.536	0.430	6.200	9.100
Oman	3.3	2.5	5.044	3.200	3.300	3.040
Qatar	5.4	1.0	2.800	2.400	3.200	2.600
S. Arabia	101.4	20.0	40.128	43.300	47.600	40.100
UAE	19.5	7.0	15.690	11.700	14.500	14.200
Total	15.12	38.3	70.5	61.8	62.5	69.9

SOURCE: ESCWA Survey of Economic and Social Developments in the ESCWA Region in the 1980s, U.N. 1989 and the ESCWA Survey, 1993 [as quoted in the Arab Gulf Economies by Girijesh Pant]

7 *The Hindustan Times*, April 29, 1992.

The decline primarily has been due to the decrease in the global oil demand and prices. The share of oil in the global energy came down from 47.3 per cent in 1973 to 43 per cent in 1988.

The decline in oil demand led to reduction in the export volume of oil because most of the GCC countries are members of OPEC and the latter has been the residual supplier in the oil market.[8] Even the increase in oil demand has not reflected in corresponding growth in the OPEC exports. The Gulf producers have been constrained to export oil within the quota regime defined by the OPEC.

It is the decline of the oil price in international market which led to the steep fall in oil revenue of the Arab Gulf countries. The collapse of oil prices in 1986, marked the end of the phase which began in 1973-74, when prices increased from $3.5/b to $10-12/b in 1974. In 1979 at the time of Iranian revolution, prices further moved up from the #13/b in 1976 to $29/b.

In the eighties, the Iran-Iraq's war, further contributed to oil price escalation touching the high of $36/b. In March 1983, OPEC took the decision to reduce the price to 17.5 mb/d. In December 1985, it decided to defend its market share leading to extra production, consequently oil prices dived down to the lowest of $ 9.86/b in July 1986. OPEC decided to return to the policy of saving market share and fixed the price system using $18/b as reference prices.[9]

The purchasing power of the average OPEC barrel of oil has dropped from a base of 100 in 1985 to 32.42 in 1995. The per capita income in terms of oil revenue which was $19037 for Saudi Arabia in 1980 came down to $2903 in 1992. Similarly,

8 Girijesh Pant, ***The Arab-Gulf Economies From Crisis to Reforms***, 1996, pp. 62-63.

Kuwait, UAE and others show that the Arab Gulf countries are not likely to recover financially to regain the status of financial surplus economies as they were known in the seventies.

The steady decline in oil prices and consequential impact on revenue made the oil exporting countries to decide expanding and diversifying their economic activities around the oil sector.[10] The refining capacity of the Arab-Gulf countries has increased more rapidly during 1982-89 from 88.23 mn ton to .137 mn ton. In addition to meeting domestic consumption, the GCC countries have been exporting petroleum products as well. According to the OPEC estimates the refining capacity of these countries by 1994 reached to the level of 3,094 thousand barrel oil per day as against 2.850 thousand barrel a day in 1990.[11]

TABLE
PROVEN CRUDE OIL RESERVES 1994-95

COUNTRY	1994	1995	REGIONAL % SHARE
KUWAIT	96.5	96.5	13.7
OMAN	4.8	5.1	0.7
QATAR	3.7	3.7	0.5
S. ARABIA	261.2	261.2	37.2
UAE	98.1	98.1	0.14
TOTAL			

SOURCE: BP Statistical Review of World Energy, 1996.

The region is richly endowed with natural gas. It possesses 14.3 per cent of the world's proven natural gas reserves. Countries like Bahrain, Qatar, Oman which are not so rich in oil reserves are progressively shifting towards the gas sectors. Their

9 Girijesh Pant, ***The Arab-Gulf Economies From Crisis to Reforms***, 1996, pp. 62-63.
10 Girijesh Pant, ***The Arab-Gulf Economies From Crisis to Reforms***, 1996, pp.62-63.

11 Ibid.

marketed production has increased by more than 35 per cent in the case of Bahrain and Oman and 79 per cent in the case of Qatar during the same period.

Clearly oil and natural gas will continue to play critical role in the economy of the region. However, in contrast to seventies when oil exporters could grow on the strength of their oil exports, they need to redefine their strategy taking into account the new parameters of the global oil market. The supply demand equation has under gone a qualitative shift due to a number of factors, taking away the leverage enjoyed by the oil producers.[12]

The oil producers will also have to come to terms with the shift in the demand of oil and gas from Europe to Asia and Pacific and the preference of the Asian countries to have their own refining capacities.[13]

Since 1985 the region is accounted for over 70 per cent of growth in the oil world demand. Iraqi invasion of Kuwait which led to the Gulf war also affected the performance of the gulf economies. The cost of war and damages on economies particularly on Kuwait has been devastating having long term consequences on the economies of the Gulf countries.[14] According to an estimate, the Gulf countries paid more than $100 billion to cover the cost of the Gulf war in 1991 Saudi Arabia alone paid $60 billion.

Oil dependent Gulf economies have been highly vulnerable to the developments in the international economy and the world market. During the eighties and the early years of the nineties, a number of factors affected the performance of

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12 Girijesh Pant, ***The Arab-Gulf Economies From Crisis to Reforms***, 1996, p. 74.

13 ***Times of India***, January 13, 1994.

14 ***The Indian Economic Journal***, vol. 42, no. 3, p. 135.

these economies adversely. The recession in the world economy and sluggish growth in the early part of the decade, the glut in the oil market, increase of protectionism and the debt crisis were the principal factor. It is clear that the oil price decline, reduction in market share, depreciation of dollar value, cumulatively affected the purchasing power of the Gulf economies adversely.

The GCC countries are heavily dependent on external trade. It accounted 96 per cent of GNP in 1980 and by 1989, it came down to 67 per cent. The export profile of the region shows that unlike the seventies when it registered a growth rate between 24.36 per cent in eighties.

It experienced negative growth in case of most of the countries except UAE and Oman. During 1985-88, the regional export grow by 7.3 per cent annually but in 1989-90 by 27.4 per cent, but came down by 3.8 per cent in 1990-91 to recover by 12 per cent in 1991-92. In 1981, the region exported $169 billion but in 1992, it was $92.2 billion which is almost half of 1981 level.[15]

Inter country comparison shows that Saudi Arabia has registered the most steep decline. Its export went up by 36.7 per cent in the seventies but grew by 5.7 per cent during 1981-82. In volume terms, its export in 1992 was only $51 billion as against $119 billion in 1981.[16] The imports of the region also registered lower growth rate in the eighties as against the seventies. Kuwait and Saudi Arabia registered even negative growth rate. The combine import of the region, however, came down till 1989 and started increasing from 1990.

15 *Middle East Economic Survey*, 38: 15, 1996.

16 *Middle East Economic Survey*, 38: 15, 1996.

The classification of the regional export pattern shows that oil continues to be the predominant commodity in the export basket but steadily the composition of exports have become more varied and proportionately distributed chemical and related product exports from the region was $1.35 billion in 1992, a rise by more than 138 per cent. Its share in regional aggregate has gone up from 2.2 per cent in 1985 to 3.9 per cent in 1992, in terms of share of regional exports, it accounted from 2 per cent in 1985 but went up to 3.14 per cent in 1992, the non-oil exports of the region was $ 13.9 billion in 1983 and went upto $16.00 billion in 1992.

Oil and gas together provide about 75 per cent of total revenue of the state. Given the limitation of oil and gas sector while the state is keen to exploit the potentials to its maximum yet it can no more plan the future based on these sources. Therefore, the state of late has been emphasizing the need to diversify the economy to the manufacturing sector to cater to the needs of the domestic market.[17]

During the eighties, the direction of trade of the Arab Gulf economies though underwent a change yet remained highly concentrated with the developed world. In 1983, the Gulf region's import from USA amounted to $10 billion constituting 16 per cent of their total imports, in 1992, the size of imports went upto $ 11.8 billion maintaining the 16 per cent of the total imports. The European supplied to the region goods worth $22 billion in 1992, constituting 33-34 per cent of total imports of the region. Japan enhanced regional imports from $12.3 billion in 1983 to 19.7 billion in 1992.

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17 *Middle East Economic Survey*, 32: 18, 1992.

From the West Asia, the GCC countries imported $2.5 billion in 1983, but in 1992 the import went upto $5.1 billion. Asia including the West Asia accounted for 25 per cent of imports in 1992 as against 16 per cent in 1983.

Oil being the primary export of the region, the destination of regional exports have been the western market. Kuwait exported oil 84.9 thousand barrels a day in 1988 to the USA. But by 1992, the volume came down to 39.5 thousand barrels a day. Europe which was getting 265 thousand barrel a day of oil from Kuwait in 1988, reduced its import to 130.9 thousand barrel a day in 1992.[18]

For east including Japan has emerged as important market importing 495.2 thousand b/d. Japanese share has, however, not changed significantly 210.5 to 236.1 thousand b/d. Saudi Arabia's oil destination shows that the US imports of oil in 1988 was 952.4 thousand b/d and in 1992, it went up to 1675.6 thousand b/d. To Europe, the volume went up from 786.3 thousand b/d to 1743.2 thousand b/d. Japan oil import from Saudi Arabia went up from 513.9 thousand b/d to 990 thousand b/d. The total exports of the GCC countries to the US is estimated at $ 11.8 billion in 1992, to European community, it is $14 billion, to Japan $18.6 billion, to West Asia $6.3 billion and to Asian continent including West Asia $27 billion.[19] Japan is apparently the leading export destination of the region. Kuwait and UAE export largest volume to Japan while for Saudi Arabia, USA and Europe are the major market. The smaller economies like Qatar, Bahrain and Oman have their principal market in West Asia. Since 1980s, the Arab Gulf economies have performed satisfactorily both in terms of growth and development.

18 *India News*, Consulate General of India, Jeddah, March 1, 1995, p. 6.

19 Giban, God G., ***The Middle East Oil Decade and Beyond: Essay in Political Economy***, 1997, p. 160.

The GCC countries own a reserve capital in excess of $460 billion invested mainly in the United States and Europe. Only 7 per cent of that amount is vested in Arab-countries. The total population of the rest of the Arab countries is 190 million and their combined debt to American and European Banks in $208 billion.[20] This amount is equal to 52% of the gross national product of all the Arab countries. The importance of the Gulf is without doubt, its abundance of oil.[21] According to an estimate of World Energy Agency, Saudi Arabia, Iraq and Iran will control 50 per cent of the oil market by the mid-1990s, based on the fact that countries of the European Community imported 44% of the oil market by the mid-1990s, based on the fact that countries of the European Community imported 44% of their oil from the Gulf in 1989. Kuwait and Iraqi oil reserves total about 22% of the world reserve; the United States ripples in the Gulf circle.[22]

GCC is a market which has been expanding fast, offering abundant opportunities for world exports of goods and services. GCC has emerged as the region's foremost market for the industrially developed countries as well as developing countries. There are currently more than 125 countries exporting to Saudi Arabia. The size of the market may look modest because of its relatively small population [about million expatriates], but it has a high level of purchasing power, with the annual per capita income being over US $7000. Thus, it is one of the most prosperous markets in the world. GCC has traditionally liberal import policy with no quantitative restrictions.[23] A large percentage of imports coming into the region

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20 *Middle East Economic Digest*, September 25, 1992.

21 *Middle East Economic Digest*, September 25, 1992.

22 Banuri, Tariq (ed.), ***Economic Liberalization: No Panacea, 1991***, pp. 27-28.

23 ***International Times***, November 18, 1996.

enjoys duty-free status in agricultural products, general machinery, equipment and raw materials used by the domestic industry and all goods locally produced imported from the other Arab-Gulf countries.

Saudi Arabia plays an important role in global trade. It is well known that Saudi Arabia is the largest exporter of oil in the world, but its increasing importance as an import market a prosperous market characterized by liberal trade policies and low tariffs for the world suppliers of goods and services has not been fully involved except probably by those who are directly involved.[24]

Saudi Arabia has the distinction of being the largest import market among all the Arab-countries. Its total import were valued at US $233 billion in 1994. In 1993, Saudi Arabia accounted for over 22% of the total Arab imports.[25] What is more significant is that Saudi Arabia has achieved one of the highest rates of import growth in the world during the last quarter of a country. Between 1970 and 1994, import grew by about 28 times. During the same period, imports increased by approximately 10 times in Hong Kong 8 times in South Korea, 5 times in Singapore, 3 times each in Japan, UK, US and Germany.[26] These figures give a broad indications of how imports have gone up by leaps and bounds in Saudi Arabia in comparison to some other leaders in world trade. The primary stimulus for expansion of imports has come from the process of economic diversification started from the early 1950s with the beginning of the era of planning in 1970. Since then, Saudi Arabia adopted a planning model which has been oriented towards a liberal free market economy. The

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24 ***Saudi Commerce & Economic Review***, no. 35, March 1997, Express Letter, Embassy of India, Riyad, Saudi Arabia, p. 17.

25 ***Saudi Commerce & Economic Review***, no. 35, March 1997, Express Letter, Embassy of India, Riyad, Saudi Arabia, p. 19.

26 ***International Times***, November 18, 1996.

initial impetus for expansion of trade came from massive public investment, especially infrastructure. The changes in the oil price scenario in the middle of the 1970s gave a new dimension to development in Saudi Arabia.

The launching of massive infrastructure and industrial projects has boosted the import machinery equipment and other capital goods as well as raw materials imports of consumer goods have also moved up because of growing domestic demand triggered partly by an increase in population [and inflow of expatriate workers] and partly by the substantial rise in purchasing power.[27]

Before the dawn of the era of development almost all the needs were met by imports, most of which were consumer goods. As of 1970, food stuffs accounted for about 30 per cent of total imports. The spectacular development of the agricultural sector particularly wheat, vegetables, fruits, meat and poultry products and sea-food and the food processing industry has reduced foodstuffs to about 13 per cent by 1994. Many types of food stuffs, however, are still imported in large quantities, especially barely, livesheep, fish and diary products, rice, corn, frozen chicken, oranges, bananas, sugar and oil cake. Currently, the leading group of imports is electrical land mechanical equipment needed by various industries.

The GCC import is diversified with its sources of supplies exceeding 125 countries, representing all the continents. About 70 to 75 per cent of these imports has come from ten countries.[28] Of these, US and Japan are the leading import sources, together accounting for one-third of the total. The region has attracted some of the

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27 ***The Indian Express***, February 12, 1996.
28 ***International Times***, Special Report, November 18, 1996.

world's leading brands and international names over the years because of the unique market opportunities it offers, backed by liberal trade policy.[29]

Its high level of purchasing power, freedom of transfer of foreign exchange, the high rate of growth of population estimated at 3.5 per cent per annum, with a high proportion of young people, presence of large expatriate workers, massive inflows of foreign pilgrims — all these present both challenge and an opportunity for dedicated marketers of both consumers goods as well as capital goods.[30]

Though there has been a long term trade towards expansion, the Arab-Gulf region's import trade has tended to move down. Since 1994, the declining trend reflected the impact of global recessionary trends and the slow down in public expenditure following the setback in oil prices.

Agriculture contributed 73% of GDP in 1989 and employed an estimated 38% of the working population. Arab-Gulf trade registered a trade surplus of $22 billion in 1991 with exports of $58 billion against imports goods worth $36 billion. Major trading partners are USA, Japan, UK, Germany, Switzerland, Italy, France and South Korea. Main items of exports are crude oil, petroleum items are machinery and equipment, foodstuffs, textiles, garments etc.

A POLITICAL ECONOMY PERSPECTIVE

From its outset, economic issues were central to the Gulf conflict. A number of such factors — Iraqi external indebtedness; Kuwait oil production in excess of OPEC quotas, and alleged slant drilling in the shared Rumayla oil field; Kuwaiti

29 Aarts Paul, "Democracy Oil and the Gulf War", Third World Quarterly, 13(3), 1992.

30 *Middle East Economic Digest*, August 26, 1994.

insistence that Baghdad repay its outstanding loans; the lure of Kuwaiti assets as a quick fix to Iraq's war-ravaged and militarized economy — all set the stage for Saddam Hussein's invasion of his neighbour on 2 August.[31] In turn, the speed and magnitude of the Western response was primarily motivated by the strategic economic value of regional oil supplies. Financial inducements and punishments played a key role in the construction of the international coalition against Iraq, and remained important tools of policy for the United States and conservative Gulf states throughout the crisis.[32] Economic sanctions represented [and continue to represent] a major source of international pressure on Iraq. The crisis has an immediate and sometimes dramatic impact on local economies, particularly those heavily reliant on workers' remittances. Finally, in a region with the greatest economic disparities in the world, Saddam Hussein's call for the mobilization of Arab oil resources on behalf of all Arabs — however self-serving it might have been — struck a responsive chord among oil-poor populations from Jordan and Yemen to the Sudan to North Africa.

In the wake of the crisis, economic factors continue to figure prominently. More specifically, the aftermath of the conflict seems to promise a significant and long term shift in the scope and nature of economic interaction within the Arabian system, with important implications for both inter-state relations and Arab political development.

ECONOMIC REPERCUSSIONS OF THE CONFLICT

The first major legacy of the conflict is likely to be felt in the driving sector of the Arab economy: oil. During the crisis, Saudi Arabia expanded oil production to a

31 ***Arab Studies Quarterly***, vol. 13, no. 1&2, Winter/Spring, 1991, p. 127.
32 ***Arab Studies Quarterly***, vol. 13, no. 1&2, Winter/Spring, 1991, p. 127.

peak of almost 8.5 million barrels per day, more than 3.1 million barrels over and above its July 1990 OPEC quota. Although temporarily higher oil prices during the conflict resulted in windfall profits of perhaps $16 billion, Riyadh also faced some $48 billion in war-related costs forcing the kingdom to draw on financial reserves and seek a $3.5 billion external loan.[33] Today, faced with a war-aggravated budget deficit and a lengthy [$24.2 billion] post-war military shopping list, Saudi Arabia is likely to maintain oil production at high levels for some time to come. Consolidation of Saudi influence within OPEC [and abandonment of its traditional role as the cartel's "swing" producer] will enhance its ability to do so.[34] Other GCC countries find themselves in similar positions. Iraq and Kuwait, meanwhile, face the massive task of post-war economic reconstruction. As a result, both are likely to pump oil at maximum capacity once they are able to overcome the respective political and physical obstacles that presently prevent them from doing so.

The net result of all this will be to sustain total OPEC production at near current levels. Consequently, oil prices are unlikely to rise much beyond their immediate post war level of around $19 per barrel — in real terms, a price below that sustained in 1974.[35] They could even prove considerably softer than this. Major Gulf exporters will be sheltered from the effects of this by expanded production and the sheer volume of their earnings. Among those with limited production or serious debt problems, however, the effects will be more serious.

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33 ***The Indian Economic Journal***, vol. 42, no. 3, pp. 135-36.

34 Brynen, Rex and Paul Noble, "The Gulf Conflict and the Arab State System: A New Regional Order", ***Arab Studies Quarterly***, vol. 13, no. 1 & 2, Winter/Spring, 1991, p. 117.

35 Brynen, Rex and Paul Noble, "The Gulf Conflict and the Arab State System: A New Regional Order", ***Arab Studies Quarterly***, vol. 13, no. 1 & 2, Winter/Spring, 1991, p. 127.

Moreover, soft oil prices and the costs of post-war reconstruction will have ripple effects throughout the Arab system. As became clear in the later half of the 1980s, low oil prices lead to a reduced flow of workers' remittances from the Arab oil exporting countries to the Arab labour exporting countries. This effect is likely to be compounded, moreover, by significant shifts in long term labour import policies among the former.[36] Gulf states will likely to accelerate the gradual indigenization and de-Arabization of their labour forces that was already underway prior to the Gulf crisis. Palestinians, Jordanians, Lebanese, Yemenis, Sudanese and others who are perceived as having been sympathetic to Iraq are likely to suffer the most; politically quiescent Asians [and to a lesser extent, Egyptians] are likely to take their places. Already, most of the eight-hundred-thousand Yemenis expelled from Saudi Arabia during the crisis have been barred from reentering that country, as have the [roughly] quarter of a million Palestinians displaced from Kuwait. The effects of this are likely to be particularly grave in Yemen, Jordan and the occupied territories, where labour remittances have accounted for 10-20% of the domestic economy.[37]

Weak oil prices and domestic priorities will also tend to reduce levels of inter-Arab aid — an effect that will be aggravated by the political fall-out from the Gulf conflict and a shift in allocation patterns. Egypt and Syria, members of the coalition, were rewarded for that membership by substantial economic assistance during the crisis. This will almost certainly continue although apparently at levels considerably below those initially expected. By contrast, countries perceived as having supported Iraq have found their erstwhile Gulf aid donors less than forthcoming: already the GCC states have collectively announced the formal suspension of all economic

36 *Bliss Journal*, vol. 13, no.1, 1992, p. 13.

37 *Bliss Journal*, vol. 13, no.1, 1992, p. 16 .

assistance to Jordan and the Palestine Liberation Organization.[38] Saudi Arabia and Kuwait both appear to have drawn from the conflict the lesson that economic aid do not guarantee reciprocal political support in time of need. In the words of one senior Saudi official: "What has been proven is that handouts of money do not make friends. We gave tens of millions of dollars to King Husayn and to 'Arafat and they turned against us. The feeling here now is that there will be no more handouts". Whatever aid is continued, therefor, is likely to be tied to specific projects and directed toward constituencies [such as Islamic institutions in the Israeli-occupied territories, or pro-Saudi tribal elites in Jordan or Yemen] that are considered "sympathetic" by donor states.[39]

The significance of such shifts in inter-Arab resources flows is heightened by the close interconnection between the regional political economy of Arab oil resources and the evolution of state-society relations within a number of Arab countries. Among the "rentier states" of the Gulf, the availability of massive petrodollar revenues has served to support both regime neopatrimonialism and extensive social welfare expenditures, thereby consolidating political support and bolstering regime legitimacy. Among "semi-rentiers" such as Jordan, workers' remittances and economic aid have also played important roles; the former by supporting a local standard of living beyond the productive capacity of the domestic economy [thereby reducing economic discontent]; the latter by supporting state expenditures essential to the maintenance of key political coalitions, public acquiescence or state repression.[40] In rentiers and semi-rentiers alike, the availability

38 ***Bliss Journal***, vol. 13, no.1, 1992, pp. 13, 16 & 17.

39 ***Bliss Journal***, vol. 13, no.1, 1992, pp. 13, 16 & 17.

40 Telreault, Mary Ann, "Independence, Sovereignty and Vested Glory: Oil and Politics in the Second Gulf War", ***Orient***, vol. 34, no. 1, 1993, 90.

of external expenditures has increased the apparent strength of the state and blunted pressures for greater political participation.

Prior to the Gulf conflict, evidence of importance of this connection could be seen in a number of Arab countries. In both Algeria and Jordan, for example, growing economic crisis had already forced these regimes to renegotiate a new social contract, offering political liberalization in exchange for popular acceptance of necessary austerity measures.[41] In Egypt, economic pressures seemed to be paramount among the factors which forced the government to continue its policy of incremental reform and greater domestic accommodation.

After the war, economic pressures intensified. In Jordan—which suffered an 8% reduction in real GDP in 1990, and was expected to suffer a similar decline in 1991 — economic recovery will be inhibited by lowered levels of Arab assistance, reduced remittance earnings, and the loss of some Gulf export markets.[42] The short term effect of this will be to strengthen the liberalization process insofar as economic constraints limit the ability of King Hussein to reverse the reforms in 1989. In the longer-term, however, continued serious economic decline could abort Jordan's democratic experiment either by delegitimizing the new political order or by increasing domestic political conflict beyond the levels that the king is prepared to tolerate.[43] Similar effects may also be felt in Yemen, where a significant process of domestic political liberalization has been underway since the unification of north and south in May 1990, but where the expulsion of Yemeni workers from Saudi Arabia

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41 Ibid., p. 95.

42 Telreault, Mary Ann, "Independence, Sovereignty and Vested Glory: Oil and Politics in the Second Gulf War", ***Orient***, vol. 34, no. 1, 1998, 89.

43 ***The Indian Express***, January 16, 1991.

has added tens of thousands to the ranks of the unemployed and cost the country most of the more than $1 billion per year it once received in remittances payments. In the West Bank and Gaza Strip the permanent loss of $100 million in remittance payments from Kuwait, coupled with reduced Gulf aid for local Palestinian institutions, will serve to intensify economic pressure on the *intifada*.[44]

In Egypt [as in Syria], the effects of the economic aftermath of the crisis appear to be more mixed. On the one hand, the crisis led to the return of nearly half a million Egyptian workers from Iraq and Kuwait, who had previously contributed roughly $1-2 billion per year to Egypt's foreign currency receipts.[45] ON the other hand, Egypt received a reported $1.5 billion in Saudi aid during the crisis, additional funds from the multilateral Gulf Financial Crisis Coordination Group, and had $7.1 billion in US and $6.6 billion in Saudi, Kuwaiti, Qatari and UAE loans written off. Since the crisis the GCC states have announced the formation of a $10 billion regional development fund, of which Egypt and Syria are expected to be the primary beneficiaries.[46] The Egyptian government has looked forward to renewed labour exports to the Gulf, increased petrodollar investment, and business opportunities in Kuwait's reconstruction. Perhaps a more important effect of the crisis has been its contribution towards smoothing Egypt's continuing negotiations with the International Monetary Fund and World Bank.[47] Western appreciation for Egypt's political role reduced IMF pressure considerably, leading to a memorandum of agreement between the two in April. It also facilitated Cairo's efforts to reduce and

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44 *The Indian Express*, January 16, 1991
45 *The Indian Express*, January 16, 1991

46 *Middle East Economic Digest*, February 16, 1996, p. 11.

47 *Financial Express*, December 11, 1993.

reschedule its external debts, resulting in the cancellation of half the $20.2 billion owed by Egypt to the Paris Club of official creditors. This will soften the impact of government austerity measures, enabling the regime to avoid the sort of severe economic adjustments which might [as in 1977] spark mass political protest — protests which would necessitate either greater authoritarianism or a more complete and rapid opening of the political system.[48]

Overall, the changes in the Arab economy brought by the crisis suggest that a gradual and partial disassembly of the Arab oil economy has been set in motion. Low levels of Arab conventional economic integration [as measured by such indicators as intra-regional trade or investment] will thus be compounded by a reduced transfers of labour, remittances and petrodollar foreign aid. The massive regional imbalances in wealth that were seized upon by Saddam Hussein [and recognized by the US and its Arab allies in their all for a new regional development bank] will not be ameliorated.[49] Instead, reduced exogenous revenues will serve to aggravate inequalities and economic hardship in much of the periphery of the Arab oil economy, hastening or conforming the decline of renterism there. The impact of economic and political adjustments that will follow are uncertain; the resulting economic crises could encourage or accelerate political liberalization [as regimes seek to accommodate the strains of economic austerity through expanded political participation], or equally set the stage for increased political turmoil and renewed authoritarianism.[50]

48 ***The Hindustan Times***, November 1993.

49 ***Middle East Economic Digest***, January 13, 1997, p. 18.

50 ***Middle East Economic Digest***, January 13, 1997, p. 19.

The region's export profile depicts the predominance of oil and gas in the country's export accounting for over 90% of total exports in 1991. Fertilizers and petrochemical exports have also shown an upward trend in volume terms. Capital goods have always constituted an important proportion of Saudi Arabia's imports. More than 50% of annual imports can be traced to the government and oil sectors. Besides changes in government expenditure which affect the size of Saudi Arabia's import bill, another factor to play that arises because the riyal is tied to the US dollar.[51]

The USA, owing to its large oil imports is Saudi Arabia's most important export market. Other important markets for the country's crude oil, refined products and petrochemicals are Japan and other Far East countries. The USA, with its export of food, machinery, and transport equipment is also the Kingdom's trading supplier, major OECD countries being the other major suppliers. India's major imports from Saudi Arabia during the period 1992-93, were organic and inorganic chemicals and artificial resins, plastic materials etc.[52]

In the energy sector a higher petroleum council was set up in 1973 to formulate a broad energy policy and evolve an industrial scheme with a view to maximize the country's advantages in the oil and gas sector.

In early 1992, Saudi Arabia's proven recoverable reserves of petroleum were about 257,500 mn barrels, equivalent to about a quarter of the world's proven oil reserves. The country's gas reserves, associated with petroleum, were estimated to be

51 *Middle East Economic Digest*, January 13, 1997, p. 12.

52 *International Times*, Special Report, November 18, 1996.

about 5,184,000 mn cubic meters, in addition to which unassociated and as yet unexploited reserves also exist.[53]

It is in the interest of the Arab people to dismantle their artificial borders, and this can only be accomplished by the unification of the Arab world — the only path to regional peace. Unification will not be accomplished by force, but it will be realized when the Arab people realize both that it is in their best interests, and that the Arab governments continue to work against the best interests of their own people. Therefore, it is necessary for the Arabs to take control of their own destiny and work to realize Arab unity, which Britain once described as impossible given the intransigence of Arab leaders, forgetting the important role of the Arab people and their desire for unification.[54]

Had there been Arab unity, the Iraqi president would not have decided to invade Kuwait. Had there been Arab unity, Arab countries would not have sought foreign assistance for an internal problem. Had there been Arab unity, the Gulf War would not have been fought, resulting in the destruction of Kuwait and Iraq and leaving the remainder of the Arab World dependent on Britain and the United States, returning it to the days of colonialism found at the turn of this country.[55]

53 ***International Times***, Special Report, November 18, 1996.

54 ***International Times***, Special Report, November 18, 1996.

55 ***Arab Studies Quarterly***, vol. 13, no. 1&2, Winter/Spring, 1991, p. 132.

CHAPTER II

INDIA'S EXPORT TO ARAB GULF COUNTRIES — TRENDS AND COMPOSITION

Since October 1973, the Gulf region has undergone revolutionary changes. The oil wealth brought an unparalleled boom in economic activities in the Gulf region, making the region an attractive market for goods, projects and services. In the wake of the unprecedented import growth in the Arab-Gulf region, import from India increased phenomenally from Rs. 21,970 lakhs in 1975-76 to Rs. 73,450 lakhs in 1985-86 recording a growth rate of 234.31 per cent during this period. However, with the beginning of the eighties, the decline in oil prices reduced the import volume of the region in consonance with decline in the region's imports. Imports from India also declined till they reached Rs.69,240 lakhs in 1987. Significantly, the decline in imports from India was by a wider margin than the regional import. As a result India's share in the region's imports declined from 2 per cent in 1975 to 1.3 per cent in 1982 and one per cent in 1987.

Since 1975, exports from India to the region had been showing an upward trend till 1982-83 [see Table I]. Exports increased by 348.3 per cent during this period. From 1983-84 to 1986-87, the exports to the region from India has been fluctuating, however, from 1987-88 to 1988-89, it registered a sudden boost to the region, recording a growth rate of 43.7%. This can be attributed to the composition of exports to the region which relied heavily on diversification of products from traditional to non-traditional exports like manufactured goods and processed food products etc. By 1988-89 exports had shown a growth of 583 per cent over 1974-75 by increasing from Rs. 15,330 lakhs to Rs. 104,850 lakhs in 1988-89. Growth of trade in items like electronic goods, plastic linoleum products, glass and glassware ceramics and marine products shot up by leaps and bounds during the 1990s.

TABLE I
INDIA'S EXPORT TO THE ARAB-GULF REGIONS
[RS. IN LAKH]

1974-75	15,330
1975-76	21,970
1976-77	43700
1977-78	44960
1978-79	46920
1979-80	47320
1980-81	49120
1981-82	61420
1982-83	68420
1983-84	62470
1984-85	75980
1985-86	73450
1986-87	69240
1987-88	84770
1988-89	104850

Source: DGCIAS, Ministry of Commerce, Calcutta

A true picture of India's resilience in the Gulf market emerges, if the decline in the share of the market from 2 per cent in 1975 to 1 per cent in 1987 is juxtaposed with the overall export performance of India. An analysis of India's export during 1974-75 and 1982-83 reveals that the share of exports to the Gulf region increased at a faster pace than total exports from India. Consequently, the share of the Arab-Gulf region in India's exports surpassed in the greater part of this period. The share of the region in total exports from India increased from 4.6 per cent in 1974-75 to 4.8 per cent in 1982-83 which further increased to 5.4 per cent in 1987-88 and 5.1 per cent in 1988-89.

On the basis of this analysis, the least can be said is that India's performance in the Gulf region has been better than that in other regions of the world taken together. Nevertheless, India failed to utilize the fast expanding Gulf market which is evident from the decline in the region's imports from India over the above mentioned period. Of these countries, maximum export growth was recorded in Saudi Arabia during 1974-75 to 1982-83 followed by UAE, Bahrain, Kuwait, Qatar and Oman in that order.

INDIAN ECONOMIC REFORMS AND THE EXPORTS TO ARAB-GULF MARKETS

The problems of the Indian economy which assumed crisis proportions in 1991 did not develop suddenly. They had accumulated over several years. In fact, the origin of the crisis is directly attributable to the cavalier macro management of the economy during the 1980s which led to large and persistent macro economic imbalances.[1] The widening gap between the revenue and expenditure of the government resulted in growing fiscal deficits which had to be met by borrowing at home. Further , the steadily growing difference between the income and expenditure of the economy as a whole resulted in large current account deficits in the balance of payments which were financed by borrowing from abroad.[2]

However, the Gulf crisis in the late 1990 sharply accentuated macro economic problems. This was further compounded by the political instability in the country. All these developments together eroded international confidence in the Indian economy and, as a result country's credit rating in international capital market declined steeply. However, it has to be recognized that the problems of the economy did not assume crisis proportions abruptly. These problems, in fact, were very much

1 S.K. Mishra & V.K. Puri, ***Indian Economy-Macro Economic Stabilization and Structural Reforms***, p. 266.

2 S.K. Mishra & V.K. Puri, ***Indian Economy-Macro Economic Stabilization and Structural Reforms***, p. 267.

there for years destroying the capacity of the economy to cope with any internal or external shocks.[3] In the 1970s, the Indian economy was strong enough to bear much larger and more sustained oil shocks. But by 1990, the situation had changed so much that the minor oil shock made disproportionately large impact on the economy and a macro economic crisis erupted in the form of unsustainable fiscal and current account deficits and accelerating inflation.[4]

India's trade sector was liberalized to respond to the opportunities and challenges posed by the national and international developments. Thus trade policy liberalization began in 1991 focused on liberalization, openness, transparency and globalization.[5] The reform package focused on outward orientation in the economy from import competing activity to export activity moving away from quantitative restrictions to tariff restrictions and improving competitiveness of the Indian industry to meet global market requirements. Trade policy reforms have provided an export friendly, free trading environment conducive to accelerated export performance with simplified procedures. Thrust of the policy is export promotion which is crucial for external sector management. Trade reforms revised continuously since 1991 have helped to strengthen the export production base, remove procedural irritants, facilitate input availability besides focusing on quality and technological upgradation and improve competitive edge.[6]

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3 S.K. Mishra & V.K. Puri, ***Indian Economy-Macro Economic Stabilization and Structural Reforms***, p. 268.

4 S.K. Mishra & V.K. Puri, ***Indian Economy-Macro Economic Stabilization and Structural Reforms***, p. 267.

5 Government of India, Ministry of Commerce, ***Annual Report, 1996-97***, p. 3.

6 ***Middle East Economic Digest***, January 15, 1986, p. 16.

Apart from above reforms, Government also initiated several reforms in July 1991. The Government of India has initiated a number of measures to open up the foreign sector and has announced a massive import liberalization measures over the last six years. These include devaluation of the rupee by around 22 per cent in July 1991 and subsequently its depreciation against the currencies of leading industrialized countries, introduction of the convertibility of rupee first on trade account and then for all current account transactions, liberalization of import regime, substantial reduction in customs tariff rates, decanalizing of many items of trade, wide ranging measures to give a thrust to exports etc.[7] In fact, the trade policy reforms initiated in 1991 have drastically changed the scenario and have resulted in a shift from the inward-oriented policy of the past to an outward-oriented policy. The trade related reforms also include the removal of quantitative restrictions and substantial reduction in tariffs have increased international competition. Trade liberalization has reduced effective protection to capital intensive activities and has been encouraging export oriented labour intensive manufacturing activity.

However, the Arab-Gulf region gained a prominence in India's foreign trade particularly after the trade policy liberalization which began in 1991. The basic objective of new liberalization policy introduced by P.V. Narasimha Rao Government was to create an environment to enable increase in exports to a rapid pace to raise India's share in world's exports and find a lasting solution to the balance of payments crisis.[8]

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7 Rajesh Mehta, "Trade Policy Reforms 1991-92 to 1995-96", ***Economic and Political Weekly***, April 12, 1997, p. 779.

8 Vijay Joshi and I.M.D. Little, ***India's Economic Reforms, 1991-2001*** [Delhi, 1996], p. 46.

For this significant changes in the Exim policy were made towards liberalization, country-specific and commodity specific measures were undertaken to promote exports. The reform package also focused on outward orientation in the economy from import competing activity to export activity and improving competitiveness of the Indian industry to meet global requirements.[9]

Trade policy reforms have provided an export friendly free trading environment conducive to accelerated export performance with simplified procedures. In order to promote trade interest India has granted MFN status to the Arab-Gulf region. Arab Gulf region occupies an important position in India's foreign trade.

India's principle exports products to this region are tea, spices, fruits, vegetables, tobacco, oil cakes, chemicals, drugs and pharmaceuticals, engineering goods and textiles. India's trade with the countries in this region is conducted against payments in free foreign exchange.[10] Mutual Most Favoured Nation [MFN] treatment is accorded in respect of trade with all the Arab Gulf countries.[11]

India's trade and economic relations with the Arab-Gulf countries is kept under regular review through bilateral Joint Commissions. India has such institutional mechanisms with Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and UAE.[12] In this context India's overall trade with the Arab-Gulf region will be taken into account in terms of India's export to the Gulf-region on country-wise break up from 1991-92 to 1996-97 besides commodity export to the region.

9 Government of India, Ministry of Commerce, ***Annual Report, 1996-97***, p. 45.

10 Government of India, Ministry of Commerce, ***Annual Report, 1996-97***, p. 108.

11 Government of India, Ministry of Commerce, ***Annual Report, 1996-97***, p. 109.

12 Government of India, Ministry of Commerce, ***Annual Report, 1996-97***, p. 109.

TABLE II

INDIA'S EXPORT TO THE ARAB-GULF REGION
[COUNTRY-WISE BREAK-UP 1991-92 TO 1996-97]
[Rs in Lakh]

Country	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97
UAE	181856	235851	363193	397463	477759	520824
Saudi Arabia	86586	118010	160215	136800	161327	200208
Kuwait	12889	31376	33241	42048	45334	54551
Oman	18225	21608	26262	27759	36632	41573
Qatar	4710	7781	9115	9398	11777	12271
Bahrain	4367	4500	6598	6618	6535	8670
Total	308633	419126	598624	620086	739364	838097

Source: Foreign Trade, Nov. 1997, Centre for Monitoring Indian Economy,.

A country-wise breakup of India's export to the region would show that the UAE is the major market followed by Saudi Arabia, Kuwait, Oman, Qatar and Bahrain. India's export to UAE went up from Rs. 181856 lakhs in 1991-92 to Rs. 520824 lakhs in 1996-97 by increasing over 186 per dent.

Table 1 shows that total value of India's trade has increased considerably. The total export of India to the region in 1991-92 figure was to the tune of Rs.308633 lakhs. Since then it has been increasing consistently till 1996-97. During 1993-94, India's export to the Arab gulf region rose to Rs. 598624 from Rs.419126 lakhs in 1992-93, i.e., an increase of 42.82 per cent high in the post liberalization period. In 1992-93, the export increased from Rs. 308633 lakhs to Rs.419126 lakhs increasing by 35.80 per cent over the previous year. The increase of export in 1993-94 was due to the fact that the year was a very good for Indian economy as far as Indian foreign trade is concerned. In this year, the economic fundamentals rose into prominence.

In 1995-96 and 1996-97 export to the region has again increased by 19.23 and 13.25 per cent respectively. This was due to the policies and planning by the Indian government, the total exports increased from Rs. 620086 lakhs in 1994-95 to Rs.739364 lakhs and Rs. 838097 lakhs in 1995-96 and 1996-97 respectively.

TABLE III
INDIA'S EXPORT WITH THE ARAB-GULF REGION 1991-1992 TO 1996-97
SHARE IN TOTAL EXPORTS [IN PERCENTAGE]

Country	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97
UAE	4.1	4.4	5.2	4.8	4.5	4.4
Saudi Arabia	2.0	2.2	2.3	1.7	1.5	1.7
Kuwait	0.3	0.6	0.5	0.5	0.4	0.5
Oman	0.4	0.4	0.4	0.3	0.3	0.4
Qatar	.02	.03	.03	.02	.02	.03
Bahrain	.09	.08	.09	.07	.06	.07
Total	6.9	7.7	8.5	8.2	6.7	7.1

Source: Foreign Trade Centre for Monitoring Indian Economy, Nov. 1997.

As table III shows, India's maximum export goes to the UAE and second to the Saudi Arabia. India's export to the UAE constituted 4.1 per cent of total export of India to the world in 1991-92 which increased to a maximum of 5.2% in 1993-94 and in 1996-97 constituted 4.4. per cent of total export, accounting to 4.5 per cent of total export to UAE from 1991-92 to 1996-97.

Likewise, Indian export to Saudi Arabia has been varying in between 1.5 per cent to 2.3%. The maximum 2.3 being in 1993-94 which has come down to 1.7% in 1996-97. It was 2% of total export in 1991-92. Other countries like Kuwait, Oman, Qatar and Bahrain have accounted to less than 1% of the total exports of India to the region.

Table III also shows that though the volume of exports is increasing the rate of growth of exports to the region is not satisfactory. From 6.9 in 1991-92 it has increased to 8.5 in 1993-94 and thus declined to 7.1% in 1996-97. This could be attributed to the relatively stagnant rate of growth of exports to Saudi Arabia and UAE, the main market of Indian products in the region.

TABLE IVa
INDIA'S EXPORT TO UAE 1991-92 TO 1996-97
COMMODITY-WISE CLASSIFICATION

NAME OF THE COMMODITIES	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97
Manmade yarn-fab made-ups	20151	27745	38743	50107	55775	41462
Manufacturer of metals	9454	13883	22286	2617	34771	40743
Gems and jewellery	27999	22620	27033	27370	31332	35179
Cotton yarn fabrics madeups	17297	16820	22045	25310	26545	34971
RMG Cotton	19249	25135	34915	23192	27002	34472
Marine Products	4378	12212	15641	29261	33771	33683
Machinery and instruments	4345	6376	13152	16322	17995	27353
Plastic and Linoleum products	2651	7000	19191	23262	16769	19087
Misc. processed items	2067	1208	1514	1363	8676	18765
Rubber manufactured products	1108	2051	7015	10764	17466	16017
Meat preparations	5534	6378	8214	7991	15296	14612
Tea	4664	3921	11539	10770	13131	11443
Electronic goods	1652	4954	10589	7318	8092	10409
Transport equipment	3606	6484	5147	6207	8226	9906
Cosmetics/toiletries	2746	3570	7949	5689	7680	8903
RMG manmade fibres	5686	4512	6447	6943	8044	8726

Non-Basmati Rice	1008	1463	4360	1236	10964	8417
Glass/glassware ceramics	1338	3778	8342	10384	8050	843
Primary and semi-finished INS	1202	2460	4218	6910	8987	8045
Project goods	474	436	203	138	51	7234
Paper/Wood products	1344	2236	6497	6049	7132	6857
Basmati rice	4601	7939	10155	9023	7305	6772
Fresh vegetables	8647	7366	9284	7049	6422	6555
Inorg./Org./Agro chems.	954	2127	3198	3305	6645	5522
Processed minerals	985	1928	4224	4238	4745	5159
Wheat	486	0	3	1689	4911	5099
Drugs and Pharmaceuticals	1928	2242	4492	4490	4824	5041
Iron and Steel bar/rods	1439	2917	2890	1788	2556	4411
Species	2169	2820	3335	3288	6164	4402
Miscellaneous	22694	33270	50572	83390	68422	73176
Total	181856	235851	363193	397463	477759	520824

Source: DGCI & S, Ministry of Commerce, Calcutta

TABLE 4 b
INDIAN EXPORT TO UAE 1991-92 TO 1996-97
[COMMODITY-WISE CLASSIFICATION]
SHARE IN TOTAL EXPORTS [IN PERCENTAGES]

COMMODITIES	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97
Manmade yarn-fab made-ups	11.1	11.8	10.7	12.6	11.7	8.0
Manufacturer of metals	5.2	5.9	6.1	6.6	7.3	7.8
Gems and jewellery	15.4	9.6	7.4	6.9	6.6	6.8
Cotton yarn fabrics madeups	9.5	7.1	6.1	6.4	5.6	6.7
RMG Cotton	10.6	10.7	9.6	5.8	5.7	6.6
Marine Products	2.4	5.2	4.3	7.4	7.1	6.5
Machinery and instruments	2.4	2.7	3.6	4.1	3.8	5.3

Plastic and Linoleum products	1.5	3.0	5.3	5.9	3.5	3.7
Misc. processed items	1.1	0.5	0.4	0.3	1.8	3.6
Rubber manufactured products	0.6	0.9	1.9	2.7	3.7	3.1
Meat preparations	3.0	2.7	2.3	2.0	3.2	2.8
Tea	2.6	1.7	3.2	2.7	2.7	2.2
Electronic goods	0.9	2.1	2.9	1.8	1.7	2.0
Transport equipment	2.0	2.7	1.4	1.6	1.7	1.9
RMG manmade fibres	3.1	1.9	1.8	1.7	1.7	1.7
Cosmetics/toiletries	1.5	1.5	2.2	1.4	1.6	1.7
Non-Basmati Rice	0.6	0.5	1.2	0.3	2.3	1.6
Glass/glassware ceramics	0.7	1.6	2.3	2.6	1.7	1.6
Primary and semi-finished I & S	0.7	1.0	1.2	1.7	1.9	1.5
Others	25.1	26.8	24.4	25.5	24.7	24.9
Total	100	100	100	100	100	100

Source: DGCI & S, Ministry of Commerce, Calcutta

The trends in Indian export of principal commodities to UAE during 1991-92 to 1996-97 are given below in the Table IVa and Ivb.

During 1996-97 as compared to 1991-92, the principal commodities which registered a significant increase include Man-made yarn fab made-ups, manufactures of metals, gems and jewellery, cottonyarn fabrics, RMG cotton, marine products, machinery and instruments.

The value of man-made yarn, fab made-ups, manufacture of metals and gems and jewellery have substantially increased from Rs. 20151, 9454 and Rs. 27999 in 1991-92 to Rs. 41462, 40743 and 35179 lakhs in 1996-97 respectively.

Other important commodities which steadily increased over the years are electronic goods, transport equipment, meat preparations, tea, rubber manufactured products.

TABLE Va
INDIA'S EXPORT TO SAUDI ARABIA 1991-92 TO 1996-97
[COMMODITY-WISE CLASSIFICATION]
[RS. IN LAKHS]

COMMODITIES	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97
Basmati rice	26685	45209	63858	42823	37667	61001
Non-Basmati rice	1095	2009	5587	9084	11533	27829
Manmade yarn-fab made-ups	3611	5699	5716	6828	12510	10233
Machinery and instruments	2701	3130	3962	4658	4300	7909
Cotton yarn fabrics madeups	2743	3464	3758	4463	5472	7312
RMG Cotton	3169	3227	3871	3694	4872	6771
Manufactures of metals	5213	6575	7350	6219	6537	6094
Plastic and Linoleum products	2090	2704	4407	3855	6340	5243
Oil meals	7832	7659	12250	6987	5781	5176
Glass/glassware/ceramics	1194	2575	4335	5661	8199	4375
Processed fruits and juices	1075	1259	1514	1873	2674	3943
Tea	2791	3500	1483	461	1017	3175
Meat & preparations	1138	1869	2928	3061	2435	3174
Inorg./org./agro chem.	602	1231	2375	2202	2256	3172
RMG manmade fibres	1453	1910	2922	1795	2488	2478
Handicrafts exec carpets	2169	2101	2423	2003	2205	2435
Tobacco manufactured	2442	2091	3013	2736	2343	2371
Spices	1196	1253	1847	1132	2315	2198
Paper/wood products	516	834	2317	1813	3714	2031
Drugs and Pharmaceuticals	279	684	1040	1428	3697	2000

Cosmetics/toiletries	1659	1484	1933	1999	2257	1857
Primary and Semi finished	197	146	161	382	872	1815
Processed minerals	325	283	1360	460	2091	1704
Fresh fruits	0	0	0	1497	1147	1543
Jute manufacture	1322	1205	885	1087	1637	1481
Fresh vegetables	2500	2590	3415	1462	1128	1354
Cashews	365	270	532	875	1098	1274
Electronic goods	85	372	663	532	1194	1131
Project goods	18	97	3	123	17	1005
Miscellaneous	10121	12580	14307	15607	21531	18124
Total	86586	118010	160215	136800	161327	200208

Source: DGCI & S, Ministry of Commerce, Calcutta

TABLE Vb
INDIA'S EXPORT TO SAUDI ARABIA 1991-92 TO 1996-97
[COMMODITY-WISE CLASSIFICATION]
SHARE IN TOTAL EXPORTS [in percentage]

COMMODITIES	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97
Basmati rice	30.8	38.3	39.9	31.3	23.3	30.5
Non-Basmati rice	1.3	1.7	3.5	6.6	7.1	13.9
Machinery and instruments	3.1	2.7	2.5	3.4	2.7	4.0
Cotton yarn fabric madeups	3.2	2.9	2.3	3.3	3.4	3.7
RMG Cotton	3.7	2.7	2.4	2.7	3.0	3.4
Manufactures of metals	6.0	5.6	4.6	4.5	4.1	3.0
Plastic and Linoleum products	2.4	2.3	2.8	2.8	3.9	2.6
Oil meals	9.0	6.5	7.6	5.1	3.6	2.6
Glass/glassware/ceramics	1.4	2.2	2.7	4.1	5.1	2.2
Processed fruits and juices	1.2	1.1	0.9	1.4	1.7	2.0
Tea	3.2	3.0	0.9	0.3	0.6	1.6

Inorg./org./agro chem.	0.7	1.0	1.5	1.6	1.4	1.6
Tobacco manufactured	2.8	1.8	1.9	2.0	1.5	1.2
RMG manmade fibres	1.7	1.6	1.8	1.3	1.5	1.2
Handicrafts exec carpets	2.5	1.8	1.5	1.5	1.4	1.2
Spices	1.4	1.1	1.2	0.8	1.4	1.1
Paper/wood products	0.6	0.7	1.4	1.3	2.3	1.0
Miscellaneous	2.5	2.3	20.6	2.6	6.8	23.3
Total	100	100	100	100	100	100

Source: DGCI & S, Ministry of Commerce, Calcutta

If we analyze the trends in India's export to Saudi Arabia from 1991-92 to 1996-97, we shall find a phenomenal increase in the export of Basmati rice, non-basmati rice, man-made yarn, fabrics made-ups, machinery and instruments, cotton fabric made-ups and a marginal increase in the export of RMG cotton, manufacture of metals, processed fruits and juices, cashews and a sharp decline in oil meal, jute manufacture.

There were a continual fluctuations in varying degrees, in the export of commodities like tea, meat and preparations, inorg./organic, agro-chemical, RMG man-made fibres, handicrafts excel carpets, tobacco manufactures. These fluctuations are quite erratic. Take for instance, in the year 1991-92 and 1994-95, there was an increase of these commodities as much as 168 per cent but export declined sharply in 1995-96, however, the export of these commodities picked up in 1996-97 by more than 20 per cent. similarly, the export of inorg/org./agrochem, spices, cashews fresh fruits also increased marginally.

Saudi Arabia is the leading importer of items like Basmati and non-basmati rice accounting together to 32.1 per cent in 1991-92 to 44.4 per cent of total export to Saudi Arabia in 1996-97. However, we see fluctuation in total export in percentage-wise for the commodities exported to Saudi Arabia.

TABLE VIa
INDIA'S EXPORTS TO KUWAIT 1991-92 TO 1996-97
[COMMODITY-WISE CLASSIFICATION]
[RS. IN LAKHS]

COMMODITIES	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97
Basmati rice	1759	6125	7374	11707	7841	9748
Gems and jewellery	832	1883	1209	5186	4271	4402
RMG cotton	694	1157	1350	1730	3096	3874
Manmade yarn fabrics, madeups	337	1288	1797	1999	3419	3716
Oil meals	130	604	1286	1409	543	2988
Machinery and instruments	274	1289	977	785	1235	2626
Non Basmati rice	128	317	1224	1055	1115	2250
Coffee	309	703	489	1018	2146	2110
Manufacture of metals	474	1812	2072	1523	2459	2057
Cotton yarn fabric made-ups	267	879	828	975	1284	1682
Meat & preparations	675	966	1459	1033	1963	1574
Transport equipment	2887	4148	1085	2308	402	1367
wheat	0	0	0	0	23	1239
Glass/glassware/ceramics	97	319	375	609	1467	1032
Plastic & linoleum products	167	486	688	640	1056	827
RMG manmade fabrics	257	460	775	767	722	822
Pulses	0	384	449	432	878	803
Processed fruits/juices	255	1010	626	1147	981	779

Paper/wood products	112	329	645	438	764	778
Fresh fruits	0	0	0	434	478	693
Fresh vegetables	403	844	1002	316	477	671
Marine products	294	750	847	395	1037	645
Cashews	217	256	389	456	638	563
Spices	161	239	324	375	639	519
Inorg/org/agro chem.	33	184	286	336	606	447
Misc. processed items	64	106	206	90	183	439
Processed minerals	15	163	129	443	211	331
Tea	412	847	1147	348	386	297
Natural silk yarn fab madeups	54	91	101	214	250	288
Misc. Commodities	1582	3736	4102	3786	4464	4985
Total	12889	31376	33241	42048	45334	54551

Source: DGCI & S, Ministry of Commerce, Calcutta

TABLE VIb
INDIAN EXPORT TO KUWAIT 1991-92 TO 1996-97 [COMMODITY-WISE CLASSIFICATION]
SHARE IN TOTAL EXPORT [in percentage]

COMMODITIES	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97
Basmati rice	13.6	19.5	22.2	27.8	17.3	17.9
Gems and jewellery	6.5	6.0	3.6	12.3	9.4	8.1
RMG cotton	5.4	3.7	4.1	4.1	6.8	7.1
Manmade yarn fabrics, madeups	2.6	4.1	5.4	4.8	7.5	6.8
Oil meals	1.0	1.9	3.9	3.4	1.2	5.5
Machinery and instruments	2.1	4.2	2.9	1.9	3.4	4.8
Non Basmati rice	1.0	1.0	3.7	2.5	2.5	4.1
Coffee	2.4	2.2	1.5	2.4	4.7	3.9

Manufacture of metals	3.7	5.8	6.2	3.6	5.4	3.8
Cotton yarn fabric made-ups	2.1	2.8	2.5	2.3	2.8	3.1
Meat & preparations	5.2	3.1	4.4	2.5	4.3	2.9
Transport equipment	22.4	13.2	3.3	5.5	0.9	2.5
wheat	0.0	0.0	0.0	0.0	0.0	2.3
Glass/glassware/ceramics	0.8	1.0	1.1	1.4	3.2	1.9
RMG manmade fibres	2.0	1.5	2.3	1.8	1.6	1.5
Pulses	0.0	1.2	1.4	1.0	1.9	1.5
Plastic & linoleum products	1.3	1.5	2.1	1.5	2.3	1.5
Processed fruits/juices	2.0	3.2	1.9	2.7	2.2	1.4
Paper/wood products	0.9	1.0	1.9	1.3	1.7	1.4
Other commodities	12	23.2	23.7	17.2	20.9	1.8
Total	100	100	100	100	100	100

Source: DGCI & S, Ministry of Commerce, Calcutta

Kuwait is the third largest importer of Indian goods in the region. India's export include basmati rice, gems and jewellery, RMG cotton, man-made yarn fabrics madeups, oil meals, machinery and instruments etc. During 1991-92, India's export to Kuwait was Rs.12889 lakhs which was increased to Rs. 54551 lakhs in 1996-97 thus showing sharp increase in export by 323 per cent.

If we analyze commodity-wise, we see significant increase in Basmati rice, RMG cotton in 1991-92. India's Basmati export to Kuwait was Rs.1769 lakhs which is increased to Rs.9748 lakhs in 1996-97, increasing by over 454 per cent.

We also see in Table VIa wide fluctuations in India's export to Kuwait in commodities like machinery and instruments, non-basmati rise, coffee, manufacture of metals, transport equipment, etc. What is more important for these commodities is that the fluctuations are quite erratic. Take for example,. manufacture of metals. In 1991-92 there was Rs.474 lakhs worth of export increased to Rs.2072 lakhs in 1993-94 which declined to Rs.1523 in 1994-95. However, the export of these commodity picked up in 1995-96 to Rs.2459 lakhs.

Like Saudi Arabia and UAE, we also see the fluctuations in export of almost all commodities in total export.

TABLE VII a
INDIA'S EXPORT TO OMAN 1991-92 TO 1996-97
[COMMODITY-WISE CLASSIFICATION]
[Rs. in lakhs]

COMMODITIES	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97
Machinery & instruments	1172	1797	2319	2628	3880	4952
Meat & preparations	1566	1659	2056	2452	3502	3204
Manmade yarn fab madeups	1635	1888	1907	1791	2955	2963
Cotton yarn fabrics madeups	2065	1764	1632	2086	2344	2781
Manufacture of metals	2018	1760	1710	1937	2764	2626
Glass/glassware/ceramics	181	325	434	1595	833	2576
Oil meals	816	681	1964	710	939	1452
Paltry and dairy products	0	0	0	292	424	1359
Electronic goods	403	502	350	714	1062	1224
Plastic & linoleum products	261	406	712	723	1060	1131
Paper/wood products	227	236	449	478	832	1039
Basmati rice	1088	786	1214	1497	1085	988
Inorg./org./agro chems.	197	615	391	342	411	909
Gems & jewellery	347	320	726	346	1251	904

Transport equipment	333	1169	483	1132	672	858
Non-basmati rice	139	140	1237	313	678	843
RMG Cotton	300	545	438	462	718	825
Rubber manufactured products	69	334	473	430	775	805
Cosmetics/toiletries	521	508	625	475	564	736
Handicrafts excel carpets	368	562	639	257	351	573
Drug & pharmaceuticals	407	433	497	676	817	548
Primary & semi finished I & S	286	250	704	587	499	502
Wheat	153	0	0	0	0	493
Misc. processed items	395	463	355	125	171	468
Other ores and minerals	10	68	197	534	199	406
Processed minerals	54	163	33	210	331	380
Processed fruits & juices	123	179	286	259	316	372
Footwear of leather	229	272	331	257	337	323
Coffee	98	194	348	372	659	296
Misc. commodities	2764	3489	3752	4079	6205	5037
Total	18225	21608	26262	27759	36632	41573

Source: DGCI & S, Ministry of Commerce, Calcutta.

TABLE VII b

INDIA'S EXPORT TO OMAN 1991-92 TO 1996-97

[COMMODITY-WISE CLASSIFICATION]

SHARE IN TOTAL EXPORTS [in percentages]

COMMODITIES	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97
Machinery & instruments	6.4	8.3	8.8	9.5	10.6	11.9
Meat & preparations	8.6	7.7	7.8	8.8	9.6	7.7
Manmade yarn fab madeups	9.0	8.7	7.3	6.5	8.1	7.1
Cotton yarn fabric	11.0	8.2	6.2	7.5	6.4	6.7

madeups						
Manufacture of metals	11.1	8.1	6.5	7.0	7.5	6.3
Glass/glassware/ceramics	1.0	1.5	1.7	5.7	2.3	6.2
Oil meals	4.5	3.2	7.5	2.6	2.6	3.5
Poultry and dairy products	0.0	0.0	0.0	1.1	1.2	3.3
Electronic goods	2.2	2.3	1.3	2.6	2.9	2.9
Plastic & linoleum products	1.4	1.9	2.7	2.6	2.9	2.7
Paper/wood products	1.2	1.6	1.7	1.7	2.3	2.5
Basmati rice	6.0	3.6	4.6	5.4	3.0	2.4
Inorg./org./agro chems.	1.1	2.8	1.5	1.2	1.1	2.2
Gems & jewellery	1.9	1.5	2.8	1.2	3.4	2.2
Transport equipment	1.8	5.4	1.8	4.1	1.8	2.1
RMG Cotton	1.6	2.5	1.7	1.7	2.0	2.0
Non-basmati rice	0.8	0.6	4.7	1.1	1.8	2.0
Rubber manufactured products	0.4	1.5	1.8	1.5	2.1	1.9
Cosmetics/toiletries	2.9	2.3	2.4	1.7	1.5	1.8
Misc. commodities	26.8	28.3	27.2	26.5	16.1	22.8
Total	100	100.0	100	100.0	100	100.0

Source: DGCI & S, Ministry of Commerce, Calcutta.

Oman also occupies an important position insofar as India's import is concerned. Principal commodities of import are machinery and instruments, meat and preparations, man-made yarn fabraics made-ups, cottonyarn fabrics madeups, manufacture of metals. The most important feature of India's export to Oman is that manufactured commodities dominate over agricultural and allied commodities. Other commodities of less importance are oil meal, electronic goods, plastic and linoleum products, paper/wood products, gems and jewellery, transport equipment, non-basmati rice etc.

We see a significant rise in export of machinery and instruments and meat and preparations, paper/wood products and marginal fluctuations in commodities like man-made yarn fab made-ups, cottonyarn fabrics made-ups, manufacture of metals, basmati rice, inorg./org./agro-chemicals etc. However, in commodities like, Glass/glassware ceramics, oil meals, poultry and dairy products, and electronic goods. We see wide fluctuations over the years.

TABLE VIII a
INDIA'S EXPORT TO BAHRAIN 1991-92 to 1996-97
[COMMODITY-WISE CLASSIFICATION]
[Rs. in lakh]

COMMODITIES	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97
Basmati rice	1240	1109	1517	1868	1793	1416
Cashew	135	128	304	352	475	289
Fresh fruits	0	0	0	434	250	336
Fresh vegetables	1010	866	900	417	438	354
Groundnuts	1	0	8	11	14	23
Meat & preparations	710	565	830	646	978	1005
Non Basmati rice	67	118	864	314	567	820
Oil meals	297	439	0	350	279	713
Poultry and dairy products	0	0	0	63	27	93
Processed fruits & juices	91	135	203	271	153	111
Pulses		149	105	191	217	242
Spirit and beverages	70	70	31	40	50	59
Tobacco manufactured	125	100	87	63	109	74
Wheat	1	0	0	0	0	1203
Other ores & minerals	2	21	31	97	43	301

Ferro alloys	0	0	0	0	0	3
Iron & Steel bar/rods	340	203	338	192	207	480
Computer software	0	0	2	11	88	54
Silk Carpets	0	5	32	8	3	27
Ready-made Garments silk	35	8	17	12	12	48
Paper/wood products	243	584	1329	1278	832	1039
Total	4367	4500	6598	6618	6535	8690

Source: DGCI & S, Ministry of Commerce, Calcutta.

TABLE VIII b

INDIA'S EXPORT TO BAHRAIN [COMMODITY-WISE CLASSIFICATION]
SHARE IN TOTAL EXPORT [in percentage]

COMMODITIES	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97
Basmati rice	28.3	24.4	22.2	28.2	27.4	16.2
Fresh fruits	-	-	-	6.6	3.8	3.8
Fresh vegetables	23.3	19.2	13.6	6.3	6.7	4.7
Meat & preparations	16.2	12.5	12.5	9.7	14.9	11.5
Poultry and dairy products	-	-	-	1.3	0.5	0.8
Pulses	-	3.3	1.5	2.8	3.3	2.7
Spirit and beverages	1.6	1.5	0.7	0.9	1.1	0.3
Tobacco manufactured	2.8	2.2	0.9	0.9	1.6	0.8
Wheat	-	-	-	-	-	13.8
Iron & Steel bar/rods	7.78	4.5	5.1	2.9	3.1	5.5
Cashew	3.0	2.8	4.6	5.3	7.2	3.3
Non-basmati rice	1.5	2.6	13.0	4.7	8.6	9.43
Oil meals	6.1	9.7	0	5.2	4.2	8.2
Processed fruit juices	2.08	3.0	3.0	4.1	2.4	1.2
Computer software	0.0	0.0	0.0	0.1	0.3	0.3

Paper/wood products	5.0	12.9	20.4	19.3	12.7	11.9
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: DGCI & S, Ministry of Commerce, Calcutta

India's export of principal commodities to Bahrain include basmati rice, meat and preparations, fresh vegetables, non-basmati rice, oilmeal, paper/wood products. In 1991-92, India's export to Bahrain basmati worth Rs.1240 lakhs which increased to Rs.1868 lakhs in 1994-95 and then declined to Rs.1416 lakhs in 1996-97.

Other important commodities include cashew, tobacco manufactures iron and steel bar, rods, processed fruits and juices. The most important feature of India's export to Bahrain was export of wheat worth Rs.1203 lakhs in 1996-97 for the first time in large quantity. Less important commodities include fresh fruits, spirit and beverages, computer software, etc.

If we take into account India's export to Bahrain percentage-wise basmati occupies top most position with 28.3 per cent in 1991-92 and 16.2 per cent in 1996-97. This shows the decline in the percentage of India's export to Bahrain.

TABLE IX a
INDIA'S EXPORT TO QATAR 1991-92 to 1996-97
[COMMODITY-WISE CLASSIFICATION]
[Rs. in lakh]

COMMODITIES	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97
Basmati rice	177	479	593	521	367	588
Oil meals	240	178	297	615	312	1522
Cotton yarn fabrics madeups	68	286	356	702	712	1137

Enamels, varnishes etc.	42	89	482	526	772	1004
Manufacturers of metals	320	140	572	680	990	882
Machinery and Instruments	110	162	288	458	625	668
Transport equipment	105	206	388	356	371	658
RMG Cotton inc accessories	170	308	360	296	327	444
Glass/glassware/ceramics/ refractories/cement	90	434	332	346	492	395
Electronic goods	120	227	283	292	150	364
Plastics & linoleum products	100	265	100	195	242	339
Manmade yarn fabrics madeups	85	308	265	102	464	325
Rice other than Basmati	62	292	294	156	304	308
Gems & Jewellry	18	0	395	329	535	273
Meat & preparations	66	117	139	204	225	252
Fresh fruits	169	353	378	124	113	227
Rubber mfg products except footwear	76	165	154	104	137	224
Paper/wood products	55	138	178	109	277	224
Fresh vegetables	335	353	378	124	120	161
Primary & semi finished iron and steel	62	44	81	104	103	143
Drugs, pharmaceutical, fine chemicals	92	35	14	94	40	136
Leather goods	82	62	18	17	56	133
Tobacco mfg.	59	60	81	5	0	46
Tea	22	146	63	68	107	133
Ready-made garments & other textile materials	62	108	79	54	93	133
Pulses	0	100	74	43	214	94
Inorganic/organic agro chemicals	108	78	85	65	150	84

RMG manufactures	162	104	115	110	120	84
Species	102	105	110	98	110	52
Coffee	18	178	102	110	134	24
Woolen yarn, fabrics madeups	25	328	79	80	110	7
Iron & steel bar rod	155	92	109	114	130	3
Project goods	550	708	916	916	1876	0
Miscellaneous	795	993	1023	1292	1018	1250
Total	4710	7781	9115	9398	11777	12271

Source: DGCI & S, Ministry of Commerce, Calcutta.

TABLE IX b
INDIA'S EXPORT TO QATAR 1991-92 to 1996-97
[COMMODITY-WISE CLASSIFICATION]
SHARE IN TOTAL EXPORTS [in percentage]

COMMODITIES	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97
Basmati rice	3.75	6.15	6.50	3.90	3.12	4.61
Oil meals	5.0	2.28	3.25	3.31	2.65	12.41
Cotton yarn fabrics madeups	1.4	3.80	3.90	7.57	6.05	9.27
Enamels, varnishes etc.	0.2	0.4	0.9	1.3	1.9	1.9
Manufacturers of metals	6.7	4.36	6.27	10.53	8.40	7.19
Machinery and Instruments	2.3	3.36	4.25	6.65	5.31	5.45
Transport equipment	2.2	2.64	5.33	3.94	3.15	5.38
RMG Cotton inc accessories	3.6	3.95	3.94	3.47	2.79	3.61
Glass/glassware/ceramics/ refractories/cement	3.39	4.00	3.13	5.23	4.18	3.23
Electronic goods	2.54	2.96	3.10	1.59	1.27	2.97
Plastics & linoleum products	2.12	3.40	1.91	2.57	1.89	2.77
Manmade yarn fabrics	1.80	2.96	2.90	4.93	3.95	2.64

madeups						
Rice other than Basmati	1.31	3.44	3.22	3.23	2.60	2.51
Gems & Jewellry	0.38	0.00	4.33	5.69	4.54	2.24
Meat & preparations	0.3	0.5	0.4	0.5	0.4	0.4
Fresh fruits	7.12	4.55	4.14	1.20	0.96	1.85
Rubber mfg products except footwear	1.6	2.17	2.02	1.45	1.15	1.83
Paper/wood products	3.36	1.77	1.95	2.94	1.08	1.81
Fresh vegetables	1.0	1.1	0.9	0.6	0.3	1.32
Primary & semi finished iron and steel	1.3	0.56	0.88	1.09	0.87	1.17
Drugs, pharmaceutical, fine chemicals	1.75	0.45	0.15	0.43	0.35	1.10
Leather goods	1.74	0.79	0.19	0.59	0.50	1.10
Tea	0.46	1.88	0.69	0.72	0.91	1.09
RMG of other textile manufactures	1.3	1.41	0.86	0.57	0.79	1.09
Pulses	0	1.9	1.0	0.5	1.6	0.7
Inorganic/organic agro chemicals	2.29	1.00	0.93	0.69	1.29	0.69
RMG manufactures	3.43	1.28	1.26	1.17	1.03	0.67
Species	2.16	1.36	1.20	1.04	0.94	0.42
Coffee	0.38	2.28	1.11	1.17	1.16	0.21
Woolen yarn, fabrics madeups	0.53	4.21	0.86	0.85	0.93	0.07
Iron & steel bar rod	3.30	1.23	1.19	1.21	1.11	0.02
Project goods	11.6	9.09	10.04	9.16	15.92	0.00
Miscellaneous	16.8	12.76	11.22	13.74	8.5	10.27
Total	100.00	100.00	100.00	100.00	100.00	100.00

Source: DGCI & S, Ministry of Commerce, Calcutta.

Table IX a shows that India's export to Qatar consist of a wide variety of commodities like agricultural and allied products and manufactured goods.

Agricultural and allied products include basmati rice, oil meals, non- basmati rice, fresh fruits, fresh vegetables, tea, spices and fibres etc. Manufactured goods consists of cottonyarn fabrics madeups, enamels, varnishes, etc. manufactures of metals, machinery and instruments, transport equipment, RMG cotton accessories, electronic goods.

The above table also shows that manufactured goods are dominating India's export to Qatar.

We saw that the liberalized economic atmosphere in India has helped in increasing India's export to the Arab Gulf region. If we take into account the important individual commodities and its export to the Arab Gulf region, it will make our study more clear and understandable.

The table containing commodity specific classification of exports to the Arab Gulf countries shows that export of Basmati rice has been the single most item which has dominated the export scene followed by manmade fabric madeups, cotton yearn fabrics, and manufacture of metals. The respective amount of exports of these commodities to the Arab Gulf region has been Rs. 383898 lakhs, 308871 lakh, 188787 lakhs and 146966 lakhs respectively. In other words, the export of manmade fab madeups, cotton yearn fabrics madeups and manufacturer of metals have been the most important items of export of India. The other important commodities include machinery and instruments, plastic and linoleum products, meat and preparations, non-basmati rice, fresh vegetables, glass/glassware, ceramics, tea, organic/inorganic, agro-chemicals, constitute important exports to the region.

If we go into the greater details of the export performance of individual commodities to the different countries of the region, an interesting picture came to the fore.

For UAE, the major items of its export from India are manmade fabric madeups, cotton yarn fabric madeups, marine products Gems and jewellery, manufacture of metals, tea meat and preparations etc.

Saudi Arabia is the largest importer of Basmati and non-basmati rice. It constitutes 44% of the total exports, Basmati rice alone constitute over 30% of total exports of India. In fact, Saudi Arabia is the largest single destination of Indian rice export constituting 65.7% of India's total rice export turn over. India's export of Basmati rice to Saudi Arabia in 1991-92 was Rs. 26268 lakhs which has increased to 37667 lakhs in 1995-96 by increasing 41%. This again went upto 610001 lakhs in 1996-97, i.e. increase of 61% over the previous year.

And then comes UAE which is the second largest importer of Basmati rice from India in the region constituting Rs.4601 lakhs in 1991-92 to 6772 lakhs in 1996-97 by increasing 47% followed by Kuwait, Oman, Bahrain and Qatar in that order. Other major items of its exports from India are manmade yarn fab madeups, manufacture of metals, plastic linoleum products, electronic goods, fresh vegetables, organic/inorganic/agro chemicals, etc., glass/ glassware/ceramics etc., machinery instruments, oil meals, tea, etc.

Cotton yarn fabrics, fresh vegetables, transport equipment, manufactured metals, basmati rice, marine products are also important items of export to Oman, Kuwait, Qatar and Bahrain from India.

TABLE X a
INDIA'S EXPORT TO SAUDI ARABIA 1991-92 TO 1996-97
SECTOR-WISE CLASSIFICATION
[Rs. in lakhs]

NAME OF THE COMMODITY	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97
Agriculture & allied products	49934	68426	98954	76850	73360	47308
Ores and minerals	380	656	1672	713	3222	2570
Manufactured goods	35294	45314	57634	58053	83086	77686
i. Leather & leather Manufactures	911	1159	1317	1313	1580	1783
ii. Chemicals & related products	2723	4162	6737	7685	10565	8856
iii. Engineering goods	10336	12554	14182	14047	17593	19471
iv. Textiles [excel RMG]	8942	11785	12090	13777	21005	20503
v. Ready-made garments	5433	6283	7942	6396	8739	10449
vi. Other manufactured goods	6949	9371	15312	14835	23604	16625
Other commodities	978	3614	1955	1184	1659	72643
Total	86586	118010	160215	136800	161327	200208

Source: DGCI & S, Ministry of Commerce, Calcutta.

TABLE X b
SECTOR-WISE COMMODITY EXPORT TO SAUDI ARABIA 1991-92 TO 1996-97
SHARE IN TOTAL EXPORT [in percentage]

COMMODITIES	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97
Agriculture & allied products	57.7	58.0	61.8	56.2	45.5	58.6
Ores and minerals	0.4	0.6	1.0	0.5	2.0	1.3

Manufactured goods	40.8	38.4	36.0	42.4	51.5	38.8
i. Leather & leather Manufactures	1.1	1.0	0.9	1.0	1.0	0.9
ii. Chemicals & related products	3.1	3.5	4.2	5.6	6.5	4.4
iii. Engineering goods	11.9	10.6	8.9	10.3	10.9	9.7
iv. Textiles [excel RMG]	10.3	10.0	7.5	10.1	13.0	10.2
v. Ready-made garments	6.3	5.3	5.0	4.7	5.4	5.2
vi. Other manufactured goods	8.0	7.9	9.6	10.8	14.6	8.3
Other commodities	1.1	0.9	1.1	0.8	1.0	1.3
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: DGCI & S, Ministry of Commerce, Calcutta.

TABLE XI a
INDIA'S EXPORT TO OMAN 1991-92 TO 1996-97
[SECTOR-WISE CLASSIFICATION] [Rs. in Lakhs]

NAME OF COMMODITIES	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97
Agriculture & allied products	5311	5320	8534	7314	8901	10648
Ores and minerals	65	247	232	744	540	812
Manufactured goods	12612	15679	17176	19273	26664	29294
i. Leather & leather Manufactures	358	390	496	459	485	546
ii. Chemicals & related products	1264	1726	1772	1751	2182	2726
iii. Engineering products	4463	5916	6254	7432	11363	10950
i v. Ready-made garments	785	944	925	965	1234	1475
v. Other manufactured goods	1770	2541	3638	4489	5792	7493
Other commodities	237	362	320	428	526	819
Total	18225	21608	26262	27759	36632	41573

Source: DGCI & S, Ministry of Commerce, Calcutta.

TABLE XI b
INDIA'S EXPORT TO OMAN 1991-92 TO 1996-97
[SECTOR-WISE CLASSIFICATION]
SHARE IN TOTAL EXPORTS [in percentage]

NAME OF COMMODITIES	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97
Agriculture & allied products	29.1	24.6	32.5	26.3	24.3	25.6
Ores and minerals	0.4	1.1	0.9	2.7	1.5	2.0
Manufactured goods	69.2	72.6	65.4	69.4	72.8	70.5
i. Leather & leather Manufactures	2.0	1.8	1.9	1.7	1.3	1.3
ii. Chemicals & related products	6.9	8.0	6.7	6.3	6.0	6.6
iii. Engineering goods	24.5	27.4	23.8	26.8	31.0	26.3
iv. Textiles [excel RMG]	21.8	19.3	15.6	15.0	15.3	14.7
v. Ready-made garments	4.3	4.4	3.5	3.5	3.4	3.5
vi. Other manufactured goods	9.7	11.8	13.9	16.2	15.8	18.0
Other commodities	1.3	1.7	1.2	1.6	1.4	2.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: DGCI & S, Ministry of Commerce, Calcutta.

TABLE XII a
INDIA'S EXPORT TO UAE 1991-92 to 1996-97
[SECTOR-WISE CLASSIFICATION]
[Rs. in lakhs]

NAME OF COMMODITIES	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97
Agriculture & allied products	40566	47543	78180	94396	135296	142031
Ores and minerals	2050	3250	6494	6991	7065	7550
Manufactured goods	137384	172754	273590	292070	329311	363635
i. Leather & leather Manufactures	1468	2185	4112	4020	4086	4152
ii. Chemicals & related products	7508	10246	22093	19117	23057	24529
iii. Engineering goods	22727	39337	63962	69971	87477	112032
iv. Textiles [excel RMG]	40817	48276	65978	81458	87354	81388

v. Ready-made garments	27103	31825	44092	33840	39172	46695
vi. Other manufactured goods	37761	40886	73353	83664	88162	94839
Other commodities	1856	12304	4929	4006	6087	7608
Total	181856	235851	363193	397463	477759	520824

Source: DGCI & S, Ministry of Commerce, Calcutta.

TABLE XII b
INDIA'S EXPORT TO UAE 1991-92 TO 1996-97
[SECTOR-WISE CLASSIFICATION]
SHARE IN TOTAL EXPORTS [in percentage]

NAME OF COMMODITIES	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97
Agriculture & allied products	22.3	20.2	21.5	23.7	28.3	27.3
Ores and minerals	1.1	1.4	1.8	1.8	1.5	1.4
Manufactured goods	75.5	73.2	75.3	73.5	68.9	69.8
i. Leather & leather Manufactures	0.8	0.9	1.1	1.0	0.9	0.8
ii. Chemicals & related products	4.1	4.3	6.1	4.8	4.8	4.7
iii. Engineering goods	12.5	16.7	17.6	17.6	18.3	21.5
iv. Textiles [excel RMG]	24.4	20.5	18.2	20.5	18.3	15.6
v. Ready-made garments	14.9	13.5	12.1	8.5	8.2	9.0
vi. Other manufactured goods	20.8	17.3	20.2	21.0	18.5	18.2
Other commodities	1.0	6.0	1.3	1.0	1.3	1.5
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: DGCI & S, Ministry of Commerce, Calcutta.

TABLE XIII a
INDIA'S EXPORT TO KUWAIT 1991-92 TO 1996-97
[SECTOR-WISE CLASSIFICATION]
[rs. in lakhs]

NAME OF COMMODITIES	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97
Agriculture & allied products	4931	12483	16983	20613	19779	25808
Ores and minerals	60	226	213	568	255	447
Manufactured goods	7789	17377	15415	20384	24976	27578
i. Leather & leather Manufactures	128	328	373	260	396	356
ii. Chemicals & related products	220	426	675	738	1062	962
iii. Engineering goods	3960	8261	5137	5329	5517	6927
iv. Textiles [excel RMG]	881	2843	3146	3590	5596	6427
v. Ready-made garments	1105	1857	2434	2875	4338	5187
vi. Other manufactured goods	1496	3662	3651	7592	8066	7719
Other commodities	109	1290	630	483	324	718
Total	12889	31376	33241	42048	45334	54551

Source: DGCI & S, Ministry of Commerce, Calcutta.

TABLE XIII b
INDIA'S EXPORT TO KUWAIT 1991-92 TO 1996-97
[SECTOR-WISE CLASSIFICATION]
SHARE IN TOTAL EXPORTS [in percentage]

NAME OF COMMODITIES	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97
Agriculture & allied products	38.3	39.8	51.1	49.0	43.6	47.3
Ores and minerals	0.5	0.7	0.6	1.3	0.6	0.8
Manufactured goods	60.4	55.4	46.4	48.5	55.1	50.6
i. Leather & leather Manufactures	1.0	1.0	1.1	0.6	0.9	0.7

ii. Chemicals & related products	1.7	1.4	2.0	1.8	2.3	1.8
iii. Engineering goods	30.7	26.3	15.5	12.7	12.2	12.7
iv. Textiles [excel RMG]	6.8	9.1	9.5	8.5	12.3	11.8
v. Ready-made garments	8.6	5.9	7.3	6.8	9.6	9.5
vi. Other manufactured goods	11.6	11.7	11.0	18.1	17.8	14.2
Other commodities	0.8	4.10	1.8	1.1	0.7	1.3
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: DGCI & S, Ministry of Commerce, Calcutta.

SECTOR-WISE CLASSIFICATION

If we club individual commodities and express them in terms of the sectors they represent on the basis of the above tables, we can say that the exports of manufactured goods have been more than the export of agriculture and allied products. The former constitute 58.75 per cent of the total exports while the latter constitutes 37.78 per cent. If we express in terms of value, agricultural and allied products each 2004845 lakhs whereas manufactured goods earn 2160027 out of its export to the Arab Gulf countries, if the share of manufactured increase over the raw materials and other unfinished products over time. This will have a positive impact on the economy. This is because on the one hand the rate of value addition is higher in the case of manufactured goods and on the other hand the impact of linkages on the other sector of the economy is higher.

To conclude, the trade relations between India and the Arab Gulf region have been moving in an upward direction meaning thereby that the volume of foreign trade between the two has been growing consistently. We have it through our empirical study that since the economic liberalization in India in 1990 exports of India to the Arab Gulf have been increased many folds. Among the important countries and important items of exports the name of UAE and Saudi Arabia come to the forefront which import important commodities like basmati rice, non-basmati, manmade yarn fab madeups, cotton yarn fabric madeups from India. The other commodities like manufacture of metals, machinery and instruments, meat and preparations. There are also very important items of export from India to these countries. Oman is more interested in machinery and instruments of India as compared to other countries of the region. So more and more foreign trade with these countries will help India in achieving its desired objective of high export growth rate and the balance of its external sector.

An examination of the composition of foreign trade enable us to analyze the progress of the country and the rate and speed of structural changes operating in it. The categorization of exports on the basis of primary, secondary and tertiary sectors is also important. More of primary export means the traditional export pattern of developing countries has not been changed. Besides, the dominance of primary commodity exports over secondary and tertiary sectors has the following economic features

a) The value addition of per unit of primary commodity exports is less when compared to other sector.

b) The primary commodity exports on susceptibility to deterioration.

In an era of devaluation of currencies by the less developing countries either due to adherence to the fund-bank policies or due to the susceptibility to the fragilities associated with the international financial flows [as it happened in Mexico in 1994 and subsequently in the South East Asia recently]. The competitiveness of the primary exports may go down. Thus, following on specialized areas of export in the secondary and territory sectors in accordance with the competitive advantage which India is required.

TABLE
INDIA'S BASMATI EXPORT 1991-92 TO 1996-97
[MAJOR EXPORTING COUNTRIES]

COUNTRY	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97
SAUDI ARABIA	26685 [53.5]	45209 [56.5]	63858 [60.2]	42823 [49.5]	37667 [44.3]	61001 [59.9]
UK	6909 [4.8]	8319 [15.8]	9738 [9.2]	8306 [9.6]	1165 [19.5]	9136 [7.6]
UAE	4601 [9.2]	7939 [9.9]	10155 [9.6]	9023 [10.4]	7305 [8.6]	6772 [5.7]
USA	2403 [4.8]	4648 [5.8]	4091 [3.9]	3953 [4.6]	8123 [9.5]	21785 [18.2]
KUWAIT	1559 [3.5]	6125 [7.7]	7374 [6.9]	11707 [13.5]	7841 [9.2]	9848 [8.1]
WORLD TOTAL	49918 [100.0]	80064 100.0]	106126 [100.0]	86532 [100.0]	85065 [100.0]	119775 [100.0]

Note: Figures within brackets give percentage of the world total export

Source: Foreign Trade Centre for Monitoring Indian Economy, Nov. 1997

The above Table shows the top 5 importer of Basmati rice from India. Saudi Arabia is the largest importer of Basmati rice. It constituted over 53% of total exports during 1991-92 to 1996-97. India's export of Basmati rice to Saudi Arabia in 1991-

92 was Rs.26685 lakhs which has increased to 37667 lakhs in 1995-96. This further went up to Rs.61001 lakhs, i.e., an increase of 61.94% over the previous year.

UK which is the second largest destination of Basmati rice export absorbing 13.8 per cent of India's total export turn over in 1991-92 constituting Rs. 6909 lakhs to Rs.9136 lakhs in 1996-97. UAE occupies third position by constituting Rs.4601 lakhs in 1991-92 to 6772 lakhs in 1996-97 by increasing 47% followed by USA and Kuwait in that order.

The major brands of Indian Basmati rice in the Saudi Arabia include Indus Valley, Tilda Mahfil, Seasons Harvest, Two elephants, Kohinoor etc. The major competitor at the international market are Thailand, USA and Vietnam. The world trade in rice is dominated by long grain white rice and Thai brown rice. During 1993-94, India's tonnage share in the world market stood at about 4% as per FAO estimates. Rice is freely exportable from the country without any quantity and price restriction and thus emerged as the largest exporter of rice in the world.

Computer software has been identified as thrust sector for export in view of our technological advancement industrial infrastructure and highly qualified manpower. [Major importers of software goods from India are the USA, Singapore, UAE, UK, Hong Kong, Italy, Russia, Germany and Bangladesh].[13]

Apart from the above mentioned advantages, Indian software company is attractive due to its cost effectiveness, great quality, high reliability and use of state of art technologies in software development.

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13 Government of India, Ministry of Commerce, ***Annual Report, 1996-97***, p. 15

Due to these reasons, many software companies in the Gulf Region have allied with Indian companies to gain competitive advantage. Software export by the Indian companies hold a prominent share in its exports. Software export from India to the Gulf countries is 4.0 per cent of India's total export.

Given below are the export figures of software from India to the gulf countries between 1991 to 1997. We see a perceptible increase in the export.

TABLE
COMPUTER SOFTWARE EXPORT FROM INDIA
TO GULF COUNTRIES BETWEEN 1991-96

COUNTRY	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97
UAE	36 [1.1]	148 [5.5]	638 [9.0]	870 [5.0]	904 [3.3]	140 [0.7]
SAUDI ARABIA	0	1	34	148	3	72
BAHRAIN	0	0	2	11[0.1]	88 [0.3]	54 [0.3]
KUWAIT	0	0	28	1	63	6

Note: Figures within brackets show percentage of the world total exports.
Source: DGCIS, Calcutta.

India exported Rs. 36 lakhs worth of computer software to UAE in 1991-92. The rise in export is as high as Rs. 904 lakhs in 1995-96. However, the export is also marked by certain inconsistency as the 1996-97 figures show a decline of computer software exports to UAE to 140 lakhs in 1996-97. We also find a rise in exports to Saudi Arabia, Bahrain and Kuwait. All these countries in 1991-92 did not import any computer software but there is slow and steady growth in export to these countries too though the export to them also is marked with its own inconsistencies. However, the trend shows quite clearly that there is a definite potential of growth in trade between India and the region in the field of computer software.

We have the example of Tata Consultancy Service to illustrate our point. TCS is one of the four giants from India which are working in the field of computer software in the Gulf countries. TCS has a significant presence in the Middle East since the late seventies. In the early eighties it partnered with Al Futtaim Group to form the joint venture company VCMC. It also designed and developed the bilingual [Arabic/English] container handling and allied port related software systems for the public port authority.[14]

Among other clients of TCS Consultancy assignments include Emirates Airline, Al Futtaim watcher, Schemberger Geoquest, Mashreqi Bank, the Dubai Ports Authority and Investment Corporation.

TCS developed Emirates Travel and Accounting Systems known as BOSS-2, the former was executed on visual Basic and Microsoft Access and the latter on Developer 2000 and designer 2000 with Oracle 7 as repository.[15]

"Rtwo" the pro-active intelligent information system developed by TCS has been implemented for Al Futtaim Watcher on an AS-400 platform.

Schumberger Geoquests customization of the Arabian Oil Company. Oracle 7 Forms 4.5 based on oil exploration and production software Finder has been successfully completed with TCS's assistance.

TCS has also used LINC skills of its software teams to develop Mashreqs Banks history database on a Unisys machine. A Container Management System for the Dubai Ports Authority has been completed on Oracle 7 and Forms 3. Moreover

14 ***The Khalij Times***, October 8, 1997.

15 ***The Khalij Times***, October 8, 1997

TCSs Microsoft certified professional have helped Bahrain based investment corporation to develop window-based Risk Analysis and Treasury Applications over their competitors[16].

TCS and many other Indian software companies already operating in the Gulf region have helped to illustrate the true strength of the Indian software industry by establishing alliances with the Gulf companies. The relationship also worked to the advantage of both the Indian and Arab-Gulf companies. In view of the high potential of growth in the field of computer software export, it has been identified as a thrust sector for export.[17]

India's international trade has shown a substantial increase since liberalization. This is due to the sweeping measures introduced by the Government. These include slashing import duties, full convertibility of the rupee and the simplification of import-export procedures. After six years of liberalization, the foreign trade sector has become the high growth sector crucial for overall development including the balance of payments position and rapid integration with the global economy.

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16 Government of India, Ministry of External Affairs, ***Foreign Affairs Record***, XLIII, no. 6, June 97, p. 85.

17 ***The Khalij Times***, October 8, 1997.

CHAPTER III

EMERGING INDUSTRIAL COLLABORATION WITH SPECIAL REFERENCE TO HYDROCARBON SECTOR

India initiated a few major policy changes in July 1991 to trigger competitiveness for accelerated industrial growth. The thrust of the new policy has therefore been to inject new sources of competition in order to induce greater industrial efficiency and international competitiveness.[1] Domestic market was made free by introducing by delicensing of industries and by liberalizing the policy related to foreign direct investment. The trade related reforms including the removal of quantitative restrictions and substantial reduction in tariff were implemented to increase international competition.

Along with the industrial deregulation, the Government has subsequently liberalized the provision relating to the foreign investment — the new policy encouraging foreign direct investment flow was announced in 1991, which provided for foreign equity participation upto 51%, on automatic basis for 35 industries.[2] Over the years, it was observed that the automatic route which has been unique has accounted for less than 10% of FDI approvals. A need was therefore felt for enlarging the list of industries under this automatic route and also for allowing greater equity participation to make the approval system simple, transparent and fair. Government has accordingly expanded the list to cover 16 additional groups of industries for automatic approval upto 51% of equity participation and nine groups of industries

1 J.C. Sandesara, "New Industrial Policy: Questions of Efficient Growth and Social Objectives", ***Economic and Political Weekly***, August 3-10, 1991, p. 1870.

2 Government of India, Ministry of Industry, ***Annual Report***, 1996-97, p. 11.

where equity participation up to 74% would be permitted.[3] With this expansion, most of the manufacturing sector opened for foreign investment. Foreign Direct Investment policy was further liberalized in 1996-97. The list of industries where foreign equity participation of 51% is permitted under automatic route was expanded to include 16 more industry groups. Further, in 9 industry groups, the equity participation is permitted under the automatic basis[4] upto 74 per cent.

"The role of Foreign Direct Investment [FDI] as a means to support domestic investment for achieving a high level of economic development is well recognized. To facilitate the inflow of FDI into the country which was one of the main objectives of the Government's economic development strategy and to lay down transparent rules, procedures and guidelines for investment promotion and clearing the proposals for FDI, the Foreign Investment Promotion Board [FIPB] has been reconstituted".[5]

A special council called the Foreign Investment Promotion Council [FIPC] has been set up in order to promote and facilitate more direct investment into the country. Main functions of the Council is to identify the countries and regions from which FDI would flow and also of the sectors and projects in India which would be suitable for such foreign investment.[6]

Apart from the above reforms, the government has also liberalized capital flows in the form of foreign direct investment as a part of the package of external sector reforms. Important measures in this direction are (i) automatic approval of

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3 Government of India, Ministry of Industry, ***Annual Report, 1997***, p.11.

4 Government of India, ***Economic Survey, 1996-97***, p. 112.

5 Government of India, Ministry of Industry, ***Annual Report, 1993-94***, p.4.

foreign equity participation upto 51 per cent in 48 industries [the number of such industries was 35 prior to December 1996]; (ii) approval of foreign equity participation upto 51 pr cent in service areas; (iii) delinking of technology transfer from equity investment to impart flexibility in the choice of technology; (iv) automatic clearance for import of capital goods in cases where foreign exchange flows through foreign equity; (v) amending Foreign Exchange and Regulations Act [FERA] to place FERA companies on par with Indian companies for all operational purposes.[7] Foreign companies are now allowed to use their marks, accept appointment as technical management advisers, borrow and accept deposits from the public and repatriate profits. These liberalization measures in respect of foreign investment though highly acclaimed. And on 28-10-1991, the Government liberalized the policy of allowing 100% NRI and Overseas Corporate Bodies [OCB] equity participation in industrial ventures in high priority industries with full repatriation of benefits.[8]

Table 1 shows that the total amount of Foreign Direct Investment approvals was Rs. 22 lakhs in 1991 and Rs. 1178 lakhs in 1992 increased to Rs. 95880 lakhs in 1993 and decreased to Rs. 10804 lakhs in 1994 and in 1995 rose to Rs. 17033 lakhs. There was a significant acceleration in the approvals in 1996.

In 1996 total FDI approval crossed Rs. 97217.6 lakhs over 80% of the approvals of Foreign Direct Investment are in priority areas like power, oil, refineries, electronic and electronic equipment, chemicals, food processing industries and telecommunications etc.

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6 Government of India, Ministry of Industry, ***Annual Report, 1996***, p. 14.

7 S.K. Mishra & V.K. Puri, ***Indian Economy —Its Development Experience***, p. 274.

India and the Arab-Gulf region have played a complementary role in shaping their economies. The Arab-Gulf region encompasses economics of varying competitive advantages while India, for example, is rich in skill and inexpensive labour. Indian multinationals have achieved an admirable level of technological sophistication in fields such as pharmaceuticals and aerospace.[9] Both India and the Arab Gulf countries have committed in free trade.

Joint venture collaborations are perhaps the most significant factor in India's economic relations with the countries of the Arab Gulf. They are significant not only for their trade generating effect but also for a different kind of interaction they render possible in India's relations in the region. Earlier too India had a few successful joint industrial ventures in the developing countries, particularly in South-East Asia, but it was in the Arab world that Indian companies both public and private sectors first took up the task of executing turn key projects and civil construction work of unprecedented magnitude.[10]

Thus, the most important crucial components of the economic relations between India and the Arab Gulf countries has been the flow of Arab-Gulf investment to India after the liberalization process initiated.

India and the Arab Gulf relations received a tremendous boost in joint venture investment and occupied topmost agenda particularly after liberalization. The momentum of this segment of relations have been pursued with the elephantine

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8 Government of India, Ministry of Industry, ***Annual Report, 1996-97***, p. 18.

9 ***The Indian Express International News*** [Saudi Arabia Special News], November 18, 1996.

vigour. India offers immense opportunities to foreign investors in terms of its strategic location in the Arab Gulf region. Added to this is the country's labour advantage. India has vast reserves of technical and scientific manpower backed by engineering and management institutes of excellence. Both skilled and unskilled labour is easy to find and wage rates are competitive compared to international levels.[11]

India's rich resources and production base provides significant opportunities for investors to establish joint ventures in India. Foreign companies have been invited to invest in oil and gas explorations sector in India.[12]

The changes in the Indian economy has attracted huge funds for investment over the last couple of years. Financial institutions, corporate investors from Gulf countries, the NRIs have an open mind about investing here. There are a large number of foreign collaborations in India between Indian and Arab Gulf companies in areas like designing, consultancy, financial services, computer software, electrical equipment, industrial machinery, oil refining etc.[13] Likewise, Indian economic presence in the Arab Gulf regions range from consultancy, construction project engineering, management, operations and maintenance, supply of equipment, providing technical personnel to scientific and technological cooperation.[14]

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10 Girijesh Pant, ***Indo-Gulf Economic Relations: A Profile***, p. 185.

11 ***IEEMA Journal***, January 1994, p. 30.

12 ***Yojana***, vol. 41, no. 1, January 1997.

13 ***India News,*** Consulate General of India, Jeddah, Saudi Arabia, March 1, 1995, p. 6.

14 Government of India, Ministry of External Affairs, ***Foreign Affairs Record.***

The new industrial policy and other economic reforms have catalyzed foreign investment which is evident from the buoyancy in approach for Foreign Direct Investment [FDI].[15]

The total Foreign Direct Investment from the Arab Gulf region during 1991-96 was 222136.8 lakhs. Saudi Arabia has emerged as the top investor in India for the Arab Gulf countries with FDI approval of Rs. 60700 lakhs during 1996.

TABLE 1
STATEMENT SHOWING COUNTRY-WISE BREAK UP OF FOREIGN DIRECT INVESTMENT APPROVED DURING 1991-1996.
[Rs in Lakhs]

S.No	Country	1991	1992	1993	1994	1995	1996
1	Saudi Arabia	0.00	31	1087	0.00	12	60700
2	U.A.E.	22	645	40449	5123	1436	5140.6
3	Kuwait	0.00	09	05	3459	15000	26000
4	Oman	0.00	0.00	54298	1738	585	75
5	Qatar	0.00	453	0.00	0.00	0.00	0.00
6	Bahrain	0.00	40	41	484	0.00	5302
	Total	22	1178	95880	10804	17033	97217.6

Source: SIA NEWS LETTER, Vol. VI, No. 6, Nov. 1997,
Ministry of Industry, Government of India.

15 Government of India, Ministry of Industry, ***Annual Report***, 1996, p.3.

TABLE II

COUNTRY-WISE APPROVALS FOR FOREIGN DIRECT INVESTMENT AND FOREIGN TECHNOLOGY AGREEMENT FROM 1991 TO 1996

Country	1991	1992	1993	1994	1995	1996
Bahrain	0	1	1	4	0	2
Kuwait	0	1	1	4	1	1
Oman	0	0	3	3	3	1
Qatar	0	1	0	0	0	0
Saudi Arabia	1	2	8	0	1	2
U.A.E.	2	6	5	8	6	8

Source: Government of India, Ministry of Industry Annual Report, 1996-97

The substantial increase in the size of Indian workforce in UAE economy in the construction, agriculture and services sector has facilitated many Indian entrepreneurs to set up manufacturing facilities in Jabel Ali, Free Trade Zone. By the end of 1991, 875 companies were operating from Jabel Ali Free Trade Zone of which 161 were of Indian origin and as many as 56 were joint ventures. Poonawalla group has set up a warehouse and trading office in the Jabel Ali Free Zone and Service-cum-Assembly Unit in Abu Dhabi. Besides, the group has also set up a sales office in Dubai for its various products.[16] SPAN Overseas Ltd, a government of India, recognizing international trading house and has its warehouse and trading office in Jebel Ali Warehouse. SPAN's multi-technology expertise covers areas like metal

16 *Khalij Times*, October 20, 1997.

working, food processing project, plastics and rubber, packaging, pharmaceuticals, consumer products, agro products, textiles leather, paper pulp and steel.[17]

In Banking sector, several Indian banks are intensifying their activities kin the Gulf to attract more remittances from Gulf based Non-Resident Indians [NRIs]. This includes new partnership with local exchange houses and could include setting up of Indian offshore banking units in the region. The state-owned Canara Bank, which operates in the Gulf through secondment or management agreements with local exchange houses has set up an offshore unit in Bahrain.[18] In Bahrain it has signed a secondment agreement with Dalil Exchange Company in Bahrain take NRI remittance and offer facilities through three local outlets. Canara's local partner in the UAE, Al-Razouki International Exchange Company, has opened two more outlets in Sharjah and Jebel Ali bringing its presence to six.[19] The nationalized Vijaya Bank has a partnership with Thomas Cook Al-Rostamani Exchange Company in Dubai, Abu Dhabi, and Sharjah. It has drawn an arrangements with banks in Oman, Qatar and Bahrain.[20]

The Arab-Gulf has been a source of investment commitments in the oil sector. The total investment of about Rs. 25,000 lakhs is tied mainly to refining projects and four joint venture crude oil refineries in particular. These include Oman Oil Company [OOC], Kuwait Petroleum Corporation, Saudi Aramco and Indian partners. Recently, Indian companies too have started participating in the Arab-Gulf countries.

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17 *Bombay Chambers Fortnightly*, vol. XI, no. 7, May 24, 1995, p. 6.

18 *Middle East Economic Digest*, January 10, 1993, p. 6.

19 *Middle East Economic Digest*, January 10, 1993, p. 6.

The most noteworthy Indian investments in the region are four fertilizer joint ventures in Oman and UAE which will use cheap gas on abundant phosphate to produce locally for export to the Indian market.[21] In contrast to the other investment projects in the region, the Ispat groups Rs.100800 lakhs sponge Iron Plant and Prakash Industries Rs.9000 lakhs steel rolling mill both in Bahrain and a 10800 lakhs nylon tyre cord fabric factory in the UAE for SRF are examples of Indian investors venturing into the regions for production aimed at world markets rather than the domestic Indian market.[22]

Engineers India Limited, the leading engineering company in India, has been serving the purpose of industry including oil and natural gas processing projects, pipelines, offshore platforms, fertilizers and metallurgical industries since the mid sixties.[23] EIL provides a complete range of project services in these fields. Process designing, engineering, procurement, construction management and commissioning of plant start up and has played a very significant role in setting up a large number of process plants in the Arab-Gulf countries.[24] The EIL has a significant presence in the Arab-Gulf. The company continued to make efforts for securing business in Abu Dhabi, Bahrain, Kuwait, Oman, Qatar.[25] The Company secured significant projects in Qatar including consultancy services to OGPC for the North Field Gas Processing [NFGP] debottleneeking at Messaieed, fourth well platform for BHMM field

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20 *Middle East Economic Digest*, January 10, 1993, p. 6.

21 Government of India, Ministry of Industry, ***Annual Report, 1996-97***, p. 67.

22 Government of India, Ministry of Industry, ***Annual Report, 1996-97***, p. 67.

23 Government of India, Ministry of Industry, ***Annual Report, 1996-97***, p. 68.

24 Government of India, Ministry of Industry, ***Annual Report, 1996-97***, p. 68.

25 Government of India, Ministry of Petroleum & Natural Gas, ***Annual Report, 1996-97***, p. 33.

development, zero psig.2 phase separator from MANCO contracting Co and engineering services for Qatar liquefied Gas Co and a couple of assignments from Kuwait National Petroleum Company [KNPC], Kuwait for their Tankages Restoration Project. It continued to provide services for ongoing projects in Abu Dhabi, Qatar. Efforts are on to secure other assignments to keep the company's overseas business at an optimum level.[26] Engineers India Limited is also working on the consolidated topsides improvement project PS2 and PS3 Qatar General Petroleum QGPC. An assignment from the Kuwait National Petroleum Company [KNPC] for carrying out technical surveys of three refineries to establish the plant condition and maintenance cost profile in Kuwait has successfully completed.[27]

Engineers India Limited has a Regional Engineering Office in Doha [Qatar].

In the last six years, Petroleum India International [PII] has provided its services to the following companies abroad.

1. Kuwait National Petroleum Company [KNPC], Kuwait.
2. Abu Dhabi National Oil Company [ADNOC], UAE
3. Jeddah Oil Refinery Company [JORC], Saudi Arabia
4. Kellog Plant Service INC, Kuwait
5. Toyo Engineering [work at Qatar]

In the following pages a country-wise survey is given

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26 Government of India, Ministry of Petroleum & Natural Gas, ***Annual Report, 1996-97***, p. 34.

27 Government of India, Ministry of Petroleum & Natural Gas, ***Annual Report, 1994-95***, p.

INDIA AND UAE

In November 1991, the then Commerce Minister, P. Chidambaram led a delegation to the UAE. Chidambram's visit boosted the environment for joint ventures and investments. His talks were centered around the creation of mutual fund involving the STATE BANK OF INDIA and the ABU DHABI INVESTMENT AUTHORITY, the primary foreign investment agency of Abu Dhabi was successful in creating latter investment potentials. Further, this visit created an awareness among the UAE investors about the new investment climate in India. The talks on economic matters provided the highest level clearance for various projects and joint ventures the knitty-gritty details of which have been left to the officials of both the sides.[28] The broad areas of cooperation which figured during the talks were petroleum, health, financial investments etc. In fact, Indian side identified various items having greater export possibilities such as pharmaceuticals, engineering goods, textiles and fabrics, chemical and non-sparking tools, machinery and dairy products.

From the Indian visit of President Sheikh Zayed bin Sultan al Nahyan in 1992, followed many joint venture and investment proposals on which considerable progress has been made so far. By the end of 1995 875, companies were operating from Jebel Ali-free Trade Zone of which 161 were Indian and as many as 56 were joint ventures. While the Indian workforce contributed to UAE's development, it also took with it back experience of luring handled the latest technologies which would be useful to them in India.[29]

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28 Banshidhar Pradhan, "Epitome of Good Neighbourliness", ***Link***, May 17, 1992, p.23.
29 Banshidhar Pradhan, "Epitome of Good Neighbourliness", ***Link***, May 17, 1992, p. 28.

TABLE III

INDIA AND ARAB GULF JOINT VENTURE COLLABORATIONS APPROVED DURING 1991-96.

INDIA -UAE JOINT VENTURE COLLABORATION APPROVED DURING 1991-96.

S.N	Name and Address of the Indian Part	Name of the Foreign Party	Product Description	Nature of Collaboration	Amount Rs. in Million	Foreign Equity %age	Approval Year/ Month
1	Albaraka Finance House Ltd. India House No.2 Kemps Corner Bombay	Al Baraka Group Jeddah	Financial Services	Financial			91/ 06
2	R.R. Joshi New Delhi	Saif Bin Darwish	Construction of road, highways	Financial			91/ 12
3	Arien Hotel Ltd. New Delhi	Haji Mohd Tahir Honodai	Hotel	Financial			92/ 01
4	Crystal Granite & Marble Pvt Ltd. Bombay	Emirates Trading Agency	Granite Blocks	Financial			92/ 02
5	Talriz Implex Index Pvt 701, Galactica, Samarth Nagar, Rd. No.3 Andheri West Bombay	Obad H. Alztayer Prop Talriz	Embroidered Fabrics	Financial	5.10	51	92/ 06
6	Dolphin Offshore Enterprise 1001, Raheja Centre 214 Nariman Point Bombay	Oceaneering International AG, Dubai	Offshore Services	Technical			92/ 08
7	Nazar Kamal Qadir Veena Tower, Flat 61 Opp. Colaba Post Office Bombay	Nazar Kamal Qadir P.B. 4107 Sharjah, UAE	Trading Company	Financial	0.06	50	92/ 09 3.6.92
8	Balmer Lawrie & Co Ltd 21 Netaji Subhash Road Calcutta	B.P. Middle East Ltd P.B. No. 1699 Dubai, UAE	Lubricating Oil	Financial	20.00	50	92/ 10

9	Natraj Organics Ltd 3 KM Budhana Road Muzaffarnagar	Desert-Chem Project Inc P.B. No. 1400 Dubai, UAE	Oleum	Financial	9.80	49	4.6.93
10	Conwood Food Indus. Ltd Conwood House Yashodham Gen. AK Vaidya Marg Goregaon East Bombay	Emirates Trading Agency LIC, P.B. No. 5239 Dubai, UAE	lactose casein humanized baby food and other dairy products	Financial	30.00		8.6.93
11	Orind Steels Ltd Udit Nagar Rourkela District Sundargarh Orissa	Gold Star Investment Ltd Dubai, UAE	To establish and integrate iron and steel unit.	Financial	4000.0 0	24.24	17.11.9 3
12	Nutek Laboratories Pvt Ltd 1/231 Kalathumedu St. Kottivakkam Madras	Dr Ahmed M. Kazin P.O.Box 11690 Ministry of Health Dubai, UAE	Manufacturin g and marketing of financial Pharmaceuti- cal formulation	Financial	0.80	80.00	23.11.9 3
13	Seaspan Shipping Ltd 1st Flr., Elphistone Bldg . 10 Veer Nariman Road Bombay - 23	Marine Maintenance Offshore Service Co. P.O. Box 8686 Dubai	Acquisition of tugs/anchor handling tugs/ supply cum crew boats	Financial	4.28	51.00	19.7.93
14	West Asia Maritime 1st Floor, Crown Court No. 34 Cathederal Road Madras	Emirates Trading Agency Dubai	Owning and operating ships and engine in charter operation	Financial	400.00	100.00	
15	Interface Post Box 24369 Dubai, UAE	Interface Post Box 24369 Dubai, UAE	Caustic soda	Financial	78.88	25.00	3.6.94
16	Patmo Paints & Chems Pvt. Ltd. Jatia Sadan 81 Worli Sea Face Bombay	Yousuf Mohammed Alwari P.O. Box 10441 Dubai, UAE	Paints, varnishes, synthetic resin and allied products	Financial	0.62	24.00	9.5.94

17	Sagar Seafoods Pvt Ltd 7-3 Udma Sagar Mattardevpally Hyderabad	Tamiz Hasan Ansari P.O. Box 7825 Dubai, UAE	Food processing	Financial	100.00	10.00	09/ 94
18	Emirates India Ltd Invest-ment & Exports Pvt Ltd 304-A, 100 Ft Rd, 1st Stage, Indiranagar Bangalore	Md. Hamid Md. Shatiff S/o Hamid Shatiff PO Abox 574 Sharjah, UAE	Trading for exports	Financial			09/ 94
19	Cosmos Watch Indus. Ltd Pravrathi Plaza 105, Richmond Circle Bangalore	Al-Futtaim Trading Pvt Ltd, PO Box 7880 Dubai, UAE	Wrist watches	Financial	30.60	51	10/ 94
20	Steel Striper Ltd Sco 49-50, Sector 26 Madhya Marg Chandigarh	Stein Consulting Services P.O. Box 51187 Dubai, UAE	Metallurgical industry	Technical	0.25	25.00	10/ 94
21	Softek Consultants [I] Pvt. Ltd. 707, Krishna Apartments Four Bungalow Road Andheri [W], Bombay	Mr A.M. Abubakar P.O. Box 5466 Abu Dhabi	To develop and supply all types of computer soft-ware consul-tancy in respect of systems development	Financial	0.05	50	11/ 94
22		Captain Vasant Shantilal Shah, Aligarh Shipping Agency EST PO Box No 4057 UAE	Providing services of mining and technical management of ships	Financial	1.00	100.00	May '95
23	Suna Clutches India Pvt Ltd 31/12 Third Trust Cross Street Mandavi, Madras	Khalifa Abdul Dasmal PO Box 14913 Dubai	Transportatio n	Financial			06/ 95
24	Magnum Papers Pvt Ltd First Floor 687 Chita Gate Chawari Bazar Delhi	Pink Corner Trading Co. PO Box No.5877 Dubai	Paper and Pulp Products	Financial			07/ 95

25	Agir India Ltd [Holding] Jebel Ali, Dubai	Agir India Ltd [Holding] PO Box 16885 Jebel Ali, Dubai	To assemble audio products including home appliances under the Shivaki brand name	Financial			11/95
26	Nutex Laboratories Pvt Ltd 1/23 Kalathumedu Street Kottivakkam, Madras	Dr Ahmed M. Kazim and Abdullah	Marketing of pharma-ceutical formulations	Financial			11/95

Source: Government of India, Ministry of Industry Saudi Arabia News Letters & India Investment Centre, Monthly News Letters [Various Issues from 1991-96].

It can be seen from Table III that the UAE occupies the distinction of having the largest number of joint venture collaborations in India. Maximum number of joint venture collaborations are in the nature of financial. These collaborations are covering areas like financial sources, construction, hotels, fabrics, off-shore services, trading company food products, manufacturing etc. This shows the multiplicity in the joint venture collaboration between the two countries. So far since 1991 to 1996 about 26 projects have been approved thus occupying the top most position in the joint venture collaborations in India.

Balmer Lawrie & Company has opened a collaboration with B.P. Middle East Limited in Dubai for manufacturing Lubricating Oil at the cost of 20 million rupees with foreign equity of 15 per cent. Similarly, Orind Steel Ltd. is having collaboration with Gold Star Investment in Dubai to establish and integrate iron and steel unit with foreign equity of 24.24% at the cost of 4000 million rupees.

INDIA AND SAUDI ARABIA

The Indo-Saudi Arabia relations have received a major boost with the government of India approving more than a dozen joint venture projects during the last six years. Some of the important Indian joint ventures operating in the Saudi Arabia's non-oil sector include Saudi Formal dehyde and Rashtriya Chemicals Fertilizers Ltd. Oberoi Chain of Hotel, Saudi Oberoi Company Ltd. and Yanbu Cement and Associated Cement Corporations.[30]

It was during Indira Gandhi's visit to Saudi Arabia, that India and Saudi Arabia decided to set up a joint commission to give an impetus to their cooperation in economic and technical fields. Indo-Saudi Joint Commission was set up in April 1981 by an agreement between the two governments. So far 4 sessions have been held, the first in New Delhi in August 1983, the second in Riyadh in 1986, the third in New Delhi in 1991 and the fourth in Riyadh in December 1994. The Co-Chairman from Indian side was Finance Minister and from the Saudi Arabia side, the Minister of Industry and Electricity.[31]

In the hydrocarbon sector, a beginning has been made by the agreement between the Hindustan Petroleum and Armco for the joint venture refinery to be set up at Bhatinda in Punjab.

30 Government of India, Ministry of External Affairs, ***Foreign Affairs Record***, Vol. XLIII, no. 6, June 1997, pp. 85-87.

A memorandum of understanding has been signed with M/s Saudi Armco for setting up a refinery in North-West India with a crude processing capacity of 6MMTPA. The project is estimated to cost Rs. 700 000 stage I approval has already been accorded by the Government. The financing of the project will be based on debt enquiry ratio of 2:1 with participation of 26% by each promoter. The equity participation of HPCL and M/s Saudi Armco subsidiaries each will be Rs.60,700 lakhs and that of public will be Rs. 112000 lakhs.[32]

The other Saudi companies, particularly, the Saudi Arabian Basic Industries Corporation [SABIC] have shown interest in collaborating with Indian companies.[33] In a bid to strengthen its preserve in India, SABIC has established a new affiliate based in New Delhi. SABIC India Private Ltd. in which SABIC Europe, the Corporations London-based marketing affiliate holds a majority stake. SABIC has supplied its products to India for over a decade through a marketing agreement with Indian partners.[34]

The significance of the proposed deal between India and Saudi Arabia to collaborate in establishing a fertilizer plant in Jubail near the Saudi Coast the proposed deal with Saudi Arabia for Indian equity participation [49%] in the Rs.

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31 Government of India, Ministry of External Affairs, ***Foreign Affairs Record***, Vol. XLIII, no. 6, June 1997, pp. 85-87.

32 Govertnment of India, Ministry of Petroleum and Natural Gas, ***Annual Report 1996-97***, p. 22.

33 ***International Times***, November 18, 1996.

34 ***International Times***, November 18, 1996.

157000 lakhs project with an annual capacity of 500 000 tones based on natural gas has been widely endorsed.[35]

Indian economic presence in the Kingdom include consultancy, construction, project engineering, management operations and maintenance supply of equipment, providing technical personnel to scientific and technological cooperation.

TABLE IV

INDIA AND SAUDI ARABIA JOINT VENTURE COLLABORATION APPROVED DURING 1991-96

S.N	Name and Address of the Indian Co.	Name of the Foreign Collaborator	Product Description	Nature of Collaboration	Amount Rs. in Million	Foreign Equity %age	Approval Year/ Month
1	Hindustan Dors Oliver Ltd. Bombay	Al-Kawther Industries S.A.	Design, Engineering & Consultancy in the field of Sea water reverse Comosio systems	Technical			91/09
2	Wali Mohd. A. Albin Hassan [Pro] Bombay	Wali Mohd. A. Albin Hassan	Trading Company	Financial	0.61	50.00	92/08
3	Shalimer Krafts & Tissues Pvt Ltd. 713, Shalimer House Roorki Road Muzaffar Nagar	Al-Yamini Est New Street Abdulhamil Bldg., Gold Market, CR 650003555 PO Box 19011 Jeddah 21435, S.A.	Kraft Paper	Financial	3.00	25.00	24.9.92
4	Albaraka Finance House Ltd. India House No.2 Kemps Comer Bombay 36	Albaraka Investment Development Co.	Financial Services in India	Financial	5.50	51.00	28.1.93
5	Otoklin Plants & Equipment Ltd. 1310, Prasad Chambers Chami Road Bombay	Al-Qahtani	Pipe Coating	Financial	4.50	8.93	1.2.93
6	Indo-Arab Granites Ltd	Al-Suboha Modern Technologist	Granite slabs and granite	Financial			93/ 02

35 *International Times*, November 18, 1996.

	5-30-4, 4/13 Brodopet Guntur		tiles				
7	Tradewell Co. P.B. No. 521 T Dammam	Tradewell Co. P.B. No. 521 T Dammam	Trading Company	Financial	2.47	51.00	22.4.93
8	Samaha India Trade Co. Pvt Ltd. India House No.2 Kemps Comer Bombay 36	Samaha Holding Dallah, Dallah Tower Bldg., PO Box 430 Palestine Jeddah	Exports of India Merchandise and Goods	Financial	28.50	51.00	28.01.93
9	Deccan Castings Pvt Ltd. 22 Kammanahally St. Thomas Town Bangalore 560094	Mr Abdul Aziz A. Alomaim	Aluminium Pressure Die Castings	Financial	2.50	50.00	20.10.93
10	Gulftech [India] Pvt Ltd. No.2000, 100 Ft Rd. HAL Iind Stage Indiranagar Bangalore-38	Arabic computer systems, computer software Ltd.		Financial	6.70	99.90	6.8.93
11	Diomix Systems Pvt Ltd. 34/1220 Balakrishna Memon Rd Anchumana Edapally Kochi	Mr Rubi B. Naggar Int'l Airport Projects PB 3626 Jeddah 21442	Electrical Equipment	Financial	1.20	48.00	95/04
12	A.W. Chemical Pvt Ltd. IV-A-A Satharia Jhanpur	Al-olaya Gombet	Industrial Machinery	Technical			
13	Minate Overseas Enterprises Pvt Ltd A-201, 2nd Flr Green Mansion Human Nagar Hyderabad	The National Tannery & Leather Pvt Ltd.	Manufacture of leather garments	Financial	24.00	80.00	
14	Hindustan Petroleum Corporation Ltd. Petroleum House 17 Jamshedji Tata Rd Mumbai	Saudi Arabian Oil Company, Saudio Aramco Dhaharan	To establish a MTPA grass root refinery	Financial	6070.0 0	26.00	96/ 04

Source: Monthly Newsletter Various Issues, India Investment Centre.

The above Table shows that Saudi Arabia occupies the second largest joint venture collaborations in India after the UAE. The total number of joint venture collaborations approved during 1991-96 was 14. These collaborations are in the nature of Financial and Technical covering areas like designing, engineering and consultancy, trading company, financial resources, electrical goods and craft paper etc.

Hindustan Petroleum Corporation Limited signed an agreement with Saudi Arabian Oil Company. Saudi Armco to establish a MTPA Grassroots Refinery in 1996 with 26% foreign equity of 6070 million rupees. For the first time Indian Company Gulftech [India] Pvt Ltd has set up joint venture collaboration with Arabic Computer systems, Computer Software Ltd.

INDIA AND OMAN

The relations between India and Oman received a boost when the then Indian Prime Minister, Mr P.V. Narasimha Rao, made an official visit to Oman on 14-16 June 1993. During his extensive talks with Oman counterpart, the Sultan of Oman, H.M. Qaboos bin Sa'id, three agreements were signed covering economic cooperation joint venture oil projects.

An economic cooperation agreement covering hydrocarbon projects, namely, the construction by Oman of a 500 000 lakh 900 mile 42 inch submarine gas pipeline with a capacity of 1.8 bn cu ft. per day linking the two countries and setting up of two joint venture refinery projects in India one in the central part of the country [Madhya Pradesh] and the other on the West-Coast [Bombay] each with a capacity of 120 000 b/d for which memoranda of understanding were signed. The refineries which will process Omani crude will be built by a joint venture company the state owned Oman Oil Company [OOC] and two Indian firms, Hindustan Petroleum Corporation and the Bharat Oil Company.[36] This agreement incorporates a most favoured nations with regard to these projects. It also stipulates that the two sides take appropriate measures to promote and facilitate investment proposals in Hydrocarbon fertilizers and other areas of activities which contribute to the welfare of the peoples of both the countries.

A memorandum of understanding for the construction of Oman of a gas based fertilizers plant for the production of ammonia and urea. The two sides agreed to follow up the talks held in this regard between the Indian firms Rashtriya Chemicals and Fertilizers Ltd and Krishak Bharati Corporation Ltd [Krishbco] and the Oman Government and OOC and to go ahead with a feasibility study for the project. India and Oman also signed a long-term agreement for the supply to India of 1 mn tones/year of Oman crude beginning in 1994.[37]

The West Coast Refinery Project [WCRP] was given clearance for stage I by the Government of India in February 1993. Under WCRP, the Hindustan Petroleum Corporation Ltd. [HPCL's] was permitted to set up a 6 MMTPA gas-root refinery on the West Coast of India. Subsequently, in March 1993, a MOU was signed by Government of India HPCL, Government of Sultanate of Oman and Oman Oil

36 *Middle East Economic Survey*, 37: 15, January 10, 1994, p. A-16.

37 *Middle East Economic Survey*, 36: 38, June 21, 1995.

Company Ltd to form a joint venture Company. The JVC Hindustan Oman Petroleum Ltd [HOPCL] has been incorporated on March 4, 1994.[38]

The JVC with M/s Oman Oil Company has also set up 6 MMTPA Refinery at Deogarh on the West Coast of Maharashtra. The cost of the project is Rs. 510211 lakh in 1995 and will be financed with a debt equity ratio of 2:1 having 26% equity participation from each of the promoters and balance 48% from the public.[39]

A JV of Bharat Petroleum Corporation Ltd and Oman Oil Company 6MMTPA has set up a refinery in Central India. The objective of the proposal is to meet the projected deficits in the supply of petroleum products including Lube Oil Base Stocks [LOBS] in the Central Indian region. The JVC Bharat Oman Refineries Ltd has been incorporated on the 25th February 1994 by the Registrar of Companies Gwalior Madhya Pradesh. This project has been approved by the Government of India in December 1995 at an estimated cost of Rs.527700 lakhs including a foreign exchange component of Rs. 168600 lakhs BPCL would be investing 26% of the equity of BORL which is estimated to be at Rs. 54900 lakhs based on a debt equity ratio of 1:5:1.[40]

Recently, BHEL made its maiden entry into the Oman market by successfully bagging an order for 30 MW Gas Turbine based power project in 1995-96.

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38 Government of India, Ministry of Petroleum & Natural Gas, ***Annual Report, 1994-95***, p. 15.

39 Government of India, Ministry of Petroleum & Natural Gas, ***Annual Report, 1995-96***, p. 24.

40 Government of India, Ministry of Petroleum & Natural Gas, ***Annual Report, 1995-96***, p. 27.

OOC will be responsible for the financing of the project and will arrange the necessary lending from a consortium of commercial banks. BPCL/OOC agreement providing for setting up the refinery falls within the framework of the protocols for economic cooperation and the establishment of joint venture oil projects that were concluded between the two countries last June. Under the economic cooperation protocols, OOC also agreed to participate with the Hindustan Petroleum Corporation for setting up a second refinery in Western India.

The Indian State owned Bharat Petroleum Corporation Ltd. [BPCL] has signed an agreement with the state-owned Oman Oil Company [OOC] on 16 December 1993 for the construction of Rs. 57534 lakhs refinery in India. The new refinery has been constructed at Bina in the Central Indian State of Madhya Pradesh.[41] The BPCL-OOC agreement providing for setting up the refinery falls within the framework of the protocols for economic cooperation and the establishment of joint venture oil projects that were concluded between the two countries in June 1993 under the economic cooperation protocols. The OOC also agreed to participate with the Hindustan Petroleum Corporation for setting up a second refinery in Western India.[42] Accordingly, the Indian government has approved the establishment of a joint venture company to implement the project and that another agreement was also signed by the two firms incorporating terms for the supply of crude for the projected refinery.

Oman and India signed on 30th July 1994, a memorandum of understanding [MOU] for the construction of a large scale 50.50 joint venture fertilizer plant in

41 *Middle East Economic Survey*, 37: 15, January 10, 1994, p. A.16.

42 *Middle East Economic Survey*, 37: 15, January 10, 1994, p. A.16.

Oman at an estimated cost of Rs. 266900 lakhs. The memorandum of understanding was signed by the Indian Minister of Chemicals and Fertilizers, Shri Ram Lakhan Singh Yadav and the Secretary of the Indian Department of Fertilizers, Sri NR Krishnan and the Omani Minister of Petroleum and Minerals, Mr Said bin Ahmad al-Shanfari and the Advisor to the Minister Petroleum and Minerals, Mr Alibin Abdullah bin Saleh al-Tamini in Oman.[43] The MOU expressed the interest of the two governments in jointly sponsoring the design, construction of financing and operation of a world scale fertilizer complex in Oman which when completed will utilize 49 bn cu ft/year of Oman natural gas and supply India with the complex's total output of 1.4 mn t/y of urea. In addition, to the governments of Oman and India, three companies — India's Krishak Bharati Cooperative Ltd, Rashtriya Chemicals and Fertilizers Ltd and Oman's Oil Company are parties to the agreements which stipulates that three firms will form a joint management committee to complete the technical and economic evaluation of the project and implement its development.[44]

Indian demand for fertilizers is estimated to amount to 11.5 mn t/y by 1996 and given domestic production of 9.5 mn t/y the supply deficit of nitrogenous fertilizers will be about 2 mn t/y. In addition to the MOU on the Oman Oil gas Pipeline, a Royal Decree [No.97/94 issued in Oman on 24 September ratified a number of other agreements and MOUs for Oil projects in which Oman and OOC are involved. This include two-joint venture grass roots refineries in India and a joint India-Omani project.

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43 *Middle East Economic Survey*, 40: 14, April 7, 1997, p. A.13.
44 *Middle East Economic Survey*, 40: 14, April 7, 1997, p. A.13.

TABLE V

INDIA AND OMAN JOINT VENTURE COLLABORATION APPROVED DURING 1991-96

S.N	Name and Address of the Indian Co.	Name of the Foreign Collaborator	Product Description	Nature of Collaboration	Amount Rs. in Million	Foreign Equity %age	Approval Year/ Month
1	OCS International Corporation Ltd. 863/D, 12th Main 3rd Block, Koramangla Bangalore	Oman Computer Services Ltd Muscat	Computer software	Financial	2.25	90.00	27.8.93
2	Hindustan Petroleum Corporation Ltd. 17 Jamshedji Tata Rd Post Box No.11041 Bombay	Oman Oil Co. Ltd. Oman	Petroleum products	Financial	1950.00	26.00	23.11.93
3	Bharat Petroleum Corporation Ltd 4&6 Currimbhoy Rd Ballard Estate P.B. No. 688 Bombay	Oman Oil Co. Ltd. P.O. Box No. 3367 Ruwi Sultanate Oman	Petroleum products	Financial	3477.50	26.00	22.11.93
4	Shantha Biotechnics Pvt Ltd. Plot No. 822 A, Road No. 40 Jubilee Hills Hyderabad	H.E. Yusuf Bin Alwai Abdullah P.O. Box No. 5553 Ruwi	Restriction enzymes biotech lab reagents	Financial			94/ 01
5	Nisma Aircon International Pvt Ltd No.9 Dhanammal St. Esspeekay Aparts. Chelpet, Madras	Eastern Establishment	Heat pump airconditioners split type air-conditioners, window model airconditioners	Technical			94/ 08
6		Bank Muscat Al Ahli Al Omani P.O. Box 134 Ruwi	To establish a financial services company in India	Financial			94/ 12
7	Shell Inn [Int'l] Ltd. Shell Inn Bldg. 65 Bazar Gate St. Bombay	Atmarjaw Development Co. LLC P.O. Box 1741 RDWI Postal Code 112	Hotel and Tourism	Financial			95/ 04

8	Rah Poly Products Ltd Mayfair Complex 1-8-303/34/1 Sardar Patel Road, Secunderabad	Poly Products LLC P.O.Box 2561 Ruwai Postal Code 112	Mattresses supports, articles of bedding and similar furnishing fitted with springs or stuffed or intrnally fitted with any material or of cellular rubber, plastics whether or not covered	Financial			95/ 10
9	Genivs Financial Ltd 1-10-728, 1st Flr. S.P. Road, Begumpet Hyderabad	Ali & Abdul Karim Trading Company P.O.Box No. 587 Ruwi Postal Code 112	Non-banking financial services	Financial			95/ 12
10	Nisha Aircon International Pvt Ltd. 9 Dhanammal Street Chelpet Madras	Ali Mahmlod A. Rehman Al-Ham	For manufacture of air conditioner sheet fabrication and assembly	Financial	7.50	100.00	96/ 09

Source: Government of India, Ministry of Industry, SIA Newsletters, India Investment Centre, Monthly Newsletters [Various Issues from 1991-96]

During 1991-96, Oman has set up several joint venture projects in India. The list of foreign technical and financial collaborations approved by the Government of India does not include more than ten. These collaborations are all financial in nature except one and are in the field of computer software, petroleum products, hotel and tourism and non-banking financial services etc. The Hindustan Petroleum Corporation has set up two joint venture collaborations with Oman Oil Company Ltd in 1993 for the manufacturing of petroleum products.

INDIA AND KUWAIT

India and Kuwait have signed various joint venture projects in order to benefit both the countries. India expressed its keen interest to invest in Kuwait by entering into a production sharing contract for discovered oil fields and has offered adequate expertise and resources to undertake such ventures. KPC has assigned the work of technical health study and maintenance cost profile of three refineries in Kuwait to Engineers India Limited [EIL].[45] EIL has selected by Kuwait National Petroleum Company [KNPC] to carry out a major survey of the states three refineries. The main focus of the technical survey is to ascertain the condition of Mina al Ahmadi, Mina Abdullah and Shaniba refineries and to assess whether older refining units, some of which were badly damaged during the Gulf War can be repaired or required replacing. EIL has provided a detailed work programme for KNPC for use.

The Kuwait National Petroleum Company [KNPC] has awarded a Rs.431504 lakh contract to the Indian engineering firm Punj Lloyd for the renovation of damaged storage tanks at the Mina Abdullah, Mina al-Ahmadi and Shaniba refineries. The Punj Lloyd is represented in Kuwait by al-Ghanim International Corporation.[46]

The Indian Government has approved a proposal by the state-owned Indian Oil Corporation [OIC] for the formation of a joint venture with the Kuwait Petroleum Corporation [KPC] to set up a new 1.20 000 b/d gas roots refinery in Orissa, Eastern India at an estimated cost of Rs.41478 lakh. An Indian Government Statement on 27 June 1995 said that the Cabinet Committee on Economic Affairs has approved IOCs proposal to sign a Memorandum of Understanding with KPC for the formation of the

45 *Middle East Economic Survey*, 38:38, June 1995, p. A. 11.
46 *Middle East Economic Survey*, 38:38, June 1995, p. A. 11.

joint venture for the refinery.[47] The project is estimated to cost about Rs.86970 lakh including financing costs with 33% to be raised through equity and the remainder to be covered by debt financing. KPC and IOC each plan to take a 26% equity interest and the remaining 48% will be offered for public subscription.[48]

The Kuwait Petroleum Corporation [KPC] signed an agreement with India on the 5 May providing for the export to India of crude oil and products during the April 1994 to March 1995 fiscal year whose value is estimated at around Rs. 235500 lakh. According to the contract, the deal involves the export of 4.5 mn tons of crude, 1 mn tons of kerosene and 900 000 tons of diesel oil.

TABLE VI
INDIA AND KUWAIT JOINT VENTURE COLLABORATION APPROVED DURING 1991-96

S.N	Name and Address of the Indian Company	Name of the Foreign Collaborator	Product Description	Nature of Collaboration	Amount Rs. in Million	Foreign Equity %age	Approval Year/ Month
1	Bahto Essem Trading Co. 109/110 Anand Estate, 189-A, Sane Gureyi Marg Bombay 400001	Foreign Nationals Kuwait	Trading Company	Financial	0.91	50	30.10.92
2	Oriental International Co. Ltd. E-54, Saket New Delhi -17	Abdul Fatah Marafi P.O. Box 122 Safat	Trading Company	Financial	0.49	50.00	19.1.93
3	SDJ Tubes Ltd 3-6-10 Himayat Ngr Hyderabad	Kuwait Industries Co. Holding P.O. Box 2230 Safat	Metallurgical Industries	Financial	600	12.00	94/ 06
4	Canary Resorts & Hotels Pvt Ltd. Pukkunnel, Puthupady Murattupuzha Kerala	Badar Al Salem Director Kuwait Architectmal Cos. Area 1, Block 1, Bldg.98, Regail	Hotel Tourism	Financial	2.40	48.00	94/ 08

47 *Middle East Economic Survey*, 66:40, July 1995, p. A. 12.
48 *Middle East Economic Survey*, 33: 40, July 3, 1995, p. A. 12.

5	HPM Industries Ltd 209-210, Anupam Bhawan, Azadpur Commercial Complex, Azadpur Delhi	Ahmed Abdullah Ahmad, J Al-Sabah P.O. Box 5389 Safat 13054	Pesticides mainly insecti-cides and fungicides	Financial	22.50	28.41	94/ 10
6	Tamil Nadu Indus-trial Development Corporation Ltd. 19-A, Rukmini Lakshmipathy Rd. Egmor, Madras	Mr Sheikh Al Sabah, Mr Mohd Aloomi & Associates	Liquefied petroleum, gas naphtha, motor, gaso-line, aviation turbine fuel/ kerosene, diesel oil, fuel oil, sulphur etc	Financial	315.00	15.63	94/ 11
7	Hexacom India Ltd C-138, Naraina Industrial Area, Phase I, New Delhi	Mobile Telecommu-nications Co. P.O. Box 22244 Safat 13083	Cellular Telephone Services	Financial	1500.0 0	30.00	95/ 11
8	Indian Oil Corpora-tion Ltd. R&P Division Scope Complex Core 2, 7 Lodi Rd. New Delhi	Kuwait Petroleum Corporation, Kuwait Salhia Complex, Salhia	Setting up new refineries	Financial	2600.0 0	26.00	96/ 03

Source: Government of India, Ministry of Industry SIA Newsletter & India Investment Centre, Monthly Newsletters [Various Issues from 1991-1996].

INDIA AND BAHRAIN

The year 1996 proved a watershed year for India. Bahrain bilateral relations and a new chapter was opened at the beginning of the year when Bahrain signed agreements with the Confederation of Indian industry [CII] and the Exim Bank to promote and develop investment and trade relations.[49]

49 *International Times*, An Economic Times Report, Indo-Bahrain Trade, March 28, 1997.

A spate of Indo-Bahrain projects have taken off since then and the upbeat mood was given a further boost with the Bahrain Promotions and Marketing Boards [BPMB] decision to have its first overseas representative office in Mumbai.[50]

The Bahrain Minister of Oil and Industry, Shaikh Ali Al Khalifah and the Chairman of the Indian Ispat Group have signed an agreement under which the Indian firm will set up Rs. 83625 lakhs sponge iron plant at al-Hidd in Bahrain.[51] The plant, which will have a production capacity of 1.2 mn. tons/year of sponge iron, will be wholly owned by Nippon Denro Ispat, a subsidiary of the Ispat Group. According to a statement by Mr Ashok Knivasara, the Project Director, the plant is the first of its kind to be established in the Gulf area. It will be similar to other plants owned by the Company in India, he said that the company selected Bahrain as the location for its new plant because of the availability of the necessary facilities as well as a supply of iron pellets which are produced by the Kuwait-owned Gulf Industrial Investment Company [GIIC].[52] GIIC is currently expanding the capacity of its iron pellet plant from 3mn to 4mn tons/year.

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50 ***International Times, An Economic Times Report***, Indo-Bahrain Trade, March 28, 1997.

51 ***Middle East Economic Survey***, 38:47, August 21, 1995, p. A.16.

52 ***Khalij Times***, October 7, 1997.

TABLE VII

INDIA AND BAHRAIN JOINT VENTURE COLLABORATION APPROVED DURING 1991-96

S.N	Name and Address of the Indian Co.	Name of the Foreign Collaborator	Product Description	Nature of Collaboration	Amount Rs. in Million	Foreign Equity %age	Approval Year/ Month
1	MVG Rao 1202, Road No.36 Jubilee Hills Hyderabad	Chematur A.B.	Para nitro chlorobenzene and ortho nitro chlorobenzene	Technical			92/ 04
2	Quest International Pvt Ltd. 14, Mahavir Darshan Juhu Lane, Bombay 58	Farouk Y Almooayyed & C.V. Ramamurthy	Software development & consultancy	Financial			92/ 05
3	Lipton India Ltd 9/2, M. Road Bombay	Lipton India Ltd 9/2, M. Road Bombay	Sunflower seed oil	Financial			92/ 12
4	Samrat Middle East Exports Pvt Ltd. Matryefed Bldg. Chulikal, Cochin	Ibrahim Khamis Abbed Middle East Food P.O. Box 1139 Manama	Food processing	Financial			93/ 12
5	W.S.Telesystems Ltd Dr Brownman Towers, 70/1 Mission Road Bangalore	Tans Arabic Invest-ment Bank Sethi Centre, Diplomatic Area PO Box 20485 Manama	Electrical equipment	Financial			94/ 01
6	Caltex Oil India Pvt Ltd. F-47, New Delhi South Extension-Pt. I New Delhi	Caltex Oil Corpora-tion	Setting up a 100% subsi-diary as a holding Co. for the purpose of feasibility studies market surveys and other promo-tional activities	Financial	511.50	100.00	
7	Cityneon Dag India Pvt Ltd. 2/7, Julena Commer-cial Complex Sarai Julena New Delhi	Cityneon Middle East WLL	To manufac-ture exhibition stands	Financial	18.70	37.40	96/ 02

Source: Government of India, Ministry of Industry, SIA Newsletters & India Investment Monthly Newsletters [Various Issues from 1991-1996].

Table VI and VII show that India has approved 8 and 7 collaborations with Kuwait and Bhrain respectively the Collaborations are in the nature of financial and technical. They cover areas like trading company, metallurgical industries, hotel tourism, cellular telephone services, setting up of new refineries, software development and consultancy, electrical equipment, food processing, etc.

INDIA AND QATAR

India's ties with Qatar got expanded after the introduction of economic liberalization particularly hydrocarbon sector. In order to meet rising demand for LNG and LPG, India has signed several joint ventures with Qatar.

India and Qatar have set up a joint venture on 4 April 1995 in oil, natural gas and fertilizers and also an agreement on avoidance of double taxation and bilateral trade investment guarantee. Engineers India Ltd is also working on the consolidated top sides improvement project PS2 and PS3 of Qatar General Petroleum Corporation [QGPC].[53]

Petroleum India International has provided its service to the Toys Engineering Company in Qatar. In addition to this, there are two joint venture projects between the two countries which have been approved.

"The US Amco Exploration and Production and India's private Essar Group have established a 50-50 joint venture both for a gas receiving terminal and regasification plant in India and for the purchase of Qatari liquefied natural gas. Essar had signed in January 1995 a Memorandum of Understanding [MOU] with the Qatar

53 ***Middle East Economic Digest*** [Special Report], April 11, 1997, p. 15.

General Petroleum Corporation [QGPC] for the delivery of 2 mn tons year of LNG from the RS Gas Project beginning in 1997 for a 25 year period with the gas to be used at Essars power plants at Hazira in the Western Indian State of Gujarat".[54]

Economic liberalization introduced in 1991-96 led to the opening up of joint venture collaborations between India and the Arab Gulf region. These joint ventures are in the nature of financial and technical. They are covering the areas of construction, financial services, electronic equipment, metallurgical industries, hotel, shipping transportation, pharmaceuticals, software technology, airport projects, oil refineries etc.

So far 67 joint ventures collaborations have been approved between India and Arab Gulf. They have opened up their offices in the respective countries in order to coordinate. UAE constitutes largest number of approvals recording 26 during this period, followed by Saudi Arabia, Oman, Kuwait, Bahrain and Qatar.

INDIA AND QATAR JOINT VENTURE COLLABORATION APPROVED DURING 1991-96

S.N	Name and Address of the Indian Co.	Name of the Foreign Collaborator	Product Description	Nature of Collaboration	Amount Rs. in Million	Foreign Equity %age	Approval Year/ Month
1	Saaz Iron Ltd Bombay	Shri Sheikh Bin, Qatar & NRIs Fahd Al Thani Doba	Industry, Hotel and Restaurant	FDI		4.98	
2	Khudabaksh Agro Farms Ltd 3-6-751, 2nd Flr, Street No. 12, Himayat Nagar Hyderabad 500029 Andhra Pradesh	Al-Maha Group Holding Qatar	Industry, Food Products	FDI		27.00	

Source: Government of India, Ministry of Industry.

54 *Middle East Economic Survey*, 40: 24, June 16, 1997, p. A.7.

The industrial policy and other economic reforms have boosted foreign investment which is evident from the rise in foreign direct investment approvals since 1991. Several drastic measures were undertaken to encourage foreign direct investment in the country. Domestic competition has been introduced by delicensing of industries and by liberalising the policy related to foreign direct investment. The Government of India has approved 67 joint venture collaborations. Most of them are in the nature of finanmcial. These collaborations are in the field of electronic equipment, construction, offshore services, lubricating oil, transportation, pharmaceuticals, financial services, trading companies, manufacture of leather goods, industrial machinery and software technology.

CHAPTER IV

OIL FACTOR IN INDIA — ARAB GULF COUNTRIES ECONOMIC RELATIONS

The rise in oil prices in the early 1970s gave rise to a literature which pointed out that oil is an exceptional commodity because of its strategic nature. The dual character of oil as an economic and strategic goods is virtually unique. Oil is the most widely traded commodity, and accounts for the highest total value among imports and exports world-wide. Oil is also unique in the rate of return it supplies to capital. No legally traded manufactured goods or commodity has a higher payoff than oil. These two factors make oil precious, especially from the perspectives of oil producers and exporters.

Oil is also a strategic good. It powers the modern military machine directly, as fuel, and indirectly through its huge fiscal weight, often the more important security interest of the two. Because of the dependence of significant proportions of transportation and manufacturing on oil, supply interruptions threaten not simply force structures but even more critically the economies of affected states. State power has been intimately connected to oil flows since the early part of this century, and remains so because of the economic and political benefits that flow to today's dominant states from an oil-fueled energy regime.

Oil's multinational distribution, its capital intensity, and its importance as a traded and highly taxed good make the oil market a major actor in oil politics.[1]

1 Mary Ann Tetrault, "Independence, Sovereignty and Vested Glory of Oil Politics in the Second Gulf War", ***Orient***, 34(1), 1993, p. 98.

Market power is expressed through control of crude oil, currencies, and capital, which enables the holders to affect variables such as supply, demand, or price unilaterally.[2] These effects are experienced by all participants in the shared international economy, including the agent itself. The state cannot isolate itself from the effects of its own exercise of oil market power; there is no boundary between inside and out.[3] Thus, decisions about oil production levels, import quotas, or taxes on products, though taken primarily or entirely for domestic reasons, can affect the market as a whole. Decisions about exchange rate policies, interest rates, or taxes, also influence oil markets because of oil's quality as an international currency freely convertible to dollars.[4]

The Arab Gulf region has gained tremendous importance in contemporary international politics. mainly because of its unique geo-strategic location and huge oil resources. The Arab Oil embargo and the subsequent steep rise in oil prices the rapid accumulation of the expansion of deepening ties with America and the western countries have in effect resulted in greater attention paid towards the Arab Gulf States.[5]

The importance of the Gulf region has increased due to the vast surplus deposits of oil and natural gas that is abundantly available. The Arab-Gulf region is the largest oil producer in the world and a dominant members of OPEC, is largely based on the exploitation of its oil reserves. The Arab Gulf policy is expected to

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2 Ibid.

3 ibid.

4 Ibid.

5 Ajay N. Jha, ***India's Economic Diplomacy in the Gulf***, 1988, p. 19.

continue aiming at development of the economy including the continued increase of oil production capacity, expansion of refining capacity and development of industries, especially the petrochemicals sector. The region's export profile depicts the predominance of oil and gas in the country's exports accounting for 90% of the total exports in 1991 [petro-chemical exports have also shown an upward trend in volume terms].

India is deeply concerned with the structural stability in its neighbourhood. The Kuwaiti crisis and the subsequent Gulf War has structurally destabilized the Gulf. Earlier, the stability of the Gulf depended upon a triangular configuration between Iran, Iraq and the GCC led by Saudi Arabia. A weak Iraq cannot provide that structural stability. Post-war attempts towards better understanding between Iran and Saudi Arabia, based upon the principle that enemy's enemy is friend, have not succeeded because of basic systemic asymmetry between the two regimes. It is, therefore, important that Iraq should be rehabilitated in the interest of regional stability. India should do all it can to strengthen that process. Iraq has paid the price for its misadventure. If we allow ourselves to be made a party to the targeting of Iraq by the North today then we are indirectly helping to legitimize such targeting of other states of the South in future as well.

While India's policy towards the Gulf has been affected drastically by the changes in the global and regional environment yet some basic factors determining India's policy towards the Gulf have remained unchanged. These are the dependence upon the Gulf for oil, role of Indian expatriates, contribution of their remittances to Indian economy, trade and investment etc.

The Kuwait crisis and more so the economic sanctions imposed by the Security Council under Resolution 661 of 6 August 1990, had resulted in a mini-oil crisis for India. India had to find alternate sources for about 4.5 million tons of oil that it would have otherwise obtained from Iraq and Kuwait. moreover, the spot market prices also shot up temporarily upto $30 per barrel and more leading to an escalation in the oil import bill from about Rs.5000 crores in 1989-90 to more than Rs.10,000 crores in 1990-91. Fortunately, price of crude stabilized soon after due to increased production of crude,. especially by Saudi Arabia. Thus a global scramble for oil and a steep rise in oil price was averted.

These factors have highlighted India's dependence upon Gulf Oil. This dependence has increased further over the past two years because of three main reasons. Firstly, the consumption of crude and oil products has been rising steadily in India. Secondly, the domestic production of crude has begun to decline due to instability in Assam and due to earlier over-exploitation of oil wells in the Western sector [see Table 1]

TABLE I
INDIA : CRUDE OIL AND PRODUCTS
DOMESTIC PRODUCTION AND IMPORT [mn. tons]

Years	Domestic Production	Import
1988-89	32.0	24.3
1989-90	34.09	26.1
1990-91	33.03	29.3
1991-92	30.2	33.4
1992-93	31.1	40.5
1993-94	27.02	42.8
1994-95	32.24	41.3
1995-96	35.193	47.6
1996-97	33.434	40.1

Source: Government of India, Ministry of Petroleum and Natural Gas[various issues]

India's dependence on the Gulf oil has also increased due to the decline in oil production in the erstwhile Soviet Union which was also a major source of oil supply for India. The Soviet crude production which was 12.207 million barrel per day [mb/d] in 1989 came down to 11.464 mbd in 1990, to 10.68 mbd in the first half of 1991 and to 9.9 mbd in November 1991. It will take time for the oil production to pick up in the erstwhile USSR.[6]

The production of indigenous crude oil during 1994-95 is 3230 million tonnes as against the production of 27.02 million tons during 1993-94. The crude oil production in the country increased to 33.434 mmt in 1996-97 as against the production of 35.25 mmt in 1995-96. The production during the year 1995-96 was 35.15 mmt which is the highest level reached so far.[7] There has been some shortfall in production during the year 1996-97 due to unexpected reservoir behaviour in Bombay high and Neelam Oil Fields. Frequent power shut downs in eastern and western region affecting artificial lift operations, constraints in operating conditions in the North Eastern region and stoppage of work in Nagaland.

Several measures have been taken to increase oil production in the country. These include implementation of enhanced oil recovery schemes, implementation of new schemes and additional development of existing fields, maintenance of reservoir

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6 *Financial Experess*, February 4, 1994.

wealth through work over operations and pressure of artificial lift operators, stimulation of wells. 3D seismic surveys for better reservoir delineation and encouraging the participation of private/joint ventures in oil exploration and development programmes. Hydro-carbon sector has been opened to the private investment. The total refining capacity of 14 refineries in the country at present is 60.55 mmt pa.[8]

The government has a package of reforms put together by industry experts over the past two years which will change the face of the Indian petroleum sector. Deregulation, confined to private investment in the hydrocarbons industry since liberalization in 1991 will be stepped up. Key elements of the reform programme include the removal of the state price controls on oil and gas output, the elimination of subsidies, the opening of the petroleum products import market to the private sector, cuts in exercise and customs duties and opening up more acreage for exploration.

The domestic oil industry acts as a major challenge if it is to boost local production and help contain the growth in the import bill.

The combination of falling oil output at home higher international crude prices, depreciation of the rupee and rise in the petroleum import bill to a record $ 9.600 million up from $7.100 million in 1995.

India had to import about 33.2 million tonnes of crude oil and 22.1 million tonnes of petroleum products during 1996. Crude oil and natural gas demand would reach 155 million tonnes and 199 million cubic metres a day respectively in 2006-07.

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7 *Middle East Economic Survey*, January 16, 1997.
8 *Middle East Economic Survey*, 30:48, 1991, p. 6.

It is unlikely that the domestic industry will be able to meet much of the increased consumption. Current output of oil and gas is only 35.19 million tonnes and 61.85 mcm/d respectively. Refinery output will also need to triple to meet the new demand.

Imports of oil and gas and refined products are likely to remain high. There is relatively little interest in exploration and proposal for new refineries are a long way from being implemented.

Plans to import gas from the Gulf have made little progress. The India-Oman gas pipeline promoted by OOC has stalled. The task of laying a pipeline 3.500 metres under the sea presented a formidable technical challenge and neither OOC nor its possible Indian partner was prepared to commit the $5000 million investment needed to carry the project through.[9]

An alternative gas strategy envisages the construction of at least two liquefied natural gas [LNG] import terminals in southern India. Gas Authority of India [GAIL] is waiting on proposals to be submitted by 15 January for LNG receiving terminals at Ennore in Tamil Nadu and New Mangalore in Karnataka each with an initial capacity of 2.5 million tonnes a year [t/y] rising to million t/y later.[10]

An initiation issued in November 1996 asked LNG producers and international companies in the LNG import business to submit proposals for equity participation in a joint venture to set up the terminals with GAIL. Indian Oil Corporation [IOC] and another public sector company. Oil & Natural Gas Commission [ONGC].

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9 *Middle East Economic Digest*, April 4, 1996, p. 7.

10 *Middle East Economic Digest*, April 4, 1996, p. 7.

The Indian partners also want to invest in liquefaction facilities abroad and if possible, acquire an interest in the upstream gas supplies. Each of the three Indian partners will bring their expertise to the joint venture GAIL taking care of gas distribution and marketing IOC using its expertise in international petroleum training and ONGC overseeing Indian participation in exploration and production. Official agencies are promoting LNG imports for the southern region as they would complete favourably with the pipeline proposals.[11]

Gas demand in the southern region is estimated at 70 mcmd by 2005 and 90 mcm/d by 2010 which is higher than the capacity of the proposed connecting pipeline to the area.[12]

LNG is attractive for power generation in southern India as domestic coal is of poor quality. The US energy group ENRON, which is planning to develop a 5 million t/y LNG project at Ras Laffan in Qatar expects to export the LNG to India.[13]

Oil prices in the international market have surged to unprecedented high levels during the current year, mainly due to uncertainty regarding Iraqi oil exports. This development has had a major impact on the price of oil imports and exports undertaken during current year. As compared with 1994-95, the year 1995-96 had witnessed an increase of 4.9% in the average import price of crude oil while the import price of petroleum products rose by 7.1%. During the current year, in the period April-November, the unit price of crude imports went up by 18.1% vis-à-vis

11 *Bombay Chambers Fortnightly*, vol. 4, no. 6, 1993, p. 16.

12 *Bombay Chambers Fortnightly*, vol. 4, no. 6, 1993, p. 16.

13 *Middle East Economic Digest*, October 26, 1996, p. 18.

1995-96 and unit price of all products taken together has shown an increase of 13.4%.[14]

Crude oil imports of 27.342 MMT during 1995-96 were almost unchanged from 27.349 MMT during 1994-95. As per original approved estimates, crude oil imports during 1996-97, were assessed at 26.620 MMT. The actual crude oil imports during April December have been of the order of 25.646 MMT, which is much higher than the prorata imports as per original estimates. Revised crude oil import figure for 1996-97 is assessed at 33.15 MMT.[15]

As against 20.335 MMT of petroleum products imported during 1995-96, the product imports during 1996-97 are planned at 22.099 MMT. The significant increase in product imports is due to higher import volumes planned for diesel, LPG and motor spirit. The import of petroleum products during 1996-97 are expected to be 2.431 MMT, i.e., lower than the actual exports of 3.435 MMT during 1995-96.[16]

During the year 1996-97, cordial relations have been maintained with all major oil producing countries from where oil is being sourced into India.

Today the Gulf states alone have the capability to produce sufficient oil to make good the short-fall in supply vis-à-vis the anticipated demand at the global level. In fact that production or, as some criticize, over production, in the Gulf has not only helped to stabilize global oil price but also in several bases has brought it down. This has brought economic relief to India because India will have to depend more and more

14 *Middle East Economic Digest*, October 26, 1996, p. 17.

15 *Middle East Economic Digest*, October 26, 1992, p. 19.

16 *Middle East Economic Digest*, October 26, 1993, p. 22.

on oil imports and the reduction in oil price even by one dollar per barrel would make substantial difference in India's balance of payment position.

Even in Kuwait, the task of rehabilitation is nearing its completion. By the end of the war nearly 750 out of 940 oil wells were set on fire or damaged. All these oil well have been doused by November 1991. Oil production has also picked up. The new buoyancy in Kuwait has once again attracted the repatriates. Reportedly about 80,000 Indians are back, though the pre war figure of about 170,000 may not be reached. That will partly make up for the loss of about $400 mn remittances caused due to the Gulf crisis.

Iraq, reeling under UN sanctions, is unable to offer much to Indians or to anyone else. But, once Iraq is allowed to integrate in the regional and global economy, traditional Indo-Iraq economic and technological cooperation will acquire a new dimension. The war and the challenges of post-war reconstruction have brought home to Iraqis the need for relying more upon indigenous and medium level technology. India is in a better position to interact with Iraq on that level and this factor must never be lost sight of while defining the long term policy of India in the Gulf as well as its extension in Central Asia.

India's non-conformist policy during the recent Gulf crisis had clouded India's bilateral relations with certain GCC states. But a clearer perception began to emerge after the emotionalism of the Gulf crisis gave way to a cooler appreciation of the events. Saudi Arabian delegation led by the Saudi Minister for Industry and Electricity, Abdul Aziz Abdullah al-Zamil, visited India in the middle of November

1991.[17] The 38-member Saudi delegation included 17 leading Saudi businessmen. The delegation also presented India with a list of about 50 projects. Also, the participation of ONGC was sought for oil exploration in Saudi Arabia. Indo-Saudi trade relations have grown steadily over the last few years. India is a major purchaser of petroleum products from SA and about 1.2 million Indians working in that country. In recent years Saudi Arabia has showed great interactive economic relationship with India.

Indo-Kuwaiti relations also improved after the war. Several visits were exchanged culminating in the visit, in the middle of February 1992, of Indian Foreign Minister, Mr Madhav Singh Solanki. The Indian delegation included members from the Ministries of Commerce, Industry, and Petroleum as well as some leading Indian businessmen.[18] An agreement on economic cooperation was signed and it was decided to set up a joint Indo-Kuwaiti panel to encourage and enhance the investment and flow of capital.

Indo-Iranian Joint Commission also met in November 1991. Earlier, Iranian Deputy Foreign Minister, A. Broujurdi, had paid a visit in October 1991. The Joint Commission focused on the task of intensifying economic and trade ties. India is expected to play a modest role in Iran's reconstruction programmes.

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17 *Middle East Economic Survey*, 18: 42, February 1993, p. A.13.

18 *Middle East Economic Survey*, 18: 42, February 1993, p. A.14.

India's imports from Saudi Arabia [Rs. in crores]
[Petroleum and Petroleum Products]

1991-92	3552
1992-93	4329
1995-96	5952

Source: Government of India, Ministry of Petroleum and Natural Gas' Annual Reports [various issues].

In early 1992, Saudi Arabia's proven recoverable reserves of petroleum were about 257,500 mn barrels equivalent to about a quarter of the world's proven oil reserves, associated gas with petroleum, were estimated to be about 5,184,900 mn cubic meters in addition to which unassociated as and as yet unexploited reserves also exist.

Saudi Arabia a rich country with oil reserves estimated over 261 barrels and gas reserves of 186 trillion standard cubic feet. Per capita income is about $7070 per year. The strength of Saudi economy rests on oil revenues, which were estimated to be $31.4 billion during 1996.[19] Oil production during 1991 averaged 8 million barrels per day. The Gulf economic significance lies in the fact that it became the world's most important economic centre of gravity because of its immense oil reserves and occupies top position in the world's oil reserve map.[20]

Qatar's crude oil production in 1994 fall by about 3% to an average of 378,700 b/d from 390.300 b/d in 1993. The 1994 production is commensurate with Quatar's

19 Consulate General of India, ***Jeddah Report***, December 10, 1996, p. 2.

OPEC quota of 378,000 b/d. Crude oil exports in 1994 also fell to 322.600 b/d from 340,600 b/d in the previous year.

YEAR	PRODUCTION	EXPORTS
1991	3912	336.6
1992	4055	362.3
1993	390.3	340.6
1994	378.7	322.6

SOURCE: International Times, Special Report, Qatar, March 18, 1996.

Oil demand in India has been rising at more than the rate of growth of GDP for at least the past 15 years , reaching an all-time peak annual rate of 10.7% in the 1995 financial year. Oil demand in 1996 put at around 1.62 mn b/d is projected to grow in accordance with a base ease scenario by around 48% over the coming five years.

Regarding natural gas, the report states that gas consumption has been rising at an annual average rate of 17.9% for the past 15 years. As for the future, if the gap between projected demand and domestic supplies is to be met India would have to import 120.140 mn cums/d by around the year 2005, equivalent to 43.8-51.1 bn cu. ms/y.[21]

The report concludes that India's long term energy programme should draw on its own inherent strengths rather than one which might result in greater short comings

20 Consulate General of India, ***Jeddah Report***, December 10, 1996, p. 2.
21 ***Middle East Economic Survey***, 40:7, February 17, 1997, p. 13.

and bottlenecks for the economy [i.e., oil and gas] adding that unfortunately India's proposed programme of oil and gas deregulation.

Average Daily Crude Oil Production
[000 barrels a day]

Country	1994	1995	1996
Kuwait	2105	2095	2072
Oman	870	820	890
Qatar	460	450	490
S.A.	8885	8875	8150
UAE	2485	2485	2200
Total [Middle East]	23805	23660	NA

SOURCE: Middle East Economic Digest, January 17, 1997.

OIL SECTOR AND OPEC ECONOMIES

The revenue from oil exports by Arab Gulf countries increased by over 33 times between 1966-80 from US $8.6 thousand million to US $ 284.5 thousand millions. During 1974-84, the accumulative earnings of Arab Gulf exceeded US $ 1890 thousand millions.[22] In fact, Arab Gulf export earnings in 1980 for exceeded the total export earnings of all other developing countries taken together. Their respective figures being US $306770 and US $25072 millions. At the same time Arab Gulf's total import bill was less than half of the latter.[23] Oil is the main source of these countries' revenue as well as major component of their GDP. Thus, the entire

22 M.G. Yousefi, " The Impact of Oil Export on the Economy of OPEC Countries: An Empirical Investigation, ***Indian Economic Journal***, Vol. 42, no. 3, p. 132.

23 M.G. Yousefi, " The Impact of Oil Export on the Economy of OPEC Countries: An Empirical Investigation, ***Indian Economic Journal***, Vol. 42, no. 3, p. 132.

development programme of Arab Gulf economies is financed by the revenue earned from oil exports.[24]

As a consequence of the growth of oil revenue there has been a great change in the structure of economies of these countries.

These structural changes in Arab Gulf economies, however, differ from those of developed market economies where historically the shift has been from agriculture to industry and services.[25] The pattern observed in Arab Gulf countries shows that manufacturing sector remained the lowest of all sectors in all the Arab Gulf countries ranging from 6 per cent of GDP in Gabon to 21 per cent in Indonesia and Equator sectoral contributions to employment also followed a similar pattern.[26]

Theoretically, it may be expected that oil industry influences the economy of oil producers directly and indirectly. The direct impact of oil industry may be studied in terms of the flow of resources between oil industry and non-oil sectors. On the one hand, oil industry may be expected to generate demand for various output indigenous sector, capital equipment, labour supply and requirement of incidental goods and services, on the other hand, there is the demand of domestic economy for its cheap sources of energy and raw materials for such energy-intensive industries like petrochemicals and oil refineries. Indirectly, the influence of oil industry may be

24 M.G. Yousefi, "The Impact of Oil Export on the Economy of OPEC Countries: An Empirical Investigation, ***Indian Economic Journal***, Vol. 42, no. 3, p. 132.

25 M.G. Yousefi, "The Impact of Oil Export on the Economy of OPEC Countries: An Empirical Investigation, ***Indian Economic Journal***, Vol. 42, no. 3, p. 133.

26 M.G. Yousefi, "The Impact of Oil Export on the Economy of OPEC Countries: An Empirical Investigation, ***Indian Economic Journal***, Vol. 42, no. 3, p. 134.

studied in terms of its revenue and expenditure in the economy of oil producing nations.

From Iraq's perspective, the removal of Kuwaiti oil from the market might have been seen as way to raise oil prices and thus Iraq's income. But Kuwait's contribution to world oil supplies, though complex logistically was relatively important with respect to crude volumes.[27] The loss of output from Kuwait's refineries caused the prices of products such as aviation fuel to rise and remain high. But the existence of excess production capacity outside Kuwait meant that the loss of crude oil the market in which Iraq did compete with Kuwait, could be made up easily by other producers. Following the imposition of an embargo against Iraq and occupied Kuwait, crude production from other sources rose and oil prices began to fall in November, 1991.[28] After the war, most analysts were concerned not that there would be a shortage of oil because of the continued absence of Iraq from the market but that the reintegration of Iraq would cause depressed oil prices to fall even further.

The case of Iraq demonstrates the use of oil as a smoke screen to cover other motives for aggression. It indicates as well the results of the self isolation of the executive from other parts of the government.[29] Neither Saddam's political nor his economic calculations proved to have had much of a basis in reality, a reality that competent finance and oil ministers could have predicted. The retention of component and experienced military officers in high positions might have changed the military

27 Mary Ann Tetrault, Independence, Sovereignty and Vested Glory of Oil Politics in the Second Gulf War ***Orient***, 34, 1993, p. 98.

28 Mary Ann Tetrault, Independence, Sovereignty and Vested Glory of Oil Politics in the Second Gulf War ***Orient***, 34, 1993, p. 101.

course of the invasion. If Iraq had halted in a more defensible position in northern Kuwait rather than sweeping south far beyond its capacity to provide logistical support or to mount convincing political justifications, not only might its military ouster have been averted but Saddam would probably have come out of the adventure with substantial Kuwaiti territory and a veto over Kuwait's foreign policy, including decisions on how much oil it should produce.[30]

The result of this policy have included much cheaper oil prices world-wide and a more concentrated US oil industry. The fall in oil prices has also caused many third world oil exporting countries to reconsider their oil nationalism, and invite First World companies to come back to develop their industries on more favourable terms than were the norm in the 1970s and early 1980s.[31] US energy security has also been affected. In 1990, US crude oil production average 5.9 mbd, while crude imports also averaged 5.9 mbd, products imports averaged 2.1 mbd.[32] The oil trade deficit in 1990 amounted to $552.4 billion. The dependence of the US economy on foreign oil supplies is thus very extensive. Its dependence upon world oil prices is analogous to, though opposite of and proportionally less than, the dependence of the Iraqi economy on world oil prices.

Unlike East Timor — or Iraq for that matter — Kuwait is integrated into global economic regimes, especially the oil regimes, as a full player. In Europe in

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29 Mary Ann Tetrault, Independence, Sovereignty and Vested Glory of Oil Politics in the Second Gulf War ***Orient***, 34, 1993, p. 131.

30 Mary Ann Tetrault, Independence, Sovereignty and Vested Glory of Oil Politics in the Second Gulf War ***Orient***, 34, 1993, p. 98.

31 Mary Ann Tetrault, Independence, Sovereignty and Vested Glory of Oil Politics in the Second Gulf War ***Orient***, 34, 1993, p. 134.

32 ***Monthly Energy Review***, November 1991, p. 441.

particular, subsidiaries of Kuwait's national oil company are sole owners of large facilities employing local workers, paying local taxes, and supplying products to local markets. Kuwait's seizure by Iraq threatened the integrity of Europe's oil and financial market, while the disposition of Kuwait's local assets presented grave problems to several European states.[33] If these assets were to be shifted to Iraqi control, or if their seizure would have been contested by Company officials claiming independent ownership, the status of either set of new owners would have been unclear at best and very likely the subject of protracted litigation. Whether and how the occupation would end thus had widespread implications, not simply for Kuwaitis and their regime but for European governments and societies.[34]

If Kuwait had seized Iraq, the same situation would not have existed. Iraq is primarily a commodity producer. It is one of the raw material suppliers, not one of us a participant in our social and economic systems. Kuwait could have sold Iraq's crude just as early from the perspective of Iraq's customers [such as the United States, which took 700,000 Bpd of Iraqi crude in the first half of 1990] and the market as a whole. Domestic societies and economies in the first world would have been left substantially or entirely intact. The integration of Kuwait as an autonomous partner in the world oil regime made the restoration of the status quo ante in the long run national interests of many members of the coalition which contributed to its liberation. Kuwait's strategic role as the owner of a major multinational oil company thus

33 *Monthly Energy Review*, November 1991, p. 55.

34 Mary Ann Tetrault, Independence, Sovereignty and Vested Glory of Oil Politics in the Second Gulf War *Orient*, 34, 1993, p. 139.

enhanced the ability of the US government to mobilize resources from many countries to bring its occupation by Iraq to an end.[35]

The Arab Gulf's economic significance lies in the fact that it became worlds most important economic centre of gravity because of its immense oil reserves. The Gulf region ranks first in the known world's oil reserves map. The contribution of oil as the primary source of energy is highest among all the existing sources of energy. The GCC countries own a reserve capital in excess of $ 460 billion invested mainly in the United States and Europe. Only 7 per cent of that amount is invested in Arab countries. The total population of the rest of the Arab countries is 190 million and their combined debt to American and European banks is $208 billion.[36] This amount is equal to 52% of the gross national product of all the Arab countries. The importance of the Gulf is, without question, its abundance of oil. Indeed, according to estimates by the World Energy Agency, Saudi Arabia, Iraq and Iran will control 50 per cent of the oil market by the mid-1990s, based on the fact that countries of the European community imported 44% of their oil from the Gulf in 1989. Kuwait and Iraq's oil reserves total about 22% of the world reserve; the United States owes only 4% of the world reserve. Moreover, the average individual income in the Gulf is estimated to be the highest in the world.[37]

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35 Mary Ann Tetreault, ***Kuwait's Forward Integration in International Oil After the Gulf War*** eds., Kate Gillespie and Clemeni M. Henry.

36 Ahmad S. Nufal, "The Gulf States and the Crisis Over Kuwait", ***Arab Studies Quaterly***, vol. 13, no. 1&2, Summer/Spring, 1991, p. 37.

37 Ahmad S. Nufal, "The Gulf States and the Crisis Over Kuwait", ***Arab Studies Quaterly***, vol. 13, no. 1&2, Summer/Spring, 1991, p. 37.

The contribution of oil as the primary source of energy is highest among all the existing sources of energy. Until the development of an economically viable alternative source of energy, oil will remain indispensable source of energy. This places Gulf oil reserves highly imperative or rather essential to the industrial nations of the world. In 1980, the share of the Gulf countries in the total world production was 40%.[38] The huge oil reserves and comparatively low cost of production makes the Gulf's oil industry the most outstanding economic zone of the world. In terms of proven oil reserves, Gulf constitutes the largest single concentration. In 1991, Gulf accounted for 55% of the world's total known oil reserves. The same year, of the total OPEC's proven oil reserves about 71.50% were located in this region.

Japan, the second most powerful industrial nation of the world after the US, is highly dependent on the Gulf oil. Oil is by far the most important source of energy for the Japanese economy, providing 70% of primary energy unit. Japan has very limited indigenous energy sources and this makes it one of the largest markets for imported energy.[39] The Gulf states are by far the largest source of imported crude oil, reflecting their predominant position amongst oil exporting countries, i.e., meeting about 68% of Japan's needs.

Western Europe is another area where rate of energy consumption is very high. The share of the Gulf in the total energy requirements of the Western Europe is

38. Fazal Mahmood: Formation of the Gulf Cooperative Council: A Geopolitical Appraisal, ***Asian Studies***, 7(1), 1989.

39 Fazal Mahmood: Formation of the Gulf Cooperative Council: A Geopolitical Appraisal, ***Asian Studies***, 7 (1), 1989.

approximately 54.3%. This shows the predominant importance of the Gulf to the Western Europe.[40]

The US with its high level of industrialization is fast becoming the major consumer of foreign oil, particularly that of the Gulf. Oil needs of the US increased especially after the Arab oil embargo of 1973. In 1973 about 2.4 mb/d of oil was imported by the US from the Gulf, which rose to 4.9 mb/d in 1980. The Gulf oil is vital to the military capability of the NATO and the US forces operating in the South-East Asia.[41]

The dependence of Japan, western Europe and the US on the Gulf oil points to the fact that disruption in smooth flow of oil from the Gulf would lead to industrial paralysis and the complete economic collapse of the industrialized nations. The hard reality is that no other country or group of countries is in a position to make up the short fall. Therefore, an uninterrupted flow of Gulf oil is an absolute necessity for sustenance of their economies.

In 1980, the share of the Gulf countries in the total world production was 40 per cent. The huge oil reserves and comparatively low cost of production makes the Gulf's oil industry the most outstanding economic zone of the world. In 1981, Gulf accounted for 55 per cent of the world's total oil revenues.

The US with its high level of administration is fast becoming the major consumer of foreign oil particularly that of the gulf. Oil needs of the US increased

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40 Mary Ann Tetrault, Independence, Sovereignty and Vested Glory of Oil Politics in the Second Gulf War ***Orient***, 34, 1993, p. 139.

41 Mary Ann Tetrault, Independence, Sovereignty and Vested Glory of Oil Politics in the Second Gulf War ***Orient***, 34, 1993, p. 139.

especially after the Arab oil embargo of 1973. In 1973 about 2.4 mb/d oil was imported by the US from the Gulf which rose to 4.9 mb/d in 1980.[42]

Another reason of course is that since the collapse of the Shah of Iran, the preeminent position of Saudi Arabia among the countries of the Gulf, on account of its wealth land size and religious importance has emerged without a shadow of doubt making it the natural leader of the present day Arab world. Such a position can hardly be maintained by appearing to be partisan to the interests of a super power.

This emerged as a good enough reason for India and Saudi Arabia to infuse warmth in their relationship.

The demand for oil in India is stated to touch 875 million barrels by 2000 AD. But India can meet only 33 per cent of this demand. Almost 90% of India's crude demand is met by OPEC countries mainly Saudi Arabia[43], Kuwait and Iran. Hence any rise in demand for crude oil means a simultaneous increase in the supply from these OPEC countries. Saudi Arabia is aware that its core industry is still oil, though it is diversifying into non-oil sector in a big way.[44] This will be a significant move to cater to the rising oil demand in India.

India's dependence on imported oil is likely to be more than 70 per cent by the century. Natural gas demand in India is also projected to reach 2000 million cubic meter [seven billion cubic feet] per day by the end of the century.[45] Current supplies

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42 ***International times***, Saudi Aabia Special Report, November 8, 1996.
43 ***International Times***, Saudi Arabia, Special Report, March, 1994.

44 ***International Times***, Saudi Arabia, Special Report, November 18, 1996.

45 ***Middle East Economic Digest***, September 25, 1992, p. 3.

import and domestic production stand at about 50 million cubic meters [1.75 billion cubic feet] per day. India needs a tremendous amount of natural gas. Among the most important is the electricity sector which plans to add about 9000 megawatts generating capacity every year.[46]

Saudi Arabia today possesses the largest conventional reserves of oil known approximately one quarter of the world's total. And Saudi Aramco is responsible for 98 per cent of the Kingdom's total petroleum output.[47] Oil is expected to continue playing a very important role in the Saudi economy in particular and the Gulf economy in general.

Industry experts aver that the global demand for oil will rise by more than 2% annually. The rapidly industrializing an emerging economies of Asia including China, India, Indonesia and Philippines and the industrialized nations like Japan and Singapore, have an insatiable need for petroleum. The non-OPEC output is slated to rise by only less than 1 per cent, hence the difference has to be met by OPEC's member nations. They are the only hope as extensive oil reserves still lie burried under their desert sands. The OPEC is not in a position to easily bring its oil to the market-place. It ought to spend about $25 billion yearly until 2000 to maintain the current output and also raise capacity to meet the additional demand. According to top industry sources, OPEC is already spending more than $5 billion annually. Saudi Arabia the largest OPEM member, is all set to boost output and has poured about $2.5 billion into the new 500,000 lakhs barrel a day.[48] Shaybah Oil Field which is

46 ***Middle East Economic Digest***, September 25, 1992, p. 3.

47 ***International Times***, Saudi Arabia, Special Report, November 18, 1996.

48 ***Middle East Economic Digest***, April 12, 1993, p. 2.

expected to go on-line by 1999. Analysts are of the view that this field's output in the first year will provide 1/5th of the world's additional demand. However, as demand rises that contribution will fall proportionately and, therefore, more Shaybahs will be required.

Saudi Arabia's oil and gas related sector was a logical outgrowth of the existence of abundant hydrocarbon resources in the region. Investment was very much needed to explore and produce petroleum. Thus, refineries were built to add value to the crude oil.[49]

The oil recovery has been a mixed blessing for the Gulf Arab oil exporters. The oil sector continues to provide the biggest construction opportunities as Kuwait seeks to boost production to 3.5 million barrels a day [b/d] by 2005. UAE on a per capita basis has become the potential to be the most active construction market in the Gulf.

There is a need for inflow of Indian capital into Dubai pointing out that the dwindling share of oil income was a blessing as the local governments were now keen to look to other avenues of incomes including capital inflows.[50] Given India's current growth rate at 7.8 per cent there is plenty of potential for UAE investment in India also.

As for India's imports mainly oil and petroleum products, it is estimated at approximately Rs.200000 lakhs. Needless to say the trade balances is in the UAE's

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49 *Middle East Economic Digest*, April 12, 1993, p. 5.

50 *Middle East Economic Digest*, April 12, 1993, p. 8.

favour. India is trying to change this adverse trade balance slightly in its favour through turnkey projects and joint ventures. Although the Kingdom has 25 per cent of the world oil reserves and pumps an average of 8.3 million barrels of oil a day. Lower world oil processes have made a bent in its annual revenues of approximately $ 38 million.

According to an estimate India imports from Kuwait 95.000 barrels of crude and 103.00 barrels of refined products per day and its total imports every year beyond $900 millions.

Saudi Arabia is a rich country with oil reserves estimated over 261 billion barrels and gas reserves of 186 billion standard cubic feet. Per capita income is about $7070 per year. The strength of Saudi economy rests on oil reserves which were estimated to be $31.4 billion during 1996. Oil production during 1991 averaged 8 million barrels per day.

PROVEN CRUDE OIL RESERVES 1994-95
[00 MILLION BARRELS]

COUNTRY	1994	1995	REGIONAL % SHARE
KUWAIT	96.5	96.5	13.7
OMAN	4.8	5.10	0.7
QATAR	3.7	3.7	0.5
S. ARABIA	261.2	261.2	37.2
UAE	98.1	98.1	0.14
SOURCE : BP STATISTICAL REVIEW OF WORLD ENERGY, 1996			

In the early 1992 Saudi Arabia's proven recoverable reserves of petroleum were about 257.500 mm barrels, equivalent to about a quarter of the world's proven oil reserves. The country's gas reserves, associated with petroleum were estimated to be about 5.184.000 mn cubic meters in addition to which unassociated and as yet unexploited reserves also exist in 1990 out of which Rs. 600000 lakhs were held by

NRIs living in Kuwait where they form only about one tenth of the total number of NRIs in the Gulf States. Kuwait has extended financial assistance of $450 million to India for various projects. With the liberalization of economy, Indo-Kuwait trade relations will further grow. In the past, Kuwait has shown interest in investing in industries like paper, pulp, drug, cement fertilizers hotel and hospital. Private investors from Kuwait have shown interest in Indian industry.

Its oil makes the Gulf and Arabia the jewel of the developing countries. The Kuwait wish to have a defence cooperation relationship with India. India must also move fast to make its presence felt in the Gulf. India's was the only Prime Minister to visit Kuwait and that was in 1980.

According to one estimate, the refinery capacity of the states around the Gulf should rise by about a quarter in the next decade or so for about 4 million barrels a day [b/d] now.

Bilateral Trade between the two countries has been growing steadily, increasing last year by 40 per cent from $2.3 billion to 3.1 billion of this however $2.5 billion is accounted purchase of crude and petroleum product from Saudi Arabia.[51] India's demand for gas is rising again as a 2500 mw power station is planned for the west coast. The oil price recovery has been a mixed blessing for the Gulf Arab oil exporters. It has boosted whatever impulse there was to reform.

Oman is also at the forefront of a series of major gas development projects starting to take shape in the gulf. Financing for Oman's plans to export liquefied

51 Government of India, Ministry of External Affairs, ***Foreign Affairs Rcord***, vol. XLIII, no. 6, June 1997, p. 85.

natural gas [LNG] to the Far East is now largely in place and the next two years will rise substantial work going ahead to develop production facilities.

Some of the important Indian joint ventures operating in the Saudi Arabia's non-oil sector include Saudi Folmaidehyde & Rashtriya Chemical Fertilizers Ltd., Oberoi chain of Hotels, Saudi Oberoi Company Ltd, and Yanbu Cement and Associated Cement Corporation.[52]

INDIA : PETROLEUM IMPORTS, 1994-96.
[Million Tonnes]

COUNTRY	1994-95	1995-96
CRUDE OIL		
Egypt	1.30	0.39
Kuwait	4.60	5.36
S. Arabia	6.98	7.00
UAE	7.37	5.59
Iran	3.13	3.15
Middle East Total	23.38	21.49
World Total	27.34	27.22
GAS OIL		
Bahrain	3.00	3.19
Iran	-	0.07
Kuwait	2.56	3.95
Oman	0.08	0.03
Qatar	0.02	-
S. Arabia	0.69	1.97
UAE	0.63	0.70
Middle East Total	6.93	9.91
World Total	8.60	12.70
FUEL OIL		
Bahrain	-	0.12
Egypt	-	0.03
Iran	-	0.02
Kuwait	-	0.08
UAE	0.12	0.83
Middle East Total	0.12	1.08
World Total	0.14	1.19
KEROSENE/AVIATION FUEL		
Bahrain	0.52	0.80
Kuwait	2.08	2.20
Libya	0.05	0.02

52 K.S. Raj Kumar, "Indo-Saudi Relations Grow Stronger", ***Souvenir India Forum***, Consulate General of India, Jeddah, SA.

Qatar	-	0.02
S. Arabia	0.35	0.53
UAE	0.56	0.41
Yemen	-	0.07
Middle East Total	3.56	3.56
World Total	3.92	4.58
LPG		
Bahrain	0.06	0.02
Egypt	-	0.01
Iran	0.01	-
Kuwait	0.03	-
S. Arabia	0.47	0.57
UAE	-	0.04
Middle East Total	0.57	0.64
World Total	0.60	0.68
MOTOR SPIRIT		
Bahrain	-	0.14
Saudi Arabia	-	0.03
UAE	-	0.03
Middle East Total	-	0.20
World Total	-	0.43
SOURCE : Petroleum and Natural Gas Ministry		

The opportunities created by rapid economic expansion in a market of more than 900 million people has not escaped the attention of Middle East Oil and Gas producers, who are well represented among potential investors in the energy sector. Abu Dhabi, Oman and Saudi Arabia are all pursuing refinery projects which will provide a secure long term outlet for their oil.

India's new liberal economic policies have triggered an industrial boom which is pumping up demand for petroleum products. The government is ending the state monopoly on the import and refining of oil and exposing India's energy market to competition. Refining is open to private investors and licenses have been granted for new refineries to process 80 million tonnes of crude oil a year.[53] Leading the rush are

53 *Middle East Economic Digest*, Special Report India, February 16, 1996, p. 14.

oil companies from the Gulf States which are determined to secure a long term stake in this rapidly expanding market.

By investing in Indian refineries, Gulf oil companies will become long term suppliers of crude oil for refineries all over India. This is already apparent from the robust demand for diesel, kerosene liquefied petroleum gas and other petroleum products from the Middle East. While the additions to India's refining capacity are awaited petroleum product purchases from the Middle East rose to 10.7 million tonnes in the financial year to March 1995 up from 7.45 million tonnes in the previous year.

A committee of experts convened by the Government to suggest reforms in the hydrocarbons sector estimates that facilitates will have to be created to import about 77 million tonnes of crude and 34 million tonnes of petroleum products by the year 2001. This assumes that domestic refining capacity will rise to 120 million tonnes and domestic crude production will be about 44 million tonnes by that time.[54]

India is still importing much of its crude oil on yearly contract terms which it continues to favour despite the increasing global reliance on spot markets.[55] This tradition of contract purchase has been kept up as a gesture of goodwill towards the Gulf states, but is likely to be eroded as the monopoly of state owned Indian Oil Corporation gives way to the new private refineries.

India's international trade is booming in a striking sign that the governments programme of economic liberalization is working.

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54 *Middle East Economic Digest*, Special Report India, February 16, 1996, p. 15.

55 *Middle East Economic Digest*, Special Report India, February 16, 1996, p. 15.

The improved performance has been encouraged by sweeping measures to remove many of the remnants of the command economy. These include slashing import duties, full convertibility of the rupee and the simplification of import-export procedures. After six years of liberalization the foreign trade sector has become the high growth sector, crucial for overall development including the balance of payments position and rapid integration with the global economy.[56]

Despite proximity and the historic trading ties across the Indian ocean, Middle East investment in India is so restrained as to be almost imperceptible.

Indian companies are also making inroads into Middle East Engineering and electricity markets. Having won a five year maintenance contract, on the Mina Abdullah refinery in Kuwait, Southern Petrochemical Industries Corporation[SPIC] is now going into partnership with the Local Integral Services Corporation to offer full project engineering service.

"Several projects have made headway. Abu Dhabi Natural Oil Company has held preliminary discussions with India's Cochin Refineries [CRL] to set up a joint venture oil refining. The CRL already has a provincial agreement with Kuwait Petroleum Corporation [KPC] for a 10 million tonnes a year [t/y] refinery which awaits approval by the Ministry of Petroleum and Natural Gas in New Delhi".[57]

56 *Middle East Economic Digest*, Special Report India, February 16, 1996, p. 16.

57 *Middle East Economic Digest*, Special Report India, January 13, 1995, p. 14.

OMAN

Oman's economy is based largely on revenue from the petroleum sector. In 1995, according to estimates by the World Bank, Oman's GNP measured at average 1993-94 prices was US $10.578 mn equitable to $4820 per head. Between 1985 and 1995, it was estimated GNP per head increased in real terms, at an average rate of 0.3% per year. Oman's economic growth since the mid-1960s has been rapid but uneven. During 1990-95 the average annual growth rate for GDP measure at constant prices was 6.0%. According to official Omani sources nominal GDP growth in 1996 was almost 11% compared with 6.5% in 1995. The oil sector experienced rapid growth in 1996 but only slow growth was recorded in almost all the non-oil sectors. Both building and construction together with mining and quarrying recorded negative growth.

PETROLEUM AND NATURAL GAS

Since the early 1970 the economy of Oman has been dominated by the oil industry. In 1996 it was estimated that hydrocarbons would provide 80% of the government revenue. In 1991, the extraction of crude oil and natural gas was thought to account for some 42% of GDP. In 1937 Petroleum Co. was granted a 75-year concession to explore for oil extending over the whole area except for the distribution of proffer.

In 1995 PDO [Petroleum Development of Oman] was responsible for 94% of the country's crude oil output and the remainder was produced by a number of foreign concerns. In mid-1995, the government revealed plans to offer at least 10 largely untapped oil exploration areas to international companies before the end of the year in order to stimulate exploration activity.

Japan is the principal recipient of Omani Petroleum taking 40.4% of the total in 1992, compared with 52.6% in 1986. Following the rise in Petroleum prices occasioned by the Gulf Crisis the government's net oil revenues rose by almost 58% to Rs.1538 m. in 1990. Oil exports rose to 252.5 m barrels in 1992 from 2437 m in 1991. Net oil reserves fell to R. 01.241 m in 1991, rising slightly to R.1276 m in 1992, accounting for 79% and 70% of total revenue respectively. In January 1994 production was reduced to 720,000 b/d following an attempt by the Government to raise process. The plan was abandoned when it became apparent that production quotas set by OPEC would not be reduced and PDO subsequently resumed production of an average of 800.000 b/d in 1994. In 1993 exports of crude oil provided 72.2% of total export earnings and in 1994, the proportion increased to 74%. Oil exports rose from 778.000 b/d in 1995 to 811.000 b/d in 1996. As a result of increased level of production and higher prices, the value of oil exports, which currently account for some 80% of total exports revenues rose substantially from $ 4752 million in 1995 to $ 5889 millions in 1996.

Oman recoverable reserves of natural gas were estimated to total 263.500 m. cum in 1987. By 1996, further discoveries of reserves had risen to 777.280 m. cum.

ARAB GULF CRUDE PETROLEUM EXPORT COUNTRYWISE BREAKUP
[THOUSAND METRIC TONNES]

YEAR	KUWAIT	OMAN	SAUDI ARABIA	UAE	QATAR
1991	6436	31944	325295	110696	16203
1992	35240	34327	328066	94502	17517
1993	69809	36343	313661	90374	16413
1994	60321	36892	310706	93936	15482
1995	59629	38773	313556	92494	15981

SOURCE: *Energy Statistics Yearbook*, 1995, United Nations, p. 167.

INDIA'S IMPORT OF CRUDE OIL AND PETROLEUM PRODUCTS 1991-92 TO 1996-97
[QTY '000 TONNES]

	1991-92	1992-93	1993-94	1994-95	1995-96
Crude Oil	7820.05	10685.86	10688.52	10316.03	11517.00
Petroleum Products	5218.27	6359.60	7041.43	7521.71	12577.85
Total	13038.32	17045.46	17729.95	17837.74	24094.85

SOURCE: Government of India, Ministry of Petroleum and Natural Gas, *Annual Reports*

Oman Oil Company [OOC] set up to promote energy investment overseas was the first GCC oil venture to recognize the potential in India. OOC has completed detailed project reports for two 6 million t/y joint venture refineries.[58] One with Bharat Petroleum Corporation and the second with Hindustan Petroleum Corporation in the central and western regions of India respectively.

By investing in Indian refineries Gulf Oil Companies will become long term suppliers of crude oil for refineries all over India. The KPC venture at Daitari in Orissa, on the east coast, will be designed to take at least 50 per cent of its crude oil

58 *Middle East Economic Digest*, Special Report India, February 15, 1996, p. 14.

intake from Kuwait. OOC will supply crude from Oman to both of its joint venture refineries.[59]

The Gulf investors have tended to take Indian public sector oil companies which have long experience of processing Middle East grades at their existing refineries as their partners in the new venture.

INDIAN ENERGY IMPORTS
CRUDE OIL [MILLION TONNES]

YEAR	ARAB GULF	WORLD TOTAL
1992-93	22.4	29.4
1993-94	23.3	30.82
1994-95	21.1	27.34

PETROLEUM PRODUCTS
OIL [MILLION TONNES]

YEAR	ARAB GULF	WORLD TOTAL
1992-93	6.22	11.28
1993-94	7.45	12.07
1994-95	10.70	12.27

SOURCE: Ministry of Petroleum and Natural Gas, Indian Oil Corporation

The Gulf investment in refining is a long term undertaking as actual imports are still growing at a modest rate due to rising domestic production of crude oil. Indeed, oil imports may actually decline over the short term with its current refining capacity of 56.4 million t/y. India imported 27 million tones of crude during 1994-95 of which about 22 million tones came from the GCC. Domestic crude oil production was 32.30 million tonnes during 1994-95, 37.23 million in 1995-96 and 44 million

59 *Middle East Economic Digest*, Special Report India, February 16, 1996, p. 14.

tonnes in 1996-97. This increase in domestic supplies have reduced crude oil imports as refining capacity have only risen by 4 million tonnes in 1996-97.[60]

There have been no major hydro carbons discoveries in India for several years and the programme to at least private investment in exploration and development in proceeding at a snails pace.[61] Petroleum product sales are rising every by 7 per cent. But domestic crude production cannot keep pace with demand. This is already apparent from the robust demand for diesel, kerosene, liquefied petroleum gas and other petroleum products from the Arab Gulf. Reforms in the hydrocarbon sector estimates that facilities will have to be created to import about 77 million tonnes of crude and 34 million tonnes of petroleum products by the year 2001.[62]

India is still importing much of its crude oil on yearly contract terms which it continues to favour despite the increasing global reliance on spot markets. This tradition of contract purchases has been kept up as a gesture of good will towards the Gulf States but is likely to be eroded as the monopoly of state owned Indian Oil Corporation gives way to the new private refineries.

However, the economic reform initiated by the government of India during, Prime Minister P.V. Narasimha Rao regime have eased many of the restrictions on Indian industry and financial flows. Foreign exchange controls have been lifted, private investment in infrastructure has been encouraged and Indian investment abroad is being actively promoted. The development have galvanized Indian business

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60 *Middle East Economic Digest*, Special Report India, February 16, 1996, p. 14.

61 *Middle East Economic Digest*, Special Report India, February 16, 1996, p. 15.

62 *Middle East Economic Digest*, Special Report India, February 16, 1996, p. 16.

links with the Gulf. The supply of gas and oil to India has dominated discussions so far, but Indian investors are also working on schemes to set up joint in the Gulf which will use cheap energy inputs at source to make fertilizers and industrial raw materials for the Indian market.

The gas supply issue relates primarily to India's huge requirement for new power generating capacity, but also concerns the country's massive demand for fertilizers. These two sectors consume about 85 per cent of the 50 million md of gas now available from domestic supplies.

The Indian electricity system has a total capacity of 76000 mw. The government estimates that an additional 50,000 mw of capacity will have to be installed over the next 10 years to keep pace with increasing demand.[63]

Omani oil Company [GOC] offers of $2.40 million British thermal units for the delivery of gas to Kandla in the western state of Gujarat.[64]

LNG and LPG

Another option being considered is to secure supplies of liquefied natural gas [LNG] and liquefied petroleum gas [LPG] from the Gulf. The trading in LNG and lPG has now been thrown open to private investment and the levy on the import of these fuels have been reduced to 15 per cent. This moves have been designed to increase liquefied gas supplies from the Gulf and reduce the demand for natural gas.

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63 Gibber God G., ***The Middle East Oil Decade and Beyond: Essay in Political Economy***, 1997, p. 178.

64 Ibid., p. 178.

LPG import by private investors are expected to rise to about 200.000 tonnes this year from 11000 tonnes in 1993. India's Southern Gas Company has also source of LPG from Saudi Arabia which will be transported by ships owned by Mundo Gas of India. Maharashtra's Dabhol Power Corporation is emerging as a potential importer of LNG. The interest in LPG has drawn the OOC into two joint venture refineries with Bharat Petroleum Corporation and Hindustan Petroleum Corporation. Each refinery has capacity of 12,0000 barrels a day [b/d].[65] The government-owned IOC is the sole agency for all oil imports into the country.

About 300.000 b/d equivalent to 55 per cent of India's crude purchases is being lifted from the Gulf for the year to March 1995. Of this 100.000-120.000 b/d is being supplied by Saudi Arabia, 40,000 b/d from UAE and 90,000 b/d from Kuwait.[66]

While the opening of the refinery sector to private and foreign investment is likely to increase crude imports from the Gulf, domestic crude output is also set to rise to 900.000 b/d in 1996-97 from 550.000 b/d in 1994. The short fall in domestic supply will be made up by crude imports.[67] Although the links between India and the Gulf have primarily focused on oil and gas supplies, India is also looking to the Gulf for the establishment of joint-venture ammonia-urea plants there using the relatively cheap local gas.[68] In July, the OOC signed a Memorandum of Understanding with India's Krishak Bharati Cooperative and Rashtriya Chemicals and Fertilizers for an estimated $900 million, 4,400-ton-a-day urea manufacturing plant near the coastal

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65 *Middle East Economic Digest*, December 14, 1995, p. 18.

66 *Middle East Economic Digest*, January 18, 1996, p. 19.

67 *Middle East Economic Digest*, January 18, 1996, p. 19.

town of Sur. This, and similar projects already under way, all point the way to increased cooperation between India and the countries of the region in the years to come.[69]

The Indian government decision to lower import duties on liquefied natural gas has opened up a potentially huge new market for Gulf suppliers of this fuel in particular Qatar. The close proximity of the peninsula to India works in favour of Qatar LNG imports. However, this is more than countered by the fact that any customer agreement will have to be seen as improving a particular projects financing position.

The government has a package of reforms put together by industry experts over the past two years which will change the face of the Indian petroleum sector deregulation, confined to private investment in the hydrocarbons industry since liberalization in 1991 will be stepped up. Key elements of the reform programme include the removal of State prices controls on oil and gas output, the elimination of subsidies, the opening of the petroleum products import markets to the private sector, cuts on excise and customs duties and opening up more acreage for exploration.

India will have to import about 33.2 million tonnes of crude oil and 22.1 million tonnes of petroleum products during 1996-97. It is very unlikely that the domestic industry will be able to meet much of this increased consumption. Current output of oil and gas is only 35.19 million tonnes and 61.85 mcm/d respectively. Refinery output will also need to tripple to meet the new demand.[70]

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68 *Middle East Economic Digest*, January 18, 1996, p. 19.
69 *Middle East Economic Digest*, January 18, 1996, p. 19.
70 Aarts Paul, "Demcoracy Oil and the Gulf War", ***Third World Quarterly***, 13(3), 1992, p. 123.

Import of Oil and gas and refined products are likely to remain high. There is relatively little interest in exploration and proposals for new refineries are a long way from being implemented.[71]

Although India produces 9.30 million t/y of nitrogenous fertilizers and 2.82 million t/y of phosphoric fertilizers, it needs huge additional quantities for its agricultural production of about 190 million t/y.[72]

India has no potash reserves so all requirement for potassic fertilizes are met by imports. Urea consumption has been rising rapidly since removal of price and import controls on phosphatic and potassic fertilizers in August 1992.

It is a combination of rising demand for urea, gas shortages at home and the relatively cheap price of gas abroad that has Indian investors look into the Middle East for urea joint venture projects. India purchased 1.65 million tonnes of urea from the Gulf during 1995-96 from a total of 3.78 million tonnes purchased worldwide. Major suppliers in the Gulf include Qatar Fertilizers, Petrochemical Industries Company in Kuwait, Sabic Marketing, Ruwais Fertilizers, Transport Middle East and Crescent.[73]

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71 Aarts Paul, "Demcoracy Oil and the Gulf War", ***Third World Quarterly***, 13(3), 1992, p. 123.

72 Aarts Paul, "Demcoracy Oil and the Gulf War", ***Third World Quarterly***, 13(3), 1992, p. 123.

73 Aarts Paul, "Demcoracy Oil and the Gulf War", ***Third World Quarterly***, 13(3), 1992, p. 123.

INDIA UREA IMPORTS FROM THE ARAB GULF REGION, 1995-96
[Million Tonnes]

Kuwait	0264
Qatar	0237
SA	0492
UAE	0243

SOURCE: Government of India, Ministry of Chemicals and Fertilizers.

Qatar's oil production in 1994 fell by about 3% to an average of 378,700 b/d in 1993, the 1994 production level is commensurate with Qatar's OPEC quota of 378.000 b/d crude oil export also fell to 322,600 b/d from 340,600 b/d in the previous year. The following table gives Qatar's production and export figures for 1988-94.

QATAR'S CRUDE OIL PRODUCTION AND EXPORT DURING 1988-1994

YEAR	PRODUCTION [000 b/d]	EXPORTS
1988	319.4	305.0
1989	320.2	367.4
1990	384.5	326.9
1991	391.2	336.6
1992	405.5	362.3
1993	390.3	340.6
1994	378.7	322.6

SOURCE: Middle East Economic Survey, 38: 52, 25 September, 1995

According to the study, oil demand in India has been rising at more the rate of growth of GDP for at least the past 15 years, reaching an all-time Peak annual rate of 10.7% in the 1995 financial year. Oil demand in 1996 put at around 1.62 mn b/d is projected to grow in accordance with a base scenario by around 48% over the coming five years, while the high case scenario projects demand growth of 7.8% over the same period to just short of 3 mn b/d. The Report concludes: "Assuming a 1996 real oil price of $18/b and a conservative average annual inflation rate of 3% the nominal oil price would have reached $21/b by 2001, implying an import bill of $13-16.9 bn per year. As for the period upto the year 2006, the implied numbers are so high that they are better left unmentioned.

Regarding natural gas the report states that gas consumption has been rising at an annual average rate of 17.9% for the past 15 years. As for the future, if the gap between projected demand and domestic supplies is to be met, India would have to import 120.140 mn cu. ms/d by around the year 2005, equivalent to 43.8-51.1 bn cu ms/y. The report states that other forecasts are even higher. Even longer term, according to a report by an expert group set up by the Planning Commission in March 1993, total demand could rise further to around 500 mn cu. ms./d by the year 2000 equivalent to 182.5 bn cu. ms./y which would have to be supplied largely through imports unless sizeable domestic reserves are discovered".[74]

During the 1970s and 1980s the exploitation of Bahrain's hydrocarbon resources was the basis for considerable economic diversification, particularly in the construction, industry and banking sectors.[75] After the Gulf Crisis of 1990-91 Bahrain encountered some difficulty in regaining the momentum for economic growth. Bahrain's average production of crude petroleum from the onshore Awali field peaked at 76.639 b/d in 1970 and subsequently decreased steadily as reserves were depleted. In 1996 production averaged 39,638 b/d. The field is operated by the state-owned Bahrain Natural oil company. On 1 January 1996, Bahrain's proven published reserves of petroleum were estimated at 200 m barrels which at 1995 rates of

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74 *Middle East Economic Survey*, 40: 7, February 17, 1997.

75 *Middle East Economic Survey*, 40:7, February 17, 1997.

production, were expected to be exhausted within five years. Offshore exploitation between 1991 and 1995 was similarly unproductive. Howsoever, Bahrain does have a long standing entitlement to a 50% share in revenues from the Abu Saaf field, situated between Bahrain and Saudi Arabia and operated by Saudi Aramaco.[76]

In the mid-1990s, the field was producing an average 140,000 b/d. At the beginning of 1993 Saudi Arabia increased Bahrain's allocation to 100.000 b/d for two years and in early 1996 agreed to allocate the entire Abu Saaf revenue to Bahrain, this decision apparently being unconditional and open-ended.[77]

A 250.000 b/d refinery at Sitra process all Bahrain's onshore output and supplies Bahrain's domestic product requirements of around 10,000. However, the bulk of its crude supply is imported pipeline from Saudi Arabia and the bulk dictated almost entirely by self-interests could have expected some retaliation from its less fortune OPEC partners.

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76 *Middle East Economic Survey*, 40:7, February 17, 1997.

77 *Middle East Economic Survey*, 40:7, February 17, 1997.

CHAPTER - V

CONCLUSION

The economic development of the Gulf States since 1970s have been phenomenal. The oil wealth has ensured their deeper involvement than before in international politics. The value of their resources to the outside world has assured them a degree of influence and the links of mutual dependence between oil producers and consumers. All these Gulf countries have economies which depend very heavily on imports consumer capital and intermediary goods from industrial countries of the world. Import requirements by the Gulf countries from the outside world are enormous.

India enjoys many advantages in the Gulf market. The geographical proximity and India's fraternally healthy and friendly ties with the Gulf states puts her in a relatively better position to occupy a reasonably good place as their trading partners.

In order to pay the soaring oil bill, India had to find out new markets and strive for larger export earnings through a concerted export drive into the Gulf region. Indian diplomacy after the oil crisis was thus, influenced by an economic urgency and variety of political considerations which gave an altogether new orientation to its Gulf policy. The main thrust of this new economic diplomacy, which included some new variables too, was the emphasis on India's emergence as a country that could be economically technologically and industrially exploited country which could play a vital role in contributing to the economic development of the gulf. In its quest for building bilateral ties with these Gulf states, India signed a number of bilateral agreements and joint commissions were formed for promotion of economic and technical cooperation. However, it also increased its exports to the region roughly five-fold. In the process, it also development new economic structures and trade patterns, exploited and processed some of its raw materials with the help of foreign capital and found employment for several hundred thousand Indians which altogether resulted in a favourable foreign exchange balance. As a result, within a few years, India's image in the Gulf countries changed considerably.

India's economic policy towards the states on the Arab-Gulf since 1991 has made a tremendous progress. Arab-Gulf is a potential market for Indian goods since large number of Indian expatriates are living in the region. The Arab-Gulf market is relevant to us only in so far as it helps in achieving our developmental targets. The new economic policy is further underlined in view of the changing size and orientation of the Arab-Gulf market. The oil boom in the 1970 brought affluence to the Arab-Gulf countries.

I have made an attempt to provide changing profile of the economies after the Gulf War. It also analyses the nature and dimension of the challenges faced by the state in pursuing policies conceived in the era of rising oil revenue.

India's trade sector was liberalized to respond to the opportunities and challenges posed by the national and international developments. India's trade with the region in this region is conducted against payments in free foreign exchange. Mutual most favoured nations treatment is accorded in respect of trade with most of these countries. Exports hence grows as a result of vigorous export promotion efforts undertaken on the basis of a strategy drawn for the purpose.

Bilateral trade and economic cooperation between India and the Arab-Gulf countries is kept under regular review through our bilateral joint commissions etc. with them.

The programme of participation in general and specialized international trade fairs in Arab-Gulf countries was continued expanded and streamlined. Similar emphasis and attention were paid to other activities aimed at promoting business level interaction between the two. Agricultural exports to the Arab Gulf region have done exceptionally well alongside engineering goods, drugs and pharmaceuticals and plastic and linoleum products.

Indian multinationals have achieved an admirable level of technological sophistication in fields such as pharmaceuticals and aerospace.

The importing trade relations have shown up on the trade statistics over the last five years. The changes in India's trade and investment policies over the last six years have set the stage for a rapid integration of India into the global economy. The dismantling of trade barriers and the movement to convertibility on the current account are important land marks in the reform programme. India and the Arab-Gulf have also established several joint venture projects during the last six years. They also agreed possibilities for further increase in their economic exchanges and their diversification in areas of investments, joint ventures and increased participation of projects.

As far as India's imports from the region, mainly oil and petroleum products, estimated to be several crores. Needless to say the trade balance is in UAE's favour. India is trying to change this adverse trade balance slightly in its favour through turnkey projects and joint ventures.

India and the Arab-Gulf region have played complimentary roles in shaping the economics of their countries. The region encompasses economics of varying competitive advantage while India, for example, is rich in skilled and inexpensive labour. Indian multinationals have achieved, an admirable levels of technological sophistication in field such as pharmaceuticals and aerospace. Both India and the Arab Gulf region believe in free trade and fair competition in order to achieve economic success and prosperity and also rational utilization of economic resources.

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