

# **Indo-Omani Relations Since 1970**

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This is to certify that this dissertation entitled **Indo-Omani Relations Since 1970** submitted by **K.S.Bijukumar** in partial fulfilment of the requirements for the award of the degree of **Master of Philosophy** of this University is a bonafide work and has not been submitted for the award of any other degree.

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# Chapter 1

## Introduction

Lulled by the waves and breeze of the Arabian Sea, India and Oman are predestined to be friends by nature's design. Through centuries, the two peoples have mutually acknowledged with fondness and enthusiasm. As seafarers and travellers, raiders and traders, invaders and propagators, rulers and settlers, they gratified their need to be in touch. When nature proposed, man's need and ambitions propelled it to grow through ups and downs, facing and challenging the adverse currents and whirlpools of international developments.

When history began to scribe down events, Indo-Omani relations was extant to contribute to its pages. Proofs fossilised in the Sumarion and Harapan excavations bear witness to it. These connections grew in strength as maritime trade gathered momentum and as successive rulers perceived an economic need to expand beyond their borders.<sup>1</sup> The growth of the maritime trade bridged geographical and cultural boundaries. Ancient travellers and historians have thrown light on these centuries old give and take. The Omanis' excellence in seafaring made it expedient, while the

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<sup>1</sup> Joseph A. Kechichian, Oman and the World: The Emergence of an Independent Foreign Policy, (Santa Monica, 1995), p.213.

Indian traders' trade proficiency made these ties a natural concomitant.<sup>2</sup>

Though the focus of this study is the period since 1970, a glance through the days prior to it will serve as a backdrop to the post-'70 developments.

### **Historical Overview**

Oman's relations with India can be traced back to the days of Sumarian and Harappan civilisations. The early tradesmen in the Indus Valley were attracted by the copper deposits in the Sultanate. Ibn Khordazeba (A.D.88), an ancient traveller, in his Al Masalek wa Al Mamlek (The Roads and the Kingdoms), has described Oman as a significant trade destination that merchants visited from as far as India.<sup>3</sup>

Oman had played a key role in the Islamic conquests of the past. Between 600 and 700 AD, Omani seafarers conducted intermittent raids on the western coast of India.<sup>4</sup> A number of such raids have become part of history now. In 667 A.D. for instance, from Oman, Othman bin Abi Al Aas set out to invade India. The Caliphates were dependent on the Arabs of Oman in mounting invasions on India. Names of many Omanis are found

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2 M. Reda Bhacker, Trade and Empire in Muscat and Zazibar: Roots of British Domination, (London, 1992), p.XXIV.

3 Oman Ministry of Information, Years of Endeavour and Achievement: Glimpses of the Past, (Muscat, 1995), p.11.

4 Calvin H. Alan Jr., Oman: the Modernization of a Sultanate, (London, 1987) p.26.

among the commanders of expeditionary forces in Makran and Sind. During one of these raids, in 667 A.D., Rashid bin Amru, the Omani captain of the Arab army, was slain by a 50,000 strong Hindu army.<sup>5</sup> In the 11th century, Mahmud Al-Ghazni launched a number of raids on the Indian coastline with success. This led to Omani imperial expansion during the reign of Balarab bin Sultan (1679-1692) and Sa'id bin Sultan (1692-1711), both in the Yaribah Dynasty. Bombay itself was attacked but never conquered by the Omanis.<sup>6</sup>

Marcopolo visited Oman in the 13th century. His first port of call was Shihr. Writing about its status as a commercial centre, Marcopolo noted that Arabian horses were sold for high prices there, and exported to India.<sup>7</sup> Before the arrival of the Portuguese in 1498, the Arab traders carried indigo from Gujarat as far west as Europe. The Indigo dyed clothes that were worn along the Batina coast of Oman were mainly made out of imported Indian indigo dyed clothes.<sup>8</sup>

The Omani merchants were able navigators and proficient sailors. By 8th century, the connection between India and Oman had such strong

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5 Oman Ministry of Information, n.3, p.30.

6 Joseph A. Kechichian, n.1, p.214.

7 Oman Ministry of Information, n.3, p.14.

8 Jenny Balfour Paul, "Indigo - An Arab Curiosity and its Omani Variations" in B.R. Pridham, ed., Oman: Economic, Social and Strategic Developments, (London, 1987), p.81.



links that Indian Muslims were enlisted to man garrisons in Oman. Some Omanis were to become rulers of parts of Sind in the 10th century.

In the latter half of the 17th century, a staggering number of 10,000 horses, valued at Rs. 22,00,000, were imported from Muscat to India through the port of Malabar in Southern India.<sup>9</sup> In 1694, during a raid on Salsette, and Island adjoining Bombay, Omanis are Said to have carried 1400 captives into slavery.<sup>10</sup>

Arab sailors from Oman came to Lakhadweep and Maldiv Islands, where they constructed boats from coconut wood. After the boats were built, they loaded them with other goods and carried them away to their homeland.<sup>11</sup>

Tipu Sultan of Mysore had well rooted diplomatic ties with the Imam of Muscat. Tipu looked forward to the Imam as an ally and source of support in his struggle against the British.<sup>12</sup>

Tipu had established a factory in Muscat. This factory exported to Mysore safron seeds, silk worms, horses, pistachio nuts, rock salt, pearls, raisins, sulphur and copper. Mysore merchants were granted special

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<sup>9</sup> M. Reda Bhacker, n.2, p.14.

<sup>10</sup> *ibid.* p.9.

<sup>11</sup> Moqbul Ahmad, Indo-Arab Relations: An Account of India's Relations With the Arab World From Ancient up to Modern Times, (New Delhi, 1969) p.85.

<sup>12</sup> A.K. Pasha, "Tipu Sultan's Diplomacy in the Gulf Region", in AK Pasha, ed., Perspectives on India and Weat Asia, (New Delhi, 1999) p.12.

concessions by the Imam of Muscat. While a duty of 10 percent was levied on goods of all foreign merchants, those from Mysore were subject only to 6 per cent. The Imam and his subjects were given trade facilities and privileges in Mysore in reciprocation.<sup>13</sup>

The Battias, a merchant community of the Sind and Kutch provinces, had contacts with their counterparts in Muscat since the 11 century. By 17th century, they had grown in numbers and played key roles in Muscat's trade, especially during the Portuguese occupation of Oman. About four Hindu, temples existed in Muscat by mid-1760s. The Indians continued to prosper under Albu Sa'id dynasty.<sup>14</sup>

The Sindis gradually lost their monopoly over trade, as Banyas, another Hindu merchant community, began to play key economic and political roles in Muscat. It is remarkable that the Portuguese were finally expelled from Muscat with the help of a Banya called Narutem.<sup>15</sup>

Strong commercial contracts kept on growing between Banyas and Omani merchants. Omani rulers also found it expedient to maintain the close links between Banyas and the national mercantile communities. In the 1720s, it is observed that, during the civil war that brought the Al Bu

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<sup>13</sup> Maqbul Ahmad, n.11, p.92.

<sup>14</sup> Joseph A. Kechichian, n.1, p.215.

<sup>15</sup> M. Reda Bhacker, n.2, p.12.

Sa`ids to power, Ahmed bin Sa`id, seeking to establish his authority in East Africa, sent Omani reinforcements on ships borrowed from Banya merchants.<sup>16</sup> The Hindu merchants of Kutch had suffered economic setbacks as the Britishers preferred to trade through Surat and Bombay. Famine, plague and earthquake in the Kutch region also affected them harshly. However, they managed to keep their heads up as they had the support of the ruling family. Sayyid Sa`id bin Sultan (1807-56) had hired many kutchis to act as his agents and brokers. By 1840, an estimated 2,000 Kutchi's lived in Muscat. But they got scattered during the fundamentalist regime of Azzan bin Qais. The Intra-family feuds in Omani ruling family also put the Hindu merchants in troubled waters. Yet, Kutch and Gujarati were retained as local languages.<sup>17</sup>

In 1875, London decreed that "anyone who settled in Muscat after the British assumed direct control over his native territory in India, could obtain British protection. The Indian merchants in the Sultanate came to enjoy this privilege. As a consequence, many began to view them as agents of British designs in Oman. This affected the contact between India and Muscat negatively.<sup>18</sup>

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<sup>16</sup> *ibid.*, p.13.

<sup>17</sup> Joseph A. Kechichain, n.1, p.217.

<sup>18</sup> *ibid.*, p.218.

The Indian troops have played major roles in the Sultanate's domestic affairs, quelling rebellions and supporting the Sultans in civil wars against the Imamate.<sup>19</sup> In the post-British period, after the termination of the 1939 Treaty of Commerce and Navigation with Britain, the independent India signed a forward looking Treaty of Friendship, Commerce and Navigation with Muscat.

### **Major Aspects of Influence**

A number of internal and external factors have influenced the Indo-Omani relations since 1970. Dominant among the international developments with significant implications for the foreign policy of India and Oman, there by influencing their mutual relationships can be viewed in the light of the Cold War and its end, marking the emergence of a unipolar world order.

The Cold War that followed the World War-II had divided the world into two ideological groups. One under the US-led neo-liberalist, free market ideology, and the other under the Soviet Union, professing

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<sup>19</sup> J.E. Peterson, Oman in the Twentieth Century: Political Foundations of an Emerging State, (London, 1978) p.74.

Socialistic principles. Both tried to gather support of maximum number of countries to their folds. This in turn resulted in a world-wide arms race.

India remained as a role model for the countries of the third world in its garb of non-alignment. This was a courageous and distinct stand India opted to, under the Nehruvian legacy, ever since its independence in 1947.<sup>20</sup> Yet, India was known to the world as an ally of the socialists and a friend of the Soviet Union. Like many a third world country, India looked up to the Soviets for its industrial and infrastructural enhancement. The relationship with the Soviet Union also provided a near guarantee of Soviet Assistance in case of armed conflict.<sup>21</sup>

Oman, on the other hand, found itself pitted against the Socialist block. The Cold War tension, in the form of Communist threat, lay suspended over the dynasty's head, which had loomed large as the rebellion in Dhofar (1963-75). The Communist Yemen had come out in the open in support of the rebels. Mere adherence to non-alignment alone could not guarantee support to the regimes in the Gulf. To counter threats, internal and external, to their legitimacy, they had to look for more pragmatic

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<sup>20</sup> M.S. Rajan, "India's Foreign Policy: Critique", Journal Peace Studies, (New Delhi) vol.1, no 3-4, March-June, 1994.

<sup>21</sup> Neera Chandhok, "The New World Order: Implications for India's Domestic and Foreign Policy", in Lalith Mansingh et. al., eds., Indian Foreign Policy Agenda for 21st Century, (New Delhi, 1997) p.81.

alternatives. The US has ever been happy to extend what Oman and other regimes in the region wanted. The US met the reciprocity of this extended assistance through the deployment of its armed forces in definite bases in Oman and other regimes, and in turn, weilds control over these oil rich states.<sup>22</sup>

The fall of the Soviet Union and the socialist regimes in Eastern Europe spelled tremendous alterations in the working of the world system. As the system assumed a unipolar dimension, the direction of international relations underwent a reshuffling, with the convergence of nations under the US hegemony. The U.S. supercop saw to it that alternate ideologies stood delegitimised. The breakdown of bipolarity and the collapse of the Soviet Union came as a shock to Indians, and its reassessment of the changing international order has been slower than that of other major powers.<sup>23</sup> The change in the international power structure was a major blow to India. The Soviet Union was an ally which could be counted as a source of diplomatic support, and beyond that, it provided the supply of arms and a good market for Indian goods.<sup>24</sup>

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22 Dilip Hiro, Inside the Middle East, (London, 1982), p.175.

23 Stephen P. Cohen, "Regional Impact of Reforming India", Adelphi Papers, (London), no.276, 1992, p,83.

24 G.P. Ramachandra, "Indian Foreign Policy in Post Cold War Era", in K.Raman Pillai, ed., Indian Foreign Policy in 1990s, (Delhi, 1997), p.26.

Same was the case for many third world countries. The Western countries which have been the vanguard of open economic system, political liberalism and social change became compulsive models for these developing countries in the 1990s in the absence of an alternative model for development.<sup>25</sup> No wonder, if India decided to toe the line drawn by the US.

However, a little retrospection would unravel the fact that throughout the second half of the 1980s, India had been warming up to face such an eventuality. Ever since 1985, India have been seeking closer ties with the United States. Rajiv Gandhi's first visit to the US in this year marked the initiation of a collaboration with America in various fields including defense. The period saw three high-level US defense and Pentagon teams visiting India. The first ever visit of a US Defense Secretary to India happened in November 1986 with the visit of Cooper Weinberger.<sup>26</sup>

These developments ensured closer technological, economic and defense collaboration between India and the US.

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<sup>25</sup> S.H. Patil, "Collapse of Communism and Emergence of Global Economy: Indian Experiment with New Economic Policy", India Quarterly, (New Delhi), vol.10, no.4, October.-December, 1993, p.17.

<sup>26</sup> Prakash Karat, "Refueling US Planes: Deeper Issues", Mainstream, (New Delhi) 2 March, 1991, p.33.

As far as Oman is concerned, it welcomed the emergence of the uni-polar system with a sigh of relief. The Sultanate have been trying hard to keep the Soviets pleased, in the aftermath of the Shah of Iran's fall and the Soviet intervention of Afghanistan. In 1985 it had established diplomatic relationships with the USSR. In 1989 it extended financial assistance to the shaky government of Gorbachev. In the meanwhile, it had started renegotiating on the allowed access to the US into its air bases.<sup>27</sup> These steps taken by the Sultanate matched with India's efforts to smoothen its relationships with the United States.

So the birth of a new world order marked a watershed in the foreign policy of India and Oman. One trying hard to adjust to the tune of the altered order, and the other revelling in the advent of the currents it preferred and sailing in it with added swiftness.

There are certain other factors having major say on the ties between India and Oman. As these factors are more intimate to the domestic features of these countries, they have been dealt with in detail in the concerned chapters of this study. However, a cursory mention of these

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<sup>27</sup> Jamid Laiq, "The Gulf Cooperation Council: Royal Insurance Against Pressures from Within and Without", Economic and Political Weekly, (Mumbai) vol. 20, no.35, August 30, 1986, p.1543



important aspects is worthwhile before proceeding to the next section of this chapter.

Firstly, the liberalization of Indian economy. This process began during Rajiv Gandhi's government (1984-89). Successive governments carried forward this mantle of liberalization with varying levels of intensity. Interestingly, one can observe that the beginning of the liberalization process in India coalesced with Rajiv Gandhi's efforts on greater cooperation with the United States. With the emergence of the new world order, India's liberalization process has gathered added momentum. The opening up of the Indian industrial sector, inspite of high ranging debates going on in political and intellectual circles, has opened up a new vistas of umpteen opportunities for the countries of the world including Oman.

Secondly, the diversification and opening up of the Omani economy. This process is an immediate outcome of Oman's domestic constraints. Oman is often referred to as a pseudo-rich economy amidst its oil rich neighbours. The Sultanate's diwindling reserves of crude oil and the impact of the fall in oil prices on the country which still largely depends on oil revenues to sustain various national reconstruction projects, prompted the Sultan to adhere to such measures. The process offers enormous opportunities to fulfill India's economic aspirations in the region.

Another major aspect of Indo-Omani relations is the presence of a large number of Indians in Oman. Their presence in the Sultanate has potential political, economic and socio-cultural implications, significantly influencing the relationship between the two nations.

Finally, the principle of non-interference which the Sultanate foreign policy professes. This aspect have an over all impact on the political, economic and socio-cultural ties between India and Oman.

### **Objectives and Scope of the Study**

The objectives of this study are set in close association with the above mentioned factors majorly influencing Indo-Omani relations. Hence, this study would attempt to analyze the varying trends in political and diplomatic relations between the two countries as the world got transcended from the Cold War to the post-Cold War phase. It would also attempt to assess the impact of the liberalization and diversification of Omani economy on the trade and economic ties between India and Oman. Another objective of the study would be to assess the impact of the privatization and opening up of the Indian economic arena in the aftermath of the introduction of the new economic policy. Attempt would be made in the course of this study to look into the role of the Indian community in

Oman, as an influencing factor on Indo-Omani relations. It would also look into the socio-cultural affinity between the Indians and the Omani nationals. Finally, this study would assess the importance of the non-interference policy of Sultan Qaboos in prospering the political, economic and socio-cultural relations between the two nations.

Hence, the scope of this study spans the entire realms of politics, economy and society of India and Oman. The enormity of its scope seldom diminishes the focus of the study as the major chapters are specifically concentrating on the ties between the two countries concerned. More over, while analysing the relations between two nations one can not do away with any of these three fields. The political stance the countries have taken in response to major international political developments come within the ambit of this study, as these stances will have natural implications to the foreign policy direction India and Oman keep towards each other. Domestic economic features and needs are the main factors controlling the trade and economic relations. Hence this too would be deeply looked into in connection with its possible ramifications to Indo-Omani economic ties. The Indian community in Oman constitute the major propagators of the socio-cultural affinity between the two countries. And, their role in Oman can not be assessed without a proper understanding of the labour market situation in both the countries.

## Survey of Literature

Scarcely any book has so far been written exclusively on Indo-Omani Relations in the modern times. Exclusive endeavours to appraise Indias connections with other major GCC states have been taken up in various books by various authors. May be because the “special relationship” between India and Oman is a recent development, major studies in this connection are yet to appear.

Joseph A. Kechichian’s, Oman and the World: The Emergence of an Independent Foreign Policy , published in 1995, is perhaps the only one of its kind, dealing entirely with the emergence of Oman’s foreign policy. Kechichian has devoted about 13 pages to present a birds eye-view of the relations between India and Oman. Starting with a historical overview of these ties before 1970, he goes on to analyse the political economic and socio-cultural contacts between the two countries during the Cold War and post-Cold War periods.

M. Reda Bhacker’s, Trade and Empire in Muscat and Zanzibar: Roots of British Domination, published in 1992, also deserves special mention. Effort is made in this book to present a detailed history of the Maritime trade of Oman with special reference to its trade relations with the Indian Ocean region. The role played by the Indian merchant communities in Muscat and Oman and that by their Omani counterparts in

the western coast of India through the terms of various dynasties, regimes and British rule are dealt with in detail.

A host of books on Omani history also render sparse information about the ancient and pre-1970 relations between India and Oman. Particia Risso's Oman and Muscat: An Early Modern History; Oman Ministry of Information published, Years of Endeavour and Achievements: Glimpses of the Past; Rober Glader's, Oman since 1856: Discrive Modernization in a Traditional Arab Society; etc. belong to this group.

Many books belonging to the above two categories are published in Arabic or Persian.

Books on modern Omani history like Calvin H. Allen Jr.'s, Oman: The Modernization of a Sultanate, J.E. Peterson's, Oman in the Twentieth century: Political foundations of an Emerging State; John Townsend's, Oman: the Making of a Modern state etc. also spare occasional information on the pre-1970 history of Indo-Omani relations.

A number of books dealing with the history and maritime history of India also throw light occasionally on the maritime trade relations between the two countries prior to 1970. William Kirk Patrik's, Selected Letters of Tipu Sultan, Maqbul Ahmed's, Indo Arab Relations: An Account of Ancient India's Relations with the Arab world; Pamela Nightingale's,

Trade and Empire in Western India; Haripada chakraborti's, Trade and Commerce of Ancient India; Kuamr Rabindra's, India and the Persian Gulf Region, 1850 - 1907: A Study in British Imperial Policy are instances to this kind.

Coming to the post 1970 relation between India and Oman, It is observed that published books exclusively on this subject are literally nil. Information in this regard has to be culled out from books on modern Omani history like J.E. Peterson's, Oman in Twentieth Century: Political Foundations of an Emerging State, Calvin H. Allan Jr's Oman: The Modernization of a Sultanate etc. However, most of the books belonging to this category have been published in the 1970s, and hence have failed to provide information on the more recent developments. B.R. Pridham's, Oman: Economic Social and Strategic Development, was published in 1987. Reference to Oman's ties with India is few and far between in this book.

A good number of recent books written on India's relations with West Asia yield a good deal of information on Indo-Omani political and diplomatic relations, A.K. Pasha's, India and West Asia: Continuity and change, Riaz Punjabi and A.K. Pasha (editors) India and the Islamic World; Bhabani Sen Gupta (editor), The Persian Gulf and South Asia; Muchkud Dubey (editor), Communal Revivalism in India: Its Impact on West Asia

and North Africa are examples to this kind of works. Most of these edited books include articles on India's political, economic and socio-cultural ties with the West Asian region, in which most oftenly Oman also finds a place.

Many books dealing with the West Asian economies shed light on Oman's economy and its domestic features that prompting its ties with India. Girijesh Pant's, The Arab Gulf Economies: From Crisis to Reform, Tim Niblock and Murphy (editors) Economic and Political Liberalization in the Middle East; Gad. G. Gilbar's, The Middle East Oil Decade and Beyond are instances to this kind of works. As many of these books are published in the 1990s recent developments in the region find place in them.

Finally, coming to the Indian community in Oman, information about this is scattered among a number of books dealing with migration to the Gulf countries. Books written by J.S. Birks and G.A. Sindair, such as The Arab Manpower: The Crisis of Development, and International Migration and Development in the Arab Region generally deals with the features of the Arab economies compelling them to invite expatriate labour and living conditions of these labourers in the host counties. A number of books deals with impact of the migration on migrants, migrant households and the labour sending countries. Most of these works are based on studies conducted among return migrants and surveys conducted in migrant

households PRG Nair's, Asian Emigration to the Middle East: Emigration from India; Chapter on India by Kuldip Nayyar, in Rashid Amjad (ed) To the Gulf and Back: Studies in Economic Impact of Asian Labour Migration etc. come under this category.

### **Methodology**

This study adopts a historical and analytical method. Each chapter attempts to present the problem in a chronological order, coalescing and ending with its analytical appraisal.

A part from the secondary sources like books periodicals and dailies, responses of a number of Indian workers in Oman to the questionnaires sent by post also have been made use of. Interviews with personnel of important offices in the Embassy of the sultanate of Oman in India, and information amassed from various seminars on Indo-Omani relations also have been made use of in the course of the study.

### **Chapterisation:**

The first chapter of this study is an introductory one. Beginning with the geographical locations that made the ties between India and Oman a natural development, this chapter goes on to give a brief historical



overview of the ties before 1970. After a brief description of the emergence of the present independent foreign policy of Oman which is unique in the region it sheds light on major factors which have influenced the Indo-Omani relations through years after 1970. Discussing these factors, care has been taken not to go into aspects dealt with in detail in the subsequent, concerned chapters. This introductory chapter also contains the objectives and scope of the study, an extensive survey of literature, introduction of the methodology and sources used and the present section of chapterisation.

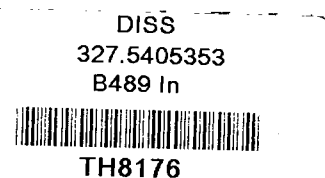
The second chapter deals with the 'political and diplomatic dimensions' of the relations between India and Oman in the post '70 period. Set in the backdrop of the Cold War and the birth of a new world order, this chapter makes a chronology of major occurrences in the ties between India and Oman in tandem with the two aforementioned developments of importance in the international scenario. These developments- the Cold War and its end - had major implications for India and Oman. In the early period, while the Cold War erpelled these counties apart, in a later period, the same phenomenon seems to bring them together. In the post-Cold War scenario, as India's foreign policy undergoes considerable changes with tides of the new world order, both the nations find mutuality of interests. The chapter also looks forward to India's future

as a security alternative for the West in the Persian gulf region. Effort has also been made to present the independent, extra-regional stands taken by Sultan Qaboos on issues like the questions of Kashmir and Ayodhya in the light of his foreign policy based on the principle of non-interference.



The Third chapter of this study deals with trade and economic relations between India and Oman. The liberalization and diversification of Oman's economy, as well as the privatization and opening up of the Indian economy in the wake of the New Economic Policy serve as trend setters to these ties. The first half of the study deals with growth and changing patterns of the trade between India and Oman. Apart from looking in to the trade balance, direction and composition, this chapter also compares it with India's exports to other GCC states, and Oman's imports from selective major sources. These efforts give a realistic picture of the trade relations between the two countries. There is a special section on Oman's LNG project and India's demand for natural gas in the coming years. The second half of this chapter talks about the major joint ventures between India and Oman, India's project exports to Oman and future prospects resultant of the economic policy changes.

The fourth chapter goes into the role of the Indian community in Oman, as a factor influencing the relationship. It explains Oman's labour market constraints leading to dependence on labour from countries like



India, and India has been placed as a potential manpower supplier in years to come. Living and working conditions of the Indian labourer in Oman, and its socio-economic and political ramifications also have been looked into. The chapter also deals with the possible effects of the process of Omanisation of the Sultanate will have on the Indian expatriates and future labour supply from India. The latter section of the chapter describes the socio-cultural affinity between the Indians and Omanis in the Sultanate. It also points out the lack of the governments' interest in sustaining these long-standing affinity and calls for immediate measures. The whole issues has been dealt with as one with potential political and socio-economic implications with a major say on Indo-Omani relations.

The concluding chapter of this study is an analytical appraisal of the issues dealt with in chapters 2, 3 and 4. From inferences drawn from these analyses it looks forward to the future of Indo-Omani relations.

## Chapter 2

### Political and Diplomatic Dimensions

The kind of political and diplomatic ties India and Oman keep up at present, widely vary from what it had been while Sultan Qaboos acceded to power in 1970. As the principles and priorities of the international political scenario altered continually in accordance with major and crucial developments, this relations also underwent significant alterations. This chapter attempts to analyse these changing trends in the ties between these two countries with the Cold War and its end as the backdrop. Each of the major developments in the region which has majorly influenced the political and diplomatic relations between India and Oman, whether it was the rebellion in Dhofar region, Iranian revolution, Iran-Iraq war or Iraq's Kuwaiti invasion, hence has largely drawn from these two major phenomena-- the Cold War and its end marking the emergence of a new world order. India's foreign policy direction has been altered remarkably, willy-nilly, succumbing to the pressures exerted by these phenomena.

The Nehruvian legacy of the Indian foreign policy has more or less ceased to be the backbone of its relations with other nations. The collapse of the Soviet Union and the emergence of a new, unipolar world order marked a watershed in the eclosion of the altered policy. Champions of the

capitalist cause ebulliently uphold what they called the demise of Communism as the éclat of the capitalist world system. The myopic exuberance of the euphoric clarion calls of the new world order had drowned in it many a legacy the international community had cherished for years together. The Indian casualty being the Nehruvian principles. The Indian advocates of the unipolar system welcomed the transformations stating that “the Socialistic legacies of the Nehruvian era are anachronistic impediments to India realising its full potential as a major and full power”.<sup>1</sup> This shift in emphasis on foreign policy variants have altered the country’s relations with counties across the Arabian Sea as well. India’s shifting priorities in the West Asian Peace Process as well as the refuelling US planes within the borders of a celebrated champion of non-alignment are instances to this. These issues may come up again in this chapter as we deal with them one by one in connection with India’s relations with Oman. However, it is worthwhile observing that India’s ties with Oman has ever been in tandem with the flow of capital, and the ramifications of the cataclysmic alterations in the world system would make the sail smoother.

Oman’s foreign policy, ever since the present Sultan Qaboos bin said acceded to the throne in 1970, has been guided by the principles of

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<sup>1</sup> Ramesh Thakur, The Politics and Economics of Indian Foreign Policy, (Oxford, 1994), p.2.

pragmatism that rules the roost in the present day international scenario. This natural adaptation of foreign policy was hatched out of a realistic awareness of the country's internal capabilities. Its pseudo-rich status amidst a host of oil rich neighbours, as well as an understanding of the potential multifaceted security hazards from within and across the borders, by virtue of its geographic location have majorly contributed to the precipitation of Oman's foreign policy, which is unique in the region. The principle of non-interference in the internal affairs of other countries is the corner stone of this policy. A tendency to lean to the West, especially the United States, is another characteristic of the Sultanate's foreign relations. Apart from the historical and traditional dependence on the West, especially imperial Britain, an awareness of its humble existence with limited resources to eke out support to the existing monarchic regime is a major factor turning it west-ward . Presumably, developments following the collapse of the Soviet Union came as a relief to the Sultanate. It found the sail in international waters smoother as the under currents of Communism which has ever been a threat to the monarchic regime in the latter half of this century died down. Thus it began to address the more immediate regional threats and more crucial internal demands of a rapidly growing population in the way it wanted, with a sigh of relief. The collapse of the Soviet Union considerably changed the Sultanates policy towards

India. For Oman India has ceased to be an approachable Soviet ally at hand and has identified it as an ally, at the other end of the Arabian Sea, with changed conditions more or less suiting those of the Sultanate. And, of course, a large market with umpteen opportunities. More light is shed into this process of shift in approach to India in the subsequent pages of this chapter.

In March 1950, London had terminated its 1939 Treaty of Commerce and Navigation with Oman. And, as early as in 1953, responding to the call of Sa'id bin Timur, independent India had signed a Treaty of Friendship, Commerce and Navigation with Muscat and Oman. This could be seen as a consequence of Oman's need to balance its strong dependence on UK by getting closer to India.<sup>2</sup> But this treaty rested in dusty files in the dark rooms of the Cold War for the next few decades. It is worth noticing that inspite of the existence of such a treaty, India had refused troops and arms to help the Sultan in 1950s in the civil war against the Imamate. Till 1970, apart from the United Kingdom, India was the only country which was allowed a representative consulate in Oman.<sup>3</sup> This kind of coldness had frozened the limited give and take between the two

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<sup>2</sup> The Hindu, 11 June 1993.

<sup>3</sup> *ibid.*

countries till Sultan Qaboos took over the reigns of Muscat and Oman in 1970, and for a few years after that.

### **Qaboos in Office**

Just after his accession to the throne of the Sultanate, the new ruler had to devote his time and energy to put his house in order. He appointed Tariq bin Timur, his uncle, Prime Minister, and asked him to form a government. In 15 August 1970, Tariq formed the first cabinet in modern Omani history. The Sultan reserved for himself the portfolio of foreign affairs.<sup>4</sup> Tariq's period of Prime Ministership witnessed a quantum leap in the development of Oman's international diplomacy, as well as earning a nation hood to the Sultanate in the eyes of the world community. On 6th October 1971, Oman became a member of the League of Arab States and on 7th October of that year, it was admitted to the United Nations. Tariq had succeeded in amassing support from a large number of states including India. India's stand in support of Oman's cause in the UN was remarkable at a time when many of the Sultanate's fellow states in the region stood to oppose it. Opposition to Muscat's membership in both the organisations was orchestrated mainly by the People's Democratic Republic of Yemen

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<sup>4</sup> J.E. Peterson, Oman in the Twentieth Century: Political Foundations of an Emerging State, London:Croom Helm, 1978, p.207.



and Imam Ghalib bin Ali, who since 1955 had claimed the leadership of Oman.<sup>5</sup> Even as majority of the Arab states stood against Oman, New Delhi either supported the Sultan or abstained. This kind of stand when India had opposed the will of majority of the Arab states was unprecedented. The Arab states, in these early days of the new Sultan, had always questioned Oman's legitimacy on the grounds that the Sultan is a British puppet. The temerity India exhibited at this juncture to stand in support of Qaboos points to the special relation the Sultan had established with New Delhi at this early period of his career as the ruler of Oman. India's External Affairs Minister Swaran Singh stated in the Lok Sabha: "we welcome the entry into the community of independent nations and to the United Nations of the states of Oman, Qatar, and Bahrain... They have been our neighbours and our contacts with them go back to antiquity. We have established diplomatic relations with them at embassy level".<sup>6</sup>

This was closely followed by a time when India was facing much heat and pressure from the Islamic countries of the world over the thorny issue of Bangladesh. This gave an opportunity to Sultan Qaboos to reciprocate in the same magnitude, favoring India, on this issue which was controversial in the Arab-world. The Arab countries generally had a

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<sup>5</sup> Joseph A. Kechchian, Oman and the World: The Emergence of an Independent Foreign Policy, (Santa, 1995), p.7.

<sup>6</sup> The Hindu, 13 June 1993.

special love for Pakistan. In 1971, when the question of Bangladesh came to consideration in the UN, naturally, the Arab States stood obstinately for Pakistan's cause. Among the overwhelming number of Arab states standing against India, Oman chose to abstain in the UN votings. This happened to be remarkable for two reasons. Firstly, Oman was a new entrant in the world body. Secondly, it was the only Muslim state not to fully support Pakistan.<sup>7</sup>

These kinds of stands, especially when it comes to issues involving Arab, or Islamic countries, is unique among the Arab countries; Oman always gave importance to its principles and individual opinion above narrow regional preferences. Instances to this emphasis on principles are visible in the history of Oman's relations with India and other states.<sup>8</sup>

### **Grips of the Cold War**

The 1970's can generally be considered a warming up period of the political ties between India and Oman. But for the mutual support rendered to each other's benefit in the world bodies, the Indo-Omani relations stay cold in the grip of the Cold War fever. A bitter pill in the relations between

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<sup>7</sup> The Times of India, 27, April 1972.

<sup>8</sup> The Hindu, (Madras), 13 June 1993.

India and Oman in the first half of the 1970s was New Delhi's response to the Sultan's call for assistance to quell the Dhofar rebellion.

The rebellion in Dhofar which had started as early as 1965 was one of the major questions Sultan Qaboos had to address. The Communist inclination of the rebels rendered the issue the colour of the Cold War. The Popular Front for the Liberation of the Occupied Arab Gulf (PFLOAG) which was at the helm of the rebellion, was largely supported by Yemen, the only Communist ruled country in the Arab world. This rebellion was ruthlessly crushed by the combined forces of Britain, Jordan, and the Shah of Iran.<sup>9</sup> Though Soviet Union's direct involvement was less pronounced in mutiny, the internal threats were supposedly linked with the external threat of Soviet Communism.<sup>10</sup>

India over the years was known for its close links with the Soviet Union. The call of the Sultan for armed assistance was denied by New Delhi, perhaps because of the Left bloc's involvement on the other side. India sent serving officers to Oman, but refused arms and permission to post Indians in combat zones. Some of the Indian service men who came at this time to Oman are still in that country, employed in various

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<sup>9</sup> Dilip Hiro, *Inside the Middle East*, (London, 1982), p.175.

<sup>10</sup> *ibid.*, p.290.

fields.<sup>11</sup> Though India's coldness to the Sultan's appeal seemed to strain the ties lightly, the Indian affinity to the Soviet Union led to another phase of Indo-Omani relations after the Iranian revolution.

Though the Indian attitude towards Oman in the early half of the 1970s was strained by the Cold War, a further warming up was apparent in the latter half of the decade. The enthusiasm and warmth with which Muscat welcomed the then Indian Prime Minister Indira Gandhi was an instance to this. On 7th July 1976, Mrs. Gandhi's plane had made a refueling stop-over in the Muscat airport on her way back from Kabul. She was given a red - carpet welcome by the Omani authorities - Mrs. Gandhi was welcomed and received by Sayeed Tawani bin Sohaib on behalf of the Sultan of Oman. All the Cabinet Ministers as well as the major members of the Indian Community were present in the airport ceremony which included a guard of honour. After which the Indian PM was taken on a helicopter for an aerial view of the city.<sup>12</sup> This was a show of regards with which Oman was looking forward to greater cooperation with India. Oman's customs and immigration services were setup by India during the 1970s, but beyond that the relations stood still, but for the above mentioned expression of enthusiasm and warmth.

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<sup>11</sup> The Hindu, (Madras), 11 June 1993.

<sup>12</sup> The Hindustan Times, (New Delhi), 8 July 1976.

Two major developments occurred in 1979, significantly influencing Muscat's foreign policy. First was the Iranian revolution and the second, the Soviet intervention in Afghanistan.

Oman has always tried hard to keep all its neighbours pleased. The Shah of Iran, ever since the British withdrawal from the east of Suez, had unleashed his hegemonic aspirations in the region. Every one of the Gulf states tended to acknowledge his regional supremacy. It is worth mentioning that Oman had gone to the extent of inviting the Shah in to the Sultanate to quell the Dhofar rebellion. The Shah's fall came as a shock to the monarchies, who were quick to break diplomatic relations with Tehran and adopted confrontational postures. Oman satisfied itself with a cautionary note. It even tried to find a common language with the new Iranian regime Khomeini.<sup>13</sup> The Omani stand proved to be more in tandem with that of India than with its Gulf neighbours. The Sultan found it important to brush up his ties with India as well as its existing security arrangements with the US.

The Soviet intervention in Afghanistan was in the shared concern of both Oman and India. The Soviet act at the neighborhood perturbed both the countries. In Oman's eyes, closer ties with India gathered more

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<sup>13</sup> Joseph A. Kechichian, n.5, p.11.

relevance as it had deemed India as a country which had a say in matters pertaining to the Soviet Union. It viewed in anticipation to Indo-USSR understanding on issues. New Delhi also could not stay indifferent to the region's security matters. The Soviet action at close neighborhood was not something to be written-off. Moreover, India was very anxious about the increased US naval presence in the Indian Ocean region in the aftermath of the Soviet intervention. India also naturally found it important to have deeper ties with Muscat, as it was a major base of US security arrangements in the region.

A few months after the event in Afghanistan, on 25 February 1980, a special envoy of the Sultan Qaboos, Sa'id Fahr bin Timur, Oman's Deputy Prime Minister for Defence and Security, arrived in New Delhi. This visit assumed much importance in the given circumstances. The Sultan's envoy had a detailed discussion on the region's security arrangements with the Indian Prime Minister Indira Gandhi. Fahr also sought to expand Indo-Omani relations in military training and counter terrorism. Mrs. Gandhi told the Omani envoy that tension in the South Asian region could be defused only by avoiding the arms race and Cold War confrontation in the region.<sup>14</sup> At a time when India was championing non-alignment and non-involvement of the super powers in the affairs of the developing countries,

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<sup>14</sup> Patriot, (New Delhi), 27 Feb 1980.

the Omani position was worth noting. By and by, India came to play a major role in the regional negotiations between the Arab Gulf Monarchies and the USSR. During the Iran-Iraq War, for instance, Yusuf bin Alawi of Oman Ministry of Foreign Affairs, sought Indian assistance to convey a number of messages from GCC heads of states to Moscow through New Delhi.<sup>15</sup>

In November, the Indian Prime Minister Rajiv Gandhi visited Oman to attend the Sultanate's 15th National Day Celebrations. The Indian Premier and the Sultan discussed the entire gamut of the security of the region, which by now had become a shared concern of both the nations. The discussions reportedly included some sensitive security problems the Sultanate was then facing. Rajiv Gandhi and Sultan Qaboos also signed an MoU to stream line the "Indian military assistance" to Oman. Subsequently, a host of Indian armed forces personnel were sent on a two-year deputation to serve in the Sultan's armed forces.<sup>16</sup>

In March 1989, Sa'id Fahr bin Timur payed his next visit to India to conclude the agreements on security cooperation. The discussions thus took place resulted in a two-day joint naval exercise -- the first ever joint exercise between India and a Gulf State -- off the coast of Oman, in

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<sup>15</sup> Joseph, A. Kechichian, n.5, p.220.

<sup>16</sup> *ibid.*, p.220.

January 1993. The Indian Navy vessels took part in the joint maneuvers. From the Omani side, Royal Oman Navy and Royal Oman Police forces participated. Indian ships displayed their latest achievements in naval electronics, helicopter landing pads, and fast patrol boats. Rear Admiral Madhavendra Singh, the Commander of the Indian fleet, described the joint exercise as “historical”. His Omani Counterpart, Rear Admiral Hilal bin Muhammed-Al-Rashid, then acting commander of the Royal Navy of Oman, suggested that this exercise “would activate better relationships between the two brotherly countries”. A \$ 5 million contract was awarded in the same year to the Indian Navy to carryout hydrogenic surveys of the Omani coast. The result of this survey was supposed to be used for the proposed gas pipeline from Oman to India which failed to take off.<sup>17</sup>

In the 1980s, Iraq grew important in Oman’s security concerns, as the Iran-Iraq war erupted. This confirmed the view that neither Tehran, nor Baghdad can be isolated from the security considerations of the area. Oman found it important to have good relationships with both the warring countries. By this time, Oman had allowed military facilities within its territory to the United States. These facilities could be used by the US for meeting its priorities in the area, from the airfields at Masirah, Seeb, Thumarit and at Khasab facing the strategic Straits of Hormus, the 23 mile

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<sup>17</sup> *ibid.*, p.221, also see The Hindu, (Madras), 3 June 1992.



channel which separates Oman from Iran, and through which passed 20 per cent of the non-Communist world's oil exports.<sup>18</sup> The mounting tension in the region coupled with its possible Cold War ramifications, had prompted Oman at an earlier stage to renegotiating its agreement with the US, and stipulating that access would only be allowed on a case-to-case basis, only after prior permission from the Sultan.<sup>19</sup> Oman had also decided to establish diplomatic relations with Soviet Union.<sup>20</sup> It is natural enough that the Sultanate at this point of time looked on to deeper political and security cooperation with India.

India, at the same time, was facing a diplomatic dilemma. Both Iran and Iraq were non-aligned nations. India had best of ties with both of them. Each of them also expected India to side with it. India, however, played its cards with considerable political fitness and imagination. Indira Gandhi, who happened to be the chairperson of the Non-aligned Movement, sought to play a mediatory role by setting up a small committee of non-aligned friends. This marked another occasion when the foreign policies of India and Oman recorded equality of resonance. But when Iraq invaded Kuwait in 1991, identifying a direct threat to the security of the region from the

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<sup>18</sup> The Statesman, (New Delhi), 21 July 1998.

<sup>19</sup> Jamid Laiq, "The Gulf Cooperation Council: Royal Insurance Against Pressures from Within and Without", Economic and Political Weekly, (Mumbai), vol. 21, no.35, 30 August 1985, p.1555.

<sup>20</sup> The Hindustan Times, (New Delhi), 10 October. 1983.

Ba'athi leadership, Oman found itself aligning with the US-led western forces against a fellow Arab government. India on the other hand, failed to spell out a clear cut policy line for itself. Though it declined to support the US' super cop attitude, allowed the US planes refueling facilities. This of course was an indication of India's changed foreign policy direction. Yet, the Gulf regimes in general were disappointed.<sup>21</sup>

### **Cold War Ends**

In an urge to settling terms with the Socialist bloc, Oman had gone to the extend of not only establishing diplomatic relations with the former Soviet Union, it also had extended financial assistance to Gorbachev's beleaguered government in 1989. The fall of the Soviet Union in the subsequent years came as a relief to the other wise temperamentally capitalist Sultanate. With this appeared a qualitative change in Oman's approach to India. For that country India ceased to be a Soviet ally, which could be approached at moments of Cold War tensions in the region. Indo-Omani relations further proceeded to cater to the mutual interests orchestrated by the capitalist tenets of the new world order.

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<sup>21</sup> Prakash Karat, "Refueling US planes: Deeper Issues" Mainstream, (New Delhi), 2 March 1991, p.33.

A high level delegation headed by the then Petroleum Minister of India, Capt. Satish Sharma, signed an MoU for laying the aforementioned gas pipeline from Oman to India on 13 March 1993.<sup>22</sup> Mention has been made about this in another chapter of this study. But the incident assumed much political warmth and importance as the visit of an Indian Petroleum Minister to Oman was unprecedented, and normally such MoUs are concluded at lower official levels.<sup>23</sup>

On 23 May 1993, Indian Minister of state for External Affairs, Mr. R.L. Bhatia and Mr. Sayyid Haithan bin Tariq, Under Secretary in Oman Foreign Ministry met in Muscat and agreed to set up a Joint Commission to boost the economic, trade and technical cooperation in external affairs. Mr. Bhatia, in a meeting he had with the secretary general of the Omani Development Council identified the areas like remote sensing, desalination and solar energy as areas for closer cooperation. Mr. Bhatia in his meeting with Sultan Qaboos agreed to make available Indian expertise in frontier technologies for the Sultanate's benefit and expressed India's readiness to set up an earth station in Oman. Mr. Bhatia assured Oman that "India's

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<sup>22</sup> Sunday Observer, (New Delhi), 14 March 1993.

<sup>23</sup> The Hindustan Times, (New Delhi), 13 March 1993.

growing relationship with Israel would not be at the cost of its traditional ties with the Arab world".<sup>24</sup>

This assurance given by the Indian External Affairs Minister came out at an apt time when Indo-Omani relations were scaling newer heights. Such a clarification assumed importance, considering India's changed attitude towards the Palestinian question. It was a marked departure from the decades-long pro-Arab approach India had maintained. Hence the relevance of the Mr. Bhatias timely explanation.

Moreover, the two high-level Indian delegations in March and May 1993, showed India's keenness for diplomatic initiatives in the Gulf region after the negative publicity generated by the demolition of Babri Mosque in Ayodhya in December 1992. Most of the regimes in the region witnessed anti-Indian upraises in the aftermath of the incident. Until the situation stabilized, many of these regimes were reluctant to deal with India. So much was the anti-Indian feeling raked up by the incident. Fortunately for India, there was no such problem in Oman, largely because of Sultan Qaboos' "mind one's own business" attitude in foreign policy. Oman was the country in the region which exhibited maximum diplomacy in containing the Ayodhya spill-overs. Prompt action was taken in that

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<sup>24</sup> National Herald, (New Delhi), 24 May, 1993.

country by the government and the Indian diplomatic mission. Oman was perhaps the only country in the region where there was not even a single written complaint from any organized body. The Indian diplomatic mission co-opted local Indians in an aggressive cultural onslaught on bigotry. Quietly, without publicity generated as in the case of other Gulf States, Sultan Qaboos deported about 250 Pakistanis who tried to use Ayodhya incident to create an anti-Indian rage in the country.<sup>25</sup>

On 14 June 1993, P.V. Narasimha Rao, then Indian Prime Minister, paid a visit to Oman. Sultan Qaboos and the Indian Premier in their meeting made statements condemning trans-border terrorism, and decided to uphold secular values. Talking about the Pak-sponsored terrorism in India, the Sultan said: "Islamabad should stop doing anything that comes in the way of normal relations between the two South Asian neighbours".<sup>26</sup> Oman, later on 15 June, called for the resolution of all the differences between India and Pakistan on the basis of Simla Agreement.<sup>27</sup>

This again was a unique stand in the region, as majority of the Arab states tended to favour Pakistani views. Such policy adaptations indicated that Oman would not be party to any kind of religious conflicts. This could

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<sup>25</sup> The Hindu, (Madras), 19 May 1993.

<sup>26</sup> The Pioneer, (New Delhi), 15 June 1993.

<sup>27</sup> The Statesman, (New Delhi), 16 June 1993.

be a natural by-product of the tolerant Ibadhi teachings. The Sultanate itself was a model for how Hindus and Muslims can coexist in harmony.<sup>28</sup>

This healthy co-existence between the two countries was further boosted when the Indian President Dr. Shankar Dayal Sharma visited Oman in October 1996. The Sultan himself received India's first citizen at the airport and accompanied him to the Palace Hotel.<sup>29</sup> Mr. Sharma and the Sultan signed agreements on agricultural cooperation and MoUs to combat crime and cooperate in the field of science and technology. The on understanding combating crime was the first of its kind India had entered into with a Gulf country. Significantly, this followed an incipient plot against Sultan Qaboos which he unearthed and crushed in 1994. It was widely believed that Pakistan would have been the force behind the plot.<sup>30</sup> Viewing from this angle, the agreement assumed more importance than mere exchange of data and expertise.

Later Mr. Sharma was conferred the 'Order of Oman-First class', Oman's highest civilian honour.<sup>31</sup>

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<sup>28</sup> Joseph A. Kechichian, n.5, p.225.

<sup>29</sup> Mohammed bin Taher Aideed, Ambassador to India of the Sultanate of Oman "National Day Message", Third World Impact, (New Delhi), Oct. 1997, p.27.

<sup>30</sup> The Hindustan Times, (New Delhi), 6 Oct. 1996.

<sup>31</sup> Ibid.

Sultan Qaboos paid an official state visit to India in April 1997. It was the first ever visit by an Omani head of state to New Delhi. Significantly, this was a time when the political scene in India was unsteady, after the Congress' withdrawal of support to the Deve Gowda government. Yet the Prime Minister himself received the Sultan at the airport. The Sultan was accompanied by an entourage of 14 ministers instead of the customary five.<sup>32</sup>

The setting up of the Indian Ocean Rim Association for Regional Cooperation (IORARC) was a major item figured in the Summit. At the Official banquet hosted in honour of the visiting Sultan, the Indian President Dr. Shankar Dayal Sharma underlined the continued the strategic political and economic importance of the West Asian region to India. He reiterated New Delhi's support to the West Asian Peace Process with Palestinian cause at core. Mr. Sharma also emphasised India's need to have stronger relations with the GCC states as a whole.<sup>33</sup> These exchange of views between the two heads of state assumed importance considering the fact that for India Oman is the gateway to the other GCC states. India's political ties with the other Gulf states are not as strong as its relations with Oman, especially when controversial questions of religion and disputes

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<sup>32</sup> The National Herald, (New Delhi), 18 March 1997.

<sup>33</sup> The Hindu, (Madras), 2 April 1997.

involving Pakistan come to the fore. The success or failure of India's diplomacy depend on how best India can project the political ties with Oman as a model for the other Gulf states.

The latest among these mutual visits of high level delegations was Prime Minister Atal Behari Vajpayee's visit to Salalah. The Prime Minister was accompanied by a high-level delegation. Mr. Vajpayee and Sultan Qaboos had substantial discussions on bilateral, regional, and international issues, and committed the two countries to promote ties in political and economic fields.<sup>34</sup>

### Conclusion

The chronological configuration of occurrences and trends characterising the Indo-Omani relations throws light on a few salient conclusions. Ever since Sultan Qaboos' accession in 1970, both the countries have looked each other with enormous mutual concern. These countries have gone out of narrow regional, religious and political preferences to extend mutual support on crucial issues, as is apparent in India's defiance of the Arab League interest, while supporting Oman in the UN debates, and Oman's stand on issues like the Bangladesh in the UN, the Indo-Pak conflict and the Ayodhya issue.

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<sup>34</sup> Ministry of External Affairs, Govt. of India, Annual Report, 1998-99.



The Cold War had been the most prominent factor that influenced the relations between India and Oman throughout the 1970s and 80s. While during the earlier days this phenomenon prevented closer interaction between the two states to a great extent, at a later stage, the currents of the Cold War seemed to bring the countries together. In the first half of the 1970's when the Sultanate looked forward to India for armed assistance to contain rebels in Dhofar, India had to deny it as Soviet Union was supposed to be supporting the rebels. But at a later stage, especially after the Iranian revolution and Soviet intervention in Afghanistan, India and Oman seem to have come closer on security issues.

After the British withdrawal from the Gulf, the Shah of Iran had adopted an over bearing approach to other regimes in the region. While filling in the power vacuum, Shah had justified himself on grounds of defensive precaution. Oman had virtually accepted this Iranian upper hand, though out of helplessness.

But the Shah's collapse and the Soviet intervention in Afghanistan suddenly turned the region into an area of great power contentions. The Indian Ocean and the Gulf came to teeming with naval vessels of rival powers. The Gulf states, including Oman, were persuaded to offer base facilities to external powers. India was a known friend of the Soviet Union. Naturally Oman wished to have greater co-operation with India.

India too was greatly perturbed by the Soviet action at its neighbourhood and the concomitant western armed forces concentration in the Indian Ocean region. This vindicates a series of agreements on security interaction and co-operation between India and Oman during the 1980s.

With the collapse of the Soviet Union and the advent of the new world order, there emerged a climate in which economy dictated foreign policy. In Oman's dreams India became a major market with umpteen opportunities. Yet, considering the prospects of Indo-Omani relations, one can observe that there exists a power vacuum in the Gulf region which India may be able to fill in. Oman's and other Gulf states', extreme dependence on the US is deemed by those countries as an inevitable evil. While non-alignment alone could not guarantee security to the small nations like Oman they had to look for viable and pragmatic security arrangements, which the US super-cop was ever ready to render. But the US' intentions are known to these nations. They also knew about the widespread anti-American sentiments in the Arab world. It is in this vacuum that India should be able to chip in, Oman being a viable point of entry.

There is a number of factors in favour of India which would make its participation in the security arrangement of Oman credible. Firstly, a co-operative and non-aligned approach India has maintained to the region so

far, with a record of near neutrality in the international conflicts of the Gulf. Secondly, the proximity of Indian military power with its reputation of professionalism. Above all, the long legacy of trust and friendship characterising the Indo-Omani relations.

The Gulf states are also in the know of the alternate source of power at the neighbourhood. It's worth recollecting how the GCC General Secretary, Abdullah Bishara, who visited India in 1992 had commented in this connection:

“we do not expect India to flex its muscles or behave like a police man. When I say assertive, I mean an unambiguous and constructive stand”.<sup>35</sup>

Though there is a convergence of opinion among the GCC countries about a potential Indians assertion, many of these countries have deep rooted anti-Indian sentiments that stem out of the Pak factor. The success of Indians diplomacy can be through striking closer security and political deals with Oman and projecting it as a model for the other GCC states.

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<sup>35</sup> Bangkok Post, (Bangkok), 18 August 1992.

## **Chapter 3**

### **Economic and Trade Relations**

Indo-Omani economic and trade transactions can be traced back to centuries. These transactions transcended ups and downs through the tides of time and history. But the present phase of the Indo-Omani economic and trade relations is a story apart. This starts with the accession of Sultan Qaboos to power in 1970. The Sultan, like his predecessors, chose to keep the economic affairs of his country under his control. He had a vision of what the modern state of Oman should be like. But given the circumstances and conditions while he took over the throne of Oman, when the country's economic relations with other states was in a pitiable condition, it took sometime for the Sultan to embark on full-fledged economic ties with states like India. The Sultanate's economic relations with other nations since then has been controlled by the inherent constraints of its economy. It recognizes that oil-derived capital surplus will not last long and is actively planning a future without them. The focus is on encouraging and expanding industrial sector to maximize its share in the national economy. A peep into the development and evolution of the economic policy of the Sultanate is important for a realistic appraisal of Indo-Omani economic and trade relations. India's economic policy also has undergone a sea change, with

the nation undertaking large scale liberalization measures. Privatization and liberalization of Indian economy coupled with the diversification and liberalization of the Oman economy have helped prospering the kind of relations both these countries are having today.

### **Omani Economy: A Profile**

Oman is an oil-based economy. Finding of oil reserves in 1964 fueled the Sultanate's sojourn into modernity<sup>1</sup>. Its commercial production and distribution started in August 1967, close at the heels of Sultan Quaboos bin Said's accession to power in July 1970. This accession assured in what has been described as Oman's economic renaissance. In the 28 years since, phenomenal steps have been taken to transform the Omani economy to what it is today<sup>2</sup>.

Oman's traditional exports are dates, lime and fish. Before 1970, imports were limited to basic food stuff and simple goods, And, till oil prices tumbled in 1986, crude oil accounted for 99 per cent of all exports<sup>3</sup>. Throughout the 1970s and '80s, Oman's comparatively lower profile cut a grimmer figure in the economic circles. Rather, the Sultanate's stature was

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1 JE Peterson, Oman in the Twentieth Century, (London, 1978), p.200.

2 Oman Ministry of Information, Oman-'96, p.99

3 *ibid.* p. 74

dwarfed by its neighbouring giants in the Gulf. Jay N. Jha writes about the Oman of the '80s: "Oman is the least industrially developed of the countries in the Gulf. So far, no headway has been achieved in the direction of industrialisation. .... There are no signs that Oman seeks to get involved with major export oriented industrial ventures"<sup>4</sup>.

Crude oil production, the backbone of the economy was at about 0.293 mn b/d in initial stages of production as early as in 1973. It steadily grew up to 0.366 mn b/d by 1976. But, marking a downward trend for the successive few years, it tumbled down to 0.340 mn b/d in 1977. By 1980, the production rates had touched an all time low of 0.283 mn b/d. Ever since the '80, the industry has made addition to its quantity of production<sup>5</sup>. 1984 recorded 0.420 mn b/d of crude oil production. In 1992, 0.741 mn b/d of production was recorded, and in 1994, the figure rose to 0.800 mn b/d.<sup>6</sup> Recorded production of crude oil in the year 1997 was at 895 mn b/d which has come down to 0.860 mn b/d in 1998. <sup>7</sup>

The effect of the oil glut which began with the price-dip of 1986 has not been much harsh on Oman. The GDP during the 1980s continued to

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4. Ajay N. Jha, India's Economic Diplomacy in the Gulf, (New Delhi, 1988) p.42

5. *ibid.* p.26.

6. Girijesh Pant, The Arab Gulf Economies: From Crisis to Reform, (New Delhi, 1996) p.62.

7. James Gawin, "Special Report on Oil and Gas", Middle East Economic Digest, (Kent) 9 April 1999, p.24.

grow at an annual average of 5.3 per cent. But on per capita basis the economy did not make much progress during 1984-95. It remained at \$ 6,892 in 1995 as against \$ 6,458 in 1994 at 1985 constant prices. And, the percentage of national savings to the GDP, yet another indicator of the economic health showed that it had gone down from 34 per cent to 9 per cent during the same period.<sup>8</sup> Things thus came to such a pass that, with the prices stagnant, oil exports can no longer deliver enough growth in output and living standards. The government had recorded budget deficit since 1981. A World Bank report in 1994 warned: "The government's policies are clearly unsustainable, and would lead to highly undesirable outcomes".<sup>9</sup> Along with many other suggestions to streamline the economy, the World Bank emphasised the importance of strengthening the private sector by reforming the legal framework, eliminating monopolies, attracting foreign capital and by strengthening the role of private banks in long-term financing<sup>10</sup>.

And the government seems to have taken these warnings and suggestions whole-heartedly, by coming into terms with realities. It has identified the need to prepare for the advent of a post-oil era, which may

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<sup>8</sup> Girijesh Pant, n.6, p. 37 and 39.

<sup>9</sup> Edmund O` Sullivan, "Oman's Vision of the 21st Century", Middle East Economic Digest, (Kent) 13 January, 1995, p.2.

<sup>10</sup> *ibid.* p.3.

arrive as soon as the third decade of the coming century. This underpins the strategy of developing gas reserves for exports, and as feed stock for downstream industries in Oman. Liberal economic policies and prudent management of resources have helped Oman to achieve remarkable progress. The GDP at current prices stands at \$ 15 billion and has been recording steady growth of around 6 per cent except in 1998 in which it has come down to 2.5 per cent. 1998 was a difficult year due to declining oil revenues and overall slump in the global economy. Oman has achieved an annual average per capita growth rate of 4.1 per cent without inflationary pressures during the last 15 years. The currency has remained stable, pegged to the US \$ at a fixed rate of 1 RO. \$ 2.58 since 1986 and is fully convertible. The foreign reserves amount to \$ 1.2 billion. The foreign debt amounting to \$ 3.8 million consists mostly of commercial loans, with no borrowings from the World Bank or the IMF. In terms of contribution to the GDP, the plans are to bring down the share of crude oil prices from the existing 41 per cent to 9 per cent, raise the contribution of the gas sector to 10 per cent and that of the industrial sector from 7.5 per cent to 29 per cent by the year 2020. The gas sector is a source of great expectations and the next two years are to see an Liquefied Natural Gas project established and earning revenue.<sup>11</sup>

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<sup>11</sup> Federation of Indian Chambers of Commerce and Industry, "Doing Business with Oman", Report, January, 1999.



## **Indian Economy and Liberalisation**

India is also on the path of liberalisation and restructuring. Propagators of capitalist market economy are having their field day as successive governments succumb to the pressure from the World Bank and IMF. All encompassing currents of globalisation, the break up of the Soviet Union and the termination of its global competitiveness with the technologically advanced West posed a major problem of readjustment for the Indian manufacturing and industrial structures, as they had hitherto developed and functioned in close collaboration with the economies of the Socialist block. The ongoing shift in the policy pursued till date has prepared the Indian economic topography congenial for the insinuation of the flood-tide of liberalisation. India has been sticking to the canons of the Nehruvian economic policy, which has essentially been centralised and in which the government had a major say, till the assassination of Indira Gandhi in 1984. The first significant departure from the Nehruvian tradition of state control came to be initiated by his grand son, Rajiv Gandhi, during his tenure as Prime Minister(1984-89). Successive and quick intermittent governments occupied the corridors of power in New Delhi upheld these policies of opening up with varying degrees of motivation. An important step in this direction was the announcement of a new policy of foreign trade in 1990. The new policy lowered the barriers to

importing capital goods for manufacturers who export over 25 per cent of the out put.<sup>12</sup> Imports, thus against replenishment licenses will, in principle, face fewer restrictions. The exim' policy since 1992 have sought to address tasks of phasing down various impediments to trade and providing an environment conducive for increased external trade. The Export-Import Policy 1997-2000, while building up on the gains made earlier continues the process of trade liberalisation and procedural simplification. In the light of the economic slowdown in exports during the current year, various measures were announced in August-September 1998. India's share in the global FDI flows rose from 1.8 per cent in 1996 to 2.2 per cent in 1997.<sup>13</sup>

### **India's Exports**

India's exports to Oman in 1971 was estimated at \$ 4.1 million. But for a slight dip to \$ 3.5 million in 1972, it steadily kept an upward trend till 1985, when it had reached \$ 66 million. 1986, the year in which oil prices tumbled down, saw a recession in India's exports to Oman, which came down by \$ 24 million to \$ 42 million. Again, India's exports to Oman went on the increase for the subsequent three years. 1989 records marked

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<sup>12</sup> Ghani Jafar, "India's Economic Reform", Regional Studies, July 1997, p.8.

<sup>13</sup> Government of India, Economic Survery, 1998-99, p.85

the decades' topest, \$ 94 million worth of exports to Oman, but it came down to \$ 56 million in 1990.

**Table 3.1: Trends in India's Exports to Oman 1971-96 (\$ million)**

<b>Year</b>	<b>Exports</b>	<b>Total Exp.</b>	<b>Percentage</b>
1971	4.1	2.109.8	.19
1972	3.5	2.438.5	.14
1973	5.3	2.958.4	.18
1974	17.1	3.892.0	.43
1975	20.4	4.364.1	.47
1976	32.1	5.020.0	.63
1977	36	6.168	.58
1978	38	7.273	.52
1979	41	7.679	.53
1980	43	8.441	.50
1981	47	6.827	.68
1982	53	9.754	.54
1983	52	9.814	.52
1984	57	10.621	.54
1985	66	10.050	.65
1986	42	9.135	.45
1987	48	10.798	.44
1988	65	12.981	.50
1989	94	15.839	.59
1990	56	17.813	0.3
1991	74	17.872	0.4
1992	84	18.498	0.5
1993	78	20.258	0.4
1994	80	24.195	0.3
1995	99	30.537	0.3
1996	114	34.407	0.3
1997	180*		
1998	164*		

**Source :** Direction of Trade Statistics Year Book various volumes from 1972-97, IMF, Washington.

\* Figures given in "Doing Business with Oman", FICCI Report January 1999.

India's exports to Oman has continuously been on the increase throughout the '90s, except in 1990 and 1998. In 1993, \$ 73 million worth of Indian goods were exported to Oman. This was a decline of \$ 6 million from the \$ 80 million export in 1992. Exports to Oman touched its highest ever, when it reached \$ 180 million in 1997. However, in 1998, exports of Indian goods to Oman came down to \$ 164 million owing to "global recession".

India's exports to Oman in proportion to its total global exports have always been very meagre. The 1970s, 80s and 90s witnessed dramatic ups and downs in India's world exports. But its exports to Oman, as a part of the total world trade has always maintained a low profile, devoid of major fluctuations. Oman's share of Indian exports which was a negligible 0.19 per cent in 1971 had receded to 0.14 per cent in 1972, inspite of a \$328.7 increase in the total trade in the corresponding period. Oman's share reached a height of 0.63 per cent in 1976. It came down to 0.58 per cent in 1977. This trend went on till 1980. Oman claimed its biggest share ever, 0.68 per cent in 1981. But this performance was never repeated, except perhaps for a 0.65 per cent proportion to the total Indian exports in 1985. 1986, on the other hand, marked a further slump in Omani share which stood at 0.45 per cent. This corresponded to the oil glut and oil price dip, and to a marked decrease of \$915 million in India's total trade. At the end

of the '80s, in 1989, Oman claimed 0.59 per cent of India's exports. Through out the '90s prospects were dimmer as far as percentage of Indian exports to Oman was concerned. During 1990, Indian exports to Oman constituted only 0.3 per cent of its total exports, which improved to 0.4 per cent in 1991, and 0.5 per cent in 1992. However, in 1993, share of India's exports to Oman declined to 0.4 per cent, which subsequently declined to 0.3 per cent in 1994. Afterwards, up to 1996, Indian exports to Oman has been stable at only 0.4 per cent of the total Indian exports. It is estimated that during 1990-96, Indian exports to Oman grew at 104 per cent, where as total exports during this period grew by over 93 per cent only. However, indicators show that Indian exports to Oman constitute only a negligible portion of India's global exports.

**Table 3. 2: India's Exports to the GCC States (\$ million)**

Country	1997	76	81	86	90	91	92	93	94	95	96	97	98
Bahrain	5.2	26.7	19	25	39	49	47	49	60	62	72	-	-
Kuwait	16.9	112.8	141	75	69	52	120	97	125	131	-	-	-
Oman	4.1	32.1	47	42	56	74	84	78	80	97	114	180*	164*
Qatar	4.4	18.8	26	13	22	19	27	29	26	29	33	-	-
Saudi Arabia	15	82.1	247	165	249	352	431	478	442	425	497	-	-
UAE	9.2	137.8	221	223	455	738	480	726	1.210	1306	1468	-	-
Total	54.8	410.3	701	545	820	128	118	145	1943	2052	-	-	-
Oman's Share in %	7.48	7.82	6.70	7.93	6.29	5.76	7.06	5.33	4.11	4.82	-	-	-

**Source:** Direction of Trade Statistics Year Book, Various volumes from 1971 to 97, IMF Washington.

\* Figures given in, "Doing Business in Oman", FICCI Report, January 1999.

Oman maintains a low profile in comparison with India's other trade partners in the Gulf Cooperation Council. In 1971, Oman's share of \$ 4.1 million claimed only about 7.48 per cent of the total trade to the GCC states. In the same year Kuwait reported \$ 16.1 million exports from India,

which was 30.83 per cent of total Indian exports to the GCC states, Saudi Arabia recorded \$ 15 million, UAE \$ 9.2 million, Bahrain \$ 5.2 million and Qatar \$ 4.4 million, which were 27.37 per cent, 16.78 per cent, 9.48 per cent and 8.03 per cent respectively of the total Indian exports to the GCC states. We see that in this period India's exports to Oman was the lowest compared to those to the other GCC countries. By 1976, Oman's exports had grown up to \$ 32.1 million. Yet, in proportion to the total exports to the GCC states, the status quo of 1971 was almost maintained, marking 7.82 per cent. In 1976, Kuwait received \$ 112.8 million worth of Indian exports, Saudi Arabia \$ 82.1 million UAE \$ 137.8 million, Bahrain \$ 26.7 million and Qatar 18.8 million, marking 27.49 per cent, 20 per cent, 33.58 per cent, 6.5 per cent and 4.58 per cent respectively of the total Indian exports of \$ 410.3 million to the GCC states. Oman, by this time, seems to have improved its position as the fourth largest receiver of Indian exports among the GCC states. This was a consequence of a significant decline in India's exports to Bahrain and Qatar. Yet, Oman's share had not improved significantly owing to the whopping claims of the three giant players of the region. This period also saw the emergence of UAE as the largest receiver of Indian exports. Though by 1981 India's exports to Oman had increased to \$ 47 million, it was a mere 6.7 per cent of its total exports to the GCC states. Kuwait claimed \$ 11 million worth of Indian exports, Saudi Arabia

\$ 247 million, UAE \$ 221 million, Bahrain \$ 19 million and Qatar \$ 26 million, marking 20.1 per cent, 35.23 per cent, 31.52 per cent, 2.71 per cent and 3.7 per cent respectively of the total exports worth \$ 701 million to the GCC states. In 1986, the year which marked the beginning of the second oil shock, there was a general decline in exports to the Gulf states. Exports to Oman came down to \$ 42 million . But owing to the total recession, Oman could retain the export share of 7.73 per cent of the total Indian Exports, though only a little more than the figures recorded during the mid-'70s. In 1986, India exported \$ 75 million worth of goods to Kuwait, while Saudi Arabia claimed \$ 165 million, UAE \$ 223 million, Bahrain \$ 25 million and Qatar \$ 13 million. These were 13.76 per cent, 30.27 per cent, 41.06 per cent, 4.6 per cent and 2.39 per cent respectively of India's total exports to the GCC states.

In 1991, the Indian exports to Oman had reached \$ 74 million, which was 5.76 per cent of India's total trade to the GCC states. Kuwait, in the corresponding period recorded \$52 million, Saudi Arabia \$ 431 million, UAE \$ 738 million, Bahrain \$ 49 million and Qatar \$ 19 million. These were, 4.04 per cent, 27.41 per cent, 57.47 per cent, 3.81 per cent and 1.47 per cent respectively of the total Indian exports to the GCC states.



## Commodity Composition

Machinery and instruments constitute the major-most item of exports to Oman. Export of these items during 1995-96 amounted to Rs. 3880.2 lakhs. During 1996-97, reached Rs. 4952 lakh, an improvement of Rs. 1,071.8 worth of exports over the previous year, marking an increase of 27 per cent. The second most important item in the Indian exports list to an has been meat and preparations. Rs. 3502.3 lakh worth of meat and preparaions were exported to Oman during 1995-96. During 1996-97 this dipped by 9 per cent to Rs.3203.5 lakh. Third important item among the out flow of Indian goods to Oman was constituted by man-made yarns fabrics madeups etc. This amounted to Rs. 2955.2 lakhs during 1995-96. The year followed, 1996-97, recorded a marginal increase to Rs. 2963 lakh in the export of these items to Oman. Cotton yarn, fabrics, made ups etc., next important item of exports to Oman, improved to Rs. 2,781 lakh during 1996-97 from Rs. 2344.5 lakh in the previous year, marking a 19 per cent increase.

**Table 3.3: Commodity Composition of India's****Exports to Oman (Rs. Lakhs)**

	<b>April 95 - March 96</b>	<b>April 96 - March 97</b>	<b>Growth Percentag e</b>
Total	36631.7	41572.7	
Rice Basmati	1085.3	987.9	-9
Rice other than Basmati	667.7	842.7	26.2
Poultry and Diary Products	424.1	1359.5	221
Oil Meals	939.1	1452.3	55
Meat and Preparations	3502.3	3203.5	-.9
Drugs, Pharmaceuticals and Fine Chemicals	817.1	548.4	-33
Inorganic/organic Agro Chemicals	41.37	909.2	121
Gems and Jewellery	1251.3	904.1	-28
GLS/GL WR/CERMCS/RFTRS/CMNT	832.5	2575.7	209
Plastics and Linolen Products	1060.2	1130.7	6.6
Manufactures of Metals	2764.3	2625.5	-5
Machinery and Instruments	3880.2	4951.9	27.6
Transport Equipments	671.7	857.7	28
Electronic goods	1061.5	1223.5	15
Cotton Yarns, Fabrics Madeups etc.	2344.5	2781.1	19
Man made Yarns, Fabrics, madeups	2953.2	2963.9	0.2
RMG Cotton and Accesories	717.7	824.9	15
Project Goods	1744.5	50.41	-97

**Source:** Ministry of Commerce, Government of India, Directorate General of Commercial Intelligence and Statistics, Foreign Trade Statistics of India, March 1997.

Manufactures of metals have been another important item of exports to Oman. Indian export of this item to Oman during 1995-96 was Rs. 2764 lakhs. This declined slightly to Rs. 2626 lakhs during 1996-97. Thus during this period, Indian exports of manufacture of metals declined by 5 per cent. Next important item of Indian exports to Oman has been the item of glass/ glass wares/ ceramics/ refractors/ cement. Indian exports of this item to Oman which increased from Rs. 832.5 lakhs in 1995-96 to Rs. 2576 lakhs during 1996-97. Thus, during the above period export of this item from India to Oman grew by a whopping 209 per cent. Indian export of poultry and dairy products to Oman increased from Rs. 424 lakhs in 1996-97. Thus this item of Indian exports grew by 221 per cent. The maximum growth of any item of Indian exports basket was observed in poultry and dairy products. Another item in the Indian exports basket to Oman which has shown high growth was inorganic/ organic/ agrochemicals. Export of this item from India to Oman increased from Rs. 411 lakhs in 1995-96 to Rs. 909 lakhs in 1996-97. Thus during this period, export of this item from India to Oman grew by 121 per cent. Among items of Indian exports oil meals has also been an important item. India supplied to Oman, oil meals worth Rs. 939 lakhs in 1995-96 which further increased to Rs. 1452 lakhs in 1996-97. Thus during the period, Indian exports of oil meals to Oman grew by 55 per cent. Export of electronic goods from India to Oman grew by 15 per cent.

Some of the items of Indian exports declined severely during this period. During 1995-96 India supplied Oman project goods worth Rs. 1745 lakhs which declined sharply to Rs. 56.4 lakhs in 1996-97. There fore, during this period exprt of project goods declined by 97 per cent. Indian exports of Basmati rice also declined from Rs. 1085 lakhs in 1995-96 to Rs. 988 lakhs in 1996-97. Indian exports of gems and jewellery to Oman also declined from Rs. 1251 lakhs in 1995-96 to Rs. 904 lakhs in 1996-97. Thus Indian exports of this item to Oman during the above period declined by 28 per cent. Indian export items of drugs, pharmaceauticals and fine chemicals suffered setback. Indian exports of these items during 1995-96 was worth Rs. 817 lakhs, which declined to Rs. 548 lakh in 1996-97. Thus Indian exports of drugs, pharamaceauticals and fine chemicals declined by 33 per cent during the period. Therefore, it is clear that Indian exports to Oman recorded an overall increase during the above mentioned period. This increment was due to very substantial growth in the Indian exports of certain items to Oman. However, the size of growth was checked by substantial decline in the exports of certain other items. The overall exports to Oman would have been far better, if these items of Indian exports had not suffered contraction in their magnitude in Omani market.

## **Direction of Oman's Imports**

The major portion of Oman's import is from the developing countries. In 1975, when Oman's total world imports stood at \$ 670.6 million, \$ 434.7 million worth of it was from the industrial world. This was about 69.82 per cent of Oman's total imports. By 1980, the industrial countries claim of Oman's imports was worth \$ 1097.5 million marking 63.36 per cent of the total \$ 1,731.9 million. The rest of the imports which was from the developing world constituted about \$ 620.1 million worth of goods in 1985 formed about 35.8 per cent of the total imports. By 1985, the industrialized world's claim had gone up to \$ 2,121.5 million, and the developing countries recorded \$ 1,015.6 million which were 67.29 per cent and 32.21 per cent respectively of the total Omani imports. Thus Oman's total imports in this year stood at \$ 3,152.6 million. By the year 1990, Oman's total world imports had gone up to \$ 3,152.6 million. That from the industrial countries went up to \$ 2,121.5 million, their in the total imports coming down to 60 per cent. The share of the developing world subsequently went up to 40 per cent. The developing world in this year had sent \$ 1046 million worth of goods to Oman. By 1996, Oman's imports total had reached \$ 4696 million. Its imports from the industrial countries by this time claimed 59.4 per cent, recording \$ 2791 million. The developing world's share in the Omani market in 1996 was about \$ 1,896 million -- 40.6 per cent of the total imports.

**Table 3.4: Trends in Omani Market (\$ million)**

	1975	80	85	90	92	94	96
IFS Total	670.6	1.731.	3.152.	2.72	3.76	3.91	4696
		9	6	6	9	5	
<b>Industrial Countries</b>	434.7	1097.5	2.121.	1.63	2.20	2.12	2791
			5	5	9	6	
United States	64.6	98.6	179.0	251.	257	264	237
				0			
Japan	52.9	340.6	6.35.7	455	8.77	77.9	721
France	20.8	32.1	118.1	115	116	106	278
Germany	68.3	96.8	246.1	132	201	192	249
United Kingdom	131.3	270.2	516.7	308	320	346	711
<b>Developing Countries</b>	-	620.1	1.015.	1.04	1.56	1.78	1.89
			6	6	0	9	6
China	7.7	11.3	11.0	11	16	21	15
<b>India</b>	<b>27.4</b>	<b>49.9</b>	<b>72.8</b>	<b>75</b>	<b>96</b>	<b>122</b>	<b>158</b>
Indonesia	-	.4	10.3	6	9	26	69
Korea	3.1	9.2	22.6	26	51	51	109
Singapore	10.2	57.9	47.2	51	26	30	52
Pakistan	7.6	7.9	34.9	17	24	39	47
UAE	120.7	299.6	665.8	622	1.05	1.13	1.05
					3	9	3
Saudi Arabia	.6	.5	8.2	58	75	97	168

**Source:** Direction of Trade Statistics Year Book, various volumes from 1976 to '97, IMF, Washington.

The United Kingdom was the largest source of Oman's imports in 1975. The UK, in this year had exported \$ 131.3 million worth of goods to Oman. This was about 19.5 per cent of Oman's total exports. Oman in this year had imported \$ 27.4 million worth of Indian goods which was about 4.08 per cent of Oman's total imports. UAE in this year had claimed 17.9 per cent (\$ 120.7 million) of Oman's imports; Japan claimed 7.88 per cent (\$ 52.9 million), Saudi Arabia 0.08 per cent (\$ 0.6 million), China 1.15 per cent (\$ 7.7 million), Pakistan 1.13 per cent (\$ 7.6 million) and Korea 0.46 per cent (\$ 3.1 million).

By 1980, Japan became the major source of Oman's imports claiming about 19.66 per cent (\$ 340.6 million). India's share had tumbled down to 2.88 per cent (\$ 49.9 million) by this time. UAE in this year claimed 17.29 per cent (\$ 299.6 million), Saudi Arabia 0.08 per cent (\$ 5 million), China 1.15 per cent (\$ 11.3 million), Pakistan 1.13 per cent (\$ 7.6 million) and Korea provided 0.53 per cent (\$ 9.2 million) of the total imports by Oman.

**Table 3.5: India's Major Competitors in Omani Market (%)**

	1975	80	85	90	92	94	96
Industrial Countries	64.82	63.36	67.29	60.0	38.6	54.3	59.4
Developing Countries	-	35.8	32.21	40.0	41.4	45.7	40.6
Japan	7.88	19.66	20.16	16.7	23.8	19.9	15.4
UAE	17.9	17.29	21.11	22.8	28.0	29.0	22.4
India	4.08	2.88	2.30	2.30	2.50	3.10	3.40
Saudi Arabia	0.08	0.03	0.26	2.10	2.50	2.50	3.61
China	1.15	0.65	0.35	0.4	0.4	0.5	0.3
Pakistan	1.13	0.45	1.10	0.6	0.6	1.0	1.0
Korea	0.46	0.53	0.26	1.0	1.4	1.3	2.3

**Source:** Direction of Trade Statistics Year Book Various Volumes from 1976 to 1997, IMF, Washington.



By 1985, India seemed to maintain the status quo with 2.30 per cent (72.8 million), of Oman's total imports. UAE by this time had become the largest source of the Sultanate's import, a reputation which the Emirates retains till date. In 1985, UAE claimed 21.11 per cent (\$ 665.8 million) of Oman's imports, Japan 20.16 per cent (\$ 635.7 million), Saudi Arabia 0.26 per cent (\$ 8.2 million), China 0.35 per cent (\$ 11 million), Pakistan 1.10 per cent (34.9 million) and Korea 0.26 per cent (\$ 22.6 million).

In 1990, India seemed to maintain to status quo of 1983 claim in 2.30 per cent (\$ 75 million) of the total Omani imports. By 1992, it went up slightly to 2.50 per cent (\$ 96 million) and again went up by 1994 to reach 3.10 per cent (\$ 122 million). By 1996 the Indian share of the Omani imports had reached 3.40 per cent (\$ 158 million).

Throughout the 1990s UAE has remained the largest source of Oman's imports. UAE claimed 22.8 per cent (\$ 622 million) of total Omani imports in 1990, which had scaled upto 28 per cent (\$ 1053 million) by 1992 and had reached a record high of 29 per cent (\$ 1139 million) in 1994. But UAE's share tumbled down to the earlier levels 22.4 per cent (\$ 1053 million) in 1996. Japan was the source of 16.7 per cent (\$ 455 million) of Oman's imports, in 1990. Though it had grown up to 23.2 percent (\$ 877 million). Saudi Arabia's share, which was 2.10 percent (\$ 58 million) in 1990 went upto 3.60 per cent (\$ 168 million) by 1996. China's

share in Oman's import, though went up from 0.4 percent (\$ 11 million) in 1990 to 0.5 per cent (\$ 21 million) in 1994, declined to 0.3 per cent (\$ 15 million by 1996. Pakistan which had a share of 0.6 per cent (\$ 17 million) in 1990, has a share of 1 per cent (\$ 47 million) in 1996. Korea, of which the share in Oman's imports was about 1 per cent (\$ 26 million) in 1990, improved its position to 2.3 per cent (\$ 109 million) by 1996.

India now ranks as the eighth largest source of Oman's imports.<sup>14</sup> But the analyses of data made in the preceding pages proves that India's share in the Omani market is very low compared to other major sources of Oman's imports. While the UAE is the major most source of Oman's imports, an analysis of the direction of India's exports to the region goes to the UAE. Other GCC countries like Saudi Arabia and Kuwait also claim more than Oman's share. This is a clear indication to the fact that the economic competency of a state has a clear say in its economic transactions.

Oman's historic dependence on the West manifests itself in the direction of its imports too. The developed world in general seems to be a fascination for Oman. How Japan has chipped into the Omani market in a major way to finish as next only to UAE is an instance to this. The reason

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<sup>14</sup> Federation of Indian Chambers of Commerce and Industry, "Doing Business with Oman", January, 1999. p.6.

may be the high order of technological competence the products from the developed world maintain. This is where the Indian goods were deficient, at least during the 1970s and 80s.

A number of market studies undertaken in the region proved that Indian exports suffer mainly on account of marketing credibility because of credit quality, packaging and presentation are not in accordance with either commitment on marketing requirements.<sup>15</sup>

Naturally, the demand for Indian goods significantly remained low during this period in the highly competitive Omani market. Poor marketing and indulgence of Indian exporters in unhealthy competition also added to this pathetic situation. Yet another problem coming in the way of Indian exports has been the non-adherence to delivery schedule.<sup>16</sup>

By volumes, India's exports to Oman has gone significantly up during the late '80s and '90s. But its market share throughout this period, has been 2-3 per cent. This proves that India has not made much head way into the Omani market, and has not employed its full potential. The fact that, Indian exports to this country is of a nature that the demand for them can not grow beyond a point, may be a reason for this. However, the

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<sup>15</sup> Brij Mohan, Indo-Gulf Trade Relations; A New Perspective', Foreign Trade Review, (New Delhi) p.132.

<sup>16</sup> Ibid., p.132.

growth seen in the exports of manufactured goods, equipments and spareparts is a welcome sign, as it has enormous scope for growth as Oman goes on to higher scale of Industrial diversification.

It is observed that Indian exports to Oman have come down from \$ 180 million in 1997 to \$ 164 million in 1998.<sup>17</sup> This downward trend is attributed to global recession, changing demand for India's exports and infrastructural constraints.<sup>18</sup>

And there are a myriad of problems the Indian exporters generally face too. They are mainly the lack of infrastructural facilities to support the growing volume of exports, ambiguities in trade rules, lack of coordination in various agencies dealing with trade matters, and excessive bureaucracy at customs and ports resulting in long hold-ups of export consignments.<sup>19</sup>

### **India's Imports from Oman**

India has never been a significant consumer of imports from Oman. India had imported \$ 0.5 million worth of Omani goods in 1971. This level was maintained in the succeeding year also, before it tumbled down to \$

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<sup>17</sup> Federation of Indian Chamber of Commerce and Industry, "Doing Business with Oman", January 1999.

<sup>18</sup> Sunil Saraf, "Special Report on India", Middle East Economic Digest, (Kent) 16 Jan 1988, p.15.

<sup>19</sup> Sunil Saraf, "India and the Middle East", Middle East Economic Digest, (Kent) 13 January 1995, p.13.

0.3 million in 1973. In 1974 it again rose up to the previous levels of \$ 0.5 million and increased upto \$ 6.8 million in 1976. A downward trend started with a fall to \$ 4 million in 1977. This trend continued to persist till the opening years of 1980s. In 1981, it is recorded that India imported only \$ 1 million worth of Omani goods. Thus came a period, when the imports from Oman jumped up to \$ 118 million, by the year 1984. 1986, the year of the 'oil shock' recorded \$ 229 million worth of imports to India from Oman. Though the figures came down to \$ 109 million in 1987 it again went up to \$ 132 million in 1989. India's imports from Oman stood at \$ 40 million in 1991. In 1991, subsequently improved to \$ 43 million. However, during the next year, in 1992, India's imports from Oman declined sharply to \$ 18 million. In the subsequent years India's imports from Omans increased to \$ 20 million in 1993 and \$ 23 million in 1994. It again declined to \$ 13 million in 1995. In the year which followed, India's imports from that country improved to \$ 20 million. Imports from Oman in the year 1996-97 constituted \$ 12.05 million. However, 1997-98 found a whopping surge of \$ 21.15 million, as India's imports from Oman stood at \$ 33.20 million.

**Table 3.6:Trends in India's Imports from Oman (\$ million)**

<b>Year</b>	<b>Exports</b>	<b>Total Exp.</b>	<b>Percentage</b>
1971	.5	2.409.4	.020
1972	.5	2.235.4	.022
1973	.3	3.233.8	.0092
1974	.5	5.064.4	.0098
1975	.6	6.197.8	.0096
1976	6.8	5.102.2	.1332
1977	4	6.678	.05
1978	2	9.655	.02
1979	3	9.899	.03
1980	2	13.181	.015
1981	1	14.550	.0068
1982	-	15.975	-
1983	-	15.964	-
1984	118	15.115	.78
1985	146	16.329	.89
1986	229	15.051	1.52
1987	109	16.838	.64
1988	124	19.149	.64
1989	132	20.535	.64
1990	40	23.990	0.2
1991	43	19.509	0.2
1992	18	23.227	0.1
1993	20	21.482	0.1
1994	23	25.981	0.1
1995	15	34.456	0.04
1996	20	40.090	0.05

**Source :** Direction of Trade Statistics Year Book various volumes from 1971-97, IMF, Washinton.

\* Figures given in "Doing Business with Oman", FICCI Report, January 1999.

India's imports from Oman in proportion to its world imports have always been negligible. This is highly unbecoming of the healthy ties between the two countries. In 1971, India's imports from Oman constituted a meager 0.02 per cent. From almost the same levels in 1972, India's imports from Oman considerably tumbled down to 0.009 per cent of its total imports which stood at \$ 3,233.8 million in 1973.

In 1976, occurred a noticeable increase in India's import from Oman, which constituted 0.13 per cent of its total imports. It is also worth noticing that in this year Oman's total world exports had gone down to \$ 5,102.2 million from \$ 6,197.8 million in the previous year. But a subsequent downward trend in the share of exports to India, which began with a 0.05 per cent marked in 1977, went on till early 1980s. Oman's share in India's imports in 1981 stood at 0.006 per cent. The year after 1984 witnessed a dramatic increase in India's imports from Oman. In that year, India's total world imports had come down to \$ 15,115 million from \$15,964 million in 1983. Yet the imports from Oman in 1984 rose dramatically to \$ 118 million and \$ 229 million in 1986, while the world totals were \$ 16,329 million and \$ 15,051 million respectively. This figures of India's imports from of Oman receded to \$ 109 million in 1987, while India's total world imports had gone up to \$ 16,838 million. It further rose

to \$ 124 million in 1988 and \$ 132 million in 1989 which the world totals for these years were \$ 19,149 million and \$ 20,535 million respectively.

During 1990 and 1991, India's imports from Oman constituted only 0.2 per cent of the total Indian imports. By 1994, it further came down to 0.1 per cent. And by 1996 Indian imports from Oman had further declined to 0.5 per cent of its total imports. It is also estimated that during the period 1990-96 global Indian imports increased by 67 per cent, where as, Indian imports from Oman declined by 50 per cent.

#### **Commodity composition of India's Imports from Oman**

Non-ferrous metals have been the most important items in India's imports from Oman. Indian Import of this item from Oman declined from Rs. 3383.3 lakh in 1995-96 to Rs. 3172 lakh in 1996-97. This was a market decline in the import of this item by 7 per cent. India's import of medical and pharmaceutical products from Oman declined by 77 per cent during the period between 1995-96 and 1996-97.



**Table 3.7: Commodity Composition of India's  
Imports from Oman (Rs. Lakh)**

	April 95 - March 96	April 1996 - March 97	
Total	6689.7	4684.7	
Non-ferrous metals	3383.3	3171.9	-6.2
Medicinal Pharmaceutical Products	1078.0	251.9	-77
Fruits and Nuts excl. Cashew Nuts	638.8	367.0	-42.5
Sulphur and unroasted Iron Pyrites	-	463.0	-
Metalifers and Metal Scrap	139.0	115.57	16.8
Transport Equipments	42.9	41.8	-2.6

**Source:** Foreign Trade Statistics of India, Directorate General of Commercial Intelligence and Statistics, Ministry of Commerce, Government of India, March 1997.

India had imported Rs. 1078 lakh worth of this item in 1995-96 while it was Rs. 252 lakh in 1996-97. India's imports of fruits and nuts excluding cashew nuts declined from Rs. 639 lakh in 1995-96 to Rs. 367 lakh in 1996-97 declining by about 43 per cent. Indian imports of metalifers ores and metal scraps also declined from Rs. 139 lakh in 1995-

96 to Rs. 115 lakh in 1996-97, declining by about 17 per cent. Imports of transport equipments from Oman to India declined from Rs.43 lakh in 1995-96 to Rs. 42 lakh in 1996-97. 1996-97 recorded Rs. 463 lakh worth of sulphur and unsorted iron pyrates from Oman.

### **Balance of Trade**

The balance of trade in India's exports and imports with Oman has always been in India's favour, except for the period from 1984-89. At a time when the Gulf countries in general were affected an economic depression, India's imports from Oman seemed to increase dramatically between 1984 and '89. This phenomenon could be because of the fact that Oman was not deeply affected by the fall in oil revenues which happened around that period. Oman had maintained an almost steady GDP during this period.

**Table 3.8: Indo-Omani Trade Balance (\$ million)**

<b>Year</b>	<b>India's Exports</b>	<b>India's Imports</b>	<b>Trade Balance</b>
1971	4	.5	3.5
1972	3.5	.5	3
1973	5.3	.3	5
1974	17	.5	16.5
1975	20	.6	19.4
1976	32	6.8	25.2
1977	36	4	32
1978	38	2	36
1979	41	3	38
1980	43	2	41
1981	47	1	46
1982	53	-	-
1983	52	-	-
1984	57	118	51*
1985	66	146	80*
1986	42	229	187*
1987	48	109	61*
1988	65	124	59*
1989	94	132	38*
1990	56	40	16
1991	74	43	31
1992	84	18	66
1993	78	20	58
1994	80	23	57
1995	99	15	84
1996	114	20	94

**Source :** Direction of Trade Statistics Year Book, various volumes from 1972-97, IMF, Washington.

In 1971 the trade balance between India and Oman was about \$ 3.5 million which was in India's favour. By 1981 the balance of trade, still favourable to India had grown to \$ 46 million. 1984 recorded balance of

trade of \$ 51 million which stood in Oman's favour. This had grown up to \$ 187 million, in Oman's favour by 1986. Oman maintained a favourable balance of trade till 1989. But by this time it had come down to \$ 38 million. During 1990 India had a balance of trade surplus of \$ 16 million. By 1996, still in India's favour, the Indo-Omani trade balance had grown up to \$ 94 million. It is a remarkable and unique fact that, Oman is the only country in the region, with which India maintains the balance of trade in its favour.

### **Liquefied Natural Gas: Oman's Potential and India's Demand**

Oman LNG has 1.7 mn tonne per annum of Liquefied Natural Gas (LNG) to sell to potential purchasers. At this point, energy markets in India represent the best prospects for placing this uncommitted volume. India has enormous market potential for LNG. Demand for natural gas in India's power sector is expected to quadruple by 2010. Current power generation capacity in the country is about 90,000 megawatts, of which some 62,000 MW is thermal-based and 22,000 MW is hydel. A further 55,000 MW of generating capacity will be required during 1997-2002. If only 30 per cent of this increase in thermal generation capacity is based on natural gas, it would require the import of around 22 mn tonnes per annum of LNG by 2007 for use in power sector alone. It is estimated that India's LNG import

requirements could reach some 20 mn tonne per annum by 2004-2005 and over 40 mn tonne per annum by 2009-2010.<sup>20</sup>

Oman LNG is pursuing a number of sales options to India. It is considered to be one of the potential supply sources to gratify India's gas demand. Oman LNG and India's Met Gas, the wholly-owned affiliate of Enron International of the US, have initiated an agreement on 2 August 1998 for supply of 1.6 mn tonne per annum of LNG to India's Dabhol Power Plant over a 20 year period.<sup>21</sup>

### **Delegations and Agreements**

Though a Treaty of Friendship Commerce and Navigation existed between India and Oman ever since 1953, for the emergence of economic relations in a major scale, the countries had to wait till the 1990s. The relations prior to it was in the grip of the Cold War, and the countries' main concern focused on security affairs. But the emergence of the new world order brought a sea-change in these countries' mutual perception. In Oman's eyes, India became a major market with enormous opportunities, while in India's view, Oman became a gateway to the GCC market. As a

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<sup>20</sup> Middle East Economic Survey, 23 March, 1998, p. A4.

<sup>21</sup> Middle East Economic Digest, (Kent) 15 January 1999, p.9.

consequence, the 1990s saw the exchange of a number of high-level delegations, and the conclusion of a number of agreements.

A high level delegation headed by the then Petroleum Minister of India, Capt. Satish Sharma, visited Oman in March 1993. He was accompanied by the then petroleum secretary T.N.R. Rao and the chief executives of Hindustan Petroleum Corp. Ltd., and Bharat Petroleum Corp. Ltd. On 13 March 1993, an MoU for laying a gas pipeline from Oman to India was signed by Mr. Sharma. MoUs for setting up two joint venture refineries to be located in India, and an agreement for the Oman-India Fertilizer Project to be located in Oman also were signed on the same date.<sup>22</sup>

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<sup>22</sup> Sunday Observer, (New Delhi) 14 March 1993.

**Table 3.9: A Recap of Important Agreements  
Between India and Oman**

<b>No.</b>	<b>Agreement</b>	<b>Date</b>
1.	Treaty of Friendship Navigation and Commerce	13 May 1953
2.	MoU relating to deputation of medical personnel to the Oman Ministry of Defence	12 December 1983
3.	Air Service Agreement (reviewed several times)	1973
4.	Cultural and Educational Cooperation Agreement	3 August 1991
5.	MoU for laying gas pipeline from Oman to India	13 March 1993
6.	MoU for setting up a fertiliser plant in Oman	13 March 1993
7.	MoU for establishing two refineries in India	13 March 1993
8.	Agreement for exploration and investment in the field of hydro-carbons and fertilisers	15 June 1993
9.	Trade, Economic and Technical Cooperation Agreement, including granting of Most Favoured Nation status and setting up of a Joint Commission	15 June 1993
10.	Air service MoU	15 November 1993
11.	Commercial Cooperation Agreement between Oman Chambers of Commerce and Industry and PHD Chambers of Commerce and Industry.	6 July 1994
12.	MoU for Joint Venture Fertiliser Project	30 July 1994
13.	Agreement on Principal Terms for long term gas supply from Oman to India	26 September 1994
14.	Agreement on the establishment of Joint Business Council between FICCI/ASSOCHAM and OCCI	19 April 1995
15.	Air Service Agreement for organising air service between India and Oman	31 May 1995
16.	Agreement on Cooperation in Science & Technology, setting up of Joint Technical Commission	5 October 1996
17.	MoU on Agriculture, Animal Husbandry and Fisheries	5 October 1996
18.	Agreement for setting up a Joint Venture Project for urea production in Oman	7 January 1997

**Source:** National Day Message, Oman Ambassador to India, 18 November 1997.

In May 1993, Indian Minister of External Affairs, Mr. R.L. Bhatia visited Oman. On 23, May, Mr. Bhatia and Mr. Sayyid Haitham bin Tariq, Under Secretary in Oman Foreign Ministry in a meeting agreed to set up a joint commission to boost the economic, trade, and technical cooperation. The minister in a meeting with the Secretary General of Oman Development Council identified the areas like remote sensing, desalination and solar energy as areas for closer cooperation.<sup>23</sup>

Indian Prime Minister, P.V. Narasimha Rao visited Muscat in June 1993. Mr. Rao and Omani Deputy Prime Minister of Financial and Economic Affairs, Mr. Quis bin Abdul Munim Al-Sawawi, signed three agreements: (1) Attributing Favoured Nation Status to each other, (2) Setting up of a Joint Commission, and (3) Stepping up economic cooperation. The Joint Commission was to be co-chaired by the commerce ministers of both the countries, and was to meet in Delhi and Muscat alternatively.<sup>24</sup>

Oman's Minister for Commerce and Industry visited New Delhi in April 1995. On 20 April, the visiting minister expressed Oman's readiness

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<sup>23</sup> National Herald, (New Delhi) 24 May 1993.

<sup>24</sup> The Statesman, (New Delhi) 16 June 1993.



to supply alternative fuel, liquefied natural gas to the downstream projects in India, in case the proposed pipeline project did not take off.<sup>25</sup>

Apart from these high-level delegations, many MoUs and bilateral trade and economic agreements were concluded between India and Oman during the 1990s. The Oman Chambers of Commerce and Industry (OCCI) and India's business promotion bodies like FICCI, ASSOCHAM and CII also are involved in these agreements.

### **Joint Ventures**

Bharat Oman Refineries Ltd. is a joint venture between Bharat Petroleum Corporation Ltd. (BPCL) and Oman Oil Company (OIC). It was established in December 1993. Though the joint venture is currently structured on a 50-50 basis, it is expected that 98 per cent of the company's shares will eventually be offered to the Indian public. The public offerings could reduce the stake of OOC and BPCL in the joint venture to 26 per cent each. The cost of the project has been estimated at around \$ 1.8 bn and in addition to the refinery itself would include a single point mooring to unload tankers, an on-shore receiving and storage terminal, a crude oil import pipeline running from the Vadinar port in Gujarat to the refinery and

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<sup>25</sup> The Times of India, (New Delhi) 21 April 1995.

other infrastructural facilities.<sup>26</sup> While BPCL expressed an interest in doubling the capacity of the plant to 12 mn tonne per annum, OCC has not given green signal. However, the pace of progress of the project has been slowed down by a number of impediments. The delay in implementation has increased the cost of the joint venture by Rs. 22,000 mn.<sup>27</sup> The project has been originally valued at Rs. 52,770 mn. Above all, it has not received approval because of objections to a proposed single buoy mooring (SBM) from environmental groups.<sup>28</sup>

### **Oman -India Fertilizer Project**

Oman-India Fertilizer Project is another landmark in joint venture efforts between the two countries. This venture envisages the construction of a world-scale ammonia/urea complex at Qalhat near Sur on the Omani coast. The joint venture, registered in February 1998, is incorporated in Oman, and owned 50 per cent by OCC, 25 per cent by India's Krishak Bharati Cooperatives Ltd. (Kribhco) and 25 per cent by Rashtriya Chemicals and Fertilizers Ltd. The project will consist of two 1,750 tonnes per day of ammonia trains and two supporting urea trains, each with

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<sup>26</sup> Middle East Economic Survey, 20 April 1988, p.A8.

<sup>27</sup> Middle East Economic Digest, (Kent)7 August 1998, p.20.

<sup>28</sup> Middle East Economic Digest, (Kent)15 Jan. 1999, p.10.

capacity of 2,200 tpd. Production of some 14,52,000 tonnes per annum of bulk granulated urea and 3,33,000 tpa of ammonia is foreseen.<sup>29</sup> The total capital cost of the fertilizer project including financing fees and interest charges has been estimated at \$ 1.12 bn. The engineering, procurement and construction contract is expected to comprise of around \$ 820 mn of this amount.

The fertilizer complex will utilise some 135 mn cubic of gas from central Oman gas fields of Sail Rawl, Barik, and Sail Nihayada feedstock and fuel. The fields are being developed by Petroleum Development Oman (PDO) on behalf of the government.<sup>30</sup> Some 0.9 mn cubic feet of gas reserves have been dedicated to support the project's 20 year life. The joint venture has negotiated a fixed gas price of some 77 per cent 1 mn BTU with the government, which will be applicable during the first 10 years of the project. This price includes 50 cents/BTU for the dry gas plus 27 cents/mn BTU for pipeline transportation.<sup>31</sup> The two Indian partners are expected to enter into a 20 year off-take agreement for the purchase of 100 per cent of the plant's output of urea.

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<sup>29</sup> The Hindu, (Madras) 16 march, 1997.

<sup>30</sup> Middle East Economic Survey, 30 March p.A9.

<sup>31</sup> Middle East Economic Survey, 16 March.

But the financial agreements have been stalled over political issues surrounding the financial capabilities of the Indian off-takers. One of the key export credit agencies involved in the deal, France's Coface, expressed reservations about the structuring of financing.<sup>32</sup> The two Indian groups and a third cooperative, Indian Farmer's Fertilizer Cooperative (IFFCO) will lift the bulk of the off-take but their payment ability depends largely on the provision of an Indian government subsidy. Coface feared the consequences of the Indian government terminating the subsidy in the middle of the cycle. However, consortium led by Italy's Snamprogetti is due to execute the project, but the venture's intricate financing structure and its dependence on foreign partners means progress is unlikely to be swift. Chances of meeting the 2001 deadline for production now stands doubtful.<sup>33</sup>

However, some of the largely ambitious Indo-Omani joint venture projects have failed to take off owing to various reasons. Most prominent among them is the Oman-India sub-sea gas pipeline project, which had raked up much media hype. The project, involved building a 1,135 km natural gas pipeline between Ras al-Jifan in Oman and Raper Gadhwal in India. It was to include two identical 24-inch internal diameter pipelines,

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<sup>32</sup> Middle East Economic Digest, (Kent) 20 Nov., 1998, p.34.

<sup>33</sup> Middle East Economic Digest, (Kent) 15 Jan. 1999, p.12.

each capable of delivering 1,000 mn cubic feet of gas per day from Oman's central gas fields to the in-shore custody transfer point in Bhachan, India. At its deepest, the pipeline was to be at 3,500 metres below sea level, three and a half times deeper than any existing marine pipeline.<sup>34</sup> The whole project was to cost \$ 5 bn. Since the signing of agreement in 1993, about \$ 70 mn were spent on feasibility studies. However, the project has been stalled as it proved technically unfeasible. There were also doubts if Oman had sufficient gas for the project.

A 6 mn tonnes per annum joint venture refinery between OOC and Hindustan Petroleum Corporation Ltd was shelved as the OCC chose to pull out of the project.

But a more handful of failures has not dampened the bilateral relationship between India and Oman.

### **Project Exports:**

A number of Indian Companies, both public and private sectors, have long-standing presence in Oman. Notable among them include BHEL, TCIL, Bank of Baroda, SBI, New India Assurance, L&T, Tata Exports Ltd. and Essar Oil. These companies have executed several prestigious projects

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<sup>34</sup> Middle East Economic Digest, (Kent) 15 Sept. 1995, p.24.

in Oman.<sup>35</sup> BHEL is tapping every possible opportunity for power business in West Asia. BHEL, in partnership with the local Bhawan Engineering Company, is part of the joint bid from Tarmac Overseas and AES for development of the 200 MW Salalah project in Oman.<sup>36</sup> It had earlier executed the 30 MW Wadi Al Jizzi Gas Turbine project. BHEL has been awarded a contract by Petroleum Development Oman for turn-key extension of a 90 mn gas turbine power station at Hubara. The first of the three 30 MW turbines is to be completed by September 1999, with the commissioning of the entire station to take place a year later. BHEL is to manufacture gas turbine generators and associated equipments at its factories at Hyderabad, Bhopal and Bangalore.<sup>37</sup> It had completed a 30 MW unit for the Oman Cement Company in October 1998.

The Oil and Natural Gas Corporation also looking for business in Oman. It already has a contract to drill two wells for National Drilling Service Company in Oman. India's Larsen and Toubro Ltd. is involved in the expansion of Oman's largest cement plant at Salalah. And, Dodsal, another Indian company, is involved in laying of major oil and gas pipeline

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<sup>35</sup> FICCI Report, "Doing Business with Oman", p.5.

<sup>36</sup> Middle East Economic Digest, (Kent)15 Jan 1999, p.

<sup>37</sup> Middle East Economic Digest, (Kent) 23 Sept. 1998, p.

for PDO. Essar Oil has been operating 6 drilling rigs for PDO since 1993.<sup>38</sup>

Among the Indian consultants, consultancy engineering services continue to be on the look-out for new business. It is involved in the design and supervision of construction of Al Alam Palace, Muscat. Design of buildings housing Ministry of Petroleum, Ministry of Housing and Ministry of Agriculture.<sup>39</sup> CES also figures in the list of bidders for detailed design and construction and supervision of the Masarrat water supply scheme in Oman.<sup>40</sup> Other major business pursuits by Indian firms in Oman include OLS International Corporation Ltd.'s collaboration with Oman Computer Services Ltd. in computer software design, involving Rs. 2.25 million, approved on 27 August 1993; Shanta Bio-technics Pvt. Ltd.'s joint collaboration with Yusuf Bin Alwali Abdullah of Oman in the production of restriction enzymes and biotech lab reagents approved in January 1994; Nisma Aircon International Pvt. Ltd.'s Association with Eastern Establishment in manufacturing air conditioners approved in August, 1994. Shell India's ties with Atmar Rah Development Co. in Hotel and Tourism approved in April 1994; Secunderabad-based Rah Poly Products Ltd.'s collaboration with Poly Products LLC, approved in October 1995; Genius

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38 FICCI Report, "Doing Business with Oman", p.5.

39 *ibid.*

40 Middle East Economic Digest, (Kent) 15. Jan 1999, p.11.

Financial Ltd., Hyderabad and Ali and Abdul Karim Trading Company, Ruwi; collaboration on non-banking financial services approved in December 1996; and Nisha Aircon International Pvt. Ltd.'s contract with Ali Mahmood A. Rehman Al-Haun for manufacturing of air conditioners sheet fabrication and assembly, approved in September 1996, which involved Rs. 7.50 mn.<sup>41</sup>

Besides, major Indian Companies, like Raymonds, Godrej, TELCO, BPL, Videocon, Infosys Ltd., Titan Ltd. have agency agreements with local companies.

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<sup>41</sup> SIA Newsletters, India Investment Centre Newsletters, various issues from 1991-96.



## Chapter 4

### Indian Community in Oman and Socio-Cultural Affinity

Emigration from India is not a recent phenomenon. In nineteenth and twentieth centuries the British used to recruit Indians for work in different parts of the world. This was mainly to pockets in Singapore, Malaya, Ceylon, Mauritius and South Africa.<sup>1</sup> There existed regular agents and recruiting centres in different parts of colonial India for this purpose. This process of transfer of colonial labour came to an end with the outbreak of the World War- I, though it continued on a much smaller scale during the 1920s. The 1930s witnessed the labour transfer of this kind touching its lowest watermark, and the return of a large number of earlier emigrants. After a spell of intensive emigration activity during the World War-II, in the 1940s, the process came to a halt with the end of colonial rule in India. The post-independence period saw a revival of the international transfer of labour, with a difference, to new destinations and fresher pastures in the West and the newly liberated countries in Africa and Asia, particularly West Asia.<sup>2</sup>

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<sup>1</sup> Gavner, J. Beaujoy, Geography of Population, (London, 1966). p.11

<sup>2</sup> P.R. Gopinathan Nair and E.T. Mathew, "Socio-Economic Characteristics of Emigrants and Emigrants' Households: A Case Study of Two Villages in Kerala", Economic and Political Weekly, (Mumbai) 15 July 1976, p.1141.

Oman had a special Indian connection during the British rule of India. During the first half of the present century, British officials of the Government of India policed this region, and members of the Indian political service and civil services were posted as agents and residents.<sup>3</sup> Indian merchant communities once dominated in Muscat. They were mainly from the north-western regions of the Indian peninsula. The Hindu merchants who had immigrated to Oman from Kutch and other parts of Gujarat experienced persecution in the 1860s. Many of them left for safer areas. Those who remained in Muscat came to adorn secure places in the Sultnate's economy.<sup>4</sup> Indian migration to West Asia was minor till the end of World War-II. Later in 1948, their total number in the region was about 14,000, with about 40 percent concentrated in Aden. In the next two decades, this number increased to 40,000 with a change in their distribution, among various centres.<sup>5</sup>

However, the large-scale migration of Indian labourers to the West Asian region, including Oman, the country central to this study, took two more decades to loom large to enormous scale.

In the latter half of the 1960s, the West Asian countries began to

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<sup>3</sup> Myron Weiner, "International Migration and Development", Population and Development Review, 8 March, 1982, p.18.

<sup>4</sup> P.R. Gopinathan Nair, in Godfrey Gunatilleke, ed., Migration of Asian Workers to the Arab World, Tokyo: United Nations University Press, 1986, p.68.

<sup>5</sup> P.C. Jain, "Indians Abroad: A Current Population Estimate", Economic and Political Weekly, (Mumbai), 20 February 1982, p.299.

extract their oil wealth on a large scale. Oil was found in Oman in 1964 and its commercial exports began in August 1967. Like every other of its oil rich neighbours, Oman also began to convert its oil prosperity, though smaller, into building up of the modern Sultanate. But at this juncture Oman had to deal with a complicated dilemma: How to put into best use, the vast revenues from oil exports. It was decided to invest in development of infrastructure, industrial and agricultural sectors and the social sector. However, these projects needed an extensive workforce of a quality and quantity which could not be supplied by the local sources. This turned out to be a boon for India and many other countries which had high manpower potential and low revenues to employ it. This dilemma of Oman was mainly due to the small national population and low rate of their labour force participation, though the crude participation rate is raised in Oman by the large remaining traditional and agricultural sector.<sup>6</sup>

The labour shortages were exacerbated by an aversion to manual labour on the part of the nationals. Adding to this has been a traditionally closed and orthodox and patriarchal society's reluctance to let women – a major section of the nationals – learn or join the labour force to contribute to national development. Hence import of man power became an inevitable evil, as economic growth seemed capable of a pace far in excess have that

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<sup>6</sup> J.S. Birks and C.A. Sinclair, Arab Manpower: The Crisis of Development, (London: 1980), p.17.

attainable in the field of human resources development. This created a dependence, in the short run, on import of expatriate labour from countries like India, in early 1970s. But the short term dependence lead inevitably to a long-term dependence. The rapid growth Oman underwent depends on expatriate labour, significantly from India. Their presence has become an outstanding feature, not only of the economy of the Sultanate, but also of its relations with India, on political, economic and socio-cultural spheres.

### **Indian Community in Oman**

Though the large scale exodus from India to Oman in search of bread and butter is a recent phenomenon, the noticeable presence and the roles of the Indian's in Muscat and Oman is historic. Oman is a natural destination of the Indian diaspora, with its geographical location, nestling against the western fringes of the Arabian Sea. Since ancient times, to and fro travels between these lands located in the Indian and Arabian peninsula were not uncommon. For this communion, trade was the main stimulant.<sup>7</sup>

More observations about the presence and role of Indian community during this period has been made in the introductory chapter of this study. In recent times, prior to the oil era, presence of Indians has been noticed in

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<sup>7</sup> Oman Ministry of Information, Years of Endeavour and Achievement: Glimpses of the Past, 1995, p.81.

Oman. In 1948, long before the '70s of the boom many Indians were estimated to be present in Oman.<sup>8</sup> In the '60s about 5000 Indians were estimated to be working in Oman.<sup>9</sup>

The Indian community in Oman constitutes the largest constituent of its immigrant workforce. It is reported that about 58 per cent of Oman's total expatriate labour is Indian.<sup>10</sup> The total population of the Sultanate as per the results of the census conducted in December 1993 is 20,18,074 out of which as many as 4,10,825 persons were of Indian origin, settled in Oman. This grand total includes the permanent and naturalised settlers of the country as well as the contract and temporary labourers in civil services and private enterprises. The number of persons of Indian origin who have been naturalised and hence became Omani citizens was about 471. Most of them were of the categories of tradesmen, businessmen and industrialists.<sup>11</sup> These Indians' status is a befitting tribute to the ancient ties between the two countries. They have contributed to the national development of Oman in various spheres of life. Rendering of citizenship is deemed a token of recognition and gratitude to what they have endured to contribute to the Sultanate through their long spell of stay and devotion.<sup>12</sup>

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<sup>8</sup> Hugh Tinker, The Banyan Tree: Over Seas Immigrants from India, Pakistan and Bangladesh, (Oxford, 1977), p.12.

<sup>9</sup> Deepak Nayyar, "International Labour Migration from India: A Macro Economic Analysis", in Rashid Amjad, ed., To the Gulf and Back: Studies in the Economic Impact of Asian Labour Migration, (New Delhi: 1989), p.95.

<sup>10</sup> The Times of India, 1 May 1998.

<sup>11</sup> Labour Bureau, Ministry of Labour, Govt. of India, Indian Labour Year Book, 1995, p.183.

<sup>12</sup> The Hindustan Times, 6 October 1996.

**Table 4. 1: Estimate of Indian Migrant  
Population in West Asia (in '000)**

<b>Country</b>	<b>1975</b>	<b>1979</b>	<b>1983</b>	<b>1987</b>	<b>1990</b>
UAE	107.5	152.0	250.0	225.0	400.0
Saudi Arabia	34.5	100.0	270.0	240.0	400.0
<b>Oman</b>	<b>38.5</b>	<b>60.0</b>	<b>100.0</b>	<b>184.0</b>	<b>200.0</b>
Kuwait	32.1	65.0	115.0	100.0	170.0
Bahrain	17.3	26.0	30.0	77.0	60.0
Qatar	27.8	30.0	40.0	50.0	40.0
Iraq	7.5	20.0	50.0	35.0	90.0
Libya	1.1	10.0	40.0	25.0	-
Others	-	-	21.0	21.0	-
<b>Total</b>	<b>266.3</b>	<b>163.0</b>	<b>916.0</b>	<b>957.0</b>	<b>1360.0</b>
<b>Growth Rate</b>	-	73.86%	97.80%	4.46%	42.1%

Source: Adapted from Deepak Nayyar, "International Labour Migration from India: A Macro Economic Analysis in Rashid Amjad ed., To the Gulf and Back, p. 101 and "Keralite's Gulf Dream Ending", India Abroad News Service, 13 April 1999.

**Table 4.2: Percentage of Indians Migrants in Oman among their Total Number in G.C.C. States**

Year	G.C.C. Total (‘000s)	Indians in Oman (‘000s)	Percentage
1975	257.7	38.5	14.93
1979	433	60.0	13.85
1983	805	100.0	12.42
1987	876	184.0	21.00
1990	1270	200.0	15.74
1993	1760	300.0	19.88

Source: Adapted from Deepak Nayyar, “International Labour Migration from India: A Macro Economic Analysis in Rashid Amjad ed., To the Gulf and Back, p. 101 and “Keralite’s Gulf Dream Ending”, India Abroad News Service, 13 April 1999.

An adequate and accurate data source to estimate the correct number of Indians in Oman or their remittances is yet to be developed. The available figures and estimates tend to be flawed owing to a host of reasons. The receiving countries in West Asia in general have been reluctant to release data on expatriate workers, largely because of commercial and political sensitivities. “The estimates that are published often raise questions than answer. It is not always clear whether the

estimates include Middle East workers only or all foreign workers".<sup>13</sup> Nor is it often evident whether the estimates refer only to workers or to their dependents living with them in the country as well. The information collected would be publicised only after several years, by which time it would highly need to be updated. This is never consistent with the rapidly changing state of affairs. It is natural that the Sultanate fears unrest within the national population if they unravel the booming figures of the expatriate population, especially when the number is alarmingly high. Moreover, many workers are brought to the country by labour brokers, evading official registration, and thereby crippling the validity of available official estimates.

Indian authorities also fail to provide any reliable data bank on these counts. Rough magnitudes decided by various sources thus prove to be mere conjectures. From the number of passports issued it is impossible to calculate the magnitude of emigration to a particular country like Oman. The protectorate of emigrants also prove to be insufficient. Though it is the authority in India which issues clearance to the emigrants and registers their employment agreements, it cannot always keep vigil on processes like return of a migrant at the end of a contract, or his rejoining Oman with a renewed contract or his heading for another destination as his contract in Oman expires.

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<sup>13</sup> Fred Arnold and Nasra M. Shah, "Asian Labour Migration to the Middle East", International Migration Review, (New York), vol.28, no.2, Summer 1984, p.295.



An estimated number of 38,500 Indian expatriates were working in Oman in 1975, in the aftermath of the oil boom. Oman at this time was the second major destination of Indian labour migration to the West Asian countries, after the UAE. The UAE had 1,07,500 Indians working in various fields. The other two major destinations of Indian labour in West Asia – Saudi Arabia and Kuwait – had 34,500 and 32,100 respectively. The total number of Indians working in the GCC states taken together was about 2,66,300. The number in Oman was about 14.93 per cent of the total number of Indian expatriates working in the GCC states.

But in the year 1979, the number of Indians workers in Oman had gone up to about 1,00,000, as the total number of Indian expatriates in the GCC states had grown to 8,05,000. Thus, their number in Oman was about 12.42 per cent of the total showing, a downward trend of 1.43 per cent. The UAE, by this time, had come down to be the second biggest host of Indian expatriates in the region, with 2,50,000 Indian workers working in the emirates. Saudi Arabia in this year had the largest number of Indians working there, around 2,70,000, and Kuwait stood third with 1,15,000 of them working in its various sectors. Oman thus retained this status quo of being the fourth largest of importer of Indian labour. Trends in labour export to Oman in specific, and the region in general had significantly been altered by 1987, owing to a host of reasons, raked up by the oil price dip

began in the previous year. The Gulf states generally had to cut down expenditure in infrastructural projects, hence making a downward trend in the entry of expatriate labour into these states. But Oman stood as exception, as it was one of those states in the region, whose economy was not affected significantly by the fall in oil prices. Detailed mention of this phenomenon has been made in the third chapter of this study. However, it is worthwhile to state that Oman's GDP during this period did not show any significant depreciation, and it was rightly reflected in the growth in the number of expatriate Indians in the Sultanate as well as in the trade between India and Oman. A whopping 21 per cent of the total number of 8,76,000 Indians present in the GCC states was in Oman. The number of Indians workers in Oman in 1987 was about 1,84,000. This was an increase of 84,000 from the number of Indians in the Sultanate in 1983. At the same time, the number had considerably gone down in Saudi Arabia to 2,40,000, which was less by 30,000 than that in 1983. In the case of the UAE and Kuwait the number of Indian workers had dwindled down to 2,25,000 and 1,00,000 respectively.

However, things had turned dramatically by 1990. UAE and Saudi Arabia, by this year, had about 4,00,000 each of Indian laborers. The number of Indians in Kuwait was about 1,70,000. Their number in Oman, by 1990, was about 2,00,000. This was about 15.74 per cent of the total

12,76,000 Indians in the GCC states. About 3,00,000 Indian were estimated to be working in Oman in 1993.

Over the years, one sees that, the Indian expatriate community has been growing in leaps and bounds. In the 1970s, in addition to the large pool brought in for manual labour, Indian health care professionals came in droves.<sup>14</sup> A large number of the Indian expatriates in Oman are working in the health field. In fact, majority of the physicians working in Oman since the mid 1980s have been Indian. Noticeable managerial skills of the Indians have earned them major positions in the management cadre of different enterprises.<sup>15</sup> It was estimated that around 28,134 Indians were engaged in professional and technical services. They were born-settlers, naturalised Indians citizens in the country, working there for the last five years or more. The numbers of workers of Indian origin in the category of 'highly skilled' was about 5,148. Some 1,11,718 were categorised as skilled labourers, while about 92,454 were semi-skilled workers. The number of unskilled workers employed in various enterprises in the Sultanate was estimated to be 80,516. During 1994, there were about 3,17,970 Indian workers engaged in Public and private sectors. In addition to this 3,257 Indians were employed in the Ministry of Defence. These

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<sup>14</sup> Calvin H. Allen Jr., Oman: The Modernisation of a Sultanate, (Colorado, 1987), p.102.

<sup>15</sup> Joseph A. Kechichian, Oman and the World: The Emergence of an Independent Foreign Policy, (Santa Monica, 1995), p.222.

numbers added together comprise, 3,21,227 Indian workers in Oman in 1994.<sup>16</sup>

By 1999, the number of Indian workers in Oman has grown by enormous proportions to reach about 3,50,000, hence retaining the reputation of being third most attractive destination of Indian expatriate labour.<sup>17</sup> The traumatic political developments in the Gulf following Iraq's invasion of Kuwait, which affected Kuwait and Saudi Arabia, considerably cutting their expatriate labour force short, haven't caused major cataclysmic alterations in Oman's labour scenario. The flow of Indian labour to Oman continued unaffected throughout the 1990's.

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<sup>16</sup> Labour Bureau, Ministry of Labour, Government of India, Indian Labour Year Book-1995, p.183.

<sup>17</sup> Free Press Journal, 31 March, 1999.

**Table 4.3: Distribution of Annual Labour Outflows from India by Destination**

Country	1982	1984	1986	1988	1990	1991	1992	1993	1994	1995	1996
Bahrain	17,089	15,514	5784	8219	6782	8630	16458	15622	13806	11235	12386
Kuwait	97,64	5456	4235	9653	1077	7044	19782	26981	24324	11439	11243
Oman	69792	43228	22417	18696	34267	22333	40900	29056	25142	22338	24478
Saudi Arabia	78297	88079	41854	85289	79473	130928	269639	265180	265875	256782	165056
UAE	19277	24826	23353	34029	11962	15446	604493	77066	75762	79674	86212
Others	-	-	-	9348	6300	7121	13971	19974	20476	28866	22337
Total	-	-	-	169888	143565	197889	416784	438338	425385	415334	321712

Source: Ministry of Labour, Annual Reports , 1987 and 1997.

This sojourn of the Indians worker to Oman as well as any other West Asian state has never been a cake walk. And, this dream land of the job thirsty Indian youth has never been a bed of roses. Opposite to their dreams about this land where flow milk and honey, stories of abject denial and vilification of labour rights is not unheard of. In the absence of the right to unite, exploitation and discrimination of various kinds and colour revealed their threatening and harrowing jaws of partiality and monetary hard-heartedness to the Indian labourers. A peep into these ordeals of the Indian labourer in Oman would speak volumes about a seldom publicised part of Indo-Omani relations.

Very often, the Indian expatriate labourer in Oman ends up after years and decades as nothing different from what he had began with as

promotions are very rare.<sup>18</sup> This can be concomitant not only of the Omani employer's attitude to the Indians labourer, but also of management preferences which are in the larger interest of the firms-mainly private sector enterprises. Employers in these private establishments prefer to hire an outsider for an upper bracket vacant post, rather than promoting a senior and deserving expatriate candidate from his own staff.

A more uncanny occurrence which is very much vogue is the discriminated disbursement of remuneration. The Indian labourer, especially in the lower pedestals of skill level, often finds himself a prey to this regional discrimination in payment. There is a tendency among employers to pay the European and American employees higher remuneration than those from a third world country like India. On an average, in Gulf countries, an Asian earns nearly 108 per cent less on the same job than a European or an American does, with relatively less education and experience.<sup>19</sup> Oman, known for its magnanimity towards Indian workers is not much different when it comes payments. The Indians in Oman occupying higher positions are seldom discriminated against. But coming down to the lower levels of designation and skill, fluctuations in payments finds the Indian labourer in less advantageous circumstances. For example, a British theatre technician

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<sup>18</sup> From the Letter Correspondence with Indian Workers in Oman – Mr. Ramachandran Nair, Muscat, 10 June 1999.

<sup>19</sup> Fathima Ahmed, "Whims Rule as Pay structure Erratic", Arab Times, (Kuwait) 17 May 1982.

working in a moderate organisation enjoys a payment of about R.O. 5800 and annual leaves of 20 x 3 days, in addition to 20 per cent gratuity. Whereas, for the same job in the same establishment, an Indian worker is being paid about RO. 250 + an annual leave of 40 days and 5 + 8.33 gratuity.<sup>20</sup> An obvious second category, enjoying better deals and treatment in Oman is the labourers from other Arab countries.

A recurrent complaint submerged in the silent protests of the Indian expatriates in Oman is the long working hours and undue payment. This is a real cause for concern in the cases of semi-skilled and unskilled categories. Instances in which Indians working for seven days a week, without being adequately compensated are not uncommon. This happens mostly with private organisations of lesser capital and net worth. There are occasions on when off-day for the week was cancelled without any reason shown.<sup>21</sup> Such unjust and unsavoury occurrences of discriminated exploitation tend to nourish resentment among these sections. Accumulation of such strong resentments among the expatriates who have no channels to give vent to their untold miseries which often go unheeded can be potentially hazardous for a state like Oman with a large chunk of non-national labour force. And, it is unbecoming of the healthy relationship

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<sup>20</sup> Letter Correspondence with Indian Workers in Oman, T.K. Prabhakaran Pillai, Ruwi, 5 June 1999.

<sup>21</sup> From Letter Correspondence with Indian Workers, in Oman, Mr. Gopalkrishnan Nair, Muscat, 28 June 1999.

between the two nations, unless due care is paid to these seemingly negligible matters. Coupled with the aforementioned torments the emigrants' and their families' psychological and socio-cultural adjustment problems. The migrants, mostly of lower occupation levels live in the fear of getting retrenched at any moment. Psychological adjustment problems within an alien culture and conditions also are natural fallout of their existence abroad.<sup>22</sup> Besides, studies conducted in the various labour exporting pockets of Kerala have found that the emigration has enormous psychological and socio-economic impact on the female and male dependants of migrant.<sup>23</sup> They face a number of problems such as "weakening of family, marital disruptions, neglect of children and their education, and psychological stresses and strains on the spouse".<sup>24</sup>

Emigration from India to Oman and other Gulf States takes place mainly from seven states- Kerala, Andhra Pradesh, Punjab, Gujarat, Goa, Maharashtra and Tamil Nadu. More than 50% of the Indians in Oman are Keralites.<sup>25</sup> In fact, the majority of physicians practising in Oman since mid

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<sup>22</sup> P.R. Gopinathan Nair, "Asian Migration to the Arab World: Kerala (India)", In Godfrey Gonatilleke (ed.), Migration to the Arab World: Experiences of Returning Migrants, (Tokyo, 1991), p.37.

<sup>23</sup> Leela Gulati, Coping with Male Migration, Economic and Political Weekly, (Mumbai), 1987, p.ws41.

<sup>24</sup> Prakash C. Jain, "Gulf Migration and its Impact on India and Indo-Gulf Relations", Journal of Peace Studies, (New Delhi), vol.5, no.1, January-February, 1998.

<sup>25</sup> News Time, 31 March 1999.



1980s have been Indians.<sup>26</sup> Here again Kerala figures as the major supplier of Doctors and nurses in Oman's hospitals.

The Indian workers in the Sultanate may be grouped into five broad categories. This is applicable to the other labour importing states of West Asia too. They are mainly construction workers employed in private firms, employees in government and other public sector institutions, traders and businessmen and domestic servants.<sup>27</sup>

Among these categories, those who are in the lower levels of occupation are more prone to exploitation and harassment in work places. The migration of Indian men and women who are mostly uneducated and unaware of what is in stock for them demands special reference here. They are generally employed as cooks, sweepers and gardeners. A series of reports- though rarely from Oman- of harassment and abuse of Indian female migrants has prompted the Indian government to take stringent measures to put a halt to such tendencies. The government of India has completely banned the emigration of Indian women for the purpose of domestic service in Gulf Countries.<sup>28</sup> The government declaration of 1962 stated:

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<sup>26</sup> Joseph A. Kechichian, n. 15, p.222.

<sup>27</sup> Myron Weiner, n. 3, p.13.

<sup>28</sup> P.R. Gopinathan Nair, "India" in Godfrey Gunnatilleke ed., Migration of Asian Workers to the Arab World, (Tokyo, 1986), p.71.

“In view of the many complaints received by the government about the maltreatment of the female domestic servants in the Persian Gulf territories, executive orders have been issued completely banning the emigration of Indian women to these territories, for domestic service”.<sup>29</sup>

But this ban has not been effective. The numbers of Indian *ayahs* and other domestic servants kept on increasing owing to large scale clandestine migration, which seldom come to the notice of the authorities. This prompted the government to reiterate its decision in 1973: “As a result of the unprecedented affluence in recent years in the Gulf Countries, (mainly Kuwait, Muscat, Bahrain, and Dubai) the demand there for, Indian domestic staff- e.g. maid servants, cooks, ‘ayahs’ – has been growing rapidly. Unscrupulous touts and agents in India have reportedly been clandestinely exploiting the situation by luring the needy and susceptible Indian women to the area, with exaggerated promises of lucrative jobs and attractive living conditions there. With a view of curbing any surreptitious outflow of Indian women in this manner, inter alia, all state governments have been requested to tighten up security arrangement at all possible exit points. Additionally, they have been requested to give extensive publicity, particularly among the uneducated and poorer sections of the society, to the

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<sup>29</sup> Ministry of External Affairs, Government of India, Annual Report, 1961-62, p.71.

hazards to which women leaving India illegally are inevitably exposed abroad”.<sup>30</sup>

In spite of this reinforcement, illegal transfer of Indian women continued, though in a limited manner. One can locate a good number of them in Muscat, working as *ayahs* and other menial domestic servants. But compared to the other Gulf countries, reports of indecent abuses of Indian women in Omani households are few and far between.<sup>31</sup>

By 1977, there were many illegal Indian immigrants in most of the Gulf countries. In Oman also their number rose by leaps and bounds. In the same year, the Government of Oman arrested 2500 Indian workers, who were declared illegal and made them march through the streets of Muscat. The real reason for this incident was said to be that they had asked for wages and benefits as agreed upon before their recruitment.<sup>32</sup>

This traumatic development in Muscat, along with a number of similar cases reported from the other Gulf Countries also called for immediate attention from the Indian Government. The root cause of such ugly incidents was undoubtedly illegal migration promoted by clandestine agencies that used fake passports and visa seals of foreign governments. A

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<sup>30</sup> Ministry of External Affairs, Government of India, Annual Report, 1972-73, p.99.

<sup>31</sup> Letter Correspondence with Indian Workers in Oman, T.K. Prabhakaran Pillai, Ruwi, 5 June 1999.

<sup>32</sup> P.R. Gopinathan Nair, in Godfrey Gonatilleke ed., Migration of Asian Workers to the Arab World, (Tokyo, 1986)p.80.

study conducted in the Chavakkadu village of Kerala points out that many of the migrants who had migrated to Oman and the other oil rich states of the Gulf in 1970's had ventured to take the risk of crossing the Arabian Sea in pretty unsafe, small launches, which the locals call an *uru*, to the coasts of Arabia. Many of them had to swim considerable distances from the launch anchored away from the harbour".<sup>33</sup> The government of India realised that it was high time that these illegal recruiting agencies are put in the saddle. It asked the recruiting agencies in the country to register with the government. It also insisted that each agency has a bank balance of Rs. 10,000. This was because intermittent reports of agents defrauding poor aspirants with payment of thousands of rupees. Foreign firms seeking to recruit Indians were to go through these recognised Indians agencies. Indian companies engaged in construction projects abroad were, however, allowed to recruit their workers directly. The government also barred the recruiting agents from levying fees on candidates. The guidelines issued by the Ministry of Labour also stipulates that the employers or their agents in India, must offer the same salaries and prerequisites to Indian recruits, as are offered to workers of other nationalities engaged in similar work.<sup>34</sup>

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<sup>33</sup> B.A. Prakash, "Impact of Foreign Remittance: A Case Study of Chavakkad Village in Kerala", Economic and Political Weekly, (Mumbai) 8 July 1978.

<sup>34</sup> Nitish Chakravarthy, "West Asian Lure: Protecting the Migrant Labour", The Hindu, (Madras) 13 November 1978.

This equality in payment has, however, been something unattained so far as is proved by reports from Muscat and other cities in the Gulf<sup>35</sup>

Instances of illegal migration too snowballed unbridled inspite of the aforementioned measures opted by the government. Spurious recruiting agencies mushroomed in all the important emigration regions in India. Dozens of daily cases in which innocent emigrates were defrauded of thousands of rupees by such agencies and employees were reported from all regions, in Kerala and cities of Mumbai and Delhi. Emigrants sponsored by such unauthorised agents tend to play into the hands of ruthless contractors, who in turn put them through harrowing experiences of hard labour, miserable working conditions and negligible remuneration.

The government announced in 1983 its decision to introduce legislation for streamlining the recruitment of Indian emigrants abroad. It was enacted as the Emigration Act 1983 in September of that year.<sup>36</sup>

The working conditions of the Indians migrant depend on the nature of employment contracts and honesty and integrity of the employers in honouring the terms and conditions of the agreement.

Oman is reported to be paying wages and salaries at roughly half the

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<sup>35</sup> For details see page no. 14

<sup>36</sup> "Indians in the Gulf are Safe", Kerala Kaumudi, 19 April 1983.

rates obtained in the rest of the region.<sup>37</sup> The Indian community has contributed voluminously to the development of the Sultanate. But as the community grew in proportions ugly incidents also grew . Some Indian expatriate workers were treated with disdain and deported because of their involvement in unscrupulous business such as selling of forged residence and employment documents and unsuspecting people. Such incidents result in the dwindling reputation of the of the Indian community in Oman. The Sultanate, in turn, by and by, departed from this fondness for the community, and adopted a business like approach.<sup>38</sup> Yet, the managerial capabilities and devotion of the Indian worker are generally appreciated in the Sultanate. The Omani employers believe that Indians are law-abiding, hardworking and non-interfering in local politics.<sup>39</sup> Indian workers account for 58 percent of Oman's expatriate labour force.<sup>40</sup> Like those in the other Gulf States, majority are white collar employees. At least 25 percent of the larger companies in Oman, are either being headed Indian expatriates or hence Indians occupying higher positions.<sup>41</sup>

Looking forward to the prospects of the Indian community in Oman as a part of Indo-Omani relations one can identify two major factors which

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<sup>37</sup> P.R. Gopinathan Nair, n.27, p.84.

<sup>38</sup> Joseph A. Kichichian, n. 15, p.222.

<sup>39</sup> The Times of India, 12 June, 1993.

<sup>40</sup> The Hindustan Times, 6 October 1996.

<sup>41</sup> The Pioneer, 5 April 1997

will have major impacts on the skill composition and presence of Indians workers in Oman. Firstly, Oman's economic diversification programme, in the wake of dwindling oil revenues. Secondly, the Omanisation of the labour market which is also partly supplemented by dipping oil revenues. Both these factors are supposed to effect significant alterations in the demand for Indian labour and its skill composition in the long run.

### **Economic Diversification and the Indian Worker**

Oman has never hesitated to accept the reality that, unlike its oil rich neighbours, it does not have vast oil resources. The government has taken prompt measures of economic and industrial diversification to face the future, howeve harsh it may be. As more diversified industries and service sector establishments are launched, the composition of labour demand is likely to undergo significant changes. As the government opts for cut in public expenditure, bridling the construction boom, a large number of construction workers, both skilled and unskilled, may become drop outs. These workers may find it difficult to get their contracts renewed, in the absence of new, upcoming construction ventures.

In the meanwhile, the projected industrial diversification plans might spell more capital and technology intensive methods, thereby reducing their dependence in the expatriate workforce, a major chunk of it

from India. The industrial training programmes for Omani nationals, progressing on war time footing, are expected to meet its targets in the long run, if not in the near future.

Though the present proportions of Omanisation process is a recent development, the Sultanate has never been apprehensive of the increasing presence of expatriates. This was true of every labour importing State in the region. The oil boom seemed to be a twin sister of a population boom in the region. Population of Oman during the period 1975-85 increased from 6,83,000 to 1.248 million as increase of almost 85 per cent<sup>42</sup>. And of the 2.018 million per cent population, 26.5 per cent were foreigners.<sup>43</sup> According to the 1993 census, about 40 per cent of the national population are below 15 years of age. The coming few years will see them in the job market , looking for employment.

### **Omanisation and Indian Workers**

Though the oil shock in the latter half of the `80s did not hamper the GDP of Oman. Compared to the major oil giants, its pseudo-rich status with dwindling oil stock prompted a restriction on purchasing expatriate

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<sup>42</sup> Onn Winckler, "The Immigration Policy of the Gulf Cooperation Council States", Middle East Journal, (Washington) July 1997, p.481.

<sup>43</sup> ibid., p.483.



manpower. Increasing rates of unemployment and under-employment within the local workforces seem to be a real cause for concern. Another factor is the high cost of providing wages and subsidising public services for the foreign workers and their accompanying family members. According to a 1981 World Bank Report, as the food, fuel, water and electricity were subsidised, the real cost of foreign workers was much greater than their wages alone. Moreover the authorities fear that large number of foreigners might bring about unwanted social and cultural changes, snowballing in turn to a concerted domestic security threat.<sup>44</sup>

Hence the non-nationals were banned from entering into a commercial venture without a national partner. The authorities also calculated that the immigrants would share their knowledge and experience with locals.<sup>45</sup>

The Sultanate's efforts on nationalising the private sector workforce has not yielded much desired effects. The private sector often evinced a preference for the expatriates. According to these companies, Omani nationals expected too high salaries. They were not equipped with skill required for the job, where as labour surplus countries like India could readily serve their requirements. Moreover, the locals tend to be less

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<sup>44</sup> *ibid.*, p.483.

<sup>45</sup> *Ibid.*, p.486.

controllable than the foreign workers, while workers from countries like India are more tame and obliging. Coupled with all these are the high cost of training the nationals.

In 1991, the Omani authorities introduced a plan of compensation to private sector companies training their national employees. The purpose of the plan was to increase the percentage of the nationals in the private sector.<sup>46</sup> According to the Labour and Vocational Training Minister of the Sultanate, Omanis trained by a private company would have to work for a period that was equivalent to the cost of training, or would otherwise be obliged to pay back the training fees.<sup>47</sup> Nearly all the Omani graduates prefer to work for the government. This is due to the fact that wages and conditions in the government sector are better than those in the private sector.

In 1995 the Oman Ministry of Labour warned the private sector that unless companies submitted their Omanisation plans within the time allotted, labour clearance approval would not be forthcoming. Till 1996, 3000 Omanisation plans have been submitted to the ministry. The ministry has stipulated a fixed Omanisation ratio in six areas of private sector, to be achieved by the end of 1996. According to this, transport, storage and

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<sup>46</sup> Middle East Economic Digest, vol.35, no.43, 25 October 1991, p.16.

<sup>47</sup> Middle East Economic Digest , vol.35, no.40, 11 October 1991, p.18.

communications are to have 60 per cent Omanisation, finance insurance and real estate 45 per cent, industry 35 per cent, hotels and restaurants 30 per cent, wholesale / retail trading 20 per cent, and contracting 156 per cent. It should be noted that this would surely be at the cost of a large number of Indian workers.<sup>48</sup>

During his annual 'meet-people tour' in 1998, Sultan Qaboos urged the country's youth to accept a wider range of jobs as part of a general drive to cut down expatriate labour. He said that too much money was flowing out of the country through remittances by "unnecessary" expatriate workers.<sup>49</sup>

The tightening grip of the government on the expatriates is an indication to the seriousness with which the Sultanate is addressing the issue. As estimate point to the high expenses incurred to provide subsidised facilities to expatriates, it has embarked on a gradual withdrawal of such amenities. In the wake of low oil prices in early 1998, the Sultanate introduced regulations requiring the non-Omanis to pay the full cost of medical services and medicines.<sup>50</sup> Such measures are going to have a major say on the remittance habits of the Indian worker in Oman. He would find it difficult to cop with the otherwise high cost of living in the Sultanate, and would be forced to spend more in that country itself.

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<sup>48</sup> Oman Ministry of Information, Oman'96, p.134.

<sup>49</sup> Middle East Economic Digest , 16 October, 1996. p.

<sup>50</sup> Middle East Economic Survey, 41:9, 2 March 1998. p.

As the Omanisation programme is coming into effect, up to 85 per cent Omanisation has been implemented in many government institutes. 100 per cent Omanisation has been implemented in many sectors. This include drivers of school-buses, tractors, company transports and other vehicles.<sup>51</sup> Fresh visa is not being issued for posts such as personal assistants, secretaries, administrators, etc. in the governmental sector. Clerical cadres also have been Omanised completely.<sup>52</sup>

A new decree from the Oman labour ministry has banned expatriates from typing jobs. The law is effective from 1 January 1999. The law allows no expatriates to work in shops where documents are typed and photocopied. Reportedly, the government may next target the tailoring trade, where non-Omanis continue to dominate.<sup>53</sup>

An important aspect of the nationalisation process is the efforts to bring Omani women into the labour force. Increased participation of women in nation building will ensure increased proportion of nationals in the labour force. Though these changes tend to assume a slower pace in a traditional Islamic social set up, are potential enough to displace many Indians in the long run.

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<sup>51</sup> Letter Correspondence with Indian Workers in Oman, Mr. Gopala Krishnan, Muscat, 28 June 1999.

<sup>52</sup> Ibid.

<sup>53</sup> Middle East Economic Digest , 30 October, 1998.

## Socio-Cultural Affinity

As seen in the first chapter of this study, Indians and Omanis have been in contact for centuries together.<sup>54</sup> Omanis were among the first Arabian Sea fares to cross the waves of the Arabian Sea, first to raid and then to established deeper socio-cultural ties. Waves of a common sea kissing shores of both these lands, this kind of affinity proves to be a natural fallout. It is said that it was an Omani fisherman who actually guided Vasco de Gama, the first ever westerner to set foot in India, to Kozhikode.<sup>55</sup>

The Khuda Baksh Library, in Patna contains works that extol the lives and deeds of the Omani rulers, the predecessors of the present Sultan. The tolerant *Ibadhi* traditions have also played a crucial role in fostering and sustaining close socio-cultural links between the two peoples. The Hindu temples in Oman bear witness to this appreciable specimen of inter-cultural affinity. By 1870s there were as many as four Hindu temples in Muscat. A monumental act of all eminence and belonging is tangible in an act of the 17 century Indian settlers in Muscat, when they established a new temple there giving their idol a representation of the deity Govindraj,

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<sup>54</sup> See Chapter 1. p.2

<sup>55</sup> Dr. Hilal Ali Al-Hinai of the Sultan Qaboos University in a Seminar Conducted in the School of International Studies, JNU, on 30 April 1998

wearing an Omani dagger in its vestments.<sup>56</sup> Sultan Qaboos himself has allowed establishments of places of worship for the expatriates.<sup>57</sup> Today there are Hindu temples and Christian churches in Muscat, Salalah and Darsait. A Gurudwara in Alkhawair cater to the Sikh community in Oman. The temple of Lord Siva in Muscat also has idols of Rama and Hanuman. Under a Banyan tree in the compound of the Krishna temple of Khimji Ramdas in Darsait, there is a statue of Buddha, inspiring a Hindu-Buddhist co-existence which is rare in India. While offerings are made in the Darsait temple in Gujarati style, that in Muscat is closer to South Indian methods. The temple in Salalah also sticks to Gujarati methods of offerings.<sup>58</sup>

A good number of the Indian expatriates especially, those from Kerala are Christians. There are Christian churches situated in Darsiat, Ghala, Bid Bid, Sohar, Rostaq and Ibri, putting a questionmark on the so-called intra-semitic rivalry.<sup>59</sup>

The present generation in Oman has not totally forgotten the ages old ties bidding the two communities. Hindi is known to a good number of Omanis. Hindi films and songs have found a niche for itself in Omani

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<sup>56</sup> Joseph K. Kechichain, n.15, p.215.

<sup>57</sup> Judith Miller, "Creating Modern Oman: An Interview with Sultan Qaboos", Foreign Affairs, (New York), vol.76, no.3, May/June 1997, p.14.

<sup>58</sup> Information Compiled from Letter Correspondences with Mr. Gopala Krishnan, Muscat, 28 June 1999 and Mr. Ramachandran, Muscat, 8 June 1999.

<sup>59</sup> Letter Correspondence with Mr. Prabhakaran Pillai, Ruwi, 5 June 1999.

hearts. It should be noted that at the banquet reception hosted by Sultan Qaboos in honour of the visiting Indians President, the bond played was a popular song from the Hindi film *Sholay* – “*Yeh dosti hum nahin chhodenge*”.<sup>60</sup> The large number of Indian *ayahs* employed in Omani households must be instrumental in inculcating a knowledge and love for Hindi among the Omani youngsters. Hindi is naturally fed to these young Omanis along with the motherly affection of these *ayahs*, though this seems to be the positive fallout of an otherwise discourageable phenomenon. This love for Indian culture is reflected in the generally tolerant attitude of Omanis towards the Indian community. This peaceful co-existence is highly appreciable but for the reported existence of a group in Salalah which is generally intolerant to the expatriates.<sup>61</sup>

Contributing to the love for India is the fact that most of the ministers and political leaders’ of Oman, including sultan Qaboos, at some point of time, have undergone experiences in India-- either Indian educated or have spent substantial time in India.<sup>62</sup>

The presence of about 15 Indians schools in Oman helps in sustaining this socio-cultural bonding.<sup>63</sup> Indian cultural programmes are

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<sup>60</sup> The Hindustan Times, 6 October, 1996.

<sup>61</sup> Letter Correspondence with Indian Workers in Oman, Mr. Gopalkrishnan, Muscat, 27 June 1999.

<sup>62</sup> Dr. Fahim Amer Al-Mahrubi of the Sultan Qaboos University, Seminar Conducted in the School of International Studies, JNU, 30 April, 1998.

<sup>63</sup> The Hindustan Times, 18 March, 1998.

being performed in these schools. Many schools encourage learning of Indian classical music and dance. Indian Cultural Centre in Salalah and the Indian Cultural Association in Ruwi host many cultural programmes in which eminent artists from India participate. Though there is no participation of Omanis and no involvement of the Omani authorities in the conduct of these programmes, they never discourage such efforts. The organisers, of course, are to procure prior permission from the authorities for conducting such events.<sup>64</sup>

There are instances in which Omani citizens have married Indian women. These women mainly hail from various pockets in India like Kozhikode in Kerala, Hyderabad, Bombay and Uttar Pradesh. However, Omanis marrying Indian expatriates is a very rare occurrence owing to a host of legal hurdles. Such marriages take place more with Pakistanis than with Indians.<sup>65</sup>

There are about 550 Omani students pursuing various levels of educational careers in India. Most of them are students of Management, Engineering or Medicine.<sup>66</sup>

### **Conclusion**

The large scale Indian labour migration to Oman should be

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<sup>64</sup> Letter Correspondence with Indian workers in Oman, Mr. Gopal Krishnan, 27 June 1999.

<sup>65</sup> Ibid.

<sup>66</sup> Interview with Mr. Abdullah, Cultural Attache, Embassy of the Sultanate of Oman, New Delhi 13 May 1999.



understood as a part and parcel of the socio-economic developments that took place in the latter half of this century, when economic relations between the developed and developing countries and those among the developing countries, underwent major readjustments. And it has a marked difference with the kinds of migration that took place prior to the oil era in quality and kind.

The enormous size of the Indian community in Oman which forms almost 58 per cent of its total expatriate force is a major factor in the relationship between the two countries. Through years since the oil boom, this interdependence has grown through mutual capital and labour transfers, with inevitable socio-economic and cultural repercussions.

That quality of goodwill the Indian community enjoys in Oman is a natural fallout of the centuries long ties between the two nations. Apart from the Indian community's contribution in the nation building process of the Sultanate, the hardworking and honest nature of the Indian migrants also have contributed to this advantageous position they enjoy among the expatriate workers.

This study has pointed out the major problems the migrant faces at work place, bitter pills of wage discrimination and the exploitation they faces in Oman. Most of such cases seem to be beyond the control of the Omani authorities, as such instances are generally consequences of clandestine labor movement, of which governments of both the countries

have failed to procure accurate data or information. Moreover, this inevitable and ugly phase of labour migration is surely less harrowing in Oman, when we see it in comparison with similar instances in other labour importing countries.

The change in the Sultanate's attitude towards the Indian workers to a business-like one, which has been referred to in previous pages, is a result of various factors. More than in reaction to the malpractices committed by a handful of Indians, it has to be seen as a natural shift in mentality of a nation which has a large number of non-nationals as potential socio-economic and security threat. The Sultanate otherwise seems to have no malintention directed particularly against Indians. This can also be seen as a projection of Sultan Qaboos' foreign policy of which the motto is to "mind one's own business".

However, the economic diversification and Omanisation efforts in the Sultanate are sure to have their pounds of flesh from the Indian expatriates. The axe is likely to fall first on those who are in lower levels of occupation and construction workers in general, and as large number of Indians are in affluent positions stand to India's advantage. The goodwill established by the Indian labourers also stands to their credit. Even then, more concerted efforts on the part of the Government of India to streamline its workforce to cater to the changing trends in the Omani market are required at this juncture. Exports of Indian goods to Oman also would be

proportionate to a great extent on the Indians' presence in Oman, as they constitute major consumer section of Indian items. The External Affairs Ministry's proposal to set up a central manpower export promotion council evokes hopes among the observers.

The socio-cultural affinity extant between Omanis and Indians in the Sultanate is unique compared to the situation in other Gulf states. But it is pertinent to observe that the governments of these countries have not taken any active measures to reactivate this affinity. Absence of a joint cultural council, which exists in many other Gulf states, has created a void in the prosperity of the affinity. Joint cultural activities which would come up are bound to reduce the friction between the two communities. It would also considerably reduce the socio-cultural adjustment problems to which the Indian migrant is prone to. The Indian Government can doubtlessly go forward to sign an agreement of understanding with Oman for recruitment of workers from India. Such agreements already exists between India and the government of Jordan and Qatar. The future of Indian community in Oman depends a lot on how seriously the governments concerned address the question.

## **Chapter 5**

### **Conclusion**

Indo-Omani relations is a copious and unambiguous example of South-South cooperation. It belongs to a later phase of the capitalist development when cooperation and interdependence between developing countries scaled newer heights to greater paradigms. As the world got transcended from the Cold War to the unipolar world order, nations undertook major measures of economic and political readjustments. Vociferously disapproving the thesis of clash of civilizations in the new world order, India and Oman have ventured to set a model of coexistence, transcending boundaries of cultures and religions. Greater advancement of these kinds of cooperation among world's nations may amply negate the relevance of a super-cop in the world system, as regions themselves would stand self-sufficient to take care of their political, security and economic preferences.

Geographical locations of India and Oman have a major say in bringing these countries together, through centuries long trade and human resources and diplomatic exchanges. Whether through raid or trade, the prolonged give-and-take cemented this co-existence, carving a niche of everlasting goodwill for each other in the hearts of both the peoples.

Muscat and Oman's dependence on the British India was gradually extended to India's post-independence period also. As the 1939 Treaty of Commerce and Navigation with Britain stood terminated in 1950, the then Sultan of Muscat, Sa'id bin Taymur turned to India for an alternative, to which India responded favourably. The 1953 Treaty of Friendship Commerce and Navigation between Muscat and New Delhi can be seen as an immediate fall-out of the Sultanate's need to balance the deprivation of its strong dependence on Britain by getting closer to India. The inevitability of this connection is reiterated by the fact that till 1970 India was the only country which had a representative consulate in Oman, apart from the United Kingdom.

Throughout the 1970s and '80s, Indo-Omani relations were largely decided by the currents of the Cold War. If in the 1970s this phenomenon had repelled these nations apart, in the '80s the same Cold War seemed to intensify the ties. In spite of the fact that India was the champion of non-aligned cause, it was a widely known friend of the Soviet Union. This Soviet affinity is the factor that is believed to have resisted India from refusing armed assistance for the Sultan Qaboos to quell the supposedly Communist-backed rebellion in the Dofar region of the Sultanate. One can observe that no significant bilateral visit or agreement took place during this period, except Mrs. Indira Gandhi's refueling stop-over at Muscat airport.

The 1980s saw the Cold War influencing the relationship between India and Oman in a different way. By this time both the countries seemed to have accepted the reality of the Cold War wrangles growing in magnitude, casting a shadow of threat for the whole of Indian Ocean region. This mutuality in threat perception seems to have acted as a catalyst, accelerating the precipitation of a shared security concern.

The fall of the Shah of Iran in 1979 ripped Oman off the security alternative he rendered to the region after the British withdrawal from the east of Suez. More perturbing was the Soviet invasion of Afghanistan. Though the Sultan had the security support from the US with the armed forces bases of the superpower in the Sultanate, this was a time when he had started renegotiating his agreements with the US, owing to the large-scale resentment in the Arab world against the growing American armed forces presence in the region. Added to this was the eruption of the Iran-Iraq war, which posed considerable dilemma in Oman's attitude towards Tehran and Baghdad.

India also was taken aback by the armed Soviet aggression at the neighborhood which added to the western naval presence in the Indian Ocean region. Naturally, both India and Oman came to identify a mutuality of interest in the collective security of the region.

By 1985, the scene was ready for a new paradigm of ties between India and Oman. With Rajiv Gandhi's ascend to India's prime ministership, India had begun to deviate from the Nehruvian line of foreign policy, to have closer understanding with the West. Recollect that the post-1985 period had witnessed a number of agreements for security and technological cooperation between India and the US. Oman, which was on the other side of the Cold War wrangles, in the meanwhile, was seeking closer cooperation with the Soviet Union by establishing diplomatic ties and extending financial assistance.

As a consequence, India and Oman acknowledged the importance of having closer cooperation as nations closer to the super powers, significantly, each being in the other faction. Interestingly, as India's security understanding with the US grew, bilateral exchanges between India and Oman also grew. Almost every agreement signed between India and Oman during 1983-90 was for security cooperation.

The MoU for streamlining Indian military assistance to Oman, signed in Muscat by Rajiv Gandhi and Sultan Qaboos; Sayyid Fahr bin Taymur's 1989 visit to India to conclude these agreements, and the two-day joint naval exercises off the coast of Oman in January 1993, can be considered as landmarks in the security cooperation between India and Oman.

It is worth pointing out that Oman had made good use of the ties with India by procuring its mediation between the Soviet Union and the Arab countries at the peak of the Cold War tension. Remember that Oman Foreign Affairs Ministry had sought Indian assistance to convey a number of messages from the GCS heads of states to Moscow.

The end of the Cold War came as a shot in the arm for Oman which was struggling to keep up its appointments with the Soviets. India also began sailing with the wind of the unipolar world order. With the cold war tension subsided, both these nation found a common language to articulate a new direction of ties eyeing more on each others' markets than on security interests that dominated the earlier period. The post-Cold War period has witnessed a large number of high level delegations visiting each others' capitals. Major among them being Indian Prime Minister Narasimha Rao's visit to Muscat in 1993, Indian President Dr. Shankar Dayal Sharma's visit to Muscat in 1996, Sultan Qaboos' visit to Delhi in 1997 and the Present Indian Prime Minister A.B. Vajpayee's visit to Salalah in 1998.

Before moving on to the trade and economic aspects of Indo-Omani relations, mention has to be made about a number of important developments that cannot be explained in the language of the Cold War.

The first among these developments occurred when the question of Oman came up in the UN in 1971. India unprecedentedly went against the



Arab states' interests to support Oman's cause in the UN. This was an extra-ordinary expression of regards to this country for which India went out of its way.

Oman responded with the same warmth as the question of Bangladesh was taken up by the UN in the same year, even as majority of Islamic countries sought to support the Pakistani point of view. These were instances when India and Oman gave importance to principles rather than regional or religious interests. These trends are followed up to the 1990s. Whenever the question of Kashmir has come up for discussion in international fora, Oman has either chosen to abstain or to support the Indian stand. In 1993, during Indian Premier Narasimha Rao's visit to Oman, Sultan Qaboos criticised Pakistan's role in aggravating tension in Kashmir and called for a resolution based on Simla Agreement. This time the Sultan was more vociferous in his pronouncements than the earlier times. There can be two reasons for this. One is the alleged reports that Pakistan was the force behind the 1994 unsuccessful coup against the Sultan. Another reason can be that, with the advent of the new world order and liberalization of Indian economy, the Sultanate began to eye the opulent Indian market with special interest, the intensity of which overshadowed the regional and religious preferences. The latter reason is more applicable to the temerity the Sultanate has shown to quell the anti-Indian uprisings in the

aftermath of the Ayodhya incident in 1992. It is worth recollecting that when the other Islamic countries in the region desisted from receiving even a single business delegation from India, Oman had gone ahead to welcome three major Indian delegations in the subsequent months.

Economy dictates foreign policy in the new world order. And, the economic policy, is to a great extent, decided by the perceptions of the ruling class. Oman's economic policy, ever since 1970, has been based on Sultan Qaboos' vision of what the future state of Oman should be like. This was largely based on a realistic understanding of the Sultanate's limited oil reserves in contrast to its oil-rich neighbours.

One significant aspect of Indo-Omani trade is that the trade balance has ever been in India's favour except for a brief period between 1984 and '89. The volume of India's exports to Oman has always been on the increase. Slight dip was reported only in 1981 and '86, which could well be explained by the two oil shocks and political turbulence in the region. A marked increase in the volume of trade has been observed after 1986. The warming up in political understanding would have prospered the trade relations also. After 1990, it is observed that the volume of exports from India has increased by leaps and bounds which could be due to the opening up of these economies over this period. It is significant that the volume of exports to Oman which was \$ 56 mn in 1990, increased to \$ 180 mn by

1997. But it dipped in 1998 to \$ 164 mn. But this decline in exports was part of the general decline in exports owing to global recession.

One can observe a remarkable increase in the imports from Oman after 1986. In the year 1986, as happened in the case of exports, there was a slight decline in volume. From 1986-89 the volume of imports to India increased massively. This was a time when India's trade with the other oil-rich states, whose economies were thoroughly shaken by the oil shock, had declined considerably. During this period, the Indo-Omani trade balance was exceptionally in Oman's favour. The reason can be that Oman's GDP was not heavily affected by the decline in oil prices which began in 1986. But after 1990, the volume of imports from Oman has comedown significantly- almost by 50 per cent, despite the liberalization measures.

When it comes to these countries' share in each others' market, the scenario is even grimmer. Though India is the eighth largest source of Oman's imports, it involves only 3.40 per cent of that country's total imports. It means that India could not make much inroads into the Omani market, generally dominated by the West and other Asian countries like UAE and Japan.

Oman is a very insignificant trade partner of India, as exports to Oman represents only 0.3 per cent of India's total exports as in 1996.

Here we find that the much celebrated special relationship between India and Oman has not grown to the desired levels. This could be because of the low priority accorded to each other in trade related matters.

The potential of Liquefied Natural gas production in Oman and India's growing demand for the same, however, points to a promising future.

Enormous presence of Indian expatriates in Oman should have created a good market for Indian goods. Indian's market failure could be attributed to a number of reasons: technological incompetence, poor marketing, cut-throat competition, and the fact that Indian exports are of a nature that demand for them cannot grow beyond a point.

However, a shift in export composition in favour of machinery and manufactured products in recent years is a positive sign, as these items will have major demands in Oman in the coming years due to the diversification and industrial restructuring processes.

Although there have been certain setbacks in the field of joint ventures, many of them are in progress, though their completion may take time owing to a number of technical reasons. It is expected that once these joint ventures start production, there would be a consequent increase in bilateral trade also. The emergence of the Indian Ocean Rim Association for Regional Cooperation also will help prosper these trade ties.

Oman's Indian workforce tells the story of years of interdependence. In Oman, capital and its investment was far in excess of its available manpower potential. In India, at the same time, the huge army of the unemployed, in the absence of due capital to put it into use, serves as a ready supplier of labour to the Sultanate and other Gulf states. The gravity of this mutual dependence is detailed by the fact that almost 58 per cent of the total expatriate workers in Oman is Indian.

Unlike the situation in other Gulf countries, majority of the Indians working in Oman are employed in white-collar jobs. Indians are respected in the Sultanate for their contribution to Oman's nation-building process as well as their high technical and managerial skills.

However, a subtle change in the Sultanate's attitude towards the Indian community is observed in the recent years. The fondness which characterised the Sultanate's approach to the Indians during the earlier days has shifted to a kind of business-like attitude. This is mainly due to a number of malpractices the Indians got involved into in the sultanate. But this change in attitude need not be considered as one towards Indians alone. It occurs naturally when the number of non-nationals in the workforce far exceeds that of the nationals, involving myriad of security and socio-political hazards.

Chapter-4 has enlisted a number of cases of harassment, exploitation and discrimination the Indian labourers undergo in the Sultanate. But it is mostly beyond the control of the governments of India and Oman as most of these instances are fallouts of clandestine deals by dubious agencies. And, most of these cases occur in private enterprises of low capital worth which would leave no record of these exploitation to be cross-checked by the governments. It is worthwhile to comment that such traumatic occurrences are less in Oman compared to reports coming from other Gulf states.

Measures taken by the government of India and that of Oman have failed to saddle the mischief of these spurious agencies. The Indian government's insistence on doing away with wage discrimination on nationality basis also has failed to achieve the purpose. Indian expatriates especially in the low skilled categories, still receive considerably lower payments than their counterparts from the West or from the other Arab countries. The Omanisation process has already resulted in many Indian casualties. 85-100 per cent Omanisation has already been implemented in many areas of occupation where Indian labourers had clear advantage over the others. The labour flow to Oman, ever since 1970s, has been on the increase, uninterrupted by political turbulence in the region. The Omanisation process, though the Sultanate is justified in its steps as

unemployment among the nationals is increasing, may significantly cut down the volume of labour exports to Oman. However, the private firms' preference for expatriates, Omanis' love for the government sector and the goodwill established by the Indian workers stand to India's advantage.

Economic and industrial diversification of the Sultanate may demand a change in the skill composition of the labour demand. High-skilled and technologically intensive labour is sure to thrive in the Omani labour market in the years to come. The Indian authorities should take special care to train and streamline its labour supply if it wishes to maintain the status quo in the Omani job market.

The number of Hindu, Sikh and Christian places of worship in Oman bear witness to the cultural affinity between the two sides, as well as to the tolerant Ibadhi tradition. Omanis' love for India, its language and people also must be appreciated. Activities of the Indian Cultural Association also must be taken note of, as it would significantly alleviate the Indian workers of their socio-cultural adjustment problems. However, deficiency of governmental measures have created a gap, restraining the two communities to get closer.

A threadbare analysis of the political, economic and socio-cultural ties between India and Oman brings a salient point to light. The strength of the relations between India and Oman lies more in the future than in the

past or present. In all the spheres of cooperation, the growth of the ties lies far behind its potential. In the coming years, India should be able to emerge as a potential security alternative to the West, getting into closer cooperation with other GCC states, making them forget the narrow regional, religious considerations, by projecting Indo-Omani relations as a model. Efforts should also be made to strengthen the (so far lacklustre) trade relations through attaining more technological perfection, better marketing, and streamlining the composition of exports to cater to the changing tastes of the Omani market. This would ensure a sure gateway into the other GCC markets also. Better planning is needed to insinuate more into the Omani industrial sector. Political instability at home should not prevent the implementation of the joint ventures. An Agreement of Understanding can be reached for the promotion of labour exports from India. At the same time, the future transfer of labour to Oman need be highly streamlined. Establishing a joint cultural committee also would help prosper the overall ties, bringing the two countries closer together, as well as boosting the cultural affinity. The future of Indo-Omani relations depends on what both the countries plan and implement. After all, international relations in the new world order do not rest on the altar of goodwill and traditional affinity.



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