



## INDIA'S WEST ASIA POLICY IN THE MODI ERA Regional Focus as a Vanishing Horizon

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### Abstract:

It goes on to explore case studies of India's most important relationships in the region during the Modi era – Saudi Arabia, Israel and Iran – to highlight the continued significance of bilateralism in India's ties with the countries in the region. The foreign policy of India towards the countries of the Middle East is not, however, predicated on the *region being a region*. Between themselves, the Gulf countries account for 15 per cent of India's total foreign trade. The GCC countries were, collectively, India's second largest trading partner, and constituted the largest single origin of imports into India and the second largest destination for exports from India. It can be defined as the India's Trademark Bilateralism in 'West Asia'. Both India and Iran began to liberalise their economies in the 1990s. Iran was particularly helpful in its attempts to address the question of India's energy security as well, when it proposed Iran-Pakistan-India pipeline. It holds immense strategic and economic significance for India and Afghanistan.

**Key words:** West Asia, India, Iran, Gulf, Energy, Petroleum

**Título en Castellano:** *La política de la India hacia Asia occidental en la época Modi Un enfoque regional como un horizonte en desaparición*

### Resumen:

El artículo explora casos prácticos de las relaciones más importantes de la India con varios Estados de Asia occidental – Arabia Saudita, Israel e Irán – durante la era Modi para resaltar la importancia continuada del bilateralismo en los lazos de la India con los países de la región. Sin embargo, la política exterior de la India hacia los países del Oriente Medio no se basa en que la región sea una región. Entre ellos, los países del Golfo representan el 15 por ciento del comercio exterior total de la India. Los países del CCG eran, colectivamente, el segundo mayor socio comercial de la India, y constituyeron el origen principal de las importaciones en la India y el segundo destino más importante para las exportaciones de la India. Se podía considerar como un bilateralismo característico de la India en "Asia occidental". A su vez, tanto la India como Irán comenzaron a liberalizar sus economías en la década de 1990. Irán fue también particularmente útil en sus intentos de abordar la cuestión de la seguridad energética de la India, cuando propuso el gasoducto Irán-Pakistán-India que tiene un inmenso significado estratégico y económico para la India y Afganistán.

**Palabras Clave:** *Asia occidental, India, Irán, el Golfo, Energía, Petróleo*

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## 1. Introduction

Seven decades since Indian independence, it is very difficult to speak with any earnestness of a regional focus in India's policy/policies towards the countries of the Middle East. Historically, ever since 1947, Indian foreign policy towards this region has been almost invariably reactive, calculated to displease as few countries as possible. Frequently Indian policy towards one state has appeared to be at cross-purposes with that towards another – the best example of this being New Delhi's silence over Iraq's invasion of Kuwait in 1991 causing estrangement with Kuwait. In order to prevent her potentially contradictory bilateral ties with Gulf countries from undermining her strategic interest (i.e. oil), India has preferred to react to the region's developments rather than engage proactively, and to keep her reactions fairly distant and bordering on indifference. Such distancing from the affairs of the region in turn has occasionally lost India diplomatic leverage in the region itself – as with Kuwait in 1991.<sup>2</sup> The foreign policy of the Indian government during the first four years of Narendra Modi, despite appearing to be much more mindful of the region than any other before it, is no different.

When Modi took office in 2014, official circles were abuzz with word of his revamping India's foreign policy as a whole, and that towards the Middle East in particular. Yet, as it used to be true for any other period, it is very difficult to argue that New Delhi has anything even remotely like a regional focus towards the Middle East. For all practical purposes, as is true for its relations with nearly all other regions of the world, Modi's India continues to engage with individual countries in the region bilaterally, rather than with the region as a whole. The Government of India has concentrated on establishing much closer relations towards the Gulf Region from the 1990s than earlier, particularly with an eye on energy security (the region supplied more than two-thirds of the country's total oil imports in 2014),<sup>3</sup> but also on account of the large number of Indian expatriates domiciled in the various countries of the region (nearly 8 million in December 2017).<sup>4</sup> Accordingly, successive Congress and BJP-led governments (headed by PV Narasimha Rao, Atal Bihari Vajpayee, Manmohan Singh have deepened contact with India's extended neighbourhood in the Middle East. Despite having travelled much more widely in the region than any other Indian Prime Minister, Narendra Modi remains stuck in the bilateral mode of engagement for the region.<sup>5</sup>

This article begins with a case, trying to explain why the countries of the Middle East could be treated as a region, and how during the previous BJP-led government New Delhi had set out developing the embryo of such a regional focus before it was lost in the woods. It goes on to explore case studies of India's most important relationships in the region during the Modi era – Saudi Arabia, Israel and Iran – to highlight the continued significance of bilateralism in India's ties with the countries in the region. In the last section of the article it is argued that given the tone and tempo of India's ties, how New Delhi was well suited to adopt a region-wise approach, and why it is futile to expect such a policy for the foreseeable future.

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<sup>2</sup> See Chatterjee, Kingshuk: "India's Relationship with the Gulf Region: Prospects and Possibilities in the 21<sup>st</sup> Century", in Ghosh, Anjali Tridib Chakraborti, Anindyo Jyoti Majumdar, Shibabshis Chatterjee (eds.) (2009): *India's Foreign Policy*, New Delhi, Pearson, pp. 361-62.

<sup>3</sup> Population of Overseas Indians (Compiled in December, 2018), Minister of External Affairs, at [http://mea.gov.in/images/attach/NRIs-and-PIOs\\_1.pdf](http://mea.gov.in/images/attach/NRIs-and-PIOs_1.pdf)

<sup>4</sup> "Iraq replaces Saudi Arabia as India's Lead Oil Supplier", in *the Economic Times*, 18 December 2017, at <https://economictimes.indiatimes.com/news/economy/foreign-trade/iraq-replaces-saudi-arabia-as-indias-lead-oil-supplier/articleshow/62120071.cms>

<sup>5</sup> Narendra Modi has visited Saudi Arabia, UAE, Qatar, Iran and Israel in the first four years of his term as the Prime Minister of India.



## 2. The Case for the Middle East as a Region

The question “Is there a Middle East?” happens to be an old conundrum in the realm of area studies.<sup>6</sup> As late as the 19<sup>th</sup> century, the region that is spoken of today as the Middle East (aka Middle East and North Africa or MENA, West Asia and North Africa or WANA) was considered to be essentially three different geographical sub-regions – the Levant (what are today Turkey, Syria, Lebanon, Israel-Palestine, and Jordan), the Persian Gulf (what are today Iraq, Iran, Saudi Arabia, Qatar, Bahrain, UAE, Yemen and Oman), and North Africa (which is comprised roughly of Egypt, Tunisia, Libya, Algeria). The colonial vintage of the term had once made it very unpopular, prompting the other acronyms of MENA and WANA to appear;<sup>7</sup> Indian scholars and diplomats insist that the region should be called West Asia, even though the people in the region are perfectly happy with the region being called al-Sharq al-Awsat (i.e. Middle East). The principal argument against the use of the term tends to be that the region did not quite qualify for a region except the extent and character of colonial penetration that it witnessed.

Despite its admittedly anachronistic vintage, it is possible to argue that the three sub-regions of the Persian Gulf, Levant and North Africa have congealed around the petroleum economy in the second half of the twentieth century and has now come to acquire the contours of a region. Indeed, only some of the countries in the region have substantial oil reserves (Saudi Arabia, Iraq, Iran, Kuwait, UAE, Qatar, Bahrain, Libya), and others have a bit (Syria and Egypt), and yet others have none to speak of (Jordan, Lebanon, Turkey, Tunisia). Nevertheless, the economies of all three types of states have come to pulsate around the global market of oil – either as exporters of oil and gas, or as exporters of skilled and unskilled labour in the oil-rich economies. It was no accident that the Arab Spring affected the oil-rich and oil-poor economies alike in the aftermath of the global economic meltdown. The Middle East today is referred to as a region more appropriately than when the term was originally coined.

The foreign policy of India towards the countries of the Middle East is not, however, predicated on the *region being a region*. India’s engagement with the region tends to be dominated by considerations primarily of her energy security (hence oriented towards the oil-rich countries) and from the 1990s by considerations of remittances from Indian expatriate workers domiciled in the region – primarily in the oil-rich countries, but not exclusively so. The endemic volatility in the region requires a very well-calibrated *regional* policy, establishing a network of people in positions of power (or with access to those in such positions) across the region, who may be called upon to safeguard Indian interests in times of crisis (such as during the 2003 Iraq invasion, or Israel’s bombardment of Lebanon in 2006, or the Arab Spring of 2011, or the Syrian Civil War or the rise of Da‘esh) – a capacity that New Delhi is yet to build. Indeed, in the last quarter century, India has tried to develop such networks across the region on a *bilateral* basis quite successfully – as evinced by the successful evacuation of Indians from Lebanon in 2006, Egypt and Libya in 2011 and most spectacularly of the 46 nurses from Iraq held captive by the Da‘esh (Islamic State). But as yet, such networks are very small and confined within narrow territorial limits of individual states.

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<sup>6</sup> For a fairly comprehensive treatment of the discourse on this matter see Bonine, Michael E, Amanat, Abbas and Ezekiel, Michael Gasper (2012): *Is There a Middle East?: The Evolution of a Geopolitical Concept*, Stanford, CA: Stanford University Press

<sup>7</sup> For the colonial origins of the term see, Yilmaz, Husein: “the Eastern Question and the Ottoman Empire: the Genesis of the Near and Middle East in the 19<sup>th</sup> Century”, *ibid.* pp. 11-35; see also Adelson, Roger: British and US Use and Misuse of the Term “Middle East”, *ibid.* pp. 36-65.



To an extent, India had tried to break out of this bilateral bind during the first National Democratic Alliance (NDA) government, but such attempts were confined to the Persian Gulf sub-region of the Middle East alone and that too only on the Gulf's southern shores. Between themselves, the Gulf countries account for 15 per cent of India's total foreign trade.<sup>8</sup> An estimated 8.77 million Indians live in the area<sup>9</sup> and their annual remittances to India are of the order of \$35.9 billion.<sup>10</sup> Still more importantly, the Persian Gulf Countries contribute nearly a fourth of the world's total crude oil production, and hold nearly two-thirds of the world's proven reserves of oil. *The World Energy Outlook*, published by the International Energy Agency (IEA), projected in 2004 that India's dependence on oil imports will grow to 91.6% by the year 2020.<sup>11</sup> In view of the fact that nearly two-thirds of the country's energy requirements are met with imports from this region, it makes good economic and strategic sense to engage with the region constantly.

Since the Gulf War of 1991, the Arab countries of the Gulf region have tried to devise as a collective entity – the Gulf Cooperation Council. Set up in March 1981 in the wake of the beginning of the Iraq-Iran war, the Gulf Cooperation Council (GCC) was meant initially to promote stability and cooperation in the Gulf region. Kuwait, Bahrain, Qatar, Oman, Saudi Arabia, and the United Arab Emirates were the members of this organisation. Broadening the definition of security from military security to economic security, the GCC also pledged to coordinate its economic and defensive efforts. As expected, economic growth in the entire region slowed down by the fall in oil prices in the mid-1980s, the countries of the Arabian peninsula made plans, individually and collectively (using the GCC as a platform), to diversify their economies and to institute austerity measures in the face of falling prices. The financial cost of the Gulf War proved disastrous for the crisis ridden Gulf economies, which encouraged the Gulf States to think that they had to swim or sink together.<sup>12</sup> In this context, the GCC increasingly began to coordinate its economic, foreign and military policies in the nineties.

India began to engage seriously the GCC as an entity, capitalising on the progressively strengthening bilateral ties with each member state. The GCC countries were, collectively, India's second largest trading partner, and constituted the largest single origin of imports into India and the second largest destination for exports from India. The overall GCC-India trade amounted to about US \$12.5 billion in the year 2002. By 2003, the GCC admitted India as a dialogue partner with the Council following the United States and Japan – giving New Delhi a leverage that previously it never exercised in this region. In February 2004, a landmark trade agreement came following in the course of a Conference on 'Opportunities and Challenges in the 21st Century' between India and the GCC. India further gained smooth entry into the common market for GCC when it was launched in 2008 after some delay, but the benefits of this are yet to become substantive, because the prospective monetary union for the GCC countries was indefinitely postponed in 2009 after the global economic meltdown.

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<sup>8</sup> Calabrese, John: " 'Linking West' in 'Unsettled Times': India-GCC Trade Relations", Middle East Institute, 17 April 2017, at <http://www.mei.edu/content/map/linking-west-unsettled-times-india-gcc-economic-and-trade-relations>

<sup>9</sup> Population of Overseas Indians (Compiled in December 2018) *op.cit.*

<sup>10</sup> Pethiyagoda, Kadira: "How India's diaspora affects its role in a multipolar Middle East", Brookings, 15 June 2017, at <https://www.brookings.edu/blog/order-from-chaos/2017/06/15/how-indias-diaspora-affects-its-role-in-a-multipolar-middle-east/>

<sup>11</sup> India's energy security challenge, IAGS Energy Security, 21 January 2004, at <http://www.iags.org/n0121043.htm>

<sup>12</sup> For an insightful analysis on the nature of the crisis in the Gulf, see Gause III, F. Gregory: "The Gulf Conundrum: Economic Change, Population Growth and Political Stability in GCC States", *Washington Quarterly*, vol. 20, n° 1, (Winter 1997), pp.142-165.



It is difficult to establish readily why the GCC-push of the government of India gradually began to peter out by the second prime ministerial tenure of Manmohan Singh (2009-14), but the fact of it need not be disputed.<sup>13</sup> Since that time, instead of building on the experience of dealing with the GCC to develop an active *regional* policy, India has effectively fallen back on its favoured approach of bilateralism. Some observers had hoped a new age was about to dawn in India's Middle East policy – despite new thrust in some old bilateral relationships, and some frittering of old ties, that promised new dawn is still awaited.

### **3. India's Trademark Bilateralism in 'West Asia'**

People who have had the opportunity of seeing the Modi administration up close have argued that when it came into office, PM Modi did not have any discernible policy agenda for the Middle East as a region, or even the Persian Gulf sub-region. His priorities were primarily concentrated upon domestic policy, and to the extent that the government had any foreign policy agenda to work with, that was with respect essentially to the South Asian neighbourhood.<sup>14</sup> Not unlike nearly all his predecessors, therefore, government of India's policy towards Middle East/West Asia under PM Modi continues to be essentially reactive – i.e. responding to developments in the region *in defence* of Indian interests, rather than engaging with the region *in* the country's interests. The following three case studies, of India's policy towards Israel, Saudi Arabia and Iran, bring out this lack of a clearly deliberated policy quite clearly.

### **4. India and Israel: The Making of a Strategic Partnership**

If there is any one component of India's policy where the Modi government has claimed to be, and is generally accepted to be, trying to go beyond the framework of the country's past relationship, it is with the Jewish state of Israel. Narendra Modi was the first Indian Prime Minister to visit Israel in seven decades since the two countries came into being. It is understood that PM Modi looks upon Tel Aviv as a major strategic partner, rather than an ally that requires to be kept in wraps. To that extent, Modi's 2017 Israel visit marked an important point of departure in India's policy towards the Middle East as a region, where for the better part of the last seven decades India had chosen to keep Israel at a distance, expressing solidarity with the Arab countries on the Palestine issue. Many observers have come to believe that, this visit was nothing short of a seismic shift in India's policy towards the region, because of India's open embrace of Israel as a strategic partner. Other observers, however, are of the opinion that this is a natural culmination of the series of developments that have followed India's establishment of formal diplomatic relationship with Tel Aviv in 1992, and merely recognises a *fait accompli*<sup>15</sup> hence it is more like a gentle tremor, rather than a seismic shift in India's Middle East policy.<sup>16</sup>

During the 2017 visit, seven major agreements were signed – ranging from Israeli participation in the Ganga clean-up project and allowing Israel access into the arena of defence manufacturing in India, collaboration on space technology and creation of a \$40 million

<sup>13</sup> India's reluctance to reduce imports on GCC petrochemical commodities, intellectual property rights issues and cost compliance concerns are found to be among the main obstacles for a Free Trade Agreement that the two sides have been negotiating since 2004. See Calabrese, op. cit.

<sup>14</sup> Palchadhuri, Pramit: "Think West to Go West: Origins and Implications of India's West Asia Policy under Modi", part I, at <http://www.mei.edu/content/map/india-s-west-asia-policy-under-modi-part-one>.

<sup>15</sup> Talukdar, Sreemoy: "Israel Visit: In Reorienting Foreign Policy Narendra Modi is Responding to Realpolitik" in *FirstPost*, 23 July 2017, at <https://www.firstpost.com/world/israel-visit-in-reorienting-indias-foreign-policy-narendra-modi-is-responding-to-history-and-realpolitik-3765241.html>

<sup>16</sup> Chatterjee, Kingshuk: "Modi's Israel Visit: A Gentle Tremor or a Seismic Shift?" in *The Diplomatist*, vol.5, no 7, July 2017, pp. 60-62.



research and development fund – that are calculated to deepen and broaden the connections between the two governments in the foreseeable future.<sup>17</sup>

Most importantly, both the countries have chosen to describe their relationship as a “strategic partnership” – a distinction that New Delhi has accorded to only such powers as US, UK, Russia, France, Japan and Australia.<sup>18</sup> Denoting a relationship as ‘strategic’ normally opens up the prospects of a range of collaborative activities in the fields of security, counter-terrorism, intelligence-sharing and defence. For sure, New Delhi and Tel Aviv have been discreetly collaborating on such issues for quite some years now, even though little was discussed in the public domain in India. The two sides have now merely agreed to put a name to the face, in order to broaden and deepen the scope of such activities.

An argument is doing the rounds that the decisive manner of India’s engagement with Israel is largely on account of the person of the incumbent Prime Minister. Narendra Modi has been known to be very strongly favourable towards Tel Aviv, not unlike but very much more than the previous BJP-led governments. Even as a Chief Minister of Gujarat, he had aggressively courted a connection with Israel, and is merely advancing in the same direction as a PM that he had embarked on in his previous provincial avatar.<sup>19</sup> Accordingly, as early as 2015, Modi had expressed his determination to visit Israel and availed of the first opportunity to make this come about.

#### **4.1: The Improving Curve of Indo-Israeli Relations**

While PM Modi may indeed have hastened Israel’s recognition as a strategic partner, it is the culmination of policies begun during the first era of liberalisation in the early 1990s, reversing the general drift of Indian policy for the previous four decades.<sup>20</sup> The dynamics of Indo-Israeli relationship changed with PM Narasimha Rao, whose government established full diplomatic relations with Tel Aviv, and began economic, cultural and security cooperation, even as India continued with its support for the Palestinian cause by endorsing the agenda for its statehood under the Oslo Peace Process. Since then India’s relationship with Israel improved progressively, regardless of the political dispensation on either side.

India’s non-defence bilateral trade with Israel trebled fast from \$675 million (1995) to over \$2 billion by 2005, and has increased relentlessly to the point that it has averaged at over

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<sup>17</sup> “List of MoUs/Agreements signed during the visit of Prime Minister to Israel (July 5, 2017)”, Ministry of External Affairs, at [https://www.mea.gov.in/bilateral-documents.htm?dtl/28592/List\\_of\\_MoUsAgreements\\_signed\\_during\\_the\\_visit\\_of\\_Prime\\_Minister\\_to\\_Israel\\_July\\_5\\_2017](https://www.mea.gov.in/bilateral-documents.htm?dtl/28592/List_of_MoUsAgreements_signed_during_the_visit_of_Prime_Minister_to_Israel_July_5_2017)

<sup>18</sup> Roy, Shubhajit: “India, Israel, Strategic Partners, Send Strong Message on Terror,” *The Indian Express*, 6 July 2017, <https://indianexpress.com/article/india/india-israel-now-strategic-partners-to-do-much-more-to-fight-terror/>

<sup>19</sup> Modi was instrumental in the importation of Israeli agricultural technology in Gujarat as early as 2012. See “Israeli green tech to help Gujarat farmers” in *Times of India*, 4 September 2012, at <https://timesofindia.indiatimes.com/city/ahmedabad/Israeli-green-tech-to-help-Gujarat-farmers/articleshow/16243361.cms>

<sup>20</sup> In 1948, when the UN voted on the creation of the Jewish state of Israel, India had voted against the partition of Palestine. New Delhi accorded recognition to the Jewish state in 1950, but remained unwavering in its support for Palestine, partitioned in the name of religion just like India. Despite Israel’s best efforts to befriend India – which included providing military aid during the 1962 and 1965 wars – New Delhi was wary in responding, mindful of its Arab allies. Ever since the oil-blockade of the 1970s, when the OPEC cut-off oil supplies put an embargo on those who sided with Israel, New Delhi’s wariness increased further. All through the years India remained impervious to persistent Israeli attempts at establishing normal ties, resolutely supporting the Palestinian cause as represented by PLO and its leader, Yasser Arafat.



\$4 billion per annum since 2012.<sup>21</sup> Of particular significance is the manner in which various Indian provinces (Haryana, Bihar, Rajasthan, Gujarat, Punjab etc) have benefitted from the introduction of Israeli agricultural technology under the 2006 Agreement for Agricultural Cooperation.<sup>22</sup> Tel Aviv has been seeking a free trade agreement with New Delhi, which it believes would push bilateral non-defence trade past \$10 billion – it is only New Delhi's discomfort with such free trading agreements, and its impact on small producers in India that has put back any decision on this issue.<sup>23</sup>

The real blossoming of the relationship, however, has been in the realm of defence cooperation. Starting from almost scratch, Israel has come up to a point where it is now the third largest source of India's defence related imports, with an average annual purchase of a billion dollars worth of military hardware.<sup>24</sup> With the collapse of the Soviet Union, New Delhi needed to revamp its military. Israel was identified as one of the few affordable sources of military technology and hardware that could adapt and upgrade India's existing hardware, using a sort of electronic subsystems upgrade to extend the life-cycle of existing military platforms, like military aircraft, planes and tanks. Over the two decades that followed, Israeli defence industry has enabled a veritable overhauling of India's defence capabilities. New Delhi in its turn has emerged as the most important overseas factor in the functioning of the Israeli defence industry, being the single largest destination of its defence exports.

#### **4.2: A Tilting of the Scales?**

Despite the discernible consensus in the Indian establishment cutting across party lines from the 1990s, which endorses New Delhi's growing ties with Tel Aviv in defence there remains some discomfort at the idea of any closer strategic alignment, lest it disturbs India's ties with the Arab world. Critics of PM Modi have expressed suspicion about a major shift in India's policy towards the region, because Modi's visit to Israel does not involve a trip to Ramallah or elsewhere in Palestinian Authority (PA) territory.<sup>25</sup> New Delhi's decision to elevate the relationship to the level of a 'strategic partnership' is being depicted as a further indication of that shift. Critics have found the decision in consistence with India's abstention on three major votes in 2015, 2016 and 2017 at the UN Human Rights Commission, mandating an International Criminal Court probe into war crimes committed by Israel. The MEA had of course explained this by saying that this was because New Delhi does not recognise the jurisdiction of the ICC – it does not convince critics because in the recent past India had voted on ICC mandate for Syria. If this suspicion of policy shift has any substance, this would constitute nothing short of a seismic shift in India's policy towards the region, which could have repercussions on India's relations with the Arab world.

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<sup>21</sup> Mukherjee, Mayuri: "India-Israel ties: Trade, technology, tourism to be template for next 25 years", 5 July 2017, at <https://www.livemint.com/Opinion/3C1PDqtMIBLrHy0ArMt68M/IndiaIsrael-ties-Trade-technology-tourism-to-be-template.html>

<sup>22</sup> Naini, Tridivesh Singh: "How India's States Boost Israel Relations", *The Diplomat*, 25 May 2017, at <https://thediplomat.com/2017/05/how-indias-states-boost-israel-relations/>

<sup>23</sup> Sen, Amiti: "Israel keen to negotiate free trade pact, but India not ready", *Businessline*, 21 July 2017, at <https://www.thehindubusinessline.com/news/world/israel-keen-to-negotiate-free-trade-pact-but-india-not-ready/article9784019.ece>

<sup>24</sup> Blarel, Nicholas: "Why are India-Israel Ties So Special?", *The Indian Express*, 3 July 2017, at <https://www.universiteitleiden.nl/en/research/research-output/social-and-behavioural-sciences/blarel-why-are-india-israel-ties-so-special>

<sup>25</sup> Indeed, PM Modi is not the first Indian office holder to have not gone to territory controlled by the PA – the former Home Minister L.K. Advani (2000) and the incumbent HM Rajnath Singh (2015) had done much the same.



Nevertheless, the Government of India has measured its steps really well on this one. Mindful of the neighbourhood's sensitivities, India remained committed to the cause for Palestinian statehood, supporting through the years UN resolutions critical of Israel. Whenever official delegations have had the occasion to visit Israel, a corresponding visit to the territory under the PA had also been factored in – such as the visit by President Pranab Mukherjee in 2015, or the Minister of External Affairs, Ms Sushma Swaraj, in 2016. The word goes around in the national capital that had it been left to Modi alone, this visit to Israel would have happened much sooner, maybe as early as 2015. Instead, the PM allowed himself to be persuaded to go to UAE, Bahrain (2015), Saudi Arabia and Qatar (2016) before visiting Israel in order to underline the value that New Delhi attaches to its friends in the Arab world. Further, it is believed that Mahmoud Abbas was invited to New Delhi *before* Modi's Israel visit precisely to underscore the point that New Delhi remains committed to the cause of statehood for Palestine, even if it also chooses proximity with Tel Aviv.<sup>26</sup> Hence, the Prime Minister's Israel visit is meant to cement new friendships, without upsetting traditional ones.

The official account of India's unusually bold embrace of Tel Aviv is that Indian foreign policy is strong and mature enough to stand the strains of decoupling or "de-hyphenation" of Israel-Palestine;<sup>27</sup> that New Delhi's support for Palestine remains unwavering, as evinced by PM Modi's avowed commitment to the two-state solution to the Palestine issue (which has been New Delhi's stand since the Oslo Process began) during the visit by Mahmoud Abbas, President of the PA, to India in May 2017. The decision to decouple Israel and Palestine is perhaps not a bad one, and there is nothing wrong in placing India's policy towards Israel on a plane different from that to the rest of the Arab world. If anything, India is actually in a better position to achieve this at the present conjuncture, because the Arab world at this moment is bothered with other problems – such as Da'ish, civil wars in Syria and Yemen – far more than they are with Palestine. If India was to set out on a novel direction in her regional policy towards the Middle East, this would not have been a bad time to do so. The time factor may thus have influenced Israel's elevation to India's strategic partner more than any personal thrust attributed to the Prime Minister.

## **5. New Delhi and Riyadh: Discovery of Each by the Other**

### **5.1. Of Oil and Other Things**

Not unlike Israel, India's relationship with the Gulf Kingdom of Saudi Arabia has been undergoing change at a scale that is virtually exponential. Well into the 1970s, New Delhi's ties with Riyadh had been essentially limited to the necessary business of transporting a growing number of pilgrims for the Hajj and the 'Umrah (pilgrimages to the Holy Cities of Mecca and Medina at times other than that of Hajj), India's imports of petroleum and other petrochemical commodities, and a handful of other commodities of somewhat less significance. The oil boom of the 1970s changed the face of the Gulf Kingdom as its financial power increased exponentially, but India was neither poised to gain from that then, nor appeared particularly inclined to court Riyadh for investments. So much so that till well into the 1990s, Saudi Arabia, which has the largest proven reserve of oil under active exploration, supplied a much smaller share of India's oil imports well behind Iraq and Iran. In the last decade or so, however, Riyadh and New Delhi have begun to engage in a manner that they are today among the most important trading partners of each other.

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<sup>26</sup> A number of Indian diplomats, in service and retired, in personal conversation with the author on condition of anonymity, New Delhi, Chennai and Calcutta, 2014-17.

<sup>27</sup> Ahren, Raphael: "India has 'matured,' so ties with Israel are flowering, envoy says", *Times of Israel*, 2 July 2017, at <https://www.timesofisrael.com/india-has-matured-and-ties-with-israel-are-flowering-envoy-says/>



The Kingdom of Saudi Arabia is India's fourth largest trading partner (next to China, USA and UAE), and the second largest supplier of India's energy imports, providing around 20% of the country's requirement of crude oil in 2017.<sup>28</sup> Indo-Saudi trade peaked in 2014, standing at \$48.62 billion, at a time when the global economic slowdown had reduced prospects of growth in the Middle Eastern and South Asian markets. In 2015-16, which was not a particularly good year for Indo-Saudi trade, saw India importing \$20.31 billion worth of crude, while exporting around \$ 6.4 billion worth of goods.<sup>29</sup> Saudi Arabia today happens to be the eighth largest destination for Indian exports (nearly 3% of the global total), and India is the fifth largest destination for Saudi exports; India is the third largest source for Saudi imports as well.

Indo-Saudi trade relationship was not even remotely this good for a very long period of time. Even after liberalisation of the Indian economy from the 1990s, and after Indian energy policy was revamped so that its costs could be kept within manageable limits, New Delhi was not keen on increasing its total share of Saudi crude. This was principally because Indian oil refineries used to purchase oil mostly from companies operating in the northern side of the Persian Gulf (Iraq and Iran), where the crude tended to be less sulphurous, rather than those on the southern shores, (where the crude tended to be more sulphurous).<sup>30</sup> Any switchover to Saudi crude would have required overhauling the country's refinery technology, which India was not in a position to bring about at that stage. But the disturbances in the supply of oil from Iraq (on account of the Gulf War and the UN sanctions regime that followed in the 1990s), and Iran (due to the sanctions regime that began to be introduced in phases from 2003, and peaked in 2010) compelled India to diversify the sources of its energy imports, and look towards the Gulf Kingdom, inter alia.

Being the third largest economy in the world, India happens to be also the third largest country in terms of total primary energy consumption in the world, and also the third largest in terms of total oil consumption (over 200 million barrels). Energy requirement for the economy is projected to grow further and is expected to double by 2040.<sup>31</sup> Since India happens to import over 45% of its total energy requirements, considerations of energy security necessitate that India obtains steady and economical access to such energy resources. Saudi Arabia, on the other hand, is the world's largest oil exporter, with also the second largest proven reserves (\$268.3 billion barrels in 2017),<sup>32</sup> all of which are located in easily accessible wells – hence more cost-efficient than reserves in any other country. The geographical distance is also less for India (by contrast with three of the top five countries, i.e. Venezuela, Russia, Canada), which brings down transportation costs considerably. These make the Gulf kingdom a natural choice for meeting India's energy security concerns.

<sup>28</sup> Verma, Nidhi: "India's oil imports in 2017 surged to a record 4.4 million bpd" *Reuters* 16 January 2018, at <https://in.reuters.com/article/india-oil/indias-oil-imports-in-2017-surged-to-a-record-4-4-million-bpd-idINKBN1F5234>

<sup>29</sup> "India -Saudi Arabia Bilateral Relations, Ministry of External Relations, August 2017", at [https://www.mea.gov.in/Portal/ForeignRelation/India-Saudi\\_Bilateral\\_Relations\\_Aug\\_2017.pdf](https://www.mea.gov.in/Portal/ForeignRelation/India-Saudi_Bilateral_Relations_Aug_2017.pdf)

<sup>30</sup> Crude oil is classified as sweet and sour depending on the presence of the impurity of Hydrogen-Sulphide, with a sulphurous content above 0.5% by volume is considered to be sour. While Gulf oil tends to be sour, oil from the northern side of the Gulf (Iran, Iraq) tends to be lighter than (i.e. less sulphur content) than that from the southern shores at <https://oilandgascorrosion.com/the-difference-between-sweet-crude-and-sour-crude/>

<sup>31</sup> "India's energy consumption to grow faster than major economies", *The Economic Times*, 27 January 2017, at <https://economictimes.indiatimes.com/industry/energy/oil-gas/indias-energy-consumption-to-grow-faster-than-major-economies/articleshow/56800587.cms>

<sup>32</sup> "Top 10 Countries With Largest Oil Reserves 2017", *DrillingFormulas.Com*, 16 September 2017, at <http://www.drillingformulas.com/top-10-countries-with-largest-oil-reserves-2017/>



There is yet another factor that explains the growing proximity between New Delhi and Riyadh. The global oil market went into a tizzy in the last couple of years with the discovery of shale oil and fracking technology, which has virtually halved global oil prices, and allowed one of the largest consumers of Saudi oil – the United States of America – to reduce its dependence on Middle Eastern oil. Bereft of its steadiest prop in the world market, Riyadh has turned to China and India as its replacement for the American demand. As indicated earlier, Indian refineries were more accustomed to non-sulphurous crude from the northern side of the Gulf than the sulphurous sort from the southern shores. Riyadh began assisting the gradual switchover of Indian refinery technology by weaning Reliance Petrochemicals away from refining non-sulphurous crude. Riyadh has also expressed keenness in setting up, or investing in, refineries in India, the first of such agreements being concluded in May 2018.<sup>33</sup> Consequently, over the last decade, Saudi share of India's net oil imports have increased from less than 10% to nearly 20%.

India's imports from Saudi Arabia are, predictably, dominated by petroleum and petro-products – more than \$27 billion worth (more than 90% of commodities). Of this, the most important commodity happens to be petroleum itself, standing at \$23 billion (nearly 80% of the entire Indian import basket from Saudi Arabia); also included are natural gases and hydrocarbon (around 4%), polymers, and other sorts of products along the downstream of fossil fuel industry, industrial and organic chemicals and metal.<sup>34</sup>

Riyadh however is keen on expanding the commodity basket, by including non-oil commodities in the kitty. One of the leading contenders in this regard happens to be the Saudi automobile industry producing brands like Renault, Mercedes and most importantly Volvo under international manufacturing licence. Given that the automobile market in India has a ready demand for such brands, the Saudis are ambitious enough to think of trying to enter the Indian market.<sup>35</sup>

Indian exports to Saudi Arabia, amounting to around \$7 billion in 2015, included refined petroleum (approximately \$2 billion), cereals (over \$1 billion), machineries, iron and steel, automobiles, basmati rice, electronic equipment, etc. Major areas of trade promotion have been identified in telecommunications, pharmaceuticals, health services, information technology, biotechnology, agriculture, construction projects, energy and financial services.<sup>36</sup> With regard to the last, a landmark deal was signed during 2016, as a part of the visit of the Prime Minister Modi to the Kingdom.

The possibilities of further expansion of the range and volume of India's trading relationships are quite considerable. For a major oil producing country, Saudi Arabia has little by way of refinery capacity. Riyadh's deepening relationship with China is in fact premised greatly upon China's earmarking a part of its refinery capacity available to Riyadh. India already provides such services and could expand the range of such services even further in the future.

## **5.2. What Drives the Caravan: the Human Factor**

From the mid-1980s, a substantial number of Indian expatriates found employment in the Kingdom, both in the hi-tech oil industry, as well as in civic and industrial infrastructure

<sup>33</sup> Abdi, Bilal: "India and Saudi sign pact to invest \$44 bn in building world's largest greenfield oil refinery", *The Economic Times*, 11 April 2018, at <https://energy.economictimes.indiatimes.com/news/oil-and-gas/india-and-saudi-sign-pact-to-invest-44-bn-in-building-worlds-largest-greenfield-oil-refinery-/63710952>

<sup>34</sup> Chatterjee, Kingshuk: India-Saudi Arabia Relations: The Sky is the Limit, *The Diplomatist Extraordinary and Plenipotentiary*, January 2017, p. 8.

<sup>35</sup> *Ibid.* p. 8.

<sup>36</sup> *Ibid.* p. 8.



expanding at an exponential pace – in both high- and low-skill jobs. Today, over 3 million Indian expatriates work in the Kingdom, which is the single largest group of non-Resident Indians domiciled anywhere in the world. The steady growth in the size of the Indian migrant community in the Gulf kingdom allows India a major opportunity to expand the scale of her commercial relations there. With a huge body of expatriates generating demand for commodities that are not locally available, India is uniquely suited to satisfying a large part of that demand – as the ever-increasing volume of exports of Basmati rice and Indian textiles clearly indicate.

A very good example in this respect is the trajectory of the entertainment sector. Until early 2018, given the ban on cinemas in the kingdom there were no theatre screenings of Bollywood films in Saudi Arabia, on account of strict implementation of the Shari‘ah injunctions against “temptations.” However, private screenings were not cracked down upon, allowing Indians (and Pakistani and Bangladeshis as well) to tune in to films and other means of entertainment coming out from the subcontinent.<sup>37</sup> Most importantly, the viewership then extended to Saudi nationals as well, generating a demand for dubbed versions of Indian films and TV programmes. No less than 35 channels beam dubbed content generated by the Indian entertainment industry into Saudi Arabia. The removal of the ban on cinemas in May 2018 has finally opened the Kingdom to Indian entertainment industry; the very next month, Tamil film *Kaala* was the first Indian film to be screened in Saudi Arabia,<sup>38</sup> followed by the Hindi-film *Gold* in August 2018.<sup>39</sup>

There is considerable scope for collaboration in other sectors of the industry as well. The Saudi Arabian General Investment Authority (SAGIA) issued 426 licenses to Indian companies for joint ventures/100% owned entities till 2010, projected to bring in total investment of \$1.6 billion in Saudi Arabia.<sup>40</sup> These licenses were for projects in diverse sectors such as management and consultancy services, construction projects, telecommunications, information technology, pharmaceuticals, etc. Moreover, several Indian companies have established collaborations with Saudi companies and are working in the Kingdom in the areas of designing, consultancy, financial services and software development.

### **5.3. Leaning towards Haramayn?**

Relations between Delhi and Riyadh have been improving since long before the advent of incumbent Prime Minister. They date back to the Delhi Declaration of 2006 at the very least,<sup>41</sup> followed up by the Riyadh Declaration of 2010 which elevated the relationship to the status of

<sup>37</sup> Numerous India, Pakistani and Bangladeshi nationals in private conversation with the author between 2010 and 2018.

<sup>38</sup> “Kaala, first Indian Film in Saudi Cinemas, Gimmicky at Best” in *Arab News*, 17 June 2018, at <http://www.arabnews.com/node/1322906/art-culture>

<sup>39</sup> “‘Gold’ becomes the first Bollywood film to release in Saudi Arabia”, *Khaleej Times*, 31 August 2018, at <https://www.khaleejtimes.com/citytimes/bollywood/gold-becomes-first-bollywood-film-to-release-in-saudi-arabia>

<sup>40</sup> The making of a friendship”, *Business Line*, 23 August 2017, at <https://www.thehindubusinessline.com/business-wire/the-making-of-a-friendship/article9828463.ece>.

<sup>41</sup> Delhi Declaration committed the two sides to regular exchanges of high-level bilateral visits to expand the scope of cooperation; to expand and diversify mutual trade and investments in cooperative and joint ventures, both in the public and private sectors, in the upstream and downstream oil and gas sectors in India and Saudi Arabia as well as in third countries; it also broached the possibility of Saudi investments in oil refining, marketing and storage in India, subject to commercial viability. The two sides further agreed to work for closer cooperation in the field of technology, in particular in the field of information and communication technology, agriculture, bio-technology, and non-conventional energy technologies, and most significantly in security matters and in combating terrorism – a commitment that resulted in the arrest of the LeT militant of Indian origin, Abu Jundal, from Saudi Arabia in 2012.



a strategic relationship.<sup>42</sup> In 2016, as a follow up to the earlier Riyadh Declaration during Prime Minister Modi's visit to the Kingdom, five more agreements were signed including those regarding cooperation in intelligence sharing related to terror financing and money laundering, as well as a labour cooperation agreement and another to promote bilateral investments in the private sector. The two sides also agreed on the need to intensify defence cooperation through mutual visits by military experts and joint military exercises.<sup>43</sup>

These three sets of treaties and memoranda of understanding are clearly suggestive of a close strategic alignment between New Delhi and Riyadh. Considering the close ties between Riyadh and Islamabad this would, in the past, have been anathema to New Delhi. Indeed, Riyadh has repeatedly assured Islamabad that its intimacy with India (which is a strategic ally) need not bother Pakistan (which is a friend). The strength of this new alignment was tested somewhat when India was invited to be a part of the Saudi-led intervention force in Yemen, but New Delhi turned it down. Delhi's refusal to be a part of this venture was presumably on account of the need she has of maintaining a tenuous balance between Riyadh and Tehran. But unlike Islamabad, which also turned down joining the intervention force, Delhi's wriggling out of the situation did not cause any flutter in Riyadh, and may have actually reinforced Saudi resolve to wean New Delhi away from Tehran, and might in the future land India with better terms on other issues as well.<sup>44</sup> In a similar situation, India might be able to similarly try to wean Riyadh away from Islamabad. The deeper a country's economic and strategic ties get with another, their mutual leverage in each other's business also increases.

Thus, while India's economic connections with the Gulf Kingdom have progressively expanded in value and volume, Riyadh has become progressively more amenable to India's security concerns and has begun cooperating in matters of hunting down fugitives from Indian justice at an unprecedented scale. Coming on top of the pivotal role Saudi Arabia plays in India's energy security, this has overcome the frostiness that used to characterise the country's relationship with New Delhi. The Modi government has continued to nurture this relationship with the same care as that of preceding government of Manmohan Singh, but – just like its predecessor – without using it so far to make a push in the Gulf region as a whole.

Given the growing proximity between Riyadh and Tel Aviv in the lengthening shadow of Iran and the USA in steady retreat from the neighbourhood, India might even have thought of calibrating a regional power axis. But that looks like a difficult thing to pull off just yet, given the complexities posed by New Delhi's long-standing relationship with Iran (anathema to both Riyadh and Tel Aviv), to which we turn next.

## **6. The Ambivalence towards the Islamic Republic of Iran**

The only country where India is on weaker ground as against earlier relationship is the Islamic Republic of Iran. Both India and Iran began to liberalise their economies in the 1990s. Around that time both began to draw close to each other, but not as close as they could have. Late into the first Manmohan Singh government, New Delhi began to drift away from the Islamic Republic as Tehran came under intense international scrutiny on account of its nuclear

<sup>42</sup> Delhi Declaration, Signed by King Abdullah bin Abdulaziz Al Saud of the Kingdom of Saudi Arabia and Prime Minister Dr. Manmohan Singh of India, at <https://mea.gov.in/bilateral-documents.htm?dtl/5969/Delhi+Declaration+Signed+by+King+Abdullah+bin+Abdulaziz+Al+Saud+of+the+Kingdom+of+Saudi+Arabia+and+Prime+Minister+Dr+Manmohan+Singh+of+India>

<sup>43</sup> "India-Saudi Arabia Joint Statement during the visit of Prime Minister to Saudi Arabia", Ministry of External Affairs, 3 April 2016, at <https://www.mea.gov.in/bilateral-documents.htm?dtl/26595/IndiaSaudi+Arabia+Joint+Statement+during+the+visit+of+Prime+Minister+to+Saudi+Arabia+April+03+2016>

<sup>44</sup> Chatterjee, Kingshuk : "India-Saudi Arabia Relations: the Sky is the Limit", *The Diplomatist Extraordinary and Plenipotentiary*, January 2017, p. 9.



programme. After the JCPOA,<sup>45</sup> as tables were just about turning, and Iran was being rehabilitated within the international economic order, India was scampering to climb back on - but it may already be somewhat late. New Delhi has been in two minds over Tehran for a long time, which stems from a latent suspicion of the Islamic Republic's motives (wiley, deceptive, inscrutable, given to renegeing on deals); on the other hand, India's strategic convergence with Iran is too compelling to be ignored (Syria, Afghanistan). Tehran, for a very strategic reason, wanted close ties with India all through - both when India was responding, and when it was not (although not without a shade of frostiness). Now that the ground beneath the feet of JCPOA appears to be shifting, New Delhi is once again at its ambivalent best.

### **6.1. The Geo-Strategic and Geo-Economic Dynamics**

As with nearly all other oil-rich countries of the Persian Gulf, the cardinal consideration of Indian policy towards Iran also tends to be energy security. Since the discovery of oil in Persia and beginning of its export in 1913, the APOC (AIOC, later BP), oil refineries in India were geared mostly to the light but non-sulphurous crude of Iran (i.e. northern Gulf). Even after the departure of the British from India, Iran played a major role in India's energy security, and New Delhi had moderate relations with Tehran right down to 1979, when the Islamic Revolution toppled the Shah and established an Islamic Republic. 1980s saw the first downward slide in India's purchase of oil from Iran as New Delhi was compelled to reduce its imports from Iran owing to the disruption of India's institutional connections with Tehran on account of the Islamic Revolution; a situation that was further aggravated by the Iran-Iraq war, as two of India's major sources of oil import were locked in conflict, and New Delhi found it easier to stick to Iraq because the Islamic Republic's penchant for supporting 'Islamic' causes, which included Kashmir.

The 1990s marked the period when New Delhi's relationship with Tehran resumed its regular trajectory. This was facilitated by the fact that the Islamic Republic of Iran had to liberalise the Iranian economy about the same time as New Delhi set about liberalising that of India. Tehran and New Delhi could not help each other much in the capitalization of their respective economies, but India's need for steady access to crude and Iran's need of India's manufacturing sector allowed resumption and deepening of earlier ties. In 1993, an agreement was signed that Iran would accept 49% of India's imports be paid for in Indian currency, which were then to be used for purchase of Indian manufacturing and engineering services. The arrangement did not really take off for nearly a decade, since Iranian economy was in bad shape, oil prices were unfavourable, and India was too busy looking West.

However, strategic convergence in the neighbourhood managed to draw the two closer. New Delhi and Tehran developed common strategic allies (Burhan al-din Rabbani, Northern Alliance of Ahmed Shah Masood) in Afghanistan during the civil war of the 1990s, made common enemies (first Gulb al-din Hekmatyar, then Taliban), and came to cross-purposes over US military presence after toppling the Taliban - India did not mind US presence in Afghanistan, but Tehran resented it. In post-Taliban Afghanistan, Tehran has emerged pivotal to India's presence in Afghanistan through Chabahar port, allowing access to India through Zaranj up to Tukram in Afghanistan, providing land-routes crucial for India's mining interests in Central Asia. Even though India could not until now make much progress on the Chabahar front as part of its overall plan to bypass Pakistan and access Afghanistan and central Asia through Iran, it

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<sup>45</sup> The Joint Comprehensive Plan of Action (JCPOA) was the landmark nuclear deal signed between Iran and the P5+1 (five Permanent members of the UNSC plus Germany) group of countries in July 2015. It committed the international community to remove economic sanctions that were imposed on Iran 2006 onwards in a bid to thwart its suspected nuclear weapons programme upon Iran restricting those aspects of its nuclear programme that had generated such suspicion. For a brief discussion of the deal and its implications for Iran, see Chatterjee, Kingshuk: "Iran: Scripting a New Era", *The Diplomatist*, February 2016, vol.4, no.2, p. 8-12.



did build the Zaranj-Delaram highway in 2009 to connect with the 2,200 kilometre two-lane metalled road network (known as the garland road), circulating inside Afghanistan, connecting major cities in the country. India spent about INR 600 crore to build this connecting highway. The project was executed over four years (2005-2009) by the Border Roads Organisation (BRO).

Iran was particularly helpful in its attempts to address the question of India's energy security as well, when it proposed Iran-Pakistan-India pipeline. The proposed 2,620 km long 56 inch diameter pipeline would have spanned over 850 km in Iran, 700 km in Pakistan and 1120 km in India. The project was basically meant to be an extension of Iran-Pakistan pipeline connecting Iran's South Pars natural gas fields to Karachi; Pakistan was then to route the excess capacity of 70 per cent to Delhi, in order to meet India's annual shortfall of natural gas, to the tune of 29 million cubic metres.<sup>46</sup> Tehran's keenness about the project can be measured by the fact that it even explored the options of other onshore and offshore routes - but the offshore deep-sea route was found prohibitively expensive at \$10 billion, as against the on-land option of \$6 billion.<sup>47</sup> Islamabad was keen on getting the project underway, looking forward to the royalties to the tune of \$700 million from the project.<sup>48</sup> Yet, despite the repeated assurances from Islamabad (which stands the risk of accruing penalties of \$250-400 million per year in case of wanton sabotage), New Delhi was recalcitrant.<sup>49</sup> Revived under UPA-I as a part of India's approach to energy security, including looking for oil blocks in IRI (which was welcomed, and ONGC-Videsh was awarded the South Pars offshore block). But by 2008, the IPI pipeline got stalled on account of per unit cost sought by Tehran and Pakistan (transit fee of £ 0.50 as against £ 0.15 offered by India).<sup>50</sup> Although India's offer is in accordance with a model previously agreed upon under international-best-case practices, Tehran believes India could have negotiated more effectively if it really wanted. In December 2015, Tehran expressed hope about finalising an agreement with India for setting up a \$4.5-billion undersea gas pipeline, linking up with that fetching gas from Oman.<sup>51</sup> New Delhi is expected to make the next move, but little seems to have stirred since then. Indian scepticism of Pakistani *bona fide* kept India dragging its feet, eventually prompting Tehran to start off with the project without Indian participation.

## **6.2. Ambivalence and the Reasons for that**

Tehran has frequently had reasons to comment on India's hesitation/ reluctance to engage with Iran full throttle. After the relative upswing in relations of the Khatami era, the tight international scrutiny on Tehran's nuclear programme (coming simultaneously with the Indo-US bonhomie during the second term of President Bush) caused New Delhi to step back a bit. During the crucial International Atomic Energy Agency votes of 2005, 2006 and 2009, in a major let-down for Tehran, New Delhi voted for US-sponsored resolutions asking Iran to stop its clandestine nuclear programme in violation of its NPT commitments. Ahmedinejad

<sup>46</sup> Chaudhary, Sharmila N.: *Iran to India Natural Gas Pipeline: Implications for Conflict Resolution and Regionalism in India, Iran and Pakistan* (Trade and Environment Database Case Studies), Washington D.C.: American University, December 2000, at <http://www.american.edu/TED/iranpipeline.htm>.

<sup>47</sup> "A Pipe of Peace", *The Economist*, 12 July 2001.

<sup>48</sup> Rashid, Ahmed (2000): *Taliban, Militant Islam, Oil and Fundamentalism in Central Asia* (New Haven, Connecticut: Yale University Press, pp. 168-69.

<sup>49</sup> Aaron, Sushil J.: *Straddling Faultlines: India's Foreign Policy toward the Greater Middle East*, CSH Occasional Paper n° 7, New Delhi, French Research Institute, 2003, p 45.

<sup>50</sup> Kiani, Khaliq: "Pakistan and India differ on IPI transit fee", *The Dawn*, 16 April 2007, at <https://www.dawn.com/news/242598/pakistan-and-india-differ-on-ipi-transit-fee>

<sup>51</sup> "India, Iran discuss undersea gas pipeline bypassing Pakistan", *The Hindu*, 7 December 2015, at <https://www.thehindu.com/business/india-iran-discuss-undersea-gas-pipeline-bypassing-pakistan/article7958494.ece>



administration was furious at this, and President Ahmedinejad wanted India to pay a heavier per unit price for inclusion in the IPI pipeline – at which stage, India lost interest. However, when the Chinese offered to step in and buy the excess capacity of gas earmarked for India, despite Ahmedinejad's willingness, the Islamic Republic declined.<sup>52</sup>

This unusually categorical stance taken by New Delhi is explained by official sources as a principled opposition to having another nuclear armed country in the extended neighbourhood.<sup>53</sup> Unofficially, members of the Indian establishment have explained the decision in terms of being a price paid for the deepening of ties with the US, even though USA was always keen on making exemptions for Indian imports from Iran.<sup>54</sup> An equally serious consideration, of course, was the nature of the 2010 sanctions. The 2010 sanctions regime pushed by the US and EU in tandem involved stoppage of transactions for any company dealing with Iran's oil exports in any way – which meant that any banking, shipping or insurance company involved in purchase or sale of Iranian oil would be unable to deal with any American or European company thereafter. This made most Indian banking and insurance increasingly unable to get involved, thus it became difficult for India to pay for the oil it purchased except through the means provided under the Rupee-Rial exchange mechanism.<sup>55</sup> Even the Rupee-Rial mechanism had to be operated through banking houses, who were not keen on foreclosing any business with the US or EU.

An additional factor in this gradual drift away from Tehran was the role of Saudi Arabia and the GCC. Just before the much stricter sanctions regime of 2010 came into force, Riyadh went on a charm offensive vis-à-vis New Delhi.<sup>56</sup> Determined to make the sanctions pinch Iran, Riyadh tried to wean India away from its dependence on Iranian oil by giving technological and financial support in converting refinery capacity of Reliance's Jamnagar refinery from non-sulphurous to sulphurous crude and supplying the shortfall in crude supply.<sup>57</sup> New Delhi's abandoning of Tehran at a time when Tehran was in the corner,<sup>58</sup> with Indian imports of Iranian crude climbed down from 19% (2006) to 6% (2014), while that from Saudi Arabia climbed up to 20% was noted with some sense of dismay in Tehran.

### **6.3. The Ambivalence Continues**

The drift in India's relations with Tehran, however, is neither durable nor sustainable. Even as India was trying to avoid the consequences of the sanctions regime, considerations of energy security and strategic convergences virtually propel ensure that New Delhi would not be able to freeze Tehran out.

Given the fact that most of India's refineries are geared to refining non-sulphurous crude characteristic of the northern side of the Gulf, and that Saudi assistance in conversion did not apply to state-owned oil companies, India is in no position to wean itself away completely from

<sup>52</sup> There is reason to believe, this was because there were serious reservations in the Tehran establishment about the manner in which China's foothold in Iranian economy was becoming increasingly large. A section of the Iranian establishment, therefore, was determined to keep India involved as a counter-weight to China.

<sup>53</sup> "India votes against Iran in IAEA Resolution", in *The Hindu*, 27 November 2009, at

<https://www.thehindu.com/news/national/India-votes-against-Iran-in-IAEA-resolution/article16894640.ece>

<sup>54</sup> A member of the Indian Foreign Service, in private conversation with the author on condition of anonymity, Calcutta 2010.

<sup>55</sup> Aneja, Atul: Oil payment row and India-Iran ties, *The Hindu*, 1 August 2011, at

<https://www.thehindu.com/opinion/lead/Oil-payment-row-and-India-Iran-ties/article13647679.ece>.

<sup>56</sup> *Ibid.*

<sup>57</sup> Prमित Palchaudhuri, a member of the National Security Council, in personal conversation with the author, March 2012.

<sup>58</sup> This was quite unlike China, which continued to provide Tehran with refinery services (despite cutting back its own consumption by about half, as against India's two-thirds), thus emerging as a more reliable trade partner than India.



Iran. Hence, once the JCPOA was concluded, New Delhi gradually increased its purchase of Iran's oil to the point it climbed up from around 6% under the sanctions regime to over 10% in 2017 – the third largest source of Indian oil imports.<sup>59</sup> India has consistently been looking for ways to resolve the biggest obstacle on the path to oil purchase, i.e. arranging for payments without jeopardising the international business of mediating banks. This was partially addressed the question from around 2012-13, when Tehran agreed to have all its purchases paid for in Indian currency.<sup>60</sup> A fresh round of discussions is currently on to turn this into an enduring system.<sup>61</sup> As India moves into the fifth year of PM Modi, the urgency of continuing to buy as much (if not more) from Iran has grown, given the weakening of Indian National Rupee (INR) against the US Dollar – apart from diversifying the source of the country's imports, the per-unit-cost of refining Iranian oil is still marginally lower than the sour Arab Heavy crude, for which Indian refineries are not particularly suited.

Apart from the question of energy security, there is the enduring strategic convergence in Afghanistan, which makes Indian involvement in the Iranian port of Shahid Beheshti at Chabahar, the only oceanic port in the Islamic Republic.<sup>62</sup> Chabahar is located 72 kilometres west of Pakistan's Gwadar port. It holds immense strategic and economic significance for India and Afghanistan. The distance from Chabahar to the Afghan frontier is some 800 km less than it is from Karachi, hence making it a more economic route for bulk transport. India has already spent about USD 100 million to construct a 218 km long (140-mile) bimetallic road from Delaram in western Afghanistan to Zaranj in the Iran-Afghan border to link up with Chabahar port.<sup>63</sup> The port was partially built by India in the 1990s to provide sea-land access to Afghanistan and Central Asia, bypassing Pakistan. India wanted to build the port as it would significantly reduce transport costs and freight time to Central Asia and the Persian Gulf. The port is also central to India's efforts to circumvent Pakistan and open up a route to landlocked Afghanistan with which it has developed close political and economic ties. India was offered to resume developing the Chabahar port (under a revised plan), back in 2003 by then Iranian President Khatami.<sup>64</sup>

Government of India has been arguing that the port development project could not subsequently take off in the face of American sanctions against Iran, but most sanctions that could legally have undermined Indian involvement did not come into being till 2010. This story did not wash in Iran. Once the JCPOA was signed, and the fear of sanctions was removed (and also the fear of other countries stepping in increased) Nitin Gadkari, the Minister for Shipping and Road Transport & Highways, visited Teheran on 6 May 2015 to sign a memorandum of

<sup>59</sup> Verma, Nidhi: "India's oil imports in 2017 surged to a record 4.4 million bpd", *Reuters*, 16 January 2018, at <https://in.reuters.com/article/india-oil/indias-oil-imports-in-2017-surged-to-a-record-4-4-million-bpd-idINKBN1F5234>

<sup>60</sup> Mehdudia, Sujay : "Iran agrees to accept payment in rupee," in *The Hindu*, 2 March 2012, at <https://www.thehindu.com/business/Economy/iran-agrees-to-accept-payment-in-rupee/article2954840.ece>

<sup>61</sup> Siddiqui, Huma : "Iran Oil: India explores the rupee-rial mechanism for payments" in *The Financial Express*, 25<sup>th</sup> September 2018, at <https://www.financialexpress.com/economy/iran-oil-india-explores-reviving-the-rupee-rial-mechanism-for-payments/1326418/>

<sup>62</sup> All the other ports of Iran, ranging from Khurramshahr and Bushehr, right down to Bandar Abbas are all located on the Persian Gulf, and not on the Arabian Sea.

<sup>63</sup> See Hughes, Lindsay: *Bypassing Pakistan: Afghanistan, India, Iran and Chabahar*, at <http://www.futuredirections.org.au/publication/bypassing-pakistan-afghanistan-india-iran-chabahar/>

<sup>64</sup> "The Republic of India and the Islamic Republic of Iran "The New Delhi Declaration", Ministry of External Affairs, 25 January 2003, at [https://www.mea.gov.in/bilateral-documents.htm?dtl/7544/The\\_Republic\\_of\\_India](https://www.mea.gov.in/bilateral-documents.htm?dtl/7544/The_Republic_of_India)



understanding (MoU) worth USD 195 million for the development of Chabahar port.<sup>65</sup> India went ahead with signing the MoU despite the fact that Western sanctions against Iran had not been lifted as of that date. There is thus a sceptical view in the Iranian media that India revived its interest only in reaction to 'big oil deals' between China and Iran in the recent past. This view holds that India has decided to join the race rather than stay out. Iranians have nothing to lose in the bargain, and despite Iranian scepticism, there is hope that India would stay the course this time around.

This ambivalence should rightly have caused India some awkwardness, because when the 2010 sanctions regime kicked in and India could have been playing in an empty field; instead, it chose to wriggle out. That was precisely the time when Beijing remained steadfast, refining nearly two-thirds of the crude that Iran needed refined, replacing India. Once the JCPOA was signed and Tehran opened up for business, New Delhi resumed looking at Tehran, but for a while Tehran looked away towards Europe. Once the US under President Trump pulled out from the JCPOA, making it a less sustainable means of reintegrating with the world economy, New Delhi's chances have improved. This is largely because, as previously indicated, the People's Republic of China has been developing too deep roots in the Islamic Republic, causing discomfort in the reformist circles in Tehran. India could balance China by Tehran not having to allow much of a deep Chinese footprint. Tehran's notion of strategic autonomy "*na Mashriq, na Maghreb*" (Neither East, Nor West" makes the ruling circles in the Islamic Republic very uncomfortable whenever the country becomes too dependent on any one power. Thus, India's renewed involvement in the Islamic Republic has been welcomed in some circles there.

India has persistently featured on Tehran's strategic considerations for the last quarter century. But New Delhi followed occasional strategic convergences without getting much deeply involved. When Tehran was much more isolated the Indian connection had served it well, but given India's dithering, New Delhi has lost many an opportunity of deeper involvement in the Islamic Republic (unlike China), and nearly drifted away. Once Islamic Republic reopened for business to the world, New Delhi was lower down Tehran's list of priorities and India would now have to work hard to make the same inroads that it could earlier have made at ease. If despite US abandonment of JCPOA India stays the course, that goal may yet be possible to achieve.

### **7. The Vanishing Horizon of a Regional Policy**

It would be clear from the discussion above, that nearly three decades after the onset of liberalisation of Indian economy, and much vaunted revamping of Indian foreign policy, towards the crucial region of the Middle East, Indian foreign policy remains parochially bilateral – not only in terms of the actual diplomatic engagements, but also in terms of conceptualisation of the fundamentals that influence foreign policy thinking. Indeed there are occasional shifts (such as the increasing warmth in relations with Saudi Arabia and Israel), but the narrow line of thinking on India's interests systematically discourages any pro-active engagement with the region – the government led by PM Modi is no different in this regard.

Such lack of any proactive dynamics in India's approach to the Middle East as a region is unfortunate and undermines somewhat the very interests that the Indian foreign policy establishment is meant to safeguard. This was the reason why the Indian government was caught completely off-guard when the turmoil associated with Arab Spring came and

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<sup>65</sup> "Cabinet approves provision of Credit of 150 Million USD to Islamic Republic of Iran for Chabahar Port Development", Press Information Bureau, Government of India, Cabinet, 24 February 2016, at <http://pib.nic.in/newsite/PrintRelease.aspx?relid=136750>



destabilised the region – while New Delhi was cosy with many of the rulers that were toppled or nearly so (Qadhdhafi, Mubarak, Assad), lives of Indians were affected even when it was not, for Indian expatriates are to be found in all the countries of the region, in big numbers or small. Indeed, the Indian embassies such as those of Beirut, Tripoli and Cairo appears to have learnt important lessons; the embassy at Cairo has put in place a communication network that allows it to reach out to the last Indian expatriate in the event of an upheaval similar to that of 2011;<sup>66</sup> the embassies of Beirut and Tripoli ensured smooth evacuation of Indian expatriates during the Israeli bombardment of Lebanon (2006) and upon the fall of Qadhdhafi (2011). But it speaks for itself that such logistical and communication networks have not been put in place uniformly or generally across a region that is proverbially unstable.

A convenient reason for not having a regional policy often cited by Indian diplomats is that, it is very difficult for a regional coherence to be imposed upon a group of countries that do not themselves *behave* like a region. Given the mutual rivalries, frontier disputes and ideological contestations, it is argued, the countries of this region are often at cross-purposes with each other (as evinced by the Lebanese civil war of 1975-89, Iran-Iraq War 1980-89, Syrian civil war – 2011-till date) – hence it is difficult to devise a policy that could apply to every country of the region.

Such a glib argument is meant to obfuscate the fact that framing policy does not involve in any kind of one-size-fits-all set of measures. Even if one were to take the two benchmarks of Indian interests in the region, i.e. energy security and safety of Indian expatriates, given the high dependency of India on the supply of oil and gas from the region, and the high number of Indian expatriates in the Middle East, India needs to be more actively engaged with the region, rather than responding in a fire-fighting mode. What would such a pro-active policy involve? Simply that India builds on the foundations provided by her bilateral relationships in order to help promote a kind of stability in this very unstable region, either in tandem with other external actors (such as the USA, Russia, EU, Japan and China), or by itself. Such policies may range from promotion of democratic dispensations (characteristic of policies of USA and EU), upholding tyrannical orders to prevent greater chaos (those of USA, Russia, China), to promotion of back-channel diplomacy and third-party arbitration (characteristic of EU) and regime change (USA). Regardless of what actual policies are towards a particular country at any definite point of time, the objective of a region-wise approach is to promote whatever is believed to be in the best interests of the country in the long-term, so that some kind of a stability prevails over a long-term.

Needless to say, India does not have the financial sinews of great powers like USA, EU, Russia, China or Japan, hence her policy measures towards the region cannot be accompanied by financial incentives, as is possible in the case of the great powers. Nor does New Delhi possess the kind of military might and reach that Washington DC does. However, having so far refrained from the internal affairs of other, India has developed (somewhat like the EU) a considerable diplomatic capital that allows New Delhi to function in the capacity of a non-partisan interlocutor between rival parties – such as Iran and Saudi Arabia, Qatar and Saudi Arabia, Qatar and UAE, Iran and UAE, Iran and Israel, Saudi Arabia and Syria, Israel and Palestine – between all of which India has so far managed a kind of balance. It is tempting to argue that India successfully maintained that balance precisely because India has never been dragged into intra-regional disputes – such as when PM Modi prudently declined Saudi request for joining a military coalition, which was at that stage about to intervene the civil war in Yemen. To be tempted by such an argument in favour of non-intervention is to ignore the value India

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<sup>66</sup> Sanjay Bhattacharya, IFS, then-Ambassador to Egypt, in personal conversation with the author, Calcutta, May 2018.



can bring to a whole range of issues by functioning as an interlocutor in bilateral or intra-regional disputes. Unfortunately, despite having built up a lot of hope in many quarters, PM Modi has not turned out to be as bold in the realm of foreign policy as was initially made out.

Some scholars have argued that PM Modi had indubitably set out with the agenda of bringing about path breaking changes in India's foreign policy, but had to eventually yield to the conservative instincts of the Indian diplomatic establishment.<sup>67</sup> Others have argued that the incumbent administration did not have a revolutionary agenda in all areas of Indian foreign policy, and the Middle East happens to be one of those areas where in the government has deferred to the diplomatic establishment having no clearly formulated objectives,<sup>68</sup> (except for an almost partisan thrust in favour of Israel, which has been successfully scuppered). Either way, Indian foreign policy establishment is unlikely to see a change of course away from bilateralism in its policy towards the Middle East.

## **8. Conclusion**

India has major aspirations to be a player on the global stage, stimulated by her ascendancy as a major economy. It needs, as a scholar close to the Indian political establishment had once contended, "to step outside its South Asia box." It is somewhat disheartening to see that well into the third decade of performing as a major economic power, New Delhi continues to be deficient in confidence and imagination to look outside that South Asia box when it comes to its foreign policy. It continues to be very parochially defensive of its own immediate short-term interests, very narrowly defined, and finds itself more comfortable working within a bilateral and reactive (rather than regional and proactive) paradigm. With respect to the Middle East, such a constricted approach is somewhat short-sighted because the importance that New Delhi is generally accorded by countries in that region gives it a degree of diplomatic capital. By confining itself to its own narrow, parochial definition of interests, India unwittingly abjures from playing a much larger role on the regional stage than its abundant diplomatic capital could make possible. PM Modi has proven neither able nor willing to change that particular approach to India's policy towards the Middle East.

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<sup>67</sup> Ganguly, Sumit: Modi's Foreign Policy Revolution? In India Change is Hard to Come By", *Foreign Affairs*, 8 March 2018.

<sup>68</sup> Palchadhuri, Pramit, *op. cit.*



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