



PERSIAN GULF

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India's  
Relations with  
the Region

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P. R. Kumaraswamy  
Md. Muddassir Quamar  
Sameena Hameed

palgrave  
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# Persian Gulf

India's Relations with the Region

Series Editor

P. R. Kumaraswamy

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New Delhi, Delhi, India

*Persian Gulf*, the leading product of the Middle East Institute, New Delhi, India systematically looks at the growing relationship between India and the countries of the Persian Gulf region. Due to rising economic interactions and political engagements, the region has assumed greater importance and hence requires a methodical study.

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*To*  
*Professor C Raja Mohan*  
*With admiration, respect and gratitude*

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## ABBREVIATIONS

AAI	Aramco Asia India Pvt. Ltd. (Aramco India)
ACD	Asia Cooperation Dialogue
ADHRB	Americans for Democracy and Human Rights in Bahrain
ADIA	Abu Dhabi Investment Authority
ADNOC	Abu Dhabi National Oil Company
AED	Emirati Dirham
AIM	Atal Innovation Mission, India
AQAP	Al-Qaeda in the Arabian Peninsula
b/d	barrels per day
BAPCO	Bahrain Petroleum Company
bbbl	barrels
bcf/d	billion cubic feet per day
BCHR	Bahrain Centre for Human Rights
bcm	billion cubic meter
BD	Bahraini Dinar
BEDB	Bahrain Economic Development Board
BJP	Bharatiya Janata Party, India
BP	British Petroleum
CBSE	Central Board of Secondary Education
CBY	Central Bank of Yemen
CDSCO	Central Drugs Standard Control Organization, Saudi Arabia
CEIC	CEIC Data (a global financial research company headquartered in Hong Kong)
CENTCOM	Central Command, US
CNPC	China National Petroleum Corporation
CSB	Central Statistical Bureau, Kuwait
DEWA	Dubai Water and Electricity Authority

DGFT	Director General of Foreign Trade, India
DIFC	Dubai International Financial Centre
DIMDEX	Doha International Maritime Defense Exhibition and Conference
DIPP	Department of Industrial Policy and Promotion, India
DPPA	Department of Political and Peacebuilding Affairs, United Nations
DWE	Dubai Women’s Establishment plan
ECR	Emigration Check Required, India
EDC	Ethylene Dichloride Facility, UAE
EU	European Union
FAO	Food and Agricultural Organization, United Nations
FCSA	Federal Competitive and Statistics Authority, UAE
FDI	Foreign Direct Investment
FEED	Front-End Engineering Design
FFFAI	Federation of Freight Forwarders’ Associations in India
FICCI	Federation of Indian Chambers of Commerce and Industry
FII	Foreign Institutional Investment
Fintech	financial technology
FNC	Federal National Council, UAE
FOB	free on board
FSC	Federal Supreme Council, UAE
FSI	Foreign Service Institute, India (renamed Sushma Swaraj Institute of Foreign Service in February 2020)
FTA	Free Trade Agreement
FTO	foreign terrorist organization (the US)
GAMI	General Authority of Military Industries, Saudi Arabia
GCC	Gulf Cooperation of Council
GCC-STAT	GCC Statistical Centre
GDI	Gender Development Index
GDP	Gross Domestic Product
GECF	Gas Exporting Countries Forum
GGGR	Global Gender Gap Report
GII	Gender Inequality Index
GNA	Government of National Accord, Libya
GNI	Gross National Income
GNP	Gross National Product
GoI	Government of India
GPC	General People’s Congress, Yemen
GST	Goods and Services Tax, India
GW	Giga Watt
HDI	Human Development Index
HDR	Human Development Reports, United Nations

HIPL	Hindustan Infralog Private Limited, India
HLTFI	India-UAE High Level Task Force on Investments
HRW	Human Rights Watch
IAEA	International Atomic Energy Agency
IBPC	Indian Business and Professional Council
ICA	Federal Authority for Identity and Citizenship, UAE
ICCR	Indian Council of Cultural Relations
ICWA	Indian Council of World Affairs
IDPs	internally displaced persons
IGU	International Gas Union
ILO	International Labour Organization
IMF	International Monetary Fund
IMO	International Maritime Organization
INSTEX	Instrument in Support of Trade Exchanges, (EU)
IOC	Indian Oil Company
IOCs	international oil companies
IORA	Indian Ocean Rim Association
IPO	initial public offering
IPP	independent power producer
IPU	Inter-Parliamentary Union
IQD	Iraqi Dinar
IRFFI	International Reconstruction Fund Facility for Iraq
IRGC	Iranian Revolutionary Guard Corps
IRI	Islamic Republic of Iran
IRR	Iranian Rial
ISA	International Solar Alliance (India)
ISIS	Islamic State of Iraq and Syria
ISPRL	Indian Strategic Petroleum Reserves Limited
ISRO	Indian Space Research Organisation
ITC	International Trade Centre
ITEC	Indian Technical and Economic Cooperation
IWPP	Independent Water and Power plant
JAFZA	Jebel Ali Free Zone, UAE
JCDC	Joint Committee on Defence Cooperation
JCM	Joint Commission Meeting
JCPOA	Joint Comprehensive Plan of Action
JDCC	Joint Defence Cooperation Committee
JWGs	Joint Working Groups
KAPP	Kuwait Authority for Partnership Projects
KD	Kuwaiti Dinar
KDP	Kurdistan Democratic Party
KIA	Kuwait Investment Authority

KRG	Kurdish Regional Government, Iraq
KSA	Kingdom of Saudi Arabia
KVS	Kendriya Vidyalaya Sangathan, India
LNA	Libyan National Army
LNG	Liquefied Natural Gas
mb/d	million barrels per day
MbS	Mohammed bin Salman, Crown Prince of Kingdom of Saudi Arabia
mcf/d	million cubic feet per day
mcm	million cubic meter
mcm/d	million cubic meter per day
MEA	Ministry of External Affairs, India
MEED	Middle East Economic Digest
MEES	Middle East Economic Survey
MFA	Ministry of Foreign Affairs
MFNE	Ministry of Finance and National Economy, Bahrain
MICE	meetings, incentive conference and exhibition
mmbtu	million British thermal unit
mmcuft	million standard cubic feet
mmt	million metric tonnes
MoD	Ministry of Defence
MoF	Ministry of Finance
MOM	manage, operate and maintain
MoU	Memorandum of Understanding
MPNG	Ministry of Petroleum and Natura Gas, India
mtpa	million tonnes per annum
MW	mega watt
NAAC	National Assessment and Accreditation Council, India
NBD	National Bank of Abu Dhabi
NCE	National Centre for Employment, Oman
NEC	National Election Commission, UAE
NIIF	National Infrastructure Investment Fund, India
NIMA	Forex Management Integrated System
NIRF	National Institutional Ranking Framework, India
NISI	National Information for Statistics & Information, Oman
NPCI	National Payments Corporation of India
NPK	nitrogen, phosphorous, and potassium
NRI	Non-resident Indian
NSE	National Stock Exchange, India
NSSA	National Space Science Agency, Bahrain
OEC	Observatory of Economic Complexity, MIT Media Lab, United States

OETC	Oman Electricity Transmission Company
OIC	Organization of Islamic Cooperation
OIJIF	Oman India Joint Investment Fund
OIR	Operation Inherent Resolve
Omantel	Oman Telecommunications Company
OMIFCO	Oman India Fertilizer Company
OMR	Omani Rial
ONGC	Oil and Natural Gas Corporation, India
OOC	Oman Oil Company
OPEC	Organization of the Petroleum Exporting Countries
OPWP	Oman Power and Water Procurement Company
ORPIC	Oman Oil Refineries & Petroleum
PDS	Public Distribution System, Iraq
PIB	Press Information Bureau, India
PIC	Petrochemical Industries Company, Kuwait
PIF	Public Investment Fund, Saudi Arabia
PIO	Persons of Indian Origin
PMF	Popular Mobilization Force, Iraq
PPP	Public-private partnership
PPP	Purchasing Power Parity
PPTs	Production Plateau Targets
PSA	Planning and Statistics Authority, Qatar
PTA	Preferential Trade Agreement
QAR	Qatari Rial
QIA	Qatar Investment Authority
RAS	Recirculating Aquaculture Systems, UAE
RBI	Reserve Bank of India
RCC	Redeployment Coordination Committee, United Nations
RSF	Reporters without Borders
RTA	Roads and Transport Authority, Dubai
SABIC	Saudi Arabian Basic Industries Corporation
SAGIA	Saudi Arabian General Investment Authority
SAMA	Saudi Arabia Monetary Agency
SAR	Saudi Rial
SDR	Special Drawing Rights, IMF
SEP	Strategic Energy Partnership
SFDA	Saudi Food & Drug Authority
SGRF	State General Reserve Fund of Oman
SLoCs	Sea Lines of Communication
SOMO	State Organization for the Marketing of Oil, Iraq
SPC	Supreme Petroleum Council, UAE
SPC	Supreme Political Council, Yemen

STC	Saudi Trading Corporation
STC	Southern Transition Council, Yemen
STCW	Standards of Training, Certification and Watch-keeping Convention
SWF	Sovereign Wealth Fund
SWIFT	Society for Worldwide Interbank Financial Telecommunication
TBI	Trade Bank of Iraq
tcf	trillion cubic feet
tcm	trillion cubic metre
TSCs	technical service contracts
TWH	Tera Watt Hour
UAV	unmanned aerial vehicle
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNGA	United Nations General Assembly
UNHRC	United Nations Human Rights Council
UNMHA	United Nations Mission to support the Hodeida Agreement
UN-OCHA	United Nations Office for the Coordination of Humanitarian Affairs
UNSC	United Nations Security Council
UPR	Universal periodic review (UN)
USCIRF	United States Commission on International Religious Freedom
VAT	Value added tax
VLSFO	Very low sulphur fuel oil
WLL	With Limited Liability
WTI	West Texas Intermediate (oil standard)
YER	Yemeni Rial
YOY	year-on-year

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## CHAPTER 1

---

# Introduction

*The requisites of government are that there be sufficiency of food,  
sufficiency of military equipment and the confidence of the people in  
their ruler.*  
—Confucius

Regional crises and tensions with sporadic escalations continued to undermine the stability of the Persian Gulf during 2019. There was no end in sight for the conflict in Yemen and the GCC (Gulf Cooperation of Council) crisis. Tensions between the US and Iran heightened, raising speculations of a military confrontation. The year witnessed India holding the 17th Lok Sabha elections, which slowed the pace of political engagements between India and the Persian Gulf, but later part of the year saw a spate of meetings, especially with three high-level meetings between Prime Minister Narendra Modi and Saudi Crown Prince Mohammed bin-Salman. In February, Riyadh emerged as a possible go-between India and Pakistan as tension increased following the Pakistan-backed terror attack in Pulwama

on 14 February<sup>1</sup> and India's retaliation on Balakot on 26 February.<sup>2</sup> Iran's heightened tension with the US adversely affected the Indo-Iranian relations and brought India's energy imports from that country to a stop.<sup>3</sup>

In May, Prime Minister Modi was re-elected with a larger mandate than 2014 and this signalled the continuity of India's Gulf policy. At the same time, some of India's domestic policy choices evoked negative feelings in the region and underscored the domestic-foreign policy linkages. Moreover, the goodwill that India managed to generate in the region, especially among the Gulf Arab countries, since 2014 has not yet been converted into tangible gains. Capitalizing on the positive vibes through political exchanges for tangible economic and strategic gains would be India's most critical challenge in the coming years.

## REGIONAL DEVELOPMENTS

Tensions and tussles continued to keep the Persian Gulf region on the boil during 2019. Acrimony and blame-trading exacerbated many of the prevailing tensions and crises. Neither the regional players nor the great powers have exhibited any sagacity in addressing some of the burning issues of the region. To a large extent, the Trump administration continues to be a spoiler in regional politics.

### *US-Iran Tensions*

The US policy of "maximum pressure"<sup>4</sup> formally outlined on 8 May 2019 has undone the years of diplomacy that sought to bring Iran into the

<sup>1</sup>Peerzada Ashiq, '37 CRPF men killed in J&K suicide attack', *The Hindu*, 15 February 2019, <https://www.thehindu.com/news/national/ied-blast-in-kashmirs-pulwama-many-crpf-jawans-killed/article26268289.ece>

<sup>2</sup>*The Hindu*. 'IAF strikes on JEM camp in Balakot: Tri-service chiefs meet PM, NSA', 27 February 2019, <https://www.thehindu.com/news/national/iaf-jets-hit-terrorist-camp-across-loc-iaf-sources/article26371599.ece>

<sup>3</sup>*The Economic Times*. 'US deadlines ends, India stops purchasing Iranian oil', 24 May 2019, <https://economictimes.indiatimes.com/industry/energy/oil-gas/us-deadline-ends-india-stops-purchasing-iranian-oil/articleshow/69475495.cms?from=mdr>

<sup>4</sup>The White House. 'President Donald J. Trump is cutting off funds the Iranian Regime uses the support its destructive activities around the world', 8 May 2019, <https://www.whitehouse.gov/briefings-statements/president-donald-j-trump-cutting-off-funds-iranian-regime-uses-support-destructive-activities-around-world/>

global mainstream and achieve stability in the Persian Gulf. The Trump Administration's 8 May 2018 decision to withdraw from the Iran nuclear deal or Joint Comprehensive Plan of Action (JCPOA)<sup>5</sup> was accompanied by the US imposing more stringent sanctions on Iran.<sup>6</sup> These, in turn, changed the regional dynamics; the US-Iran relations shifted from diplomacy to confrontation. As the US sanctions led to economic hardships, internal unrest and divisions, the clergy-led regime became more belligerent and resolute.<sup>7</sup> The hardliners in Iran cited the Trump Administration's policy to push for security-oriented domestic and regional policies.<sup>8</sup> This gave the moderate Rouhani government limited space to manoeuvre its policy of outreach to the West and has forced it to embrace the hardliners' agenda of defiance and confrontation.<sup>9</sup>

At the same time, the Trump Administration has some claims to victory as economic hardship instigated domestic unrest in Iran against the regime and its regional policies. Small but frequent protests by students and youth throughout 2019 accentuated that unlike its predecessors, the present generation does not view the regime as revolutionary. Some of their ire were directed at the Supreme Leader, an unprecedented development in the history of post-1979 Iran.<sup>10</sup> Nonetheless, with the help of security forces, the regime managed to curb dissent and retain its stronghold. The notion that the "maximum pressure" campaign would pave the way for the crumbling of the Iranian regime continues to be unrealistic as external meddling only unifies the Iranian society under the clergy.

<sup>5</sup>The White House. 'Remarks by President Trump on the Joint Comprehensive Plan of Action', 8 May 2018, <https://www.whitehouse.gov/briefings-statements/remarks-president-trump-joint-comprehensive-plan-action/>

<sup>6</sup>The White House. 'Statement from the President on the Re-imposition of United States Sanctions with respect to Iran', 6 August 2018, <https://www.whitehouse.gov/briefings-statements/statement-president-reimposition-united-states-sanctions-respect-iran/>

<sup>7</sup>Golnar Motevalli and Arsalan Shahla. 'Trump offensive leaves Iran's hardliners ascendants as poll near', *Bloomberg*, 16 December 2019, <https://www.bloomberg.com/news/articles/2019-12-16/trump-offensive-leaves-iran-s-hardliners-ascendant-as-poll-nears>

<sup>8</sup>*Al-Jazeera*. 'Supreme leader criticizes Iran's politicians amid US tensions', 23 May 2019, <https://www.aljazeera.com/news/2019/05/supreme-leader-criticises-iran-politicians-tensions-190522205021503.html>

<sup>9</sup>Parisa Hafezi and Babak Dehghanpisheh. 'Pressure over Iran nuclear deal forced Zarif to resign: ally', *Reuters*, 26 February 2019, <https://www.reuters.com/article/iran-zarif-hardliners/pressure-over-iran-nuclear-deal-forced-zarif-to-resign-ally-idINKCN1QF19U>

<sup>10</sup>Afshin Shahi and Ehsan Abdoh-Tabrizi. 'Iran's 2019–2020 demonstrations: The changing dynamics of political protests in Iran', *Asian Affairs*, 14 February 2020, 51(1), 1–41, <https://www.tandfonline.com/doi/full/10.1080/03068374.2020.1712889>

It was clear that any military confrontation between the US and Iran would not be confined to the Iranian territories or waters but would also harm Washington's regional allies, their stability and, more importantly, the free flow of hydrocarbon resources from the Persian Gulf. A spate of attacks in May and June and drone attacks on crucial Aramco oil facilities in September revealed Iran's intentions and capabilities to escalate the regional conflict. These, in turn, moderated the Emirati position vis-à-vis Iran and prompted it to dilute the Emirati image of unconditionally supporting President Trump's Iran policy.

The May attacks on oil tankers led to the US enhancing its military presence in the Persian Gulf and strengthening its Fifth Fleet in Bahrain.<sup>11</sup> In July, the US sent 500 soldiers to Saudi Arabia to deter any possible attacks from Iran.<sup>12</sup> In the wake of the Aramco attacks, the US not only increased the number of troop deployment in the Kingdom<sup>13</sup> but also agreed to sell US\$110 billion worth of weapons and systems.<sup>14</sup> The American troops returned to the Kingdom for active deployment for the first time since their complete withdrawal in 2003, shortly after the highly unpopular US-led invasion of Iraq.<sup>15</sup>

Meanwhile, the US-Iran tension was on the verge of explosion after Iran shot down the US unmanned aerial vehicle (UAV) drone over the Persian Gulf on 20 June.<sup>16</sup> While Iran claimed that the surveillance drone was downed after it violated the Iranian air space,<sup>17</sup> the US accused the

<sup>11</sup> US Department of Defense. 'Statement from the Department of Defense on Additional forces to U.S. Central Command', 10 May 2019, <https://www.defense.gov/Newsroom/Releases/Release/Article/1844752/statement-from-the-department-of-defense-on-additional-forces-to-us-central-com/>

<sup>12</sup> Thomas Gibbons-Neff. 'U.S. to send about 500 more troops to Saudi Arabia', *The New York Times*, 18 July 2019, <https://www.nytimes.com/2019/07/18/us/politics/troops-saudi-arabia-iran.html>

<sup>13</sup> Ibid.

<sup>14</sup> Barbara Starr and Veronica Stracqualursi. 'Pentagon announces new troop deployments to Saudi Arabia', *CNN*, 12 October 2019, <https://edition.cnn.com/2019/10/11/politics/us-additional-troops-middle-east-iran/index.html>

<sup>15</sup> Oliver Burkeman. 'American signals withdrawal of troops from Saudi Arabia', *The Guardian*, 30 April 2003, <https://www.theguardian.com/world/2003/apr/30/usa.iraq>

<sup>16</sup> Joshua Berlinger, Mohammed Tawhee, Barbara Starr, Shirzad Bozorgmehr and Frederik Pleitgen. 'Iran shoots down US drone aircraft, raising tensions further in Strait of Hormuz', *CNN*, 21 June 2019, <https://edition.cnn.com/2019/06/20/middleeast/iran-drone-claim-hnk-intl/index.html>

<sup>17</sup> *Al-Jazeera*. 'Iran releases video it says proves US did not destroy drone', 20 July 2019, <https://www.aljazeera.com/news/2019/07/iran-releases-video-proves-destroy-drone-190719182653902.html>

Iranian Revolutionary Guards Corps (IRGC) of shooting the UAV while it was in the international air space monitoring the movement of international shipping.<sup>18</sup> The incident brought the two rivals close to a direct confrontation, but President Trump tweeted that plans were dropped at the last moment to avoid the loss of Iranian lives.<sup>19</sup>

The US-Iran tensions were also felt in Iraq, which already faced year-long protests over the government's ineptitude in handling the economic crisis and providing basic amenities. The protests were not confined to corruption and mismanagement but were also directed at Iran's meddling in Iraqi politics and government directly and through proxies such as the Popular Mobilization Force (PMF).<sup>20</sup> The protestors not only used slogans and posters but targeted and burnt down the Iranian consulates in Najaf and Karbala. On the other hand, the peaceful demonstrators were targeted by the PMF leading to the deaths of nearly 500 Iraqi protestors during the year. The situation came to a head in December when attacks and counter-attacks broke out in Baghdad between the US forces in the country and the Iran-backed Kataib Hezbollah eventually to the US killing Qasem Soleimani—head of the Al-Quds Force of the IRGC—in Baghdad on 3 January 2020.

### *Yemen Crisis*

The conflict in Yemen continued unabated in 2019 and threatened to spread beyond the Yemeni borders. The Iran-backed Houthis continue to hold on to their positions in most of the northwestern part of the country and remained in control of capital Sana'a. The hope generated by the Hodeida ceasefire agreement signed in Stockholm in December 2018 did not materialize; while the Houthis maintained their military positions, Saudi Arabia released only a few Houthi prisoners. The situation deteriorated with differences emerging between the Mansur Hadi-led

<sup>18</sup> *The Hindu*. 'Iran insists U.S. drone violated air space, vows to defend borders', 21 June 2019, <https://www.thehindu.com/news/international/iran-insists-us-drone-violated-air-space-vows-to-defend-borders/article28102891.ece>

<sup>19</sup> Michael D. Shear, Eric Schmitt and Maggie Haberman. 'Strikes on Iran Approved by Trump, Then Abruptly pulled back', *The New York Times*, 20 June 2019, <https://www.nytimes.com/2019/06/20/world/middleeast/iran-us-drone.html>

<sup>20</sup> Jane Arraf. 'They have stolen everything from us': Iraq's Anti-government protest continue', *NPR*, 5 November 2019, <https://www.npr.org/2019/11/05/776051741/they-have-stolen-everything-from-us-iraqs-anti-government-protests-continue>

government and the Southern Transition Council (STC) that threatened to cede from Yemen. The differences came into the open in October when the STC backed by the UAE took control of Aden and threatened to oust the Hadi government from its exiled capital. The issue was resolved in December with the signing of a truce.

In July 2019, the UAE signalled a change in its position and started to withdraw its forces from Yemen and handed over the areas under its control to the STC. On the other hand, Saudi Arabia was at the receiving end of Houthi attacks inside its territory. On 12 June, the Abha International Airport in the southwest Asir province of the Kingdom came under cruise missile attacks causing injuries to 26 civilians and soldiers.<sup>21</sup> Riyadh retaliated by carrying out airstrikes on Sana'a a few days later. Subsequently, in September, two of Aramco oil facilities in Abqaiq and Khurais came under drone attacks leading to a temporary disruption in oil production and supplies from the Kingdom. Though the Houthis claimed responsibility for the attack, the US and Saudi Arabia blamed Iran for the attack.<sup>22</sup> The Houthis also threatened to target oil facilities inside UAE.<sup>23</sup>

### *GCC Crisis*

The continuing crisis over Qatar<sup>24</sup> added more complexity to the situation in the Persian Gulf. Despite efforts by regional countries backed by Washington, the principal players in the GCC crisis—Saudi Arabia, UAE and Qatar—were unable and unwilling to set aside their differences and work together. Even the perceived threats from Iran proved insufficient to overcome their differences. Indeed, since the outbreak of the crisis in June 2017, Qatar has strengthened its ties with Iran and has forged closer political, military and economic relations with Turkey, thereby giving the latter

<sup>21</sup> *BBC News*. 'Yemen war: Houthi missile attack on Saudi airport injuries 26', 12 June 2019, <https://www.bbc.com/news/world-middle-east-48608213>

<sup>22</sup> Roberta Rampton and Arshad Mohammed. 'U.S. blames Iran for Saudi oil attack, Trump says 'locked and loaded'', *Reuters*, 16 September 2019, <https://www.reuters.com/article/us-saudi-aramco-attacks/u-s-blames-iran-for-saudi-oil-attack-trump-says-locked-and-loaded-idUSKBN1W00SA>

<sup>23</sup> Abdullah Ahmed. 'Houthis vows to target vital facilities in UAE', *Anadolu Agency*, 18 September 2019, <https://www.aa.com.tr/en/middle-east/houthis-vow-to-target-vital-facilities-in-uae/1587761>

<sup>24</sup> *Al-Jazeera*. 'Qatar's Emir Sheikh Tamim skips Gulf summit in Saudi Arabia', 10 December 2019, <https://www.aljazeera.com/news/2019/12/qatar-emir-sheikh-tamim-skip-gulf-summit-saudi-arabia-191210075123465.html>

new leverage in the Persian Gulf. There were some minor developments during the year which generated hopes; for example, the Qatari participation in the Peninsula Shield joint military exercise in March; and Saudi, Emirati and Bahraini national football teams taking part in the Arab Gulf Cup tournament held in Doha in November. At the same time, the refusal of the Qatari Emir to travel to Saudi Arabia twice for attending the Arab-Islamic Extraordinary Summit in May (Mecca) and the GCC Summit in December (Riyadh) underlined that the relations between the two remained frosty.

Thus, continuing the GCC and Yemeni crises and the heightening of the US-Iran tensions marked the political landscape of the Persian Gulf during 2019. How did India manage these issues and navigated its interests?

## BILATERAL RELATIONS

Since taking over office in May 2014, Prime Minister Narendra Modi has devoted considerable attention and resources to pursuing closer ties with the Arab and non-Arab countries of the Persian Gulf. Through a spate of visits and bilateral contacts, India established closer political contacts with the key regional countries, especially the Kingdom of Saudi Arabia, the UAE and Iran. The progress report for 2019 has been mixed and less than optimum as India's relations with the region continue to lag behind its promises and potentials.

### *Political Issues*

The Persian Gulf is India's priority area in the Middle East for its energy security as well as for being its "extended neighbourhood" and home to a large Indian expatriate population. While traditionally, India has maintained friendly ties with all the regional countries, New Delhi was often criticized for its lack of political outreach and diplomatic engagement with the region. This partly changed with the arrival of Prime Minister Modi, who spurred an activist foreign policy and showed a willingness to make the diplomatic outreach matching India's potential. In the Persian Gulf, he undertook several visits and imparted a new dynamism in India's Gulf Policy. This has been recognized in the Gulf capitals with countries like

Bahrain, Saudi Arabia and the UAE felicitating him with their highest civilian awards for his contributions in promoting bilateral ties.<sup>25</sup>

Nonetheless, 2019 proved to be a mixed bag for India. Firstly, its ability to engage with the region was curtailed by the Lok Sabha elections held between April and May. Prime Minister Modi's high-stake re-election bid meant that the focus of the government was entirely domestic and the personality-centric approach also limited the scope for foreign policy. Modi's massive victory ensured continuity in according importance to the Persian Gulf and the growing political engagements with it. Prime Minister Modi visited Bahrain and the UAE in August and in October participated in the Future Investment Initiative (FII) in Riyadh. While India's engagement with the region would continue to be anchored in Saudi Arabia and the UAE, the renewed emphasis had also been given to Bahrain, Oman and Kuwait.

Secondly, India's relations with Iran have been severely restricted by the US factor. While India sees Iran as a friendly nation vital for its political and strategic considerations, the space for manoeuvre has been shrinking. The renewed American sanctions meant that India stopped oil imports from Iran after the US waiver ended in May 2019.<sup>26</sup> Efforts by Iran to convince India to adopt the rupee payment mechanism used during the previous sanction regime was unsuccessful as New Delhi did not want to hamper the growing ties with Washington. While it endorsed Iran's right to enjoy the peaceful use of nuclear energy, New Delhi never favoured a nuclear Iran. It hoped that the JCPOA would close the nuclear controversy and enable it to pursue its energy ties with Tehran. But before India could benefit from the nuclear deal, the Trump Administration sought to exert "maximum pressure" on Iran. Though New Delhi does not believe in the use of force and coercion in international politics, the cost of non-compliance of the US demands is too high to bear. The manner in which India approached the issue underlined that the Iran file in the Ministry of External Affairs is handled by Americas (AMS) division than by the West Asia and North Africa (WANA), Gulf or Pakistan, Afghanistan & Iran (PAI) divisions.

<sup>25</sup> *The Hindu BusinessLine*. 'UAE honours PM Modi with highest civilian award', 24 August 2019, <https://www.thehindubusinessline.com/news/uae-honours-pm-modi-with-highest-civilian-award/article29243453.ece>

<sup>26</sup> *The Economic Times*. 'US deadline ends, India stops purchasing Iranian Oil', 24 May 2019, <https://economictimes.indiatimes.com/industry/energy/oil-gas/us-deadline-ends-india-stops-purchasing-iranian-oil/articleshow/69475495.cms?from=mdr>

Thirdly, hopes generated by the Modi government in the Indian ability to deliver on its economic commitments and promises increasingly remain unrealized. Age-old issues such as project delays, backsliding on commitments due to a variety of factors and ineffective implementations continue to hamper India's engagement with the Persian Gulf. One of the key objectives of its outreach has been to attract more investments into the country; many projects could not materialize because of inept political or bureaucratic handling or they became a victim of domestic politics. In recent years, there were hopes that things would improve, if not change and a promising start was made in that direction with the announcement of a few mega investment projects, especially in the energy sector. Nonetheless, the situation seems to be returning to the older days, especially with the fate of the proposed refinery project in Maharashtra hanging in the balance over cost escalation and project location.<sup>27</sup>

Finally, lack of sustained bilateral interactions between societal and commercial communities and organizations tend to fizzle out of the dynamism generated by political level exchanges. There are hardly any meetings beyond the political and bureaucratic ones. The business councils are without any known structures, meeting schedule and social media platforms. The Indian expatriate community does not have the capacity to impact the political and diplomatic ties because of its economic and financial preoccupations. The Indian expatriates especially the business houses, despite much appreciation in the region, have not been able to become an asset in furthering India's relations with the Persian Gulf countries.

### *Economic Ties*

The Persian Gulf region holds a premier position in the distribution of global oil and gas reserves (Tables 1.1 and 1.2). The year 2019 has been dismal for the region as the real growth rates were sluggish and the projections for same in 2020 is equally subdued for most of the countries (Table 1.3). The oil prices dipped in later half of 2019 after an initial spurt

<sup>27</sup>Murali Gopalan. 'Politics will decide the fate of Ratnagiri refinery', *The Hindu Business Line*, 22 February 2019, <https://www.thehindubusinessline.com/companies/politics-will-decide-the-fate-of-ratnagiri-refinery/article26343343.ece>