

**The International Conference on  
India and the Gulf: Security Perspectives  
Organized by the Indian Council of World Affairs  
New Delhi, November 20-21, 2010**

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The initiative of the Indian Council of World Affairs in collaboration with the Association of Asia Scholars to organize a conference that would train the spotlight on India's relations with the Gulf countries deserves the loudest applause and admiration. The focus of the conference and the choice of its subject couldn't be more appropriate and timely.

Indeed, this is a subject that reflects the growing desire and increasing awareness in India as well as in the GCC countries, to modernize the relationship in the context of contemporary challenges and against the backdrop of the rise of India as a major global economic power and the very real security issues that are facing the geo-political neighborhood to which India and the GCC both belong.

There is no denying that modern GCC-India relations are deepening. The backdrop of our contemporary relations is a rich and ancient history of shared trade links, cultural interaction spanning centuries and growing economic interests.

However, despite the undeniable importance of factors such as trade, energy and labour, the fact is that we need to work urgently on forging detailed programs that would enhance political understanding and co-operation between our countries and strengthen our united front against the global scourge of terrorism and security concerns.

In fact, the organization of this conference comes only a few weeks after the GCC-India Joint Study Group held its most recent session at the GCC Secretariat in Riyadh last month. This was the third strategy session of this high-powered joint think-tank which reviews and analyzes the status of GCC-India relations and proposes policy recommendations for implementation by both sides.

In its Final Report, the Riyadh session concluded that there was broad agreement on both sides that there was great scope for further improved relations between GCC and India. The report pointed out, quite rightly, that the problem currently does not lie in the general direction of GCC-India relations but rather in how to implement a meaningful political agenda that will put GCC-India ties on a higher trajectory.

The fact is, for many policymakers and opinion leaders in the GCC as well as India, the term "GCC-India relations" is merely an abstraction or at best an area seen through the prism of labour, energy and trade relations alone. Political relations have not kept pace with the

development of ties in other areas. There is a definite need for increased political discussions at all levels - from high-profile regular meetings to track-two dialogue - in order to better understand the nuances that define the bi-lateral relationship.

The Riyadh Report recognized and recommended that outside of elevated political ties, increased relations are also possible in the security realm. In order to move forward on this terrain, confidence-building measures in practical areas of cooperation should be pursued, for example, in the area of counter-terrorism, countering organized criminal activities and maritime security.

The Report recommended a widened security dialogue in the context of the Indian Ocean Naval Seminar. It was also suggested that the scope of cooperation with the Indian Navy should include the areas of providing coastal security, environmental and disaster management, and combating piracy. Here, more operational exchanges and joint exercises have to be worked out, the Report added.

I must point out at this juncture, that confidence-building through co-operation in the area of countering organized crime and counter-terrorism have received particular attention in the sphere of Indo-Bahraini ties and in 2004, during the visit of our Prime Minister HRH Shaikh Khalifa bin Salman Al Khalifa to India, Bahrain and India initialed an extradition treaty as a joint initiative to fight terrorism and strengthen bilateral cooperation against crime.

It is my strong recommendation that this conference should review, support and adopt all the recommendations of the GCC-India Joint Study Group Report. For, it is only when we gather together the different stands of our varied efforts and weave a single cloth of co-operation, opportunity and peace, that we can make a difference.

## **1. RE-WORKING HISTORY TO MATCH CONTEMPORARY DYNAMISM:**

I am keenly aware that my august audience today is made up of scholars, thinkers and diplomats who have worked in the area of GCC-India relations and understand clearly the historical context as well as the special place that the Gulf region has in modern India's external interaction as well as its internal dynamics.

You all know very well that India and the Gulf have shared ties of trade and culture since the times of the Dilmonic and Harappan civilizations as the discovery of ancient trading seals in archeological sites have proved. Ties between modern India and Bahrain go back generations, with many of Bahrain's most prominent figures having close connections: to point out only one of them; poet and constitutionalist Ebrahim Al-Arrayedh, who grew in Mumbai, spoke Hindi fluently and wrote poetry in both Arabic and Urdu.

During the 19th and early 20th centuries, when Bahrain was a British protectorate and a world-famous pearling centre, Bahrain was closely linked to the Jewel of the Empire - Bahraini currency was minted in India and the pick of our pearl harvest was sought by Indian Maharajas for their celebrated treasuries of jewels.

My generation began its tryst with India in the 'sixties when we came here as students seeking higher education. We absorbed the culture and social values that fed the sprawling mosaic of Indian experience and were enriched by them. These lessons stood us in good stead when the GCC started attracting more Indian workers and professionals from the 'seventies onwards and we worked alongside our Indian brothers and sisters to build the modern infrastructure of the post-oil GCC world. I'm not talking here of just being able to understand the odd Hindi phrase or knowing the difference between Diwali and Onam. I think those of us who understood Indian values were able to appreciate the capacity of this great country to nurture world peace and cultural harmony, to contribute to the intellectual wealth of the world and ensure the diversity of humankind.

Bahrain too has a rich tradition of multiculturalism and tolerance, fostered, no doubt, by its strategic location as a maritime trading hub since ancient times. We have well-established churches, temples, and even a small but respected Jewish community who are well-integrated into our framework.

The natural outcome of this synergy of ideals is that India and Bahrain have been close allies and the Kingdom of Bahrain, along with its GCC partners, was, according to Indian officials, among the most prominent backers of India's bid for a permanent seat in the UN Security Council. Bahraini officials have urged India to play a greater role in international affairs.

## **2. ECONOMIC INTERDEPENDENCE SHAPES OUR DESTINY:**

In terms of the economic and trade ties, both the regions depend on each other increasingly for supplies, energy and human resources. Today, the GCC Countries as a block is the largest trading partner of India. Annual bilateral trade between the two regions is expected to reach US\$ 120 billion by the end of this year. The GCC as a block is India's single largest origin of imports and second largest destination of export. India with a population in excess of 1.2 billion is a massive market with a huge consumer base within easy reach for the GCC Countries.

The GCC Countries depend on India for its requirement of manpower. Today the massive labour and skills reservoir of India provides the entire GCC Countries with around 5 million people engaged on a daily basis in turning forward the wheels of their economies.

India depends heavily on the GCC Countries for its energy supplies. 70% of India's requirement of oil is imported from the Gulf.

There is no need for more facts to demonstrate the extent of interdependence that exists between our two regions. There can be no more evidence to prove how much important each one is to the other.

With its geo-strategic location, the region of the GCC Countries is not only important to India from economic point of view but also, perhaps even more, from political and security one.

Accordingly, and in the context of the subject of this conference, the two regions not only need to consolidate and expand their economic ties and trade links, but more importantly, to develop closer defense cooperation, coordination and even alliance.

This may seem to be a rather far-fetched ambition given the current circumstances and the prevailing complexities of the relationships between the countries of the two regions, however, circumstances are bound to change; after all, change is the only constant factor in the life of nations. History teaches us that real interests do prevail at the end, hence gradual measures and steps should be undertaken to achieve such objectives.

India has already signed defense related agreements with a number of GCC Countries. Joint military maneuvers have been conducted and visits between high-ranking military officials were exchanged, in addition to visits of the Indian Navy to GCC Ports.

There is no doubt that the immediate and more pressing security challenge that confronts India and the GCC Countries is the threat of terrorism. Both the regions continue to face the menace of terrorism, which emerged as a fully globalized phenomenon with increasingly destructive capabilities.

The GCC Countries and India need to forge a strategic partnership to jointly confront and fight terrorism.

Force is indeed essential to confront terrorism, but force alone can only be a partial solution. Both India and the GCC Countries should recognize that the answer to the threat of terrorism lies in an integrated response that balances force, reforms, development and diplomacy.

Regional political conflicts and disputes, such as the Arab-Israeli conflict and the dispute over Kashmir, if not resolved, will continue to generate frustrations and despair among the affected people. India and the GCC Countries should work together in resolving such disputes and conflicts in order to eliminate political factors exploited and employed by the instigators of terrorism in both the regions.

Similarly and for the same reason, the GCC Countries must undertake gradual process for the reform of their political systems. Kuwait and Bahrain have already taken the lead in this direction. Indian democratic political system could give a viable inspiration for such an undertaking.

The strong economic relations and commercial ties between the GCC Countries and India need to be harnessed and protected. The socio-economic stability and economic development in both the regions need to be safeguarded and defended and of course the menace of terrorism needs to be confronted. These strategic tasks and challenges require forging a new era of closer security and defense cooperation.

Furthermore, the time has come for India to be actively engaged with the security issues of the Gulf region, it needs to take more pro-active stand in this regard. India should realize that it

carries a responsibility towards its extended neighborhood - the countries on its western flank - the GCC Countries.

In this re-working of history to match contemporary dynamics, I would like to offer my sincere belief that alongside political closeness and unity against destabilizing forces, we must also look closely at the development of a dynamic economic environment between the GCC and India as a new force with which to fight terrorism and security threats.

### **3. JOINT EFFORTS TO CONFRONT TERRORISM:**

India, the largest democracy in the world, is also one of the biggest victims and targets of terrorism. She sustained some of the most brutal and vicious terrorist attacks. Consequently and sadly, India perhaps has the most relevant experience in combating the menace of terrorism compared to any other country in the world.

In India, like in many countries, the threats are internal and external. Terrorism is not new to India, it confronted terrorism since gaining independence from the British in 1947. Since then it has been battling terrorism.

India is the only country that lost its founding father, Mahatma Gandhi in a terrorist attack as early as 1948. It is also the only country that lost two of its Prime Ministers one after the other in terrorist attacks.

It is believed that there are as many as 800 terrorist cells operating in the country, according to a statement made in August 2008 by Mr M K Narayanan the then National Security Advisor of the country.

During the last decade, since 2001, terrorists struck India with more frequency and ferocity than at any other time.

One of the most devastating and unprecedented strikes was the coordinated series of blasts and shootings that took place on 29 November 2008 in Mumbai, India's financial capital and its symbol of economic growth. Terrorists carrying automatic weapons and grenades launched simultaneous attacks at several locations across the city which targeted in particular tourists and luxury hotels among other targets. More than 174 innocent lives were lost, 295 injured in addition to loss of property, negative impact on the economy, grief and agony suffered by loved and dear ones.

Besides being costly in terms of human lives and property, these attacks also harden communal feelings between various religious groups in India and hinder the march of the country towards the 21st century. Such attacks also hurt the pride of nations.

The Mumbai attacks of 2008, drew the attention of the GCC Countries to the kind of threat that exists. When this attack took place it was widely speculated that a sectarian conflict or at least tension will erupt in India and could spill over to the neighborhood of the GCC countries.

Luckily, to the credit of India and as a reflection of the maturity of its people, this did not happen but it gave a clear proof of the integrated security threats that both the regions could confront.

More terrorist attacks took place in India before and after the one in November 2008.

Similarly, the GCC region has been the battle ground of many terrorist attacks. Terrorist groups operating in the Gulf have vowed to attack oil facilities, foreigners and security forces. These groups seek to topple legitimate regimes in the area.

The Gulf region, strategically, is considered one of the most important regions in the world. It is also considered one of the most unstable regions in terms of international security. This region has witnessed three major wars within the last three decades; the Iran-Iraq war, the first Gulf war and the war against Iraq to oust Saddam Husain. The Gulf continues to be the battle ground for the on-going war against international terrorism.

According to the Gulf Research Centre, apart from its strategic value, the Gulf contains more than half of the world's oil reserves. In fact 70% of known oil reserves is buried under the ground of this region. Almost one out of two barrels of oil comes from this region. Terrorists know that oil is not only the mainstay of the GCC's economy, but it is also the driving force behind the world economic order. Oil installations and energy infrastructure are but natural targets for terrorists.

Furthermore, according to the strategic doctrine of Al Qaeda, those GCC Countries that host US military presence, such as Bahrain, Qatar and Kuwait, are definitely vulnerable.

The explosion occurred on 28 July 2010 on a Japanese oil tanker loaded with nearly two million barrels of oil when it was entering the Strait of Hormuz is the most recent example of the terrorist threats that the GCC countries confront. The attack of the ship has sounded alarm bells across the region.

On the 27th of September 2010, HRH Prince Nayef bin Abdulaziz, the Interior Minister of The Kingdom of Saudi Arabia, announced that the Kingdom's anti-terrorist apparatus aborted 230 terrorist attempts in the Kingdom since 2003. The terrorists succeeded in executing 10 terrorist operations during the same period inflicting serious material damages and human casualties, according to the Minister.

Early this year, Saudi Arabia arrested 113 Al Qaeda militants.

The activities of terrorist groups in the region are continuing for more than a decade now, indeed ever since the Al Alia blasts occurred in the Saudi capital - Riyadh back in 1995, according to the influential Al Sharq Al Awsat newspaper's report published in August 2010. The report further added that "we see the Al Qaeda network engulfing Yemen and Somalia to the extent that it is now feared that the southwest corner of the Arabian Peninsula will become a major terrorist hub".

Saudi Arabia, the heart of the GCC nations, remains a key target for Al Qaeda. Al Qaeda in the Arabian Peninsula (AQAP) has emerged as a big security challenge for the entire region.

The GCC Region and India continue to face the threats of terrorism. Under the current circumstances of today's world, the resources available for terrorists, the tactics and methods they apply, terrorist threats became enormous, numerous and highly sophisticated.

Contemporary terrorism has emerged as a fully globalized phenomenon with increasingly destructive capacities to the extent that it has brought the state and its legitimacy under serious challenge. It has attained global reach due to technology and communication. Its transnational capabilities and networks allow it to extend its arms beyond local and regional borders, thus necessitating regional and international cooperation and coordination. It needs to be confronted with strong determination, regional and international cooperation and coordination, the most advanced technology, adequate resources and best expertise and skills.

Both the regions need to forge strategic partnership and alliance to jointly confront and fight terrorism within the framework of international strategy.

Cooperation and coordination between the two Regions in confronting and combating terrorism is not only essential but also imperative and inevitable. The GCC Countries and India should jointly reaffirm their commitment and together work closely with the rest of the community of nations in its efforts to rescue humanity from this scourge.

In September 2006 both the GCC Countries and India joined the family of nations through, the United Nations, in embarking upon a new phase in their counter-terrorism efforts by agreeing on a global strategy. The strategy marks the first time that all member states of the United Nations have agreed to a common strategic and operational framework to fight terrorism.

The strategy forms a basis for a concrete plan of action: to address the conditions conducive to the spread of terrorism; to prevent and combat terrorism; to take measures to build state capacity to fight terrorism and to ensure the respect of human rights while countering terrorism.

The strategy builds on the unique consensus achieved by world leaders at their 2005 September Summit to condemn terrorism in all its forms and manifestations.

On 8 September 2010, the General Assembly conducted the second biennial review of the United Nations Global Counter-Terrorism Strategy. In a resolution adopted by consensus, the member states, including the GCC Countries and India, reiterated strong and unequivocal condemnation of terrorism in all its forms and manifestations, " by whomever, wherever and for whatever purposes,"

The resolution reaffirmed the primary responsibility of member states in implementing the Strategy. It also recognized further the need to enhance the important role the U.N. can play in facilitating and promoting coordination and coherence to that end at national, regional and global levels; thus providing a relevant platform for the cooperation between the GCC Countries and

India in security and defense matters and in particular in implementing a regional strategy for countering and combating terrorism.

In my view, this cooperation should be in the following form:

1. Develop a joint plan of action to implement the United Nations Global Counter - Terrorism Strategy as well as the resolutions concerned in all their aspects, consistently reiterating their commitment and reaffirming that criminal acts intended or calculated to provoke a state of terror in the general public, a group of persons or particular persons for political purposes are in any circumstances unjustifiable, whatever the considerations of a political, philosophical, ideological, racial, ethnic, religious or other nature that may be invoked to justify them.
2. Ensure to become parties to all the relevant international conventions and protocols pertaining to the prevention, combating and elimination of terrorist acts.
3. Formation of a permanent dedicated joint committee of experts, similar to the India - US Joint Working Group On Counter-Terrorism formed in 2000. And allocate adequate resources and provide it with all the facilities necessary for the performance of its work.
4. Cooperation is to be forged between the relevant agencies in India and in the GCC Countries such as between the National Investigation Agency and the National Security Guards in India and their counter-parts in the GCC Countries.
5. Jointly undertake, coordinate and cooperate to bring perpetrators of terrorist acts to justice, combat money-laundering and financing of terrorism including combating attempts of financing, encouraging, providing shelter or training for or otherwise supporting terrorist activities. In addition to bringing to justice their nationals or other persons and entities within their territory that knowingly and willfully provide or collect funds for the benefit of persons or entities who commit, facilitate or participate in the commissions of terrorist acts, and punish them by penalties consistent with the grave nature of such acts. In this regard it should be clearly stressed that such measures, if taken, should be in conformity and consistent with international law, in particular international human rights, refugees and humanitarian law and within the framework of respecting fundamental freedom, democracy and rule of law.
6. Develop a shared vision to new technologies and to the definition of perceived sources of threats.
7. Cooperate in designing and constantly reviewing Anti - terrorism systems. Such systems should bring together diverse state-of-the-art expertise and technologies to enable joint persistent intelligence, surveillance and reconnaissance missions, and enable potential actions
8. Immediately, unconditionally and jointly condemn all and any act of terrorism inflicted upon India or any of the GCC Countries at any time, as a criminal and unjustifiable, wherever and by whomsoever committed.
9. Review immediately and take corrective measures after every incident.



10. Jointly develop training programs and conduct joint exercises to enhance the capabilities to counter terrorism and upgrade the skills of the special forces for the prevention and management of terrorist attacks. Exchange expertise and manuals for conducting regular appraisal of the counter-terror instruments.
11. Exchange of information and intelligence material on facts related to terrorism as well as technical and other expert advice. Intelligence officials of both the regions should maintain regular dialogue and contact.
12. Undertake regular and joint audit of internal security systems and jointly review strategies, revisit plans, and exchange expertise in strengthening the internal security apparatus.
13. Preparation of researches, publications and studies on the subject.
14. Engagement into active debates through regular conferences, seminars, workshops, lecture series, etc.
15. Develop awareness and educational programs to protect the youth from being indoctrinated to believe that they have to die as martyrs to become eligible for the pleasures of heaven.
16. Initiate and fund scholarships on the subject.

#### **4. THE NEED TO ADDRESS THE ROOT CAUSES OF TERRORISM:**

In addition to the above, it has to be very well stressed, emphasized and agreed that there should be no reason or cause whatsoever, or even legitimate grievances that justifies terrorizing, victimizing or targeting innocent people.

There should be no compromise, no appeasement, no rewards and even no recognition of terrorists, their demands or their tactics.

I hasten to add also that a direct causal link between terrorism and the forces of destabilization and the lack of economic development has yet to be proven empirically. However, it is equally important to recognize and address the root causes of terrorism and eliminate its breeding grounds, and address the enduring inequalities which fuel terrorist activities. Genuine grievances should be addressed through political reforms, social integration and economic development.

And by making economic stability and progress a key factor in the security mix, we make action against terrorism accessible to every single person, man and woman, adult or child.

Peace and prosperity are indeed powerful shields against discontent that can become a breeding ground for instability. After all history and current situations have shown that force and military intervention alone has rarely been successful in eliminating or preventing terrorism.

As such we have to study and capture the underlying motivating factors and address them. Here again the area of cooperation and coordination between the GCC Countries and India is not only vast but must be explored to the full.

We all know that terrorists are, sometimes, victims of exploitation and misguidance or are the product of frustration and despair which in turn are results of economic disparity or political repression or sometimes even social and cultural issues. Terrorist groups harness popular grievances to their use. Economic exploitation, social injustice and political repression are being used as excuses to justify terrorism. Such issues are being exploited by perpetrators of terrorism to promote social, political or religious changes. Growing sense of alienation among some sectors of the population is also recognized as a major factor for preparing recruits for such a deadly task. Those who feel deprived, cornered, marginalized, alienated or ignored in their own societies become ready materials for instigators. We need to reach out to these people before the instigators.

Force alone can only be a partial solution. The answer to the threat of terrorism lies in an integrated response that balances reforms, development, diplomacy and defense, with regional and international cooperation.

In this context, it should also be stressed and a clear distinction should be made between terrorists and freedom fighters. Terrorists are killers, criminals and have no regard or respect to human values.

Freedom fighters are those who respect human values, human life, human rights and human dignity. Terrorists have no end to their missions, often they even turn against their sponsors. Freedom fighters do return to the main stream of life and redirect their energies to the building of the nation and the people they fought to liberate.

## **5. ADDRESS POLITICAL GRIEVANCES:**

Bilateral and regional Political disputes are some of the causes that create a sense of oppression and despair among the affected people. These disputes and issues must be resolved.

As far as the two regions of the GCC and India are concerned, there are two major and serious political disputes which must be resolved in order to eliminate the political factors which are being exploited by the instigators of terrorism in both the regions and beyond, namely The Arab-Israeli conflict and the dispute over Kashmir.

There is no doubt that the Middle East issue; the Palestinian-Israeli conflict and the prolonged suffering of the Palestinian people are the major factors that will continue to generate deep sense of frustration and anger not only among the Palestinians and Arab people but also to a much wider circle of the Islamic World and freedom lovers.

The refusal to address the wellspring of militancy in the region, that of Israel suppression of the Palestinians, will only lead to the growth of terrorism in the region.

There are growing number of people who feel angry when the media brings daily to their homes scenes of the humiliation of the Palestinian people. They get frustrated seeing the world is silent when Palestinians are killed in the streets.

India since its independence stood firmly with this just cause. However there may be a need for greater involvement of India in the attempt to resolve this issue through the restoration of the legitimate rights of the Palestinian people and the establishment of their independent State on the occupied territories of 1967. India can play a leading role using its weight and strength in finalizing the dragging negotiations between Israel and the Palestinians.

The Palestinians and the Arabs in general feel that such negotiations are going in vacuum.

After every round of negotiations the Palestinians feel that they are left empty-handed.

As long as negotiations achieve no result more and more Palestinians will feel that they should take the matter in their hands. If they see no apparent avenue leading them to their rights they may be pushed to take another rout.

India has always been a very strong supporter of the legitimate aspirations of the Palestinian people. With its growing stature in the international community, its prominent strategic, economical and political standing imposes on her a corresponding responsibility, particularly towards its neighbors and friends.

No one in the entire Arab world and beyond will ever forget the bold and firm stand of India in supporting Egypt during the Suez crisis and Algerian independence movement, to mention only two.

Although no parallel intended to be drawn between the two issues, the dispute over Kashmir between India and Pakistan is being used as a tool for instigating and fueling terrorism in the Indian subcontinent as a whole. All efforts should be exerted in order to resolve this dispute. This can be achieved best through direct negotiations between the two countries. The derailed dialogue between India and Pakistan should be revived.

GCC countries may have a role to play here in encouraging the two parties to go to the negotiation table. Sometimes nations feel sensitive towards involving third party or other countries in resolving border or bilateral disputes for fear of internationalizing such issues, the Kashmir issue between India and Pakistan is suffering from such sensitivity.

India, however, should take advantages and use the good offices of the GCC Countries with Pakistan. The GCC Countries enjoy good relations with Pakistan also. The Islamic bonds between the GCC Countries and Pakistan could be a comfort factor and could generate that very much needed element of trust for a direct negotiation between the two countries.

Once the Kashmir dispute is resolved, perpetrators and instigators of terrorism in the Indian subcontinent will lose a very effective tool. So much of resources now being diverted to

combating or instigating terrorism can be utilized for developmental projects, eliminate poverty, elevate the condition of the people thus addressing another cause or factor that breeds terrorists.

## **6. GREATER ECONOMIC CO-OPERATION IS THE WAY-FORWARD:**

Achieving economic prosperity through closer economic cooperation between India and the GCC can lead to the uplifting of the economic condition of the weaker sections in the societies of both the regions.

Economic and trade links between the GCC and India exist since centuries. Over the years these links have contributed in shaping our destiny and in building a solid base for an even more prosperous relationship for our future generations.

The GCC and India are natural trading partners, both the regions share a massive area of bilateral complementarities. India today, as partner and neighbor, is a very strong and reliable than at any other time before during its modern history.

An explosion of pent-up commercial energies have been recently unleashed in India due to the substantial structural economic reforms, the trade policy liberalization and the opening up in the beginning of the 1990s. India, as a result, has become one of the fastest growing economies of the world.

India's GDP is expected to grow by around 8% this year, and poised to grow even faster during the coming years. India's growth is driven mainly by 45 million Indian entrepreneurs.

The Economist of October 2, 2010, quoting Chetan Ahya and Tanvee Gupta of Morgan Stanley, predicting that India's growth will start to outpace China's within three to five years. India will rack up successive years of 9-10% for the next 20-25 years, and will grow faster than any other large country, they expect.

India is a huge market for the GCC countries with a massive consumer base. According to a McKinsey Global Institute (MGI) study published in July 2010, titled " Bird of Gold"-The Rise of India's Consumer Market, the total consumption in India is likely to quadruple making India the Fifth largest consumer market in the world by 2025.

Furthermore, the BMI India Retail Report for the third-quarter of 2010 released in May 2010 forecasts that the total retail sales will grow from US\$ 353 billion in 2010 to US\$ 543.2 billion by 2014.

India today is a huge power house of more than 1.2 billion people. A reservoir of human energy. Indians are young and keep growing. The surge of working-age population is increasing, with millions of them English-speakers.

The proportion of Indians aged under 15 or over 64 has declined from 69% in 1995 to 56% this year, according to the UN. India's working-age population will increase by 136 million by 2020.

The GCC countries already depend upon India for a number of its growth and development requirements, in particular human resources. India provides the entire GCC countries with professionals, expertise, brains, skills and semi-skilled manpower.

Collectively the GCC Countries are hosts of the largest expatriate Indian community estimated at 5 million people working hand in hand with the GCC nationals in the nation building efforts. They became a vital source of hard currency to India through regular transfer of remittances currently estimated at US\$ 30 billion annually.

The GCC is full of inspiring stories of Indians who came to the region with just their meager life savings and parlayed this into stunning business empires and vast fortunes, generating economic success and employment for GCC nationals and Indians alike. Indian professionals run our hospitals as doctors, Indian entrepreneurs have built factories and educationists have established schools; your engineers have built our roads and bridges.

Indians in the Gulf create a vital economic, cultural and human links between the people of the two regions. They ensure close cultural interaction and bonds between the two nations, they also build bridges of understanding which create goodwill and appreciation on a daily basis.

The trade and external sector of India continue to witness heightened momentum due to the growth in exports, increase in capital inflows and addition in the foreign exchange reserves.

As per a report titled "Macroeconomic and Monetary Development in 2009-10" released by the Reserve Bank of India (RBI) in April 2010, the exports reported a growth of around 20.5% during November - February 2010, while imports posted an increase of 40.3% during December 2009 - February 2010' showcasing the impact of global recovery on the Indian economy.

As per the same report, India's balance of payments during April-December 2009 also remained upbeat and stood at US\$ 11.3 billion.

The report further stated that the gross capital inflows during the period reported a figure of US\$ 257.1 billion and the net capital account stood at US\$ 43.2 billion during the period.

Foreign exchange reserves were up by US\$ 1.69 billion to US\$ 272.783 billion for the week ended June 11, 2010 on account of revaluation gains.

Additionally, as per the RBI's supplement, the gold reserves were valued at US\$ 19.4 billion as on June 4, 2010. The RBI has the tenth largest gold reserves in the world after spending US\$ 6.7 billion towards the purchase of 200 metric tones of gold from the International Monetary Fund (IMF) in November 2009.

India has a very strong and resilient banking system to support the growth of business between the two regions.

In the annual international ranking conducted by UK-based Brand Finance Plc, 20 Indian banks have been included in the Brand Finance Global Banking 500.

The State Bank of India (SBI) has become the first Indian bank to be ranked among the top 50 banks in the world, capturing the 36th position, as per the Brand Finance study. The brand value of SBI increased from US\$ 1.5 billion in 2009 to US\$ 4.6 billion in 2010.

ICICI Bank also made it to the top 100 list with a brand value of US\$ 2.2 billion. The total brand value of the 20 Indian banks featured in the list stood at US\$ 13 billion.

India, like the rest of the world, had to deal with the impact of the recent global economic slowdown. However, when compared with the rest of the world, India stood out as one of the better performers and continues to remain a primary focus for many businesses. The country managed to arrest the negative fallout of the global slow down.

The Economic Survey for the fiscal year (FY) 2009-10 reveals that the country's GDP growth rate for FY 2009-10 is expected to be 7.2%. In addition, industrial production has seen record levels (touching 11.7% in November 2009), exports (US\$ 81.4 billion as on September 2009) have regained the lost momentum, domestic private consumption has increased from last year's level and the capital markets have remained strong and robust. The Economic Survey further reveals that manufacturing sector has grown at 8.9% in FY 2009-10, higher than that of services (8.7%) and industry (8.2%).

## **7. INDIA-GCC TRADE:**

Trade between India and the GCC has witnessed impressive growth in recent years. During a period of 5 years, between 2000 and 2005 India's total trade with the GCC countries has risen nearly three-fold from US\$ 7 billion to US\$ 19.3 billion, and then to US\$ 23.4 billion in 2006, (Source: Direction of Trade Statistics , IMF, 2006 ).

Total trade between India and the GCC has crossed US\$ 91 billion in 2008 i.e. it has grown at an average annual growth of 50%. India is hopeful of growing its bilateral trade with the GCC countries to US\$ 120 billion in the fiscal year (FY) 2010-11, an increase of 20% from the US\$ 100 billion registered in 2008-09. The trade is poised to pass the US\$ 130 billion by the year 2014 according to the Associated Chambers of Commerce & Industry of India (ASSOCHAM).

Today the GCC is India's single largest origin of imports and second largest destination of export according to a study prepared by Dubai Chamber of Commerce and Industry in June 2010. GCC share in India's trade has increased from 8.6% in 2004 to 18.7 % in 2008.

Further the GCC as a bloc accounted for as much as 42.5% of the total value of contracts secured by Indian project exporters during 2000 to 2005' (Source: EXIM Bank "GCC countries, a study of India's trade and investment potential" Occasional paper No. 110, 2006 ).

The economic and trade relations between the two regions found a new impetus with the discovery of oil in the Gulf Region. Today 70 % of India's oil requirement is imported from the Gulf, primarily from Saudi Arabia followed by Iran. Economic growth of India will increase its demand for oil and its dependency on the GCC as the source of supply.

According to Oil and Gas Journal, India has approximately 5.6 billion barrels of proven oil reserves as of January 2010, the second-largest quantity in the Asia-Pacific region after China. India produced roughly 880 thousand barrels per day ( bb/d ) of total oil in 2009. The combination of rising oil consumption and relatively flat production has left India increasingly dependent on imports to meet its demand.

India's oil demand grew to 3 million barrels per day in 2008. Oil imports rose to US\$ 8.1 billion in April 2010 from US\$ 4.7 billion in April 2009. India today is the 5th largest consumer of oil in the world. The US Energy Information Administration (EIA) expects India to become the fourth-largest net importer of oil in the world by 2025, behind the United States, China and Japan. India is likely to be the 3rd largest consumer of oil in the world by 2030, thus India's reliance on GCC will continue to increase.

Furthermore, current oil reserves statistics confirms earlier reports published in 2007 by the BP Statistical Review of World Energy that Indian oil reserves will last for a maximum of 20 years from that date. Comparatively, reserves of Iraq and Kuwait are expected to last for more than 100 years at their current rate of production, while that of Saudi Arabia is projected to last another 66 years.

Oil constitutes the bedrock of the economic relationship between the two regions. A renewed dynamism is required. Strengthening and expanding trade and economic relationship should be a major priority of both.

A current study conducted by the Research and Information System for Developing Countries (RIS), New Delhi, concluded that the magnitude of India's export potential with the GCC is very high, highest with Oman, followed by Qatar, Bahrain, and Kuwait, although India's export basket to the GCC Countries is not diversified enough and in some cases confined to limited number of items. It further adds that currently India can increase its exports to Oman by 3.75 times, and to Qatar, Bahrain and Kuwait by 2.68, 1.46 and 1.16 times respectively, and could increase in absolute numbers to US\$ 1892.6 million with Oman, US\$ 671.6 million with Qatar, US\$ 609.6 million with Bahrain and US\$ 303.4 million with Kuwait.

In this connection, the Final Report of the third session of the GCC-India Joint Study Group held recently in Riyadh stated that "on the economic front, one conclusion was that while trade volumes had increased, trade complementarity between India and the GCC had not been optimized. A more thorough and integrated business approach was needed that could work out a master plan for well-connected joint ventures. There is further a need for dedicated joint investment funds that can provide the overall context to expanded economic ties. For the moment, one or several large joint projects covered by such a fund do not exist".

The Report further recommended that "a task force should be set up to identify sector specific business opportunities and prepare a blueprint for interlinked investment in both the GCC and India". There is also a greater need for the involvement of the private sector as the last meeting of the industrial businessmen took place in 2007. Such avenues of contact need to be brought to life, the Report stated.

India and the GCC should finalize the signing of the Free Trade Agreement (FTA) between them in order to accelerate the process of their economic integration and be in line with the current global environment.

The FTA is expected to remove restrictive duties, push down tariffs on goods and pave the way for more intensive economic engagement between the two blocs which will result in boosting the bilateral trade by at least 30%.

The discussion for the finalization of the agreement has been going on since 2005. Already three rounds of talks have been completed.

The governments of both the GCC and India have already demonstrated clear commitment towards this objective through the signing of the Framework Agreement of Economic Cooperation in New Delhi back in 25 August 2004. This was then, and is still, considered another significant milestone in the Indo-GCC scenario.

However, prolonging the current stand-still situation of the negotiations will ultimately hamper the development of the strategic engagement between our two regions which we all are looking for. Our conference should call upon our governments to iron out their differences and to expedite and fast-track the negotiations in order to reach a speedy conclusion leading to the signing of the Agreement.

## **8. BROADEN THE RECIPROCAL FLOW OF INVESTMENTS:**

The GCC as a capital rich region need to invest abroad and the potential of investment in India is growing rapidly. At the same time the GCC Countries need to attract foreign investment and India has also emerged as an outward investor. Both the regions are recipient and providers of foreign investments, both are equally attractive investment destinations.

India is both a major destination for Foreign Direct Investment (FDI) and a major source of FDI according to the "OECD Investment Policy Review: India 2009 Report". Further, as per "The World Investment Report 2009" India has been named as one of the top five most attractive locations for FDI for 2009-11.

India has been ranked at the third place in global foreign direct investments in 2009 and will continue to remain among the top five attractive destinations for international investors during 2010-11, according to United Nations Conference on Trade and Development (UNCTAD) in a report on world investment prospects titled "World Investment Prospects Survey 2009-11" released in July 2009.



Flow of FDI equity to India has increased three-fold from US\$ 5.5 billion in 2005-06 to US\$ 16 billion in 2006-07.

GCC investment in India has significantly increased in the last two years and is now estimated at more than US\$ 125 billion, KPMG India said in a Report published in the Pan-Arab daily newspaper Al Sharq Al Awsat in May 26, 2010.

The GCC States favor India as a destination for their overseas investments as an alternative to western markets that are hit by financial crisis, the Report said.

The sectors that have attracted these investments are the infrastructure sector with cumulated investment of US\$ 112 billion, the special economic zones with investment of US\$ 12 billion, agriculture and food processing US\$ 900 million, real estate US\$ 700 million, and oil and gas US\$ 500 million, it added.

The UAE has invested about US\$ 4.5 billion in India in the last few months, according to recent unconfirmed data, said the Report.

GCC companies named India as one of their investment destinations over the next five years and 34% of them considered India as the best place for investment, according to the KPMG study.

The above demonstrate the extent of investments opportunities in India for GCC investors particularly institutional investors.

To support this view the Economic Survey 2009-10 concluded that foreign institutional investors (FIIs) have made record investments in the equity market of the country during last year. The survey stated that the net FIIs investment into the equity market stood at US\$ 18.1 billion in 2009 in comparison to US\$ 11.5 billion in the previous year.

It is estimated that India will need to attract US\$ 500 billion of foreign investments in the next decade to meet its growing infrastructure needs. This provides a wide range of opportunities for GCC investors and private sector companies to form partnerships and joint ventures with their counterparts in India.

## **9. INDIAN INVESTMENT ABROAD:**

Indian companies are increasingly going global and they are steadily buying up companies abroad as strategic acquisition, indicating the growing competitiveness of the Indian corporate sector. Arcelor Mittal, based in Luxembourg, is the world's largest steel firm. Tata Motors now owns Jaguar and Land Rover, two luxury brands. Bharti Airtel, a mobile-phone company with 140 million subscribers in India, is rapidly expanding into Africa, to mention only a few.

Indian overseas investment policies have been progressively liberalized and simplified to meet the changing needs of the growing economy.

Recent Indian investments in the GCC countries include: Jindal Steel and Power Ltd which has recently completed the acquisition of Oman-based Shadeed Iron and Steel Co. LLC for US\$ 464 million. Aditya Birla Group's cement arm, has acquired Dubai-based ETA Star Cement Company for a price of Rs 1,700 crore.

There are no available figures that show the share of the GCC as a bloc in FDI flows into the GCC from India. Limited individual country sources confirm that India has also been one of the major providers of FDI into the GCC, for example, India is the third largest investor in the UAE after the UK and Japan constituting 11% of the total FDI flow into the country in 2006 according to the UAE Ministry of Economy sources.

Many GCC companies have developed solid capabilities, resources and expertise in building and developing infrastructural projects like ports, roads, highways, power, real-estate, etc. The GCC should capitalize on its comparative advantages and expand cooperation in the manufacture of hydrocarbons, energy-intensive metal, mineral- based products.

GCC investors can enjoy and benefit from a package of advantages offered by India, particularly for industrial joint ventures which include: a massive domestic demand, a huge cost saving, a very wide talent base and a recognized leveraging IT competitiveness.

Sectors that provide large investment opportunities in India include: agriculture and food processing, knowledge and skill based services like IT, education and scientific researches, medical and health care etc.

## **10. DEFENSE TREATY TO PROTECT OUR JOINT INTERESTS:**

Both India and the GCC Countries as sovereign states owe to their people their primary duty and responsibility of protecting them. The socio-economic stability, peace, security and economic development in both the regions necessitate security and defense cooperation between the two nations. The socio-economic achievements, the goals and aspirations of the people need to be protected. Economic power need to be backed by military strength.

Both the regions should not leave their national interests exposed. The two regions share the desire to protect and safeguard their economic and political interests. They share common political concerns and security challenges. Physically, both the regions mutually share a strategically very important and vital two bodies of water - The Arabian Gulf and the Arabian Sea.

The GCC Countries and India also need to protect themselves from the threats of terrorism. The extent and magnitude of terrorist threats confronting both India and the GCC Countries, and its direct devastating impact on the overall stability and development in both the regions, also warrant agreeing on security and defense arrangements between the two nations.

No one now can deny the existence of a very strong relationship between terrorism and defense capability development. Since militants killed 174 people in 3 days in Mumbai, in November 2008, Indian government defense spending grew by 25% as it moved to modernize its weapons

systems and overhaul its security forces, according to an article published in the CEOWORLD magazine in July 6, 2009.

These challenges require forging a new era of closer security, defense and military cooperation. These challenges make the two regions natural and indispensable allies and partners in safeguarding peace and stability.

The time has come and the current global challenges impose on the two regions to strengthen their centuries-old relationship by entering into security arrangements aiming at organizing the need for safeguarding their territorial integrity as well as their socio-economic and political interests.

India should be actively engaged with the security issues of the Gulf region. It carries a responsibility towards its extended neighborhood; the countries on its western flank. It needs to take more pro-active stand in this regard which should reflect its new role, new strength and power and employ them as instruments of good will and peace.

India and the GCC should recognize the fact that through centuries of engagements and close interaction both the regions developed a common ground of external and internal dynamics which cannot or should not be ignored.

The GCC Countries and India, each in its own way is committed towards the development of strong defense capability. This commitment can be demonstrated through the extent of the financial resources committed towards the defense sector.

## **11. GCC DEFENSE SPENDING:**

GCC Countries' defense expenditure in 2008 exceeded 5.6% of GDP, compared to global average of 2.4%. The USA spends 4% of GDP on defense, China 2.7%, France 2.4%, Britain 2.3% and Russia 2.7%.

40% of the world's total weapons sales during the 1990's went to the GCC Countries. The ratio of military spending to Gross Domestic Product (GDP) in the GCC Countries combined is the highest in the world and, on average, is around 6%. This ratio is more than two times greater than in the industrialized countries, where the average is closer to 2.4%.

The US based Forecast International consultancy predicts that GCC governments are expected to spend US\$ 83 billion on defense sector in 2015, up by 22% from US\$ 63 billion this year (2010). In total, GCC Countries' military and security expenditure account for 60% of the entire military spending of the Middle East. Two-thirds of that total contributed by the Kingdom of Saudi Arabia.

The Countries of the GCC, which have both the financial clout and political leverage to acquire the latest and the best products in offer, have made recently a string of procurement of air, naval, and armored assets, moving resolutely towards the creation of well-equipped and trained forces capable of meeting dangers and challenges.

Saudi Arabia puts around 30% of its regular state budget into defense, according to Forecast International Europe and Middle East military markets analyst Dan Darling.

The world's biggest defense manufacturers are increasingly seeing the Gulf as a vital destination for their products.

World military expenditure is estimated to have been US\$ 1531 billion last year, an increase of 6% over the previous year, according to the Stockholm International Peace Research Institute (SIPRI), although world output saw a fall by 1.1% in the same year due to the global financial crisis and economic recession. The US military spending accounted for 43% of the world total in 2009.

Data from SIPRI says that 33% of all arms transferred to the region went to the UAE, which was also the fourth-largest importer of arms worldwide during the 2005-2009 period. UAE is expected to spend US\$ 13 billion on defense this year.

It is also expected that the UAE will confirm, during this year, a deal with France to upgrade its air force to the new Rafale jet fighters. The deal could be worth US\$ 7 billion.

The UAE has also signed contracts to buy US military equipment worth US\$ 35 - 40 billion. Further, It has already received clearance to buy Thaad, a high altitude missile defense system being developed by Lockheed Martin.

Additionally, the UAE is investing in weaponry produced by European companies, with Abu Dhabi due to buy 80 Rafale jet fighters built by Dassault of France.

2009 saw the delivery to the UAE of the first of 72 Eurofighter Typhoon combat aircraft from the UK on the back of a US\$ 9.5 billion deal signed in 2006.

The UAE and Kuwait have each signed contracts for upgrade to their Patriot missile defense systems, developed by Raytheon, which cover lower levels of an air defense "curtain".

Oman is spending US\$ 12 billion and Kuwait US\$ 7 billion in the period until end - 2014 on replacing and upgrading war-planes and new command and control systems. Oman's package will include 18 new F-16 fighters and upgrade for another 12.

Qatar, which hosts the forward HQ of the US Central Command (CentCom) at Al Udaid air-base, is only buying transport aircrafts to expand its delivery capability. Al Udaid contains pre-positioned material to equip two armored brigades; the largest such pre-positioning of US army material outside the United States. Therefore, the military development plans in Qatar are heavily conditioned by this protective presence, which includes two Patriot anti-missile batteries. Qatar does not feel the need for massive spending on defense capability build up. In fact Qatar wants to sell its fleet of MERAGE 2000-5 fighters, which were withdrawn into storage after a very short service period. A tentative deal with India collapsed in mid-2009 as the price offered by India (US\$ 375 million) was less than what Qatar expected.

On October 4, 2010, APS Diplomat News Services reported that GCC Countries have ordered US weapons worth some US\$ 123 billion.

Bahrain, which was designated as a "major non-NATO ally" to the United States and currently is the host of the US naval HQ for the 5th fleet, ordered Patriot anti-missile batteries and other US weapons.

Saudi Arabia was the first country within the GCC to start the process of military modernization.

A package of US arms worth more than US\$ 67 billion for Saudi Arabia accounts for the largest component of the GCC military build-up. The first phase of this is worth US\$ 30 billion.

Saudi Arabia will receive 85 new F-15 jet fighters and another 70 will be upgraded. A successor agreement is expected to provide for the upgrade of Saudi Arabia's radar and missile defense systems and an ambitious modernization of the Saudi Navy's eastern fleet.

Saudi Arabia has been projected by SIPRI to spend just under US\$ 40 billion on defense purchases this year.

Saudi Arabia also needs equipment for counter-insurgency such as helicopters and night-vision equipment to build up its counter-insurgency capability.

Moscow is hoping to finalize soon a US\$ 2 - 4 billion arms package with Saudi Arabia.

To demonstrate the extent of the annual increase in defense spending in the GCC Countries, we will site only two examples:

- A. Defense expenditure of Saudi Arabia in 2004 was US\$ 20.9 billion, 2005- US\$ 25.4 billion, 2006- US\$ 29.5 billion, 2007- US\$ 35.4 billion, 2008- 38.2 billion and 2009- 40.2 billion.
- B. Oman defense expenditure in 2003 was US\$ 2.62 billion, 2004- US\$ 2.97 billion, 2005- US\$ 3.65 billion, 2006- US\$ 4 billion, 2007- US\$ 4.1 billion, 2008- US\$ 4.5 billion and 2009- US\$ 4.82 billion.

The main source of supply of smart weapons to the GCC Countries is the West with the United States as number one, the United kingdom is number two and France number three. Russia also supplying some and China is trying.

The GCC Countries and the United States, in particular, have maintained a relatively strong relationship over the years built on security concerns within the Middle East regions and progressively the United States became the major security and military ally for the GCC Countries.

The GCC Countries are fully aware that acquiring such a large amounts of highly sophisticated technological weapons make them actually lose a major part of their independent control of their

own security. Furthermore, the massive price which the GCC Countries pay to buy military hardware and technology will consequently and eventually push them to commence developing and manufacturing defense equipment and systems. Major international suppliers to the region have long realized this fact, many of them have already submitted their offers.

Caracal of the UAE has developed a range of modern pistols, yes it is a humble step; but it's the beginning.

The Saudi aviation technical provider, Alsalam has developed a partnership with the US manufacturing giant Boeing. Mr. Paul Olivier, regional vice president of international business development of Boeing Defense, Space and Security said recently that " Alsalam is a strategic resource for providing the Kingdom of Saudi Arabia with self- sufficiency in the aircraft maintenance field through technology transfer and training of Saudi nationals. It is a premier provider of military and commercial aviation products and services in Saudi Arabia".

The UAE is currently working also with Boeing to develop the country's aerospace capabilities.

Both Saudi Arabia and the UAE have labored to build up their indigenous military industries, often through technology transfer and offset agreements that accompany any new arms procurement deal.

The above scenario provides the right background and the required incentives for both the GCC Countries and India to set together and lay down a road map which should lead to a partnership in a wide range of joint defense industries. The volume of the demand and the size of the markets of both the regions and beyond justify such a viable proposition which will also put in their hands the control and the independence essential for shaping their destiny.

## **12. INDIA'S DEFENSE SPENDING:**

India spent US\$ 50 billion in the last decade on defense purchases. In the Union Budget of the fiscal year (FY) 2010-11, expenditure of about US\$ 32.03 billion has been allocated to national defense; an increase from US\$ 29.62 billion revised estimates for the last year. The total defense budget has increased by 8.13%.

The budget includes an allocation of US\$ 13.29 for capital acquisition, an increase of 25.46% over last year. The total defense budget accounts for about 13.29% of the total central government expenditure, as per a current study published by Deloitte.

India's defense expenditure grew 9 times during the last two decades. India now is the 10th largest defense spender worldwide, (source CIA World Factbook 2008).

Furthermore, India is currently undergoing a massive military modernization and defense capability development programme running into billions of dollars.

According to a recent issue of Wall Street Journal, India now is one of the largest buyers of foreign-made munitions, with a long shopping list which includes virtually all types of weapons

and systems, including big-guns, fighter aircrafts, armored vehicles, radars, missiles, naval vessels, among others.

It has to be noted, however, that despite the hike in India's defense spending it is still at about 2% of the GDP. India's defense expenditure is below the global average of 2.7% of world GDP, according to the Stockholm International Peace Research Institute Yearbook 2010. Global military expenditure stood, last year, at US\$ 1.531 trillion, according to the same yearbook. India accounted for 7.5% of all international arms sales between 2000 and 2007.

For 2010 and 2011, India could well be the most important market in the world for defense contractors looking to make foreign military sales, according to Tom Captain, the vice chairman of Deloitte LLP's aerospace and defense practice.

During the next 12 years, India is set to spend US\$ 200 billion on defense acquisitions to replace its old inventory. Nearly half of this amount will go to the Indian Air Force (IAF), according to a report of the Indian strategic defense magazine (Indian Strategic DefExpo) published on February 15, 2010.

According to the Five Year Plan, India is likely to spend nearly US\$ 100 billion on military procurement during the current Five Year Plan (2007-12), and US\$ 120 billion in the next plan period (2012-17), the later coinciding with the last phase of India's ambitious military modernization plan.

The staggering amounts of money being spent annually by both the GCC and India for the purchase of armament as shown above, provide the right background and the required incentives for both to set together and lay down a road map which should lead to a partnership in a wide range of joint defense industries. The volume of the demand and the size of the markets of both the regions and beyond justify such a viable proposition which will also put in their hands the control and the independence essential for determining their own course of action.

In the proposed defense and security cooperation between India and the GCC Countries we should concentrate at the early stages on two major and vital areas, namely:

1. Defense research and development
2. Defense industry and production.

### **1. Cooperate in joint defense research and development activities, set up defense research institutions and joint ventures.**

In this regard India is a very strong and reliable partner, it has a solid and matured defense research and development infrastructure. This cooperation could be achieved in conjunction with the Indian Defense Research and Development Organization (DRDO). This institution is India's premier defense research agency, which was set up in 1958.

DRDO has 52 laboratories engaged in developing defense technologies in various fields like aeronautics, armaments, electronics & computer sciences, human resources development, life sciences, materials, missiles, combat vehicle development and naval research & development.

DRDO employs more than 5,000 scientists, and 25,000 technical and support personnel. Egypt, Italy, Britain and France are among the countries which have expressed interest in the DRDO's projects and products.

## **2. Establish joint defense manufacturing industry.**

India has a particularly large and sophisticated defense industry in comparison with the rest of the developing world.

It can currently produce main battle tanks (MBT's), a variety of short and medium range ballistic missiles, surface-to-air-missiles (SAM's) and a light combat aircraft (LCA), along with small arms, ammunition, artillery and armored transports. Currently under design is a medium combat aircraft, expected to be produced this year.

India will soon become the first country in the world to have a cruise missiles with a hyper speed of 6000 Km per hour (Times of India, Sep. 6, 2010' quoting an Indian defense source). An agreement for the joint production of this hypersonic version of the BrahMos cruise missile will be signed with Russia during the visit of President Dmitry Medveden to New Delhi in December 2010. BrahMos has already been developed and tested.

Production of weapons in India was, until 2002 entirely a government function. The Industrial Policy Resolution of 1948, restricted the entry of the private sector into the defense industry.

As part of the opening of the Indian economy, this industry was opened for private sector participation in May 2002, with 100% private sector ownership and Foreign Direct Investment (FDI) of up to 26%.

However, the Indian private sector share of the Indian defense market did not exceed 9%, a fact demonstrates the extent of the opportunity for GCC and Indian private sectors companies.

Indian private sector and companies have been providing components to the Indian defense forces for nearly 30 years. Currently the defense market for private sector firms in India, which includes outsourcing from Defense Public Sector Undertakings (DPSU) and ordnance factories, is estimated to be worth US\$ 700 million. This spend is expected to increase steadily with the growing participation of private players in the defense industry that the government is keen to encourage, according to a recent study conducted by KPMG and commissioned by the Confederation of Indian Industry (CII).

Indian companies who have been engaged in the defense industry have gained experience and will welcome GCC investment participation to develop, grow and capture this huge domestic and regional market.



The expansion of defense capabilities and the growth of the defense market in India, the GCC Countries and the Middle East region as a whole, represent an opportunity for Indian companies and Gulf investors to penetrate into this unexplored domain of profitable enterprise. Defense production requires large investments and substantial research and development support between India and the GCC, this happy marriage can be successfully accomplished.

## **CONCLUSION:**

Allow me finally to express my thanks and appreciation for inviting me to participate in this conference and to meet such a distinguished gathering of scholars and experts and benefit from their views and wisdom.

I know very well that when it comes to making a case for doing business with India, at this conference, I'm actually preaching to the converted, regardless of where in the world I'm speaking; the world today wants to work with India as the nation gets set to accelerate its economic growth; the GCC Countries are no exception. India and the GCC share the need for development, prosperity, peace and stability.

We are fully aware that the leaderships and the governments of our regions are as keen as any one of us here in expanding the relationship between them in all the spheres. This has been demonstrated through the regular contacts and visits between leaders and government officials of both the regions.

Over the last few years, the GCC-India relations has been nurtured by numerous exchanges of visits by leaders of States such as the visit of the Prime Minister Dr. Manmohan Singh to Qatar and Saudi Arabia and Vice President M. Hamid Ansari's visit to Kuwait as well as the visits of Senior Officials and Business Delegations to Bahrain and other GCC Countries.

In this context, I would like to mention that even much earlier, our Late Amir, His Highness Shaikh Isa Bin Salman Al Khalifa visited India twice. Our Prime Minister, His Royal Highness Prince Khalifa Bin Salman Al Khalifa also visited India. The last of such visits was made two years ago by His Royal Highness Prince Salman Bin Hamad Al Khalifa, the Crown Prince and Chairman of Economic Development Board of Bahrain.

During his visit, the Crown Prince, in particular, reiterated that small and medium enterprises are the central power point of the progress of our Kingdom. He invited Indian expertise and offered partnership to Indian entrepreneurs to join us in expanding this sector. He also called upon Indian companies and investors to join us in our endeavors and share with us the fruits of our economic growth.

Our organization, the Bahrain India Society received during the last few months, Shri Kapil Sibal, the Indian Minister of Human Resource Development, Shri Montek Singh Ahluwalia, the Deputy Chairman of Planning Commission of India and Dr Shashi Tharoor, the then Indian Minister of State for External Affairs. The three distinguished senior officials spoke to the members of our Society and their guests.

Let me take advantage of this august gathering to highlight that Bahrain is the first GCC country to sign a Free Trade Agreement [FTA] with the United States of America and our infrastructure is world class! Our legal systems are sophisticated and transparent and we pride ourselves as being business-friendly!

Time and again, Bahrain has been voted among the freest economies of the world. We have no income-tax and the most recent advantages include a brand new port – The Khalifa Bin Salman Port – and the new industrial zone.

I have no doubt, that the delegates of the other countries of the GCC at this conference will also extend to you the same cordial invitation. They and I are making a plea before you for joint cooperative efforts between our regions to expand our business cooperation and to use the power of economic development to increase political interaction between our countries, which I believe, will be effective shields against security threats, which are the concern of our conference.

We are here to contribute to the writing of a new chapter in the Indo-GCC story. In doing so, we are confident that the GCC and India will work together to strengthen cooperation and to explore opportunities across the entire spectrum of potentialities that exist. We wish to work together today with an eye on tomorrow to consolidate our ties in emerging sectors of the economy so that we can develop a framework for our future generations.

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