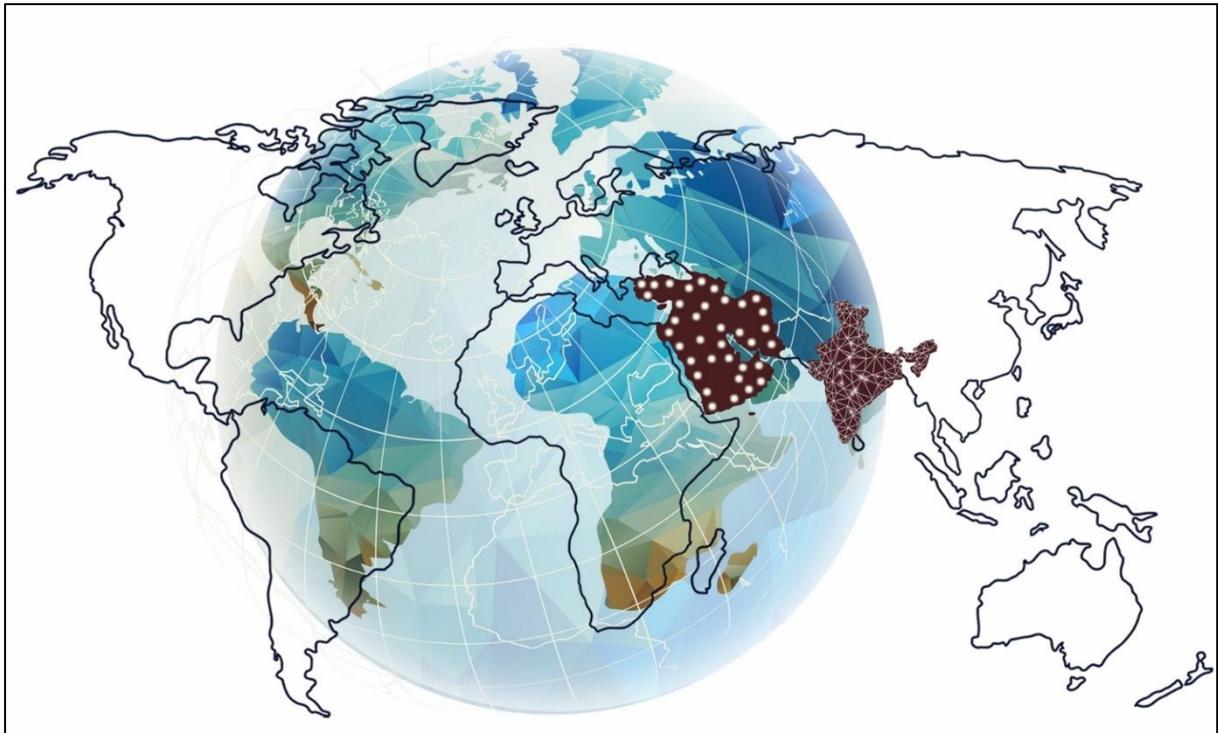


# India- Gulf & West Asia Knowledge Report

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## India- ARAB Relations- Overview

India has traditionally enjoyed close and friendly relations with Arab countries. These relations date back to ancient times. There are important Indian investments in countries stretching from Oman to Egypt, Sudan and beyond. There have been cultural ties with the region throughout history. Much of our external trade passes along the Suez Canal, the Red Sea and the Gulf of Aden.

The economic relations between India and the Arab countries have to be stepped up to match the strategic partnership and bilateral understanding at the senior level. The Government of India has been balancing its foreign policy as per the evolving geopolitics and has successfully managed its balancing act in West Asia in view of the restructuring of geopolitics landscape of West Asia.

The key elements of India-Arab countries' economic engagement are characterised by energy security, food security, human resource exchanges, growing trade and investment relations and strong connectivity. On energy security, 53 per cent of India's oil imports and 41 per cent of gas imports come from the Arab region. India has stakes in oil blocks in Iraq, Syria, Libya, UAE, Yemen and South Sudan. The nature of the partnership has evolved from mere hydrocarbon ties between buyer and seller to participation in upstream & downstream projects, joint ventures in refineries and building of strategic oil reserves.

With both India and the Arab region engaged in reforms and transformational changes in the economy, the strong political understanding and goodwill between the people provides tremendous potential to take economic engagement to a higher level.

## Reimagining Business Beyond Oil for Gulf and West Asia

India-West Asia relations remain centered on two key pillars: energy security and a huge Indian diaspora. In this era of global disruptions and India's shared vision with the region of cooperative growth, prompts us to reimagine our future opportunities for economic growth. Various countries in the region have transformed themselves from trading hubs to media, entertainment and tourism centres.

Other countries are rapidly adapting themselves to new realities and transforming into services or manufacturing hubs. The focus on sustainability and commitment to diversity and inclusion, are part of this transformation and new growth story. At the same time, major economies of the Gulf look at India as an opportunity for investments and trade.



India's relations with the Gulf has evolved over the year, with India looking at expanding the horizons when they conceptualise on India's engagement with this region. Similarly, Gulf countries are keen to diversify their markets and economic systems, and consider India as an increasingly appealing partner. As a result, today India engages more countries in the Gulf on a wider range of topics and at a more substantive level than it ever has in the past.

The Gulf is a critical source of global energy and the western bookend to the Indian Ocean region, which India considers its sphere of influence. Therefore, it is naturally part of India's foreign policy ambitions. In particular, Honourable Prime Minister of India has elevated India's relations with the Gulf countries. One of flagship programme of Government of India "Make in India initiative" to boost domestic manufacturing and economic growth, is predicated on attracting greater foreign investment. The Government of India is encouraging the oil-rich Gulf economies to see India not just as an energy market, but also as an investment destination and economic partner.

India's reimagining of its own role in the world and the role the Gulf can play in its economic transformation is significant for strengthening the economic engagement between the two regions. Apart from cooperation in energy and remittances, India is attempting to widen the horizon of economic engagement with Gulf countries as the region can play an active role in India's economic renaissance. While the energy trade still remains the anchor of India-Gulf economic relations, there has to be greater emphasis towards broadening India's commercial engagement with the region. Around a quarter of India's total imports are from the Gulf, with nearly 80% of these imports being crude oil and petroleum products.

India's cooperation with this region has become more comprehensive, moving beyond the oil-energy trade to **include maritime cooperation, strategic oil reserves, joint energy exploration projects, military-security ties, and mutual investments.**

India remains the trusted and long-term reliable source of food exports to the Gulf, with growing ties in the rest of the Arab world. The partnership has become stronger with connectivity, establishment of joint ventures and cooperation along the value chain. At the same time, India sources 60% of fertilizer and raw material imports from the Arab world, which deepens our mutual relations.

**1. FOOD PROCESSING:** There is enormous potential for investments in the **food processing sector** in India and India has been discussing on **UAE investments in food corridors** in India during recent meetings this year. There are immense opportunities for investment in **various areas of food processing such as cold**



**chains, food parks, contract farming and logistics which can be explored by investment firms in Arab.** There has also been focus towards exchange information in new areas such as **saline water agriculture.**

In order to enhance cooperation in this sector, both sides have to consider suggestions such as single window clearances for investments, standardization of certificates for food exports from India, recognition of organic products of India, support for SMEs in identifying new markets and marketing of Indian products. India is the largest participant in Gulfood with almost 300 companies and India's food exports to UAE stand at almost 1.8 billion dollars.

2. **HEALTHCARE :** There is a need to strengthen bilateral engagements in **the health and medicine sectors.** India has signed agreements with some of the countries of this region to encourage cooperation in a wide range of fields, including **health, medical science, medical education, and research, as well as the establishment of joint working groups for smooth and regular discussions on these issues.**

India provided emergency medical supplies to several Arab countries, emerging as the first provider of humanitarian assistance to Covid. Indian medical team went to Kuwait and Indian medical and humanitarian supplies reached Lebanon soon after the tragic explosion at the Beirut port. Further, India was able to provide, during the pandemic, thousands of healthcare professionals to Saudi Arabia and hundreds to Kuwait, Bahrain and UAE to help them address the challenge of Covid. **India and ARAB countries have been discussing cooperation in Covid research and testing and to support in vaccine availability when the vaccine is developed.**

The outbreak of this pandemic has made both sides realize the need to intensify cooperation in the healthcare sector. As most of the major countries have already signed health-related MoUs or agreements with India, it should not be an extraordinary task to augment engagements in this sphere.

3. **DIGITAL TECHNOLOGY :** The global pandemic has also highlighted the need for technology led solutions across various sectors of the economies. This challenging situation has transformed the digital landscape of the countries and has opened a plethora of opportunities in New Emerging Technologies, especially in ICT, consultancy, fin-tech, logistics, edutech, healthtech and others. These technologies are necessity to adapt to the new normal and promote efficiencies and leverage future growth and development for the businesses.



In this emerging times of Industrial Revolution 4.0, there are also opportunities for cooperation for Centres of Excellence focusing on AI, machine learning, and IoT. India needs to take forward its partnership with Gulf **focused on technology collaboration, R&D and high capital-intensive projects that drive future oriented growth.**

4. **HIGH TECHNOLOGY SECTORS** : India can consider expanding cooperation in **High Technology cooperation, especially in defence sector and space sector**. With the increased participation of private sector in these areas, we can expand equipment and armament export. In space sector, there is potential for **training, launch of satellites, sharing of satellite data etc.**
5. **OTHER** : India's corporate presence in the Arab world has grown in construction, **FMCG, IT & ITES, banking, power, fertilizer, automobiles, chemicals, petrochemicals, tourism, healthcare and pharmaceuticals**. On connectivity, India has **direct flights to 9 Arab countries, with extensive connections with GCC countries**, in particular.

#### How India can collaborate with Gulf & West Asia

1. Major economies of Gulf look at India as an opportunity for collaborations in New Emerging Technologies, especially in ICT, consultancy, fin-tech, logistics, edutech, healthtech and high end digital solutions.
2. India offers great investment opportunity to sovereign wealth funds in projects offered under Aatmanirbhar Bharat, which provides a vision of India's plans to become a U\$5 trillion economy. These funds need to look beyond portfolio investments.
3. Gulf & West Asia should collaborate with Indian start-ups and offer innovative technology and solutions
4. Developing joint projects on both sides, as well as collaborative projects in third countries, a stronger corporate presence in each other's areas & expansion of connectivity, will give a new dimension for economic engagement.
5. Governments of the region needs to come up with a lot of amendments in the taxation system, bankruptcy rules and is moving more towards privatization to increase Indian investment in the region
6. There are a lot of opportunities due to digitisation in the post COVID era.



## Conclusion

India will have to stay more closely engaged and create mutually beneficial and sustaining economic and strategic stakes. We need to work bilaterally, trilaterally, regionally and globally through existing and newer framework. As the importance of the hydrocarbons may decline, newer areas of opportunities especially in renewables, collaboration in AI-driven Industrial Revolution 4.0, Civil nuclear, space and visible defence collaborations will become prominent.

## Annexure 1: Bilateral Trade and Investments of India with Gulf and West Asia

### Bilateral Trade with Gulf and West Asia Region in 2019-20 (In US\$ Millions)

S.No	Country	Exports	Imports	Total
1	BAHRAIN	559.09	421.5	980.59
2	IRAQ	1,878.17	23,740.18	25618.35
3	JORDAN	960.66	1,064.66	2025.32
4	KUWAIT	1,286.56	9,573.80	10860.36
5	LEBANON	203.97	30.94	234.91
6	OMAN	2,261.81	3,669.33	5931.14
7	QATAR	1,268.35	9,685.98	10954.33
8	SAUDI ARAB	6,236.86	26,857.37	33094.23
9	SYRIA	159.33	15.34	174.67
10	UNITED ARAB EMIRATES	28,853.59	30,256.65	59110.24
11	YEMEN REPUBLC	721.25	22.73	743.98
	<b>Total</b>	<b>31546.58</b>	<b>55369.87</b>	<b>86916.45</b>

Source: Export and import data, Ministry of Commerce and Industry, Government of India

### FDI from Gulf and West Asia Region to India (from April 2000 to June 2020)

S.No	Country	Amount of Foreign Direct Investment Inflows		%age with Total FDI Inflows of India
		(In Rs crore)	(In US\$ million)	
1	BAHRAIN	<b>1,130.97</b>	<b>180.00</b>	<b>0.04</b>
2	IRAQ	1.27	0.26	0.00
3	JORDAN	170.81	30.94	0.01
4	KUWAIT	494.67	79.93	0.02
5	LEBANON	19.19	3.11	0.00
6	OMAN	2,848.47	535.07	0.11
7	QATAR	1,818.99	246.63	0.05
8	SAUDI ARAB	2,063.09	318.83	0.07
9	SYRIA	0.01	0.00	0.00
10	U ARAB EMTS Soc Rep	42,111.64	7,044.46	1.48
11	YEMEN REPUBLC	8.20	1.95	0.00
	<b>Total</b>	<b>49536.34</b>	<b>8261.18</b>	

Source: FDI Statistics, June2020, Department for Promotion of Industry and Internal Trade



## Annexure 2: FICCI's Engagement with Gulf and West Asia Region

- MOU partners: Dubai Chamber of Commerce, Bahrain Chamber of Commerce and Industry, Kuwait Chamber of Commerce, Oman Chamber of Commerce and Industry, Qatar Chamber of Commerce and Industry, Council of Saudi Chambers
- Saudi-India Business Council
- India-Qatar Joint Business Council
- India-Oman Joint Business Council- Nine meetings of Joint Business Council have been organized so far
- India-Arab Partnership Conference with League of Arab States Mission
- FICCI has taken several business delegations to Arab countries
- Exclusive Interactions with Ambassadors are organised on regular intervals for Industry