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Investments and Joint Ventures in India-GCC Economic Ties: Opportunities and Challenges

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The expanding trade and business connectivities across Asia are already being seen as a revival of the Silk Routes that used to connect different parts of Asia for several hundred years up to about 500 years ago. The old Silk Routes, made up of hundreds of inter-connected roads starting from Xian in China and ending at the Mediterranean shore, constituted a well-integrated and efficient system for the movement of goods and people from the points of manufacture to markets in the West. The new Silk Routes of the 21st century, made up of massive movements of energy products, goods, investments and peoples across Asia, constitute the principal economic narrative of the 21st century and lie at the heart of contemporary Asian resurgence.[1]

The new Asian economic corridors have emerged from certain important developments over the last 20 years. These are:

1. Ben Simpfenderfer, *The New Silk Road – How a Rising Arab World is Turning Away From the West and Rediscovering China* (Hampshire, UK: Palgrave Macmillan, 2009); and Geoffrey Kemp, *The East Meets West: India, China, and Asia's Growing Presence in the Middle East* (Harrisonburg, Virginia: R.R. Donnelley, 2010).

(i) the demand for the Gulf's energy resources as also the availability of substantial investable funds in the Gulf for the development of domestic infrastructure and for external investments; and,

(ii) high growth rates in China and India.

Obviously these two developments are closely linked since the high growth rates in China and India, as also in other emerging Asian countries, are entirely dependent on regular supplies of hydrocarbon resources from the Gulf. Table 3.1 sets out Asian and global oil demand in 2001 and projected demand in 2025. The oil demand of China, Japan, Republic of Korea, and India is expected to increase from 19 mmbd to 37 mmbd, an increase of 95 percent, while demand increase in North America is projected at merely 45 percent, and demand in the West European countries is expected to remain static. [2]

Table 3.1: Global oil demand: 2001 to 2025
(in million barrels per day [MMBD])

	2001	2025
Asia Big 4**	19	37
Rest of Asia	6	11
Middle East	5	9
North America	24	35
West Europe	14	14
Rest of World	9	13
TOTAL	**77**	**121**

Source: McKinsey 2005: 83

Presentation at the Round Table of Asian Ministers on Regional Cooperation in the Oil Economy Stability, Security, Sustainability through Mutual Interdependence, January 6, 2005. Published in: "A Historic Beginning for Asian Oil Economy" (Proceedings of the First Round Table), Ministry of Petroleum and Natural Gas, Government of India.

Table 3.2 confirms that the bulk of the Asian oil demand – 74 percent – will be met by imports the extent of 74 percent, with 100 percent import dependency in Japan and Republic of Korea, 87 percent in India, and over 70 percent in China. It

2. McKinsey & Company, 2005. Presentation at the Round Table of Asian Ministers on Regional Cooperation in the Oil Economy Stability, Security, Sustainability through Mutual Interdependence, January 6, 2005. Published in: "In A Historic Beginning for Asian Oil Economy" (Proceedings of the First Round Table, Ministry of Petroleum and Natural Gas, Government of India) [henceforth *McKinsey, 2005*].

is apparent from Table 3.3 that the Gulf region alone has the capacity to meet the massive demand for oil in Asia.

Table 3.2: Global oil imports: 2025 [in mbd]

Region/Country (% oil of imported)	Total Imports	Net Increase in Imports
Asia (74%)	29	12
> China (71%)	11	6
> India (87%)	4	2.7
> Japan (100%)	3	(-) 1.7
> RoK (100%)	2.5	0.6
Europe (80%)	12.5	2.4
USA (72%)	17.5	4

Source: PEL 2006: 84

Explanation: Presentation at the Ministerial Round Table on Cooperation between North and Central Asian Producers and Principal Asian Consumers regarding Stability, Security and Sustainability in the Asian Hydrocarbons Economy, November 25, 2005, New Delhi. Published in New Vistas for Regional Cooperation in Asian Oil Economy (Proceedings of the Second Round Table), Ministry of Petroleum and Natural Gas, Government of India, p. 84.

Table 3.3: Predicted changes in oil production capacity, 2000-2020

	2000		2010		2020		Change
Region	**Mb/d**	**%[a]**	**Mb/d**	**%[a]**	**Mb/d**	**%[a]**	**%**
Persian Gulf	23.9	30	29.6	31	42.2	38	+77
FSU	7.3	9	10.1	11	13.1	12	+79
Africa	2.6	3	3.3	3	5.5	5	+115
United States	9.1	11	9.0	9	8.7	8	-4
North Sea	6.9	9	7.0	7	5.9	5	-4
World	80.4		95.0		112.2		+40

Source: The Geopolitics of Energy, 2000, Vol. 1, Robert E. Ebel (Ed), CSIS Panel Report, Washington, D.C., November 2006, p. 23.

Along with oil, natural gas will also play an important role in Asia's energy demand. Natural gas, being a 'clean' fuel, is increasingly seen as the fuel of the 21st century. To meet Asia's rapidly increasing energy requirements, demand for gas will increase significantly (as can be seen in Table 3.4).

Table 3.4: Asian gas demand (in billions of cubic meters - bcm)

Country	2006	2015	2025
Asia: Total	336	504	1036
China	56	70	280
Japan	84	112	140
RoK	28	84	196
India	42	56	84
Pakistan	28	28	56
Taiwan	28	28	70
Thailand	42	56	112
Turkey	28	56	98

Source: Ernst & Young 2006: 94

Explanation: Presentation at the Ministerial Round Table on Cooperation between North and Central Asian Producers and Principal Asian Consumers regarding Stability, Security and Sustainability in the Asian Hydrocarbons Economy, November 25, 2005, New Delhi. Published in New Vistas for Regional Cooperation in Asian Oil Economy (Proceedings of the Second Round Table), Ministry of Petroleum and Natural Gas, Government of India.

The Gulf region provides the bulk of the world's oil: just five countries of the region (Saudi Arabia, Iraq, Iran, Kuwait and the UAE) have about 65 percent of the world's reserves. The Gulf has proven reserves of 92 billion tons of oil, and production capacity of 1110.5 million tons a year; uniquely, it also has over 90 percent of the world's excess production capacity.[3]

Imports from West Asia have been significant in the global oil trade (Table 3.5). Production costs in Gulf OPEC nations are less than $3 per barrel (one metric ton is equivalent to about 7.3 barrels and thus this cost works out to about $22 per ton), and the capital investment required to increase production capacity by one barrel per day is less than $5,940. This may be compared with a capital investment of $10,000-$12,000 needed to produce one barrel per day outside the Gulf region.[4]

3. Energy Information Agency (EIA) Department of Energy, *Persian Gulf Oil and Gas Exports Fact Sheet,* Washington, D.C., April 2003.
4. A. Al-Janabi, "Oil Policy Options for Iraq," *Middle East Economic Survey* 47, no. 9 (2004): D3.

Table 3.5: Oil imports from the Gulf (%)

Year	USA		West Europe		Japan	
	% of total demand	% of total imports*	% of total demand	% of total imports*	% of total demand	% of total imports*
1990	11.3%	28%	29%	45%	66%	65%
1995	9%	20%	23%	44%	79%	70%
2000	12.6%	24%	21%	42%	75%	75%

Source: Fesharaki 2005: 101

Explanation: Presentation at the Round Table of Asian Ministers on Regional Cooperation in the Oil Economy Stability, Security, sustainability Through Mutual Interdependence, January 6, 2005, New Delhi. Published in A Historic Beginning for Asian Oil Economy (Proceedings of the First Round Table), Ministry of Petroleum and Natural Gas, Government of India;

Thus, the Gulf OPEC producers can expand capacity at a cost that is a relatively small percentage of projected gross revenues. According to the International Energy Agency (IEA), the Gulf region's oil production capacity, between 2005 and 2030, would expand from 27 mb/d to 45 mb/d (1,344 to 2,241 million tons per year). The

Table 3.6: Global gas reserves (in trillions of cubic meters)

Region	Tcm
Russia/Central Asia	53.2
West Asia	56
Africa	11.2
South & South East Asia	8.4
North America	5.6
South/Central America	5.6
Europe	4.2
Australia	2.8

Source: Ernst & Young, 2006: 94

Presentation at the Ministerial Round Table on Cooperation between North and Central Asian Producers and Principal Asian Consumers regarding Stability, Security and Sustainability in the Asian Hydrocarbons Economy, November 25, 2005, New Delhi. Published in New Vistas for Regional Cooperation in Asian Oil Economy (Proceedings of the Second Round Table), Ministry of Petroleum and Natural Gas, Government of India.

region would then provide 40 percent of the world's oil supply, and would account for three-fourths of additional global supply from 2000-2030.[5]

The principal source of global gas also lies in Asia. The Asian area of Russia (North Asia) has 27 percent of the world's proven reserves, followed by Iran (15 percent) and Qatar (14 percent). In fact, North and Central Asia and the Gulf between them have over 70 percent of world gas reserves (Table 3.6).

GCC Oil Revenues

The present value of oil and gas reserves of the GCC is estimated at $18.3 trillion, which is larger than the 2008 Gross Domestic Product (GDP) of the United States. Over the last few years, the price of oil has been extremely volatile: it went up from $40 per barrel in 2004 to $75 in 2006; it crossed $100 in February 2008, and by the middle of the year it had touched $140 per barrel. However, soon after that, oil price fell following the global economic downturn and, in early 2009, touched $30 per barrel; in 2009, however, it stabilized at $75 per barrel. For most of 2010, it was $80 per barrel, while it was around $110 in 2012.[6]

Until recently, most of the surplus financial resources generated in the GCC countries were maintained in Western banks and financial institutions. The International Institute of Finance (IIF) estimated that, between 2002 and 2006, the Gulf countries had accumulated $540 billion in foreign investments, of which about a third had been invested in US treasury and equity deposits, with another 20-25 percent of the total coming from European sources investing Gulf funds in the US. Though the US accounted for the bulk of the Gulf investment, during this period at least $60 billion of GCC funds, i.e., 11 percent of the total, was invested in Asia. At the same time, Gulf investors also announced some long-term infrastructure investments in Asia over the coming years, suggesting that the GCC could put in $250 billion into Asia between 2009-14.[7]

The last eight years have generated oil revenues that are unprecedented in global economic history: it is estimated that, as a result of oil price increases before the economic downturn, there was an additional transfer of $3 trillion to oil producers, the largest wealth transfer on record. The GCC states earned $364 billion from oil in 2007 and were earned close to $1.36 trillion in oil revenue in

5. "Economic Security Issues and the Role of the Gulf Energy Sector," *Gulf Oil and Gas – Ensuring Economic Security* (Abu Dhabi: The Emirates Centre for Strategic Studies and Research), 11.
6. "Arab Economies Posing Challenges, Opportunities," *Saudi Gazette*, May 25, 2011, 5.
7. "Near East Meets Far East: The Rise of Gulf Investment in Asia," *Economist Intelligence Unit Report,* October 2007, 3-5 (henceforth EIU 2007).

2008 and 2009 ($636 billion in 2008 and $657 billion in 2009).

In terms of the generation of financial resources, the scenario of the six GCC countries is as follows:[8]

- From 1998 to 2009, the GCC's real GDP expanded by an annual average of 5.2 percent, and by a cumulative total of 65 percent.
- By 2020, the GCC is expected to be a $2 trillion economy.

Based on an average price of oil of $50 a barrel, McKinsey calculated that the GCC could be investing about $1.5 trillion abroad over the four-year period between 2008-2012, or about $1 billion a day; by 2020, this could soar to $3.5 trillion, taking the region's total overseas wealth to $8.3 trillion. If oil were to average $70 a barrel, the outflows would rise to an average of about $628 billion in a year, implying an investment of nearly $2 billion a day; even if oil prices declined to $30 a barrel, the GCC's foreign assets would reach $4.8 trillion by 2012.[9]

Investments: Sovereign Wealth Funds (SWFs)

One of the most important instruments in regard to the investment of the GCC's surplus funds is the Sovereign Wealth Fund (SWF). In fact, about one-half of the GCC's gross assets are held by SWFs. In 1953, Kuwait established the Kuwait Investment Board "with the aim of investing the surplus oil revenue in order to provide a fund for the future and reduce Kuwait's reliance on its single finite resource." Since then, particularly after 2000, the Gulf region has recorded remarkable growth in the number of its SWFs, which now total 15. Their growth was largely galvanized by two developments that occurred over time: one, increased participation of new prosperous private investors and of state authorities aiming to diversify their resource-based economies by utilizing their huge surplus funds (oil wealth) which is cyclical in nature; second, Gulf investors gradually gained greater confidence in international financial dealings.[10]

While it is not possible to be accurate about the capital value of SWFs in the GCC, some estimates have been offered by different observers from time to time. In 2008, most of them had estimated the total value of GCC SWFs to be between $1-1.5 trillion. McKinsey has estimated that the GCC SWFs stood at $2.4 trillion in 2011 and are likely to increase to $8.8 trillion by 2020. Though there are 15

8. "The GCC in 2020: Outlook for the Gulf and the Global Economy," *Economist Intelligence Unit Report, 2009,* 4 (henceforth *EIU 2009*).
9. McKinsey 2005.
10. Zakir Hussain, "India Woos GCC's Sovereign Wealth Fund: Policy, Scope and Precautions," Policy Brief, Institute for Defence Studies and Analyses (New Delhi: June 26, 2009).

SWFs in the GCC, four of them – the Abu Dhabi Investment Authority, Saudi Arabian Monetary Authority, Kuwait Investment Authority and Qatar Investment Authority – account for about 85 percent of the assets of the SWFs in the GCC.[11] The SWFs of the GCC will continue to be major sources of external investment by these countries.

India-GCC Relations

India's ties with the Gulf go back several millennia. These ties have been constantly nourished and imparted a contemporary value which has ensured that, over the centuries, they have remained both robust and relevant. For several centuries till about 50 years ago, India used to meet the principal requirements of the countries of the Arabian Peninsula in the form of necessities (such as foodstuffs and textiles), comforts and luxuries (particularly gold jewellery). Since the oil boom of the 1970s, there has been a significant change in the ties between India and the Gulf. While India's traditional exports continue, there has also been a great demand for Indian human resources at different levels to provide the manpower for the massive development activity taking place in the region.

Indian Community

The Indian community in the GCC represents a remarkable Indian success story, with all the GCC countries, year after year, affirming their strong preference for manpower from India in comparison with other countries. It is now estimated that Indians number about 5.8 million in the GCC countries and are the largest expatriate community in every GCC country. The estimated country-wise break-up is presented in Table 3.7. About 70 percent of the Indian community in the GCC is made up of blue-collar workers (semi-skilled, skilled, and technicians), while 10 percent are white-collar non-professionals and 20 percent are professionals and their family members.

Indians constitute about 33 percent of the expatriate population in the region, with other major expatriate communities being from Bangladesh, Egypt, Pakistan, Philippines, Indonesia and Sri Lanka, and now increasingly from Nepal. Not only has there been a significant increase in recruitment of personnel from India, there is also an increasing demand for professionals from India and their numbers are growing.[12]

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11. Ibid.
12. Unofficial figures compiled by the Indian Embassy, Riyadh, with inputs from the Indian Embassies in the GCC countries.

Table 3.7: Country-wise break-up of Indians in the GCC

Country	Total population (million)	Total Indian Population	% of Indians	Total Expatriate population	% of Indians Among expatriates
Bahrain	1.10	407,000	37 %	568,000	71.65%
Kuwait	3.44	590,000	17.15%	2.3 million	25.65%
Oman	3.20	600,000	18.75%	1 million	60.00%
Qatar	1.7	525,000	30.88%	1.47 million	35.71%
S. Arabia	28.0	2 million	7.0 %	9 million	22.0 %
UAE	6.00	1.75 million	29.17%	3.6 million	48.61%
TOTAL	**43.44**	**5,872,000**	**13.51%**	**18 million**	**32.75%**

Source: Figures collected from Indian missions in the GCC countries.

Note: In the absence of official information, the above figures are at best "guesstimates." These are corrected and updated from time to time as new official figures emerge

Energy and Trade Ties

The GCC countries meet 40 percent of India's oil requirements: in 2009-10, they provided 65 million tons of oil of the total imports of 159 million tons. Saudi Arabia meets 18 percent of Indian imports (28.6 million tons), while the other major GCC suppliers are Kuwait (13.3 million tons, or 8.4 percent) and UAE (11.6 million tons, or 7.3 percent).[13]

In regard to trade, in 2008-09, the GCC countries taken together were India's number one trade partner among economic groupings, with two-way trade being valued at $91.6 billion. The GCC was followed by the EU ($82 billion), ASEAN ($45 billion), and US plus Canada ($43 billion). The GCC retained its premier position as India's trade partner in 2009-10, with two-way trade being $84 billion, a fall of 8 percent due to the global economic downturn. The GCC was followed by the EU ($75 billion); ASEAN ($44 billion) and US plus Canada ($ 40 billion).[14]

13. Information provided by Ministry of Petroleum and Natural Gas, New Delhi.
14. Directorate General of Commercial Intelligence and Statistics, Kolkata, downloaded from: http://commerce.nic.in/ftpa/rgncntq.asp

Political Ties

High growth rates in India have significantly increased its links with the GCC and other Gulf countries, with substantial rise in oil imports from the region and significantly enhanced trade ties. Simultaneously, high oil prices and the massive increase in domestic project-related activities have boosted the demand for Indian manpower in the GCC countries. It is important to note that, in tandem with these expanding energy and manpower-related linkages, India's political ties with the GCC have also witnessed a remarkable upswing.

From the late 1990s, the GCC countries had already begun to turn towards India as part of their new "Look East" policies and to see India as a major economic and political partner. Recent political engagement between Saudi Arabia and India commenced with the visit to Delhi of Saudi Minister of State for Foreign Affairs, Dr. Nizar Obaid Madani, in February 2000, and the visit of Indian External Affairs Minister Jaswant Singh to Saudi Arabia in January 2001. During Mr. Singh's visit, some of the cobwebs from the past, particularly those pertaining to the issue of Kingdom's ties with Pakistan which had possibly obstructed the development of Indo-Saudi relations, were brushed aside when the Kingdom's leaders asserted that they valued the relationship with India on its own merits and did not see India through the prism of their ties with any other country.

Unfortunately, the events of 9/11 meant that the Saudi diplomatic effort was preoccupied with handling the implications of those horrendous events domestically, regionally, and in terms of their country's ties with the US. The scenario was further complicated by the US assault on Iraq. Hence, it was only by 2005 that Saudi Arabia and other GCC countries could find the space and opportunity to pick up the threads of their Eastward engagement. It is interesting to note that, during 2005-07, the head of state or head of government of every GCC country visited India.

The most important visit to India during this period was that of the Saudi ruler King Abdullah bin Abdulaziz, in January 2006, as the Chief Guest at India's Republic Day, the first visit of a Saudi monarch to India since 1955 and the first high-level engagement between the two countries since the visit of Prime Minister Indira Gandhi to Saudi Arabia in 1982. The high point of this visit was the signing of the "Delhi Declaration" by Prime Minister Manmohan Singh and King Abdullah, itself a landmark event in that it was the first inter-governmental document personally signed by the Saudi monarch. The Delhi Declaration included the following provisions:

- Both countries pledged to strengthen their strategic partnership by meeting the two countries' vast requirements relating to infrastructure, energy and development, by augmenting the flow of their investments into each other's countries, and enhancing bilateral trade in accordance with the potential and size of their economies. In this regard, both countries invited the private sector in the two countries and the Saudi-India Business Council to increase their efforts to take advantage of the investment opportunities provided by the two countries.
- Both countries further emphasized the importance of strengthening the strategic energy partnership based on interdependence, as outlined in the Delhi Declaration, including meeting India's increasing requirement of crude oil supplies, and identifying and implementing specific projects for cooperation including in the areas of new and renewable energy. The Joint Working Group on Energy was directed to continue adopting all appropriate means to achieve the same.
- Both countries emphasized the importance of developing a broad-based economic partnership that reflects the ongoing transformation of their economies and the transformation in the global economic order, including continuous coordination within the framework of the G-20 process.
- Both countries reiterated their mutual desire to develop knowledge-based economies based on advances in the areas of information technology, space science, and other frontier technologies.

To further expand bilateral trade and investment ties, agreements on Bilateral Investment Promotion and Protection and Double Taxation Avoidance and 10 commercial MoUs/ Agreements in the areas of petrochemicals, metallurgy, fertilizers, chemical process industries, banking, and upstream oil and natural gas exploration, were signed during the visit.

The visit of King Abdullah to India in 2006 was reciprocated four years later when Prime Minister Manmohan Singh visited Saudi Arabia in February-March 2010. During the four-year period, the security environment in the region had deteriorated with the expanding presence of Al Qaeda in different parts of the region, strengthening of the Taliban in Afghanistan, serious unrest in Yemen, ongoing political uncertainty in Iraq and, above all, increased sectarian violence and terror in Pakistan. Against this backdrop, Indo-Saudi relations went beyond the strengthening of economic ties envisaged in the Delhi Declaration to a "new era of strategic partnership", which was enshrined in the "Riyadh Declaration" signed by the two leaders during the Prime Minister's visit.

As per the Riyadh Declaration:

- The two leaders asserted that strong bilateral ties between the Kingdom of Saudi Arabia and the Republic of India were to the benefit of their peoples and of all humanity.
- The two leaders were unanimous that the visit of the Custodian of the Two Holy Mosques King Abdullah bin Abdulaziz Al Saud to India in 2006, and the visit of the Indian Prime Minister Dr. Manmohan Singh to Saudi Arabia heralded a new era in India-Saudi relations, that is in keeping with the changing realities and unfolding opportunities of the 21st century. This would also be in accordance with the civilizational, historic and cultural links which bind them and their regions.
- Keeping in view the development of relations between the two countries, and the potential for their further growth, the two leaders decided to raise their cooperation to a strategic partnership covering security, economic, defense and political areas.
- The two leaders welcomed the level of existing cooperation in defense fields between the concerned authorities in the two countries and agreed to continue strengthening this cooperation in a way that realizes their common interests.
- The two leaders renewed condemnation of the phenomena of terrorism, extremism and violence, affirming that it is global and threatens all societies and is not linked to any race, color or belief.

The Delhi and Riyadh Declarations constitute the foundation stone for the building of new political and economic ties between India and Saudi Arabia. There have been several high-level visits from India to the GCC countries during 2008-2010, including Prime Minister Manmohan Singh's visits to Oman and Qatar; Vice-President Hamid Ansari's visit to Kuwait, and President Pratibha Patil's visit to the UAE.

To summarize, India's pursuit of a substantial, long-term, multi-faceted "strategic partnership" with the GCC countries is founded on the following factors:

- The region forms part of India's security perimeter, and developments in the region have a direct bearing on India's strategic and security interests.
- The Gulf region is the principal source of India's crude oil and natural gas requirements. These imports will increase over the next 20 years as India's energy demands increase. Therefore, the security of Gulf oil facilities and sea-lanes is a crucial factor in India's long-term energy security interests.

- The region is a major market for India's goods, a partner for investments, joint ventures, and science and technology cooperation, as well as a principal source of remittances from the resident Indian community.
- Issues related to the welfare of the nearly six million-strong Indian community require that India maintain the closest possible political ties with the Gulf countries.

There is now widespread recognition both in India and the GCC that the strategic partnership envisaged in the Riyadh Declaration has to be anchored in long-term economic relationships that go beyond trade towards two-way investments and joint ventures. The present scenario in this regard is set out in the following section.[15]

Indian Ventures in the GCC

India's economic ties with Oman are more substantial and diverse than those with any other GCC country. According to the former Minister of National Economy of Oman, in July 2010, there were 1,537 Indo-Omani joint ventures covering 13 sectors. The total value of these projects was $7.5 billion, with Indian investments in Oman totalling $4.5 billion. India's flagship project is the $969 million Oman-India Fertilizer Company (OMIFCO) at Sur, which was inaugurated in January 2006. Indian fertilizer companies IFFCO and KRIBHCO are equal partners in the venture with Oman Oil Company, which is the Omani government's main investment arm. Under a long-term buy-back agreement, India imports the entire production of 1.65 million tons of granulated urea and 0.255 million tons of ammonia from the Sur plant. In December 2009, OMIFCO proposed raising production by 30 per cent by revamping the plant, enhancing the capacity of some equipment, and installing new equipment. The additional investment required for the proposed capacity expansion would be around $350 million.

Indian companies are well-established in the industrial sector in Oman, building crude storage tanks, setting up an aluminum smelter plant in Sohar; running an iron and steel plant valued at $464 million; and setting up a ferro-chrome manufacturing facility. The Indian presence in the manufacturing sector in Oman also includes Larsen & Toubro's modular fabrication yard and heavy engineering plant in Sohar; TVS's braking case manufacturing unit in Salalah; the

15. Information under the sub-headings "Indian Ventures in the GCC" and "GCC Investments in India" have been obtained from Indian Embassies in the GCC countries, which the author acknowledges with gratitude.

Pragati Glass Factory in Nizwa; Britannia and Khimji Ramdas' confectionery unit and the Godrej-Khimji Ramdas appliances plant; Asian Paints' manufacturing unit in Azaiba, and Videocon's air conditioner compressor manufacturing plant in Rusayl. Recently, Dura Line Middle East LLC, a joint venture of Oman's Al Jassar LLC and Dura-Line India, has started commercial production of high density polyethylene (HDPE) piping solutions for the local market.

Indian firms are active in Qatar's infrastructure and manufacturing sectors. Thus, Larsen & Toubro are presently executing four contracts: supply, installation and upgradation of living quarters on offshore platforms; Hamad Medical City, Asian Games Village, Doha; Construction of Al Jazeera Residential Tower; and Construction of Ras Laffan-B Combined Cycle Power Plant. Asian Dodsal is undertaking three projects, viz., Qatar Petroleum's Ras Laffan Common Cooling Sea Water System Phase-II, which is worth $951 million; Dolphin Energy's Dolphin Onshore Facilities Project, Ras Laffan, worth $ 35 million; and Chiyoda Technip's Ras Gas Onshore Expansion Project Phase 2, worth $180 million.

In Bahrain, Indian company Afcons Infrastructure has been awarded a $66.35 million contract to build the Mina Salman Interchange project. In Saudi Arabia, there has been an upsurge in Indian investments, especially after the signing of the Bilateral Investment Protection Agreement and the Double Taxation Avoidance Agreement in 2006. The Saudi Arabian General Investment Authority (SAGIA) has awarded 565 licenses (for 225 industrial and 340 non-industrial projects) to Indian companies for establishing joint ventures and 100 percent Indian-owned companies in Saudi Arabia in different sectors. Most of these companies are small and medium enterprises in sectors such as construction, IT, industry, food supplies, retail trading, education and health services, jewellery and marketing. The total Indian FDI into Saudi Arabia from 1990 till 2008 was $2.07 billion.

Indian IT companies are well-established in all the GCC countries and are executing some major projects. In Qatar, Wipro has executed a project for Doha Bank to provide enterprise application, integration and security consultancy services. Wipro is presently providing IT consultancy to Qatar Petroleum at their Ras Abu Aboud Development Project. Mahindra Consulting have successfully executed an SAP implementation project with Qatar Petroleum and are now involved in its training process. Mahindra Consulting has also been providing SAP technical and functional consulting services to RasGas in the areas of logistics management and maintenance management. TCS is executing projects for Qatar Petroleum and Qatar Telecom. Qatar is proposing to set up a smart city and is looking at Indian companies for possible collaboration. NIIT and APTECH are successfully running their IT training institutes in Qatar. In Bahrain, Indian companies have made some progress in the IT sector, with one company, IT Outsourcing, providing comprehensive laptop/desktop and high-end server services, training, manpower solutions, data center solutions, call center setup and telecom solutions. Another IT company is providing solutions in regard to energy conservation. Other IT projects being executed by Indian companies are listed in Table 3.8.

Table 3.8: Major IT projects being executed by Indian companies in the GCC

Company	Client	Country	Deal size (US$m)	Nature of Work
TCS	Saudi Telecom	Saudi Arabia	33	Implementation of billing & customer care system
TCS	National Commercial Bank	Saudi Arabia	na	Upgrade of core banking system
TCS	Kuwaiti Clearing Company	Kuwait	na	Market Infrastructure business application
TCS	Bank of Kuwait	Kuwait	na	Core banking system
Wipro	Saudi Arabian Airlines	Saudi Arabia	100	Infrastructure management
Wipro	Abdullah University	Saudi Arabia	na	Data center hosting
Wipro	A Greenfield telecom company	Saudi Arabia	na	Entire BSS/OSS implementation
Wipro	Road & Transport Authority of Dubai	UAE	na	Infrastructure services
Wipro	Dubai Metals & Commodities Centre	UAE	na	Application development
Wipro	Qatar Petroleum	Qatar	na	Technology consulting
Satyam	Dubai Municipality	UAE	na	Infrastructure lifecycle management solution
Satyam	Salam International Investment Ltd	Qatar	na	Oracle implementation
Satyam	Emirates Airline	UAE	na	Maintenance of accounting systems
Satyam	National Bank of Dubai	UAE	na	ERP implementation
Infosys	Emirates Bank NBD	UAE	na	Islamic banking dedicated – Core banking system
Infosys	Arab National Bank	Saudi Arabia	na	Islamic banking dedicated – Core banking system
Infosys	Bank Sohar	Oman	na	Core banking system

Source: "India-Dubai Links," CLSA Newsletter, CLSA Asia-Pacific Markets, Hong Kong, November 27, 2009, 9.

GCC Investments in India

The scenario pertaining to GCC investments in India is quite modest. Here again Oman leads the other GCC countries. The principal Omani investment is in oil and gas, with a 26 percent holding in the Bharat-Oman Refinery (BORL) at Bina. BORL, promoted by Bharat Petroleum Corporation Limited (BPCL) and Oman Oil Company, is setting up a six MMTPA grassroot refinery in Madhya Pradesh, along with a crude supply system consisting of a Single Point Mooring system (SPM), a Crude Oil Storage Terminal (COT) at Vadinar in Jamnagar, Gujarat, and a 935 km cross-country crude oil pipeline from Vadinar to Bina, valued at $2.4 billion. Petrogas, a wholly-owned subsidiary of MB Holding from Oman, has been awarded three exploration blocks in India, two offshore and one onshore, under NELP-VI, as part of a consortium consisting of GAIL India Ltd, Gujarat State Petroleum Corporation (GSPC), Indian Oil Corporation Limited (IOC), and Hindustan Petroleum Corporation Ltd (HPCL). The two offshore blocks are located in the Mumbai basin, while the onshore block is in the Krishna-Godavari basin. Omani companies have also invested in India's manufacturing and IT sectors. Prominent Omani manufacturing units in India include: Nisma Aircon International's heat pump air conditioning plant in Chennai, Raha Polyproducts' state-of-the-art mattress plant in Secunderabad and Delhi, and the Oman Cables Industries' facility in Gujarat. In the area of IT and telecom, Oman Investment Fund, an investment arm of the Omani government, picked up 18.7 percent in Quippo Telecom Infrastructure for $113 million, the firm's value being $603 million. Again, Bahwan Cybertech has its head office in Chennai, MB Holding Group has its BPO office in Gurgaon, and OCS International has an office in Bangalore. In the real estate sector, an Omani sovereign fund is investing $125 million in the Mangalore-based realty developer Mohtisham's 300-acre integrated township.

UAE companies have entered the Indian infrastructure sector, with the Dubai-based DP World involved in the development of five ports in the country, and UAE's premier construction company, EMAAR, being involved with some high-profile construction projects. DP World's investment in India is estimated at $2.4 billion, and is expected to increase to $15 billion over the next five years. It is presently setting up five container terminals in India at: Nhava Sheva, Mumbai; Chennai; Kochi; Vishakapatnam, and Mundra (Gujarat), and is planning two additional terminals at Kulpi in West Bengal and Vallarpadam in Kerala. DP World now has a 40 percent market share of India's container traffic.

EMAAR, which is already involved in the development of integrated communities, residences, IT Parks and malls, proposes to increase its investment in its joint venture in India with MGF to about $12 billion over the next five years. Other major real estate development projects of UAE companies in India (with Indian partners) include: Limitless ($20 billion); Rakeen ($5 billion); Al-Futtaim (between $4-15 billion); Tanmiyat ($3.8 billion); Damac ($3-5 billion) and ETA Star ($4.35 billion).[16]

Bahraini enterprises are also involved with a number of Indian projects. S. Tel, the affiliate company of Bahrain Telecommunications Company (Batelco), in May 2010, successfully secured 3G spectrum for its operations in Orissa, Bihar, and Himachal Pradesh. S. Tel is a joint venture between India's Siva Group and Batelco, with a 42.7 percent stake in the venture. It will pay approximately $76 million to the Indian Department of Telecommunications (DoT) for 3G spectrum in these three areas. Again, the Bahrain-based Gulf Finance House (GFH) has announced plans to promote a $10 billion GFH Economic Development Zone in Maharashtra. The project will be India's largest FDI-driven integrated development project, and one of the most vibrant and technologically advanced segments in infrastructure development in the country. The project comprises three components: Energy City, IT and Telecom City, and Entertainment City.

A Bahrain-based mining and stone company, Bramco, laid the granite flooring for the 5.4 million square foot new terminal, which was inaugurated in July 2010, at New Delhi's Indira Gandhi International Airport. Bramco won the bid to handle all the stonework design and installation for the floor, lifts, and lobby areas, and set new technical standards during the project. In the area of food security, Bahraini company Nader and Ibrahim Sons of Hassan Group has signed a partnership agreement with Dana Fresh/Shanjahar Export, Pune, to reclaim and cultivate 1,000 hectares of arable land in India. This represents the second phase of a $100 million project which includes cultivation of 4,000 hectares of arable land to be executed over a four-year period. The company is the first Gulf and Arab investor to enter the Indian agricultural and food industry market. An agreement worth $25 million was signed in 2010 and the total investment so far is $50 million. Cultivation will focus on fruits (banana), rice, and sugarcane to extract natural sugar.

Promotion of Economic Ties

Over the last few years, there have been several efforts made by India and the GCC to promote economic ties.

16. "India-Dubai Links," *CLSA Newsletter,* CLSA Asia-Pacific Markets, (Hong Kong: November 27, 2009), 5.

GCC-India Industrial Conference

The GCC-India Industrial Conference is the institutionalized arrangement at ministerial level to promote economic engagements between India and the GCC countries. The first meeting took place in Mumbai in February 2004. This meeting was historic in that it marked the first-ever structured gathering and composite dialogue forum involving the GCC and India. The event symbolized the political will on all sides to reinforce India-GCC economic relations and to promote engagement with the GCC as a group. The conference, meeting under the theme 'Opportunities and Challenges in the 21st Century', focused on four areas: trade; investments; industrial cooperation, including small and medium enterprises (SMEs)/small scale industries (SSI); and transfer of technology, including Information Technology.

The conference recognized the great potential for economic and commercial cooperation between the GCC and India and discussed ways to further reinforce the strong economic and commercial cooperation between them. It called for increased cooperation in harmonization and mutual recognition of standards, trade documentation, and certification to promote streamlined movement of goods and services. The conference endorsed the GCC-India Framework Agreement for Economic Cooperation that is being discussed by the two sides and also welcomed the intention of the GCC and India to explore the possibility of a GCC-India Free Trade Area (FTA). The second meeting of the now-renamed "India-GCC Business Conference" took place in March 2006, in Muscat, under the title "GCC-India: Cooperation and Partnership." The "Muscat Declaration" issued at the end of the conference highlighted the importance of establishing "strategic economic cooperation" between India and the GCC countries. It recommended the activation of the partnership through the formation of joint ventures and private investment companies in the fields of industry, energy, petrochemicals, ICT, bio-technology and the tourism sector. Other areas of cooperation identified in the Declaration were: promotion of small and medium enterprises; exchanging experience in the fields of research and development and higher education between universities and scientific research institutes; establishing joint centers for science and technology, and exchange of experience in the fields of biotechnology, health and pharmaceuticals.

The theme of the third business conference which took place in Mumbai in May 2007 was "India-GCC: Investment Opportunities." The conference identified the following sectors for the enhancement of economic relations between India and the GCC:

- Real Estate Development;
- Energy (Oil, Gas and Power);

- Petrochemicals, and
- Infrastructure sectors, particularly ports, airports, railways, road transport and highways

Again, taking into account the prevailing global food crisis, the two sides agreed to promote projects in the field of agriculture and food processing, which was identified as a new sector with significant opportunities for trade and investment. It was agreed that the GCC states would receive and facilitate the visits of Indian agro-processing companies. No meeting of the Industrial Conference has been held since 2007.

GCC-India FTA

Soon after the first GCC-India Industrial Conference, India and the GCC entered into a "Framework Agreement on Economic Cooperation" in August 2004. Besides calling for the promotion of trade relations by pursuing the feasibility of a "free trade area" between India and the GCC, Article 4 of the document stated:

> *The Contracting parties shall make appropriate arrangements for capital flows between them, setting up joint investment projects and facilitating corporate investments in various fields of economy, trade and industry.*

The framework agreement also approved the setting up of a joint committee for economic cooperation to monitor the implementation of the agreement and to handle disputes or difficulties that might arise from time to time. The first meeting under the framework agreement, held in New Delhi in 2004, saw the formation of four working groups – Trade in Goods, Trade in Services, Investment and Economic Cooperation, and Rules of Origin and Customs Cooperation. In the second round of talks held in Riyadh on September 9-10, 2008, both sides exchanged the latest trade tariff structures, draft texts of the agreements, and Rules of Origin rules. Both sides agreed to exchange initial offer lists.

Indo-Arab Investment Conclave

The Indo-Arab Investment Conclave was organized by the Federation of Chambers of Commerce and Industry (FICCI) in February 2010 in New Delhi. It attracted government and business delegations from 21 Arab countries, including Iraq, Kuwait, Oman, Qatar, Saudi Arabia and the UAE from the Gulf. The conclave looked at investment opportunities in the infrastructure, energy, manufacturing, information technology and social infrastructure sectors.[17]

Bilateral Investment Funds

In order to promote GCC investments in India, bilateral country-specific funds have been set up in Oman and Qatar, while such a fund is presently being negotiated between India and Saudi Arabia. The India-Oman Joint Investment Fund was set up during the visit of Indian Prime Minister Dr. Manmohan Singh to Oman in November 2008, when an MoU was signed between State Bank of India (SBI) and State General Reserve Fund of Oman (SGRF) to set up a Joint Investment Fund to make equity investments in various economic sectors of both the countries. Final documents relating to the establishment of the Fund were inked in July 2010 during the visit of the then Omani Minister for National Economy Ahmed bin Abdulnabi Macki to India. The joint venture started operations in February 2011 with an investible corpus of $100 million (going up to $1.5 billion) to be contributed equally by SGRF and SBI. The fund is being operated by a joint management company headquartered in Mumbai. The fund is exploring opportunities in all sectors without any specific preference.

An India-Qatar MoU was concluded in November 2009 whereby Qatar committed to invest $5 billion in India, but actual investment has been small. Indian power company NTPC has been seeking investment from Qatar for its Kayamkulam expansion project and has been talking to Qatar Petroleum International and Qatar Electricity and Water Corporation. The Indian side has indicated interest in setting up a petrochemical and a fertilizer plant in Qatar, but Qatar has indicated that these projects could be considered after the embargo is lifted on further allocation of gas.[18] This self-imposed embargo to preserve the North Field is likely to continue for another two years at least. The Indo-Saudi Infrastructure Fund, valued at $650 million, has been under negotiation for about two years. While most of the provisions have been agreed to, some differences remain regarding provisions pertaining to capital gains tax exemption.[19]

The sovereign wealth funds of different GCC countries have been investing in the Indian stock exchanges. The most active among them is the Abu Dhabi Investment Authority (ADIA) which is said to have invested around $4 billion in Indian markets. Kuwait funds have also been very active in India. The Kuwait

17. "2nd India-Arab Investment Projects Conclave," *FICCI Report* (New Delhi, February 8-9, 2010).
18. Information provided by Indian Embassy, Doha.
19. Information provided by Indian Embassy, Riyadh.

Investment Authority has made regular portfolio investments in the stock market in India and through leading international financial managers.

More importantly, India-related funds have been launched in Kuwait, such as: India Fund (launched by Al-Madina for Finance and Investments [AMFIC], a Kuwait-based shareholding Company) in October 2005; Tijari India Fund (launched by the Commercial Bank of Kuwait on December 9, 2006); India Equity Fund (launched by the Kuwait and Middle East Financial Investment company on January 14, 2007); Kuwait-India Holding Company [KIHC] (launched by Noor Financial Investment Company); Indian Private Equity Fund (promoted by Khaleej Finance and Investment from Bahrain, Kuwait Investment Company and Kuwait Finance House); India Private Equity Fund (launched by National Bank of Kuwait [NBK]); The Third Real Estate Islamic Fund (launched by NBK in May 2007); and Mayur Hedge Fund (launched by Global Investment House, Kuwait, in August 2008). By August 2010, KIHC had been able to raise $120 million to set up a private property fund for investments in infrastructure projects in India. In September 2010, AMFIC announced that its India Fund has realized a remarkable profit of 55.77 percent since its inception. In July 2009, UTI Asset Management Company set up a private equity fund worth $500 million with Kuwait's Noor Financial Investment Company and HSH Nordbank of Germany, to invest in India in unlisted infrastructure companies engaged in sectors such as roads, ports, power, logistics, airports and energy among others.[20]

Clearly, there is increasing interest among GCC companies to expand investments in India. A spokesman of the Kuwait Investment Company has spoken of increasing GCC investment in India's real estate sector, which is expected to grow by over 700 percent in the next 10 years, progressing from $14 billion to $102 billion. In support of their plans, the KIC spokesman said his company was motivated by "this growth [in India] being driven by favourable demographics, growing purchasing power of the over 200 million-strong Indian middle-class, increased levels of professionalism in the real estate sector and the favourable Foreign Direct Investment (FDI) related reforms initiated by the government to attract global investors."[21]

It is interesting to note that Indian entities are also displaying an innovative approach in obtaining Gulf resources to support investments in India. For instance, UTI International, a subsidiary of India's UTI Asset Management Company, is

20. Information provided by Indian Embassy, Kuwait.
21. "GCC Investments in India 'Poised to Grow," *Gulf Daily News,* June 6, 2007, http://www.gulf-daily-news.com/Print.aspx?storyid=184172 (accessed May 4, 2011).

proposing to launch an offshore Sharia-compliant fund for retail and institutional investors to tap into the resource base demanding Sharia-compliant products. UTI International manages assets of about $700 million, with 70 percent of its global business coming from West Asia.[22] Indian sectors likely to be of interest to Gulf investors include real estate, infrastructure, business parks, gated residential communities, biotechnology, and information technology. Other sectors include agriculture and food processing, and education.

Challenges and Opportunities

In spite of occasional fluctuations in oil prices, there is little doubt that the scenario of the GCC will be positive in terms of its economic outlook, its role as a commercial and investment hub, and its steady progress towards greater integration. Future trends may be summarized as follows:[23]

(i) The GCC will grow in importance as a commercial and economic center: it is estimated that by 2020, the GCC as a whole will be a $12 trillion economy, providing 25 percent of the world's oil and expanding its manufacturing base with regard to petrochemicals and plastics. In the area of investments, it will not only expand domestic investments, but will also look out for opportunities globally, with an increasing emphasis on destinations in Asia.

(ii) The GCC countries are also expected to focus on pursuing value-added projects in the hydrocarbon sector, while simultaneously seeking to diversify their economies.

(iii) There is likelihood of greater attention being paid to various aspects of food security: not only will the GCC see a significant increase in food imports, (expected to go up from $24 billion in 2008 to $49 billion by 2020), but it will also invest in food production in different parts of the world, particularly in sub-Saharan Africa and Central Asia.

With regard to integration of the GCC, the outlook is a little uncertain due to various competing interests that set off greater integration against nationalistic aspirations. For instance, the latter considerations have impeded the setting up of a GCC central bank as also progress towards a monetary union. In 2009, the *Economist* had looked at three possible scenarios: divergence and increasing internal

22. "India's UTI Shariah Fund to Target Gulf Investors," FOREX, (Middle East News: March 1, 2010), http://www.middleeastforex.com/news/articles/55/ (accessed May 7, 2011).

23. *EIU 2009*, 5-6.

competition; the situation as is, with some progress towards integration; and robust convergence and unity. The most likely scenario, at least over the next five years, is that there would be some important steps taken to promote integration, with internal competition from time to time in important areas. It is also likely that some of the areas of common interest would bring together just a few of the GCC members rather than the entire community. Thus, the outlook for the GCC may be summarized as follows:[24]

(i) While there would increasing progress in regard to the setting up of a common market, some internal rivalries and differences would continue to prevent the full realization of this concept.
(ii) While there would be a strong sentiment in favor of monetary union, at least over the next five years the union would bring together just a few of the members rather than all of them.
(iii) The GCC is likely to continue to pursue free trade area agreements as a community, with the FTA incorporating the different interests of individual members.
(iv) With regard to labor-related policies, in spite of strong sentiments in favor of "localization", the GCC countries' dependence on foreign labor will continue unabated as the region undertakes massive infrastructure and industrial projects.
(v) Differences with regard to taxation, investment policies, and financial regulatory policies are likely to persist.

An important area for future engagement will be increasing investments in Asia. In its report of 2007, the Economist Intelligence Unit had already noted the following principal trends:[25]

(i) Changing preferences: It was seen that managers of Gulf capital, who, in the early years of the oil boom used to routinely park their surplus funds in Western banks and treasuries, were now increasingly managing their resources (rather than outsourcing them), and were displaying the confidence to look at new, more risky opportunities than before, and thus increasingly were integrating the GCC with the global economy.
(ii) Flowing from point (i), Gulf investment managers were being attracted to opportunities emerging in Asia, following high GDP growth in the region and massive public investment projects.

24. Ibid, 19-20.

25. *EIU 2007*, 2.

(iii) The GCC's links with Asia were greatly encouraged by enhancement in energy-related connectivities, with significant increase in oil imports from the GCC by Asia's principal economies, China, Japan, Republic of Korea, and India. At the same time, the GCC was also increasingly meeting its human resource requirements from Asia, particularly from South Asia and South-East Asia.

(iv) Over the last 10 years, there has been increased political engagement between the principal Asian countries and the GCC countries, thus buttressing the economic engagement. Just as the GCC countries were interested in diversifying their political engagements with stronger ties with Asia, the Asian countries too saw considerable advantage in building up strong political links with the GCC to impart a long-term resilience to the economic connections.

The *Economist* report came to the conclusion that the Gulf investors were increasingly seeking to invest more openly, more aggressively, and into a more diversified portfolio of assets. All the GCC countries have embarked on very significant investments in the following areas: developing refineries and petrochemical projects to obtain added value in the hydrocarbons sector; modernizing the infrastructure, including roads, highways, townships, ports and also introducing metro and railway systems; meeting water and power requirements of their expanding populations; pursuing renewable energy projects in order to prepare for scenarios when the present hydrocarbon resources would begin to deplete or become uneconomical; and, above all, development of the education sector so that their young people could become contributing members in the knowledge-based economy of the future. Towards this end, the major GCC countries have announced very significant national development programs. Saudi Arabia alone has announced proposals to implement projects valued at $624 billion over the next nine years upto 2020, details of which are in Table 3.9.

Challenges

While Indians have a pervasive presence across the GCC and are clearly the preferred community, the goodwill towards India and its people has not translated into substantial economic partnerships based on ventures and investments, so that even 40 years after the commencement of the oil boom in the region, Indian enterprises continue to have a marginal presence amidst the multi-billion dollar projects being awarded to Western and now increasingly to Asian companies.

Many explanations for this situation have been put forward. First, while the Gulf countries continue to depend extensively on Indian human resources, they do not have the same degree of confidence in the Indian corporate sector, so that major projects in the region continue to be awarded to Western companies and Asian companies from Japan, Republic of Korea, and China. Secondly, given the size, sophistication and value of many Gulf projects, very few Indian corporations have

Table 3.9: Saudi Arabia: Proposed investments upto 2020

$140 billion	Physical Infrastructure
$92 billion	Petrochemical Expansions
$90.7 billion	Electric Power Generation
$88 billion	Water Desalination
$70.7 billion	Telecom and IT
$53.5 billion	Tourism and Leisure Development
$50 billion	Natural Gas Production
$28.3 billion	Agricultural Expansion
$10.7 billion	Educational and Training

Source: Powerpoint presentation in New Delhi by Dr. Abdulrahman A. Alrabiah, Leader, Council of Saudi Chambers' delegation, on February 24 and 25.

the required degree of international experience; in fact, such major projects in India itself are executed by foreign companies, many of which are active in the Gulf as well. Thirdly, the Indian corporate sector itself has not shown the required degree of interest in participating in Gulf projects by setting up representative offices, getting themselves prequalified for major projects, and generally showing interest in understanding the local business scenario and cultivating the officials concerned.

Given the importance of the India-GCC strategic partnership and the central role of long-term economic ties in this regard, and the large number of opportunities that are now available both in India and the GCC, it is essential that the hitherto relatively low-key engagements in regard to investments and joint ventures be corrected for mutual benefit. The first challenge to be addressed is the need to attract Indian corporate interest in participating in the massive development plans across the region, particularly in Saudi Arabia. In fact, in recent years, while the Indian corporate presence has been reasonably satisfactory in many GCC countries, it has been quite muted in the Kingdom. Perhaps the relative ease of doing business in other Gulf countries, such as Oman and UAE, has encouraged Indian business houses to avoid the difficulties attendant on first forays into Saudi Arabia.

Changing the perception of Indian companies would require projecting the Kingdom as business-friendly and replete with business opportunities. In this regard, a major Saudi business delegation, sponsored by the Council of Saudi Chambers, visited India in March 2011 and made substantial presentations before prominent Indian corporations in New Delhi. It highlighted Saudi Arabia's significant economic presence in regional and global scenarios, and the country's business-friendly character by pointing out the following:[26]

- In 2008, Saudi Arabia came on top of the list of Arab countries in respect of foreign direct investment flows, which were worth $38.3 billion.
- Tax incentives are given for investment projects in less developed regions in Saudi Arabia.
- Saudi Arabia concluded 41 bilateral agreements with various countries of the world, including 17 agreements relating to investment and 24 agreements for the avoidance of double taxation.
- Availability of energy and raw materials.
- Open economy.

In order to enable Indian executives to familiarize themselves with opportunities in the Kingdom, return visits of Indian delegations need to be organized, particularly from sectors such as petroleum, construction and infrastructure, IT, industry, health, pharmaceuticals, tourism and leisure, and agro-products. Again, while Saudi regulations permit wholly-owned foreign enterprises in several sectors, Indian businesses entering the Kingdom for the first time should be encouraged to set up ventures with local partners with a financial stake in the joint enterprises.

The next stage, which is also more important in the context of Saudi Arabia than other GCC countries, is the need to get Indian companies to get pre-qualified for major projects in the sectors of their interest. This is an onerous task since exacting standards of pre-qualification are applied by Saudi organizations. Hence, in order to gain local experience, Indian companies could initially work with major Western and Asian companies as sub-contractors.

26. Presentation in Delhi by Dr. Abdulrahman A. Al-Rabiah, Leader of the delegation, Council of Saudi Chambers, on February 24 and 25, 2011.

Finally, Indian businesses which are already familiar with Western and Asian companies active in the Kingdom should seek to set up joint ventures with them at the pre-bid stage itself and submit joint bids. This would be particularly important in the case of major Indian companies like Larsen & Toubro, Punj Lloyd and Essar which are already active in the region and have acquired a good reputation in regard to execution of projects in different fields.

India's commitment to obtain growth rates of 8-10 percent per year will be fulfilled only on the basis of its energy security and the development of its infrastructure. As regards energy security, India will remain crucially dependent on supplies of oil and gas from the GCC. In infrastructure development, the Indian Planning Commission has projected a need for $500 billion over the next few years, resources that would be most readily available from the GCC countries. The political scenario in regard to India's ties with various GCC countries is very positive in that all the GCC countries attach the highest importance to their relations with India, manifest considerable goodwill for India, and are conscious of India's political, economic, and scientific achievements. This situation is most propitious for India to mount a major thrust to expand and consolidate its economic engagement with the Gulf region.