India’s relations with the countries of West Asia can be understood as a triangle, with Iran, Israel, and the GCC countries forming the three angles. India enjoys good relations with all of them and has built considerable stakes in these countries. This outreach to Arab Muslim countries will not go unnoticed within India and in the broader South Asia region.

Historically, India’s West Asia policy has been multi-directional. During the Cold War years, India maintained close economic cooperation with both Saudi Arabia and Iran, the rival poles in regional geopolitics. Even when New Delhi warmed up to Israel in the 1990s as part of the country’s efforts to diversify its diplomatic engagement in the post-Soviet world, it was careful not to jeopardise the traditional relations with Muslim countries. The bi-directional approach has been expanded to a tri-directional foreign policy to accommodate the three key pillars of West Asia — Saudi Arabia, Iran and Israel.

The GCC and other countries also accept that India’s relations with Iran and Israel will follow independent trajectories, not necessarily, impeding or impinging on India’s relations with them. It is important that the government begins to explore options beyond bilateral relations with countries of this region, as India bids for a place as a permanent member of the UN Security Council. This is not a region India can afford to take its eyes off.

**ENERGY AND ECONOMIC SECURITY**

India is dependent on imports to meet around 70 per cent of the country’s energy demand. India’s energy and economic security is intimately intertwined with the West Asian countries. It is, therefore, logical that in the security domain, India should step up cooperation with them. This will be a new and significant initiative as the United States, the primary security provider to the GCC countries, disengages from the region or reduces its profile. The U.S. is moving towards self-sufficiency in oil and gas, which is unshackling its energy security from sources in the region. For India, its future energy security will remain intimately tied with energy suppliers in the Middle East at least for the next 30 years. Hence, protecting energy supplies will remain one of the highest foreign policy priorities for India. The Indian Navy’s role in anti-piracy operations to protect sea lines of communication (SLOC) is already well acknowledged. Greater security and defense cooperation with the West Asian countries will thus enhance India’s security role in the region. As India and the U.S. also bolster their security and defense ties, synergies are emerging that can only be seen as a build up to a robust partnership between India and West Asia.

**REGIONAL INSTABILITY**

The GCC countries are relatively stable; the Arab Spring that swept governments out of power in Tunisia, Egypt and Libya did affect the GCC countries, but the ruling families managed to maintain stability. However, Syria and Yemen are embroiled in bloody and protracted civil wars. The instability in these countries has created a tragic humanitarian crisis. The Islamic State, operating in parts of Iraq and Syria, is casting an evil shadow over the region and beyond.

- The explosive discord between Iran and Saudi Arabia despite Iran’s landmark agreement with the P5+1 countries does not augur well for the future of the region as a whole, given that each country has specific areas of influence in it.
- The devastation of Yemen caused by Saudi Arabian strikes and fighting on the ground hint where that conflict could lead.
- The spread of Islamic State may have been stopped due to bombing raids by the U.S. coalition in Iraq and the Russian support to Syrian troops in Syria, but this is by no means a solution.
• The Israel-Palestine conflict has the potential to spark more tensions in this region at any given time.
• Burgeoning numbers of refugees fleeing the violence from Syria, Libya, Yemen, Iraq and neighbouring areas pose another potential threat to stability in the region and in countries where these communities are forced to take shelter.

SAUDI ARABIA
Prime Minister Narendra Modi’s recent visit to Saudi Arabia, arguably the leader of the Sunni Muslim countries in West Asia, clearly sets out the priorities of his government’s policy for the region. The Riyadh trip came eight months after Mr. Modi went to the United Arab Emirates, another Gulf nation and a member of the Saudi camp.

Ties with Iran, took a beating during the sanctions years when New Delhi cut its energy cooperation significantly despite its vitality and huge energy potential. It was during the same time that India deepened cooperation with the Saudis. Mr. Modi’s visit to Riyadh should be seen against this background. His government appears to be following the regional policy set by its immediate predecessor. This approach, while not entirely giving up the tri-directional framework, is tilted more towards the Saudi camp and Israel. Mr. Modi is expected to travel to Israel this year, the first visit by an Indian Prime Minister to the Jewish nation. Many see the trip to Riyadh as part of New Delhi’s balancing act between the Saudis and the Israelis.

SIGNIFICANCE OF SAUDI ARABIA
There’s a consensus in India’s foreign policy establishment that maintaining vibrant ties with Saudi Arabia is imperative to its national interest. Today, Saudi Arabia is India’s largest supplier of crude oil. That itself makes Riyadh a vital player in the country’s quest for energy security. Besides, India is the largest recipient of foreign remittances from the kingdom. Of the 11 million Indians working in West Asia, nearly three million are in Saudi Arabia. Therefore, stability in the region, and particularly in Saudi Arabia, is high on India’s core agenda. But bilateral relations have gone beyond the economic realm in recent years, acquiring a strategic sense and pushing both countries to beef up their security partnership.

POLITICAL RELATIONS
For decades, India was a passive player in West Asia, a beneficiary of good relationships with multiple actors. Despite the growing economic ties, political contacts between Saudi Arabia and India were at minimum till the Manmohan Singh government took office in 2004. West Asia acquired great significance in Dr. Singh’s world view; he even appointed a special envoy for the whole region. The January 2006 visit of the late King, Abdullah bin Abdulaziz, to Delhi set a new tone for bilateral ties. Dr. Singh reciprocated the visit in 2010, the first Indian Prime Minister visiting Saudi Arabia in nearly 30 years and signed the Riyadh Declaration, which set the framework for enhanced cooperation in the security, defence and economic spheres. Since then, there has been marked improvement in security cooperation and intelligence sharing between India and Saudi Arabia. Riyadh also extradited several terror suspects to India in a clear departure from its established policy towards New Delhi.

COUNTER TERRORISM COOPERATION
The broader framework for reactivating India’s Saudi ties was set in the post-9/11 world where counter-terrorism cooperation became a new diplomatic norm between terror-affected countries. Dr. Singh found it an opportunity to deepen security ties with Sunni Muslim countries, and Mr. Modi appears to be taking this policy a step forward. The main focus of his trips to both the UAE and Saudi Arabia was counter-terrorism. Both Abu Dhabi and Riyadh are Pakistan’s historical allies. The joint statements, issued with the UAE and Riyadh, are unsurprisingly similar. And both have indirect references to Pakistan’s dual policy towards terrorism. India’s objective appears to be to build a “counter-terrorism narrative” in diplomatic engagements with Pakistan’s close allies which could complicate the latter’s foreign policy. India would also not prefer to sit on the
margins at a time when China is raising its profile in West Asia. Chinese President Xi Jinping recently visited Egypt, Saudi Arabia and Iran. The relationship between Beijing and Tehran is particularly going strong.

**IMPORTANCE OF INDIA TO SAUDI ARABIA**
Enhanced ties with India are important for Saudi Arabia as well. The kingdom is facing economic strain in the wake of persistently weak oil prices. The U.S. is no longer as dependent on the region for energy as it used to be, thanks to the shale boom. Demand from China is also receding in the wake of a slowdown. Besides, competition in the oil market is expected to tighten with a sanctions-free Iran entering the global economic mainstream without any bars. In this context, India is a vital market for Saudi Arabia. There is believed to be friction between Islamabad and Riyadh over the former warming up to Tehran and their growing energy cooperation. Pakistan also refused to join Saudi Arabia’s war coalition that has been bombing Yemen for the past one year in the name of fighting the Iran-backed Shia rebels.

**CHALLENGES**
It is less likely that Saudi Arabia will abandon Pakistan and support India’s positions in multinational forums. The Saudis may use their growing relations with India to put pressure on Pakistan, but a structural overhaul of Riyadh’s South Asia policy is not on the cards. Pakistan, after all, is the country with an “Islamic bomb”, a “historic ally” of the Saudis. So if India, while reactivating its West Asia policy, looks only through the Pakistan prism, it might end up making strategic mistakes. Another sore point is the growing Saudi-Iran rivalry, which has always influenced West Asian geopolitics. By skewing its West Asia policy towards the Saudis, even though it might help meet its short-term goals, New Delhi also runs the risk of antagonising Iran at a time when the country is emerging a stronger player in West Asia post the removal of sanctions.

**IDEOLOGICAL PROBLEM**
While Saudi Arabia denounces all forms of terrorism, Saudi money is funding Wahhabi Islamic groups around the world. Many extremist outfits are inspired by the Wahhabi branch of Islam. Saudi Arabia’s aggressive foreign policy in West Asia under King Salman bin Abdulaziz al Saud is doing great damage to regional stability, which is India’s most important goal in the region.

In Syria, the Saudi support for the rebels has played a key role in destabilising the regime, leading to the rise of the Islamic State. In Yemen, the war has unleashed chaos and a humanitarian catastrophe, creating conditions for radicalism to flourish. So Saudi Arabia is not always a source of stability in West Asia, it is a disruptor too. India will have to factor these developments in its overall West Asia approach. The best way to do it is to restore the balance in its West Asia policy.

**UNITED ARAB EMIRATES (UAE)**
Prime Minister Narendra Modi’s visit to the United Arab Emirates (UAE) was his maiden attempt at engaging the Arab world. Since the prime minister’s visit, enhanced bilateral exchanges and recent security cooperation with respect to the deportation of suspected ISIS sympathizers demonstrate the shift in India’s approach towards the region as well as the region’s willingness to engage with India. Relations with UAE, a key Gulf Cooperation Council (GCC) country, will test India’s diplomatic skills in the region.

**IMPORTANCE OF UAE**
Pragmatic and moderate leadership of the UAE, has made the country the fastest growing economy in the Arab world.
India’s interests in the GCC countries are intimately linked with its energy security, trade, employment for Indians, and remittances. The UAE hosts more than 2.5 million Indians, the bulk of whom are blue-collar workers. The stability of their jobs contributes to the welfare of their families back home. Moreover, UAE has emerged as India’s second-largest trading partner and by virtue of a sizeable India diaspora an important source of remittances.

Given the economic and human security interests, the stability and security of the GCC countries is crucial for India. Modi has described the UAE as a “mini India,” in his rousing speech to Indian citizens and others in Dubai. Clearly, one priority for India is investment from countries like the UAE, which have substantial sovereign wealth funds. This was highlighted in the joint statement, with the announcement of an investment fund worth billions of dollars, for infrastructure development in India.

SECURITY ANGLE
- The joint statement, mentioned continuing fight against terrorism and allied criminal activities like money laundering.
- The joint statement also lays out numerous platforms for cooperation in countering radicalism, misuse of religion to incite hatred, and perpetuating and justifying terrorism for political motives.
- For the first time, bilateral cooperation will extend to counter-terrorism operations, intelligence sharing and capacity building.
- Bilateral relations with the UAE would be upgraded to a comprehensive strategic partnership in a major strategic move.
- The agreement to establish a dialogue between the two National Security Advisers and the respective National Security Councils and other security cooperation mechanisms underline the growing security relationship between the two countries.
- This cooperation will encompass cyber security, maritime security, inter-operability, and collaboration for mitigating humanitarian and natural disasters in conflict zones.
- The two countries have also agreed to conduct joint defense exercises and enter into joint ventures for the manufacture of defense equipment.

PAKISTAN FACTOR
The Islamic pull factor had given Pakistan an advantage in the early evolution of relations between the two countries. Earlier, criminal gangs from India operated out of the UAE and escaped to Pakistan with the collusion of the UAE security authorities. Even wanted terrorists like Dawood Ibrahim and his associates found refuge in the UAE. Pakistan had also cashed in its early advantage of flying UAE Air Force aircraft and training their pilots. That era of coziness may be ending to some degree, to India’s advantage, as Pakistan struggles with its mushrooming domestic problems and a weak economy.

QATAR
Official talks were held between Modi and current Emir of Qatar Seikh Tamim for multi-Sectoral partnership and strengthening of Indo-Qatar ties following which the agreements and Memorandums of Understanding (MoUs) were signed.

FOREIGN INVESTMENT
India and Qatar signed seven agreements recently, including one to woo foreign investment in the infrastructure sector from the gas-rich Gulf state. An MoU was signed between Qatar Investment Authority and External Affairs Ministry for investment in National Investment and Infrastructure Fund between the two countries that would facilitate foreign investment from the gas-rich Gulf state.

FINANCE INTELLIGENCE
An MoU signed between Finance Intelligence Unit of India (FIU-IND) and the Qatar Financial Information Unit (QFIU) would help in tracking money flow and investment from Qatar to India. It would also help authorities to safeguard against money laundering, terrorism financing and other economic offences.

POLITICAL RELATIONS
- Inter-ministerial High Level Joint Committee to regularly review all bilateral matters, as well as regional and global issues of mutual interest.
- Enhance high-level political exchanges, defence and security cooperation, trade and economic relations and people-to-people linkages.
- Promoting peace, stability and security in the region and the world.

DEFENCE COOPERATION
India and Qatar signed an agreement on Defence Cooperation signed in November 2008. The recent visit provided the required framework to strengthen bilateral defence ties. The two leaders agreed to provide further impetus to these relations, including through joint exercises and enhanced training of naval, air and land forces, as also in the area of coastal defence. The Qatari side evinced interest in the opportunities offered under the ‘Make in India’ initiative for joint production of defence equipment in India.

Qatar participated in the International Fleet Review and DEFEXPO in India in February and March 2016, respectively, and the increasing visits of Qatari delegations to India’s Naval and Coast Guard establishments. India has offered to conduct special training programmes for the personnel of Qatar Armed Forces and Coast Guard in India and in Qatar.

ECONOMIC RELATIONS
Indian companies has participated in the infrastructure development projects in Qatar in preparation for the FIFA 2022 World Cup and the development plans under “Vision 2030 for Qatar”.

Bilateral trade reached $15.7 billion in 2014-2015, though just around $1bn of that constituted Indian exports to Qatar. Since 2010, India has been purchasing 7.5 million tons of LNG every year from Qatar.

ENERGY SECURITY
In Qatar, like in Saudi Arabia and Iran, energy issues featured prominently on the agenda. Last year, India imported 65 percent of its liquefied natural gas (LNG) from Qatar, making the state its largest provider. Qatar, therefore, is an important partner for India. Likewise, for Qatar, India, as one of Asia’s largest LNG importers, is an important energy market.

ISRAEL
Israel President Reuven Rivlin’s recent trip to India is yet another sign of Israel’s warming ties with the Asian giant. Rivlin is in India with a delegation of Israeli businesses to mark a quarter of a century of diplomatic relations between the two countries. The two events – the agro convention and the eight-year anniversary of the Mumbai attack – underline the two fields in which Israel and India have fruitful cooperation: business and defense.

ECONOMIC COOPERATION
Israel’s innovative, dynamic and free economy has so much to contribute and teach India. India’s huge market offers an important destination for Israeli products.

Indian farmers can benefit from Israeli expertise in drip irrigation, water security, methods to increase milk production in cows and genetic advances that breed disease-free poultry among others. Hi-tech startups in Bangalore and Hyderabad see Israeli firms as role models of creativity.
DEFENCE COOPERATION

Israel and India also have in common a need to defend themselves from radical Islam. Both are democracies with highly diverse populations that are struggling to maintain robust democracies. India is estimated to have purchased over $10 billion worth of defence equipment from Israel. Among big ticket items procured include the 2004 deal for three Phalcon Airborne Warning and Control Aircraft (AWACS) worth over $1.1 billion. Other niche technological equipment purchases have included unmanned aerial vehicles (UAVs), aerostat surveillance radars for the Indian Air Force (IAF), Galil sniper rifles and Tavor assault rifles, Barak anti-missile defence systems mounted on frontline warships and underwater surveillance systems for the Indian Navy (IN).

In addition, India and Israel are engaged in jointly developing long-range surface-to-air missiles (LRSAM) for the IN and medium-range SAM (MRSAM) for the IAF. Both projects are gaining traction and are set for completion in the 2015-16 timeframe. They have also jointly marketed the Dhruv advanced light helicopter (ALH).

Apart from defence procurement and joint development of weapons systems, there is robust institutional interaction between the armed forces and national security establishments of the two countries. Since 2001, as many as seven chiefs of defence forces from each side have visited the other country for consultations and to enhance mutual understanding.

Service-to-service staff talks are a regular feature of these interactions. Port visits by IN warships are an integral part of defence diplomacy. The Joint Working Group (JWG) on defence cooperation has been active since 2002. A Sub-Working Group (SWG) on Defence Procurement, Production and Development (DPPD) is also functional, as are the JWG on counter-terrorism and dialogue on non-proliferation issues.

A common feature across different governments on the Indian side has been the stress on non-disclosure with regard to this cooperation. For instance, the then NDA Defence Minister George Fernandes informed the Rajya Sabha in November 2001 that it was “not in the interest of national security” to give details about India-Israel defence cooperation. The same argument was repeated many times by UPA Defence Minister Antony, for instance in August 2007 in the Rajya Sabha.

The other contributing factor was the need to be cognizant of the reaction of domestic constituencies ideologically opposed to the strengthening of India-Israel defence ties. It is pertinent to note that the most vociferous opposition to the India–Israel defence relationship has been from the communist parties as well as from regional parties like the Samajwadi Party (SP).

POLITICAL RELATIONS

Though India recognised Israel in 1948, it only established full diplomatic ties in 1992 and no Prime Minister has visited yet, although President Mukherjee travelled there in 2015. But the pro-Israel pivot goes back much farther, beginning with the disintegration of the Soviet Union, once upon a time India’s most important ally in its conflict with US-backed Pakistan. Nevertheless, India has faced some constraints when it comes to improving ties with Israel.

But India has profited little from its consistent pro-Palestinian position. Arab countries have failed to back India against Pakistan in its dispute over Kashmir. Even the Palestinians have consistently and overwhelmingly favoured Muslim Pakistan over India. In contrast, Israel has supported India’s position vis-à-vis Kashmir, offering it critical counter-terror know-how and technologies at least since the 1999 Kargil War.

TILT TOWARDS ISRAEL

Another factor contributing to the warming ties between Israel and India was the rise to power of Indian Prime Minister Narendra Modi’s Bharatiya Janata Party. If India’s leftists viewed Israel as a “neo-imperialist proxy of America,” BJP supporters tend to see Israel as a plucky democracy.
During the past two years of the NDA government, India has made a perceptible shift away from its traditional tilt towards the Palestinian cause, deciding not to vote against Israel on several crucial United Nations votes, and also sending more cabinet ministers to the country than in the past. One of the most public expressions of India's warming relations with Israel was its decision in July 2015 to abstain from a vote against Israel in the United Nations Human Rights Council that blamed Israel for "war crimes" while ignoring the war-mongering of Hamas.

**Prime Minister is Expected Visit Israel In Early 2017**

The Indian Prime Minister is expected visit Israel in early 2017. The visit will make Narendra Modi the first Indian Prime Minister to ever visit Israel, which could come close to the 25th anniversary of establishment of full diplomatic ties on January 29. The PM is also planning for a possible diaspora event for roughly 80,000 people of Indian origin based in Israel. Mr. Modi’s visit, that was due to be scheduled a number of times since he took over in 2014, has been put off in view of sensitivities of Gulf countries. In particular, the visit to Iran was closely watched as Israel opposes countries investing in Iran. Tel Aviv believes Tehran will continue its nuclear programme once the peace deal has ended.

**Oil Diplomacy**

- The current tensions in West Asia and the war clouds over the skies of Iraq due to rise of ISIS militants have their roots in the economics of oil resources of the Persian Gulf and the politics of American interests to remain predominant in the region.
- There has been an unprecedented popular upsurge against the establishments in many countries in the Arab world during the last few years, leading to regime changes in certain cases. These developments have been characterised by outside observers as the ‘Arab Spring.’
- People at large have overcome their fear of the existing regimes and called for drastic and fundamental political transformations, including regime changes.
- The Islamist parties are on the rise across the region whereas the economic concerns have also risen to the forefront.

Oil nations became aware of the role they are entitled to play in the global economy as the natural owners of this essential economic resource. Earlier, the world oil prices were so low that Iran, Venezuela, and Arab oil producers banded together in 1960 to form Organization of Petroleum Producing States (OPEC), to negotiate for higher oil prices. By the early 1970s, the United States depended on the West Asia for a third of its oil requirements. Foreign oil producers were finally in a position to raise world oil prices. The oil embargo of 1973 and 1974, during which oil prices quadrupled, and the oil crisis of 1978 and 1979, when oil prices doubled, graphically illustrated how vulnerable the needy countries had become to the foreign producers of oil. The oil crises of the 1970s had an unanticipated side-effect. As a result of increasing supplies and declining demand, oil prices fell from $35 a barrel in 1981 to $9 a barrel in 1986. The sharp slide in world oil prices was one of the factors that led Iraq to invade neighbouring Kuwait in 1990 in a bid to gain control over the 40 per cent of West Asian oil reserves. Consequently, the western industrialised nations were quick to react. In 1990, the UN Security Council approved a commercial, financial and military embargo on Iraq. The Iraqi Government responded by declaring the annexation of Kuwait as its province. On November 29, 1990, the Security Council passed a resolution authorising the use of any means necessary to free Kuwait. A military force led by the US attacked Iraq to free Kuwait. The war led to a clash in the oil market between the owners of the resources and the users in the industrialised world, paving the way for the fresh emergence of the oil politics in the world. The world oil markets, however, gained a global political dimension. On April 23, 2002, the Iraqi President again called upon the Arab states to cut their oil exports by half and ban sales to the US, a retaliatory measure for Washington's support to Tel Aviv against Palestine. As part of a broader embargo against the US and Israel, Iraq unilaterally declared the suspension of its oil exports for the next 30 days. The oil market,
drained of two-million barrels of Iraqi oil a day, might not have significantly affected prices, but it did create the political tension that was significant in an already vitiated atmosphere. When the oil was used as a weapon for the first time in 1973, it had a dramatic and lasting effect on the global economy and on the economies of the Western states.

**SAUDI ARABIA AND OIL POLITICS**

- West Asia is in chaos and Iran is emerging a stronger player in West Asia post the removal of sanctions.
- Since the first oil shocks following the 1973 Middle East War, the Saudis have understood the **role they can play in regional and world affairs** by controlling oil production.
- But recently, as the **U.S upped its production**, it would have been reasonable to assume that Saudi would have correspondingly cut surplus supply to maintain a healthy balance sheet.
- **U.S and European Union** creatively offered Iran's "moderate" President Hassan Rouhani economic crumbs to appease the hardliners back in Tehran to abandon its nuclear program.
- Saudis have a host of concerns that they feel are not being addressed adequately, either by their allies in the West or by their partners in the region.
- **Iran's reach across the Middle East** region worries Saudi even more than its nuclear programme.
- In Iraq, the Iranians have as good as sewn up the state security apparatuses, and were it not for the intervention of Iran's Revolutionary Guard Corps (IRGC) to assist northern areas of Iraq, including Kurdish border regions, IS would be rampant in all but the most distinctly Shia regions of the country.
- In **Syria**, as the US-led coalition strikes the Islamic State (IS), the pressure on Iranian ally Bashar al-Assad appears to have lifted.
- Where once there was a determination to remove him from power, rumours grow that the West will have to consider dealing with him to help fight the bigger threat of the Islamic State.
- Propped up by Iranian money and proxies such as Hezbollah, and cushioned with Security Council support by Russia, **Assad looks to be safe**.
- To make matters worse on the Kingdom's southern and eastern borders, **Shia rebels in Yemen**, and **protestors in Bahrain**, only contribute to the sense that the Kingdom is being strangled by Iranian power from all sides.
- In the midst of the chaos from which Iran seems to be profiting so well, Saudi Arabia has taken the decision that it has to hit back.
- **Riyadh would prefer not to be drawn into a military confrontation with the Iran** it has had to seek other ways to confront Iran.
- **Iran's economy** is heavily reliant on hydrocarbons, which make up some 60% of its export revenue and provided 25% of total GDP in 2013.
- Deeply committed to the fight in **Syria, and Iraq**, the Iranians are spending untold millions of dollars a month to maintain their operations in the two countries, all the while attempting to placate potential domestic unrest.
- Interestingly, the **Iran proposed cutting OPEC output** ahead of the November conference only for the Saudis to rebuff them.
- Saudi Arabia forced OPEC to maintain its current production levels at 30m barrels per day, to force down the price.
- Consequently oil prices have fallen 35% in 2014, tipping under the $70 mark for the first time since May 2010.
- The Saudis got a chance to deal Russia, Bashar al-Assad's stalwart ally, by driving down the cost of oil and hurting Moscow's hydrocarbon revenue streams, which prop up a shaky domestic economy.
As oil prices have fallen so has the value of Russia's Rouble, plummeting 35% since June.

Killing two birds with one stone would seem a smart policy, especially since it is highly unlikely to result in the sort of military escalation the Saudis wish to avoid.

But Saudi Arabia risked the goodwill of other OPEC members, simultaneously emasculating the organisation and undercutting their ability to use it in the future to serve their interests.

Nevertheless the Kingdom sits on $741bn of currency reserves and posted a $15bn surplus at the end of last fiscal year, and the Saudis can absorb the cost of budget deficits for a few years if needs be.

This is helped by the fact that recent mega-arms purchases have been completed and the Kingdom's future defence expenditure is projected to fall in the coming two or three years, freeing up cash for other endeavours.

THREAT OF ISLAMIC STATE

IS runs an entity roughly the size of Britain across Iraq and Syria, its hostility to the Al Saud family was recently made clear in a speech by its Caliph Abu Bakr al-Baghdadi.

Cheap oil from IS territory will continue to flow, earning the organisation millions a day in revenue, and although the Saudis have had notable success in striking IS targets, it is not enough to ensure their defeat unless the US and Iran openly cooperate to solve the issue, which Riyadh will have to accept.

Likewise, the Saudis will have to grudgingly accept that some form of deal between Iran and the P5+1 (US, Russia, China, UK, France and Germany) will have to be struck, if regional war is to be avoided.

The recent attempts by the Saudis to diplomatically engage their Iranian counterparts, particularly on regional security issues like Islamic State appear positive.

But the mistrust is still deep, and the threat of IS appears not to have stopped the Kingdom in its drive to blunt Iran.

FUTURE OF OIL DIPLOMACY

Saudi Arabia seems intent on flooding global markets to push out higher-cost producers, especially in the U.S. But the oil glut could also have political reasons, such as undermining Russia. A more recent reason might be to prevent its regional rival Iran from re-entering the oil market; now that sanctions have been lifted.

There is no longer a clear-cut front of oil producers vs consumers. Today, most of the big players are both. One-third of Saudi production is consumed at home. In 2014, the US overtook Russia as the world's biggest energy (oil and gas) producer. This also makes coordinated action more difficult.

Climate policies are introducing new uncertainties on both the supply and demand side. If countries are serious about reaching a climate change target of 2 degrees Celsius (or even 1.5 degrees, as agreed in Paris), they simply cannot burn all the oil and gas that is still in the ground. Climate targets could leave a lot of energy resources as 'stranded assets'.

From the producers' point of view, this means that it is no longer a smart strategy to leave oil in the ground on the assumption that a barrel pumped tomorrow will be worth more than a barrel pumped today. This might be one reason why not only Saudi Arabia, but also Russia is now producing at full capacity.

With lower incomes, governments in oil producing countries can no longer lavish subsidies and other perks on their local populations. This might lead to domestic instability and repression– although it might also drive reforms in some producing countries desperate to shore up strained budgets and diversify away from oil.

The countries that appear most immediately vulnerable to internal instability are Venezuela, Ecuador, Nigeria, Brazil and the Central Asian producers like Azerbaijan.
Technology is becoming more important. The boom in the US shale industry has been driven by innovations in drilling technologies. If, as many claim, the US is the new swing producer, the key role of technology makes it less predictable than Saudi Arabia, where decisions on production levels were centralized and political. Most energy analysts were surprised, for example, by how much the US shale industry has been able to cut costs rather than production.

If the US industry manages to maintain production at lower prices, America will be heading towards self-sufficiency in oil and gas. Its interest in guaranteeing stability in the Middle East might wane accordingly. This, in turn, might exacerbate the geopolitical rivalries between Saudi Arabia and Iran and other players in the region.

INDIA’S CONCERNS

Indeed, India has important political, economic and security stakes in the peace and stability of West Asia. In fact, India is heavily dependent on energy supplies from the Gulf region. Energy imports from the region constituted around 63 per cent of India’s total oil imports in 2012-13. The region is the leading trading partner for India with a total trade of around US$ 200 billion in the same year. There is a realisation that India should start getting involved in the regional security of West Asia by helping create a regional security bulwark which may deter the outside interference in the region. Further, West Asia forms a part of India’s extended neighbourhood. The present political transformation in the region as well as the realisation of India’s rise in stature as an emerging regional power has necessitated a fresh look at this geo-strategically important region. Already, this region accounts for the largest trade volumes for India overtaking India’s trade with China. The six Gulf Cooperation Council (GCC) countries for instance constitute India’s largest socio-economic partner, as manifested by the following facts. Over 50 per cent of flight connections between India and the world are between India and the GCC countries. It is also significant that the remittances from the region are just about equal to what India pays for its oil purchases from the Gulf. Though the economic leg of India-Gulf relationship remains strong the political leg is not as strong and promising as it ought to be. There are number of concerns that demand rethinking and fresh approach by India towards this region. For the small Gulf States, their security is their Number One priority. In exchange for the oil, they shop for their security. These smaller states live in a tense zone next to “the tough and expansionist neighbours.” India is making the mistake like the Western countries of viewing the region through the prism of only “oil” and “gas” while ignoring its rich cultural, diverse and historical relations which has been reduced to mere economic business and remittances issues. But, India is perceived by the regional countries of West Asia as an emerging global power with rising stature. That the countries of the region regard India quite well for overall peace and security is clearly indicated from a paper published by the UAE’s Emirates Centre for Strategic Studies and Research (ECSSR) describing India as “a non-aggressive power.” Hence, in an attempt to address the new challenges which are still unfolding, India needs to revisit its policy towards the strategically important region.

MODEL QUESTION

1. India has important political, economic and security stakes in the peace and stability of West Asia. Examine the necessity to maintain a balance in India’s West Asia policy.