The Diwan Goes Global

Dear Friends of the Global Diwan,

With Sigmar Gabriel joining our Advisory Board last September, we have succeeded in associating to our project in less than a semester Paris, London and Berlin. Before the Brexit deadline, we have asked our friends and partners from the London Energy Club to tell us why Global Britain and Global Diwan are nevertheless committed to a bright future. Our partner SSF will examine current tensions in the Eastern Mediterranean over the control of hydrocarbon resources. The Global Diwan pursues its mission towards new horizons. After having started our journey at the vicinity of Maghreb and the Middle East we are now approaching Africa, Iran and India.

Many observers now realise the high economic potential of Africa, such as Germany that now considers this market as a priority. Following our summer webinars (Gulf sovereign wealth funds, Turkey and Lebanon), our third newsletter leads us to the African continent through different viewpoints: from Morocco, Turkey and Saudi Arabia.

We will finally consider the perspectives of doing business in Iran and to push further East, we analyse India’s relations with the Middle East.

Enjoy the read!

Éric Schell
Executive Chairman

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Britain’s trade prospects after Brexit

By Alastair Watson

We are the 6th largest economy in the world. UK companies have the capability to adapt and develop in this new world. Finance is a key, and the sophistication of this sector means that the EU cannot survive without the skills of the City of London.

The elephant in the room is the volume of trade, currently seamless and open. The EU is the largest consumer market in the world; its loss would be very damaging to the UK. The balance of exports is substantially from Europe. For success, diplomacy will have to be exercised. The EU cannot expect the UK to accept any continuing loss of sovereignty – the authority of European courts, level playing field or control of the UK fishing waters. In return, the UK needs to accept the implications of the unity and purpose of the EU. Trade will continue. There may be tariffs and constraints, but I expect that WTO (World Trade Organisation) rules will not be the ultimate arbiter. Otherwise, we can manage under WTO rules, used for trade with the rest of the world.

The EU has been ineffective in securing major trade agreements around the world. But the opportunities for the UK is not simple. There will be agreements, but they will increase trade by a small percentage, agreement by agreement. The commonwealth is an opportunity. The “old” commonwealth – Canada, Australia and New Zealand – have relatively small economies. In terms of the “new” commonwealth – India, Nigeria and South Africa – there are opportunities; but it will take time. They were sidelined when we joined.

The benefit within the UK will come from the change in mind set and also the new agility which will result. The benefit within the UK will come from the change in mind set and also the new agility which will result. There will be a reset. With the development of our own trading system, there will be more intellectual capacity, effort and funds directed to ensure that the “UK PLC” (the commercial interests of the UK considered as a whole) has the best system to operate for our needs (and not the “level playing field” of the EU). But this will take time.

Whatever, we are Europeans in terms of geography, history and culture. We have not turned away from Europe; we do not support the vision of the EU. Both sides must ensure that we remain friends and collaborate closely in areas of mutual benefit, outside trade, without rancour and recrimination: security, crime, refugees, foreign policy initiatives, visas, trading standards and common beliefs. Ultimately, we must both make sure that our European civilisation and values remain a leading light around the world, in these very challenging times.

“The benefit within the UK will come from the change in mind set and also the new agility which will result.”
Tensions in the Eastern Mediterranean

by SSF (Scutum Security First)

The small Greek island of Kastellorizo, close-at-hand from the Turkish coast, has become the epicentre of the crisis shaking the Eastern Mediterranean, set against a backdrop of gas and oil exploration that led to a face to face between NATO member states. Its location illustrates the geopolitical complexities of the region inherited to a large extent from the treaties that followed the First World War.

The island has been Greek, Persian, Roman, Byzantine, Neapolitan, Catalan, Turkish, Ottoman, Italian and eventually tied to Greece in 1948. But Kastellorizo current situation also stems from the Treaty of Sèvres resolutions (August 10, 1920) and the Treaty of Lausanne (July 24, 1923) that sanctioned the dismantling of the Ottoman Empire and founded modern Turkey.

From these treaties, Greece and Turkey have inherited complex maritime borders. Some Greek islands in the North Aegean Sea or in the Dodecanese are only a few miles from the Turkish coast, an unbearable situation for Turkey after the discovery of oil deposits. These economic motivations add up with President Erdogan political will to revive the Ottoman greatness, an attitude directed to his electorate.

The Economic Exclusive Zone (EEZ) continuing conundrum

The United Nations Convention on the Law of the Sea, signed in Montego Bay in 1982, assigns to countries with seawfronts economic exclusive zones, that stretch to 200 nautical miles from their coast and on which they have full sovereignty on the exploration and exploitation of resources found in these zones.

Alongside the Eastern Mediterranean Sea are Greece, Turkey, Syria, Lebanon, Israel, the Palestinian Territories, Egypt, Libya, the Republic of Cyprus (member of the EU) and the Turkish Republic of Northern Cyprus (only recognised by Ankara); and delimiting the economic exclusive zone is an absolute conundrum especially as Turkey, Syria and Israel have not signed the Montego Bay Convention and reject the EEZ definition.

After the first discoveries of gas deposits off the coast of Israel at the end of the 1990s, some states of the region tried to redefine their relations and some managed to reach cooperation agreements in the fields of exploration, exploitation and exportation of resources. In this way, Greece, Cyprus and Egypt have signed such an agreement in 2014; when Israel, Cyprus and Greece did the same in 2016. The latter agreement is contested by Lebanon while Turkey, being kept on the side lines from the previous discussions refuses to recognise Cyprus’ EEZ as long as no settlement on the island’s definitive status is reached. In parallel, its navy disrupts the operations of oil companies in the Cypriot waters since 2018.

To make things even more challenging, Turkey signed an agreement with the Libyan Government of National Accord (GNA, recognised by the international community) in November 2019, delimiting their maritime borders without taking into account the Greek’s and Cypriot’s EEZ, while Greece did the same with Egypt a few months later. Turkey is militarily implicated in Libya where it faces the Libyan National Army of General Haftar (LNA) and its allies, Egypt and the United Arab Emirates (UAE), the latter had sent four F16 fighter aircrafts in August 2020 to participate to military manoeuvres in Greece.

The Gas Field Discoveries

The gas exploration and exploitation in the Eastern Mediterranean go back to the end of the 1990s when the Mari-B field was discovered off the coast of Israel. In the same EEZ, the Tamar field was discovered in 2009 followed by the Leviathan giant field in 2010, which exploitation capacity of 500 billion square meters allowed Israel to become Jordan’s first gas supplier as well as Egypt’s in January 2020.

In 2015, the discovery of the Zohr giant natural gas field at the limit of the Egyptian...
and Cypriot EEZ, announced by the Italian ENI as “the largest-ever gas discovery in the Mediterranean” (a capacity estimate of more than 850 billion square meters) has reshuffled the cards since Egypt now enjoys an almost complete autonomy, forcing the natural gas producers to find new outlets.

In 2018, Egypt and Cyprus have announced the development of a gas pipeline linking the Aphrodite gas field to the Egyptian gas liquefaction plants before exporting it to Europe.

The EastMed Gas Forum was launched in January 2020 and gathered Cyprus, Egypt, Greece, Jordan, Israel, Italy and the Palestinian National Authority with the will “to create a regional gas market that serves the interest of its members by ensuring supply and demand while optimising the development of resources and rationalising infrastructure costs, offering competitive prices and improving business relationships”. At the same time, Israel, Cyprus, and Greece launched the EastMed gas pipeline project supplying Italy and aiming explicitly to provide Europe with an alternative to Russian gas by 2025.

Most major companies of the sector are involved in the exploration and exploitation of the Levant Basin’s resources. ENI is ahead particularly in the Egyptian, Cypriot and Lebanese fields. The other important actors are British Petroleum, Total, Exxon and Noble that leave very little share to minor actors from Russia, Asia or the Gulf countries.

The COVID-19 health crisis caused the adjournment of drilling operations to 2021 for Exxon, ENI and Total.

Besides, the current overproduction of Liquefied Natural Gas (LNG), added to the geopolitical risks could lead momentarily to lesser interest towards the fields of the Levant Basin.

Will NATO play a part in the crisis recovery?

As soon as 2018, Turkey chose to show muscles when its navy forced ENI to abandon drilling operations at the East of Cyprus. Since then, tensions between Ankara, Nicosia and Athens continued to increase and culminated in July and August 2020 after the Turkish minister for Energy and Natural Resources had announced that the seismic research ship Oruç Reis would be joining 3 Turkish Petroleum ships (TPAO), operating since 2019 and under protection from the Turkish navy, on blocks already allocated by Nicosia to European oil companies.

The threats of sanctions brandished by the European Council, then by the 27 EU members states haven’t shaken Turkey’s determination for the least. Ankara asserts that its activities in the Eastern Mediterranean have “two dimensions, the protection of our rights on our continental shelf and the protection of those of the Turkish Cypriots, being co-owner of the island, they have equal rights (to the ones of the Greek Cypriots) on the island’s hydrocarbon resources”.

Athens, which armed forces are in a state of alert, has accused Turkey to “threaten peace” and received a strong European support from France in particular that sent 2 Rafales jetfighters, the helicopter carrier Tonnerre and the frigate La Fayette to participate to manoeuvres with the Greek navy off the coast of Kastellorizo.

According to French President Macron, “Turkey’s strategy for the last few years hasn’t been the one of a NATO ally.”

While Ankara and Athens continued their verbal escalation, NATO’s Secretary General Jens Stoltenberg announced on September 4th 2020, that both countries would open discussions within the Alliance but no timeframe was given. Needless to say, both countries do not appear ready to negotiate as the Greeks wish the end of the “provocations… and threats”, and the Turks accuse their Greek counterpart of lying and being “evasive”.

"The COVID-19 health crisis caused the adjournment of drilling operations to 2021 for Exxon, ENI and Total."

Source: Energy Reporters - May 27, 2020
IN 2016, SAUDI ARABIA ACCOUNTED FOR 3% OF FOREIGN DIRECT INVESTMENT IN AFRICA, REPRESENTING $2.7 BILLION (COMpared to 1% in 2006 – BUT STILL FAR FROM CHINA’S 36% IN 2016). THIS GROWTH REVEALS AN EXPANDING INTEREST OF SAUDI ARABIA IN THE AFRICAN CONTINENT, AS IT IS LOOKING TO DIVERSIFY ITS OIL-DRIVEN ECONOMY. OIL WEALTH HAS BEEN AND STILL IS A POWERFUL LEVER OF PENETRATION IN AFRICA, BUT THE KINGDOM IS NOW INVESTING IN OTHER FIELDS, SUCH AS BANKING, HEALTHCARE, TRANSPORT, ELECTRICITY AND TELECOMS. THESE INVESTMENTS SHOW A WISH TO BE A DIPLOMATIC ACTOR IN REGARDS TO THE CONTINENT’S CONFLICTS. TO ILLUSTRATE THIS INTEREST, THE VISIT TO MAGHREB OF FAYSAL BEN FARHANE, THE SAUDI MINISTER OF FOREIGN AFFAIRS, TO TALK ABOUT THE LIBYAN CRISIS OR THE FINANCIAL SUPPORT PROMISED TO THE G5 SAHEL.

Religion as an entry point

Besides being the largest oil exporter, Saudi Arabia’s kings are the “Servant of the Holy shrines” of Islam that are Mecca and Medina. The religious approach is essential in analysing the ties between the Kingdom and Africa. The pilgrimage to Mecca (hadj) is the fifth and last pillar of Islam. The arrival of pilgrims (10 million in 2017) generates between 10 and 15 billion dollars per year for the kingdom. Quotas of pilgrims per country are set by the authorities and that has diplomatic consequences between Muslim countries and the kingdom.

For decades, Saudi Arabia has organised fellowship programmes for young Africans to follow Islamic studies in the kingdom, strengthening its religious influence. By financing thousands of mosques, Islamic centres and Koranic schools, Saudi Arabia has reinforced its influence across the continent, paving the way for other investments and cooperation projects.

A long tradition of investment on the continent

In 1975, the kingdom created the Saudi Fund for Development (SFD) to participate in financing projects in developing countries by granting loans, technical aids and institutional support. Since its creation, the African continent has received most of the fund’s support (52% of payments) – Egypt and Djibouti being the largest beneficiary countries. The Islamic Development Bank was created in Jeddah as early as 1975 and the kingdom is still the main shareholder (26%), providing a great tool of influence in the orientation of development projects for poor Muslim countries. Furthermore, Saudi Arabia has been a member of the African Development Bank Group since 1961. Saudi’s investments and loans in Africa are not recent.

The fight for leadership

Today, pursuing its religious influence strategy, Saudi Arabia continues its investment efforts in Africa in order to diversify its oil-driven economy but has to face the arrival of other regional powers on the continent.

The agricultural policy of the kingdom led to investments in Africa. Although only two percent of the country’s land mass is arable in Saudi Arabia, the kingdom managed to become self-sufficient in some crops thanks to strong dedicated policies. But, in 2007
and 2008, due to bad crops, and despite their oil wealth, the Saudis were not able to pay for imports, given the food-driven inflation. The government decided to change its agricultural policies and stop its campaign for self-sufficiency. In 2009, King Abdullah bin Abdulaziz launched the King Abdullah Initiative for Saudi Agricultural Investment Abroad. The initiative aims at realising national and international food security by building partnerships and investing in countries that have high agricultural potential, such as Ethiopia. This policy helped private investors develop new projects, such as the famous Saudi Star Agriculture Development PLC, owned by a Saudi-Ethiopian billionaire Mohammed Al-Amoudi who acquired 10,000 hectares of land in Ethiopia.

Moreover, it is worth noting that the struggles for influence and the conflicts between regional powers that span the Middle East are shifted to the African continent.

The 2017 blockade against Qatar, initiated by the “Group of four” (Saudi Arabia, the UAE, Bahrain and Egypt), had consequences on African countries supporting Qatar, although the initial objective was not to stop the Qatari influence on the African continent. One of the main purposes of this unilateral decision was the “fight against terrorism” and to compel Qatar to end diplomatic relations with Iran, cease all military cooperation with Turkey and stop funding “terrorist organisations or sectarian and ideological groups” (such as Hezbollah or the Muslim Brotherhood). As soon as the blockade was implemented, some African countries reacted: Senegal, Mauritania, Chad and Niger called back their ambassadors from Doha. Those countries were the only ones to take a stand in this conflict, but quickly stepped back and renewed relationships with the Al-Thani family due to internal economic difficulties and Qatar’s overall influence. The blockade appears to have been an opportunity for Qatar to intensify its diplomatic efforts all over the world and in Africa in particular where it opened many diplomatic representations (45 today against 30 for Saudi Arabia).

To counter the Iranian influence in South Africa, Saudi Arabia promised the creation of a major petrochemical refinery that would produce 300,000 barrels per day (half of the country’s need) by 2028, as part of $10 billion of planned investments.

**Vision 2030**

The Kingdom of Saudi Arabia’s diplomacy now benefits from an extensive experience on the African continent. This interest seems to be reinforced since Crown Prince Mohammad bin Salman launched his “Vision 2030”, a strategic framework to reduce the kingdom’s dependence on oil. In 2019, during the third edition of the Future Investment Initiative (FII), organised by the Public Investment Fund (PIF), an entire day was devoted to the African continent. In addition, MBS had the ambition to organize the 4th Arab-African summit as well as the first Saudi-Africa summit. However, these two events had to be cancelled due to the COVID-19 pandemic.

Although the current crises may slow down Saudi Arabia’s economic efforts in Africa, it won’t bring it to a total halt. As far as religious influence is concerned, the 450 million African Muslims constitute a significant soft power lever that the kingdom has no intention to neglect.
Trading in Africa from a Turkish perspective

By Abdulkadir Güzeloğlu

The African continent endured a turbulent era between the 15th and 20th century, that saw numerous accomplishments towards the end, notably the gaining of independence of seventeen African nations in 1960. Although today, on the economic front, the parameters determining the continent’s economy can hardly develop in a sustainable and linear way.

There are various reasons for that: foreign interventionist initiatives, domestic political instabilities, corruption, weakness of political institutions and failure to secure genuine economic independence holds a crucial position.

Ex-colonial powers have started being challenged by new actors at the end of the 20th century. Among those, Turkey emerged as a pioneering player.

Following a multifaceted foreign policy in Africa, Turkey has been increasingly active throughout the Continent for over thirty years. Indeed, during this period Turkey steadily built a strong presence by opening 42 Turkish embassies, but also private initiatives led by companies such as Turkish Airlines, charity work from major Turkish public agencies and foundations such as the Turkish Cooperation and Coordination Agency and the Yunus Emre Institute that promotes the Turkish language and culture.

At the same time, Turkey has led assertive foreign security policies, as seen in Somalia and especially in the Mediterranean Sea and North Africa in the context of the “Blue Homeland” doctrine.

Trade volume between Turkey and Africa has benefited from overall good diplomatic relations and a secure climate. According to figures provided by the Turkish Ministry of Foreign Affairs, the total trade volume in 2002 was $4.3 billion. Impressively, at the fourth quarter of 2019, the total trade volume between Turkey and Africa had sextupled and reached $25.3 billion.

Albeit the COVID-19 pandemic heavily impacting projections on the global economy, ties between Turkey and Africa do not seem to be drastically affected. There are a variety of reasons behind this rationale. The legal and organisational framework secure exchanges between Turkey and the continent. Today, according to statistics provided by Turkey’s Ministry of Trade, there are 5 free trade agreements, 30 bilateral investment treaties and 13 agreements for the avoidance of double taxation between Turkey and the African countries. The Foreign Economic Relations Board of Turkey (DEIK) carried fruitful endeavors. It aims to strengthen economic relations between Turkey and foreign public and private sectors by establishing 45 Business Councils in Africa. The Business Councils have been actively conducting business diplomacy, with their counterparts, being generally institutions such as chambers of commerce and investment protection and promotion agencies. In addition, the extensive reach of DEIK and other Turkish public and private players, coupled with the development of trade volumes, has grown and solidified Turkey’s soft power in Africa. Moreover, despite the COVID-19 pandemic, 2020 was announced as the “African Year” by the Turkish Ministry of Trade, that will see the establishment of trade centers, logistics centers and other infrastructural development projects.
Morocco, a regional player in Africa

By Mourad Arbib

Morocco has distinguished itself in the health crisis’ context by being one of the first countries to close its borders to the rest of the world in order to prevent the spread of the COVID-19 virus. This initiative could have saved thousands of lives.

The pandemic was an opportunity for Morocco to continue to play its role as a leader in Africa. While many countries were withdrawing, Morocco did not hesitate to provide sanitary aid to 15 African countries: hydroxychloroquine, hydroalcoholic gel, masks, and respirators all manufactured in Morocco.

How did Morocco manage to establish its status as an African leader without being the continent’s leading economic power? The political initiatives implemented by HM King Mohammed VI and the development of economic relations with the continent through major companies that became pan-African benefitted Moroccan influence on the continent.

Morocco rejoined the African Union (AU) in 2017 after leaving it in 1984 and having been one of the founders in 1963. Indeed, refusing to cohabit with the Sahrawi Arab Democratic Republic (SADR), the Kingdom decided to leave the organization and relied on countries that did not recognize it. The empty chair policy that ensued inhibited its influence and allowed South Africa and Algeria to weigh in on the question of Western Sahara. But after decades of reflection, Morocco decided to rejoin the AU, because as HM King Mohammed VI puts it “when a body is sick, it is better cared for from the inside than from the outside”. In 2016, diplomatic trips were made to African capitals to set out a vision of collaboration between Morocco and African countries and multiply cooperation and investment agreements. In January 2017, Morocco’s return to the AU was voted by 39 member states out of 54.

Moroccan multinational companies are examples of the country’s development in Africa. They invigorated various African sectors with more than 60% of Moroccan foreign direct investments in African countries.

The NIC (National Investment Company), merged with NAO (North-African Omnium) in 2010, which historically was an industrial holding company and has gradually shifted towards secondary and tertiary economic activities, illustrating Morocco’s desire to implement
extensive economic development. The holding company owns subsidiaries such as Attijariwafa Bank group, Nareva, Optorg, or Managem, achieving a geographic change by developing and increasing its presence at the continental level. This is how in 2018, the industrial holding company has been transformed into a pan-African investment company, renamed Al Mada. For example, Attijariwafa Bank, already present in 25 countries in Africa, distinguished itself in 2016 with the acquisition of Barclays in Egypt, allowing Morocco to be the country’s leading foreign investor that year. Or more recently, Nareva established its first investment outside Morocco at the start of the year by partnering with Engie for the construction of a photovoltaic power plant in Gafsa in Tunisia.

As another example, OCP group that has celebrated its centenary and exploits the largest sources of phosphate in the world, has today diversified into processed products and represents Morocco’s desire to develop towards a continental market. OCP is one of the world’s leader in the production of fertilisers and has created OCP Africa, a subsidiary which goal is to promote the development of agriculture at a local level. In practice, OCP has created 12 subsidiaries to be present in 16 countries in Central, West and East Africa. A strategy is implemented in countries that have diverse climates to develop their agricultural sector even if it has been a challenge historically. OCP has contributed to change agricultural activities in Africa thanks to suitable fertilisers, assistance to farmers, but above all, significant investments in production and logistics infrastructure. The development of a fertiliser plant and the construction of a distribution network in Nigeria is one illustration of that work.

Global firms understood that Morocco could be an entry point to set foot in Africa as Orange (France) acquiring Meditel, Etisalat (UAE) acquiring Maroc Telecom and its African subsidiaries, Taqa (UAE) opening its African hub in Morocco, or LafargeHolcim Maroc-Afrique, the fruit of a joint venture between the cement global leader and Al Mada fostering new businesses in 12 African countries.

The development of diplomatic relations between Morocco and African countries has been built on concrete actions. HM King Mohammed VI has decided to implement a diplomatic, social, and economic vision, which is fully executed by Moroccan companies on the continent, contributing to its role as an African leader. Morocco is contributing to the success of South-South collaborations, gradually making Africa its first region of activity.

“Moroccan multinational companies are examples of the country’s development in Africa.”
India’s relations with the Middle East

By Manod Jinnuri

India is also using its position to expand its horizons internationally. The Middle East is seen as a strategic region for a variety of reasons. It must be noted that India’s presence in the region is shaped first by a large Indian community there, apart from other strategic interests such as energy and expanding its area of influence. In parallel, the Middle East has witnessed over the last few years major fractures that attracted outside countries into the region.

India historically always had ties with the region dating back to the Silk Road and ancient trade between civilisations. Despite traditionally being a more passive player, India’s commitment evolved and it strengthened its bilateral relationships towards economic cooperation.

India is now the world’s fifth largest economy, despite the impact of the COVID crisis that is still unclear. Today, the country aspires to its right place at the international table and understands that it needs to cultivate stronger ties and invest in relationships with various countries to truly become a global player.

A good indicator of these efforts is the significant increase in official visits between Indian and foreign counterparts. There has been a number of bilateral agreements between India and the Middle East in fields such as counter terrorism, energy, the defense sector, innovation and technology, education & training, tourism and many more. The Middle Eastern countries changed their outlook on their relations with India, leaving aside Pakistani’s preference. These ties have deepened despite India’s very close strategic cooperation with Israel which has grown stronger over the years.

Regardless, India’s economic development increasingly gave some importance to the Middle East, as a source for fuel imports and for Indian labor and remittances. India’s Middle East policy was intensified after Modi was elected in 2014, known as the “Look West” policy focussing on Gulf Countries, Iran and Afghanistan. The Persian Gulf is also an important maritime theatre for India due to piracy threats close to the Horn of Africa and deeper forays by Chinese Navy in the Indian Ocean Region (IOR) which began in the name of anti-piracy patrols.

Let’s have an overview of four Indian priorities in the region: the Indian community, counter-terrorism, military cooperation and energy.

The Indian Community

Historic and commercial links between India and the Middle East and the presence of a large Muslim population in India have created natural avenues for cultural exchange.

The region is a consistent draw for Indian Muslims, who visit Mecca and Medina in large numbers for the annual pilgrimage as India has the second largest Muslim population in the world. The Gulf countries top the list of destinations for Indian tourists, with the United Arab Emirates as the most favored place followed by Saudi Arabia, Kuwait, and Bahrain, and India is becoming as well a top destination for people from the Gulf. In response to the growing Indian community outside the country, the government established the Ministry of Overseas Indian Affairs in 2004.

Indians are the largest community in the Gulf Cooperation Council (GCC) countries (mainly in Saudi Arabia and in the UAE) but also in Kuwait, Bahrain, Oman and Qatar. For instance, the Indian community in the UAE represents more than a quarter of the overall population. The presence of the diaspora offers to the host countries some political leverage over India and a level of assurance that India will...
The long-term viability of the Indian expat communities in the Middle East is therefore an important priority for Indian policymakers. Being a consistent partner over the long term. All these interactions between citizens of the countries benefit the strong cultural and commercial ties between India and the region. Most importantly, Indians based in the region are important contributors to the Indian economy, accounting for a significant share of its global remittances (50%) of above $90 billion. Many analysts point out the importance of these funds in improving the living conditions for Indians and serve as a vital source of foreign exchange for the country. The long-term viability of the Indian expat communities in the Middle East is therefore an important priority for Indian policymakers.

Counter Terrorism

Terrorism has been for many years a major global threat. Despite traditional Arab support to Pakistan, Middle East countries have developed some growing bilateral trust with India while applying pressure on Pakistan accused of sponsoring terrorism. India and its partners in the region often issue statements rejecting the use of terrorism against other countries as well as the supporting and financing of any such activities. Crown Prince of Saudi Arabia Mohammed Bin Salman, when visiting India in the wake of the Pulwama terrorist attack that killed 40 in February 2019, condemned the attack and called for dismantling terrorist organisations, a remark clearly directed at Pakistan. MBS then agreed to constitute a comprehensive security dialogue at the level of national security advisors and set up a joint working group on counter-terrorism.

Military cooperation

There has been a significant increase in military cooperation between India and the Gulf countries in the last few years. For instance, Oman has emerged as a major strategic partner for India in the region. India signed its first military logistics agreement (LEMOA) with the US in August 2016 and has since concluded several such agreements with countries including Australia, France, Oman, the Philippines, Singapore and South Korea among others. These agreements improve the operational turnaround of Indian military, especially Indian Navy, and significantly extend their reach. There is the Indian Navy’s Mission Based Deployments (MBD) in the IOR (Indian Ocean Region), which maintains frontline warships at all critical chokepoints of the Indian Ocean. There is also a proposal for a trilateral naval exercise between India, France and Oman.

In July 2019, when the first batch of five Rafale fighter jets took off from Paris to India, they made a stopover at Al Dhafra airbase in the United Arab Emirates (UAE). The UAE has emerged as a key partner in India’s security calculus in the region. In October 2019, Indian and Saudi Arabia announced their intention to hold their first bilateral naval exercise in March 2020. However, that has now been deferred due to the COVID-19 pandemic.

Energy and Geopolitics

Although the Kingdom of Saudi Arabia is India’s largest crude oil supplier (+300% over the last decade), we shall discuss the case of Iran that used to be the second largest oil supplier to India until the economic sanctions were imposed. India and Iran share common interests as Iran is close geographically and India needs to diversify its energy imports. In order to do so, it has to deftly navigate to tackle the rivalry between Saudi Arabia and Iran as both countries want India as an economic partner and friend. India has also maintained close ties with Afghanistan following the Taliban’s defeat. It has made a significant political and economic investment in Afghanistan to support the democratic process. Afghanistan’s position and India’s interest lies in the location of the country being at the north of Pakistan and opening access to central Asia.

India is building a railway infrastructure...
on the Iranian Coast to bypass Pakistan and access the region. However, recent reports stated on 14 July 2020, that Iran proceeded with the construction of the Chabahar-Zahedan rail link independently, citing delays in the proposed funding from India. Iran issued a statement, clarifying that while the funding of the rail link by IRCON (an Indian Public Sector company) had come up in negotiations, it had not been agreed upon between India and Iran. Readers and political analysts saw some pressure and interference from China, as some kind of retaliation following the recent skirmish between both countries in Northern India. However, Iran’s railway minister said Iran and India are "determined to continue" their cooperation on the railway line.

India and Iran first agreed to cooperate on the development of trade and transport through central Asia and channel them towards Iran’s Chabahar port on the Indian Ocean in 2003. The aim was to make the access to oil imports from Iran easier while balancing Chinese trade and development projects in Central Asia and in the Middle East as part of its Belt and Road Initiative (BRI).

Important investments to enhance its domestic energy sector were made, making it the 4th largest country in the world in terms of refining capacity and 2nd in Asia. India has become a major exporter of refined oil (6th largest exporter in the world, and 3rd largest in Asia). For instance, the UAE was one of the two largest buyers of refined petroleum from India in 2017. India is also the top supplier of petroleum to Israel and Saudi Arabia.

During his visit to India in February 2019, MBS confirmed the Kingdom’s intention to “invest in the areas of energy, refining, petrochemicals, infrastructure, agriculture, minerals and mining, manufacturing, education and health potentially worth in excess of $100 billion”.

A non-aligned India between regional hegemonies?

India has watched China’s increased influence in the region and is now trying to catch up. The Indian Government has significantly invested in relations with regional partners such as Israel and maintained its long-term cooperation with Iran while developing its relationship with UAE, Kuwait and Saudi Arabia. India will continue to work to develop joint partnerships with energy companies in the Middle East to explore, refine, and store energy but also as discussed earlier, safeguarding energy supplies and trade routes to and from the Middle East has become a priority to sustain India’s economic rise. With India’s rising global ambitions, the critical sphere of influence extends beyond the Indian Ocean Region (IOR) into the Persian Gulf.

All these factors bring India to monitor developments in the region more closely than ever and to continue to build stronger partnerships with Middle Eastern countries in many areas. India’s foreign policy has always been aimed at balancing great powers relations but that may now change in some ways due to recent events that could reshape its broader foreign policy orientations.
Doing business with Iran?

By Farid Vahid

The election of Donald Trump and the United States’ exit from this agreement on 8 May 2018 changed the situation radically, as the extraterritoriality of American law was imposed on foreign companies that nevertheless wished to continue their activities in Iran. On a diplomatic level, the European Union, and more specifically France, tried to ease tensions between Tehran and Washington. The meeting between Iranian Foreign Minister Javad Zarif and President Macron in Biarritz, on the margin of the G7 meeting, was part of this European strategy.

A possible election of Joe Biden as the next president of the United States could quickly change the situation. The Democratic candidate has repeatedly announced that in case of victory, the United States will return to the JCPOA. The coming months are therefore crucial for the economic relations between Iran and Europe. The opposition of the European signatories of the nuclear agreement to the return of United Nations’ sanctions against Tehran and the isolation of Washington in the UN Security Council shows perfectly the will of the Europeans to save the agreement. As Iranian leaders are increasingly looking to the East, it’s important for Europeans to counterbalance this tendency. Indeed, Iran and China are preparing a 25-year cooperation agreement and two Indian ministers (defence and foreign affairs) visited Tehran this week to discuss bilateral relations.

If US sanctions make it almost impossible (for now) for large multinational companies to do business with Iran, what about SMEs? Is it still possible for a European start-up or a medium-sized company that has no
FURTHER EAST...

Besides being a business club, intellectual work and curiosity – the gate to understanding other cultures – hold a distinct place in our Diwan. We welcome people from different horizons and nothing interests us more than to have contributors sharing their insightful and challenging views in our columns. Please do not hesitate to get in contact with us if you wish to share your work with our audience.

1 The Instrument in Support of Trade Exchanges is a company created by France, Germany and the United Kingdom, intended to support trade with Iran without using the US dollar.

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Established in 2000, Scutum Security First (SSF) is a security company specialized in risk management and prevention for international businesses. SSF is a leading provider of security and safety information. SSF secures the operational development of its clients, large companies as well as small and medium businesses and provides them with competitive intelligence.