India’s Oil Diplomacy

What is the issue?

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- Global oil demand is rising amidst rivalries in oil producing Islamic countries.
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- In this scenario India has taken some smart moves to meet the energy demands.
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What is the significance of Arab nations?

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- The Arab Gulf Monarchies such as UAE, Saudi Arabia, Kuwait, Iran, Iraq, and Yemen have major supply of oil in the globe.
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- The major markets for oil supplies from the Arab/Persian Gulf countries are China, India and Japan.
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- Iraq is India’s largest supplier of oil, overtaking Iran and even Saudi Arabia.
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What are the concerns faced by these nations?

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- Sectarian Shia-Sunni and civilizational Arab-Persian-Israeli rivalries dominate the oil politics of this neighbourhood.
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- With the discovery of shale oil/gas, North America and parts of Europe are relatively immune to influence by oil producing Arab nations.
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- The US is expected soon to become the largest producer of oil and gas in the world.

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- Apart from this, Russian oil and gas contribute to meeting energy demands in Europe and across Eurasia.
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- OAPEC nations are preoccupied in dealing with a resurgent Iran, which is presently free from western led international sanctions.
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- Iran has also sought to change the balance of power in the Arab world, challenging Saudi pre-eminence.
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What were the pressures of oil producing nations on India?

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- In 1973, Organization of Arab Petroleum Exporting Countries (OAPEC), led by Saudi Arabia, announced an oil boycott of countries like Canada, Japan, the Netherlands, the US and the UK.
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- OAPEC considered these nations to be pro-Israeli, and it also demanded India to close the Israeli Consulate or face an Arab oil boycott.
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- A cash-strapped India found itself in a desperate economic situation, as oil prices rose rapidly from $3 to $ 43 per barrel.
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- But India emerged relatively unscathed, due to developments like oil supplies from the Soviet Union.
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- Also, the discovery of “Bombay High” oil and gas assisted India’s stability.
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What is India’s oil diplomacy all about?

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- India has wisely stayed away from any participation in this rivalry, by handling relations with the Arab Gulf States and by making use of oil rich western neighbourhood.
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- India’s primary interests lie in the safety and welfare of the over 7 million Indians living in Arab Gulf countries.
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- Due to this, India continues its emphasis on ties with Saudi Arabia, the UAE and Oman, amidst taking efforts for a sustained co-operation with Iraq (which is India’s largest oil supplier).
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- Indian companies have started investing significantly in exploration of shale gas in South America and in USA.
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- Apart from this India is also preparing to develop storage capacity of petroleum in the event of any cut off of oil supplies due to regional tensions.
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Source: Business Line

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