

WEAPONS FROM OIL WEALTH AND INDIA'S SECURITY

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"There can be no greater error than to expect or calculate
upon permanent and real favours from nation to nation."

GEORGE WASHINGTON

INTRODUCTION

IN world of nuclear-power detente the last vestiges of Pax Britannica in the East were swept away in 1971. The British withdrawal was the final phase of the disintegration of a collapsed empire and the decline of a great power. With India no longer a node in the erstwhile British Empire there was no imperial rationale in maintaining a presence in the territories and waters of the vast strategic areas East of Suez. This power vacuum presented the world community with the challenge of a new arena of simmering and potential conflict. The oil rich countries of West Asia began a slow transition from a unifocal state system under the century-old patronage of the British to a system revolving around regional powers supported and manipulated in varying degree by outside interests.

Concurrently the increasing world demand for oil had acted as a catalyst in a tremendous transformation in respect of the world energy crisis, state-oil company relationships and quantum of profit. The Organisation of Petroleum Exporting Countries (OPEC) whose genesis in 1960 was an attempt to stabilise oil prices began spasmodic but inexorable jumps towards higher oil prices. Sellers in a buyer's market, their ukase on price levels had to be accepted, albeit grudgingly and at great risk of financial and budgetary chaos by oil-hungry nations. The Croesus-like wealth flowing into the area created super-rich states and new vistas for the rulers of the region. Reasoning for the most part that the acquisition of sophisticated weaponry was equivalent to upgrading their status they began refurbishing their arsenals. In an over-reaction to the energy crisis, and to ensure quick repatriation of petro-dollars Western countries began an unseemly scramble to conclude "arms for oil" deals to pander to this new taste. A feverish induction of arms began flowing into an area which had been militarily calm since World War II. Inevitably the balance of power began changing and affecting the strategic environment.

After the trauma of 1971, which in effect partitioned the sub-continent a second time, India had become the dominant political power in South

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Asia. This drastic re-ordering of the pattern of power clearly established India's predominance and gave it reason to assert reasonable claims to a greater role in world affairs. This new pattern, this nascent role, is vitally affected by the acquisition of arms by oil rich nations. The impact of this has to be taken by a combination of political, military and economic means if our national interests have to be secured and guaranteed.

This subject will be discussed under the following heads :—

- (a) Background of the rise in oil prices.
- (b) The oil-rich nations and their arms purchases.
- (c) Power interaction in the area.
- (d) The impact on India.
- (e) Measures to be adopted by India.

THE RISE IN OIL PRICES

The current decade began with an increasing demand for oil. Futuristic projections indicated that this demand would rise much further in the Eighties. The OPEC members realised that they were fast depleting their oil reserves without providing any adequate and alternate means for a future economic contingency. This started the slow process of assertion against international oil consortiums with regard to nationalisation and participation in the direction of oil companies. National oil companies came into being. By 1967, OPEC obtained a freeze on profits by foreign companies and later, an appreciable rise in royalties. Within 10 years of the formation of OPEC the relative powers of oil companies and governments had reversed and the OPEC members had become a force to be reckoned with. In 1970, the US had produced 25% of the world's oil and the USSR 15% but the importance of West Asian oil in world trade was much greater, accounting for 50% of total exports.¹ In 1971, OPEC members were able to force oil companies to increase not only tax reference prices but to agree to further and periodic rises to counter inflation. By 1972, the oil-rich countries of the Gulf were producing 18 million barrels or nearly 34% of the world's oil. *Time* magazine estimated that their proven reserves were of the order of 312 billion barrels against world reserves of 482 billion barrels or nearly 64.7%.²

Reasons for the rise in oil prices. In Oct '73 and again in Dec '73 oil prices were increased raising the oil revenue to almost £ 7 a barrel.³ OPEC members have now decided that (with effect from 1 Jan 1975) they will do away with the arcane set-up of three different prices viz. the "posted", the "equity" and the "buy-back". The new one price system will be \$ 10.12 per barrel of Arabian light crude ex Ras Tanura.⁴ The price rise can be attri-

¹The Middle East-Edited by Peter Mansfield.

²Time 4 Nov., 1974.

³Hindustan Times 25 Dec., 1973.

⁴Time 23 Dec., 1974.

buted to the following reasons:—

- (a) As stated earlier, OPEC members felt their oil reserves were depleting before a viable alternate economy could be created.
- (b) In the past, oil had been sold at low prices to industrial countries who accelerated their economy by using cheap oil. These countries also derived immense profit on finished oil products and sold capital goods and services at exorbitant costs to oil-producing countries.
- (c) Serious doubts arose regarding the guaranteed stability of the dollar and pound. Constant devaluations reduced accumulated foreign exchange reserves.

OIL AND REVENUE

Government Oil Revenues. In 1966 the total revenue of OPEC members amounted to \$ 4500 million. The figure has now been estimated to be over \$ 15000 million whilst a forecast by Hansen Joachim speaks of \$ 56000 million by the 1980's.⁵ International Monetary Fund Figures reveal that by 30 Sep '74, OPEC members had piled up more than \$ 38 billion of monetary reserves or an awesome 19% of the world's total.⁶

Effect of price rise on Revenue. The monetary reserves of the Middle East by the end of the decade are expected to top the \$ 280 billion mark or more than two thirds of the world's monetary reserves.⁷ Akins gives a projection⁸ for the remainder of the decade but the figures for revenue appearing againzt 1980 appear to be under-estimated. His figures are :—

Country	1975		1980	
	Production*	Revenue‡	Production*	Revenue‡
(a) Iran	7300	4.7	10000	12.8
(b) Saudi Arabia	8500	5.4	20000	25.6
(c) Kuwait	3500	2.2	4000	5.0
(d) Iraq	1900	1.2	5000	6.4
(e) Abu Dhabi	2300	1.5	4000	5.0
(f) Other Gulf States	1800	1.0	2000	3.2
(g) Libya	2200	2.0	2000	3.1

*In 1000 barrels per day.

‡In \$ billion per day.

⁵A new era of International Oil Economy H Joachim Aussen Politik No. 2/73.

⁶Time 18 Nov. 74.

⁷Oil politics in the Western Gulf MAS Khan.

⁸The oil crisis : This time the wolf is here JS Akins Foreign Affairs Apr. 73.

THE OIL RICH NATIONS AND THEIR ARMS PURCHASES

Before going into the ramifications of the purchase of arms it would be worthwhile to examine the world armament market and then carry out an encapsulated study of the oil rich countries and their foreign policies. For obvious reasons this will be restricted to countries in the Gulf area.

The World Armament Market. Currently the US produces 40 % of the world's armament of which nearly three quarters go to NATO allies and the balance to pro-West governments in West Asia, Latin America and Africa. The USSR and its allies produce some 30 %. A late entrant in the field of arms sales, beginning in 1955, their major customers are Egypt and other West Asian countries, Africa and India. By 1971 Soviet arms sales to "third-world" countries was in excess of \$ 640 million. In third place come France and the United Kingdom, who are far down the ladder, followed by Italy, Sweden and Switzerland.

Low population and undeveloped economies in most oil rich countries severely limit the type, quantity and range of consumer and capital goods which can be marketed there. In contrast arms sales are easier, and needless to say, sophisticated weaponry is extremely expensive. An assessment of the arms purchase shows that the weapons are varied and this inevitably forces large inventory holdings. Lacking any kind of infrastructure, the purchaser has to depend on the supplier for training, spares and maintenance. It is pertinent to note that none of the oil rich nations have yet set up production or even maintenance facilities.

IRAN

Iran occupies 628,000 sq. miles in the Western half of the Iranian plateau and has a population of 32 million people. She is bigger in population than all the other Gulf states put together. Oil revenues accounted for 68 % and 75 % of her budget in 1960 and 1968 respectively. Comprehending that his monarchy would survive only if urgent socio-economic measures were taken, the Shah launched a "White revolution". In Nov. 73 her largest ever budget of \$ 16000 million was introduced including \$ 3200 million for defence.⁹ Today Iran is the largest customer for US arms, buying aircraft faster than they come off the assembly line. She is the first foreign country to add F 4 Phantoms, F 5 fighters and Grumman F 14 Tomcats to her arsenal.¹⁰ She is also alleged to be interested in buying West German Leopard tanks.¹¹ A number of her defence personnel are being trained at US bases.¹² Additional details of arms purchases by her are shown in the appendix A at page 20. By 1975, Iran will have twice as many helicopters and aircraft and quadruple the size of her Navy. Operating from bases under

⁹Hindustan Times 29 Nov. 73.

¹⁰Indian Express 17 Nov. 73, Statesman 12 Jan. 74.

¹¹Statesman 22 Jan. 74.

¹²Times of India 30 Jan. 74.

construction at Chabahar and Bandar Abbas, the Iranian Navy could guard the entrance to the Gulf and the Straits of Hormuz; granted ocean-going capability her Navy could be the biggest maritime power in the area. Her Air Force with in flight-refuelling could strike at places far away from her borders.

Foreign policy. There is little doubt that Iran wants to be the dominant power in West Asia with the intention of assuring stability in the Gulf. At a press conference in Washington on 25 Jul 73 the Shah made no secret of becoming "in ten years' time what France, Germany and the UK are today". The Shah is also anticipating a weakening of US potential in the area following the loss of the US base at Bahrain and the transit facilities which may be or have been given to the Soviet Navy by various countries. Iran's ambitions have perhaps aroused some apprehensions in some of the Arab states in the area.

Relationships with India. In the period immediately following the Indo-Pak war of 1971, there appeared to be a misunderstanding of India in Iranian foreign policy, enhanced by the Shah's pronouncement that he would not sit idle in the event of a further disintegration of Pakistan. This was undeniable, for the security interests of Iran demanded a stable Pakistan *vis-a-vis* portents of further dismemberment, be it following a Pak-Afghan war or a Baluchi revolt. Iran's military relationships with Pakistan have included joint exercises in the Gulf such as the CENTO Maritime Exercise MID-LINK in Dec 73. However, Iran has a fairly secular outlook and in an attempt to carve out a separate identity from her Arab neighbours she has been emphasizing her pre-Muslim Aryan heritage. For this reason Pakistan's cries of "Jehad" are unlikely to get much credence in Teheran. In his public pronouncements, the Shah appears to be a well-wisher for peace on the Indian sub-continent, and veering towards a less pro-Pakistani stance. Prime Minister Mrs Indira Gandhi's visit to Teheran, the Shah's visit to India in late 74 and the formation of the Indo-Iranian Joint Commission for Economic and Technical Cooperation have been India's diplomatic steps in the right direction. There has also been a great spurt in economic and commercial cooperation. With this it appears that the possibility of hostility between the two countries, either directly or by proxy, has been reduced considerably, and that Iran is unlikely to encourage Pakistan's diminishing but alive revanchism. Iran also wishes to play a leading part in developing regional cooperation and in strengthening the socio-economic pace of its own already rapid progress which in turn will strengthen its independent foreign policy initiatives.

SAUDI ARABIA

This country occupies 90% of the entire Arabian peninsula and has a population of about 8.5 million. Her oil revenues, often splurged on excessive royal expenditure during the Ibu Saud era, have given her the means for a rapid socio-economic transformation. She still has to face obstacles

in this task, in the shape of an excessively centralised administration, the imperatives of religious attitudinising and the absence of skilled manpower. Her acquisition of military hardware is shown in appendix 'A' attached page 20.

Foreign Policy. Saudi Arabia follows an extremely pro-West and anti-communist policy. After 1967, Saudi foreign policy has followed a comparatively inactive line, maintaining correct but frigid relationships with the socialist Arab states. Saudi Arabia also perhaps mistrusts Iranian ambitions. King Feisal's record of rule showed a predominantly pro-West but carefully thought out pattern. As a government, Saudi Arabia has usually been pro-Pakistan and successor regimes have continued this policy, but there could be gradual changes because of internal social change.

IRAQ

This country with an area of 1,75,000 sq miles and a population of 10 million is Iran's rival in the area with strong views on the Arabism of the Gulf. After the fall of the monarchy in 1958 her political situation was unpredictable, but after 1968 there has been greater stability. In 1970 her relations with Iran were very strained over a rightist coup attempted by alleged Iranian—US support. There were also problems with the Kurds and a dispute with Iran over the Shatt—Al—Arab. She had also alleged that Iran is assisting the dissident movement amongst Iraqi Kurds and Shias. Since the Iran-Iraq agreement of March 1975 she has stabilised her relationships with Iran. Iraq also has territorial disputes with Kuwait on account of latent claims to that area.

Foreign Policy. Iraq has signed a treaty of peace, friendship and co-operation with the USSR and maintains a pro-Soviet and socialist revolutionary stance in international affairs. Very few details are available about her arms deals as these principally involve sales by Warsaw Pact countries. India has very cordial relations with Iraq as also close economic ties.

KUWAIT

Kuwait is an Emirate of some 7400 sq miles with a population of about one million set in the NW corner of the Gulf around the Bay of Kuwait. A founder member of the CAPEC in 1969, she has the distinction of having the highest per capita GNP in the world. Oil constitutes 95% of her revenue and a substantial proportion of these funds have been used to transform this city state. She has launched programmes embracing extremely wide-ranging welfare, social service and public utility measures. She took a leading part along with Saudia Arabia in the federation of the erstwhile Trucial States. In view of her economic abundance she has been a magnet for expatriate skills and a 1965 survey revealed that some 77% of her population were non-Kuwaitis. Kuwait has very friendly relations with Pakistan. Because of her strained relations with Iraq she is determined to build up her armed forces.

Arms purchases. Currently, Kuwait has a low military profile with a total of 10,000 men in uniform of whom 80% are in the Army and almost 20% in the Airforce. She has no Navy to speak of. In the past year she has been hesitating whether to purchase arms from the US or France. The details of her arms purchases are as under :

- (a) She has a secret agreement with the French to buy 36 Mirage V single seat Ground Attack fighters and helicopters worth \$ 85 millions as quoted by the newspaper Al Rai Al Aam.¹³ These aircraft were to be delivered in 1974. She is also contemplating the purchase of other French weapons.
- (b) Kuwait has decided to buy French Mirages and Anglo-French Jaguars instead of the US Northrop F5E and LTVA-7 planes offered by the US.¹⁴
- (c) She is purchasing 48 US Raytheon-Hawk missiles at a cost of \$90 millions and French SS 11 Harpoon missiles worth \$8 millions.¹⁵

OTHER GULF STATES

Bahrain. Bahrain consists of a small group of low lying islands located some 20 miles off shore from Saudi Arabia, with a population of 233,000. During the period 1968-71 she took part in the negotiations for a federation of Gulf states but finally opted for independence. A long standing problem of security created by Iranian claims to Bahrain was settled after a UN report verdict in Mar 1970 was accepted by Iran. At the end of 1973, Bahrain asked the US to withdraw forces from her soil within a period of one year.¹⁶ Bahrain maintains a very small Army of 1,100 men and apart from some police patrol launches and helicopters has no Navy or Air Force.

Oman. This occupies 82,000 sq miles in SE Arabia and has a population of 710,000. Trucial Oman, separated from the main Sultanate, occupies the Ras Musandam peninsula, the remainder extending for some 200 miles along the coast to the borders of S Yemen. Her economy was radically transformed by the discovery of oil in commercial quantities in 1967. The present King Qabus came to power in 1970 after a palace revolution against his father. She faces the problem of the radical Dhufar Liberation Front (PFLOAG) which absorbs 50% of her oil revenue. She is buying 2 Skyvan light transport and 3 BAC-111-475 twin jet transport aircraft from the UK.¹⁵ Her armed forces are 9000 men with an additional 600 expatriates on contract or secondment.

Qatar. This country has an area of 4000 sq miles and a population of about 100,000, more than half of whom are foreigners. She has undemarcated land frontiers with Saudi Arabia and Abu Dhabi, and has border disputes with the latter. She has an armed force level of 2200 men.

¹³Times of India 26 Nov., 73.

¹⁴Hindustan Times 24 Mar., 73.

¹⁵Financial Times 25 Apr., 74.

¹⁶Times of India 11 Nov., 73.

The United Arab Emirates. (UAE) These consist of seven sovereign states viz Abu Dhabi, Ajman, Dubai, Fujaira, Ras al-Khaima, Sharja and Umm al-Qaiwin. They lie on the Southern shores of the Gulf extending eastwards to the Gulf of Oman. Each Ruler exercises absolute power through traditional institutions. The Ruler of Abu Dhabi, Shaik Al-Nahyan, is also the President of the UAE. The most important Emirates are:—

(a) *Abu Dhabi.* With a population of 50,000, this Emirate had a per capita oil revenue of approximately \$ 4600 in 1970. Despite this she went through a severe budgetary crisis in that year due to a high level of expenditure on defence and development. She has extremely good relations with Pakistan and has signed a protocol aimed at setting up a refinery in Multan and a 300 mile pipeline linking it to Karachi. She maintains an 8000 strong armed force officered by British, Jordanian and Pakistani nationals. Her armament purchases include:—

(i) Acquisition of 32 Mirages (18 Mirage III interceptors by 1976 and 14 Mirage V Ground Attack aircraft in 74—75) at a cost of \$ 90 Million.¹⁷

(ii) French SS 11 Harpon missiles worth \$ 8 million.¹⁸

(iii) The Military Balance 1973—74 figures include 10 coastal patrol boats (one of 110 tons) to have been delivered in 1972-73.

(b) *Dubai.* This Emirate under Sheikh Rashid who is Vice President of the UNE is a compact territory which is almost entirely sand desert. Oil revenues in 1973 were \$ 46 million. Her mainstays are oil and the dhow trade.

Relations between UNE and India are good particularly after the visits to India by both Sheikh Zayed and Sheikh Rashid in early 1975.

POWER INTERACTION IN THE AREA

REGIONAL POWER PROBLEMS

The justification for large scale arms purchases can be reduced to a few main points, which are :—

(a) The need for the states of this region to deal with possible domestic uprisings particularly in those states which have autocratic monarchies and oligarchies in power. With inevitably larger amounts being spent on education and modernisation, political consciousness is growing in the area with socialistic overtones.

¹⁷Dawan 24 Nov. 73.

¹⁸Statesman 5 Jan. 74.

This is accentuated by pressures from the socialist Arab countries. It must be realised that 80% of Arab oil revenues accrue to Saudi Arabia, the Gulf countries and Libya which can muster just 10% of the Arab population. Small wonder that arms purchases constitute a form of insurance against have not Arab brethren !

- (b) Action against internal elements and organisations and separatist movements who may under external investigation or because of opposition to the regime or disagreement on policies towards Israel, threaten oil installations.
- (c) Put down regional conflicts and border squabbles.
- (d) Minimise big power intervention, or even, in a farfetched but now regularly mentioned situation, an attack by an oil hungry nation on them.
- (e) Last but not the least, as a status symbol.

In the struggle for political control, we can perceive four distinct forces interacting. These are:—

- (a) Local nationalism which wishes to establish, protect and develop the sovereign independence of each state.
- (b) Arab nationalism which often inspires political discontentment in absolutist regimes.
- (c) Russian and latterly Chinese communism wishing to achieve their long-term stated aims.
- (d) Anglo-American imperialism.

Left to themselves, the future pattern of the Gulf may lead to one of the following :—

- (a) Left-oriented local movements capturing power in the weaker states as happened in S. Yemen.
- (b) Prolonged hostility between republican and monarchist forces as in Yemen.
- (c) Larger states using force to assert their claims as happened when Iran took over Abu Musa and the two Tumb islands in the Gulf.

GREAT POWER INTERACTION

The nature and extent of great power interest in this region make it an area of special concern. The two major factors which excite interest are the area's geographical location and ofcourse oil. A factor which is worth re-emphasis is that the great powers are anxious to safeguard oil interests and repatriate petrodollars by selling arms. Though one school of thought welcomes great power interaction as a stabilising influence particularly in the context of detente this may not be the case. Detente on a global scale has hardly precluded local jockeying for position as in the Arab-Israeli war of 1973.

US Interests. Any future "imperial" role by the US is unlikely as past actions have proved intolerably expensive and largely counter-productive. Her post-Vietnam policies would therefore call for a period of "recuperation" and a posture where she could be part of the power system with the USSR and China at the other foci of the system. The US backs Iran, Saudi Arabia, Kuwait and the UAE. With the dismemberment of Pakistan US policies may have veered towards utilising Pakistan in combination with other West Asian countries. The US would perhaps like to check both Soviet and Indian influence or activity in either the Gulf or the Indian Ocean. In addition, she would aim at keeping Iran and Saudi Arabia on good terms with each other.¹⁹ It appears the US would like to see Iran as the dominant naval power in the Gulf and by implication the major military power with Saudi Arabia as the dominant military power on the Arabian Peninsula. The interaction in this area can also be seen in broader perspective as an extension of the US-Soviet rivalry in other parts of the world. In essence, the US would like to narrow Moscow's scope without over-reacting to the point of provoking a deeper Soviet involvement.

Pakistan's Role. The place of Pakistan in the US conception of Gulf strategy merits consideration. Let us not forget that US arms aid to Pakistan in the last decade gave the latter sophisticated arms free, which contributed substantially to Pakistans illusions of military grandeur. It is felt that the US plan is to form a strong security "cordon sanitaire" around the Pakistan-Iran-Saudi Arabia-Jordan group of states whose importance to US aspirations was delineated in Olaf Caroe's book "The Wells of Power". If this area be propped up it would be an effective counterpoise to a possible Soviet-Iraqi-Afghan axis. Any Iran-Pakistan links would suit the US extremely well and Pakistan's pronouncements like those of May 73 stating "Collaboration with Iran is essential to Pakistan's strategy" must have been greeted happily in the US. In this light Iran's bases at Chah Bahar acquire a new significance to the point where *Vikrant* magazine (in Mar 73) claimed that these would enable protection against Indian naval attacks on Karachi on the Dec 71 model. However, the situation is quite fluid and cannot be divorced from the changing political relations in the region and particularly the trend of better relations of Iran with both India and the Arab countries.

Soviet Interests. In the last two decades, Soviet interests have come a long way. The Arabs are now being wooed, influenced, armed, and aided in many ways that suggest a long range desire to maintain a viable presence in the region. They have gained considerable influence on what may be termed "the Southern tier" of the Middle East. They are expanding their naval presence to match their age-old aspirations by a greater number, kind and frequency of ships in the area using air and port facilities in Iraq, Yemen and Somalia. The extension of Soviet access to the key water-ways extend-

ing from the Straits of Malacca to the Cape of Good Hope is a position of enormous strategic significance. Apart from being designed to fill areas of British Vacuum these moves could also be construed as a counter weight in areas where the US has positioned its missile firing submarines. Soviet Union has not, however, resolved its bad relations with Egypt or its consequences in the Gulf where Egypt, Saudi Arabia and some Gulf states are under Soviet influence.

Chinese Involvement. The years after 1970 saw a resurgence of Chinese diplomatic activity in this region. This was obviously carried out in view of Chinese fears of a Soviet maritime arc from Suez-Vladivostok encircling China. In addition, the "thaw" with the US, the desire to get an economic foothold in the area, and Chinese plans to keep the West Asian cauldron simmering must have been powerful motivation. Chinese moves included;

- (a) Aid to go to Yemen for road building.
- (b) Training and equipping left wing nationalists and PFLOAG members before 1972.
- (c) Establishment of diplomatic relations with Kuwait in Mar 71 and visit by the Chinese Foreign Trade Minister in May 72.
- (d) Exchange of delegations with Iraq in Dec 71.
- (e) Establishment of diplomatic relations with Iran in Aug 72, and the visit by the Chinese Foreign Minister in June 73. During the visit, Iranian Military build-up was lauded as being "essential, necessary and desirable". It was also made clear that the Chinese would no longer support left-wing guerrilla movements. China has also become a fairly important oil exporting country.

French and British interests. Apart from a desire to cash in on the proliferating military trade and protect their industrial futures with guaranteed supplies of oil, it is difficult to perceive any other interests of these nations at work. The enormous and non-absorbable revenues of the oil rich countries are a magnet for agreements on economic, technical and military development. The French also wish to maintain a special relationship with the Arab world stretching from Algeria to Abu Dhabi. The political motivation for the French to conclude bilateral agreements with the Arabs is the frank and even brutal distrust of the US-Soviet detente and their self-imposed super power mantle of being the sole arbitrators of Arab-Israeli problems. The French foreign minister M Joubert declared in the French National Assembly that "the consequences of this veritable condominium is to incapacitate the international community, to treat Europe as a non-person, to humiliate it in its existence and to victimise it in view of its energy dependence".²⁰ Bilateral agreements by French and British governments have not found favour with the US since such a move has the following results :—

²⁰Hindustan Times 16 Jan., 74.

- (a) It reduces the chances of a united front against the CAPEC by diminishing their collective bargaining power.
- (b) It reduces the Arab dependence on US arms. In fact the Pentagon is believed to have asked the US to modify the conditions for third party sales since US arms cannot, in theory, be used against Israel.
- (c) It creates the bogey of Arab nations assisting Israel's neighbours to achieve a military settlement.

THE IMPACT ON INDIA

INDIA'S STRATEGIC INTERESTS

From times immemorial, states have relied on military forces to further their interests and enhance their security. Whilst this is unquestionable, the sudden and massive inflow of arms into an area cannot but tilt the balance of power. As a result of the pre-occupation of the super powers with their own interests, they frequently betray an insensitive and manipulatory attitude towards smaller countries. It is no coincidence that since the Second World War all wars have been fought in the poorer portions of the globe with weapons provided by the rich. It has also been an axiom of strategic perspectives that the presence of military forces is a strong incentive to find a justification for their use. Again, whereas the policies and intentions of a country can change with dramatic speed, military capabilities normally alter slowly. In this light the changes in the West Asian strategic environment are of great significance and particularly so in view of the prevailing inter-state tensions in the area. At a time when we are striving for economic and social betterment of the nation the prospect of a conflagration in this "power keg" area is horrifying, to say the least. Indian strategic interests, in the shifting sands of West Asian politics, must indubitably have within their framework, the following facets :—

- (a) Freedom of navigation in international waterways. The importance of the Indian Ocean trade routes and of the Suez Canal, on our sea borne trade hardly need any emphasis.
- (b) There must be no super-power intervention in the area, nor any attempts by them to fill the vacuum left by the British.
- (c) The security of the Gulf should be the responsibility of the littoral states without any one country or group of countries achieving pre-dominance.

The ideal would therefore be an all encompassing security system created by the Gulf states themselves. However such an ideal is Utopian and unworkable because of the number of inter-state disputes, their vastly different patterns of government, their variations in size and strength, their differing opinions on the future of Israel and many other deep-rooted cultural, political and ideological antagonisms.

POLITICAL AND ECONOMIC IMPLICATIONS

Foreign Policy. One of the mainstays of Indian foreign policy has been a undeviating pro-Arab stance. A consistently pro-Arab posture has been and presumably will continue to be the major theme of our policy in this region. Despite the fact that in Indo-Pak wars we did not have the support of all West Asian nations, we have followed a principled policy of supporting Arab causes. Apart from traditional links we have close economic ties with Iran and the Eastern Arab world. Hence no major shift in policy, like the Japanese *volte-face* appears necessary.

Economic burden. The crushing burden imposed on our developing economy by the rise in oil prices is hardly worthy of repetition. It is no secret that our foreign exchange reserves, slim as they are, will just about serve to buy our oil requirements in the next decade. One assessment is that India in 1974 spent \$ 1.3 billion (approximately 2/3 of its foreign currency earnings) to import oil compared with \$ 265 million in 1973.²¹ India's Deputy Commerce Minister had said that about 80% of our export earnings are likely to be consumed by oil imports in the next few years.²² Again, Mr D.K. Barooah, then Union Minister for Petroleum and Chemicals had said that our bill for imported crude would be to the tune of Rs. 500—600 crores in foreign exchange or three times as much in 1972-73, and that next year's (1975) expenditure might be about 1200-1300 crores.²³ The impact of oil prices on our transportation, petro-chemical, fertilizer and other industries was felt in the concomitant relentless rise in the cost of living. With the crushing cost of crude oil there would be little scope for the diversion of funds to developmental expenditure. The adverse balance of trade payments that are ensuing would vitiate any attempts to achieve progress in fields like health, education and social welfare. These problems have however given a salutary push to our efforts towards energy, self-sufficiency and to increasing our exports.

Nor is any hope possible of oil prices receding. In the international oil market India plays no part in price fixation. In contrast, countries like Japan and the US can afford to pay higher prices even if such prices are ruinously outside our reach. As stated earlier big arms deals are fast ways of repatriating petro-dollars as increased oil bills can be matched by arms sales. For this reason it is felt that gigantic arms deals reduce the probability of oil prices ever reducing.²⁴

Military Implications. From what has been said earlier regarding the foreign policy of the oil-rich countries it is apparent that no direct threat to our security from those countries can be discerned since there are no direct clashes of interest involved. However there are major implications in

²¹Time 14 Oct. 74.

²²Hindustan Standard 15 Jan. 74.

²³Tribune 20 Jan. 74.

²⁴The growing importance of oil—John Berry, Military Review Oct. 72.

the event of these nations intervening indirectly in any future Indo-Pak conflict. Prime Minister Bhutto has publicly announced his intention of converting the Pakistan Army into "the finest war machine in Asia". He has also confirmed that he is seeking military assistance and that contacts with several Gulf states were taking place in view of the "alarming arms disparity" on the continent.²⁵ Though truncated, Pakistan is today a more compact country with no fears, as in the past, of fighting in two widely separated theatres.

It must however be stated that for the purposes of this Essay, the scenario of a joint Chinese-Pakistani attack supported by a West Asian country has not been considered as in that event India is unlikely to fight alone. The possibility of all the oil rich countries simultaneously "ganging up" on us at Pakistan's behest is also considered remote. What therefore impinges on any perception of threats to Indian security is an intransigent Pakistan attacking us with assistance from one or more of the oil rich. The forms and means this assistance may take are outlined in subsequent paragraphs.

Financial assistance. With the huge monetary reserves available to them, the oil-rich states may extend handsome credits to Pakistan. These could be used to purchase arms. The Saudi-Libyan assistance for the purchases of Atlantic-Breguet maritime reconnaissance aircraft is a case in point.²⁶ In a similar way, the newly created Islamic Development Bank may extend grants or soft loans to Pakistan which will enable her to divert her own foreign exchange reserves to purchase of arms abroad. Whilst this will enable purchase of the latest available arms, it must be remembered that there is a very long lead time inherent in the acquisition of modern equipment.

Disposal of obsolescent arms. With the acquisition of new and sophisticated hardware, countries friendly to Pakistan may gift or transfer their obsolescent arms. However there appear to be certain constraints in making military aid in kind available on a generous scale. For one thing, most arms presently held are of US or British origin and dated back to World War II stocks. The supply contracts prohibit transfer to third party countries though this clause can be breached very easily, as has been done in the past. It is also doubtful whether Pakistan would be keen on these antiquated armaments when sophisticated hardware is available. Also the present quantum of arms held is not extensive except in the case of Iran, Iraq and Saudi Arabia and these countries are unlikely to indulge in large scale transfers.

Building up of Indigenous Resources. A factor of great importance to India's security planners would be any proposed link up between French expertise and Arab oil money involving Pakistan. It is known that following

²⁵Economic Times 18 Dec., 74.

²⁶Vikrant Defence News Service 22 Dec., 74.

Australian criticism of French nuclear tests in the South Pacific, the French are reconsidering the need for a substitute for the Australian market.²⁷ French plans may well include the conversion of Pakistan into a strategic staging point and a major centre for the production, marketing and maintenance of their equipment. This could involve the production, under licence, of French arms. Though latest reports indicate that French plans to build up Pakistan's arms manufacture are limited, such an arrangement would have the following advantages and implications:—

- (a) Pakistan's geographical proximity and her affinities of common faith and culture with the Gulf states would make her an agreeable trading partner.
- (b) Any such deals could be clinched by the number of Pakistani instructors, pilots and other Pakistani personnel already serving in these countries. These personnel could be used to train future Arab users of French equipment since French instructors, who may have pro-Israeli sympathies, may not be suitable.
- (c) Such a move may not alienate the US, whose plans for Pakistan in the area will be enhanced.
- (d) Pakistan already holds a variety of French equipment. These include Daphne submarines, Mirage aircraft, Allouette helicopters and other equipment.
- (e) This would enable Pakistan to hold, at any given time, extensive equipment under shipment or undergoing repairs which could be used by her in a future conflict.
- (f) Pakistan will be able to reduce her dependence on foreign arms. Sales of these arms would also bring in foreign exchange.

Pakistan-Gulf States links. In addition to what has been stated another very real danger may be covert military links between Pakistan and the Gulf states. The possibility of providing troops to Pakistan is being discounted as this would amount to overt belligerence, which is unlikely. The help that the Gulf states may render would include :—

- (a) Pakistan placing troops in those states who are provisioned, armed, equipped and paid for by Gulf states with arrangements to airlift them back should an emergency develop.²⁸ Such an arrangement would earn valuable foreign exchange and create a super-numerary military force capable of using high performance weaponry. This would also permit Pakistan to claim that she has reduced her military expenditure. It is pertinent to note that in recent years her defence appropriations as a percentage of revenue have varied from 39—50 %.

²⁷Statesman 5 Jan., 74.

²⁸Indian Express 14 Dec., 74.

- (b) Gulf states may permit Pakistan to keep in location aircraft of their countries. Since these would in any case be flown and maintained by the Pakistanis there would be a readily available force "in being"²⁹.

MEASURES TO BE ADOPTED BY INDIA

National security involves a pragmatic mix of foreign policy and defence planning based on a foundation of economic prosperity. There is no single or definitive answer to the problems of the changes in the strategic environment created by the acquisition of arms by oil rich nations. The measures both long and short terms to be adopted by India must indubitably include a variety of diplomatic, economic and military measures which are discussed in subsequent paragraphs.

Foreign Policy.

- (a) We must continue to strengthen our diplomatic ties in the Gulf region. For too long our diplomatic efforts have centred around Washington, London and Moscow and it is now time to give this region the importance it deserves. The moves to continue our friendship with Iran, the visit of the UAE President in Jan '75 and the proposed Indo-UAE Joint Commission are steps in the right direction, but these ties must not be only at a Ministerial delegation level but must extend downwards to the "grass roots" level by commercial and other attaches and entrepreneurs.
- (b) We must project the image of our secular state, and the fact that we have the second largest number of Muslims in the world. Pakistan has got away in the past by casting all our areas of friction in the mould of a Hindu-Muslim confrontation with her as the champion of Islamic ideals. She has never been chary of exploiting religion, Muslim brotherhood and Islamic solidarity. Whilst the oil-rich nations could continue to be vociferous about Islamic solidarity they would not respond to any Pakistani cries of "*Jehad*" without counting the cost of ruptured relations with India.
- (c) We must attempt to establish our own identity and show that we are not a Soviet client state or even a pawn in Soviet long term plans and that we do not have any hegemonistic designs. Any apprehensions arising out of our entry into the "Nuclear Club" must be alleviated.
- (d) We must convince Pakistan's probable allies that we have no intentions of dismembering her. This will prevent Pakistan from using this as a "casus belli" to drum up support.

²⁹Router quote from the French 'L' 'Aurore in Hindustan Times on 3 Jan., 74.

- (e) We must also shed the unfounded fear that Pakistan would have the backing of the entire oil rich world. The survey of these countries carried out earlier reveals that differences between oil producers, exacerbated by dormant conflicts over boundaries and traditional rivalries of sect and culture, preclude their acting in a "coherent, in phase" fashion.

Economic Measures and Foreign Trade. The oil producing countries have huge sterling and dollar deposits in Western banks some of which are controlled by interests inimical to Arab causes. On the other hand, since 1947 we have built up a good industrial infra-structure and have acquired considerable experience and expertise in economic advancement, but are short of capital. A happy marriage of these two factors would be an ideal solution. The new urge for diversifying oil-rich economies mated to our untapped potential would seem to provide an answer. We must convince the oil-rich nations that gains made *vis-a-vis* the developed nations can only be safeguarded in the frame-work of an overall improvement of the bargaining power and status of the third world. Measures to be taken in this field, many of which are already in the implementation stage, would include:—

- (a) Expansion of trade with oil-rich countries. These could include items like setting up plants abroad, loaning experts, consultancy services and the like. We must also seek to improve the export potential of non-traditional commodities.
- (b) Entering into economic collaboration in the field of nuclear technology, textile, petro-chemical, steel, ship-building and cement industries. Such agreements besides satisfying the interests of both parties would also limit actions inimical to an economic ally.
- (c) *Reduction of our dependence on imported oil.* Though this aspect could well form the basis of a separate study it is being mentioned in view of its relevance. Energy self-sufficiency can be achieved by:—
 - (i) Entering into bilateral agreements on offshore drilling both in the Gulf and off our coasts.
 - (ii) Greater development of indigenous resources. In this connection the decision to treble ONGC's budget announced by AIR on 01 Jan 75 is heartening.
 - (iii) Curbing of domestic oil consumption by ensuring that future power plants burn only coal and other means of fuel economy.
 - (iv) Optimum use of available crude by greater use of appropriate secondary processes like hydro-cracking.

Defence. A very real danger exists of Pakistan going to war to regain her confidence. In this event, it would not be enough to trade a few bits of territory as in the past. What would be needed is an all out blow—a lightning

strike, not a protracted conflict—to prevent any support to Pakistan from gathering momentum. We should be able to make accurate estimates of the amount of “transferable” arms that Pakistan can use against us and train for this. Our equipment and force levels must be determined accordingly.

One school of thought has it that we should not rely on conventional arms but must develop a nuclear strike capability. Such a posture would be prohibitively expensive and it would be foolhardy to match hardware with the oil rich countries. We do not have the resources and such a pre-occupation would be suicidal. Other means must include the following:—

- (a) We must continue to improve the technological backing for our defence needs. This can perhaps best be done by concentrating on applied research to improve our equipment and achieve a viable defence industry. We have since 1947, developed a technological backing which as yet does not assure self-sufficiency but gives us the ability to sustain an operation till our aims are achieved. We are beyond the stage where an arms freeze can affect the outcome of the War. This process of defence development must be speeded up. In the ultimate analysis, there is no substitute for self-reliance.
- (b) The 1971 war clearly brought out the potential of maritime power and its role in the defence framework. However any naval ambitions that we have must avoid the possibility of confrontation with Iran.
- (c) In the past we have extended military training facilities and help to a number of friendly countries. We should continue this policy and extend it to the smaller countries in the Gulf.
- (d) We could also consider the export of defence equipment to include relatively unsophisticated items like small arms, vehicles and communication equipment.

CONCLUSION

The implications of the unfolding “oil for arms” situation on Indian interests extend far beyond the emergency of a new zone of US-Soviet rivalry. Against the pattern of an ever changing inter-state relationship in the area and the radical changes in the strategic and geo-political situation we have to superimpose the situations created by the enormous price of “black gold”. Pakistan’s failure to cope with the lessons of the 1971 war and her illogical determination not to play a secondary role have caused her to search for a new military identity, based on the advantages of Muslim ties with the oil rich nations. This dormant revanchism must form a focal point of Indian security considerations.

To counter the problems involved our foreign policy must aim at demolishing artificial barriers of religion and projecting our strong but friendly image. In the field of trade with the oil rich countries we must

offer avenues for lucrative investment, widen the scope of joint ventures and improve our export trade patterns in order to improve our trade balances. Our defence production plans must aim at autoarchy. We must reduce our dependence on imported oil. Military, the residual risk of limited arms transfers should be countered by maintaining a military superiority over Pakistan but not by entering into an economically ruinous one-upmanship with the oil rich. In the ultimate analysis we must realise that it is the nation's intrinsic strength that counts and not dependence on any foreign interests. These measures combined with our new stature on the sub-continent and our newly demonstrated nuclear prowess have given us the potential to overcome the problems created by the acquisition of weapons by oil rich nations. If Independence and our "tryst with destiny" are to have any meaning then this potential must be exploited.

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APPENDIX 'A'

DETAILS OF ARMS PURCHASES BY IRAN AND SAUDI ARABIA

1. *Quantum of arms purchased by Iran.*

(a) The Military Balance 1973-74 gives the following figures:—

	<i>Qty</i>	<i>Item</i>	<i>Cost</i> (\$ million)	<i>Delivery</i>
(i)	—	Scorpion	Lt tks	
		Fox	AFVS	72 —
(ii)	46	AB-205A	heptrs	— —
(iii)	6	P-32 Orin	MR ac	— 1974
(iv)	111*	F-5E	fighters	— —
			*shipment to begin in 1974, cost of each aircraft \$ 1.7 million as per Statesman reports of 2 Feb. 74.	
(v)	287	Bell UH-IH 214A Huey plus	heptrs	63 1975-76
			(initial)	
(vi)	202	Bell AH 1J armed (Navy)	heptrs	38.5 -do-
			(initial)	
(vii)	70	*F4 Phantoms	FB	1974
		(*in addition to 64 previously purchased)		
(viii)	6	Boeing 707-320	tpt/tanker	62.5 —
(ix)	20	Hercules C 30	tpt ac	— —

(b) *Other sources.*

- (i) 50 Grumman F14 Tomcats in addition to 38 on order.¹ The first of 24 to be delivered in 1976 at two per month and the balance in following years.² These aircraft are armed with six Phoenix missiles each. This deal will cost \$ 900 million. A portion of the Research and Development costs are also to be borne by Iran.
- (ii) 53 USAF F 15's at a cost of £ 1.1 million, initial deliveries in 1976-77¹.
- (iii) 6 French high speed gun boats firing Exocet missiles².

¹Indian Express 13 Nov., 73.²Hindustan Times 1 Feb., 74.

- (iv) 22 medium transport CH 4 FC Chinook helicopters made under license in Italy, an order worth more than \$ 100 million. In 1969 an order had been placed for 22 which is being fulfilled.³
- (v) Iran has also expressed a desire to buy two E34 planes fitted with the Airborne Warning and Control System (AWACS) now under development by the Boeing company.³
- (vi) The signing of a \$ 50 million contract with the UK for radar equipment for Rapier anti-aircraft missiles.⁴

2. Arms purchases by Saudi Arabia

- (a) The Military Balance 1973-74 gives the following information:—

	<i>Qty</i>	<i>Item</i>	<i>Cost</i> (\$ million)	<i>Delivery</i>
(i)	10	BAC 167 COIN fighters	—	—
(ii)	—	Spares and repair services contract for Air force.	625	1973-78
(iii)	30	AMX 30 med tks	—	1972
(iv)	3	C 30 E tpt ac Hercules	—	—
(v)	90	F 5 fighters	230	—
(vi)	30	F B	—	—

(b) Other sources

- (i) A British-Saudi agreement under which Britain is to get 30 million tons of oil per year in exchange for an unspecified quantity of arms.⁵
- (ii) 38 Mirage III aircraft, bridging and amphibious equipment, 100 AMX tanks and light armoured cars, from France. The Saudis are also believed to be interested in Crotale anti-aircraft missiles and Exocet ship to ship missiles.⁶ This deal is to provide France with 800 million tons of oil over the next 20 years, which amounts to one-third of her annual consumption.
- (iii) 100 Mirage F1 aircraft from France.⁷
- (iv) A Times of India report from Washington quoting Jack Anderson as saying that the US is building guided missile gun boats, patrol ships and frigates for Saudi Arabia.⁸
- (v) France SS II Harpon missiles at a cost of \$ 18 million, and 3 or 5 batteries (of 48 US Raytheon-Hawk missiles each) at a cost of \$ 300 million.⁹

³Financial Times 25 Apr., 74.

⁴Hindustan Times 24 Jan., 74.

⁵Times of India 30 Dec., 73.

⁶The Times, London 8 Jan., 74.

⁷Hindustan Times 24 Jan., 74.

⁸Vikrant Defence Diary 25-31 Mar., 74.

⁹Financial Times 25 Apr. 74.