

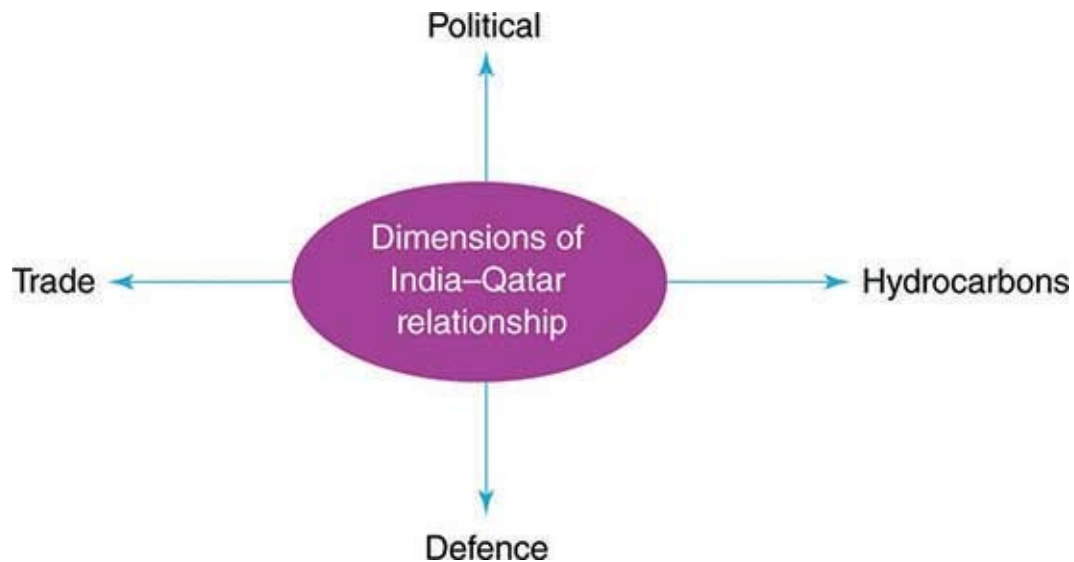
After reading the chapter, the reader will be able to develop an analytical understanding on the following:

- Historical background of India–Qatar relations
- Commercial diplomacy
- Natural gas diplomacy and recent trends
- Defence diplomacy
- Analysis of the Indian PM’s visit to Qatar in June 2016

HISTORICAL BACKGROUND OF INDIA–QATAR RELATIONS

Relations between India and Qatar go back to the ancient times. The Harappans in India interacted with the people of the region. In modern times, the relations between India and Qatar emerged due to the establishment of the British colonial rule in India. When the British were establishing their base in India, they undertook trade with Qatar through the ports of Al Bida and Zubra. As the Indian merchants began settling in Qatar, the then Sheik of Qatar, Sheikh Jassim, began to feel alarmed by the rising Indian presence. He felt that the Indians in Qatar were being encouraged by the British and that the entry of Indians in Qatar was a strategic move of the British to conquer the territory of Qatar. As the insecurity of the Sheikh grew, he began ordering the killing of Indian merchants in Qatar. As a result of this, many Indians who escaped the Sheikh left Qatar and for almost half a century ahead, there was no more trade between India and Qatar.

The relations between India and Qatar finally resumed from 1971. Since 1971, Qatar has been under the control of Al Thani family. It is the number three player in the world for natural gas. In contrast to other states in the Arab world, Qatar fares relatively better in the Human Development Index. Since 1971, India and Qatar have had very cordial and deep relations. There are two reasons for it. Firstly, in Qatar, there is a sizeable Indian diaspora that acts as a bridge in the relations. Secondly, the political leaders of both states enjoy commonality of views on multiple matters of regional and global significance, ensuring a natural convergence. Due to large diaspora, there is a deep presence of Indian culture in Qatar. Qatar has a foreign policy whereby it intends to influence middle eastern politics through assertion of its power to emerge as a regional leader. There are four important dimensions to the relationship between India and Qatar.

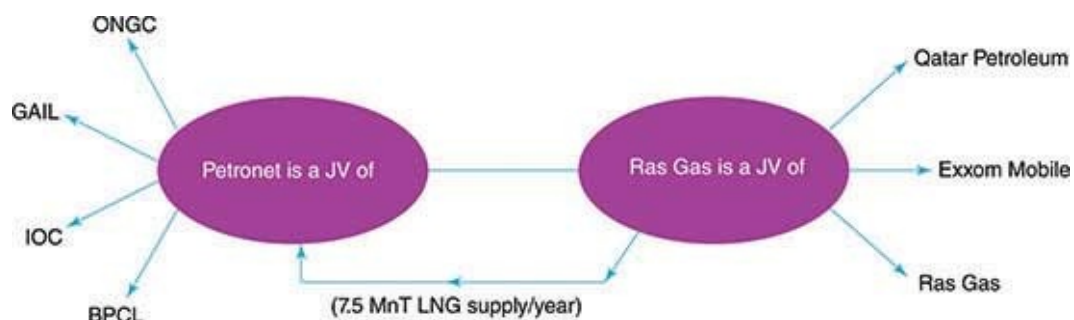


COMMERCIAL DIPLOMACY

India exports machines, transport equipment and textiles, while it imports liquified natural gas (LNG) from Qatar. A lot of Indian firms are conducting businesses in Qatar. Some of the most prominent Indian firms include TCS, Mahindra, Volts, Simplex and Wipro. There are also Indian banks present, namely, ICICI, SBI and Canara bank, but following the rules of an Islamic state, they do not indulge in retail banking. In 2014, Larsen & Toubro won an infrastructure contract in Qatar and is undertaking construction of the Al-Wakra bypass and the metro rail of Qatar. As Qatar is going to organise the 2022 FIFA cup, a lot of Indian firms are investing in the infrastructure sector there. In 2014, the Indian embassy in Qatar had organised an investment event to garner investment for support to Make in India programme.

NATURAL GAS DIPLOMACY AND RECENT TRENDS

In 2003, India signed an LNG deal with Qatar. As per the deal, Qatar would supply 7.5 million tonnes of LNG per year from 2003 to 2028. Qatar has the third largest natural gas reserves in the world and these reserves are called non-associated reserves. This means that these reserves have natural gas which is independent of oil. The 2003 deal sealed a long term of 25 years' worth LNG supply for India. Subsequently, the government established a joint venture in India called Petronet to execute the deal with Ras Gas of Qatar.



Petronet hired three cryogenic ships to bring this LNG from Qatar. LNG is always brought in a sub-zero temperature in a special vessel. The gas is first transformed into a cryogenic state; it is then exported through a specially designed vessel. Once it reaches the destination, it is regassified. Petronet decided to bring in LNG and regassify it in Dahej, Gujarat.



Under the Petronet-Ras Gas deal, the contract was based on take-or-pay clause. This means that even if India does not take above 90% of the gas from Qatar, it has to pay for the full contract amount. Due to the ongoing global meltdown, the prices of LNG have globally declined. However, the price of LNG supplied by Qatar remained same. This LNG price of Qatar was over and above the global prices. Thus, the domestic users of LNG in India, which primarily included the power and fertilizer industries, began to move towards cheaper alternatives like naphtha and fuel oil. At the 6th OPEC International Summit in Vienna in June 2015, India urged Qatar to reduce LNG prices for India in keeping with global prices. As per the demand made by India, in December 2015, after intense negotiations, Ras Gas revised the price contracts and concluded a new agreement with Petronet to supply LNG to India at a lower price. Earlier India was paying 12–13 USD per MMBtu which is now reduced to 6–7 USD per MMBtu. Due to the shift to cheaper alternatives by domestic players in India, the Indian offtake of LNG slid below the 90% thus violating the take or pay clause. Qatar imposed a penalty of 1 billion US Dollars on India as India's actual offtake was just 68% of 7.5 Million Tonnes per annum. However, in December 2015, at the time of the announcement of new pricing formula, Qatar also waived off this penalty. In February, 2016, India concluded a new pact with Ras Gas which is a new sale and purchase agreement. As per the agreement, starting from 2016, Ras Gas will give one million tonne per annum extra LNG to India to IOC, BPCL, GAIL and Gujarat State Petroleum Corporation. This additional 1 million tonne per annum is given to the four players for onward sale for the remaining period till 2028.

DEFENCE DIPLOMACY

Indian PM Dr. Manmohan Singh visited Qatar in 2008. During the visit, he concluded three MOUs in defence, investments and energy. A very important component of the visit was defence cooperation. In 2008, India actually tried to link energy cooperation with security cooperation. In this linkage India asserted that both nations cooperate on defence dimension to secure energy supply routes.



Asian Premium issue

In November 2015, India's petroleum minister participated in the 6th Asian Ministers Energy Roundtable Conference based on the theme of Energy Justice. The Indian Petroleum Minister urged to put an end to the practice of Asian premium and urged that it be replaced by the concept of Asian dividend. Under Asian premium, the oil buyers in Asia have to pay a little more money to buy oil so that this excess payment subsidises the transportation cost of the consumers of the west. This point has been a decade-old Indian demand to rectify the imbalance.

ANALYSIS OF THE INDIAN PM'S VISIT TO QATAR—JUNE 2016

In June 2016, the Indian PM visited Qatar. During the visit, he pitched for investment from Qatar for the Make in India and Digital India missions. A decision was taken to start an Inter-Ministerial High Level Joint Committee to review bilateral trade and other issues regularly. Qatar also expressed an interest that Indian firms should contribute to infrastructure for the upcoming 2022 FIFA cup. The PM also addressed the Indian diaspora and discussed the issues related to the welfare of the diaspora with the Emir. The Emir of Qatar, as a goodwill measure, released 23 prisoners belonging to India and allowed them to go back. The PM concluded 7 MOUs with Qatar and advocated to increase strategic content in the relations in future.

