

GEOPOLITICAL OUTLOOK

VOLUME-4



INDEX

0
1

US-MEXICO

Introduction and History

Expectations from Biden and
Policies introduced

Donald Trump Policies
and Actions

US-Mexico Trade Relations

The Border Wall

Immigration Policy
between US and Mexico

Conclusion

0
2

GULF CRISIS

Introduction

History

2017-21 Timeframe

The Impact of Crisis on India

Role of US in Gulf Crisis

Oil Crisis

Conclusion

US-MEXICO

Introduction and History


The US and Mexico have a bilateral relation. The two countries share maritime and land borders. Several treaties have also been concluded between the two nations both bilateral, like the Gadsden Purchase, and multilateral, like the NAFTA. Both are members of several international organizations, including the United Nations and the OAS. Mexico is also the third-largest trading partner to the US while the US is the largest to Mexico. The two countries are also close demographically with more than a million Americans living in Mexico. Maximum immigrants in the US have also come from Mexico. In recent decades, the IBWC which was once a model of international cooperation has been highly criticized as an institutional anachronism, overtaken by political and social issues. Illegal migration and trade of drugs and firearms have also been causes of differences between the two nations. As of 2014, 52% of all illegal migrants came from Mexico at 11.1 million people. According to the world bank, In 2005 Mexicans received remittances worth \$18.1 billion from their family members in the US. In response to this and the high illegal trade of contraband, the US government under the Trump presidency built a wall on its border with Mexico.

Mexico is also a major source of drugs coming into the US. In the 1990s, almost 90% of the drug 'cocaine' brought into the US arrived from Mexico. In turn, the US is the largest source of firearms and explosives of Mexico. Most of the seized weapons are traced back to American markets which have easy regulations. There is also a geographic relation being the location of maximum seized weapons in the Northern states. These are smuggled through Guatemalan borders and come from the American civilian market.

Expectations From Biden And The Policies Introduced

The change in presidency in the US generated a stir within the neighbouring country of Mexico because its leaders were not quite sure the relationship the two countries were going to share with a new leader in office. Some expected the hoarse relations to continue while others thought a bright change was close that might revive the friendship between these 2 countries. This segment discusses the likelihood of whether the new presidency will extend a hand to its neighbour by calling a truce or choose to continue the conflict.

Two out of three Latino votes visited Joe Biden within the 2020 presidential election showcasing the arrogance reposed in him by the Mexicans. This is one of the reasons that prompted Mexicans to believe him. Secondly, as Former President Barack Obama's vice president, Biden was the diplomatic representative to Latin America, and in the 2020 US presidential campaign made it clear that he wanted to resolve the Mexican-American conflicts.




Migration is the most vital Latin American issue on which all the presidents of the country, incoming or outgoing, differ. Donald Trump would have loved to prevent all immigration to the US.

On the other hand, Biden promised in his campaign to even offer people that illegally immigrated as children an opportunity to become citizens of the US. Additionally, the new administration plans to fight the basic causes of mass migration by earmarking \$4 billion towards assisting Latin American countries to fight poverty and crime within their borders. Biden is expected to interact with the Mexican President, López Obrador to discuss important issues concerning cross-border trade, Central American migration, Covid-19, organized crime, energy investment, and global climate change. Biden's new plans would end the diversion of Pentagon funds to create a wall on the US-Mexican border and instead invest the money in screening infrastructure at ports of entry. In his manifesto, Biden said that he would not level border walls built under Trump but would halt construction. Another strong policy that he's expected to finish is Trump's restrictive asylum policies, beginning with a program referred to as 'remain in Mexico.' Under the said program, non-Mexican migrants are forced to attend in Mexico for his or her U.S. immigration court dates. The US under Biden's leadership will refrain from indulging in bullying and nuclear-option manoeuvres like threatening to slam tariffs on Mexico and has promised to welcome more refugees and reunite the five hundred children still in U.S. immigration custody with their families. But his success will depend upon a politically polarised Congress.

However, this does not mean that relations between the Biden and López administration will flow smoothly. Multiple friction points are visible on the horizon. The Biden administration will likely specialize in corruption, including drug-related collusion at the highest circles of the government. Anti-democratic and human-right moves of Central American governments will also not be ignored just because of their cracking down on migration. This may prove uncomfortable for the Mexican president due to his strong stance of non-interference in other countries — human rights, democracy, and rule of law abroad are of no concern. Finally, the Biden administration is likely to specialize in the excessive homicide rate in Mexico, which has continued to increase during the current administration. They will seek to collaborate emphasizing on strengthening rule of law, police reform, and anti-corruption measures in Mexico. Biden has made renewable energies a centrepiece of his economic and energy plan. He recently declared the US will re-join the 2015 Paris Agreement, pushing for zero-emission vehicles and even a ban on new oil and gas leases. On the other hand, Obrador has pushed back renewable energies looking to strengthen state-owned companies like PEMEX and CFE, the largest oil and electricity energy enterprises.

Biden also supports reinstating the assault weapons ban—an important measure for improving U.S.-Mexican relations, given the large percentage of weapons getting smuggled into Mexico. He proposes to direct the Bureau of Alcohol, Tobacco, Firearms, and Explosives to issue annual reports, which might provide information to develop strategies to combat weapons trafficking. On Biden's first day in office, he sent lawmakers a comprehensive immigration reform bill that could provide a path to citizenship for many undocumented migrants. The Biden administration within 2 months of office announced plans for many asylum-seekers waiting in Mexico for their immigration court hearings to be allowed into the US. The first of an estimated 25,000 asylum-seekers in Mexico with active cases were allowed into the US on February 19 earlier this year.

The move may be a major step toward dismantling one among many of former President Donald Trump's controversial policies to discourage asylum-seekers from coming to the US. More people have been stopped crossing the border illegally since Biden took office in January. Raul Ortiz, deputy chief of the patrol, said that about 3,000 people had been stopped crossing the border illegally with a daily average of two and 426 only in January.



It is still early to judge Biden's role in the US-Mexico conflict with less than two months in power and a long way ahead. However, the first signs showcase some positivity as since his first day in office, Biden has started work for the welfare of both countries and is trying to live up to the standards he set for himself during the presidential campaigns.

Donald Trump's Policies And Actions

Some of the policies undertaken by the Trump Administration which had an effect on the Mexican Population are as follows:

Complete the Border Wall with Mexico:

Former President Donald Trump promised to establish a 1,954-mile-long wall on its border with Mexico. Originally, a wall between San Diego and Tijuana was authorized back in 1996. The Bush administration built 650 miles of walls, pedestrian fencing, and vehicle barriers under the Secure Fence Act of 2006. Between 2007 and 2015, around \$2.4 billion was spent on border expenses.

Trump initially promised to have Mexico to pay for the expenses in building the wall, however that didn't happen. In 2019, Trump declared a national emergency to allow defense funds to be diverted to the wall construction.

Moreover, he devoted funds to enhance segments of the existing wall. The total costs were estimated to be between \$15 billion and \$25 billion. Democrats opposed the border wall, but Republicans were largely in favour. However, residents of California, Arizona, New Mexico, and Texas who share their border with Mexico face the harsh consequences of building the wall.

Restrict Legal Immigration

On August 12, 2019, the Trump administration set stricter rules for legal immigration applicants. Those who required public benefits like Medicaid, food stamps, or housing aid were not eligible for their desired immigration status. The vetting applied to applicants for green cards and non-immigrant visas, and thus rewarded only those with high incomes and private health insurance.

Moreover, the administration made it more difficult for applicants for employment-based visas and some green cards by making face-to-face interviews mandatory.

Owing to the policy change, there was a huge decline in the number of immigrant visas issued. In 2019, there were 462,422 immigrant visas issued to applicants abroad in contrast to the 617,752 visas issued in 2016.

On April 22, 2020, President Trump suspended immigration for certain groups for a period of 60 days. This suspension applied to those who did not have an official travel document or a valid immigrant visa on that date. This order was in response to record-high unemployment. People had been laid off as businesses had to shut down in response to the COVID-19 pandemic.

End DACA

Launched by Barack Obama in 2012, DACA aims at offering a two-year deferral of deportation to those under 31, who were brought to the United States without documentation as children. It assigns them work permits enabling them to obtain social security numbers, pay taxes, and become part of the mainstream society. However, on Sept. 5, 2017, Donald Trump announced the termination of the Deferred Action for Childhood Arrivals program (DACA).

On Jan. 25, 2018, Trump signed an order to replace DACA, which would offer a 10-12 year path to citizenship for 1.8 million immigrants who arrived in the United States illegally as children. Moreover, it would drastically restrict legal immigration and add funds for the border wall. The plan however wasn't approved by the Congress.

A year later, he again presented a similar plan to Congress. This time, he offered to protect DACA recipients for three years in exchange for border wall funding. However, democrats rejected it again as it wasn't permanent.

On June 18, 2020, the U.S. Court of Appeals for the Ninth Circuit ruled that Trump's actions were not lawful.

Reduce the Number of Refugees

On March 6, 2017, the Trump administration banned refugees (including Mexican refugees) for 120 days unless they were already scheduled for travel. The purpose of the order was to allow the Homeland Security to review the application process and prevent any exploitation by terrorists.. Nevertheless, only 53,691 refugees were admitted to the U.S. in 2017.

In 2018, the Trump administration strengthened the screening process for refugees and reduced the staff that conducted overseas clearance interviews. It proposed the adoption of a risk-based approach to refugee admissions, including collecting biographic and biometric data from intelligence and counterterrorism databases, and making background checks and the screening process more rigorous. As a consequence, in 2018 only 22,405 refugees were admitted.

Stop Immigrants from receiving Welfare

Trump's administration aimed at preventing the immigrants from receiving any form of welfare for at least their first five years in the country. It planned to deny immigration status to those who seemed likely to become public charges within the first five years of their arrival as well as deport any immigrants who sought any health care treatment, including immunization, within that five-year period.

Reduce the Number of Asylum Seekers:

As per 'The 1965 Immigration and Nationality Act', any foreigner who arrives in the United States whether or not at a designated port of arrival, can apply for asylum. During his tenure, President Trump made several attempts to reduce the number of asylum seekers, as most of them were found to be in violation of the 1965 Act.

Those who appeared at the border without documentation were deported, and were put in place to ensure that asylum applicants could only use designated ports of entry. Immigrant children were separated from their parents before ending the policy due to popular outcry.

Moreover, Trump presented roadblocks that prevented Latinx immigrants from reaching the U.S. - Mexico border itself. His administration created a Guatemalan border patrol and enlisted the Mexican National Guard. It also negotiated regional asylum agreements that required asylees from Mexico, Guatemala, Honduras, and El Salvador to apply to one of the other countries instead.

Lastly, asylum seekers were ordered to be sent back to Mexico while they waited for the outcome of their hearings. The Migrant Protection Protocols forced them to live in terrible conditions, without access to an immigration lawyer. Horrifying instances of rape and torture were frequently reported in these camps.

Modify the H-1B Visa Program

During Trump's tenure, the White House announced modifications to the H-1B work visa program, narrowing the eligibility criteria for applicants and raising wages that U.S. corporates must pay the foreign workers to closely match with those of American employees.

H-1B visas were awarded to more than 388,000 foreign-skilled workers in 2019, out of which two-thirds were for computer-related jobs. This was a consequence of concerted efforts by the administration to ensure that only highly-paid skilled immigrants receive visas as opposed to foreign workers that are paid lesser than their U.S. counterparts.

US- Mexico Trade Relations

According to U.S. Census data for 2019, Mexico was the country's leading trade partner with \$614.5 billion in total (two way) goods traded during 2019.

The two countries had their own separate protectionist policies, till the era of globalization set in.

Though many policies were designed and implemented to encourage foreign investment and stimulate domestic markets, all these were streamlined by the North American Free Trade Policy (NAFTA). NAFTA was a trilateral agreement between Canada, US and Mexico, to eliminate barriers to trade, facilitate cross-border movement of goods and services, increase business

investment opportunities, establish a framework for resolving disputes and help North America be more competitive in the global marketplace. Proposed in the 1980's, it came into effect in 1994 during the presidency of Bill Clinton.

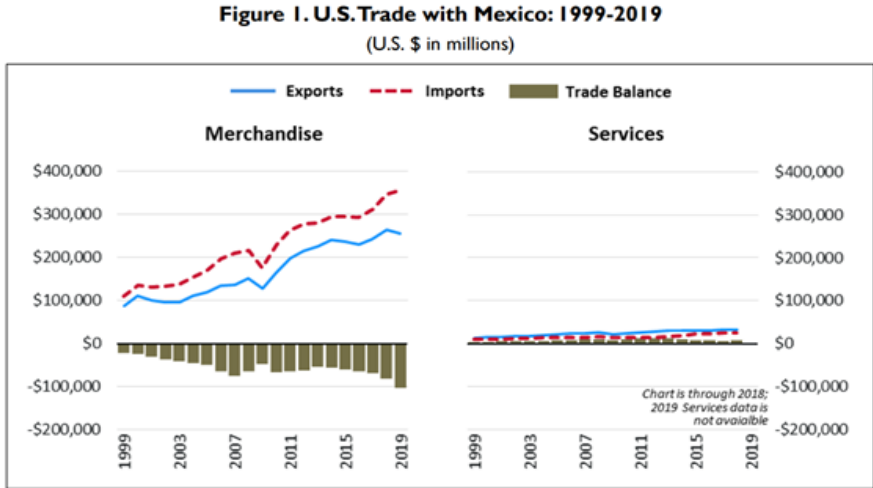
Though it helped to enhance the competitiveness of three countries in the global marketplace and treble the trade volume, it's inefficiencies were brought to light by many presidents including Barack Obama and Donald Trump.

In 2017, the Trump administration-initiated renegotiations of NAFTA, citing the loss of American jobs and wages, worker exploitation in Mexican factories, environmental issues, etc. In fact, he called NAFTA the "worst trade deal in history". It was replaced with the United States-Mexico-Canada Agreement (USMCA), which was created in 2018 and ratified by all three governments.

Essentially, USMCA is a version 2.0 of NAFTA with some alterations, developed with the objective to avoid any significant damage to the international trade system. There were many key changes impacting the relationship of the US and Mexico. One of them includes the automobile sector. Cars sold under North America's free trade system must be proportionately more North American: the regional content minimum should rise to 75% from the current 62.5%. Also, at least 40% of auto content made should be made by workers earning US\$16 per hour. Thus, employment in the US and Canada gets reserved by this clause, since Mexico, being a developing country, cannot afford paying their workers such an emolument.

Through NAFTA, and USMCA when it comes into force, the United States, Mexico, and Canada form one of the world's largest free trade zones, with about one-third of the world's total gross domestic product (GDP).

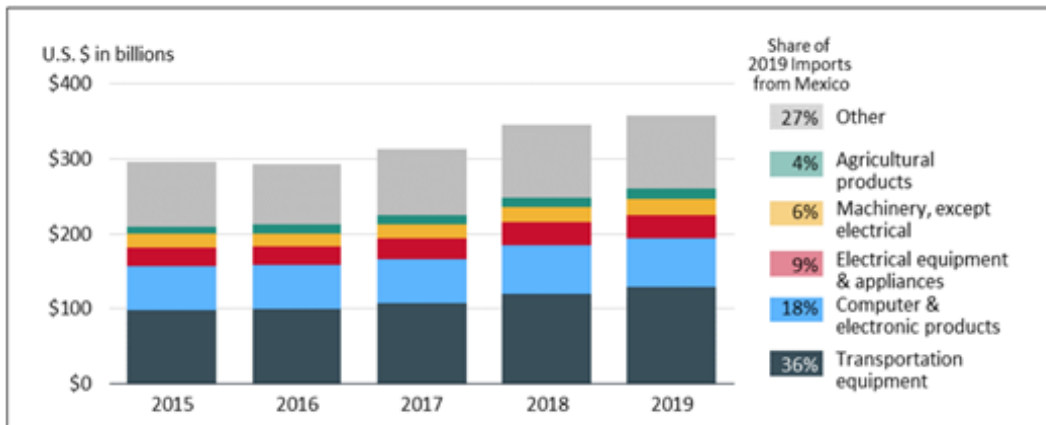
The current trade dynamics between the two nations is as follows:



Source: Compiled by CRS using the United States International Trade Commission (USITC) Interactive Tariff and Trade DataWeb at <http://dataweb.usitc.gov>.

The U.S. goods trade deficit with Mexico was \$101.4 billion in 2019, a 29.5% increase (\$22.8 billion) over 2018. The United States has a services trade surplus of an estimated \$3.1 billion with Mexico in 2019, down 39.3% from 2018.

Figure 2. U.S. Imports from Mexico: 2015-2019

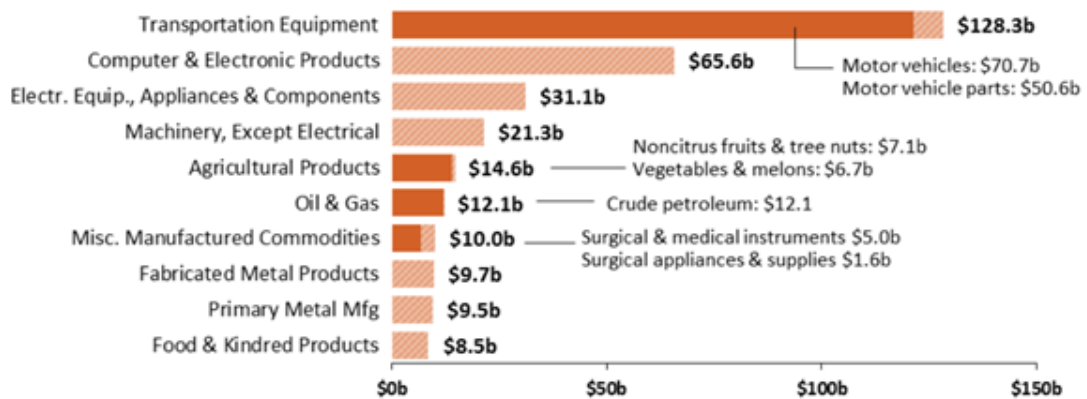


Source: Compiled by CRS using USITC Interactive Tariff and Trade DataWeb at <http://dataweb.usitc.gov>

Notes: Nominal U.S. dollars.

Total U.S. Imports: \$310.62b

Select products labeled



Source: Compiled by CRS using U.S. International Trade Commission (USITC) Interactive Tariff and Trade DataWeb at <http://dataweb.usitc.gov>.

Notes: Nominal U.S. dollars.

Mexico was the United States' 2nd largest supplier of goods imports in 2019. U.S. goods imports from Mexico totalled \$358.0 billion in 2019, up 4.0% from 2018. U.S. imports from Mexico account for 14.3% of overall U.S. imports in 2019.

Figure 5. U.S.-Merchandise Trade by Product (2019)

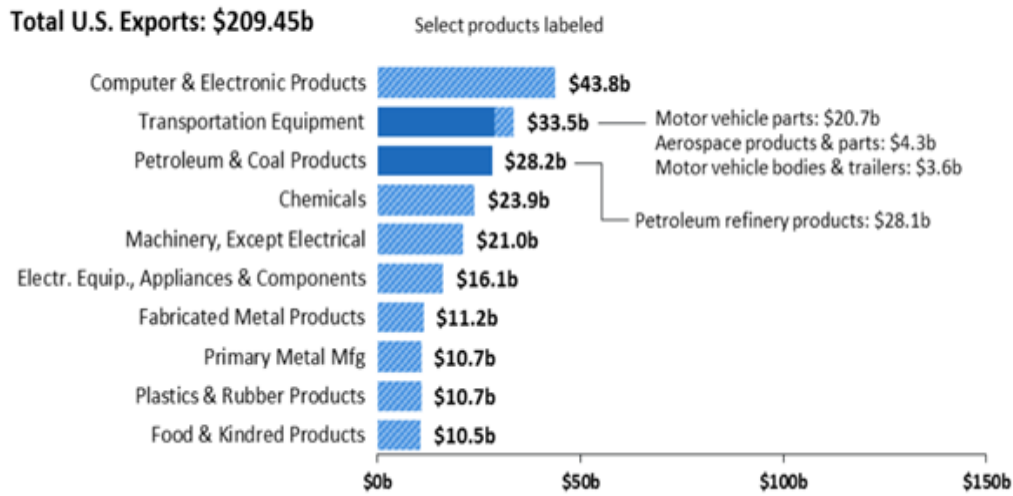
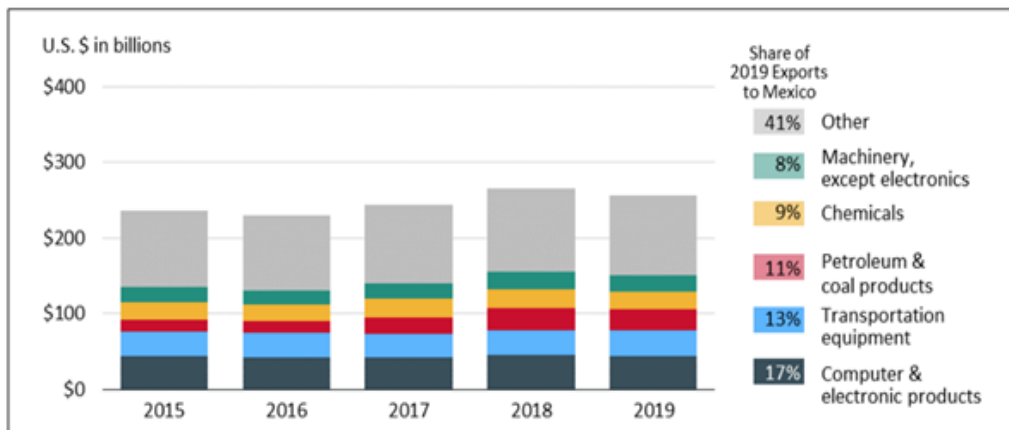


Figure 3. U.S. Exports to Mexico: 2015-2019

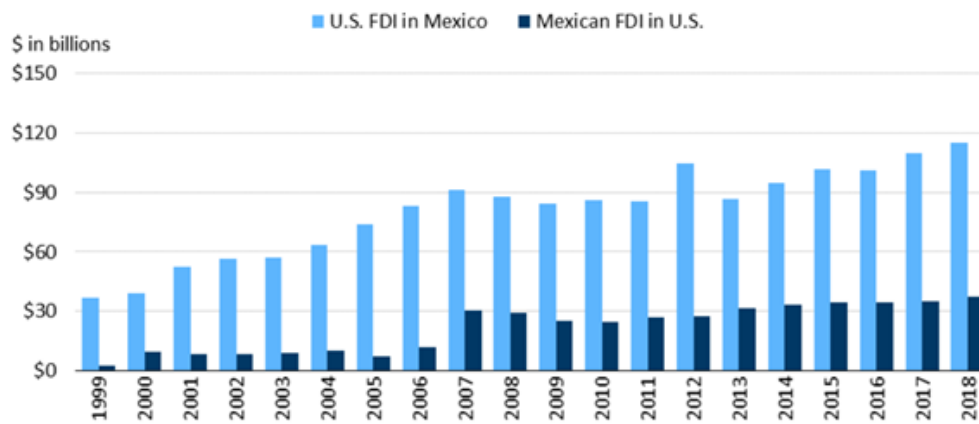


Source: Compiled by CRS using USITC Interactive Tariff and Trade DataWeb at <http://dataweb.usitc.gov>.

Notes: Nominal U.S. dollars.

Mexico was the United States' 2nd largest goods export market in 2019. U.S. goods exports to Mexico in 2019 were \$256.6 billion, down 3.5% from 2018 but up 99.1% from 2009. U.S. exports to Mexico account for 16% of overall U.S. exports in 2019.

Figure 4. U.S. and Mexican Foreign Direct Investment Positions
1999-2018 Historical Cost Basis by Country of UBO



Source: Compiled by CRS using data from the U.S. Department of Commerce, Bureau of Economic Analysis.

Notes: The Ultimate Beneficial Owner (UBO) is the entity, proceeding up the foreign ownership chain, which is not more than 50 percent owned by another entity. The UBO is the entity that ultimately owns or controls and thus ultimately derives the benefits and assumes the risks from owning or controlling an affiliate.

U.S. foreign direct investment (FDI) in Mexico (stock) was \$100.9 billion in 2019, a 5.2% increase from 2018. U.S. direct investment in Mexico is led by manufacturing, finance and insurance, and nonbank holding companies. Mexico's FDI in the United States (stock) was \$21.5 billion in 2019, up 2.3% from 2018.

In response to the COVID-19 pandemic, the Mexican government had ordered closure of numerous Mexican manufacturing plants that supply products to U.S. companies in essential sectors.

The Border Wall

Will the US-Mexico border wall affect trade relations between the two countries? Well, the answer is dubious. Although the Wall will not impede existing trade relations in the short run, it is likely that it would have some unintended repercussions in the long run.

According to Donald Trump, the US-Mexico border wall is a measure to check illicit immigration to the US. Since the majority of legal trade takes place at the border ports— Arizona, New Mexico, Texas, California, either via trucks or trains, the wall has nothing to do with the import-export process.

The purpose, to stop illegal trade of drugs, humans, species, arms and ammunition taking place, largely, via the sparsely populated regions along the southern border which are not adjacent to the ports, would now be reduced through the construction of the metallic walls. Thus, the legal trade itself will not get affected in the process.

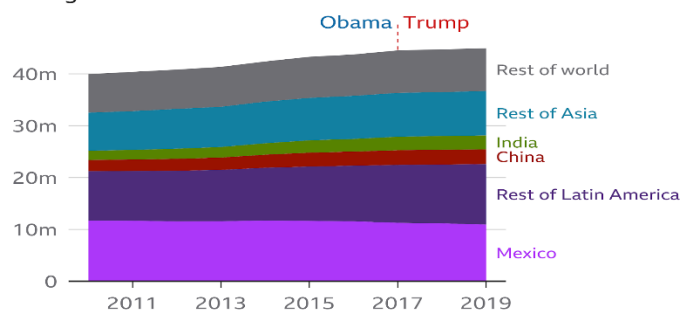
However, reasons why this construction may backfire are: First, the enhanced border wall may result in a trade war that would negatively affect U.S. consumers. According to the US Chambers of Commerce, almost \$1.7 billion of goods and services flow across the Mexico Border daily. In fact, 40% Mexican imports come from the US. Building on the existing 654-mile-long border would deteriorate political relations, where Mexico could retaliate by imposing an embargo on imports from the US. This would lead to dramatic changes in the prices of the commodities exchanged, and harm trade in the long run.

Secondly, as many economists claim, physical walls reduce trade between neighbouring countries- leading to reductions in median imports and exports by about 31%. Construction of physical barriers reduces traffic, because a country concerned about border security also might increase inspection at legal ports of entry, leading to a rise in shipping times and costs.

Therefore, there exists an import dependency as well as export competitiveness between both countries, which will undoubtedly be impacted from the construction of border wall.

The number of immigrants living in the US has continued to rise under President Trump, but more slowly than in previous years

Number of US residents who were born elsewhere, by country or region of birth



Source: US Census Bureau American Community Survey estimates

BBC

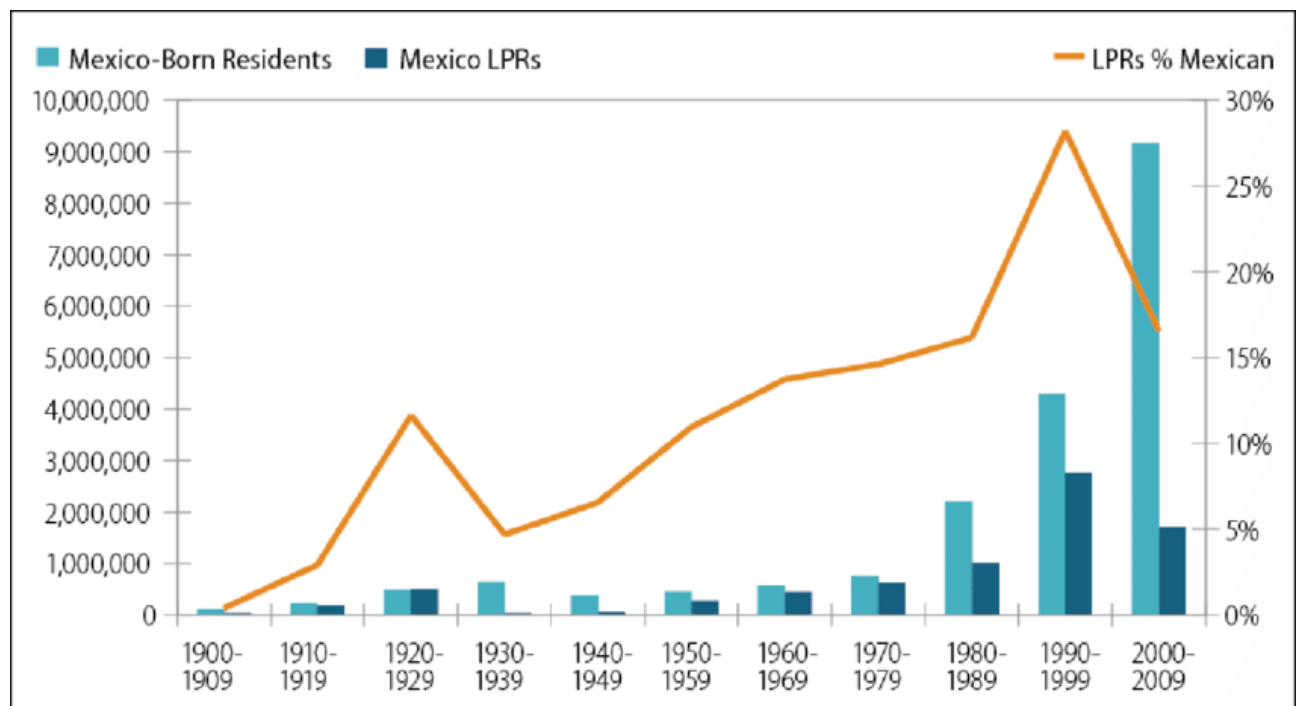
Immigration Policy between US and Mexico

Till the late 19th century, migration patterns between the U.S. and Mexico were opposite to what are seen today. This shift occurred when attractive mining and agricultural industries were established in the southwest region of the United States, encouraging Mexican labourers to migrate in search of stable livelihood. The Mexican Revolution of the 1910s escalated emigration as refugees and political exiles fled to the States, doubling migration rates in the 1910s, and again in the 1920s.


However, Mexicans were believed to have certain characteristics that made them better labourers than others. These positive attributes included physical strength and docility, which influenced the decision vis-a-vis restrictions against immigrants. Moreover, there was a perception that Mexican immigrants were coming to the US just for the work and were merely temporary residents who would eventually return to their own country.

As a result, they were widely exempted from the quotas of the Immigration Act of 1924 in the United States, a law preventing immigration from Asia, or the Eastern Hemisphere feeding the belief that the East posed a threat to American culture. Migration from the Western hemisphere was not deemed to be a problem as, at that time, only one-thirds of total immigrants belonged to this category and the benefits of having Mexican immigrants outweighed the costs.

This aversion towards immigrants eventually reached the Mexicans in the late 1920s, as visa screenings became stricter. The Cristero War in Mexico had a two-fold effect on U.S.- Mexico migration. Firstly, it led to a sharp rise in immigrants seeking refuge from economic destruction and violence in their home country. Secondly, it led to politicisation of Mexicans already living in the States who organised protests and revolutions against the Mexican Government's actions. Adding to all of this, the Great Depression hit the United States and authorities began deporting a greater number of Mexican immigrants. Job opportunities were hard to come by, making the U.S. less attractive for labourers looking for wages. All these factors contributed to a staggering 40% dip in the Mexican population residing in the United States.



In the 1940s, America found itself in need of resources and labour to fight the war. With workers being drafted to serve in the military, an acute shortage of labour in the agricultural sector was created. To match this demand for labour, the U.S. Government enacted the Bracero Program in collaboration with the Mexican Government in 1942. Aimed at attracting Mexican labour, this agreement guaranteed minimum wage, health and housing benefits, transportation services and much more. It enabled “Braceros”, or short-term contract workers from Mexico, to be legally employed in the U.S. without the hassle of documentation and bureaucratic red-tape.




However, the Bracero program had its own drawbacks as the number of undocumented Mexican immigrants living in the States shot up exponentially. The program faced massive backlash from the American public as it had a disastrous effect on the wages of US workers. In 1954, to bring the situation under control, the Government commenced “Operation Wetback”, which deported about 2 million unauthorised Mexicans.

Moreover, they increased the funding for the Border Patrol to prevent illegal immigrants from entering. Nonetheless, the Bracero Program continued for another decade, with approximately 4.8 million Bracero contracts already been signed. Convinced by worker advocates, the program was wrapped up by the Kennedy administration in 1964. But by then, it had already led to widespread participation of Mexican workers throughout the agricultural sector as whole communities of Mexican immigrants had been established which relied on facilitating migration between the two neighbouring countries.

In 1965, reforms were introduced to the US Immigration and Nationality Act to eliminate the race-based system. A cap on immigrations from each country was fixed, replacing the differential policy that prevailed. Although it was illegal to harbour unauthorised immigrants, according to the ‘Texas Proviso’, employers and businesses were exempted from any liability caused if they employ or hire illegal immigrants. Therefore, due to lack of legal immigrant workers, employers were forced to give jobs to undocumented labour. Cheap migration transportation and rising political unrest in Mexico and Central America once again led to a growth in illegal immigrants from Mexico.

This created the “Illegal Alien Problem”, which proved to be a defining issue behind policymaking in the years to follow. To deal with this issue, the U.S. Government enacted the Immigration Reform and Control Act in 1986 which included legalisation of immigrants who entered before 1982, funding for border enforcement and criminalising employing unauthorised immigrants. Further down the line, the Immigration Act of 1990 was passed by the Congress increasing the number of employment-based visas which expanded the range of temporary work-based visas given to skilled workers. And lastly, the Illegal Immigration Reform and Immigrant Responsibility Act of 1996 was also passed with various enforcement measures. But even after all these measures, unauthorised Mexican population in the US tripled in 25 years, accounting for about 60% of all illegal immigrants.



Conclusion

Since the mid-19th century, the U.S.-Mexico border has been a myriad of things to many people: a frontier, a line, a scar, a liability, a threat, and an opportunity. Depending on one's frame of reference, the border is either any, or all of these at once. Perhaps above all, the border is emblematic of the dynamic U.S. - Mexico ties, which have changed dramatically over the span of more than a century and a half.

The forces of late-20th century globalization, both positive and negative, have influenced perhaps no place as strongly as the U.S. - Mexico border. Border relations have transformed from merely coexistent to increasingly integrated and interdependent. At the same time, contemporary security challenges posed by interdependence are much more complicated as a result of the logistics involved in processing increased volumes of people and goods, the conflicting yearning to facilitate commerce while also identifying and reducing potential threats, and the difficulties of attempting to solve problems at the border rather than at their point of origin. Neither country can do it in isolation: trans-border problems call for trans-border solutions.

As we stride past a history of illegal immigration, smuggling of narcotics and ammunitions, we find ourselves facing the U.S. Mexico border. The border has been witnessing increased security presence with the introduction of electronic patrolling and sensors. This later escalated to become the 'Trump Wall', a wall built to make the border impenetrable to any further illegal immigration.

Donald Trump's policies have advocated for an exclusive America as opposed to a U.S. Immigration Policy seeking to provide asylum and safe harbour to refugees. A 'Zero Tolerance' policy was also imposed across the border gaining reasonable traction from the public.

With a change in presidency came a fresh wave of inclusivity. As indicated by Biden in his campaign speeches, he would strive to resolve the Mexican-American conflict, welcoming the ideas of refuge and asylum. Contrary to the previous Presidency's policy, Biden aspires to provide citizenship to illegal immigrants who entered the States as children. He aims to re-allocate the budget from the Wall's construction to improving the legal efficiency and infrastructure at entry points.

As always, geopolitical outcomes depend on converting promises into reality. Biden's journey has just begun. With a pandemic on his hands, and pressing issues such as police brutality and racism, the world watches on to see how Biden's leadership tackles firearms trafficking and immigration. The way ahead seems to be one of mutual collaboration towards political and economic benefit but what truly happens is uncertain. What is clear at present, at least, is that the United States and Mexico display intentions to improve relations through existing bilateral agreements and an emerging administrative structure.

GULF CRISIS

Introduction

At the centre of the storm, commonly known as the Gulf Crisis, were the countries of UAE, Saudi Arabia, Qatar, Kuwait, Bahrain, Iran and Iraq. They make up the Persian Gulf in southwestern Asia. The friction between these countries became particularly evident from the beginning of the 20th century. Before these countries were known for their oil (during British rule), the region barely made any effort to delineate their territories. As a result, official boundaries meant little while the concept of allegiance to a distinct political unit was absent. Authorities were confined to ports and oases.

After the withdrawal of the British authorities in the 1970s, old territorial disputes and ambiguity between the Gulf states began to rise. Several clashes marked the exit of the British. The main event that instigated the Gulf crisis was the invasion of Kuwait by Iraq under the leadership of Saddam Hussain.

The invasion of Kuwait highlighted the gulf crisis in the international domain. It also highlighted the disputes that had been going on for years. This invasion led to the formation of the largest military coalition. Furthermore, it garnered a tremendous amount of attention from all over the world. The Gulf Crisis continues to be one of the most talked-about crises to date.

History

IRANIAN CLAIMS ON BAHRAIN

Iran has often laid claim to Bahrain, based on its history of being a prominent part of the Persian empire, the defeat of the Portuguese in the 17th century and the subsequent occupation of the Bahrain archipelago for many centuries.

Iran and the UAE

In 1971, after the British left, Iranian forces claimed the islands of Abu Musa, Greater Tunb and Lesser Tunb, located at the mouth of the Persian Gulf between Iran and the UAE. The Iranians continued to assert their claims on the islands till 1993. This was a source of contention with the UAE, as UAE claimed authority under Britain's transfer of the islands to the Emirates of Sharjah and Ras Al-Khaimah. By late 1992, Sharjah and Iran had reached an agreement with regards to Abu Musa. However, Ras Al-Khaimah did not settle with Iran concerning the Greater Tunb and Lesser Tunb. The UAE has attempted to bring this dispute before the International Court of Justice, but Iran has repeatedly refused to do so. Tehran says the islands always belonged to it as it had never renounced possession of the islands, and that they are a part of the Iranian territory.

Bahrain and Qatar

Bahrain and Qatar were involved in territorial disputes over the Hawar Islands, Fasht Al Azm, Fasht Dibal, Qit'at Jaradah and Zubarah. The most substantial dispute was over the Fasht Dibal in 1985. The clash occurred after Bahrain started constructing fortifications on the island, which according to Qatar was a violation of the agreement they had. In April 1986, Qatari troops arrived on the island and declared it a restricted zone, seized several Bahrain officials and 29 construction workers hired by a Dutch contracting company. Accordingly, protests followed in the Netherlands and mediation by several GCC member states. Consequently, Bahrain and Qatar finally settled, resulting in the release of foreign workers. Qatari troops evacuated the island on 15 June.

In 1991, however, the dispute aggravated after Qatar instituted proceedings to let the International Court of Justice in Hague, Netherlands, decide whether it had jurisdiction or not. This dispute continued till 2001, with Bahrain also boycotting the GCC summit held in Qatar during that period. It was resolved in 2001 by the International Court of Justice, which awarded both sides an equal amount of land. The Court gave Bahrain the Hawar islands (excluding the Janan island), Qit'at Jaradah and Fasht Al Azm and Qatar received Zubarah, Fasht Dibal and the Janan Island.

IRAQ AND KUWAIT

The crisis between these two countries started in early August 1990. The starting point was the invasion of Kuwait under Iraqi President Saddam Hussein. In consequence, fellow Arab powers, Saudi Arabia and Egypt called upon the USA and other western nations to intervene. On 29 November 1990, the United Nations Security Council allowed the use of force against Iraq if it did not withdraw from Kuwait.

Hussein defied the UN Security Council demands. Consequently, the Council imposed a worldwide ban on trade with Iraq. Furthermore, a massive USA led air offensive known as Operation Desert Storm, which occurred soon after, marked the inception of the Persian Gulf war. The attack continued for 42 days, after which the then USA President George H.W Bush declared a ceasefire on 28 February. However, by then, most of the Iraqi forces in Kuwait had either surrendered or fled.

This act of Iraq was met with international condemnation and brought immediate economic sanctions against Iraq by the members of the UN security council. Moreover, many countries like the USA, Great Britain, France, Egypt and Saudi Arabia, to name a few, formed a coalition, leading to the formation of the largest military alliance since World War II. After all the destruction which followed, the terms of peace were determined. Iraq had to recognize Kuwait's sovereignty and had to divest itself from all weapons of mass destruction and missiles with ranges exceeding 90 miles. Furthermore, without complete compliance, economic sanctions would continue.

Following this incident, the Kurds in the North and the Shī'ites in the south rose in a rebellion that was suppressed by Saddam with great brutality. These actions triggered the allies to prohibit the Iraqi aircraft from operating in designated no-fly zones. Gradually, the other allies began leaving the military coalition. However, USA and British aircrafts continued to patrol Iraqi skies. Additionally, UN inspectors sought to ensure that all illicit weapons were destroyed.

Finally, in 2004, when sovereignty returned to Iraq, Kuwait negotiated a 5 km area of separation with the government of Iraq. Despite the expiry of the agreement in 2016, none of the governments has moved military forces in that zone.

UAE AND SAUDI ARABIA

Two disputes exist between the countries. The first was over territorial waters claimed through the land owned by Saudi Arabia between Qatar and the UAE. The eastward side infringes into UAE territorial waters and has led to minor skirmishes between the two countries.

The second dispute lies in the unusual extent of these waters from the Saudi coastline which explains how the above area extends further than expected by the Emiratis and is further justified by Saudi Arabia. While no map exists on the internet, it is believed a corridor exists along the Qatari/Emirati maritime boundary on the Qatari side extending up to the Iranian maritime boundary.

SAUDI, ABU DHABI AND OMAN

Another dispute that has existed since the 19th century is between the tribes of Saudi Arabia, Abu Dhabi and Oman over the Al Buraimi Oasis. After the withdrawal of the British empire from the gulf, a settlement, the Treaty of Jeddah (1974), was made between Zayen bin Sultan Al Nahyan of Abu Dhabi and King Faisal of Saudi Arabia. Under this treaty, Saudi Arabia recognised the claims of Abu Dhabi and Oman over the oasis, Abu Dhabi agreed to grant Saudi Arabia a land collider to the gulf at Khawr al Udayd and the oil from a disputed oil field.

Yet, some grazing and water rights remained in dispute. Finally, in March 1990, Saudi Arabia settled its borders with Oman in an agreement that also provided for shared grazing rights and the use of water resources.

2017-21 Timeframe

Qatar and Iran share ownership of the North dome gas condensate field, the world's largest natural field with a significant Gorge strategic influence. In April 2017, after a 12-year freeze, Qatar lifted a self-imposed ban on developing the gas field with Iran, requiring cooperation between the countries. This decision prompted Qatar to promote a regional policy of engagement with Shia Iran to secure the source of its wealth. Qatar hosts the American military base from which the USA directs its regional war against extremism despite owning a media network responsible for inciting multiple similar extremists.

On 27 May 2017, the newly elected Iranian president held a phone call with Coty's Emir confessing the need for more cooperation and consultation between the countries to resolve the crisis. He also said that they were ready to cooperate in this field. Back in 2002, Saudi Arabia had removed its ambassador from Qatar. Diplomatic relations were re-established in 2008 after assurance that Al Jazeera would limit its coverage of Saudi Arabia. In March 2014, Barham, Arabia and the United Arab Emirates removed their ambassadors from Qatar due to interference with their internal affairs.

In February 2015, Egypt-Qatar relations worsened after the Egyptian Air Force conducted airstrikes on the suspected ISIL positions in the neighbouring countries. In April 2017, Qatar was involved in a deal with both the Sunni and Shia militants in Iraq and Syria for two primary reasons. The first reason being their immediate goal to secure the return of 26 Qatari hostages including Qatari royals, who had been kidnapped by Shia militants. Secondly, they wanted to get both Sunni and Shia militants in Syria to allow humanitarian aid to pass through and allow the safe evacuation of civilians.

As a part of the Riyadh Summit in late May 2017, many world leaders, including US President Donald Trump, visited the region. Donald Trump strongly supported Saudi Arabia's efforts in fighting the states and groups allied with Iran and the Muslim Brotherhood. The support led to an armed conflict between the countries. On 6th June 2017, Saudi Arabia, the UAE, Yemen, Egypt, Maldives and Bahrain separately announced that they were cutting diplomatic ties with Qatar. Saudi Arabia and the UAE notified ports. Furthermore, shipping agents were instructed to not receive Qatari vessels or ships. In 2018, Saudi Arabia ended up closing its border for Qatar. Iran offered to send food shipment to Qatar as Saudi Arabia restricted its airspace to Qatar Airways. As of 10th June 2018, 8 sovereign governments had cut diplomatic ties with Qatar including Bahrain, Egypt, Maldives, Saudi Arabia, UAE and Yemen. In 2019, the UAE and Bahrain government announced that publishing expressions of sympathy towards Qatar through social media or any other written or verbal form would be considered illegal. It would lead to people having to face 3 to 15 years of imprisonment and a fine of more than \$100,000. Saudi Arabia, Egypt, Bahrain and UAE, collectively blocked access to Qatar news agency, including the most popular Al Jazeera, which prompted a fall in the Qatar stock market by 7.3 per cent on the first day of the crisis. The stock market managed to reach 29.7% by 8th June.

In November 2020, United Nations special rapporteur Alena Douhan published a preliminary report condemning the Saudi-led blockade of the State of Qatar and urged it to lift the ban immediately due to human rights violations of the people of Qatar. The UAE, Saudi Arabia, Bahrain and Egypt-led blockade of Qatar was concluded as illegal by the special rapporteur. Douhan has stated that she will present a final report to the UNHRC in September 2021.

On 4 January 2021, Qatar and Saudi Arabia agreed to resolve the crisis brokered by Kuwait and the states. Saudi Arabia has agreed to reopen its border with Qatar and begin the reconciliation of the two countries. An agreement and final communique signed on 5 January 2021, following a GCC summit, marking the resolution of the crisis.

THE IMPACT OF THE CRISIS ON INDIA

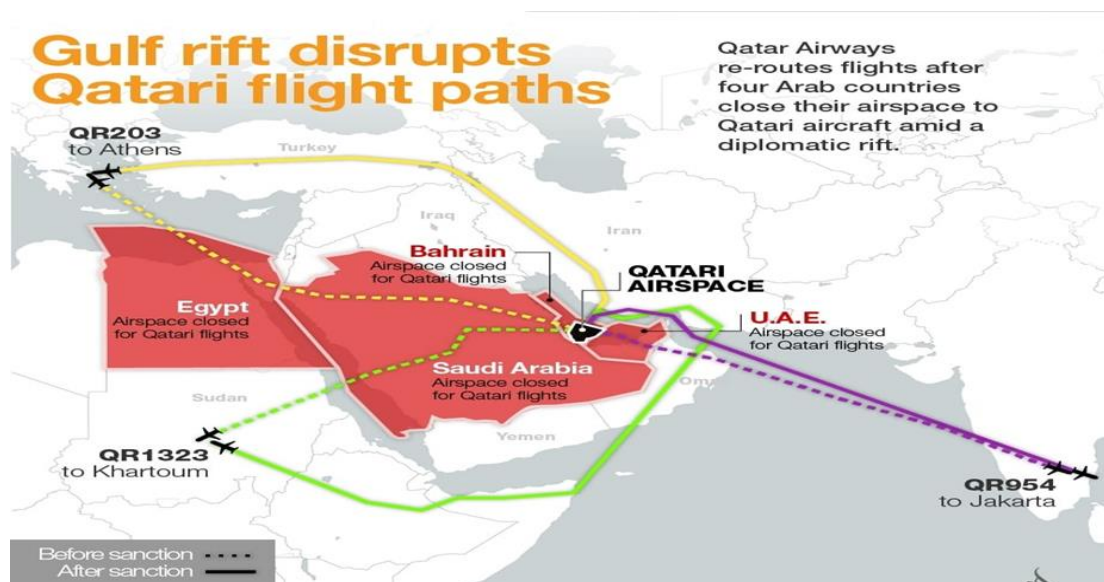
Politics is a devious game. Friends and supporters are temporary, while only interests are permanent. Both Saudi Arabia and Qatar are the economic and diplomatic partners of India. Therefore, it is easy for India to maintain ties with both countries despite the crisis. This crisis has shown that when the elephants fight, only grass suffers. It happened with many Asian countries, such as Japan, India, South Korea, Taiwan etc. These countries depend most on Qatar as a source of resources and labour.

India was directly affected by the Gulf crisis. India is the third-largest oil importer in the world. India imports 83% of its oil from the Gulf despite its diversification of sources of hydrocarbon products. Lately, India has stopped buying oil from Iran due to US pressure, making India more dependent on Saudi Arabia. Currently, India wants more partners to fulfil its energy requirements. Qatar is one of the best available partners in the Gulf to fulfil India's increasing energy demand.

The crisis dented the Indian logistic exports to Qatar. They mainly consist of electrical machinery, iron and steel products, plastic industrial machinery, etc. According to the Federation of Indian Exporters Organization, the country's engineering exports to Qatar declined from US\$ 363 million in 2015-16 to US\$ 213 in 2016-17, i.e. after the crises. Automobile exports declined by 70%, that is from US\$ 73.59 million to US\$ 21.70 million in 2016-17. One of the major reasons behind this decline was the delay in shipments.

Qatar is one of the largest producers of LNG. India imports half its energy requirements from the Persian Gulf and Qatar. It is now possible for India to depend on Qatar for its increasing energy requirements, without having to balance between Doha and Riyadh. Approximately 25% of the Qatar population belongs to Indian ethnicity. There are around seven lakh Indians in Qatar. Remittances of this large expatriate community will most likely rise. Inevitably, a large number of Indians are adversely impacted. More importantly, air travel to and from the country became tedious and costlier as aeroplanes took a detour, with Saudi Arabia, Bahrain and the UAE having closed their airspace for all flights bound to Qatar.

The extent of the impact on India can be gauged by the fact that Qatar Airways flies 24,000 Indians per week. Due to the flying restriction on Qatar, the number of flights from Qatar significantly decreased. However, the end of this crisis will lead to a fall of airfares from Doha to India.



Besides, India is critically dependent on the flow of remittances from the region, as it constitutes the largest share of total global remittances. From the trade and investment perspective, further stability in the Gulf is needed, particularly with the UAE government. The end of the Gulf crisis will allow India to take advantage of the FDI from UAE and the rise in remittances from the Gulf. Therefore, it will boost the Indian economy.

Role of the US in the Gulf Crisis

“It took the Gulf War to demonstrate that America did want more than one friend in the Mideast, and was also willing to take and make major risks to prevent a small Muslim country Kuwait, from being overrun and in effect stolen by Iraq”

-Caspar Weinberger

The US has always played a crucial role in all geopolitical spheres, from President Bush to Donald Trump and currently with Biden's presidency. Be it the 1991 Gulf War or Qatar's Blockade, its presence and role are evident.

Rolling over the pages of history, the Gulf Crisis came to be known as an old sown seed. When Iraq invaded the country of Kuwait, President Bush knew that it intended to gain control over the lucrative oil supply. Officials worried that this invasion of Kuwait might be Iraq's first step to consolidate its power over other nations in the Middle East, like Saudi Arabia controlling approximately 20% of the world's oil resources.

The USA and the United Nations Security Council condemned the invasion. President Bush commenced Operation Desert Shield. Furthermore, to protect Saudi Arabia and liberate Kuwait, a 34-nation led coalition was built in the United Nations. The US troop was also strengthened in number to more than 5.00,000 which was believed to be "a line in the sand". Operation Desert Storm, on the other hand, was a combat of the conflict. After the declaration of the cease-fire, the Gulf - War was over, Kuwait was liberated.

Here, another interesting angle to look at is, the Gulf War was hardly the end of United States involvement in the Middle East. It was a signal that at the end of the 20th century, the foreign policy of the US was on the way to become even more entangled in the politics of the Middle East. Where does the interest of the United States lie?

Since the early days of the cold war, the security and stability of the Gulf Region have been a key US interest. Moreover, GCCs role in the international markets makes it of even greater importance. In the past seven decades, the US has developed strong relations with the GCC.

US - Qatari relations have evolved since the 1970s, especially during the 1991 crisis, after the signing of the military cooperation agreement. The bilateral relations further strengthened in 2002 when the U.S. relocated its military headquarters in the region to the Al-Udeid Airbase from Saudi Arabia. The largest U.S. military base in the Middle East is located in Doha and hosts about 11,000 US troops. It is also the home to the US Combined Air and Space Operations Center, which oversees US military air power in Afghanistan, Syria, Iraq and 18 other countries around the region. This base boasts the longest runway in the Gulf. Qatar had invested \$1 billion in its construction in the 1990s, reinforcing its military ties.

What is at Stake?

The US Defense Department fears that due to the 2017 Gulf Crisis, all of the US military privileges in Qatar may jeopardize if the diplomatic escalation continues further.

Qatar's development of ties with Moscow, its interest in buying Russian-made S400 anti-aircraft defence systems and its strengthening bond with Iran could pose a problem for the USA. Further, it undermines the two pillars of the US Mideast strategy of containing Iran and defeating ISIS, making Rival powers stand in a better position. Qatar's dependency on Iran benefitted the latter's economy at large and their non-negotiable relations of trade especially, when it was about the precious treasure that they shared, the US could not afford the same for a very long time.

The boycott of Qatar and the travel ban could hinder the movement of the US military personnel. Furthermore, the embargo imposed on Qatar could also have negative economic implications for the companies operating in the Gulf while further escalation puts the US allies on a collision course. Another aspect is the intrinsic interest of the US in keeping indirect contacts with groups such as Hamas and Taliban via Qatar, which are terrorist groups!

The election of Donald Trump as president has played a major role in the Gulf Crisis. The blockading quartet stood at an advantage due to a more sympathetic US President, not present during Obama's Administration. They saw this as an opportunity to resume the 2013-14 Gulf Crisis. The divisions within the Trump administration led to an inconsistent foreign policy towards Qatar and hindered UAE and Saudi Arabia relations which led to a weakened Qatar. The Department of State and Defense helped balance the President's approach towards the matter. Consequently, the policy underwent evolution.

Currently, Qatar's regional role has undergone a fundamental change. Being a world leader in the supply of LPG and OPEC members, it had strong relations with major powers in the region and across the globe. Be it the robust relationship with the US, or ties with US traditional foes Iran, Syria, Hezbollah and Hamas, Qatar leads in every way.

Spinning the wheel back to 2014, Qatar thought of reconciliation and signed the Riyadh agreement in 2014, but that was not the end of it. UAE and Saudi Arabia were in high spirits to resume the conflict. Consequently, when Donald Trump came to power, he created the right atmosphere for an alliance between the two to conclude some unfinished business with Qatar. The Arab-Islamic-American Summit and Trump's frequent visit to Riyadh provided the catalyst that sparked the 2017 gulf crisis.

While UAE and Saudi relied on Trump's support, his senate was contradictory. Initially, President Trump supported the blockade on the note to end terrorism and extremism. However, the Secretary of State and the Secretary of Defense called for a negotiable and constructive solution. They even praised Qatar for its stringent measures to combat terrorism and its contribution to the war against ISIS. Furthermore, they urged the conflicting parties to remain calm and find a peaceful solution and ease the blockade during Ramadan. The lack of a clear and coherent policy further deepened the crisis. Indeed, the evolution of Donald Trump's stance was the turning point of the play. The Senate Foreign Relations committee blocked any future arms sales to the GCC, including the blockading countries until they resolved the conflict.

Oil Crisis

An Oil crisis can be defined as a sudden rise in the price of oil that is often accompanied by decreased supply. An oil crisis can result in a worldwide recession or cause a 2=3% reduction in global GDP below projected rates.

An oil crisis can be prompted by various reasons such as a rapid expansion in the global economy fuelling greater consumption of oil, a lack of spare production capacity causing demand to overtake supply, or both. It is also caused by political events or acts of sabotage in major oil-producing countries and intentional decisions by a major producer or group of producers to cut supply.

Since advanced industrial economies are mostly dependent on oil as the main source of energy, an oil crisis can endanger economic and political stability throughout the global economy. The world has often encountered various oil crises, some small-scaled and some big enough to disrupt the global economy.

In 1948-49, during the first Arab-Israeli war, the pipeline carrying Iraqi oil to Haifa was shut off and approval of the Trans-Arabian pipeline from the newly developed Saudi fields to the Mediterranean through Lebanon, Jordan, and Syria had been delayed. Although no serious repercussions followed, the Iraqis output and revenues were cut in half.

In 1951-53, an oil price shock was caused by the nationalization of the Iranian oil industry and its subsequent shutdown by Dr. Mossadegh, prime minister at the time.

The third major crisis occurred in 1956, during the second Arab-Israeli war.

The 1973 and 1979 oil episodes were both global oil crises. The 1973 oil crisis caused a decline of GDP in the US by 4.7%, in Europe by 2.5%, and a 7% decline in Japan. The 1979 oil crisis caused the global GDP to drop by 3%.

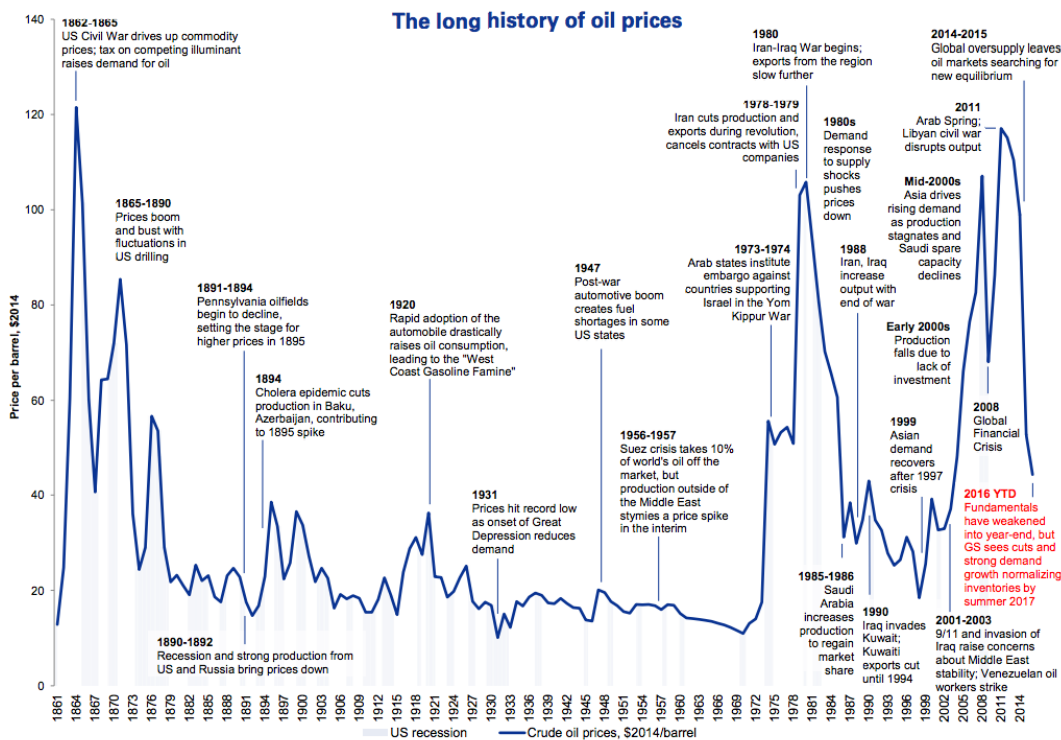
During the 1973 Arab-Israeli War, an embargo was imposed by the Arab members of the Organization of Petroleum Exporting Countries (OPEC) in retaliation for the decision to resupply the Israeli military and gain an upper hand in the post-war peace negotiations. This embargo was also extended to countries that supported Israel including Netherlands, South Africa, and Portugal. Petroleum exports to the targeted nations were banned and cuts in oil production were also introduced. The embargo's effect was further aggravated when decades old-pricing systems had been destabilized due to several years of negotiations between oil-producing nations and companies.

This embargo contributed to an upward spiral in oil prices globally. The price of oil per barrel first doubled, then tripled from \$3 to nearly \$12 but prices in the US were even higher. Sudden hike in prices of oil skyrocketed costs on consumers and increased structural challenges to the stability of entire national economies. This event coincided with a devaluation of the dollar and a global recession seemed inevitable. US allies in Europe and Japan stockpiled oil supplies and secured a short-term cushion, but the long-term possibility of high oil prices and recession created a rift within the Atlantic Alliance. European nations and Japan found themselves in the discomfiting position of requiring the United States' assistance to secure energy sources as they sought to disassociate themselves from the USA's Middle East policy.

The US, which faced a growing dependence on oil consumption and shrinking domestic reserves, found itself more reliant on imported oil than ever before, having to negotiate an end to the embargo under harsh domestic economic circumstances that served to diminish its international leverage. To complicate matters, the embargo's organizers linked its end to successful U.S. efforts to bring about peace between Israel and its Arab neighbours. The embargo lasted from October 1973 to March of 1974.

The oil crisis of 1973 involving an artificial shortage made the nations realise the importance of oil. The dependency on energy imports from OPEC countries exposed the vulnerability of the economy to external factors beyond the political control of nations. The Effect of the fossil-based energy system on the environment and its link to global climate change was also gaining concern. This crisis was the principal catalyst for change. It initiated a search for new oil and gas resources but also energy efficiency for both final products and its manufacturing processes. This was when innovation brought about large gas turbines, 100 MW units which could run at common synchronized speeds and did not require a gearbox in order to drive the generator.

The major oil crisis in 1979, was a result of the Iranian Revolution. High levels of social unrest severely damaged the Iranian oil industry, leading to a large loss of output and a corresponding rise in prices. The situation worsened following the outbreak of the Iran-Iraq War in 1980, which increased the level of instability throughout the region. In 1981 the price of oil was stabilized at \$32 per barrel. By 1983, however, major capitalist economies had adopted more efficient methods of production, and the problems of the 1970s had been transformed into a relative oversupply of oil rather than a shortage.



An earlier version of this chart appeared on pg. 16 of Top of Mind Issue #52: OPEC and Oil Opportunities.
 Note: 2016 price shown is YTD average as of Dec. 13, 2016.
 Source for data: BP, NBER/Federal Reserve Bank of St. Louis, Haver Analytics.
 Source for annotations: ©James Hamilton, "Historical Oil Shocks," University of California, San Diego, February 2011; various news sources; Goldman Sachs Global Investment Research.

Conclusion

The turbulent situations in the Gulf area have always been a matter of global importance and concern. Being the leaders in the supply of oil and natural gas, the countries in the Middle East have the power to affect world trade undoubtedly with their non-negotiable trade relations within themselves and the rest of the world. However, global powers like the US have always had a keen interest in the Mideast situation. While UAE and Saudi Arabia gradually became allies to the US, Iran and Syria remained to be its foes while other countries tried to dominate their power in the region. The Iranian revolution, the Qatar crisis, and many others to name a few remain a concern to the other countries, where Qatar has a fundamentally important role to play.

After many resolved crises, resolutions from the recent ones however do not guarantee in any way it isn't going to repeat in the future.

It is rather a signal, perhaps, to look at the significant role the US and even Russia might play in the future ahead. Moreover, if war breaks out between the USA and Iran, the division could be much more hazardous than imaginable. Nonetheless, the new Administration under Biden does not seem to take an aggressive step at least for the moment, which is again good news for India to continue managing its International Relations without much confusion, with all stakeholders involved.

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