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## THE BILATERAL RELATIONS BETWEEN INDIA AND SAUDI ARABIA

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## ABSTRACT

India and Saudi Arabia have, in recent years, shared healthy bilateral equation based on mutual interest- extensive trade, energy, import, culture contacts and growing security cooperation. Trade and cultural links between ancient India and Arabia date back to third millennium BC. By 1000 AD, the trade relations between southern India and Arabia flourished and became the backbone of Arabian economy. Formal diplomatic relations between contemporary India and Saudi Arabia were established soon after India gained independence in 1947, but now Saudi Arabia has turned as major trading partner for India. It has grown stronger, attaining the level of a strategic partnership and incorporating more political and security content. Prime Minister Narendra Modi's visit to Riyadh in April 2016 further bolstered the bilateral relationship, laying the basis for deepening existing ties and broadening the parameters of cooperation.

## KEYWORDS

India, Saudi Arabia, trade, energy, security, politics and Indian expatriate, investment.

## INTRODUCTION

India and Saudi Arabia represent the two dominant member countries of their respective regional block. If India is the largest country of South Asian Association for Regional Cooperation (SAARC), Saudi Arabia is leading country of Gulf Cooperation Council (GCC). The economies of both countries have been undergoing a process of liberalization & reforms. Being member of WTO, both countries are in process of transforming their economies in World Trade framework. With vast opportunity India has a population of over 1.3 billion, According the 2017 revision, published by UN Department of economic and social affair. The size of population and labor are next to China only. The steady and continuous reforming in India has resulted high change in economy. In the fiscal year ending March 2017, annual growth rate was 7.1 percent that was reduced compare to previous because of demonetization. India is becoming a country of unlimited economic opportunities as it has large human resources, huge market for expansion. As far as Saudi Arabia is concerned, it has a population of only 32.28 million. 10.5 million are non-Saudi expatriates in which 3.06 million expatriates belong from India. However Saudi Arabia is a unique country which holds about a quarter of global petroleum reserve. It also contains about three percent of global reserves of gas and vast petroleum production capacity. Saudi Arabia is the largest producer and exporter of petroleum in the world. The enormous petroleum reserve and vast petroleum capacity gives Saudi Arabia significant power and oil revenue in the global oil market. Development induced growth in India during the 1990s, resulted in higher energy consumption, increasing oil demand and a growing reliance on oil.

"A new era" in the bilateral relationship came when in Jan 2006, King Abdullah visited India. The late King's visit culminated in the signing of the historic Delhi Declaration (2006), which imparted fresh momentum to the relationship and supplied the framework for developing more expansive ties. Four years later, then-Prime Minister Manmohan Singh traveled to Saudi Arabia, where the two sides' agreed to elevate their bilateral engagement to a "Strategic Partnership," articulated in the Riyadh Declaration (2010). Crown Prince and now King Salman's trip to India in 2014 sealing deals in the energy, business and defense sectors — yet another milestone in the progressive development of bilateral ties. The most recent major thrust forward in the bilateral relationship came when Indian Prime Minister N. Modi paid a two-day visit to the Kingdom in April 2016.

## RESEARCH METHODOLOGY

All the data in this article are based on secondary sources so various articles, journals, news, Government statistics, international agencies (such as IMF, World Bank) have been used to study the evolution, conceptual framework, past and present trend (relating to trade, energy, investment, security, Indian expatriate), future prospect.

## OBJECTIVES OF STUDY

India's economy is increasing at the fastest rate in the world, now making it the globe's third –largest energy consumer it's depend to import of oil. On the other hand India is now a large exporter of products like mineral fuels, oils, distillation products, cereals, electrical, electronic equipment etc.

India has tried to diversify its sources of crude oil, but due to its proximity to Gulf, it still relies a great deal with Saudi Arabia as its major supplier. The presence of over 3.06 million Indian immigrants in Saudi Arabia makes the relations between both countries.

The paper examines in some detail the strategic partnership between India and Saudi Arabia regarding Trade, Energy, Security, Politics and Indian expatriate, Investment.

## ANALYSIS

## RELATIONS

Relations between the two nations are generally refers to the bilateral relationship.

India – Saudi Arabia bilateral relations and cooperation consists of trade, energy, investment Indian expatriate workers in Saudi Arabia, Inflow of remittances.

## TRADE

The trade cooperation is perhaps the most active and significant component of the Saudi Arabia and India relationship. A pattern of interdependencies is created as the two regions have expanded their traditional trade ties into a sustainable partnership. Saudi Arabia today is our 4th largest trade partner(after China, USA and UAE). Due to energy (oil and LPG), balance of trade (BOT) is in Saudi Arabia's favor; services provided by the Indian workers, who remit approximately \$12-15 billion annually, almost equalizes the balance of payment (BOP).

TABLE 1: INDIA'S IMPORTS FROM SAUDI ARABIA (\$US millions)

	2001-02	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Saudi Arabia	621	13355	19,470	19,973	17,098	20,385	31,818	33,998	36,404	28,108	20,321

TABLE 2: INDIA'S EXPORTS TO SAUDI ARABIA (\$US millions)

	2001-02	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Saudi Arabia	823	2,591	3,711	5,110	3,907	4,684	5683	9,786	12,219	11,161	63,94

Sources: Government of India, Department of Commerce, Import Export Data Bank, updated February 14, 2017

The value of India Saudi Arabia bilateral trade during 2015-16 decreased to USD 26.71 billion, a 31.97% fall from USD 39.27 billion in 2014-15. The decline can be attributed mainly to low petroleum and commodity prices and lower global demand. During this period, our imports from Saudi Arabia reached USD 20.32 billion,

registering a decline of 27.71% over previous year (USD 28.11 billion) where as our exports to Saudi Arabia reached USD 6.40 billion registering a decline of 42.71% over previous year (USD 11.16 billion). The current bilateral trade (April-July 2016) is valued USD 8.06 billion.

Saudi Arabia is the 8th largest market in the world for Indian exports and is destination to more than 2.44% of India's global exports. On the other hand, Saudi Arabia is the source of 5.34% of India's global imports. For Saudi Arabia, as per 2015 data, India is the 4th largest market for its exports, accounting for 9.43% of its global exports. In terms of imports by Saudi Arabia, India ranks 7th and is source of around 3.43% of Saudi Arabia's total imports.

#### ENERGY

In the 1990s, after liberalization of the economy, India enjoyed strong GDP growth, which pushed oil consumption to an all high. During that period, oil overtook coal as leading contributor to energy, meeting almost 52 percent of the growth in consumption. In later half of the decade, production dropped while consumption continued to increase, which led to a rise in oil imports. For Saudi Arabia, India is a key market for its chief commodity oil and India significance in this regard is expected to grow in the decades ahead. We import around 19% of our crude oil requirement from the Kingdom.

The visit of King Abdullah to India in 2006 underlined the importance of Saudi Arabia's energy resources to India's fast-growing economy. During the visit, the two sides entered into a Strategic Energy Partnership (SEP), based on the principles of complementary and interdependence. The SEP called for Saudi Arabia to provide a "reliable, stable and increased crude supply" to India through 'evergreen' long-term contracts.

Until only very recently, Saudi Arabia has consistently been India's number one supplier of crude oil, accounting for around one fifth of its total oil demand. Saudi Arabia's share in India's growing LPG (butane and propane) requirements. After Qatar, Saudi Arabia is the second largest supplier of LPG to India. The Strategic Energy Partnership signed a decade ago also called for the establishment of public and private joint ventures in the upstream and downstream sectors in India, Saudi Arabia and third countries; Saudi investment in oil refining, marketing and storage; and the construction of gas-based fertilizer plants in Saudi Arabia.

The Joint Statement issued during Prime Minister Modi's visit to Saudi Arabia in 2016 breathed new life into India-Saudi Arabia energy relations. Under the Modi administration, India has invited Saudi Arabia to develop a stake in its petroleum reserve. Following Subsequent to Prime Minister Modi's visit to the Kingdom, Chief Minister Nara Chandrababu Naidu held discussions with Saudi Aramco President and CEO Amin H. Nasser regarding the setting up of a refinery in Andhra Pradesh.

#### INVESTMENTS

Saudi Arabia is now looking to a post-oil age to generate economy. They offer more than \$650 billion in investment opportunities. As reforms related to Saudi Arabia's Vision 2030 are implemented. Indian investors, most private Indian companies are likely to be attracted to several sectors such as hydrocarbons, education, research and development health and pharmaceuticals and infrastructure.

According to Saudi Arabian General Investment Authority (SAGIA), it has issued 426 licenses to Indian companies for joint ventures/100% owned entities till April 2015, which are expected to bring total investment of USD 1.6 billion in Saudi Arabia. These licenses are for projects in diverse sectors such as management and consultancy services, construction projects, telecommunications, information technology, pharmaceuticals, etc. In addition, several of India's largest companies, such as Tata Consultancy Services, L&T, and others, have joined forces with Saudi counterparts and are active in consultancy, financial services, and software development.

On the other hand, as per available data, Saudi Arabia is the 48th biggest investor in India with investments from April 2000 to March 2016 amounting to USD 64.19 million. In addition, Saudi Petrochemical joint SABIC had set up its R&D Centre in Bangalore with an investment of over USD 100 million in November 2013. In the health sector, the Saudi side has agreed to set up 1,000 dialysis centers in India.

To attract investment in India many campaign has offered such as Digital India, Smart City project, Make in India, Start Up India, and Skill India offer huge scope for investment. So, too, does India's transportation infrastructure sector. The Indian government's liberalization of foreign direct investment (FDI) norms in defense, entertainment, automobiles, and ITC, the implementation of the Good and Service Tax (GST) has made India's business environment far more conducive to foreign investment.

As the two countries have already signed the Bilateral Promotion and Protection of Investment (BIPA) and Agreements on Avoidance of Double Taxation and Prevention of Tax Evasion (DTAA), the groundwork has been laid for capitalizing on the bright prospects for reciprocal investment.

#### INDIAN EXPATRIATE IN SAUDI ARABIA

Another Back bone of Bilateral relation between India and Saudi Arabia is migration and it's began after oil was discovered in the late 1930. After the first oil price boom in 1973-74 Indian workers got opportunities to migrate towards Saudi Arabia. Today over 3.06 million strong Indian community in Saudi Arabia is the largest expatriate community in the Kingdom and is the 'most preferred community' due to their expertise, sense of discipline, law abiding and peace loving nature. The contribution of Indian workers in building Saudi Arabia's economy and enhance its culture through has been repeatedly admitted by the Saudi royals and other high dignities. It is also note that contribution of the Indian expatriate community in Saudi Arabia's contribution in the form of remittances in the sum of \$12-15 billion annually.

In April 2013, His Majesty King Abdullah announced a grace period allowing overstaying expatriates to correct the status, get new jobs or leave the country without facing penal action till the end of the grace period i.e. November 3, 2013. As the Kingdom has also treated Indians relatively liberally. More than 1.4 million (14 lakhs) Indians have availed the concessions during the grace period. Indian expatriate workers availed themselves of the grace period announced by the King and got their papers corrected, besides royal order of resolving their pending cases urgently. A similar campaign took place the 90 days grace period began in April, 2017 under the Interior Ministry's "Nation without Violations". Twenty thousands of undocumented expatriates Indian workers were flying home. Further progress on this issue was made during PM Modi's visit to Saudi Arabia with the signing of the General Agreement on Blue Collar Workers. Nevertheless, the status and treatment of Indian workers in the Kingdom, particularly as it relates to women, remains an area requiring additional attention and reform. The Haj pilgrimage is another important component of bilateral relations. During Haj 2016, around 136,000 Indians visited the Kingdom to perform Haj. A large number of Indians also visit the Kingdom to perform Umrah every year.

#### THE CULTURAL DIMENSION

The relationship between both the countries have been strengthened as a result of the many Saudi students who are enrolled in Indian educational institutions. Multiple agreements have been signed both the countries to provide opportunities for higher education, research, and training to their respective students, scholars and experts in their respective countries. In addition, the Indian Council of Cultural Relations (ICCR) has been active in organizing programs in Saudi Arabia aimed at promoting mutual cultural awareness and understanding.

The presence of a large number of Indian workers in the Kingdom, generally referred as Indian "Indian ambassadors," have enhanced the quality of Saudi cuisines and sartorial tastes, besides spreading awareness and understanding between the two countries' peoples. Several organizations formed by Indians residing in Saudi Arabia are involved in bridging gaps between the two countries.

The annual Hajj and the Umrah pilgrimages are an important pillar of India-Saudi culture relations. Indian Government has always appreciated the efforts on the part of the Kingdom to put in place excellent arrangements to ensure comfortable and hassle-free Haj and Umrah experience. In fact large number of Indian travels to the Muslim holy cities of Makkah and Madinah. The Indian government provides a subsidy of \$200 million annually that includes an airfare subsidy as well as assistance to Muslim pilgrims for domestic travel to reach specially designed Haj departure airport terminals, meal, medical care and lodging assistance provided by the government of India at a total estimated cost. Each year, approximately 300,000 Indians also perform the Umrah.

#### POLITICAL AND STRATEGIC COOPERATION WITH INDIA

India views Saudi Arabia as a country with which it can forge security ties in order to deal with terrorism, piracy and criminal elements. Diplomatically, it could be a gateway for India into the wider Arab and Islamic world. In recent years, Saudi Arabia has reciprocated India's initiatives relating to issues of mutual interest. Although some hurdles remain, it is time for both countries to work towards building a strong strategic partnership. Since last year, there are moves to develop cooperation between the defense establishments of both the countries. Last year Prime Minister Modi visited to Saudi Arabia and led them to sign agreement on intelligence sharing and terror financing. The rise of terrorism has been a concern for both India and Saudi Arabia, especially the surge of terrorism in West Asia and beyond since the outbreak of the Arab Spring. Saudi Arabia has been targeted by the Islamic State (IS) militants operating from neighboring Iraq and Syria. The

IS has also declared its intention to capture Mecca and Medina, thereby throwing direct challenge to the Kingdom. India is continuously suffering from the menace of terrorism perpetrated by Pakistan. Thus, security cooperation and intelligence sharing have also been an important element of the partnership that the two countries are forging.

## CONCLUSION

India might still be dependent on the Saudi Arabia for energy, but now the Saudi Arabia also depends on India as big market such as investment, health, pharmaceuticals, IT, ICT and space. A strong India and Saudi relationship have reached a greater understanding on security and defense matters. Following subsequent Prime Minister Modi visit to Saudi Arabia, Saudi minister of foreign affairs Asel bin Ahmed Al Jubeir visited to India and stated that India is a "very important partner" for Saudi Arabia and expressed his desire to broaden bilateral engagement, indicating a growing commonality how each country perceives the other including as key players in their respective region.

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