



Growing Trends in India-Saudi Arabia Bilateral Engagements

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Abstract

The growing trends in the bilateral engagements between India and Saudi Arabia today constitute defence, strategy, security, investments, science and technology, education alongside trade, energy and Diaspora factors. There is visibly a growing camaraderie and understanding of the potentials that the bilateral partnership holds. Given the developments in the partnership between the two countries, it is important to evaluate various factors and challenges that could further enhance the bilateral engagements between the two countries.

Introduction

The recent trends in Indo-Saudi relations have reiterated the relevance of the partnership that have broadened in scope covering economic, security, defence, strategic and political spheres. This comes in the wake of India's increasing acknowledgement of the current economic and social transformation undertaken by Saudi Arabia. Saudi Arabia in turn has been increasingly appreciative of India's growth story in geopolitical and economic performance in international affairs. There is visibly a growing camaraderie and understanding of the potentials that the bilateral partnership holds. What we are witnessing today is a level of maturity in the relations that has enabled both India and Saudi Arabia to commit towards long term bilateral engagements. Hence, given the current geopolitics in West Asia and South Asia including internal factors such as Saudi Arabia's quest towards modernisation path and domestic policy such as 'Vision 2030' has opened economic opportunities for international players including India. The assessment of the bilateral partnership between India and Saudi Arabia therefore acquires further salience.

Saudi Arabia, under the Crown Prince Mohammad Bin Salman introduced the ambitious 'Vision 2030' project- a centralised development plan on 25 April 2016. Under this project, Saudi Arabia is undergoing a transition phase from the long established conservative Muslim society to a path of modernisation. Additionally, given the fragile and unpredictable nature of energy markets, there is a growing realisation that the over-dependence on oil export markets as source of revenue is likely to impact the economic growth of Saudi Arabia in the coming years. Through 'Vision 2030', the country has begun to focus on sectors such as tourism, housing, defence, trade and investments in an effort to diversify the sources of economic revenue. This has opened opportunities both at the domestic level and also for foreign players.

In executing this vision for Prince Salman, internal factors are set to play an important role, for instance, the demographic structure that has seen a steady growth of a large young population that comprises 70 percent of the total population. Saudi Arabia is also home to the two holiest mosques in Islam in Medina and Mecca, which ensures religious tourism as it receives annually a large number of visiting foreigners alongside the large scale migrant skilled and unskilled labour force. However, the successful execution of this ambitious project of Prince Salman is marred by limitations such as lack of indigenisation of industrial production, technological potential and so on.

Given the circumstances, Saudi Arabia's diplomatic relations plays a crucial role and bilateral engagement with countries like India becomes crucial.

Saudi Arabia is increasingly looking to deepen ties with India due to its market potential, demographic structure, infrastructure, defence capabilities, soft power capabilities and strategic relevance. Evidently, today Saudi economy is more accommodative towards Indian investors, companies, labour force and skilled professionals, attracting them to enter the growing sectors of hospitality, tourism, housing, IT etc., under the ambitious Vision 2030 project. Also, India's development programmes such as 'Skill India', 'Digital India', 'Smart Cities', and of Infrastructure development are potential initiatives, especially in the context of Saudi Arabia's Vision 2030 programme.

Brief Historical Background

The high-level bilateral engagements¹ between the two countries commenced when His Excellency King Saud visited India in 1955, which was followed a year later, by the visit of Indian Prime Minister Jawaharlal Nehru to the Kingdom. Later visits were those of then His Excellency Crown Prince Faisal to India in 1959 and of Prime Minister Indira Gandhi in 1982.

The most visible development in the partnership took place in January 2006 when His Excellency King Abdullah visited India. This visit was termed as the beginning of "a new era" in the bilateral relationship with the signing of the historic Delhi Declaration (2006). The Saudi King was the chief guest at the Republic Day celebrations in New Delhi on 26 January 2006. He became the first Saudi King to get that honour and this came with reciprocity from the Saudi side too.

Earlier in 2016, Prime Minister Narendra Modi became the only Indian leader to receive Saudi Arabia's highest civilian honour, the King Abdulaziz Sash. India was selected as the 'guest of honour' at the 2018 Janadriyah Festival—a prestigious annual 'National Heritage and Cultural Festival' of Saudi Arabia. His Excellency Crown Prince Salman's maiden state visit to India on February 19-20, 2019 further strengthened the partnership.

The interaction between Prince Salman and PM Modi reflected robust optimism as several government-to-government pacts were signed in major spheres of cooperation including energy, defence, infrastructure, security, tourism, trade and investment.

Trade and Investment Ties

India and Saudi Arabia share robust bilateral trade relations, which has risen steadily since the mid-2000s. India is a huge market and largely an import oriented country. The signing of economic and investment pacts has portrayed Saudi Arabia's appetite to enhance its economic footprint in India. Indian businesses are vital for Saudi Arabia for joint ventures and large scale investments. Also, investments and expatriate manpower has offered mutually advantageous partnership in economic sphere between India and Saudi Arabia. India-Saudi trade stands at \$27.48 billion in 2017-18. The two countries have also identified nearly 40 potential areas for joint collaboration and investments across various sectors. In order to eliminate trade barriers, the two countries have focused on relaxation of rules for business and trade investments for export and to gain access in both domestic and regional markets.

India-Saudi Trade (in billion USD)

Year (April – March)	Imports from Saudi Arabia	Exports to Saudi Arabia	Total trade	% increase in bilateral trade	% increase in Indian imports	% increase in Indian exports
2013-2014	36.40	12.21	48.62	11.05	7.08	24.86
2014-2015	28.10	11.16	39.26	-19.24	-22.79	-8.65
2015-2016	20.32	6.39	26.71	-31.97	-27.70	-42.71
2016-2017	19.94	5.13	25.08	-6.12	-1.85	-19.70
2017-2018	22.06	5.14	27.48	+9.56	+10.50	+5.88

Source: Department of Commerce, GOI. (www.dgft.gov.in), <http://www.indianembassy.org.sa/india-saudi-arabia/india-saudi-bilateral-relations>

Energy Cooperation

India's interests in West Asia are mainly due to the presence of large Indian Diaspora and energy security. Saudi Arabia's strategic location in West Asia and the political and economic power that it leverages alongside global oil reserves makes it an important partner for India. Given India's growing energy demands, the two sides have focused on continuation of the India-Saudi Arabia energy consultations and investment and joint ventures in petrochemical complexes.

The US' unilateral actions has come heavily on its partners especially on India with the introduction of CAATSA sanctions, thereby putting pressure to reduce its energy imports from Iran. This has provided a window of opportunity to oil exporting countries such as Saudi Arabia. Saudi Kingdom currently has seen a rise of 9.46 percent in oil imports to India since the imposition of sanctions on Iran. Also, there is a growing willingness from both the countries to move beyond the traditional buyer-seller relationship in energy cooperation.

Diaspora

There are over 2.8 million Indian expatriates gainfully employed in the Kingdom who send valuable foreign exchange remittances. The Indian Diaspora has a significant presence in various skilled and unskilled occupations in Saudi Arabia as entrepreneurs, teachers, doctors, lawyers, engineers, chartered accountants and managers. The Diaspora also plays a significant role in strengthening the bilateral ties between the two countries. Saudi leadership too has acknowledged the contribution made by Indian community to the development of Saudi Arabia. For India, good relations with West Asian countries including Saudi Arabia are essential for the welfare of the expatriate Indian community such as their emergency evacuation should there be such a need. Operation Raahat in 2015 facilitated a massive evacuation of Indians and foreigners with Saudi Arabia's assistance during the Yemen crisis.

India is a viable destination for medical tourism, education and tourism. Indian universities for instance have gained attention for Saudi students on scholarship to study in India. Beyond trade and energy partnership and Diaspora, some of the new focus areas of cooperation between India and Saudi Arabia are counter-terrorism and defence.

Denunciation of Terrorism

One of the reasons for the two countries coming closer has been the increasing concern about growing extremism and terrorism. This effort to collectively fight terrorism has extended at the bilateral level as the two countries have signed a memorandum of understanding to combat terrorism. Whether it was the Riyadh Declaration or the recent visit by Prince Salman, the leaders of the two countries condemnation of terrorism, extremism and violence has only re-affirmed that terrorism is global and threatens all societies.

The Saudi government has regularly helped India to apprehend key terror suspects. It needs to be mentioned that in 2012 Saudi Arabia helped India arrest terror suspect Zabiuddin Ansari alias Abu Jundal accused of being involved in 2008 Mumbai attacks. In December 2016, Saudi Arabia deported a ring leader of a fake Indian currency note racket, Abdul Salam.²

The recent visit by Prince Salman to India took place at a sensitive moment after the terror attack on the CRPF convoy at Pulwama, which killed more than 40 Indian personnel. The terror attack was carried out by Pakistan-based Jaish-e-Mohammad. The important take away from Prince Salman's visit to India was the call to work together along with international community to denounce terrorism and countries harbouring or sponsoring terrorist

organisations. India and Saudi Arabia aim to establish a 'Comprehensive Security Dialogue' at the level of National Security Advisors and set up a Joint Working Group on Counter-Terrorism.

Defence Ties

In the defence sector, both India and Saudi Arabia are largely import-oriented countries. There is, however, a growing realisation to not only diversify defence markets but also achieve self-sufficiency through indigenisation of their respective defence industrial complex.

While the two countries are yet to achieve the full potential in this direction, at the bilateral level the two countries aim to elevate the defence engagement. This has prompted both sides to have closer security and defence related contacts, such as sharing of information, military exercises and military training, etc., seen as a potential mechanism to assist both PM Modi's 'Make in India' and Prince Salman's 'Vision 2030'.

In this direction, one focus area could include dual use programmes. Through dual-use production, the two countries can design for both military and civilian purposes including commercial assistance such as electronic boards and computers developed for armoured vehicles, public transport and industrial applications. Let us take private player Mahindra for instance. Today, Mahindra tractors are tilling land in more than 40 countries. Enduring partnerships with Mitsubishi, TYM and Huanghai Jinma, their tractors are rapidly building a presence in countries such as the United States. At the same time, Mahindra's association with the defence services dates back to 1947 and they continue to support the "Make in India" efforts of the Government of India. Mahindra is one of the largest private sector suppliers to the government, fortifying and safeguarding India with a portfolio of armoured vehicles, land and naval systems, defence electronics and communication systems.³

An arrangement such as dual-use technology production between the two countries committed towards indigenisation of the defence industrial complex will not only address defence interests but also promote cooperation in sectors such as agriculture.

Another pillar in the bilateral engagement between India and Saudi Kingdom is strategic cooperation.

Strategic Significance of Indo-Saudi Relations

The stability and security of the Gulf region and the Indian subcontinent are closely interlinked. From an Indian perspective, the main challenges to regional stability include the ongoing civil war in Syria, US-Iran hostility and the Palestine issue. India is also carefully watching the developments in Yemen. South Asia is also facing serious challenges, including terrorism and radicalisation. Cyber security and maritime security are other major issues in the region. Such developments have given space for the formation of positive relations between India and Saudi Arabia given the Kingdom's role and influence in West Asia and India's relevance in South Asian geopolitics.

India's primary interest in West Asia is its willingness to coordinate with the major regional and extra-regional players for stability and security of the Gulf region. To enhance strategic cooperation between the two countries, Saudi military cadets have also engaged with the India's NDA for military training. It is a positive step given the fact that apart from Diaspora, this could possibly lead to an organised interaction among the strategic and defence community too. Apart from these engagements between India and Saudi Arabia, other common interests of cooperation are:

- 1) Health sector offers significant potential for cooperation between the two countries; especially in areas like training and doctors exchange programmes, medical tourism, extending healthcare services, building healthcare infrastructure and developing its related technologies. India is one of the largest manufacturers and exporters of pharmaceuticals.
- 2) Both countries are focusing on knowledge-based economies. They are considering their respective strengths in, for instance, information technology, space science and other frontier technologies. This opens enormous opportunities for mutually beneficial collaboration.
- 3) India possesses one of the largest pools of scientific and technical manpower in the world and is well-known for their technological prowess. Many Indian expatriates, who are specialists in IT, can contribute further to the growth of Saudi IT and knowledge based industries.
- 4) Education, vocational training and promotion of tourism are other areas where the two countries focus to jointly work and mutually benefit.
- 5) Other prospective areas of cooperation explored during the Prince Salman's visit were tourism, aviation industry, Indian Ocean Rim for enhancing maritime security, technical cooperation on cyber space; promote reformed multilateralism, global governance etc. Prince Salman also agreed to increase the quota for Hajj pilgrims from India to 200,000. Following the visit, India has agreed a 40% hike in quota in foreign flying rights to Saudi Arabia from April 1, 2019.⁴

Prospects

The following three avenues are crucial to strengthen the relations although there are many prospective areas:

People-To-People Contact

Saudi Arabia is one of the countries with large number of Indian expatriates need to further convert their presence as an asset. For instance, the trajectory of the entertainment sector is also a potential means of tourism given the fact that today Saudi Arabia is focusing on tapping the

potentials of both these sectors. Nevertheless, the entertainment sector is a perfect combination of entertainment and commercial sector.

At present, Indian film industry has registered an enormous growth and is the fastest emerging industries in India. India is a multi-lingual country and so is its film industry. Given the fact that a large part of the expatriates in India are from South Indian states, the film industries from these states are not far behind. Malayalam film industry, for instance, could prove to be an asset in a Kerala dominated Diaspora in Saudi Arabia.

Preparing the Next Generation

Preparing the next generation to lead the bilateral relations is crucial especially with Saudi Arabia on a path to modernisation. Crown Prince Salman is turning to the next generation whom he refers as “the architects of our future”.⁵ India too, is a country with a large young population. The target, therefore, may be to explore larger participation of the youth in nation building process through student exchange programmes, youth forums, cultural events etc.

As the Fourth Industrial Revolution continues to transform life and work, both India and Saudi Arabia may place strong emphasis on mobilising the youth as cooperation in the youth sector plays an important role in the development of bilateral relations.

Enhancing Cultural engagement

Indian Diaspora has acquired a great deal from the Arab culture, which has subsequently become an intrinsic component of Indian Diaspora living in Saudi Arabia. The Indian Diaspora in Saudi Arabia has played the role of a bridge that connects cultural bonds between the two countries. The community has been rather successful in cultivating and promoting India-Saudi relations. Hence, cultural exchanges and interaction should continue to be the focus area of strengthening the bilateral relations between the two countries. Cultural engagement such as promoting yoga gives the much needed visibility to the bilateral engagement between the two countries.

However, directives issued by Saudi government for promoting ‘Saudization’ policy is likely to affect Indian expatriates in particular as it bans expatriates from certain jobs to provide more jobs to its citizens. Also, the ‘family tax’ has further caused anxiety among Indian Diaspora in Saudi Arabia as it requires an employed expatriate to pay a fee of 100 riyals (Rs 1,700 approx) per dependent each month. So, an Indian expat living with his wife and two children will require paying 300 riyals monthly. This tax is said to increase by 100 riyals each year per dependent till the year 2020.⁶ This has caused financial burden on the large Indian expatriates living in Saudi Arabia. Given the growing partnership, Saudi Arabia may revisit the existing policies that are likely to impact the Indian Diaspora which has largely been an asset than a liability to the country.

With both India and Saudi Arabia focused to widen the scope of bilateral engagement, the two countries may balance each other’s interests, but at the same time not overlook each other’s sensitivities. The two countries may also address some of the issues that are likely to impact the

partnership such as the grievances of the Indian Diaspora. The task ahead for the countries is to put into action the promising agreements signed between the two countries and taking stock of them from time to time for effective outcomes.

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Disclaimer: The views expressed are that of the Researcher and not of the Council.

Endnotes

¹ The section on brief historical background is taken from the “India – Saudi Arabia Bilateral Relations”, Ministry of External Affairs, https://www.mea.gov.in/Portal/ForeignRelation/India-Saudi_Bilateral_Relations_Aug__2017.pdf Accessed on 14 May 2019

² Vinay Kaura, “India and Saudi Arabia Move Beyond Energy”, *The Diplomat*, 08 February 2019. <https://thediplomat.com/2019/02/india-and-saudi-arabia-move-beyond-energy/> Accessed on 23 March 2019.

³ Mahindra Group, <https://www.mahindra.com/defence> Accessed on 12 April 2019

⁴ Mihir Mishra, “In rare concession, India to hike Saudi flying rights by 40%”, *Economic Times*, 07 March 2019. https://economictimes.indiatimes.com/articleshow/68295906.cms?utm_source=contentofinterest&utm_medium=txt&utm_campaign=cppst Accessed on 22 March 2019

⁵ Bethan McKernan, “Saudi Arabia's youth embrace crown prince’s desire for liberalization”, *Independent*, 25 October 2017 <https://www.independent.co.uk/news/world/middle-east/saudi-arabia-change-youth-crown-prince-modernise-wahhabism-mohammed-bin-salman-a8019876.html> Accessed on 13 January 2019.

⁶ “Saudi Arabia 'family tax': What is it? How will it affect Indians?”, *Business Today*, 21 June 2017. <https://www.businesstoday.in/current/economy-politics/saudi-arabia-family-tax-what-is-it-how-will-it-affect-indians/story/254822.html> Accessed on 23 March 2019

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