

IN PANDEMIC CRISIS, BRIDGING THE GULF WITH WEST ASIA

Relevant for: International Relations | Topic: India - Middle East

As the world continues to collaborate in dealing with the [COVID-19 pandemic](#) which has shattered lives, economies and, arguably, even political and global institutions, the post-pandemic architecture may look drastically different from what we have been used to.

For India and its foreign policy, the West Asia/Gulf region holds a significant court for strategic, economic and even domestic political agendas, ranging from migration to energy security. The pandemic has initiated a reverse migration of Indian blue-collar workers as projects in oil-rich States stall, and infrastructure development halts amidst a [contracting global economy](#) that some say may be worse than the Great Depression of the 1930s.

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India's Minister of External Affairs S. Jaishankar has said that India would repatriate more than 100,000 of its citizens between May 17 and June 13 from 60 countries, a majority of whom are expected to be from the West Asia region. Between June 10 and June 16, there were around 20 flights scheduled to bring Indian citizens back between India and Saudi Arabia alone. In neighbouring United Arab Emirates (UAE), more than 3.4 million Indians work. Overall, an estimated figure of close to nine million Indians work in West Asia, responsible for sending back more than 56% of India's annual infusion of \$80 billion in remittances. The UAE alone is responsible for \$19 billion in remittances, being the third largest trade partner of India after the United States and China.

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Much of the impressive numbers above are now under stress, perhaps for the first time since the first Gulf War in 1991. The oil price crash, triggered by expectations of oversupply following a dispute on output caps between Saudi Arabia and Russia, exacerbated by the crash in demand due to COVID-19, will carry massive costs to the West Asian economies, and, by association, to foreign workers employed there. According to a Dubai Chamber of Commerce & Industry survey, more than 70% of businesses classified as small and medium-sized enterprises in Dubai, many owned by Indian nationals, may not survive over the months to come as labour critical industries such as tourism, conventions, hospitality and airlines bear the immediate brunt. To put it in perspective, according to a 2019 U.S.-U.A.E. Business Council report, the UAE's hospitality sector itself contributes 4.6% of the country's GDP, making nearly 600,000 jobs that are mostly fulfilled by foreign workers. Some reports suggest that up to 30% of these jobs could be lost.

In Saudi Arabia, consumer spending for April 2020, compared to the same time last year, was reportedly down by 34.6%. However, beyond the immediate effects, the oil price crash is expected to have a significant blow on the reform plans initiated by Crown Prince Mohammed bin Salman, specifically mega-projects such as the envisioned \$500 billion futuristic mega-city of Neom planned on the coast of the Red Sea, and other more structural efforts to open up the Saudi economy and move the country's financial ecosystem away from its overt dependence on petro dollars.

India gets around 60% of its hydrocarbon requirements from West Asia. On an annualised basis,

India saves up to \$1.35 billion for each \$1 drop in oil prices. With Brent still hovering under \$40, the softening oil prices have helped cushion the impact of the national lockdown on the balance of payments. India has also taken advantage of the low prices to build up its strategic reserves and is looking at offshore storage options.

The major sovereign wealth funds and other financial institutions in West Asia have been hit hard by COVID-19 as well. Some have seen their real estate and retail portfolios shrink dramatically over the last three months. India is well-placed to attract a significant amount of capital from West Asia and reports of investment by UAE's Mubadala and Saudi Arabia's Public Investment Fund (PIF) are a case in point. The economic reforms announced by the Finance Minister in the week of May 13 bring much needed clarity to industrial and agricultural policy. A strong, positive message to West Asian investors from New Delhi is now the need of the hour.

As a starting point, working with the government of Maharashtra to expedite land acquisition for the \$50 billion mega-refinery project could be an important first step. Saudi Aramco and the Abu Dhabi National Oil Company have committed to investing \$25 billion in the project. Fast-track resolution of endless litigation that has bedevilled the sale of a major stake of Mumbai airport by GVK to a consortium that includes the UAE sovereign fund, Abu Dhabi Investment Authority (ADIA) will also send out a positive signal to the markets. Some of the UAE's largest companies such as Etisalat, Emaar and Etihad have previously had a tough time with their investments in India. By creating a few immediate success stories, India has the opportunity to transform the landscape and attract the kind of long-term capital that the economy needs. The government has announced that it has set up an empowered group headed by Cabinet Secretary Rajiv Gauba to take necessary steps to attract FDI into India. Hopefully, this mechanism can take up West Asia on priority.

If the economic prophecies come true till a certain degree, India will also share the brunt with West Asia, and both are well placed to help each other in this regard. Arguably, more than the loss of trade revenue and remittances, the return of semi-skilled and skilled workers alike into an economy already struggling with jobs may become a point of worry. To mitigate the same, the government has tried to soften the blow by launching the Skilled Workers Arrival Database for Employment Support (SWADES) which attempts to capture the skills profile of returning workers and house them in a central portal that can be accessed by Indian and foreign companies. However, much more needs to be done with regard to reverse-migration and the economics attached to it, as globally, bilateral and multilateral trade-diplomacy is set to witness a tectonic shift towards the unknown.

Navdeep Suri is Distinguished Fellow and Director of the Centre for New Economic Diplomacy, Observer Research Foundation (ORF) and former Indian Ambassador to the UAE and Egypt and High Commissioner to Australia. Kabir Taneja is Fellow, Strategic Studies Programme, ORF

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