

# SUBSTANCE ACROSS THE ARABIAN SEA

Relevant for: International Relations | Topic: India- West Asia

Kingdom of Saudi Arabia and India. The KSA and Indian flags. Official proportion. Correct colors. Vector illustration

Even by its volatile standards, our Southwest Asian sub-region has lately been unusually turbulent, as reflected in issues ranging from India-Pakistan tensions to the approaching denouements of crises in Yemen, Syria and Afghanistan. The oil market, too, has been inclement. Against this disorderly context, it is no small wonder that India-Saudi Arabia relations have not only remained steady, but kept their positive trajectory. Indeed, following their third summit in as many years earlier this week, the respective leaderships should be complimented for their sagacity in focussing on leveraging their intrinsic bilateral synergy instead of chasing the various wild geese. It demonstrates their maturity and strategic construct.

This is not to claim perfect bilateral harmony: the joint statement was significant not only for covering areas of agreement of the two parties, but circumscribing their well-known differences. Nevertheless, both sides believe that what joins them bilaterally is far more significant. They also realise that this *entente cordiale* does not only help them attain their bilateral potential, it also widens their respective geostrategic options.

Politically, New Delhi and Riyadh acknowledged each other's core interests and accommodated them. Thus, Saudi Arabia showed an "understanding" of recent Indian actions in Jammu and Kashmir and India "strongly condemned" the various attacks on Saudi civilian facilities. Their bilateral defence, security and anti-terror cooperation has intensified and the first naval exercise is to be held soon.

The Riyadh Summit acquired added importance as it coincidentally preceded two domestic developments in India with considerable traction in the Islamic world: the conversion of Jammu and Kashmir into two Union Territories that happened on Thursday and the Supreme Court verdict on the Ayodhya dispute.

Despite vigorous efforts, the bilateral commercial and economic ties have still remained range-bound. Trade has drifted downwards largely due to lower crude prices. According to the latest Indian data, the bilateral trade in the first nine months of 2019 stood at \$22,416 million, having fallen by 9.2% over the corresponding figure in 2018. It was 5:1 in kingdom's favour and was dominated by the traditional commodities, revealing the need for greater Indian export promotion efforts.

The Saudi investment in India, too, remains far below potential. The kingdom's cumulative investments in India are only \$229 million, or 0.05% of the total inbound FDI. Though the kingdom's Indian community has come down marginally to 2.6 million, they, nevertheless, are still the largest foreign community and their annual homeward remittances remain steady at \$11 billion.

There is growing room for optimism, however. The kingdom's Vision 2030, a strategic document, lists eight major partner countries including India, the world's third largest oil importer. Saudi Aramco is to be one of the two strategic partners in the proposed \$44 billion, 1.2 mbpd PSU refinery at Raigarh on India's west coast. It is also to acquire a fifth of the Reliance refinery at Jamnagar and to participate in India's Strategic Petroleum Reserves. If realised, these investments could total nearly \$30 billion, catapulting the kingdom to fourth position among

countries investing in India.

Earlier, Saudi Crown Prince Mohammed bin Salman had committed to investing \$100 billion in India. As the 12 bilateral documents signed in Riyadh Summit show, India and Saudi Arabia have already commenced leveraging opportunities across a vast eco-space, from energy to agriculture and from fintech to skilling. In his keenly awaited speech at the Future Investment Initiative forum in Riyadh, Prime Minister Narendra Modi listed five “trends” in India with global investors’ remit: technology and innovation, infrastructure development, human resource development, environment and business-friendly governance. His persuasive narrative is likely to win converts, particularly in the Saudi private sector.

Setting up of a bilateral Strategic Partnership Council (SPC) to be co-chaired by the Indian Prime Minister and the Saudi Crown Prince is a defining development. Given the centralised nature of executive at both ends, it would, hopefully, expedite the decision-making process. The SPC would be a permanent bilateral platform with two verticals jointly serviced by the two Foreign and Trade and Industry Ministries.

Among the potential areas for next stage of bilateral cooperation could be greater bilateral synergy in Indian infrastructure, agriculture, start-ups, skilling and IT. Shifting some labour-intensive establishments from Saudi Arabia to India would serve the respective national priorities by reducing the kingdom’s expatriate population and boosting ‘Make in India’.

The World Bank’s recently published “Ease of Doing Business” rankings included both India and Saudi Arabia in its ten “most improved economies”. Indian ecstasy at a 14-place jump to the 63rd rank this year would have to be tempered by the knowledge that Saudi Arabia was at the top of the “most improved” economies having leapfrogged 34 places to stand at 62nd rank, one ahead of India. When the sub-region’s two largest, top-performing and complementary economies join hands, shouldn’t the sum be greater than the total of the parts? After the Riyadh Summit, hopes have risen for an emphatic affirmative answer.

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