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India and Saudi Arabia ties

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Why is in news? Days after the India-Middle East-Europe Economic Corridor (IMEC), an ambitious infrastructure project to connect India to Europe via West Asia, was unveiled at the G20 Summit, India and Saudi Arabia signed eight agreements to boost cooperation in a range of areas — from energy to interconnectivity, digitalisation and electronic manufacturing to finance and security.

About the meet:

For India, Saudi Arabia is among the most important strategic partners, as the world's two large and fast growing economies, and their cooperation is important for the peace and stability of the entire region.

The leaders co-chaired the first summit-level meeting of the **India-Saudi Arabia Strategic Partnership Council (SPC)**.

Different areas of cooperation such as energy, defence, security, education, technology, transportation, healthcare, tourism and culture were identified in the talks between the two leaders.

The two sides also held deliberations on power grid, gas grid, optical grids and fibre networks for possible cooperation.

The two sides signed eight agreements, including on **upgrading their hydrocarbon energy partnership to a comprehensive energy partnership for renewable, petroleum and strategic reserves**.

The two sides also agreed to **create a joint task force for US\$ 100 billion in Saudi investment**, half of which is earmarked for a **delayed refinery project along India's western coast**.

About **interconnectivity between India and the Gulf countries**, it would include ports, railways and better roads, as well as power, gas grids and optical fibre network.

The agreements include **cooperation between India's Central Vigilance Commission and Saudi's anti-corruption unit**, between investment entities, small and medium enterprises banks, between the National Archives of the two countries, and on desalination and renewable energy.

The two sides also discussed the **possibility of trading in local currencies and expediting the negotiations for a free trade agreement** between India and the Gulf Cooperation Council of which Saudi Arabia is a member.

Collaboration in the digital fintech sector through the **operationalization of UPI and Rupay Card** in the Kingdom of Saudi Arabia;

Two dozen **Memoranda of Understanding (MoUs) were signed** between Indian and Saudi Arabian companies as well, ranging from information technology, agriculture, pharmaceuticals, petrochemicals and human resources, among other sectors.

Both sides also noted the ongoing discussions on Bilateral Investment Treaty, Double Taxation Avoidance Agreement and Mutual Legal Assistance in Custom matters.

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The two sides agreed to **diversify the current status of their hydrocarbons relationship into a “comprehensive energy partnership”** and inked eight pacts to boost cooperation in a range of areas, including digitization and investment.

India-Saudi Arabia Strategic Partnership Council:

The pact to establish the SPC was signed during PM Modi’s visit to Saudi Arabia in October 2019.

The Strategic Partnership Council essentially aimed to establish a high-level council to steer the Indo-Saudi relationship.

The SPC has two main pillars: Committee on Political, Security, Social and Cultural Cooperation; and Committee on Economy and Investments.

Saudi Arabia significant to India - Why?

Indian Diaspora:

The **2.7 million strong Indian community** is the **largest expatriate group in Saudi Arabia**.

They send remittances of over US \$11 billion annually to India.

Counter-terrorism:

India needs Saudi Arabia to support India’s efforts against terrorism and against Pakistan.

Saudi Arabia is an influential nation in Middle East and Muslim World.

Riyadh has largely shown an understanding of India’s terrorism-related concerns, and has agreed to work with India in countering the global menace.

Strategic significance:

Saudi is geographically located **near Strait of Hormuz**.

This is world’s most important oil artery and strategically important for India’s energy security.

Investment:

Saudi has **one of the largest Sovereign Fund** in the World.

It is an important nation to invest fund in India particularly in **National Infrastructure and Investment fund (NIIF)**.

India needs fund for its infrastructure sector.

Against Pakistan:

Saudi Arabia has a substantial influence over Pakistan.

India can use this influence to bring Pakistan to negotiating table for talks on terrorism and bilateral relations.

Energy:

Saudi Arabia is a source of 17% or more of crude oil and 32% of LPG requirements of India and thus a **key pillar of India's energy security**.

With US sanctions on Iran, India needs to import crude oil from other sources to meet its energy need.

Saudi Arabia have offered India with additional crude oil supplies to meet India's growing needs.

Cultural:

The Saudi Kingdom **facilitates Hajj pilgrimage** to over 1,75,000 Indians every year.

This is one of the other reasons why Saudi Arabia is an important country for India.

Exports:

Other areas of interest for joint collaboration are fertilisers, food security, infrastructure, renewable energy, etc.

ICT, healthcare and pharmaceuticals, electronic and manufacturing facilities, and housing are other potential areas of enhanced cooperation.

Challenges in Bilateral Relation:

India is **highly dependent on imports of crude oil and natural gas** for its energy security. High oil prices can have a significant impact on India's economy. Ensuring a continuous supply of oil is a constant concern.

The **influence of external power in the region** such as the United states, Russia and China can affect the dynamics of india-Saudi Arabia relations. Managing these alliances and their respective interests can be a challenging task.

Instability and Regional conflicts in Middle East - Saudi Arabia is the third pole in regional politics (others are Iran and Israel). Balancing diplomatic relations with other two poles can be challenging.

While trade between two countries has been increasing, there is **trade imbalance** (\$31.3 billions-CMIE-2023).

Both countries have **different cultural and political system**, differences can lead to concern and challenges

A large number of Indian diaspora work in the Middle-East (approx. 8 million). Ensuring their rights , welfare and security is an ongoing concern.

Both countries **face threat from terrorism and extremism**, ever-evolving nature of these threats pose ongoing challenges.

Diaspora and Labour Issues - More than 2.4 million Indians work in Saudi Arabia, they face issues such as Nitaqat law.

Way Forward:

There is a need to **diversify economic cooperation** beyond the energy sector by exploring opportunities in digital technology, renewable energy and healthcare.

Saudi Arabia's Vision 2030 plan Offers Opportunities for Indian Business to invest will contribute to **economic growth, innovation and job creation**.

Need to **identifies new areas** for cooperation where India can increase its exports (such as Information Technology services, Pharmaceuticals and Agriculture products.)

There is a need to **transform buyer-seller relationship into a much broader strategic partnership** based on mutual complementarity and interdependence and need to adapt to the changing global energy landscape.

Explore new areas of strategic alignment in regional and global matters, such as United Nations initiatives.

Engage in constructive diplomacy to contribute to conflict resolution and stability in the region. A balanced approach, while respecting the principles of sovereignty and non-interference.

There is a need to **ensure the welfare and rights of indian diaspora and workers**.

By **fostering people to people connections** through cultural exchange partnerships, it will promote a deeper understanding of each other's culture and societies.