

Indo-Saudi Relations under the Modi Government

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MD. MUDDASSIR QUAMAR, MAR 13 2017

India and Saudi Arabia have, in recent years, shared a healthy bilateral equation based on mutual interests – extensive trade, energy imports, cultural contacts, and growing security cooperation. Though these relations are rooted in the geostrategic changes of the 1990s, it was the visit of King Abdullah of Saudi Arabia to New Delhi as chief guest for the Republic Day celebrations in 2006 that stimulated the link, which was further strengthened by the reciprocated February 2010 visit by Indian Prime Minister Manmohan Singh and the signing of the Riyadh Declaration. Though India-Saudi ties began to strengthen with high-level visits from either side during the Congress Party-led United Progressive Alliance (UPA) years (2004-14), an Indian inertia did remain in terms of outreach to the vital Persian Gulf country, given its significance for the region and India's interests in it. Since taking power in 2014, the Modi government has inherited and reinvigorated this bilateral warmth and has prioritized key areas of mutual benefit. In fact, by visiting the four major Persian Gulf countries since August 2015—UAE, Saudi Arabia, Iran and Qatar—Modi has revitalized India's relations with the entire belt.

Preceding Modi's visit to Riyadh in April 2016, there were a number of other high-level exchanges. He met Crown Prince Salman at the sidelines of the Brisbane G-20 summit in November 2014. After his ascent to the throne, Modi met King Salman again on the sidelines of the G-20 summit at Ankara in November 2015. More recently, Saudi foreign minister Adel al-Jubeir visited New Delhi in March 2016 to discuss the agenda of Modi's Riyadh tour that April, underlining its significance for both countries. Such consistency of bilateral dialogue pointed in an imminently positive direction.

Currently, India-Saudi relations revolve around two important areas: 1) trade and investment and 2) defense and security cooperation. Bilateral trade has been rising since the mid-2000s and has grown substantially in the last five years. However, due to a significant drop in oil prices and a global economic slowdown, the volume of trade has dropped from the peak of US\$48 billion in 2013-14 to US\$26.7 billion in 2015-16. Nevertheless, Saudi Arabia remains India's third largest trading partner and the largest supplier of crude oil. Even though, for a brief period, in late 2016 Iraq overtook Saudi Arabia as India's leading source for oil – the latter maintained the top position in the first three quarters of 2016-17 with US\$10.7 billion worth of oil supplies to New Delhi.

Investments are another important area where India looks toward the Gulf countries for FDIs in its expanding market. As the Modi government is focused on the infrastructure sector and projecting India as a potential global manufacturing hub, Saudi Arabia has shown signs of being a major source of investments given its large sovereign wealth fund. From April 2000 to December 2016, Saudi companies have made a cumulative investment of US\$75 million in the Indian market. Even though this is below other leading investors and its actual potential, it was a significant issue of discussion during Modi's Riyadh visit in April 2016 and thereafter, in his meeting with Deputy Crown Prince Muhammad bin Salman in Hangzhou in September.

The joint statement issued during the April 2016 tour noted India's efforts 'to improve the ease of doing business in the country and India's key efforts to simplify and rationalize existing rules and relax the foreign direct investment norms in key areas, including railways, defense and insurance.' India invited Saudi Arabia to invest more in India's burgeoning market and 'encouraged Saudi Aramco, SABIC, and other Saudi companies to invest in the infrastructure sector in India and to participate in projects creating mega industrial manufacturing corridors [and] smart cities, as well as the Digital India and Start up India programs.'

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The other sector where India-Saudi relations have been strengthened significantly under Modi's watch is defense and security. His Bhartiya Janata Party (BJP) government is keen on taking the security collaboration forward, especially in combating terrorism and counter-radicalization with the Gulf countries. Saudi Arabia is a key player in this policy. With the scourge of terrorism, recent arrests of several with links to ISIS in India and of others involved in the recruitment and financial bids of suspiciously anti-India networks have fuelled New Delhi's emphasis on security cooperation and intelligence sharing with Riyadh, which has had its own troubles with ISIS.

The issue of defense cooperation came into focus during the second term of Manmohan Singh (2009-14) and was discussed during his 2010 visit to Saudi Arabia, especially keeping India's heightened security threat along its western coast after the 2008 Mumbai attacks in mind. Singh's visit was followed by Defense Minister (now President) Pranab Mukherjee's Riyadh visit and a reciprocal tour of New Delhi by his then Saudi counterpart, which yielded a MoU on defense cooperation. Modi has, since then, further prioritized the area and a signal of that was the dispatch of a top security face, the former Mumbai Police Chief Ahmed Javed, as New Delhi's ambassador to Riyadh. Meanwhile, India's NSA, Ajit Doval, and the Prime Minister's special envoy on counter-terrorism, Syed Asif Ibrahim—a former Intelligence Bureau chief—have undertaken several visits to Riyadh and other capitals in the Middle East to discuss emergent security issues and follow up on the modalities for strengthening counter-terror cooperation.

The growing strategic arc between Riyadh and New Delhi was evident in the fact that Saudi Arabia was, in September 2016, one of the first countries to condemn the terrorist attack at Uri that led to the death of 18 Indian soldiers. This was an unexpected development, given the traditional pro-Pakistan position of Saudi Arabia on matters pertaining to Kashmir. Their 2016 joint statement made it quite clear that India and Saudi Arabia are seeking greater intelligence sharing to combat terror. India's concerns about cracking down on illicit finance rings controlled via the Gulf and preventing material support from the region to extremist groups in India requires better coordination between Indian and Saudi security agencies. The rise of ISIS, which had flagged plans to expand in South Asia and continues to threaten security in the Gulf, was a catalyst for the partnership.

India and Saudi Arabia are expected to continue strengthening their bilateral bond. In the short-run, one may expect more Saudi investments in India, especially in infrastructure and developmental projects, as well as in downstream energy projects. There is also scope for Indian companies to participate in Saudi developmental projects and invest in its specialized niches – information technology, human resource, bio-informatics, pharmacy, and higher education. Security and defense cooperation is likely to continue expanding. One can expect progress in cyber and maritime security, coastal policing, and hardware-based military-to-military exchanges.

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