



Saudi Arabia - India: Strategic Partnership

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1. Introduction

Saudi Arabia and India share friendly relations reflecting historical economic and socio-cultural ties. Diplomatic ties were initially established in 1947, followed by several high-level visits from both sides. In recent years, bilateral relations have further evolved, as evident from frequent visits and exchanges and the establishment of the Indo-Saudi Arabia Strategic Partnership Council. Under Narendra Modi's premiership, the Indian government is developing connections beyond obvious economic motivations, such as India's energy demands and the massive Indian diaspora in the region, including security cooperation. In early 2019, Saudi Arabia and India formed a Strategic Partnership Council to formalize their relationship and aims to increase ties between the two countries.

Part of the Saudi Vision 2030 includes, transformations liberalizing social norms and improving government services. Developing mega-projects is expected to increase foreign investment, involve small and medium-sized enterprises in the economy, create jobs, and encourage domestic consumption. The sectors targeted for development include petrochemicals, transportation, entertainment, healthcare, and renewables. Such domestic changes would enable the strengthening of the strategic partnership between Saudi Arabia and India allowing further cooperation in the development of both countries. Accordingly, the following analysis reflects on the emerging strategic dimension of the Saudi-Indo relation within the context of their growing bilateral relations and security threats within their regions, the Middle East and South Asia. This study will highlight significant developments between the two countries in economic, geopolitical, security and defence, and socio-cultural cooperation.

2. Saudi-India Bilateral Relations

Even though Saudi Arabia and India did not share close relations until the early 1990s, economic opportunities pushed them to facilitate the pursue increased cooperation. Since then, Saudi-Indo relations have progressively acquired strategic dimensions through strong trade and commercial links, which laid the foundations for deeper political ties. The visit of King Abdullah to India in 2006 was a defining moment that resulted in the signing of the 'Delhi Declaration, further improving the bilateral relationship. The reciprocal visit by Prime Minister Dr. Manmohan Singh to Saudi Arabia in 2010 and the Riyadh Declaration's signing raised the bilateral relationship between India and the Kingdom to a strategic partnership. The partnership covers security, economic, defence, and political areas and developments towards structured bilateral defence cooperation between India and Saudi Arabia.

Subsequently, two fruitful high-level visits in 2019 significantly reinforced bilateral relations between India and Saudi Arabia. Visits of Saudi Crown Prince Mohammed bin Salman and Indian Prime Minister Narendra Modi elevated the relations to a strategic partnership. Bilateral ties have further increased with the 2019 announcement of:

- Saudi investment opportunities worth more than \$100 billion in India over the next few years.
- An increase in India's Hajj quota from 170,000 to 200,000 - largest operation-project handled by the Indian government outside of its borders and one of the critical components of the bilateral relationship
- The release of 850 Indian prisoners held in Saudi prisons for minor offenses
- The confirmation of India as one of the Kingdom's strategic partner countries under Vision 2030
- Proposal to set up a high-level partnership council

Prime Minister Modi and the Saudi Crown Prince signed an agreement in 2019 to establish a joint Strategic Partnership Council, which they will lead. It will provide the framework under which the countries will coordinate bilateral cooperation across all sectors. Saudi and India signed eleven other agreements during Modi's 2019 visit in several fields, including security cooperation, defence industry collaboration, civil aviation, renewable energy, diplomatic institutions, anti-drug trafficking, strategic petroleum reserves, small and medium-sized enterprises, stock exchanges, and the launch of Rupay card digital payment system to accommodate to the Indian diaspora and visiting pilgrims. All of these proposals highlight the deepening Saudi-Indo economic and political relations.

3. Economic Ties

Three significant global macroeconomic factors, both historical and recent, have played crucial roles in the rapprochement of Saudi Arabia and India in terms of economic ties: 1) the fall of the Soviet Union leading to a gap in trade partners in the 1990s, 2) the decrease in oil prices since the late 2000s. catapulting India to a position of importance as a buyer, and 3) the recent push for diversification of the Saudi economy, leading Saudi Arabia to seek out investment hubs such as India.

Firstly, before its fall, the USSR was one of India's largest trading partners, accounting for 16% of India's foreign trade. Its collapse affected India's trade, resulting in a weakened economy and forcing India to turn to the International Monetary Fund (IMF) for funding. Consequently, India started to consider exporting goods to Gulf nations, leading to increased trade relations. During the post-Soviet era, Saudi Arabia, along with Iran and Israel, became one of the countries central to India's West Asia foreign policy. Accordingly, India began to increase its dependency on Gulf nations for its economic and energy needs, especially after the decline of Iraq following its 1990 invasion of Kuwait and the subsequent Gulf War.

Furthermore, the decreasing oil prices and fluctuating market since the late 2000s made India a vital purchaser for the Gulf nations. Saudi Arabia had to harness India's changing status from a Gulf-dependent oil user to a customer with better bargaining power, especially given Iran's willingness to sell oil to India. Finally, and in the context

of these decreasing oil prices, the increasing necessity for economic diversification of the Gulf economies has led India to become an opportunity for the Gulf more generally, and Saudi more specifically, to achieve economic objectives.

In this context, more recent statistics in Saudi-Indo economic relations include the following:

- Saudi is the 4th largest trade partner to India after China, the US, and Japan, with bilateral trade at \$27.48 billion in 2017-18.
- Bilateral trade between Saudi Arabia and India was valued at US\$ 33.07 billion in 2019. India's imports from Saudi Arabia reached US\$ 26.84 billion, and exports to Saudi Arabia were worth US\$ 6.24 billion.
- Saudi Arabia is India's second-biggest supplier of oil after Iraq
- According to Saudi Arabian General Investment Authority (SAGIA), there are 476 Indian companies registered as joint ventures and 100% Indian owned entities worth US\$ 1.5 billion in the Kingdom as of March 2020. These licenses are for projects in diverse sectors such as management and consultancy services, construction projects, telecommunications, information technology, financial services and software development, and pharmaceuticals
- Saudi Arabia is the 39th largest investor in India, with investments amounting to US \$315 Million. Major investment groups include ARAMCO, SABIC, ZAMIL, E-holidays, Al Batterjee Group.
- Major Indian companies and corporate groups such as L&T, TATAs, Wipro, TCS, TCIL, Shapoorji & Pallonji, etc., have established a strong presence in Saudi Arabia.
- SABIC set up its R&D Centre in Bangalore with an investment of over US\$ 100 million in November 2013.
- Saudi Aramco and UAE's ADNOC are jointly participating in the development of US\$ 44 billion 'West Coast Refinery & Petrochemicals Project Limited' in Raigad, Maharashtra.
- Saudi Company Al-Fanar is currently executing a 300 MW power project in Kutch.
- Saudi Aramco signed an MoU with Mumbai-based GumPro to set up a drilling facility in 2018.
- Saudi Arabia is interested in buying 20% of shares in the oil-to-chemicals business of India's \$75-billion Reliance Chemicals, which translates to \$15 billion.
- Saudi Arabia's sovereign fund PIF (Public Investment Fund) has announced that it will invest US\$ 1.5 billion in Jio Platforms, India's leading telecommunication and digital services company. PIF will hold a 2.32% stake in Jio Platforms

As such, the Saudi economy is becoming more accommodating towards Indian investors, companies, labour force, and skilled professionals, attracting them to enter the growing sectors of hospitality, tourism, housing, IT, etc., under the Vision 2030 agenda. Similarly, India's development programs, such as 'Skill India,' 'Digital India,' 'Smart Cities', are potential initiatives in the context of Saudi Arabia's vision program with the aim of development through economic opportunities. The growing importance of economic ties contextualizes the value of the geopolitical relations and concerns in the reinforcement of the Saudi-Indio strategic relations.

3.1. Oil Politics

Saudi Arabia and India have faced recent challenges in the area of oil politics despite its mutual oil dependency. For example, following OPEC's decision to disregard New Delhi's demands for more supply to support the global economy, Indian state refiners have announced their intention to reduce oil imports from Saudi Arabia by approximately a quarter in May, which has led to increased tensions with Saudi Arabia in this context. Between China, Japan, and South Korea, India has become the second most important market for Saudi oil exports and trade surplus. State refineries, which control about 60% of India's refining capacity of 5 million barrels per day (BPD), import an average of 14.7-14.8 million barrels of Saudi oil per month. Accordingly, India relies heavily on the Middle East as it imports more than 80% of its oil needs placing it as the world's third-biggest oil importer and consumer. In February, the United States overtook Iraq as India's second-largest supplier. Saudi Arabia, which had been one of India's top two suppliers for years, is now in 4th position, the lowest since January 2006.

Previously, Saudi Arabia and OPEC made managing diplomatic and commercial ties with the United States and Western Europe a top priority. As more developed markets in North America, Europe, and Northeast Asia stagnate or decline, India and China are projected to provide a marginal rise in global oil consumption over the next few years. Reduced oil consumption as a percentage of GDP, higher fuel taxes, and the United States' shale revolution have reduced European and American exposure to Middle East price shifts over the last two decades. As a result, India will become increasingly crucial for oil exporters. Saudi Arabia has been eager to form strategic alliances with Indian refiners and fuel distributors to gain exclusive access to one of the world's largest and fastest-growing international markets. As such, price changes have the most significant effect in Asia, especially in India and China, and these relationships will need more economic, diplomatic, and political consideration.

4. Geopolitical Stance

The Middle East region's stability and security are inextricably tied to that of the Indian subcontinent. The continuing civil war in Syria, Iranian aggression, the Palestine issue, and Yemen's conflict are critical threats to regional peace from an Indian viewpoint. South Asia is also confronted with significant problems, such as terrorism and extremism and other vital issues, including cyber and maritime security. Given the Kingdom's presence and power in West Asia and India's importance in South Asian geopolitics, exchanging know-how and best practices has created an opportunity to establish positive cooperation between Saudi Arabia and India.

4.1. Counterterrorism

Concerns about rising extremism and terrorism are one of the factors driving the two countries closer together. Together, in 2006 Saudi Arabia and India signed a memorandum of understanding to combat terrorism, extending their joint efforts to a bilateral level. Thereafter whether in Prime Minister Narendra Modi's historic visit to Saudi Arabia in 2016 or the 2019 Riyadh Declaration or during Crown Prince

Mohammed bin Salman's last visit to India, the leaders of the two countries' criticism of terrorism, extremism, and aggression only served to reaffirm that terrorism is a global danger that affects all societies. This further enhanced cooperation in counter-terrorism operations, intelligence sharing and law enforcement.

King Salman's recent visit to India in 2019 came at a sensitive time after the terror attack on the CRPF convoy in Pulwama, which killed more than 40 Indian soldiers in an attack carried out by the Pakistani group Jaish-e-Mohammad. The call to work together with the international community to condemn terrorism and countries harbouring or funding terrorist organizations was a key takeaway his visit. At the level of National Security Advisors, India and Saudi Arabia are working towards creating a "Comprehensive Security Dialogue" and a "Joint Working Group on Counter-Terrorism."

Previously, India also faced overarching threats from an IS presence, especially following the 2019 announcement by Indian members of IS expanding an Indian Wilayah in 2019 highlighted. This threat was addressed by the Indian government, followed by developing a separate entity to monitor the group. It is important to note that many Indian IS members have conducted operations outside India, including many based in the Gulf nations such as Iraq. With regards to security cooperation India had a similar approach with the US to combat Al Qaeda since the 2000s and the changing attitudes of India and the Gulf nations toward the Taliban, highlighting the two countries' security cooperation.

It is vital to note that the tension in India-Pakistan relations is a significant outcome of these shifts in ties. India's relationship with Gulf countries stemmed from Pakistan's proximity to the two states. Pakistan has shifted away from this dynamic resulting in Pakistan's self-sufficiency.

Efforts:

- 2019: The two countries decided to constitute a comprehensive security dialogue and joint working group on counterterrorism to deal with the challenges of terrorism effectively. The importance of this is to encourage ways to ensure the protection and safety of waterways in the Indian Ocean and Gulf regions from threats that may affect the interest of the two countries

4.2. Iranian Pressure: Security Concern

Though oil, trade, and expatriates form the cornerstone of Saudi-Indian relations, they also provide a basis for the two countries to engage in "strategic" engagement in their respective conflict-prone regions, South Asia and the Middle East. In this context, the impact of other countries, especially Pakistan and Iran are considerable. During his 2019 Riyadh visit Modi said in an interview published by Arab news: "India and Saudi Arabia share similar security concerns in their neighbourhood".

In 2015, Islamabad's reluctance to join the Saudi-led war in Yemen and subsequent reluctant membership in the 34-country Islamic coalition against terrorism strained Saudi-Pakistani ties. Their partnership, however, continues. In 2016, Saudi Foreign Minister Adel Al-Jubeir stated that the Kingdom's "relationships with Pakistan do not come at the cost of its relations with India." Unlike Malaysia and Turkey, Saudi Arabia

has maintained a neutral stance following India's revocation of Article 370 of its constitution, effectively integrating Kashmir with the rest of the region.

With Pakistan blocking India's access to Afghanistan, Iran serves as a strategic window to Afghanistan and Central Asia. Furthermore, before the toughening of US sanctions, India received about 15% of its oil supply from Iran. India has supported the Arab call for a Middle East nuclear weapon free-zone, recognizing that Iran's nuclear program could destabilize the region.

The Saudi-Iran rivalry is regarded as a complex political dimension in the region that affects various country relations. Iran is strategically vital for India; it is considered a natural gateway through its Chabahar port to Afghanistan and the Central Asian republics. Despite US sanctions, India has continued to develop infrastructure at the Chabahar port, which is located near the Chinese-Pakistani port of Gwadar in Balochistan. India has used the port to transport development aid to Kabul. Moreover, the port is used to facilitate growth for Indian trade relations with both Afghanistan and Iran as it is used to export their goods. Furthermore, the Chabahar port allows India to gain trade access to Uzbekistan, an opportunity to develop a resource-rich Central Asia.

Aside from energy and the Chabahar port, both India and Iran share an interest in Afghanistan. India and Iran have been in contact regarding developments of the Doha agreement between the US and the Taliban. In addition to peaceful borders with Afghanistan, free of terror groups and drug trafficking, Iran would also benefit from stability in its neighbouring region and opportunities for its various ethnic groups, an interest shared by India. However, India-Iran relations also need the diplomatic support and power which India has put behind growing ties with Saudi Arabia. Such relations are further complicated by the increasing diplomatic offenses against Turkey placing India in a difficult geostrategic stance as it holds political and economic preference to Saudi Arabia

Saudi-Indo cooperation is no longer strongly affected by Pakistan given the transformation of political will in India and Saudi Arabia relations. Saudi Arabia's recent refusal to support Pakistan's demands for an immediate meeting of the OIC Foreign Ministers in 2020 on Kashmir highlights the growing relationship's direction. Nonetheless, during the meeting Saudi Arabia reportedly offered to hold a joint meeting on Palestine and Kashmir issues, which was rejected by Pakistan, as it feared that Kashmir would not receive enough attention. Showing support to the Indian position on multilateral platforms will constitute the last hurdle for establishing a genuine strategic partnership between India and Saudi Arabia. The Kingdom has called upon international support to stand behind Saudi Arabia, especially concerning recent attacks on Saudi oil sites, to take a firm and clear position against this behaviour that threatens the global economy. As such, India and Saudi Arabia recognize the strategic importance of engaging with one another, Saudi Arabia and India will need to find ways to balance cooperation and rivalry with all the countries involved in their foreign policies to protect their interests.

4.3. Balance of Power

Developing a new collective security architecture involving the balance of power between China and India highlights the importance of a Sino-Indo cooperation relationship to maximize mutual benefits. This cooperative relationship has significant implications for the future of the two countries and the Gulf, about new dynamics of Gulf security in the future. The Gulf, China, and India must set the vision beyond oil in terms of a buyer-seller relationship by converting the transaction-based relationship into a strategic one.

Beijing's position in the region is to change and maximize their benefit from the existing regional order in developing economic and trade relations. For China, the GCC is a key consumer market that can help propel the country's economic growth. More technologically advanced goods (social media platforms, e-commerce, innovative city management, surveillance) from companies such as Net Dragon, Tencent, and Huawei have also been an important trade source and greatly received by growing tech industry across the regions. The weaponization of Chinese military technologies, especially uncrewed aerial vehicles, has also been purchased by Saudi Arabia as it hosts China's first overseas joint-venture drone factory in Al-Kharj. The Belt and Road Initiative (BRI) is another vital factor in the context of GCC-China relations. The BRI supports China's needs in the region by securing important sea routes and providing the GCC with economic development opportunities. However, as a matter of national security and principle, China's strategy and foreign policy are defined by their engagement with regional actors and the non-interventionist policy in conflict. This minimal approach may significantly affect the growth of political ties between the GCC and China, focusing the relations on the economic realm.

While China maintains its strategic position in the region, India is emerging as critical to developing a balanced security framework. Where both countries adopt a more flexible policy outlook. For India, a strategy of non-alignment with China would not benefit India's interest as China's geographical size and policies already present a threat to India's global interests and security. For example, China's alignment with Pakistan and deepening relations with other South Asian countries represents a significant challenge to India's position in the region. Furthermore, Beijing's ability to provide financial assistance and balance against New Delhi may tempt India's smaller neighbours to play one power against the other, undermining India in its own backyard. As such, Both India and China can seek to develop various strategic relations by merging regional partnerships that will complement both India and China's interests, which will result in more significant influential roles in the Gulf region.

4.4. Defence Strategy

Both India and Saudi Arabia are heavily reliant on imports in the defence sector. However, there is a greater realization of the need to diversify defence markets and achieve self-sufficiency in their respective defence industrial complexes. Although the two countries have yet to realize their full potential, they continue to improve bilateral defence cooperation. Security dynamics have prompted both sides to strengthen security and defence relations, including intelligence exchange, military drills, and military training, among other items mentioned under both PM Modi's 'Make in India' and Saudi Vision 2030 as possible support mechanisms.

Regular consultations on defence matters occur through established channels of cooperation, and a range of avenues have been explored and initiated. Defence

chiefs, expert exchange programs, training, delegation-level interactions, and joint exercises have made progress through high-level visits. India and Saudi Arabia are shifting from a purely buyer-seller relationship to moving towards a closer strategic partnership. A notable convergence in the relationship is evident through the most recent and first naval exercise scheduled for 2020 between the two countries to ensure the safety and security of waterways in the Indian Ocean and Gulf regions. In this context, the 2019 joint statement following Modi's visit paves the way for the first Saudi-Indian naval drills that were to take place in 2020. These drills were to take place near the Saudi coast enable the strong presence of Indian navy capabilities and the ability to test interoperability between the two navies, from the Strait of Hormuz to the Strait of Malacca.

The proposed Indo-Saudi involvement in the Indian Ocean Region (IOR) in 2019, which is part of New Delhi's Indo-Pacific vision, is critical for regional stability and order in the face of China's evolving geostrategic position. The alliance is taking shape in response to Riyadh's desire to play a more active role in the Indian Ocean region. As Saudi Arabia wants to extend its presence along some of Africa's eastern coast ports, it has become India's second-largest Western IOR partner after France. Modi hosted the Crown Prince in New Delhi in 2019 where both Leaders agreed that New Delhi and Riyadh should "work together with other Indian Ocean Rim Countries for enhancing maritime security, vital for the security and prosperity of both countries and safe passage for international trade." The narrow Strait of Hormuz is a critical strategic route for foreign trade, carrying nearly one-third of the world's liquefied natural gas and almost 25% of total global oil consumption. Such defence initiatives underline the possibility of the Kingdom exploring alternative security mechanisms.

Other notable defence and security developments include:

- The signing of the 'Memorandum of Understanding on Defence Cooperation in February 2014
- Collaboration in counterterrorism efforts, regional maritime security, cybersecurity, joint defence manufacturing, in addition to a focus on mutual regional and international security issues
- The establishment of a Saudi-Indo 'Joint Committee on Defence Cooperation (JCDC)' to identify a defence collaboration between them. The committee has had four meetings so far, in 2012, 2016, 2017, and 2019 - with the two sides deciding to engage in training and capacity building exercises, intelligence sharing, and maritime security - further boosting bilateral security cooperation.
- Possible engagement of India with the Riyadh-based Islamic Military Counter Terror Coalition could be beneficial to the region.
- The Royal Saudi naval forces have stepped up naval engagements with the Indian Navy and the Coast Guard, with Indian ships undertaking several goodwill visits to Saudi ports since the early 2000s
- Saudi armed forces have regularly attended training programs at Indian military institutions, including the National defence College, the College of Defence Management, and the Defence Services and Staff College India.
- India and Saudi Arabia have also agreed to strengthen their cooperation in defence production, as indicated by the signing of an MoU between the Saudi General Authority of Military Industries and India's Department of Défense Production.

- In efforts for increase maritime ties, the Indian chief of staff committee and director of the naval staff, Admiral Sunil Lanba, visited Saudi Arabia in February 2018. He met the Saudi Deputy Defence Minister Mohammed bin Abdullah Al-Ayesh and heads of the various military services. Lanba also visited the Naval Operations Centre, Naval Fire and Rescue School, and Western Fleet at Jeddah, which also involved a visit to HMS Dammam.
- Saudi Arabia has been keen to strengthen maritime security cooperation with India in the western Indian Ocean, which includes some of the busiest shipping lanes, including those in the Red Sea, the Gulf of Aden, the Arabian Sea, and the Gulf of Oman - these are also considerable interests to India (highlighted in the Indian Navy's Maritime Security Strategy issued in 2015)
- The Yemen evacuations in 2015 highlighted the depth of the defence relations where the Saudi Ministry of Defence gave access to Indian aircraft and ships engaged in the evacuation of Indian nationals from Sanaa and the ports of Aden and Al-Hodeida as part of 'Operation Raahat.'

Moreover, Dual-use services may be a possible approach to the Indo-Saudi defence and security relationship. Via dual-use manufacturing, the two countries could build electronic boards and computers for armoured vehicles, public transportation, and industrial applications that can be used for both military and civilian purposes. An agreement of dual-use technology development between two countries committed to the indigenization of the defence industrial complex would address defence interests and foster collaboration in other sectors like agriculture. Through such an approach, Saudi Arabia and India would achieve strategic and internal defence development benefits.

5. Socio-cultural Ties

Contacts between the two countries' peoples come in various forms and establishes the bases of Saudi-Indo relations. India's cultural similarities such as religion, and geographical proximity have made the Kingdom a preferred destination for Indians looking for employment opportunities in countries outside of India. The strong 2.6 million diaspora, employed primarily in hospitality and mining industries, is the largest expatriate community in the Kingdom.

Cultural exchanges and interaction should continue to focus on strengthening the relationship between the two countries, re-emphasizing the importance of supporting the diaspora as an asset for both countries. The active role of the Indian diaspora is growing as Saudi Arabia is shifting its focus on developing both the entertainment and tourism sectors. Therefore, the film industry may present a platform of soft power, especially given that the Indian film industry has registered enormous growth and is the fastest emerging multilingual industry in India, accommodating to the Saudi audience. Similarly, cultural engagement such as promoting yoga gives much-needed visibility to the bilateral meeting between the countries as it highlights the welcoming the integration of various cultural activities. Conversely, 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 where an Indian diplomat noted the “education sector has a huge potential for increased relationships between the two countries”

Another component of the Saudi-Indo ties is the Hajj pilgrimage. the Hajj Quota was increased by 24,975 in 2019, enabling around 2 00,000 Indians to perform Hajj in August 2019. With shared religious values, this has enhanced the cultural cooperation between the two countries, encouraging more religious visitors and easing people to people cooperation. As such, the strong Saudi-Indo socio-cultural ties bridges the two countries, creating a community cultivating and enhancing the relationship.

6. Conclusion

Overall, Saudi-Indo relations have undergone various phases before evolving into strong bilateral relations, and they continue to gradually acquire a solid strategic dimension. The two nations share historical bonds, have strong commercial and trade links, and are global emerging economies looking for sustainable growth and alternative security mechanisms. The large number of Indians employed in Saudi Arabia and regular diplomatic and political cooperation highlight the strong relations between the two states. With the changing geopolitical situation, the two countries have reinforced their strategic partnership and cooperation in the security and defence sectors and improvements in commercial and trade ties, while being aware of the challenges posed by external oppositions. The prospects for improvement in bilateral relations are promising, paving an opportunity to harness strong cooperation in various critical strategic areas.

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