

INDIA'S POLITICAL ECONOMIC RELATIONS WITH GCC STATES: A CASE STUDY OF SAUDI ARABIA

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Introduction

In this age of political and economic liberalization and privatization, the emerging development in the Arab world or West Asia, has its special importance in the global context in general, and in Asian context in particular. For instance, the Asian countries, particularly China and India's heavy reliance on natural resources, have considerable influence and geo-strategic importance of their bilateral relations in the present time. In this regard, the academic discussions are centered on the issues such as how has relationship developed over time? What are the various areas of economic reform including financial reform, trade liberalization, openness to foreign investment, and privatization efforts that have captured the global attentions? Moreover, in the context of Asia and Gulf region, the inter and intra-regional efforts such as the Arab Free Trade Area, Look-East Policy are playing vital role in promoting trade and capital flows across the region.

Keeping in view the above issues, this study basically aims to explore some emerging factors that have been instrumental in shaping the economy of Saudi Arabia in the context of its relation with India especially since last three or four decades.

Although India and the Arab world have long economic and commercial relations from the early medieval time to the present date and energy relations started mainly from the early seventies when the Gulf region started to export from its abundant oil and gas reserve. India on the other hand was set to expedite its five years economic development plans. This required energy from the Arab region which has been under the control of Western nations and American while most of their policy decisions were influenced by these co-called colonial powers. Purpose of this research is to study the India's political economic engagements with Saudi Arabia, have been shaped in recent decades. It is important to study India's political economic engagements with the Gulf at a time when Western and American control in the region is diminishing and Arabs are looking to towards Asian region. Here, how for the changing scenarios of political economic dynamics, with the ineffective control of OPEC in the global energy market? In this age of globalization,

energy, remittances and foreign investments are becoming vital segments of the future cooperation between the two regions.¹

The main focus here would be on how political actors and social forces influence, and in turn are influenced, by political economy structures and development strategies. In particular, the effects of state institutions, international actors, new groups such as private sector and their roles considered in the context of political economy theoretical approaches.

Thus, the processes and outcomes of economic reform; the impacts of globalization and foreign penetration the region; and the ways in which new industries and technologies are shaping the political economies of the region need special focus while explaining the dynamics of political economies of GCC states and Saudi Arabia.

The political and economic liberalization in the West Asian region indicate, these oil-rich Gulf States have seen tremendous changes in their economies and polities since last two decades. Two major factors, Internal and External, are worth mentioning in this regard. How the governmental policies during these periods have affected the population and economic development of these states needs to be examined mainly because the uprising or so-called ‘Arab Spring’ is the direct consequences of these policies. On the other hand, the external factors, especially in the context of the changing global Geo-political scene after the 1990s have put much pressure on these Gulf States to the reformulation of their political economies. This has not been only resulted into the regional integrations, but also various other social, economic and political changes have taken place.

India considers the Gulf region as part of its “extended neighborhood” and a part of its “natural economic hinterland”. The GCC has, evidently, become a major business partner for India as bilateral trade has grown tremendously. The total trade between India and the GCC has gone from about US\$ 5.55 billion in 2000–01 to US\$ 104 billion in 2017-18. Such a massive growth during the short period of a decade can be attributed mainly to the higher commodity prices, especially oil prices, in that period, and partly to the increased efforts to enhance trade relationships that were undertaken during this period by both sides. Today, the United Arab Emirates (UAE) and Saudi Arabia are among the top five trading partners of India. Though economic relations remain the backbone of the relationship, both sides have been looking for new areas of cooperation and are trying to strengthen their political and strategic ties.

The Gulf region is also an important destination for India’s products. Among others, India exports include mineral oils, organic chemicals, cereals, meats, fruits and vegetables, textiles products, iron and steel, electrical machinery and equipment, and other mechanical appliances to the GCC countries. However, trade balance is hugely in favor of the GCC countries because of the import of large quantities of petroleum crude by India. Though the GCC countries have surplus capital with them, India has not been able to attract

¹ Azhar. Muhammad, ‘Economic Cooperation between India and Saudi Arabia: Performance and Prospects’, *Middle Eastern Studies*, Vol. 44, No. 2 (Mar., 2008), pp. 323-334

substantial investment from the oil Gulf States. The foreign direct investment from the GCC countries in India is much below their potential. In recent times, a large number of Indian companies have established their branches and are involved in several projects in the region. The movement of people from India to the GCC countries for employment contributes to the growth of Indian foreign exchange reserve as they send money back home to their families.

In this context, how the emerging economies of the Gulf especially Saudi Arabia have evolved and integrated within and outside the region is the core theme of this research study. For instance, Saudi Arabia with its diverse socio-economic base has evolved itself as the hub of international business and finance and it is an attractive trade center of the entire Asian region. Recently sharp decline in oil prices cost of subsidies and military spending continue impacting the Kingdom's financial position. However, the 'mother of all problems' facing the nation is not a growing budget deficit, regional terrorism and sectarian tensions but the growing and endemic youth unemployment that continues to endanger Saudi Arabia's national security. Saudi Arabia needs to increase public-private sector cooperation to absorb millions of unemployed youth and avoid rendering them to the abyss of terrorism or civil unrest. Under 'Look East Policy', how the Kingdom looked towards India's emerging economy?

Saudi Arabia has an oil-based economy with strong government control over major economic activities. Since establishment in 1932, and the economic prosperity from the year 1973 oil price, Kingdom has been under the influence of US and Western Europe with strong economic and strategic supports between each others. Saudi Arabia possesses 18% of the world's proven petroleum reserves, ranks as the largest exporter of petroleum, and played a leading role in OPEC for many years. Saudi Arabia is the first largest Arab economy and belongs to high income countries, though the way towards this goal was different compared to many other countries. It became an independent state in 1971, with the establishment of its formal economic, social, and political institutions.²

Since its independence in 1947, India has sought to maintain strong ties with Saudi Arabia, an important regional power and trading base in West Asia. In one of the earlier visit by King Saud of Saudi Arabia to India in November 1955, both nations agreed to shape their relationship based on the Five Principles of Peaceful Co-existence. Because of political issues countries relations changes which affect the bilateral ties between countries, which also influences the countries associations.³

Since the 1990s, both nations have taken steps to improve ties. Saudi Arabia has supported granting observer status to India in the Organisation of Islamic Cooperation (OIC) and has expanded its collaboration with India to fight Islamic terrorism in the Arab World. In January 2006, King Abdullah of Saudi Arabia made a special

² Bernard Haykel, Thomas Hegghammer, Stéphane Lacroix., *Saudi Arabia in Transition*, Cambridge University Press, 19-Jan-2015 - Political Science - 351 pages

³ P. R. Kumaraswamy, MD Muddassir Quamar, *India's Saudi policy: Bridge to the Future*, Palgrave Macmillan Limited, 2019, pp.348

visit to India, becoming the first Saudi monarch in 51 years to do so. The Saudi King Abdullah and the Indian Prime Minister Manmohan Singh signed an agreement forging a strategic energy partnership that was termed the "Delhi Declaration." The pact provides for a reliable, stable and increased volume of crude oil supplies to India through long-term contracts.⁴

Over the last few years fundamental changes in the political and economic balances at global and regional level have necessitated that India and West Asia deepen their engagement. It is not a coincidence that as India 'looks west', the GCC too is looking east, to India.

We can say that for a long time, India was inward-looking and its economic outreach towards the Gulf region was mostly limited to oil diplomacy. Indeed, India's partnership with Gulf Cooperation Council (GCC) countries did not really mature in a wider political and economic sense until recently. In fact, even now a coherent strategy for India's foreign policy towards West Asia has not been articulated, unlike India's 'Look East' policy toward East Asia (1992), which has seen the culmination of India-ASEAN FTA in 2009/10. This despite increased diplomatic engagement between India and GCC.

An assessment of recent activities highlights this shift on both sides and in a span of just over a year, foreign minister Sushma Swaraj has already made four visits to the region. Prime Minister Modi's visit to the UAE in August 2019 was quickly followed by that of Finance Minister Jaitley. Similarly, foreign ministers of several Gulf countries visited India in the recent past underlining the regions inclination to engage with India.⁵ Recently PM Modi attended Future Investment Initiative (FII) forum in Riyadh, Saudi Arabia in October 2019 in which they talked about multiple initiatives and schemes implemented under his governance, such as tax structure reforms, FDI investments, one nation one grid schemes and Skill India. This time his two-day visit is to be a part of 'Davos in the desert', a high-profile financial summit Future Investment Initiative.

Moreover, the economic dimension of India and Gulf policy has become more pronounced in recent years. The GCC has emerged as India's largest trading partner constituting for about 18% of India's total trade for the year 2014-15. A significant presence of Indian diaspora in these countries is one of the most important sources of foreign exchange remittances for India. As a bloc, the GCC was the largest source for remittances to India at US\$32.7 billion in 2014 accounting for almost 30% of its total remittances. The GCC countries remain a significant destination for Indian venture, even as India is endeavoring to enhance GCC investment in India. India hopes to attract the cash rich Sovereign Wealth Funds (SWF) of these countries for investment in India's massive infrastructure expansion plans.

⁴ Mason., Robert, *Foreign Policy in Iran and Saudi Arabia: Economics and Diplomacy in the Middle East*, I.B.Tauris, 2015, pp.224

⁵ Gupta. Ranjit, *Prime Minister Modi Finally Begains His Interaction with West Asia*, Report, IPCS, 2015

Similarly, West Asia continues to be the primary source of India's energy needs. For the year 2014-15, about 40% of India's total energy imports came from the GCC countries. Further, energy made up about 75% of India's total imports from the region. Thus, stable and improved relations between India and the region are key to securing and expanding on these sources. India's trade and energy security is inextricably linked to the security of the Straits of Hormuz and Bab el-Mandeb. Accordingly, in recent years the Indian Navy has increased the number of port visits in the region. The Indian Navy also regularly conduct exercises with navies of several regional countries thereby lending its hand to Indian diplomacy in expanding India's reach in the region.

Although Arab governments have long recognized the need to shift away from an excessive dependence on hydrocarbons, they have had little success in doing so. Iraq, for example, set economic diversification as a core policy objective in one of its first five-year development plans in 1965 yet the country has only become more dependent on oil over time. In Qatar, Kuwait, and Saudi Arabia, too, diversification has been a central, yet largely unrealized, development goal since the 1970s. Even the United Arab Emirates' economy, one of the most diversified in the Gulf, is highly dependent on oil exports.

Why have Arab governments consistently failed to diversify their economies despite tall promises and grand plans? The answer has more to do with politics than economics. Indeed, if diversification were as simple as importing technical blueprints from states that have already diversified their economies, such as Botswana, Malaysia, and Norway, it would already have been accomplished. The trouble is that in many Arab economies, good economic policies rarely constitute good politics, especially for ruling elites. This is because the structural changes demanded by economic diversification specifically, the production of a greater number and variety of high value goods promise to empower business constituencies that, flush with new income, could potentially challenge the ruler.

Arab Gulf look East policy

This policy was particularly fruitful in promoting the country's economic growth and strengthening political and economic relations with developing nations.

A tour of China and India by Saudi Arabia's new monarch presages an era of reduced influence for the United States in Riyadh and of Saudi friendship. King Abdullah used his first trip outside the region since becoming the Saudi ruler to visit the two countries whose booming economies needed new supplies of oil to ensure their growth to increase joint investments in extraction in Saudi Arabia and refining in China. The Saudis are evaluating similar proposals for India.

The refining and extraction investments effectively create captive pools of Saudi oil just for India and China, giving them an alternative to buying on the open market at times of high prices. China and India are both reshaping their diplomacy to serve their energy needs.

It was the first visit by a Saudi king to China since the two countries established diplomatic relations in 1990, and the first such visit to India since 1955.⁶

After the independence, there was very little understanding among the West Asian elites, of India's policy of non-alignment in foreign affairs. Similarly, Indian elite images of West Asia were stereotyped. The fact that the Muslims constitute the predominant section of the inhabitants in the region led to the belief that supporting the Muslim Arab States against the Jewish state of Israel per se, would be sufficient to promote India's interest.

India's long standing policy of non-interference in internal matters of other countries and a political conduct of Indian diaspora in the region has further provided a boost to India's reputation in the region.

The development in India's Look West Policy is the recent defence ties between India and the Kingdom of Saudi Arabia, which is not only significant for both countries, but for the whole conflict ridden Arab region. The first major bilateral partnership between India and Saudi Arabia was the Delhi Declaration of 2006, which signed during King Abdullah's visit to India. The relationship further extends by 2010 Riyadh Declaration, which was signed between Indian Prime Minister Manmohan Singh and King Abdullah. This declaration is considering as a cornerstone of the strategic relationship between India and Saudi Arabia and boosts a roadmap for a closer New Delhi-Riyadh partnership. The first serious attempts about cooperation on defence and military issues was the 'first meeting of the India-Saudi Arabia joint committee' in 2012 which was spearheaded by Saudi Chief of Armed Forces Operations, Major General Suleiman Sale al-Khalifa. The major outcomes of the meeting were promoting defence exchanges and increasing military-to-military contacts. The new boost in the defence cooperation came in early 2014 when Salman bin Abdulaziz al Abdulaziz al Saud, the contemporary crown prince, the deputy prime minister, and the defence minister of Saudi Arabia visited India. A memorandum of Understanding (MoU) on Defence Engagement was signed between India and Saudi Arabia. The MoU allowed military training, education and exchange of Defence-related information and many more related fields.

The Indian Prime Minister Narendra Modi has started to reinforcement of 'Look West' or 'Link West' policy since May 2014. The visit of Indian PM Modi to the UAE show Delhi's intention to get more close with West Asian countries. An Indian Prime Minister has visited the UAE over 34 years, the country that contains 2.6 million Indian workers and Delhi's third largest economic partner with approximately 60bn bilateral trade. The Joint statement issued on the occasion "the start of new and strategic partnership" between two nations. The PM Modi's visit covered multi issues, including trade, terrorism and outreach to Indian diaspora, especially the blue-collared Indian workers and now recently PM Modi attend Future Investment Initiative (FII) forum in Riyadh, Saudi Arabia in October 2019.

⁶<https://books.google.co.in/books?id=2uERDAAAQBAJ&pg=PT260&dq=Arab+look+east+policy&hl=en&sa=X&ved=0ahUKEwjqr5KErdrAhWMKo8KHclTA80Q6AEIKjAB#v=onepage&q=Arab%20look%20east%20policy&f=false>

Firstly, Delhi proposed to the UAE's investors for investing in the infrastructure projects and both countries planned to reach a target of USD 75 billion to support infrastructure investment in India with the help of the UAE-India Infrastructure Investment Fund. India and the UAE seemed serious on the issue of terrorism. The joint statement said the two countries "coordinate efforts to counter radicalization and misuse of religion by groups and countries by inciting hatred, perpetrating and justifying terrorism or pursuing political aims". Further, the statement says "on all states to reject and abandon the use of terrorism against other countries, dismantle terrorism infrastructures where they exist, and bring perpetrators of terrorism to justice".⁷

Saudi Arabia Economy

What is has attracted other regions and countries to look towards Saudi Arabia? Why Saudi Arabia is an important country in the global political economic framework? Saudi Arabia is a founding member of several multinational organizations, including OPEC, the United Nations and the Arab League. It is also a founding member of the Gulf Cooperation Council, Muslim World League, the Organisation of Islamic Cooperation, and the Islamic Development Bank all of which are headquartered in Saudi. The country plays a prominent role in the International Monetary Fund, the World Bank and in 2005 joined the World Trade Organization.

Saudi Arabia, because of the country's regional and religious significance, is an important barometer of political reform in the Arab world. Since the recovery of oil prices in the late 1990s, economic reform has steadily progressed, paving the way for Saudi Arabia's accession to the World Trade Organization (WTO) in 2005. The World Economic Forum's Global Competitiveness Index (GCI) included Saudi Arabia for the first time in 2007. Saudi Arabia's ranking of 35th made it the highest new entrant to the index. In addition, Saudi Arabia entered the index as one of the highest-ranked countries in the region. It's ranking in the World Bank and International Finance Corporation's doing Business 2013 report jumped from 67th in 2004 to 22nd in 2012 out of 185 countries. Saudi Arabia was the top-ranked country in the West Asia and North Africa in 2012.⁸

In this way, Saudi Arabia is a country in the Gulf region with a balance of economic integration while maintain its heritage, cultural values and traditions of its people. In its relation with the global economy, Saudi Arabia plays a vital role in the region: as the largest country in the Gulf Cooperation Council (GCC), Saudi Arabia helps shape the GCC integration process; and it also supports many other countries in the region. It also constitutes a key source of investments and remittance inflows for many South Asian and neighboring Arab countries.⁹

⁷ Arun Kumar Banerji, India and West Asia, *The Round Table*, 1988, 77:305, 26-38, DOI: 10.1080/00358538808453851

⁸ Kechichian., Joseph A., *Legal and Political Reforms in Saudi Arabia*, Routledge, 2013, pp.346

⁹ Rieger., René, *Saudi Arabian Foreign Relations: Diplomacy and Mediation in Conflict Resolution*, Taylor & Francis, 2016, pp.242

India's deepening relations with the Saudi Arabia is shaped primarily by India's effort to diversify its secured energy imports, safety and welfare of its more than five-million-strong diaspora, and more importantly, security and counter-terror cooperation. That the Modi government has found a formula to avoid the pressure of 'balancing act' is the most likely reason behind his hitherto successful Persian Gulf policy.

India's Saudi Policy and locates the current state of bilateral relations and the challenges it faces. India's strategic relations with Saudi Arabia have been affected by the latter's relations with Pakistan. Saudi Arabia supported Pakistan's stance on the Kashmir conflict and during the Indo-Pakistani War of 1971, at the expense of its relations with India. It can be argued that during the Cold War the relations were largely shaped by the Pakistan factor which in turn inhibited both sides from exploring the importance and value of one another. As a result, the relations were largely transactional and marginal. The end of the Cold War coincided with two interesting developments, namely, significant growth in India's economic power and influence and the de-hyphenation of Pakistan from its West Asia policy. This resulted in greater political engagements between India and Saudi Arabia and was strengthened by the growing energy trade ties. For long expatriate population and hajj have been the backbone of the relations, and they have been new instruments as India looks to enhance its engagements with the Kingdom through investments opportunities, political contacts, shared security concerns and strategic cooperation. India's Saudi policy, however, face many challenges most importantly the regional instability, the Iran factor, low oil price and the international dynamics.¹⁰

Indo Saudi Foreign Policy Perspectives:

Saudi Arabia's need to diversify its alliances has grown more acute amid the Western backlash over the killing of the Saudi dissident Jamal Khashoggi by Saudi agents in Istanbul in October 2018 Congress has pursued measures to blame Prince Mohammed for the killing and limit military aid to the kingdom, while American tech companies that the prince heavily courted for projects in the kingdom have stepped back for fear of damaging their reputations.¹¹

Historically, Saudi Arabia's relationship with Asia was mostly transactional, with the kingdom selling crude oil to power Asian economies while importing manufactured products, In February 2019, as a shift to the Asian region, Crown Prince Mohammed bin Salman of Saudi Arabia vowed to invest billions of dollars in Pakistan and pushed to sell more oil to India

The relationship has grown because both countries have ambitious development plans that they believe the other can help achieve. Along with seeing Saudi Arabia as a stable source of oil for example, China hopes that

¹⁰ Quamar. Muddassir, *Dirasat Indo- Saudi Realtios: Emerging Strategic Dimensions*, King Faisal Centre for Research and Islamic studies (KFCRIS), 2018, pp.36

¹¹ Hudson Michael C, Kirk Marion E, *Gulf Politics and Economics in a Changing World*, 2014, pp 240

the kingdom can play a role in its Belt and Road Initiative, an ambitious plan by Mr. Xi to build rail lines, power networks and roads to better connect China to allies in Europe and Africa.¹²

India has been walking a tightrope of neutrality in the MENA region by balancing between all of its allies there, many of whom are in conflict with each other. This balancing act is in accord with a long line of pragmatic thinkers in the Indian foreign policy establishment, most recently epitomized by Prime Minister Modi, and also India's growing clout in Asia as a benign power that respects the internal affairs of foreign countries.¹³

With the advent of Islam in the Middle East region, Arab traders began to propagate the religion in parts of Southern India such as Kerala and Karnataka, with many of the practices taught then still prevalent in these states. In the post-colonial period, India's relationship with the MENA region was mainly focused on Egypt, Palestine and Iraq (with a slightly lesser focus on Saudi Arabia) due to the importance of these three countries in the region. India took an ideological position regarding the West, calling for the decolonization of various third world nations. This shaped its stance on the Palestinian cause, to which it strongly aligned itself with during the Cold War. India's stance on Palestine was also a result of its attempts to woo other Arab states, most of which supported the cause. This was also carried out to counterbalance Pakistan's efforts to persuade Arab nations to take a pro-Islamic, anti-Indian position, especially due to India's administration of Muslim-majority Kashmir.¹⁴

India's economic and commercial interests in West and Central Asia encompass an expanding and vast array of areas including trade, investment, energy security, migrant workers, counter terrorism, littoral security, and the development and preservation of ocean resources.

Researchers in this regard have in particular argued that as far that energy security and India's need its concerned, there should good relations with the Islamic world because of its own large Muslim populations are therefore important in determining its foreign relations posture and will remain so. Its energy links with the Gulf dictate tight economic relationships. These have in turn acted to maintain New Delhi's focus on the Gulf Southwest Asia, Central Asia, and East Africa, and the trade routes that connect them with India. The concepts and ideas of Indo- Gulf energy relations have drastically changed after 1990s, the decades in which energy become a concern in the global markets. This also followed by the new investment strategies in energy

¹² Dahiya, Rume, *Developments in the Gulf Region: Prospects and Challenges for India in the Next Two Decades*, Pentagon Press, 2014, pp.177

¹³ *Strengthening China's and India's Trade and Investment Ties to the Middle East and North Africa*, World Bank Publications, 2009, pp.187

¹⁴ George T. Abed, Hamid Reza Davoodi, *Challenges of Growth and Globalization in the Middle East and North Africa*, International Monetary Fund, 05-Sep-2003, pp.24

by the private participants. While efforts to diversify sources of oil and gas supplies remains an important energy security strategy equally important is to consolidate linkage with the Gulf countries by weaving in the energy ties into a framework of economic interdependence raising mutual stakes to hedge against the risk possibility. In the market based economic regime, the energy ties are not limited to trading in hydrocarbons.

India has of late opened its oil and gas sector to the private sector. It now permits 100 percent FDI investment and ownership into refineries, besides exploration and production. Marketing of certain products like lubes, LPG and commercial/industrial kerosene has also been opened up. India is an emerging market for petroleum products. To meet the growing demand for petro products, it is proposed to enhance the refinery capacity more than three times from the current 112 mt to 358 mt four or five years hence, the new buoyancy of the Indian market has attracted the attention of Gulf investment. Major financial institutions and companies have shown interest like the International Petroleum Investment Corporation (IPIC), and the Abu Dhabi Investment Company (ADIC). It is also expected as the multibillion dollar regional gas projects where India is seen to be its destination. The UAE Offsets Group (UOG) is reportedly examining the proposal to the supply gas to India under the project which envisages sourcing gas from Qatar's gas fields via under seawater pipeline to Abu Dhabi and from there onwards to other parts of the UAE, Oman and Pakistan. The disinvestment policy of India in the petroleum sector is expected to facilitate the Investment flows from these regions.¹⁵

India's links with the West Asia a region that plays a vital role in India's economy and its future for example, having assumed the role of a 'net security provider' in the Indian Ocean Region (IOR), the Indian Navy has moved to secure the near and extended neighborhood, seeking an active expansion of operational presence in Arabian Sea.

With Saudi Arabia too, the maritime outreach has been considerable. During Prime Minister Narendra Modi's visit to Saudi Arabia in April 2016, there was an agreement on strengthening maritime security in the Gulf and the Indian Ocean regions, as also to improve bilateral collaboration in humanitarian assistance and evacuation in natural disasters and conflict situations. Saudi Arabia's non-oil revenue climbed 63 per cent in the first quarter of 2018, propelled by improved tax collection as part of a drive to reduce the economy's reliance on income from oil exports.

India's high levels of oil trade with the Gulf Cooperation Council Countries (G.C.C.) now at over \$135 billion, up from \$5.5 billion in 2001 is a clear indication of New Delhi's principal consideration of the Middle East as a reliable source of energy. India also appears focused on the issues surrounding its growing numbers

¹⁵ Pant. Girijesh, 'India's Energy Security: The Gulf Factor', in Pasha, A K., (ed.), *India and The Gulf Region: Maritime History, Trade, Security and Political Reforms*, Delhi: Wisdom Publications, 2014, pp

of Indian workers in Gulf States, numbering over seven million, earning remittances of around \$40 billion annually.¹⁶

Indo Saudi Labour Markets

Arab countries have been for long a destination for Indians who wanted to make money and send it back to support their families. Now that Arab economies are facing pressures due to spike in oil production in recent years and the need to diversify beyond oil, working in a Gulf country will not necessarily mean making a lot of money. As cost of living rises in Gulf countries due to new taxes, Indian workers have started coming back. Saudi Arabia has slapped an expat levy on employers which will encourage employers to hire more Saudis than foreign workers Governments in the Gulf have also drawn hundreds of billions of dollars from their massive sovereign wealth funds to curb deficits. The six Gulf States are now taking austerity measures a step further by introducing more taxes, ending their decades-old reputation for being tax havens.

Around 8.5 million Indians live and work in the Gulf, the vast majority of them semi-skilled or unskilled workers. These workers constitute an important source of income for India and are contributing to the success and well-being of Gulf economies. Despite this, the Gulf's Indian diaspora faces serious and well-documented challenges to its labor rights.¹⁷

As per External Affairs Ministry data, nearly 85 lakh Indians work or reside in GCC countries. In the first seven months of this year, over 2.77 lakh Indians relocated to the Gulf in search of jobs. The UAE has absorbed most of these jobseekers (about 1.10 lakh Indians), followed by Saudi Arabia (59,911), Oman (42,095), Kuwait (40,010) and Bahrain (7,591).

Migrant workers are engaged in every sector of development activity in the Gulf. They contribute substantially to the economic growth of labor receiving countries. Ironically, however, migrant workers are considered to be a threat to national security.

Saudi Arabia is taking a hard look at its economy, including jobs, as it can no longer rely on oil. The kingdom is aggressively pushing a 'Saudi First' policy in the jobs sector. Its revised Nitaqat (or Saudisation) scheme means only a handful of organisations will be able to apply for new block visas for migrant employees from September 2017. It is looking to diversifying its economy under a plan called Vision 2030, which calls for development of non-oil industries and broadbasing investment. In April, Saudi labour ministry barred

¹⁶ A. A. Kubursi, Oil, Influence, and Development: The Gulf States and the International Economy, *International Journal*, Vol. 41, No. 2, Southwest Asia (Spring, 1986), pp. 362-382

¹⁷ Khan. Javed Ahamd, *India and West Asia: Emerging Markets in the Liberalisation Era*, SAGE Publications, 1999, pp.263

foreigners from working in Saudi Arabia's numerous shopping malls. Saudi Arabia also has plans to slap an expat levy on employers, which will encourage employers to hire more Saudis than foreign workers. This will not only limit opportunities for Indian workers in Saudi but also hit their savings—expat levy will come when the country is also going to impose a 5% value-added tax. All these steps to create more jobs for locals are part of Vision 2030.

CONCLUSION

India maintains close ties with the Gulf Arab countries and particularly in Saudi Arabia in order to boost literature trade, ensure energy security, the continued flow of remittances, the well-being of the Indian expatriate workforce, and the tackling of the terror threat. It is rightly pointed out that till the end of 20th century, economic and political ties between the Saudi Arab and India were sustained by current energy, trade, and migration dynamics but the twenty first century has brought out a new world order in a globalized form, where we can see the establishment of a robust bilateral relationship ties. In a new order framework where strategic allies have shifted in the wake of global changing scenario. Several factors are contributing the growing importance of the India-Saudi Arabia relations and it is time to convert the "opportunity" into a strategy. The political and security concerns shared by the both countries in recent years also points the understating these issues. This work also highlighted and on the India's political economic activities with Saudi Arabia and explored the various factors that have been instrumental in shaping the economies of India and Saudi Arabia, and also examined both internal and external factors in order to assess the policy perspectives of the respective regimes for stability of their economies. This has been examined in the context of historical links of economic relation between India and Saudi Arabia, and how the energy and commerce plays vital role in security dimensions for India's political economic engagements in recent decades. India still gets most of its energy imports from the GCC countries, drawing some 750,000 barrels of oil per day from Saudi Arabia alone. If a war suddenly disrupted those supplies, it would deal a blow to critical sectors in India's economy, such as manufacturing, refining, and transportation. In 2016, oil provided more than 25 percent of India's energy and accounted for over 40 percent of the power in its transportation sector. Together with gas, oil is crucial to India's drive to modernize its military and increase its wealth.

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