



Riyadh Summit

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This article is based on **“Substance across the Arabian Sea”** which was published in The Hindu on 1/11/2019. It talks about the significance of India-Saudi Arabia relations.

Recently, the Prime Minister of India visited Saudi Arabia to attend the **Riyadh Summit**, which is the third summit in many years.

Southwest Asian sub-region has been under volatile circumstances, ranging from India-Pakistan tensions to **crises** in **Yemen**, **Syria** and **Afghanistan**. This geopolitical flux can get aggravated due to **rising prices in the oil market**.

In spite of this, Riyadh Summit demonstrates maturity and strategic construct in India-Saudi Arabia ties.

Significance of Riyadh Summit

- **Mutual understanding on core issues:** India and Saudi Arabia acknowledged each other's **core interests**.
 - Saudi Arabia expressed an understanding of recent **Indian actions in Jammu and Kashmir**.
 - On the other hand, India strongly condemned the various attacks on Saudi civilian facilities.
- For India, the Riyadh Summit acquired added importance as it coincidentally preceded **two domestic developments in India**, having implication vis-à-vis the countries of west Asia.
 - The **conversion of the Jammu and Kashmir into two Union Territories**.
 - The Supreme Court hearing on the Ayodhya dispute.
- **Defence cooperation:** Bilateral defence, security and anti-terror cooperation has intensified and the first naval exercise is to be held soon.

- **Strategic Partnership Council:** Setting up of a bilateral **Strategic Partnership Council (SPC)** is a defining development.
 - SPC will be co-chaired by the Indian Prime Minister and the Saudi Crown Prince.
 - The SPC would be a permanent bilateral platform, which will also include officials from Foreign, Trade and Industry Ministries, of both countries.
 - Given the centralised nature of executive at both ends, SPC can expedite the decision-making process.
- **India as an investment destination:** At the **Future Investment Initiative (FII)** forum in Riyadh, Prime Minister of India listed **five areas of investment in India i.e.** technology and innovation, infrastructure development, human resource development, environment and business-friendly governance.

Through FII India has invited Saudi Arabia's companies to invest in India's energy sector as India has set a **target of \$100 billion investment in the sector by 2024.**
- **12 Memorandum of Understandings (MoUs)** on issues related to defence industries, security, air services, renewable energy, medicine products regulation, prevention of narcotics trafficking, and the use of RuPay cards in Saudi Arabia.

Significance of India-Saudi Arabia Relations

- **Geostrategic importance:** Saudi Arabia is an important pillar in **India's 'Look West' policy.**
 - Through Look West policy, India strives to have good and growing relations with all major nearby regional powers — Iran, Saudi Arabia, UAE, Iraq, Egypt and Israel.
 - Saudi Arabia has identified India as one of the **eight strategic partners** with whom it intends to deepen partnership in areas of political engagement, security, trade and investment, and culture.
- **Security cooperation:** During Indian PM's 2016 visit, an MoU on cooperation in the exchange of intelligence related to money laundering and terrorism financing was signed.
- **Energy security:** Saudi Arabia is **crucial for India's energy security**, being a source of 17% or more of crude oil and 32% of LPG requirements of India.
- **Trade ties:** Bilateral trade between the two countries was the US \$27.48 billion during 2017-18, making **Saudi Arabia India's 4th largest trading partner.**
- **People to people relations:** Though the **Indian community in Saudi Arabia** 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.

Challenges

- Earlier in 2019, Saudi Crown Prince Mohammed bin Salman had committed to investing \$100 billion in India.
However, Saudi Arabia's investment in India, too, remains far below potential (only \$229 million, or 0.05% of the total inbound FDI).
- The trade balance between India and Saudi Arabia is highly in favour of Saudi Arabia, and India's exports are mainly restricted to the agricultural sector.

Way Forward

- Among the potential areas for the 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 Saudi Arabia's expatriate population and boosting 'Make in India'.
- Saudi Arabia has acquired a major stake in \$44 billion refinery project in Ratnagiri district in Maharashtra.
 - Also, Saudi Arabia's company Aramco has acquired a 20% share in the Reliance refinery at Jamnagar and it also participates in building India's Strategic Petroleum Reserves.
 - Therefore, India can **streamline the regulatory process** to expedite investment from Saudi Arabia.
- The World Bank's recently published "**Ease of Doing Business**" rankings included both India and Saudi Arabia in its ten "most improved economies".
 - India and Saudi Arabia ranked 63rd and 62nd respectively.
 - **A joint collaborative effort of both economies will transform the Southwest Asia sub-region.**

Drishti Mains Question

Analyse India-Saudi Arabia relations amidst geopolitical flux in Southwest Asia.