

The Finance Minister's visit to Saudi Arabia for Joint Commission Meeting (JCM)

Lekha Chakraborty

The Union Minister of Finance and Corporate Affairs, Mr Arun Jaitley has visited Saudi Arabia to co-chair the 12th India-Saudi Arabia Joint Commission Meeting (JCM), on February 18th and 19th 2018. He has discussed Indo-Saudi bilateral relations with King Salman at Al-Yamamah Palace. It is interesting to note that King Salman has also met with Switzerland's Finance Minister and Federal Council Chairman Ueli Maurer. The purpose of these meetings was to strengthen the bilateral ties between the countries in trade and investment.

Saudi Arabia is one of India's strategic business partners in trade and commerce in the region. It is the fourth-largest trading partner of India. Saudi is also a major energy supplier to India. The volume of bilateral trade between India and Saudi Arabia was around USD 25 billion in 2016-17.

The Finance Minister Arun Jaitley has also met "Council of Saudi Chamber" (CSC) Chairman Ahmed Sulaiman Al-Raihi and other top business men of Saudi Arabia to discuss the ways to catalyse the co-operation between the countries in trade and commerce. He has visited the "India Pavilion" at the "Saudi National Heritage and Cultural Festival" -Janadriyah. The Indian Pavilion, which highlighted the "Make in India" initiative, was based on the theme "Saudi ka Dost Bharat".

On February 18th, Finance Minister Arun Jaitley has met his counterpart, Saudi Finance Minister Mohammed bin Abdullah Al-Jadaam and opened "Saudi-India Business Council". He tweeted that he has also met Saudi Minister of Energy, Industry & Mineral Resources Khalid bin Abdulaziz Al-Falih, and Saudi Minister of Trade and Investment H.E. Dr. Majid Al Qasabi. The comprehensive press release on information relate to these meetings is still awaited.

Quite contrary to the popular perception that Indo- Saudi relations has been primarily the security cooperation against terrorism and intelligence sharing, it is "energy trade" that remains as the significant factor in Indo-Saudi relations. Saudi Arabia is the largest oil importer of India.

The comprehensive energy partnership between the two countries by deepening the energy infrastructure is crucial for India.

At the same time, as Saudi budget depends hugely on oil-revenue, the fluctuating oil prices has led to fall in oil revenue. Saudi Arabia's King Salman's Vision 2030 document emphasizes a diversification of Saudi economy from its over-dependence on oil revenue in the "Fiscal Management programme" document where he envisions a medium term fiscal framework of the country. Therefore, strengthening ties between the countries in the region to attract investment potentials is significant for their economic growth. It is also interesting to note the other initiatives of King Salman such as NEOM, a US dollar 500 billion project on Artificial –Intelligence driven city on the Red Sea to modernize Saudi Arabia.

In the post-liberalised regime, Saudi Arabia has become an important partner for India in the Gulf region. It is interesting to recall here Prime Minister Narendra Modi's visit to Saudi on April 2016. It has strengthened the strategic partnership between the countries amidst the issues emanating from Saudi's relations with Pakistan and Yemen. The visit of earlier Prime Minister Manmohan Singh in 2010 had also laid strong foundations for the India-Saudi strategic ties. Over the years, India has had negotiations with Saudi to widen the trade and investment to "non-oil sectors" as well.

Historically, the trade and commerce links between [ancient India](#) and [Arabia](#) date back to 1000 AD, when the trade relations between Kerala and Arabia began. Over the centuries, Saudi Arabia is also home to more than 1.4 million Indian workers, mainly from Kerala, as per the estimates of an UNESCAP study on major expatriates in the Gulf region. Despite the initiatives for strengthening regional co-operation and bilateral ties, one must also note the trend of "protectionist policies" in Saudi Arabia. The recent "Nitaqat system" in Saudi introduced a threshold percentage of jobs reserved for the Saudi citizens. There is also an exorbitant 'expatriate dependent fee' or 'family tax' in which expatriate has to pay tax for the dependents. These policies will lead to return migration and it will have huge fiscal consequences, especially in the South Indian State of Kerala. Financing of reverse migration from Saudi Arabia and absorbing them with health care for elderly, jobs for youth and education for children would be a huge challenge facing the Centre and the State, which can lead to further burgeoning of fiscal deficits.

In terms of investment, Saudi Arabia is ranked at 15th position in country-wise FDI joint venture (JV) in India. Saudi Arabia is also among the major FDI investing countries in India. Therefore Finance Ministers' visit to Saudi Arabia is crucial from the point of bolstering the bilateral trade, commerce and investment between the countries. However, the reality is mixed.